Site Plan Guidelines for Projects Containing MPDUs

6/1/95

GUIDELINES FOR UNIT TYPES	
(1)	Encourage a variety of MPDU unit types. Promote, but do not require, duplexes or single-family detached MPDUs in a single-family-detached-only section of a subdivision. Encourage more than one MPDU unit type in subdivisions with three or more market rate unit types. MPDU unit types and market rate unit types need not be the same.
(2)	Prohibit back-to-back townhouse MPDUs unless it can be demonstrated that no other unit type is suitable to the site, that the disadvantages associated with that unit type are eliminated in the site design, and the MPDUs are scattered among market rate back-to-back units.
(3)	Encourage innovative site and building configurations for townhouses, piggy-backs, quadriplexes, triplexes, duplexes, small-lot detached units, and apartments. Solicit comments from agencies most familiar with the market, delivery, and life of MPDUs prior to preparation of site plans for review.
GUIDELINES FOR MPDU LOCATIONS AND SITE PLAN FEATURES	
(4)	Discourage location of more than 16 back-to-back or piggy-back MPDUs **OR** 30 non-garage townhouse MPDUs adjacent to or confronting each other. Quantities larger than this should be separated from other MPDUs of these two types by market rate buildings. Garage townhouse, duplex, and detached MPDUs would be exempt from limits on aggregation.
(5)	Permit townhouse-type buildings containing only MPDUs.
(6)	Encourage, but do not require, MPDUs and market rate units on a single garden-apartment stairwell. If an individual stairwell has only MPDUs, then the remainder of the building must contain some or all market rate units.
(7)	Encourage distribution of any MPDU-only apartment stairwells among the market rate stairwells.
(8)	Continue to advocate siting of MPDUs to facilitate access to public facilities.
(9)	Permit enough clustering of single-family detached and duplex MPDUs to take advantage of production and marketing efficiencies.
(10)	Continue to give special attention to site plans for MPDUs in order to provide usable open space, play and congregating areas near units, age-appropriate recreation, adequate parking for residents and guests, and adequate provision for storage and garbage collection.
(11)	Ensure that open space and recreational facilities which are required for site plan approval are equally available to all residents, regardless of income or unit type.
(12)	Continue to require close proximity for MPDUs to open space and recreation facilities required for site plan approval; where off-site recreation facilities are allowed, locate MPDUs nearby unless additional, age-appropriate facilities are located near the MPDUs.
(13)	In townhouse and garden apartment areas where residents lack individual private and defensible yards, continue to require open space areas which are adjacent and useable; steep slope and inaccessible open space areas are insufficient.
(14)	Require phasing plan contained in site plan to conform to Section 25A-5(i) of the Montgomery County Code.
(15)	Clearly identify MPDUs on all site plan applications and signature set drawings.
(16)	Clearly state on the record plat that the site provides MPDUs, the locations of which are shown on the site plan.

Minimal editing per MCPB discussion of 3/9/95

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION
8787 Georgia Avenue • Silver Spring, Maryland 20910-3760

MEMORANDUM

DATE: March 9, 1995

TO: Montgomery County Planning Board

FROM: Sally Roman, Coordinator
Planning Department
495-4708

SUBJECT: MPDUs: Site Plan Issues and Proposed Guidelines

INTRODUCTION

In recent months, Planning Board members have raised a number of issues regarding MPDU locations and unit types as part of individual site plan reviews. These include:

- Issue 1: Dispersing MPDUs to achieve economic integration
- Issue 2: Concentrating MPDUs, especially when they are also subsidized low-income housing units
- Issue 3: Requiring construction of duplex MPDUs
- Issue 4: Locating MPDUs in "enclaves"
- Issue 5: Phasing construction of MPDUs

During these site plan reviews, the Board discussed requiring some duplex MPDUs instead of townhouse MPDUs, requiring MPDUs to reflect the mix of market rate unit types in the development and requiring greater dispersal of MPDUs among market rate units. Resolving these site plan issues while maintaining the economic viability of the program and meeting the legislative intent of the law is a challenging task.

Staff analysis of the issues is based on our understanding of existing law. If the Board feels that the law does not meet the Board's needs, staff would be glad to work with them on any changes. In analyzing the issues, staff concludes that some problems with MPDUs are very real and will remain for the useful life of some existing MPDUs. Many of those problems, however, have already been identified and addressed by changes to the MPDU law, purpose of the law was met by the distribution of MPDUs throughout the County. Many Boards expressed little or no interest in the distribution of MPDUs on site, with the result that some plans had large concentrations of MPDUs, others separated MPDUs from market rate units, and still others interspersed these units.

SECTION 2: ECONOMICS OF MPDU PROGRAM

Requiring increased dispersion of MPDUs among market rate units raises two basic economic concerns: (1) the ability of the developer to construct the MPDUs without "loss or penalty" and (2) the ability of the program to serve its target market, moderate income households, and, through HOC and non-profit purchases, low income households. To remain viable, the program needs to maintain a rather delicate balance between providing affordable MPDUs that are compatible with market rate units and allowing developers "reasonable prospects of...profit" on the units. Requiring further dispersal of MPDUs and mandating more expensive unit types, such as detached and duplex units, can upset this delicate balance and affect the program's ability to meet its goals because land, construction, and marketing costs may be higher.

DEVELOPMENT COSTS

Land Costs. A fundamental premise of the MPDU program is that all land costs for a subdivision are incurred by the market rate units allowed by the base zone. In other words, the value of the land is not changed by the addition of bonus MPDU units and no land costs are attributed to these units.

Since the price of raw land comprises 15 percent or more of the price of a market rate single-family house, MPDUs without this cost are immediately more affordable than other units. In 1990, for example, this meant that an MPDU did not incur typical land costs of $45,000 to $50,000 for a single-family detached lot or $25,000 to $30,000 for a townhouse lot.

Bonus Market Rate Units. Because development costs are high in Montgomery County, the MPDU legislation does not rely entirely on "free" land to achieve the goal of a neutral or even somewhat positive financial impact of the MPDU program on developers. It further enhances the financial feasibility of the program by providing the opportunity for one or more of the bonus units to be sold at market price if the maximum percentage of MPDUs is built. These units are expected to provide extra profit to the developer to compensate for some of the costs of building MPDUs. Since non-MPDU bonus units can be sold for the full market price, the 15 percent of the price that would normally be land cost can compensate for some of the MPDU costs or even yield a profit.

Opportunity Costs. In economic terms, the land upon which MPDUs are built is not a direct development cost for the MPDUs. However, there can be indirect or opportunity land costs if the construction of MPDUs means that the developer cannot achieve the numbers of the more remunerative market rate units that could have been achieved without the MPDU program.

MPDUs are marketed differently from other units to conform to the requirements of the law. The County offers some assistance, typically by certifying apparently qualified applicants, but financial checks of buyers and renters by the seller are still necessary and many administrative costs are incurred. The more dispersed the MPDU units are, the less likely they are to be completed and ready for sale at the same time. The marketing process is more efficient and less expensive for both the County and the developer if 10 or 12 purchasers can be qualified as a group rather than 1 or 2 at a time.

Other Cost Considerations. Although very dense unit types on the smallest lots allowed are the least expensive to construct, many developers will choose other MPDU product mixes. Their decisions are influenced not only by MPDU unit costs but by factors such as the site features and the marketing goals for the profitability of the entire subdivision. The range in prices permitted for different types and sizes of MPDUs accommodates these decisions, as do allowances to upgrade facades for compatibility and other price adjustments. However, situations where detached MPDUs make economic sense are relatively rare. On the average, MPDUs are most feasible at higher densities in clustered locations.

AFFORDABILITY: INCOME LIMITS

Housing development costs are lower if builders are permitted to construct smaller unit types in clusters, especially when there are other constraints, such as difficult topography. A requirement for dispersal or for the use of larger, more expensive unit types often raises costs and, therefore, may necessitate increases in buyer or renter income limits.

Currently, the MPDU program is targeted to households in the moderate income range, generally defined as 60 or 65 percent to 80 percent of area median income. MPDU income limits today are set at about 65 percent of the County's median, adjusted for household size and to permit buyers to qualify for mortgages. While the target is approximately 65 percent of the median, adjustments for household size mean that maximum incomes for larger households are close to 80 percent of the County median income, not adjusted for household size. (Users of income data tend to be most familiar with the unadjusted median).

Raising MPDU income ceilings creates two potential conflicts with the goals of the program: (1) reduced ability of the program to serve its intended population and (2) difficulty meeting the intent of the program that MPDUs not compete with market rate units for market share.

The legislative findings of the MPDU law specifically list retired persons, young adults of modest means forming households, moderate income government employees, and "mercantile and service personnel needed to serve the expanding industrial base and population growth" as the intended residents of MPDUs. The law also mentions single adults, female heads of households, and minority households as those who may need this housing. The enumerated groups are generally those at the lower end of the wage scale and retirees on fixed incomes. Each increase in the amount of income needed to qualify for an MPDU will deprive some of

The Zoning Ordinance goes on to say: "The Planning Board shall not approve the plan if it finds that the development would not achieve a maximum of compatibility, safety, efficiency and attractiveness; and the fact that a site plan complies with all the stated general regulations, development standards or other specific requirements of the zone shall not, by itself, be deemed to create the presumption that the proposed site plan is, in fact, compatible with surrounding land uses and, in itself, shall not be sufficient to require approval of the site plan."

The remainder of Section 3 examines the five MPDU site plan issues identified by the Planning Board:

Issue 1:	Dispersing MPDUs to achieve economic integration
Issue 2:	Concentrating MPDUs, especially when they are also subsidized low-income housing units
Issue 3:	Requiring construction of duplex MPDUs
Issue 4:	Locating MPDUs in "enclaves"
Issue 5:	Phasing construction of MPDUs

For each of the issues, a problem statement, staff analysis, and staff recommendation are presented.

ISSUE 1: DISPERSING MPDUs TO ACHIEVE ECONOMIC INTEGRATION

Problem Statement: Planning Board members are interested in achieving greater dispersion of MPDUs among market rate units to further economic integration, increase mutual understanding and opportunity, and enhance community building. They are concerned that residents of MPDUs and market rate units may not meet each other unless site plans disperse MPDUs among market rate units.

Staff Analysis: The primary policy goal of the MPDU law was to provide housing for moderate income households. Another important goal was to achieve an inclusionary housing policy that located moderately priced housing in communities <u>throughout the County</u>, consistent with contemporaneous court decisions.

The law did not focus on economic integration <u>within subdivisions</u>, probably because it did not view the population the program was to serve as significantly different from other residents, except for income. Generally, moderate income households were expected to consist of people who had grown up in the County and were forming new households, people who had spent their adult lives in the County and needed more modest housing as they aged, people who were newly employed in the County, and those who may have similar levels of education and training as more affluent residents but had chosen less remunerative fields of work. MPDUs provided "start up" housing opportunities from which residents "moved up" to market rate units.

Most MPDU residents were expected to be, and have been, similar to other County residents, except that they have less money. Many are the sons and daughters of County residents and employees who want to remain in the County. They are the County's new school teachers, social workers, laboratory technicians, clerks, and secretaries. They work in the same offices as other County residents, shop at the same community facilities, play in the same soccer leagues, ride the same busses, frequent the same health clubs, and attend the same schools and churches. In this sense, they have much in common with their more affluent neighbors. Exceptions are more likely among the residents of subsidized rental MPDUs, discussed below, whose incomes are lower, who tend to have more residents per unit type, and who may remain in MPDUs long-term.

Our own experience often shows that community is fostered more by our social institutions than our residential proximity. People get to know each other, develop mutual understanding, and become friends through their places of employment, their children's activities, religious institutions, recreation programs, clubs, classes, and other neighborhood facilities and programs rather than by meeting and bonding with their next door neighbors. This is particularly true in this era when many people are rarely home and barely recognize their neighbors. (However, studies also show that fewer people are joining community organizations).

In this context, it is important that recreational facilities <u>that meet the guidelines for site plan approval</u> be available to all residents of a project equally. For example, swimming pools often require additional membership fees above and beyond HOA fees, which price them out of the reach of some MPDU residents, particularly when those residents are in lower-income subsidized units. Because pools are not available to all and are open only part of the year, the Planning Board's Recreation Guidelines, approved in September 1992, give less credit for swimming pools than to other more accessible facilities in calculating recreation requirements for site plan approval.

While MPDU residents may not be significantly different from other County residents, their housing units <u>are</u> often different from other units in the same project. This difference may be misread as social difference. MPDUs are, by definition, smaller, less costly, and shorter on exterior unit amenities than market rate units in the same subdivision. Many MPDUs constructed in the early years of the program were particularly lacking in architectural detail and quality, and were, therefore, less architecturally compatible with surrounding market rate units. Builders were constrained by limits on the costs of construction for MPDU units. This problem motivated developers to hold off construction of these units until most or all market rate units were sold and to "hide" these cheaper-looking units from market rate buyers.

Recognizing the problem, in 1989, DHCD developed an architectural compatibility allowance over and above construction cost limitations so that developers could make the units more compatible with surrounding market rate units. The difference between units constructed before and after the initiation of this program is significant. However, as with any improvement in the MPDU program, the earlier, cheaper units whose poor image motivated the change remain on the market and continue to reflect negatively on the program as a whole.

ISSUE 2: CONCENTRATING LOW-INCOME RENTAL MPDUS

Problem Statement: Board members hear complaints that MPDUs, particularly concentrations of low-income rental townhouse MPDUs, will introduce maintenance and behavioral norms that are different from the norms of the community in which the MPDUs are located. This condition leads to the indictment of the MPDUs themselves as being incompatible with single-family detached units. (MPDUs in "for-sale" subdivisions can only be rented if they are owned by HOC or a non-profit housing organization.) Specific complaints are sometimes anecdotal or based on windshield surveys, often absent knowledge of actual ownership or rental status of the unit or the characteristics of the resident. No empirical studies have been conducted to determine the nature or frequency of problems, if any. Such studies are beyond the scope of this report.

Staff Analysis: HOC has the right of first refusal for one-third of the units in each subdivision. Non-profit housing organizations may buy any of the one-third HOC does not accept and other units up to 40 percent of the MPDUs in a project. In addition, two other programs generate low income housing units that also fulfill the MPDU requirement, although with lower income ceilings than are typical for MPDUs. These are the Special Ceiling Allocation provision of the Annual Growth Policy and Revenue Bond financing. Subdivisions approved through the Special Ceiling Allocation are required to provide either 20 percent of their units to very low income households (households with incomes below 50 percent of median), or 40 percent to low income households (households with incomes below 60 percent of median.) Below market rate Revenue Bond financing is a frequent source of financing for multi-family complexes in the County, such as Lenox Park in Silver Spring and Grosvenor House in North Bethesda. This program also requires a combination of low and very low income units.

Even though HOC has the right to buy up to one-third of all MPDUs, the economic reality is that often it cannot. Non-profits are even more financially constrained. As a result, HOC actually owned only 10.7 percent of the total number of MPDUs ever built at the end of 1992 and non-profits owned only 0.5 percent, or 38 units. HOC has been buying almost all of the units they are offered in recent years, depending on the availability of other affordable housing in each area. (HOC sometimes sells its units to its residents, but most are incorporated into the scattered site housing program and offered to low- and moderate-income households long beyond the end of the MPDU price control period).

Large concentrations of low income residents occurred most frequently in the early years of the program. To obtain the most housing for available funding, HOC tended to purchase the maximum number of units from among the least expensive MPDUs. As it became clear that the relative concentration of these units sometimes created problems for their communities, HOC revised its policies. In recent years, HOC has emphasized purchases that support a scattered site approach to housing. HOC has also stressed effective management. Staff's impression is that these policies have moderated negative perceptions which stemmed from the over-concentration of units in earlier projects.

separated from other MPDUs of these two types by market rate buildings. Garage townhouse, duplex, and detached MPDUs would be exempt from limits on aggregation. (See Issue 4).

Staff believes that special attention should be given to site plans for Special Ceiling Allocation housing to recognize the potential for special needs that may be generated when 40% of the residents, including those occupying MPDUs, have incomes of 60% or less of the County's median income. These residents often have larger households and more children than other MPDU residents and particularly need nearby recreation which addresses the needs of middle school and high school-aged children, as well as tots, more parking, and storage facilities. (Since Revenue Bond financed housing is typically rental multi-family, there are few, if any, special exterior maintenance problems for the lower income units, and since management is located on site, other problems generally can be resolved more quickly than in scattered site housing).

ISSUE 3: REQUIRING CONSTRUCTION OF DUPLEX MPDUS

Problem Statement: The majority of MPDUs are townhouses. Garden apartments are also a prevalent unit type. Duplexes are rare among MPDUs and market rate units. MPDU duplex construction would increase market choices for MPDU residents and facilitate greater dispersion of MPDUs among single-family detached, market rate units. At the same time, MPDU duplexes address the needs of a more limited market because costs are higher.

Staff Analysis: Use of duplex units permits the location of smaller, more affordable units in single-family detached neighborhoods in buildings that may be more comparable to detached market rate units in scale and appearance than townhouses or small detached units whose lots are noticeably smaller than market single-family detached units. Duplex MPDUs are less expensive than detached MPDUs, but offer many of the same advantages.

Exterior finishing, landscaping, and the absence of garages distinguishes these MPDU duplexes from the single-family detached market rate units. If the only duplexes in an area are MPDU duplexes and if these duplexes are scattered among market rate single-family units, they may be stigmatized. Some grouping of duplex MPDUs offers special design opportunities with better aesthetic results than is likely from random dispersal.

Duplexes are not necessarily more compatible with single-family detached units than townhouses are. In some cases, the size of units and lot sizes are out of scale with new single-family detached units and lot sizes. Duplexes have not been well-received by either market rate or MPDU buyers in Montgomery County. As a result, they are rarely built as market rate units. (They are increasingly rare throughout the United States, accounting for an average of less than 1.5 percent of the national housing starts per year during the last ten years).

Concentration by unit type can also benefit builders and residents. These enclaves may allow the most efficient arrangement of driveways, parking lots, sidewalks, landscaping, and other necessary facilities. The resulting site plan can be more attractive and liveable than a more dispersed plan; it can provide open space, tot lots and other recreation facilities in closer proximity to units. Construction costs are lower—important for MPDU builders and buyers.

However, these design advantages are not inherently part of enclaves and reviewers routinely assess whether cost savings and/or design features warrant the enclave. Concentration should not be allowed to lead to isolation of the enclave; tot lots, recreation facilities and open space must be accessible and must not force play into parking lots or other remote or less usable open space.

There does not appear to be a "magic" number beyond which the size of an enclave inevitably becomes a problem. Problems may be caused by a project's age, unit type, or site design as well as by over-concentration of rental units. A cluster of 60 or more MPDUs may work well at one location; elsewhere, smaller aggregations may have problems. A project of 40 back-to-back MPDUs may exhibit problems caused by lack of yards, whereas a project of 60 single-family detached MPDUs may not. On the other hand, fully-dispersed, randomly-located MPDUs could easily be perceived as poor design or, at least, as a missed opportunity. It would be better to consciously design clusters or aggregations for positive effect. However, to provide some direction, agencies, developers, and staff observe that enclaves having 30 or fewer MPDUs seem to be more liveable and more compatible with surrounding neighborhoods than larger groupings.

Sometimes, small enclaves prove to be practical, efficient, and aesthetically superior. Aggregation often makes practical sense, e.g., when grouping non-garage townhouses. Aggregation can also make good aesthetic sense, e.g., arranging duplexes along a street allows sharing of driveways of adjacent duplexes, which improves the appearance of the street; placing duplexes diagonally on the four corners of an intersection containing a traffic circle makes an attractive formal/spatial feature out of an ordinary intersection; three rows of townhouses can be grouped into a formal courtyard arrangement to great effect; a pair of townhouse rows can formally flank an entrance to a larger area; a large number of detached or attached units can be grouped into a very pleasant village arrangement; apartments can be grouped around courts containing recreation facilities; back-to-backs can be grouped to create auto-free pedestrian mews.

The most problematic MPDU projects contain large aggregations of back-to-back units. Back-to-back units are particularly problematic because they provide little or no private open space for residents to store garbage cans, bikes, grills, automotive supplies, or toys, thus contributing to property maintenance problems. Also, families may find little or no defensible open space for small children to play in their own yards, for older children to congregate without annoying neighbors, or for adults to relax outdoors in private. These design problems create intractable problems for homeowners' associations who enact harshly restrictive regulations designed to perpetuate and protect the community values. This practice ignores the

Staff Recommendation: Phasing should be especially beneficial in obtaining greater compatibility with market units and predictable land use for neighbors. Planning Board approvals must clearly indicate which units are MPDU units. Likewise, staging plans should reflect recent changes to the law and clearly disallow MPDU construction as the final phase or building in a project; staging plans should provide for some MPDU construction earlier in project development, along with related open space and recreation facilities. Plan enforcement staff will monitor construction and recommend denial of building permit applications unless phasing plans are followed. Staff will also work closely with the Housing Opportunities Commission (HOC) and Department of Housing and Community Development (DHCD) to monitor staging and construction of MPDUs.

SECTION 4: RECOMMENDED SITE PLAN GUIDELINES FOR PROJECTS CONTAINING MPDUS

The foregoing discussion of MPDU program economics and site plan issues suggests a possible need for guidelines which assure harmonious and economically viable relationships between MPDU and market rate units. These draft guidelines emerged from a series of discussions with housing agencies, the development community (including Montgomery Housing Partnership), and Planning Department staff. Participants have experience with the program as administrators, regulators, developers, purchasers, and managers. If the Planning Board wishes to pursue guidelines, staff will solicit broader community comments. Staff could organize a forum with citizens' groups or solicit comments through the mail from a group of HOA officials, resident managers, and officials of the Commission on Common Ownership. After public comment and discussion, the guidelines can be addressed in a Planning Board worksession and adopted at a public hearing.

GUIDELINES FOR UNIT TYPES

1) Encourage a variety of MPDU unit types. Promote, but do not require, duplexes or single-family detached MPDUs in a single-family-detached-only section of a subdivision. Encourage more than one MPDU unit type in subdivisions with three or more market rate unit types. MPDU unit types and market rate unit types need not be the same.

2) Prohibit back-to-back townhouse MPDUs unless it can be demonstrated that no other unit type is suitable to the site and that the disadvantages associated with that unit type are eliminated in the site design.

3) Encourage innovative site and building configurations for townhouses, piggy-backs, quadriplexes, triplexes, duplexes, small-lot detached units, and apartments. Solicit comments from agencies most familiar with the market, delivery, and life of MPDUs prior to preparation of site plans for review.

CONCLUSION

The MPDU program has done a remarkable job of providing housing for an otherwise almost unserved segment of the County's population. It has done this without significant government expenditure and without placing an unreasonable economic burden on developers. The resulting housing is generally sound and attractive. It is also well distributed throughout the County. Overall, the program is considered a success.

The recent concerns about the distribution of MPDUs within subdivisions and the types of housing units offered are valid concerns. It is important, however, to address these concerns without threatening the viability of the program. The proposed guidelines are intended as a beginning to address these issues in a way that is acceptable to MPDU buyers, sellers, and regulators. Some resolution of the issues is also expected to result from the increased emphasis on staging of MPDU development in the recent amendment to Chapter 25A of the law.

APPENDICES

APPENDICES

Appendix A: These papers were submitted as part of an informal, voluntary series of discussions of MPDU site planning issues with interested members of the housing community, including government officials, staff, and both private and non-profit residential builders and developers.

- "Moderately Priced Housing Law" Memorandum, Norman L. Christeller, Stephen Z. Kaufman, and William Sher

- "HOC Staff Perspective," HOC Staff

- "MPDU Site Plan" Memorandum from Eric B. Larsen, MPDU Coordinator, Department of Housing and Community Development

- "MPDU Program Issues," Steve Eckert, Classic Communities

- "MPDU Location Guidelines," David Flanagan, Elm Street Development

In addition, Chapter 25A of the County Code, the MPDU section of the law, the revised staging element adopted in November 1994, and the County regulation regarding the pricing of MPDUs are available from the Planning Department.

MEMORANDUM

January 24, 1995

TO: Montgomery County Planning Board

FROM: Norman L. Christeller
Stephen Z. Kaufman
William Sher

SUBJECT: **Moderately Priced Housing Law**

We would like to provide some historical perspective about the Moderately Priced Housing ordinance, based on our collective experience. We were involved in its enactment and, in one capacity or another, we have been involved in its implementation during the past 20 years. Sher and Christeller served on the County Council in the early 70's and had leadership roles in the passage of the MPDU ordinance. Kaufman was on the staff of the County Attorney at that time and assisted in drafting changes in the original bill.

In the years following World War II, Montgomery County was one of many suburban jurisdictions around the country which were experiencing very rapid growth. Veterans Administration and FHA mortgages were providing the financial foundation for the building industry's response to the voracious demand for new housing following the war. In Montgomery County, as elsewhere, much of this demand was for first-time home purchases by small families formed during or shortly after the war.

A major portion of the new housing built in the county in the 1940's and 1950's consisted of modestly priced, relatively small homes in such locations as Twinbrook, Silver Spring, Four Corners, Alta Vista, Bannockburn, Veirs Mill Village, Wheaton, and Rockville. As a result the population doubled from 1946 to 1950 and doubled again by the end of the 50's.

Toward the end of that period the market for "move-up" homes began to develop. As family sizes and family incomes increased, a demand for larger, more expensive houses was generated. During the 60's almost the entire new housing production was in this sector. As long as the demand for this product and more luxurious homes was strong, the industry did not add significantly to the supply of more modest homes needed by the growing service sector of the employment base.

It was in this context that the MPDU Bill was introduced shortly after a newly elected County Council took office in 1970. The Bill was recommended to the Council by the League of Women Voters and Suburban Maryland Fair Housing, having been drafted with pro bono professional help from a graduate student in Urban Planning and an attorney in a Washington law firm.

In recognition that the optional zoning provisions would permit a mix of dwelling unit types in the Euclidean zones, making them similar to planned development zones, the zoning ordinance amendments also subjected developments using the bonus density to site plan review. This assigned to the Planning Board two inter-related functions: (1) Assuring that development of more dense, often mixed-type subdivisions was internally compatible and compatible with abutting developments; (2) Giving the Planning Board a significant role in assuring that the public policy and legislative intent of the MPDU Ordinance were implemented.

In its initial attempts the Planning Board misinterpreted the public policy statement and created some problems. Subsection (3) of the public policy section says "assure that moderately priced housing is <u>dispersed within the county</u> consistent with the general plan and area master plans." [Emphasis supplied.] In the RT zones and in townhouse sections of Euclidean zones, the Board carried the dispersion policy farther than this, requiring that MPDUs be scattered among the sticks of townhouses. This meant that builders could not do what the law intended -- build smaller units with fewer amenities so they could sell them at the controlled price without losing money.

Rather than suffer losses not intended by the ordinance, some developers/builders found a loophole. They built sticks of conventional townhouses and designated units throughout the subdivision as MPDUs, which they then kept on the rental market for five years (the initial control period), after which they could refurbish them and sell them at an escalated price. At the urging of some of us, the Planning Board soon recognized that the ordinance does the dispersing by requiring MPDUs in almost all new subdivisions. They quit trying to disperse them within subdivisions, but that didn't close the loophole until the MPDU Ordinance was amended to expand the control period and require the sale of MPDUs if the conventional units were being sold.

This episode illustrates the tricky balance which the Planning Board is called on to achieve -- to address the site plan compatibility issues within the constraints of the public policy and legislative intent of the MPDU Ordinance. The following comments consider those constraints as they apply to recent issues before the Board.

One aspect of the public policy is to "ensure that private developers constructing moderately priced dwelling units ... incur no loss or penalty as a result thereof and have reasonable prospects of realizing a profit on such units by virtue of the MPDU density bonus provision ... and ... the optional development standards."

MPDU Site Plan Issues

Park and Planning Work Group

HOC STAFF PERSPECTIVE

<u>Cost Issues</u>

HOC wants to keep the costs of MPDUs affordable in order to stretch our limited subsidy dollars as much as possible. A requirement to include single family detached MPDUs in proportion to single family detached market units in a given community would result in more high-priced (ie., over $100,000) MPDUs than if the MPDU requirement were satisfied with attached or multi-family units.

HOC would not recommend <u>requiring</u> single family detached MPDUs.

<u>Unit Type Issues</u>

HOC's preferences for attached unit types, <u>in order of preference</u>, are as follows:

- o through townhouses with basements - 2 and 3-br
- o garden apartments - 2 br, some 1 br
- o piggybacks
- o back-to-back townhouses

While single family detached and duplexes are desirable unit types, they are, as mentioned above, more costly. Duplexes in particular yield units about the size of townhouses but at higher cost. Both detached units and duplexes are also costlier to maintain.

HOC does have a small but continuing need for one-bedroom garden apartments.

Back-to-back units are the least desirable because they make dense communities, provide very little play area in the front yard, and without basements or back yards have little or no storage area; in addition, with only one outside wall, these units have limited natural light and may be more difficult to exit in case of emergency.

Piggyback units, though dense, have two outside walls and at least some yard in front and in back of the units.

M E M O R A N D U M

November 7, 1994

TO: Sally Roman, Information Coordinator
Research & Information Systems

FROM: Eric S. Larsen, MPDU Coordinator
Department of Housing

SUBJECT: MPDU Site Plan

The following is a discussion of issues related to site plan design when MPDUs are included in the development:

Unit Affordability and Type Needed

It is DHCD's goal to keep the price of MPDUs affordable to the families of varying sizes on the waiting list and still have the units be compatible with the market-rate houses. This is usually easiest to accomplish with 2 3 and 4 bedroom conventional townhouses. Nearly 60 percent of the waiting list is composed of 2 to 4-person families who make under $38,500. A townhouse MPDU of 2-or 3-bedrooms sells for approximately $82,000 and is affordable to most of the people on the waiting list.

Single-family detached units, 1400 square feet in size, with either 3 or 4 bedrooms sell for approximately $105,000. This type of unit is less affordable; and only 5% of the current waiting list require four bedroom units. While we do not want to discourage detached units in appropriate developments, the need for 4-bedroom units must be balanced against affordability.

A 3 bedroom duplex of approximately 1200 square feet would sell for approximately $95,000. A duplex unit provides a slightly larger yard but the unit is still about the size of a conventional townhouse. I have attached a breakdown by household size of the current MPDU waiting list.

Summary of Certificate Holders

By Household Size

1 Person	684
2 Persons	477
3 Persons	369
4 Persons	242
5 Persons	75
6 Persons	12
7 Persons	5
8 Persons	3
	1,867

8546m

Steve Eckert

MPDU PROGRAM ISSUES

Thus far, the MPDU program has functioned remarkably well, with almost no negative results from the community being served, nor from the industry providing the product. This has been especially true over the last 8-10 years.

Why does it work? The answer lies in the flexibility available to the development/building community in planning their subdivisions, their product mix and their locations of product. The underlying issue has been to avoid creating an undue financial penalty for the builder in the process of their providing the public benefit of below market housing stock at no cost to the public. To date, the building industry has done an outstanding job of balancing all the requirements of subdivision design with their market and financial needs. If the industry loses that critical design flexibility and, instead, is forced to provide specific unit types in specific locations, then the entire foundation of the MPDU program is put at risk. We should be trying to come up with ways to encourage greater design flexibility for both MPDU and market product, rather than mandating more rigid design and product requirements.

The latest "hot button" for MPDUs in single family subdivisions is duplex units. The apparent thought is they can be constructed to look like the surrounding market rate single family units, thereby blending into the background of the community. That thought process is misdirected. MPDUs simply cannot be the same as market units, the square footage/pricing structure does not allow that to happen. Design compatibility is the real goal, not hiding, or disguising MPDUs within a community. Creating a critical mass of 10-12 units within a community is very important in our ability to provide for design compatibility and efficiency.

To address duplex units specifically, we find that the unit type is not desirable as an MPDU because:

1. It is more costly to produce from an architectural perspective, design perspective and HOA perspective,
2. It is a less efficient unit in land planning. An 80 ft. wide duplex lot for two units uses the same land area as four 18 ft. wide townhomes. The ability to cluster units is lost, which threatens the builder's ability to reach permitted density on the property. Lost density is a major financial penalty.
3. Construction costs are higher for duplexes as you have more significant fire separation walls, more outside walls, i.e. two end conditions, and higher development costs.
4. Our customers prefer townhomes or single family homes to duplexes. The simple fact is you pay more for a duplex than a townhome, but you don't receive any real or perceived value for your money. You don't receive more square footage, just about $8,000 in higher prices. If you are going to pay more, the MPDU purchaser would rather buy a single family detached home. That is why there have been only about three duple offerings of MPDUs in the program's history. That is also why you do not see duplexes in your typical market subdivision design.

David Flanagan

11/2/94

MPDU LOCATION
GUIDELINES

Specifically permitted:

- all townhouses in a single building can be MPDU's
- all multi-family units in a single stairwell can be MPDU's
- if single family detached MPDU's are built, they can be clustered together in an area of 100% MPDU's
- the grouping of enough MPDU's in a section to allow for production and marketing efficiencies

Encourage:

- the construction of MPDU's products with a variety in the number of bedrooms
- the distribution of MPDU townhouse buildings throughout the market townhouse buildings
- the distribution of MPDU multi-family stair towers throughout the market multi-family stair towers
- the architectural compatibility of the MPDU's with the market units
- the placement of MPDU's to facilitate the use of public transportation

Specifically Not Required:

- any MPDU product or distribution which creates a financial penalty for the developer
- duplexes in a single family detached only section
- MPDU's in every section of a project
- single family detached MPDU's

Require:

- the inclusion of the MPDU's in the HOA and full access for the MPDU's to all community facilities such as recreation facilities
- a site plan design which provides for ample open space and recreation for the MPDU's
- the timely construction of the MPDU's as a project is constructed
- full disclosure to the buyers of the market units as to the location of the MPDU's