Commission on Aging (COA) 2017 Summer Study: Preserving and Expanding Affordable Rental Housing in Montgomery County and its Impact on Seniors

Submitted by: Aging in Place/Community and Planning (AIP/CP) Committee

Co-Chairs: Barbara Brubeck, Nanine Meiklejohn, Monica Schaeffer

BACKGROUND/ISSUES:

Montgomery County's (MC) elected officials and department directors acknowledge the ever-growing shortage in affordable rental housing in the county. This shortage is a challenge that has been acknowledged nationally. This shortage has a critical negative impact on older residents of MC who are finding it increasingly difficult to age-in-place in their homes and communities.

The Commission on Aging's (COA's) Aging in Place and Planning Committee (AIP/CP) dedicated several meetings to this issue during the 2017 winter term. Speakers included Clarence Snuggs, Director of the Department of Housing and Community Affairs (DHCA), Carrie McCarthy, Chief of Research and Special Projects, MC Planning Department, Leslie Marks, Senior Housing Fellow, DHCA, Joe Podsen, Executive Director of Homecrest, and Barbara Brubeck, Resident Services Manager, Friends House. The COA also hosted a panel of developers of affordable housing in the county at an April 2017 roundtable. The panel included Doris Gantos, Senior VP, Bozzuto Development Company, Robert Goldman, CEO, Montgomery Housing Partnership, and Alan Goldstein, Director, Mutifamily Division, AHC Inc.

The picture painted by the variety of presenters was complex and required further analysis by the COA. Specifically, the COA decided to devote a summer study to identify specific barriers to the growth and/or preservation of affordable rental housing for seniors as well as to identify opportunities that could lead to more effective policy and educational resources. This report includes both a summary of the major findings as well as recommendations to pursue by MC and the COA.

Definitions:

To ensure a common understanding of terminology used in this report, definitions are provided in Appendix 1A. In addition, Appendix 1B provides a chart on affordable housing programs/resources that are available to seniors. Included in this chart is an assessment of Montgomery County's level of impact on the various programs. Appendix 1C includes DHCA's data on MC's senior housing projects.

Relevant Statistics:

1. In 2015, the population of Montgomery County was 1,040,116. Approximately 146,600 individuals were 65 years or older or 14.1 % of the population, an increase from 2010 of 26,800 individuals or 22.4% **making seniors the fastest current growing age group in**

Montgomery County. The growth of county residents who are 85+ is expected to be the fastest growing segment, from 19,431 in 2010 to 42,900 by 2040.

2. Rental housing accounts for 36% of all units in MC (2015 data). In 2010, 10% of MC residents were renters and in 2012, 25% of MC residents were renters.

3. The Census breaks down MC into 215 neighborhoods, and in more than 50 of the 215 neighborhoods, there are more seniors than school-age children.

4. In MC, while more than 25 % of homeowners who are 60+ in age spend more than 30% of their income on housing, **51%** of renters who are 60+ spend more than 30% of their income on rent.

5. 61% of renters 65+ in age in MC are house burdened vs. 56% of renters 65+ in MD and 55% in the USA.

6. For the period of 2010-2015, median household income in MC rose by **6.49%,** while average rent increased by **14.8%.**

7. According to the 2017 Rental Housing Study by RKG Associates, the county's rental market is unbalanced with notable shortages for households earning less than 30% of AMI and those earning more than 120 percent of AMI. The shortage of units is most notable for households earning 30% of AMI or less.

GOALS OF THE SUMMER STUDY:

1. Review relevant studies and data to hone in on specific questions to ask housing experts and members of resident associations regarding both barriers to and opportunities for affordable senior housing.

2. Invite a diverse group of affordable housing experts and representatives of neighborhood associations, the Renters Alliance and Action in Montgomery (AIM) to assist the COA in determining specific barriers it can have an impact on and discuss strategies to overcome these barriers. Additionally, seek information on innovative ways to expand affordable rental housing for older adults in MC.

3. Develop recommendations that the COA can support and the County to consider.

SUMMER STUDY SESSIONS:

Meeting 1: Barriers/Opportunities to Expanding Affordable Senior Rental Housing

Facilitated by Leslie Marks, Senior Fellow, DHCA

Based on presentations from current developers and planners of senior affordable rental housing in Montgomery County, we learned about the barriers/opportunities to ***expanding affordable rental housing***.

See Appendix 2 for the Agenda for Session 1 and Appendix 3 for notes of the meeting.

Invited Participants for Session 1:

Zach Marks, HOC, Development and Acquisition

Leila Finucane, CEO, Victory Housing

Phil Gibbs, President, Hamel Builders

Gwen Wright, Director, Montgomery County Planning Department of the MD-National Capital Park and Planning Commission

Clarence Snuggs, Director, DHCA

Meeting 2: Barriers/Opportunities to Preserving Affordable Senior Rental Housing

Facilitated by Leslie Marks, Senior Fellow, DHCA

Based on roundtable discussion with County Council members and representatives of renters and landlords we learned about the barriers/opportunities regarding ***preserving*** the stock of affordable rental housing for seniors. Appendix 4 provides the Agenda for Session 2 and Appendix 5 provides notes of Session 2.

Invited Participants for Session 2:

Council Members Marc Elrich and **Nancy Floreen**

Yvonne Brooks-Little, Advocate, Action in Montgomery (AIM)

Bethany Hooper, President, Humphrey Management

Vaughn Stewart, Esq., Board of Directors, Montgomery County Renters Alliance, Inc.

Meeting 3: Develop Recommendations

Facilitated by Leslie Marks and **Co-Chairs of Study**

The Co-chairs provided a recap of what was learned from presenters in the first two sessions about barriers/challenges and opportunities regarding affordable senior rental housing. With the help of participants at the third session, feedback was gathered in preparation for making recommendations that the COA could support and the County would consider.

FINDINGS:

Summary of Barriers/Challenges that Impact Affordable Rental Housing for Seniors in the County:

Barriers included: 1) inadequate resources for both new construction and preservation; 2) costs associated with land purchase, demolition fees, labor and material costs in addition to operating and maintenance costs, and paperwork and compliance cost; 3) inadequate or inconvenient supply of existing stock; and 4) communities' negative perceptions towards senior housing (NIMBY or "Not in my Backyard"). A detailed listing of barriers is presented in Appendix 6.

Summary of Opportunities that Impact Affordable Rental Housing for Seniors in the County:

Opportunities were categorized under: 1) Expanding Supply; 2) Preserving Supply-No Net Loss; 3) Resources/Funding Availability; and 4) Education and Advocacy. The following criteria were used to help evaluate the strength of casting the opportunities into recommendations: Political Feasibility, Most Pressing Need, Easiest to Accomplish, Organizations/Resources that Could be Enlisted to Achieve the Opportunity, and Broadest Appeal to Stakeholders (i.e., developers, tenants, landlords, county government). Appendix 7 contains a detailed listing of opportunities.

RECOMMENDATIONS:

During the summer study sessions we learned that meeting the demands of affordable senior rental housing requires that new development/construction go hand in hand with preservation strategies. In addition, the 2017 Rental Housing Study by RKG Associates found that the existing housing stock currently provides the largest supply of affordable rental housing for lower-income households, making preservation of these units an important component of an affordable housing strategy designed to address the current imbalance in the county's rental housing market.

The recommendations below include proposals for both expansion and preservation of affordable rental housing for seniors in the moderate and low-income ranges. They are organized into categories that we believe can help guide and structure the Commission's subsequent work on this subject. In addition, Appendix 8 is a handout from Gwen Wright's presentation from Session 1, June 28 that includes recommendations from the 2017 Rental Housing Study.

Policy Recommendations Requiring Legislative Action:

1. **Low Income Housing Tax (LIHTC):**

a. The County should work with the state delegation and state government to secure a percentage carve out of the 9% Low Income Housing Tax Credit (LIHTC) for Montgomery County (and possibly Prince George's County) that acknowledges the higher construction costs in Montgomery County. Arlington County, Virginia, also at a competitive disadvantage within the state because of higher construction costs, recently secured such a carve out.

b. The County should make greater use of the 4% LIHTC for preservation of senior affordable rental housing.

2. **Housing Initiative Fund (HIF):**

The County should strengthen the Housing Initiative Fund (HIF**)** by:

a. Following the District of Columbia's lead and increasing the funding from $50 million to at least $100 million annually through an expansion of existing revenue sources and/or consideration of new revenue sources, including those identified in the 2017 Rental Housing Study by RKG Associates.

b. Increasing support for preservation of existing rental units

3. **Moderately-Priced Dwelling Units (MPDU):**

a. The County should make the Moderately-Priced Dwelling Units (MPDU**)** Program more accessible to households earning less than 65% of AMI by requiring a larger base set aside of 15% or more for all new developments, expanding HIF rent subsidies of MPDU units and adopting a sliding scale of income targets and set aside percentages that could assist individuals below 50% of AMI.

b. The County should explore how the MPDU program can be made more senior friendly.

4. The County Council and County Executive should consider rent stabilization models and their efficacy in various county settings (e.g. around transportation hubs).

5. The County should adopt policies to encourage preserving existing market rate affordable units (e.g. garden apartments when owners develop parts of a property.

Operational Recommendations Requiring Administrative Action:

1. The Park and Planning Commission should develop criteria for the co-location of affordable rental housing for use when scoring development plans for libraries, fire stations, schools and other public facilities. The COA should monitor and coordinate with the "Co-location" study which the Park and Planning Commission has initiated.

2. The County should pursue a policy of "no net loss" when old buildings are rehabilitated or replaced by evaluating the opportunity for increased density as a tool to ensure the creation of more affordable rental housing units.

3. The County should designate a central location for all information related to affordable housing, including information on proposed hearings, links to past hearings, notices of public meetings about proposed developments, demographic data, information about all programs and funds for affordable housing. The COA recommends that the County consider locating the central housing information program within DHCA or the Park and Planning Commission.

4. The Park and Planning Commission County should maintain an inventory of "at risk" properties/units.

5. The county should review local permitting and approval rules and requirements to streamline the approval process for affordable rental housing.

Education/Advocacy Recommendations:

1. The COA should consult with the Renter's Alliance and others to study rent stabilization strategies in other jurisdictions including Takoma Park, DC, East Palo Alto, NYC, and San Francisco.

2. The COA should work with local partners in the low-income rental housing community, including the Renter's Alliance and AIM, to promote public education about the importance of affordable rental housing for seniors and to strengthen advocacy about affordable senior rental housing in communities considering new housing development proposals.

3. DHCA and Parks and Planning Commission should notify COA (via Odile Brunetto and Tremayne Jones) of public meetings conducted by the county and by developers on proposed projects in order to facilitate attendance and advocacy for affordable rental

housing for low income populations.

4. The COA should be notified of and should review the County Council's assessment of the 2017 Montgomery County Rental Housing Study and the results of the ongoing studies being conducted by Park and Planning on senior housing and co-location.

Other Recommendations:

Multi-generational housing is a value noted by the County's age-friendly initiative, but the Federal Fair Housing Law has made it difficult to build both multifamily and senior housing within the same project. However, compliance with the Fair Housing Law may be possible by including senior housing within a dynamic community that includes family housing, transportation, and commercial and retail centers. The example put forth of the HOC's plans for Holly Hill in which a senior affordable housing building is part of a multi-generational complex is one approach that COA's AIP/CP and Health and Wellness Committees should study.

Resource Materials:

1. Montgomery County Rental Housing Study, June, 2017: http://montgomeryplanning.org/wp-content/uploads/2017/07/RHS_Strategy-Document.pdf
2. Arlington County Affordable Housing Master Plan : https://housing.arlingtonva.us/affordable-housing-master-plan/
3. Harvard's Joint Center for Housing Studies Report on seniors' housing needs: http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-housing_americas_older_adults_2014.pdf

Appendices:

1. Definitions of Key Terms (1A), Chart (1B): Major Affordable Housing Programs for Seniors in Montgomery County, (1C) DHCA Data on Senior Housing Projects
2. Agenda for June 28, 2017 meeting
3. Notes from June 28, 2017 meeting
4. Agenda for July 19, 2017 meeting
5. Notes from July 19, 2017 meeting
6. Barriers/Challenges to Expanding /Preserving Affordable Senior Rental Housing
7. Affordable Senior Rental Housing Opportunities.

Appendix 1A-Definitions

Who are we studying?

affordable housing - Housing is considered affordable when a household spends no more than 30% of its income on rent.

rent burdened – A person is considered rent burdened when the household spends must spend more than 30% of its income on rent.

senior – for the purposes of this study, we are looking at housing for persons aged 62 or older.

What standards are we using to gauge affordability?

Area Median Income (AMI) - Each year, the Department of Housing and Urban Development (HUD) calculates the median income for every metropolitan region in the country. HUD focuses on the region — rather than just the city — because families searching for housing are likely to look beyond the city itself to find a place to live.

DC Metropolitan Area AMI

Household Size	Median Income
1	$76,020
2	$86,880
3	$97,740
4	$108,600

AMI incomes and rental rates

AMI	Level	1 Person	2 People	1 BR Rental Rate
30%	Extremely Low	≤ $23,490/year	≤ $26,490/year	$663/month
50%	Very Low Income	≤ $38,650/year	≤ $44,150/year	$1,103/month
60%	Very Low Income	≤ $46,380/year	≤ $52,980/year	$1,324/month

80%	Low Income	≤ $61,840/year	≤ $70,640/year	$1,766/month
>80%	Workforce housing	>$61,840/year	>70,640/year	>1,766/month

Low-Income Housing Tax Credit (LIHTC) – Also known as Section 42, LIHC is the federal government's primary program for encouraging the investment of private equity in the development of affordable rental housing for low-income households. Depending on the structure of the credit, all or a percentage of the apartments in these communities serve households earning 60% AMI or 50% AMI.

Click here for more information about the LIHTC program
https://www.occ.gov/topics/community-affairs/publications/insights/insights-low-income-housing-tax-credits.pdf

Moderately Priced Dwelling Unit (MPDU) - A provision of the MPH Law requires that between 12.5% and 15% of the houses in new subdivisions of 20 or more units be moderately priced dwelling units (MPDUs). The MPH Law requires that 40% of the MPDUs be offered to the Housing Opportunities Commission (HOC) and other non-profit housing agencies for use by low and moderate income families.

Included in the MPDU program are detached and semi-detached homes (duplexes), townhouses, garden condominiums and high-rise condominiums and apartments. Under the present sales price limits, a three bedroom townhouse has a sales price of approximately $165,000. Sales prices and rental limits are reviewed annually and are revised to reflect changes in construction costs.

Click here for more information about the MPDU Rental Program.

Click here for more information about the MPDU Purchase Program.

Housing Initiative Funds (HIF) The Housing Initiative Fund (HIF) is a locally funded housing trust fund that receives revenue from a variety of sources including loan repayments and 2.5 percent of the County's Property Tax revenue. Goals of the fund include: renovating distressed properties, preserving the affordability of units, creating housing for residents with special needs, creating mixed-income communities and making sure that housing programs build neighborhoods and not just housing units.

Click here for more information about the housing initiative funds

No net loss is a benchmark used to describe policies to replace any subsidized housing lost from the subsidized inventory with newly developed subsidized units. Montgomery County has included a no net loss goal in its 2012 Housing Policy draft.

Major Affordable Housing Programs Available to Seniors

Program Name	Serves Income Levels					Funding Source	Administration	Description	County Legislative Impact
	30% AMI	40% AMI	50% AM	60% AMI	80% AMI				
Public Housing						HUD	HOC	Sliding scale rent	low
Section 8 - Project Based						HUD	HUD	Sliding scale rent	low
Housing Choice Voucher (HCV)						HUD	HOC	Sliding scale rent	low
Section 202						HUD	HUD	below market rent	low
Rental Assistance Program (RAP)						MoCo - DHCA	MoCo - DHHS	$50 - $200/month direct payment	high
HOME						HUD	MD - DHCD	below market rent	low
Housing Initiative Funds (HIF)						MoCo - DHCA	MoCo - DHCA	below market rent	high
Low Income Housing Tax Credit (LIHTC)						IRS	MD - DHCD	below market rent	possible
Moderately Priced Dwelling Units (MPDU)						MoCo - DHCA	MoCo - DHCA	below market rent	high

Programs serve population in blue highlighted AMI columns

DATA SHEET
DHCA DIRECTOR CLARENCE SNUGGS' PRESENTATION TO
COMMISSION OF AGING
FEBRUARY 2, 2017

County Executive Leggett's Administration has invested over $800 million in affordable housing through the end of FY 2016.

House Burdened

- One-third (1/3) of Montgomery County seniors (65+) are house burdened, paying more than 30% of household income for housing.

Renters Burdened

- ☐ 61% of renters 65+ in Montgomery County are house burdened
- ☐ 56% of renters 65+ in Maryland are house burdened
- ☐ 55% of renters 65+ in the USA are house burdened

Homeowners Burdened

- ☐ 27% of owners 65+ in Montgomery County are house burdened
- ☐ 29% of owners 65+ in Maryland are house burdened
- ☐ 27% of owners 65+ in the USA are house burdened

Population Analysis

- ☐ In 2010, the Census population for Montgomery County was 972,000. The estimate for 2015 was 1,04,116, an increase of 68,000, or 7% increase in 5 years.

- In 2010, approximately 120,000 individuals were shown as 65 years and older (150,000 – 62 and older) or 12.3% of total population.

- ☐ In 2015, approximately 146,600 individuals were estimated as 65 years and older, or 14.1% of total population, an increase of 26,800 individuals or 22.4%, making seniors the fastest growing age group in Montgomery County.

  Montgomery County Population

  - 1970: 522,809
  - 1980: 579,053
  - 1990: 757,027
  - 2000: 873,341
  - 2010: 971,777
  - 2015: 1,040,116

Housing Stock

- ☐ The 2010 Census estimated the number of housing units at 375,905, with 18,819 units shown as vacant (5%).
- ☐ The 2015 Census estimated rose to 382,913 with an estimated 17,678 units vacant (4.6%).
- For the period of 2010 – 2015, the number of housing units grew by approximately 7,000 or 1.86%.
- ☐ In 2010, the average number of people per household was 2.72. In 2015, that average rose to 2.85% or a 4.78% increase.

Rental Expense

- ☐ In 2010, 40% of rental households paid more than 35% of household income for rent. Average rent was $1,417 per rental household.
- ☐ In 2015, 40.7% of rental households paid more than 35% of household income for rent. Average rent was $1,627 per household.
- ☐ This data represents a 14.8% increase in average rent per household, or $210.

Income

- ☐ In 2010, the median household income in the County was $93,373, with 24.5% of households making $50,000 a year or less.
- ☐ In 2015, the median household income in the County was $99,435, with 23.2% making $50,000 in household income or less.
- For the period of 2010 – 2015, median household income rose 6.49%, while average rent increase by 14.8%.
- Since 1970, the County's population has increased by 517,307 or 98.9%.
- ☐ Since 1970, the number of housing units in the County increased by 227,622 or 141%

Source: DHCA: 3/2/2017

Appendix 2

"Affordable Rental Housing for Seniors: The Challenges and Opportunities"

Summer Study Co-Chairs:

Barbara Brubeck, Nanine Meiklejohn, Monica Schaeffer

SESSION I: CHALLENGES AND OPPORTUNITIES TO INCREASING THE SUPPLY OF AFFORDABLE RENTAL HOUSING WITH A FOCUS ON SENIORS

June 28, 2017

9:30 am-12:00 pm, Rockville Memorial Library

AGENDA

9:30	Welcome and Introductions	Nanine Meiklejohn, Commission on Aging
9:40	Introduction of Agenda and Subject Mattes	Leslie Marks, Senior Fellow
9:45	Expert: MNCPPC	Gwen Wright, Director of Planning Director of Planning
	The 2017 Rental Housing Study& Beyond	
10:00	Department of Housing & Community Affairs	Clarence Snuggs, Director
	Understanding the County's Role, Creating Affordable Rental Housing	
10:15	Victory Housing	Leila Finucane, President, Victory Housing
	The Non-Profit Sector's Role	
	The Private Sector's Role	Phil Gibbs, President, Hamel
10:30	HOC	Zach Marks, Development and Acquisition
	Innovations to Serve the Lowest Income Residents in Rental Housing	
10:45	Thinking Outside the Box: All Opportunities for Innovative Solutions	
11:30	Open to Attendee Questions	

Appendix 3

Summer Study 2017

Notes from Meeting 1, June 28, 2017

Nanine introductions.

Zach Marks, HOC – Development and Acquisition

HOC is responsible for housing the county's poorest residents. While this is a challenge, MC is very supportive, and the county offers lots of potential.

Current affordable senior housing stock – much built in 1970's, now aging, needs reinvestment. Need to figure out how to preserve, while at same time federal funds for affordable housing are declining. HOC strategy – to preserve the number of units, if not the physical building.

Two developments, built in 60's – Elizabeth House and Holly Hall in Silver Spring. Served tenants well but they are dated, not sufficiently accessible, insufficient light and common space. Do not meet current expectations. Strategy is to build replacement housing that meets today's standards but has more density (ie more units).

Concept plan for Holly Hall calls for an increase in units from 96 to between 400-500. These units will be for very low income tenants -- considered "deeply affordable". Of those units two thirds will be multi-family and one third will be senior housing. When completed there will be twice as many senior units as currently, for a total of 192. The Fair Housing Act and other federal laws prohibit the setting aside of specific senior units within a building but allow for the creation of a separate senior building within a larger complex. This is what will be done in Holly Hall. HOC is working with residents to identify where they will move meanwhile. Thirty-nine Holly Hall households will move to Victory Crossing. Others will be housed appropriately. HOC will subsidize the rent of the Holly Hall residents living at Victory House.

The county is using resources from the federal Rental Assistance Demonstration (RAD) program, which allows public housing authorities to renovate or redevelop the housing using private sources of financing. The renovated or new housing receives rental support for the residents in the form of a

Project-Based Section 8 subsidy. Section 8 tenants pay 30% of their income in rent, and HOC subsidizes the balance up to fair market rate.

Challenges

- Meeting the need. Increasing population, increasing senior population.
- Getting grants (see discussion below re Low Income Housing Tax Credit grants.)
- Federal budget for public housing has steadily declined over the past few years. Section 8 is more stable.

Goal

To convert/preserve all existing units and add more units. He did not give a specific numerical count.

Leila Finucane, CEO Victory Housing

Victory housing is affiliated with the archdiocese of Washington and has developing affordable senior housing for approximately 30 years. It currently operates 2175 units. New projects include:

Victory Crossing, on Route 29 at650. 105 units.

Victory Court – Rockville, now open

Damascus - in the design stages.

Victory housing uses a variety of funding streams, including Fannie Mae, Freddie Mac, Low Income Housing Tax Credits. Focus is on including common space for meetings, activities. Also, wellness center for exercise game room, library - specifics depend on resident needs and may evolve.

Try to use funding creatively.

The mission is to provide housing, so Victory holds onto its properties for the long-term. Properties are not intended to be positioned to market rate. VH is planning to include some market rate units while also using vouchers to offer some deeply affordable units to those who qualify.

Victory is also looking at mixed-use properties and developing partnerships.
These partnerships are with the county, and with other developers. Mixed-use properties can take advantage of multiple final funding streams.

Challenges

- Costs. In Montgomery county, high cost of land is even more of a challenge for nonprofits.
- Paperwork and compliance requirements when seeking federal funds.

- General requirements for rental housing, which may not be as applicable to senior housing. One example is the requirement that projects include bicycle racks.

Leila's question is whether there would be away to waive some of those requirements for projects that are 100% senior affordable housing.

Phil Gibbs, Hamel Builders.

Hamel currently operates almost 1000 units of affordable senior housing. The company started by doing renovations and then continue construction.

Challenges

- Paperwork and compliance – Hamel now has a compliance department.
- Construction costs are at an all-time high. It is sometimes difficult to find sufficient skilled workers. One contractor brought workers in from Iowa. Lumber prices are up 22%.
- Overhead cost allowances are not realistic. Hamel's overhead is 3.25% but federal grants allow only 2%.
- Senior housing has changed over the years. It is now more than bricks and mortar, which brings challenges but also opportunities.

Gwen Wright, Director of Planning

Distributed power point slides and gave a brief overview of the results of the rental housing study which was conducted jointly by the Department of Housing and Community Affairs and the Planning Department.

The county is growing and by 2040 is expected to have 200,000 more residents than currently.

We need more rental housing generally not just that which is affordable or deeply affordable or senior housing. The planning department estimates that we will need to increase the number of rental units by 4000 each year.

There is also a need for high-end rental housing. Renters at the higher income levels can afford to pay more but because there is less high-end rental housing, they take the units that would be more affordable to those whose incomes are lower.

We need to go beyond just building new units we need to preserve the existing housing stock. We also need to preserve/build larger units (not really a senior issue, but important).

** New senior rental housing study will begin in July, wrap up by December. Karen McCarthy is project lead, with Rachel Newhouse.

Goals

- Increase rental housing supply. Preserve existing and build new.
- Create true mixed income communities – families, seniors, mixed incomes.
- Create mixed use properties.
- On-site services.

Challenges

- Need more rental housing, not just that which is affordable.
- Paperwork, compliance, regulatory review
- Costs
- Balancing concerns of neighbors with need to increase housing – lot of county development is in-fill, unlike in previous times where development was in outlying areas.
- Still want to preserve parks, open space.
- Low Income Housing Tax Credit Program is a statewide grant competition, so MC is competing with counties where per square foot costs are lower. Need a better scoring system that recognizes the higher costs in MC.

Strategies

- Use existing resources – ie public land, co-locate housing with other facilities.
- Increase building height allowances in selected areas – eg Bethesda.
- MPDU program. Increase requirement to 15% eg in Bethesda.
- Preserve existing market rate affordable units. Eg garden apartments. Where appropriate, develop parts of property while keeping existing affordable units.
- Re the LIHTC program – Gwen worked in Alexandria, when NoVA facing same issue as MC. NoVA counties were able to work with the state legislature to get a set aside of a specific amount of money for LIHTC, so not competing against communities where costs were much lower. Would like same for MC (and PG?).

Question re off-site MPDU options? Answer – might work with seniors, to bring in services. But reluctance to cluster/isolate lower income people.

Clarence Snuggs, Director DHCA

Challenges

- Rental housing study shows that issue is one of housing generally, not just affordable housing. We need 50,000 more units.
- Need to maintain the market rate affordable units. Need to be careful about rent control as can cut off owner investment, concentrate poverty in old buildings in need of repair.
- Need to continue to encourage investment in the community – economic development.
- County pulls together many different funding streams, each with own requirements, which brings additional challenges.
- Costs – as discussed by other speakers. Who is subsidizing? Often, it is the County.
- MoCo is such a desirable place to live, people want to live here.
- Land is the biggest challenge. Need to reuse what we have, co-locate, develop near transit.
- Community support. In addition to more traditional objections to changes in community, including added density, there is what he terms the "new NIMBYism"- objection to perceived gentrification. *Role for COA.*
- Costs – labor, other. Just finding the funds to do what is needed.
- Need affordable assisted living.

Strategies

- MPDU rental program -- started 1974, has produced 15,000 units to date. Still need more.
- Making best use of land already ownded by the county, eg eg The Bonifant in downtown Silver Spring, which is co-located with the library.
- LIHTC program and other funds. MC has a hard time getting LIHTC awards because our costs are high compared to other areas of state. Likes the set aside idea.
- To create affordable assisted living, add wrap-around services to existing housing.

Solutions?

Zach.

Need public support. Talk to council members, other elected officials.

Leila.

Education, to get people comfortable with change. Implement recommendations of the rental housing study. Consider a 9% project set aside for federal and state grants.

Phil

LIHTC issues. Costs are an issue. Wage scale is higher in MC that other counties. Cost per square foot is higher. There are ways to address the way the state scores qualified plans that would avoid penalizing MC. MC has 17% of the state population – this should be considered.

Clarence

The allocation formula for the LIHTC is by population. MC submitted 3 proposals this year and one was funded.

We need stable federal funding, can't do it without. Proposed Administration budget would eliminate CDBG, other essential programs and drastically cut other federal funding for housing. HUD budget includes 18% cut for FY18. Cannot shift all the burden to the states. Met with Sen. Cardin to discuss.

Gwen
Every new public building should include on site affordable housing. Currently, MC calls for an evaluation of the possibility, but it's not a requirement.

Q and A -
Q. What would be the effect of requiring all affordable housing projects to include a % of marker rate units?
A. In theory a good idea, but in practice these units are more difficult to lease, so riskier for the developer. Also cannot use the tax credits to build the affordable units. (CS)

Q. Has there been thought to requiring business community to make more of a contribution to housing, beyond the Housing Initiative Fund?
A. The new Economic Development Corporation role is to promote and attract new development. Do not want to add to that burden with additional requirements. Clarence has met with business community, because their issue is that more difficult to relocate to MC from most other areas of the country, because more expensive. One idea is employer assisted housing. (CS)

Q. Would concentrating MPDU units work, or buildings that can be converted from business to residential?
A. Clustering does not work. Isolates people, loss of economic opportunity, loss of business, social issues. MPDU is one tool, but it is not the solution. Need projects that are diverse, sustainable and attractive so people choose to live there. (CS)
Seeing some conversions from business to residential – the Octave in Silver Spring. Not necessarily senior, or affordable. (GW)

Q. Is there a central location to find out about hearings, read plans, etc. A one-stop shop?
A. Not at this time. Good idea. (GW)

Q. Is it more costly to build affordable units or market rate units?
A. Affordable, if consider per unit costs to include compliance, other outside costs. There are also minimum required labor costs (David Bacon Act). These costs have no impact on the physical structure. (ZM)

Q. How do consumers/county residents learn more about affordable housing options?
A. HOC website for Section 8, public housing; DHCA website has list of MPDU apartments; Victory Housing has a website (all).

Meeting attendee (I didn't get her name) emphasized need for enhanced communication, using a variety of media, about these issues.

Mary Petrizzo invited members of the panel to attend the next two summer study meetings, and future AIPC meetings.

Appendix 4

2017 COMMISSION ON AGING (COA) SUMMER STUDY

Summer Study Co-Chairs: Barbara Brubeck, Nanine Meiklejohn, Monica Schaeffer

SESSION 2: CHALLENGES AND OPPORTUNITIES TO PRESERVE THE EXISTING SUPPLY OF

AFFORDABLE SENIOR RENTAL HOUSING

July 19, 2017, 9:00-11:30 am

Director's Office 3rd Floor Conference Room, Rockville Library

Roundtable Participants:

Council Members Marc Elrich and Nancy Floreen,

Yvonne Brooks-Little, Advocate, Action in Montgomery (AIM),

Bethany Hooper, President, Humphrey Management,

Vaughn Stewart, Esq., Board of Directors, Montgomery County Renters Alliance, Inc.

AGENDA

9:00	Welcome and Introductions	Monica Schaeffer, COA
9:15	Introduction of Agenda and Subject Matter Experts	Leslie Marks, Senior Fellow
9:30	What is the Biggest Preservation Challenge Facing Montgomery County?	
10:05	How Does the County Ensure a Policy of "No Net Loss" in the Existing Affordable Senior Stock?	
10:20	How to Maintain the Balance Between Landlord Needs and Renter's Ability to Pay?	
10:40	Addressing the Availability of Resources to Maintain Existing Affordable Rental Stock. How Committed is the County?	
10:50	Attendee Questions	
11:10	Thinking Outside the Box:	

Appendix 5

Affordable Housing Summer Study: 7/19/2017 Meeting

Unlike the first session, in which the panelists gave prepared remarks, the second session was organized as a general discussion in order to promote a dialogue among the panelists. The following notes are a compilation of the ideas and thoughts made during that session.

Monica Schaefer introduced the session and welcomed the attendees and panel members.

Leslie Marks introduced the panel and continued as moderator. Panelists were asked to address the following topics:

- What is the biggest preservation challenge facing Montgomery County?
- How does the County ensure that there is "no net loss" in the existing affordable housing stock?
- How do we maintain a balance between a landlords' needs and renters' ability to pay?
- How committed is the County to maintaining existing affordable rental stock?
- Thinking outside the box: opportunities for innovative solutions and the role of the COA.

Each panelist offered thoughts on the above questions, captured in the bullets below.

Additional questions raised:

- What is affordable housing?
- Should we consider housing that is only for seniors, or multigenerational The
- Who is the target population for county policies on affordable housing?
- Who is a "senior"?
- What is "senior housing"?
- Should we consider available resources as well as income, in determining eligibility for affordable housing?
- How can we help seniors to remain in the county in which they have lived for decades, raised families, and contributed?
- How do we balance lifestyles and affordability?

Challenges:

- MoCO population is changing, needs are changing, land is scarce.
- Older units/poor condition.
- Lack of capital to buy old units or maintain their low rents. The buildings are there, and the county has the right of first refusal, but it lacks capital to buy when buildings come onto the market at a reasonable price (e.g. the Faulklands).
- Affordable units may not be in the most desirable locations.
- County is juggling multiple housing priorities (multi-family, seniors, low-income needs) The County jumps into senior housing because there is less opposition, but also needs to target families.
- Define target populations (who should receive Montgomery County's help).

- The challenge is how to balance the need for regulatory control without creating a disincentive to maintain the property.
- Finding the resources to maintain old units.
- Federal budget uncertainty, which County cannot control.
- Renters are 36% of MoCo housing market yet they have no political power.
- We mostly see deteriorating buildings where owners walk away, but demolishing a building is expensive.
- Older homes are not designed for accessibility, which can be a barrier to aging in place.
- The only way to upgrade units is increasing density to get more market rate rents to help offset costs.
- Many senior housing options are in old, in poor shape, unattractive.
- Over the past 10 years, 33,000 affordable units were "lost" most of which were due to rent increases caused by market forces.
- Code enforcement. Inadequate unit inspections (too few units, or too infrequent) can result in poor maintenance. Need stronger code enforcement.
- A bigger challenge than code enforcement for landlords especially in naturally occurring senior communities, are the operating and maintenance costs (taxes, utilities, energy inefficient) of older buildings.
- Rent stabilization can result in poor maintenance.
- High demand region, competition with other jurisdictions.
- Cost of property management (building and staff).
- Some rent stabilization programs are a disincentive to investment in property maintenance (what works and why/how).
- NIMBY issues. Communities oppose density, but need the density to add more affordable units.
- Zoning and construction codes for high-density construction may increase rents due to higher construction costs. (e.g., $400/sq.ft to build in concrete; $130-$140/sq. ft. for lower buildings using stick construction.}
- Developers threaten they will pull out of Montgomery County if rent stabilization occurs; they assert that it depresses the market. Others say that doesn't need to be the case; no one size fits all; can be creative; for example, design rules to allow for capital improvements.
- Communities that are accustomed to single-family neighborhoods oppose change of home types and designations.
- The Agricultural Reserve is an additional limitation on available land
- Private homes not designed for aging in place; people are forced out by physical limitations.
- Affordable housing options are not always limited to Montgomery County residents. County resources are not going to Montgomery County's neediest residents. (e.g. The Bonifant has residents who moved to SS from outside county. Problem but can't really stop).
- County has a rental assistance program but this is intended for crisis situations, to save people from eviction.
- People may not be able to afford in-home services; must leave their homes as a result.
- Current supportive services networks are inadequate.
- Retired middle income residents can't afford to remain in Montgomery County; moving to Frederick and other less expensive locales for supportive housing options.

Opportunities:

- 4% LITC-add more “layers”, make the 9% more accessible. Senior Housing could be made a priority.
- Need to address concerns of developers who still need to make a profit.
- Carve out Montgomery County (or MoCo with other DC area counties) as a separate entity to better compete for state LIHTC funds.
- County could (and have been) put more money into renovations. As old units turn over negotiate for affordability.
- When tearing down an old building require more density on the rebuild.
- Preserve supply through rent stabilization.
- Look at other jurisdictions – DC, Takoma Park, East Palo Alto, NYC, and San Francisco.
- PILOT “payment in lieu of taxes” for property management to encourage building upkeep.
- Design rent stabilization that allows for capital improvements.
- Create policies that allow modification of existing SFH to apartment rentals
- Bond issue (re: dedicated housing). Add 3% below 50%/AMI for MPDU Programs.
- Innovative construction technologies to reduce construction costs. Use the MPDU program to require developers to construct lower buildings using stick construction.
- Provide housing solutions where they are needed. Be flexible
- May need to look at zoning.
- Address income issues so people earn more and can afford higher rents.
- Invest in rehab (Habitat, Montgomery County Housing Partnership).
- Start a non-profit construction company (addresses legal/financial risks).
- Encourage home ownership programs. (Helps stabilize communities.)
- County Tenant Advocate Office—legal support for tenants.
- Consider adding deeper subsidies to the MPDU Program.
- Condo conversion ordinances (look at what others have done).

Opportunities for CoA Advocacy:

- Attend County Council meetings to testify and/or support affordable housing development projects.

Appendix 6

MONTGOMERY COUNTY COA 2017 SUMMER STUDY-August 3, 2017

BARRIERS TO EXPANDING AND/OR PRESERVING SENIOR RENTAL HOUSING

Montgomery County is Changing (CG)*

- Senior population projected to grow faster than general population (CG)
- Changing population needs (CG)
- Available land is scarcer (CG)
- Inadequate supply of all rental housing (CG)
- County is juggling multiple housing priorities (e.g. families, seniors) (CC)
- Aging public housing stock (CG) and many senior housing options are old, in poor shape and unattractive (T)(CC)

Inadequate resources (CG)(CC)(L)(T)

- Low Income Housing Tax Credit: A statewide grant competition that offers a federal tax credit for construction of low-income housing. Montgomery County is at a competitive disadvantage because construction costs are higher than in the rest of the state. (CG)

- Federal funding reductions

    - Federal public housing budget has steadily declined; Section 8 subsidy program is more stable (CG)
    - Federal budget uncertainty (CC)
    - Proposed adminstration budget would eliminate CDBG and drastically cut other federal housing funding (CG)

- Inadequate resources to maintain older units

- Lack of capital to buy old units or maintain their low rents. County has right of first refusal but lacks capital to buy when buildings come on market at reasonable price. (Passed up Falklands) (CC)

- County rental assistance program is intended for crisis situations to save people from eviction; not a long term subsidy program

Costs

- High cost of land (D-NP)(D-FP)(CG)
- High cost to demolish deteriorating buildings and to upgrade existing units (CG)(T)(CC)
- High cost of labor and materials ((D-FP)
- Overhead costs associated with compliance and paperwork (D-FP)
- Some requirements not relevant to senior housing but compliance affect cost of construction. (e.g. bicycle racks) (D-NP)

- Operating and maintenance costs grow as building ages – (Note: more of an issue than rental code enforcement of existing units for preserving existing units) (L)
- Paperwork/compliance/ regulatory review rules/coordinating multiple funding streams – drives up cost and time consuming (D-NP)(D-FP)(CG)

Inadequate/Inconvenient Supply

- County "lost" 33,000 affordable units over the last 10 years – analysis of factors varies -
    - Rent increases (CC)
    - Inadequate code enforcement leading to poor maintenance and decline (CC)
    - Owners walk away from deteriorating buildings (T)
    - Market forces work against preserving affordable rental units (CC)
- Affordable units may not be in the most desirable locations (CC)
- Older existing units aren't designed for accessibility and can be a barrier to aging in place; tenants may choose or have to leave (T)
- Challenge is the need for regulatory control to maintain rental property unit as affordable; the more control the more disincentive to maintain the property (CC)

NIMBY ("NOT IN MY BACKYARD") issues

- Local communities oppose density; want to maintain parks/open space (D-NP)(CC)

*KEY:

CC-COUNTY COUNCIL

CG=COUNTY GOVERNMENT

T=TENANT ASSOC.

L=LANDLORD/MANAGEMENT ASSOC.

D=DEVELOPER

D-NP=NONPROFIT DEVELOPER

D-FP=FOR PROFIT DEVELOPER

Appendix 7

MONTGOMERY COUNTY COMMISSION ON AGING 2017 SUMMER STUDY

AFFORDABLE SENIOR RENTAL HOUSING OPPORTUNITIES

GROUP 1 – EXPANDING SUPPLY

- Co-locate affordable rental housing with other facilities such as libraries and fire stations. Require that every new public building include onsite affordable housing. (Currently only an evaluation is required.)

- Modify the MPDU program to require larger base percent set aside (to 15% or more) for affordable rental units

- Modify the MPDU program to require more units at the lower income level (for example a requirement for 3% below 50% AMI)

- Explore the possibility for a set-aside of new MPDU units specifically for seniors in each new development that requires an MPDU set aside.

- Increase building height allowances in selected areas (e.g. Bethesda)

- Require more density when tearing down old buildings and rebuilding.

- Amend zoning policies to allow modification of existing single family homes to include apartment rentals and more density in residential areas

- Evaluate zoning and construction codes for high-density construction that results in higher rents because of higher construction costs. (Concrete costs more than stick construction used in lower buildings.)

- Address developers' cost concerns by urging county government consideration of:

    - Waiving some requirements for projects that are 100% senior affordable housing

    - Reviewing local rules and requirements for opportunities to streamline approval process.

GROUP 2 – PRESERVING SUPPLY – NO NET LOSS

- Rent stabilization – pros and cons
    - Can result in poor maintenance; disincentive for developers to build; not all units restricted to low-income residents.
    - No one size fits all; can be creative; allow for capital improvements
    - Look at the experience of other jurisdictions such as DC (rent stabilization for senior housing), Takoma Park, East Palo Alto, NYC, San Francisco
- The county should put more money into renovations
- As old units turn over (building is purchased), county should negotiate for affordability
- Where appropriate county should adopt policies to encourage preserving existing market rate affordable units (e.g. garden apartments) when owner develops parts of a property.
- The county should develop a process to identify and assist "at-risk" affordable rental housing.
- Consider options to control the effect of condominium conversions. For example limit the number of conversions per year in certain areas.
- Create a Tenant Advocate Office to provide legal support for tenants

GROUP 3 - ADDRESSING RESOURCES/ FUNDING

- The county should work with the state delegation and state government to secure a percentage carve out of the 9% Low Income Housing Tax Credit (LIHTC) for Montgomery County (and possibly Prince Georges County) which accommodates the higher costs in the county.
- The county should make the 9% LIHTC more accessible for senior rental housing, perhaps by make it a priority.
- The county should make more use of the 4% LIHTC credit for preservation.
- Seek additional resources for the Housing Initiative Fund.
    - Propose a bond issue dedicated to affordable housing
    - Enact a demolition fee to supplement current sources of revenue
- Create a pilot establishing a "payment in lieu of taxes" for property management to encourage building upkeep.

GROUP 4 – EDUCATION AND ADVOCACY

- Despite the fact that renters generally make up 36% of the Montgomery County housing market, they have no political power.

    - The Commission should work with local partners in the low-income rental housing community to strengthen advocacy for affordable rental housing for low-income populations with county officials and in local communities considering new housing development proposals.

- The county government should establish a central electronic location for information about affordable rental housing in general and for seniors in particular. It should include information on proposed hearings, links to past hearings, notices of public meetings about proposed developments, demographic data, and information about all county and county administered programs and funds for affordable rental housing.

- The county government should improve access to information about the affordable rental housing application process and affordable rental housing locations to help prospective residents identify income appropriate housing.

- The county should develop and implement programs for Montgomery County residents to help them better understand affordable rental housing and its importance to the county.