TECHNICAL SUPPLEMENT

TO THE PROPOSED

WORKFORCE HOUSING POLICY

Prepared by

Montgomery County Department of Park & Planning

Maryland-National Capital Park & Planning Commission

8787 Georgia Avenue

Silver Spring, MD 20910

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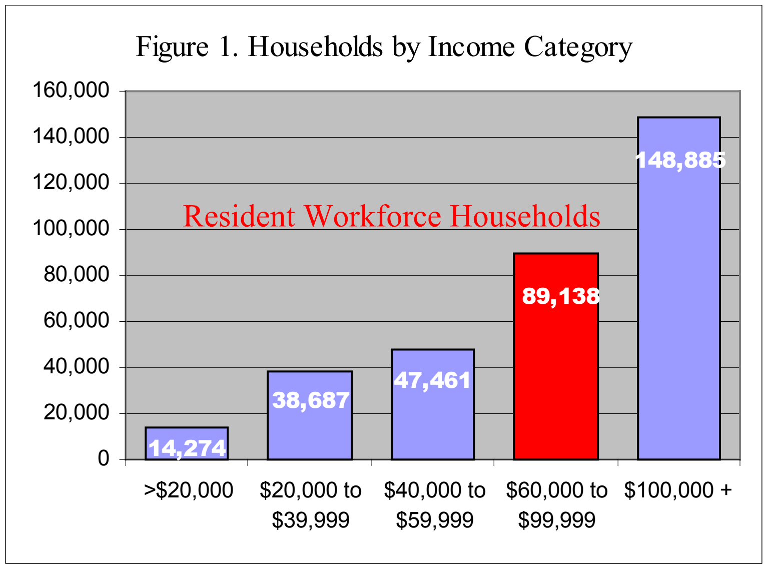
CONTENTS

FIGURES

Demand Issues

Home Ownership Demand

Montgomery County's homeownership rate is over 77 percent, higher than the nation as a whole, which averaged about 68.6 percent in 2003.[1] Montgomery County is a home-ownership draw in the State and the region. According to the 2003 Montgomery County Census Update Survey, nearly 27 percent of the County's total 338,445 households—over 89,000 households—earned between $60,00 and $100,00 in 2002.[2] (Figure 1) This is as close to the definition of workforce housing (60 to 70 percent of AMI up to 120 percent of the 2004 AMI) as we can get, using our current data. Because little has changed between 2002 and 2004—except the cost of housing, the Department's housing and forecasting staff is comfortable estimating that about a quarter of the County's households contribute to the resident workforce housing population.[3]



Source: MNCPPC, RTC. Montgomery County Census Update Survey. 2003.

- In 2004, households earning 120 percent of AMI, or about $102,000, could afford to buy units priced at about $390,000.[4] This group could afford many of the used condominiums or used single-family-attached housing, as well as some new housing units, depending on the location of the unit.
- Households earning 100 percent of the 2004 AMI ($85,400) could not afford the median priced home, overall, but could afford a variety of units costing around $325,000 or less.[2] Over 8,300 units – well over a third of all units sold – sold for less than $300,000 in 2004. Existing detached and attached housing, as well as condominiums were available in this price range. New single-family attached units and condominium units were also available in this price range, depending on the location of the unit.
- Households earning 70 percent of AMI could afford housing priced at $200,000 or less. According to the 2003 Montgomery County Census Update Survey, about 43 percent (over 145,000 households) earned less than $70,000 in 2002. These households could afford to

[1] The US Census reported a 66% homeownership rate in 2000. The Whitehouse reported 68.6% homeownership for 2003 (http://usinfo.state.gov/usa/diversity/fs031504.htm).
[2] Those parameters roughly correspond to the number of households earning between 70 and 120 percent of the Area Median Income (AMI) of $85,400 in 2004. The Census Update Survey used slightly different income bands: $50,000 to & 69,999 and $70,000 to $99,999.
[3] The 2005 Census Update Survey is underway, but will not provide new information for several months.
[4] Assuming 10 percent down, good credit, good terms, and less than 30 percent of income spent on housing costs, the financed amount could be approximately $351,000 with a monthly housing PITI of about $2,500.

buy a unit costing not more than $197,000, and, assuming they could finance about 90 percent of that ($177,000), could have a "principal, interest, taxes, and insurance" (PITI) payment of about $1,325 per month.[5] Nearly 2,900 units (nearly 13 percent of the housing--all types, new and used) sold for less than $200,000 in 2004.[6]

- Households earning less than 60 percent of the AMI (about $50,000) could afford some condominiums in 2004. According to the 2003 Montgomery County Census Update Survey, more than 27 percent (nearly 94,000 households) earned less than $50,000 in 2002. As shown in Figure 2, the typical out-migrating household earned less than $50,000 in 2002.
- A new survey by the Montgomery County Career Firefighters indicates that 75 percent of the County's fire fighters now live outside the County. The primary reason given was the cost of home ownership in Montgomery County, especially the difficulty of making a 10 percent down payment. The average salary for a 15-year Fire Fighter 3 is $58,000. (Appendix D)

Rental Demand

Nearly 44 percent of Montgomery County's homeowners and nearly 79 percent of renters spent less than $1,300 each month on housing costs. (Figures 3 & 4)

In 2004, the average turnover rent for a 2-bedroom apartment was approximately $1,211 per month. The average rental turnover rate of $1,154 per month is considered affordable to a household earning about $41,500 annually. That rental amount can actually only cover the rent of efficiencies and one-bedroom units in Montgomery County. (A payment of $1,154 is enough money to cover the PITI of a home of $175,000 or less, if one could be found.[7]) (Figure 5.)

[5] Using the standard factors involved in the calculation of the Montgomery County Affordability Index, a household earning $33,000 in 2004 could afford to buy a home costing $112,500 and one earning $50,000 could afford a home in the mid -$174,500, 10-percent down payment and a 30-year mortgage with a 6.02 percent fixed interest rate.
[6] See Note #1.
[7] See Note #1. The $1,170 monthly housing cost (PITI—principle, interest, taxes, and insurance) for a home that cost $175,000 compares favorably with the average turnover rent

Figure 2. MONTGOMERY COUNTY OUT-MIGRATION

Incomes of households with a Montgomery County address on their 2001 tax forms and an out-of-County address on their 2002 tax forms.

MONTGOMERY COUNTY OUT-MIGRATION		Out Migration,	Ratio
OUT-MIGRATION AREA:	Out Returns:	Median income To:	To Non-Mig
NON-MIGRANTS	326,939	$47,092	1.00
TOTAL MIGRANTS /1	27,381	$36,141	0.77
INTRA-U.S. MIGRANTS /2	26,543	$36,421	0.77
INTER-STATE MIGRANTS	16,260	$36,335	0.77
INTRA-STATE MIGRANTS	10,283	$36,520	0.78
OTHER STATES BY REGION	9,556	$35,228	0.75
SURROUNDING STATES /3	6,704	$41,054	0.87
SUBURBAN WASHINGTON	6,457	$36,146	0.77
PRINCE GEORGE'S	4,352	$29,024	0.62
VIRGINIA	3,457	$45,272	0.96
REGION 1: N.EAST	2,351	$34,281	0.73
REGION 4: WEST	2,171	$34,778	0.74
WASHINGTON D.C.	2,164	$34,380	0.73
FREDERICK	2,105	$50,871	1.08
REGION 2: N.CENTRAL	1,242	$35,285	0.75
HOWARD	1,015	$42,366	0.90
ANNE ARUNDEL	808	$42,015	0.89
PENNSYLVANIA	725	$39,712	0.84
BALTIMORE COUNTY	488	$34,418	0.73
CARROLL	366	$48,280	1.03
BALTIMORE CITY	343	$30,365	0.64
WEST VIRGINIA	197	$40,710	0.86
WASHINGTON	194	$35,262	0.75
DELAWARE	161	$46,671	0.99
CHARLES	113	$43,749	0.93
CALVERT	107	$49,374	1.05
WORCESTER	81	$58,332	1.24
ST.MARY'S	55	$34,499	0.73
QUEEN ANNE'S	46	$60,713	1.29
HARFORD	43	$51,041	1.08
WICOMICO	41	$25,999	0.55
TALBOT	34	$58,928	1.25
ALLEGANY	26	$13,749	0.29
GARRETT	22	$69,999	1.49
DORCHESTER	14	$47,499	1.01
MONTGOMERY	**0**	**$0**	**0.00**
CAROLINE	0	$0	0.00
CECIL	0	$0	0.00
KENT	0	$0	0.00
SOMERSET	0	$0	0.00
NON-MIGRANTS	326,939	$47,092	1.00
TOTAL MIGRANTS /1	27,381	$36,141	0.77
INTRA-U.S. MIGRANTS /2	26,543	$36,421	0.77

1.Includes intra-U.S. migrants and federal citizens movement. 2. Includes intra-state and inter-state migrants. 3. May not include all migration from these jurisdictions, any additional migration is included in "other states by region." Prepared by the Maryland Department of Planning, based on summary data prepared by the Internal Revenue Service using the IRS Individual Master File (IMF) of all Form 1040, 1040A, 1040EZ, 1040NR, 1040PR, 1040VI & 1040SS tax returns, November 2003.

Figure 3. Owner Monthly Housing Payment	Frequency	Percent	Valid Percent	Cumulative Percent
Under $299	44303	4.8	7.4	7.4
$300-599	36878	4.0	6.2	13.6
$600-799	25400	2.8	4.3	17.8
$800-899	26096	2.9	4.4	22.2
$900-999	25941	2.8	4.3	26.6
$1000-1099	29600	3.2	5.0	31.5
$1100-1199	29796	3.3	5.0	36.5
$1200-1299	**43044**	**4.7**	**7.2**	**43.7**
$1300-1399	30593	3.3	5.1	48.8
$1400-1499	26903	2.9	4.5	53.3
$1500-1599	35658	3.9	6.0	59.3
$1600-1699	25994	2.8	4.4	63.7
$1700-1799	21375	2.3	3.6	67.2
$1800- 1899	25366	2.8	4.2	71.5
$1900-1999	15221	1.7	2.5	74.0
$2000-2199	39095	4.3	6.5	80.6
$2200-2499	32696	3.6	5.5	86.1
$2500- 2999	31997	3.5	5.4	91.4
$3000-3999	34852	3.8	5.8	97.2
$4000+	16463	1.8	2.8	100.0
Total	597271	65.3	100.0	
Renters	317628	34.7		
Total	914900	100.0		

Figure 4. Renter Monthly Housing Payment	Frequency	Percent	Valid Percent	Cumulative Percent
Under $249	2600	.3	1.7	1.7
$250-499	4629	.5	3.1	4.8
$500-599	3451	.4	2.3	7.1
$600-699	6203	.7	4.1	11.2
$700-799	11499	1.3	7.6	18.9
$800-899	15776	1.7	10.5	29.4
$900-999	20524	2.2	13.6	43.0
$1000-1099	25522	2.8	17.0	60.0
$1100-1199	14383	1.6	9.6	69.5
$1200-1299	**13654**	**1.5**	**9.1**	**78.6**
$1300-1399	9544	1.0	6.3	85.0
$1400-1499	3871	.4	2.6	87.5
$1500-1799	8775	1.0	5.8	93.4
$1800+	9974	1.1	6.6	100.0
Total	150405	16.4	100.0	
Owners	764495	83.6		
Total	914900	100.0		

Source for Figures 2 and 3: 2003 Census Update Survey for Montgomery County, MD.

Figure 5. Turnover Rents By Unit Size	Turnover Rent – Market Rate	Number of Units
Efficiency	$887	2,609
1 BR	$1,027	21,815
2 BR	$1,211	28,072
3 BR	$1,526	5,059
4 BR Plus	$1,708	118
All Units	$1,154	57,673

Source: DHCA, 2004 *(Weighted average)*

Regional Job Market Demand

The Round 7.0 forecast predicts that Montgomery County will gain about 80,000 jobs by 2015, for a total of about 580,000 jobs--up from a 500,000 jobs in 2005.[8] Based on commuting flows from the 1980, 1990, and 2000 Census, it is reasonable to assume that between 35 and 40 percent of the workers will commute into the county to work. That translates into a range of 203,000 and 232,000 workers commuting into the County from other jurisdictions.[9]

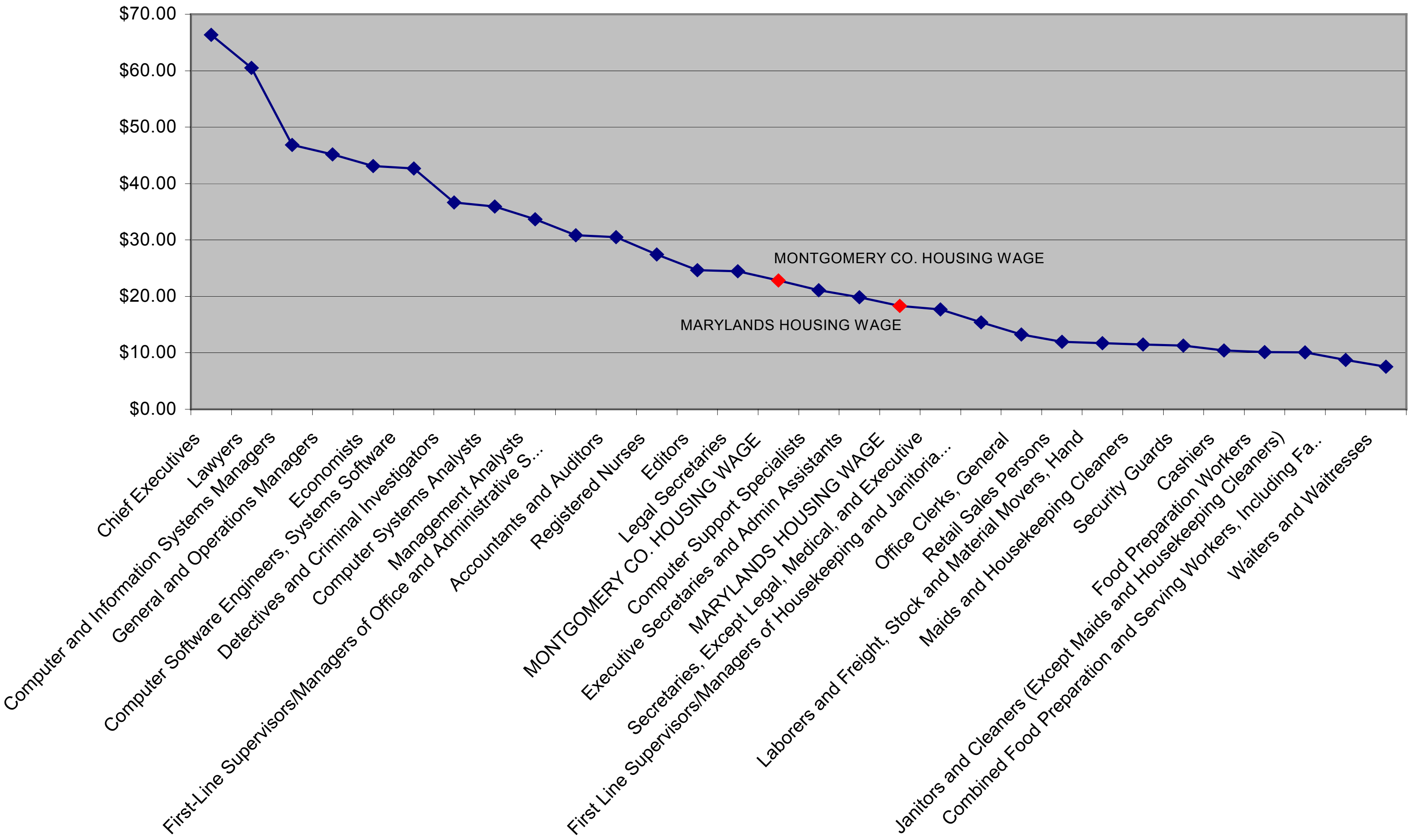
Of the recently reported Top 30 High Demand Occupations in Region through 2010,[10] over half of the jobs will not pay enough to allow the employees to pay the average countywide turnover rents in Montgomery County. (Figure 6) Further, of the 200,000 jobs anticipated, regionally, it is anticipated that 75 percent (about 150,000) will be in six, key, high-demand occupations in that not will generate incomes high enough to afford more than $700 a month in total housing costs for a single-person household. In 2004, the average monthly rent for an efficiency apartment in Montgomery County was ($877).

[8] Round 7.0 Washington Council of Governments' Forecast. Maryland Department of Business & Economic Development (DBED) estimated 450,000 jobs in 2004, "Montgomery County, MD, Brief Economic Facts," 2004-2005, p.1 *(www.chooseMaryland.org).*

[9]Metropolitan Washington Council of Governments, *Commuting Patterns in the Washington Metropolitan Region,* 1992 and 2000. (Based on data from the US Bureau of the Census, 1980, 1990, and 2000.)

[10]U.S. Bureau of Labor Statistics (BLS), 2004, for the metropolitan Washington DC area. The exact demands from the regional workforce are hard to determine, because BLS reports job data for the entire metropolitan Washington DC region (PMSA)--Washington, DC, and parts of Maryland, Virginia, and West Virginia.

Figure 6. Relationship of Top 30 High Demand Occupations in Region
with County and State Housing Wages (Rental)



Source: Occupational Employment Survey of the U.S. Bureau of Labor Statistics, 2003; and low-Income Housing Coalitions' Out of Reach Report, 2004, for the rental-housing wage for Maryland and Montgomery Counties.

Of the several key jobs frequently listed as indices for workforce housing affordability—such as schoolteachers, firefighters, nurses, retail sales persons, construction laborers, and janitors—none can afford to purchase the median- priced home on a single person's salary. In fact, none of the key positions listed in Figures 7 and 8 can afford a home that costs over $170,000. At the 2004 rental turnover rates, retail sales persons, construction laborers, and janitors will not be able to afford an efficiency apartment with an average turnover rent of $887. (Figure 9)

Figure 7. Housing Affordability By Key Occupation	Regional Anticipated Employment	Average Wage	Average Annual Salary	Affordable Monthly Rent or PITI	Affordable Purchase Price based on Annual Salary
Janitor	55,430	$9.21	$20,850	$521	$69,500.00
Retail Salesperson	80,000	$11.24	$23,390	$585	$77,966.67
Construction Laborer	20,600	$13.45	$27,790	$695	$92,633.33
Firefighter	3,770	$20.11	$41,830	$1,046	$139,433.33
Elementary School Teacher	30,590	N.A.	$49,440	$1,236	$164,800.00
Police Officer	15,380	$23.84	$49,590	$1,240	$165,300.00

Source: Bureau of Labor Statistics, 2003. Housing cost affordability was derived using M-NCPPC's " Affordability Index" algorithms for 2004 and HUD's"30 percent" rule.

Figure 8. Affordable Purchase Price
for Average Salaries for Key Occupations

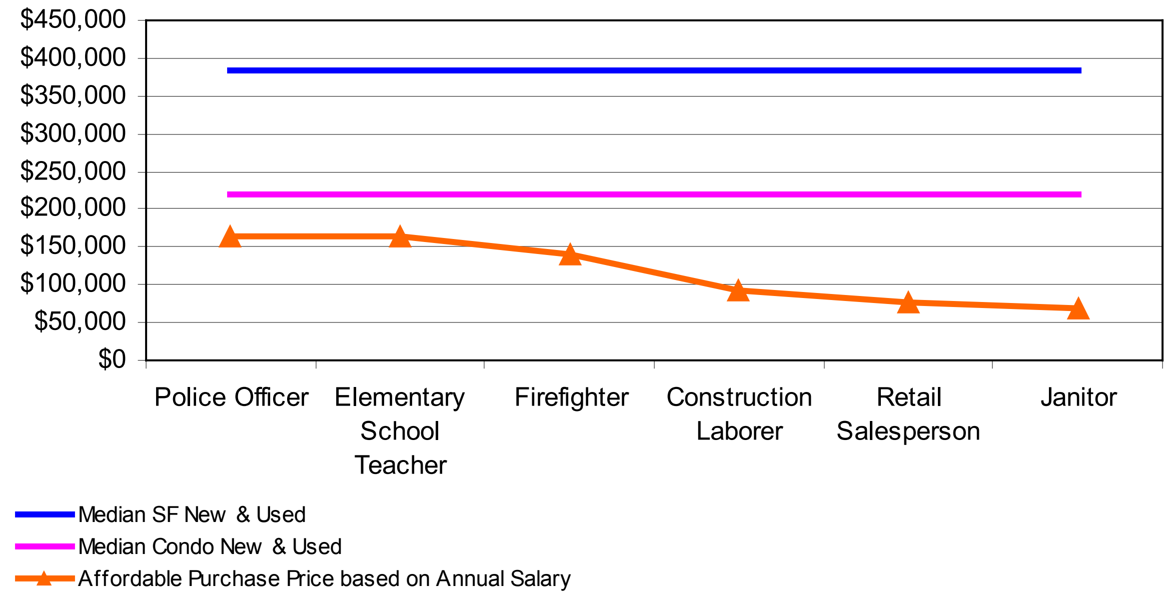
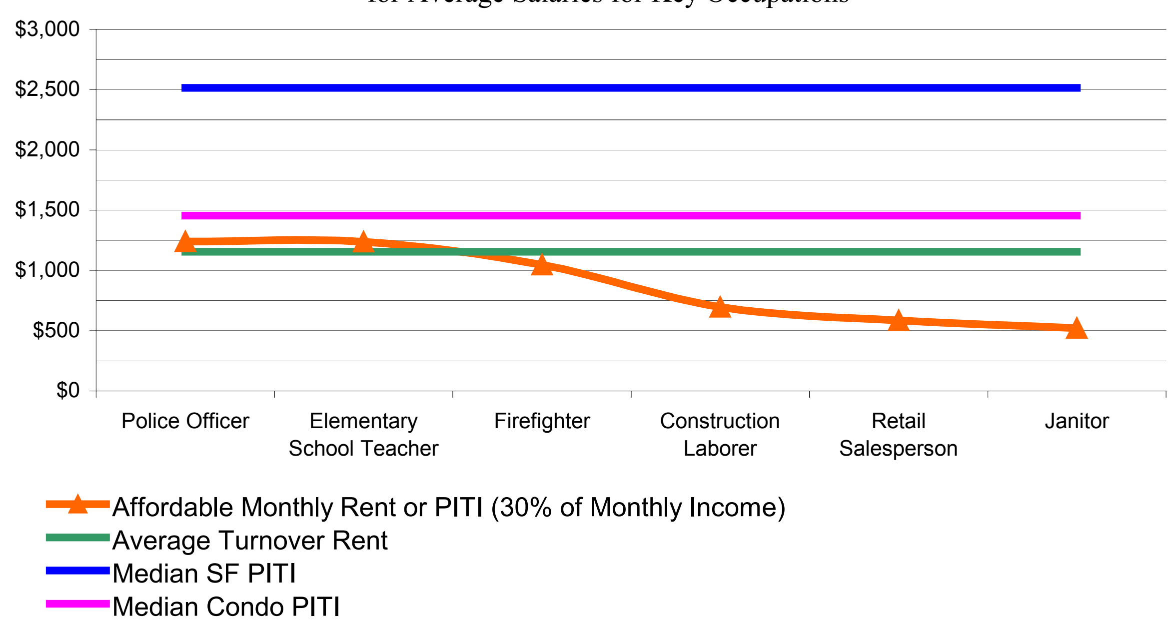


Figure 9. Affordable Monthly Housing Costs
for Average Salaries for Key Occupations



Sources for Figures 8 and 9: Wage data - Bureau of Labor Statistics, 2004; Median Sales Prices – M-NCPPC and Maryland Department of Assessments and Taxation, 2004. Housing cost affordability was derived using M-NCPPC's "Affordability Index" algorithms for 2004 and HUD's "30 percent" rule.

Supply Issues

Assessments

Assessments provide a perspective of the affordability of the housing stock. At the close of 2004, assessors valued nearly 57 percent (more than 152,900 units) of the county's housing stock at below $350,000. Of that group, 41 percent (more than 62,600 units) are single-family detached (SFD) units, 36 percent (more than 52,000 units) are single-family attached (SFA), and 23 (more than 35,000 units) percent are condominiums. (Figure 10)

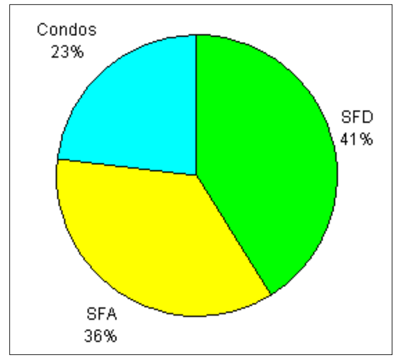


Figure 10. 2004 Assessments under $250,000

By the end of 2004, nearly a third of the county's housing stock (more than 90,050 units) was assessed at less than $250,000, with the majority being SFA units (more than 42,000 units), followed by condominiums (nearly 30,500 units), and SFD units (slightly more than 17,500 units). Less than 4.5 percent of the county's housing stock was assessed at less than $100,000: condos (more than 11,000 units), followed by SFA (fewer than 1,250 units), and SFD (fewer than 50 units). (Figure 11 and 12)

When the reassessments of nearly 82,000 properties were posted in spring of 2005, the number of properties valued at less than $350,000 dropped by about 500 units, countywide. While any loss of units is noteworthy, the loss translated into less than two-tenths of a percent reduction in the amount of the County's housing stock valued at less than $350K.

Figure 11. 2004 Assessments Ranges	SFD	SFA	Condos	Total Units in Price Range	Percent in Price Range	Cumulative Number of Units	Cumulative Percent
Up to $99,999	23	1,241	11,139	12,403	4.44%	12,403	4.44%
$100,000 to $149,999	629	9,837	6,392	16,858	6.04%	29,261	10.48%
$150,000 to $199,999	3,837	19,406	7,887	31,130	11.15%	60,391	21.63%
$200,000 to $249,999	13,026	11,585	5,052	29,663	10.62%	90,054	32.25%
$250,000 to $299,999	22,419	7,170	2,865	32,454	11.62%	122,508	43.87%
$300,000 to $349,000	26,687	4,771	1,946	33,404	11.96%	155,912	55.84%
Subtotals by type	***62,621***	***54,010***	***35,281***	**155,912**			
Over $350,000	110,149	9,575	3,587	123,311	44.16%	279,223	100.00%
Totals	176,770	63,585	38,868	279,223	100.00%		

Figure 12. 2005 Assessments Ranges	SFD	SFA	Condos	Total Units in Price Range	Percent in Price Range	Cumulative Number of Units	Cumulative Percent
Up to $99,999	23	1,245	10,628	11,896	4.26%	11,896	4.26%
$100,000 to $149,999	627	9,389	6,471	16,487	5.91%	28,383	10.17%
$150,000 to $199,999	3,830	19,405	7,970	31,205	11.18%	59,588	21.36%
$200,000 to $249,999	13,020	11,585	5,187	29,792	10.68%	89,380	32.03%
$250,000 to $299,999	22,424	7,170	2,962	32,556	11.67%	121,936	43.70%
$300,000 to $349,000	26,677	4,787	2,014	33,478	12.00%	155,414	55.70%
Subtotals by type	***66,601***	***53,581***	***35,232***	**155,414**			
Over $350,000	110,254	9,640	3,716	123,610	44.30%	279,024	100.00%
Totals	176,855	63,221	38,948	279,024	100.00%		

Source for Figures 13 and 14: STAR. Differences in total number of parcels due to variation in assessor designations (such as "vacant"), as well as to demolitions and new construction.

Sales

Most activity was in the resale of homes in 2004. In 2004, just under 23,000 housing units were sold: 17,426 single-family units (detached and attached, new and used, combined) and 5,331 condominium units (all types, new and used). Nearly 86 percent of all sales were of existing units, with over 44 percent of all sales being existing (used) single-family detached homes. Sales of new units, all types, contributed to just over 14 percent of the sales activity in 2004. (Figures 13 & 14)

Figure 13. Montgomery County Housing Sales in 2004

Structure Type	Number of Units	Percent of Sales
Used SFD	10,101	44.4%
Used SFA	5,764	25.3%
Used Condos	3,673	16.1%
New Condos	1658	7.3%
New SFD	896	3.9%
New SFA	665	2.9%
Totals	22,757	100.0%

Source: STAR data for 2004. Preliminary,

Of the housing units sold, nearly half sold for less than $350,000, and fewer than 13 percent of the housing sold for less than $200,000. (Figure 14) A household earning the 2004 AMI ($85,400) might be able to afford unit costing about $325,000, while households earning less than 70 percent of AMI, may be able to afford a home costing about $180,000.[11]

On average, about 4,000 new units are added annually to the housing stock. By the end of 2004, over 4,200 units had been completed, and about half had already been sold.

Nearly a quarter of all the sales activity in the county took place in Planning Areas 19 and 20: Germantown (13.3 percent) and Gaithersburg (10 percent). (Figure 15) In addition, 80 percent of sales in 2004 occurred in areas with existing or planned transit services.

- Clarksburg, Germantown, and Rockville Planning Areas (PAs 13, 19, and 26, respectively) together produced approximately half of all the 896 sales of new single-family detached homes in 2004. *(The median sale price of a new single family detached home in each of these planning areas was $578,150 in Clarksburg, $616,379 in Germantown, and $841,422 in Rockville.)*
- Wheaton, Bethesda, Rockville, Aspen Hill, Potomac, and Kemp Mill Planning Areas (PAs 31,35, 26, 27, 29, and 32, respectively) together produced just over half 10,101 sales of the county's sales of used single-family detached homes in 2004. *(The median price for a used single-family detached home in each of the planning areas was: $344,900 in Wheaton; $714,800 in Bethesda; $352,750 in Rockville; $385,000 in Aspen Hill; $806,000 in Potomac; and $360,000 in Kemp Mill.)*
- Rockville and Clarksburg Planning Areas (PAs 26 and 13, respectively) produced about two-thirds of the county's 665 sales of new single-family attached housing in 2004. *(The median sale price of a new single-family attached home was $492,124 in the Rockville Planning Area and $370,315 in the Clarksburg Planning Area.)*
- Germantown together with both Gaithersburg Planning Areas (PAs, 19, and 20 and 21, respectively) accounted for 59 percent of the county's 5,764 sales of used single-family attached housing in 2004. *(The median price of used single-family attached housing was*

[11] Assuming 10 percent down, good credit, good terms, and less than 30 percent of income spent on housing costs.

$261,000 in Germantown Planning Area, $250,000 in Gaithersburg Planning Area 20, and $312,000 in Gaithersburg Planning Area 21.)

- Aspen Hill and Rockville Planning areas (PAs 27 and 26, respectively) generated 74.5 percent of the county's 368 new condo sales in 2004. *(The median sales price for new condos was $314,181 in the Aspen Hill Planning area and $342,735 in the Rockville Planning Area.)*

Gaithersburg, Aspen Hill, and Germantown Planning areas (PAs 20, 21, and 19, respectively) generated nearly two-thirds of the used condo sales. *(Median sales for used condos ranged from $159,900 in Gaithersburg(PA 21) to $209,900 in Germantown.)*

Figure 14. 2004 SALES - Number of Units by Type of Unit Ranges	New SFD	% of Total Sales in County	Exist SFD	% of Total Sales in County	New SFA	% of Total Sales in County	Exist SFA	% of Total Sales in County	New Condo (all types)	% of Total Sales in Count y	Exist Condo (all types)	% of Total Sales in County	Line Total	Line % of Total Sales in County	Cumulative % of Total Sales in County
$0 to $99,999	0	0.00%	2	0.0%	14	0.1%	7	0.0%	60	0.3%	138	0.6%	221	1.0%	1.0%
$100,000 to $149,999	1	0.00%	13	0.1%	30	0.1%	98	0.4%	53	0.2%	647	2.8%	842	3.7%	4.7%
$150,000 to $199,999	0	0.00%	54	0.2%	0	0.0%	497	2.2%	180	0.8%	1,104	4.9%	1,835	8.1%	12.7%
$200,000 to $249,999	0	0.00%	257	1.1%	0	0.0%	1,243	5.5%	401	1.8%	670	2.9%	2,571	11.3%	24.0%
$250,000 to $299,999	1	0.00%	751	3.3%	5	0.0%	1,427	6.3%	299	1.3%	419	1.8%	2,902	12.8%	36.8%
$300,000 to $349,000	0	0.00%	1,290	5.7%	64	0.3%	931	4.1%	251	1.1%	265	1.2%	2,801	12.3%	49.1%
Subtotals < $350,000	2	0.01%	2,367	10.4%	113	0.5%	4,203	18.5%	1,244	5.5%	3,243	14.3%	11,172	49.1%	49.1%
Sub Totals -Over $350,000	894	3.9%	7,734	34.0%	552	2.4%	1,561	6.9%	414	1.8%	430	1.9%	11,585	50.9%	100.0%
Totals	896	3.9%	10,101	44.4%	665	2.9%	5,764	25.3%	1,658	7.3%	3,673	16.1%	22,757	100.0%	

Source: STAR data for 2004. Preliminary, July 2005.

Figure 15. Planning Area Sales of New and Used Single-Family Detached and Attached Homes, Plus New and Used Condominiums by Transit Services in PA. Transit Key: 1= Metro; 2=MARC; 3=Park & Ride; and P=Proposed.

Transit Services	PA #	PLANNING AREA	New SFD	Used SFD	New SFA	Used SFA	New Condos	Used Condos	Total Sales Activity by Planning Area	Activity as a Percent of Total Activity	Cumulative Percent*
2,3,P	19	Germantown	144	529		1,368		861	2,902	13.30%	13%
1,2,3,P	20	Gaithersburg	6	527		1,427		401	2,361	10.00%	23%
1,2,3	31	Wheaton	20	1,387	70	255		183	1,915	8.30%	32%
1,P	35	Bethesda	69	1,222		31	9	415	1,746	7.60%	39%
1,2,3,	26	Rockville	86	650	256	302	124	326	1,744	7.60%	47%
2.3.P	21	Gaithersburg	39	298	43	632	14	604	1,630	7.60%	54%
1,2,3P	30	N. Bethesda	8	357	5	107		572	1,049	4.50%	59%
3.P	29	Potomac	11	603	1	168		139	922	3.90%	63%
3	34	Fairland	32	260		368	2	237	899	4.40%	67%
3	23	Olney	43	429	2	211		92	777	3.50%	71%
P	13	Clarksburg	211	53	183	43	36	30	556	2.30%	73%
3	33	White Oak	3	392	9	90	5	43	542	2.40%	75%
3	11	Damascus	41	163	74	69	16	70	433	2.00%	77%
1,2,3	36	Silver Spring	3	269		15		123	410	1.90%	79%
3	15	Patuxent	3	91		5			99	0.40%	80%
3	10	Bennett	7	47		1			55	0.20%	80%
2	18	Lower Seneca	2	17					19	0.10%	80%
2	12	Dickerson		15					15	0.10%	80%
	27	Aspen Hill	29	639	2	241	150	680	1,741	7.70%	88%
	32	Kemp Mill	3	559		24		120	706	2.90%	91%
	25	Travilah	11	355		143			509	2.10%	93%
	37	Takoma Park	3	324		38		42	407	1.70%	95%
	28	Cloverly	43	262		37		3	345	1.40%	96%
	24	Darnestown	34	212	6	69		7	328	1.40%	97%
	14	Goshen	32	188		28			248	1.00%	98%
	22	Rock Creek	12	172	13	40		10	247	1.00%	99%
	17	Poolesville	2	76		52			130	0.50%	100%
	( )						12	5	17	0.10%	100%
	16	Martinsburg		5					5	0.00%	
		County Totals	896	10,101	665	5,764	368	4,963	22,757	100.0%	*Rounded
		Percentages	3.94%	44.39%	2.92%	25.33%	1.62%	21.81%			

Source: STAR data for 2004. July 2005. Preliminary.

In 2004, the countywide median sales price for new and used single-family units (detached and attached) was $384,900 and the median sales price for new and used condominium units was $220,000. The medians varied widely, both by Planning areas and by structure type.

- The countywide median for new single-family detached housing was $666,474. The range of medians for these units was a low of $415,000 in White Oak Planning Area to $2,000,000 in the Potomac Planning Area.
- Used single-family detached housing, the most popular purchase in the county in 2004, had an overall median of $450,000. At the planning area level, the median sales prices of used single-family detached housing ranged from $344,900 in the Wheaton Planning Area to a high of $806,000 in the Potomac Planning Area.
- New single-family attached housing sold for a median price of $423,457 in 2004. By planning area, the medians ranged from $130,614 in Aspen Hill Planning Area to a high of $982,420 in the Rock Creek Planning Area.
- Used single-family attached homes were the second most popular choice, and medians ranged widely for these units, as well, from a low of $165,000 in Poolesville Planning Area to a high of $755,000 in the Bethesda Planning Area.
- New condominiums sold for a countywide median sale price of $318,985 in 2004. At the planning area level, the medians ranged from a low of $94,270 in the White Oak Planning area to more than $1.1-million in the Bethesda Planning Area.
- Used condominiums sold for a countywide median of $215,000 in 2004. At the planning area level, the median sale prices ranged from a low of $139,000 in Takoma Park Planning Area to a high of $413,750 in the Bethesda Planning area.[12]

MPDU Supply

In the Housing Policy, the production goal for MPDUs is 300 units per year. Over 11,647 MPDUs have been constructed in the County, since the program began. On average, the County has produced fewer than 420 MPDU units have been completed each year since 1976, with fewer than 300 units having been completed each year since 2000. Approximately 80 percent of the MPDUs have been offered for sale, the rest have been offered for rent. Because control periods expire, housing staff estimates that roughly 2,500 MPDUs remain under control at this time. The MPDU program serves families/households earning not more than about 70 percent of AMI. As discussed earlier, the new MPDU income guidelines actually go up to about 73.5 percent of AMI.

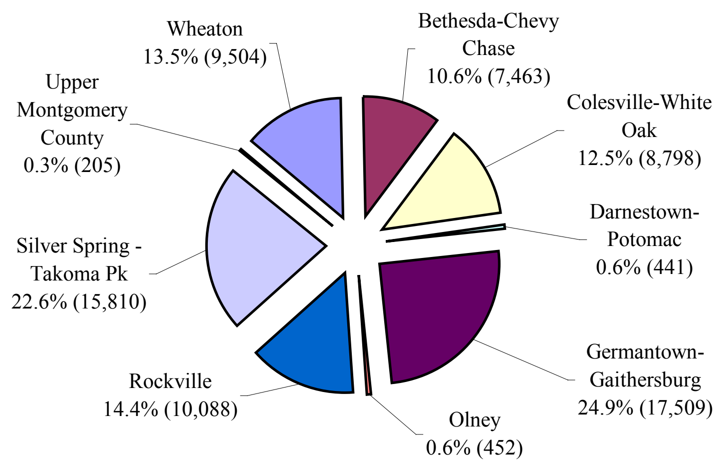
[12]The new condominiums in White Oak were less expensive than the used condominiums in Takoma Park.

Rental Supply

Housing staff estimates that there are approximately 76,830 rental units in Montgomery County, based on a comparison of the *2003 Census Update Survey* and the *2004 Rental Vacancy Report* (DHCA, 2004, p.4). According to the *2004 Rental Vacancy Report,* 419 rental facilities with 70,270 units (market rate and subsidized rental units, combined) participated in that year's *Report*. The 70,270 units represented "over 91 percent of rental units in Montgomery County." To compare this data with the Census Update, the 70,270 (*2004 Rental Vacancy Report*) was divided by 76,830 (*2003 Census Update*), the result was just over 91 percent. According the Census Update Survey, fewer than 76,830 households live in rented accommodations (22.7 percent of 338,445 households).

Of those facilities with 12 or more units, nearly 63 percent were garden apartments, nearly 32 percent were highrise/midrise apartments, and only 5.3 were townhouses/piggybacks. In 2004, the rental vacancy rate for market and subsidized units continued to be healthy at 5.1 percent (DHCA, 2004, p.12) Nearly half of the County's rental units are located in the Germantown-Gaithersburg and Silver Spring-Takoma Park market areas ((Figure 16).

Figure 16. Location of Rental Units (Number of Units)



Source for Figure 16: DHCA,Rental Apartment Vacancy Report, 2004.

At 90 percent of AMI, adjusted for household size, the household incomes range from approximately $53,800 to $76,860 in 2004 and from $56,260 to $80,370 in 2005. Households earning 90 percent of AMI in 2004 could afford rents ranging as high as $1,345 to 1,922, depending on family size, and could, therefore, easily afford the mean turnover rent (Figure 17). This group could nearly afford well over 90 percent of the apartments in the county. Rents in this range would provide a broad range of housing choices, including structural types and bedroom sizes.

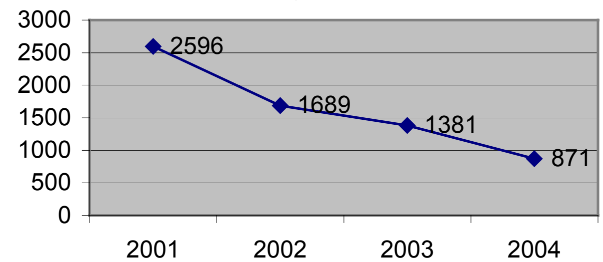
At 80 percent of AMI, adjusted for household size, the 2004 household incomes ranged from approximately $47,824 to 68,320, and the 2005 household incomes range from just over $50,000 to $71,440. Even households earning 80 percent of AMI in 2004 could afford rents ranging as high as $1,196 to $1,708, depending on family size, and could, therefore, easily afford the average turnover rate and more. In fact, when compared with the choices available to those households earning 90 percent of AMI, there is not much difference in the breadth of choices available to those earning 80 percent of AMI. This is because more than 90 percent of all market rate apartments in the county had turnover rents less than $1,500 per month, which could be affordable to households earning $60,000 per year.

Figure 17. Units by Rent Ranges (2004 Turnover Rents)[13]			0 BR	1 BR	2 BR	3 BR	4 BR+	Total	% of Total	Cumulative %
$0	to	$699	113	632	114	12	0	871	1.5%	1.5%
$700	to	$799	387	1,518	588	0	0	2,493	4.3%	5.8%
$800	to	$899	1,098	4,889	1,286	18	0	7,291	12.6%	18.5%
$900	to	$999	805	6,044	3,630	163	1	10,643	18.5%	36.9%
$1,000	to	$1,099	6	2,863	6,771	165	2	9,807	17.0%	53.9%
$1,100	**to**	**$1,499**	**200**	**5,417**	**12,427**	**2,745**	**30**	**20,819**	**36.1%**	**90.0%**
$1,500	to	$1,999	0	452	2,728	1,561	73	4,814	8.3%	98.4%
$2,000	to	$2,499	0	0	511	219	10	740	1.3%	99.7%
$2,500	to	$2,999	0	0	17	42	0	59	0.1%	99.8%
$3000+			0	0	0	134	2	136	0.2%	100.0%
		Totals	2,609	21,815	28,072	5,059	118	57,673	100.0%	

Source for Figures 17, 18, & 19: DHCA,Rental Apartment Vacancy Reports, 2001 -2004.

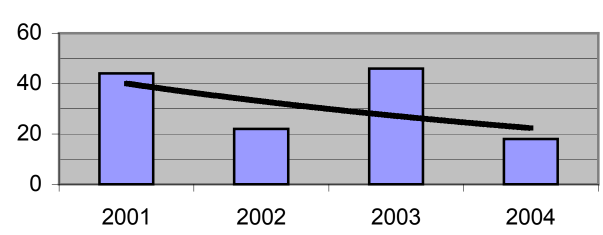
If in 2005 the turnover rents increased at the peak 5-year rate of 11 percent, the turnover rents might reach $1,281.[14] Even so, in 2005 households earning either 80 or 90 percent of the 2005 AMI of $89,300 will be able to afford more than the mean turnover rent. These income groups should be able to afford nearly as much of the County's market-rate rental stock as they did in 2004, and as much variety, as well. Clearly, the market is currently able to provide a large percentage and variety of apartments at rents affordable to workforce households earning at and above 80 percent of AMI, and it is highly likely that rental workforce housing can continue to be provided by the marketplace without the need for incentives or subsidies.

Figure 18. Number of Units Renting for Less Than $700 a Month



Several occupations anticipated to be in high demand, however, do not generate enough money to allow job holders to afford $700 per month rent. As of 2004, only 871 apartments remained in the county that rented for less than $700 a month, and only 18 were vacant during that year, and there have not been 50 of units renting for less than $700 in any given year since 2001. (Figures 18 and 19) Turnover rents, or the rent charged when the unit is turned over or newly leased, increased again in 2004. In reality, the rental rate of $1,154 per month is affordable to a household earning about $41,500, and unfortunately, only efficiencies and one-bedroom units have average rents within that range.

Figure 19. Vacant Units Available for Less than $700 a month



[13] DHCA, *Rental Apartment Vacancy Report, 2004, p. 21.*

[14] DHCA, *Ibid,* p. 25. In 2000 and 2001 the turnover rates were $928 and $1,030, respectively, or 11 percent, which is the highest increase in the 5-year period of 2000 through 2004.

Can Developers Build New Workforce Affordable Units?

Key to the development of a workforce housing policy is the whether developers can afford to build new workforce housing units and sell them at market affordable prices without the need for additional density bonuses. The Department's initial research indicated that the market place was already producing sale units affordable to those households earning between 100 and 120 percent of the Area Median Income (AMI) and that nearly all of the rents in the county were affordable to households earning 90 percent of AMI or more. Most of the affordable units, both for sale and for rent, are existing units, not new ones. To understand whether it is reasonable to require new construction to provide workforce housing as a component of new housing development.

Peter Engel, Director of HOC's Real Estate Division, prepared models based on real world assumptions for homeownership units and rental units. The model's assumptions were based on commonly charged rates and fees, and where available, upon rates and fee amounts currently being paid by HOC. The Department's staff ran the models for 60 through 120 percent of AMI, with and without any developer profit and found that:

- Land costs vary widely in Montgomery County. Depending on where new construction takes place, workforce units may not be affordable in some areas of the County.
  - Land costs per unit in Silver Spring are about $20,000 to $30,000;
  - Land costs per unit in Rockville are about $$50,000 to $90,000; and
  - Land costs per unit in Bethesda begin at about $140,000 and up.
- For sale construction begins to break even at 90 percent of AMI. Using the true break-even scenario in which no loss and no profit is taken:
  - Condo units break even at prices affordable to households earning 90 percent of AMI
  - Single-family attached units break even at prices affordable to 100 percent of AMI
  - Single-family detached units break even at prices affordable to 110 percent of AMI
- Market rents cannot generally support the construction of new workforce housing units, because new construction will require rents that are too high – as high or higher than mortgages. As background, in 2004 the average turnover rent was less than $1,500 per month for over 90 percent of the rental units in the county – and fewer than 2 percent of the units charged rents higher than $2,000 per month. The HOC model indicates that new rental construction cannot break even with rents less than $2,000, generally. Because higher rents can be charged for units with more bedrooms, units with the larger number of bedrooms – ones that can get higher rents –that reach breakeven first.
  - The 4-bedroom townhouse breaks even at a monthly rent of $2,590, which is considered to have a rent affordable to a family of 6 or more earning 100 percent of AMI, adjusted for family size.
  - The 3-bedroom highrise breaks even at a rent of $2,322 per month, which is affordable to a family of four earning 100 percent of AMI, adjusted for family size.
  - The 2-bedroom highrise breaks even at a rent of $2,411 per month, which is affordable to a family of three earning 120 percent of AMI, adjusted for family size.

- The 1-bedroom highrise unit is the least affordable, in that it requires a household of not more than 1.5 to earn will need a monthly rent of $2,009 and to earn 120 percent of AMI, adjusted for family size.

HOC's model reinforced the earlier research that suggests the definition of workforce housing be less than 120% of AMI and that:

- The income cap be 100% of AMI for all housing types, with the possible exception of single-family detached. An income limit of 120% of AMI is legitimate for detached, given the higher cost of construction and land.
- An even lower income requirement be set for rental housing. That suggestion was based on the observation that market rents for most existing rental units are well within the affordable range for families earning 100% of the area median income. However, HOC analysis indicates *new* rental buildings must charge higher-than-market rents to break even, and that makes sense to us.
- Allowing a portion of the workforce housing (half, for example) to be built in excess of the zoning envelope may be one good way to provide builders with some additional assurance that they can break even on workforce units. This effectively reduces the cost of land on a per unit basis.

Review of Workforce Housing Programs from Other Jurisdictions

The Department's Strategic Planning Division surveyed many comparable jurisdictions, nationwide, to find out what is being done to address affordable and workforce housing. (Figure 20) The terminology and income limits for affordable and workforce housing varied in the jurisdictions surveyed. Most have modified regulations to require the production of both affordable housing and workforce housing. A few jurisdictions have specifically targeted workforce populations. The key findings, specific examples, and referenced attachments are included below.

In nearly all cases, the jurisdictions surveyed had a more critical need for workforce housing than Montgomery County has. That is, in most cases the jurisdictions suffer more severely from one or more other factors: lopsided jobs-to-housing ratios (San Francisco has 30 jobs for every house); lack of land available for development (85 percent of Marin County's land is off-limits to development); and none of the communities surveyed approached Montgomery County's ratio of homeowners to renters, which is approximately 77 percent to 23 percent.

Figure 20. Jurisdictions Surveyed[1]

Ashville, North Carolina
Austin, Texas
Berkley, California
Boston, Massachusetts
Boulder, Colorado
Fairfax County, Virginia
Highland Park, Illinois
Irvine, California
Irvine, California
Longmont, Colorado
Lynn, Massachusetts
Marin County, California
Oakland, California
Palo Alto, California
Portland, Oregon
San Francisco, California
Santa Fe, New Mexico
Sonoma County, California
Stamford, Connecticut
Westchester County, New York

Key Findings[15]

- *Workforce housing included in affordable housing programs*. Almost all the jurisdictions surveyed had upper limits to their affordable housing programs that included at least a portion of what Montgomery County considers *workforce housing*. Many went up to at least 80% of the AMI and several went to as high as 120%, 150% or even 200% of the AMI in areas with similar market housing prices.
- *Tiered affordable housing/workforce housing programs.* Some jurisdictions, such as Palo Alto, California, target below market rate *for-sale housing* for households with incomes between 80% and 120% of the AMI (workforce housing) and *below market rate for rent housing* for those with incomes below 70% of the AMI.
- *Density bonuses for the inclusion of workforce housing in new projects.* Many of the jurisdictions surveyed included density bonuses for the inclusion of affordable and/or workforce housing, some on even very small projects with as few as four units.

- *Inclusionary requirements for workforce housing in new non-residential development.* Many California jurisdictions have *housing mitigation fees* imposed on the square footage of new commercial space, with the collected fees going toward affordable and workforce housing on- or off-site, or in-lieu of fees the developer may dedicate land for workforce housing, pay into a *Workforce Housing Fund*, or create an alternative such as providing an Employer-Sponsored Mortgage Assistance Program. (Figure 21 is a sample of housing mitigation fees for non-residential construction.) In Marin County, California, shopping center renovations are required to provide housing units for the workers who work there, at a cost they can afford.

Figure 21. Sample Workforce Housing Mitigation Fees

In Dollars per Square Foot:[16]

Jurisdiction	**Retail**	**Office**	**R&D**	**Hotel**	**Ind.**
Berkeley	4.00	4.00			2.00
Marin County	4.32	5.75	5.75	9.31	2.99
Oakland	4.00			4.00	
Palo Alto	15.58	15.58	15.58	15.58	15.00
San Francisco	13.95	14.95	9.97	22.21	
Sonoma	3.59	2.08	2.15	2.08	2.15

- *Inclusionary requirements for workforce housing in new residential development.* Some of the jurisdictions (particularly those surveyed in California) linked the production of new market rate residential development to the production of affordable and workforce housing which can include housing on- or off-site, dedication of land for workforce housing, or payment of a workforce housing fee. The *fee in-lieu's* ranged significantly, from a high of $100,000 per unit in Highland Park, Illinois with the most common fee being the cost of the "fair market for an affordable unit" (Fairfax County, Virginia; Irvine, California).
- *Impact fees on new residential units to fund construction of workforce housing units.* Many of the California jurisdictions as well as Boulder, Colorado, levy impact fees on residential development with the portions of the funds to be used for the construction of affordable and workforce housing. Some of these are imposed at the time of building permit. These fees can be significant, in Palo Alto, California the impact fee for a $500,000 house is $16,804.

[3]Strategic Planning Division, M-NCPPC. "Increasing The Supply Of Workforce Housing, A Snapshot Of Nationwide Activity," 2004.

[16] Strategic Planning Division, M-NCPPC. "Increasing The Supply Of Workforce Housing, A Snapshot Of Nationwide Activity," 2004. Attachment A. These fees are levied on nonresidential construction and used for workforce housing.

- *Reduction of development fees to encourage construction of affordable and workforce housing units.* Several jurisdictions exempt new residential development from some development fees, if the units are for affordable or workforce housing.
- *Creative annexation policies.* The City of Boulder, Colorado, uses its *annexation policy* to promote its workforce housing production. Between 20% and 35% of all new units in annexations are designated for workforce housing and additionally, between 20% and 35% are for affordable housing.
- *Low cost land for workforce housing.* San Francisco has policies that allow for surplus city-owned land to be used for affordable and/or workforce housing. Other jurisdictions have made land available at no cost or low cost for workforce housing in infill projects, new developments and annexations.
- *State enabling legislation that encourages (mandates) development of affordable and/or workforce housing units.* In California, state legislation mandates a planning density bonus to facilitate the production of affordable and workforce housing. Connecticut has an Affordable Housing Land Use Appeals Act, which allows developers to bypass zoning, if a development had 30% of the units as affordable. The community must demonstrate how the public interest is harmed.
- *Reduction in property taxes*. In Portland, Oregon, owners of new affordable and/or workforce housing may be exempt from property taxes for ten years on the structure.
- *Expedited development process to "fast forward" construction of affordable and workforce housing*. Austin has a special review team as part of its S.M.A.R.T. Housing Program which helps to expedite the development process for affordable and workforce housing.

Specific Examples

- **Sonoma County, California**, has proposed a very comprehensive workforce housing program which links the provision of workforce housing to both market rate residential and nonresidential development. Residential development is subject to affordable and workforce housing requirements at the time of construction through on-site construction of affordable and workforce units or payment of in-lieu fees (in-lieu fees go into a housing fund). Twenty percent of all new dwelling units in an ownership residential project shall be affordable, with one-half for low-income households and one-half for workforce households with incomes up to 120% of AMI. Additionally, density bonuses are given. New **non-residential** development[17] is subject to affordable housing requirements. These requirements include the construction of workforce housing on-site or at another location, dedication of land for workforce housing, payment of a workforce housing fee, or an alternative such as providing an employer-sponsored mortgage assistance program. *(Contact: Jane Riley, Sonoma County Permit and Resource Management @707.565.7388)*
- In **San Francisco, California,** inclusionary housing is required of all developments that generate jobs (office, retail, hotel, or R&D). Developers are required to provide housing on or off-site or pay an in-lieu fee to the Department for affordable and workforce housing. For

[17] Exemptions include small projects, additions and portions of new development up to 2,000 square feet; remodels, replacements or change in use of existing buildings; public and non-profit projects with a public benefit; projects located in redevelopment areas; and, projects which are currently in the approval process.

residential development, any development with more than 10 units is required to designate 12 percent of its units as affordable and/or workforce. Additionally, San Francisco has a process to use surplus city owned land for affordable and workforce housing. A major workforce housing initiative, Proposition J, which greatly expedited the development process of workforce housing and exempted the housing from many regulations and review processes was defeated recently. It encouraged higher density housing in certain areas of the county. *(Contact: Teresa Ojeda, City and County of San Francisco Planning Department @ 415.558.6251)*

- The **City of Palo Alto, California,** has an ordinance that requires developers of new commercial projects to pay a housing mitigation fee based on the net new square footage of commercial space in their project. The current fee rate is $15.58 per square foot. (This is a flat fee regardless of type of space.) The fee rate is justified by an economic nexus study showing the need for low and workforce income housing generated by lower paid jobs connected with new commercial space. The fees go into a housing trust fund. All residential development must pay impact fees, a large portion of which goes to an affordable/workforce housing fund as well as meeting a housing mitigation fee. These funds go toward Palo Alto's Below Market Rate (BMR) Housing Programs which targets households with incomes between 80% and 120% of the AMI income for ownership units and the BMR rental program is for households with incomes between 40% and 70% of the AMI (between 15% and 25% of new residential units must be BMR units).
- **Marin County, California,** residential developments with one or more units must provide a percentage of units or an "In-lieu" fee for affordable or workforce housing. This a two tiered system with rental units for 30% to 80% AMI households and ownership units for 50% to 120%. Inclusionary units are with the development with few exceptions and dispersed throughout the development, when feasible. Non-residential development must contribute to affordable/workforce housing with the provision of housing on site or alternatives of equal value. The number of units required varies by type of non-residential space. (This requirement is also applied to the redevelopment of shopping centers. To redevelop a shopping center, the developer is mandated to provide housing for the employees who will work there. This housing must be at an affordable level to those employees.) (Contact, Barbara Collins, Affordable Housing Strategist, Marin Community Development Agency @ 415.499.6697, Dan Dawson @ 415.499.6287)
- **Portland, Oregon,** has two programs that encourage the production of workforce housing. A *Tax Abatement* program exempts certain residential construction from property taxes on the structure for 10 years if a unit is affordable to a household with an income less than the AMI (there are also provisions for rental units). Additionally, *Systems Development Charge Exemptions* reduce the development costs for residential units that are made affordable to homeowners and income qualified renter households by exempting developers from paying certain development fees. *(Contact, Barbara Sack, Portland Bureau of Planning @503.823-7853)*
- **Longmont, Colorado,** has an incentive program that exempts some development fees for the provision of affordable/workforce housing. The Incentive program is structured on a point basis, with points added for various development characteristics such as incomes of tenant population. A variety of fees are eligible for the waiver, including: all permit fees, plan check

fee, sewer inspection fee, permit fees. A minimum of 12 points is required to be considered for a fee reduction.

- **Ashville, North Carolina,** has a Fee Rebate Program for Affordable and Workforce Housing as an incentive to construct housing in the lower price range.
- **Austin, Texas,** exempts impact fees on the new construction of homes which will be sold or rented to households with incomes which would qualify as affordable or the lower end of workforce housing (up to 80% of AMI). Additionally, Austin sells lots to homebuilders for $1 who agree to construct workforce/affordable housing. The S.M.A.R.T program encourages the production of housing for low and moderate (workforce) households with reduced or waived development fees, an expedited development process, and provision of the first right of acceptance for any surplus city lands at reduced costs. *(Contact: Susan Villareal, Austin Neighborhood Housing and Community Development @ 512.974.3100)*
- In **Lynn, Massachusetts**, the City donated 80 lots for first-time workforce housing homebuyers in the workforce housing income range.
- The **City of Boulder, Colorado,** has a very comprehensive affordable housing program that targets lower income households. However, housing for moderate-income households is targeted through a negotiated annexation process. (Boulder is essential "built-out" and new units come from annexations). When land is annexed, between 40 and 70% of the units to be built must be permanently affordable with one-half of them for moderate (or workforce) income households. Additionally, residential construction building permit fees include a significant fee
- **Santa Fe, New Mexico,** requires that 11% of the units be affordable if the development is targeted for households earning more than 120% of the AMI (that is for housing selling for more than $240,000) or that 16% of the units be affordable if the development is targeted for households earning more than 200% of the AMI (that is for housing selling for more than $400,000).
- **Westchester County, New York,** has an aggressive affordable and workforce housing program with the upper limits for ownership units at 80% of the AMI (higher than Montgomery County's MPDU's).
- For almost 20 years the **State of California** has mandated a planning density bonus to encourage affordable/workforce housing. In exchange for making 20% of the units in a housing project affordable, developers may request the right to build a total number of housing units that are at least 25% above the maximum density allowed under municipal zoning codes for the site. In addition to the density bonus, state law mandates local governments must also offer an additional (unnamed) incentive to facilitate the project. Municipalities must develop a plan for affordable housing as part of their general plan.
- **Connecticut** passed the Affordable Housing Land Use Appeals in 1989, which allows developers to appeal local decisions rejecting projects that contain at least 30% affordable units. It creates a state level appeals process in which it is up to the local jurisdiction to show that the public interest is harmed by the proposed development.

Defining Workforce Housing Demand in Montgomery County, MD

Workforce housing is typically defined as housing that is affordable to families earning between 80 and 120 percent of AMI, with some jurisdictions going as high as 200 percent. The AMI is updated annually for the entire Metropolitan Washington Primary Metropolitan Statistical Area (PMSA). In Fiscal Year (FY) 2004 the AMI for the PMSA was $85,400, while in FY 2005 the AMI has been established at $89,300—approaching the 2001 AMI of $91,500. Alternatively, some jurisdictions define workforce housing as that housing affordable to certain necessary or essential occupations, such as teachers, nurses, and first-responders.

In Montgomery County, leaders have suggested using the MPDU income limits as a threshold (less than 74 percent of AMI) and going up to 120% of area median income (AMI), depending on family size. Using this threshold, Workforce Housing would be either rental and ownership market housing units affordable to households with incomes from the MPDU income up to 120% of AMI, or approximately $40,000 to $102,000 per year, using the 2004 AMI, or, as shown below (Figure 22), from $46,000 to $107,000, using the FY 2005 AMI.

Using the 2004 AMI, a workforce household earning 120 percent of AMI could afford a home costing about $390,000, which is more than the 2004 median-priced single family home of $384,000 or a condominium costing $328,000, and which is significantly more than the $220,000 needed to afford 2004's median-priced condominium. As was discussed, there are a wide variety of homes affordable to households earning 120 percent of AMI. Though the household earning 100 percent of AMI could afford the median priced condominium, it could not afford the median priced home, so capping a workforce housing program at 100 percent of AMI makes sense for Montgomery County. (Figures 23 and 24)

Though Montgomery County does have several programs to help households earning at or above AMI, though none are officially called "workforce housing programs." Such programs currently include closing cost assistance, low cost mortgage loans, and housing rehabilitation. (Figure 24) MPDU households might be able to qualify for a home priced between approximately $150,000 and $250,000, assuming 10 percent down and good credit. Developers build MPDUs as part of most residential development within the county, and nearly 80 percent of all MPDUs have been home-ownership units.

Figure 22. Theoretical Workforce Housing Income Limits.[18]

Income Limits - Current - As a Percentage of FY 2004 AMI of $85,400 for a Family of Four

Washington, DC--MD--VA--WV PMSA

Number of Persons in Family		1	2	3	4	5	6	7	8
Percentage of AMI Per Family Size		0.7	0.8	0.9	1	1.08	1.16	1.24	1.32
HUD Program Limits									
30% of Median	30.0%	$18,750	$21,450	$24,100	$26,800	$28,950	$31,100	$33,200	$35,350
Very Low Income (50%)	50.0%	$31,250	$35,700	$40,200	$42,700	$48,200	$51,800	$55,350	$58,950
Low-Income (65%)	65.0%	$40,600	$46,400	$52,200	$58,000	$62,650	$67,300	$71,900	$76,550
MPDU Limits Renters	65.0%	$40,000	$46,400	$50,000	$56,000	$62,000			
Buyers	73.5%	$44,000	$50,000	$56,000	$62,000	$68,000			
Workforce Housing - 80% AMI	80.00%	$47,824	$54,656	$61,488	$68,320				
Workforce Housing - 90% AMI	90.00%	$53,802	$61,488	$69,174	$76,860				
Workforce Housing - 100% AMI	100.00%	$59,780	$68,320	$76,860	$85,400				
Workforce Housing - 120% AMI	120.00%	$71,736	$81,984	$92,232	$102,480				

Income limits - Based on FY 2005 AMI of $89,300 for a Family of Four
(Using same percentages as for FY 2004 Programs)

Washington, DC--MD--VA--WV PMSA

Number of Persons in Family		1	2	3	4	5	6	7	8
Percentage of AMI Per Family Size		70%	80%	90%	100%	108%	116%	124%	132%
HUD Program Limits									
30% of Median	30.0%	$18,750	$21,450	$24,100	$26,800	$28,950	$31,100	$33,200	$35,350
Very Low Income (50%)	50.0%	$31,250	$35,700	$40,200	$44,650	$48,200	$51,800	$55,350	$58,950
Low-Income (65%)	65.0%	$40,600	$46,400	$52,200	$58,000	$62,650	$67,300	$71,900	$76,550
MPDU Limits Renters	65.0%	$41,000	$47,000	$52,000	$58,000	$63,000			
Buyers	73.5%	$46,000	$53,000	$59,000	$66,000	$71,000			
Workforce Housing - 80% AMI	80.00%	$50,008	$57,152	$64,296	$71,440				
Workforce Housing - 90% AMI	90.00%	$56,259	$64,296	$72,333	$80,370				
Workforce Housing - 100% AMI	100.00%	$62,510	$71,440	$80,370	$89,300				
Workforce Housing - 120% AMI	120.00%	$75,012	$85,728	$96,444	$107,160				

Sources for Figure 22: HUD and DHCA. 2004 HUD Income Guidelines, with MPDU Guidelines, and extrapolationsTheoretical Workforce Housing Guidelines; and 2005HUD Income Guidelines, with Theoretical adjustments to MPDU and Workforce Housing Guidelines to correspond to the FY 2005 AMI base. (DHCA)

[18] The MPDU program provides housing opportunities to households earning not more than 60% to %70 percent of AMI—or 73.5 percent as is shown on the chart (imputed from current limits). In 2005, the County Executive approved a new set of income guidelines for the MPDU program, based on the FY 2004 AMI. The new guidelines set different limits for purchases and for rentals. Households may qualify for the MPDU program if they earn between $40,000 and $68,000 annually, depending on family size and whether the family rents or own.

Figure 23. 2004 Affordability Indices[19]

The Affordability Index of Housing Sales Prices (Single Family Detached & Attached) Using 2004 AMI

If Median Sales Price	$100,000	$150,000	$200,000	$250,000	$256,750	$289,750	$300,000	$322,500	$350,000	$355,500	$388,500
30 Year Fixed Effective Rate	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%
Mortgage Amount	90,000	135,000	180,000	225,000	231,075	260,775	270,000	290,250	315,000	319,950	349,650
Monthly PI	$541	$811	$1,082	$1,352	$1,388	$1,567	$1,622	$1,744	$1,893	$1,922	$2,101
Tax Rate/$100 Assessed Value	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Monthly Taxes	$108	$163	$217	$271	$278	$314	$325	$349	$379	$385	$421
Monthly Insurance	41	41	41	41	41	41	41	41	41	41	41
Monthly TI	$149	$204	$258	$312	$319	$355	$366	$390	$420	$426	$462
Monthly PITI	$690	$1,015	$1,339	$1,664	$1,708	$1,922	$1,988	$2,134	$2,313	$2,349	$2,563
Annual PITI	$8,281	$12,176	$16,070	$19,965	$20,490	$23,061	$23,859	$25,612	$27,754	$28,182	$30,752
If PITI 30% of income, income =	$27,603	$40,585	$53,567	$66,549	$68,301	$76,869	$79,530	$85,372	$92,512	$93,940	$102,508
Area Median Income	$84,500	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400
Income required as a percent of AMI	32.7%	47.5%	62.7%	77.9%	80.0%	90.0%	93.1%	100.0%	108.3%	110.0%	120.0%
Affordability Index	3.06	2.10	1.59	1.28	1.25	1.11	1.07	1.00	0.92	0.91	0.83

The Affordability Index of Condominium Sales Prices Using 2004 AMI
(Assuming a 1,000 Square Foot Condo)[20]

If Median Sales Price	$100,000	$150,000	$200,000	$215,300	$248,000	$250,000	$281,000	$300,000	$306,300	$328,400
30 Year Fixed Effective Rate	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%
Mortgage Amount	90,000	135,000	180,000	193,770	223,200	225,000	252,900	270,000	275,670	295,560
Monthly PI	$541	$811	$1,082	$1,164	$1,341	$1,352	$1,520	$1,622	$1,656	$1,776
Tax Rate/$100 Assessed Value	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Monthly Taxes	$108	$163	$217	$233	$269	$271	$304	$325	$332	$356
Monthly Insurance	41	41	41	41	41	41	41	41	41	41
Monthly TI	$149	$204	$258	$274	$310	$312	$345	$366	$373	$397
Monthly PITI	$690	$1,015	$1,339	$1,438	$1,651	$1,664	$1,865	$1,988	$2,029	$2,173
Annual PITI	$8,281	$12,176	$16,070	$17,262	$19,809	$19,965	$22,379	$23,859	$24,350	$26,071
Annualized Condo Fee ($270/month)	$3,240	$3,240	$3,240	$3,240	$3,240	$3,240	$3,240	$3,840	$3,840	$4,680
If PITI & Condo Fees are 30% of income, income =	$38,403	$51,385	$64,367	$68,339	$76,829	$77,349	$85,397	$92,330	$93,966	$102,504
Area Median Income	$84,500	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400	$85,400
Income required as a percent of AMI	45.4%	60.2%	75.4%	80.0%	90.0%	90.6%	100.0%	108.1%	110.0%	120.0%
Affordability Index	2.20	1.66	1.33	1.25	1.11	1.10	1.00	0.92	0.91	0.83

[19] For Figures 23 & 24, equal to or greater than "1.0" is considered affordable to the AMI. If the Affordability Index is 2, it indicates that the annual Household Income needed to afford the PITI is about half the AMI. If the Affordability Index is 0.5, it means that the annual Household Income needed to afford the mortgage in twice the AMI. Sources: The Research and Technology Center's Affordability Index (using 30 percent PITI load); Montgomery County Tax Rate for 2004 from County Department of Finance; AMI from HUD.

[20] Bolan Smart Associates for DHCA, November 2004. (See Appendix E) The Bolan Smart information distributed condo fees by structure type, with price points that seemed to correlate with structure type. Our analysis uses the price points only, and for this purpose we are assuming that there is a significant correlation between condo fees and price points.

Figure 24. 2005 Affordability Indices

The Affordability Index of Housing Sales Prices (Single Family Detached & Attached) Using 2005 AMI

If Median Sales Price	$100,000	$150,000	$200,000	$250,000	$269,000	$300,000	$303,400	$337,500	$350,000	$372,000	$406,500
30 Year Fixed Effective Rate	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%
Mortgage Amount	90,000	135,000	180,000	225,000	242,100	270,000	273,060	303,750	315,000	334,800	365,850
Monthly PI	$541	$811	$1,082	$1,352	$1,455	$1,622	$1,641	$1,825	$1,893	$2,012	$2,198
Tax Rate/$100 Assessed Value	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Monthly Taxes	$108	$163	$217	$271	$291	$325	$329	$366	$379	$403	$440
Monthly Insurance	41	41	41	41	41	41	41	41	41	41	41
Monthly TI	$149	$204	$258	$312	$332	$366	$370	$407	$420	$444	$481
Monthly PITI	$690	$1,015	$1,339	$1,664	$1,787	$1,988	$2,010	$2,232	$2,313	$2,456	$2,680
Annual PITI	$8,281	$12,176	$16,070	$19,965	$21,445	$23,859	$24,124	$26,780	$27,754	$29,467	$32,154
If PITI 30% of income, income =	$27,603	$40,585	$53,567	$66,549	$71,482	$79,530	$80,413	$89,267	$92,512	$98,224	$107,181
Area Median Income	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300
Income required as a percent of AMI	30.9%	45.4%	60.0%	74.5%	80.0%	89.1%	90.0%	100.0%	103.6%	110.0%	120.0%
Affordability Index	3.24	2.20	1.67	1.34	1.25	1.12	1.11	1.00	0.97	0.91	0.83

The Affordability Index of Condominium Sales Prices Using 2005 AMI (Assuming a 1,000 Square Foot Condo)[21]

If Median Sales Price	$100,000	$150,000	$200,000	$227,250	$250,000	$261,500	$296,000	$300,000	$322,750	$350,000	$357,000
30 Year Fixed Effective Rate	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%	6.02%
Mortgage Amount	90,000	135,000	180,000	204,525	225,000	235,350	266,400	270,000	290,475	315,000	321,300
Monthly PI	$541	$811	$1,082	$1,229	$1,352	$1,414	$1,601	$1,622	$1,745	$1,893	$1,930
Tax Rate/$100 Assessed Value	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Monthly Taxes	$108	$163	$217	$246	$271	$283	$321	$325	$350	$379	$387
Monthly Insurance	41	41	41	41	41	41	41	41	41	41	41
Monthly TI	$149	$204	$258	$287	$312	$324	$362	$366	$391	$420	$428
Monthly PITI	$690	$1,015	$1,339	$1,516	$1,664	$1,738	$1,962	$1,988	$2,136	$2,313	$2,358
Annual PITI	$8,281	$12,176	$16,070	$18,193	$19,965	$20,860	$23,548	$23,859	$25,631	$27,754	$28,299
Annualized Condo Fee ($270/month)	$3,240	$3,240	$3,240	$3,240	$3,240	$3,240	$3,240	$3,240	$3,840	$3,840	$3,840
If PITI & Condo Fees are 30% of income, income =	$38,403	$51,385	$64,367	$71,442	$77,349	$80,334	$89,292	$90,330	$98,237	$105,312	$107,130
Area Median Income	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300	$89,300
Income required as a percent of AMI	43.0%	57.5%	72.1%	80.0%	86.6%	90.0%	100.0%	101.2%	110.0%	117.9%	120.0%
Affordability Index	2.33	1.74	1.39	1.25	1.15	1.11	1.00	0.99	0.91	0.85	0.83

[21] See Note 19.

Clearly, Montgomery County needs to define "workforce housing." The analysis of the housing supply indicates that households earning 120 percent of AMI and over can already afford the median-priced home and have a variety of housing choices, though those households earning below AMI have markedly fewer choices. The County has some housing programs to provide closing cost assistance and low-interest loans, primarily, to those households earning at or above AMI, but there is no prioritization for key employees nor are the programs called "workforce housing" programs. (Figure 25) For the good and/or safety of our community, workers in certain key occupations need increased housing opportunities in Montgomery County, regardless of prior home ownership. Therefore, workforce housing should be defined as housing affordable to households earning more than the MPDU income limits and not more than the AMI, depending on household size, and/or housing affordable to key occupations, such as first responders (fire, rescue, and police), teachers, nurses, and others, regardless of previous homeownership.

Figure 25. Housing Programs in Montgomery County Maryland (Sourcse: DHCA and M-NCPPC)

Rental Programs	**Household Income Levels Served**	**Using 2004 AMI ($85,400)**	**Using 2005 AMI ($89,300)**
HOME-Funded Rental Housing	At a minimum: 20% HOME units – HHs up to 50% AMI	$42,700	$44,650
	70% HOME units – HHs up to 60% AMI	$51,240	$53,580
	10% HOME units – HHs up to 80% AMI	$68,320	$71,440
Tenant Based Rental Assistance	At a minimum: 90% HOME units – HHs up to 60% AMI	$51,240	$53,580
	10% HOME units – HHs up to 80% AMI	$68,320	$71,440
Public Housing	HHs up to 50% AMI	$42,700	$44,650
Housing Choice Vouchers	At a minimum: 75% vouchers – HHs up to 30% AMI	$25,620	$26,790
	25% vouchers – HHs up to 50% AMI	$42,700	$44,650
Home Ownership Programs	**Household Income Levels Served**		
American Dream Downpayment	HHs up to 80% AMI	$68,320	$71,440
HOC Closing Cost Assistance	1 and 2 person HHs may earn up to 100% AMI	$85,400	$89,300
	3+ person HHs may earn up to 115% AMI	$98,210.	$102,695
HOC Mortgage Purchase Program	1 and 2 person HHs may earn up to 100% AMI	$85,400	$89,300
	3+ person HHs may earn up to 115% AMI	$98,210	$102,695
Moderately-Priced Dwelling Units	HH up to approximately 60% of AMI	$51,240	$53,580
Low-Income Housing Tax Credits	At a minimum: 20% units – HHs up to 50% AMI, or	$42,700	$44,650
	40% units – HHs up to 60% AMI	$51,240	$53,580
CDBG-Funded Homeowner Rehab	HHs up to 80% AMI	$68,320	$71,440

A production goal is needed for workforce housing. Department staff reviewed the "Affordable Housing Programs Proposed Annual Production Goals" to determine whether there were goals adequate to produce workforce housing, and, if so, to see how they might point to a workforce-housing goal. Because the workforce housing goal is not limited to new construction, special attention was given to demand-side solutions, such as closing cost assistance programs and rehabilitation loans. While most of the goals aim to produce housing for very low-income households (50 percent of AMI or less), three existing goals could be augmented to produce between 600 and 650 workforce housing units.

- **<u>Home Ownership</u>.** This $600,000 line item currently has an annual goal of 30 units to be used for several things: (1) for not-for-profit developers to rehabilitate HUD foreclosed houses for resale to households earning not more than AMI, (2) for assistance to first time homebuyers—including closing cost assistance, (3) and for single family rehabilitation loans. No success measurements are readily available. Given that HUD reports credit constraints—especially down-payment constraints—as restricting access to homeownership with greater frequency than income, this goal would appear to be an underachiever with low funding. If workforce housing is to be successfully addressed, goals for closing cost assistance and other mortgage assistance should be quantified and targeted for this group.[22] Also, given the fact that existing homes are the most frequent home purchase (9:1, existing sales to new sales), single-family rehabilitation loans can have the affect of creating a substantial amount workforce unit without building it from scratch. Clearly, workforce closing cost assistance, low-interest loans, and workforce housing units could result from this category, either as assistance in the purchasing and rehabilitation of existing homes, as construction of workforce units that are part of a mixed-income development, or as a portion of the low or very low income affordable units set aside for income-eligible workers in key occupations.

  As augmented, this goal area could comprise the lion's share of the workforce housing program, and, if well funded, could yield approximately 300 units of workforce housing at an additional cost of $3,500,000 (4,100,000 (includes salary and benefits for administrator) - $600,000). At least 200 grants could be given each year for closing-cost assistance (including down payment assistance). At $10,000 per grant, it would cost a total of $2,000,000. The goal for rehabs should be reviewed, and increased as needed. Assuming that the goal for purchasing HUD foreclosed units could be raised to 100 units per year and the $20,000 per unit fee is still applicable, the rehab component of this goal could reach $2,000,000. In addition, at least one full-time position will be required to administer the grants, shepherd the documents, and maintain the reports. This could be best administered as a fund with public and private support.

[22] Zhu Xiao Di et al., HUD, "Executive Summary," *The Importance of Wealth and Income in the Transition to Homeownership*, 2004, p. v.

- **Moderately Priced Dwelling Units**. The annual production goal is for 200 home-ownership units and 100 rental units (a 2:1 ratio, home-ownership to rental, respectively). The goals have not changed since they were set in 2001, when it took a subdivision of 50 units or more to trigger the ordinance. Imputing from the goal, 300 MPDUs can be achieved if at least 2,400 units are completed each year in subdivisions that are large enough to require 12.5 percent MPDUs. Though the number of units triggering the ordinance dropped from 50 to 35 units in 2002, the County has not averaged more than 216 MPDUs for the period of 2001 through 2004, and the ratio of ownership to rental units has maintained an average of 2:1 owners to renters. During this period, due to the increase in expensive high-rise development, developers bought out of approximately 15 percent of the MPDU requirement.[23] Fewer buyouts occurred during 2004, when the County came closest to meeting its MPDU goal with over 293 units approved and not bought out.

  Two things prohibit the use of MPDUs in an **income-based workforce housing program**: (1) The very definition of workforce housing establishes the MPDU ceiling as the Workforce Housing threshold—so no one will qualify for an MPDU; and (2) MPDUs produced or purchased through government subsidized or financed rehabilitation projects, such as those purchased by HOC or other not-for-profits, are typically rented to only very-low income households.[24]

  On the other hand, if the County's workforce housing program is to include preferences for key-occupations, as the Planning Department believes it should, then the MDPU program could serve the needs of MPDU-eligible workers in key occupations by simply moving them to the front of the line. For a number of reasons, not every household offered an MPDU actually buys or rents one, but if we anticipate that at least one-half of those offered an MPDU will follow through, this effort will yield perhaps 100 ownership units and 50 rental units for income-eligible workers in key occupations.

  As augmented, the MPDU program could produce approximately 150 workforce housing units with no additional cost, though there will be a future need to track MPDU applicants from key occupations, as well as their transition from applicants to owners or renters.

- New Construction. The *Housing Policy* goal for new construction is for 200 affordable rental units, including mixed-income development. Typically, rental mixed income projects must have at least 20% or more of the units affordable to households whose income is 50% or less of the area median income as determined by HUD, depending on household size, or 40% or more of the units must be affordable to households whose income is 60% or less of the area median income as determined by HUD, adjusted for household size. Though measurements for this goal are not readily available, some workforce units could result from projects of this type, especially if both workforce-income and key occupation preferences were utilized.

  Imputing from the production goal of 200 units, the County anticipates between 500 and 1,000 units to be built each year, depending on whether the developer provides units to

[23] Rockville's MPDU ordinance produced over 455 MPDUs during that period, without any buyouts, and the combined (city and county) production from 2001 through 2004 did average 326 units. Rockville's mix is slightly more rental units than home-ownership units.

[24] DHCA, "Affordable Housing Program Proposed Annual Production Goals," *Housing Policy*, 2001. See discussions under "Moderately Priced Dwelling Units": "…Up to 40% of ownership units may be purchased by HOC and nonprofits for rental to very low income households."

households earning below 50 percent of AMI or 60 percent of AMI, respectively. If the County participates financially or provides land or other abatements or incentives, then at least 10 percent of the total number of units should be provided to workforce households, which could yield between 50 and 100 workforce housing units per year or more in mixed income projects. Of the 200 affordable units, at least 50 percent should go to income-eligible households working in key occupations. (Because of the overlap between the MPDU income limits and various federal program income limits, the 200 units could include some MPDUs.)

As augmented, this goal area could produce between 150 and 200 units with no additional cost, though there will be additional reporting and tracking requirements for income-eligible applicants from key occupations who apply for the affordable units, as well as for income-eligible households who apply for workforce housing units.