



# Racial Equity in Housing in Montgomery County

Considerations and Best Practices

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## About the Fellow

Emilia Calma is from Oakland, CA and is currently a second-year Master of Public Policy student at Georgetown University. She is particularly interested in health equity, social policy, and sustainability opportunities for urban centers. Last fall Emilia worked on racial equity policy for D.C. Councilmember Kenyan McDuffie. Emilia has previously worked in healthcare and on environmental campaigns. She holds a B.A. in Political Science and International Relations from Carleton College in Northfield, MN.



## Overview

Stable, affordable, up to code housing is essential for the health, well-being, and the future of Montgomery County residents. In Montgomery County, there are racial disparities in homeownership rates, as well as the percentage of renters who are rent-burdened. This report recommends several methods Montgomery County can implement to improve racial equity in housing and preserve existing diverse communities.

## Acknowledgements

Thank you to the Montgomery County Council and the Office of Legislative Oversight for hosting the Summer Fellows program. This report would not be possible without the expert guidance of Elaine Bonner-Tompkins; assistance from Jean Arthur, Linda McMillan, and Lisa Govoni; and support from Pamela Dunn.

# EXECUTIVE SUMMARY

## Key Findings:

- **Homeownership rates for White and Asian** residents are **73.2% and 74.3%**, respectively, while homeownership rates for **Black and Latinx** residents are **42.5% and 49.1%**, respectively.
- Black and Latinx residents are more likely to be rent burdened or **pay over 30% of their income in rent.**

## Practices that Contribute to the Racial Disparities in Housing:

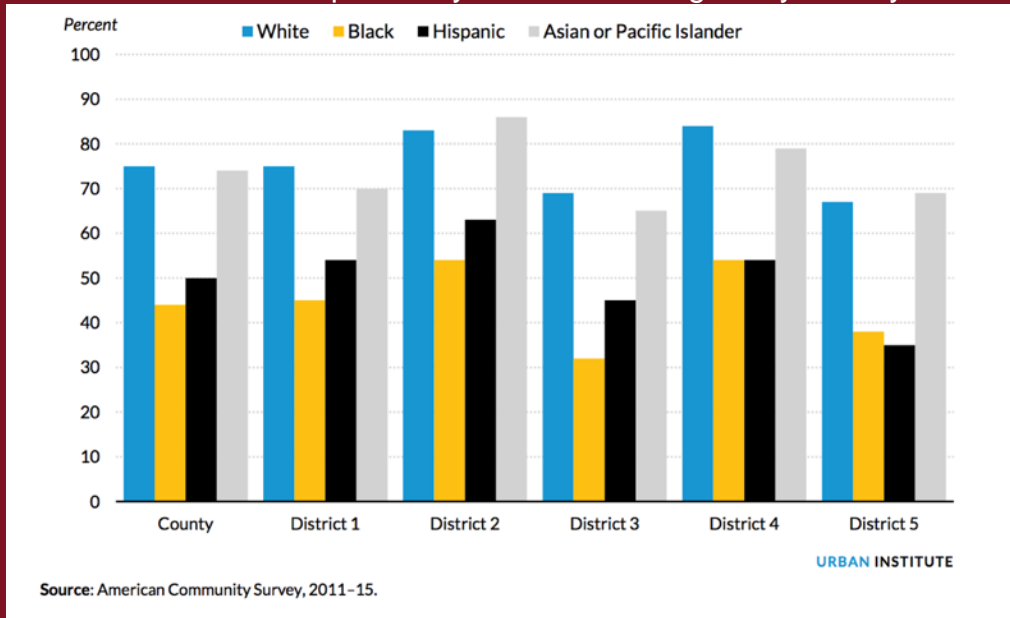
- 1) Black and Latinx communities have been **historically locked out of affluent communities and homeownership** through redlining, housing covenants, and real estate steering.
- 2) Black and Latinx residents face **discrimination in rental housing** and property maintenance.
- 3) In the 2008 housing crisis, Black and Latinx households **lost half of their wealth** while White households lost 16% of their wealth on average.
- 4) Black and Latinx residents are **exposed to environmental toxins** at disproportionate rates, leading to health disparities in many chronic conditions.

## Summary of Recommendations:

- **Increase homeownership rates by advertising existing programs to minority communities.**
- **Preserve market-rate affordable housing around future Purple Line stations.**
- **Create additional affordable housing by reserving 9% LIHTC credits for this region of Maryland.**
- **Proactively test for housing discrimination and health code violations.**

# DATA HIGHLIGHTS

Homeownership Rate by District in Montgomery County



**\$1,708**  
is the median gross rent in Montgomery County

**37%**  
decrease in homeownership rates for people under 35 (1990 to 2016)

**35.3%**  
of residents are renters in Montgomery County

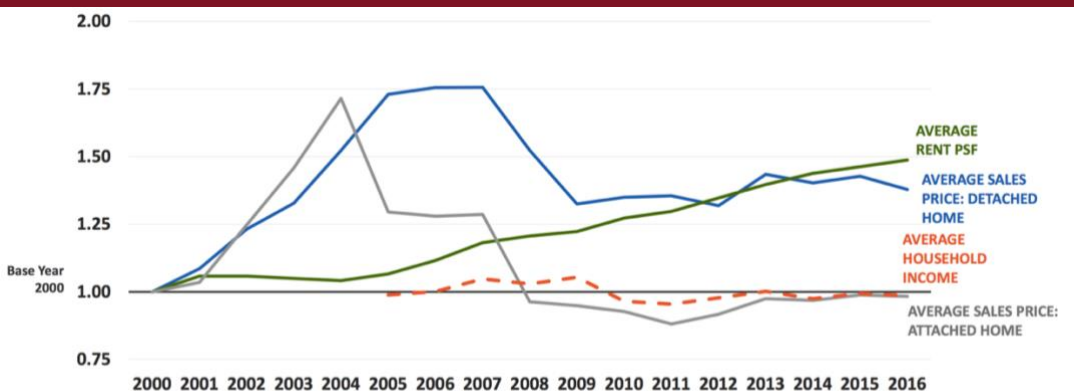
## Key Statistics:

**74%**  
of renters earn less than 100% AMI

**50%**  
of renters in Montgomery County are rent burdened

**8,000**  
low- and middle-income units have no long-term rent restrictions in future Purple Line Neighborhoods

Indexed Changes in Housing Costs and Household Income



All dollar values adjusted for inflation, Indexed to 2000 base year

This analysis is a review of County disparities to understand racial inequities and consider policies to address them. Additional study is needed to study proposed policies.

# RESEARCH INTRODUCTION

## Racial Equity Definition

Racial Equity means closing disparities so that race does not predict one's success, while also improving outcomes for all.

To eliminate racial disparities, we need to target improvements for those most burdened by racial inequity.

This means moving beyond “services” to transform policies, institutions, and structures.

## Methodology

- Consult with County staff members working on housing and zoning to better understand the current situation and identify opportunities for change.
- Review local and federal policies that have created racial disparities to provide historical background.
- Gather publicly available data on homeownership rates and housing costs in the County.
- Research practices from other jurisdictions to determine successful policy remedies for disparities in housing, homeownership, and health outcomes.

# PRACTICES THAT CONTRIBUTE TO RACIAL DISPARITIES IN HOUSING

This section describes several government policies that have segregated Black and Latinx communities, prevented them from buying houses, and stopped them from living in certain areas. Additionally, it describes current realities regarding the quality of affordable housing for low- and moderate-income residents.

Stable, up to code, affordable housing improves the health and well-being of individuals and communities. Housing often accounts for a family's largest expense and can impact a person's access to wealth, employment, education, health outcomes. As such, housing serves as a critical determinant of opportunity for individuals and families.

An equitable society where individuals can thrive regardless of race requires an affordable housing stock where households should pay no more than 30% of their household income for housing. An equitable society also features racially inclusive environments to ensure that access to services and amenities are not predictable by race or ethnicity. Yet, due to redlining, housing discrimination, and predatory loan practices, people of color in Montgomery County, and African American and Latinx residents in particular, experience higher rates of unaffordability in the housing market, as well as segregation.

## Disproportionate Access to Homeownership

Black and Latinx communities in Maryland, as in the rest of the United States, have been historically locked out of affluent communities with ample job and economic opportunities by way of redlining, housing covenants, and real estate steering. Practices like redlining and the exclusion of minorities from homeownership gateways like the post-World War II GI Bill (which granted White veterans the opportunity to buy homes with zero down payment loans and low-interest credit)<sup>1</sup> not only created racial segregation but continue to create disparities through the lack of intergenerational wealth transfer. Between 1934, when the 30-year fixed-

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<sup>1</sup> McKenna, C. (2008). The homeownership gap: how the post-world War II GI bill shaped modern day homeownership patterns for black and white Americans. Dspace.mit.edu. Retrieved 3 July 2019, from <https://dspace.mit.edu/handle/1721.1/44333>

rate mortgage was introduced, and 1968, 98% of affordable loans were given to White families, while only 2% of loans went to non-White families. Discriminatory lending practices and redlining created a situation in which many people of color were prevented from buying homes, locked out of affluent neighborhoods, and, for those that owned property, did not see their homes appreciate at the same rate as the homes of White residents. Currently, White Americans have greater access to family assistance for a down payment for a home than Black and Latinx families. With financial assistance from families in addition to savings, income, and credit advantages, White residents have access to homeownership 8 years before Black residents.<sup>2</sup> Homeownership is of particular importance because while 34% of White wealth comes from homeownership, 56% of Black and Latinx wealth comes from homeownership.<sup>3</sup>

## Disproportionate Exposure to Predatory Loan Practices

Criteria for low-interest loans from banks such as savings, credit history, and cosigners, in addition to discrimination, have led Black and Latinx people to often take on more expensive debt (at higher interest rates) and be targets of predatory loan practices. Post 2007, the wealth gap between non-Hispanic Black households and White households has widened. Additionally, Black homeownership rates have declined as Black residents disproportionately held sub-prime loans.<sup>4</sup> In the 2008 housing crisis, Black and Latinx households, on average,

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<sup>2</sup> Chopra, A. Asantee-Mohammad, D. Newville, D. Ryan, D. A downpayment on the Divide. (2019). Prosperitynow.org. Retrieved 6 July 2019, from [https://prosperitynow.org/files/resources/a\\_downpayment\\_on\\_the\\_divide\\_03-2017.pdf](https://prosperitynow.org/files/resources/a_downpayment_on_the_divide_03-2017.pdf)

<sup>3</sup> Chopra, A. Asantee-Mohammad, D. Newville, D. Ryan, D. A downpayment on the Divide. (2019). Prosperitynow.org. Retrieved 6 July 2019, from [https://prosperitynow.org/files/resources/a\\_downpayment\\_on\\_the\\_divide\\_03-2017.pdf](https://prosperitynow.org/files/resources/a_downpayment_on_the_divide_03-2017.pdf)

<sup>4</sup> Wealth inequality has widened along racial, ethnic lines since end of Great Recession. (2014). Pew Research Center. Retrieved 3 July 2019, from <https://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>

Systematic Inequality - Center for American Progress. (2018). Center for American Progress. Retrieved 3 July 2019, from <https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/>

Mui, Y. (2012). For black Americans, financial damage from subprime implosion is likely to last. [online] Washington Post. Available at: [https://www.washingtonpost.com/business/economy/for-black-americans-financial-damage-from-subprime-implosion-is-likely-to-last/2012/07/08/gJQAwnmzWW\\_story.html?utm\\_term=.a71d9c6e1c2c](https://www.washingtonpost.com/business/economy/for-black-americans-financial-damage-from-subprime-implosion-is-likely-to-last/2012/07/08/gJQAwnmzWW_story.html?utm_term=.a71d9c6e1c2c) [Accessed 3 Jul. 2019].

Housing crisis hits blacks hardest. (2019). Cnn.com. Retrieved 3 July 2019, from <http://www.cnn.com/2010/LIVING/10/19/inam.housing.foreclosure.money/index.html>



lost half of their wealth while White households lost 16% of their wealth. The foreclosure rate was also 50% higher for Black and Latinx households in the wake of the crisis.<sup>5</sup>

## Discrimination in Rental Housing

In addition to discrimination in access to credit and housing segregation, many people of color face discrimination in rental housing. Practices like only showing units in certain areas to people of color segregate communities and limit the economic and education opportunities people have. Additionally, landlords have historically not maintained properties at the same rates as they would for affluent (often White) residents with greater access to resources and more housing options.

## Disproportionate Exposure to Health Hazards

As the wealth gap increases and Black and Latinx residents have disproportionately lower resources to devote to housing, they are disproportionately exposed to unsafe housing conditions. Without the resources to move or fight landlords on unsafe conditions like black mold, leaks, and insect and rodent infestations, Black and Latinx residents are exposed to environmental toxins at disproportionate rates leading to health disparities in many chronic conditions. Incidents like the explosion at Flower Branch Apartments and the magnitude of housing code violations in the Enclave Apartments<sup>6</sup> illustrate the unsafe and unhealthy housing conditions that disproportionately affect Black, Latinx, and immigrant populations.

Environmental health hazards associated with housing location include air pollution (from industrial plants and traffic exhaust) and lead in paint and soil. The location of an expectant mother's home and subsequent exposure to air pollution and carbon monoxide has been connected to premature births and low birthweights. One study showed that a pregnant

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<sup>5</sup> Chopra, A. Asantee-Mohammad, D. Newville, D. Ryan, D. A downpayment on the Divide. (2019). Prosperitynow.org. Retrieved 6 July 2019, from [https://prosperitynow.org/files/resources/a\\_downpayment\\_on\\_the\\_divide\\_03-2017.pdf](https://prosperitynow.org/files/resources/a_downpayment_on_the_divide_03-2017.pdf)

<sup>6</sup> Peetz, C. Nearly 2,600 Housing Code Violations Found at Enclave Apartments in New Checks. (2019). Bethesda Magazine. Retrieved 6 July 2019, from <https://bethesdamagazine.com/bethesda-beat/nearly-2600-housing-code-violations-found-at-enclave-apartments/>

Thompson, S. Faulty vent and regulator caused deadly Silver Spring explosion, federal investigators say. (2019). Washington Post. Retrieved 6 July 2019, from [https://www.washingtonpost.com/local/maryland-news/faulty-vent-responsible-in-deadly-silver-spring-explosion-federal-investigators-say/2019/04/23/c3d1f53a-6530-11e9-82ba-fcfeff232e8f\\_story.html?utm\\_term=.4359ae39b620](https://www.washingtonpost.com/local/maryland-news/faulty-vent-responsible-in-deadly-silver-spring-explosion-federal-investigators-say/2019/04/23/c3d1f53a-6530-11e9-82ba-fcfeff232e8f_story.html?utm_term=.4359ae39b620)

woman moving to an area with lower carbon monoxide levels yielded more health benefits for the child than if she had been smoking 10 cigarettes a day and quit. Once a child is born, the presence of toxins and asthma triggers such as mold have had well-documented adverse effects on long-term health.<sup>7</sup>

In adults, substandard housing, environmental toxins, and overcrowding have been shown to have adverse health effects. Crowded conditions and substandard housing have been connected to increases in mental and behavioral health problems, including increased depression and hostility. Additionally, in older residents, substandard housing has been connected with increased risk of serious injury from falls.<sup>8</sup> The County must proactively inspect all rental housing and provide greater protections for tenants for the health and wellbeing of all residents.

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<sup>7</sup> Housing as a Platform. (2017). Urban Institute. Retrieved 6 August 2019, from <https://www.urban.org/research/publication/housing-platform>

<sup>8</sup> Ibid.

# DISPARITIES IN MONTGOMERY COUNTY

This section provides statistics on the racial and ethnic disparities present in Montgomery County in population trends, homeownership, and housing affordability.

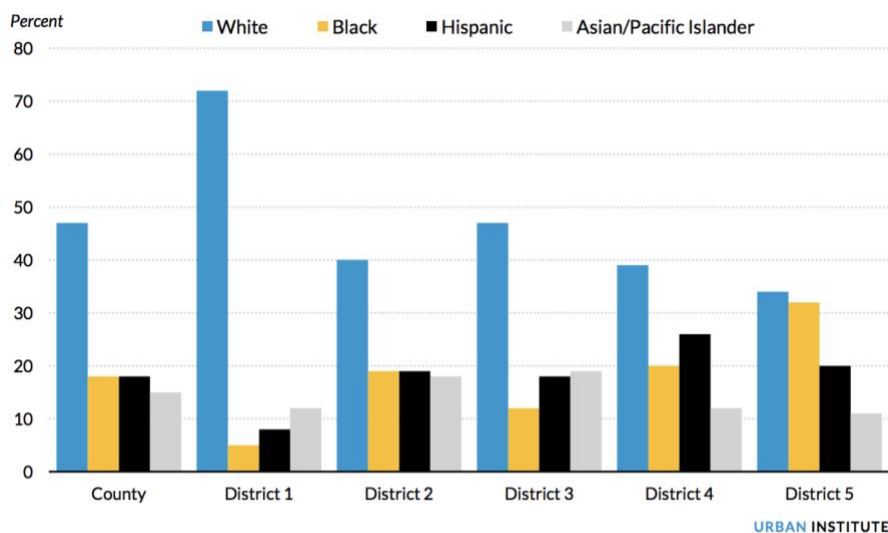
## Segregated Housing Patterns

As shown in Table 1 and Figure 1, demographics by district are not equal to the County demographics as a whole. District 1 has a disproportionate number of White residents as compared to the County data, while District 5 has twice the County average of Black residents.

**Table 1.** Demographic Profile of Council Districts Montgomery County, MD (2016)<sup>9</sup>

| Race                   | Total | District 1 | District 2 | District 3 | District 4 | District 5 |
|------------------------|-------|------------|------------|------------|------------|------------|
| White                  | 45.9% | 71.5%      | 40.1%      | 45.8%      | 38.6%      | 33.2%      |
| Black                  | 17.3% | 4.8%       | 19%        | 12.2%      | 18.5%      | 32.4%      |
| Hispanic               | 18.6% | 8.5%       | 19.2%      | 18.8%      | 26.4%      | 20.2%      |
| Asian/Pacific Islander | 14.5% | 12%        | 18.2%      | 19.5%      | 12.7%      | 10.2%      |

**Figure 1.** Demographics of Montgomery County Council Districts

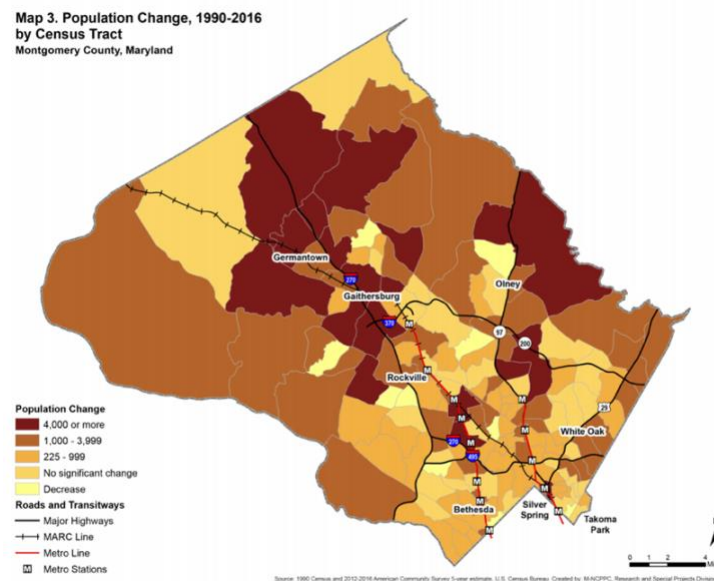


Source: American Community Survey, 2011–15.

<sup>9</sup> Demographic Profile of Council Districts Montgomery County, MD (2016). *Montgomeryplanning.org*. Retrieved 6 August 2019, from <https://montgomeryplanning.org/wp-content/uploads/2018/12/MC-Council-Districts-Demographic-Profile-2016.pdf>

In recent years, the population has increased in Montgomery County at a rate of 7% per year, with projected increases of 5% per year, especially from foreign-born people from Latin America and Asia.<sup>10</sup> Figure 2 shows the population change by census tract from 1990 to 2016. As the County became more diverse and included more people of color, those communities were concentrated up-county in areas including Germantown and Gaithersburg. In contrast, majority White communities like Bethesda either decreased in population or had no significant increase. These population changes have the effect of segregating communities of color in certain areas of the County which are generally less affluent.

**Figure 2. Population Change by Census Tract in Montgomery County**



These differences in demographics across the County affect access to services, as well as markers like homeownership rates.

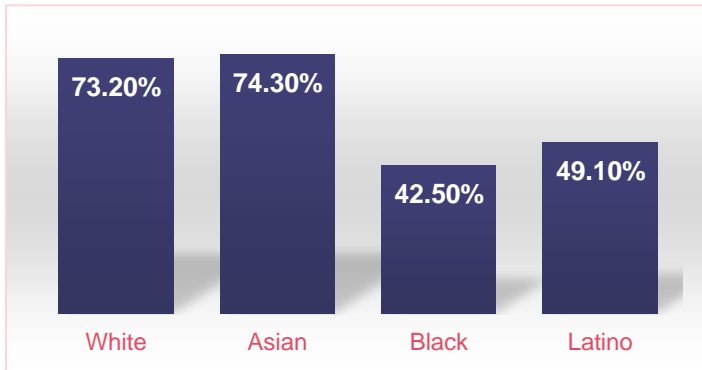
## Disparities in Homeownership Rates

Significant disparities by race and ethnicity in homeownership rates exist in Montgomery County. As noted in the Figure below, homeownership rates for White and Asian residents were 73.2% and 74.3% in 2017, respectively, while homeownership rates for Black and

<sup>10</sup> Trends Report. Montgomeryplanning.org. (2019). [online] Available at: [https://montgomeryplanning.org/wp-content/uploads/2019/01/MP\\_TrendsReport\\_final.pdf](https://montgomeryplanning.org/wp-content/uploads/2019/01/MP_TrendsReport_final.pdf) [Accessed 3 Jul. 2019].

Latinx residents were 42.5% and 49.1%.<sup>11</sup> Across the County, District 5 had the lowest homeownership rates (53%) across all racial and ethnic groups, and District 2 had the highest homeownership rates with an average of 75%.<sup>12</sup> As previously stated, District 5 has twice the County rate of Black residents.

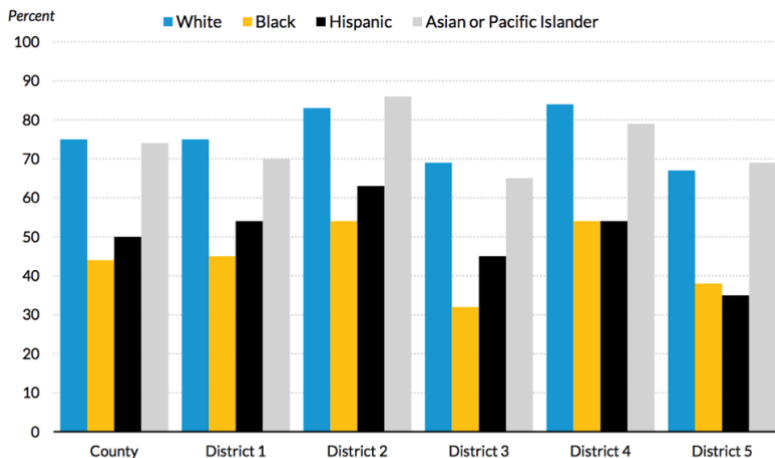
**Figure 3. Homeownership Rates in Montgomery County (2017)**



Source: American Community Survey cited in Racial Equity Profile, Montgomery County

Figure 4 also shows that gap in homeownership between White and Asian residents and their Black and Latinx peers persisted across Council districts. In every district, Black and Latinx homeownership rates are well below the homeownership rates for White and Asian residents.

**Figure 4. Homeownership Rate by District in Montgomery County**



According to the Urban Institute’s analysis of 2011-2015 American Community Survey data, if households of color owned homes in Montgomery County at rates equitable to White households, there would have been 19,400 more Black homeowners, 12,000 more Hispanic homeowners, and 800 additional Asian

homeowners in the County, with the most gains in homeownership occurring in District 5.

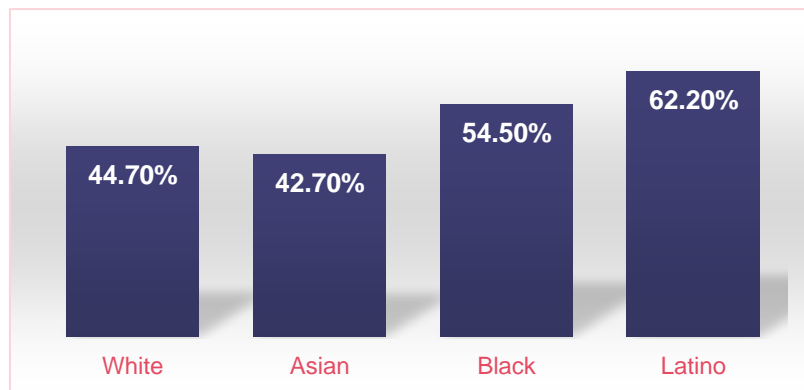
<sup>11</sup> Racial Equity Profile Montgomery County. (2019). Montgomerycountymd.gov. Retrieved 3 July 2019, from [https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLO2019-7-6\\_20\\_19.pdf](https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLO2019-7-6_20_19.pdf)

<sup>12</sup> Hendey, L. and Posey, L. (2017). Racial Inequities in Montgomery County. [online] Urban.org. Available at: [https://www.urban.org/sites/default/files/publication/95386/2017.12.28\\_montgomery\\_county\\_finalized\\_2.pdf](https://www.urban.org/sites/default/files/publication/95386/2017.12.28_montgomery_county_finalized_2.pdf) [Accessed 3 Jul. 2019].

## Disparities in Housing Affordability

Rates for homeownership in the County have declined for every age group except for 65+, with the biggest losses occurring for people under 35. The number of homeowners in Montgomery County under the age of 35 declined from 45% in 1990 to 28% in 2016. With the decline in homeownership, there has been an increase in the percentage of renters in Montgomery County from 32.1% of households in 1990 to 35.3% (46% of the increase in total number of households) in 2016 with a median gross rent of \$1708 (2017).<sup>13</sup>

**Figure 5. Gross Rent More Than 30% of Household Income (2017)**



Source: American Community survey 2011-2015

74% of residents in Montgomery County who rent earn less than \$103,235 or 100% Area Median Income (AMI).<sup>14</sup> Black and Latinx residents are disproportionately likely to be earning less than \$75,000 in Montgomery County, or less than 75% AMI. In fact, Black and Latinx residents in Montgomery are statistically more likely to be earning below \$50,000 than earning more than \$100,000.<sup>15</sup> Across the County, median household income for White residents was \$119,426 while median household income for Black residents was \$72,586,

<sup>13</sup> Montgomery Planning Releases Report Highlighting Population, Housing and Employment Trends Over Past 25 Years - Montgomery Planning. (2019). Montgomery Planning. Retrieved 3 July 2019, from <https://montgomeryplanning.org/montgomery-planning-releases-report-highlighting-population-housing-and-employment-trends-over-past-25-years/>

Residential Rent Statistics for Montgomery County Maryland | Department of Numbers. (2019). Deptofnumbers.com. Retrieved 3 July 2019, from <https://www.deptofnumbers.com/rent/maryland/montgomery-county/>

<sup>14</sup> Montgomery County, MD | Data USA. (2019). Datausa.io. Retrieved 3 July 2019, from <https://datausa.io/profile/geo/montgomery-county-md/>

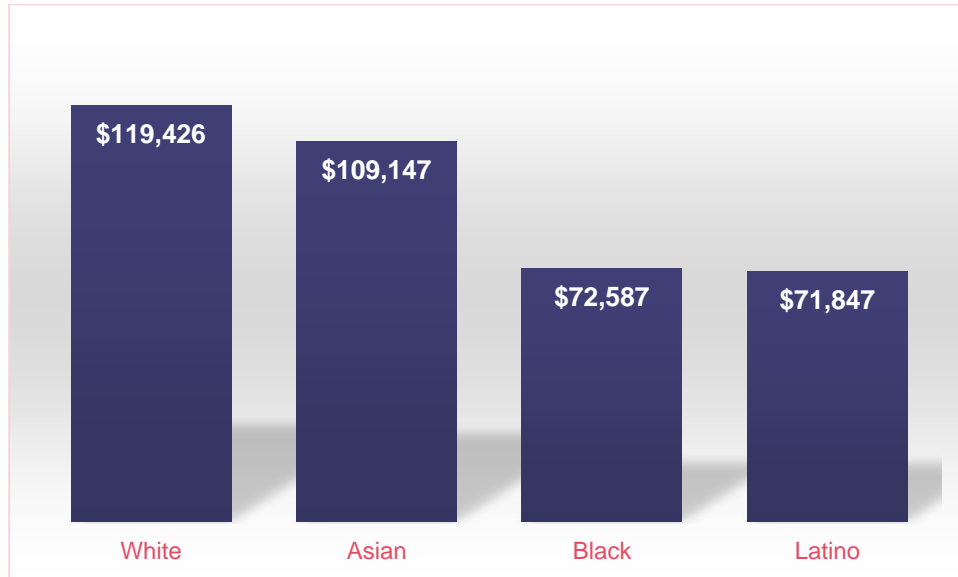
This is below the area median income for the region of \$121,300.

FY 2019 Income Limits Documentation System. (2019). Huduser.gov. Retrieved 3 July 2019, from <https://www.huduser.gov/portal/datasets/il/il2019/2019summary.odn>

<sup>15</sup> Trends Report. Montgomeryplanning.org. (2019). [online] Available at: [https://montgomeryplanning.org/wp-content/uploads/2019/01/MP\\_TrendsReport\\_final.pdf](https://montgomeryplanning.org/wp-content/uploads/2019/01/MP_TrendsReport_final.pdf) [Accessed 3 Jul. 2019].

and median household income for Asian residents was \$71,847. When comparing average household income, White household earnings in the County are over 150% of Black and Latinx household earnings, but when comparing average White household earnings in District 1 to average Black household earnings in District 5, White incomes are 2.7 times higher than Black incomes. Because of this, residents of color are more likely to be rent burdened and spend more than 30% of their income on housing costs.

**Figure 6.** Median Household Income in Montgomery County, 2017



Source: American Community survey 2011-2015

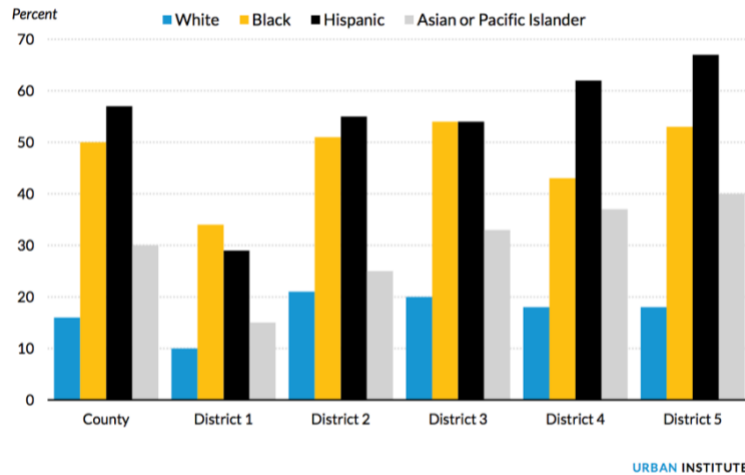
**Table 2.** Average Household Incomes, Adjusted to 2015

|                  | County    | District 1 | District 2 | District 3 | District 4 | District 5 |
|------------------|-----------|------------|------------|------------|------------|------------|
| Total Population | \$133,500 | \$205,600  | \$116,300  | \$120,500  | \$115,100  | \$102,500  |
| White            | \$159,900 | \$219,200  | \$132,500  | \$135,200  | \$138,300  | \$129,800  |
| Black            | \$88,100  | \$114,100  | \$87,800   | \$85,800   | \$94,600   | \$81,100   |
| Latinx           | \$87,800  | \$147,800  | \$85,600   | \$85,500   | \$79,400   | \$71,600   |

Source: American Community Survey 2011-2015

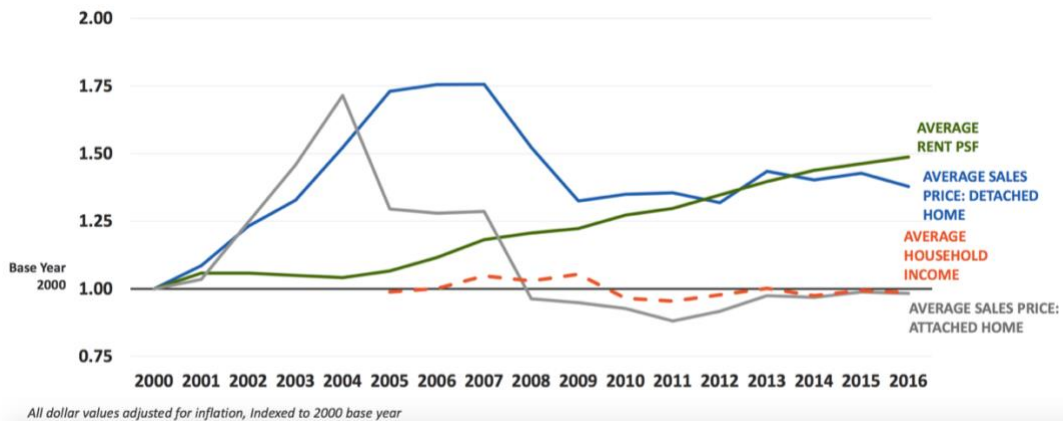
Note: data on Asian Residents has been excluded for reliability

**Figure 7. Families with Annual Incomes Less than \$75,000 (2015 Dollars)**



Households earning below 50% AMI are 38% of the demand for rental housing. However, only 19% of units are available at that income. 80% of the renters who earn less than 50% AMI are considered rent burdened. More generally, half of all renters in Montgomery County are rent burdened, with significant disparities across racial and ethnic groups.<sup>16</sup> The rate of Black residents paying over 30% of their income in rent was 122% of the rate of White residents, and the rate of Latinx residents paying over 30% of their income in rent was 139% of the rate of White residents.<sup>17</sup>

**Figure 8. Indexed Changes in Housing Costs and Household Income**



<sup>16</sup> Rental Housing Fact Sheet. (2019). Montgomeryplanning.org. Retrieved 3 July 2019, from <https://montgomeryplanning.org/wp-content/uploads/2017/07/RentalHousingSheet.pdf>

<sup>17</sup> Racial Equity Profile. (2019). Montgomerycountymd.gov. Retrieved 3 July 2019, from [https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLO2019-7-6\\_20\\_19.pdf](https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLO2019-7-6_20_19.pdf)



Montgomery County needs to increase its affordable housing stock in order to serve current and incoming residents. With the anticipated opening of the Purple Line, the County can expect population growth and raised average income in those areas, giving the County an opportunity to prevent displacement and preserve current market rate affordable housing.

# COUNTY HOUSING PROGRAMS

## Policies that Increase Homeownership

**Down payment assistance and other financial incentives.** Montgomery County, in cooperation with the state of Maryland, provides up to \$25,000 in down payment assistance and access to credit (30-year fixed-interest rate mortgage) to eligible first-time homebuyers who purchase their home through the Maryland Mortgage Program. Part of eligibility requirements for the Montgomery Homeownership Program II and Maryland Mortgage Program is to complete a Homebuyer Education Class. Financial incentives available for participants of this program include allowing homebuyers to pay off part of their student debt as part of the home purchase, federal tax credits of up to \$2,000 each year for the life of the loan, and matching 0% loan funds of up to \$2,500.<sup>18</sup> These programs are detailed on the Montgomery County Website but are otherwise not publicized within communities.

## Policies that Increase Affordable Housing

**MPDU program.** Montgomery County requires that 12.5% to 15% of approved developments of 20 units or more be Moderately Priced Dwelling Units (MPDUs). These housing units are rented or sold at controlled prices, targeted to individuals making 60-80% AMI.

**Multi-family housing programs.** Affordable multi-family housing units are created and preserved through loans made to the Housing Opportunities Commission (HOC), non-profit organizations, property owners, and for-profit developers. Funding is used to preserve existing units, construct and purchase affordable units, rehabilitate existing rental stock, acquire land, and provide low-income rental housing assistance. This program leverages County funds with other public and private funds to create additional housing. Large amounts of funding for this program come from Montgomery Housing Initiative Fund, the Federal HOME Grant, the Federal Community Development Block Grant, and State grants.<sup>19</sup>

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<sup>18</sup> Montgomery Homeownership Program II . (2019). Mmp.maryland.gov. Retrieved 6 August 2019, from <https://mmp.maryland.gov/Montgomery/Pages/MontgomeryHomeownershipProgramII.aspx>

<sup>19</sup> Montgomery County Maryland Operating Budget. (2019). Apps.montgomerycountymd.gov. Retrieved 7 August 2019, from

<https://apps.montgomerycountymd.gov/BASISOPERATING/Common/Program.aspx?ID=76D&PROGID=P76P01>

**Rental assistance.** The Housing Opportunities Commission (HOC) administers federally funded Housing Choice Voucher (HCV) programs, which make up the majority of County-administered rent subsidies. The Housing Choice Voucher program allows individuals to rent on the private market, making up the difference between market rent and 30% of a household's monthly income. 75% of all vouchers are targeting toward low-income families (30% AMI). Housing Choice Vouchers include:

- **Tenant-Based Vouchers** which provide rental assistance to individuals on the housing unit of their choice
- **Project-Based Vouchers** which provide rental assistance for specific housing units.
- **Non-Elderly Disabled Vouchers** which provide assistance to households where the head of household, spouse, or co-head is under the age of 62, has a disability, and has a household income of less than 50% AMI.
- **Veterans Affairs Supportive Housing Vouchers** which offer assistance to homeless veterans with psychiatric or substance-abuse disorders.

Additionally, HOC administers four locally-funded rent subsidy programs:

- **Rent Supplement Program** provides rent subsidies to County residents with income of 20-40% AMI who do not receive federally-funded housing assistance.
- **Community Choice Homes Initiative** assists individuals exiting nursing homes and non-elderly persons with disabilities.
- **Move-Up Initiative** assists individuals and families transitioning from permanent supportive housing to long-term housing without supportive services.
- **Youth Bridge Initiative** assists individuals aging out of the foster care system.<sup>20</sup>

## Policies that Promote Healthy Housing

**Housing code enforcement.** The Department of Housing and Community Affairs inspects rental condominiums, multi-family apartments, and single-family housing to ensure housing is up to code. Approximately 80% of single-family inspections are due to resident or neighbor

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<sup>20</sup> Inventory of Rent Subsidy Programs in Montgomery County (2019). Montgomerycountymd.gov. Retrieved 7 August 2019, from <https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/Inventory-Rent-Subsidy-Programs.pdf>

complaint. Multi-family apartment inspections are required every three years, in addition to responses to tenant or neighbor complaints.<sup>21</sup>

Generally, routine inspections are required for all properties under rental license including apartments, condominiums, and single-family homes. However, there is concern that many single-family homes being rented have not acquired a rental license and are thus not being inspected without tenant complaint. Additionally, communities of color, or low-income individuals concerned about losing their affordable housing, may not be empowered to call for housing inspections, or may not have adequate information to identify problems and locate resources.

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<sup>21</sup> Montgomery County Maryland Operating Budget. (2019). Apps.montgomerycountymd.gov. Retrieved 7 August 2019, from <https://apps.montgomerycountymd.gov/BASISOPERATING/Common/Program.aspx?ID=76D&PROGID=P76P03>

# BEST PRACTICES AND RECOMMENDATIONS

This section offers recommendations for how Montgomery County could reduce racial inequities in housing.

Five specific recommendations follow:

- Increase homeownership opportunities for Black and Latinx residents
- Preserve and create additional affordable housing around transit centers in advance of Purple Line completion
- Create additional affordable housing in the County
- Combat housing discrimination to promote housing integration
- Ensure housing is up to code and without health hazards

Descriptions of each of these recommendations follows:

## Expand Pathways to Homeownership

Homeownership can provide stable housing and protect households from displacement. Additionally, homeownership often allows individuals and families to build wealth both for themselves and for future generations. To actualize these benefits, this brief recommends two approaches:

**Advertise down payment assistance and low interest rates to Black and Latinx communities.** Often, low income and minority renters are denied homeownership due to a lack of down payment or unaffordable loan rates. While the County has made efforts to offer down payment assistance and low interest mortgages in cooperation with the state of Maryland, these services need to be better advertised and offered Black and Latinx populations to increase homeownership rates. This also requires that education about resources be offered in multiple languages. Information about this program is currently listed on the County website<sup>22</sup>, but additional efforts could be made to inform Black and Latinx residents. Awareness of these programs and targeting marketing could begin to close the

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<sup>22</sup> Montgomery Homeownership Program II . (2019). Mmp.maryland.gov. Retrieved 6 August 2019, from <https://mmp.maryland.gov/Montgomery/Pages/MontgomeryHomeownershipProgramII.aspx>

disparities in homeownership rates and allow for greater wealth building within communities of color. As a major barrier to homeownership for low-income residents is the need for a 20% down payment, down payment assistance and access to low-interest credit would make homeownership possible for many.

**Create limited-equity cooperatives.** One path to homeownership for low-income communities could include taking housing off-market in the form of limited-equity cooperatives. A limited-equity cooperative is one in which a government agency or nonprofit organization limits the resale price of membership shares in order to keep the housing affordable to incoming low- and moderate-income members.<sup>23</sup> Limited equity units allow households to own a unit, providing benefits through stable long-term housing and reduced housing costs (lowering the number of rent-burdened households). This occurs in Montgomery County already in the form of Moderately Priced Dwelling Units. However, this type of ownership could be expanded through the County donating public lands to non-profit partners for affordable housing or by acquiring land through Right of First Refusal (RoFR) and donating the land to the Housing Opportunities Commission (HOC).

HOC could retain ownership of the land and rent it at affordable rates, or they could allow for resident homeownership of the land with a limited resale value. Future Purple Line neighborhoods across Montgomery County have a number of older rental properties that could be purchased at reduced prices than properties around existing Metro Centers. For this to happen, the Housing Initiative Fund will likely need to acquire additional funding and flexible capital, which could be designated by the Council.

## **Preserve Market-Rate Affordable Housing around Future Purple Line Stations**

Montgomery County needs affordable housing in order to build a diverse, inclusive community that empowers people of all races, ages, ethnicities, genders, and more. Housing affordability directly contributes to diversity and sustainability as Black and Latinx residents spend disproportionately more of their incomes on housing.

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<sup>23</sup> Shared Equity Research. (2015). Urban Institute. Retrieved 7 August 2019, from <https://www.urban.org/projects/shared-equity-research>

Montgomery County currently has an opportunity to create multi-family affordable housing around incoming Purple Line stops that will allow communities of color and low-income households (many of which are disproportionately less likely to own cars) access to opportunities via public transportation. Currently, housing around Purple Line transit hubs are facing potential property value increases of 45%. While there are currently 1,900 low- and middle-income units with long-term rent restrictions, there are over 8,000 low- and middle-income units with no long-term rent restrictions.<sup>24</sup> Two specific options for preserving market rate affordable housing along the Purple Line corridor follow:

**Use inclusionary zoning and other policy tools to preserve affordable housing.** The Council should consider updating the general plans for areas such as Long Branch which are currently market affordable in advance of the Purple Line opening. Currently in Long Branch, there are large amounts of market rate affordable housing with limited or no restrictions on redevelopment as it was built before the adoption of inclusionary zoning. Once the area becomes connected to transit, there will likely be redevelopment of the older apartment stock, making it unaffordable for the residents who currently live there. Options for maintaining housing affordability include up-zoning the area for increased density in exchange for no net loss of affordable housing.<sup>25</sup> A good example from Montgomery County includes the Veirs Mill master plan which utilized a combination of 15% MDPU's and rent regulated units to preserve all current market affordable units. Generally, I recommend that the County survey at-risk properties and areas that were built before inclusionary zoning was implemented with the intention to revisit master plans to maintain housing affordability through inclusionary zoning in future Purple Line neighborhoods.

**Rent regulate units, especially in areas near future Purple Line stops.** In advance of expected development, Montgomery County has an opportunity to put several tenant protections in place to prevent displacement. First, rent control or rent stabilization rules (such that rent can only be raised by a certain percentage each year) can allow for development while allowing residents to stay in their current residences. While this would make sure the rents do not go up immediately, there is some concern that landlords would let

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<sup>24</sup> Housing. (2017). PLCC. Retrieved 3 July 2019, from <http://purplelinecorridor.org/housing/>

<sup>25</sup> Ideas: <https://www.alexandriava.gov/planning/info/default.aspx?id=100785>  
<https://www.howardcountymd.gov/route1>

property deteriorate and otherwise create conditions that force residents out of their homes. As such, rent control must be coupled with robust scheduled inspections of properties and is best paired with allowances for allowed rent increases for major repairs and “just cause” eviction protection.<sup>26</sup>

## Create Additional Affordable Housing in the County

Given Montgomery County’s proximity to Washington, D.C. and current land values, it is unlikely that the market will provide adequate options for all income levels. Creating affordable housing requires development of new housing stock, as well as the preservation of market-rate affordable housing units. Two strategies for expanding affordable housing could be considered:

**Lobby the Maryland State Housing Authority for 9% LIHTC to be set aside for Washington suburbs.** A large share of the new affordable housing development for low- and moderate-income residents in Montgomery County, as in the rest of the United States, has occurred from the Low Income Housing Tax Credit (LIHTC).<sup>27</sup> The tax credits that developers acquire to build affordable housing are administered by the state and sold to investors to raise funds for new construction. These new units typically target households earning 50-60% AMI. However, Montgomery County is often not competitive for the most attractive tax credits of 9% based on how the state currently awards points for projects. Currently, LIHTC projects are undertaken in communities with low land values due to the “bonus” for creating housing in low-income or high-poverty areas. This has the effect of concentrating poverty by creating

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<sup>26</sup> What about housing – a toolkit for inclusive growth. (2019). Groundedsolutions.org. Retrieved 6 July 2019, from <https://groundedsolutions.org/sites/default/files/2018-11/17%20What%20About%20Housing%20-%20A%20Policy%20Toolkit%20for%20Inclusive%20Growth.pdf>

<sup>27</sup> LIHTC works by allocating federal tax credits to states. The IRS allocates tax credits to state housing authorities (\$2.1 per person). The state housing authorities then take bids (qualified action plans) from developers on how much affordable housing they will provide, and for how long of an affordability period. There are minimums for what must be provided: a 15-year affordability period and either 20% of housing for people at 50% area median income (AMI), or 40% of housing going to people at 60% AMI. However, developers will often promise to build more affordable housing units, provide them to lower-income persons, or promise a longer affordability period in order to get the tax credit in competitive markets. Developers who win the bid are awarded tax credits which they can then sell to investors to raise capital to cover their development costs. Investors choose to invest in these projects because over the 10-year period, they often pay less in federal taxes than they pay to the developer. Additionally, they can claim ownership of the building for that period and thus deduct building depreciation from their taxes. Essentially, investors save more in reduced tax liability than they pay to developers. Banks in particular like to invest in LIHTC projects because they also get CRA credit for it in addition to saving money.



affordable units in areas without access to resources and opportunities.<sup>28</sup> In addition to furthering segregation, this policy makes Montgomery County as a whole not competitive for funding due to high land values and low poverty rates.

Multiple northern Virginia jurisdictions have been able to lobby the state housing agency to have 18% of the 9% tax credits set aside for housing development in D.C. suburbs. Given the increased development costs and housing needs of the area, I recommend that Montgomery County work with Prince George's County to have tax credits set aside from the state of Maryland for increased housing in the suburbs of Washington, D.C.<sup>29</sup> This would likely incur startup costs given the cost of a lobbying effort, but would allow for continued development in the area for the foreseeable future.

## **Combat Housing Discrimination in Montgomery County to Advance Integration**

**Continue testing for discrimination.** Fair housing laws prohibit discrimination in the United States. However, limited income, immigration status, lack of knowledge of rights, and low English proficiency can limit housing choices for some residents and make them disproportionately susceptible to housing code violations. Montgomery County must continue testing for discrimination in the housing market, as well as continue to proactively test for housing code violations both in apartments and house rentals.

## **Ensure Housing is Safe and Without Health Hazard**

Residents with limited housing choices may live in housing that is overcrowded or not up to code. Lack of housing stability, quality of housing, and characteristics of the neighborhood substantially contribute to health outcomes among individuals and communities of color. People without stable housing have lower life expectancies and environmental toxins in homes such as lead can lead to irreversible brain and nervous system damage to children. Moreover, other toxins such as rodent infestations and black mold contribute to disproportionately high asthma rates for Black and Latinx people. Montgomery County must enforce housing codes while providing access to housing remediation and options to leave

<sup>28</sup> Housing as an Asset Class. (2019). Urban Institute. Retrieved 7 August 2019, from [https://www.urban.org/research/publication/housing-asset-class/view/full\\_report](https://www.urban.org/research/publication/housing-asset-class/view/full_report)

<sup>29</sup> Montgomery County Rental Housing Study. (2019). Montgomeryplanning.org. Retrieved 3 July 2019, from [https://montgomeryplanning.org/wp-content/uploads/2017/07/RHS\\_Strategy-Document2.pdf](https://montgomeryplanning.org/wp-content/uploads/2017/07/RHS_Strategy-Document2.pdf)

dangerous situations. Towards this end, the County should consider using health funding and programming to create healthier housing options.

**Inspect all properties to maintain adequate safety and health for residents.** Currently, Montgomery County inspects apartment complexes every three years, and “problem” properties every year. However, rentals in homes are almost certainly undercounted, as not all people who rent out their homes acquire rental licenses. The County should survey properties to find out how many houses are being rented and expand their inspection program to include those properties.

**Create amnesty to reduce illegal apartments.** Additionally, the County could offer amnesty for illegal apartments. There currently is no estimate on how many illegal accessory apartments are rented out in Montgomery County. Offering amnesty to owners would allow people to come forward and bring their unit into compliance and up to code. One jurisdiction in Barnstable, Massachusetts coupled their amnesty program with funds to rehabilitate the unit, as well as an agreement that the unit would be rented to a household earning less than 80% AMI.<sup>30</sup>

**Use health funding and programs to create healthier housing.** As up to code housing is so often tied to health, many jurisdictions have used health funding and community health workers (CHWs) to provide home care and housing inspections, simultaneously. Asthma reduction programs in Boston and Richmond have shown improvements in child health, while connecting residents to housing mediation services and providing low cost supplies like dust covers. Boston’s program showed that patients who received the recommended number of home visits had, on average, 21 fewer days with asthma symptoms per year and children missed 12 fewer days of school per year.<sup>31</sup>

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<sup>30</sup> Lyons, J. Stimulating Accessory Apartment Development. (2019). Montgomerycountymd.gov. Retrieved 6 July 2019, from [https://www.montgomerycountymd.gov/COUNCIL/Resources/Files/Summer\\_Fellows/2018/FinalReport-Lyons.pdf](https://www.montgomerycountymd.gov/COUNCIL/Resources/Files/Summer_Fellows/2018/FinalReport-Lyons.pdf)

<sup>31</sup> If this is of interest to the council, I recently put together a proposal for DC and would be happy to pass it along for their consideration.

"Boston Asthma Home Visit Collaborative." Boston Public Health Commission. 2019. Accessed February 15, 2019. <http://www.bphc.org/whatwedo/healthy-homes-environment/asthma/Pages/Boston-Asthma-Home-Visit-Collaborative.aspx>.

This report offers a starting point for the County Council to consider the disparities and inequities that characterize current housing policy. While the County has made efforts to reduce disparities in housing, additional policies could be enacted to increase homeownership rates, increase and preserve affordable housing, and ensure housing is safe and up to code.