

**Affordable Housing Task Force
Meeting May, 18, 2007
Rockville Public Library
21 Maryland Avenue, Rockville, MD 20850
Minutes**

The meeting commenced at 9:00 am

The following task force members were in attendance or represented:

Barbara Goldberg Goldman, Co-chair	Ellen Lazar
Richard Y. Nelson, Jr., Co-chair	Sharan London
Nathaniel (Tad) Baldwin	Stephen J. Lynch
Vivian Bass	Linda McMillan
Thomas S. Bozzuto	Raquel Montenegro
James A. Brown	Howard J. Ross
Nguyen Minh Chau (Chau)	Dale Saunders
Cheryl Cort	Barbara Sears
Norman M. Dreyfuss	Caroline Varney-Alvarado (for Raymond Skinner)
David Flanagan	Thomas Street
James Frazier	Brian Tracey
Royce Hanson	H.L. Ward
Shawn Pharr (for Lesa Hoover)	Mark Winston
Omar Karim	

County staff and members of the general public were also in attendance.

Opening Statements

Co-Chairs, Richard Y. Nelson, Jr., (Rick) and Barbara Goldberg Goldman (Barbara) welcomed the task force. Attendees introduced themselves.

Barbara expressed appreciation to the committees and to staff for their hard work. She offered congratulatory remarks to the County Executive and the County Council for support of the increase in the Housing Initiative Fund. She also expressed confidence and optimism about the development of realistic, concrete tools that will be used by the County Executive.

Rick expressed thanks to members of the task force who expressed their support for the County Executive's recommended increase to the Housing Initiative Fund. He stated that the action taken by County Council essentially approves the Housing Initiative Fund at a range slightly higher than \$30 million.

The committees are asked to have final recommendations by the end of June. Staff will develop the report text over the summer months. A report will be provided to the task force for finalization in September.

Chau requested an addition to the agenda for the consideration of a collective project of the task force. The co-chairs agreed to address this item under miscellaneous.

David Pellerer, County resident, suggested consideration for tenants regarding affordable housing issues. Rick responded that the committee chairs had been charged with making sure that the perspective of those served be taken into consideration. This would include tenants as well as owners. Following the committee reports the group could determine whether tenant issues had been taken into account or whether additional consideration would be required.

Approval of Minutes

Rick requested comments on the first meeting summary. There was no commentary, and the minutes from the March 28th meeting were approved.

Committee Reports

Case Studies Committee Report, presented by David Flanagan

Preliminary Discussion/Recommendations

- The committee did not have non-consensus issues to report.
- The committee is focused on identifying opportunities, site identification for development of new housing or the preservation of existing housing.
- They requested information from the entire task force on available sites and ideas that might present opportunities.
- They would like to begin with a number of sites that they could analyze and boil down to 3 to 7 sites. Sites should be scattered, ideally representing different Council districts; sites should represent various forms of ownership including non-profit, for-profit and government; developments should represent a full range of clientele, some for seniors, some for workforce, etc.

Discussion on Case Studies Committee Report:

- Chau inquired about the possibility for developing a specific case study to assist the task force. David responded that the group, although named Case Studies, is actually focused on identifying sites.
- Chau inquired about follow-up on Mr. Pellerer's question regarding tenants. Rick suggested that the Incentives committee might be more appropriate than the Case Studies Committee to address tenant issues.
- A question was raised regarding the availability of County owned land. Barbara reported on the complexity involved in identification of County owned land. She noted that a tool is being developed by Park and Planning and the task force should have it soon. Rick requested that the site identification activity NOT be focused solely on County owned land. Identification of County owned land will require staff time and could take a year or two.
- Rick provided an overview on the Request for Expression of Interest (REOI) for the Bowie Mill site in Olney and the Edson Lane site in Bethesda. Both projects will include affordable housing.
- He also discussed the County's effort to apply the right of first refusal to the former Pavillion apartment site, now called the Monterey. He stated that these activities demonstrate that the Department has activities already in-progress toward development and preservation of affordable housing.
- Brian Tracy suggested that situations involving significant code violations may present opportunities to address tenant affordability issues. He suggested that development of public buildings such as libraries, schools and parking garages, we need to look at incorporating an affordable housing component. Thus, not only specific sites but other situations present opportunities for affordable housing
- Rick stated that Silver Spring Library will have a housing component.
- A request was raised to see a case studies approach for the consideration of senior housing and special needs housing. David replied that each site is very unique, a case study approach would not adequately represent specific examples. For example, the case study would not show that a 4 story senior facility will cost X amount, etc. Site specific elements will preclude drawing useful conclusions.

Community Support Committee Report, presented by Steve Lynch

Preliminary Discussion/Recommendations

- The committee realizes that there is a need to create a campaign that addresses a wide range of affordable housing needs. There are housing needs that range from homeless populations to special needs, to work force and in general the children of county residents who are growing up and now cannot afford to live in the county.
- The committee's mission statement is: To promote public education, understanding, sensitivity, acceptance and active support of affordable housing by all stakeholders in the community.
- The committee is working on developing an approach that would both accomplish a long term need to make affordable housing better understood to addressing the short term need for acceptance within communities within the upcoming months.
- The committee is considering the success and acceptance of the Moderately Priced Dwelling Unit program (MPDUs), as a model to position affordable housing as an accepted practice.
- The committee is cataloging other community support programs to consider what is already being done both locally and nationally.
- The Community Support Matrix was described.
- A community support situation that Steve's company faced in developing an HOC project in the County was described. They went out and met with the home owners association and addressed their fears about demographics, home values, appearances of the homes, etc. The community was impressed by increase in home values and improvements to the community.
- The committee has developed a list of ideas, and they are in the process of prioritizing them.

Discussion on Community Support report:

- Barbara asked whether the committee had considered reaching kids in school at an early age in the development of their ideas toward affordable housing.
- Steve responded that the committee has a representative from the school system, Deidria Roberson Hudnell and that there have been discussions about ways to reach children and parents. Dale Saunders also described Freddie Smart and suggested that this program would also be useful. Deidria provided information about new program called Parent Academy and the possibility of developing a workshop on affordable housing. Rick requested that staff stay in touch with Deidria and Ruby to look for opportunities to work with the school system
- Tad Baldwin suggested that Community Support Committee develop outreach to consumer groups who have been uninvolved but should be tied in.
- Steve mentioned that Mr. Wayne Goldstein, President of Montgomery County Civic Federation has become a member of the committee and has provided valuable input from the perspective of the civic organizations.
- Ruby mentioned that the terms, workforce housing, etc. are not clear in the minds of the average citizen and that this may be an issue.
- Chau agreed and mentioned the need for discussion, communication and clarification with the community. She said her experience with the Zoning Committee was fruitful because of time spent in discussion.
- Ellen Lazar recommended Homes for Working Families as a national resource organization.
- Rick said that scattering of the Moderately Priced Dwelling Units (MPDUs) has been a major reason that they have been accepted. He suggested that Community Support identify those kinds of strategies which would assist in the development of projects that the community can accept.
- Wayne Goldstein mentioned that many of the issues noted are marketing issues, he said that the needs of customers must be kept in mind; the customers would be everyone in the community. Rather than blame the customers who have resisted the product, the sales person should look at how they are selling the product.
- Barbara mentioned the success of the Housing Opportunities Commission, HOC's Good Neighbor Program as an example of this approach.

Finance Committee Report, presented by Dale Saunders

Preliminary Discussion/Recommendations:

- An equity fund comprised of public seed money (perhaps Housing Initiative Fund) and enhanced by private/foundation investment, that would subsequently be leveraged in the market through bond issuance to achieve a large pool of money for subsidization of homeownership and rental housing. This revolving fund could be used for site acquisition and development of new housing that has a mixture of income levels and product type in a single development package, perhaps enabling an internal subsidization. It could also be used to fund housing at the creation/preservation level, instead of at the rental or sale timing. This fund should be managed by an entity that shares public purpose goals such as achieving affordable housing and that makes consistent decisions.
- Expanding usage of a Payment in Lieu of Tax Program (PILOT) program that, in combination with other incentives and financing, would together make development packages requiring less direct gap financing
- A housing preservation program that would purchase and preserve existing property. It would attract different investors than the equity fund because it would offer secured loans, and the returns on investment that would be faster but potentially not as high as for the equity fund.
- The committee will take a closer look at soft second's programs.

Discussion on Finance Committee Report

- Rick asked about the creation of vehicles to create financing for affordable housing, and about the committee's research on the success of similar vehicles in other areas.
- Dale responded that task force member; Michael Bodakin was able to identify other areas including, Los Angeles, New York, and Washington, D.C. where some of these tools have been successfully implemented.
- Ellen Lazar requested that the committee keep preservation of units, and affordable rents in mind.
- Rick agreed and said that the entire task force must remember that the Housing Initiative Fund is not the sole tool.
- Vicki Davis suggested that the finance committee identify the barriers to the production of affordable housing.
- Omar Karim requested that the finance committee consider "tax increment funding," TIFs. They are widely used in the District of Columbia with much success. Sales tax may also be utilized as a part of the proceeds.
- Rick requested justification for TIFs and other tools that may be suggested in light of existing tools.

Incentives and County Land Committee Report, presented by Norman Dreyfuss:

The Incentives Committee has established its goal as exploring ways to get affordable housing into the mainstream.

Preliminary Discussion/Recommendations:

- Significant zoning incentives to add density and height in appropriate locations: 50% increase in density proposed. These bonuses would include significant amounts of affordable housing units.
- Impose affordable housing impact fees on new commercial and retail developments. Allocate a percentage of the new fees for affordable housing.
- Waive APFO fees, impact fees, and WSSC fees on AH units. Reduce costs for developers. (Not sure whether school fees can be entirely waived).
- Impose drastic cuts on time required for entitlements, especially at Park and Planning. Complete review of proposed AH project within 6 months.
- Create a department of Affordable Housing at Park and Planning to approve affordable housing projects and production of units. Affordable Housing Department or Ombudsman provide a voice at the table and monitor Master Plans and every part of the planning process to ensure that affordable housing is included.
- Require all future Master Plans to include an objective to increase affordable housing. Make affordable housing an approved use in Master Plans, so it gets mandatory approval from the Council. Site plans would still have to be reviewed by Park and Planning.
- Bundle multiple affordable housing projects when they go before the council to increase the likelihood of the some of the projects getting approved.

Discussion on Incentives and County Land Committee Report

- Wayne Goldstein commented that stakeholders in the community should buy in and be allowed to comment on density and height requirements, not make it automatic. Suggested that market rate housing also contribute when they are building less than 20 units toward the Housing Initiative Fund.
- Tom Bozzuto commented that implementation of the committee's recommendations would help assist in making the production of affordable housing easier and more predictable. This would lead to an increase in production.
- Mark Winston commented that the group should reflect on disincentives regarding the decision to increase impact fees. Also look at impact fees as recommended and ask whether it is appropriate to impose these fees on particular groups versus on the entire community. He requested that the group reflect on whether the recommendations would make housing more affordable.
- Norm Dreyfuss, stated that it is important to get affordable housing approved; not denial of citizen involvement at the broad level but perhaps at the specific level would be appropriate in obtaining approvals.
- Rick said that those in the county who support agriculture and green space cannot at the same time deny increased density; you can't have it both ways. Make sure the increase in height and density in the public debate as a part of the Master Plan development.
- Royce Hanson said that the problem with the MPDU bonus as it currently exists is that it encourages the production of more market rate homes in order to produce a small number of MPDUs.

- Height limits, particularly around metro stations, are lower than they need to be, they were developed over 30 years ago; however these areas comprise some of the most valuable land in the County.
- The waiver of impact fees for affordable housing, either by subsidy, appropriation or tax expenditure, which is less painful and less visible, is a policy question. All methods cost someone something. Should new development pay some percentage of marginal cost of new development? The public has already invested through provision of infrastructure to that area. It's a question of fairness that has to be weighed.
- Rick asked whether as a part of this whole process, is there a way the Planning Board would consider task force ideas.
- Royce said that the Planning Board would work with the Affordable Housing Task Force. We will work to work with this task force.
- The Planning Board is considering the Battery Lane area to be used as a kind of pilot for some similar principles.
- Chau said that members of the community prefer certain areas not necessarily to live among the wealthy but because certain areas have the better schools and other amenities.
- Additional items of discussion on incentives:
 - If developers get increased density for MPDUs, they will produce more MPDUs. CBD height limits established in Master Plans last for 30-40 years, and have prohibited use of density bonuses.
 - M-NCPPC needs to realize the economic tradeoffs. More density will equal more MPDUs, and land values should be discounted on MPDU projects.
 - CBDs need a 100-300% increase in density if using Optional Method, which has no affordable housing requirements. M-NCPPC would have to require that some percent of density in Optional Method go to affordable housing. They would have to look at the economic impact of increasing density in Optional Method with affordable housing requirements.
 - Construction costs are so high that even discounted land values cannot compensate for the cost of affordable housing construction.
 - The county's General Plan should contain a Housing element, with a Fast Track approval process.
 - The County's investment must be leveraged as much as possible. The County should provide incentives for private capital to come into Montgomery County.
 - New 10% requirement for workforce housing imposed on Metro areas, combined with MPDU requirement of 12.5% = nearly 25% of units as affordable housing.
 - A new real estate transfer tax in Montgomery County would generate \$40-\$50 million/year which could support rent subsidies for housing. Many residents need rental housing and are not homeowner candidates.
 - Rent subsidies would be an enormous help.
 - DC has used additional transfer taxes to create funds for rent subsidies.

Zoning Committee Report; presented by Barbara Sears

Preliminary Discussion/Recommendations:

- The cost of providing affordable housing is not being covered by existing incentives. The degree of proportionality is needed.
- Master Plans and Sector Plans should reflect increased density for affordable housing zoning.
- Mixed use zoning should be encouraged, in part to share parking and reduced the parking spaces needed (and costs)
- Accelerate the review time for affordable housing projects at Park and Planning.
- Create Transportation Management Plans for high density residential areas and projects, to reduce parking requirements and increase density.
- Collapse reviews (entitlements) at M-NPPC for affordable housing projects. One hearing, one review, one approval, cuts time and costs.
- Tax incentives are needed. Committee will look at what exists and explore application to increase affordable housing.
- TIF is needed to promote affordable housing.
- Good design must be required, is needed for community acceptance of hi-density projects. Agreement across the board among the committee on this issue.
- A Housing Affordability Impact Analysis is needed to be done at the Montgomery County level before the Council imposes new taxes.
- There needs to be realistic projections of where housing is going to go over the next 30 years. Even Metro station areas are lacking realistic projections.
- The Council needs to impose on itself the task of performing a realistic analysis and projection of housing needs in the County over the next 30 years. Their study of housing needs should include affordability.

Discussion on Zoning Committee Report

- Rick commented on the issue of PILOTS, currently the value on an annual basis is roughly \$10 million per year.
- Additional commentary on need for Housing Impact Study/Analysis. Similar to the broad look at environmental impact. Housing impact and lack of affordable housing impact study is needed. Montgomery County is falling behind but we do not have a common understanding of what needs to be done.
- Should parking requirements be reduced in affordable housing developments?
- Reduced parking requirements for low income and also senior developments were discussed. A clear rationale and justification for reduction in requirements had not been presented.
- There is a need to active promotion of transportation choices. Walkable communities, transportation choices very important.
- Preservation is the most cost effective way to produce very affordable units. Consider a replacement policy to preserve affordable units.

Miscellaneous

- Rick asked the committees to create a list of ideas that may require future investigation and as well as primary recommendations.
- Barbara suggested that the full Affordable Housing Task Force propose that an analysis of housing must be done. At the same time we must continue to move forward until the analysis is available.
- Rick suggested that the task force look at what it would take to perform an analysis in terms of funds, time and resources before making this recommendation.
- The Optional Method of Development should have more affordable housing.
- Proposed Legislation: That the Council must in the budget process, transfer general funds in the amount of 2.5% of real estate tax to the HIF. Past practice permitted that amount to be reduced by additional amounts received by HIF.
- The County Executive asked the Council to pass the Right of First Refusal Legislation; the nine members of the Council have co-sponsored this legislation. On June 12, the Council will hold a public hearing.
- Councilmember Knapp has proposed that the Closing Cost Assistance program be expanded to allow use by existing Homeowners on purchase of another home (move up). Knapp proposed that County employees be eligible for state mortgage assistance: \$5K from the State would be matched by \$5K from the County, up to a \$10K max.
- Chau proposed that the task force support a voluntary collective pilot to study the Bowie Mill REOI.
- Barbara responded that the some task force members are working on proposals to the REOI and that this may not be the right time for a study, but she thinks that one of the case study recommendations should be considered at a later time.
- Rick suggests that the task force members submit a proposal and encourage others to submit. The County is looking for feedback on why developer would or would not choose to submit a proposal. The County needs input on how to improve the REOIs.
- An incentive should be developed to encourage landlords to hold rents to a recommended percentage of increase.
- Developers have many choices about where to invest their funds. They can invest them in real estate; housing; Montgomery County; elsewhere. The more restrictions that the County imposes, the more likely it is that developers will move their investments to other places where it is easier to work. The result would be in higher rents and other costs for everyone.
- The need exists to identify who are the customers of affordable housing. No one is talking about who needs affordable housing, the size of units needed, etc. If this isn't taken into account it could come back to haunt us.
- Both co-chairs commented on projects in-process and the County's commitment to affordable housing as demonstrated by current and proposed projects and legislation.

Next Meeting (tentative) June 25, 2007.

Adjourned at 12:10 pm