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PROJECT OVERVIEW

About the Fellow
Gabrielle Rogoff is a Master in Public Policy student at Georgetown University specializing in social policy and inequality. She is especially passionate about alleviating poverty by expanding and maintaining low-income households’ access to high-quality affordable housing in urban communities. She is the Director of Service Programs for the McCourt Student Association at Georgetown University. In her free time, Gabrielle enjoys caring for her houseplants, following national and local politics, and exploring the DMV with her husband.

Overview
The MPDU Program faces challenges in maintaining the long-term affordability of rental and resale MPDUs. This study evaluates patterns of rising unaffordability in resale and rental MPDUs, provides case study examples, and assesses methods that can safeguard moderate-income families’ continued access to affordable homes and apartments in Montgomery County.

Acknowledgements
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RESEARCH INTRODUCTION

Definitions

Affordability – Affordability is calculated based on an individual household’s reasonable ability to pay for housing. HUD defines the affordability standard for rental housing as no more than 30 percent of the household’s gross income.

Affordable Housing – The overarching term used to describe all housing priced at a level that will not cause a given household to become housing cost-burdened.

Area Median Income – Defined as the median income for a given region. The AMI is officially established by HUD each year and varies widely based on the geographic market.

Cost-Burdened – A household is cost-burdened when 30% or more of the household’s income is allocated to housing costs.

Moderate Income – Defined for this effort as households earning less than 100 percent of AMI. Moderate income is defined differently for certain HUD agencies.

Market-Rate Housing – Market-rate housing is housing that receives no public subsidy. This housing includes all units not affordable to households earning less than 80 percent of AMI for rental.

Moderately Priced Dwelling Unit – Includes rental and ownership units that serve households with incomes up to approximately 65 to 70 percent of AMI. At least 12.5 percent of the total number of units in every new subdivision or high-rise building of 20 or more units must be MPDUs.

Consumer Price Index – A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

Abbreviations

- DHCA – Department of Housing and Community Affairs
- MPDU – Moderately Priced Dwelling Unit
- AMI – Area Median Income
- CPI – Consumer Price Index
- HUD – United States Department of Housing and Urban Development
- CLT – Community Land Trust
- HOC – Housing Opportunities Commission
Methodology

I conducted a literature review of inclusionary housing history and theory, analyzed housing market trends in the United States and in Montgomery County using data from the American Community Survey and the Department of Housing and Community Affairs database, and communicated with government and nonprofit employees who oversee inclusionary housing programs in local government housing departments throughout the United States. I compiled a catalog of affordable housing programs administered by municipalities throughout the United States that serve moderate-income renters and homeowners, which provides the basis of the proposed policy alternatives that aim to preserve and expand the supply of affordable housing in Montgomery County.

Sources

- Interviews and correspondence with affordable housing program directors in Loudoun County, Fairfax County, the City of Annapolis, Washington, D.C., Santa Clara County, and Montgomery County DHCA staff.
- Montgomery County’s CountyStat Database
- Department of Housing and Community Affairs Database
- Montgomery Planning Research and Special Projects Division
- United States Department of Housing and Urban Affairs
- United States Census Bureau
- American Community Survey
EXECUTIVE SUMMARY

The MPDU program is one of several affordable housing programs administered in Montgomery County by the DHCA. The MPDU program is an inclusionary zoning program established in 1973 that facilitates the development of affordable ownership and rental units throughout the county. Under the 2004 amendments to the MPDU law, at least 12.5 percent of the total number of units in every housing development with 20 or more units must be set aside as MPDUs. There are approximately 5,550 MPDUs currently under controls [1]. The policy goal of the program is to create housing that is affordable to low, moderate, and middle-income households in all parts of the County [2]. According to the 2015 study “The Greater Washington Region’s Housing Needs 2023,” Montgomery County will need 14,960 new housing units for households earning less than 80% of area median income by 2023 to ensure that the supply of affordable housing can meet residents’ needs [3].

MPDU rental units are initially leased at moderate rates to households with maximum incomes of 65-70 percent AMI. The policy goals of the rental program include the objective “increase the supply of rental housing affordable to low and moderate-income households, particularly in areas that are easily accessible to transit” [4]. Rental units become more expensive over time due to the permitted yearly increases in rental rates. In one North Bethesda development that first leased units in 2008, an eligible two-person household that rents a two-bedroom MPDU would be cost-burdened today (see chart on page 11). As of July 2019, average MPDU rental rates exceed average market rental rates in Germantown (see chart on page 10). Given that 99-year control periods on rental MPDUs function as in-perpetuity controls, it is concerning that rental MPDUs in some parts of Montgomery County can become unaffordable to the target population after one decade.

The MPDU homeownership program allows first-time homebuyers to purchase townhomes, condos, and single-family detached units at rates that are affordable to households with moderate incomes. Families with a maximum income of 70 percent AMI can buy a home at an affordable price, thereby attaining financial security and stability [5]. In the interest of achieving its stated policy goals, the County must maintain affordability of the existing stock of MPDU homes by pursuing methods that keep the prices of resale MPDU low. However, data reveals that the MPDUs currently under controls may become unaffordable to the target population in as few as two resales. The main factors that contribute to this pattern are the initial purchaser’s ability to include options in the new unit, realtor fees, and the MPDU maximum resale price formula, particularly the way that inflationary pressures are accounted for at the point of resale.
MONTGOMERY COUNTY HOUSING MARKET

Rental Market

- While one-person and two-person households make up the largest share of renters in Montgomery County, the proportion of three-person and four-or-more person households in the County has grown since 2010. This pattern demonstrates growing market demand for rental units that can accommodate larger households.

- The 2017 Montgomery County Rental Housing Study found that:
  - 74 percent of renters in Montgomery County earn less than 100 percent AMI;
  - 40 percent of renter households have 3 or more residents;
  - New construction has not kept pace with past construction rates;
    - Only 14 percent of rental units in Montgomery County have been constructed since 2000, while 55 percent of rental units in the County were built prior to 1980;
  - Demand for moderately-priced units outpaces supply;
  - Approximately 50% of all renter households in Montgomery County are cost-burdened; and,
  - High and low-income renters are underserved by the current mix of rental units.
Homeownership Market

The Long and Foster June 2019 Montgomery County Housing Market Report finds that:

- In June 2019, the median sale price of Montgomery County homes was $487,512, an increase of 2 percent or $7,612 compared to June 2018.
- 1,316 units sold in Montgomery County in June 2019. 1,386 units sold in May 2019.
- The total number of homes available for sale in June 2019 was 2,474, compared to 2,768 in June 2018. Montgomery County’s total active inventory is down by 11 percent or 294 units since May 2019.
- New listings are down 1 percent compared to the number of listings in June 2018. 1,689 homes were newly listed for sale in Montgomery County in June 2019, compared to 1,712 in June 2018.

The GCAAR January 2019 Montgomery County Market Trends Report finds that:

- The average price per square foot for homes sold in January went down 15.4 percent between January 2018 and January 2019, from $286 to $242.
- The median sales price for townhouses in January was $333,500, a decrease of $8,500 or 2.5 percent, versus last January. The average sales price in January was $383,879, 1.3 percent lower than the $388,740 average last January.
- The median sales price for detached properties in January was $526,000, marking a decrease from last January’s $549,900 level. January’s average sales price was $697,408, an annual increase of 6.6 percent.
- The median sales price in January was $230,000, a 4.5 percent increase compared to the $220,000 from January 2017. The average sales price was $260,955, representing a 3.4 percent drop compared to last year’s average of $270,260.
- Both the number of homes sales and median prices fell in January 2019 relative to prior years.

Source: Greater Capital Area Association of Realtors, 2019
MONTGOMERY COUNTY MPDU PROGRAM

Under Chapter 25A and Chapter 59 of the Montgomery County Code, as amended, developers must execute an Agreement to Build MPDUs and an Offering Agreement with DHCA to create MPDUs.

- **Agreement to Build MPDUs**
  - 12.5 – 15 percent of units in a new development with 20 units or more must be MPDUs
  - Each MPDU in single-family dwelling unit subdivision must have 3 or more bedrooms, unless all of the market units in the subdivision have only 2 bedrooms
  - In multi-family dwelling unit subdivisions, the bedroom mix of the MPDUs must match the bedroom mix of the market units unless the Director approves an MPDU Agreement that approximates the total floor area for the MPDUs required.
  - MPDUs are built with or before other dwelling units
  - The pace of MPDU production reasonably coincides with the construction of market rate units
  - No or few market rate dwellings are built before any MPDUs are built
  - MPDUs must be dispersed throughout the development

- **Offering Agreement must contain:**
  - The number of MPDUs in the development
  - The lot/block, street addresses, and tax account numbers of the MPDUs
  - A recorded subdivision plat, a copy of the approved preliminary plan and/or site development plan designating the location of the MPDUs
  - An executed copy of the applicable covenants (in recordable form)
  - A copy of the floor plans for of each unit type
  - Completed price calculation worksheets for each unit type (for sales units), or approved rent schedule by unit type (for rental units)

- **After Agreement to Build and Offering Agreement are executed**
  - HOC and non-profits are notified of opportunity to purchase or master-lease up to 40% of the MPDUs for their clients
  - Lottery opened to eligible MPDU certificate holders for sales units
  - Rental complexes may lease to MPDU-eligible households for rental units

**Eligible MPDU Homeownership Program participants:**
- Are first-time homebuyers
- Have a maximum annual household income of 70 percent AMI
- Can pay a down payment, settlement fees, other closing costs, and the monthly mortgage and other property maintenance expenses
- Can obtain a mortgage pre-qualification letter from an HOC approved mortgage lender in the amount of at least $150,000
- Complete three MPDU training classes and submit a completed MPDU application form

**Eligible MPDU Rental Program participants:**
- Have a maximum annual household income of 70 percent AMI for high-rise apartments and 65 percent AMI for garden apartments
- Must have at least as many people in the household as the number of bedrooms in the apartment
- Must pass a background check
- Must demonstrate a good credit rating that is acceptable to the apartment management
- Must be able to afford the monthly rent payments for the MPDU rental property
MPDU RENTAL PROGRAM

Concerns

Due to the high demand for apartments in the County, the majority of MPDUs that have been produced in the past decade are rental units [6]. Rental rates for new developments are set by DHCA at the offering date. DHCA uses an AMI-based affordability model to calculate housing expenses under which households spend no more than 25 percent of their gross monthly income on rent (not including utilities) at the start of the lease. When a lease ends, landlords may increase rental prices of MPDUs to account for inflationary pressures. MPDU rental rate increases may not exceed the County Executive’s recommended amount, which is set in the Voluntary Rent Guidelines and reflects the increase in the rent component of the CPI for that year in the Washington-Metropolitan area.

The yearly rate increases permitted under the MPDU program have resulted in a perverse situation that counters typical market trends, in that some older MPDUs have higher rental rates than newly constructed units. MPDU rental units in Germantown are 20 years old, and the average rent of Germantown MPDUs currently under controls is higher than the average market rent. This pattern diverges from that of the County’s market rate units, in which rental rates in older buildings are lower than rates in new buildings [7].

Sources: RentCafe.com, Montgomery County DHCA
In April 2017, DHCA set the MPDU maximum rent for a two-bedroom high-rise MPDU at $1,450. Following the County Executive’s February 2019 release of the Voluntary Rent Guidelines, the rental rate for these MPDUs can rise to $1,534 at time of lease renewal (Fig. 1).

The maximum rent for an older 11-year-old MPDU at Jefferson at Inigo’s Crossing in North Bethesda is $1,878 (Fig. 2). The rental rate for these MPDUs can rise to $1,907 when a lease renews after February 2019.

The yearly rent for this MPDU is $22,521, over 33% of an eligible 2-person household’s maximum yearly income.

The maximum rent for a 10-year-old two-bedroom high rise MPDU at The Veridian in Silver Spring is $1,699 (Fig. 3). The rental rate for these MPDUs at time of lease renewal following February 2019 can rise to $1,724.

The yearly rent for the MPDU equals $20,688, more than 30% of an eligible 2-person household’s maximum yearly income.

The affordability gap will widen over time, and households that live in MPDUs in communities with reliable public transportation and other desirable public amenities will become especially cost burdened if meaningful action is not taken.
MPDU RESALE PROGRAM

Concerns

The number of MPDU homes that are affordable to moderate-income families dwindles every time a MPDU home is resold for the second time. The main factors that contribute to this pattern of unaffordability are the initial purchaser’s ability to include options in the new unit, realtor fees, the incentives for substantial home upgrades created by the capital improvements allowance, and the MPDU Maximum Resale Price formula.

Options can include an additional vanity, a half bathroom, or a finished basement and can increase a new MPDU’s value by 10 percent of its original contract price. Options permit a homeowner to enhance their homes beyond the standards stipulated to developers in the offering agreement.

The MPDU program is so large and the number of resales so high that the MPDU program staff members cannot facilitate the resale process for all resale MPDUs. Realtors therefore provide an invaluable service to the program, yet the necessary fees significantly drive up the cost of selling an MPDU. The realtor representing the seller earns a maximum of 6 percent on commission, which they share with the buyer’s realtor.

Case Study: Realtors’ Fees Exponentially Increase

Realtors’ fees added $12,826 to the MPDU Maximum Resale Price when this MPDU townhome in Clarksburg (Fig. 4) was first resold in November 2014, $14,268 to the cost of the second resale in May 2017, and $17,135 to the cost of the hypothetical third resale in July 2019. Realtor fees do not rise at a constant rate over the course of resales. Therefore, the affordability gap will widen with each subsequent resale if wage growth continues to lag behind price inflation in Montgomery County.

An allowance for capital improvements made to the MPDU between the previous date of sale and the date of resale is added to the sales price at the full undepreciated cost of the improvements. This allowance can add an amount that is up to 10 percent of the previous sales price to the resale price. Homebuyers are therefore incentivized to make costly improvements to the MPDU because they know that they will recover those outlays when they resell the home. Some sellers submit modest requests, asking for $150 credit for replacing a garage door. Others submit extravagant requests, such as the individual who spent more than $8,000 to replace a countertop in a very small kitchen. Furthermore, as homes become more expensive over multiple resales, the total amount homeowners can recoup on improvements rises, to the financial detriment of the next buyer. The incentives created
by the capital improvements allowance thus negatively impacts future MPDU homeowners by driving the cost of the home upward in progressively larger amounts.

DHCA uses a cost model to determine the price at which a developer may initially offer a for-sale MPDU to eligible homebuyers. When an MPDU home is first resold, the percent change in CPI between the current owner's purchase date and selling date is applied to the previous selling price to reflect the unit's appreciation. A percentage of capital home improvement expenses is then added to the appreciated price to determine the maximum MPDU resale price. The realtor's commission is calculated as 6 percent of the Maximum MPDU Resale Price and added to that price. This final amount is the MPDU's maximum listing price. The MPDU cannot sell for more than the maximum listing price, but it may sell for less.

At the point of second resale, the percent change in CPI between the current owner's purchase date and selling date is again applied to the previous selling price. However, the previous purchase price includes capital improvements undertaken by two homeowners, two sets of realtor fees, and two CPI adjustments. Therefore, at the point of second resale, the previous selling price is inflated because it includes capital improvements that depreciate over time and realtor fees that have nothing to do with the unit's value.

The decision to apply the CPI adjustment to the previous selling price, rather than the initial selling price causes the home's price to compound, and thus the price of resale MPDUs increases at an exponential rate rather than a constant rate. The affordability gap between housing prices and wages grew for low-to-moderate households in Montgomery County between 2008 and 2018 because price inflation exceeded wage growth during that period [8]. In a climate of falling real wages, adjusting unit price upward by CPI at each transaction creates an ever-widening affordability gap for moderate-income households.
INCLUSIONARY HOUSING MODELS

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Program</th>
<th>Control Period Resale Formula</th>
<th>Control Period</th>
<th>AMI Cutoff</th>
<th>Options Allowed</th>
<th>Realtor Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annapolis</td>
<td>MPDU</td>
<td>Annapolis has not yet resold an MPDU- initial price calculated on an affordability model- 80% AMI for Baltimore-Columbia-Towson, MD + HOA fees + insurance</td>
<td>10 years currently, legislation underway to change CP to 30 years</td>
<td>100%</td>
<td>No</td>
<td>No, program is small</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>ADU</td>
<td>Original selling price = the Eligible Capital Improvements and Eligible Replacement and Repair Costs + sum of the 10 Year Compound Annual Growth Rate of the Area Median Income (AMI) from the year of the owner's unit purchase to the year of the unit's sale by the owner</td>
<td>According to development</td>
<td>60%</td>
<td>No</td>
<td>No, owners facilitate sales themselves or pay for a realtor out of pocket</td>
</tr>
<tr>
<td>Frederick, MD</td>
<td>MPDU</td>
<td>Original selling price = change in CPI from original sale date + fair market value of capital improvements + an allowance for closing costs which were not paid by the initial seller, but which will be paid by the initial buyer for the benefit of the later buyer + a reasonable commission the unit is not sold during the priority marketing period to an eligible person from the Department's eligibility list.</td>
<td>30 years</td>
<td>between 30% and 80%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Loudoun County, VA</td>
<td>ADU</td>
<td>During the first 15 years: original sales price + value of major home improvements + change in CPI + 1.5% of final sale for realtor's fee. After expiration of 15-year control period, but prior to the expiration of 50 years after the initial sale of the home, the owner of the home may offer it for sale at the fair market value, provided that the difference between the actual sales price and the price allowed for under the provisions of Chapter 14.50 of the Loudoun County Codified Ordinance, shall be divided equally between the seller and the Loudoun County Housing Trust Fund.</td>
<td>15 years</td>
<td>between 30% and 70%</td>
<td>Option up to 10,000 may be financed in the mortgage, any amount over 10,000 must be paid for in cash and may not be financed in the mortgage.</td>
<td>Capped at 1.5% of sales price</td>
</tr>
<tr>
<td>Fairfax County, VA</td>
<td>ADU</td>
<td>Original selling price = change in CPI from purchase date to selling date + capital improvements + 1.5% of selling price (reflects Fairfax County staff contributions to sale)</td>
<td>30 years</td>
<td>70%</td>
<td>No</td>
<td>No, program small enough for staff to handle</td>
</tr>
</tbody>
</table>

The control period resale processes for neighboring jurisdictions with similar inclusionary zoning programs model policy alternatives that Montgomery County could use to maintain affordability in MPDU homes currently under controls.

The jurisdictions examined use a similar formula in which eligible capital improvements and inflation adjustments are added to the original selling price to calculate units’ maximum resale prices. Loudoun County, Virginia, and the city of Frederick, Maryland, include a realtor’s fee in the resale price. Washington, D.C. expects homeowners to facilitate sales on their own, although the homeowners can hire a realtor at personal cost. The city of Annapolis, Maryland, and Fairfax County, Virginia, do not include a realtor’s fee in their resale price formulas because their programs are so small that full-time staff can manage resales in addition to their other responsibilities.

The methods that these jurisdictions use to calculate the appreciated value of the home vary. Like Montgomery County, Fairfax County and Loudoun County adjust for inflation by calculating the change in CPI from the unit’s date of current ownership to its date of sale. This method captures the change in value of consumer goods, which includes homes. Washington, D.C. opts for an affordability model by averaging the ten-year compound annual growth rate of AMI from the first year of ownership.
of the unit until the year or sale. Using the ten-year average smooths out unexpected changes in AMI that may occur with changes in the economy. Tying the unit’s appreciation to AMI rather than CPI ensures that units stay affordable and avoids the patterns of unaffordability that arise when a unit’s appreciation is determined by changes in CPI at a time that price inflation increases more quickly than wages grow.

The initial occupant of a rental or homeownership MPDU acquires the unit at a price set using a cost mode that results in townhouse prices between approximately $150,000 and $200,000, but later occupants face prices that are determined by the inflation rate of consumer goods, which is not beholden to affordability goals. In fact, price inflation outpaces wage growth in most years. Therefore, individuals who qualify for the MPDU program are more cost-burdened if the value of their home or rental MPDU is always tied to CPI. In the long term, Montgomery County can consider following in the example Cupertino, California. Cupertino’s Below Market Rate houses appreciate by the lower of either the change to AMI or the percent change in CPI [10]. Providing DHCA with the option to link the value of MPDU homes to the lower of either the change in AMI or the change in CPI would curtail an affordability gap that arises when price inflation rises faster than regional wages grow.
RECOMMENDATIONS

Rental Program

Policy Alternatives:

1) Explore amending Executive Regulation 11-18AM to grant DHCA the discretion to establish maximum yearly rental increases using the lower measure of either change in AMI or the change in the rental component of the CPI
2) Explore providing subsidies to MPDU renters who are living in older buildings with higher rents and can demonstrate that they are rent-burdened
   a. Renters are eligible if they spend more than 33% percent of their income on housing
3) Consider releasing MPDU restrictions on rental units in older buildings which are more expensive than new units
4) Set MPDU at 70% of the lowest market rental rate on similarly sized units in a development
   a. Prevents the scenario in which rental MPDUs lease for the same amount or for a higher rate than market units.
RECOMMENDATIONS

Homeownership Program

Policy Alternatives:

1) Lower the ceiling for options or eliminate options from the initial price calculation
   a. Loudoun County limits mortgageable options to $10,000.
   b. Washington D.C., the City of Annapolis, and Fairfax County do not allow options in their affordable units.

2) Reconfigure resale price calculation
   a. Retain discretion to adjust for inflation using AMI, CPI, or place a cap on home appreciation
      i. Boulder, CO caps inflation adjustments at 3.5 percent of the previous selling price.
   b. Address compounding costs
      i. Explore maintaining the affordability of homeownership units by calculating percent change in CPI between the unit’s initial purchase date and the current selling date and applying that percentage to the initial contract price (see case study on page 18).

3) Collaborate with Greater Capital Area Association of Realtors to create a training program in which realtors become certified to resell MPDUs
   a. DHCA does not have to educate multiple new realtors yearly
   b. Under this arrangement, one realtor represents both buyer and seller
   c. Realtor’s commission under this program reduced to 4%
      i. Certified realtor earns total 4% commission, instead of two realtors splitting the 6% commission

More complicated options:

4) Provide eligible MPDU homebuyers subsidies to purchase resale MPDUs that are no longer affordable

5) Form a Community Land Trust
   a. By design and by intent, CLTs are committed to preserving the affordability of housing in perpetuity. The resale price is set by a formula contained in the ground lease that is designed to give present homeowners a fair return on their investment while giving future homebuyers fair access to housing at an affordable price.
   b. CLTs hold title to land to preserve the long-term affordability of housing and other structures in a given geographic area. The CLT acquires parcels of land with the intent of owning the land in perpetuity for the use of the individuals who purchase the homes on the land. The homes are treated as private property, and homebuyers lease the land from the CLT.
   c. CLTs can be run by government municipalities, by a third-party non-profit, or jointly by a government-non-profit partnership, as in Syracuse, New York.
Case Study: Placement of CPI in Maximum Resale Price Formula Can Save Thousands of Dollars

To address the discrepancy in real versus calculated CPI inflation that compounds over multiple resales and raises MPDU prices (Fig.5), DHCA could instead apply the percent change in CPI between the MPDU’s initial purchase date and the current selling date and apply that inflation measure to the MPDU home’s initial settlement price (Fig.6).

For this MPDU townhome in Clarksburg, altering the inflation measure to the method of applying the percent change in CPI between the initial contract date and current selling date to the initial contract price of the home would cost:

- $41,947 in realtor fees versus $44,312 in realtor fees under the current system
- $67,122 in capital improvements versus $67,140 in capital improvements under current system
- $23,130 in CPI adjustments versus $25,252 in CPI under the current system

This method lowers the listing price by $49,687.08 at the point of the third resale. Moderating the compounding phenomenon that occurs in the current formula is feasible and impactful.
CONCLUDING REMARKS

Due to the underlying economic assumptions that homes inevitably increase in value, the goal of providing MPDUs to moderate-income households at an affordable price conflicts with the tendency to regard homeownership as a long-term investment opportunity that builds wealth. MPDUs do not fulfill that function. The program was not conceived as a method to facilitate wealth-building. While MPDU homeowners do build equity, the amount is not comparable to the equity gained by selling a market-rate unit. The program was conceived to provide affordable homes to individuals who otherwise would not have the opportunity to own a home, build some wealth in the real estate market, or receive the other benefits that accompany homeownership, and the goal of maintaining affordability is opposed to the notion that MPDU homeowners should be able to receive more equity than they currently obtain at the point of resale.

Homeownership MPDUs provide important qualitative and quantitative benefits that may otherwise be inaccessible to the target population. MPDU homeowners face a predictable monthly mortgage payment and are not subject to the increases that renters encounter. They pay lower property taxes compared to market-rate homeowners. MPDU homeowners build some equity, which they could not do in the absence of the program. The net economic impact to families that participate in this program is positive. Households that live in MPDU homes receive numerous qualitative benefits that are incredibly valuable, though they are not immediately evident and are difficult to track without a research partnership. Studies show that households that have largely been excluded from participating in the housing market due to income constraints face housing insecurity, instability in education, lower civic participation, and poorer health outcomes, all of which contribute to lower quality of life and higher individual and public expenditures [9]. Low to moderate-income families that receive public support and are able to own a home subsequently report improved educational outcomes, better health metrics, higher civic participation, and higher economic mobility due to proximity to more and better employment opportunities, all of which are goals that Montgomery County has set out to meet. The MPDU program makes these life-altering benefits accessible to moderate-income families in Montgomery County, and it is therefore imperative that the County ensures the continuing affordability of existing rental and resale MPDUs to the current target population.
NOTES

2. Chapter 25A-2 of the Montgomery County Code
5. Unlike market-rate houses, MPDU homes are not a means to build wealth or finance vacations, business endeavors, or higher education. MPDU homeowners do build equity at the point of resale, but not at a level that is comparable to market-rate housing resales. The program was devised for the purpose of providing homeownership opportunities to moderate-income families at prices that are affordable for their income levels, thereby providing stability, predictability, and security for families whose incomes are constrained and would otherwise have to rent.
**SOURCES**


Grounded Solutions Network. https://groundedsolutions.org/


