



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

**Memorandum**

To: Montgomery County Planning Board

Via: Dan Hardy, Acting Chief, Research & Technology Division *DKH*

From: Khalid Afzal, Acting Research Manager  
Sharon K. Suarez, MPA, AICP, Coordinator for Housing Policy & Research *CKS*

Re: Housing Element of the General Plan – Work Session #1

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On May 21, 2009, the Planning Board held the public hearing for the Housing Element of the General Plan Public Hearing Draft. Five people spoke at the hearing. The record of the public hearing was kept open for two weeks, and during those two weeks staff received testimony from five individuals and groups. A detailed list of speakers and their comments is attached (Attachment A). Staff is proposing three worksessions as follows to complete the Planning Board review of the public hearing draft and address the issues raised in the public testimony.

Worksession #1 (June 18, 2009)

1. A discussion of the context and background of the housing element report. Since two of the commissioners were not here when the staff presented these reports to the Board in spring 2008, staff will present a summary of the research and other material that was produced for the housing element report. This will also address some of the commissioners' question about how the facts and numbers used in the report were developed.
2. A summary of the issues raised at the public hearing and the staff's response to the testimony.

Worksession #2 (July 16, 2009)

1. A discussion of the goals and objectives of the housing element, and how they will be achieved (master plans, private and public developments, CIP, etc.)
2. A detailed discussion of the options available for achieving the objectives and the policy goals recommended in the housing policy report.
3. Review of staff proposed changes to the Planning Board Draft Plan

Worksession #3 (July 30, 2009)

1. Review and approval of the Planning Board Draft Plan for transmittal to the Council.

This first worksession will focus on the context and background of the Housing Element. Because two of the commissioners were not here during the earlier research and fact finding phase of the project prior to July of 2008, staff will discuss the context and background of the report, which will also address some of the commissioners' question about how the facts and numbers used in the report were developed. Please refer to Attachment B for the dates these reports were presented.

## **I. Context/Background**

### **1. The County population is expected to grow, though at a slightly slower rate than in the past.**

The County is expected to add 195,000 new residents by 2030, just over two decades from now. The County's last addition of 195,000 residents occurred since 1990.

The expectation of continued, though slower, growth was derived from a combination of information. The Department prepares household and job forecasts based on land use and economic information, including previously approved development. These forecasts are prepared as part of a cooperative program with other member jurisdictions of the Metropolitan Washington Council of Governments.

The historical figures for households and population are from the U. S. Census of Population. The employment series is from the Maryland Department of Labor, Licensing, and Regulation's (DLLR) ES-202 Program with self-employment added. These historical trends are projected and modified based on the Park and Planning Department's best judgment on the forces that will affect housing, population, and employment in the future. The forecasts represent average growth over 5-year periods and do not attempt to forecast cyclical variations. Employment forecasts "drive" other forecasts. A slower rate of job growth will encourage formation of fewer new households and attract fewer in-migrants.

The forecasts of total at-place employment, total households, and total population are prepared using a top-down method. Countywide forecasts are established first. The county forecasts are then used as control totals for the forecasts by traffic analysis zone. Forecasts of employment type (office, retail, industrial, and other) and forecasts of household type (single-family and multi-family) are developed bottom-up at the traffic analysis zone level.

### **2. Additional job growth and the related population increase drive the need for additional housing.**

The background analysis for the draft plan used Round 7.1 Forecast information for Montgomery County households and jobs. The 72,000 households defined in the Plan reflect the difference between the number of households in 2010 (370,000) and the total number of anticipated households in 2030 (441,300).

Early in 2009, the Round 7.2 Forecasts were adopted and increased the number of anticipated households. According to Round 7.2, we can expect 78,000 additional households and 160,000 additional jobs by 2030. (See Attachment C). The Round 7.2 Forecasts also project growth another ten years to 2040, and the total forecasted growth in households from 2010 to 2040 is 98,000.

The jobs-housing ratio is anticipated to increase from just over 1.4 to over 1.5 from 2010 to 2030, respectively, which reflects both the diminution of household size and a general trend towards a balanced jobs-housing ratio of 1.6.

### **3. Montgomery County is an expensive place to live**

Housing values in Montgomery County are among the highest in the Washington Metropolitan area. This reflects both strong demand and the county's reputation for the high quality of services, environment, and neighborhoods. While the strength of the housing market has undergirded neighborhood stability and made a Montgomery home a sound investment, it has also produced a chronic shortage of housing that is affordable for much of the county's work force and other moderate and lower income households.

Beginning in the 1970s, the county responded to this need with one of the nation's most successful and highly regarded inclusionary housing programs, the Moderately Priced Dwelling Unit (MPDU) ordinance, which required all new developments above a threshold number to provide a percentage of its units at prices affordable for households with incomes no greater than 60 percent of the area median. In 2005 the MPDU law was amended to lengthen to 99 years the period of time during which an MPDU home must remain available at a below market price when transferred to a new owner or tenant. And in 2006, the county required that 10 percent of new market rate housing units built in areas served by Metro transit stations be available to "workforce" households with incomes between 80 and 120 percent of the area median.

Neither of these programs, nor an aggressive program to build publicly assisted housing, have been able to meet the need for housing that a large segment of county residents and workers can afford within 30 percent of their annual household income.

The County's 2007 median income of \$94,500 for a household of four would allow a \$2,363 monthly mortgage payment on a house valued at about \$346,500, based on the Department's Housing Affordability Index model. The Urban Land Institute's 2009 commuting cost study, *Beltway Burden*, reports that nearly a fourth of the County's residents are burdened by both high housing costs and high transportation costs.

As is discussed in more detail below, in June of 2008 Department staff presented the findings of the *Analysis of the Supply & Demand for Housing*, at which time we identified a gap in the availability of affordable and appropriately sized housing for families earning an annual income of less than \$90,000.

#### **4. The need for affordable housing is increasing.**

Normal home value appreciation in a strong housing market such as Montgomery's, loss of some units to redevelopment, and loss of others as their period of MPDU price management expires makes closing the gap between the demand and supply of affordable housing an urgent concern.

From 1999 to 2009 rising values alone priced 50,000 units of the existing housing stock beyond the financial capacity of moderate income buyers and renters. Expected rates of new housing production cannot keep pace with price increases that remove existing units from the market. In 2009 the county had a shortage of 43,000 units that were affordable for households earning less than \$90,000 a year (just below the county median), but that number approaches 50,000 when household size is taken into account.

In contrast, a surplus of units was available to those with more than \$150,000 in annual household income. If current trends continue, by 2030 it will be difficult for a household with an annual income of \$120,000 (in constant 2009 dollars) to afford a home in much of Montgomery County. By then, the gap in affordable housing is estimated to reach 62,000 units. This plan recommends a series of public policy actions that should be taken to reduce the affordability gap.

#### **5. The County has little land remaining available for new development.**

Ninety-one percent of the residentially zoned land in the county had been developed or approved for development by 2009. Less than 14,000 acres remain in the development envelope for greenfield development. It is clear that county housing needs cannot be met by traditional patterns of low density development that pushed ever outward.

As the costs of transportation grows, the cost of commuting can cancel out any reduction in housing costs, not to mention the effect of increased miles of travel on both air quality and roadway congestion. Moreover, growing concern for the environment and the need to reduce the carbon footprint of development are generating a major shift in both the supply and demand for housing. New housing must come through rethinking the future of the county's 106 auto-oriented commercial strips, its 8000 acres of surface parking lots, most of them paved before modern storm water management requirements existed, and making the most of opportunities for housing near high quality transit service.

Thus, a combination of forces—a shrinking supply of developable land, higher land costs, rising prices for energy, shifts in the county's demographic profile, and environmental constraints—recommends housing policies that look inward rather than outward to accommodate the housing needs of the next generation for homes and communities that are balanced, convenient, and sustainable.

Note: residential capacities can increase or decrease, such as when master plan updates or rezonings change permitted densities. Areas that are currently at or near build-out can acquire additional capacity by infill or redevelopment of underused properties.

**6. A majority of the future housing growth will be in higher density areas.**

Montgomery County essentially built primarily single-family detached housing from the earliest settlements through the 1960s. Single-family attached and multifamily housing began to appear in the 1970s. Even today, the vast majority of housing in the County is single-family, not multifamily, housing.

The larger land requirements needed by the single-family model preclude meeting our future needs through single-family units alone. Since 1990, just 38 percent of the dwelling units built in the County have been multifamily units. Between now and 2030, we forecast that 80 percent of the new dwelling units will be multifamily units. Many of these 72,000 housing units will be added at metro stations or along the Corridor Cities Transitway (CCT).

**7. Transit accessibility can improve housing affordability.**

Typically, housing costs include the principal, interest, taxes, and insurance payment and utilities or rent payment plus utilities. Historically, the cost of commuting to and from work has not been included in the cost of housing, though the draft plan suggests that it should be in the future. Recent research indicates that the cost of commuting in the Metropolitan Washington region consumes as much as 16 percent of a typical household income.

**II. Major Issues from the May 21 Public Hearing**

The following are the major comments/issues raised by the speakers' testimony that staff will discuss with the Planning Board in today's and subsequent worksessions.

**1. There is not enough emphasis on affordable housing/there is too much emphasis on affordable housing and not enough on market rate housing.**

The draft plan proposes goals and strategies for housing, generally, and is best thought of as a plan that will better support the strategies of the future housing market—both subsidized and non-subsidized.

The draft plan seeks to conserve the stability of neighborhoods, especially older neighborhoods of modest single-family and town homes or garden apartments that are especially vulnerable to decline if services are not adapted and maintained, and housing and zoning codes are not enforced. These neighborhoods are susceptible to tear down and infill development because they are often well located in down-county

and mid-county areas near employment and shopping centers, services, and public transit routes. These neighborhoods also contain the bulk of affordable housing in Montgomery County—over 140,000 units in 2009. This is double the number of affordable new units that can reasonably be expected to be added to the housing stock by 2030. Area master plans, in particular, must devote special attention to the protection of existing neighborhoods.

The draft plan concentrates new housing in mixed-use, transit-oriented areas. Large scale housing subdivision is nearing its end in Montgomery County. Most of the new housing that will be built during the years covered by this element of the General Plan will be multi-family buildings in mixed-use centers served by public transportation and in redeveloped commercial strips and malls. Higher densities and smaller units can combine with lower energy and transportation costs to bring the cost of living in the county within affordable ranges for many more residents, whether they are new to the area, acquiring a first home, or changing homes as their needs and circumstances change. Focusing growth in higher density, mixed use, transit-oriented centers also meets other important planning objectives, including reducing the per capita carbon footprint of new growth, diversifying the housing stock, and creating vibrant pedestrian-oriented communities.

**2. There is no definition of affordable housing.**

Affordable housing is defined as housing that costs no more than 30 percent of a household's income. This is the federal, state, and county definition of affordable housing and should be referenced in the Plan. Households that earn more than \$90,000 annually can afford a variety of housing units, while households earning \$30,000 annually can afford practically none of the housing options in the County. In addition to the market rate housing that is affordable due to its age, type, location or various other reasons, the Housing Element draft uses the term affordable housing for the following other specific groups or types of housing in Montgomery County, such as workforce housing, MPDUs, and housing subsidizes through other public and private means.

**3. The report should have more emphasis on preservation of affordable housing.**

We must preserve existing affordable housing if we are to meet our future affordable housing needs. The draft plan recommends preserving "existing affordable units", which includes affordable units protected through federal, state, or local government subsidies, but it also includes those that are "market rate affordable". These market rate affordable units may not be affordable in the future for various reasons including, but not limited to, the property value increases, shortage of rental units and energy and transportation costs.

The draft plan addresses preservation of existing affordable housing through market and governmental strategies. Increasing the supply of housing should offer some relief by slowing the rise of sales prices and rent increases. The draft plan also proposes to

facilitate the creation of accessory apartments, which will offer affordable rental opportunities to many households and will help preserve housing affordability for the owner of the accessory apartment. The draft plan also recommends a property-tax deferment to income eligible seniors to preserve the affordability of their home as long as they choose to live in it.

The County already has several programs on the books to address the preservation of affordable housing and those programs will likely be reviewed by the County in light of this draft plan. For example, it is likely that the County will review the rental increase guidelines and opt for something stricter. It is not likely, however, that we can wholly stop redevelopment of properties that have existing affordable housing.

**4. The report should talk about how the goals and objectives will be achieved.**

This will be discussed in more detail in the second worksession when staff will discuss the Plan's objectives and policy goals, as well options to achieve these objectives.

**5. Who will live in dense, urban communities?**

According to the 2008 Prism marketing report, there are over 465,000 households within a 20 mile radius of the County's center of population (near the intersection of E. Gude Drive at Norbeck Road) that are considered urban dwellers. The largest group comprises over 322,000 households, and is referred to as the "Urban Uptown" Group. Urban Uptowns are home to the nation's wealthiest urban consumers. Members of this social group tend to be affluent to middle class, college-educated, and relatively diverse ethnically, though still predominantly white. Urban uptowns have diverse housing styles and family sizes, and residents share an upscale urban perspective that's reflected in their marketplace choices. Urban Uptown consumers tend to frequent the arts, shop at exclusive retailers, drive luxury imports, travel abroad and spend heavily on computer and wireless technology. While many still commute by car, this group is also noted for its significantly higher use of public transportation, walking, and working at home (telecommuting) than other non-urban groups.

A future market for urban, transit oriented communities will likely be found in several other household types that share many of the same values and preferences with the Urban Uptowns. Such households are likely to find that more urban communities offer attractive choices for various stages in their lives.

**6. There is also no mention of full inclusion in the community for those with disabilities or the elderly.**

Two objectives of the plan address the connectivity and design issues that will create communities that serve the needs of all residents, including those with disabilities and the elderly. The implementation discussion in the second worksession will clarify how these strategies are applicable.

**Attachment A: Public Comment**

**Speakers at the public hearing:**

**Felicia Eberling**

Colespring Plaza Tennant Association  
1001 Spring Street, #924  
Silver Spring, MD 20910

**Jim Humphrey**

Montgomery County Civic Federation  
(MCCF)  
5104 Elm Street  
Bethesda, MD 20814

**Pamela Lindstrom**

Housing Opportunity Commission (HOC)  
421 Gaither Street  
Gaithersburg, MD 20877

**Raquel Montenegro**

Maryland National Capital Building Industry  
Association (MNCBIA)  
1738 Elton Road, #200  
Silver Spring, MD 20903

**Scott Reilly**

Department of Housing and Community  
Affairs (DHCA)  
100 Maryland Avenue  
Rockville, MD 20850

**Those providing written comments:**

**Eleanor Duckett**

11111 Midvale Road  
Kensington, MD 20895

**Diane Hibino, President**

The League of Women Voters of  
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**Michael J. Kator, Chair, HOC**

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**Jackie Simon**

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## **Attachment B: Supporting Studies for the Housing Element**

The following studies are available as Plan appendices on the Housing Policy Element Appendix website:

<http://www.montgomeryplanning.org/community/housing/appendix.shtm>

### **Review of the County's Housing Policies (March 27, 2008)**

- Staff Report [PDF]

### **• Housing Inventory Slideshow (April 11, 2008)**

### **• Review of Housing Master Plans (April 17, 2008)**

- Staff Report [PDF]
- The Housing Goals of the General Plan Presentation

### **• Legislative Issues (May 15, 2008)**

- Staff Report [PDF]
- The Affordable Housing Task Force Recommendations
- Pro Forma Analysis of MPDU Bonus Density
- MPDU Site Design Guidelines
- Affordable Housing Task Force Excerpt

### **• Examination of Neighborhood Change (May 29, 2008)**

- Staff Report [PDF]
- Examination of Neighborhood Change Using Indicators Presentation [PDF]

### **• Housing Supply & Demand (June 3, 2008)**

- Staff Report [PDF] and
- Appendices to the Housing Supply and Demand Report
  - Demographic Analysis
  - Housing Supply Analysis
  - Housing Market Trends
  - Housing Supply & Demand Analysis
  - Housing Supply & Demand PowerPoint Presentation

**Attachment C: 7.2 Cooperative Forecasts**

Montgomery County - Final Round 7.2							
	Population	Percent Change	Households	Percent Change	Jobs	Percent Change	Jobs/Household Ratio
2005	929,100		347,000		500,000		1.44
change	36,900	4.0%	15,000	4.3%	10,000	2.0%	
2010	966,000		362,000		510,000		1.41
change	59,000	6.1%	24,000	6.6%	37,000	7.3%	
2015	1,025,000		386,000		547,000		1.42
change	50,000	4.9%	22,000	5.7%	43,000	7.9%	
2020	1,075,000		408,000		590,000		1.45
change	38,000	3.5%	17,000	4.2%	40,000	6.8%	
2025	1,113,000		425,000		630,000		1.48
change	28,000	2.5%	15,000	3.5%	40,000	6.3%	
2030	1,141,000		440,000		670,000		1.52
change	19,000	1.7%	11,000	2.5%	30,000	4.5%	
2035	1,160,000		451,000		700,000		1.55
change	14,000	1.2%	9,000	2.0%	20,000	2.9%	
2040	1,174,000		460,000		720,000		1.57

Note: Even though the forecast extends to 2040, the draft plan timeframe (also called the “planning horizon”) remains 2030.

	<b>7.1 population</b>		<b>7.1 households</b>		<b>7.1 jobs</b>	
<b>change, 2010 to 2030</b>	155,000	15.7%	71,300	19.3%	125,000	22.9%
	<b>7.2 population</b>		<b>7.2 households</b>		<b>7.2 jobs</b>	
<b>change, 2010 to 2030</b>	175,000	18.1%	78,000	21.5%	160,000	31.3%