



Report and Recommendations

Issue 1. Preserve Affordable Housing

Market pressures are making both rental and ownership housing more expensive in Montgomery County. Households who rent are particularly at risk. It is a goal of Montgomery County to retain and preserve the affordable rental housing stock by maintaining the affordability of the units and reducing the impacts of conversion of affordable rental housing to condominium ownership.

Recommendation: Create a Short Term Property Acquisition Fund.¹

This fund would:

- Provide short-term financing (up to 36 months) to enable experienced public, non-profits, such as HOC, or for-profit organizations to purchase at-risk affordable rental properties before they are sold and renovated for higher-rent occupancy or conversion to condominium ownership.
- Support implementation of the recently enacted authority of the County to purchase rental housing constructed since 1981 under the Right of First Refusal program.
- Augment the County-funded Housing Initiative Fund by providing additional sources of funds.
- Fund through a variety of partnerships with federal, state and local governments; financial institutions, private foundations, organizations and individuals; pension funds, insurance companies, Community Development Financing Institutions, (CDFI's) and investment firms. Several different examples across the Country serve as successful models for this endeavor.
- Be managed by a third party entity; although the County would coordinate and oversee the program.

Desired Results

- Reduce displacement of at-risk renter households due to lack of housing affordability or condominium conversions.
- Increase public and non-profit ownership of affordable rental housing.

Implementation

- Utilize the Request for Proposals (RFP) process to solicit specialized assistance in program development and management.
- Incorporate third party, governing board or other needed entities, or select an administrative agent from among those providing such services.
- Designate required seed funding from the Montgomery Housing Initiative Fund.
- Attract private funding through financial partners.

Recommendation: Create a Revolving Equity Fund²

This fund would:

- Provide long-term or permanent gap financing for the acquisition, preservation and construction of affordable housing units.
- Supplement the principal through the issuance of long-term taxable bonds.
- Become a revolving fund by putting loan repayments back into the fund for re-use.
- Augment the County-funded Housing Initiative Fund (HIF) by using HIF funds as seed money, and soliciting capital investment from private sources including foundations, financial institutions, pension funds, Montgomery County employers, and other investors.

Desired Results

- Creation of a fund of at least \$75 million to support the preservation and development of affordable housing.
- Funds would be derived from private sources including financial institutions, insurance companies, pension funds and major local employers. Attraction for such capital includes sources such as the HIF, taxable revenue bonds as well as a percentage of the transfer tax.

Implementation

- Utilize RFP process to solicit specialized assistance in program development and management.
- Incorporate third party, governing board or other needed entities.
- Designate required seed funding from HIF.
- Attract private funding through financial partners.



Amherst Apartments in Wheaton, Maryland

Recommendation: Work proactively with owners of developments that provide affordable housing.

The County must be more aggressive in heading-off the possible loss of affordable housing as early as possible.

This would entail:

- Creation of an “early warning system” to stay abreast of plans for sale or other circumstances that could endanger affordability, such as and including the expiration of federal funding contracts.
- Creation and implementation of a range of tools and incentives that could be applied quickly and aggressively to preserve endangered affordable housing developments, including assistance to the private sector in the acquisition and preservation of affordable housing.

Desired Results

- Timely intervention to prevent the potential loss of affordable housing resources.
- Better maintenance of privately owned affordable housing developments.
- Strategic acquisition of affordable housing developments by public agencies and non-profit housing providers.

Implementation

- Inventory all multifamily housing developments in Montgomery County.
- Establish indicators that will warn of impending threat to affordability of individual developments.
- Create and market tools designed to preserve at risk affordable housing.
- Fund preservation programs with Montgomery Housing Initiative Fund and other appropriate County and non-County resources.

Issue 2. Create Affordable Housing

Market conditions, including the costs of land, labor, materials, and regulatory requirements, make the construction of affordable housing less economical. Demands for public funds are fierce in times of static public revenues. Additional funding sources for use in development of affordable housing must be found.

Recommendation: Add "Increasing Affordable Housing" as a new objective in all future master plans.

This would entail:

- Recognition that affordable housing is as necessary within all Montgomery County communities as other public facilities such as parks, libraries, and schools.
- Promotion of increased density and mixed use zones in sector plans and master plans.
- Establishment of public policy that permits affordable housing in commercial, industrial, and residential areas served by transit.

Desired Results

- Greater community acceptance through partnering and educating residents about the benefits of affordable housing.
- More sites that are zoned to provide opportunity for development of affordable housing.
- Development of affordable housing closer to employment opportunities.
- Stress on schools and public services can be reduced as the distribution of affordable housing is encouraged and increased.
- Higher transit usage by residents. *

Implementation

- Secure agreement of Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County Council that provisions for affordable housing will be included in every Sector and Master Plan.

Recommendation: Investigate and implement the use of an affordable housing impact fee or a reasonable alternative on all new non-residential development. (*)³

This would entail:

- Analysis of all regulatory and permitting fees that impact non-residential development in comparison with surrounding jurisdictions.
- Analysis of affordable housing impact fees imposed on non-residential development in other areas of the country.
- Proposing an impact fee rate based on project square footage.
- Estimation of impact fee revenues that might be targeted toward development and preservation of affordable housing.

Desired Results

- Provision of a new funding source for affordable housing.
- Shifting of some responsibility for funding affordable housing preservation and development to the commercial sector which creates new jobs and increases need for affordable housing.

Implementation

- Montgomery County Council would direct a joint effort with the M-NCPPC taking the lead role in investigating and implementing the use of an affordable housing impact fee or a reasonable alternative. The private business sector, the development industry, and the Montgomery County Department of Economic Development will assist in this endeavor.

Recommendation: Create a more attractive planning and economic environment for the development of affordable housing.⁴

Incentives should be provided that encourage developers to provide more than the minimum requirement of affordable housing. The benefit of the incentive should increase proportionately with the increase in affordable units provided.

Such incentives will permit:

- Increased heights, densities, floor area ratio (FAR) and flexibility in meeting public amenity/open space requirements for developments that include affordable housing above the minimum requirements.
- In some instances, the large size of market rate units has resulted in the construction of fewer units than may be permitted under zoning. Size and number of units should be considered in future developments.
- Expedited reviews and consolidated processes for developments including affordable housing.
- Adjustments to the bonus density formula for the provision of Moderately Priced Dwelling Units (MPDUs). Increase the degree of incentives proportionately to the number of increased affordable units.
- Development of a mixed-use floating zone (with minimum affordable housing benchmarks) for use in Metro station areas and transit-serviceable urban cores, as well as amendments to industrial and commercial zones to allow mixed use.
- Development of housing close to transportation and retail to reduce traffic and encourage walkable developments, and integrate Affordable Housing throughout the county.
- Implementation of final zoning by sectional map amendment rather than local map amendment at the completion of a master plan and sector plan so that the new zones are applied in a more timely manner.
- Expand waiver to include all units less than 60% of average monthly income for payment of transportation and school construction impact taxes, WSSC fees, and other fees and taxes that contribute to increased costs of developing affordable housing.
- Expansion of the County's existing Payment in Lieu of Taxes (PILOT) program by publicizing its availability, and requesting State authorization to provide more flexibility in offering PILOTs so that the County may negotiate agreements in return for a higher number of affordable units or greater affordability of the units to which the PILOT applies.

Desired Results

- Increased production of affordable housing, especially in urban and transit serviceable areas.

Implementation

- Adopt Zoning Text Amendments by the Montgomery County Council that will provide increased heights, densities, floor area ratio (FAR) and flexibility in meeting public/amenity/open space requirements in return for additional housing affordability.
- Adopt Zoning Text Amendments and create new zones that will promote affordable housing in central business districts (CBDs), urban cores, industrial and transit and commercial areas.
- Amend rezoning process to allow zoning map amendments in a more timely manner, not just during implementation of sector plans and master plans.
- Amend subdivision and site plan process to consolidate reviews where affordable housing is provided.
- Amend impact tax laws to allow additional tax waivers in return for increased affordability.
- Secure State enabling legislation for expansion of Payment in Lieu of Tax (PILOT) programs.



Grace House Assisted Living Facility in Silver Spring, Maryland.

Recommendation: Reduce parking requirements for housing developments.⁶

Parking spaces, especially structured or underground spaces, are a major expense in residential development. This phenomenon coupled with a disincentive to utilize public transportation directly impacts the cost to the homeowner, renter and the environment. Quality of life in our County is affected where parking becomes a major factor in the overall respective development. The following must be explored, especially in central business districts (CBDs) and in areas well served by transit, to help reduce housing development costs, and increase affordability:

- Unbundling of parking spaces from residential unit rents and sales prices: Parking and housing should be rented or purchased separately.
- Shared parking (e.g. allowing business parking spaces to be used by residents in the evenings and on weekends).
- Use of nearby, off-site locations to maximize use of parking spaces and to take advantage of parking demand at different times by different users.
- Development of parking management plans during project planning to describe employee, visitor, and retail customer parking arrangements and charges, followed by periodic monitoring and update of the parking plan.
- Requiring no more parking than expected demand within a project, instead of relying on a fixed formula.
- Use of market rate parking for single occupant vehicle parking and reserved, reduced, or free parking for (resident/employee) carpoolers and vanpoolers.
- Metered spaces at garage entrances for short term retail.
- Use of time-share vehicles, such as Flexcar[®] and Zipcar^(R).
- Study and consider successful tools used in other jurisdictions to reduce costs of providing parking.

Desired Results

- Reduce costs of providing parking when it is not needed to support residential development.
- Make more efficient use of parking resources.
- Reduce dependence on automobiles in urban and transit-oriented development.

Implementation

- Adoption of Zoning Text Amendment by Montgomery County Council to amend parking requirements in certain areas.

Recommendation: Develop a comprehensive inventory of all publicly owned sites and properties.

Land constitutes a major component of the cost of developing housing. All appropriate County and publicly-owned property should be evaluated for development or redevelopment to include affordable housing.

If adopted, efforts will:

- Create, maintain and manage a comprehensive and thorough inventory of vacant and under-developed County-owned property.
- Examine appropriate properties for development of affordable housing.
- Evaluate properties owned by the Montgomery County Board of Education, the Maryland-National Capital Park and Planning Commission (M-NCPPC), the Washington Metropolitan Area Transit Authority (WMATA), Washington Suburban Sanitary Commission (WSSC), and other vacant properties suitable for affordable housing.
- Assess all proposed County vertical capital facility projects for potential mixed-use development to include affordable housing.

Desired Results

- Provide no-cost or low-cost sites that promote the affordability of residential development.
- Integrate affordable housing into communities throughout the County.
- Promote mixed-use development resulting in possible reduction of additional transportation negative impacts.

Implementation

- Create an inventory of all publicly owned sites including those owned by Montgomery County Government, Maryland National Capital Parks and Planning Commission (M-NCPPC), Board of Education, Housing Opportunities Commission (HOC), and Washington Suburban Sanitary Commission (WSSC).
- Evaluate publicly owned sites for potential development of affordable housing.
- Evaluate all county capital projects for potential co-location of affordable housing.

Issue 3. Adopt Regulatory Reform

Regulatory requirements and fees can add time and expense to the development of affordable housing. Furthermore, such requirements actually could work as disincentives to engage and partner with the private sector. Easing of some requirements and fees, and the expediting of reviews can save time and money in the production of affordable housing.

Recommendation: Expedite regulatory reviews.⁷

Many regulatory reviews, including submission of preliminary plan, detailed site plan, engineering design, plats, and building permits occur sequentially. Approval processes at M-NCPPC and DPS for all housing projects with major affordable housing components should be reviewed and streamlined.

Recommendations include:

- Consolidate multiple reviews into one hearing that must occur within 6 months. Many of the projects that are currently awaiting permits or which are stuck in M-NCPPC's pipeline would produce a significant number of affordable housing units.
- Create new Affordable Housing Division at M-NCPPC to accelerate regulatory review and approval and monitor production of affordable housing. The division's review would be equal to others at M-NCPPC, such as environmental planning.

Desired Results

- Streamlined and expedited approvals for development that contain a certain minimum proportion of affordable housing.
- Cost savings to affordable housing development by reducing review times.
- Establishment of a staff at M-NCPPC that will advocate for affordable housing development in the planning and review process.

Implementation

- Amend development approval process to expedite reviews of affordable housing development and redevelopment.

Recommendation: Permit accessory apartments without requiring a special exception permit.

Accessory apartments provide for a secondary, more affordable housing unit in a single-family home. Applications for accessory apartments, however, must be approved as a special exception to the zoning ordinance, an expensive and time-consuming process. The County should adopt legislation and zoning text amendments that:

- Create standards which are not overly restrictive, for approving accessory apartments that relate to proximity to transit, occupancy, parking, accessory unit access, and other appropriate factors.
- Make an accessory apartment a by-right use in appropriate single family zones.

Desired Results

- An increase in the number of approved accessory apartments and the increase of affordable housing opportunities in the County.
- A less costly and time consuming approval process.

Implementation

- Adopt Zoning Text Amendments by Montgomery County Council allowing accessory apartments by right in locations in proximity to transit and in conformance with certain adopted standards.
- Encourage more aggressive enforcement of housing codes related to accessory apartments.

Recommendation: Establish a centralized authority for affordable housing.

A centralized authority must be empowered by the Executive Branch to facilitate coordination of public agencies and parties involved in preservation and creation of affordable housing. This authority must be empowered to:

- Command the resources necessary to accomplish the production and preservation of affordable housing.
- Identify affordable housing opportunities, and gather interested parties from government, non-profit and private sources to identify and solve problems, and push for quick and substantial progress.

Desired Results

- Elevation of the priority given to affordable housing production and preservation by public, private, and non-profit agencies involved in the effort.

Implementation

- Designated by authority of the County Executive.

Issue 4. Achieve Community Acceptance of Affordable Housing

The need for affordable housing as an integral part of an inclusive community is often not understood or appreciated by the County's residents. This lack of knowledge often leads to opposition to affordable housing programs and developments. To some extent, nearly every aspect of the County's economy is dependent on affordable housing opportunities, near employment centers, for entry level and service sector employees, retired residents, and others who are unable to compete for market priced housing. The County must promote the benefits of affordable housing by educating the entire Montgomery County community.

Recommendation: Promote well-designed, low-impact affordable housing to foster public acceptance.

Developments with affordable housing components that make use of density bonuses, height and floor area ratio (FAR) allowances should:

- Use transportation demand management programs to lower community impacts.
- Be skillfully designed above and beyond status-quo in order to foster public acceptance.
- Maximize flexibility for use of public space to promote the creation of as many units as possible.

Desired Results

- Increased acceptance of affordable housing development due to good design and positive community impact.

Implementation

- Work with M-NCPPC and the DPS to amend laws and regulations in order to promote good design and to reduce community impact of development.

Recommendation: Develop and implement an extensive community support campaign.

The County must promote the education, understanding, sensitivity, acceptance and active support of affordable housing by all stakeholders. The campaign should include:

- Assistance of a professional public relations firm.
- Use of studies that document the lack of negative impact that affordable housing has on property values.
- Development of all materials in multiple languages.
- Use of mass media including radio, cable television.
- Coordination with the school system and inclusion in school curriculum and other programs and activities.
- Development of team comprised of housing experts/officials who address concerned citizen groups and promote community support of individual projects.
- Development of roundtable discussions, speaker's bureau and outreach to garner support from public officials, major employers, civic organizations and faith based organizations.

Desired Results

- Broad understanding of the benefits of affordable housing in Montgomery County, especially to the County's economy.
- Community acceptance and support for affordable housing development.

Implementation

- Utilize the Department of Procurement's Request for Proposals (RFP) process for solicitation of specialized public relations services for development of a public education program for affordable housing.

Issue 5. Goals for Affordable Housing Preservation and Production

When implemented, the recommendations contained in this report will provide a tool-box of initiatives that will expand the County's ability to preserve and develop affordable housing. To effectively and efficiently address the County's affordable housing needs, there must be an assessment of the demand for housing to serve various populations in the County. The County Housing Policy adopted in July 2001 established annual goals for affordable housing preservation and production by program and by population group. Among the first steps in implementing the recommendations of the Affordable Housing Task Force should be an assessment of and a recommitment to these goals.

Recommendation: Establish Affordable Housing Preservation and Production Goals

Fulfillment of this recommendation requires:

- Review and assessment by the DHCA and M-NCPPC of the affordable housing preservation and productions goals of the July 2001 County Housing Policy.
- Addressing the diverse needs of the homeless population, developmentally and physically challenged individuals, seniors and others with unique and special needs by consulting and working with advocates, housing providers and health and human service agencies and organizations.
- Engaging the County-Stat program to assist in assessing progress toward meeting the established goals.

Desired Results

- Measurable and quantifiable goals for affordable housing preservation and development meeting the needs of Montgomery County's residents, of those who work in Montgomery County and would like to live here and the needs of special populations.
- Ability to assess progress toward the goals through a performance measurement process such as the County-Stat program.

Implementation

- Convene service providers and advocates to review and assess the current annual preservation and production goals for affordable housing, including goals for special populations.
- Adopt new annual preservation and production goals for affordable housing.
- Annually assess progress toward the goals.

Issue 6. Home Purchase Assistance for Public Employees

Montgomery County relies on a dedicated, qualified workforce to provide public services to the County's residents. The cost of housing in the County has hindered the County's ability to attract and retain quality employees. Employees who purchase homes in the community in which they work can provide a reliable, stable workforce that will enable the County to continue to provide public services efficiently and for good value to its residents.

Recommendation: Establish a program to assist county employees in purchasing a home in the County.

This would entail:

- Creation of a program that will provide abatement of property taxes, transfer taxes, and recordation fees for eligible County employees who purchase a home in the County.

Desired Results

- Additional County employees who purchase homes in the County.
- A more stable, reliable County workforce.

Implementation

- Adopt eligibility guidelines for the program, including income eligibility, eligible job tenures, and prior ownership requirements.
- Abate County transfer taxes, recordation fees, and first year County property taxes for eligible participants. Phase out property tax abatement for a participating household over two to four years.

Foot notes (see Appendix: Technical Papers for additional information)

¹ Short Term Property Acquisition Fund

² Revolving Equity Fund

³ Affordable Housing Impact Fee

⁴ Create a More Attractive Planning and Economic Environment

⁵ Increase Densities in Urban Areas and Transit Zones

⁶ Reduce Parking Requirement for Housing Developments

⁷ Expedite Regulatory Review

