



MONTGOMERY COUNTY PLANNING DEPARTMENT
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

Memorandum

To: Karl Moritz, Chief, Research & Technology Center

cc: Roselle George, Research Manager
Jacob Sesker, Planner Coordinator

Date: May 9, 2008

From: Sharon K. Suarez, AICP, Housing Coordinator

Re: County Executive Ike Leggett's *Affordable Housing Task Force Report*

Introduction

In keeping with his commitment to do so, County Executive Ike Leggett initiated a task force of developers, land use attorneys, real estate financiers, housing advocates, planners, and others to recommend ways to increase the amount of affordable housing in Montgomery County. The task force met for over a year before issuing the *Affordable Housing Task Force Report* on April 4, 2008, at the Montgomery County Affordable Housing Conference at the North Bethesda Conference Center.

In this memo, staff discusses the recommendations of the task force in light of Mr. Leggett's remarks (Appendix A), in the hopes of identifying those recommendations that are likely to go forward and so that the Planning Board may proactively craft its responses.

Recommendation

In general, the recommendation is to be ready to respond to the recommendations specific to the Planning Department. Nearly all the recommendations, save for the creation of two new financial funds, have been discussed before. Specifically, staff recommends getting and staying out in front of the recommendations, especially related to housing advocacy, streamlined development review, public process requirements, balancing other public policies, and advocating for the appropriate uses of parklands, agricultural lands, and other conserved lands.

Discussion

In its report, the County Executive's Task Force identified six issue areas and made recommendations for each. The section containing the Task Force's detailed recommendations

(pages 21 through 35 of the Task Force’s report) has been excerpted and is included as Appendix B of this memo. Initial comments from staff are included for discussion purposes only, at this time.

- **Issue 1: Preserve Affordable Housing.** The task force recommends creating a short-term property acquisition fund and a revolving equity fund, which it needs to work productively and effectively with private sector housing groups to preserve and maintain affordable housing. This recommendations appears to have the support of the executive, because he emphasized in his keynote at the Montgomery County Affordable Housing Conference, that, “Our Park and Planning Department notes that because of limited opportunities for new development anywhere in the County, most of the affordable housing we will ever have is already constructed.”

Observation: It may be possible to support the recommendations listed on pages 21 through 23 of Appendix B. The creation of the two funds is timely and needed. While these funding mechanisms are not new to the world of finance, they would be new tools for Montgomery County’s housing preservation program. Without additional financial tools such as these, the recent expansion of the County’s first right of refusal to purchase rental housing will be meaningless.

- **Issue 2: Create Affordable Housing.** To address this issue, the task force recommends that all master plans make it an objective to increase affordable housing. Other recommendations include the possible use of an affordable housing impact fee on new non-residential development, reduction of parking requirements and encouragement of mass transit use. The task force suggested making publicly owned sites available for housing and urged that a more attractive planning and economic environment be created for the development of affordable housing.

These recommendations are likely to go forward. In his keynote address at the Affordable Housing Conference (Appendix A), Mr. Leggett emphasized this issue area and its recommendations. He discussed the “amount of time, money and effort it takes to create new affordable housing in Montgomery County continues to be a concern of all who are in the field of developing lower-cost housing.

As an example, in his keynote Mr. Leggett talked about what happened when the County made its site on Bowie Mill Road in Olney available for mixed-income housing development. The site was subject to an extensive and deliberate master plan amendment and the selection of a developer under a request for expressions of interest process. He pointed out that it will still be three years before housing units come on-line, given the County’s rezoning, subdivision, site plan, and permitting processes. “We must create a more attractive planning and economic environment for the development of affordable housing, and expedite the approvals of needed affordable development, while continuing to allow communities to have meaningful input on the proposals in their neighborhoods.”

Observation: The recommendations contain many of the good ideas that resurface from time to time. Perhaps they may work now, but perhaps they will not. For example, while

the topic of affordable housing is appropriate for discussion in all master plans, the mandate to increase affordable housing may not be appropriate for all master plans.

Even Mr. Leggett's remarks were more constrained in his keynote: "The Task Force recommends that all land use master plans recognize and address the need for affordable housing in all of the County's communities." He did not say all master plans must increase the amount of affordable housing. Some of our master plan areas (Germantown, Gaithersburg, and Takoma Park, for example) may have more than their fair share of affordable housing. Maintaining the number of affordable units in those areas may be the more appropriate goal. Whereas increasing the amount in Potomac, for example, is very appropriate. Regarding the impact fee on new non-residential development, such a fee needs analysis. The Task Force Report indicates that Planning Department will be responsible for such an analysis.

Regarding the recommendation to create an attractive planning and economic environment so that more affordable housing can be built, the Task Force wants more incentives for the developers. The list of items (Appendix B, page 26), includes incentives to permit increased heights, densities, FARs, and flexibility in meeting public amenity/open space requirements; linking the incentives proportionately to the provision of MPDUs and other affordable units; development of a mixed-use floating zone; implementation of final zoning by sectional map amendment; and others.

The Planning Board and staff should be prepared to address other issues that will surface as a result of these recommendations: the balance of competing public policies for use of park land and agricultural lands; and the need for new models of development and growth that incorporate reduced parking requirements and increased pedestrian and transit usage.

- **Issue 3: Adopt Regulatory Reform.** The task recommends expedited regulatory reviews and by-right accessory apartments. As discussed above, Mr. Leggett did cite the need for expedited reviews, but he did not mention accessory apartments in his keynote.

Observation: *Mr. Leggett's keynote comments were weighted heavily toward streamlining the review process, but both Mr. Leggett and his Task Force seem unaware of or willing to ignore the need for public process. That need has increased, not decreased, in recent years. The Planning Board already has an expedited review process for development applications that include at least 20 percent affordable housing, and it is called "Green Tape." There is no new idea in the Task Force's recommendation to amend the "development approval process to expedite reviews of affordable housing development and redevelopment." (Appendix B, page 30) Why our Green Tape process did not get more "takers" is likely due to the hot real estate market. As for the recommendation to allow accessory apartments by right, especially near transit, we have tried and should try again to change the accessory apartment process to an administrative one.*

Another recommendation seeks to establish the central authority for affordable housing in the Executive Branch. Department staff is not clear on whether or how this

conflicts with the authority granted to the Montgomery County Housing Opportunities Commission by the County and State of Maryland.

Additionally, in his keynote Mr. Leggett supported the Affordable Housing Task Force's recommendation that the Planning Department establish a separate Housing Division to advocate for affordable housing. Department staff acknowledges that housing research and housing advocacy should be, ideally, at arm's length in order to allow research to be research and advocacy to be advocacy. Arm's length separation can be accomplished in a number of ways, only one of which may be to establish a separate division. Because this recommendation will be among those carried forward, the Planning Board and staff should consider this recommendation and be prepared to reorganize, either by crafting a new division or by coming up with a counter proposal short of creating a new division that would allow for true advocacy planning for affordable housing.

- **Issue 4: Achieve community Acceptance of Affordable Housing.** The task force recommends the promotion of well-designed affordable housing, the development of a community support educational campaign, and the garnering of business support for affordable housing initiative.

***Observation:** Mr. Leggett's keynote remarks supported the concept of making affordable housing acceptable through better design of affordable housing. This is a markedly different approach than has been taken nationwide, where public education campaigns have sought to change the attitude of communities to the people who need affordable housing. The Task Force and the County Executive believe that the community will accept affordable housing, if it looks good and is not obviously "affordable." Given the additional emphasis on increased density and height and higher FARs, the concept of design will have to be much broader than any single building, however, and will need to look at streetscapes and shadowing profiles, etc. A better solution may be that the County Executive needs to provide a benefit – an enticement – to the communities that welcome affordable housing, so that soon communities are lining up to receive such development.*

- **Issue 5: Goals for Affordable Housing Preservation and Production.** The task force recommends assessing and recommitting to the housing production goals of the 2001 Montgomery County Housing Policy and addressing the housing needs of homeless and special needs households. The task force recommends using County-Stat to evaluate progress toward established goals.

***Observation:** The Task Force recommends the use of the County's new County-Stat Department to revisit, reassess, and recommit to the adopted Housing Policy. Two agencies are named to work with County-Stat to perform these assessments: the Department of Housing and Community Affairs (DHCA) and the Planning Department. Not mentioned is the Department of Health and Human Services, whose involvement will be necessary to understand and accomplish any of the housing requirements of special needs populations. This effort will establish program evaluation goals and performance measurements for the Housing Policy. The Planning Board and staff must be alert to whether the Department*

may be indirectly or adversely affected by any of the performance measures developed by County-Stat.

Issue 6: Home Purchase Assistance for Public Employees. The task force recommends the temporary abatement of property taxes, transfer taxes, and recordation fees for eligible County employees who purchase a home in the County.

Observation: *Not mentioned is the recommendation to participate in the “More Keys” for employees program. The recommendations of the Task Force and the County Executive will only have a significant impact if the eligibility requirements are broadened to include senior employees who may already own a home outside the county, but that is unlikely to happen. Regardless, unless the County is willing to commit to salary increases commensurate with the amount of taxes and fees temporarily abated, then the result of the program will mean financial ruin for many employees as soon as the abatement period is over. It may be better for the County to do as the Planning Department has done: participate in the State of Maryland’s “More Keys for Employees” program—a dollar-for-dollar matching grant for new employees of participating employers.*

Appendix A: Remarks by County Executive Leggett¹

**Affordable Housing Conference, April 4, 2008,
Bethesda North Marriott Hotel and Conference Center**

The Affordable Housing Conference of Montgomery County is an organization that I have strongly supported and encouraged since its inception seventeen years ago. And, its mission is just as vital today as it was then—maybe even more so.

Looking out at this crowd, I am reassured and proud that there are so many Montgomery County residents from all different walks of life who have taken time out of enormously busy schedules to come together and promote the cause of affordable housing right here in our own backyard.

I am extremely pleased to be here today to talk with you about an issue that faces each and every individual in Montgomery County: namely, the crisis in affordable housing that exists in our own community and throughout the United States.

When I took office just sixteen months ago, it was clear that while the County had been addressing the growing problem of affordable housing, it was time to identify new solutions, tools and cutting edge ideas to combat what has become a dilemma of crisis proportion.

Albert Einstein once said that insanity is doing the same thing over and over again and expecting different results. I couldn't agree more. And that is why I immediately created an Affordable Housing Task Force to address these challenges with the objective to think outside of the box in finding solutions.

The definition of "Affordable Housing" certainly has evolved. No longer does it mean housing ONLY for individuals and families of low and moderate income. In fact, the commonly accepted standard for affordability is that a household should not pay more than three times its income for home ownership and rental, respectively.

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Let's follow this to the logical conclusion for the sake of today's discussions about our own community:

The annual median household income for our residents is \$99,000. In 2007, the average cost of a new town home here is just shy of \$475,000. The average cost of a new single family home is nearly a million dollars-- up almost 10% from just the year before. Existing town homes and single family prices range from an average of \$365,000.00 to \$569,000.00. We all can do the math.

This means that folks must make somewhere between \$91,000 to \$245,000 in order to purchase a home in Montgomery County. Rents are just as steep. A renter must make at least \$38,000 a year in order to afford a one-bedroom apartment.

These numbers are stunning. But let's forget them for just a moment. What about meeting other basic needs such as nutrition, healthcare or saving for the future, in addition to paying for housing?

Affordable housing also is having the ability to buy or rent a decent home or apartment and still be able to afford the utility bills, food, clothing, transportation, and maybe a short vacation with the family.

Affordable housing means that people who work here should be able to live in the community that they serve. These are the people who serve us each and every day: those in the service and food industries, our teachers, nurses, hospital attendants, our firefighters and members of our police force.

Affordable housing means ensuring that young people who grew up here are not turned away forced to go elsewhere to find their American Dream.

Affordable housing means ensuring that individuals of low and moderate income and those with special needs are provided with decent and safe shelter where they can become contributing members of our community. There should be no stigma attached to people who cannot afford the luxury of renting or owning a home here in Montgomery County.

And, please let us not forget those individuals who helped build this County into what *UTNE MAGAZINE* calls one of the most desirable communities in which to live. These are our senior citizens who worked hard every day to improve the quality of life for all of us. We must ensure that they can afford to stay in the County they built, close to their friends and loved ones.

As you know, when I ran for County Executive in 2006, promoting more affordable housing was at the top of my agenda. It continues to be one of my highest priorities -- and for good reason.

I heard and saw first hand during my campaign that countless residents and employees of the County were having difficulty finding housing within their budget.

“Affordable Housing in an Inclusive Community” became one of the eight policy initiatives I set forth for the County, and it remains a very prominent one.

The intervening months have seen this issue explode into the consciousness of our communities as the credit crisis deepens and the national economy slides into what is a recession.

Montgomery County is an exceptional community with an excellent school system, public services, job availability, well-maintained neighborhoods, and commercial centers. Yet, existing housing stock continues to experience inflationary pressures above and beyond those experienced in most other places.

We are fortunate, however, to have a history of political leadership and resources to address the affordable housing issue with innovative and far-sighted programs.

Here’s what we’ve done already:

- In my first budget, I increased the resources available to our Housing Initiative Fund – to preserve and promote affordable housing to \$30 million, over a 50 percent increase. In my current recommended budget for the coming year, I’ve boosted that figure to \$54 million. And, through leveraging County bonds, we will work to boost the total available to \$80 million. And in two years we will increase the fund to more than \$100 million.
- I proposed – and the Council approved – legislation to expand the County’s “Right of First Refusal” to purchase rental housing constructed since 1981 to preserve its affordability. We have already used this authority to purchase condominiums in King Farm and on Aspen Court in Takoma Park.
- We have moved aggressively to construct affordable housing on County-owned sites as well:
 - For example, 15 affordable and workforce attached units on Edson Lane in North Bethesda
 - Up to 117 attached and mixed-income units on 32 acres in Olney.

- 80 units of new senior housing adjacent to the County Government Center in Rockville
- We will construct multi-family housing above the new Silver Spring library on Bonifant Street.
- On the 8 acres set aside next to the new 3rd District Police Station site in White Oak, we plan affordable units as well. And, last but certainly not least.
- I am also proposing to move at least the portion of the County Service Park that’s west of Crabb’s Branch Road to new locations to allow for implementation of the Shady Grove Sector Plan. This plan will involve the building of thousands of affordable units, as a Smart Growth development right next to the Shady Grove Metro station.

Added all together, these initiatives alone should provide thousands of affordable units in the County.

But we can’t stop there.

That’s why I appointed an Affordable Housing Task Force to assist me in developing a comprehensive plan to address this vexing problem.

The task force includes membership from all sectors of Montgomery County and the region, including housing advocates and experts, representatives of the financial and development industries, builders, housing providers, planners, community members and representatives of governmental departments and agencies.

The Task Force came together to consider the issues and potential solutions. They worked tirelessly in meetings and conducting research.

When the Co-chairs of the Task Force provided me last November with a preliminary report, I asked them to take their findings and recommendations out to the public to see what the people who live and work here have to say about the proposed recommendations and ideas.

They heard quite a bit--and not always what they expected or wanted to hear. But the public comments made the recommendations even stronger and more focused.

It’s with a great deal of pleasure that I release the Task Force’s report and recommendations today.

And yet, it’s also with no small amount of apprehension that I release this report, because the report lays out an aggressive, far-reaching action plan for preserving and

increasing the amount of affordable housing in our communities, from one corner of the County to the other. The implementation of these recommendations will be challenging – but it is a challenge that we absolutely must meet.

As market pressures make both rental and ownership housing more expensive in Montgomery County, we must find ways to preserve the stock of affordable housing we already have.

Our Park and Planning Department notes that because of limited opportunities for new development anywhere in the County, most of the affordable housing we will ever have is already constructed.

It's vital to maintain our current affordable housing. It is already served by extensive public infrastructure, and unlike new construction, does not require the expensive provision of new roads, schools, parks, and libraries.

The Task Force recommends the creation of a Short Term Property Acquisition Fund. This fund would:

- Provide short-term financing to enable experienced public, nonprofit or for-profit organizations to purchase affordable rental properties before they are sold and renovated for higher-rent occupancy or conversion to condominium ownership.
- We will fund this effort through a variety of public and private financing.
- My Fiscal Year 2009 Operating Budget recently announced proposes to fund the first installment of what I plan to be a quadrupling of the amount of funding we provide to affordable housing each year. Using a small portion of our current Housing Initiative Fund for seed money, we plan to issue \$25 million in bonds to increase up to \$54 million now and over \$100 million in two years.
- With these enhanced resources, we will reduce the displacement of at-risk renter households due to condominium conversions. We will also increase the public and nonprofit ownership of affordable rental housing.

It is critically important to provide housing opportunities to families and individuals of all income levels. It makes us a better, more vibrant and a balanced County.

Employees who purchase homes in the community in which they work can provide a reliable, stable workforce that will enable the County to continue to provide public

services efficiently and for good value to its residents. Therefore, it is recommended that the County provide temporary abatement of property taxes, transfer taxes, and recordation fees for eligible County employees who purchase a home in the County. With such a program, we can avoid direct expenditures in this time of budgetary pressures, and still provide an opportunity to stabilize our public workforce when they choose to become homeowners in our neighborhoods.

The amount of time, money and effort it takes to create new affordable housing in Montgomery County continues to be a concern of all who are in the field of developing lower-cost housing.

For example, the County made its site on Bowie Mill Road in Olney available for mixed-income housing development. The site was subject to an extensive and deliberate master plan amendment and the selection of a developer under a request for expressions of interest process. Nevertheless, it will still be three years before housing units come on-line, given the County's rezoning, subdivision, site plan, and permitting processes.

The Task Force recommends that all land use master plans recognize and address the need for affordable housing in all of the County's communities.

The Task Force also calls for streamlining the regulatory and permitting approval processes for affordable housing. The saying "time is money" applies to public and nonprofit development as well as market rate development.

We must create a more attractive planning and economic environment for the development of affordable housing, and expedite the approvals of needed affordable development, while continuing to allow communities to have meaningful input on the proposals in their neighborhoods.

The Task Force calls upon us to look at reducing the costs of residential development by being more flexible and market driven in our parking requirements for housing. We need look no further than Arlington County for a model that reduces development costs, while increasing environmental sustainability, simply by changing the way parking requirements are implemented.

As a community, we have been quick to endorse the promotion of environmental policies and incentives. We need to be as active and forceful in pursuing the public

benefits that affordable housing presents for our economy and our neighborhoods.

This means recognizing that affordable housing is as necessary a part of all Montgomery County communities as other public facilities such as parks, libraries, and schools. It also means that we must promote increased density and new mixed use zones to foster affordable housing.

The Task Force recommends that the Park and Planning Commission consolidate multiple approval reviews into one hearing to occur within a designated time period. We must free up the pipeline and allow pending development, including a significant number of affordable housing units, to proceed.

The Task Force also recommends the creation of a new Affordable Housing Division at Park and Planning to accelerate regulatory reviews and approvals and to monitor production of affordable housing. The division's review would be equal to other areas of review, such as transportation and environmental planning.

We – and I mean all of us assembled here– must implement an aggressive education program about the value of affordable housing and the importance of being an inclusionary community.

The Task Force recommends the development and implementation of an extensive community support educational campaign to help bust the myths that surround proposals to develop below-market cost housing.

We all have heard the arguments used to block developments that mischaracterize affordable housing. Well, it's time we move beyond the lingering negative stereotypes and myths. It's a simple fact that our County, in order to have a healthy economy and strong community, must make provisions for affordable housing. It's important for everyone who wants to live and work here, and for those of us who hope to retire here.

To effectively and efficiently address all of the County's affordable housing needs, there must be an assessment of the demand for housing to serve various populations in the County. We need to address the very special, diverse

needs of the homeless population, developmentally and physically challenged individuals, seniors and others with unique and special needs by consulting and working with advocates, housing providers and health and human service agencies and organizations.

I am impressed with the breadth and depth of Affordable Housing Task Force's recommendations.

When implemented, the recommendations contained in this report will provide a tool-box of initiatives that will expand the County's ability to preserve and develop affordable housing.

Finally, we will keep track of how we are doing in meeting our affordable housing preservation and production goals by engaging the CountyStat program to help us keep on track. This program offers a rigorous analysis of data that will tell us how well we are doing in achieving our goals in real time.

I have many people to thank for their efforts in producing the Task Force report and recommendations. Co-chairs Barbara Goldberg-Goldman and Rick Nelson kept the group focused and on point. The Task Force members themselves provided their expertise and countless hours of their time -- because they thought it was the right thing to do.

And again, thanks to you, the Affordable Housing Conference, for providing a climate that makes this discussion possible. Yes, we have a long way to go, but having the forum and environment that you have provided gives us a huge head start.

Arthur Clark, the inventor, futurist and author who wrote *2001: A Space Odyssey*, said that "*The only way of finding the limits of the possible is by going beyond them into the impossible.*"

I am asking you now, right here in 2008 to take this journey with me in order to ensure that Montgomery County Maryland provides a safe, decent, and healthy community in which ALL OF US will live and thrive. I'm counting on you!

Thank you.

Appendix B: Issues and Recommendations, *County Executive's Affordable Housing Task Force Report (2008)*²

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