HOUSING AFFORDABILITY ALONG THE PURPLE LINE

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About the Fellow

Garrett Riou is pursuing a master's degree in Public Policy at the University of Chicago Harris School of Public Policy. Before returning to school, Garrett volunteered for two years with the United States Peace Corps in Armenia where he focused on community and economic development. While in Armenia he assisted in securing grant funding for a regional economic research center and established a girls' bicycling program to promote gender equity in sport. Before the Peace Corps, Garrett worked as a case manager with homeless and previously homeless clients in Washington, D.C. He is interested in social welfare and anti-poverty policy as well as international affairs.

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Report Cover Photo: Mitchell, Hank. *Rowhouse 5167*. September 8, 2016. In BaltoPhoto. Accessed August 6, 2019. https://baltophoto.org/rowhouse-5167-BPXN3IC8V#.

EXECUTIVE SUMMARY

Officials in Montgomery County are optimistic about the opportunities for economic development presented by the operation of the new Purple Line light rail system. However, there are also concerns that this growth may bring increases in costs of living that would put a strain on low-income families relying on affordable housing. Numerous Montgomery County officials have expressed interest in strategies that would allow for economic development along the Purple Line without displacing long-standing low-income residents and their families.

This report analyzes the potential of promoting targeted development in current incentive zones, provides guidance for optimal use of parcels with high development potential, and recommends the County implement and lobby for policies that would spur the creation of more necessary affordable units. Research for this report included a review of relevant local policies, an evaluation of solutions implemented in other jurisdictions, and interviews with community organizations and government officials.

Summary of Recommendations

1. **Promote affordable housing and mixed-use development in Opportunity Zones and Enterprise Zones.**

2. **Further analyze parcels with high potential for development or redevelopment and address zoning and other disincentives driving low development intensity.**

3. **Consider establishing a Transit-Oriented Development Fund or Tax Increment Financing district around new transit stops.**

4. **Lobby the State of Maryland for a Low-Income Housing Tax Credit set-aside pool.**

INTRODUCTION

Background

Within the next few years, certain communities will undoubtedly see neighborhood change due to ramped up construction and forthcoming operation of the Purple Line, a 16-mile light rail project that will run through Montgomery County and Prince George's County. The new line will increase access to 21 planned stops from Bethesda to New Carrollton while making for easier transfers to the Red, Green, and Orange lines operated by the Washington Metropolitan Area Transit Authority.

The University of Maryland's National Center for Smart Growth established the Purple Line Corridor Coalition (PLCC) [i] to consider issues associated with the installation of the Purple Line, such as how to support local businesses, build sustainable communities, and maintain housing affordability along the corridor. In assessing the current housing stock within a mile of the planned Purple Line route, the PLCC estimates that there are currently 6,523 units that are affordable for Montgomery County residents with income equal to 60% of Area Median Income (AMI). The PLCC has a stated goal of ensuring that no net loss of affordable housing is experienced within the corridor, meaning that they are interested in ways to preserve or generate enough affordable units to maintain or surpass the current number of 6,523. Montgomery County Executive Marc Elrich and several County officials have also expressed support for identifying "no net loss" strategies.[ii] In accordance with this goal, the County must consider how to utilize current incentives and institute policies that will provide affordable housing for residents along the Purple Line.

Methodology

Interviews with local stakeholders and government officials in Montgomery County and the State of Maryland.

Review of academic papers, case studies, and various policies related to transit-oriented development and the utilization of underdeveloped land.

Inventory of underdeveloped parcels within one half-mile of the Purple Line.

Identification of policies and incentives that support affordable housing development but are not well-understood by various stakeholders.

CURRENT INCENTIVE ZONES ALONG THE PURPLE LINE

Opportunity Zones were outlined in the Tax Cuts and Jobs Act (TCJA) of 2017 and are intended to spur investment in underinvested and economically distressed census tracts.[1] These zones provide benefits in the form of reduced or eliminated taxes on capital gains to those who re-invest those gains into a Qualified Opportunity Fund (QOF) for a set number of years. Individuals may set up their own QOF or invest in one that is already established. These funds may then be invested in eligible property within an Opportunity Zone provided that 90% of the fund's assets lie in the zone. While investors gain a tax benefit, these funds allow money to find its way into developments in underinvested neighborhoods. Maryland's Department of Housing and Community Development runs the Maryland Opportunity Zone Information Exchange which lists several QOFs serving the state.[2] Figure 1 displays two of the five Opportunity Zones that cover large tracts of land around and adjacent to seven Purple Line stops within Montgomery County.

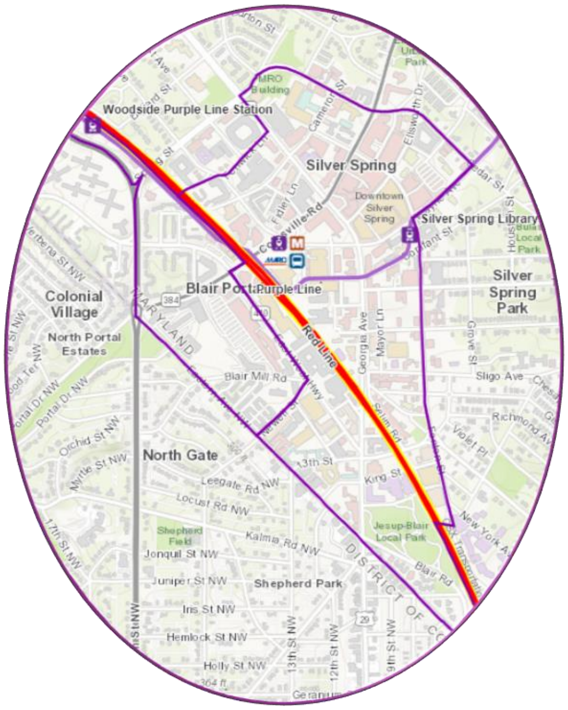

Figure 1 Opportunity Zones in Silver Spring cover significant area around the 16th St.-Woodside, Silver Spring Transit Center, Silver Spring Library, Manchester Place, Long Branch, and Piney Branch Road Purple Line stops. Another zone lies in Montgomery County south of the Takoma-Langley Transit Center.

According to the Information Exchange, few development projects along the Purple Line have taken advantage of Opportunity Zone benefits even though several mixed-use and multi-family developments have done so in other communities across the state and in Montgomery County. In Baltimore, the city created an Opportunity Zones Coordinator position in 2018 to attract investment, connect local developers and investors, and compile information on

[1] "Opportunity Zones Frequently Asked Questions," Internal Revenue Service, July 29, 2019. Accessed August 06, 2019. https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions.

[2] "Maryland Opportunity Zone Information Exchange". Maryland Department of Housing and Community Development. Accessed August 06, 2019. https://maryland.maps.arcgis.com/apps/opsdashboard/index.html#/0d070816f1964ca79ba89327f97388c3.

current and planned projects within the zones.[3] The County should consider designating a similar coordinator position to connect with relevant QOFs expressing interest in affordable housing development and promote Opportunity Zone benefits to local developers.

Enterprise Zones are designated areas in which developers can receive property tax credits for building commercial space.[4] One such zone covers area around the Long Branch, Piney Branch Road, and Takoma-Langley stops (see Figure 2). As the Purple Line is constructed and becomes operational, business developers will be attracted to these areas due to increased foot traffic and the tax incentives provided in the Enterprise Zone. Notably, these credits can be applied to commercial developments as well as mixed-use developments that support businesses and residential housing. For mixed-use developments, developers would receive a tax credit for the portion of the building that operates as commercial space (e.g., a four-story structure built to support commercial use on the first floor and residential use on the remaining three would receive approximately a 25% property tax credit).[5] Within Montgomery County's Enterprise Zones, developers of multi-family residential projects of more than four units are also exempt from impact taxes. Montgomery County should focus on supporting housing affordability by advertising to and informing local developers on the tax benefits associated with building mixed-use and multi-family projects in these zones.

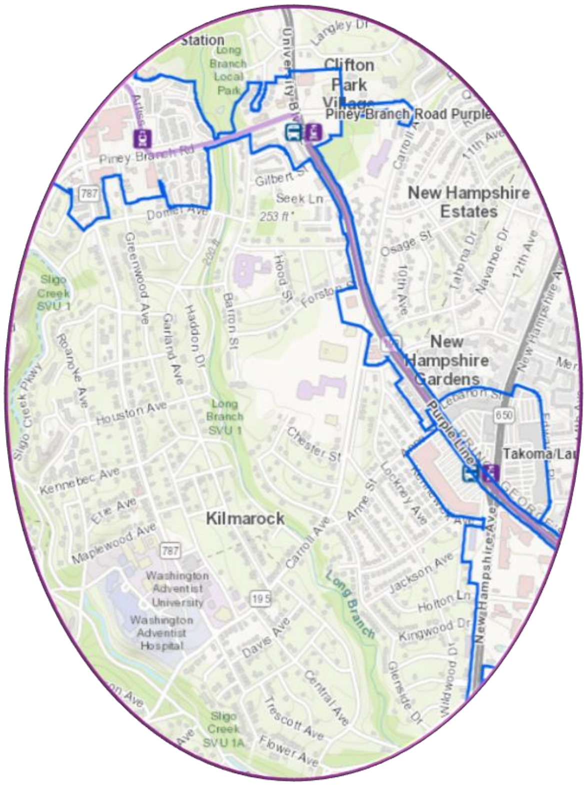

Figure 2 Enterprise Zones surround three Purple Line stops within Montgomery County.

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[3] Iannetta, Jessica. "BDC Names Opportunity Zones Coordinator." Baltimore Business Journal. October 15, 2018. Accessed August 06, 2019. https://www.bizjournals.com/baltimore/news/2018/10/15/bdc-names-opportunity-zones-coordinator.html.
[4] "Enterprise Zone Tax Credit (EZ)." Maryland Department of Commerce. Accessed August 06, 2019. http://commerce.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit.
[5] McKnight, Abigail, Maryland Department of Commerce. Telephone interview by author. July 25, 2019.

PARCELS WITH DEVELOPMENT AND REDEVELOPMENT POTENTIAL

Underdeveloped land along the new transit corridor warrants analysis to assess potential for increasing the housing stock and curbing sharp rises in costs of living. To begin this process, an inventory of development and redevelopment potential within one half-mile of the Purple Line was assembled by GIS Specialists Jay Mukherjee, Christopher McGovern, and Rachel Husted at the Montgomery County Planning Department (Table 1). The first criterion used to analyze the redevelopment potential of targeted parcels is by the ratio of building value to total parcel value (i.e. building value plus land value). This metric shows where the building value does not match the potential value of the land on which the building is located. Of the parcels examined, 3,231 were identified as having low building value at between 0.1% and 33% of their total value. The next step differentiated parcels by development intensity based on Floor Area Ratio (FAR), which shows what percentage of the parcel's total area is currently occupied by buildings or homes. Given this criterion, 3,595 parcels were identified as containing low development intensity at 0.01 to 0.2 FAR. Table 1 also displays parcels that share both low building value and low development intensity. These 1,957 parcels, which cover almost 450 acres throughout the corridor, present the highest potential for development and redevelopment.

Criteria	Number of Parcels	% of Total Parcels	Acres	% of Total Acres
Building Value as Percent of Total Value				
0.1% to 33.0% (High Potential)	3,231	27%	649.8	23%
33.1% to 66.0% (Medium Potential)	7,475	63%	1,424.1	50%
66.1% to 100% (Low Potential)	532	4%	377.9	13%
Vacant Parcels (High Development Potential)	411	3%	100.4	4%
Parcels with no Building Value Information	217	2%	271.2	10%
Development Intensity (FAR)				
0.01 to 0.2 FAR (High Potential)	3,595	30%	845.3	30%
0.21 to 0.4 FAR (Medium Potential)	5,106	43%	869.4	31%
0.4 to 1.0 FAR (Low Potential)	2,157	18%	403.1	14%
Vacant Parcels (High Development Potential)	408	3%	99.7	4%
Parcels with no FAR information	600	5%	605.9	21%
Parcels with Low Building Value and Low Development Intensity				
	1957	17%	446.6	16%

Table 1 An inventory of parcels with varying development potential in Montgomery County within a half-mile radius of the Purple Line route. Data may not accurately capture existing intensity and value measures in some cases. Source: Jay Mukherjee, Christopher McGovern, and Rachel Husted, Montgomery County Planning Department. Available at: https://mcatlas.org/purpleline/

Recognizing that the establishment of the Purple Line will likely attract more new residents and precipitate already increasing property values,[6] the Montgomery County Planning Department should consider designating an advisory committee charged with addressing redevelopment and infill on underdeveloped parcels such as those identified in Table 1.[7] A logical responsibility for such a committee would include an audit of the master plan and zoning ordinance that regulate these parcels and recommendations for re-zoning or up-zoning in order to increase density and housing options around new transit stops. While this process would prove beneficial for addressing the housing shortage in these targeted areas, increasing density should have the added effect of boosting ridership on the Purple Line once operational. The committee should also consider reducing parking space requirements within one half-mile of Purple Line stops to decrease development costs, leave more room for building construction, and encourage more people to use public transit. Lastly, the committee should identify issues in permitting and regulatory processes that stall development, and act as a liaison between developers and regulatory bodies to speed up development approval around the Purple Line. The process of analyzing and amending zoning regulations will take time, and the County should meanwhile consider other policies that would incentivize construction of affordable housing on parcels with high redevelopment potential and other areas throughout the Purple Line corridor.

Figure 3 Half-mile zone around Silver Spring Library Purple Line station. Parcels with high development or redevelopment potential are shaded purple.

[6] "Pathways to Opportunity Purple Line Corridor Action Plan." Purple Line Corridor Coalition. 2017. Accessed August 6, 2019. http://purplelinecorridor.org/wp-content/uploads/2017/10/PLCorridorActionPlan2017.pdf.
[7] "Regulatory Strategies for Encouraging Infill and Redevelopment." The Denver Regional Council of Governments. 2006. Accessed August 6, 2019. http://landuselaw.wustl.edu/Articles/TODRegulatory Strategies for Infill.pdf.

INCENTIVIZING AFFORDABLE HOUSING AND ECONOMIC DEVELOPMENT ALONG THE LINE

TAX INCREMENT FINANCING: BEYOND WHITE FLINT

Sub-District	Property Value Estimate - New Development	Increment Generated (NPV)	Estimated TIF Budget Allocation (NPV 2009 dollars)	Estimated TIF Budget Allocation (Total Dollars)
Lancaster Corridor	$171,203,800	$13,197,448	$49,781,005	$99,417,349
Cedar Crest	$325,976,685	$25,834,552	$25,326,728	$50,301,048
Mockingbird - Lovers	$839,888,351	$76,557,143	$30,020,910	$59,954,580
Cedars West	$1,094,082,000	$69,588,554	$54,576,532	$108,994,468
Affordable Housing *(all sub-districts)*	---	---	$21,832,521	$43,601,599
Administration	---	---	$3,640,000	$7,269,422
Total		**$185,177,697**	**$185,177,697**	**$369,817,275**

Table 2 Acquired from City of Dallas Project Plan & Reinvestment Zone Financing Plan at http://www.fltod.com/research/marketability/TOD_TIF_plan.pdf

Almost every state currently oversees some jurisdiction that administers a **Tax Increment Financing plan**, and one currently exists as a special taxing district to encourage development in White Flint.[8] Tax Increment Financing (TIF) allows a governing body to utilize newly-realized tax revenue from a designated TIF district to invest in improvements and public goods that make that district appealing to more development. A base year assessment is completed on properties within the TIF district, and from that year forward the governing body over that district will collect the property taxes equivalent to the value assessed in the base year. Meanwhile, the added taxes collected due to the appreciation of property values over the base year are put into a fund solely dedicated to improvement projects that will encourage development within the TIF district. Essentially, the fund is meant to focus private and public incentives on underdeveloped and underserved areas in order to spur development and economic growth. In theory, after a set period (White Flint's, for example, is set for 40 years) the TIF district will have experienced enough growth and the TIF plan will dissolve. This economic growth is therefore not completely foregone by a governing body, as they will be able to collect on the increased property values once the TIF plan is completed. Furthermore, TIF advocates posit that the extent of this economic growth may not have occurred without the upfront investment from TIF in the first place. Some see Tax Increment

[8] "TOD Best Practices." Maryland Department of Planning. Accessed August 06, 2019. https://planning.maryland.gov/Pages/OurWork/tod/bptif.aspx.

Financing as a practical complement to transit-oriented development, especially when increased development and economic activity is expected to disproportionately occur in already established and well-funded areas while continuing to leave behind underdeveloped areas along the same transit corridor.

In 2008, the City of Dallas, Texas, established a TIF plan to invest in projects in sub-districts along major transitways, with the intention of using some TIF funding collected from more developed areas to incentivize affordable housing development and attract investors to the historically underdeveloped Lancaster Corridor.[9] Table 2 outlines the planned allocation of funding for economic development and shows an outsized portion will be redistributed to Lancaster Corridor when compared to the increment the neighborhood will generate. The TIF is scheduled to last for up to 30 years, or until the goal of $185,117,697 is collected in order to fund planned TIF projects. Lancaster Urban Village became one of the first projects approved by the TIF fund, which invested $8,492,273 toward the $30 million budget for the apartment complex (Figure 4). Completed in 2014, the building includes 193 units, with about half defined as affordable and the other half as market rate. Between those developers using the TIF fund and those simply taking advantage of the busy transit stations, all developers in the TIF district benefit from the improvements and investments made by this fund to make spaces more livable. The City of Dallas projects that real property values will grow over the 30-year lifetime of the TIF plan from $320 million to $3.52 billion.[10] The plan's requirements for high-density, mixed-use

Figure 4 Lancaster Urban Village is located seven miles south of downtown Dallas in a historically underdeveloped area. Picture acquired from Urban Land Magazine at https://urbanland.uli.org/industry-sectors/infrastructure-transit/tod-fueling-growth-southern-dallas/

[9] "TOD TIF District." City of Dallas Office of Economic Development. Accessed August 06, 2019. https://www.dallasecodev.org/440/TOD-TIF-District.

[10] "Dallas Creates First Tax Increment Financing District Dedicated to Multi-Station Transit Oriented Development." Business Wire. December 19, 2008. Accessed August 06, 2019. https://www.businesswire.com/news/home/20081219005076/en/Dallas-Creates-Tax-Increment-Financing-District-Dedicated.

units and intent to focus on underserved areas help to ensure that this rapid increase is distributed more equitably among residents along the transportation corridor. TIF has also been supported as a tool for curbing gentrification that pushes out low-income residents due to increasing rents. The City of Portland, Oregon, is a well-known example of utilizing TIF to convert rising property values in some neighborhoods to support the development of 2,200 affordable housing units in areas that were more likely to experience gentrification.[11]

Figure 5 White Flint was established as a special taxing district by Montgomery County Council in 2011 with Transit-Oriented Development in mind. Acquired at https://planning.maryland.gov/Pages/OurWork/tod/bptaxingdistrict.aspx.

Expanding TIF beyond the White Flint Special Taxing District may be a viable option for Montgomery County to preserve affordable housing while also spurring economic development in underdeveloped areas along the Purple Line. A look at the half-mile zones surrounding new Purple Line stops reveals a stark discrepancy in average income between stops. The zones surrounding the Connecticut Ave., Bethesda, and Lyttonsville stops have average incomes of $256,253, $194,618, and $145,127 respectively. Meanwhile, the zones surrounding the rest of the stops within Montgomery County - from Woodside to Takoma Langley Transit Center - show a range from $70,000 to $100,000 for residents living within those half-mile zones. The housing stock throughout these neighborhoods is aging (a significant number of the units were built before 1950 and more before 1975) and there appears to be potential for rezoning areas that are already zoned for mixed-use to allow higher structures near Purple Line stops. Proper upzoning would increase density along the Purple Line and thus enhance its usage while giving developers more incentives to build in those areas with high average incomes. If a TIF district is established that covers these areas along with the rest of the County's Purple Line stops, developers will be able to access funding to build affordable housing anywhere in the district, and the TIF plan can allocate resources as necessary in order to provide further incentives to build and bring more economic activity to less developed areas in particular. This could mean more proposed development projects in the areas from Woodside to

[11] Cortright, Joe. "A Solution for Displacement: TIF for Affordable Housing." City Observatory. June 11, 2019. Accessed August 06, 2019. http://cityobservatory.org/a-solution-for-displacement-tif-for-affordable-housing/.

Takoma Langley, and more funding for public improvements in these areas to increase their livability.

Montgomery County should consider utilizing past experience in establishing the White Flint Special Taxing District to create a similar district that would aid communities along the Purple Line. Rules for a TIF governing body, district lines, and plans for funded improvements would need to be established. The County would need approval from the State of Maryland, which has approved multiple such districts for transit-oriented development across the state. Accountability is a major issue associated with TIF, and best practices dictate that measures to ensure accountability should be written clearly into plans for the fund (Merriman, 2018).[12] Regular reports from those overseeing the TIF district and access to TIF use and expenditures should be readily available to local government officials and the general public. The County should also consider other associated costs with TIF: as funding is diverted to pay for economic development, these areas experiencing population growth associated with new transit will not be able to access new funding created from the rapid appreciation of nearby properties. These areas will still need to provide public services for their long-time and incoming residents, meaning the County may need to divert money to pay for these services from other funds. Furthermore, if the County expects that for some reason property values along the Purple Line will not increase, the fund may never reach the value necessary to complete the projects for which the TIF plan would be intended. However, it seems unlikely that increased access to transit in these areas will not have an impact on property values. Indeed, the National Center for Smart Growth projects that the property value increase along the Purple Line corridor could be as much as 45% in the years following the line’s opening. Certain neighborhoods could benefit from directing these increased values and resulting tax revenue toward revitalizing underserved communities and maintaining affordable housing.

[12] Merriman, David. *Improving Tax Increment Financing (TIF) for Economic Development*. Report. Cambridge, MA: Lincoln Institute of Land Policy, 2018.

A NEW APPROACH: TRANSIT-ORIENTED DEVELOPMENT FUNDS

Avoiding some of the pitfalls associated with TIF, the City of Denver established the Denver **Transit-Oriented Development (TOD) Fund** in 2010, a creative alternative that does not rely on diverting property taxes in order to fund economic development and housing projects.[13] This project pulls funding together from public and private partners including city and state governments, nonprofit organizations, Community Development Financial Institutions (CDFIs), and for-profit banks. CDFIs are organizations that provide financial services and invest in economic development in underserved communities. These groups run TOD funds like the one in Denver, as well as in other cities such as San Francisco, Seattle, and Los Angeles. Denver's TOD fund offers developers low-interest loans (3.7% - 4.1%) of up to $5 million to build within a half-mile of light rail stations and a quarter-mile of frequently-used bus stops. The loan term can last up to five years and requires borrowers to contribute at minimum 10% equity for property acquired using the fund. The fund is intended to create and maintain affordable housing by allowing recipients of these loans that would build affordable units to buy up property along current and future transit routes. When it was established in 2010, the fund collected $15 million in capital from government institutions (City of Denver being the largest contributor with $2.5 million) as well as public and private donors. The fund has since grown to $24 million, and as the loans are repaid the fund is used to support even more affordable housing and supportive commercial space. According to the national CDFI Enterprise Community Partners, the fund has loaned $32.8 million to developers that purchased land or already operating buildings in route to creating or preserving "1,354 affordable homes, a new public library, and well over 100,000 square feet of supportive commercial and non-profit space, all near public transit."[14]

In order to create a TOD Fund of its own, Montgomery County would have to establish boundaries for development eligible for loan access. Denver, San Francisco, and Los Angeles have all set a standard of within one half-mile of targeted rail stations and one

[13] Edmonds, Leiha. "Financing the Development in Transit-Oriented Development." Urban Institute. April 2018. Accessed August 6, 2019. https://www.urban.org/sites/default/files/publication/98056/financing_the_development_in_transit_oriented_development_0.pdf.
[14] "Denver Regional Transit-Oriented Development (TOD) Fund." Enterprise Community Partners. Accessed August 6, 2019. https://www.enterprisecommunity.org/sites/default/files/media-library/where-we-work/denver/denver-regional-tod-fund-summary-sheet.pdf.

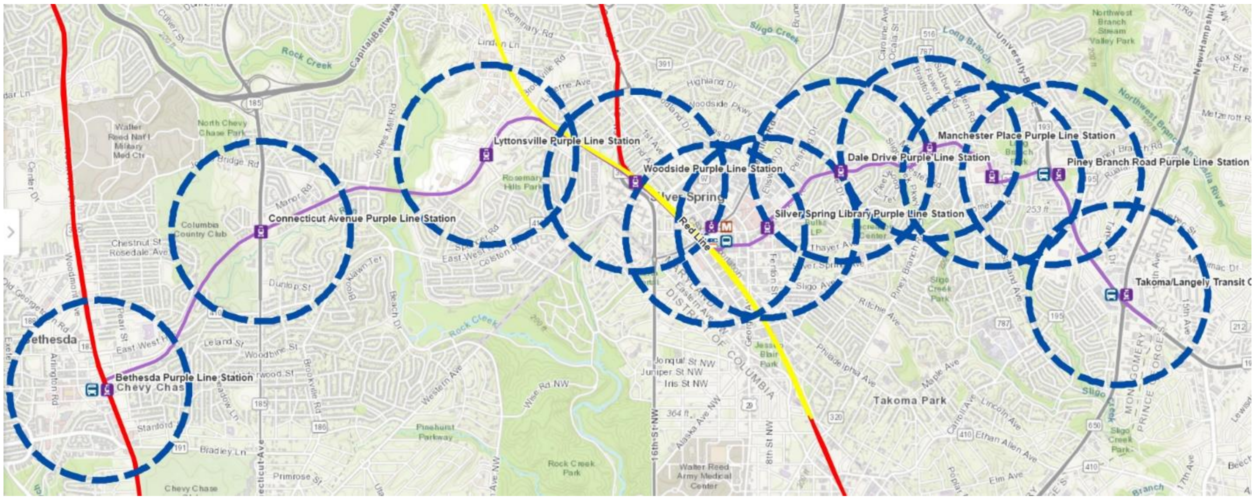

Figure 6 An example of half-mile zones surrounding Purple Line stops in Montgomery County. Source: Jay Mukherjee, Christopher McGovern, and Rachel Husted, Montgomery County Planning Department. Available at: https://mcatlas.org/purpleline/

quarter-mile of targeted frequently used bus stops. Much like previously mentioned solutions in this paper, these boundaries encourage development in order to keep rents for low-income families from skyrocketing while catalyzing higher density around transit stops and enhancing their impact. If the County decides to go this route, designating a half-mile radius around each Purple Line stop or around targeted stops as eligible for funding could provide much needed capital to organizations attempting to build affordable housing throughout the corridor (see example in Figure 6). The County would then have to set goals for fundraising and engage in procuring those funds to be loaned to developers. This will likely involve the County and stakeholders along the Purple Line pledging significant dollar amounts in order to encourage private banks, CDFIs, and other institutions to also donate to the fund. This may or may not require extra effort on the part of the County compared to creating a TIF plan given the political restraints of passing TIF and the resources the County must fundraise. However, the TOD fund may be more appealing as it allows for the same funds to be loaned out repeatedly over time as opposed to invested in developments. Meanwhile, the governing bodies experiencing growth associated with the Purple Line can utilize appreciated property values to provide necessary public services for their residents.

LOW-INCOME HOUSING TAX CREDITS

In June 2017, real estate consultancy RKG Associates recommended in their "Montgomery County Rental Housing Study" that the County launch a lobbying effort with Prince George's County to establish set aside **Low-Income Housing Tax Credits** (LIHTC) to address housing demand in the Washington, D.C. metropolitan area.[15] This recommendation was based on a similar move made by jurisdictions in Virginia (including Arlington, Fairfax, and other nearby counties and cities) to set aside LIHTCs in a Northern Virginia/Inner Washington MSA Pool. The LIHTC program was established in 1986 to address a low-income housing shortage throughout the United States. While the federal government provides the incentive, they allow state authorities to allocate these credits to qualifying entities. The credit is used to support either 30% or 70% of the costs of constructing or purchasing low-income units, depending on the project.[16] The 30% subsidy provides a 4% tax credit to selected projects that use additional subsidies or are purchasing an existing building instead of constructing a new property. The 70% subsidy awards a 9% tax credit to selected projects that construct new properties without the help of any additional subsidies. Due to these incentives, the 9% tax credit tends to be more competitive for applying developers. Each state designates a Qualified Action Plan (QAP) that lays out the application process for developers looking to take advantage of this credit to build affordable housing. In the past, developers in Montgomery County have been able to use LIHTCs, but Maryland's QAP employed a scoring system that made it difficult for the County to compete with the entire state for the 9% credits. A recent change to the 2019 QAP, however, may allow developers within the County to attain higher and more competitive scores.

Maryland recently amended the QAP's scoring system to give twice as many points to potential developments in Enterprise Zones than previously awarded (increase from 6 to 12 points out of a total of 200).[17] This change alone will make for more competitive applications for potential developments in the Enterprise Zone surrounding the Long Branch, Piney

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[15] "Montgomery County Rental Housing Study". RKG Associates Inc. June 2017. Accessed August 6, 2019. https://montgomeryplanning.org/wp-content/uploads/2017/07/RHS_Strategy-Document2.pdf.
[16] "About the LIHTC." Novogradac & Company LLP. March 11, 2016. Accessed August 06, 2019. https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/about-lihtc.
[17] "The Department's Proposed Changes to the Multifamily Rental Financing Program Guide." Maryland Department of Housing and Community Development. November 30, 2018. Accessed August 6, 2019. https://dhcd.maryland.gov/HousingDevelopment/Documents/lihtc/ProposedChangesMultifamilyFinancingProgramGuide.pdf.

Branch Road, and Takoma Langley Purple Line stations. They also released a map of "Communities of Opportunity" that includes much of the half-mile area around new Purple Line stops within Montgomery County (Figure 7).[18] Potential developments within these zones will be eligible for up to 16 points of the 200 total points awarded. These two changes together could account for more than a 10% increase to applicant scores for developments within both incentive zones (22 points out of 200). The County should make these changes to the QAP known to local developers, especially those with interest in building around Purple Line stops.

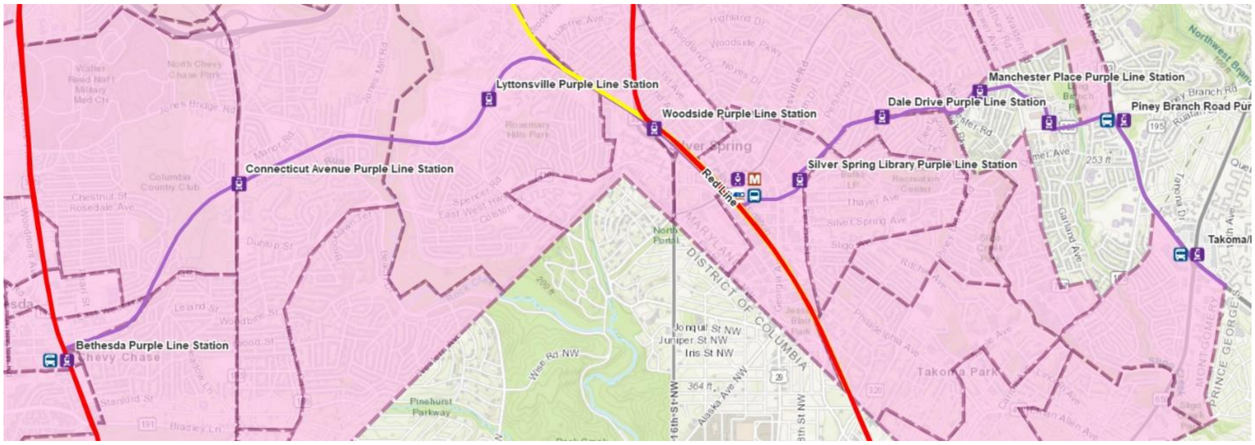

Figure 7 Communities of Opportunity are in pink. Seven Purple Line stops lie directly within these communities, while the other stops within Montgomery County all have parcels within a half-mile that are also in Communities of Opportunity. Map by Jay Mukherjee, Christopher McGovern, and Rachel Husted at Montgomery County Planning Department.

While these two changes should increase applicant scores making them more competitive for the 9% tax credit available through LIHTC, the County can capitalize further by advocating for a set-aside pool much like the one in Northern Virginia to enhance local developers' chances. Currently, the Maryland QAP contains two allocation set-asides for targeted projects. The LIHTC program requires that 10% of all credits be set aside for projects run by nonprofits, and Maryland also sets aside $1.5 million of these credits to fund up to one Permanent Supportive Housing project.[19] In Virginia, there are three set-aside pools of available LIHTCs designated for different Metropolitan Statistical Areas, including the Northern Virginia/Inner Washington MSA Pool.[20] Due in part to a lobbying effort mounted by multiple jurisdictions in

[18] "Maryland Mortgage Program." Map. Maryland Department of Housing and Community Development. Accessed August 6, 2019. https://portal.dhcd.state.md.us/GIS/MMP/index.html.
[19] "Maryland Qualified Allocation Plan." Maryland Department of Housing and Community Development. February 14, 2019. Accessed August 6, 2019. https://dhcd.maryland.gov/HousingDevelopment/Documents/lihtc/NEW-Final2019MDQAPSignedbyGovernor2-13-2019.pdf.
[20] "The Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits." Virginia Housing Development Authority. Accessed August 6, 2019.

the region, the State of Virginia sets aside 18.02% of these credits to be used strictly within those suburbs in the Washington Metropolitan Area. This allows developers to compete against each other in this high demand region - as opposed to against the entire state - for a significant amount of funding targeted at low-income housing development. Despite the changes made to Maryland's QAP that may increase feasibility of Montgomery County projects being awarded the 9% tax credit, the scoring system cannot adequately capture the heightened demand for housing paired with steep development costs experienced due to the County's proximity to the nation's capital. Montgomery County, in a dual effort with Prince George's County, should lobby the State of Maryland to establish a set-aside pool for the Washington, D.C. Metropolitan Area that more adequately reflect the costs and housing demands that set these counties apart from the rest of the state. This credit pool will allow developers throughout the County and around new Purple Line stops access to even more funding assistance to build affordable housing units.

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https://www.vhda.com/BusinessPartners/MFDevelopers/LIHTCProgram/LowIncome Housing Tax Credit Program/2019-QAP-Final.pdf.

RECOMMENDATIONS AND NEXT STEPS

I. **Promote targeted development in Incentive Zones along the line.**
The County should designate an Opportunity Zone Coordinator to connect with Qualified Opportunity Funds and local developers and disseminate information on the benefits of building affordable housing in these zones near new transit stops. The County should also advertise the benefits of multi-family and mixed-use development in Enterprise Zones.

II. **Further analyze regulations and processes governing construction on underdeveloped parcels within one-half mile of Purple Line stops.**
The Montgomery County Planning Department should organize a committee focused on potential for redevelopment and infill on underdeveloped parcels near Purple line stops. This committee should examine County practices that might delay needed construction and identify opportunities for re-zoning and up-zoning.

III. **Establish a plan for funding economic and affordable housing development in targeted neighborhoods.**
While Tax-Increment Financing remains a popular strategy for enhancing the impact of new transit options in many jurisdictions, a Transit-Oriented Development fund would enable Montgomery County to focus on development in neighborhoods that are at high risk of low-income resident displacement while allowing all jurisdictions to use increasing property tax revenue to enhance local public services.

IV. **Lobby the State for a Low-Income Housing Tax Credit set-aside pool.**
Montgomery County and Prince George’s County should lobby the State of Maryland for a LIHTC set-aside that would incentivize affordable housing development via higher tax credits to local developers.

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INTERVIEWS

Frank Dickson, Director, Strategic Business Initiatives, Maryland Department of Housing and Community Development. July 2019.

Nicholas Finio, Associate Director, University of Maryland National Center for Smart Growth. June 2019.

Abigail McKnight, Tax Specialist, Maryland Department of Commerce. July 2019.

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[i] The Purple Line Corridor Coalition is a consortium led by University of Maryland's National Center for Smart Growth that brings together Purple Line stakeholders including nonprofits, businesses, governments, and community organizations.

[ii] "No net loss" is a goal to preserve or create enough affordable housing units in a targeted area so that the number of those units does not decrease over time due to local economic forces. This objective is prioritized in many communities preparing for changes due to transit-oriented development. https://montgomerycountymd.gov/DHCA/director/housingpolicy.html