Montgomery County Response
Affordable Housing & Foreclosures

CountyStat Meeting
January 9, 2009

CountyStat

CountyStat Principles

- **Require Data Driven Performance**

- **Promote Strategic Governance**

- **Increase Government Transparency**

- **Foster a Culture of Accountability**

Agenda

- **Welcome and introductions**
- **Foreclosures in Montgomery County (Quarters 3 and 4)**
  - Follow-up items update
  - County response
    - Foreclosure prevention counseling
    - Foreclosure-related code enforcement
- **Affordable Housing**
  - Follow-up items update
  - Changing picture of affordable housing
- **Examining the costs of affordable housing and foreclosure-related programs**
- **Wrap-up and follow-up items**

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- **Welcome and introductions**

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    - County response
        - Foreclosure prevention counseling
        - Foreclosure-related code enforcement

- **Affordable Housing**
    - Follow-up items update
    - Changing picture of affordable housing

- **Examining the costs of affordable housing and foreclosure-related programs**

- **Alternative approaches to mitigate foreclosure impacts**

- **Wrap-up and follow-up items**

Follow-up Item Progress
Foreclosures (1 of 2)

Complete

- Examine the impact of vacant, bank-owned properties on tax bill collection.
    - According to the Department of Finance, the increase in foreclosures has not affected delinquency notices. However, property tax payments are likely to decrease given declining home values due to the weakening real estate market as a whole.

Complete

- Upload maps of foreclosure events by Regional Service Area to the DHCA website as a source of information to County residents.

Complete

- Explore the feasibility of reaching out to Homeowner Associations (HOAs) en masse with information on foreclosure prevention.
    - Current addresses exist for all Homeowners' Associations and are maintained by the Department of Housing and Community Affairs

Follow-up Item Progress
Foreclosures (2 of 2)

In Progress

- Examine the impact of vacant properties on the ability of HOAs to provide services to their members (example: snow plowing).
  - The Commission on Common Ownership Communities is drafting a survey to go to homeowners' associations on this issue.

Complete

- Redesign the specifications for emergency board-ups to mitigate the appearance of blight.
  - DHCA will paint boards a single color to protect the wood's surface and reduce the appearance of blight.

In Progress

- Continue to track outcomes of foreclosure programs, specifically foreclosure prevention counseling, vacant property reporting, and code enforcement of vacant properties.

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Current state of foreclosures in the County
Overview

	Notices of Default	Notices of Sale	Lender Purchases	Total Events
2007 Q1	103	64	16	183
2007 Q2	466	69	70	605
2007 Q3	527	270	58	855
2007 Q4	556	627	130	1,313
2008 Q1	613	918	117	1,648
2008 Q2	1163	78	76	1,317
2008 Q3	504	111	315	930
Total	3,932	2,137	782	6,855

Note: This address-level data was provided by RealtyTrac to the Maryland Department of Housing and Community Development (DHCD). The data was then "geocoded" to locate each foreclosure event for use with mapping software. The totals reported from address-level data will not always match DHCD's reported totals at the zipcode, county, or other levels of geography. Additionally, RealtyTrac data is derived from circuit court records and may not include all foreclosure events taking place.

Source: Maryland Department of Housing and Community Development; M-NCPPC geocoded MC_ForeclosureEvents file

CountyStat

Current state of foreclosures in the County
Overview of Foreclosure Events by Regional Service Area

	Notices of Default	Notices of Sale	Lender Purchases	Total Events
Bethesda	373	197	63	**633**
East County	461	268	80	**809**
Mid County	955	494	188	**1,637**
Silver Spring	235	116	46	**397**
Up-County	1,880	1,046	401	**3,327**
Total	**3,932**	**2,137**	**782**	**6,851**

Note: The total number of events does not equal the total number of properties in the foreclosure process due to the nature of the data provided by the State.

This table displays foreclosure events over 2007 through the 3rd quarter of 2008 by Regional Service Area.

Source: Maryland Department of Housing and Community Development; M-NCPPC geocoded MC_ForeclosureEvents file

CountyStat

Current state of foreclosures in the County
Overview of Foreclosure Events by Regional Service Area

	Notices of Default			Notices of Sale			Lender Purchases		
	2008 Q2	2008 Q3	% Change	2008 Q2	2008 Q3	% Change	2008 Q2	2008 Q3	% Change
Bethesda	99	43	**-56%**	5	9	**80%**	6	22	**267%**
East County	127	60	**-53%**	11	18	**64%**	11	24	**118%**
Mid County	287	120	**-58%**	16	21	**31%**	13	86	**562%**
Silver Spring	66	29	**-56%**	8	7	**-13%**	3	18	**500%**
Up-County	584	252	**-57%**	38	56	**47%**	43	165	**284%**
Total	**1163**	**504**	**-57%**	**78**	**111**	**42%**	**76**	**315**	**314%**

Note: This address-level data was provided by RealtyTrac to the Maryland Department of Housing and Community Development (DHCD). The data was then "geocoded" to locate each foreclosure event for use with mapping software. The totals reported from address-level data will not always match DHCD's reported totals at the zipcode, county, or other levels of geography. Additionally, RealtyTrac data is derived from circuit court records and may not include all foreclosure events taking place.
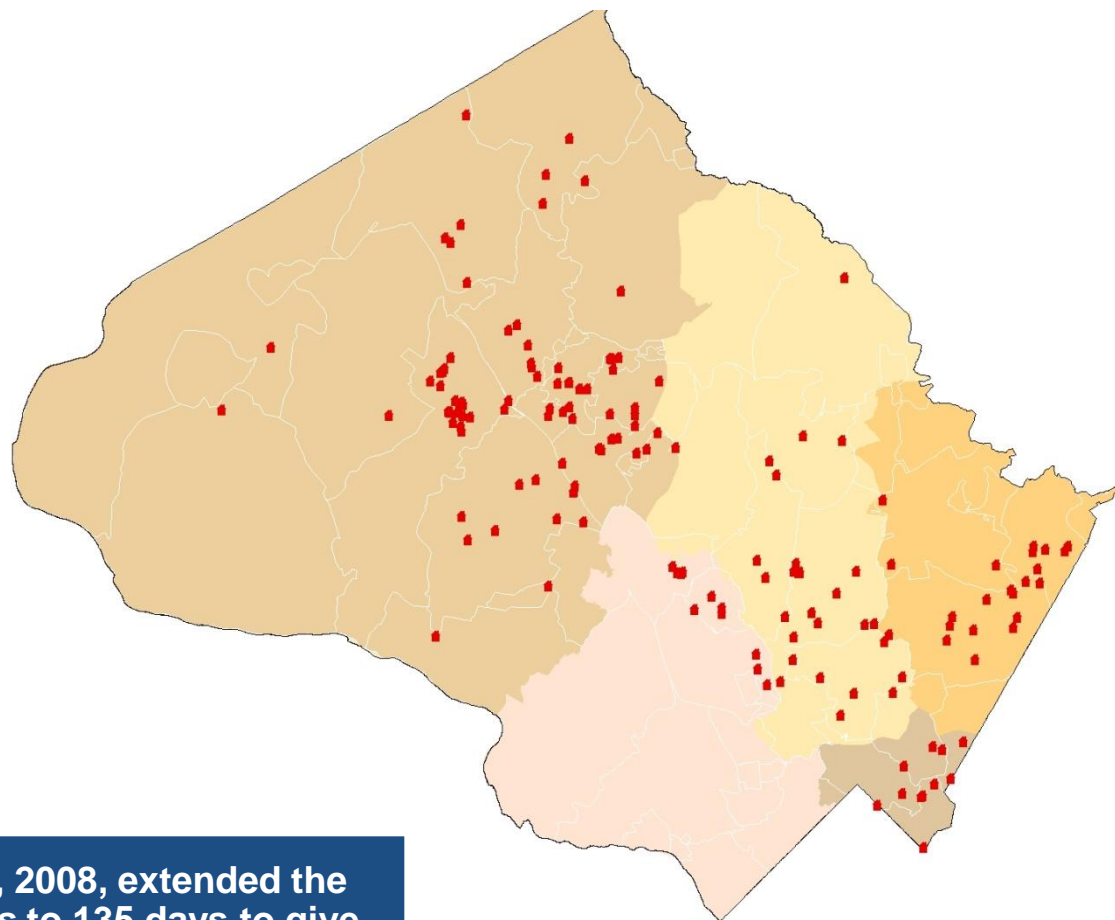
Source: Maryland Department of Housing and Community Development; M-NCPPC geocoded MC_ForeclosureEvents file

Current state of foreclosures in the County
2nd Quarter 2008

Regional Service Center	Notices of Sale	Lender Purchases
Bethesda	5	6
East County	11	11
Mid County	16	13
Silver Spring	8	3
Up-County	38	43
Total	78	76

State legislation, effective April 4, 2008, extended the foreclosure period from two weeks to 135 days to give homeowners a greater opportunity to mitigate problems.
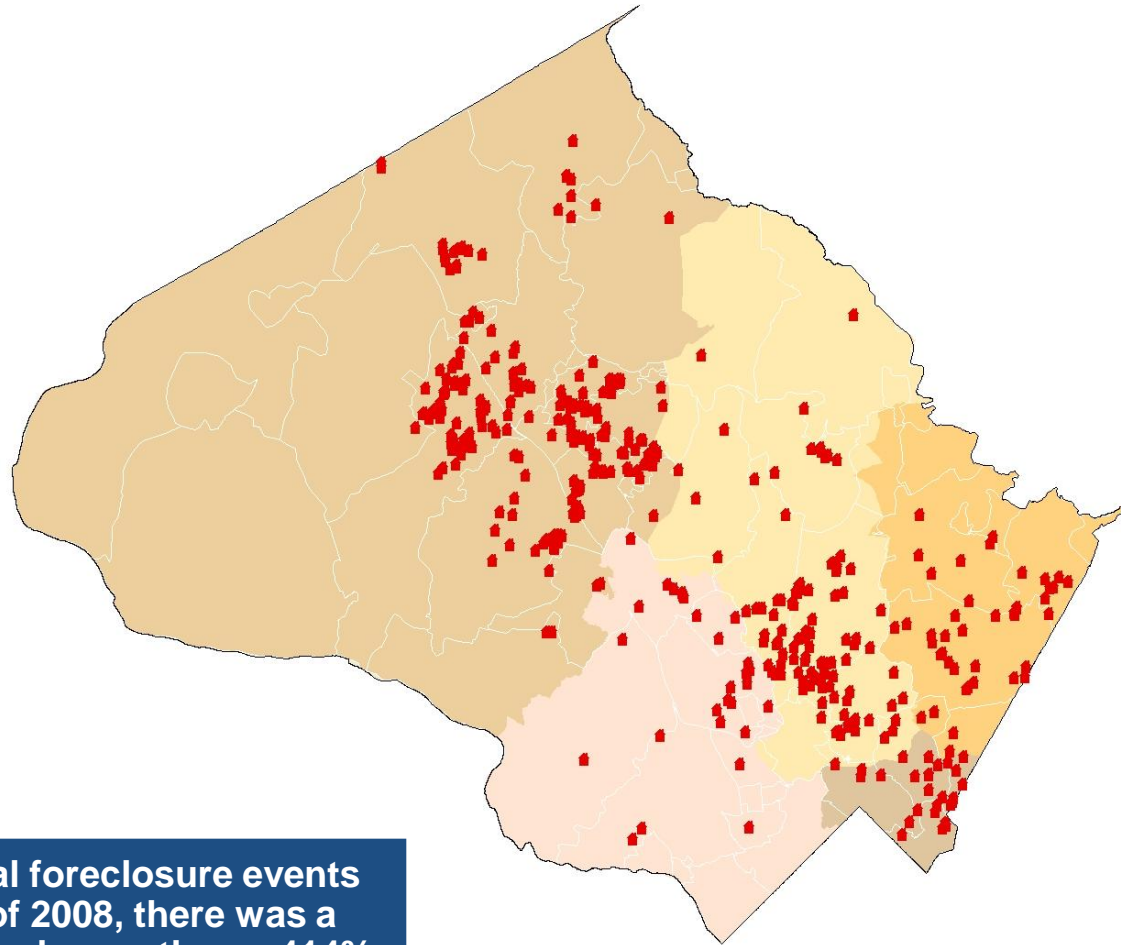
Source: Maryland Department of Housing and Community Development; M-NCPPC geocoded MC_ForeclosureEvents file

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Current state of foreclosures in the County
3rd Quarter 2008

| Regional Service Center	Notices of Sale	Lender Purchases
Bethesda	9	22
East County	18	24
Mid County	21	86
Silver Spring	7	18
Up-County	56	165
Total	111	315

While there was a decrease in total foreclosure events between the 2nd and 3rd quarter of 2008, there was a 142% increase in notices of sale and more than a 414% increase in lender purchases.

Source: Maryland Department of Housing and Community Development; M-NCPPC geocoded MC_ForeclosureEvents file

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Current state of foreclosures in the County
Foreclosure events over time

Foreclosure Events

Legend: Lender Purchases | Notices of Sale | Notices of Default | Total Events
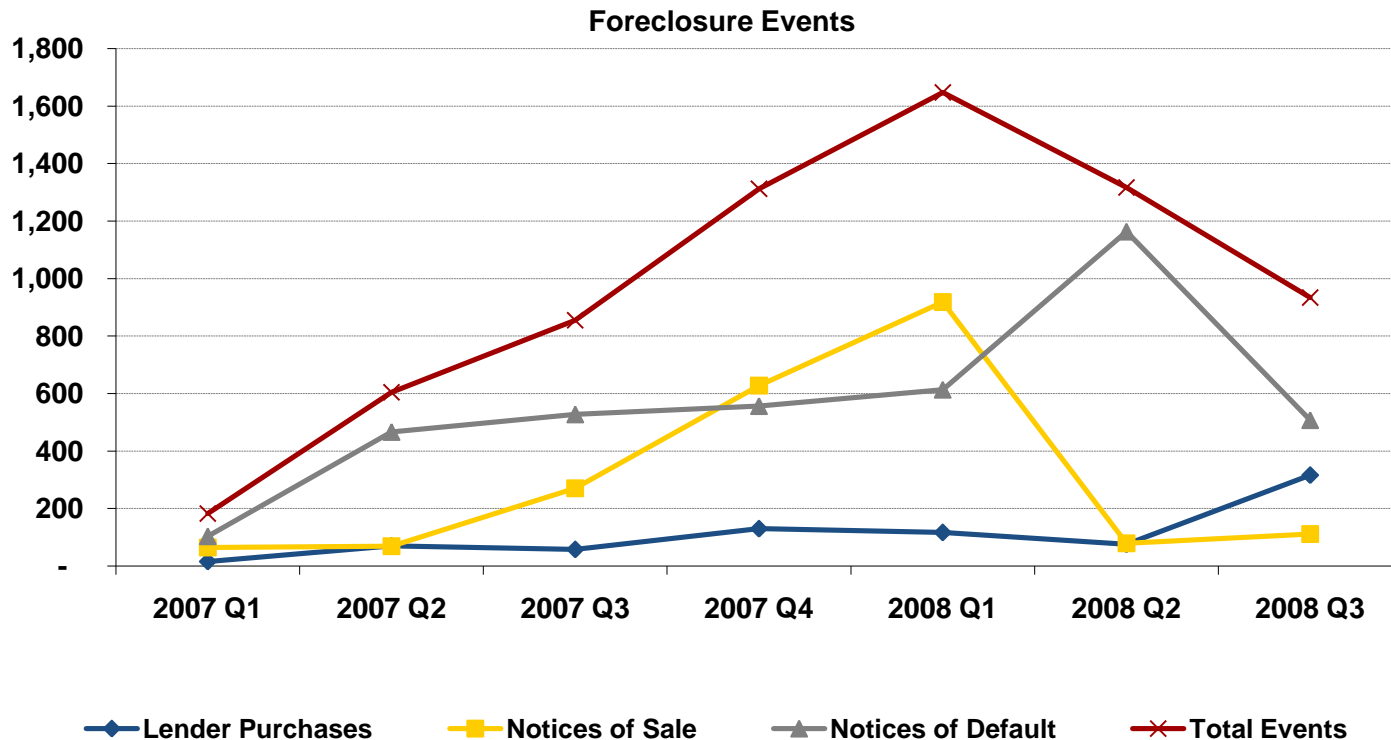
There is an overall decrease in foreclosure events, largely due to the decline in notices of default over the last quarter.

Source: Maryland Department of Housing and Community Development; M-NCPPC geocoded MC_ForeclosureEvents file

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Future outlook of foreclosures in the County

- Based on available data and knowledge of housing issues, it would appear the total number of foreclosure events will continue at this level for the next twelve months

- Due to increased outreach and counseling, it is anticipated the number of actual lender purchases should decline as homeowners take preventative steps prior to sale

- DHCA intends to utilize federal funding and some HIF funding to purchase vacant and foreclosed properties for rental and sale to lower income families

- Efforts are being made by the state and county with banks to encourage workouts with homeowners to forestall foreclosure and to have them mitigate the impact of REOs on neighborhoods by working with the County to reduce the length of time properties are vacant and in bank inventories.

County Response: Foreclosure Prevention Counseling Overview

Program: Foreclosure prevention counseling

Goal: To provide advice and assistance to those facing foreclosure

- 42 more counselors were trained in October; another session is planned for March
- The County is working with 4 banks to provide additional program funding

Location of Counseling Centers	Number of Defaults to Date	% of Total Defaults
Silver Spring*	1,343	28%
Gaithersburg	631	13%
Germantown**	839	17%

* Silver Spring defaults were calculated for zipcodes 20902, 20904, & 20906 which are areas in close proximity to the counceling center and also the zipcodes most affected by foreclosures in Silver Spring.
**The counseling services in Germantown have not opened yet.

DHCA, in partnership with HomeFree USA, has located counseling centers in areas with the highest incidence of foreclosures: Silver Spring, Gaithersburg, Germantown.

County Response: Foreclosure Prevention Counseling Outcomes

Outcomes of Clients Counseled by HomeFree-USA

Outcomes	Nov	Dec	Total
Modifications (+)	132	29	161
Brought Mortgage Current/ Refinanced (+)	9	4	13
Forbearance Agreement/ Repayment Plan (+)	14	3	17
Property Sold (+)	12	3	15
Counseled and Referred	0	0	0
Negotiating with Lender	0	0	0
Bankruptcy (+)	2	0	2
Other	15	3	18
Withdrew from Counseling	15	3	18
Foreclosed (-)	5	0	5
Total	**204**	**45**	**249**

Outcomes	Nov	Dec
Total Positive	169	39
Total Negative	5	0

(+) Positive Outcomes
(-) Negative Outcomes

*Property sold is an aggregate of executed a deed-in-lieu, sold property/chose alternative housing, and pre-foreclosure sale

DHCA has worked with HomeFree USA to redesign its Foreclosure Prevention tracking form. Moving forward, data will be collected uniformly, allowing for month-to-month comparisons.

County Response: Foreclosure Prevention Counseling Outcomes

Outcomes of Clients Counseled by Latino Economic Development Corporation (LEDC)

Outcomes	Nov	Dec	Total
Modifications (+)	1	0	1
Brought Mortgage Current/ Refinanced (+)	0	0	0
Forbearance Agreement/ Repayment Plan (+)	0	0	0
Property Sold (+)	1	2	3
Counseled and Referred	0	1	1
Negotiating with Lender/ Exit Strategy	25	25	50
Bankruptcy (+)	0	1	1
Other	1	0	1
Withdrew from Counseling	8	2	10
Foreclosed (-)	0	0	0
Total	**36**	**31**	**67**

Outcomes	Nov	Dec
Total Positive	27	29
Total Negative	0	0

(+) Positive Outcomes
(-) Negative Outcomes

*Property sold is an aggregate of executed a deed-in-lieu, sold property/chose alternative housing, and pre-foreclosure sale

DHCA has worked with HomeFree USA to redesign its Foreclosure Prevention tracking form. Moving forward, data will be collected by HomeFree and LEDC using a uniform methodology that will allow for monthly comparisons.

Source: DHCA/LEDC

County Response to Foreclosures: Code Enforcement

Program: Code enforcement of reported vacant properties

Goal: To target code enforcement and then conduct inspections

• Once the property is identified, code inspectors are then dispatched to each property to inspect the security and maintenance of the property

As of the last CountyStat foreclosure meeting:

• DHCA planned to set up a system to notify Regional Service Centers of vacancies within the service area so the Centers can 'add value' to the process

• RSCs, in turn, will give DHCA any information they receive on vacancies through their own sources

Vacant Property Inspections, as of 1/5/09

Number of inspections		725
With a violation	Grass and weed	411
	Solid waste	256
	Vacancies open to casual entry	14
	Vacancies with unauthorized occupants	2
With no violation		81

Violations resulting in voluntary compliance	590
Clean and Liens	88
Emergency board-ups	14

Of the inspections done, as of 1/5/2009, 94 percent had some kind of code violation and 81 percent were voluntarily addressed.

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Follow-up Item Progress
Affordable Housing

Complete

- Identify department program's target populations and determine size of this population to measure future results against. Example: client lists or waitlists.

Complete

- Report to CountyStat a baseline of affordable housing units using June 30 as the point in time for this first number.

Complete

- Report to CountyStat on a quarterly basis the total numbers of affordable housing units added and removed from the housing stock with addresses.

Complete

- Report on progress made regarding Task Force recommendations
  - DHCA submitted an update to County Council on Task Force recommendations on Dec. 4, 2008. All recommendations are in some stage of completion.

Follow-up Item
Analysis of Affordable Housing Supply

Housing Program	Units (FY08 Base)	Change (+/-)	Current Unit Count	Target Population*	% of Population Served
DHCA**	10,730	+96	10,826	0-70% AMI	22%
HOC - Public Housing***	1,555	+1	1,556	0-30% AMI	6.7%
HOC – Non Public Housing***	3,928	+20	3,948	0-120% AMI	5.3%
HOC – Vouchers***	500	0	500	0-30% AMI	2.2%
Total	**16,713**	**+117**	**16,830**	**-**	**NA**

* Target Population is defined as renter households served by the specific housing programs
** All DHCA-financed units and MPDUs less MPDUs purchased through HOC
***All HOC-financed and -managed units less those financed through DHCA

This table displays the number of units as of July 1, 2008, the change since July 1st, and the current unit count is year to date.

Source: DHCA: HOC: M-NCPPC, 2005 Census Update Survey; Research & Technology Center

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The Affordable Housing Task Force consists of community stakeholders who work towards the development of recommendations, strategies and tools that will address affordable housing issues in Montgomery County

Complete

- Create a Short Term Property Acquisition Fund.
  - Acquisitions of the first properties are financed

In Progress

- Create a Revolving Equity Fund.
  - Technical paper developed by Task Force on subject; met with OMB and financial consultant. Next steps are to identify structural needs and prepare FY2011 budget

In Progress

- Work proactively with owners of developments that provide affordable housing.
  - DHCA works with owners on an ongoing basis in order to be notified of changes in affordable housing; new HIF funding and other tools are being developed to preserve endangered affordable housing

In Progress

- Add "Increasing Affordable Housing" as a new objective in all future master plans.
  - DHCA now comments on all master and sector plans; plans are to meet with MNCPPC to discuss this Task Force recommendation and implementation

In Progress

- Investigate and implement the use of an affordable housing impact fee or a reasonable alternative on all new non residential development.
    - Technical paper was developed by Task Force; plans are to meet with MNCPPC to discuss this recommendation and establish work group to develop timeline

In Progress

- Create a more attractive planning and economic environment for the development of affordable housing.
    - Technical paper was developed; zoning text amendment (ZTA) 08-08 was implemented to allow for additional height in Fenton Village; additional ZTA are being studied and drafted
    - Other implementation steps are being discussed with MNCPPC this month

In Progress

- Reduce parking requirements for housing developments.
    - Technical paper was developed by Task Force; plans are to meet with MNCPPC to discuss this recommendation and establish work group to develop timeline to develop a zoning text amendment

In Progress

- Develop a comprehensive inventory of all publicly owned sites and properties.
    - CE's office convened DGS, ORM, and MNCPPC to develop an ongoing inventory; all capital projects are now assessed for potential affordable housing development

Follow-up Item
Task Force Recommendation Progress (3 of 4)

In Progress

- Expedite regulatory reviews.
  - Technical paper developed; meeting scheduled with MNCPPC; recommendations to CE anticipated by 3rd quarter FY2009

In Progress

- Permit accessory apartments without requiring a special exception permit.
  - Review of past efforts completed; recommendations to CE and submission to Council anticipated by Winter 2009

Complete

- Establish a centralized authority for affordable housing.
  - The County Executive has designated the DHCA director as the coordinator of affordable housing projects

In Progress

- Promote well-designed, low-impact affordable housing to foster public acceptance.
  - Study group will be convened this spring to develop guidelines

In Progress

- Develop and implement an extensive community support campaign.
  - Plans are to review best practices; develop and issue RFP for consultant services and conduct the public education campaign in 09-10

In Progress

- Establish Affordable Housing Preservation and Production Goals.
  - Plans are to convene stakeholders to review current goals and adopt revised goals by Summer 09

In Progress

- Establish a program to assist county employees in purchasing a home in the County.
  - Local bill has been filed to permit the County to set rates and terms for tax abatement; currently seeking determination on needed legislation to amend existing Closing Cost Assistance Program

The majority of Affordable Housing Task Force recommendations are in progress. Several are ongoing, but most are scheduled to be completed by Winter 2010.

Follow-up Item
Task Force Recommendation Progress

Challenges associated with implementing the Task Force recommendations

- Attracting non-public investment in the Revolving Equity Fund
- Potential reduction in revenues if:
    - PILOT program is expanded
    - Affordable housing exemptions from impact and permitting fees are expanded
- Additional resources needed:
    - M-NCPPC to amend zoning ordinance per Task Force Recommendations
    - M-NCPPC to expedite affordable housing reviews
- Additional costs associated with:
    - County CIP project inclusion of co-located affordable housing
    - Housing Code Enforcement related to expansion of Accessory Apartment program
    - Development and implementation of a campaign to promote public support of affordable housing
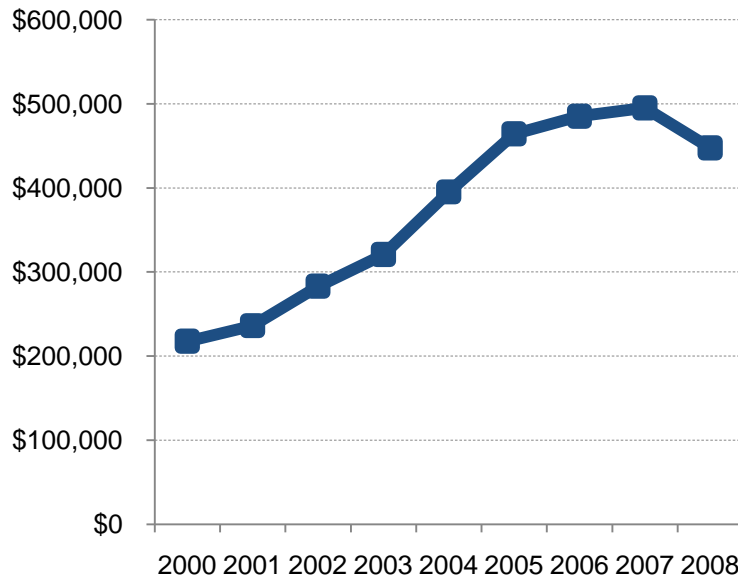   - Funding the employee closing cost assistance program

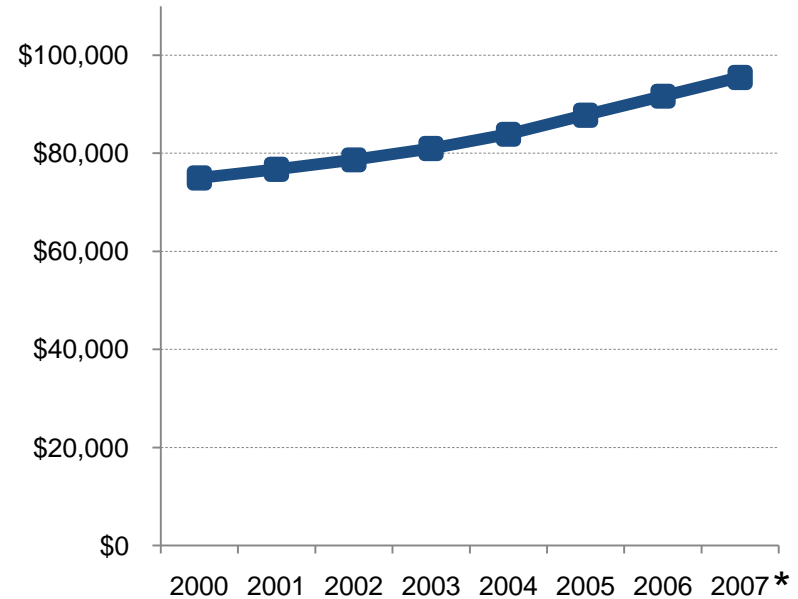# Changing Picture of Affordable Housing in the County

MEDIAN HOME SALES PRICE
(2000 to 2008)
New and Existing Detached and Attached Homes

Median Household Income
**2000 to 2007**

*2008 data not available

The median home sales in Montgomery County has declined from 2007 to 2008. Median household income has been steadily rising through 2007.

Source: M-NCPPC Research & Technology Center, STAR System report; U.S. Bureau of Labor Statistics, Consumer Price Index.

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Changing Picture of Affordable Housing in the County

Affordable Housing Index
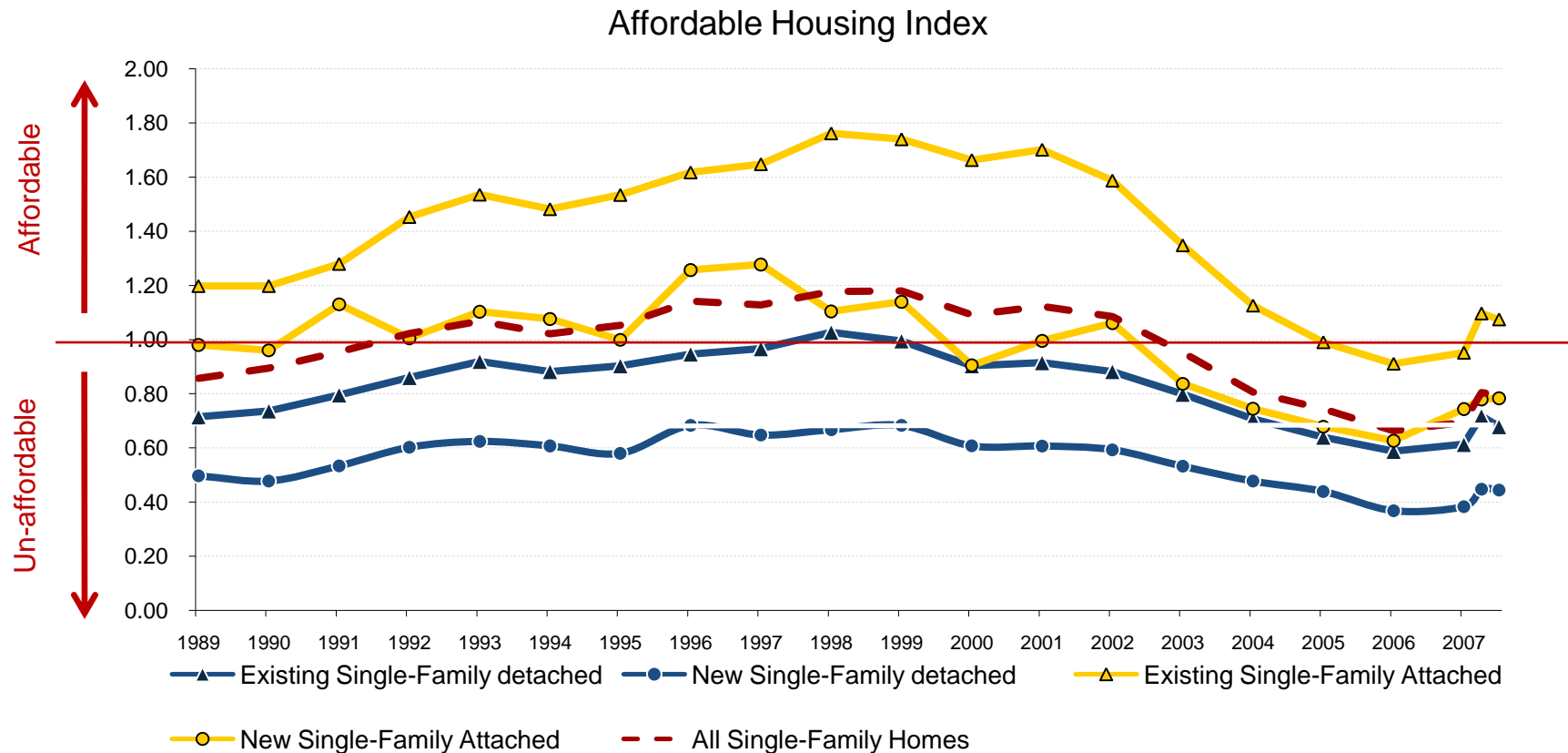
This graph displays the ratio of home sale prices to household income for different types of housing. A value of one on the Index represents the price point at which a housing unit becomes affordable for someone making the annual median income.

Source: M-NCPPC Research & Technology Center, STAR System report; U.S. Census Bureau; HUD

Changing Picture of Affordable Housing in the County

Contributing Factors

- Interest rates have decreased
- The County still has one of the lowest unemployment rates in the state, despite an increase from 2.7 to 3.6% between 2007 and 2008
- Median income has been steadily increasing

Restricting Factors

- Lending standards have tightened

Source: U.S. Census Bureau

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CountyStat

Examining the costs of affordable housing and foreclosure-related programs

- Given that the high foreclosure rate is likely to persist, it is important to analyze the costs v. benefits of continuing with current property acquisition goals
  - In FY08, the County:
    - Funded the production and preservation of 137 housing units
    - Funded 1,290 additional units in the pipeline
    - Acquired 247 units with no cost to the County
  - In FY09, the County plans to:
    - Fund the production and preservation of 569 more units
    - Fund an additional 967 units in the pipeline
    - Acquire 775 units with no cost to the County

- In response to the foreclosure issue, the County is
  - Providing $3.5 million to Habitat for Humanity to acquire and rehab bank-owned properties for low income families
  - Developing a $3 million revolving loan fund for acquisition and rehab of properties for sale to low/moderate income homebuyers
  - Acquiring foreclosed property using federal and state dollars, in conjunction with HOC, to increase the stock of affordable rental housing

Examining the costs of affordable housing and foreclosure-related programs

	FY2008			FY2009 (Budgeted)		
	$ Spent	Units Added *County Funded*	Units in Pipeline *County Funded*	$ Spent	Units Added *County Funded*	Units in Pipeline *County Funded*
Production	$7,031,810*	103	336	$15,360,750**	225	289
Preservation	$1,969,688*	34	954	$19,928,608**	344	678

*$ spent = Cost of a unit produced or preserved x Units added

**$ spent = Cost of a unit produced or preserved based on 2008 figures x Units added

Note: "Units added" only includes units that have been occupied during the fiscal year; it does not include units that were funded during the fiscal year that are in the development pipeline.

Over FY08 and FY09, the County has committed $44 million to the production and preservation of affordable housing units.

Examining the costs of affordable housing and foreclosure-related programs

Foreclosure- related Activity	Dollars ($)	Funding Source	Status
Homeownership Foreclosure Recovery Fund	$500,000	State	Pending
Acquisition/ rehabilitation of foreclosed properties	$3,500,000	County (w/ Habitat for Humanity)	Committed
Homeownership revolving loan program	$3,000,000	County	Under development
Housing Counseling	$30,000	County ($10,000 from PNC Bank)	Committed
Housing counseling, Bridge to Hope Loans, Bank guarantees	$5,400,000	County (matched by State)	Committed
Total Dollars	$12,430,000 ($9,220,000 in County funds)		

The County has committed $9.2 million to foreclosure-related housing activities. It has also received funding commitments from the State and other partners.

Source: DHCA grant application to Maryland Neighborhood Conservation Initiative

Wrap up

- **Follow up items**
- **Time frame for next meeting**