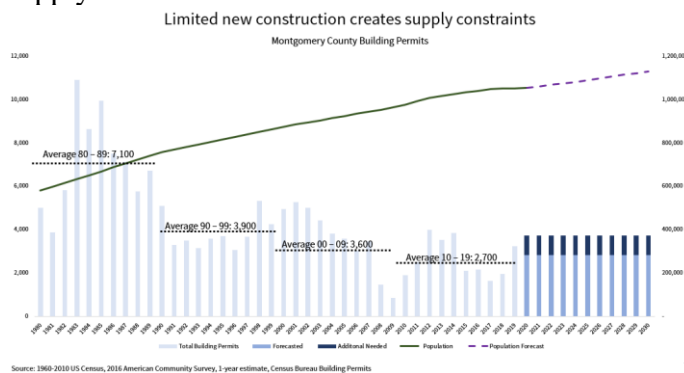


Affordable and attainable housing: more of everything

The Washington region has experienced slow but steady growth in recent decades, even as many parts of the country have struggled to attract residents and economic opportunities.

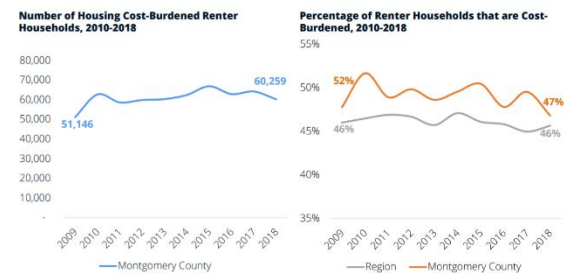
Unfortunately, the region (including Montgomery County and most other neighboring jurisdictions) has not generated enough new housing – particularly housing that matches the incomes and needs of the workforce — to match this relatively moderate pace of population and job growth. From 1980 to 2018, the average number of dwellings built each year in Montgomery County has steadily declined, both in absolute terms and relative to the rest of the region.

Building permits have lagged well behind the 4,200 a year average that the Council of Governments (COG) has estimated are needed to address inadequate housing production and supply.



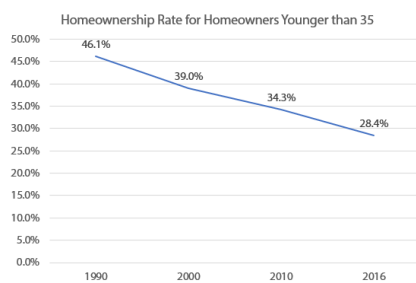
Cost-burdened households increasing, despite falling share

The barbell income growth helps to explain why even though the number of housing cost-burdened renters has increased, the percentage of renter households that are cost burdened has decreased over the same period.



~~Anemic Weak~~ The lack of housing supply is driving the price of housing up for both renters and those who want to own their home. The number of households spending at least 30 percent% of income on housing costs has continued to grow. Housing price increases have outpaced growth in incomes, leading some people to leave the county in search of more affordable places to live. Homeownership rates have been in decline, especially for adults under the age of 35. The obstacles faced by young workers in finding housing they can afford makes it harder for employers to attract and retain the employees they need, damaging our economic competitiveness.

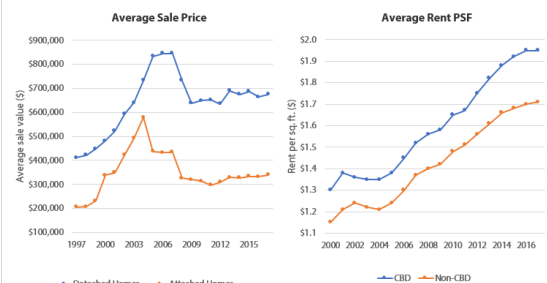
Overall decline in homeownership rates, most dramatically for households under age 35



Source: 1990-2010 US Census, 2016 American Community Survey, 1-year estimate

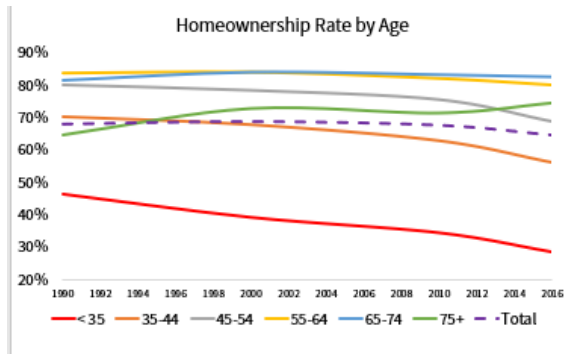
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Increases in housing prices have outpaced income growth



Source: CoStar, MRS,

65



The county’s housing challenges are not limited to the slow pace of new construction. Social and economic changes have opened a growing gap between the living patterns of the early 21st century and the housing stock of earlier generations. The stereotypical family household of

the 1950s, consisting of a married couple with children living at home, represents a steadily diminishing share of all households. The percentage of households consisting of one person living alone increased from ~~seven~~7 percent% in 1960 to 25 percent% in 2018, partly as a result of a trend toward deferring marriage and childbirth, and partly because a larger number of older people ~~who~~ are divorced or widowed.

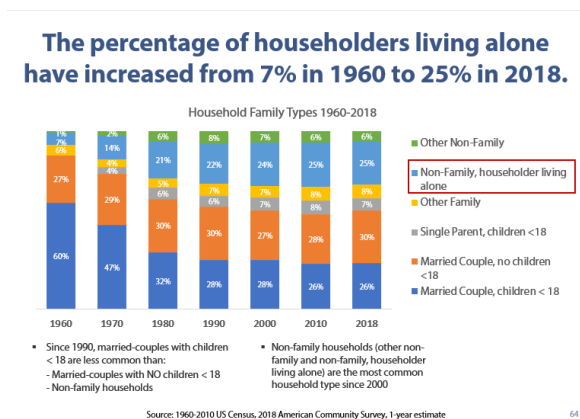
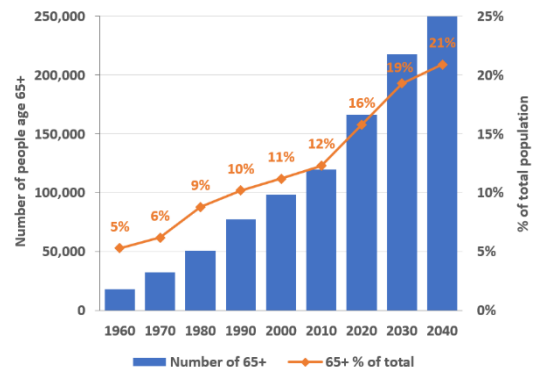
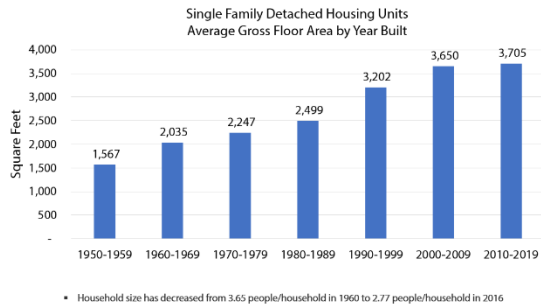


Figure 10. Age 65+ Population, 1960-2040



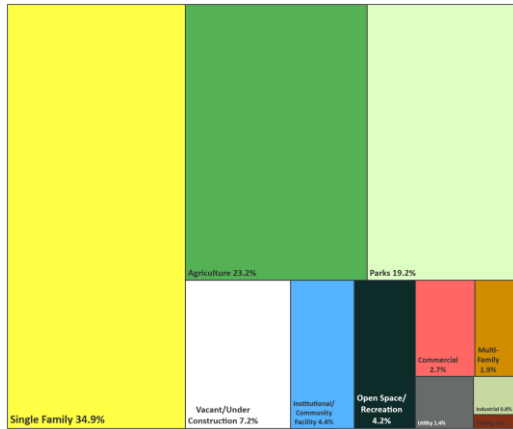
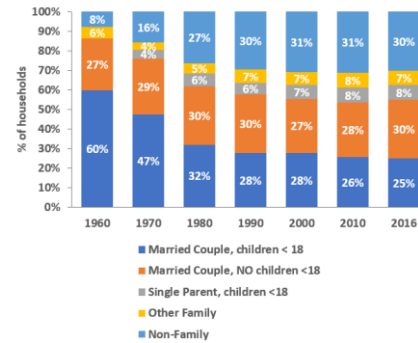
Despite the shrinking size of households, new single-family homes are getting larger, and single-family dwellings make up two-thirds of the county’s housing stock. Options to buy a starter home or downsize are limited, and by some estimates, as many as ~~one~~4 in ~~three~~3 owner households are “over housed” – that is, their houses have more bedrooms than they need. All of this is partially a function of the fact that more than one-third of the county’s land area is zoned for single family housing, more than ten times the area zoned for mixed use development.

New single-family homes are getting larger



Current share of married couples with children under 18 decreased to less than half of the 1960 levels

Figure 15. Household Types



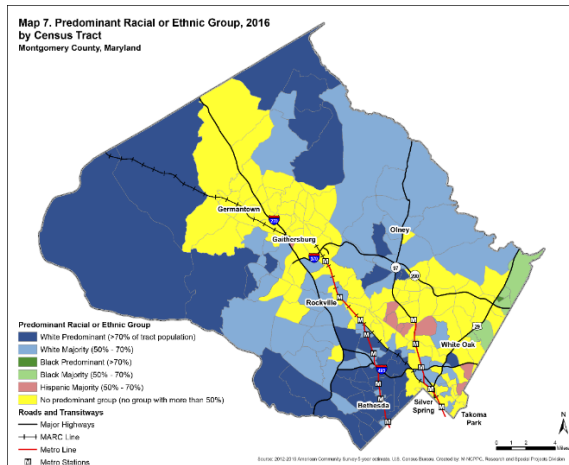
1 in 3 owner households are over-housed

80,000 owner households, or 32 percent of owner households, are over-housed (as defined by the housing situations outlined in red, where there are at least 2 more bedrooms than there are people), compared to only 3 percent of renter households by the same measure.

Number of Owner Households by Housing Unit Size and Household Size

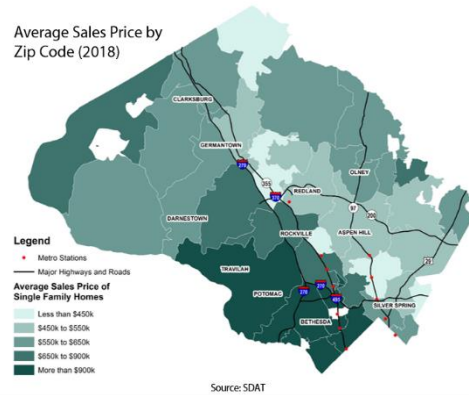
	Number of People in Household				
	1	2	3	4	5+ Overcrowded
0-1	5,800	800	400	100	200
2	11,300	9,800	3,000	1,000	1,700
3	16,500	28,000	16,400	12,200	10,100
4	9,200	31,000	17,400	16,900	11,700
5+	3,400	12,800	7,100	11,400	9,900

The high cost and limited variety of available housing exacerbate inequality and segregation by race and class. Home prices vary widely in different parts of the county, closely tracking the racial and economic characteristics of neighborhoods, with predominantly white residents living in more expensive neighborhoods with better access to jobs, schools, and transportation options than the African American or Latino residents of less expensive neighborhoods. These inequities reinforce the legacy of racism and both de facto and de jure segregation and continue to influence the geographic distribution of opportunities and resources, leading to inequitable outcomes in educational attainment, economic opportunity, and public health.



Average Sales price vary by zip code

Average Sales Price by Zip Code (2018)

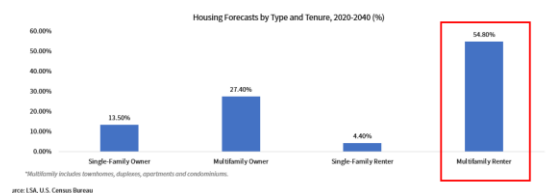


Expansion and diversification of our housing stock is an essential step toward reducing these kinds of racial and socioeconomic inequality. By 2045, the people of color are forecast to make up 73 percent% of the county's population, with a significant portion earning less than \$50,000 a year. It is estimated that in order to match the anticipated incomes and household types of suited to the county's future population, about half of all new dwellings-housing units will need to be rental units in multifamily buildings (including both apartment and townhome, duplex, triplex, and quadplex units) and more than one quarter will need to be for-sale units-owned units in multifamily buildings (including condominiums and other attached and semi-detached building types, townhome/duplex/triplex/quadplex units). It is estimated that in order to match the incomes and household types of the county's population, about half of all new housing units will need to be multifamily rentals (including both apartment and townhome/duplex/triplex/quadplex rentals) and more than one quarter will need to be in multifamily buildings (including condominiums, townhomes, duplexes, triplexes and quadplexes) where the occupants own their dwelling. With more than one-third of the county's land area currently zoned for single family residences, these needs -growing demand for multifamily housing- will be difficult to meet.

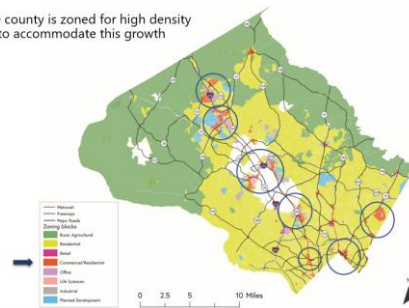
Without more housing in general and an increase in the availability of smaller, less expensive housing in particular, housing will become less affordable and attainable to a broad swath of the county's residents. Some will leave the county, either commuting long distances from home to work or departing the region in search of a more affordable place to live. Others will struggle with the burden of paying their rent or mortgage, reducing their standard of living.

Most of 60,000 households added by 2040 will be multifamily rental

- Between 2020 and 2040, Montgomery County is expected to need to add 63,031 new households, both working and non-working households, specifically new residents who are seniors or persons with disabilities.
- Over the 2020 to 2040 period, forecast assumptions suggest that Montgomery County will need to add the following types of housing units to accommodate the forecasted households:



Only about 10% of the county is zoned for high density mixed-use residential to accommodate this growth



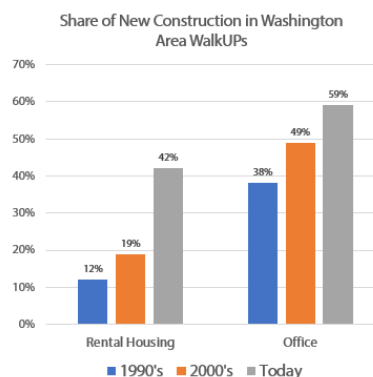
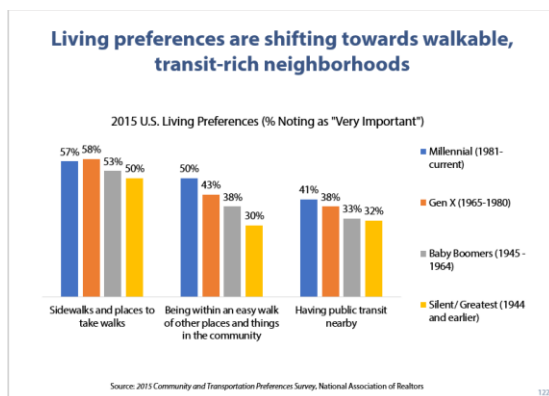
In order to address the county's need to increase the amount and variety of housing, the county will pursue the following policies and actions:

- Encourage the production of more housing to better match supply with demand
 - Expand opportunities to increase residential density, especially along major corridors and in locations where additional housing can near high-capacity transit and to assist in the development of Complete Communities (as described more fully in XX).
 - Increase the number of income-restricted affordable housing units, especially for our low-income households.
 - As part of the commitment to the Housing First approach, develop strategies to build deeply affordable housing and provide permanent supportive housing.
 - Reform building codes to reduce costs by accommodating innovative construction methods and materials including modular prefabricated housing and mass timber.
 - Prioritize use of public land for co-location of housing and other uses, particularly where government agencies design new facilities or dispose of real property.
 - Increase regulatory flexibility to incentivize residential infill, redevelopment, and repositioning of office parks, shopping malls, and other underutilized properties.
 - Provide financial incentives such as Payment in Lieu of Taxes to boost housing production for market rate and affordable housing, especially near transit and in Complete Communities.
- Plan for a wide range of housing types and sizes to meet diverse needs
 - Facilitate the development of a variety of housing types in every part of the county but especially in areas near transit, employment, and educational opportunities.
 - Support creative housing options including single-room occupancy units (SROs); “missing middle” housing types such as tiny houses, cottages, duplexes, multiplexes, and small apartment buildings; shared housing, co-housing, accessory dwelling units (ADUs), social housing and cooperative housing to help meet housing needs and diversify housing options.
 - Encourage provision of multi-bedroom units suitable for households with children in multifamily housing.
 - Integrate people with disabilities, people transitioning from homelessness, and older adults into attainable housing with appropriate amenities and services.
- Promote racial and economic diversity and equity in housing in every neighborhood
 - Calibrate the applicability of the Moderately Priced Dwelling Unit (MPDU) program and other affordable housing programs to provide price-regulated units appropriate for income levels ranging from deeply affordable to workforce.
 - Develop targeted strategies to minimize gentrification and displacement while promoting integration and avoiding the concentration of poverty.

- Refine regulatory tools and financial incentives with the goal of avoiding a net loss of market-rate and income-restricted affordable housing stock without erecting disincentives for the construction of additional units.
- ~~Calibrate the applicability of the Moderately Priced Dwelling Unit (MPDU) program and other affordable housing programs to provide price-regulated units appropriate for income levels ranging from deeply affordable to workforce.~~
- Identify and allocate additional revenue for the Housing Initiative Fund (HIF) to meet the needs of low-income households.
- Expand existing programs designed to increase access to homeownership, especially among low-income residents, people of color, and young adults; create new programs and entities such as community land trusts to maintain long term affordable home-ownership opportunities.
- Improve collection of data on neighborhood change to monitor and address involuntary displacement, disinvestment, and related phenomena.

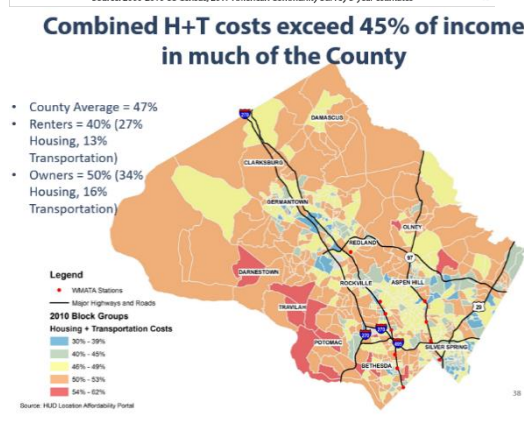
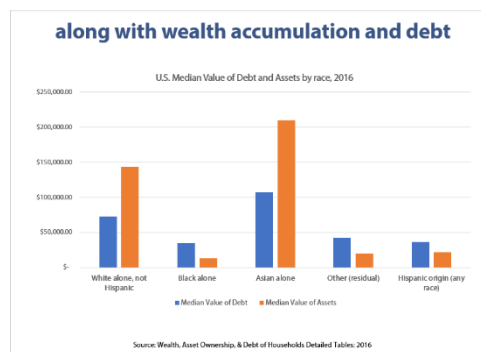
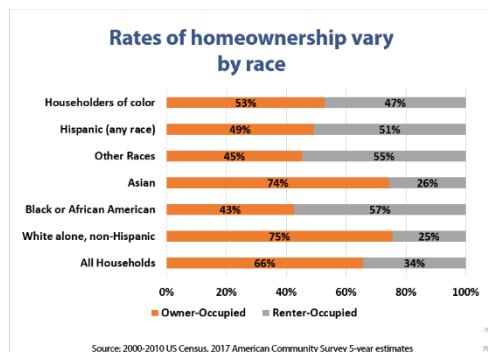
A healthy supply of new housing that is suited to meet the needs of households of different sizes, incomes, needs, and preferences is central to achieving Thrive Montgomery's key objectives:

First, increasing the supply of new housing near transit, jobs, and amenities will improve the quality of life for everyone in the county while helping to attract and retain ~~a-the~~ broadly skilled workforce that employers need, making the county more economically competitive. The increased demand for walkable neighborhoods with a mix of uses – especially near transit – is well documented. Housing in “Walkable Urban Places (WalkUPs)” command prices 71 percent higher per square foot than other locations in the Washington area, reflecting both the desirability and relative shortage of these kinds of places. By concentrating more housing of different sizes and types near high-quality transit corridors, we can provide housing that will help keep the most productive workers in the county, curb escalating prices in the most desirable locations, and improve accessibility of jobs, transportation, and services.



Second, the construction of a wider variety of sizes and types of housing and a focus on affordability and attainability will help diversify the mix of incomes in neighborhoods across the

county, improving access to services, amenities, and infrastructure for low- and moderate-income residents, who are disproportionately people of color.

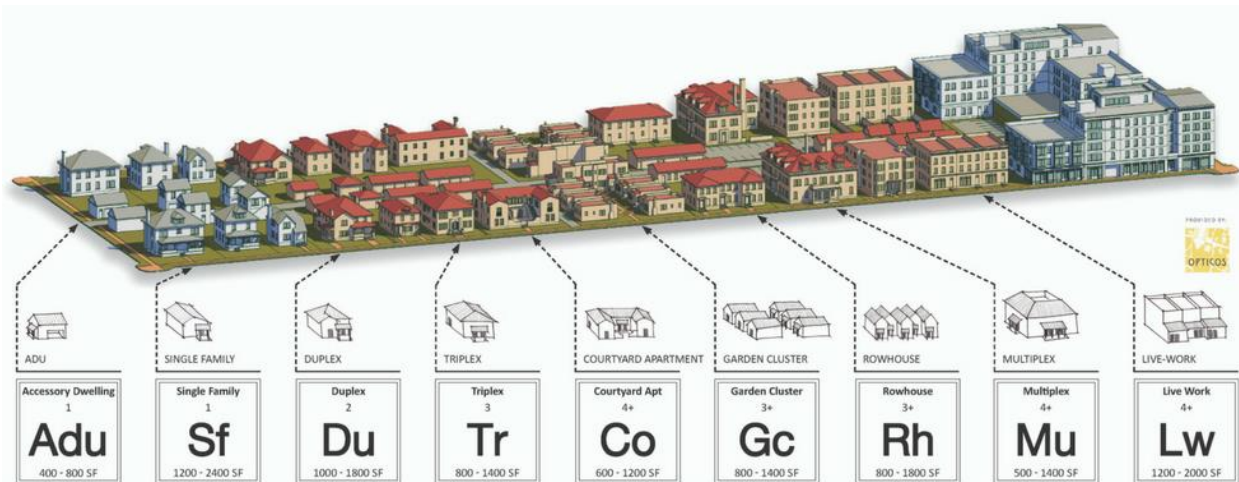


Adding more “Missing Middle” housing types – ranging from low- to medium densities such as accessory dwelling units (ADU’s), duplexes; triplexes; quadplexes, live-work units; and clustered housing such as townhouses, courtyard dwellings and smaller apartment buildings to more neighborhoods will provide more choice, enhance intergenerational interaction, promote aging in place, and build social capital.

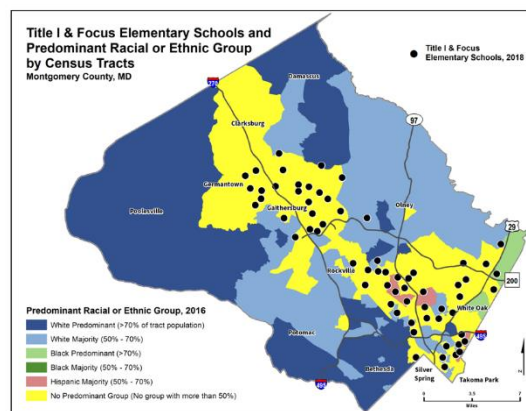
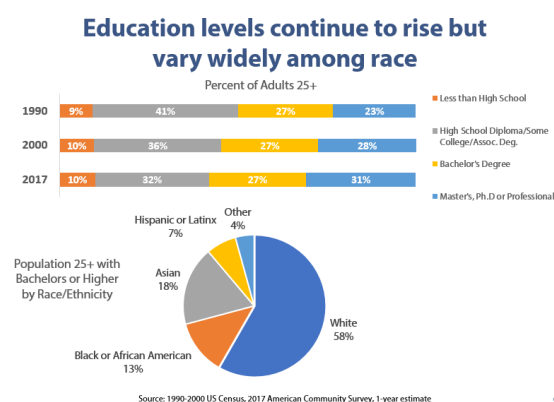
Missing middle housing will not necessarily be “affordable” in the same sense as price- or income-restricted units that receive public subsidies or are covered by the county’s moderately priced dwelling unit program, but it will fill crucial gaps in the housing market. For first-time buyers who struggle to save enough for a down payment on a large, single-family house, a duplex or tiny house can provide an accessible point of entry to home ownership. For empty nesters who want to downsize but cannot find a smaller, less expensive home in the neighborhood where they raised their family, a small apartment building or a courtyard bungalow could provide a welcome alternative to relocating from the area.

Of course, missing middle housing by its nature is highly likely to be more affordable than single family detached houses in the same neighborhood. This is true because these housing types require less land, employ relatively inexpensive wood frame construction, and are designed for people looking for smaller and more efficient living spaces. Critics who argue that less expensive alternatives to single family detached dwellings are not worth pursuing unless they are certain to

be affordable to low-income households are missing the point of missing middle housing. Our community needs a wider variety of options accessible across the spectrum of incomes, family sizes, and lifestyles in order to make the housing market function effectively for all of our residents at every stage of their lives.



Preservation of natural-occurring and regulated existing affordable units will minimize gentrification and displacement as these communities see future investments in transit infrastructure, schools, and amenities. Building new affordable housing in existing amenity-rich neighborhoods will expand access to quality education for a wider range of students, leading to more integrated schools and helping close the achievement gap for people of color. Over time, these efforts will minimize de facto segregation based on income between school districts and encourage greater social mobility. Mixed-income housing in communities lagging investments will help mitigate the concentration of poverty and enhance access to amenities and recreational opportunities for current residents.



Third, a broader range of housing types – particularly the inclusion of multifamily buildings of varying scale depending on their location – will reinforce the benefits of Complete Communities described in XX, because flexible residential zoning will allow more people to live closer to work, increase the walkability of neighborhoods, and limit the development footprint on the environment. By allowing smaller residences and more multifamily building types, encouraging

infill and repurposing, and adding housing near transit and jobs, these recommendations will collectively reduce greenhouse gas emissions and improve other measures of environmental health.

In assessing proposals related to the supply of housing and measuring the success or failure of the approaches recommended in this plan, relevant measures may include:

- Rates of homeownership by race, income, and area
- Number of and ~~p~~Proportion of cost-burdened households
- Combined housing and transportation costs
- Rent and mortgage payments as a fraction of the cost of living
- Number of low-income households in a census tract (concentration of poverty)
- Number of low-income households lost in a census tract over a period of time (displacement)
- Racial and income diversity within neighborhoods
- Proportion of housing units proximate to transit routes and job centers
- Number of residential units issued building permits, overall and by area of county
- Number of affordable units by type, overall and by area of county
- Naturally Occurring Affordable Housing preserved, overall and by area of county
- Number of homeless residents
- ~~Number of residential units issued building permits, overall and by area of county~~
- ~~Number of affordable units by type, overall and by area of county~~
- Proportion of missing middle housing units and units in multifamily buildings
- Range of home prices
- ~~Rates of home ownership by race, income and area~~
- ~~Number of and Proportion of cost-burdened households~~
- ~~Rent and mortgage payments as a fraction of the cost of living~~
- ~~Number of low-income households in a census tract (concentration of poverty)~~
- ~~Number of low-income households lost in a census tract over a period of time (displacement)~~
- Number of homeless residents
- ~~Rent and mortgage payments as a fraction of the cost of living~~
- ~~Combined housing and transportation costs~~
- ~~Naturally Occurring Affordable Housing preserved, overall and by area of county~~
- ~~Number of low-income households in a census tract (concentration of poverty)~~
- ~~Number of low-income households lost in a census tract over a period of time (displacement)~~
- ~~Proportion of missing middle housing units and units in multifamily buildings~~
- Greenhouse gas emissions from residential buildings and transportation per capita
- Proportion of housing units proximate to transit routes and job centers
- Range of home prices
- Racial and income diversity within neighborhoods