Technical Supplement

to the

Montgomery County, Maryland Housing Policy:

Montgomery County - The Place to Call Home

Department of Housing and Community Affairs

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Cover: Moderately Priced Dwelling Units in Montgomery County. Photo by Tim Minerd, DHCA

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I. THE DEMOGRAPHICS OF MONTGOMERY COUNTY

CURRENT CONDITIONS

Population

Montgomery County is Maryland's most populous jurisdiction and its most affluent and educated. The county is located north of the District of Columbia, and has 507 square miles of land and water area. The population was estimated to be 855,000 in January 2000, an increase of about 98,000 since 1990.

About 25 percent of the population is under age 18, and over 11 percent is age 65 or older. The county is racially and ethnically diverse, with 73 percent of the population white, 13 percent black, 11 percent Asian, and 3 percent other races (1997 census update survey). Hispanics of all races made up nearly 9 percent of the population in 1997. Nearly 6,000 foreign immigrants moved to the county between July 1990 and July 1998, by far the greatest number of immigrants of all Maryland jurisdictions.

Employment

In March 1999, the county had an estimated 503,000 jobs, behind only the District of Columbia and Fairfax County in the Washington-Metropolitan Area. The county's at-place employment increased by over 37,000 from the 465,970 jobs reported in 1990.

The county's civilian workforce was estimated to be 481,200 in April 2000. At that time, the county's unemployment rate was 1.4 percent, the lowest level in recent history. About half the county's residents are employed by private, for-profit employers and one quarter are employed by federal, state, and local governments. Thirteen percent are employed by nonprofit agencies and 11 percent are self-employed. These numbers indicate a shift over the past several decades from public sector, especially federal, employment to the private sector.

Montgomery County is a leading employment center for high technology and biotechnology firms. The presence in the county of federal facilities like the National Institutes of Health, Food and Drug Administration, Department of Energy, and National Institute for Standards and Technology have made the county a prime location for the technology industry. Ten percent of the workforce is in the high technology sector and 57 percent of the county's private and public workforce is in professional and managerial occupations. About 50 percent of the county's private employment is classified in the service sector.

Agriculture is still an important component of the county's economy. Over 500 farms make up one-third of the county's land area, and the agricultural industry generates nearly $300 million annually.

Housing Stock

Housing Type and Tenure

In July 1997, there were 308,000 housing units in the county. Of these, 52 percent were single-family, detached homes, 17 percent townhouses, and the remaining 31 percent multi-family. As of 1997, 71 percent of the county's residences were owner-occupied, slightly above the national average for home ownership. Twenty-nine percent of the county's housing stock were rental units.

Cost of Housing

In 1999, the median sale price for a new single family detached unit reached an all-time high of $364,195, the tenth consecutive year the median has exceeded $300,000. A new townhouse had a median sale price of $212,217. The median 1999 sale price for existing single family detached homes was $243,000 and $139,000 for townhouses.

The average monthly turnover rent (i.e., the rent at the time a change in occupancy occurs) for all market rate multi-family units in Montgomery County increased to an all-time high of $928 in April 2000. This represents a 6.4 percent increase over 1999 rents - the highest percentage annual increase in the county since 1983-84. Efficiency units averaged $720 and one-bedroom units, $846. Two-, three-, and four- or more bedroom units averaged $965, $1,167, and $1,317, respectively. The average turnover rents for each bedroom size increased by 7.0 to 8.8 percent over those of 1999. These increases are higher than the overall county percentage increase due to the shift in new construction to efficiency, one-, and two-bedroom units in the 2000 survey.

Rental vacancy rates in the county dropped to 2.5 percent for all market rate multi-family rental units in April 2000, the lowest rate since the County began surveying vacancies in 1982. Vacancy rates were lowest for efficiency and two-bedroom units, 1.6 percent and 2.4 percent, respectively, and highest for units with four or more bedrooms, 5.2 percent. In 1999, the overall vacancy rate was 3.0 percent. Vacancy rates dropped between 1999 and 2000 for every bedroom category. These figures indicate a very tight rental housing market. The national rental vacancy rate for metropolitan areas is about 4.5 percent, a rate that allows for adequate mobility and turnover, while not stimulating inflationary rents level increases.

Age of housing

Montgomery County's housing stock is relatively new and well-maintained. Over one-third of the housing has been built since 1980. According to the 1990 Census, the most recent data source available, nearly 87,000 housing units, or more than one quarter of the housing stock in the county, were built before 1960. Older units can have significant maintenance and structural problems. Homes built before 1950 may have other problems, including presence of asbestos and lead-base paint, and significantly deteriorated plumbing and electrical systems. In 1990, only 544 housing units in the county lacked complete plumbing facilities. These units comprised less than 0.2 of the housing units in the county.

Housing Units, by Year of Construction		
Year	**Number**	**Percent**
1990-1997	27,100	8.4
1980-1989	83,165	25.9
1970-1979	60,289	18.8
1960-1969	63,985	19.9
1950-1959	48,890	15.2
1940-1949	22,325	6.9
1939 or before	15,503	4.8
Total	321,257	100.0

Source: 1990 Census of Population and Housing, STF-3A, updated by M-NCPPC to 1997.

Trends and Forecasts

The Montgomery County Planning Department prepares the official population, household, and job forecasts for the county as part of a cooperative effort with other member jurisdictions of the Metropolitan Washington Council of Governments. Job and household forecasts are based on the pipeline of approved development and other land use and economic information and population forecasts use the housing forecasts and demographic model.

Employment

Round 6.2 Intermediate At-Place Employment Forecast for Montgomery County, MD					
Year	**Total**	**Office**	**Retail**	**Industrial**	**Other**
2000	536,000	268,095	104,725	49,470	113,710
2005	589,000	309,545	108,715	51,670	119,070
2010	626,000	336,275	111,835	53,640	124,250
2015	641,000	347,450	113,235	54,595	125,720
2020	660,000	361,610	115,430	56,170	126,790
2025	675,000	372,315	117,360	57,510	127,815

Note: Forecast is for mid-March of each year. Numbers may not add to totals due to rounding
Source: M-NCPPC, Research & Technology Center,
revised 5/19/00.

Forecasts predict Montgomery County will experience moderate, but steady employment growth over the next 10 years. About 9,000 new jobs are expected annually until 2010 with a slowing to 3,300 annually between 2010 and 2025.

Because 67.4 percent of all women aged 16 and older are already employed, the increase in jobs is more likely to be filled by new residents or commuters rather than through increased labor force participation. Many of these new workers will want to live in Montgomery County, requiring expansion of the county's housing stock.

Population

The population of Montgomery County is expected to grow steadily in the first decade of the new millennium, adding about 11,000 residents a year until 2010. Between 2010 and 2025, population growth is expected to moderate to about 5,700 residents a year.

Round 6.2 Intermediate Population Forecast for Montgomery County, MD

Year	Population
2000	855,000
2005	910,000
2010	945,000
2015	975,000
2020	1,000,000
2025	1,020,000

Note: Forecasts are for January 1 of each year.
Source: Cooperative Forecasting Process, M-NCPPC, Research & Technology Center and Metropolitan Washington Council of Governments

Racial and Ethnic Composition

Dramatic increases in foreign immigration have led to increased ethnic and racial diversity in Montgomery County. After taking into consideration out-migration, it is estimated

Racial and Ethnic Composition of Montgomery County, 1950-1997

Year	White	Black	Other Races	Hispanic Origin*
1997	601,155	110,100	112,245	70,720
1990	580,635	92,267	84,125	54,327
1980	495,485	50,756	32,812	N/A
1970	493,934	21,551	7,324	N/A
1960	327,736	11,527	1,665	N/A
1950	153,804	10,597	N/A	N/A

Note: Hispanic origin can be of any race.
Source: U.S. Bureau of the Census, M-NCPPC, Research & Technology Center

that foreign immigration is responsible for 85 percent of Montgomery County's population growth. Recent immigrants have a wide range of economic and educational characteristics, from those lacking literacy skills to professionals with post-graduate degrees. More than two-thirds of all residents of Asian/Pacific Islander racial background have college or post-graduate degrees, well above the County figure of 58.2 percent and higher than any other racial category.

Seniors

The county's senior population is expected to increase dramatically over the next 25 years. Forecasts predict that between 2000 and 2010, the number of residents 65 and older will increase by 20 percent and the proportion of the population 65 and older will increase from under 12 percent to nearly 15 percent.

Round 6.2 Intermediate Population Forecast for Persons 65 and Older in Montgomery County, MD

Year	Population 65 and Older	Percent of Total Population
2000	100,040	11.7
2005	111,635	12.3
2010	120,655	12.8
2015	131,110	13.4
2020	140,740	14.1
2025	149,550	14.7

Note: Forecasts are for January 1 of each year.
Source: Cooperative Forecasting Process, M-NCPPC, Research & Technology Center and Metropolitan Washington Council of Governments

While many seniors are able to live independently and often choose to remain in their current home, older seniors may need special care or services in their housing. In the next 10 years, the number of county residents over 85 years of age is expected to increase by over 3,000 persons, a 27 percent increase. The county's aging population will increase demand for specialized and service-oriented living facilities, as well as innovative new services and programs to support seniors in their current homes.

Market studies show an unmet need for senior independent living units at all income levels, but especially for market rate units targeted to seniors earning 80 percent of the median income and higher. If senior housing for parents of county residents is included, the demand is estimated to be 1,800 independent living units. By 2004, the unmet demand is expected to increased to 2,400 units county-wide.

The unmet demand for senior assisted living units is currently estimated to be 1,500 units, including those for parents of county residents, and is expected to increase to 1,900 by 2005. The largest number needed is for market rate units for households at or above 80 percent of the median income. However, units for lower income seniors are less likely to be provided by the private market and need some form of subsidy.

Lower Income Residents

Even though Montgomery County has one of the highest median household incomes of all counties in the United States, estimated at $71,614 in 1999, a significant number of county households have incomes that make it difficult to afford the county's expensive housing stock.

About one in 8 households, 12.3 percent, are classified as very low income, i.e., less than 50 percent of the median income adjusted by family size. Another 12.7 percent have incomes between 50 and 70 percent of the median in 1999. These 77,450 households, one-quarter of all the households in the county, experience difficulty in affording housing in the county. New households moving into the county are likely to have similar income characteristics. Therefore, about one-quarter of all new housing units produced need to be affordable to households with low and very-low incomes.

Persons with Disabilities

In 1999, the county had over 120 group homes for developmentally disabled persons, 14 group homes for chronically mentally ill persons, and one group home for physically or multiply handicapped persons.

It is difficult to determine actual housing need since exact demographic projections are not available for persons with disabilities. The Americans with Disabilities Act (ADA) requires a portion of newly constructed multi-family housing be made fully accessible to persons with mobility impairments. Yet the single family housing stock is generally not accessible under ADA guidelines, nor is it likely to be easily adaptable to the needs of seniors or persons with disabilities. The county's growing population of seniors, as well as younger persons with disabilities, will increase demand for easily accessible houses and apartments.

Homeless

Montgomery County's Department of Health and Human Services, Mental Health Care Service Agency provides for the planning, managing and monitoring of all public mental health services in Montgomery County. These services are:

- Residential rehabilitation programs
- Transitional housing for the homeless
- Permanent housing for the homeless
- Supported housing
- Supervised housing for transitioning youth
- Partnership with private landlord (HUI)
- Extended residential (domiciliary care)

Emergency shelter accommodations in the county have the capacity to serve 80 homeless individuals and 136 persons in families. Additionally, there are 597 transitional beds, 191 for individuals and 406 for persons in families. There are also 169 supportive housing units, 100 for individuals and 69 for persons in families.

Estimates made in 1999 for the County's Consolidated Plan for Housing and Community Development show an unmet need for homeless individuals of 262 emergency shelter beds, 255 transitional housing beds, and 312 permanent supportive housing units. Additional unmet needs for homeless families with children was estimated at 154 emergency shelter beds, 403 transitional housing beds, and 306 permanent supportive housing units.

CONCLUSIONS

This policy makes recommendations on existing and new housing programs, and establishes goals, objectives, strategies, and action plans for the funding and implementation of policies and programs. The following facts and trends were taken into account in the development of housing production goals:

- Residential housing production, especially of units for individuals and households below the median income, has not kept pace with recent increases in demand. Economic growth, in-migration, and resident population growth are expected to add about 4,000 households per year to Montgomery County. Annual housing production has averaged fewer than 3,600 units per year from 1990 to 1999.

- Low production of multi-family housing has caused rental vacancy rates to fall below 2 percent and has caused annual turnover rents increases to reach historic highs of 6 to 8 percent.

- Nearly 12 percent of the county's housing stock, over 37,000 units, was built before 1950. Montgomery County must continue its efforts to renovate and improve this housing stock and the neighborhood infrastructure.

- As the county nears build-out, most new development opportunities will be for infill development or the redevelopment of older and obsolete communities and structures. Vacant, abandoned, and obsolete structures are already blighting some urban areas of the county.

- The county is becoming more racially, ethnically, and economically diverse. Racial minorities made up over 27 percent of the population in 1997, up from 4 percent in 1960. Persons of Hispanic ethnicity made up over 8 percent of the population in 1997. Nearly one in 8 county households earns less than 50 percent of the median income.

- Demand is increasing for independent and assisted living senior housing. Current estimates of unmet demand show a need for 1,800 independent living units and 1,500 assisted living units.

- Demand is increasing for housing for individuals and families transitioning from homelessness. The county can only meet about one-third of the current emergency shelter bed needs; over 400 more beds are needed. Additionally, there is a current unmet need of 658 transitional housing beds and 618 permanent supportive housing units.

- The affordable assisted housing stock is under intense pressure. Approximately 2000 rental housing units with below-market rents may be lost by 2005 due to prepayment or discontinuation of federally subsidized loans or assistance contracts.

II. PUTTING THE MONTGOMERY COUNTY HOUSING POLICY IN CONTEXT

This section describes the many actions taken at the county level that affect how housing is provided. These actions are divided into two categories: planning actions and implementation measures.

Planning Actions
The General Plan Maryland Smart Growth Initiative Growth Management Law Housing Policy Consolidated Plan Other Mandates

PLANNING ACTIONS

The General Plan: A Framework for Growth in Montgomery County

In 1964, the Maryland-National Capital Park and Planning Commission adopted the general plan *on wedges and corridors - a General Plan for The Maryland-Washington Regional District*. As its title suggests, the plan's major policy is to channel urban development along the major transportation corridors with wedges of low density and rural land uses. As the comprehensive land use and development plan for both Montgomery and Prince George's Counties, its broad policy guidelines cover land use, transportation and circulation, conservation, open spaces, sewer and water systems and other environmental issues, employment, and housing.

In 1970, the County Council reaffirmed the wedges and corridors concept when it approved the *1969 Updated General Plan*. Over the next 20 years, Montgomery County adopted programs to implement three important recommendations:

- Increase the stock of affordable and clustered housing. The Moderately Priced Dwelling Unit program has provided more than 10,000 moderate-income families with home ownership and rental opportunities.

- Protect farmland and rural open space, and expand parkland in the Wedge. The Rural Density Transfer Zone has preserved over 91,000 acres of agricultural land and rural open space.

- Balance development and the provision of public infrastructure. The Adequate Public Facilities ordinance and the Annual Growth Policy coordinate the timing of development with the provision of public infrastructure.

- The *General Plan Refinement*, adopted in 1993, replaces the goals and objectives of the *General Plan* and *Update* while reaffirming the wedges and corridors concept as the framework for development. The Refinement set out six objectives in the housing component.

Housing Objectives in the General Plan Refinement

- Promote a variety and choice in housing of quality design and durable construction in various types of neighborhoods.

- Promote a sufficient supply of housing to serve the county's existing and planned employment and the changing needs of its residents at various stages of life.

- Encourage housing near employment centers, with adequate access to a variety of facilities and services. Support mixed-use communities to further this objective.

- Encourage an adequate supply of affordable housing throughout the county for those living or working in Montgomery County, especially for households at median income or below.

- Maintain and enhance the quality and safety of housing and neighborhoods.

- Concentrate the highest density housing in the urban ring and the I-270 corridor, especially in transit station locales.

These objectives have been adopted and expanded to create the core objectives of the new housing policy. Since the adoption of the *General Plan Refinement*, there has been an even greater shift in emphasis on stabilization and maintenance of existing communities and housing stock. Additional objectives relating to the regulatory functions of the County, including housing code enforcement and equal housing opportunity, have been added to the land use and planning objectives enumerated in the *General Plan Refinement*.

The Maryland Smart Growth Initiative

In 1997, the Maryland legislature adopted legislation, commonly known as Smart Growth, aimed at slowing sprawl development in Maryland. If previous development patterns had continued, over 500,000 acres of Maryland's open space and farmland would have disappeared within two decades. The Smart Growth law targets state spending on roads, sewers, schools, and other public infrastructure in designated growth areas or priority funding areas.

These areas include the land within the Baltimore and Washington beltways, established towns, cities, and rural villages, other existing and proposed communities above a minimum density, and industrial and employment areas. The state will funnel significant dollars into these existing growth areas. While development may still occur outside the growth areas, no state funds can be used to support those efforts. The intention is to remove major financial support for sprawl pattern development. Companion legislation, entitled Rural Legacy, authorizes the use of state funds to preserve land in areas vulnerable to development. Under the legislation, the State can purchase farmland and open space for preservation, excluding these areas from new urban type development.

Montgomery County's past efforts to plan for growth have put it in an excellent position to benefit from these Smart Growth policies. The county's *General Plan* has already targeted growth to the urban ring and the I-270 corridor and now both these areas are within the designated priority funding area for the county. The county's emphasis on development around metro centers and revitalization of inner beltway neighborhoods follows the principles of Smart Growth.

The Maryland Office of Planning provides the following information on Montgomery County:

- Projected household growth is 40,000 units between 2000 and 2010.

- Given the land use and zoning designations of the remaining undevelopable land and under-developed land, there is a potential for another 241,000 units, of which 84 percent is in areas with existing or planned sewerage service.

- Large areas of the county have restrictive agricultural zoning, combined with an effective transfer of development rights program. Development potential in these areas averages one unit for every 25 acres.

- Montgomery County has substantial areas in residential zoning without planned sewerage service. Residential densities might average one unit for every 1.3 acres in those areas.

- Potential densities in areas with sewerage service are very high. Residential densities in those areas could average 7.2 units per acre.

The Housing Policy Law - A Countywide Plan for Affordable Housing

In the late 1970s, the County Council and County Executive recognized that market forces were not providing the diversity of housing choice that was needed in the county. To address this, the County Council adopted the Housing Policy law (Chapter 25B) which directed the County Executive to monitor all the factors affecting housing affordability. The Executive was also given the responsibility of preparing a housing policy document that would guide housing related decisions.

In 1981, the County Council and County Executive adopted the *Housing Policy for Montgomery County, MD in the 1980's*. This document called for an extremely active role for the County in the housing market. Priority was to be given to increasing opportunities for:

- People who live in the county in inadequate housing.
- People who grew up in the county and want to remain when they form their own households.
- People who grow old in the county and want to remain in their neighborhoods or within the county.
- People who are displaced and want to remain in their communities.
- People who work in the county and want housing in the county.

To accomplish this, the following Housing Policy Objectives were adopted:

- Produce housing that is affordable to middle-class families.
- Stimulate the production of housing not produced by market forces.
- Streamline the development process to make it less costly.
- Encourage development that conserves energy.
- Preserve existing housing supply.
- Provide assisted housing in all planning areas without negatively affecting existing communities.
- Eliminate patterns of discrimination in housing.

- Cooperate with each suburban Washington jurisdiction to produce its regional share of assisted housing.
- Intervene in the private market when it does not provide a sufficient range of housing choices.

Consolidated Plan - Strategy for Using Federal Funds Wisely

The federal government must approve a five-year Consolidated Plan for each jurisdiction entitled to receive federal funds under certain housing programs. The Consolidated Plan for Montgomery County describes overall needs of community and economic development, including affordable and supportive housing, and special populations such as the homeless and persons with disabilities. It provides a strategy for addressing these needs that uses both public and private resources and coordination, with an emphasis on citizen input.

Growth Management - Assuring Infrastructure Needs Are Met

In 1973, Montgomery County adopted the Adequate Public Facilities Ordinance requiring public infrastructure - roads, schools, water and sewer, etc. - to be available to support new development. In 1986, Montgomery County adopted the Annual Growth Policy as a planning tool for timing new development relative to the availability of public facilities.

The Annual Growth Policy compares the adequacy of the county's infrastructure, both existing and that planned for the near future, with the amount of existing and approved development in an area. Areas with insufficient infrastructure to meet the needs of new development can be placed in moratorium for either residential development or nonresidential development, or both. Specific features of the law address concerns for certain housing needs, including a special ceiling allocation for affordable housing.

Deep residential moratoria are in place at this time in many of the less expensive areas of the county, including Aspen Hill, Fairland-White Oak, and Montgomery Village-Airpark policy areas. The moratoria preclude further significant residential development in these areas, pushing the demand for new housing into other, more expensive areas of the county, including down-county infill areas. As a result, housing affordability is adversely affected.

Other Mandates - Inadvertent Affects on Housing Affordability

Many planning actions in other areas affect the county's ability to provide affordable housing. Watershed plans, forest conservation plans, and other efforts to preserve and protect the environment usually lead to restrictions on the type and density of development. A reduction in the number of units on a given piece of land coupled with the cost of special facilities to protect the environment raise the cost of producing each housing unit. Transportation plans include costly infrastructure and create the need for buffer areas. Again, this affects the supply of housing by reducing the amount of land available for development adding to the per-unit cost.

On the demand side, loss of federal housing subsidies and federal welfare reform have added to the financial burden of low income families and made it even more difficult to meet housing needs. Support, including job training, will be necessary as these families move to self-sufficiency. Without these efforts, families coming off welfare are at risk for homelessness and overcrowding.

Implementation Measures
Zoning Ordinance, Chapter 59 of the County Code Moderate Priced Housing Program, Chapter 25A Other Affordable Housing Financing Programs Public Housing Affordable Rental Housing Section 8 Housing Housing Initiative Fund Other Housing Assistance Programs Housing Maintenance Code, Chapter 26 Landlord-Tenant Measures

IMPLEMENTATION MEASURES

The Zoning Ordinance - The Primary Implementation Tool of the General Plan

The Zoning Ordinance is the primary tool for implementing the General Plan and has the greatest impact on many housing issues. Promotion of mixed-use over single use zones has increased the diversity of housing in the county. Each zone has specific design and other requirements to ensure a safe and healthy environment. Many of these requirements reflect federal environmental mandates over which the County has little control. Although the end result might be development that is more sensitive to the environment and the residents' needs, these requirements usually raise the cost of housing.

Moderately Priced Housing Program - Promoting Housing Affordability

In the early 1970s, Montgomery County had a shortage of affordable housing for low and moderate income households. Policies enacted by the county government to control growth created a shortage of land and both land and housing prices increased much faster than general inflation. To maximize their profits with the little land then available, developers built the most profitable housing they could. As a result, the cost of land and housing (both new and resale) rose much faster than inflation.

Housing advocacy groups discussed measures to increase the supply that eventually led to a countywide inclusionary zoning program. Developers of subdivisions with 50 or more units receive a bonus density in exchange for including affordable housing within the development. Since the program's inception, over 10,600 moderately priced dwelling units have been built, of which about 72 percent were for-sale units. For-sale units built under this program are no longer subject to the resale restrictions after 10 years and rental units will no longer have restrictions after 20 years. Furthermore, fewer units are expected to be built in the future as land available for development becomes more scarce.

A detailed evaluation of this program is in Chapter III. An excellent program for the county, it will need some fine-tuning to remain as effective as it is now.

Other Affordable Housing Financing Programs

Closing Cost Assistance Program

In Maryland, the costs and fees due at closing are approximately 6 percent of the sale price and are among the highest in the country. To assist first-time homebuyers, the Housing Opportunities Commission (HOC) began offering secured loans in 1997 to finance down payment closing costs, escrows and other prepaid expenses incurred during the purchase of a home. The Federal National Mortgage Association provides the funding for the loans and the County guarantees the loans. A percentage of the loans must be set aside for certain areas that have a high level of single-family housing.

Participants in the program must prove a need for the assistance, live or work in Montgomery County at the time of application, and attend a homeownership education course before funds can be reserved. Household income cannot exceed the median income for the Washington Metropolitan Area. The property must be, and remain, owner-occupied while the closing cost loan is in effect. The maximum eligible sales price of a home is $205,000 (as of August 2000) and the maximum loan amount is $7,500 or 5 percent of the sales price, whichever is lower. The loan term is 7 years, with monthly payments, and the loan is due upon transfer of title or rental of the property.

By July 2000, HOC had made 903 loans, totaling $4,572,913. The median income of borrowers was $43,434, about half of the median income for all households in the Washington area. To date, about 85 percent of the loans are performing well, 9 percent are delinquent by 30 days or more, and only 3 loans have been referred for collection.

Mortgage Purchase Program

HOC also makes available to income eligible first-time homebuyers below market rate mortgage financing. To fund this program HOC issues tax-exempt single-family mortgage revenue bonds under authority delegated to the agency by Montgomery County. The federal government limits the amount that can be raised.

Conditions of the program:

- First-time homebuyers only. Applicants cannot have owned or co-owned any residential property in the last 3 years.

- The property being purchased must be in Montgomery County and be owner-occupied while the loan is in effect.

- Household income cannot exceed the maximums established for the program by HOC, but households must have a minimum income of about 70 percent of the median income for the Washington Metropolitan Area, or $58,055 for a family of 4.

- Maximum eligible sales price of a home is $180,000 (as of May 2000).

The program was first implemented in April 1979. By January 2000, HOC had made 9,300 loans, totaling $600,108,110, with an average loan of $64,527. The average income of borrowers has been $32,316 over the entire history of the program. As of January 1, 2000, there were 3,117 loans outstanding.

Public Housing

Montgomery County has 1,500 public housing units owned by HOC that will always provide very low-income families with a decent place to live. In keeping with the County's policy, these units are in small complexes of less than 100 units each and are dispersed throughout the county. Residents of the units pay rent equal to 30 percent of their income.

As federal funding for renovation and maintenance of the units drops, HOC's share will become more substantial. The County and HOC will need to continue to set aside adequate resources to maintain these properties as they age.

Affordable Rental Housing

The federal government also encouraged the development of affordable housing by involving the private sector through programs enacted under the National Housing Act (Sections 236 and 221(d)(3) and (4)). Through these programs, the Department of Housing and Urban Development makes below-market rate loans and insures mortgages made by private lending institutions to help finance construction or substantial rehabilitation of multi-family rental housing for moderate income families. In Montgomery County, these programs have provided more than 3,600 affordable housing units in good locations near employment centers and mass transit.

In the past several years, owners of these apartment buildings have begun to refinance or pay off the federally assisted mortgages and replace them with private financing. The result is a loss of affordable housing units. The conversion of the apartment complexes from affordable to market rate housing is occurring most often in economically booming areas where landlords can more easily find investors willing to put up the money needed to pay off the federal mortgages. It is these areas that have the greatest shortage of affordable housing.

A review of these properties in the county indicated that several are likely to be sold or refinanced with the affordable housing restrictions ending on almost a quarter of the units. The County has identified those properties that need to be kept affordable and, through partnerships with HOC and nonprofit housing developers, has preserved a substantial portion of this housing stock. However, more is needed, including finding financial incentives for those owners who do not wish to sell.

Section 8 Housing

The federal Department of Housing and Urban Development Section 8 Housing program works two ways. In one method, HOC (and Rockville Housing Enterprises in that city) provides the lower income family with a voucher or certificate and the family finds a privately owned rental unit in the unregulated rental market. In the other method, referred to as 'project-based,' the federal Section 8 subsidy financed the construction of the units. Section 8 contracts typically were written for 15 years, with an option allowing either HUD or the owner to terminate at five-year intervals. Projects approaching the prepayment eligibility date are vulnerable to conversion to market-rate units because either the owner refuses to renew the contract or HUD fails to extend the subsidy contract.

More than 2,700 project-based Section 8 units can expire by the end of 2005. Several projects are owned by nonprofit housing providers, and they will likely ask HUD for a contract extension. Without intervention by the County or the federal government, Montgomery County could lose approximately 2,000 project-based Section 8 units which are in 24 privately owned properties. In addition, the future is uncertain for about a dozen elderly housing developments with Section 8 units. The County is now actively involved in preserving the affordability of the units. To date, nearly 1,000 assisted units have been preserved and many more are in the process of being preserved.

The problem is that project-based Section 8 rents are lower than the rents the owners could get on the private market. Often, HUD-approved rents are 20 percent lower than market rents, so owners believe they are losing money if they continue to participate in the Section 8 program. Having met their obligation under the original HUD contract they are now considering ending the contract and raising rents. This results in a loss of affordable units in the housing stock.

The County needs to assess alternative programs to provide incentives to owners to continue under the Section 8 program or other affordable housing programs. Possible options to evaluate include tax incentives, low-cost rehabilitation loans, and low cost financing, all conditioned on the owner continuing to provide affordable housing.

The City of Rockville has its own housing authority, Rockville Housing Enterprises, which also provides public and assisted housing within its corporate limits. It administers almost 400 Section 8 vouchers and, in partnership with a nonprofit organization, Community Ministries of Rockville, Inc., a Section 8 Moderate Rehabilitation, Single Room Occupancy. This agency also owns and manages 169 units of elderly and family public housing in clustered communities and scattered sites.

Housing Initiative Fund

The County established the Housing Initiative Fund in 1988 with the purpose of creating and preserving affordable housing throughout the county. Loans are made to HOC, nonprofit organizations, property owners, and for-profit developers to build new housing units or renovate deteriorated multi-family housing developments. Emphasis is placed on leveraging County funds with other public and private funds. While there are several sources of funding, much of the funding for the program now comes from payments on previous Housing Initiative Fund loans and the County's general fund. Between July 1989 and December 1999, almost 3,500 housing units were preserved or created in the county under this program.

A detailed evaluation of this program is in Chapter III.

Other Housing Assistance Programs

There are several other financing programs available in the county. These programs have provided a total of 1,500 affordable housing units. These include tax credits, tax exempt bond financing, state funding available through the Rental Housing Production Program and Partnership Rental Housing Program, and federal funding available through the Community Development Block Grant program and the HOME program.

At some point, the affordable housing restrictions will expire on many of these units as well. As the county reaches maximum build-out, there will be fewer opportunities to replace the units lost. Inventories of affordable housing like that prepared by the Maryland-National Capital Park and Planning Commission provide an excellent tool for measuring and tracking changes in the future supply and demand of affordable housing.

Housing Maintenance Code

Housing and neighborhoods, especially as they age, need regular maintenance to keep them in sound condition. Lack of timely maintenance can mean more extensive and costly repairs later. Homes and neighborhoods kept in sound condition allow residents to enjoy better health as well. High weeds, rubbish, and garbage can be a fire hazard and can cause health problems through the breeding of insects and rodents. Neighborhoods with well-maintained properties enjoy lower rates of criminal activity and higher property values than poorly maintained areas.

To ensure healthy housing and neighborhoods, Montgomery County adopted a Housing Maintenance Code in 1964. Most of the inspections done under the authority of the code are mandated by other actions (e.g., licensing of multi-family units and accessory apartments) or in response to a complaint from a tenant or property owner. Since 1998, the County modified its approach, adopting the Neighborhoods Alive! program to address widespread deterioration in older neighborhoods. Through this approach, the County has identified target neighborhoods, conducted house by house code enforcement, upgraded public facilities where needed, and raised the residents' pride in their homes and neighborhoods.

Landlord-Tenant Measures

As rental housing increases in cost, many property owners want to take advantage of the higher value. This may mean selling the rental facility or raising the rents on the units, sometimes accompanied by major rehabilitation. Often, the residents of these units find that they can no longer afford them and must find more affordable housing. To address the problem of displaced low and moderate income tenants, the County adopted the Tenant Displacement law in 1990 (Chapter 53A of the County Code).

This law gives the County, HOC or a tenant organization the right of first refusal in the case of a sale, provided their offer for the property is equal to the private party offer. It provides for tenant relocation assistance in several instances, including conversion of rental housing to another use or tenancy (e.g., condominium), demolition of rental housing, rent increases beyond the tenant's means, and rehabilitation that requires vacating the unit and where no comparable unit is available on-site for the tenant.

To ensure a fair and equitable relationship between tenant and landlord, the County adopted the Landlord-Tenant Relations law. This law lays out procedures for addressing various issues that arise between tenant and landlord, including handling complaints, obligations and rights of tenants and landlords, and excessive rent increases. The law establishes a Landlord-Tenant Commission to adjudicate disputes not resolved through conciliation.

CONCLUSIONS

These policy and legislative issues suggest the following conclusions for Montgomery County's Housing Policy:

- The County has a long and significant commitment to scattered site affordable housing.
- Growth will be limited by public facility availability, and will most likely be located within existing developed areas.
- Housing development will be expensive in these areas, and the private market is not likely to build affordable housing without incentives.
- Expiring federal programs will put the burden on the state and local governments in partnership with nonprofit organizations to preserve this housing and to create additional affordable housing.
- Preservation of neighborhoods and the proper maintenance of low and moderate income housing are a must to keep neighborhoods desirable.

- Code enforcement and landlord tenant relations will become more important in our older and increasingly diverse neighborhoods.

III. EVALUATION OF EXISTING HOUSING PROGRAMS

This section evaluates several County housing programs. These programs include:

- Housing Initiative Fund/HOME funds
- Moderately Priced Dwelling Unit Program
- Group Home Program
- Rental Assistance Program
- Code Enforcement Programs: Vacant and Condemned Housing and Neighborhoods Alive!

HOUSING INITIATIVE FUND

Background

In May 1988, the County Council adopted County Code section 25B-9 which established the Montgomery Housing Initiative Fund (HIF). This program was created to promote a broad range of affordable housing opportunities for low and moderate income residents. In 1994, the program was revised to clarify its purpose and is now used for the following:

- Construction of new affordable housing units

- Acquisition of land for construction of affordable housing

- Purchase and rehabilitation of existing rental units that without support might be removed from the supply of affordable housing

- Participation with nonprofit and for-profit sponsors of projects containing affordable housing in mixed income communities

- Financing of development and rehabilitation of housing to enhance the affordability of some or all of the units

Additionally, units are created for persons with disabilities in both newly constructed and rehabilitated buildings. In conjunction with concentrated housing code enforcement efforts, HIF monies are used to purchase and rehabilitate deteriorated multifamily buildings when the owner decides not to rehabilitate the units but to sell them.

Increasingly, the focus of the HIF has been to preserve or rehabilitate existing affordable housing. This helps preserve neighborhoods and keep affordable housing as an asset to the community, not a blight. A new focus of the Fund is the Rehabilitation Program for Small Rental Properties. To date, this program has funded the rehabilitation of 5 properties having a total of 168 units.

The preservation of expiring federally subsidized projects has also been a major HIF priority, as the opportunity for private owners to opt out of these federal subsidies has become a possibility. HOC or nonprofit owners now purchase these units and keep the federal subsidies with county financial assistance.

Since 1988, over $40 million has been appropriated into the HIF from a variety of sources. Current funding sources are:

- Condominium Transfer Tax funds
- 25 % of the proceeds from the sale of County-owned land
- Payments from developers in lieu of constructing moderately priced dwelling units
- Repayment to the fund of monies previously loaned out
- Appropriations of County general fund revenues
- Profits from resale of MPDUs and other miscellaneous income

The Department of Housing and Community Affairs administers the HIF. The Housing Loan Review Committee, composed of staff from the DHCA, the Office of Management and Budget, the Department of Health and Human Services, and two citizen representatives, reviews the applications for funding. The director of DHCA, based on the recommendations of the committee, makes the final decision.

Accomplishments of the Housing Initiative Fund

- 6 new developments of mixed income housing with 858 units
- Over 500 units for the elderly, both new construction and rehabilitation
- 3 projects totaling 35 units designed for persons with disabilities
- Preservation of about 900 expiring federally subsidized units (Section 8 and 236 projects) in 6 properties
- 2 former motels converted to 284 units of single room occupancy for persons in low to moderate wage jobs
- Acquisition of Moderately Price Dwelling Units by the Housing Opportunities Commission and nonprofits for rental to lower income families
- Neighborhood revitalization of Connecticut Avenue Estates, in partnership with a nonprofit
- Purchase and rehabilitation of dozens of foreclosed FHA/HUD held properties for resale to moderate-income homeowners and nonprofits for low-income households
- Construction of over 25 replacement homes for low-income property

owners whose property is deteriorated beyond repair

Accomplishments

Over the course of the program, HIF has funded more than 50 projects, creating over 1,500 new, and preserving over 2,000 existing, affordable housing units throughout the county. For every dollar spent from the fund, about 7 dollars of other funding has been leveraged, including money from federal, state and private sources. The HIF has allowed Montgomery County to both build and preserve housing that it otherwise could not have.

HOME funds are often used in tandem with HIF, in order to maximize the benefit to the county. Single family rehabilitation loans help low to moderate income homeowners rehabilitate and modernize their houses, making them comply with the housing code as well as more livable and desirable for resale. DHCA processes about 100 rehabilitation loans a year.

Issue

The sources of funding available to the Housing Initiative Fund have proved to be quite variable, with an unpredictable stream of revenues, requiring additional appropriations of general fund monies to meet the predicted annual needs.

Recommendations

1. **Develop stable funding sources for the Housing Initiative Fund.** This program needs to be made a priority with a predictable level of funding to assure affordable housing goals are met.

2. **Make outreach and support of current partners and development of new partners a priority.** The effectiveness of the program relies on having community partners who are able and willing to take on development or rehabilitation projects, and on the funding from other sources to leverage County funds. This will be crucial if the fund is to be expanded.

MODERATELY PRICED DWELLING UNIT PROGRAM

Background

Montgomery County's Moderately Priced Dwelling Unit (MPDU) program remains one of the most innovative, affordable housing programs in the country. Since enacted by the Montgomery County Council in the mid 1970s, the MPDU program has produced over 10,000 affordable housing units for low and moderate-income residents. These units represent an investment of approximately $477,381,384 by the private sector in affordable housing.

Montgomery County's MPDU program has the following goals:

- To produce moderately priced housing so that county residents and persons working in the county can afford to purchase or rent decent housing
- To help distribute low and moderate-income households throughout the growth areas of the county
- To expand and retain an inventory of low-income housing in the county by permitting the Housing Opportunities Commission (HOC) and recognized nonprofits housing sponsors to purchase up to 40 percent of MPDUs
- To provide funds for future affordable housing projects by having the County share in the windfall appreciation of MPDUs when they are sold at the market price after expiration of the resale price controls

Administration

While DHCA administers the MPDU program, it is developers who construct the units. For high rise buildings with over 50 units and subdivisions having over 50 lots (half-acre minimum lot size), 12.5 to 15 percent of the total number of units must be moderately priced. Developers receive a density bonus of up to 22 percent to offset some of the production costs of the MPDUs. Moderately priced housing is generally affordable to households with incomes of less than 60 percent of the median income of the Washington Metropolitan Area.

The County imposes certain occupancy and resale restrictions on MPDUs. The MPDU must be owner-occupied. The price for which a unit can be resold is controlled for 10 years and when the unit is first sold at market price after the control period expires, excess or windfall profit from the sale is shared by the County and the owner. Rental MPDUs are controlled for 20 years.

The MPDU program offers new units to income eligible participants chosen in a lottery. A participant must be a resident of or work in the county, and be a first time homebuyer. The household income of the participant must fall below 60 and 65 percent of the area median income, adjusted for family size. If a developer is unable to sell a new MPDU to a certificate holder within 90 days, the developer can offer the unit, at the controlled price, to anyone regardless of income. However, the unit remains an MPDU for the control period and all other requirements remain the same.

Requiring MPDUs in most new subdivisions encourages the dispersal of affordable housing throughout the county. The chart on the next page shows the location of MPDUs.

Sixty percent of the MPDUs were constructed before 1990. Single family, owner-occupied units account for 72.8 percent of the units constructed; the remaining 27.2 percent are rental units. This ratio is consistent with the ratio of rental units constructed in Montgomery County over the past 20 years.

Location of MPDUs by Policy Area - 1999		
County Policy Area	**Number**	**Percent of Total**
Aspen Hill/Norbeck	558	5.3
Bethesda-Chevy Chase	115	1.1
Bethesda CBD	115	1.1
Clarksburg	20	0.2
Cloverly	264	2.5
Damascus	238	2.3
Derwood	298	2.8
Fairland/White Oak	1,162	11.0
Gaithersburg City	116	1.1
Germantown East	772	7.3
Germantown West & Center	2,028	19.2
Grosvenor	110	1.0
Kensington/Wheaton	285	2.7
Montgomery Village/Air Park	1,544	14.6
North Bethesda	388	3.7
North Potomac/Darnestown	980	9.3
Olney	752	7.1
Potomac	395	3.7
R&D Village	194	1.8
Rural	95	0.9
White Flint	143	1.4
Total	10,572	100

Source: M-NCPPC, Research & Technology Center, *Affordable Housing in Montgomery County*, Sept. 2000

Issue: MPDU Production Slowing

Land for new subdivisions is becoming more and more scarce in the county resulting in fewer residential units being built, including MPDUs. In addition, much of the recent new growth has occurred in large lot residential which are not subject to the MPDU requirement.

Issue: Expiration of MPDU Price Controls

Over the next 10 years, Montgomery County will have the price controls expire on over 2,000 for-sale MPDUs. Recently, more rental MPDUs have been built, resulting in more units remaining under price controls for the longer 20-year term.

The Housing Opportunities Commission has the right to purchase up to 33 percent of new MPDUs and add them to its affordable housing inventory. Over the last 20 years, HOC has purchased 15.3 percent of for-sale MPDUs. HOC and other nonprofit housing organizations may purchase a maximum of 40 percent of all the MPDUs in a given subdivision.

Issue: Cost of MPDUs Increasing

Over the past several years, the average purchase price of an MPDU has risen, while the average income of purchasers has remained stable. Interest rates were low to moderate in the 1990s making the units more affordable. The Closing Cost Assistance program and other low interest financing programs through HOC and the State of Maryland have allowed more moderate-income households to qualify for these units.

New MPDUs experienced a sharper increase in price than new market rate units. From 1990 to 1997, the median price for a new market rate single family, detached unit increased 7.9 percent. Between 1994 and 1998, the median sales price for a MPDU single family detached unit increased by 11.8 percent.

Issue: MPDUs in High Rise Units

Recently, several luxury high-rise properties have been proposed in prime markets in the County, such as Bethesda, Chevy Chase, and North Bethesda. In many cases, these developments are on mixed-use, infill sites with extraordinarily high construction costs. These higher costs may be a result of physical or historical property characteristics, structure parking, amenities such as elevators, community facilities, and health clubs.

Many of these properties cannot take advantage of the density bonus provision in the MPDU law, since the master plan has set a limit on the height and bulk of the building to assure compatibility with the surrounding neighborhood. Without the density bonus the developer ends up paying the full cost of the MPDUs. In the CBD zones, the required percentage of MPDUs is 15 percent, higher than in a typical subdivision, exacerbating the problem of project feasibility.

Construction costs for MPDUs in these luxury buildings cannot be covered by MPDU rents, which are a third to a quarter of the market rate rent, and it is difficult to reduce the costs of these units through less expensive finishes or smaller units. Developers claim that requiring MPDUs in these types of projects can make the entire project financially infeasible in the eyes of prospective lenders and frequently request that they be allowed instead to pay a fee to the Housing Initiative Fund.

As an alternative to accepting the payment in lieu of MPDUs on-site, staff at DHCA and M-NCPPC worked on an alternative approach to making these properties financially feasible and to include MPDUs in the project. Alternative solutions drafted by staff and affected property owners and developers, are under County Council review at the time of this printing.

Issue: Inability of MPDU Participant to Qualify for Loan

Some participants have their names chosen in the lottery only to find that they cannot qualify for a loan. This may be due to credit problems or to lack of a down payment. In order to improve the ability of these participants to qualify, DHCA has contracted with a nonprofit organization to provide homebuyer preparation classes at which attendance is now required for anyone purchasing an MPDU. In these classes, they learn about the various mortgage products in the market, how to qualify for those which are less expensive, and how to avoid predatory lending practices.

Conclusions

- The MPDU program has contributed substantially to the inventory of affordable housing in Montgomery County.
- The private market has contributed significantly to the amount of affordable housing in the county. A slowdown in development will affect the creation of new affordable housing and affect the County's ability to plan for the long-term needs of its residents.
- MPDUs are dispersed throughout the newer growth areas of the county, while many of the areas developed earlier have few MPDUs.
- The price controls will expire on a significant portion of the MPDUs over the next ten years.
- With the rise in the purchase price of MPDUs, HOC is unable to purchase as many units as it would like to add to its inventory of affordable housing.

Recommendations

1. **Evaluate the advisability of requiring MPDUs or an in lieu fee for new subdivisions with fewer than 50 units.** This will also even out the impact on developments.
2. **Evaluate extending the MPDU program to large lot residential zones.**

3. **Explore the possibility of purchase and resale of MPDUs by HOC, nonprofits, and the Department of Housing and Community Affairs either for resale to moderate income families or for rental to low income families.**

4. **Explore tax abatement for high-rise developments in those areas where housing is to be encouraged.**

5. **Include affordable housing as an amenity when determining the amenity requirements for high-rise developments.**

6. **Evaluate the possibility of allowing moderate rent adjustments for MPDUs in high-rise developments to ensure that new housing units will be built.**

7. **When preparing master plans and zoning changes, understand the impact of height and density restrictions on the financial feasibility of MPDUs, especially in high-rise construction.**

8. **Make the MPDU program more active in financing MPDUs, assisting participants in preparing to purchase homes, and assuring Fair Housing goals are met.**

9. **Continue to make improvements to the homebuyer classes for MPDU purchasers including the information on credit, various mortgage products, and means of avoiding predatory lending.**

GROUP HOME PROGRAM

Background

The County offers nonprofit group home providers two types of assistance. One is for help in acquiring existing houses for use as group homes; the second, for help in rehabilitating these homes so they meet the licensing standards of the State Department of Health and Mental Hygiene. Funding for both is through an annual allocation of federal Community Development Block Grant funds.

The Maryland Community Development Administration Special Loans Program is a primary lender of funds for group home acquisition. Federal, state, and local sources fund case management services and rental assistance.

The Group Home Program is administered by DHCA. Acquisition assistance is made as a second trust mortgage at a below-market interest rate. Generally, applicants identify a property and apply to the State for acquisition assistance, with County funding used as gap financing to make up the difference between the purchase price and the combined amount of the state loan and the equity contribution from a nonprofit. The amount of County assistance is limited to 15 percent of the appraised value of the property for loans receiving subsidized first trusts from the State and 20 percent for those receiving higher interest rate first trust loans from private commercial lenders. Rehabilitation assistance is made as a forgivable loan in an amount not to exceed $10,000 per house.

Accomplishments

The program averages 4-6 acquisitions a year and the rehabilitation of about 25 homes a year. Since July 1996, over $900,000 in Community Development Block Grant funds has gone to acquisition loans and over $997,600 has gone to rehabilitation. For every dollar of County funds, $6 were leveraged from State or private sources.

Issue

Problems facing this program are inadequate funding, especially for those with mental illness, the precarious financial state of most providers of mental health services in the county, a statutory requirement that all mental health hospitals be closed, and the difficulty of obtaining planning approval for these types of group homes.

Recommendation

1. **Evaluate Zoning Ordinance for unnecessary restrictions on group homes.**

2. **Modify underwriting policies for loans to better assist non-profit providers serving those with the lowest incomes.**

3. **Evaluate possibility of obtaining existing underused housing for group homes.**

4. **Determine if MPDUs could be used to house those ordinarily served under this program.**

5. **Use Section 8 voucher payments, under the new lump-sum provision, for downpayments on houses instead of for rental payments.**

6. **Improve coordination between those providing the housing and those providing support services.**

7. **Work with community associations and group home providers to ensure understanding and respect for fair housing laws.**

RENTAL ASSISTANCE PROGRAM

Background

On July 1, 1985, Montgomery County created the Rental Assistance Program (RAP), replacing two previous programs, the Rental Supplement Program and the Hardship Rental Assistance Program. The primary target groups of this program are the elderly and disabled, low-income (underemployed) intact families, and low-income (underemployed) single parents.

Since its inception, the Rental Assistance Program has provided eligible households with a monthly rental subsidy to help defray the high cost of rent and enable low-income households to have a suitable rental unit without exceeding 35 percent of their income for shelter.

Eligibility is based on household size, income, assets and rent obligation. Household size is limited to two or more persons, whether or not related, who live together in an eligible rental unit; one disabled person; or one person 62 years of age or older. Gross monthly income depends on household size and is given in the chart above. Total household asset limit is $10,000. Lastly, the household must not pay more than 120 percent of the average rent in Montgomery County for a suitably sized rental unit. DHCA publishes average rents by unit size for Montgomery County. The maximum monthly benefit under this program for all eligible households is $200.

Gross Monthly Income Eligibility Guidelines

Household Size	Maximum Gross Monthly Income
1	$2,350
2	2,688
3	3,021
4	3,359
5	3,625
6	3,896
7	4,163
8	4,434

*To reduce gross monthly income, applicants may submit verification of child care expenses, ongoing medical expenses not reimbursed by insurance, and if age 62 or older or disabled, cost of medical insurance premiums.

Benefits are approved for a maximum period of 12 months. A new application is required to determine continued eligibility. Application is by mail with no interview required. The program is paid for through the County general fund.

Issue

Rapidly rising rental costs and a shortage of available affordable housing in Montgomery County, have increased demand for rental assistance. As a result in 2000, DHHS initiated a waiting list of 89 households. Additional funding is one solution. Another is to increase the number of affordable rental units in the county. Other jurisdictions have been able to do this with land use planning and regulations that encourage accessory apartments and, especially for those who live alone, personal living quarters.

Recommendations

1. **Evaluate accessory apartment regulations and, if possible, ease requirements without jeopardizing neighborhood quality so as to increase the supply of such units.**

2. **Increase funding for the program.**

CODE ENFORCEMENT PROGRAMS

In addition to the traditional multifamily triennial inspection program and handling of complaints, the code enforcement division of DHCA has several nontraditional code enforcement programs. These include the Neighborhoods Alive!, concentrated code enforcement in areas with a large concentration of older, moderately priced rental units and close monitoring and demolition of condemned, vacant, and abandoned units.

Neighborhoods Alive! Program

This program has been used selectively in neighborhoods characterized by moderate housing values, properties 40 years or older, a high proportion of rental units, a pattern of selected deterioration, and slow home sales. It has been used in Connecticut Avenue Estates, Viers Mill Village and Long Branch.

Key Elements of Neighborhoods Alive!
• Concentrated code enforcement for all rental properties, both single family and multifamily • Neighborhood clean-up days • Partnership with local civic organizations • Education about landlord tenant laws and code regulations for property maintenance • Exterior inspections of single family, owner-occupied properties in partnership with civic organizations • Coordination with other programs such as the Department of Public Works and Transportation's Renew Montgomery that deals with infrastructure repairs • Street tree trimming • Addition of recreation facilities such as playgrounds • Coordination with the State's Attorney's Office on nuisance abatement • Organizing of civic associations in partnership with nonprofits • Marketing of single family rehabilitation loan program for low to moderate income homeowners • Rehabilitation of deteriorated properties including multifamily and single family properties by nonprofit housing developers • Acquisition and renovation of HUD/FHA foreclosed properties

The program has evolved since its inception and different approaches have been used in various neighborhoods. To be effective, programs in larger, more diverse neighborhoods with their broader range of social and economic issues must be more comprehensive in nature. The Neighborhoods Alive! program was very successful in Connecticut Avenue Estates, resulting in extensive improvements to the physical structures, a stronger civic association, and an improved housing market. In other neighborhoods, staff met with more resistance from some residents to code enforcement, and modified its approach to work more closely with the civic associations.

Many elements of the program have been very well received including street tree trimming, sidewalk improvements and landscaping efforts. Nuisance abatement and code enforcement on rental properties have been effective.

Condemned/Vacant Properties

Montgomery County, with its aging property base, has experienced deterioration of some properties to the point where they must be condemned. In 1999, DHCA conducted an inventory of 365 properties that were either condemned or vacant. The inspection results for the remaining 268 properties are listed below.

- 40 had been razed
- 10 had the code violations corrected
- 22 were occupied, with 10 of them owner-occupied and recommended for replacement homes
- 16 were recommended for demolition
- 33 needed further investigation, primarily because an ancillary structure had been condemned (outbuilding, garage, shed etc.)
- 67 structures were found to have no adverse impact on the surrounding area since they were located on large rural parcels, many of which were not accessible by roadways
- 80 are under further investigation to determine status of legal ownership

The results of this inventory has led to a variety of actions such as demolition of the buildings, civil citations to owners who were renting the properties, referral to the rehabilitation loan and replacement home programs, and monitoring of foreclosed properties. The most problematic are those structures going through foreclosure, or those occupied by low income or disabled owners.

Issues

The County's current law allows an owner to leave their property in a condemned status for an indefinite amount of time, as long as the structure is secured and the grounds are kept in an acceptable manner. Other jurisdictions use a different approach. Some have adopted an anti-blight ordinance that gives property owners 30 days to develop a plan to repair their property. If the owner fails to comply, the jurisdiction can repair the property and place a lien on it, or seize it using eminent domain.

Recommendations

1. **Continue to use the Neighborhoods Alive! program in neighborhoods that are at-risk. Bring in other departments, agencies, nonprofits, and involve the community to make the program work in a way that responds to the particular needs of the neighborhood**. Emphasis on community involvement is a must for this program.

2. **Work with the State to streamline the foreclosure process. Have Code Enforcement staff monitor the properties.** HUD and VA properties are of particular concern. HUD has recently streamlined their processes and are removing properties from their inventory in a more expeditious fashion. DHCA has initiated a stronger relationship with HUD and has recently facilitated the purchase and rehabilitation of over 20 properties by a nonprofit housing developer.

3. **Have Code Enforcement staff monitor vacant and condemned units more closely.** Biannual review of these properties will result in fewer problems occurring.

4. **Refer vacant and condemned properties more quickly to the rehabilitation loan and the replacement home programs, especially for those occupants who are elderly or who cannot financially and physically maintain their home.**

5. **Expedite the demolition process while assuring due process.** DHCA has recently worked with the Office of Procurement to have contractors available to demolish structures which have been condemned, present a hazard, and blight the surrounding area.

6. **Evaluate the effectiveness of anti-blight ordinances to expedite improvements or demolition of condemned structures.**

HOUSING AND DEVELOPMENT STRATEGIES

HOUSING POLICY OBJECTIVES	Amend codes, ordinances, and/or subdivision regulations	Continue and enhance housing assistance programs	Assess potential for development and redevelopment	Inventory and forecast housing needs data	Study disincentives to housing development	Maintain and strengthen Moderately Priced Housing Program	Make use of publicly owned sites and buildings	Expedite regulatory process	Provide continued financing assistance for housing development	Support state and federal housing and development programs	Make use of new technology for construction and communication	Continue and expand enforcement, education, and testing	Encourage participation by private sector in meeting housing needs	Maintain and enhance regulatory enforcement of housing codes
1. Promote variety and choice in housing	X	X	X		X	X		X	X	X	X			X
2. Encourage housing for persons with diverse needs	X	X		X	X		X	X	X	X	X		X	
3. Maintain safe, high quality neighborhoods	X		X				X			X				X
4. Encourage adequate supply of affordable housing in economically inclusive communities		X	X	X		X	X		X	X			X	
5. Provide housing for all stages of life for all who live or work in the county	X		X	X	X			X					X	
6. Promote and enforce Fair Housing Ordinances												X	X	
7. Encourage sustainable development and environmental sensitivity	X									X	X			X

LEAD (L) AND PARTICIPATING (P) AGENCIES

HOUSING POLICY OBJECTIVES AND STRATEGIES	Department of Housing and Community Affairs	Housing Opportunities Commission of Montgomery County	Department of Permitting Services	Department of Public Works and Transportation	Department of Environmental Protection	Department of Recreation	Department of Finance	County Attorney	Human Relations Commission	Department of Economic Development	Department of Health and Human Services	Board of Appeals	Department of Park and Planning of the M-NCPPC	For Profit and non profit housing providers	Washington Suburban Sanitary Commission	Private Employers and Financial Institutions
1. Promote variety and choice in housing																
First Priority																
A. Preserve existing neighborhoods	L	P		P									P			
B. Encourage new construction of all types	L	L											P			P
C. Expand affordable housing	L	P					P						L	P		
D. Streamline development review process	P	P	L		P							P	L	P		
Secondary Priority																
E. Promote housing near transit and employment			L	P	P								L			
F. Promote higher densities and mixed uses in transit station areas and downtowns	P	P											L	P		
2. Encourage housing for persons with diverse needs																
First Priority																
A. Provide more special needs housing	L	L									P		P	P		
B. Provide housing with support services	L	P									L					

HOUSING POLICY OBJECTIVES AND STRATEGIES	Department of Housing and Community Affairs	Housing Opportunities Commission of Montgomery County	Department of Permitting Services	Department of Public Works and Transportation	Department of Environmental Protection	Department of Recreation	Department of Finance	County Attorney	Human Relations Commission	Department of Economic Development	Department of Health and Human Services	Board of Appeals	Department of Park and Planning of the M-NCPPC	For Profit and non profit housing providers	Washington Suburban Sanitary Commission	Private Employers and Financial Institutions
C. Simplify regulations for senior housing	P		P									P	L	P		
D. Expand housing for homeless	L	P									L			P		
Secondary Priority																
E. Promote design for aging in place	P	P	L										P	P		
3. Maintain safe, high quality neighborhoods																
First Priority																
A. Expand code enforcement	L							P								
B. Promote neighborhood renewal	L			P									P			
Secondary Priority																
C. Provide assistance for repairs	L						P									
D. Promote adaptive reuse of older buildings	P		L				P						L	P		
E. Ensure compatibility of infill housing	P											P	L			
F. Promote compatible high density development in areas served by transit			P	L									L			
4. Encourage adequate supply of affordable housing in economically inclusive communities																

HOUSING POLICY OBJECTIVES AND STRATEGIES	Department of Housing and Community Affairs	Housing Opportunities Commission of Montgomery County	Department of Permitting Services	Department of Public Works and Transportation	Department of Environmental Protection	Department of Recreation	Department of Finance	County Attorney	Human Relations Commission	Department of Economic Development	Department of Health and Human Services	Board of Appeals	Department of Park and Planning of the M-NCPPC	For Profit and non profit housing providers	Washington Suburban Sanitary Commission	Private Employers and Financial Institutions
First Priority																
A. Expand funding of affordable housing	L	L												P		
B. Distribute locations of affordable housing	L	L											P	P		
C. Preserve affordable housing	L	L														
D. Encourage private participation	L	L					P		P	P			P	P		P
E. Support mixed income properties	L	P					L						P	P		
F. Continue inclusionary communities	L	P	P	P	P	P							L	P		P
Secondary Priority																
G. Promote compatibility of subsidized housing	P	L	P										P	L		
H. Reduce approval costs	P		L	P	P		P						L	P		
I. Provide innovative housing	L	P								P	P		L	P		P
J. Promote housing in mixed-use development			P										L			
5. Promote housing for all stages of life																
First Priority																

HOUSING POLICY OBJECTIVES AND STRATEGIES	Department of Housing and Community Affairs	Housing Opportunities Commission of Montgomery County	Department of Permitting Services	Department of Public Works and Transportation	Department of Environmental Protection	Department of Recreation	Department of Finance	County Attorney	Human Relations Commission	Department of Economic Development	Department of Health and Human Services	Board of Appeals	Department of Park and Planning of the M-NCPPC	For Profit and non profit housing providers	Washington Suburban Sanitary Commission	Private Employers and Financial Institutions
A. Provide zoning capacity													L			
B. Improve economic feasibility	L	L	P										P			P
Secondary Priority																
C. Meet special housing needs	L	L									P			P		P
D. Encourage employer participation	L									L						P
6. Promote and enforce Fair Housing Ordinances																
First Priority																
A. Enforce Fair Housing laws	P							P	L							
B. Educate the public	P	P							L					P		P
C. Conduct compliance testing	P	P					P		L					P		P
D. Examine lender policies and practices	P								L					P		P
E. Ensure that all County programs and policies comply with Fair Housing law	P	P	P						L		P					
Secondary Priority																
E. Examine provider policies and practices	P								L					P		P

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F. Make the County a model for fair housing	P	P	P						L		P					
7. Encourage sustainable development and environmental sensitivity																
First Priority																
A. Encourage innovation	P	P	L										P			
B. Reduce unnecessary cost of housing	L	P	L	P			P						P	P	P	
Secondary Priority																
C. Conserve energy	P		L	P	L								P			
D. Conserve water	P		L		L										P	
E. Use recycled products	P		L	P	L											
F. Educate the public			L										P			
G. Protect water quality	P		L		L								L			