Focused Neighborhood Assistance Program
McKendree Neighborhood

Neighborhood Revitalization Section
Department of Housing & Community Affairs
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

June 2012

Introductory Remarks

Strong, well-maintained neighborhoods are a critical component of overall community well-being and quality of life for Montgomery County residents. To help preserve and enhance neighborhoods, the Department of Housing & Community Affairs (DHCA) began the Focused Neighborhood Assistance Program in 2009 to comprehensively address community needs as identified by residents and other stakeholders in geographically-defined areas, or "Focus Areas." The first two Focus Areas –the Mid-County Focus Area (in the Glenmont area of Wheaton) and the Up-County Focus Area (in the Gunners Lake/Waring Station area of Germantown) have already received targeted assistance. In the Mid-County Focus Area this assistance took the form of laying three concrete community pathways and illuminating five such pathways in the neighborhood. DHCA also provided safety and security improvements to the public Wheaton-Glenmont Swimming Pool. In the Up-County Focus Area, DHCA collaborated with the Cinnamon Woods Homeowners Association to complete exterior renovations for income-eligible, single-family townhomes.

This report describes conditions in the **McKendree Focus Area** (in the northern part of Montgomery Village) and offers a work plan of recommended projects for community improvement. The report also provides baseline information about the community that can be updated to measure the success of these efforts.

Thanks to all who contributed to this report.

Patrice Cheatham
Matt Greene
Cathy Mahmud

August 2012

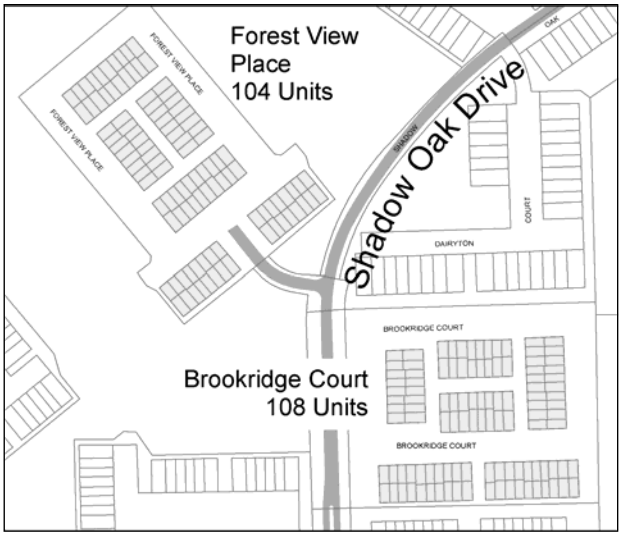
Table of Contents

Focused Neighborhood Assistance Program
McKendree Focus Area

Background

The McKendree Focus Area includes two streets, Brookridge Court, or McKendree I, and Forest View Place, or McKendree II. The neighborhood is located within Montgomery Village, a planned community on the outskirts of Gaithersburg, and is less than 20 miles northwest of Washington, DC. (See Appendix 1 for a description of Montgomery Village).

Figure 1: McKendree Focus Area



The McKendree neighborhood is named for McKendree (Mac) G. Fulks, a farmer and businessman. He owned 225 acres of the land that became Montgomery Village and worked with Kettler Brothers Inc. to transform the formerly rural country-side to the urban village we see today.

Figure 2: Interior Courtyard View - Brookridge Ct

McKendree was constructed in 1976 and 1977 as the first Moderately Priced Dwelling Units (MPDU) in the County. The MPDU program is a landmark affordable housing program established by local legislation in 1974. It required that 15 percent of the total number of dwellings in every subdivision containing 50 or more units be affordable to moderate-income households. The total density of the subdivision could be increased by 20 percent. McKendree is composed of 212 back to back, side by side townhomes that fulfilled the MPDU requirement for the larger subdivision. It is part of the Northgate Homes HOA and is one of seven neighborhoods whose community services are not provided by the Montgomery Village Foundation, Inc. but rather by ComSource Management, Inc. under contract with Northgate Homes.

Neighborhood Selection

The Department of Housing and Community Affairs (DHCA) selected the McKendree neighborhood to continue its Focused Neighborhood Assistance Program following the successful implementation of improvements to the original two Focus Areas.

The selection of this neighborhood, or Focus Area, was made as the result of a data-driven analysis focused on single-family homes in primarily, if not exclusively, residential neighborhoods. Data on crime, income (as viewed through the numbers of school-age children eligible for Free and Reduced Meals) and single-family rentals, as well as foreclosure and home sale activity were reviewed. These criteria are ones that have been commonly used by others to measure conditions at the neighborhood level, and this analysis identified areas that appeared to be experiencing challenges greater than those experienced by the county overall. Staff then further refined the neighborhood selection process by looking at a area's shared features that would facilitate community connection, for example, school boundaries and major roadways. Further data gathering specific to the area, through meeting with residents, County representatives and others has confirmed that a partnership is welcome and that the area can benefit from the program.

Neighborhood Details

Demographics

The McKendree Focus Area is the smallest of the DHCA Focused Neighborhood Assistance areas. It is smaller than a census tract or census block group and therefore lacks common demographic data available at those geographies. However, it is fair to say, based on the data for the parent block group and our work within in the community, that the McKendree neighborhood is quite diverse, with a broad mix of ethnicity, age, family size and education. The neighborhood qualifies for Community Development Block Grant (CDBG) funding assistance as determined through an analysis of household eligibility for services requiring income certification that demonstrates a minimum percentage of households have incomes at or below the CDBG income limits specified by the U.S. Department of Housing and Urban Development. Due to the small size of the neighborhood and the need to ensure the privacy of residents, detailed demographic information is not contained in this report.

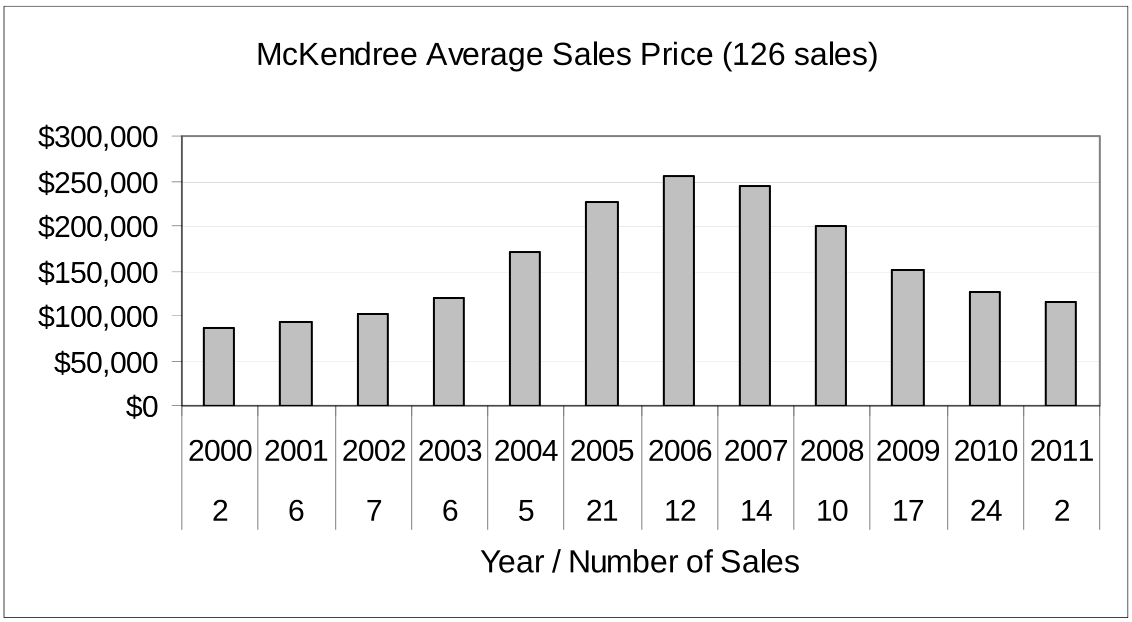
Housing

The McKendree neighborhood is composed of 212 single family back to back attached townhomes. This is a neighborhood of affordable housing. The 2011 average sales price was $115,000. In comparison, the Countywide median home sales price in March 2011 was $332,450 and the State median home sales price for the same period was $212,840.

The homes are approximately 1,188 total square feet in size, they are two and a half stories tall, they have no basements and they have 3-4 bedrooms. The master bedroom usually comprises the top floor. Most homes have one or two full bathrooms and one half-bath. Interior designs vary, but most include kitchens with table space and open living room / dining room combination areas. All have enclosed front yards. The lots range in size from 741 to 902 square feet.

In line with the national and local housing market, prices for homes in McKendree rose dramatically in the early 2000s, rising to an average sales price in 2006 of $255,183. Sales prices then declined just as dramatically as they had risen, dropping 55% in just five years to reach an average of $115,000 in 2011. Between 2000 and 2011, 126 (59%) of the homes transferred ownership at least once. Eighty-eight (41%) homes remained owner-occupied for this period. A review of the sales data suggests that a large number of homeowners owe more on their mortgages than the current tax assessed value.

Figure 3: Average Sales Prices



For many households, rental housing is a preference, for others it is a financial necessity. McKendree has long offered affordable rental opportunities – 46% of the units are rentals compared with just 11% countywide for townhome style units. In 2001, the Maryland Department of Assessment and Taxation (SDAT) showed that 70 units were renter-occupied. This figure grew to 97 units in 2011, three of which were sold to the Housing Opportunities Commission (HOC), the County’s Public Housing Agency, to be used as affordable rental housing. While this was a significant shift in tenure away from ownership and toward rental status, it does not represent a clear change in tenure occurring in one group of housing units. Indeed, of the 70 rental units in 2001, only 44 remained rental in 2011 and 26 became owner-occupied. The increase to 97 rental units was accompanied by 53 ownership units becoming rental units (see Table 1 for full details).

Figure 4: Change in Tenure – 2001 to 2011

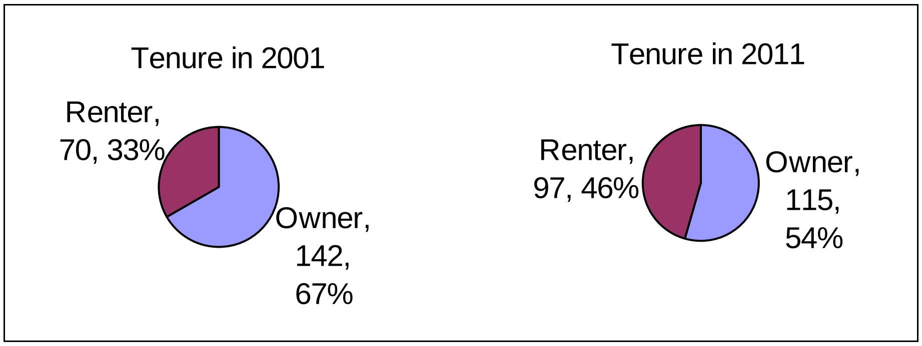


Table 1: Change in Tenure – 2001 to 2011

Changing Tenure

	2001		2011		
Units	Renter	Owner	Renter	Owner	
89		X		X	133, or 63%, did not change tenure
44	X		X		
26	X			X	79, or 37%, changed tenure
53		X	X		

Shared Common Areas

Some may consider courtyards as a modern-day solution to compact development, however, it actually a common practice among the Incas as far back as the 13th century. A courtyard surrounded by homes, as in McKendree, can provide a shared park-like space for those families, who could take pride in the ownership of the space. With space at a premium, the courtyard is a way to provide outdoor space, an extension to the townhomes and a a gathering spot for the neighborhood.

There are two courtyards in the McKendree Neighborhood. These shared common areas are minimally landscaped with few if any amenities. In the event of a courtyard redesign, special attention should be given to safety, and the introduction of smaller plant materials that allow residents a clear line of sight. Community members and a preliminary examination suggest that the courtyards could potential benefit of drainage improvements. The design of McKendree limits the view of the courtyard to less than one-quarter of the homes.

The courtyard design is primarily hardscape. The courtyard also serves as the sidewalk entrance to individual homes that face it. The visual connectivity between the townhomes and the courtyard is impeded by the 5 ½ foot privacy fence surrounding each of the townhomes private front yard. A visual assessment by Montgomery County Police suggested that a lower more open design in keeping with Crime Prevention Thru Environmental Design (CPTED) principals would open the line of site and limit potential hiding places. In addition, this change would visually open the courtyard, improve the natural light in the front yards and enhance the "curb appeal" of the units. Each fence is individually owned by the property owner and the design of the fence and gate is controlled by Montgomery Village, Inc. Any changes to the design would need to be supported by the property owners and approved by Montgomery Village, Inc. Further discussion and consideration of a fence redesign must be fully vetted with the property owners, Northgate Homes HOA and Montgomery Village.

In addition, there is no pedestrian path from Shadow Oak where the bus stop is located to Forest View. An asphalt unlighted path exits between Brookridge and Apple Ridge which provides access to the commercial area. It is heavily used.

Transportation

McKendree I and II are situated in the northern third of suburban Montgomery Village, less than 25 miles northwest from downtown Washington, DC. Residents of the 212 units are a short walk of two to three blocks from Montgomery Village Avenue, the backbone of the whole Village community.

Just over three miles down Montgomery Village Avenue is I-270, a major north-south interstate that connects to the Capital Beltway, I-495, after 12 miles. In addition, the Intercounty Connector, MD-200, a major east-west highway, is only six miles away.

Several other significant roads link the community to local shopping and amenities. Lakeforest Mall is three miles from McKendree along Montgomery Village Avenue and the Montgomery County Airpark is only six miles away.

While individual vehicle usage is common for commuting to work and shopping, and residential units each have one designated parking space, residents can also use either Ride On Bus Routes 64 or 58, which travel very close to McKendree, to reach the transportation hub at Lakeforest Mall or to ride under an hour to the closest Metro stop at Shady Grove at the end of the red line. The I-270 Express Metrobus Routes J7 and J9 also leave from Lakeforest Mall and travel south to the Bethesda Metro station. Ride On bus Routes 54, 56, 57, 59, 61 take riders from Lakeforest Mall in various directions, including to the MARC train station in downtown Gaithersburg, and the Germantown Transit Center, as well as Shady Grove and Rockville Metro stations. In addition, Ride On bus routes 60 and 65 (an express) leave from Montgomery Village Center for Shady Grove.

The overall street layout of Montgomery Village is designed to prevent cut-through traffic, resulting in many cul-de-sacs and localized roads, and calms traffic flow. Within the McKendree area and throughout all of Montgomery Village there are a plethora of paths, sidewalks and walkways for recreational and practical usage by foot or bicycle. Much of the area encompassed in Montgomery Village has been left as natural forest or has been turned into a golf course, a man-made lake, playgrounds, sports grounds and park areas – even a nature center. Some of the walkways, paths and outdoor areas have lighting and others do not.

Public Safety

McKendree I and II as well as the entire Montgomery Village community, are located within Police District 6. Community stakeholders including the Montgomery County Police, the UpCounty Regional Services Center, the Northgate Homeowners Association, the Montgomery Village Foundation and the private security firm, American Protective Services, maintain close partnerships and work collaboratively to prevent and address public safety issues.

In a recent interview with District police concern was expressed regarding unsupervised children and youth, home alarm calls, disorderly activity and domestic reports. They also note that the design of the community, which includes interior courtyards and 51/2 foot privacy fences located in front of each individual residence, hinders natural surveillance from police, security and neighbors. As a small area within the district, there is limited statistical data on crime in the McKendree neighborhood.

Additional lighting has recently been installed on the Mackinder's parking lots which provide an increased sense of security. The Montgomery County Police have developed a youth leadership program to help address needs of youth, including some who may be at-risk.

Information Gathering/Community Outreach

A block-by-block visual survey (see Appendix) was conducted by DHCA staff in February 2012. During the first quarter of 2012, the DHCA team held meetings with County agencies and other organizations to gather input on the assets, issues and needs of the focus area. These meetings provided information from County staff and civic leaders based on their experiences, observations and familiarity with the area. DHCA consulted with representatives from:

- Up-County Regional Services Center
- Up-County Citizen's Advisory Board
- Montgomery County Police Department, District 6
- Maryland - National Capital Park and Planning Commission (M-NCPPC)
- School administrators from Watkins Mill High School, Neelsville Middle School, and Stedwick Elementary School
- Montgomery County Division of Solid Waste
- DHCA Code Enforcement
- Montgomery County Department of Transportation
- Montgomery County Fire and Rescue Service
- Montgomery County Department of Health and Human Services
- Montgomery County Department of Recreation
- Montgomery Housing Partnership, including outreach to Hispanic population
- Northgate Homes Corporation
- Montgomery Village Association

Any project to improve neighborhoods should be guided by the community's wisdom, not the dictates of professional disciplines. This community guidance is critical in making great neighborhoods. DHCA's staff held a neighborhood Charette meeting on November 30, 2011 at the Northgate Homes Community Center to solicit input from residents of the project area. This Charette provided an opportunity or the residents to outline their neighborhood's assets, issues and to make recommendations for needed actions.

Community members discuss neighborhood assets and challenges

Community Assets

McKendree is one of the neighborhoods of Montgomery Village. The Montgomery Village Foundation, Inc. has nurtured and sustained the growth of the Village as well as expanded its ownership of public land which is more than 330 acres.

The Foundation owns and operates seven pools, 22 tennis courts, four community centers, 18 recreation and park areas, a natural amphitheater and nature center. Year round, the Foundation Department of Recreation, Parks and Culture offers a variety of programs for all ages and during the summer sponsors a community wide Fourth of July parade and celebration and concerts at the amphitheater.

A biweekly source of information about the Village today and all the activities is the *Montgomery Village News* newsletter published by the Communications Department and widely distributed both in and around Montgomery Village.

The Community Management staff administers the following services for managed communities:

- Community Property Maintenance Inspection and Reporting
- Tree Maintenance
- Street Light Maintenance
- Storm Drain Maintenance
- Unified Trash Removal Services
- Private Property Maintenance Inspection and Reporting
- Covenant Enforcement
- Snow Removal
- Private Security

Location

Residents frequently remark about the convenient location of their community, the ease of access to public safety services, like police and fire, the proximity to public schools, the hospital, libraries, parks, recreation facilities, restaurants, banks and shopping. Residents expressed general satisfaction with County services, including leaf pick-up and recycling.

Green Spaces

Residents value the mature trees in their neighborhoods and wooded areas.

Schools

School age children who live in the McKendree neighborhood attend Stedwick Elementary School, Neelsville Middle School and Watkins Mill High School. The elementary school is located within Montgomery Village about a mile and a half away. The high school lies nearby, just outside the boundaries of the planned community, while the middle school is a ten-minute drive (three miles) west of McKendree.

Children dropped off by school buses on Shadow Oak Drive walk into the Brookridge Court and Forest View Place cul-de-sacs. Those going to Forest View Place must walk in the street to enter their home area.

As the following charts demonstrate, about half the students at each of the schools qualify for Free and Reduced Meals (FARMS), an indicator of low income. At the elementary level, about a quarter of the students need English for Speakers of Other Languages (ESOL).

The racial ethnic breakdown shows blacks and Hispanics each comprising about a third or more of the student body, with whites and Asians filling in the remaining quarter.

	ESOL	FARMS	Enrollment
Stedwick ES	26.4%	55.6%	602
Neelsville MS	7.2%	56.7%	853
Watkins Mill HS	6.9%	47.1%	1,458

	Asian	Black	Hispanic	White
Stedwick ES	8.5%	36.7%	30.4%	17.6%
Neelsville MS	10.7%	35.6%	37.4%	10.4%
Watkins Mill HS	11%	36.6%	34.6%	13.9%

Community Challenges and Work Plan

Challenges as reported by community members

1. Common Areas
   - Bulk and daily trash items scattered around the neighborhood; no trash receptacles
   - Erosion in common areas resulting in patches of mud and dirt instead of previous grass
   - Missing or overgrown landscaping
   - Occasional graffiti
   - Trees which appear to be experiencing stress.
   - Lack of children's play areas
   - Sidewalks narrow and uneven
   - Brookridge courtyard is not level; narrow drains totally clogged; puddles and mud areas
   - Forest View poor drainage
   - Stormwater grates that are missing or seem unsecure.

2. Pedestrian Pathway from McKendree to Apple Ridge
   - Trash along the path; no trash receptacles
   - No lighting; very dark after sunset

3. Individual homes
   - Residents are not following community guidelines; guidelines are not enforced
   - Fences and gates are in disrepair/rotting/non-conforming
   - House repairs, including rotted wood replacement and painting not done
   - Yards not kept up
   - Abandoned/vacant homes

4. Access to Communities

   - No sidewalk linking path on Shadow Oak to Forest View Place
   - No paved access to playground
   - Not enough retail/grocery nearby
   - Broken fence along Shadow Oak
   - Street/address signage is minimal and obscure

Work Plan

The work plan is a general outline of the recommended projects for improvement. During the examination and development of the actual project scopes, some recommended projects may not for some reason continue through to construction. Stakeholders will be kept apprised of the project progress and final outcome.

1. Common Areas

- Examine opportunity to address courtyard drainage issues and improved landscaping.
  - Obtain services of consultant to conduct assessment of drainage issue and recommendation for improvement.
  - Obtain services of consultant to develop landscape plan with the advice of stakeholders.
  - Construct improvements
- Access interest in community activities.
  - Conduct community outreach
  - Possible activities could include Earth Day Clean-Up, Community Picnic, National Night-Out, etc.

2. Pedestrian Pathway from McKendree to Apple Ridge

- Examine opportunity to provide CEPTED Pedestrian Lighting along path
  - Obtain services of consultant to conduct assessment and recommendation for improvement.
  - Construct improvement.

3. Individual homes

- Offer Exterior Home Improvement and Energy Efficiency Grant in conformance with the Montgomery Village Architectural Guidelines and Policies opportunity to income eligible homeowners.
- Offer Exterior Home Improvement and Energy Efficiency Forgivable Loan with affordability control period to rental properties whose tenants are income eligible in conformance with the Montgomery Village Architectural Guideline and Policies.
- Work with non-profit community to acquire, rehab, and re-sale of vacant, bank-owned properties to first time homebuyers.
- Connect appropriate homeowners to foreclosure counseling

4. Access to Communities

- Examine opportunity to construct pedestrian sidewalk along entry to McKendree from Shadow Oak Drive and other improvements.
  - Obtain services of consultant to develop a baseline lighting survey for all pedestrian sidewalks, pathways, courtyards and parking lots.
  - Analyze findings and share with stakeholders
  - Obtain services of consultant to design pedestrian improvements as feasible.
  - Construct improvements.

APPENDIX 1

MONTGOMERY VILLAGE

Montgomery Village is a planned community created in the early 1960's with 40,000 residents. The developer Kettler Brothers worked with local government officials, civic activists, professional planners and engineers to develop a vision for the community. At the time major businesses were moving out of Washington, DC, and the federal government was growing in the outer suburbs. Montgomery Village was built to support this new economic growth. The early vision for Montgomery Village included all the elements of a small town with stores, restaurants and entertainment, commercial areas, places of worship, schools and recreational facilities all walkable or just a short drive. A variety of residences were built in distinctive neighborhoods that were close to schools and activity centers. Today there are ten Home Owner Corporations, eleven condominium association and four apartment complexes. All residents are a part of the Montgomery Village Foundation, Inc., established to provide services and programs similar to those of a city government or township.

Member/residents have access to more than 330 acres of common grounds, lakes and recreational facilities and are attend special events and programs, such as the annual Fourth of July celebration; receive a copy of the *Montgomery Village News* every other week, delivered by children who live in the Village; pay assessments for use of the facilities and services provided under the Foundation's bylaws and protective covenants; and are required to contact the Architectural Standards Department whenever considering making a change to the exterior of your home. The Foundation by contract provides community management services as well as web page services to some of the homes corporations and condominium associations.

APPENDIX 2

THE HISTORY OF THE MPDU PROGRAM IN MONTGOMERY COUNTY

Background and History of the Program

Beginning in the early 1970's, a shortage of housing affordable to low and moderate income households occurred in the County. In addition to a large increase in young families looking for housing, this situation was exacerbated by a number of other conditions. Controlled growth policies enacted by the County government made it difficult for developers to subdivide raw land into residential lots. The installation of public infrastructure such as water and sewer lines, schools and roads did not keep pace with the demand for housing. The County instituted a sewer moratorium in 1972 that significantly restricted the number of new water and sewer house connections that were permitted.

Because the demand for residential building lots greatly exceeded the supply, prices increased at a rate much higher than general inflation. As the events curtailing the availability of building lots occurred, builders saw a reduction in their housing output. They began constructing the largest and most profitable houses on virtually irreplaceable building lots. The increasing costs of new houses also caused the price of existing housing to increase making it difficult for new and young families to find housing in the County that they can afford. The median price of a new single-family detached home in the County in 2000 was $364,000, and the median price for a new single-family townhouse was $212,000. The average turnover rent in April 2000 for a market-rate, two-bedroom apartment was $945.

In the early 1970's, housing advocacy groups such as the Suburban Maryland Fair Housing and the League of Women Voters began discussing the inadequacy of the County's supply of affordable housing. These groups recommended the concept that builders should supply a percentage of all units in new residential developments at prices that would be affordable to low and moderate-income households. The County Council introduced a local legislative bill that proposed an innovative, County-wide inclusionary, zoning and density allowance program known as the Moderately Priced Housing Program. The legislation proposed that builders of most residential housing make a portion of the housing units available at below-market rate sales prices or rental rates.

The proposed legislation raised a number of questions. One of the most important issues dealt with the constitutional question of whether this requirement constituted a taking of property without compensation. Another issue dealt with the implications of the government requiring owners of expensive homes to live side by side with moderate and low-income neighbors. Real estate appraisers raised the question of what economic impact affordable units would have on the value of the more expensive homes in the subdivision. A corollary concern was whether higher income buyers would choose not to purchase homes in Montgomery County in favor of other Washington suburbs that did not have an affordable housing requirement. An alternative proposal was submitted by home builders that would allow a developer to fulfill the affordable housing requirement of a subdivision by constructing the units at another location.

The County Council worked on the legislation for over a year. As a solution to the question of an "unconstitutional taking", the Council revised the bill to provide bonus densities to builders who constructed the required moderate income housing. A major debate occurred over the contention that giving bonus densities would undermine the planning considerations which went into designating zoning densities which were adopted in the County's general plan and in local area master plans. Builders suggested that, if the County were to give the density bonus, this would be sufficient incentive to make it unnecessary for the program to be mandatory.

The bill with a number of major substantive amendments was unanimously approved by the County Council on October 23, 1973. The legislation required that 15 percent of the total number of dwellings in every subdivision containing 50 or more units be affordable to moderate-income households. The total density of the subdivision could be increased by 20 percent. An amendment gave the County's public housing authority (The Housing Opportunities Commission-HOC) the right to purchase one-third of the moderate priced units produced in each subdivision. These units would be used for the Commission's own programs for assistance to low-income tenants.

The County Executive vetoed the legislation because he believed it to be unconstitutional, invasive public policy, and too difficult to administer. On November 6, 1973, the Council overrode the executive veto and the Moderately Priced Housing law became effective on January 21, 1974. Because land previously subdivided did not contain the bonus densities, these subdivisions were exempt from the requirement. The first moderately priced dwelling units (MPDU's) built under the program was offered for sale to qualified purchasers in 1976.

Inclusionary Zoning and Controls Imposed by the Program

The MPDU program is believed to be the country's first mandatory, inclusionary zoning law that specified a density bonus allowance to builders for providing affordable housing. The density bonus was designed to preclude developers from losing opportunities to build market-rate units and to help offset some of the production costs of the MPDUs. The law presently requires that between 12.5 and 15 percent of the total number of units in every subdivision or high-rise building of 20 or more units be moderately priced. The law is applicable to property zoned one-half acre or smaller. Subdivisions which are not served by public water and sewer are exempt from the requirement because higher densities are difficult to achieve when installing well and septic systems. The zoning ordinance allows a density increase of up to 22 percent above the normal density permitted under the zone. The ordinance also allows some attached housing in single-family zoning classifications so that optimum development of the property can be achieved and less costly housing can be constructed. The density bonus, in effect, creates free lots upon which the MPDUs are constructed. The builder normally obtains some additional market rate units equal to the difference between the density bonus and the MPDU requirement. Because of physical constraints of the land, the full density bonus cannot always be obtained; the MPDU requirement, therefore, falls within a range of from 12.5% to 15.0% based on the actual bonus density achieved.

The County imposes certain resale and occupancy restrictions on the MPDUs when the completed units are sold. Because of changes in the law over time, this controls period varies according to when the unit was initially sold. For this reason, the control period can be 10, 15, or 30 years. The price for which the unit can be resold is controlled during this period, and the unit must be resold through the MPDU program to another MPDU certificate holder. The County has the right of first refusal to purchase any MPDU put up for sale, and almost all units that are sold during the control period are purchased by the County or HOC.

The MPDU must be owner-occupied throughout the applicable control period, and when the owner sells the unit for the first time after the control period ends, it may be sold at a market price. Any "excess" or "windfall" profit obtained through the sale is split between the County and the owner.

Program Goals

The goals of the MPDU program are:

1. To produce moderately priced housing so that County residents and persons working in the County can afford to purchase or rent decent housing;
2. to help distribute low and moderate-income households throughout the growth areas of the County;
3. to expand and retain an inventory of low-income housing in the County by permitting the Housing Opportunities Commission (HOC) and recognized nonprofit housing sponsors to purchase up to 40% of the affordable units (HOC is limited to one-third);
4. to provide funds for future affordable housing projects by sharing the windfall appreciation when MPDUs are first sold at the market price after expiration of the resale price controls.

Over the past several years there have been consistently about 2,000 households and individuals holding MPDU eligibility certificates. The MPDU program markets units to renters and first-time home buyers with incomes ranging from $20,000 up to $68,000 for families of 5 or more people. The median income of a 4-person family living in Washington Metropolitan area in 2006 is $90,300. Households having an income at or below approximately 70 percent of the area's median income, adjusted by family size, qualify for the program. Priority in the sale of the MPDUs is given to people who either live or work in the County.

The average annual MPDU production rate of units for sale is about 280 units with an additional 200 units resold under the 10-year price controls. Because of the high demand for the MPDUs, the County conducts lotteries to select potential purchasers of the units in each offering. The units range in price from $130,000 for a 2 bedroom condominium to approximately $180,000 for a 3 bedroom detached house with a basement and garage.

MPDU units purchased by HOC are rented to households with low or very low incomes. Depending on the financing sources used by HOC to purchase the units, tenant incomes range from below $10,000 to $36,150 which is approximately 50% of the area's median income. The HOC has a waiting list of approximately 8,000 households and currently owns more than 1,600 MPDUs. Nonprofit housing sponsors have purchased approximately 85 MPDUs since 1989.

Program Administration and Funding

Operation and administration of the program takes place within the Single Family Housing Programs Section of the Division of Housing and Code Enforcement within the County's Department of Housing and Community Affairs (DHCA). The section includes the Section Manager, a Program Manager, and two administrative assistants. Operations are overseen by the Chief of the Housing Division. The current annual operating budget for the Moderately Priced Dwelling Unit (MPDU) office is approximately $400,000 which includes salaries and fringe benefits for the staff, office space, printing and postage, computers and telephones. Funding is through the County's general operating budget.

The program is established under County zoning legislation adopted by the County Council and approved by the County Executive. Certain program requirements such as income limits, maximum sales prices and rental rates are set through executive regulations developed by the Department, and approved by the County Executive and the County Council.

The program's implementation involves both the public and private sectors; the local government in regulatory and administrative functions and the building industry as the producer of the housing. Builders must subdivide their land, obtain building permits and construct the units. They notify the MPDU office when units are to be offered for sale or rent. The MPDU office certifies the eligibility of individuals and families who want to purchase or rent units under the program, enters into agreements with builders for staging the construction of the units, establishes the MPDU sales and rental prices and oversees the selection of potential buyers and renters through a lottery selection process. The MPDU section also enforces the occupancy and resale provisions of the law and oversees the resale of existing units.

Funding for HOC's acquisition of MPDUs comes from a variety of sources, including federal acquisition-without-rehabilitation program funds, local tax exempt bonds, private sector investment in federal low-income housing tax credit partnerships, and from funding through the Maryland Housing Finance agency.

Evolution of the Program over Time

There have been a number of changes in the program since its inception. The original MPDU legislation required that 15 percent of the total number of units in the subdivision be MPDUs, with a density bonus of 20 percent above the normal zoning category. Controls on the resale price and rental rate of the MPDUs lasted for 5 years and the units were for sale or rent as determined by the builder.

In 1981, after five years of experience with the program, the building industry requested that the MPDU requirement be reduced to 10 percent of the units in the subdivision because they believed the 15% requirement was excessive. The County Council compromised by reducing the requirement to 12.5 percent, but enacted two other amendments that strengthened the program. The price control period was extended from 5 years to 10 years, and all MPDUs had to be for sale unless they were located in an all rental subdivision.

A committee composed of builders; staff from the County's planning agency, Housing Department staff and members of the County Council studied the program again in 1988 and recommended substantive changes that were adopted into law in 1989. The major changes: (1) increased the bonus density to 22 percent; (2) based the MPDU requirement on a sliding scale ranging from 12.5 percent to 15 percent depending on the bonus density achieved; (3) increased the rental control period to 20 years; (4) required that a portion of the appreciated resale price of an MPDU sold after the expiration of the price control period be paid into the Housing Initiative Fund; and (5) permitted an increase in the MPDU sale prices to enable builders to pay for improvements in the design of the MPDUs to make them more compatible with the market rate houses. Another major amendment provided for alternative methods of meeting the MPDU requirement when the units are not affordable because of high condominium or homeowner's association fees and where the services provided cannot be eliminated or modified for the MPDU residents. An example would be a luxury high-rise, condominium building. The alternative program permits the developer to make a payment to the Housing Initiative Fund or provide units at another location; the alternative must result in more units or units that are more affordable.

A recent change in the MPDU Law which took effect on April 1, 2005 lengthened the control period for sales units to 30 years (which will renew each time the MPDU is sold within the existing control period). Under this law, the control period for rental MPDUs was extended to 99 years. Another change in the law reduced the number of units within a development that trigger the requirement to provide MPDUs. Previously, developments with thirty or more units were required to provide MPDUs; this is been reduced to developments with 20 or more units.

Program Acceptance and Criticism

The MPDU program has received broad general support in Montgomery County. New home buyers are among the most vocal supporters because the program makes affordable housing available to persons who otherwise would not be able to purchase a house in the County. Employers and businesses are helped because the program makes housing available to entry level and mid-management employees. Affordable housing organizations and citizens' groups advocate for the program because it provides for a wide geographic distribution of low and moderate income housing which encourages economic and racial integration in the County. Elected officials back the program because of its low impact on any given community or neighborhood and because the program does not require a large financial investment by the County. Although, in the past, builders expressed objection to some of the procedures and regulations, they are generally supportive of the program and have made numerous suggestions for its improvement.

The most likely critics of the program are those who advocate no growth or slow growth because the program offers increased densities and building heights in existing zones. The MPDU Program has been criticized for causing additional congestion on County roads, and requiring more funding of County facilities, infrastructure, and services. Because the units are not assessed at the market price, "fairness in taxation" groups have criticized the program because MPDU owners do not pay a fair amount in property taxes relative to the amount of public services they receive.

It would be expected that criticism of the program would come from the communities in which the low and moderate cost housing is being built. This criticism has rarely occurred because the program is equally administered in all parts of the county and, if properly designed, only a small portion of a subdivision is built as low or moderate cost housing. The criticism that does occur from neighborhood groups most often deals with an insistence that alternative proposals of meeting the MPDU requirement be discouraged, and that all neighborhoods be subject to the same MPDU production requirement. MPDUs have not been shown to have a detrimental effect on the value of the market priced housing and the program has never been legally challenged by either developers or citizens.

Program Achievements and Limitations

The most important achievement of the MPDU program is the production of more than 12,000 affordable housing units (through 2005). Housing constructed as MPDUs now constitutes about three percent of the County's total housing stock. The program has also provided a means for the Housing Opportunities Commission and other nonprofit housing groups to purchase over 1,000 units for long term retention as part of the County's low-income housing supply. The program contributes to the economic and racial integration of the County because MPDUs are marketed to an economically and racially diverse group; 51 percent of MPDU purchasers during the 1988-1992 periods were minority households.

The program's most significant limitation is its reliance on a favorable housing market; the production of MPDUs is based on the accompanying production of market rate housing. The rate of production decreased following the economic slow down of the late 1980's and early 1990's, when production fell from an average of 900 units produced annually to around 300 units produced annually. The low point of production was in 2000 when only 186 units were produced. With the improving housing markets since the late 1990's, production has slowly increased to around 400 units in 2005. Despite increasing production, the number of units produced annually only supplies housing to approximately 15% of those on the waiting list. Although builders have occasionally constructed a subdivision's MPDUs ahead of schedule because they can be easily sold, there is little the County can do to stimulate MPDU construction during slow housing sales periods. Most of the land in the County that is zoned one-half acre and smaller (R-200) has been built on; therefore, fewer subdivisions of 50 or more units are being submitted for development approval.

Another limitation is the loss of an owner occupied, affordable house at the end of the 10-year price control period (for those units sold before March 1, 2002). A compromise was achieved when the law was amended to require that half the "excess" or "windfall" profit made when the MPDU is sold at the fair market price after the control period expires be paid into the Housing Initiative Fund (HIF). The fund is used to produce future affordable housing projects.

Because of a number of factors, including a change in the income tax laws dealing with rental housing investments, little rental housing except for those projects with low-income tax credits or tax-exempt bond financing have been constructed. The bonus density does not provide enough incentive to construct apartment projects. To solve this problem, the County has offered construction and permanent financing through the HIF to nonprofit housing sponsors to purchase and renovate existing apartment houses and to build new rental projects.

Replicability of the Program

The Moderately Priced Dwelling Unit program can be replicated in any jurisdiction that has local legislative and zoning powers and significant residential construction activity. Because localities bear little of the financial cost of this program, it is an attractive alternative or supplement to traditional housing subsidy programs. Both developing suburban areas and more urbanized areas undergoing residential expansion or redevelopment can often be improved by the inclusion of an affordable housing component in market rate developments in exchange for increased density allowances.

Three of Montgomery County's neighboring/jurisdictions, Fairfax and Loudoun Counties in Virginia and Prince George's County, Maryland, have recently enacted inclusionary zoning programs modeled, to a large extent, after the MPDU program. Fairfax County is implementing its Affordable Dwelling Unit program after first trying a voluntary program and then convincing the County's Board of Supervisors and State General Assembly of the need for a mandatory program. The Fairfax County staff received a great deal of support from the building industry in getting its legislation approved. These programs have some differences from Montgomery County's program for instance Fairfax requires 50 year price controls and Prince Georges County has no split of the windfall profit if an owner stays in the unit for 15 years.