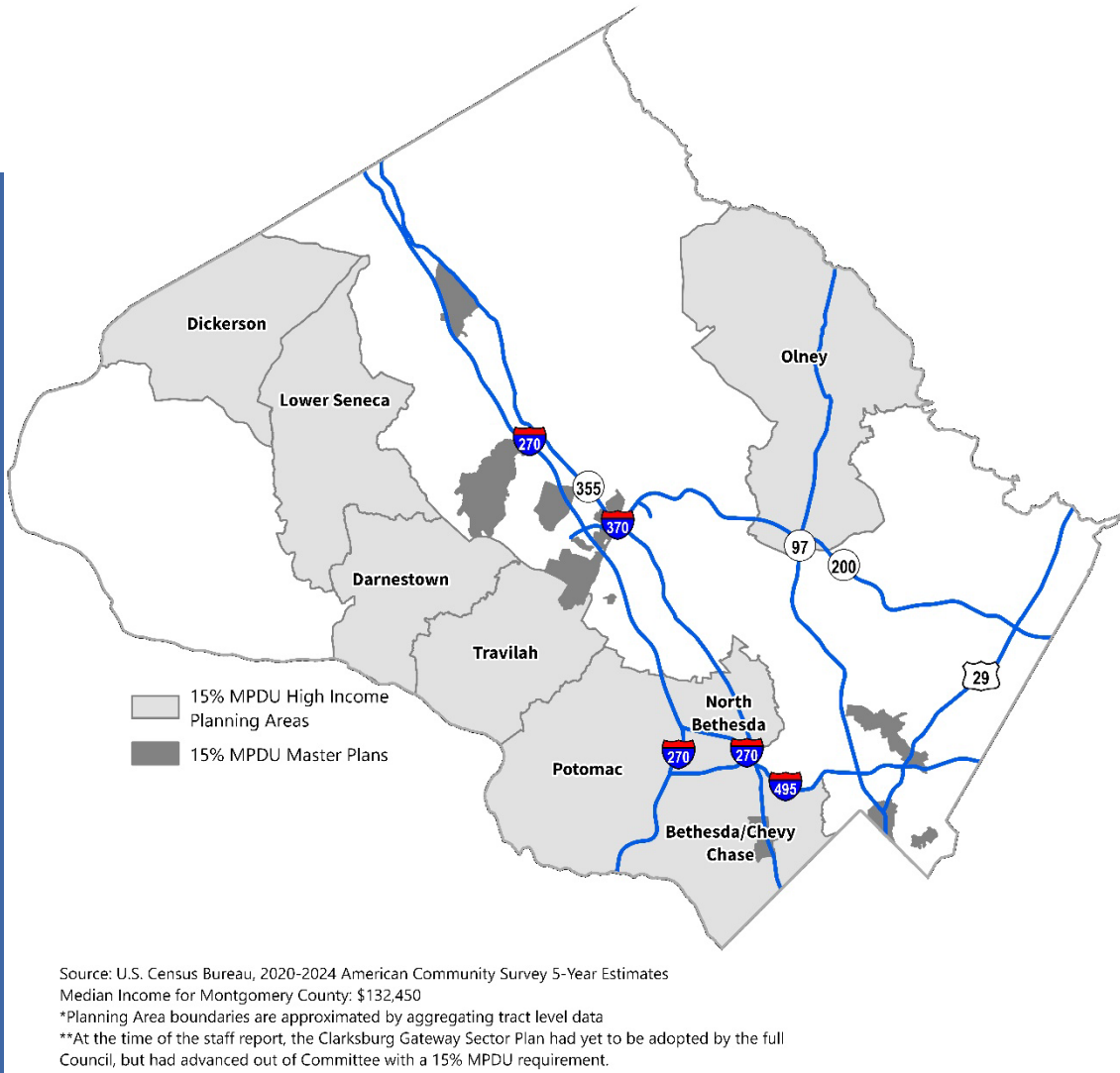


DESIGNATION OF 15% MPDU HIGH-INCOME PLANNING AREAS



Description

The Planning Board will receive a briefing on the 15% Moderately Priced Dwelling Unit (MPDU) requirement and designate the 2026 high-income Planning Areas that fall under this requirement, per Section 25A-5(d) of the county code.

Completed: 03-05-2026

MCPB
Item No. 6
03-12-2026

Montgomery County Planning Board
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SUMMARY

- Montgomery County’s Moderately Priced Dwelling Unit (MPDU) program is believed to be the country’s first mandatory, inclusionary zoning law. The program was enacted in 1974 to further the objective of providing a full range of housing choices for all incomes, ages, and households.
- In 2018, Bill 38-17 was passed by the Montgomery County Council and created a 15% MPDU requirement in high-income Planning Areas, which must be designated by the Planning Board annually, in which 45% of the census tracts’ acreages have a median household income of at least 150% of the county-wide median household income.
- The Planning Areas with a 15% MPDU requirement in 2026 include Bethesda/Chevy Chase, Darnestown, Dickerson, Lower Seneca, North Bethesda, Olney, Potomac, and Travilah.
- From 2025 to 2026, two Planning Areas fell out of the requirement (Kemp Mill/Four Corners and Poolesville), and one Planning Area was added to the requirement (Dickerson).
- The areas that encompass the Bethesda Downtown Plan, the Great Seneca Plan, the Takoma Park Minor Master Plan Amendment, the Silver Spring Downtown and Adjacent Communities Plan, the University Boulevard Corridor Plan, and the Clarksburg Gateway Sector Plan¹ also have a 15% MPDU requirement through their respective master plans.

¹ At the time of the staff report, the Clarksburg Gateway Sector Plan had yet to be adopted by the full Council but had advanced out of Committee with a 15% MPDU requirement.

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SECTION 1: OVERVIEW

MODERATELY PRICED DWELLING UNIT ORDINANCE OVERVIEW

Montgomery County's Moderately Priced Dwelling Unit (MPDU) program is believed to be the country's first mandatory, inclusionary zoning law. The program was enacted in 1974 to further the objective of providing a full range of housing choices for all incomes, ages, and households. The program is widely recognized as the preeminent inclusionary zoning program in the country due to its success in both program longevity and production of units.

An MPDU is a county-regulated housing unit that must be affordable to households earning up to 65% of Area Median Income (AMI) for garden-style apartments and up to 70% for high-rise apartments and for-sale units. The MPDU program offers both rental and homeownership opportunities. Rental units are priced below market, while for-sale units are sold at reduced prices with restrictions to maintain long-term affordability. In 2004, the Montgomery County Council amended the MPDU control period governing for-sale MPDUs from 10 years to 30 years and for rental MPDUs from 20 years to 99 years.

On the development side, new private developments with at least 20 units must set aside a minimum of 12.5%, and up to 15%, of units as MPDUs for eligible households, with optional incentives like bonus density and additional height to provide more MPDUs. Residential projects with 11 to 19 units are not required to include MPDUs but must contribute to the Housing Initiative Fund (HIF) an amount equal to 0.5% of the purchase price of each unit.

Montgomery County's Department of Housing and Community Affairs (DHCA) largely implements and operates the MPDU program. Still, the Planning Department and Planning Board have an important role to play in the program through the review of development applications, and through master plan recommendations.

In addition to MPDUs, there are other types of income-restricted affordable units offered at lower rents or subsidized for households with limited incomes. These include developments built using a Payment in Lieu of Taxes (PILOT), the federal government's Low-Income Housing Tax Credit (LIHTC), and the county's Workforce Housing (WFH) program which targets households earning between 70% and 120% AMI.

The County also has a stock of naturally occurring affordable housing (NOAH), which are market-rate units that are affordable due to age, location, or condition, and not because of a subsidy. These units are often at risk of rent increases or redevelopment unless preserved.

15% MPDU REQUIREMENT

While the county minimum requirement for MPDUs in developments with 20 or more units is 12.5%, there are several circumstances where 15% MPDUs may be required.

1. **Master Plan requirement:** Under Chapter 25A, the Council may establish a higher base requirement as part of a master plan approval. An example of this is the 2022 *Silver Spring Downtown and Adjacent Communities Plan*, which requires all optional method of development projects to provide a minimum of 15% MPDUs.
 - a. Site-specific requirement: There may be instances where only certain sites may be designated as having a higher requirement through a master plan (instead of the entire plan area). An example of this would be the Forest Glen Metro Station Parking Lot and entrance parcel in the 2020 *Forest Glen/Montgomery Hills Sector Plan*, which requires any optional method project that includes residential dwelling units to provide a minimum of 15% MPDUs on that site.
 - b. Master Plan's priority public amenities: Before the county code (Chapter 25A) changed in 2018 to allow a master-planned requirement of 15%, some sector and master plans prioritized 15% MPDUs as the highest priority public amenity for residential development. The 2017 *Rock Spring Sector Plan* identifies 15% MPDUs as the highest priority public amenity for new residential development unless the property is required to dedicate land for a school or athletic fields that can be used by MCPS and is similar to the size of a local park.
2. **Overlay Zone:** An overlay zone is a zone mapped over the underlying base zone that modifies the requirements of the underlying zone. An overlay zone provides requirements and standards that are necessary to achieve the planning goals and objectives for the development or redevelopment of an area. In the Bethesda Overlay Zone, for any development application that includes 20 or more residential dwelling units, the Planning Board may only approve the application if the development provides at least 15% MPDUs under the provisions of Chapter 25A. The Bethesda Overlay Zone also modifies the MPDU incentives allowed for these units.
3. **15% High-Income Planning Area:** A minimum of 15% MPDUs is required for developments in a Planning Area designated by the Planning Board in which at least 45% of the United States Census Tracts' acreage has a median household income of at least 150% of the countywide median household income, at the time the Planning Board accepts an application as complete. The high-income Planning Area criteria is the focus of this MPDU update.

SECTION 2: PLANNING AREAS WITH A 15% MPDU REQUIREMENT DESIGNATION

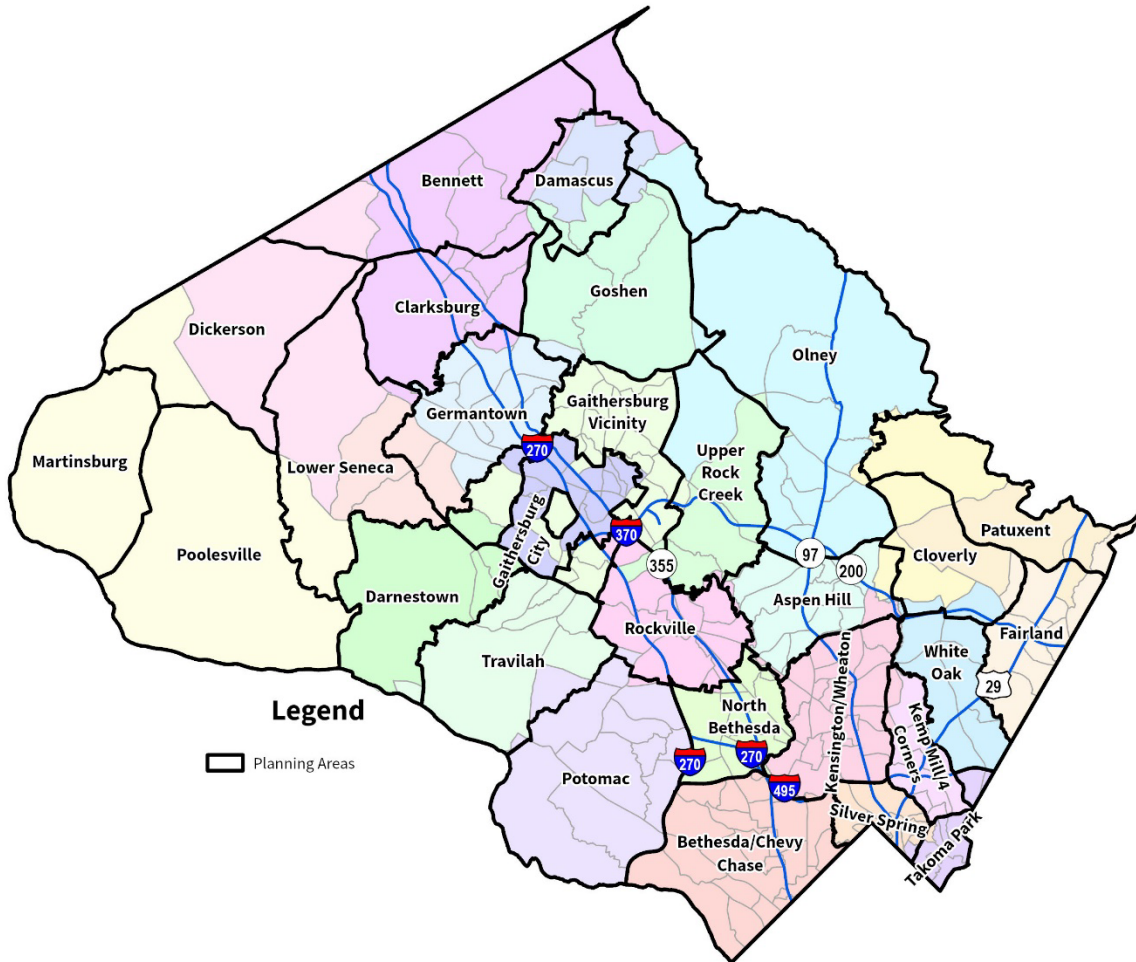
15% PLANNING AREA DESIGNATION METHODOLOGY

In 2018, [Bill 38-17](#) was passed by the Montgomery County Council. The bill went into effect in October 2018 and created a 15% MPDU requirement for Planning Areas in which 45% of the census tracts' acreage has a median household income of at least 150% of the county-wide median household

income. The Planning Board is required to designate Planning Areas with the 15% MPDU requirement annually.

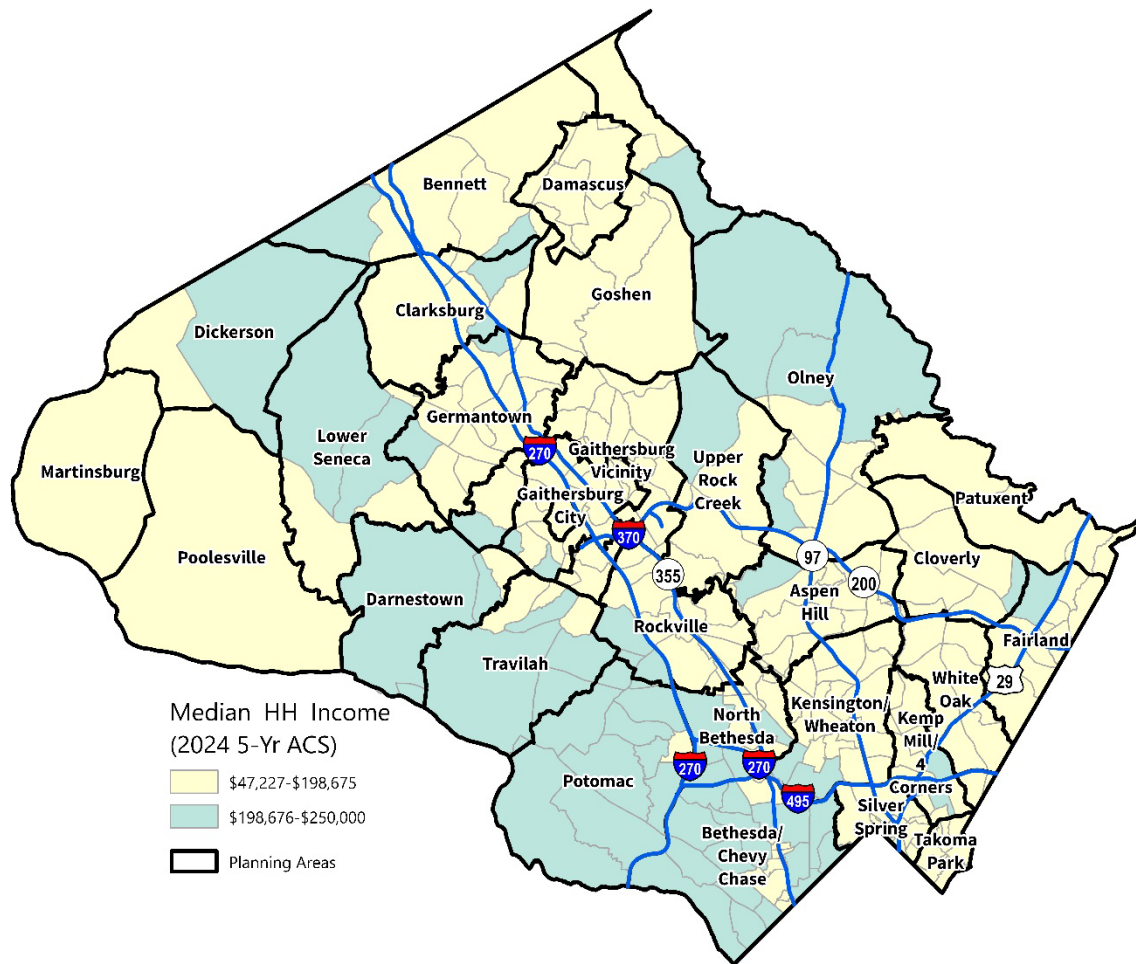
Planning Staff calculates this requirement using median income data (both at the county and census tract level) from the most recent 5-year American Community Survey. Using ArcGIS, Planning Area boundaries are aggregated by 2020 census tract boundaries, with each census tract in the county assigned a Planning Area if its centroid (i.e., the geometric center of the census tract) falls into that Planning Area. While census data and the aggregated Planning Area/census tracts are used to calculate the 15% requirement, it is the boundary of the Planning Area that has the 15% requirement, not the aggregated census boundaries. Figure 1 shows the Planning Area boundaries and their associated census tracts, with each color representing the group of census tracts assigned to a particular Planning Area.

Figure 1: 2020 Census Tracts and Planning Areas



In the 2020-2024 5-year ACS survey, Montgomery County had a median income of **\$132,450**. A 50% increase over the median is **\$66,225**, making **\$198,675** 150% of the median. Figure 2 identifies the census tracts with a median income below and above \$198,675. The total area of all census tracts assigned to a Planning Area with a median income of over \$198,675 is divided by the total area of all census tracts assigned to that Planning Area. If 45% or more of the census tract acreage assigned to that Planning Area has a median income higher than \$198,675, that Planning Area is designated with a 15% MPDU requirement.

Figure 2: Census Tracts with Incomes Below and Above 150% of the Median



Source: U.S. Census Bureau, 2020-2024 American Community Survey 5-Year Estimates
 Median Income for Montgomery County: \$132,450
 *Planning Area boundaries are approximated by aggregating tract level data

EXAMPLE OF 15% PLANNING AREA DESIGNATION

Table 1 below outlines an example where 55% of the census tract acreage assigned to the North Bethesda Planning Area has a median income greater than \$198,675. Attachment A includes the calculations for all the Planning Areas.

Table 1: Example of 15% Planning Area Designation

Census Tract	Planning Area	Median HH Income	Acres	Acres > 150% of Median	Percent of Acres > 150% of Median
7012.02	North Bethesda	\$250,000	442	442	7%
7012.14	North Bethesda	\$102,500	311		
7012.15	North Bethesda	\$114,485	190		
7012.01	North Bethesda	\$128,705	631		
7012.05	North Bethesda	\$216,964	1,689	1,689	29%
7012.16	North Bethesda	\$117,509	336		
7012.18	North Bethesda	\$81,324	179		
7012.22	North Bethesda	\$152,853	291		
7012.23	North Bethesda	\$122,721	180		
7044.01	North Bethesda	\$250,000	560	560	9%
7045.01	North Bethesda	\$239,405	548	548	9%
7012.19	North Bethesda	\$87,188	557		
Total*			5,913	3,238	55%

*The totals may not match the sum of the individual rows above due to rounding.

HIGH-INCOME PLANNING AREAS IN 2026

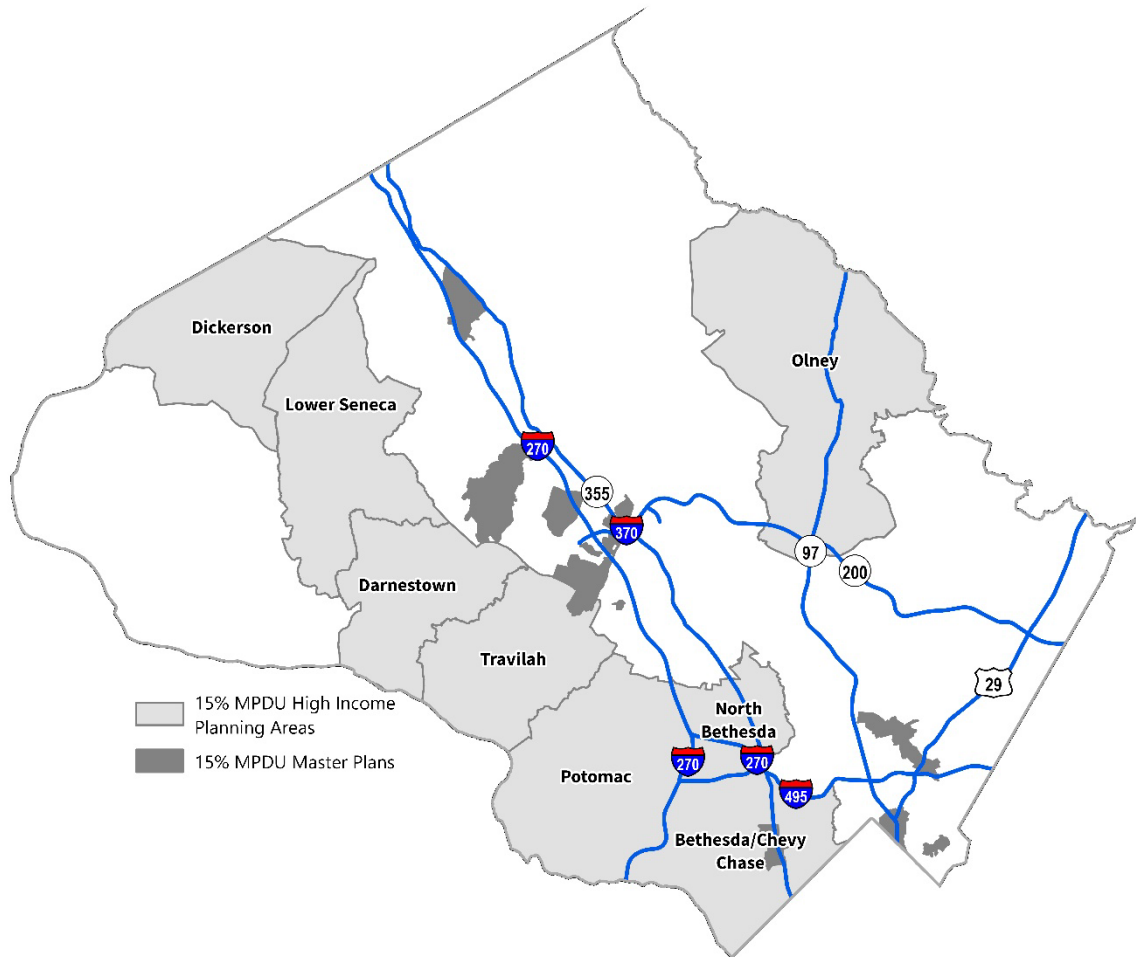
In 2026, the Planning Areas with a 15% MPDU requirement include:

- Bethesda/Chevy Chase
- Darnestown
- Dickerson (new in 2026)
- Lower Seneca
- North Bethesda
- Olney
- Potomac
- Travilah

Figure 3 identifies the 2026 Planning Areas with recommended 15% MPDU requirements. Between 2025 and 2026, Kemp Mill/Four Corners and Poolesville Planning Areas fell out of the high-income Planning Area requirement, and Dickerson was added to the requirement.

In addition to these high-income Planning Areas, a 15% MPDU requirement exists for recent master plans that have approved and adopted this designation. These include the Bethesda Downtown Plan, the Great Seneca Plan, the Takoma Park Minor Master Plan Amendment, the Silver Spring Downtown and Adjacent Communities (SSDAC) Plan, the University Boulevard Corridor Plan, and the Clarksburg Gateway Sector Plan, as shown in dark grey in Figure 3.

Figure 3: High-Income Planning Areas and Master Plans with a 15% MPDU Requirement in 2026



Source: U.S. Census Bureau, 2020-2024 American Community Survey 5-Year Estimates
 Median Income for Montgomery County: \$132,450
 *Planning Area boundaries are approximated by aggregating tract level data
 **At the time of the staff report, the Clarksburg Gateway Sector Plan had yet to be adopted by the full Council, but had advanced out of Committee with a 15% MPDU requirement.

Table 2 shows the historical trend of Planning Areas with the 15% MPDU requirement. Since 2019, there have been six constant high-income Planning Areas (Bethesda/Chevy Chase, Darnestown, Lower Seneca, North Bethesda, Potomac, and Travilah), with six others falling out or being added in during the annual update (Goshen, Upper Rock Creek, Poolesville, Kemp Mill/Four Corners, Olney, Dickerson).

Table 2: High-Income Planning Areas Since 2019

2019	2020	2021	2022	2023	2024	2025	2026
Bethesda/ Chevy Chase	Bethesda/ Chevy Chase	Bethesda/ Chevy Chase	Bethesda/ Chevy Chase	Bethesda/ Chevy Chase	Bethesda/ Chevy Chase	Bethesda/ Chevy Chase	Bethesda/ Chevy Chase
Darnestown	Darnestown	Darnestown	Darnestown	Darnestown	Darnestown	Darnestown	Darnestown
Goshen	Goshen	Lower Seneca	Lower Seneca	Lower Seneca	Lower Seneca	Kemp Mill/Four Corners	Dickerson
Lower Seneca	Lower Seneca	North Bethesda	North Bethesda	North Bethesda	North Bethesda	Lower Seneca	Lower Seneca
North Bethesda	North Bethesda	Potomac	Potomac	Poolesville	Potomac	North Bethesda	North Bethesda
Potomac	Potomac	Travilah	Travilah	Potomac	Travilah	Olney	Olney
Travilah	Travilah	Upper Rock Creek	Upper Rock Creek	Travilah		Poolesville	Potomac
Upper Rock Creek	Upper Rock Creek					Potomac	Travilah
						Travilah	

A corresponding web map with 15% MPDU requirement information is available on both [mcatlas](#), and as a [standalone ArcGIS web map](#).

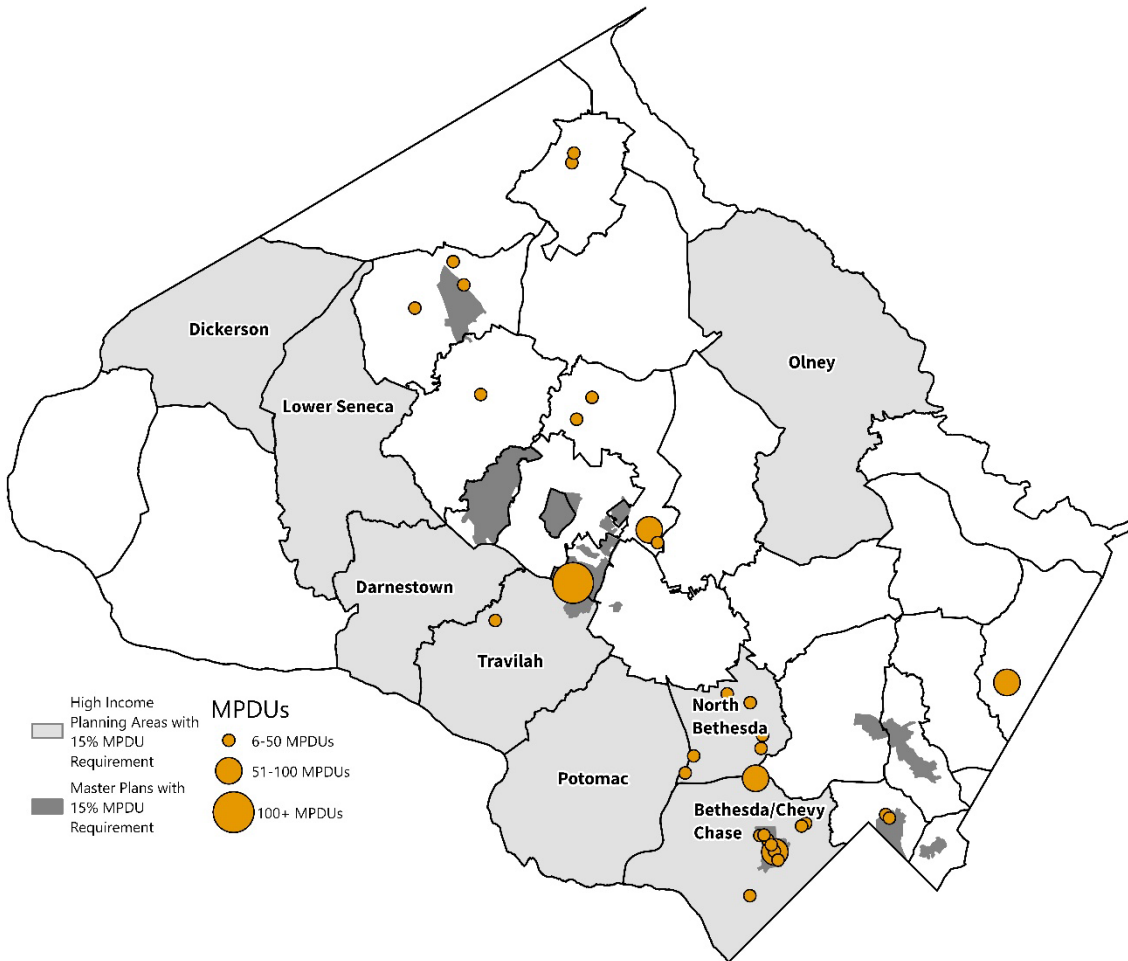
SECTION 3: MPDU PRODUCTION SINCE 2023

To determine the effectiveness of this program, we can look at where MPDUs have been constructed over the past few years. Since 2023, a total of **1,138 MPDUs** (for-sale and rental) have entered into Offering Agreements with the Department of Housing and Community Affairs (DHCA). This serves as a measure of MPDU production, as for-sale units must be available within one year of the Agreement being executed, and rental units must be available within 120 days of the Agreement being executed. These numbers do not include developments using LIHTC funding, as they do not enter into Offering Agreements until they are no longer under the LIHTC use period (at least 15 years).

Figure 4 and Table 3 show where these MPDUs have been built. The Planning Areas with the highest concentration of MPDU production are Bethesda/Chevy Chase, Gaithersburg Vicinity and North Bethesda. Most of the MPDUs in the Bethesda/Chevy Chase Planning Area are within the boundary of the Bethesda Overlay Zone, which mandates 15% MPDUs in developments with 20 or more dwelling units. The majority of MPDUs (165 of 295) constructed in the Gaithersburg Vicinity Planning Area are in the Elms at PSTA development, which falls within the Great Seneca Science Corridor Minor Master Plan Amendment boundary. The Elms at PSTA is part of the [redevelopment of 46 acres that is the former Public Safety Training Academy \(PSTA\) site](#), which includes 30% MPDUs.

North Bethesda is the only high-income Planning Area that has seen significant MPDU production outside of a master plan area with a 15% MPDU requirement. The only other high-income Planning Area that saw any MPDU production in the past few years was Travilah, however, with only 6 townhomes. While Germantown, Clarksburg, and Damascus saw some MPDU production, the number and size of the projects were smaller.

Figure 4: MPDU Production by Planning Area Since 2023



Source: U.S. Census Bureau, 2020-2024 American Community Survey 5-Year Estimates
 Median Income for Montgomery County: \$132,450
 *Planning Area boundaries are approximated by aggregating tract level data
 **At the time of the staff report, the Clarksburg Gateway Sector Plan had yet to be adopted by the full Council, but had advanced out of Committee with a 15% MPDU requirement.

Table 3: MPDU Production by Planning Area Since 2023

Planning Area	Number of MPDUs Constructed Since 2023	High-Income Planning Area?
Bethesda/Chevy Chase	433	Yes
Gaithersburg Vicinity	295	No

North Bethesda	181	Yes
Silver Spring	68	No
Fairland	59	No
Clarksburg	46	No
Germantown	27	No
Damascus	23	No
Travilah	6	Yes

Source: Department of Housing and Community Affairs (DHCA).

Attachment B includes past transmittal letters to the County Council which interrogate the effectiveness of this MPDU requirement and suggest the opportunity to review and revise the program.

SECTION 4: CONCLUSION

STAFF RECOMMENDATION

Recommendation: Planning Staff recommends that the Planning Board designate the following as High-Income Planning Areas with a 15% MPDU requirement: Bethesda/Chevy Chase, Darnestown, Dickerson, Lower Seneca, North Bethesda, Olney, Potomac, and Travilah.

SECTION 5: ATTACHMENTS

Attachment A: 15% MPDU High-Income Planning Areas – Median Household Income by Census Tract

Attachment B: Past Transmittal Letters to County Council