

## **Work Force Housing, ZTA 25-02 Testimony March 11**

### **Gordie Brenne, Treasurer, Montgomery County Taxpayers League**

This bill is a big improvement over Planning's recent Attainable Housing proposal which was heavily criticized by residents last year. The ZTA is limited to housing fronting on corridors, so it doesn't go into neighborhoods, thereby limiting density impact. Also, Workforce housing will not be "by right". This will allow for neighborhood controls over what's built. The down side is there's no estimate for the supply of new units, making it impossible to estimate infrastructure costs, as well as the demand for subsidies. (Policy makers seem to be targeting at least 12,000 new units based on earlier planning estimates of need and this would have a significant impact on school and road requirements- planning estimates a deficit of 12,000 rental units (for 70-120% AMI, staff memo 2/4/26, pg. 27), plus 160 first time home buyers (\$4 million/ \$25K).

Taxpayer housing subsidies had been reserved for affordable housing- for those with incomes below 80% area median income (AMI). Now, in an effort to revive housing starts, subsidies for market rate housing are proposed for developers and first time home buyers (median income households at 120% AMI have an income of \$185K for a family of 4. \$12 million in subsidies are proposed: \$8 million for first time homebuyers -\$25K subsidy per unit, and new \$4 million Housing Opportunity Fund money for developers). This could reduce resources for true affordable housing subsidies (which is far from adequate for those under 30% AMI), and could be made less costly by simply getting rid of regulations that drive up costs.

So, this ZTA is a workaround that could increase supply enough to lower prices, it could also be inflationary by eliminating pre-existing attainable housing and artificially stimulating first time buyer demand with subsidies. The reason governments traditionally don't subsidize market rate housing is because artificial demand increases are inflationary. This is particularly a problem in a period when supply has been constrained by higher interest rates and lower turnover. When interest rates come down and turnover resumes, housing inflation pressures will mount. The adverse effects of this ZTA will need to be closely monitored.

Further, the best way to justify taking this subsidy risk for middle class housing is if it generates County revenues to offset the subsidy and related infrastructure costs. This could come from property taxes, but these revenues will be deferred because the county does not immediately reassess tear down/rebuilds. However, recordation and transfer taxes are another revenue source that's been sagging recently that could be stimulated by this ZTA.

An amendment is needed for an annual report to the Council on affordability of prices paid (affordability for those on average with 80% AMI as suggested in staff briefing memo, 2/4/25 pg. 28), and distribution among corridors developed for housing built under this ZTA. The number of naturally occurring affordable units replaced should also be tracked to minimize adverse impacts, as should projected infrastructure costs. Include a sunset for subsidies if they exceed additional revenues, don't produce target AMI housing pricing in target corridors, or exceed expectations for lost naturally occurring affordable housing and infrastructure costs.

## **Background**

### *County staff Report*

[https://montgomerycountymd.granicus.com/MetaViewer.php?view\\_id=169&clip\\_id=17775&meta\\_id=188945](https://montgomerycountymd.granicus.com/MetaViewer.php?view_id=169&clip_id=17775&meta_id=188945)

### *Advocacy Support*

<https://ggwash.org/view/98306/montgomery-county-attainable-housing-more-housing-now?emci=d0697072-7ce5-ef11-90cb-0022482a94f4&emdi=25a13f01-25e6-ef11-90cb-0022482a94f4&ceid=21559797>

*Workforce Housing Forecast*- suggests new housing won't amount to much because stagnant job creation and too much regulation throttle housing development.

<https://montgomeryperspective.com/2025/02/10/do-housing-reforms-matter/>

*Zoning Impacts*- How Zoning Ruined the Housing Market in Blue-State America - The Wall Street Journal. Feb 14, 2025

<https://www.wsj.com/politics/policy/how-zoning-ruined-the-housing-market-in-blue-state-america-3fa94568?st=YSucrr>