


**WORKSESSION**

**MEMORANDUM**

October 12, 2018

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst 

SUBJECT: **WORKSESSION: Executive Regulation 11-18, Requirement and Procedures for the Moderately Priced Dwelling Unit (MPDU) Program (Department of Housing and Community Affairs)**

PURPOSE: Vote on recommendation to Council

**Expected attendees:**

Clarence Snuggs, Director, Department of Housing and Community Development (DHCA)  
Stephanie Killian, Chief, Housing Division, DHCA  
Lisa Schwartz, Senior Planning Specialist, DHCA

On July 24, 2018 the Council enacted Bill 34-17, Housing – Moderately Priced Dwelling Units (MPDUs) Amendments. The bill's effective date is October 31, 2018. Bill 34-17 made changes to update the administration of the MPDU program. Proposed Executive Regulation 11-18 is the implementing regulation.

A copy of the proposed regulation with brackets and underlines is attached at ©3-45. The Executive's memo (©1-2) notes that in addition to the required advertisement in the County Register, DHCA met with Housing Opportunities Commission staff and convened a forum for development industry professionals. No comments were received by the October 1, 2018 deadline.

**Council staff recommendation**

**Council staff recommends approval as submitted.**

There are many amendments that are updates and technical corrections to language and some that reflect the changes made in Bill 34-17. Council staff notes the following in the individual sections.

## **Definitions (©5-9)**

Government Agency means the Department of Health and Human Services and any other government agency that is approved to purchase or lease MPDUS according to the procedures for the approved Designated Agencies in Section 25A.00.02.07.1 (©8). This adds DHHS to the agencies that can be notified during priority periods.

## **Eligibility for Purchasing or Renting MPDUS and Occupancy Requirements (©9-15)**

The proposed regulation separates the eligibility requirements to purchase or rent an MPDU. This clarifies that there is not an initial DHCA process to become an eligible household for those renting MPDUs and that the application is made directly to the apartment complex (©9-10). It also provides specificity on the process.

The regulation adds language that only United States citizens and permanent residents of the United States are qualified to purchase an MPDU. Non-citizens who apply to rent an MPDU must demonstrate that they have permission to remain in the United States during the full term of the lease. (©10). This change is noted in the Executive's memo ©1. Currently, there is nothing to prevent the purchase of a MPDU by someone who is a citizen of another county but residing in Montgomery County only temporarily for a job and may be out of the country for much of the time. Although this person might be living in the MPDU when they are in the United States, the MPDU could not be considered their primary residence since they are a permanent resident of another country. DHCA can use the waiver provision (©45) to work with County residents that are non-citizen or permanent residents who may otherwise be eligible.

## **Requirements to Provide MPDUs (©15-16)**

The requirement for a payment to the Housing Initiative Fund for developments of 11 to 19 units is set at ½ percent of the purchase price of each dwelling unit. The payment is collected at settlement. The Executive notes this provision in his memo (©1). For example, a development of single family homes priced at \$650,000 each would be required to make a payment of \$3,250 at the time each home is sold. Attached at ©47 is a history of developments between 11 and 19 units. There are eight or less in each year since 2005, and zero in three of those years.

The regulation requires the developer to provide specific information on the location of MPDUs, development phase, number of bedrooms, and for single family homes a floorplan. This information is needed for DHCA's evaluation of the MPDU agreement. (©15-16).

## **Alternative Compliance Measures for Providing MPDUs (©16-22)**

In the case of a proposal to transfer land in place of building MPDUs, the regulation specifies that DHCA may only approve a land transfer after making a written determination that the value of the land is at least equal to the value of the MPDUs not constructed by the applicant. (©18)

The regulation specifies the requirements for a request to provide some or all of the MPDUs for a high-rise building in another location (©20). Bill 34-17 further places limitations on when the DHCA Director may approve an alternative location outside of the Planning Area and requires the Director to notify the Council in writing within 10 days of approving an alternative location agreement. It is not necessary to place these requirements in regulation.

The regulation provides the requirements for requesting an alternative payment (©20-21). The law specifies that the payment must be three percent of the sale price of each market rate unit when no MPDUs will be provided and an adjusted amount when a payment is made for forgoing a portion of the MPDUs. The law specifies when a payment may not be used in the same Planning Area and requires the Director to notify the Council in writing within 10 days of approving an alternative location agreement. It is not necessary to place these requirements in regulation.

The regulation specifies that no alternative compliance may be used when impact taxes are waived for a development providing at least 25% MPDUs (©21). In addition, in the case of for-sale MPDUs they must be priced under an affordability formula that includes HOA and condominium fees (©28). This is the same pricing formula used when a rental MPDU is converted to a for-sale MPDU. This is noted in the Executive's memo (©2). This is an important restriction as the purpose of the waiver is to produce MPDUs that are on-site and affordable to income eligible households.

In all cases, when an alternative is requested, the applicant must make the request at least 90 days prior to building permit application and DHCA must make a decision before the building application is submitted to the Department of Permitting Services. This is noted by the Executive (©1-2)

### **Establishing Sale and Rental Prices (©22-29)**

This regulation states that DHCA will annually set the pricing standards and minimum specification for pricing for-sale MPDUs by Method 3 Regulation (© 22). The Executive's memo mistakenly says Executive Order. The regulation also set a maximum ten percent increase for external compatibility to avoid excessive marketing impacts (©25).

The regulation allows the Director to adjust the rent in apartments in an **age-restricted** development that provides services or amenities for all tenants that cannot be made optional to the tenant household on a fee basis. (©28). This is an emerging issue in age-restricted rental developments. The regulation does not allow this in non-age-restricted rental developments.

### **Sale and Rental Procedures (©30-36)**

While there are many amendments, they generally update the regulation to reflect current process.

## **Procedures for Purchase and Rental of MPDUs by the Commission and Approved Government (©36-39)**

While there are many amendments, they generally update the regulation to reflect current process.

## **Resale of MPDUs During the Control Period (©39-42)**

The regulation specifies that reverse mortgages on MPDUs are prohibited (©39).

Under the provisions for the maximum resale price, the regulation allows the Director to reduce the increases allowed based on the Consumer Price Index for MPDU owners who have owned their home for less than three years. (©39).

The regulation amends language to specify that DHCA can provide an allowance for capital improvements that does not exceed ten percent of the owner's purchase price and is not for luxury items (©40). This issue was discussed during worksessions on Bill 34-17.

## **Resale of MPDUs After the Control Period (©42-44)**

### **Sale of MPDU by Foreclosure (©44)**

### **Enforcement (©44)**

While there are many amendments, they generally update the regulation to reflect current process.

## **Waiver Provision (©45)**

The Director has the authority to waive the provisions of this regulation. The waiver must be in writing and for good cause.

### **Attached to this memo**

### **Circle**

Memo from County Executive	1-2
Proposed Executive Regulation 11-18	3-45
List of Clarifications	46
History of Developments between 11 and 19 units	47
Fiscal Impact Statement	48-50



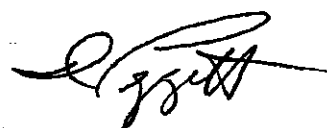
OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

October 9, 2018

TO: Hans Riemer, President  
Montgomery County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Proposed Executive Regulation 11-18, Requirements and Procedures for the  
Moderately Priced Dwelling Unit Program

The purpose of this memorandum is to transmit for the Council's approval proposed Executive Regulation 11-18, Requirements and Procedures for the Moderately Priced Dwelling Unit Program. On August 1, 2018, I signed into law Bill 34-17, Housing – Moderately Priced Dwelling Units (MPDUs) – Amendments, and Bill 38-17, Housing – Moderately Priced Dwelling Units (MPDUs) – Requirement to Build. These bills amend several sections of Chapter 25A of the Montgomery County Code, 2014, as amended. Bill 34-17 requires the County Executive to submit Method 1 executive regulations for Sections 25A-5, 25A-7, 25A-8 and 25A-9 of the law. The proposed Executive Regulation replaces Executive Regulation 13-05AM, which had an effective date of September 28, 2005.

Broadly, this Executive Regulation implements the amendments to Chapter 25A, and includes updates to reflect current practices and changes in technology. Following is a list of major changes to the regulation:

1. Requires that MPDU purchasers be U.S. citizens or permanent residents, and that MPDU renters be U.S. citizens or have permission to remain in the U.S. during the full term of the lease. The purpose of this change is to ensure that the MPDU is the household's primary residence. (Section 25A.00.02.02.1(c))
2. Sets the required payment to the Housing Initiative Fund for developments of between 11 and 19 dwelling units at one-half (0.5) percent of the purchase price of each dwelling unit in the development. (Section 25A.00.02.03.1)
3. Applicants seeking to provide MPDUs through an Alternative Compliance Measure (land transfer, alternative location or alternative payment) must make a request 90 days prior to building permit application, and DHCA must make a

Hans Riemer, President, Montgomery County Council

October 9, 2018

Page 2 of 2

decision about the request before the applicant submits the building permit application to DPS. (Section 25A.00.02.04)

4. Developments that receive a waiver of all impact taxes must provide MPDUs on-site, and the MPDUs must be priced according to an affordability formula in Section 25A.00.02.05.3 of the regulation if the price calculated by that method is lower than the price calculated following regular pricing procedures for new MPDUs. (Section 25A.00.02.04.4)
5. A schedule of pricing standards and minimum specifications is to be set and disseminated annually by Executive Order. (Section 25A.00.02.05.1) (Note: DHCA is planning a comprehensive update to the MPDU pricing standards and minimum specifications next year. In the meantime, the existing pricing standards and minimum specifications will continue to apply.)
6. By Executive Order, DHCA may limit the CPI increase for MPDU owners who sell their homes within less than 3 years of purchase. (Section 25A.00.02.08.2(a))

The proposed Executive Regulation was published in the September 2018 Montgomery County Register, with comments accepted by the Department until October 1, 2018. DHCA staff met with HOC staff on September 6 to discuss procedures to implement amendments to Chapter 25A and the proposed Executive Regulation. DHCA also convened a forum for development industry professionals on September 17 to review changes to the law and proposed changes to the regulation. No comments were received by the deadline.

If you have any questions, please contact Lisa Schwartz, DHCA, Senior Planning Specialist, Affordable Housing Programs Section, at [lisa.schwartz@montgomerycountymd.gov](mailto:lisa.schwartz@montgomerycountymd.gov) or 240-777-3786.

IL:ls

ATTACHMENTS



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

Department of Housing and Community Affairs  
Montgomery County Regulation on:

## REQUIREMENTS AND PROCEDURES FOR THE MODERATELY PRICED DWELLING UNIT PROGRAM DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issued by: County Executive  
Regulation No. 11-18  
Authority: Code Section: 25A  
Supersedes: Executive Regulation No. 13-05AM, COMCOR 25A.00.02  
Council Review: Method One (1) Under Code Section 2A-15  
Register Vol. 35 No. 9  
Comment Deadline: October 1, 2018  
Effective Date:  
Sunset Date: None

### SUMMARY:

This Executive Regulation repeals and replaces the provisions of Executive Regulation 13-05AM which established the requirements and procedures for the Moderately Priced Dwelling Unit Program

### ADDRESSES:

Information and copies of this regulation are available from the Department of Housing and Community Affairs (DHCA), Division of Housing, 1401 Rockville Pike, 4<sup>th</sup> Floor, Rockville, MD 20852

### STAFF CONTACT:

Lisa Schwartz, Senior Planning Specialist, Telephone Number 240-777-3786

### BACKGROUND INFORMATION:

Chapter 25A of the Montgomery County Code, 2014, as amended, established the provisions of the Moderately Priced Housing (MPH) Law. This regulation establishes the requirements and procedures for the administration of the MPH Law. The regulation is applicable to subdivisions having a moderately priced dwelling unit (MPDU) requirement, to MPDUs which are sold, resold, or rented through the Program, and to households applying for eligibility to purchase or rent an MPDU.



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

## INDEX

### 25A.00.02.01 Definitions

### 25A.00.02.02 Eligibility for Purchasing or Renting MPDUs and Occupancy Requirements

- 2.1 Application and Certification
- 2.2 Requirements for Eligibility – Income
- 2.3 Special Income Exemption for Conversion of Rental MPDUs to Condominiums
- 2.4 Requirements for Eligibility – Restrictions on Ownership of Residential Property
- 2.5 [Homebuyer Certifications] Requirements for Certification of Eligibility
- 2.6 Occupancy Requirements for MPDUs

### 25A.00.02.03 Requirement to Provide MPDUs

- 3.1 Requirement for Payment to the Housing Initiative Fund
- 3.[1]2 Requirements of the Agreement to Build [Moderately Priced Dwelling Units]
- 3.[2]3 Housing Programs Which Satisfy the MPDU Requirement

### 25A.00.02.04 [Options] Alternative Compliance Measures for Providing [Less Than the Required Number of] MPDUs

- 4.1 MPDU Land Transfer Option
- [4.2 Waiver of an Applicant's MPDU Requirements]
- 4.[3]2 [Approval] Request to Provide MPDUs at an Alternative Location [in the Same Policy Area]
- 4.[4]3 Request to Make an Alternative Payment to the Housing Initiative Fund
- 4.4 No Alternative Compliance if All Impact Fees are Waived
- [4.5 Alternative Payment]
- [4.6 Request for Fewer or No MPDUs to be built in certain developments with more than 20 but fewer than 50 units at one location]

### 25A.00.02.05 Establishing Sale and Rental Prices

- 5.1 Maximum Allowable Sales Prices of MPDUs
- 5.2 Maximum Rental Rates for MPDUs
- 5.3 Rental MPDUs Sold as For Sale MPDUs

### 25A.00.02.06 Sale and Rental Procedures

- 6.1 Offering MPDUs for Sale or Rent
- 6.2 [Lottery] Random Selection Drawing Process
- 6.3 Offering MPDUs for Rent





# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

- 6.4 MPDU Covenants
- 6.5 Sales and Rental Documentation

## **25A.00.02.07 Procedures for Purchase and Rental of MPDUs by the Commission [And Designated Housing Providers] and Approved Government Agencies and Designated Agencies**

- 7.1 Qualification and Designation of Housing Providers by the County Executive
- 7.2 Notifying the Commission
- 7.3 Purchase and Rental Requirements

## **25A.00.02.08 Resale of MPDUs During the Control Period**

- 8.1 Requesting a Resale Price Determination
- 8.2 Establishing the Maximum Resale Price
- 8.3 Resale Procedures

## **25A.00.02.09 Resale of MPDUs After the Control Period**

- 9.1 [Seller's] MPDU Owner's Notification [of] to the Department
- [9.2 Commission's Right to Purchase MPDUs]
- 9.[3]2 Payment of Excess Proceeds to the Housing Initiative Fund
- 9.[4]3 Divorce

## **25A.00.02.10 Sale of MPDU by Foreclosure**

## **25A.00.02.11 Enforcement**

## **25A.00.02.12 Waiver Provision**

### **EXECUTIVE REGULATION**

## **25A.00.02.01 Definitions**

1.1 Terms not otherwise defined herein have the meaning provided in Chapter 25A of the Montgomery County Code, 2014, as amended ("Chapter 25A" or "Code").

1.2 "Agreement to Build" or "MPDU Agreement to Build" means an agreement executed between an Applicant and the Department to construct MPDUs in a development as required by Section 25A-5 and this regulation.

1.3 "Alternative Compliance Agreement" means an agreement executed between an Applicant and the Department when the Department approves an Alternative Compliance Measure that satisfies some or all of an MPDU requirement in accordance with Chapter 25A. The Alternative Compliance Agreement may either take the place of or



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

## supplement an Agreement to Build.

1.[1]4 "Alternative Compliance Measure" means a method of providing MPDUs other than [under] the standard requirement, including [land transfer, alternative location, waiver, and alternative payments] Land Transfers, Alternative Locations, and Alternative Payments to the Housing Initiative Fund.

1.5 "Alternative Location" means that an Applicant provides some or all required MPDUs at another location in accordance with Section 25A-5B and this regulation.

1.6 "Alternative Payment" means that an Applicant provides a payment to the Housing Initiative Fund instead of providing some or all required MPDUs in accordance with Section 25A-5A and this regulation.

[1.2 "Alternative Review Committee" means a committee composed of the Director, the Executive Director of the Commission, and the Director of Park and Planning, or their designees.]

1.7 "AMI" means Area Median Income as defined in Chapter 25A.

1.8 "Apartment Complex" means a multi-family building or group of buildings within a development managed by the same management company.

1.[3]9 "Applicant" means any person, firm, partnership, association, joint venture, [or corporation required to construct and sell or lease moderately priced dwelling units] business entity, or any other entity or combination of entities, and any transferee of all or part of the land at one location, that constructs MPDUs or offers MPDUs for sale or rental.

1.[4]10 "Certificate of Eligibility" or "Certificate" means a certificate which is effective for a specified period of time, which is issued by the Department to [persons] households meeting the Program's minimum eligibility criteria to purchase an MPDU, and which enables them to be placed on an eligibility list maintained by the Department.

[1.5 "Commission" refers to the Montgomery County Housing Opportunities Commission, or its successor agency.

1.6 "Consumer Price Index" means the latest published version of the Consumer Price Index for All Urban Consumers (CPI-U) of the U.S. Department of Labor for the Washington metropolitan area, or any similar index selected by the County Executive.]

1.[7]11 "Control Period" means the time an MPDU is subject to either resale price controls and owner occupancy requirements or maximum rental limits as provided [herein] in Sections 25A-8 and 25A-9 of the Code.

(a) For an MPDU originally offered for sale or rent before March 1, 2002, the [control period] Control Period for sale MPDUs is 10 years from the date of the original sale; for rental MPDUs the [control period] Control Period is 20 years from [that] the date of original rental.

(b) For an MPDU originally offered for sale [or rent] in an Annual Growth Policy (AGP) policy area



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

before March 1, 2002, the [control period] Control Period for sale MPDUs is 15 years from the date of the original sale.

(c) For an MPDU originally offered for sale or rent between March 1, 2002 and March 31, 2005, the [control period] Control Period for sale MPDUs is 10 years from the date of the original settlement date, and 10 years from the settlement date of each subsequent sale if such sale occurs during the existing [control period] Control Period; for rental MPDUs the [control period] Control Period is 20 years from the date of original rental.

(d) For an MPDU originally offered for sale or rent on or after April 1, 2005, the [control Period] Control Period for sale MPDUs is 30 years from the date of the original sale, and 30 years from the settlement date of each subsequent sale if such sale occurs during the existing [control period] Control Period; the [control period] Control Period for rental [units] MPDUs is 99 years from the date of original rental.

1.8 "Date of Original Sale" means the date of settlement for purchase of an MPDU

1.9 "Date of Original Rental" means the date of the first lease agreement for an MPDU takes effect.

1.10 "Department" refers to the Montgomery County Department of Housing and Community Affairs, or its successor agency.

1.11 "Designated housing providers" means housing development agencies and nonprofit corporations, as may be periodically designated by the County Executive, as entities which are eligible to purchase or lease MPDUs under Section 25-A 8(b) of the Montgomery County Code, 2004, as amended.

1.12 "Development application" means submitting an original application for a development approval to the Planning Board (including, but not limited to, a preliminary plan of subdivision, site plan, development plan, or project plan) for approval, or applying to DPS for a building permit when there is no site plan, whichever is applicable.

1.13 "Director" refers to the Director of the Department of Housing and Community Affairs.]

1.12 "Eligible Certificate Holder" or "Certificate Holder" means a household that has been issued a Certificate of Eligibility by the Department.

[1.14 "Eligible person" means a person who has been found eligible to participate in the Program by the Department, and who possesses a Certificate of Eligibility to purchase or rent an MPDU.

1.15 "Fair market value of capital improvements" is defined as the actual and reasonable costs of materials, professional fees, contractor's costs, and permit fees associated with furnishing and installing improvements. The fair market value of improvements may include reimbursement for the value of labor performed by the owner, but not for the purchase of tools and equipment used to install the improvements.

1.16 "Financially Infeasible" means a finding by the Alternative Review Committee regarding an MPDU development, based upon information provided by the applicant, used to evaluate a request to provide less than the required number of MPDUs.]



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

1.1[7]3 “Finished [lot] Lot” means one which has been prepared in accordance with the subdivision requirements set forth in Chapter 59 and is ready for the construction of a dwelling unit without major additional on-site, off-site, or public space preparation or where a bond has been provided indemnifying against the [applicant’s] Applicant’s failure to complete the public improvements.

1.1[8]4 “Garden Apartment” means a multi-family dwelling unit structure that is four (4) stories or fewer in height.

1.15 “Government Agency” means the Department of Health and Human Services (DHHS) and any other government agency that is approved to purchase or lease MPDUs according to the procedures for approving Designated Agencies in Section 25A.00.02.07.1.

1.1[9]6 “High-Rise [Building]” means any residential dwelling unit located in a [multifamily] multi-family residential or mixed-use building that is higher than four (4) stories.

[1.20 “Housing Initiative Fund” means a fund established by the County Executive to achieve the purposes of Section 25B-9.]

1.17 “Land Transfer” means that an Applicant provides land to the County in lieu of providing some or all required MPDUs in accordance with Section 25A-5(g) and this regulation.

[1.21 “Median Income” means the area median income for the Washington, DC Primary Metropolitan Statistical Area (PMSA) as published annually by the U.S. Department of Housing and Urban Development (HUD).]

[1.22 “Moderately Priced Dwelling Unit (MPDU) means a dwelling unit produced in accordance with Chapter 25A of the Montgomery County Code, 2004, as amended.]

1.[23]18 “Moderately Priced Housing Law” (MPH Law) means Chapter 25A of the Montgomery County Code, [2004] 2014, as amended.

1.19 “Mortgage Constant” means the annual debt service amount per dollar of mortgage loan, including both principal and interest payments.

1.20 “MPDU Covenants” or “Covenants” means a Declaration of Covenants recorded in the Land Records of Montgomery County subjecting the MPDUs on a property to the restrictions required by Chapter 25A.

1.21 “MPDU Owner” means the persons whose names are on the title to an MPDU.

1.22 “Offering Agreement” or “MPDU Offering Agreement” means an agreement executed between an Applicant and the Department to offer MPDUs in a development for sale or rental as required by Section 25A-8 and this regulation.



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

1.24 "Planning Board" refers to the Montgomery County Planning Board, or its successor agency.

1.25 "Planning Policy Area" means a geographic area defined in the County's Annual Growth Policy.

1.26 "Priority marketing period" means a period of no more than 90 days from the date the Department gives the Applicant an approved list of eligible certificate holders to whom the units may be marketed, during which time the MPDU must be available exclusively to persons holding a Certificate of Eligibility under the program.]

1.[27]23 "Program" [for this part,] refers to the Moderately Priced Dwelling Unit program administered by the Department. "Purchase Program" means that part of the Program that concerns for-sale MPDUs, and "Rental Program" means that part of the Program that concerns rental MPDUs.

1.24 "Purchase Price" means consideration as defined in Section 52-29(a) of the Code.

1.25 "Purchaser's or Renter's Agreement" means an agreement form provided by the Department that the purchaser or renter of an MPDU signs stating that the household must occupy the MPDU in accordance with the provisions of Chapter 25A and the MPDU Covenants.

1.28 "Purchaser's or Renter's Certification Form" means a certificate that the purchaser and/ or renter of an MPDU signs which states that they must occupy the unit in accordance with the provisions of Chapter 25A.]

1.26 "Reoccupancy Certificate" means a form signed by an MPDU Owner who has been granted permission by the Department to temporarily rent an MPDU certifying that the Owner will either reoccupy the MPDU or will sell the MPDU in accordance with Chapter 25A at the end of the approved temporary rental period.

1.27 "Voluntary Rent Guidelines" is defined in Section 29-53 of the Code.

## 25A.00.02.02 Eligibility for Purchasing or Renting MPDUs and Occupancy Requirements

### 2.1 Application and Certification.

(a) A [person who] household that wants to purchase [or rent] an MPDU must apply to the Department to be certified as eligible for participation in the [program and to be placed on the eligibility list] Purchase Program. To determine whether [an individual or] a household meets the minimum eligibility requirements, the following information and documentation must be provided to the Department: [for persons seeking rental certificates only: copies] a copy of the [two] most [recent previously] recently filed [Federal] federal income tax [returns, the applicant's two most recent] return and W-2 forms, copies of divorce or separation agreements (if applicable or if most recent tax return was filed as "married"), [and] copies of the two most recent employment pay check stubs from each current employer[. For persons seeking a certificate of eligibility to purchase, the applicant must also supply a credit report which is no more than thirty (30) days old], and a mortgage pre-qualification letter from a lender approved by the Department in the format required by the Department. All the required information and documentation listed above must be provided for every wage earner in the household. The Department reserves the right to require certified copies of a household's [IRS] United



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

States Internal Revenue Service (IRS) tax forms.

(b) A household that wants to rent an MPDU in the Rental Program must apply directly to Apartment Complexes that include rental MPDUs. To determine whether a household meets the minimum eligibility requirements and has sufficient income to rent an MPDU in the Apartment Complex, the Applicant must obtain and review the following information and documentation from the household: copies of the two most recently filed federal income tax returns and W-2 forms, copies of divorce or separation agreements (if applicable or if most recent tax return was filed as "married"), and copies of the two most recent employment pay check stubs from each current employer for every wage earner in the household. The Applicant may also require the household to submit other information typically collected for market-rate households. Prior to leasing any MPDUs, an Applicant must obtain training from the Department about the steps and documentation required to find a household eligible to participate in the Rental Program. The Department must annually notify Applicants of the applicable income limits and other eligibility criteria. Applicants must provide the Department with the documentation required in Section 25A.00.02.06.5(b).

[(b)](c) [Persons] Households that do not have the required [Federal] federal tax information because they did not live in the United States at any time during the applicable time period must supply a copy of their passport and the passports of each [family] household member indicating their dates of entry and exit to the United States. In addition, these [persons] households must supply evidence from the [United States Internal Revenue Service] IRS verifying that they have not filed [Federal] federal income taxes in the previous one (1) or two (2) years, whichever is applicable. Only U.S. citizens and permanent residents of the United States are qualified to purchase an MPDU. Non-U.S. citizens who apply to rent an MPDU must demonstrate that they have permission to remain in the United States during the full term of their lease.

[(c)](d) A household [which] that includes a person who is self-employed must demonstrate that they [are within] meet the Program's income guidelines by providing evidence and documentation in a form acceptable to the Department.

[(d)](e) Based on demand, [The] the Department may at times set defined time periods during which applications for sales certificates will be accepted.

[(e)] A household determined to be eligible is issued a non-transferable Certificate of Eligibility which contains an expiration date. The expiration date of rental certificates generally shall be twenty-four months from the date of issuance. The expiration date for certificates for sale units shall generally be the last day of the month, twelve months from the date of application. If a certificate for sale units expires prior to the next open application period, the Department may honor the certificate until the holder re-applies and is determined to be eligible. Prior to its expiration date, the Certificate of Eligibility remains valid as long as the household's income does not exceed the income limits of the MPDU program at the time the holder's mortgage loan application is submitted for underwriting by a lender or a lease for the rental of an MPDU. A certificate of eligibility may be renewed upon expiration if the certificate holder re-applies and demonstrates that the household continues to meet all eligibility requirements in effect at the time of renewal.

(f) In the case of issuing certificates of eligibility for MPDU rental units, the Department may assign its responsibility for accepting applications and certifying an individual's or household's eligibility under the Program to individual apartment complexes containing MPDUs. In such cases, the Department must annually notify the apartment



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

complexes of the applicable income limits and other eligibility criteria. In addition, upon the Department's request, the complexes must submit their application, lease, and leasing procedures to the Department for review and approval.]

(f) Within 30 days of receiving a complete application, the Department will issue households determined to be eligible to purchase an MPDU a non-transferable Certificate of Eligibility which contains an expiration date. The expiration date for Certificates of Eligibility is 12 months from the date of approval of the Certificate. In order for a Certificate Holder to continue to be eligible to participate in the Purchase Program, the Certificate Holder must apply to renew the Certificate of Eligibility no earlier than 60 days prior to the expiration date, and must demonstrate that their household continues to meet all eligibility requirements in effect at the time of renewal.

2.2 Requirements for Eligibility – Income. To determine a household's eligibility for the Program, except in circumstances described in subsection [(e)](d) below, the Department (for sales MPDUs) or the Applicant (for rental MPDUs) must determine that the household's total income is at least equal to the approved minimum and does not exceed the approved maximum income limits for sale or rental housing in effect at that time. The Department may adopt uniform policies for determining how household annual gross income must be calculated.

(a) Maximum Income – MPDU Sales. [By June 15th of each year, the] The Director of the Department must annually set the maximum incomes allowed under the [rental] Rental and [sales programs] Purchase Programs according to the following procedures. The maximum income required to purchase an MPDU or to rent a High-Rise MPDU is set at [seventy] 70 percent [(70%)] of [the median income] the AMI for a household size of four (4). The 70[%] percent figure for a household of four is then multiplied by the following adjustment factors to determine the maximum income allowed for various household sizes. The resulting figure is rounded to the nearest \$500.

Household Size	1	2	3	4	5	6	7	8
Adjustment Factor	.70	.80	.90	1.00	1.08	1.16	1.24	1.32

(b) Maximum Income – MPDU Rental. The maximum income to rent an MPDU in a Garden Apartment is set at [sixty-five] 65 percent [(65%)] of the [median income] AMI for a household size of four (4). The 65[%] percent figure for a household of four is then multiplied by the following adjustment factors to determine the maximum income allowed for various household sizes. The resulting figure is adjusted to the nearest \$500.

Household Size	1	2	3	4	5	6	7	8
Adjustment Factor	.70	.80	.90	1.00	1.08	1.16	1.24	1.32

[(c)] The Director may set the maximum income to rent an MPDU in a high rise building at seventy percent (70%) of the median income for a household size of four (4).]

[(d)](c) If the change in [median income] AMI from the preceding year is negative, the Director may either maintain the maximum income at the previous year's level or adjust the maximum income by the percentage change in the [consumer price index] Consumer Price Index for the preceding 12-month period.

[(e)](d) At the time the new income limits are set each year, the Department shall compare the maximum income needed to purchase an MPDU for a household size of one with the starting salary for a teacher ([Bachelor]



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

Bachelor's degree) in the Montgomery County Public School System. If the Department determines that the maximum income figure under the Program would preclude the participation of a first year teacher in the school system, the Director may adjust the income limits accordingly to allow the participation of first year teachers.

[(f)](e) Minimum Annual Incomes. Each year the Department may determine and set a minimum annual income for participation in the [program] Program. If a minimum is set, it must be set at the minimum annual income needed to qualify for a mortgage to purchase an MPDU, or to make a rental payment for an MPDU, as determined by the Department. [In setting this minimum, the Department must consider the availability of any mortgage assistance or rental assistance programs that may be used to meet these payments. To determine this minimum, the Department must consult with lenders and leasing agents familiar with industry standards.]

[(g)] In the Department's annual report to the Council regarding the MPDU program, the Director shall report on the income limits in effect for the year and the methodology used to arrive at the figures.]

[(h)](f) Income is defined as the gross income received annually from all sources by all wage earners in a household. Sources of income include, but are not limited to, the following:

- (1) Wages and salary;
- (2) Child support;
- (3) Alimony;
- (4) Interest from savings and checking accounts;
- (5) Dividends from stocks and bonds, and interest from certificates of deposit;
- (6) Social Security benefits;
- (7) Veterans Administration benefits;
- (8) Overtime pay;
- (9) Unemployment insurance benefits;
- (10) Bonus payments;
- (11) Pension and retirement payments;
- (12) Long-term Disability benefits; [and]
- (13) Any other annuities or stipends received[.]; and





# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

(14) Gifts from third parties, the value of which may be limited by Executive Order.

[(i)](g) When an [applicant] Applicant fulfills the MPDU requirement for a particular development through the construction of housing under other federal, state, or specific local programs to assist low- and moderate-income [families] households, the income limits and other requirements of that particular housing program [must] apply rather than the requirements set forth herein during the term of the compliance period for that housing program.

2.3 Special Income Exception for Conversion of Rental MPDUs to Condominiums. A household that rents an MPDU and lawfully occupies [the unit] it at the time [it] the MPDU is offered for sale must be offered the right-of-first refusal to purchase the MPDU regardless of the household's income as long as the household qualifies for the financing necessary to purchase the [unit] MPDU, and [if at the time of the offering,] the household [met all eligibility standards at] was income-eligible at the time that the household first rented the [date of original rental] MPDU. This right-of-first refusal is effective for 60 days from the date the [tenant] household is given notice that the [unit] MPDU is to be offered for sale. If the [tenant] household does not sign a contract and secure financing [during that time, the unit must be offered to eligible certificate holders on the lottery list maintained by the Department] within the 60-day period, the MPDU must be offered to Eligible Certificate Holders.

2.4 Requirements for Eligibility – Restrictions on Ownership of Residential Property. To be eligible to buy or rent an MPDU other than an age-restricted unit, [a person and] members of [that person's] a household must not have owned any residential property during the previous [5] five (5) years, and can never have owned an MPDU. [The Director may waive this restriction for good cause.]

2.5 [Homebuyer Certification] Requirements for Certificate of Eligibility. To be eligible to receive a Certificate of Eligibility to purchase an MPDU, [a certificate holder] at least one adult member of the household must [attend a homebuyer seminar approved by the Department, and be awarded a certificate of completion.] complete the following classes approved by the Department:

- (a) A first-time homebuyer class;
- (b) An MPDU orientation seminar; and
- (c) An MPDU application session.

2.6 Occupancy Requirement for MPDUs.

(a) Except for the Commission or [designated housing providers who obtain] Designated Agencies that purchase or lease MPDUs under Chapter 25A, [tenants] MPDU renters and [owners of MPDUs] MPDU Owners must occupy the MPDU as their primary residence and must execute and submit to the Department a Purchaser's or Renter's [Certification] Agreement Form provided by the Department [at the date of original sale or rental], which certifies that [he/she] the household must occupy the MPDU during the entire [control period] Control Period or until the [unit] MPDU is sold or is relinquished in accordance with the [MPDU law] MPH Law and [these regulations] this regulation. If an MPDU [owner] Owner dies, at least one heir, legatee, or other person taking title by will or by operation of law must occupy the MPDU as their primary residence during the [control period] Control Period in order to fulfill the occupancy



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

requirements of this Section.

(b) [Before the owner of an MPDU purchases other residential property in the Washington PMSA during the applicable control period, the owner must first sell the MPDU under the Program as specified in these regulations. Before the renter of an MPDU purchases residential property in the Washington PMSA, the renter must surrender their MPDU Certificate of Eligibility to the Department.] Before an MPDU Owner purchases other residential property during the Control Period, the owner must first sell the MPDU under the Purchase Program as specified in this regulation. Once the MPDU Owner has entered into a sales contract with a buyer for the MPDU and a settlement date has been scheduled, the MPDU Owner may enter into a sales contract for another property. When the renter of an MPDU closes on another residential property, the renter must vacate the MPDU and may not rent another MPDU.

((c) An MPDU owner who wishes permission to temporarily waive the MPDU occupancy requirement in order to rent his/her unit for cause must send a written request to the Director to obtain permission and a written waiver. The request must contain the reason(s) the owner desires to rent the unit and the period of time that the unit will be rented. The owner must demonstrate that he/she is required to move out of the Washington PMSA for employment or health reasons for a period not to exceed 24 months. The Director may extend this time limit for good cause. The MPDU owner must certify that he/she will reoccupy the MPDU within the term of the waiver, which shall begin on the date the owner vacates the unit. If the owner fails to reoccupy the MPDU within 30 days of the expiration of the term of the waiver, the MPDU must be sold in accordance with the terms of this regulation.

(d) When granting a waiver to allow an owner to rent an MPDU, the Director must establish the allowable rent that the owner may charge during the temporary rental period. This rent must not exceed the total of principal and interest payments on a mortgage amount that is not in excess of the resale control price, real estate taxes, homeowner's insurance, reasonable management fees, homeowners association or condominium fees, and reasonable expenses attendant to the maintenance of the MPDU. If the owner retains responsibility for the payment of some or all of the utility expenses and maintenance costs, these expenses may be added to the rental rate. An increase in the rent may be permitted after one year, if the owner shows that there has been an increase in the listed costs used to determine the rent. The rent increase must be approved by the Department in writing.

(e) MPDU owners who temporarily rent their units must extend the MPDU covenants for a period of time equal to the rental period. The owner must execute a new covenant in the form provided by the Department before the final written approval from the Department may be granted. The Department must record the covenants among the land records of Montgomery County.]

[(f)](c) MPDU [owners] Owners who are granted permission by the Department to temporarily rent their [units] MPDUs must obtain a rental license from the Department, and must sign a lease with the tenant household. The [owner] MPDU Owner must use the appropriate model lease approved by the Department. The term of the lease must not exceed the [term of the waiver granted by the Department.] time period granted by the Department as reflected in the Reoccupancy Certificate. Within 30 days of the date that the tenant household signs the lease, the MPDU Owner must provide the Department with a copy of the fully executed lease, a copy of the rental license, and the original of the Reoccupancy Certificate.

[(g)](d) If an MPDU [owner] Owner fails to occupy the MPDU as their primary residence and has not



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

received written permission from the Director to rent or vacate the [unit] MPDU temporarily, the MPDU must be sold in accordance with Chapter 25A.

## 25A.00.02.03 [Requirements] Requirement to Provide MPDUs

3.1 Requirement for Payment to the Housing Initiative Fund. An Applicant for an approval or permit identified in Section 25A-5(a) who proposes development of between 11 and 19 dwelling units is not required to provide MPDUs, but must make a payment to the Housing Initiative Fund in the amount of one-half (0.5) percent of the Purchase Price of each dwelling unit, to be collected at settlement of each unit and forwarded to the County within three (3) business days of recordation of the deed. The payment must be accompanied by a copy of the signed settlement statement. Alternatively, the Applicant may provide MPDUs in the development in accordance with Chapter 25A.

### 3.112 Requirements of the Agreement to Build [Moderately Priced Dwelling Units].

(a) Once the Planning Board has set the MPDU requirements for the subdivision, an [applicant] Applicant must enter into a written Agreement to Build [Moderately Priced Dwelling Units] with the Department in a form approved by the Department. [This] The Agreement to Build must be executed before any building permits within the subdivision may be issued by the Department of Permitting Services (DPS). The Agreement to Build must contain at least the following information:

(1) The name of the subdivision, the marketing name if different than the subdivision, and the apartment or condominium name, when applicable. A copy of the approved site plan, or the preliminary plan [or the record plat] if no site plan is required, must be provided with the [agreement] Agreement to Build.

(2) A plan for the staging of construction of all dwelling units that is consistent with Chapter 25A and any approved applicable land use, subdivision, or site plan.

(3) A draft copy of the applicable [covenants] MPDU Covenants, either rental or sales [covenants].

(4) The Agreement to Build must identify all land at one location which is owned by or under contract of sale to the [applicant] Applicant, or, will be available, or is being processed for development and individually or collectively will be subject to Chapter 25A. [For subsequent MPDU construction agreements, it will be necessary only to update this statement.]

(5) A specific listing of the MPDUs and market rate units, including development phase, lot, block, street address, number of bedrooms, and (for multi-family units) building designations and unit numbers. Property tax account numbers must be provided for the MPDUs, if available.

(6) For single-family dwelling units, a floor plan of each MPDU type with dimensions and square footage. For multi-family buildings, a floor plan of each MPDU type with dimensions and square footage, and a



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

typical floor plan of the building(s) showing locations of MPDUs and market rate units on each floor, with a summary chart of location and bedroom compositions of the MPDUs and market rate units.

(b) The Department must determine that the Agreement to Build meets the requirements of Chapter 25A and [these regulations] this regulation. Any revisions to the Agreement to Build must be requested in writing [from] by the [developer] Applicant, and approved in writing by the Director.

(c) A copy of the executed Agreement to Build must be submitted to DPS [with] before the first building [permits] permit application in the subdivision is approved. DPS must not issue building permits in a subdivision having an MPDU requirement unless those units are included in the signed Agreement to Build. DPS must not issue a building permit for the final market-rate units in the subdivision until the building permit for the final MPDU in the subdivision has been issued.

3.[2]3 Housing Programs Which Satisfy the MPDU Requirement. Federal, state, or local housing programs may be used to fulfill some or all of the MPDU requirements. When federal, state or local housing programs are used to comply with the requirements of Chapter 25A, the following conditions must be met:

(a) Sales prices or rental rates must be affordable to [moderate income households] Eligible Households.

(b) The Director must determine that the controls on the sales prices [and/]or rents will contribute to the long term availability of moderately priced units and that the covenants on these units contain provisions for the County's recapture of excess profits realized by an MPDU [owner] Owner as required in Chapter 25A.

(c) When a dwelling unit produced under an approved federal, state or local housing program is designated as an MPDU, the income limits and other requirements of that particular housing program apply during the compliance period for that program rather than the requirements set forth herein. If the compliance period for that program is shorter than the MPDU Control Period, the MPDU requirements must apply for the balance of the MPDU Control Period, unless the Director determines that the affordability term of the other program is equivalent to the MPDU requirement.

## 25A.00.02.04 [Options] Alternative Compliance Measures for [providing] Providing [less than the required number of] MPDUs

Under certain conditions as specified in Chapter 25A, it may be possible to provide less than the required number of MPDUs on-site in any development.

### 4.1 MPDU Land Transfer Option.

(a) If an [applicant] Applicant wishes to request a [land transfer] Land Transfer option to fulfill some or all of an MPDU requirement in accordance with Section 25A-5[(f)](g) (1), the [applicant] Applicant must submit a written request to the Director to transfer land or [finished lots] Finished Lots to the County not less than [45] 90 days



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

prior to the submission of [a] any building permit application for the development [application for the project] for which the [land transfer] Land Transfer option is being requested, and in any case before an Agreement to Build is executed. The Director must [communicate] make a determination of whether the approval will be granted before the Applicant submits an application for a [decision on] building permit for the development, and the Applicant must execute an Alternative Compliance Agreement with the Department in a [request] form approved by the Department prior to the [filing so] time that [the applicant may include the Director's approval in the application, if applicable] DPS approves a building permit for the development. The transfer request must include:

(1) Justification why the [applicant] Applicant is requesting the [land transfer] Land Transfer and how [this satisfies the Department's requirements] the public benefit of granting the Land Transfer proposal outweighs the value of providing MPDUs in each subdivision throughout the County;

(2) A title report showing ownership, or a purchase contract signed by the [applicant and] Applicant for the land proposed to be transferred, and a description of the property [to be transferred];

(3) Preliminary subdivision plans or site plans, or record plats;

(4) Topographical maps, and soil tests if they have been performed; [and]

(5) A Phase I Environmental Report; and

[(5)][6] An itemized statement of actual costs incurred or estimated costs to finish the lots [that are] on the property proposed to be transferred.

(b) Conditions for Transfer. [Lots or land] Land offered to the County must meet the following minimum standards:

(1) The title must be good and marketable and the [lots or] land must be transferred in fee simple by a special warranty deed;

(2) The [lots] land must be served by public water, sewer, and other necessary utilities, must be accessible from an improved public street; and the Department, in its sole discretion, must determine that development of the land into lots is economically feasible as an MPDU development:

(3) In single-family developments, the land may be transferred as individual scattered lots, as several groups of lots, or as a single subdivided parcel; and

(4) In multi-family projects, the land must be large enough to support the development of an independent rental or sales project including parking, open space, and amenities.

[(c) Review Process. The Department or consultants may consult with the Planning Board, the County Attorney, and other agencies as appropriate. The Director must take the following factors into consideration when evaluating the request to transfer land:



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

- transferred;
- (1) The feasibility of constructing the required number of MPDUs on the property to be
  - (2) The cost of developing the lots; and
  - (3) The availability of funds for reimbursement of the estimated lot finishing and settlement costs if required.]

[(d)](c) Transfer Decision and Agreement. The decision to approve or deny a [land transfer] Land Transfer must be made by the Director taking into consideration how the public interest will best be served. Any decision regarding the transfer must be made in accordance with the following conditions:

(1) The Department must make a decision within 90 days of receiving the request and all required documents for the [land transfer] Land Transfer. A copy of the decision must be provided to the [applicant] Applicant, the Planning Board, and DPS.

(2) The Department may only approve a Land Transfer under this subsection after making a written determination that the value of the land transferred is at least equal to the value of the MPDUs not constructed by the Applicant.

[(2)](3) The Department may reject any offer to transfer land, either in part or in whole, if the Director determines that the transfer will not serve the public interest or if no funds are available to reimburse the [applicant] Applicant for the lot finishing costs.

[(3)](4) If the Department approves the transfer request, the [applicant and the Department] Alternative Compliance Agreement must [enter into an agreement] address compensation for the [land transfer with the County. This agreement must replace or modify the MPDU construction agreement] reasonable costs for Finished Lots.

[(4)](5) The [applicant] Applicant is responsible for preparing and executing the necessary special warranty deed(s)[,], arranging for settlement, ensuring that the deeds are properly recorded and delivering evidence of good title to the transferred lots or land.

[(e) Compensation. The applicant must be compensated for the allowable costs for finishing the lots. The County's payment for lot finishing costs must be made at the time the applicant conveys the lots or land or at such later time as may be agreed to by the applicant and the Department.

(1) The applicant may be compensated for the reasonable costs directly attributable to finishing the lots to be transferred. Allowable costs may include, but are not limited to the following:

- (A) Site engineering;
- (B) Clearing, grading, and street improvements;



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

- (C) Water and sewer connection charges;
- (D) Street lighting and installation of other utilities;
- (E) Bonds and permits; and
- (F) Recreational development directly benefiting the transferred MPDU lots.

(2) If funds are not available for the reimbursement of lot finishing costs, the County may:

- MPDU requirement;
- (A) Reject the transfer of lots or land as a means of fulfilling the subdivision's reimbursement until the County is able to resell the land either to a builder or an MPDU purchaser;
  - (B) Elect to accept the lots or land when the applicant agrees to a deferral of the reimbursement until the County is able to resell the land either to a builder or an MPDU purchaser;
  - (C) Elect to accept undeveloped land or partially finished lots rather than finished lots; or
  - (D) Accept the finished lots from the applicant without reimbursement if the applicant agrees.

(f) Disposition of Land by County. The County may cause MPDUs to be constructed on the land by conveying the lots or land to one or more builders or to the Commission under terms that must fulfill the objectives of the MPH Law, or the County may contract directly to have the units constructed. The sale of the land must take into consideration the County's contribution to the finishing costs and the necessity for the County or a subsequent transferee to construct and sell or lease the units within the MPDU approved sale price or rental limits.]

[4.2 Waiver of an Applicant's MPDU Requirement. If an applicant wishes to request a full or partial waiver under Section 25A-6(b), such a request must be made when submitting a preliminary plan of subdivision, site plan, or development plan approval to the Planning Board, or when applying to DPS for a building permit.

(a) Requests must be made in writing stating the reasons that the full density of the zone cannot be attained because of requirements of the Zoning Ordinance, master plan, or other laws or regulations. The request must contain substantiation in the form of plans, plats, and all other pertinent material which will assist in evaluating the conditions.

(b) The applicant must send a copy of the waiver request to the Department who must consult with the Planning Board or DPS as appropriate. The Department's recommendation must be considered by that Planning Board and DPS in determining whether to grant or deny the applicant's request for a waiver.]



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

4.[3]2 [Approval] Request to Provide MPDUs at an Alternative Location [in the Same Policy Area]. If an Applicant wishes to provide some or all of the MPDUs for development of a High-Rise building at an Alternative Location under the provisions of Section 25A-5B, the Applicant must submit a written request to the Director not less than 90 days prior to the submission of any building permit for the development for which the Alternative Location approval is being requested, and in any case before an Agreement to Build is executed. The Director must make a determination of whether the approval will be granted before the Applicant submits an application for a building permit for the development, and the Applicant must execute an Alternative Compliance Agreement with the Department in a form approved by the Department prior to the time that DPS approves a building permit for the development.

[(a) If an applicant wishes to provide MPDUs for development of a high-rise residential building at an Alternative Location in the same policy area under the provisions of Section 25A-5B, the applicant must submit a written request to the Director not less than 45 days prior to the submission of a development application for the project for which the Alternative Location approval is being requested. The Director must communicate a decision on a request prior to the filing so that the applicant may include the Director's approval in the application, if applicable. In order to grant such a request, the Director must find that:

(1) The public benefit of locating MPDUs at the proposed alternative location outweighs the value of locating MPDUs in each subdivision throughout the County; and

(2) Building the MPDUs at the proposed alternative location shall further the objective of providing a broad range of housing opportunities throughout the County.

(b) The Director must submit a determination of whether the approval shall be granted prior to the time that the Planning Board or Director of Permitting Services considers its approval request for the application.

(c) To satisfy the requirements of this Section, an applicant may:

(1) Build, or convert from non-residential use, the required number of MPDUs at a site approved by the Director;

(2) Buy, encumber, or transfer, and rehabilitate as necessary, existing MPDUs for which price or rent controls have expired;

(3) Return to MPDU use, and rehabilitate as necessary, existing MPDUs for which price or rent controls have expired; or

(4) Buy or encumber other residential units to meet the MPDU requirement.

(d) Each agreement under this Section must include a schedule, binding on the applicant, for timely completion or acquisition of the required number of MPDUs.]

4.[4]3 Request to Make an Alternative Payment to the Housing Initiative Fund. If an [applicant] Applicant wishes to make an [alternative] Alternative Payment to the Housing Initiative Fund instead of building some or all of the





# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

required number of MPDUs in [the] a proposed subdivision under the provisions of Section 25A-5A, the [applicant] Applicant must submit a written request to the Director to make an [alternative payment] Alternative Payment to the Housing Initiative Fund not less than [45] 90 days prior to the submission of [a] any building permit for the development [application for the project] for which the payment option is being requested, and in any case before an Agreement to Build is executed. The Director must [communicate] make a [decision on a request prior to] determination of whether the [filing so that the applicant may include the Director's] approval [in the application, if applicable] will be granted before the Applicant submits an application for a building permit for the development, and the Applicant must execute an Alternative Compliance Agreement with the Department in a form approved by the Department prior to the time that DPS approves a building permit for the development.

4.4 No Alternative Compliance if All Impact Fees are Waived. If an Applicant receives a waiver of all impact fees for a development in accordance with Section 52-41(g)(5) and Section 52-54(c)(5) of the Code, the Department must not approve a Land Transfer, an Alternative Payment or an Alternative Location for the development. The MPDUs must be provided on-site, and any for-sale MPDUs must be priced as provided in Section 25A.00.02.05.3 if the price calculated by that method is lower than the price calculated as provided in Section 25A.00.02.05.1.

[4.5 Alternative Payment. The Director may approve an Alternative Payment agreement only if the Alternative Review Committee, by majority vote, finds that either:

- (a) An indivisible package of services and facilities available to all residents of the proposed subdivision would cost MPDU buyers so much that it makes the MPDUs unaffordable to eligible buyers; or
- (b) Environmental constraints at a particular site renders the building of all required MPDUs at that site economically infeasible; and
- (c) The public benefit of additional affordable housing outweighs the value of locating MPDUs in each subdivision throughout the county, and accepting the payment will further the objective of providing a broad range of housing opportunities throughout the County.
- (d) In establishing the amount of an alternative payment for a rental facility, the Director must take into account the following factors:
  - (1) Construction costs
  - (2) Market rate rents for comparable units
  - (3) The MPDU rent level
  - (4) Prevailing capitalization rate
- (e) Any payment to the Housing Initiative Fund for agreements under this Section may be used only to buy or build more MPDUs in the same policy planning area (as defined in the Annual Growth Policy), as the development for which the payment was made, and must not be used to reduce the annual payment to the Housing

21



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

## Initiative Fund.

(f) Any subdivision for which a payment is made under this Section is not eligible for any density bonus for which it would otherwise be eligible under Chapter 59.]

[4.6 Request for Fewer or No MPDUs to be built in certain developments with more than 20 but fewer than 50 units at one location

(a) The Director may allow fewer or no MPDUs to be built in a development with more than 20 but fewer than 50 units at one location in accordance with Section 25A-5(d)(1) if the Planning Board, in reviewing a subdivision or site plan submitted by the applicant, and based on the lot size, product type, and other elements of the plan as submitted, finds that building the required number of MPDUs at that location:

(1) Would not allow compliance with applicable environmental standards and other regulatory requirements, or

(2) Would significantly reduce neighborhood compatibility.

(b) If an applicant wishes to make a request for approval to build fewer or no MPDUs in accordance with Section 25A-5(d)(1), the applicant must submit a written request to the Director following the review of the subdivision by the Planning Board.

(c) The Director must notify the Planning Board of a determination of whether the request to build fewer or no units will be approved in accordance with their findings.]

## 25A.00.02.05 Establishing Sale and Rental Prices

### 5.1 Maximum Allowable Sales Prices of MPDUs.

(a) The Department must, by Method 3 regulation, annually set and disseminate a schedule of the pricing standards and minimum specifications to be used to determine the maximum allowable sales prices of MPDUs. [The schedule maintained by the Department must indicate the basic unit size and the approved maximum cost per square foot construction price, component prices, and adjustments that are used to establish the maximum allowable sales prices of MPDUs. This schedule must include the maximum allowable closing costs and sales commission fees for dwelling units sold in accordance with the requirements of Chapter 25A. These prices are subject to change, as described below.]

(b) [The MPDU Pricing Standards and provisions of this regulation apply to all MPDUs offered for sale through the Department on or after the effective date of this regulation.] The maximum allowable sales price for the MPDUs must be fixed according to the applicable MPDU pricing standards when the [offering agreement] Offering Agreement is [signed by the Department] fully executed.

[(c) For units differing in size (square foot area) from the basic unit size, the structure cost must be



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

increased or decreased at one-half the unit type square foot cost. Minimum and maximum sizes of units are as shown on the schedule.

(d) The following costs are included in the allowable sales price and are expressed as a percentage of the base sales price as follows:

(1) Construction loan expenses -  $(\text{prime rate} + 2\%) \times .50 \times .75 \times .75$ . This assumes an average take down rate over 6 months, the length of the loan is 9 months, and that 75% of the unit sales price was borrowed;

(2) Construction loan placement fee – 1.5 percent;

(3) Legal and closing costs – 3.5 percent;

(4) Marketing/Sales commission – 1.5 percent;

(5) Overhead – 8 percent;

(6) Engineering and architectural design fees – 5 percent; and

(7) General requirements (utilities, permits, etc.) – 3 percent.

(e) The allowable sales price includes the following closing costs which are to be paid by the seller:

(1) One-half of one percent for the permanent loan origination fee;

(2) County tax certificate, transfer charges, revenue stamps and recordation charges;

(3) Title examination, settlement, and attorney fees;

(4) Notary fees and fees for preparation of a deed of conveyance, a deed of trust or mortgage, and the deed of trust or mortgage note;

(5) Appraisal fee and credit report fee; and

(6) House location survey plat.

(f) The maximum allowable sales price for new MPDUs sold to the Commission or to an eligible non-profit must be reduced by 1.5 percent to reflect the reduced sales and marketing costs associated with these units.

(g) Fees required to place permanent financing that are paid by the seller must be permitted to be added to the allowable sales price to determine the final sales price to the purchaser. These fees may include the seller's permanent loan fees (points) which are in excess of one-half percent and any buy-down fees paid to a financial institution



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

to reduce mortgage interest rates on the purchaser's loan below current market interest rates. There must be no additions if the buyer secures their own permanent financing.

(h) The allowable sales prices may be adjusted for dwellings where space for future living areas that can be finished by the purchaser is provided. The minimum area, height, lighting, and ventilation as defined by the Montgomery County Code must be provided in an MPDU. Expandable space must include the installation of heating and air conditioning duct work, rough electrical wiring, rough-in plumbing, and insulation. The cost of this work may be approved by the Department upon submission of acceptable cost estimates or contracts for performing the work as described. Walkout basements are not considered as expandable space.

(i) Water and sewer house connection fees are not included in the calculation of the MPDU base sales price. In any instance where water and sewer connection charges are not deferred, the allowable sales price may be adjusted to reflect this increased cost to the seller.]

[(j)](c) When permitted by the Director, significant items included in the minimum MPDU specifications, but which are not constructed in a unit, may result in an adjustment to the allowable [sales prices] Purchase Price to reflect these omissions. Minimum specifications for MPDUs which exceed building code requirements are as shown on the schedule maintained by the Department. It is the responsibility of the [applicant] Applicant to provide these items, or otherwise to obtain permission from the Department not to meet the minimum standards.

[(k) When a gas heating and air-conditioning (HVAC) system is substituted for an electrical heat pump in an MPDU, the allowable sales price may be adjusted by the Department to compensate for this expense.]

[(l)](d) When the buyer and seller of an MPDU agree to modify the unit structurally to facilitate access or use by a person with mobility or sensory impairments, the Department may adjust the allowable sales price by the amount of the additional costs. The [applicant] Applicant must obtain approval of the price from the Department prior to executing a sales contract.

[(m) The Department may adjust the allowable sales price of an MPDU if the applicant can demonstrate that additional unusual costs have been incurred (i.e., costs not already included in the allowable structure or lot development costs) which are directly attributable to and benefit the MPDUs and which are the result of:

- (1) Conditions or fees imposed by a government agency or as a condition for building permit approval;
- (2) Additional considerations or fees as a condition of obtaining government financing programs; or
- (3) Additional fees or costs imposed by public utilities.

Documentation for such costs must accompany the sales offering agreement submitted to the Department. Requests for price adjustments must be initiated by the applicant.]



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

**Subject**

Moderately Priced Dwelling Unit Program

**Number**

11-18

**Originating Department**

Department of Housing and Community Affairs

**Effective Date**

(e) The Department may require front-foot benefit charges to be included in the price of the MPDU rather than being deferred.

[(n)][f] Architectural compatibility. As described on the schedule maintained by the Department, [The] the allowable sales price of an MPDU may be increased[,] by up to 10 percent over the base sales price of the MPDU upon a finding that the increase is justified to [compensate for] cover the cost of [modifying] a modification to the [exterior] external design [(including site improvements)] of the MPDU [that is] necessary to [make the MPDUs compatible in exterior design with] reduce excessive marketing impact of the MPDU on the market-rate units in the subdivision.

[(1)] The exterior design elements requested must be similar to those elements used on the market-rate housing units in order to reduce substantial difference in appearance. Compensation may be allowed for exterior facades and the sides of end units, roofing structure and material, window and door treatments, materials for walkways, and similar architectural elements.

(2) Compensation shall be based upon the cost difference between the exterior design elements included in the calculation of the MPDU allowable structure cost and those design elements for which the builder is requesting compensation. Cost estimates or construction bids that document the difference in cost must be submitted. The Department may establish standard costs for approved design elements. The final determination of the amount of the compensation shall be made by the Department.

(3) The increase approved for architectural compatibility shall be limited to 10 percent of the allowable base cost for each unit increased by the direct costs percentages listed below:

- (i) Construction loan interest – (prime rate plus 2 percent;)x .50 x .75 x .75;
- (ii) Construction loan placement fee – 1.5 percent;
- (iii) Overhead and general requirement expenses – 8 percent; and
- (iv) Engineering and architectural expenses – 5 percent.

(o) The loan amount, but not the final sales price, shall be increased to cover the cost of amortizing the mortgage insurance premium on Federal Housing Administration (FHA) and Commission/FHA loans.

(p) The maximum, allowable sales prices of MPDUs must be revised annually by June 15 of each year by adjusting the prior year's maximum prices by the percentage change in the consumer price index for urban consumers (CPI-U) for the Washington Metropolitan Area for the preceding 12 month period. Alternately, the prices may be re-estimated using actual current prices and costs, or through the use of commercially available standard building industry cost estimating products. Interim adjustments in the maximum sales prices may be made when a change in the relevant cost elements of the CPI-U for the Washington Metropolitan Area exceeds 2 percent, or when significant changes in government or other costs are imposed between periods of price adjustment.]



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

**Subject**

Moderately Priced Dwelling Unit Program

**Number**

11-18

**Originating Department**

Department of Housing and Community Affairs

**Effective Date**

[(q)](g) The Director may restrict [facilities, services or design costs which] those conditions of the design, construction, pricing or amenity package of a development with MPDUs that will [cause] impose excessive mandatory homeowner or condominium fees [to be imposed on the MPDUs in a particular subdivision. The inclusion of swimming pool, recreation, or health club membership and maintenance fees may be offered only as an option to MPDU purchasers if it is determined by the Director that obligatory participation or inclusion of these items will significantly] or other costs that reduce the affordability of the [MPDU] MPDUs.

[(r)] The Director may set different maximum sales prices for units in age-restricted buildings if the Director determines that to do so will contribute to the long term availability and affordability of moderately priced units for eligible certificate holders, and other households with moderate incomes. The Director may exercise this option upon the conclusion of the priority marketing period if there are MPDUs that can not be sold to eligible certificate holders at the approved MPDU rents.]

## 5.2 Maximum Rental Rates for MPDUs.

(a) The maximum allowable rents that may be charged for the MPDUs are those in effect at the time the Department approves the rental [offering agreement;] Offering Agreement. MPDU rents must be based on the maximum income permitted under the [program] Rental Program, as revised [by June 15 of each year] annually.

(b) Rental rates established for MPDUs must distinguish units which are inclusive and exclusive of utilities paid by the [tenant] household and those utilities paid by the [applicant] Applicant.

(c) MPDUs developed under the programs designated in accordance with Section 25A.00.02.03.[2]3 of this regulation are to be offered and marketed in accordance with the procedures established for those programs.

(d) The method for computing the maximum allowable monthly rents for [garden apartment] Garden Apartment and High-Rise MPDUs is described below. The income for the rent calculation is based on one and one-half (1½) people per bedroom. Rental rates must be computed based on the relevant income limits for the MPDU [program] Rental Program in effect at the time the MPDUs are offered for rent.

(1) The maximum rent for an efficiency unit is based on the income for a one-person household.

(2) The maximum rent for a one (1) bedroom unit is based on the mid-point between the income for a one-person household and a two-person household ([eg.] i.e. 1.5 people [per bedroom]).

(3) The maximum rent for a one (1) bedroom plus den unit is based on the income for a two-person household.

[(3)](4) The maximum rent for a two (2) bedroom unit is based on the income for a three-person household.

(5) The maximum rent for a two (2) bedroom plus den unit or a two (2) bedroom unit with a

26



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

second bath is based on the midpoint between the income for a three-person household and a four-person household (i.e. 3.5. people)

[(4)](6) The maximum rent for a three-bedroom unit is based on the mid-point between the income for a four-person household and a five-person household ([eg.] i.e. 4.5 people [per bedroom]).

[(5)](7) Based on the appropriate household size and corresponding maximum income, the income for each unit size is multiplied by [twenty-five] 25 percent [(25%)] then divided by 12 and rounded to the next highest whole number which is evenly divided by five (5) to establish the rent for the unit, excluding utilities.

[(6)](8) When the [applicant] Applicant pays for all utilities, based on the appropriate household size and corresponding maximum income, the income for each unit size is multiplied by [thirty] 30 percent [(30%)] then divided by 12 and rounded to the next highest whole number which is evenly divided by five (5) to establish the rent for the unit. [Alternatively] When the Applicant pays for some but not all utilities, the Department [may, at its discretion, use] will add the "Allowances for Tenant-Furnished Utilities and Other Services" for the Washington PMSA, as determined by the U.S. Department of Housing and Urban Development, to the rent as calculated for MPDUs excluding utilities. When an Applicant pays for some utilities for an MPDU, the total rent must not exceed the maximum rent for an MPDU when an Applicant pays for all utilities.

[(e)] The Director may set different maximum rent limits for rental units in high rise buildings if the Director determines that there is no other reasonable means available to finance the building of all required MPDUs at a specific development.

[(f)] The Director may set different maximum rent limits for rental units in age-restricted buildings if the Director determines that to do so will contribute to the long term availability and affordability of moderately priced units for eligible certificate holders, and other households with moderate incomes. The Director may exercise this option upon the conclusion of the priority marketing period if there are MPDUs that can not be rented to eligible certificate holders at the approved MPDU rents.

[(g)] The maximum rental rate for new garden apartment MPDUs that contain unusual amenities, site conditions or construction costs may be adjusted based on a determination by the Director of all the ordinary, necessary, and reasonable costs to construct, market, and operate the MPDU rental units.]

[(h)](e) The rental rate for currently rented MPDUs must be adjusted annually by the Director in accordance with the County's [voluntary rent guidelines] Voluntary Rent Guidelines. If [the apartment development] an Apartment Complex is financed through a [Federal] federal, state or [state] local affordable housing program, then the requirements of that program [must supercede] are considered to meet the requirements of this regulation during the compliance period for that affordable housing program.

[(i)] Utility charges that are paid by the applicant may be added to the MPDU rental rate. The Department may use the annual utility allowances published by the U.S. Department of Housing and Urban Development (HUD) to calculate these charges. Any request by the applicant for a variance from these rates may only be granted by the Department upon receipt of a certified report from a registered engineer or by the appropriate utility company. After the



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

first year of operation, utility charges may be based on the actual, average cost of the utility expenses for the previous 12 months.]

[(j)](f) Laundry washer and dryer equipment must be provided in each MPDU [unit] unless this equipment is not provided in the market rate units. No increase in rent is allowed for laundry washer and dryer equipment unless the market rate units are separately charged and the increase is limited to the same fee that the market rate apartments are charged.

[(k)](g) The [applicant] Applicant must not be permitted to charge a fee for non-structured[, ] automobile parking to MPDU tenants unless market-rate households are charged a fee for non-structured automobile parking. Structured parking, garage or other enclosed spaces, or unstructured parking where a fee is charged to all tenant households, may be offered as an option to the MPDU occupants at the monthly rate normally charged by the [applicant] Applicant. At a minimum, the Applicant must make parking available to MPDU households according to the number of parking spaces approved for the MPDUs at certified site plan.

[(l)](h) The Director may adjust the rental rates for rental [apartment] apartments in age-restricted developments that provide services, amenities, or design features to all tenants which cannot be made optional to the [tenants of the MPDUs] MPDU tenant households on a fee basis.

[(m)] In the Department's annual report to the Council regarding the MPDU program, the Director shall report on the maximum sales prices and rent limits in effect for the year and the methodology used to arrive at the figures.]

5.3 Rental MPDUs Sold as For Sale MPDUs. In the event that an MPDU originally offered as a rental MPDU is sold as a sale MPDU, the MPDU must not be sold at any time during the applicable rental [control period] Control Period for a price greater than the [controlled, approved resale price for the unit. The resale price must be established in accordance with this regulation as if the unit had been "for sale" MPDU at the time of the original rental agreement. A new control period for the unit must be established according to the control period in effect at that time, for sale MPDUs. This control period must begin on the date of settlement. The existing rental covenants must be released, and new sale covenants recorded on the property.] "maximum allowable resale price" for the MPDU, as described below:

- (a) The income used to calculate the resale price is based on one (1) person per bedroom.
- (b) To calculate the resale price by bedroom size, the corresponding total household "monthly income" is calculated by dividing by 12 the annual income limit set by the Department.
- (c) The maximum "monthly housing cost" is calculated by multiplying the resulting "monthly income" by 30 percent.
- (d) From the maximum "monthly housing cost", subtract monthly condominium and HOA fees, hazard insurance, private mortgage insurance and real estate taxes to calculate the "adjusted housing cost".
- (e) Divide the "adjusted housing cost" by the applicable Mortgage Constant for a 30-year, fixed-rate





# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

conventional mortgage at the prevailing mortgage interest rate. The "applicable mortgage interest rate" will be determined by the prevailing interest rate for a 30-year, conventional mortgage as published by Freddie Mac (or such other source as determined by the Department). This figure represents the "maximum mortgage amount" that an Eligible Household can afford to support.

(f) Divide the "maximum mortgage amount" by 97 percent (.97) to calculate the "maximum allowable resale price" after accounting for a downpayment of three (3) percent.

A new Control Period for the MPDU must be established according to the Control Period in effect at that time for sale MPDUs. The existing rental Covenants must be released, and new sales Covenants recorded on the property prior to the first sale of any unit in the development.

## 25A.00.02.06 Sale and Rental Procedures

### 6.1 Offering MPDUs for Sale or Rent.

(a) The [applicant] Applicant must offer MPDUs for sale or rent through the Department by completing and submitting an [offering agreement] Offering Agreement on the form provided by the Department. The Applicant must provide the documents required by Section 25A-8(b)(2) and the following [information and documentation must be provided]:

- (1) A description of the MPDUs including the number, unit types, and size by area and number of bedrooms, and other relevant details of the MPDUs[:];
- (2) The addresses, legal descriptions, and property tax account numbers of the MPDUs;
- (3) A recorded subdivision plat[, ] and a copy of the [approved preliminary plan, and two copies of the] site development plan designating the [location] locations of the MPDUs;
- (4) The [Declaration of] signed MPDU Covenants, in recordable form;
- (5) A copy of the building floor plans (for multi-family buildings) and the unit layouts of each MPDU unit type [ , ] with dimensions and [if] square footage;
- (6) If the [units] MPDUs are to be sold, a completed sale price calculation sheet for each unit type and a price list of options;
- [(6)](7) The date(s) when MPDUs [shall] are expected to be delivered for settlement or rental occupancy; and
- [(7)](8) Any other information the Department deems necessary.



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

(b) MPDU sale units must be available for settlement and occupancy in compliance with all County building and occupancy code requirements within 365 days of [acceptance of the offering agreement by] the date when the [Department] MPDUs are marketed for sale to Eligible Certificate Holders.

(c) The first MPDU rental units in a development must be available for rental occupancy in compliance with all County building and occupancy code requirements within 120 days of acceptance of the [offering agreement] Offering Agreement by the Department.

(d) For rental Offering Agreements, the Applicant must attach an executed subordination agreement from all lien holders on the property so that the MPDU Covenants will hold a senior position, or must attach a statement by an attorney licensed to practice law in Maryland certifying that the MPDU Covenants are superior in recording order to any monetary encumbrances on the property.

[(d)](e) The [applicant] Applicant may not require from an MPDU purchaser a deposit that exceeds one (1) percent [(1%)] of the established MPDU sales price, including options if applicable. The selection of options must be at the discretion of the MPDU purchaser and may not exceed ten (10) percent of the base sales price.

(f) Condominiums must have FHA approval or financing with similar terms.

6.2 [Lottery] Random Selection Drawing Process. After the Department has approved the Offering Agreement, [eligible persons] Eligible Certificate Holders who are interested in purchasing MPDUs, other than the Commission[, and designated, non-profit housing providers] and approved Government Agencies and Designated Agencies must be selected through a [lottery] Random Selection Drawing (RSD) process conducted by the Department in cooperation with the [applicant] Applicant. This process must be used to establish a [lottery] list of [eligible certificate holders] Eligible Certificate Holders to whom the available MPDUs must be offered for sale.

(a) [The Department must notify the applicant and eligible certificate holders of the proposed offering. A lottery entry form may be included with the offering notice sent to eligible certificate holders. This form must be completed and returned to the Department by the date indicated on the form in order to be entered into the lottery drawing. At the time a household is determined to be eligible under the Program, the Department awards points according to the factors listed below:] The Department must notify the Applicant and Eligible Certificate Holders of the proposed offering by posting a flyer with information about the unit type, price, size, number of bedrooms, number of baths, HOA or condominium fee, and other details of the MPDUs on the Department's website, and scheduling a Random Selection Drawing. At the time a household is determined to be an Eligible Certificate Holder under the Purchase Program, the Department awards points according to the factors listed below:

(1) One (1) point for each consecutive year (12-month period) the [person] household has held a Certificate of Eligibility for the MPDU [sales program] Purchase Program, up to a maximum of three (3) points;

(2) One (1) point for living in the County [at the time of application to the lottery], for a maximum of one (1) point;

(3) One (1) point for working in the County [at the time of application to the lottery], for a



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

maximum of one (1) point; and

(4) The maximum number of points that may be assigned to an [eligible certificate holder] Eligible Certificate Holder is five (5) points. —

[(5) Points awarded under items (2) and (3) must be revoked if the eligible certificate holder does not meet the applicable criteria at the time of the drawing.]

(b) One-person and two-person households [may] must only be permitted to participate in [lottery drawings] Random Selection Drawings for one- and two-bedroom [units; two person households may be eligible to participate in lottery drawings for dwelling units containing up to three bedrooms] MPDUs. One-person and two-person households may not be permitted to purchase any MPDUs with three (3) or more bedrooms [or conventional townhouses with two (2) bedrooms] unless the [lottery] drawing list of [eligible households] Eligible Certificate Holders containing [two (2)] three (3) or more people has been completely exhausted. [The Director may waive this limitation for good cause.]

(c) [The lottery drawing shall commence by drawing first from among those eligible certificate holders who have been assigned the highest number of points. A lottery list of names must be developed, with the order determined by the order in which the names were drawn. The applicant must offer those eligible certificate holders highest on the list the first opportunity to purchase the available MPDUs.] The Random Selection Drawing must give priority to Eligible Certificate Holders according to the number of points they have been awarded, in descending order. A list of names must be developed, with the order determined by the order in which the names were drawn during the Random Selection Drawing. The Applicant must contact the Eligible Certificate Holders and offer them the opportunity to purchase the available MPDUs according to the order of the list determined by the Random Selection Drawing.

[(d) If there are MPDUs remaining in excess of the number of eligible certificate holders on the lottery list, the lottery drawing shall continue and shall be conducted among those eligible certificate holders assigned the next highest number of priority points. This process shall continue until the Department determines that there are a sufficient number of eligible certificate holders to whom the available MPDU may be made available for sale.]

[(e)](d) [Eligible certificate holders selected by a lottery must have the exclusive right to enter into a contract for the purchase of an MPDU. The priority marketing period begins the day the Offering Agreement is approved by the Department, or the date of the Department's approval of other marketing methods, and must end 90 days after the date of commencement.] Eligible Certificate Holders selected by a Random Selection Drawing must have the exclusive right to enter into a contract for the purchase of an MPDU during the Priority Marketing Period, which begins on the date of the fully executed Offering Agreement, or the date of the Department's approval of other marketing methods, and, except as provided in subsection (e), ends 90 days thereafter.

[(f)](e) [The applicant must not offer MPDUs to the general public unless the priority marketing period has ended, the lottery list of all eligible certificate holders has been exhausted, and a written notice has been obtained from the Department authorizing sale to the general public. The priority marketing period is automatically extended unless the Department determines that no additional eligible persons are available to purchase the MPDUs. MPDUs that become available for sale after the priority marketing period because of the disapproval of permanent loan financing must be



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

offered to eligible certificate holders on the lottery list. MPDUs that are offered to the general public remain subject to all the regulations and laws governing the Program, except the income limitations.] The Applicant must not offer an MPDU to non-income-eligible households unless the Priority Marketing Period has ended, the drawing list of all Eligible Certificate Holders has been exhausted, and a written notice has been obtained from the Department authorizing the Applicant to sell the MPDUs to non-income-eligible households. During the Priority Marketing Period, if the drawing list of all Eligible Certificate Holders has been exhausted, the Department may offer the MPDU to other Certificate Holders, and may waive the minimum household size requirement for that MPDU. If no Certificate Holders are interested in purchasing the MPDU, the Department may offer the MPDU to income-eligible households that are not Certificate Holders during the Priority Marketing Period. The Priority Marketing Period is automatically extended until the Department determines that no additional income-eligible households are available to purchase the MPDUs. The Department may incrementally increase the maximum income for eligibility and extend the Priority Marketing Period in 30-day increments before waiving all income restrictions. MPDUs that become available for sale after the Priority Marketing Period because of the disapproval of permanent loan financing must be offered to Eligible Certificate Holders on the drawing list. MPDUs that are offered to non-income-eligible households remain subject to the Covenants, the Code and the regulations governing the Program, except the income limitations for the initial purchaser.

[(g)](f) If an [applicant] Applicant offers MPDUs for sale within [6] six (6) months after the date of acceptance by the Department of a previous offering of MPDUs in the same subdivision, then the [lottery] priority list established by the Random Selection Drawing for the previous offering may be used until [all eligible households on] the list [have] of all Eligible Certificate Holders has been exhausted. The following provisions apply to the subsequent offering:

- (1) The [applicant's] Applicant's offering must contain the same type(s) of unit(s) with the same number of bedrooms per unit as were in the prior offering; and
- (2) Purchasers must have a valid [MPDU certificate] Certificate of [eligibility and not exceed] the approved maximum MPDU income limits at the time the purchaser applies for mortgage financing] Eligibility.
- (3) The [priority marketing period] Priority Marketing Period for subsequent offerings begins on the date of [approval of] the fully executed Offering Agreement, or the date of the Department's approval of other marketing methods.

## 6.3 Offering MPDUs for Rent.

(a) [MPDUs offered for rent by the applicant may be leased without utilizing the lottery process unless otherwise required by the Director. The applicant must comply with all applicable local, state, and Federal fair housing laws and must rent the available MPDUs only to eligible certificate holders during the priority marketing period. If a lottery process is used to rent the MPDUs, the same point system described in this regulation may be used for ranking eligible certificate holders. The Department must notify the applicant of the date on which the first lease for the property may be written. The priority marketing period must begin on that date, and shall end 90 days after the date of commencement unless the Department extends it for good cause.] The Department will provide a notice on the Department's website of the availability of rental MPDUs to Eligible Households. MPDUs offered for rent by the Applicant may be leased without utilizing the Random Selection Drawing process unless otherwise required by the



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

Director. The Applicant must comply with all applicable local, state, and federal fair housing laws and must rent the available MPDUs only to Eligible Households during the Priority Marketing Period. If a Random Selection Drawing process is used to rent the MPDUs, the same point system described in Section 25A.00.02.06.2(a) of this regulation may be used for ranking Eligible Households. The Department must notify the Applicant of the date on which the first lease for the property may be written. The 90-day Priority Marketing Period must begin on that date, and is automatically extended until the Department determines that no additional Eligible Households are available to rent the MPDUs. If construction or occupancy of the MPDUs is phased over a period of time, each phase must have its own Priority Marketing Period, and the Priority Marketing Period begins when the MPDUs in each phase are available for rent.

(b) During the [priority marketing period] Priority Marketing Period, the [applicant] Applicant must rent the MPDUs to [eligible certificate holders] Eligible Households. An Eligible Household must have at least as many household members as the number of bedrooms in the MPDU.

(c) If a [lottery drawing] Random Selection Drawing is held to determine a marketing list of [eligible persons, the priority marketing period] Eligible Households, the Priority Marketing Period begins on the date of the [lottery] drawing.

(d) If the [MPDU units] MPDUs are not rented to [eligible persons] Eligible Households during the [priority marketing period] Priority Marketing Period and the [applicant] Applicant has demonstrated to the Department's satisfaction that a good faith effort was made to rent the [units] MPDUs to [eligible persons] Eligible Households, the [applicant] Applicant may then rent the [units] MPDUs to [the general public] non-income-eligible households at the MPDU rental rate after receiving prior written approval from the Department.

[(e)] The priority marketing period is automatically extended unless the Department determines that no additional eligible persons are available to purchase the MPDUs. If construction or occupancy of the MPDUs is phased over a period of time, the priority marketing period begins when the MPDU is offered for rent. Each phase of the development must have its own priority marketing period.]

[(f)](e) The MPDUs must be ready for occupancy within 120 days of the beginning of the [priority marketing period] Priority Marketing Period.

[(g)](f) The [applicant] Applicant must use [the multi-family model] a lease [approved by the Department] form that complies with all federal, state and local laws, subject to the additions listed below.

[(h)](g) The lease agreements for MPDUs, other than those leased to the Commission or a [designated nonprofit housing provider] Government Agency or a Designated Agency, must include the provisions listed below:

[(i)](h) The [tenant] household must occupy the [unit] MPDU as [his or her] its primary place of residence and must not sublet the [unit] MPDU.

[(j)](i) The [tenant] household must provide income and household composition information to the [applicant] Applicant every year for recertification purposes. The documents that must be provided are federal income tax forms for the last two (2) years [and], a copy of a current pay check for all employed household members, and the current



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

household composition.

(1) The [tenant] household must provide the recertification information within 30 days of receiving the recertification form from the [applicant] Applicant. If the [tenant] household fails to provide the recertification information within the 30-day period, the [tenant] household must vacate the [unit] MPDU within 60 days of receiving notification from the [applicant] Applicant that the recertification form and required documentation [was] were not received.

(2) The [tenant] household must vacate the MPDU if, at the time of re-certification, the [tenant's] household's income exceeds by [thirty] 30 percent [(30%)] the maximum eligible income necessary to qualify as an [eligible person] Eligible Household. The [applicant] Applicant must take action necessary to have the [tenant] household vacate the MPDU within 90 days of receiving information that the [tenant's] household's income exceeds the maximum permitted income limit. The [applicant] Applicant may substitute another unit with the same number of bedrooms within the same Apartment Complex for the existing MPDU and permit the [tenant] household to occupy their present unit at a rent higher than the approved MPDU rent. A new [covenant] MPDU Covenant form must be recorded subjecting the substitute unit to the MPDU [covenants] Covenants. [If the development is subject to a regulatory agreement as part of a federal financing program, the provisions contained in that agreement supersede this regulation.]

[(k)](j) The [applicant] Applicant must send a copy of [the initial and all renewal leases] each household's signed Renter's Agreement form to the Department within 30 days of signing the lease with the household. In addition, the [applicant] Applicant must supply the information listed below in a format acceptable to the Department on an annual basis:

(1) The number of MPDUs, by bedroom count, that are leased to [eligible persons, the Commission, and designated nonprofit housing corporations] Eligible Households, the Commission, Approved Government Agencies and Designated Agencies and their clients who have been assigned the option to lease MPDUs.

(2) For each MPDU, the [tenant's name] current rent, the names of the members of the household, household size, and total household income as of the date of the lease.

(3) A statement that to the best of the [applicant's] Applicant's information and knowledge, the [tenants who are] households leasing the MPDUs meet the eligibility criteria.

(4) [A copy of each new or revised MPDU Renter Certification Form obtained since the last annual report.] Notices of rent increases for all MPDUs.

Upon the Department's request, Applicants must also submit their application, lease, and leasing procedures to the Department for review and approval.

[(l)](k) If the [applicant] Applicant is required to report tenant occupancy information pursuant to a governmental financing regulatory agreement, then that report may be substituted for the information required in [these regulations] this regulation.



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

[(m)](l) If the [applicant] Applicant has an MPDU available to be re-rented, the [applicant] Applicant must offer the [unit] MPDU to [eligible persons] Eligible Households for a period of sixty (60) days before renting the MPDU to [the general public] a non-eligible household at the MPDU rental rate. The sixty (60) day period must commence when the Department receives written notice from the [applicant] Applicant of the [unit's] MPDU's availability to be leased, and the Applicant must receive written approval from the Department before leasing the MPDU to a non-eligible household.

## 6.4 MPDU Covenants.

(a) The [applicant] Applicant must sign and forward MPDU [covenants] Covenants in recordable form to the Department before selling or renting any MPDUs. The [covenants] Covenants must be in the form required by the Department and include the restrictions contained in Chapter 25A. The [covenants] Covenants must run with the land for the entire [control period] Control Period and until all requirements of Chapter 25A have been met. The [covenants] Covenants must be binding on the [applicant, all] Applicant and its assignees, mortgagees, buyers and transferees, and all other parties that receive title to the property.

(b) MPDU [covenants] Covenants must be recorded by the Department and must be recorded so that they are senior to all instruments securing permanent financing. Every deed transferring [the] an MPDU must reference the MPDU [covenants] Covenants on the first page of the deed citing where [they] the Covenants are recorded in the land records by [liber] book and [folio] page. If the [covenants] Covenants cannot be recorded on the MPDU in conformance with this regulation, then the unit must not be considered as [having met] meeting the requirements of Chapter 25A.

(c) The [applicant] Applicant must provide a copy of the recorded sales [covenants] Covenants and a copy of Chapter 25A to [the purchaser] MPDU purchasers at settlement. The [purchaser] purchasers must acknowledge in writing that they have been given a copy of the [covenants] Covenants and Chapter 25A.

## 6.5 Sales and Rental Documentation.

[(a)] Not less than 30 days prior to settlement, the applicant must submit to the Department the following information in correct form for the unit to fulfill the requirements of Chapter 25A:

- (1) A copy of the initial sales contract or agreement;
- (2) A copy of the financing statement recorded against the proceeds of sale;
- (3) The purchaser's certificate of eligibility;
- (4) The MPDU Purchaser's Certification Form;
- (5) The purchaser's homebuyer seminar certificate; and
- (6) The purchaser's acknowledgement of receipt of covenants



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

**Subject**

Moderately Priced Dwelling Unit Program

**Number**

11-18

**Originating Department**

Department of Housing and Community Affairs

**Effective Date**

(b) In addition, within 45 days after the date of settlement, the applicant must submit to the Department the final settlement sheet and a copy of the two party deed. The deed transferring title must reference the recorded MPDU covenants by the date the covenants were recorded and their liber and folio.

(c) Within 14 days of the date of lease ratification for an MPDU rental unit, the applicant must submit to the Department the following information in correct form for the unit to fulfill the requirements of Chapter 25A:

- (1) A copy of the lease;
- (2) The renter's certificate of eligibility; and
- (3) The MPDU Renter's Certification Form.]

(a) Sales Documentation. Within 14 days of signing the sales contract, the Applicant must submit to the Department the following information in correct form for the unit to fulfill the requirements of Chapter 25A:

- (1) A copy of the executed sales contract or agreement;
- (2) The purchaser's original Certificate of Eligibility;
- (3) The executed Purchaser's Agreement form; and
- (4) The executed acknowledgement of receipt of MPDU Covenants and Chapter 25A.

In addition, within 30 days after the date of settlement, the Applicant must submit to the Department the final settlement sheet and a copy of the recorded two-party deed. The deed transferring title must reference on the first page of the deed the recorded MPDU Covenants by the date the Covenants were recorded and the book and page recording references.

(b) Rental Documentation. Within 30 days of the date of the fully executed lease for an MPDU rental unit, the Applicant must submit the executed MPDU Renter's Agreement form to the Department for the unit to meet the requirements of Chapter 25A.

## 25A.00.02.07 Procedures for Purchase and Rental of MPDUs by the Commission [And Designated Housing Providers] and Approved Government Agencies and Designated Agencies

### 7.1 Qualification and Designation of Housing Providers by the County Executive.

(a) [From time to time, the] The Director may recommend to the County Executive that certain [housing development agencies and] nonprofit [corporations] business entities be approved to purchase or lease MPDUs. To be eligible for such a designation, the [housing provider] nonprofit business entity must demonstrate its financial





# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

ability to acquire, operate, maintain and manage [an MPDU] MPDUs satisfactorily on a long term basis. The County Executive may consider the relative needs and requirements of the [housing providers] nonprofit business entities and their clientele, readiness and ability of the [housing provider] nonprofit business entity to purchase or lease and manage [an MPDU] MPDUs, and the number of units previously obtained by the [designated housing provider] nonprofit business entity. The County Executive shall designate the [housing providers] nonprofit business entities approved to purchase MPDUs by Executive Order ("Designated Agencies").

(b) [Designated housing providers must submit a report on a bi-annual basis to the Department, or its designee, that provides the following information: number of units currently in the housing provider's program and the monthly rental rate for each unit, information concerning the tenant's gross household income, household composition, and names of employers, unit operating expenses and revenues received by the housing provider. The Director must evaluate the designated housing provider and make a recommendation to the County Executive to extend or terminate the housing provider's right to purchase MPDUs.] The Department may require Approved Government Agencies and Designated Agencies to submit reports from time to time that provide information concerning the MPDUs in the agency's program. The Director may recommend that the County Executive suspend or terminate a Government Agency's or a Designated Agency's right to purchase or lease MPDUs at any time for good cause.

## 7.2 Notifying the Commission.

(a) [The Department must notify the Commission within 5 days of approving the Offering Agreement of the availability of MPDUs and must provide the Commission with detailed information about the development and the MPDUs. The Commission has the responsibility of notifying the designated housing providers of the offering and forwarding descriptive information about the MPDUs and the development. The Commission has 21 calendar days from the date of the Department's notification to make a preliminary decision and to identify to the applicant and the Department any units it or the other designated housing provider want to reserve for possible acquisition. This time period may be extended at the Department's discretion if the Commission requires more time in which to make its decision. The Commission and the designated housing providers have the remainder of a 45 day period, which began on the date of the initial notice from the Department, to notify the applicant and the Department of its final decision on the acquisition of the units that were reserved.] The notice required under Section 25A-8(a)(5) of the Code from the Department to the Commission, Government Agencies and Designated Agencies of the availability of MPDUs for purchase or rental shall be provided within 5 days of the Offering Agreement being fully executed, and the notice shall include a copy of the executed Offering Agreement. The time period provided under Section 25A-8(a) to the Commission, Government Agencies and Designated Agencies to purchase or lease MPDUs may be extended at the discretion and approval of both the Applicant and the Department.

(b) [During the 45 day period following an offering, all decisions on unit selections, readiness and priority of the designated housing providers, resolution of disputes among the designated housing providers, and communications with the applicant shall be the responsibility of the Commission. After the expiration of this time period, any subsequent contract negotiations on units to be purchased by designated housing providers must be handled directly between the designated housing provider and the applicant.] Priority for purchasing or leasing MPDUs is determined by Section 25A-8(a)(7) of the Code. The Commission, Government Agencies and Designated Agencies shall submit their options to purchase or lease directly to the Applicant, with a copy to the Department, and the Applicant, with the



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

assistance of the Commission, shall ensure that the MPDUs are purchased or leased using the priorities under Section 25A-8(a)(7).

(c) [After receipt of the final notice on the units that will be acquired by the Commission or other designated housing providers, the applicant must deliver sales contracts or lease agreements at least 90 days before the estimated delivery of the units. The Commission and the designated housing providers must execute the contracts for the MPDUs directly with the applicant. The contracts or lease agreements must be returned to the applicant within 30 days of receipt but no later than 60 days before the estimated date of delivery of the unit.] After the priorities for purchasing or leasing MPDUs have been determined, the Applicant must deliver sales contracts or lease agreements to the Commission, Government Agencies and Designated Agencies, as applicable, at least 60 days prior to the estimated delivery of the MPDUs. The contracts or lease agreements must be returned to the Applicant within 30 days of receipt, but no later than 30 days before the estimated date of delivery of the MPDU. The Applicant must provide the Department with the documents required in Section 25A.00.02.06.5 or such other documents as the Department may require.

(d) The Commission may assign its option to participants in its Family Self Sufficiency program, and Government Agencies and Designated Agencies may assign their option to their client households. Households that are assigned the option to purchase or lease an MPDU must meet all eligibility requirements of the Program and must have sufficient income and credit history to independently purchase or lease an MPDU.

7.3 Purchase and Rental Requirements. [The Commission and the designated housing providers may not collectively purchase or lease more than 40 percent of the units being offered; of this percentage, the Commission may not purchase or lease more than 33.3 percent of the units being offered. In addition, the Commission and designated housing providers may not purchase or lease more than 40 percent of each type of unit which is being offered unless the applicant and the Department agree to other ratios. The term "type of unit" refers to substantial differences such as end and interior units, the number of bedrooms in a particular unit, and the presence of architectural compatibility materials, such as brick. The Commission may purchase resale MPDUs in a particular development only if it did not previously purchase its full allotment of units at the initial offering. In no case, may the Commission own more than 33.3 percent of the MPDUs in a particular development.]

(a) The selection by, and limitation of, the Commission, Government Agencies and Designated Agencies of "unit type" as provided under Section 25A-8(a)(6), refers to substantial differences in available MPDUs, such as end units and interior units, the number of bedrooms in each unit, and the use of architectural compatibility materials, such as brick exteriors.

(b) The Commission may purchase resale MPDUs in a particular development only if it did not previously exercise its option for its full allotment of MPDUs after receiving the notice from the Department of the availability of for sale MPDUs at the initial offering or offerings under Section 25A-8(a)(5). The Commission must not own more than 33.3 percent of the MPDUs in a particular development at any one time.

(c) The Commission, Government Agencies and Designated Agencies may not own more than five (5) percent of the MPDUs in any condominium association.

(d) The Commission, Government Agencies and Designated Agencies must not record additional



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

covenants on MPDUs, and must not lease their MPDUs to non-income-eligible households.

(e) When an MPDU purchased by the Commission, a Government Agency or a Designated Agency is offered to the Department for sale, as provided in Section 25A-8(a)(8), the Commission, Government Agency or Designated Agency must provide the Department with 60 days' advanced notice of its intention to sell the MPDU. The Department must inform the Commission, Government Agency or Designated Agency whether the Department will (i) purchase the MPDU, (ii) assign its right to purchase the MPDU to a Designated Agency or Eligible Certificate Holder, or (iii) decline the right to purchase the MPDU. If the Department declines the right to purchase the MPDU, the MPDU must be sold by the Commission, Government Agency or Designated Agency to an Eligible Certificate Holder or a Designated Agency.

## 25A.00.02.08 Resale of MPDUs During the Control Period

### 8.1 Requesting a Resale Price Determination.

(a) For purpose of resale. An [owner] MPDU Owner who wishes to sell an MPDU during the [applicable control period] Control Period must [notify the Department in writing of their intent to sell, and] request a resale price determination from the Department in writing.

(b) For purposes of refinancing, second mortgages and home equity lines of credit (HELOC). During the [applicable control period, the owner of] Control Period, an MPDU Owner may not refinance their MPDU for more than the approved resale price, as determined by the Department, or take out a second mortgage or a HELOC that, when combined with their first mortgage, will exceed the approved resale price, as determined by the Department. MPDU Owners wishing to refinance or take out a second mortgage or a HELOC must request a resale price determination, in writing, from the Department. Such a refinancing [must in no way], second mortgage or HELOC shall not relieve the [owner] MPDU Owner of the responsibility to pay to the Housing Initiative Fund one-half of the excess proceeds at the first resale after the expiration of the Control Period, as defined in Section 25A.00.02.09.2(a).

(c) Reverse mortgages on MPDUs are prohibited.

8.2 Establishing the Maximum Resale Price. The Department must calculate the maximum resale price for the MPDU according to the following factors:

(a) [The base must be the original price paid for the MPDU, plus an allowance equal to the rate of increase in the consumer price index between the month and year of initial sale and the current month and year. Fees or points paid for permanent mortgage financing that were added to the original purchase price may be deducted from the base price used to calculate the resale price unless the terms of the resale include an assumption of the mortgage.] The base is the MPDU Owner's Purchase Price, plus an allowance equal to the rate of increase in the Consumer Price Index between the month and year of the MPDU Owner's purchase of the MPDU and the current month and year. The Department may reduce the allowance of the increase in the Consumer Price Index for MPDU Owners who have owned their MPDU for less than three (3) years.



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

(b) To this base, the Department [must] will add [the current fair market value of] an allowance for capital improvements, as determined by the Department, made to [a unit] an MPDU after the date of purchase by the MPDU Owner. This allowance must not exceed ten (10) percent of the MPDU Owner's Purchase Price. Improvements must be permanent in nature and clearly add to the market value of the [house or property] MPDU. Normal owner maintenance, general repair work, luxury items, and decorative items or work must not be included in the resale price determination. The Department will maintain a list of eligible capital improvements.

(1) The [owner] MPDU Owner must provide an itemized list of all capital improvements [and upgrades] for which credit is requested as part of the resale price. All improvements claimed must be documented with paid receipts, contracts or other evidence supporting their value. The Department may establish standard [fair market values] allowances for certain capital improvements, and [this value] these values may be used by the Department rather than [cost data records of] receipts for the capital improvements submitted by the [owner] MPDU Owner.

(2) Where there is evidence of physical deterioration, abnormal wear and tear, or obsolescence because of neglect, abuse, or insufficient maintenance, the value allowed for the capital improvements may be reduced to account for the depreciation of the capital improvements [or equipment]. If the MPDU is in sub-par condition, no allowance for capital improvements will be granted.

[(c) Appliances shall be depreciated on a 10 year straight-line basis from the initial purchase price.]

[(d)](c) [The owner] Upon the Department's request, the MPDU Owner must permit a Department representative [of the Department] to inspect the MPDU [upon request] to verify the existence and value of any capital improvements that are being claimed by the [owner] MPDU Owner.

[(e) The Department may approve a closing cost credit to be added to the base price on behalf of the purchaser. This credit of 3.5 percent of the maximum resale price may be used by the purchaser to pay for eligible closing costs. The seller must permit the purchaser to choose to purchase the MPDU at the base price, or at the base price plus the closing cost credit.

(f) No allowance is included in the resale price for the payment of real estate brokerage fees associated with the sale of the unit. A brokerage fee may be added to the resale price only if the unit is not sold during the priority marketing period. The unit must have been actively marketed and included on the Department's resale information list and the resale telephone information line. Failure by the seller to accept a bona-fide offer may be justification for the Department's extending the priority marketing period.]

(d) The actual brokerage fee paid by the MPDU Owner not to exceed six (6) percent, or as determined by Executive Order, may be added to the MPDU resale price if the MPDU Owner uses a licensed realtor under an arms-length contract to sell the MPDU.

(e) Resale MPDUs not purchased by the Department, its designee, or the Commission must be actively marketed to Eligible Certificate Holders on the Department's website. Failure by the MPDU Owner to accept a bona-fide offer may be justification for the Department's extending the Priority Marketing Period.



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

[(g) If Veterans Administration (VA) financing is used to finance the purchase of a resale MPDU, the loan discount financing points shall be added to the established maximum resale price. These points must not be included in any future resale price determination unless the purchaser utilizes VA financing or assumes the existing VA mortgage.]

## 8.3 Resale Procedures.

(a) The Department[, its designee,] or the Commission has the right to purchase any resale MPDU[. The owner must offer the MPDU for resale only to the Department, or to eligible certificate holders,] during the first 60 days following the [owner's] MPDU Owner's notification to the Department. The County may assign its right to purchase the [unit] MPDU to a [designated housing provider] Designated Agency or to an [eligible certificate holder] Eligible Certificate Holder.

(b) The Department must notify the [owner] MPDU Owner of the approved resale price within 21 days of receiving a request for a resale price determination containing all of the [required] information [of] required by the Department to determine the approved resale price.

(c) The Department must notify the [owner] MPDU Owner within the 60-day period whether or not the Department intends to purchase the [unit] MPDU, and of any other conditions of the sale. If the MPDU is not purchased by the Department[, its designee,] or the Commission, the Department must notify the [owner of] MPDU Owner whether the [method that] MPDU must be [used to sell the unit] sold by Random Selection Drawing following the procedures in Section 25A.00.02.06.2 of this regulation, or by some other method.

(d) If the resale MPDU is purchased by the Department or [its designee,] or the Commission, [these agencies] the Department or the Commission may retain the MPDU or make it available to [eligible certificate holders] Eligible Certificate Holders through a [lottery] Random Selection Drawing or other means as may be approved by the Department.

[(e) If a lottery is used, the Department, its designee or the Commission must notify eligible certificate holders of the availability of the MPDU and the date of the lottery. A lottery form must be made available before or on the day of, and at the location, of the lottery. Interested certificate holders must complete the form, and present it for the drawing. Also at the time of the lottery, the eligible certificate holder must present to the Department or its representative:

(1) their Certificate of Eligibility, which indicates the number of points that the certificate holder has been awarded;

(2) a pre-approval letter for mortgage financing from a lender, which indicates the maximum loan amount for which the certification holder is eligible;

(3) a certificate indicating the eligible certificate holder has attended a homebuyer seminar.

(f) One person households may only be permitted to participate in lottery drawings for one and two



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

bedroom units; two person households may be eligible to participate in lottery drawings for dwelling units containing up to three bedrooms. One person households may not be permitted to purchase any MPDUs with three or more bedrooms or conventional townhouses with two bedrooms unless no lottery participants are present who meet the applicable eligibility criteria. The Director may waive this limitation for good cause.

(g) The lottery drawing shall commence by drawing first from among those eligible certificate holders present who have been assigned the highest number of points. The first eligible certificate holder drawn must be given the exclusive right to enter into a contract for the purchase of the MPDU.]

[(h)](e) When the MPDU is sold [to an eligible certificate holder], the required documents listed in Section 25A.00.02.06.5(a) of this regulation must be executed and sent to the Department.

[(i)](f) The MPDU may be offered to [the general public] non-income-eligible households at the approved maximum resale price only after the 60-day [marketing period] Priority Marketing Period to the Department, [its designee,] the Commission, and all [eligible certificate holders] Eligible Certificate Holders has expired, unless the Director reduces the Priority Marketing Period for good cause. The [owner] MPDU Owner must not offer [MPDUs] the MPDU to [the general public] non-eligible households unless the [priority marketing period] Priority Marketing Period has ended, the [lottery] Random Selection Drawing list of all [eligible certificate holders] Eligible Certificate Holders has been exhausted, and a written notice has been obtained from the Department authorizing a sale to [the general public] non-eligible households. The [priority marketing period] Priority Marketing Period is automatically extended [unless] until the Department determines that no additional [eligible persons] Eligible Households are available to purchase the [MPDUs] MPDU.

(g) During the Control Period, if the Department determines that the design of the MPDU offered for resale would no longer comply with requirements for construction of a new MPDU, or that the allowable resale price and fees associated with a multi-family condominium offered for resale would result in a monthly payment that is estimated to be at least 20 percent more than would be affordable to the maximum size MPDU household, the Director may permit the MPDU Owner to sell the MPDU in accordance with the resale provisions of Section 25A-9(d) of the MPH Law and Section 25A.00.02.09 of this regulation. The Department will determine the affordability of the MPDU to Eligible Certificate Holders as provided in Section 25A.00.02.05.3 of this regulation.

## 25A.00.02.09 Resale of MPDUs After the Control Period

9.1 [Seller's] MPDU Owner's Notification [of] to the Department. For the first sale of an MPDU after the expiration of the [applicable control period] Control Period, the [owner] MPDU Owner must provide the following information to the Department at least 30 days prior to settlement:

(a) A copy of the signed sales contract which clearly states the agreed upon [sales price] Purchase Price;

(b) A copy of the real estate broker's listing agreement;



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

(c) An itemized list of capital improvements made by the current MPDU Owner including actual or estimated value of the improvements with documentation of the value in a form acceptable to the Department; and

(d) The name and contact information for the settlement agent[, once it has been determined].

[9.2 Commission's Right to Purchase MPDUs. The Department must immediately notify the Commission of the offer, and the Commission must have the right to match the purchase offer. The Commission must notify the Department and the owner within 14 days of the Department's receipt of notification of the offer, whether or not it intends to purchase the unit. If the Commission decides to exercise its right to purchase the MPDU, it must tender a purchase contract to the owner within 21 days from the date it notifies the Department and owner of its decision. The offer must contain substantially the same terms and conditions, and a deposit must be made, payable to an escrow agent. If within 14 days of the Department's receipt of the offering notice, the owner does not receive written notice from the Commission that it intends to purchase the unit, or if after receiving such notice, the owner does not receive from the Commission a purchase contract at the price and terms substantially comparable to the offer within 21 days, the owner shall be free to execute the prior contract at the price and terms originally offered.]

9.[3]2 Payment of Excess Proceeds to the Housing Initiative Fund. For the first [sale] resale of an MPDU which was originally offered for sale or rent after March 20, 1989, and for which the [applicable control period] Control Period has expired, the [seller] MPDU Owner must pay to the Housing Initiative Fund one-half of the excess proceeds.

(a) Excess proceeds are defined as the amount by which a bona fide resale price exceeds the sum of the following:

(1) [The original sale price, or a subsequently approved resale price made during the control period, or the price that a rental unit would have been permitted to be sold for if it had been a sale unit at the time of the original rental] The MPDU Owner's Purchase Price;

(2) An allowance for the increase in the cost of living as determined by [consumer price index (CPI-U) for the Washington, D.C. PMSA] the Consumer Price Index from the date of the [initial sale or the latest resale or rental] MPDU Owner's purchase of the MPDU to the date of settlement;

(3) [The value of] An allowance for capital improvements, as determined by the Department, made to [a unit] an MPDU subsequent to the [most recent] date of the MPDU Owner's purchase of the MPDU, as determined by the Department.]; and

(4) [The amount of the real estate sales commission at the average prevailing commission rates; however, the commission must not exceed 6 percent of the sales price.] The actual brokerage fee at the average prevailing commission rates if a licensed realtor under an arms-length contract to sell the MPDU is used; however, the commission must not exceed six (6) percent of the sales price.

[(5) An allowance for applicable transfer taxes and recordation charges.]

(b) The Department must notify the [owner] MPDU Owner of the calculation of the excess [profit



# MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

and] proceeds, which is the amount that must be paid to the Housing Initiative Fund within 21 days of receiving [the] complete information from the [owner] MPDU Owner.

(c) The required portion of the excess proceeds [of the sale must be paid to the Housing Initiative Fund and] must be collected at the time of settlement. The [seller] MPDU Owner is responsible for ensuring that the payment is [disbursed] made to the Housing Initiative Fund in accordance with this regulation. A copy of the final settlement sheet for the transfer of ownership must be sent to the Department within 14 days of the date of settlement on the [property] transfer of the MPDU. The Department must release the MPDU [covenants] Covenants and liens recorded in the land records after the County has received the required payment to the Housing Initiative Fund and the settlement documents.

(d) Failure of the [owner] MPDU Owner to notify the Department of a sale, obtain a determination of excess proceeds, and pay the required portions of the excess proceeds to the Housing Initiative Fund constitutes a default under the [covenants, these regulations] MPDU Covenants, this regulation, and Chapter 25A.

9.[4]3 Divorce. If one MPDU owner buys out the other owner's interest in the [unit] MPDU as part of a divorce settlement, without selling the [unit] MPDU on the open market, then [this] such a transfer does not constitute the first sale of the [unit] MPDU, and does not relieve the remaining MPDU owner of the [shared profit] obligation to pay the required portion of the excess proceeds to the Housing Initiative Fund.

## 25A.00.02.10 Sale of MPDU by Foreclosure

A mortgagee or other secured party who has initiated foreclosure proceedings on a debt secured by a mortgage or deed of trust on an MPDU must notify the Department in writing [not later than 21] at least 30 days prior to the date of the foreclosure sale. If the MPDU is a rental unit, the resale price must be calculated as provided in Section 25A.00.02.05.3 of this regulation.

## 25A.00.02.11 Enforcement

The Department and DPS are responsible for enforcing the provisions of Chapter 25A. Complying with Chapter 25A and an approved MPDU Agreement to Build is the responsibility of the [applicant] Applicant; revisions or amendments [should] must be requested as soon as the [applicant] Applicant recognizes that meeting the terms of an approved MPDU Agreement to Build may not be feasible. The Director of DPS is authorized by law to deny, suspend, or revoke[,] any building or occupancy permit for a violation of Chapter 25A. Such action must be taken by DPS upon receiving a written request from the Department or the agency finding non-compliance to exist. After issuance of building permits for a subdivision has been halted or existing building or occupancy permits suspended or revoked, issuance of permits by DPS may not be resumed until both the Department and DPS are satisfied that the [applicant] Applicant is in compliance with the terms of Chapter 25A and the construction schedule included in the approved [MPDU Construction] Agreement to Build [and Chapter 25A]. An occupancy permit must not be issued for any unit in a subdivision when the subdivision does not comply with Chapter 25A or this Executive Regulation.





# MONTGOMERY COUNTY EXECUTIVE REGULATION


Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

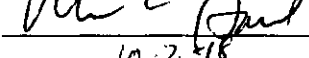
<b>Subject</b> Moderately Priced Dwelling Unit Program	<b>Number</b> 11-18
<b>Originating Department</b> Department of Housing and Community Affairs	<b>Effective Date</b>

## 25A.00.02.12 Waiver Provision

The Director may waive in writing any requirement of this regulation for good cause upon consideration of a request submitted by an affected party.

Approved as to Form and Legality  
Office of the County Attorney

  
Isiah Leggett  
County Executive

By:   
Date: 10-2-18

Date: Oct 9, 2018

## **List of Clarifications to Register Version of Executive Regulation 11-18**

Section 25A.00.02.04.4: No Alternative Compliance if All Impact Fees are Waived. If an Applicant receives a waiver of all impact fees for a development in accordance with Section 52-41(g)(5) and Section 52-54(c)(5) of the Code, the Department must not approve a Land Transfer, an Alternative Payment or an Alternative Location for the development. The MPDUs must be provided on-site, and any for-sale MPDUs must be priced as provided in Section 25A.00.02.05.3 if the price calculated by that method is lower than the price calculated as provided in Section 25A.00.02.05.1.

Section 25A.00.02.05.1(a): The Department must, by [Executive Order] Method 3 regulation, annually set and disseminate a schedule of the pricing standards and minimum specifications to be used to determine the maximum allowable sales prices of MPDUs.

Section 25A.00.02.05.2(h): The Director may adjust the rental rates for rental [apartment] apartments in age-restricted developments that provide services, amenities, or design features to all tenants which cannot be made optional to the MPDU tenant households on a fee basis.

Section 25A.00.02.06.3(a): The Department will provide a notice on the Department's website of the availability of rental MPDUs to Eligible Households. MPDUs offered for rent by the Applicant may be leased without utilizing the Random Selection Drawing process unless otherwise required by the Director. The Applicant must comply with all applicable local, state, and federal fair housing laws and must rent the available MPDUs only to Eligible Households during the Priority Marketing Period. If a Random Selection Drawing process is used to rent the MPDUs, the same point system described in Section 25A.00.02.06.2(a) of this regulation may be used for ranking Eligible Households. The Department must notify the Applicant of the date on which the first lease for the property may be written. The 90-day Priority Marketing Period must begin on that date, and is automatically extended until the Department determines that no additional Eligible Households are available to rent the MPDUs. If construction or occupancy of the MPDUs is phased over a period of time, each phase must have its own Priority Marketing Period, and the Priority Marketing Period begins when the MPDUs in each phase are available for rent.

Section 25A.00.02.06.3(l): If the Applicant has an MPDU available to be re-rented, the Applicant must offer the MPDU to Eligible Households for a period of sixty (60) days before renting the MPDU to a non-eligible household at the MPDU rental rate. The sixty (60) day period must commence when the Department receives written notice from the Applicant of the MPDU's availability to be leased, and the Applicant must receive written approval from the Department before leasing the MPDU to a non-eligible household.

Section 25A.00.02.12: The Director may waive in writing any requirement of this regulation for good cause upon consideration of a request submitted by an affected party.

Approved Developments Between 11 and 19 Units				
Year	Count of Approved Applications	Total Approved Single-Family Dwelling Units	Total Approved Multi-Family Dwelling Units	Total Approved Dwelling Units
1980	13	193	0	193
1981	11	164	0	164
1982	8	108	0	108
1983	15	238	0	238
1984	14	201	0	201
1985	10	144	0	144
1986	14	209	0	209
1987	18	254	0	254
1988	17	241	2	243
1989	22	319	0	319
1990	16	247	0	247
1991	9	151	0	151
1992	9	123	0	123
1993	8	109	0	109
1994	9	123	0	123
1995	8	113	0	113
1996	9	122	0	122
1997	7	103	0	103
1998	9	128	0	128
1999	3	52	0	52
2000	10	129	24	153
2001	8	120	0	120
2002	7	94	0	94
2003	3	37	0	37
2004	11	124	12	136
2005	3	40	0	40
2006	4	47	0	47
2007	6	92	0	92
2008	4	28	24	52
2009	8	112	0	112
2010	2	35	0	35
2011	0	0	0	0
2012	3	41	0	41
2013	2	26	0	26
2014	2	28	0	28
2015	0	0	0	0
2016	4	70	0	70
2017	0	0	0	0
Total (1980 - 2017)	306	4365	62	4427
1980 - 2017 Average	8	115	2	117
10-Year Average (2008 - 2017)	3	34	2	36
10-Year Total (2008 - 2017)	25	340	24	364
6-Year Average (2012 - 2017)	2	28	0	28
6-Year Total (2012-2017)	11	165	0	165

Source: Montgomery County Planning Department; Hansen

Contains only constructed, pipeline, or post decision preliminary plan approved units

Note: chart only includes developments approved by the Planning Board

**Fiscal Impact Statement  
Executive Regulation 11-18  
Requirements and Procedures for the Moderately Priced Dwelling Unit Program**

**1. Executive Regulation Summary**

Executive Regulation 11-18 repeals and replaces the provisions of Executive Regulation 13-05AM which established the requirements and procedures for the Moderately Priced Dwelling Unit (MPDU) Program. This Regulation implements amendments to the Moderately Priced Housing Law (Chapter 25A) made by Bills 34-17 and 38-17, and generally updates the previous Regulation.

**2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

The Fiscal Impact Statements (FIS) provided for Bills 34-17 and 38-17 included annual expenditure estimates of \$345,090 and \$52,680, respectively. It is estimated that Bill 34-17 may require up to 3.5 new FTEs to administer and implement the amended MPDU requirements, and Bill 38-17 may require a part-time position to conduct additional review and analysis as a development moves through the process. DHCA will implement two Bills with existing resources, and staff needs will be monitored and re-evaluated. Neither FIS included a revenue estimate due to insufficient information to estimate potential revenues generated for developments of between 11 and 19 units, as well as difficult prediction of fluctuations in real estate trends to determine the applicable alternative payments.

ER 11-18 implements the amendments made to Chapter 25A by these two bills. No additional expenditures are expected as a result of this Regulation, but revenue can now be estimated for developments of between 11 and 19 units based on the final language of the bills and additional information provided in the ER 11-18:

**Section 25A.00.02.03.1 (implements Section 25A-5(b) of the Moderately Priced Housing Law): Requirement for Payment to the Housing Initiative Fund.**

- **Result:** Requires developments with between 11 and 19 units to make a payment to the Housing Initiative Fund (HIF).
- **Revenue:** The Executive Regulation defines the amount of the payment as one-half (0.5) percent of the Purchase Price of each dwelling unit in a development with between 11 and 19 units. The Purchase Price is defined by the Regulation as "consideration as defined in Section 52-29(a) of the Code." Based on the number of approved dwelling units between 1980 and 2017 for development of this size (see Attachment 1), DHCA estimates that approximately 30 new dwelling units per year will be approved by Montgomery County Planning Department (Montgomery Planning) over the next six (6) years. Assuming an average price of approximately \$740,000 per dwelling unit (based on the average price for newly-constructed homes in Montgomery County in 2017, also provided by Montgomery Planning), DHCA estimates a change in revenue for approximately \$111,000 per year ( $\$740,000 * 0.5\% * 30 = \$111,000$ ).

**3. Revenue and expenditure estimates covering at least the next 6 fiscal years.**

ER 11-18 does not change the estimated expenditures provided for Bills 34-17 and 38-17, totaling \$2,386,620 for the next six fiscal years. The total revenues are estimated at approximately \$666,000.

	Year 1	Year2	Year 3	Year4	Year 5	Year6	Total
Expenditure	397,770	397,770	397,770	397,770	397,770	397,770	2,386,620
Revenue	111,000	111,000	111,000	111,000	111,000	111,000	666,000

*Note: The annual expenditure is based on the estimate provided for Bill 34-17 (\$345,090) and Bill 38-17 (\$51,680). No compensation adjustments are assumed for the estimate.*

**4. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

Not Applicable.

**5. An actuarial analysis through the entire amortization period for each regulation that would affect retiree pension or group insurance costs.**

Not Applicable.

**6. Later actions that may affect future revenue and expenditures if the regulation authorizes future spending.**

Not Applicable. The Regulation does not authorize future spending.

**7. An estimate of the staff time needed to implement the regulation.**

The additional staff provided for in the FIS for Bills 34-17 and 38-17 (3.5 FTEs and 0.5 FTEs, respectively) are expected to be able to absorb the additional responsibilities that will result from implementation of this Regulation.

**8. An explanation of how the addition of new staff responsibilities would affect other duties.**

Implementation of Section 25A.00.02.03.1 is expected to involve minimal staff time, as the proposed payment would be collected at settlement along with other County fees.

**9. An estimate of costs when an additional appropriation is needed.**

Not applicable.

**10. A description of any variable that could affect revenue and cost estimates.**

The revenue from implementation of Section 25A.00.02.03.1 is estimated from six (6) previous years of historical data. Actual revenue will depend on the number of developments with 11 to 19 dwelling units are constructed and completed, which

dependent on several variables, including general real estate market conditions and the overall economy.

**11. Ranges of revenue or expenditures that are uncertain or difficult to project.**

See #10. Actual revenue will depend on the number of developments with 11 to 19 dwelling units are constructed and completed, which dependent on general real estate market conditions and the overall economy.

**12. If a regulation is likely to have no fiscal impact, why that is the case.**

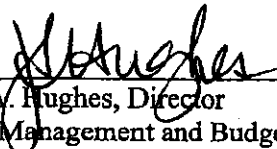
Not Applicable.

**13. Other fiscal impacts or comments.**

Not Applicable.

**14. The following contributed to and concurred with this analysis (enter name and dept.)**

Clarence Snuggs, Director, Department of Housing and Community Affairs  
Stephanie Killian, Department of Housing and Community Affairs  
Tim Goetzinger, Department of Housing and Community Affairs  
Lisa Schwartz, Department of Housing and Community Affairs  
Lisa Govoni, Montgomery County Planning Department  
Pofen Salem, Office of Management and Budget

  
\_\_\_\_\_  
Jennifer A. Hughes, Director  
Office of Management and Budget

9/12/18  
Date

**ATTACHMENT:**

1. Approved Developments Between 11 and 19 Units