

**MEMORANDUM**

January 25, 2023

**TO:** Planning, Housing, and Parks (PH) Committee

**FROM:** Pamela Dunn, Senior Legislative Analyst  
Naeem Mia, Legislative Analyst  
Eunice Jeong, Legislative Analyst

**SUBJECT:** Briefing on “The State of Affordable Rental Housing in Montgomery County”

**PURPOSE:** Updates and panel discussion on rental housing in the County

**Those expected for this worksession:**

*Introduction/Overview*

Tanya Stern, Acting Director, Montgomery County Planning Department  
Lisa Govoni, Housing Planner IV, Planning Department  
Natalia Carrizosa, Senior Legislative Analyst, Office of Legislative Oversight (OLO)  
Stephanie Bryant, Legislative Analyst, OLO  
Paul DesJardin, Director of Community Planning, Metropolitan Washington Council of Governments

*Non-profit Affordable Housing Providers*

Chelsea Andrews, Executive Director, Housing Opportunities Commission (HOC)  
Zachary Marks, Chief Real Estate Officer, HOC  
Paul Bernard, Chief Executive Officer, AHC Inc.  
Robert Goldman, President, Montgomery Housing Partnership

*Private Market Housing Developers*

Doug Firstenberg, Principal, Stonebridge Real Estate  
Evan Goldman, Executive Vice President of Development & Acquisitions, EYA  
Gabrielle Duvall, Executive Vice President & General Counsel, Southern Management Companies  
Dean Hunter, Chief Executive Officer, Small Multifamily Owners Association

*Organizations dealing with Rent Burden/Rent Relief*

Tram Hoang, Senior Associate, PolicyLink  
Matt Losak, Executive Director, Renters Alliance  
Amanda Harris, Chief, Services to End and Prevent Homelessness, DHHS

Mary Gentry, Chief, Division of Housing, DHCA  
Somer Cross, Manager, Affordable Housing, DHCA

At this session, the Committee will (1) receive rental housing data from Planning staff; (2) receive an update from OLO on their rental housing report, *Rental Housing in Montgomery County and Rent Regulations in the United States*; (3) receive an update from MWCOG and, (4) hear observations and experiences related to rental housing affordability from three panels: one comprised of non-profit affordable housing providers, one comprised of private market developers, and a third comprised of public and non-profit organizations engaged with renters.

### **General Background Information**

The Council enacted the COVID-19 Renter Relief Act of 2020 in order to help alleviate the economic disruptions of the pandemic, and in to minimize residents moving to new apartments during a public health emergency. The legislation prohibited notices of rent increases above the voluntary rent guidelines (VRG) until May 15, 2022 (which was 9 months after the gubernatorial declared COVID-19 “public health emergency” expired). For any notices provided to tenants on May 15, the actual increase would take effect August 15, 2022.

On July 12, 2022, Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases, sponsored by Council President Albornoz at the request of the County Executive, was introduced. As introduced Expedited Bill 22-22 would limit rent increases, and notifications of rent increases, by landlords in the County; and generally, amend the law regarding landlord-tenant relations and rental housing.

A public hearing was held on July 26, 2022. Approximately 34 individuals and organizations testified in support of or against the bill. On October 24, 2022, the Planning, Housing, and Economic Development Committee held a worksession on the bill. The staff report for the worksession, including the public hearing testimony, can be found at:

[https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2022/20221024/20221024\\_PHED1.pdf](https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2022/20221024/20221024_PHED1.pdf)

The Committee discussed a desire for more in-depth data regarding rent increases throughout the County. In particular, Committee members asked for more extensive data regarding rent increases over time in relation to household income, landlord size and income, zip code, and the types of properties affected (e.g., single-family or multi-family). OLO agreed to work with DHCA to collect and analyze this data and to report back to the committee.

### **Panel Discussion**

The report by OLO is not yet complete; however, in light of future policy discussions around the affordability of rental housing, today’s overview and panel discussion is designed to provide a foundation for such discussions. Panelists have been asked to provide quantitative, data-driven insights into the provision of affordable rental housing and to note recent successes, gaps, and challenges faced in this area as it relates to their organization and experience.

On page 4 is an outline of the panel discussion including the participant list for each panel and the PDF page number for any associated presentation, where applicable.

***The State of Rental Housing Affordability in Montgomery County  
Planning, Housing & Parks Committee Panel Discussion  
January 30, 2023 ~ 1:30 pm***

- I. **Rental Housing Overview: Research Data and Rental Study Update**
  - Tanya Stern, Acting Director, and Lisa Govoni, Housing Planner IV, Montgomery Planning (20 minutes) page 5
  - Natalia Carrizosa and Stephanie Bryant, Legislative Analysts, Montgomery County Office of Legislative Oversight (5 minutes) page 27
  - Paul DesJardin, Director, Department of Community Planning Services, Metropolitan Washington Council of Governments (15 minutes) page 31
  
- II. **The Economics of Affordable Housing: Perspectives from Nonprofit and Public Providers**
  - Chelsea Andrews, Executive Director, and Zachary Marks, Chief Real Estate Officer, HOC (5 minutes) page 51
  - Paul Bernard, CEO, AHC (5 minutes) (no slides)
  - Robert Goldman, President, Montgomery Housing Partnership (5 minutes) (no slides)
  - Q&A (10 minutes)
  
- III. **The Economics of Affordable Housing: Perspectives from For-Profit Providers**
  - Doug Firstenberg, Principal, Stonebridge Real Estate (5 minutes) page 73
  - Evan Goldman, Executive Vice President of Development & Acquisitions, EYA (5 minutes)
  - Gabrielle Duvall, Executive Vice President & General Counsel, Southern Management Companies (5 minutes) page 81
  - Dean Hunter, CEO, Small Multifamily & Rental Owners Association (5 minutes) (no slides)
  - Q&A (10 minutes)
  
- IV. **Rent Burden Impacts and Rent Relief Programs: Service Provider Perspectives and Program Updates**
  - Tram Hoang, Senior Associate, PolicyLink , on behalf of CASA (5 minutes) page 102
  - Matt Losak, Executive Director, Montgomery County Renters Alliance (5 minutes) (no slides)
  - Amanda Harris, Chief, Services to End and Prevent Homelessness, Montgomery County Department of Health and Human Services (5 minutes) (no slides)
  - Mary Gentry, Chief, Division of Housing, and Somer Cross, Manager, Affordable Housing, Montgomery County Department of Housing and Community Affairs (5 minutes) (no slides)
  - Q&A (10 minutes)



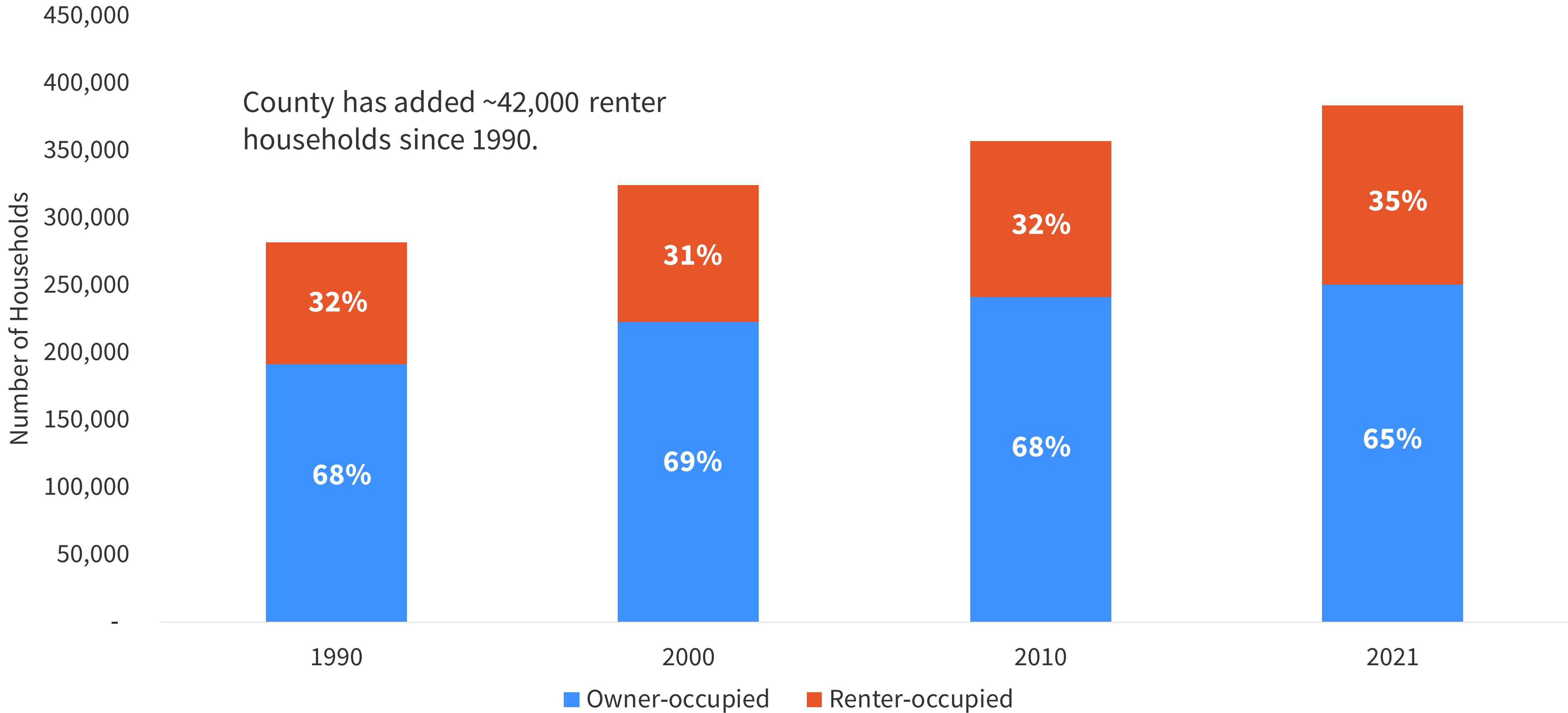


# Overview of Rental Housing in Montgomery County, MD



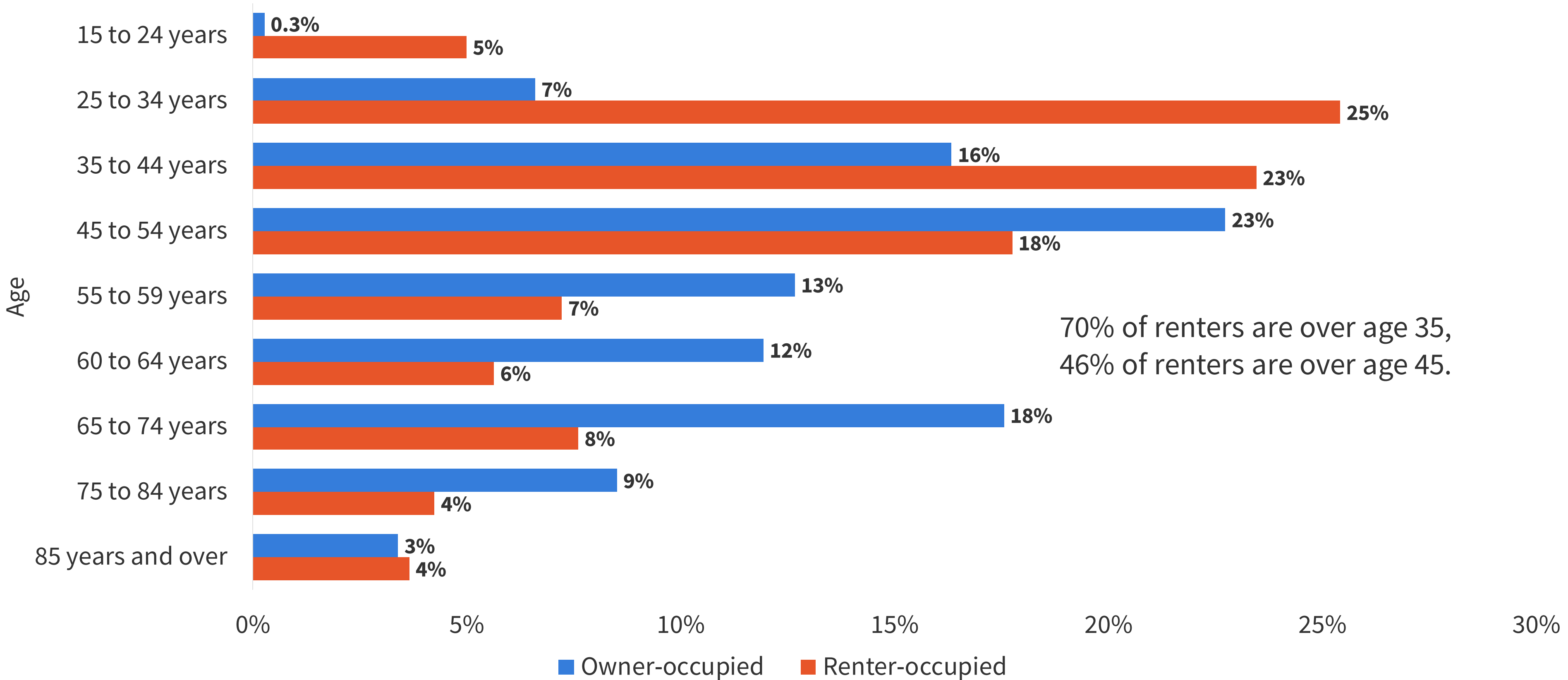
# Housing Tenure

County has added ~42,000 renter households since 1990.



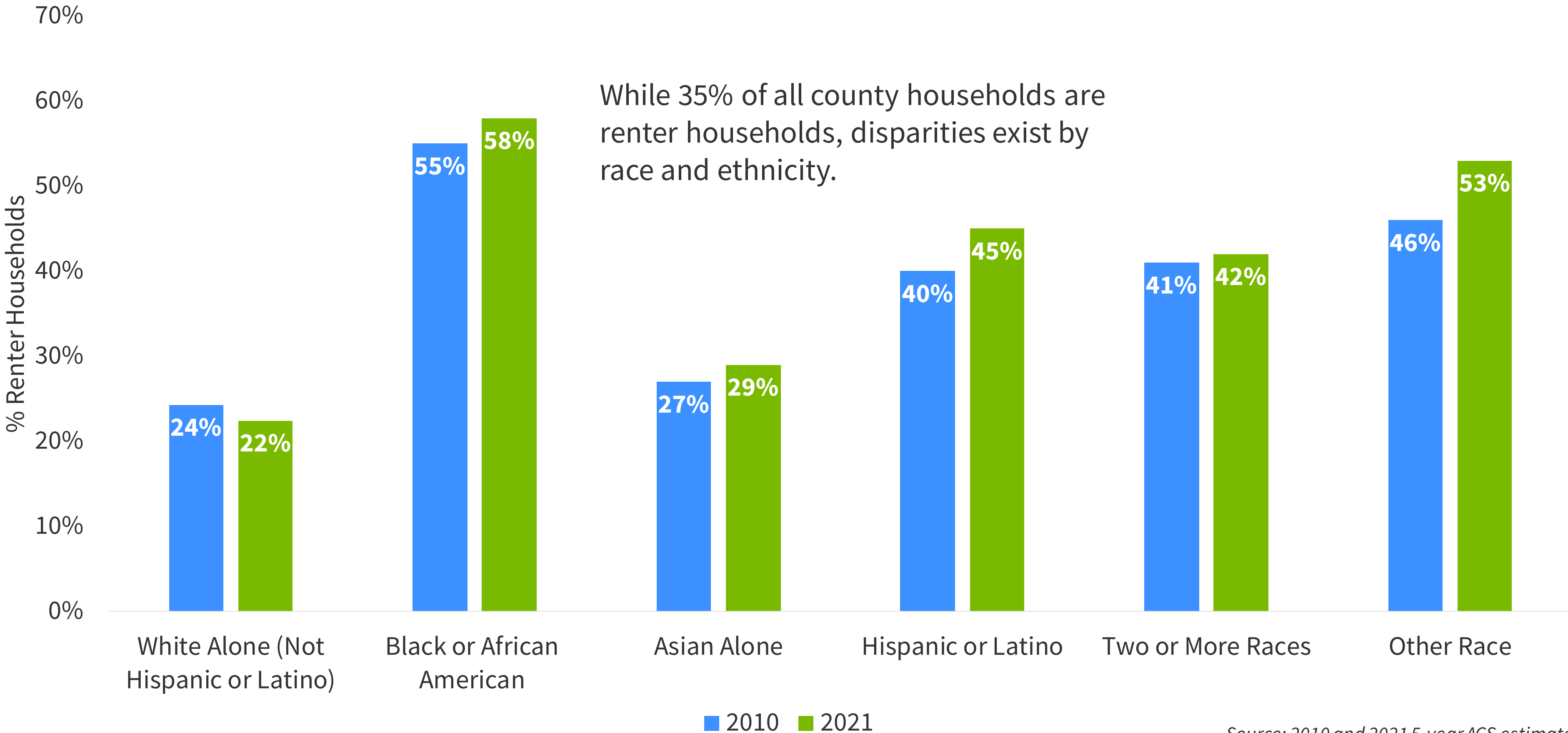
Source: 1990, 2000, 2010 Census, 2017–2021 5-year ACS estimates

# Tenure by Age



2017–2021 1-year ACS estimates

# Renter Households by Race or Ethnicity



Source: 2010 and 2021 5-year ACS estimates

# Tenure by Units In Structure



- 88% of owner households live in single-unit detached or attached structures.
- 72% of renter households live in multifamily structures with at least 5 units.

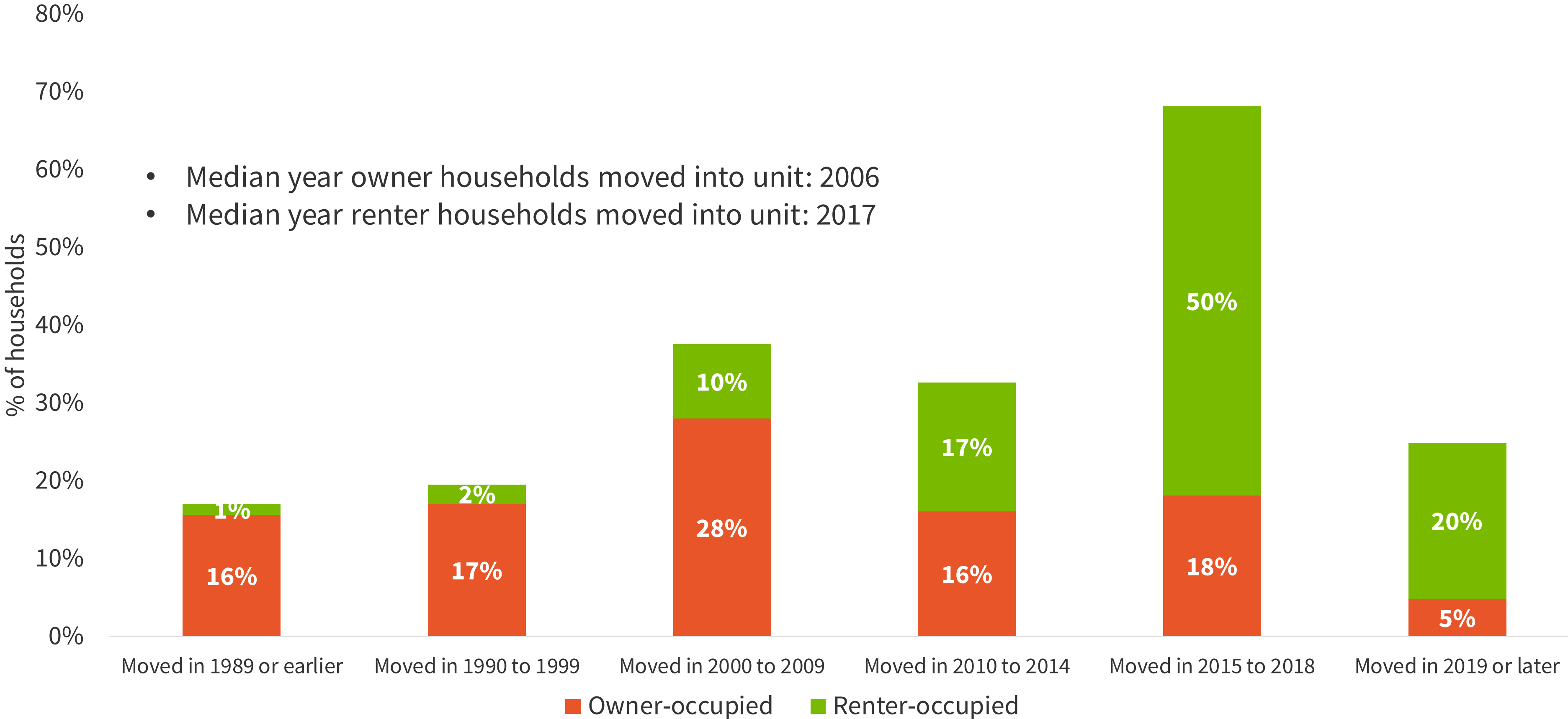


0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ 1, detached unit ■ 1, attached unit ■ 2 to 4 units ■ 5 to 19 units ■ 20 to 49 units ■ 50 or more units

2017-2021 5-year ACS estimates

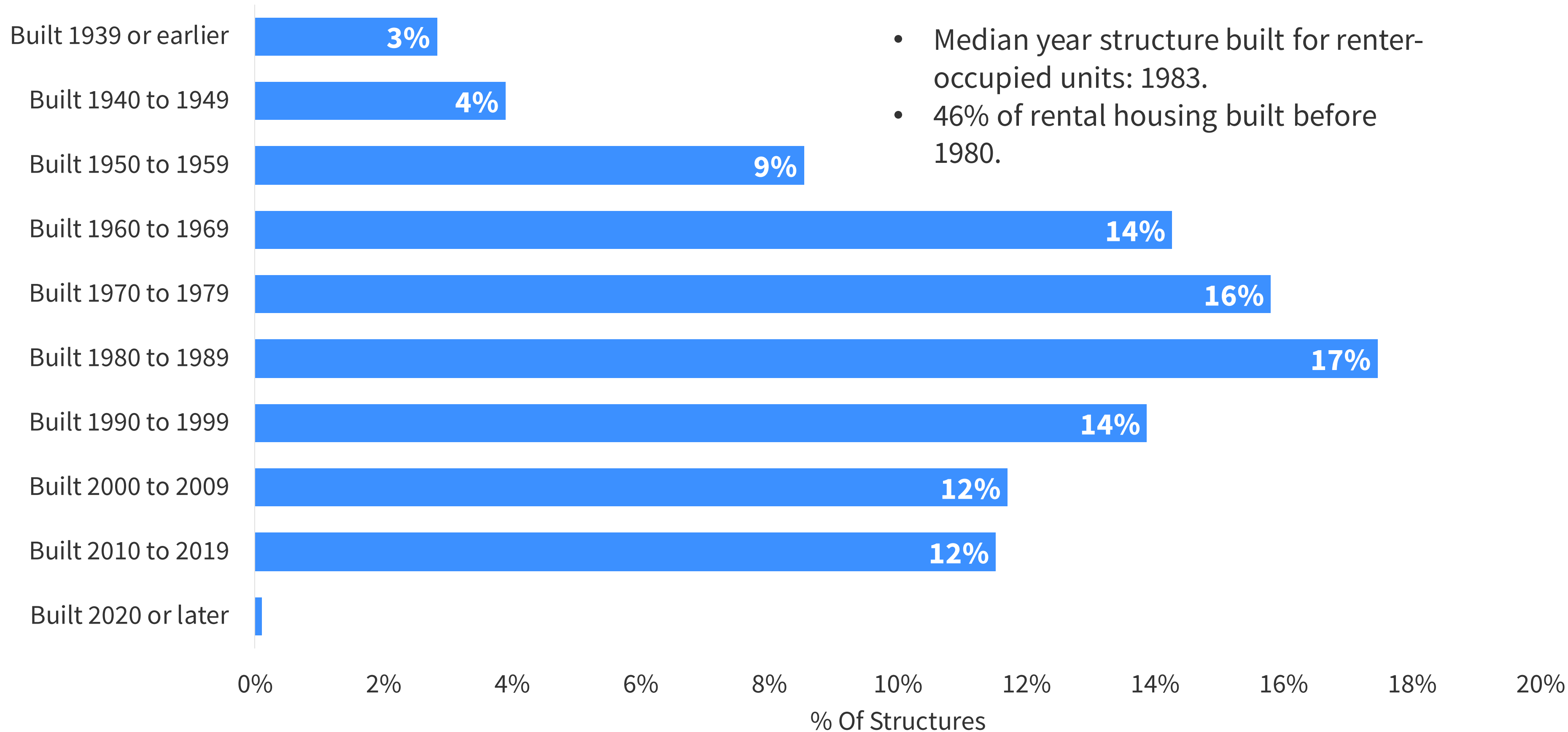
# Year Householder Moved Into Unit by Tenure



- Median year owner households moved into unit: 2006
- Median year renter households moved into unit: 2017

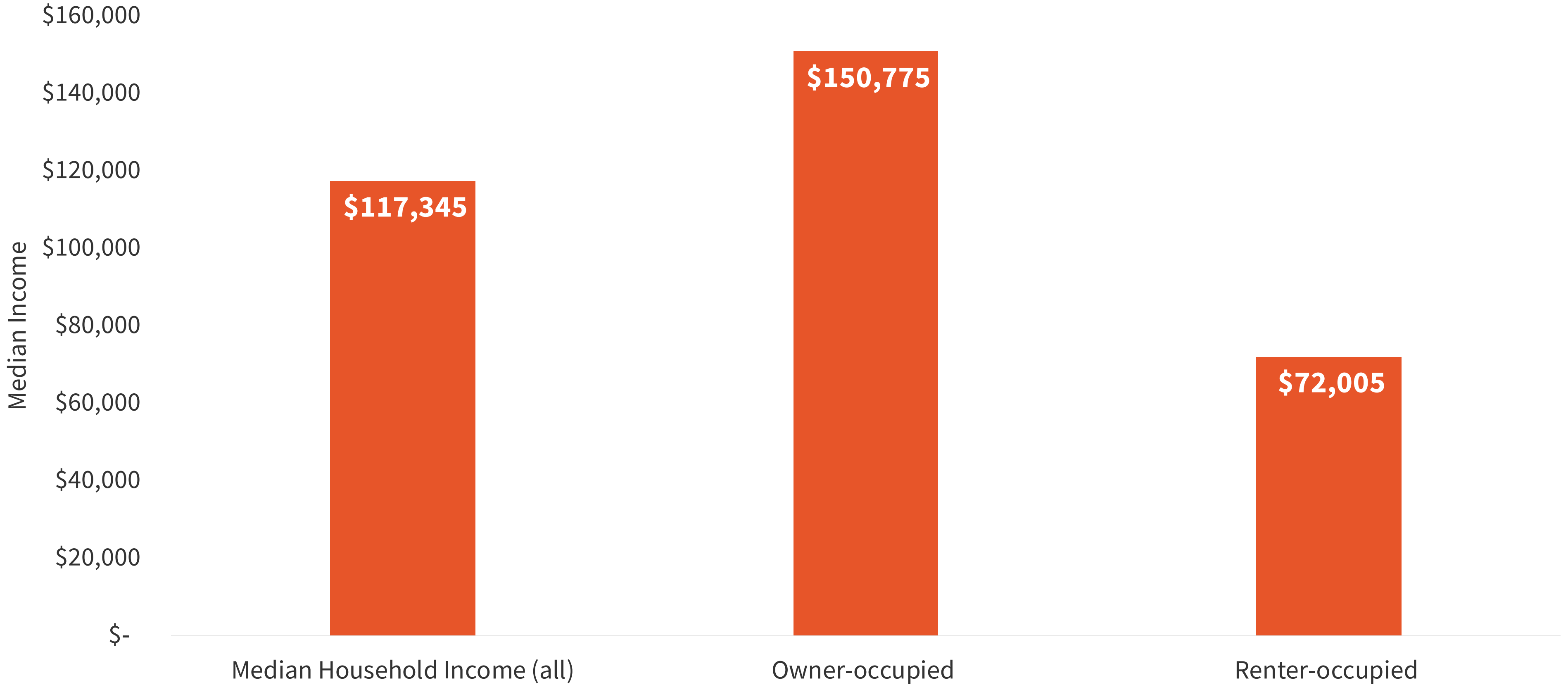
2017-2021 5-year ACS estimates

# Year Structure Built for Renter-Occupied Housing



2017-2021 5-year ACS estimates

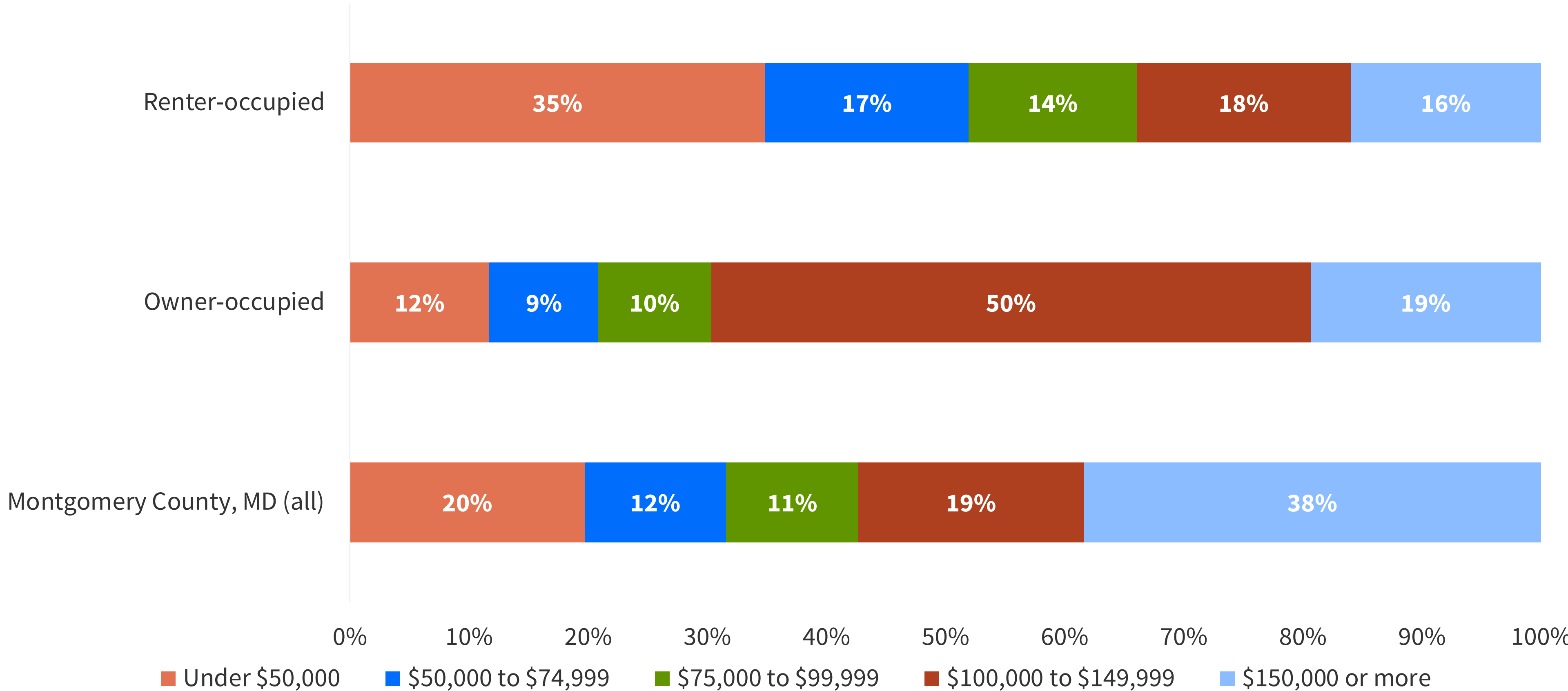
# Tenure by Median Income



Source: 2017 – 2021 5-year ACS estimates



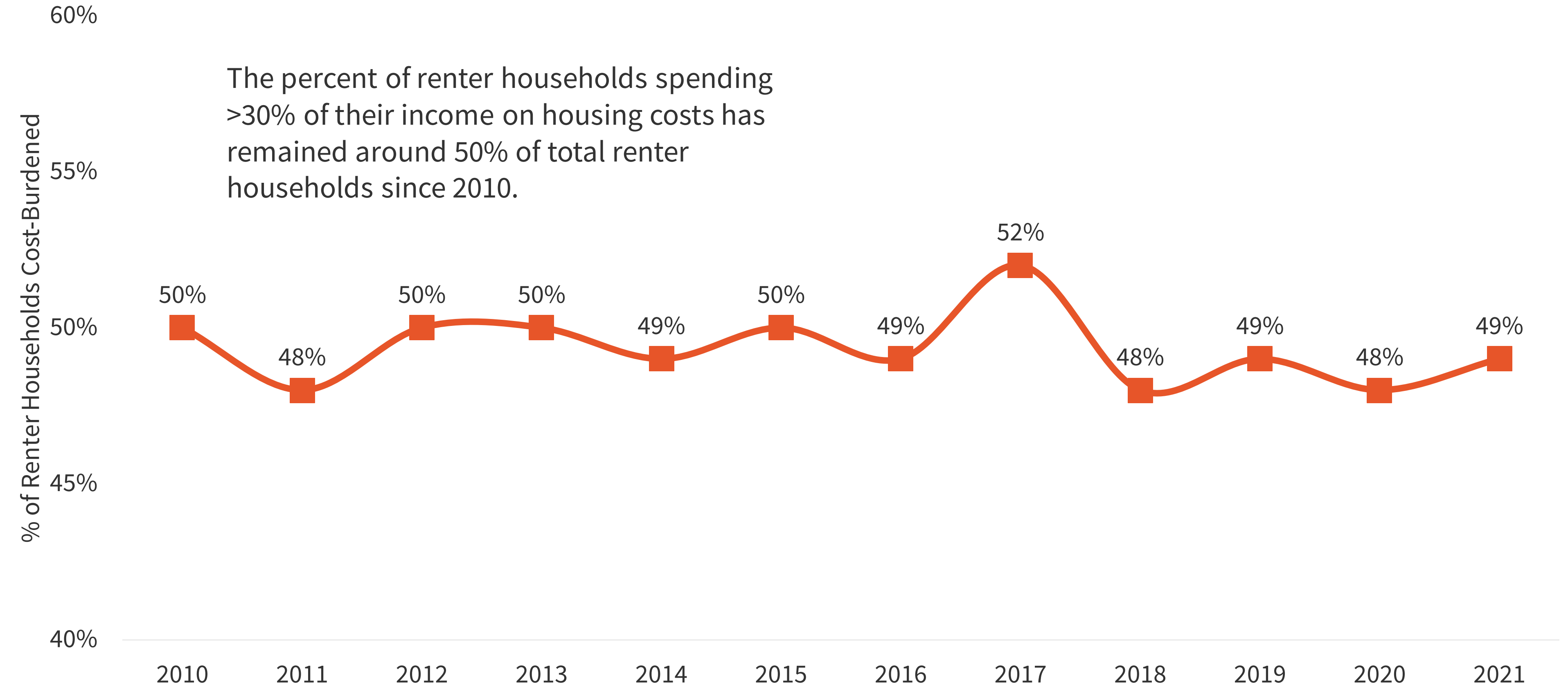
# Tenure by Income Ranges



Source: 2017 - 2021 5-year ACS estimates

# Percent of Cost-Burdened Renter Households

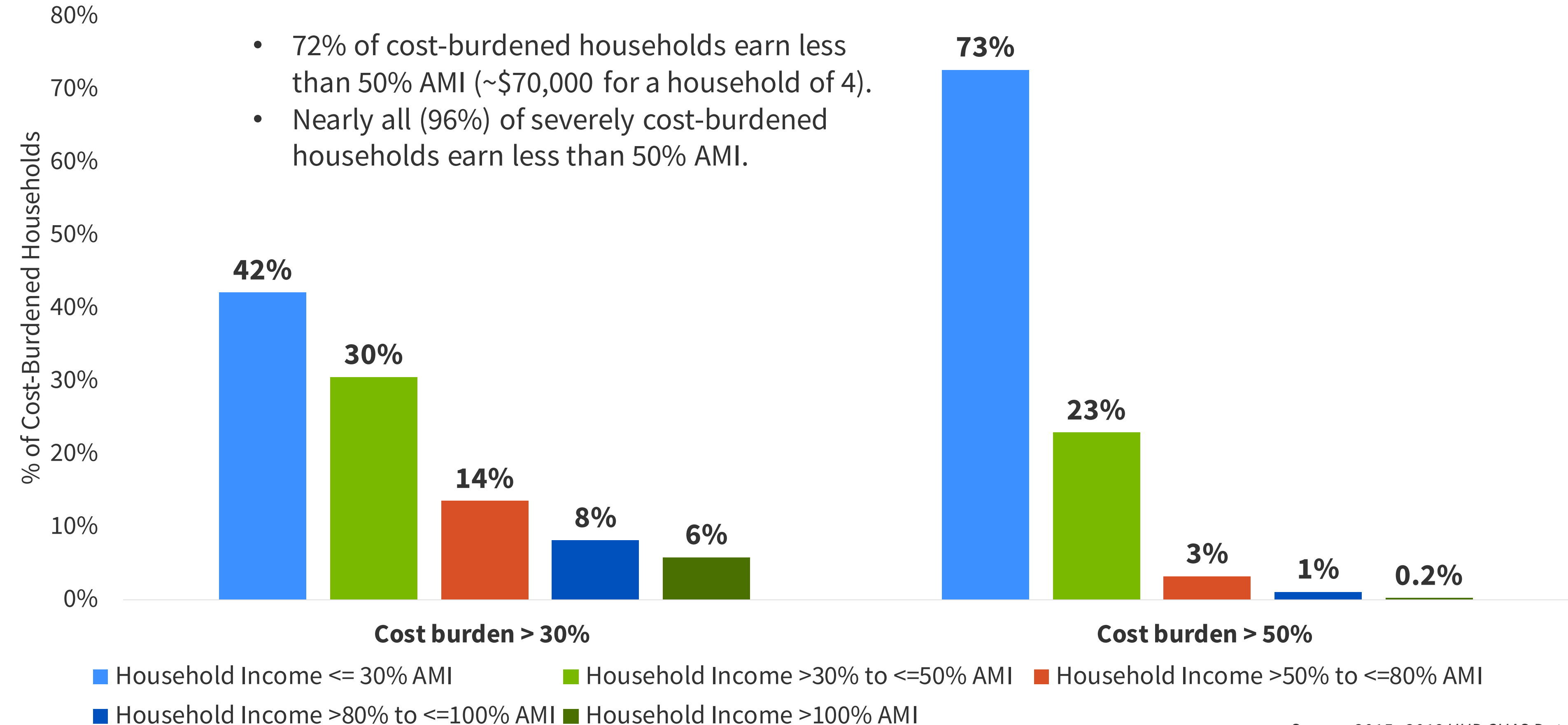
The percent of renter households spending >30% of their income on housing costs has remained around 50% of total renter households since 2010.



2010 – 2021 1-year ACS estimates

# AMI of Cost-Burdened Renter Households

- 72% of cost-burdened households earn less than 50% AMI (~\$70,000 for a household of 4).
- Nearly all (96%) of severely cost-burdened households earn less than 50% AMI.



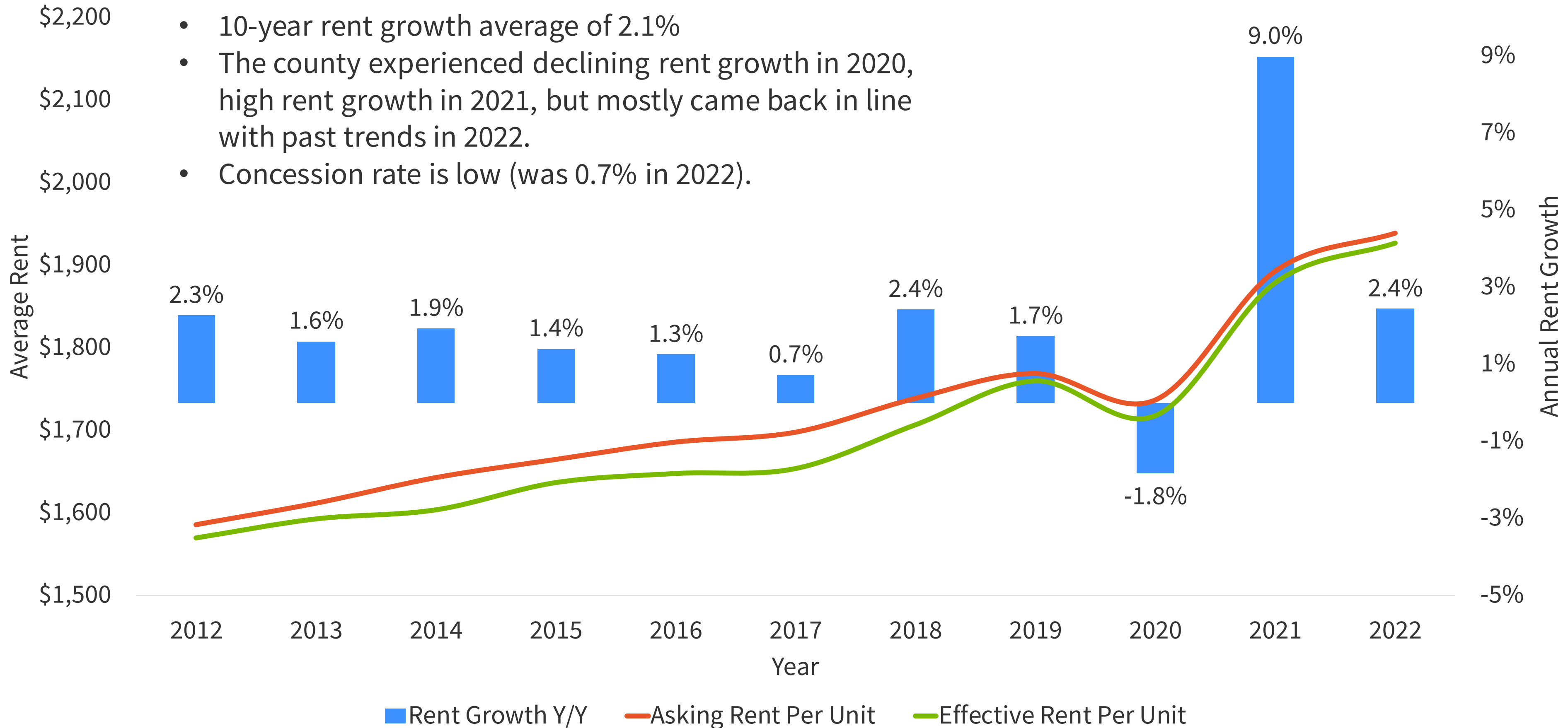
Source: 2015-2019 HUD CHAS Data

# About CoStar Rent Data

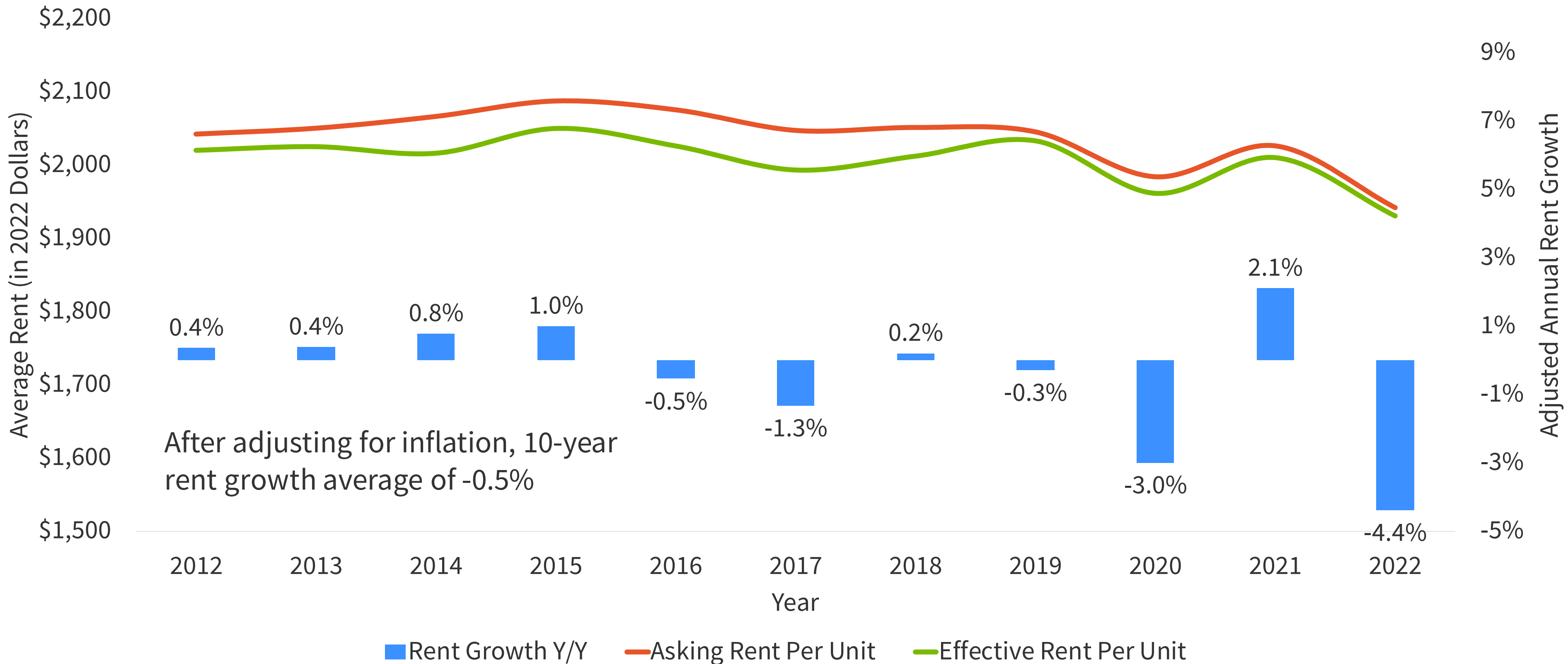
- The data on the subsequent slides come from CoStar, which provides data and analytics on real estate markets.
- The market rents reported by CoStar represent **current** asking rents of **available units**.
- This data **does not** include in-place/renewal rents.
- What this means:
  - If an existing tenant receives a rent renewal with an increase and accepts that increase, that information **is not** included in what CoStar reports
  - If an existing tenant receives a rent renewal and chooses to vacate, the current asking rent for a new lease for that unit **is** included in the rent information CoStar reports.
- Additionally, CoStar tries to capture any specials or concessions, but they only focus on free months or reduced rents.
- CoStar data speaks to market trends and not necessarily the experience of every renter.

# Market Rent Per Unit & Y/Y Rent Growth

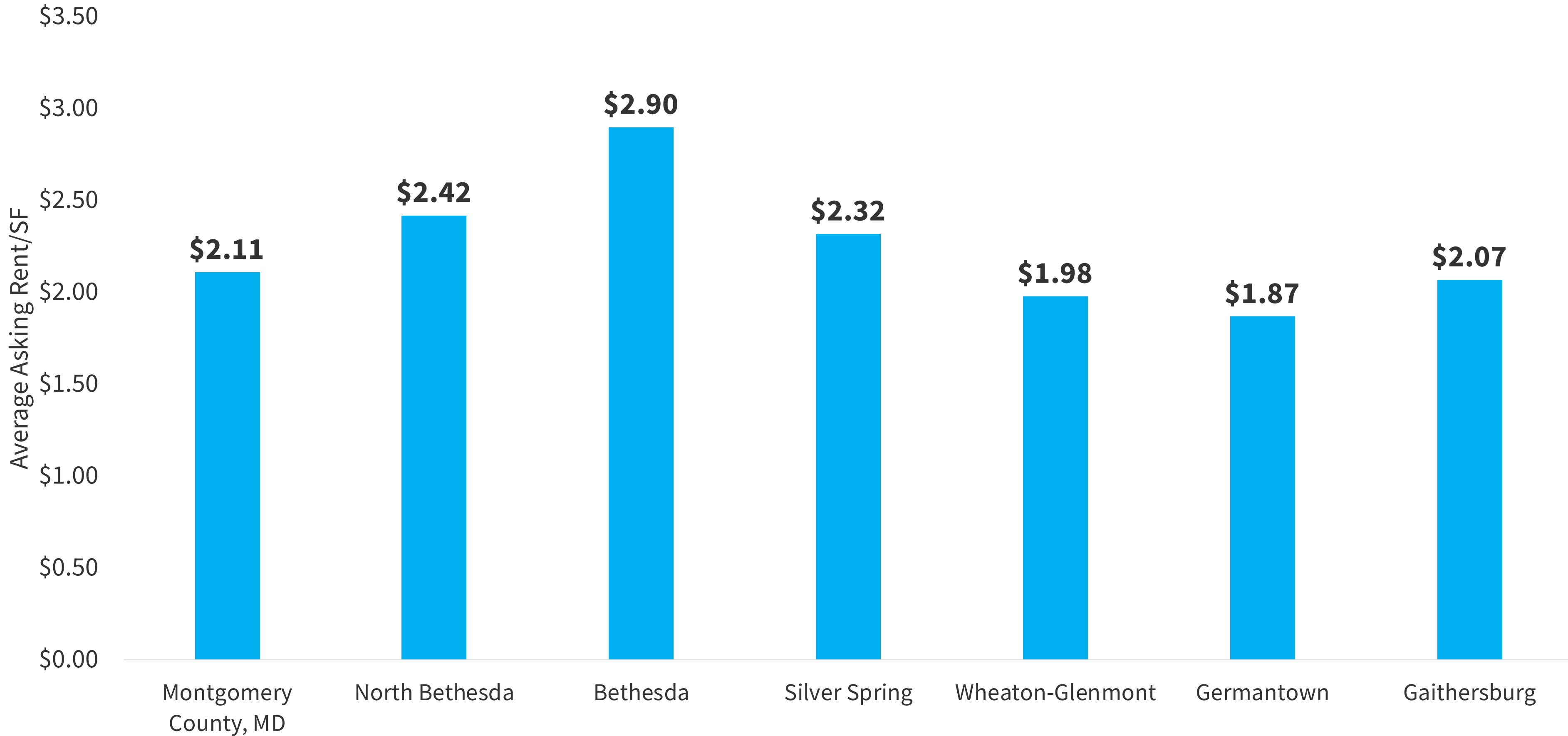
- 10-year rent growth average of 2.1%
- The county experienced declining rent growth in 2020, high rent growth in 2021, but mostly came back in line with past trends in 2022.
- Concession rate is low (was 0.7% in 2022).



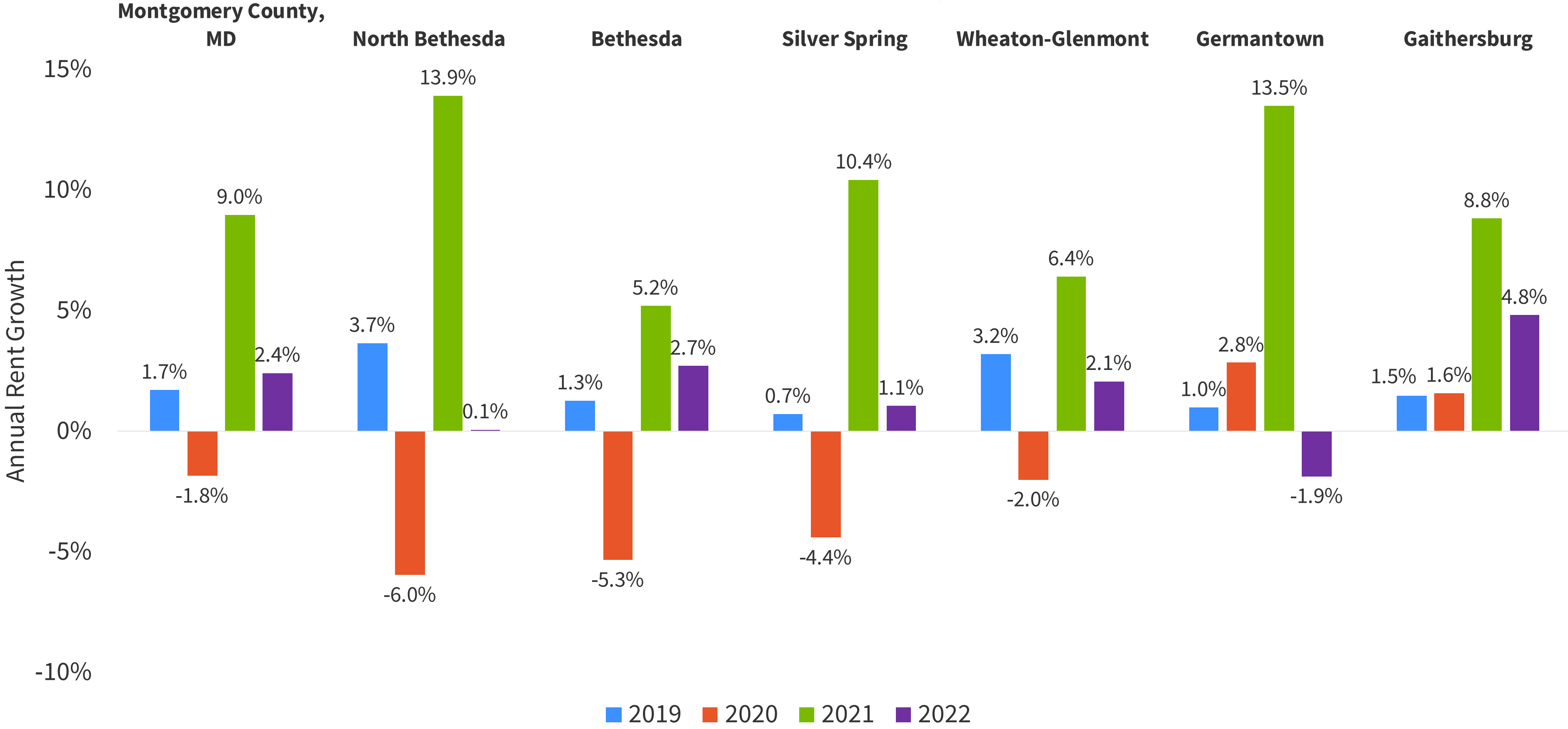
# Market Rent Per Unit & Y/Y Rent Growth – Inflation Adjusted



# Average Asking Rent/SF by Submarket (2022)

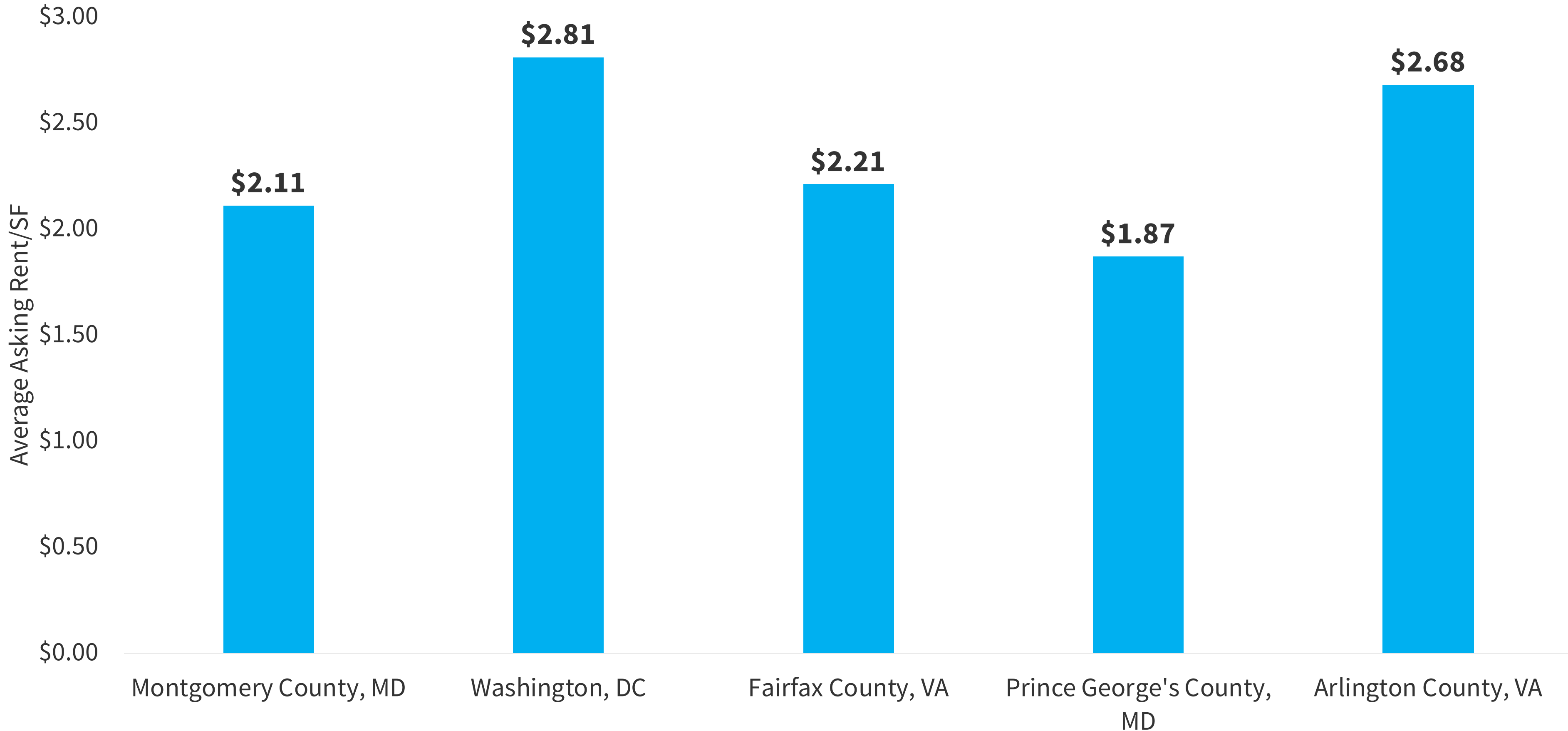


# Y/Y Rent Growth by Submarket

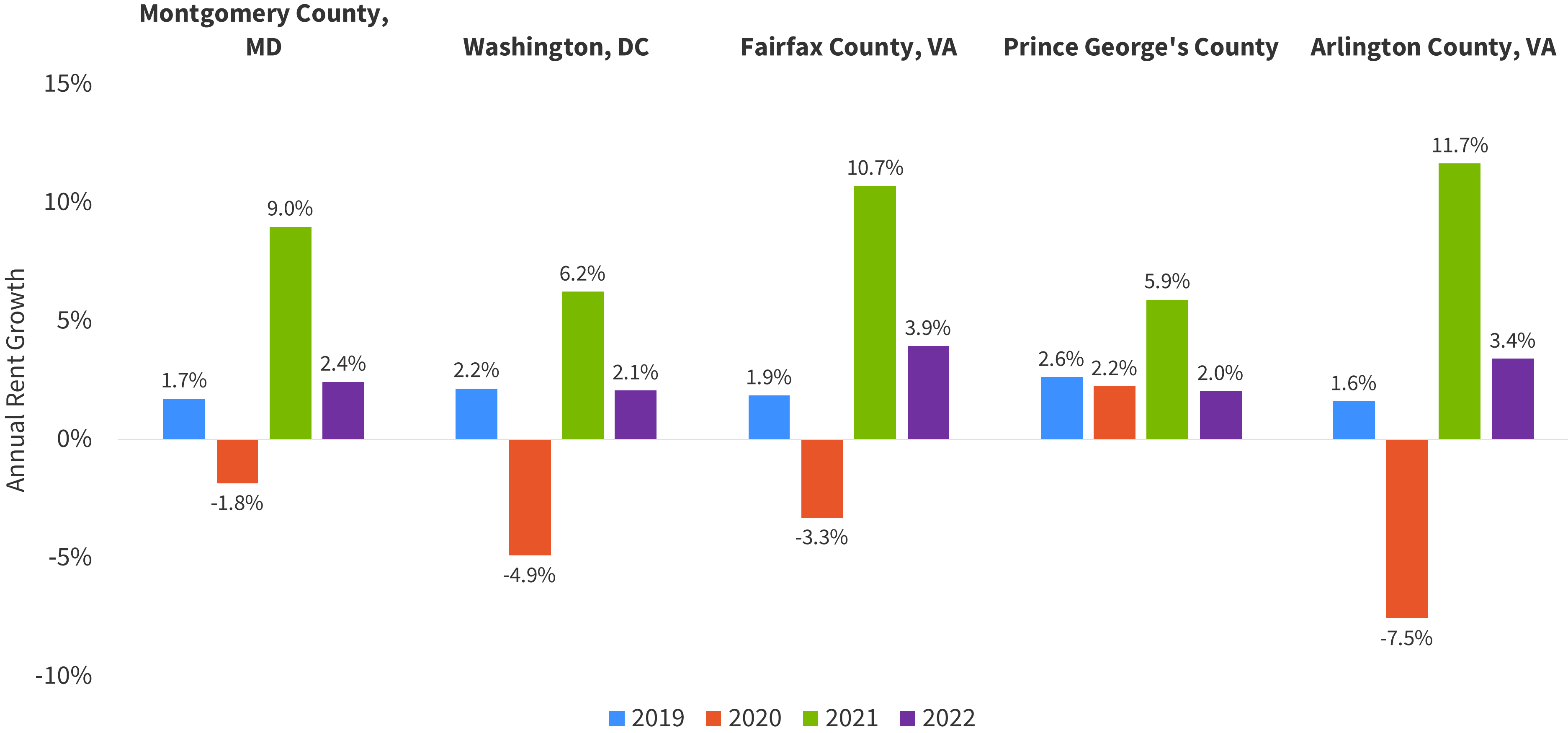




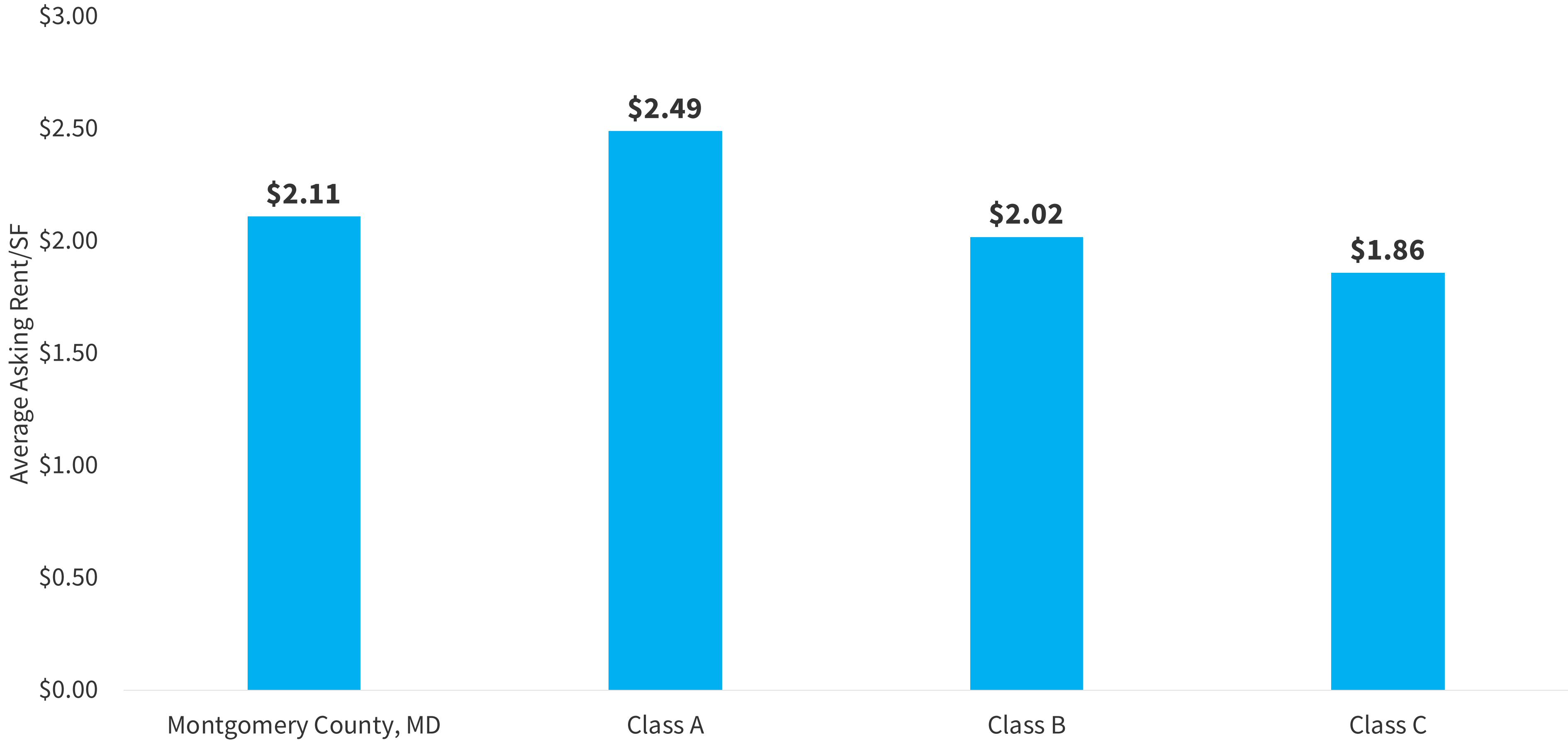
# Average Asking Rent/SF by Jurisdiction (2022)



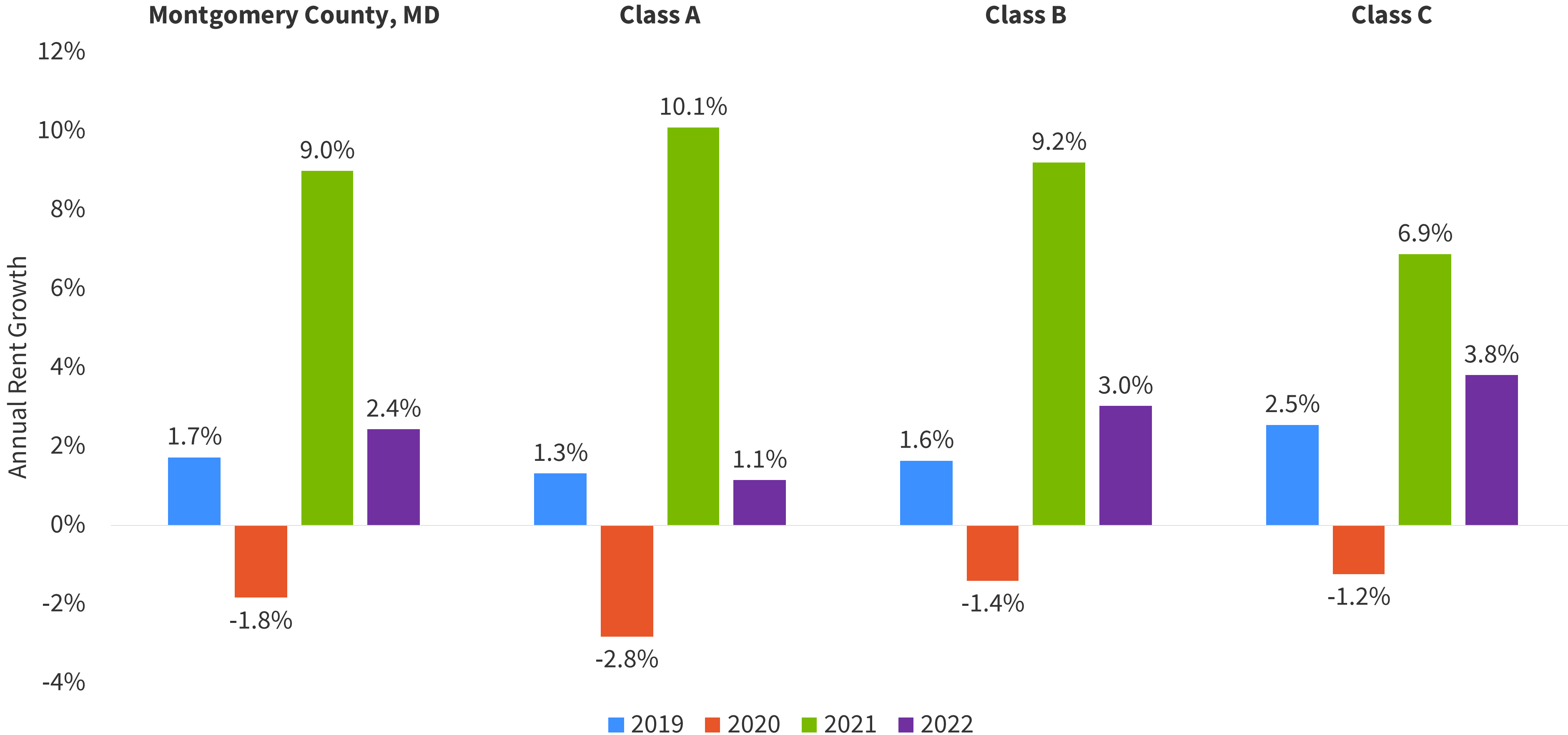
# Y/Y Rent Growth by Submarket



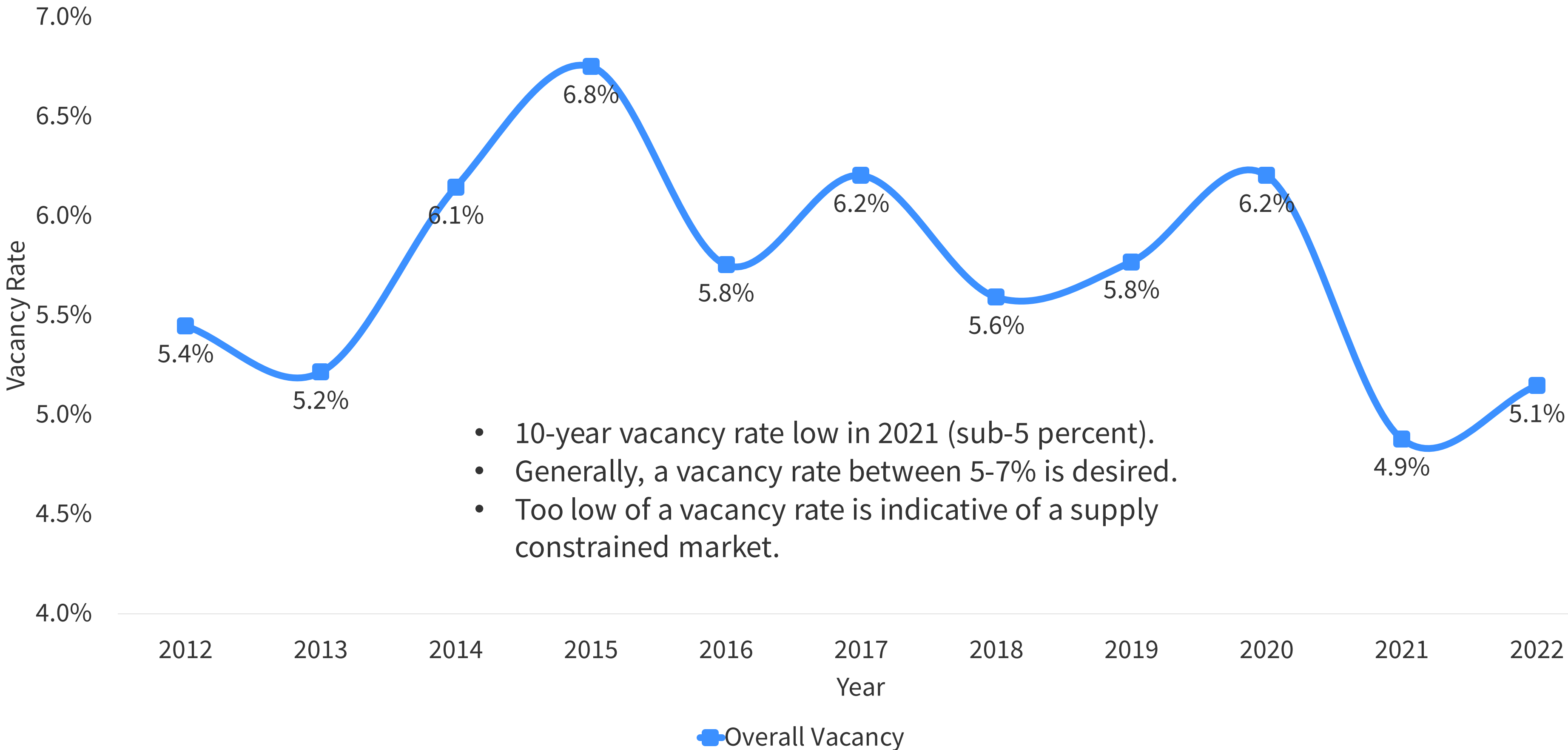
# Average Asking Rent/SF by Building Class (2022)



# Y/Y Rent Growth by Building Class



# Vacancy Rate



# Thank you!

- Contact, Lisa Govoni, Housing Planner IV,  
Countywide Planning & Policy Division
- [Lisa.Govoni@montgomeryplanning.org](mailto:Lisa.Govoni@montgomeryplanning.org)
- (301) 650 – 5624



# OLO Study on Rent Regulations

PROJECT SCOPE, STATUS AND TIMELINE

JANUARY 30, 2023

# Background on OLO Study

- ▶ Under the previous Council, the PHED Committee's discussion on rent increase complaints led to a request for OLO to conduct a study on rent regulations in other jurisdictions and data on the Montgomery County rental market
- ▶ Working Title for OLO Report: **Rental Housing in Montgomery County and Rent Regulations in the United States**



# OLO Project Scope

## Case Studies

Rent regulations implemented in other jurisdictions in Maryland and other states, including discussion of complementary policies (e.g. just cause eviction)

## Literature Review

Research on the social and economic impacts of rent regulations, including impacts on racial equity and social justice

## Local Data

- DHCA Rental Survey
- DHCA Complaint Data
- Other sources of data and information on the rental market

# OLO Project Status

- ▶ DHCA rental survey data – raw data provided to OLO
- ▶ Review of rent regulations in other jurisdictions - drafted
- ▶ Stakeholder observations – OLO has begun to reach out
- ▶ Anticipated project completion will coincide with the Council's review of the FY24 operating budget

# HOUSING TRENDS IN METROPOLITAN WASHINGTON

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Montgomery County Council  
January 30, 2023

Paul DesJardin  
COG Director of Community Planning and Services

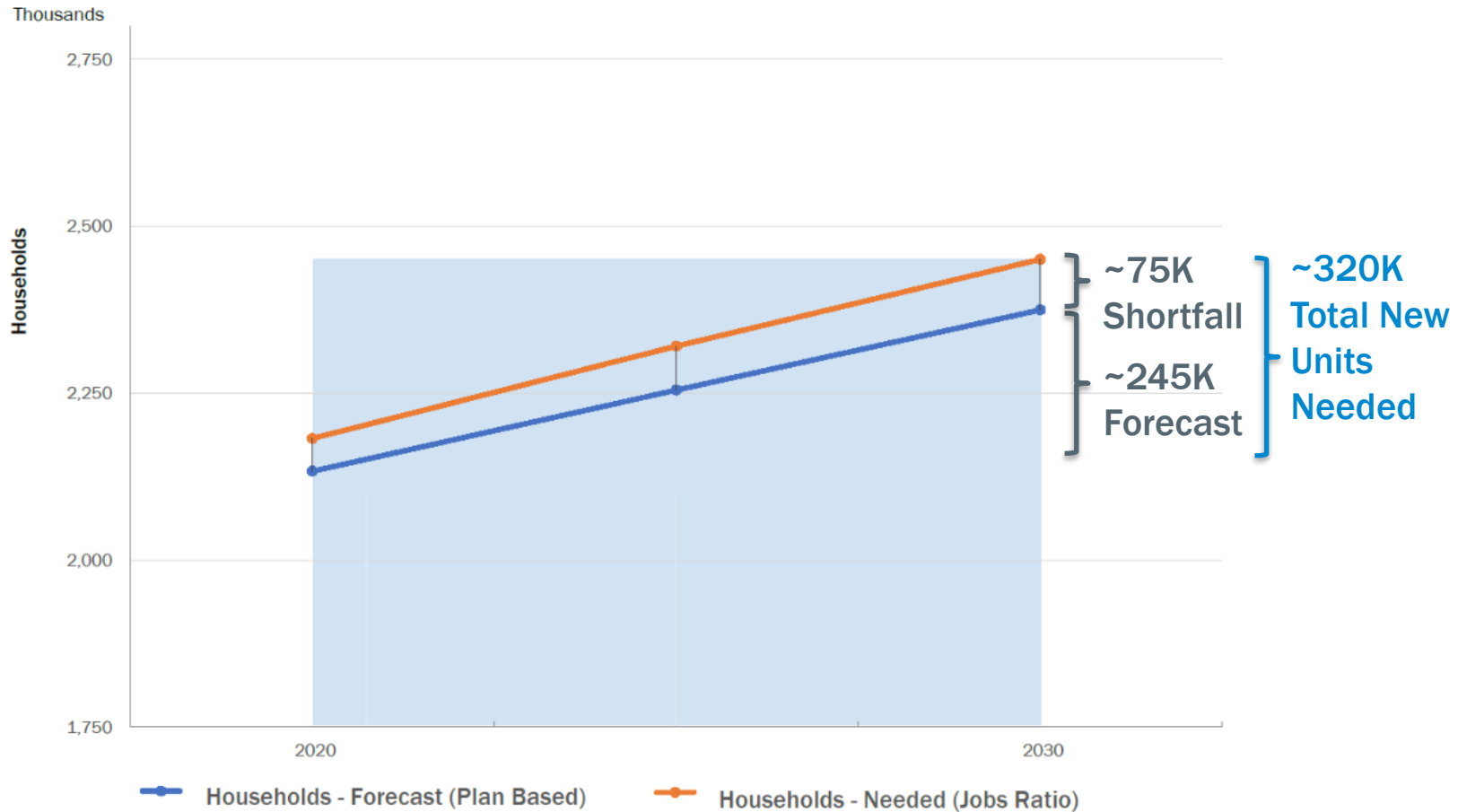
# An Opportunity: Housing Matters

- Stronger Economy
- Better performing transportation system
- Improved quality of life resulting from greater affordability



# Housing Needs, 2020-2030

FIGURE 1. COG REGIONAL HOUSING NEEDS (AMOUNT)  
(Planned Vs Estimated Need)



# Regional Housing Targets

**Amount**

At least 320,000 housing units should be added in the region between 2020 and 2030. This is an additional 75,000 units beyond the units already forecast for this period.

**TARGET 1**

**Accessibility**

At least 75% of all new housing should be in Activity Centers or near high-capacity transit.

**TARGET 2**

**Affordability**

At least 75% of new housing should be affordable to low- and middle-income households.

**TARGET 3**



## **Jurisdictional Contributions**

Each jurisdiction should contribute a portion of the 75,000 additional households needed regionwide based on its share (percentage) of forecast household growth between 2020 and 2030.





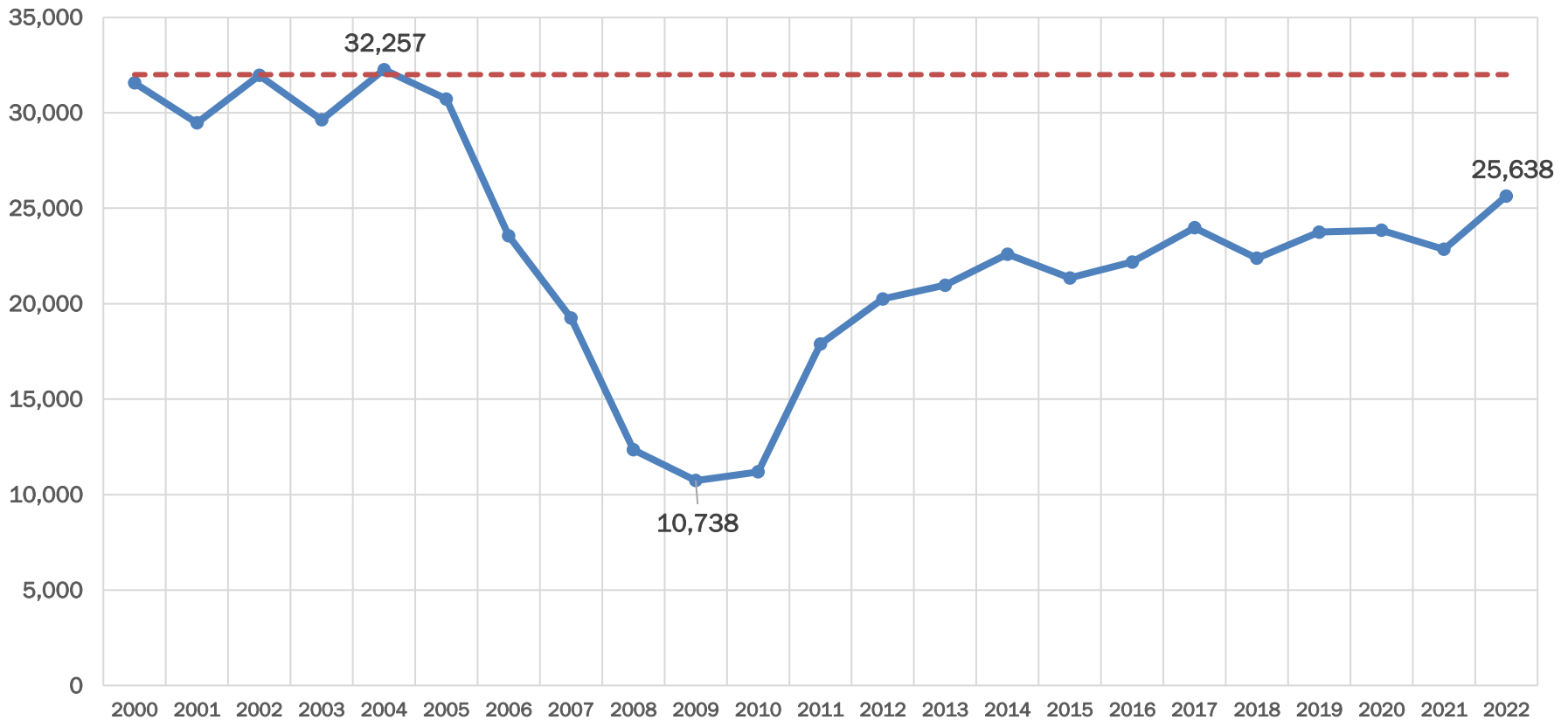
# Additional Households by Jurisdiction Based on Local Share of Projected Regional Household Growth from 2020 to 2030 (Thousands)

	A	B	C	D	E
	ROUND 9.1 COOPERATIVE FORECASTS				
	B - A				D x 75
	Total Households Forecast 2020	Total Households Forecast 2030	Household Growth Forecast 2020 to 2030	Jurisdictional Share (%) of Total Regional Household Growth Forecast 2020 to 2030	Additional 75k (Target 1) Households Allocated by Jurisdictional Share of Forecast Household Growth 2020 to 2030
District of Columbia	319	363	43	18%	13
Arlington County	112	124	12	5%	4
City of Alexandria	76	84	8	3%	3
Montgomery County	391	422	31	10%	7
City of Rockville	29	34	5	2%	1
City of Gaithersburg	26	29	3	1%	1
Prince George's County	334	355	21	9%	7
Fairfax County	415	463	49	20%	15
City of Fairfax	10	12	2	1%	1
City of Falls Church	6	7	1	0%	0
Loudoun County	138	158	20	8%	6
Prince William County	154	177	23	10%	7
City of Manassas	14	15	1	0%	0
City of Manassas Park	5	5	0	0%	0
Charles County	60	73	13	5%	4
Frederick County	99	115	16	5%	4
City of Frederick	31	35	4	2%	1
<b>COG / TPB Region</b>	<b>2,133</b>	<b>2,375</b>	<b>242</b>	<b>100%</b>	<b>75</b>

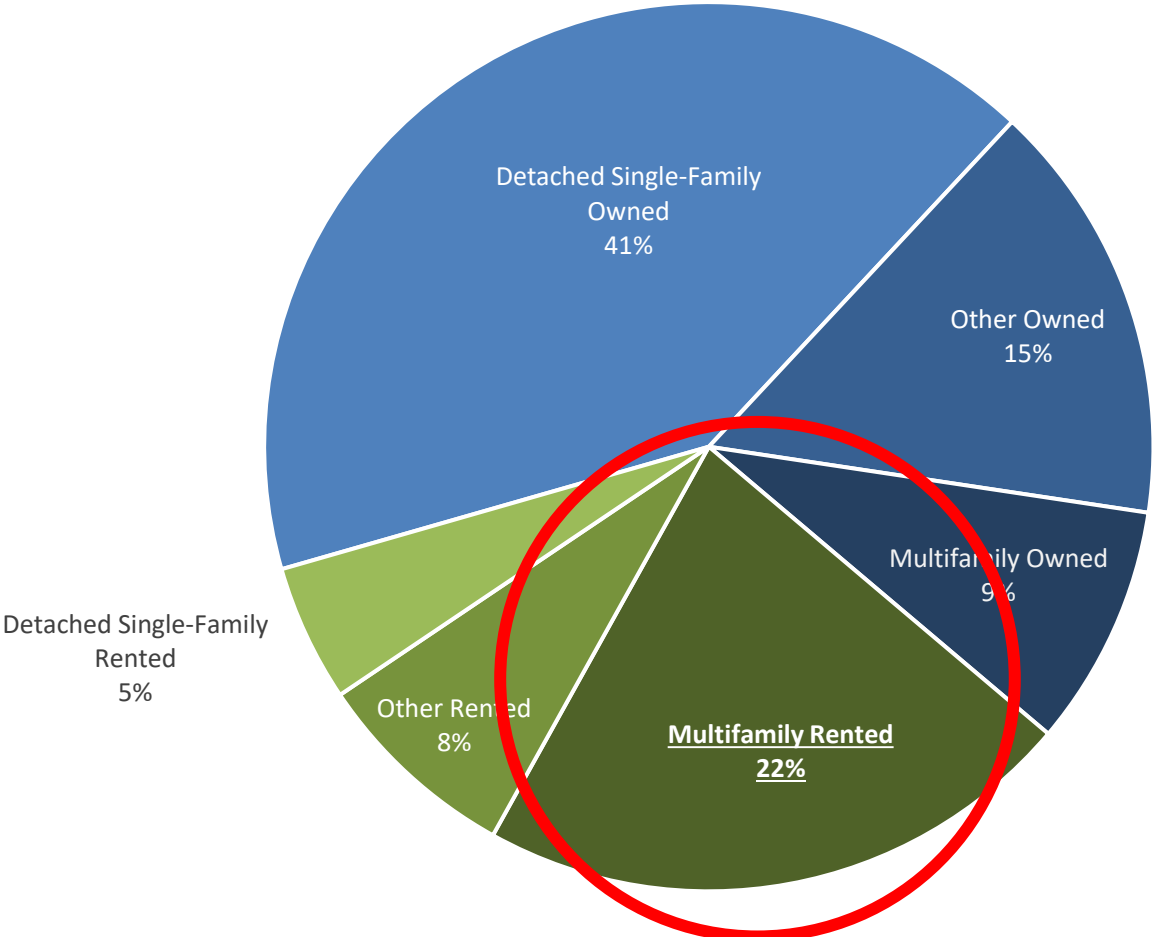


# The Region (Still) Needs More Housing

Total Housing Units Authorized by Building Permits  
by Year In Metropolitan Washington



# Occupied Housing in Washington MSA by Tenure and Number of Units in Structure

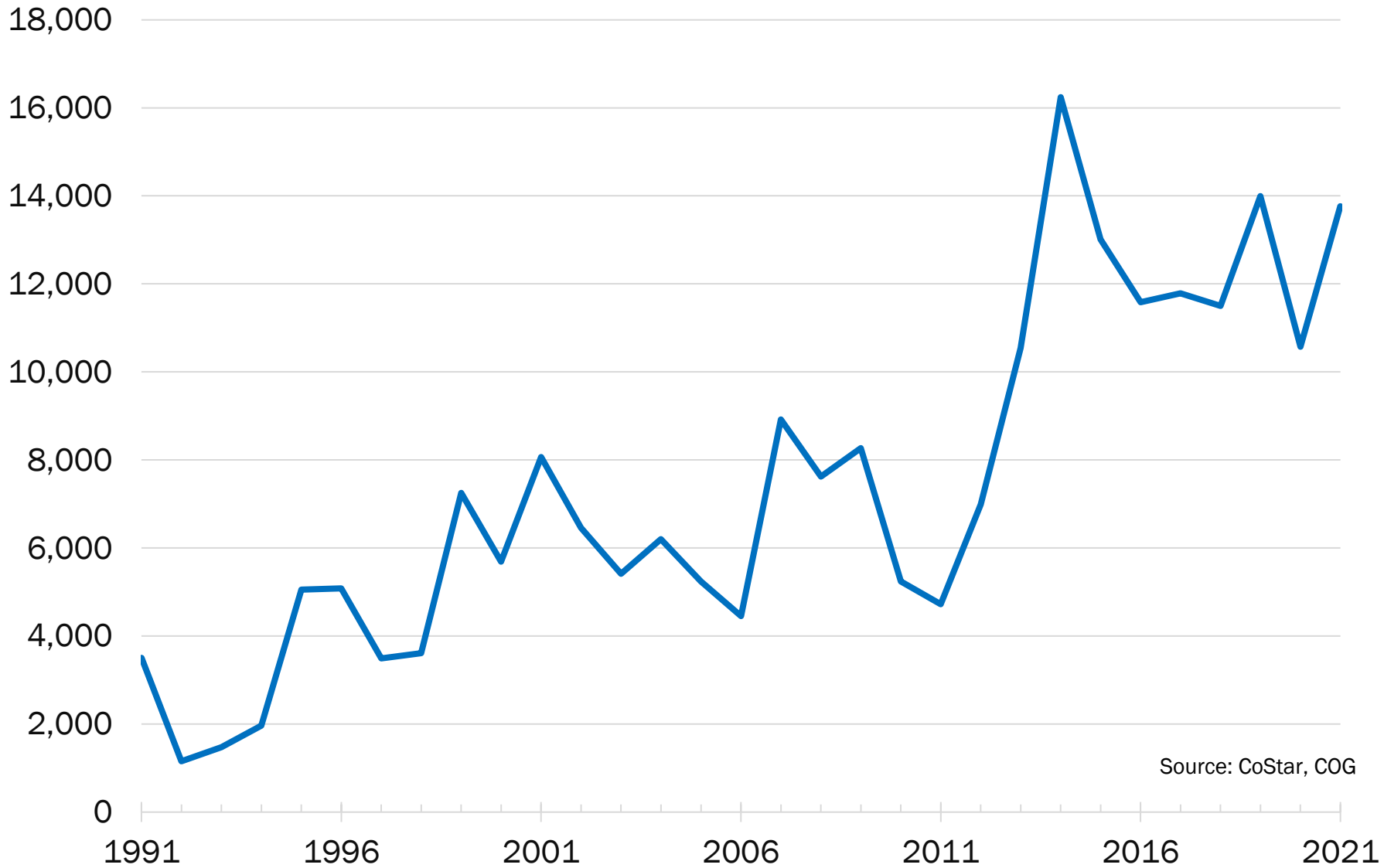


*"Other" housing includes attached single-family, duplexes, triplexes, quadplexes, house boats, trailer parks and vehicles*

Source: 2021 American Housing Survey, Washington MSA



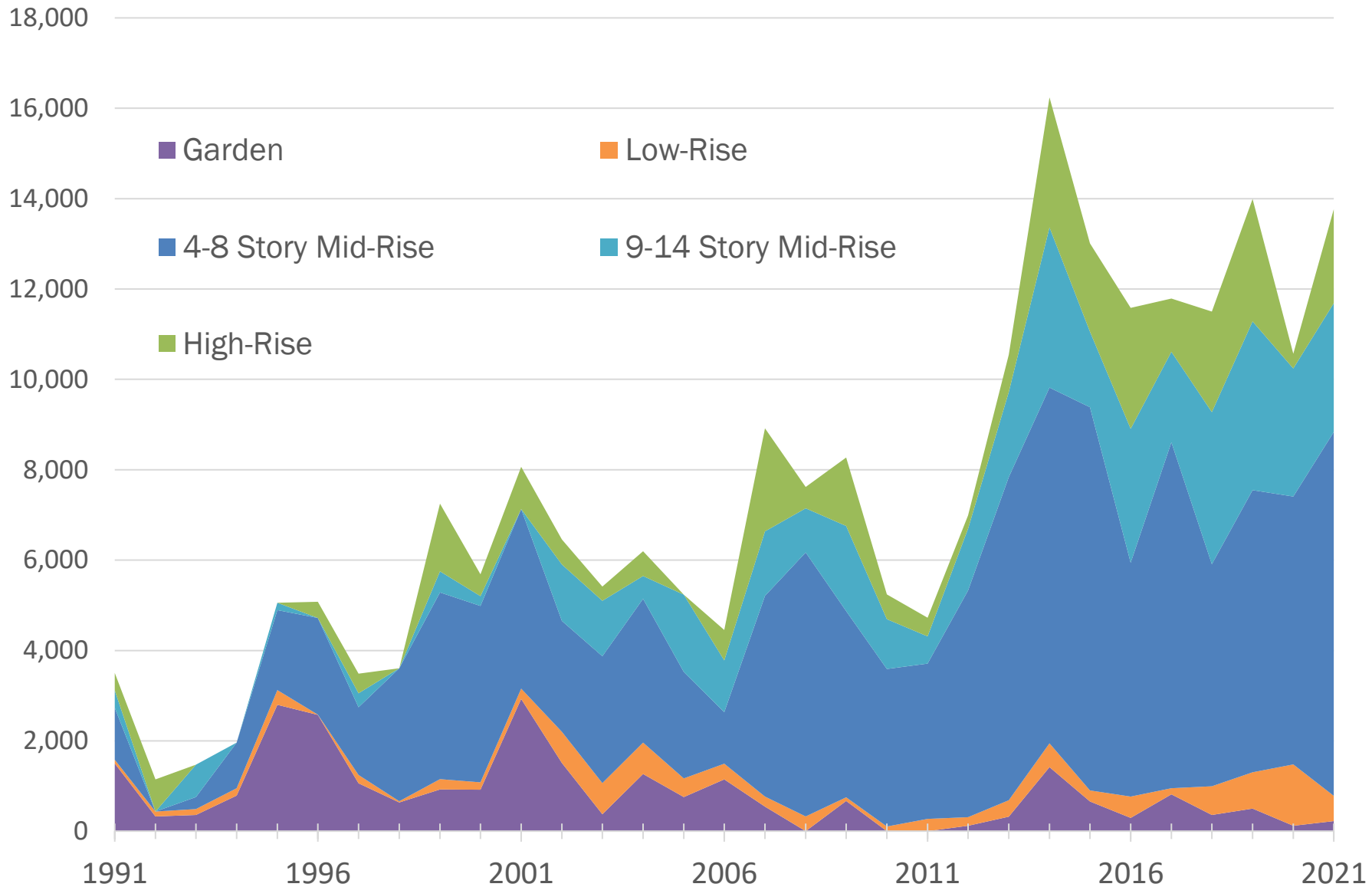
# Number of New Units of Multifamily Rental Housing 1991 - 2021



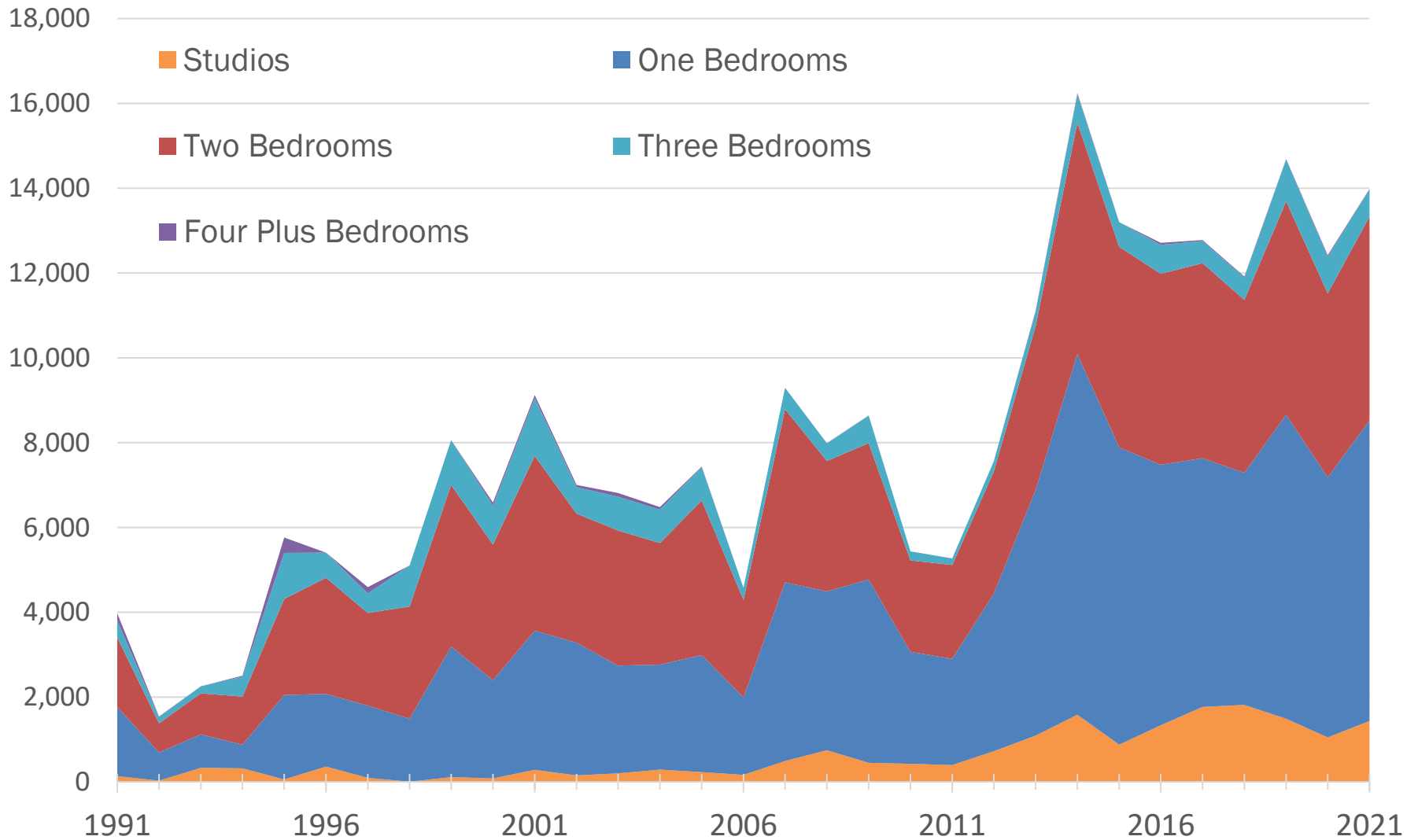
Source: CoStar, COG



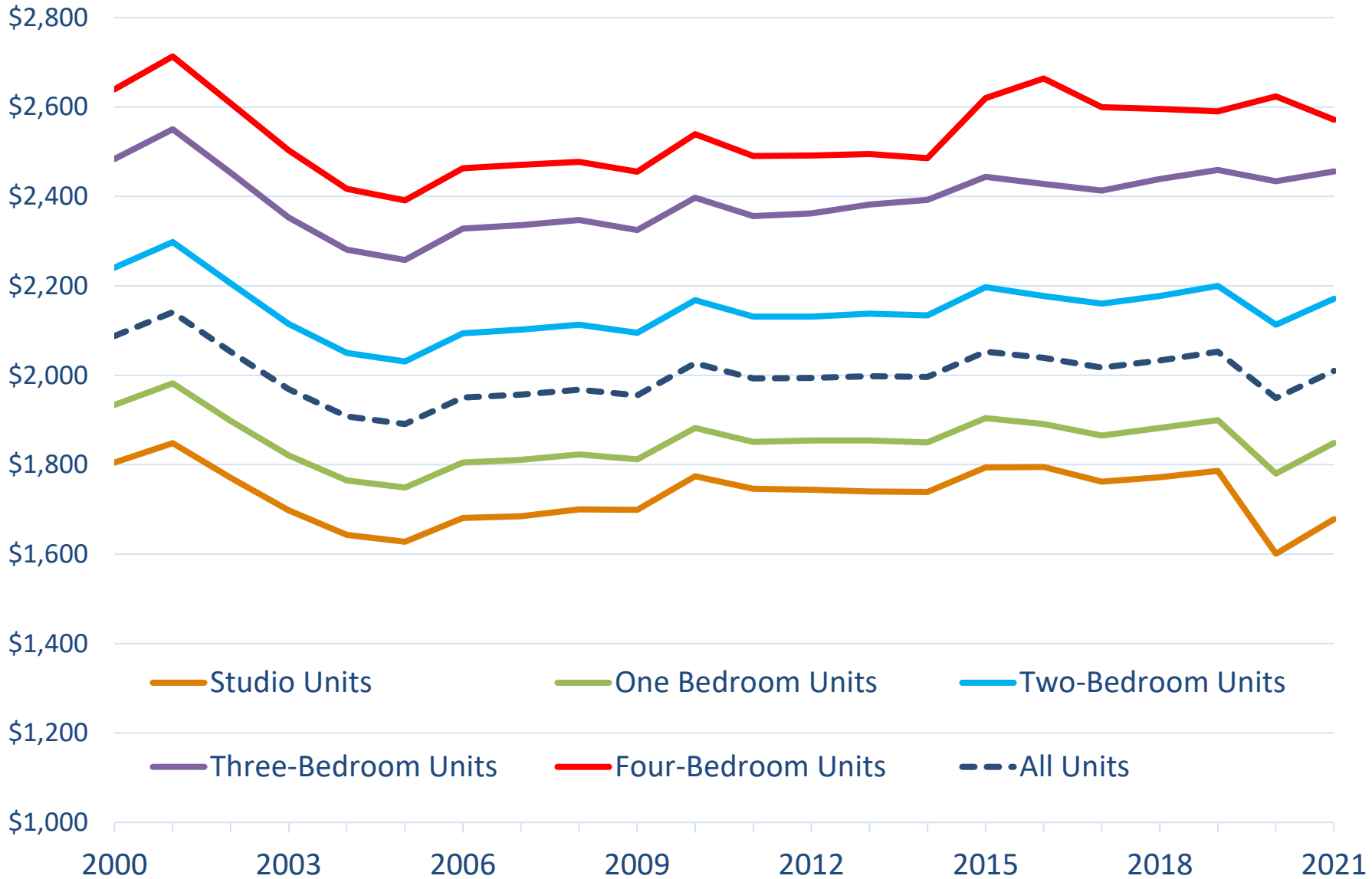
# New Units of Multifamily Rental Housing by Building Style



# Number of New Units of Multifamily Rental Housing by Unit 1991 - 2021



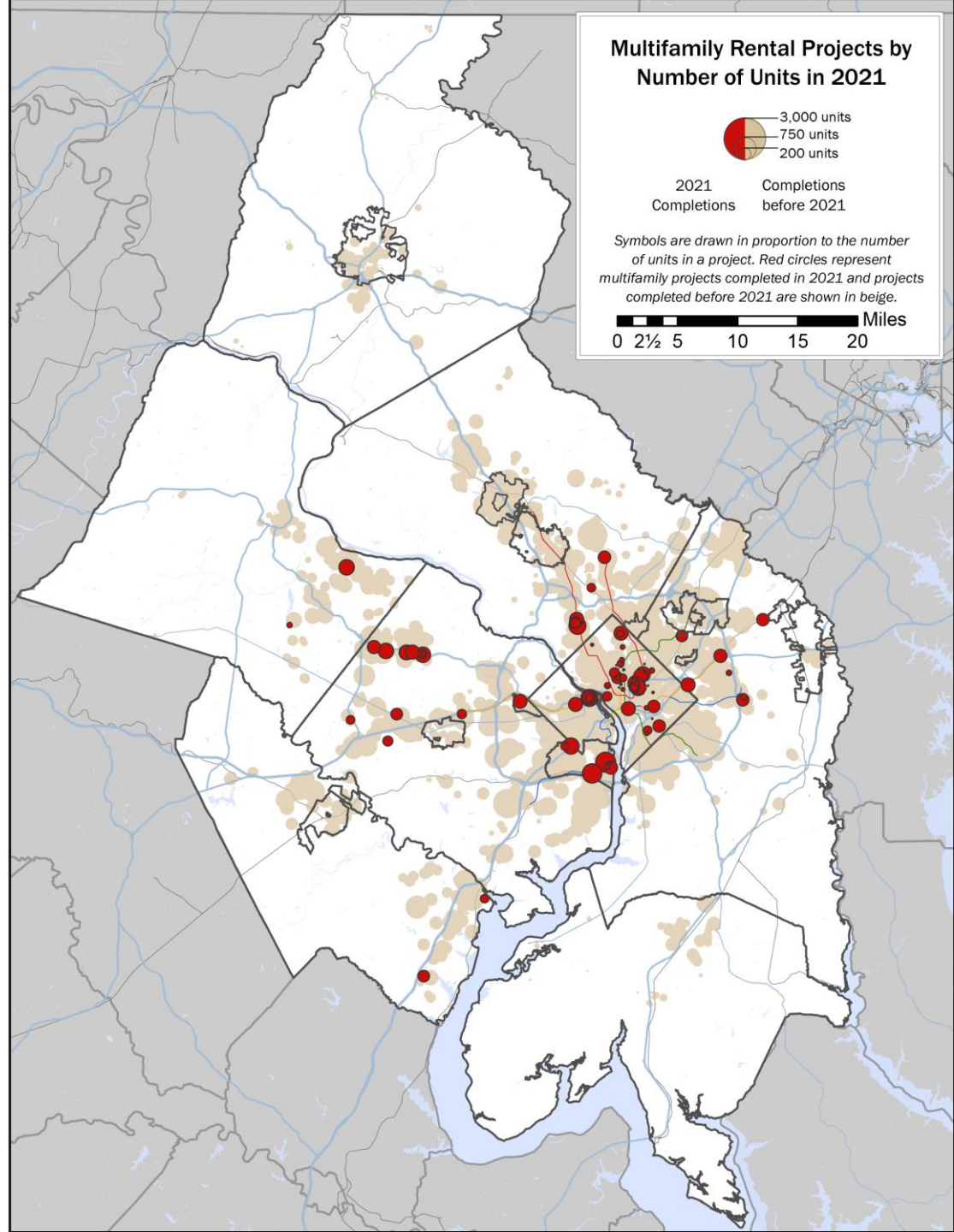
# Average Effective Rents for Rental Apartments



All Price Data is Shown in Inflation-Adjusted 2021 Dollars

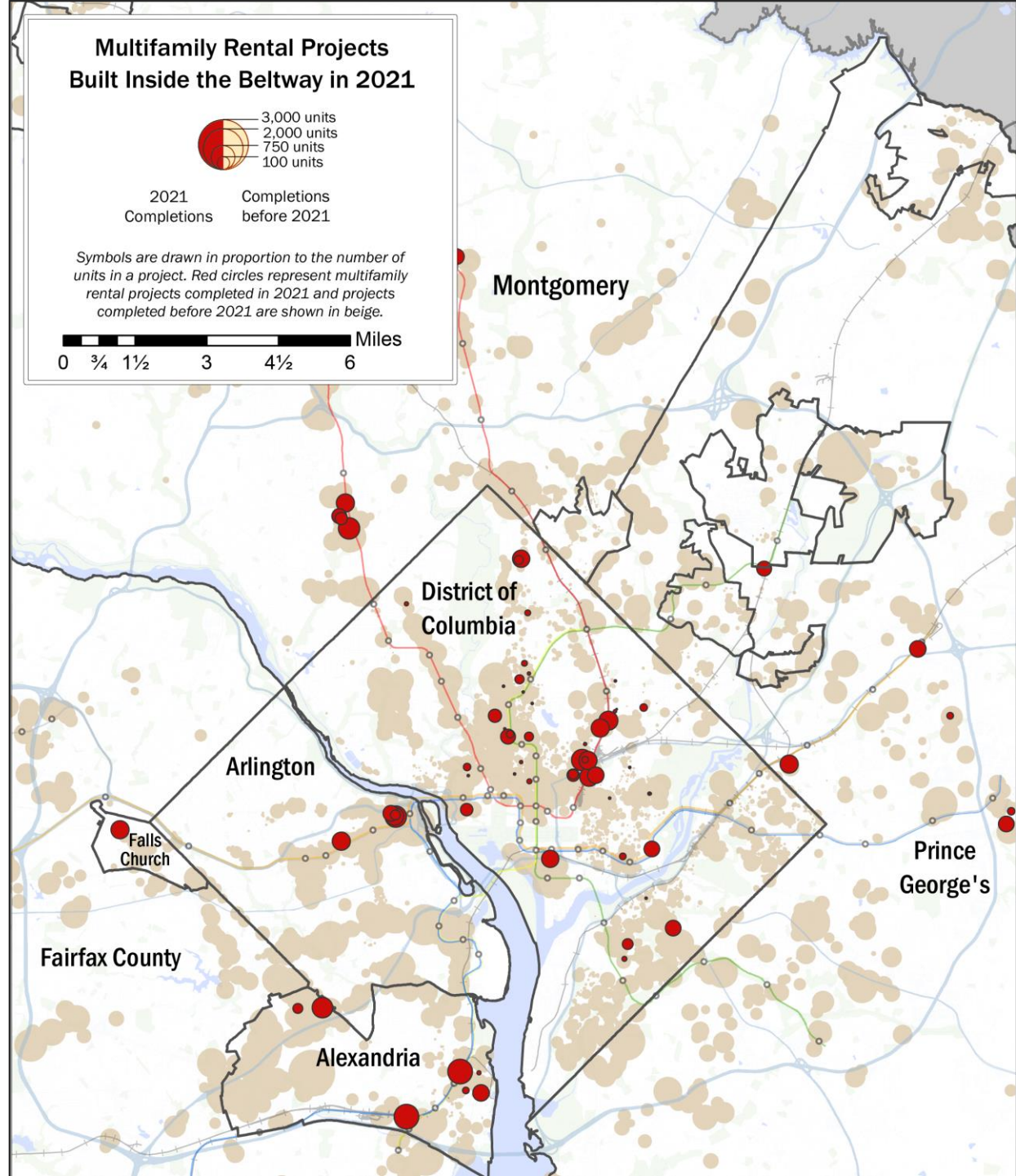


- Units completed in 2021 and shown in red
- Units built in earlier years are beige
- In 2021, new construction was primarily in the core and near Metrorail stations
- 75 percent of 2021 construction was built inside the Beltway

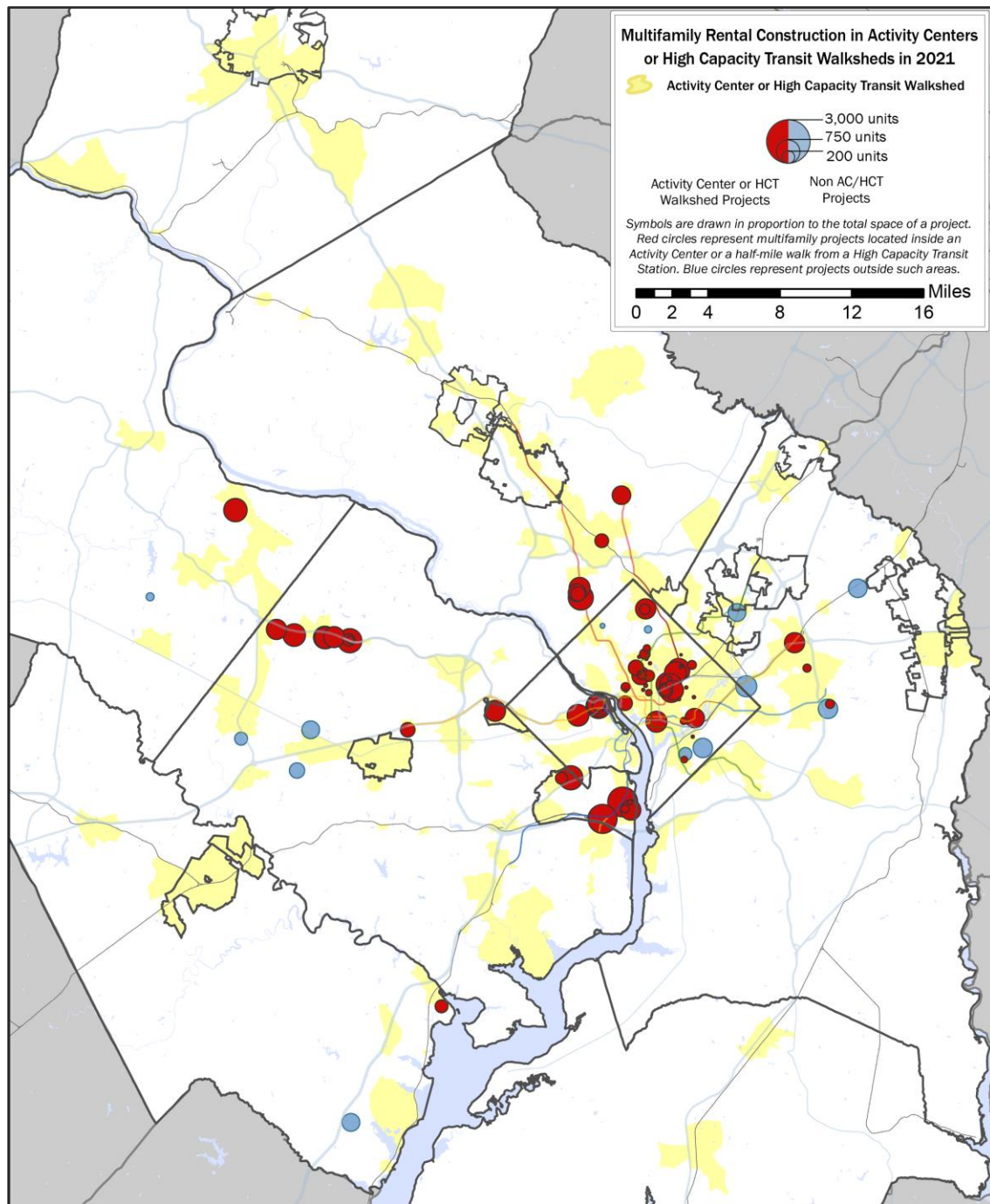




- Alexandria, Bethesda, NoMa and along Phase 1 of the Silver Line all had significant multifamily construction in 2021.
- While recent construction has concentrated around transit stations, historical patterns show dispersed apartment construction along major arterial roads.



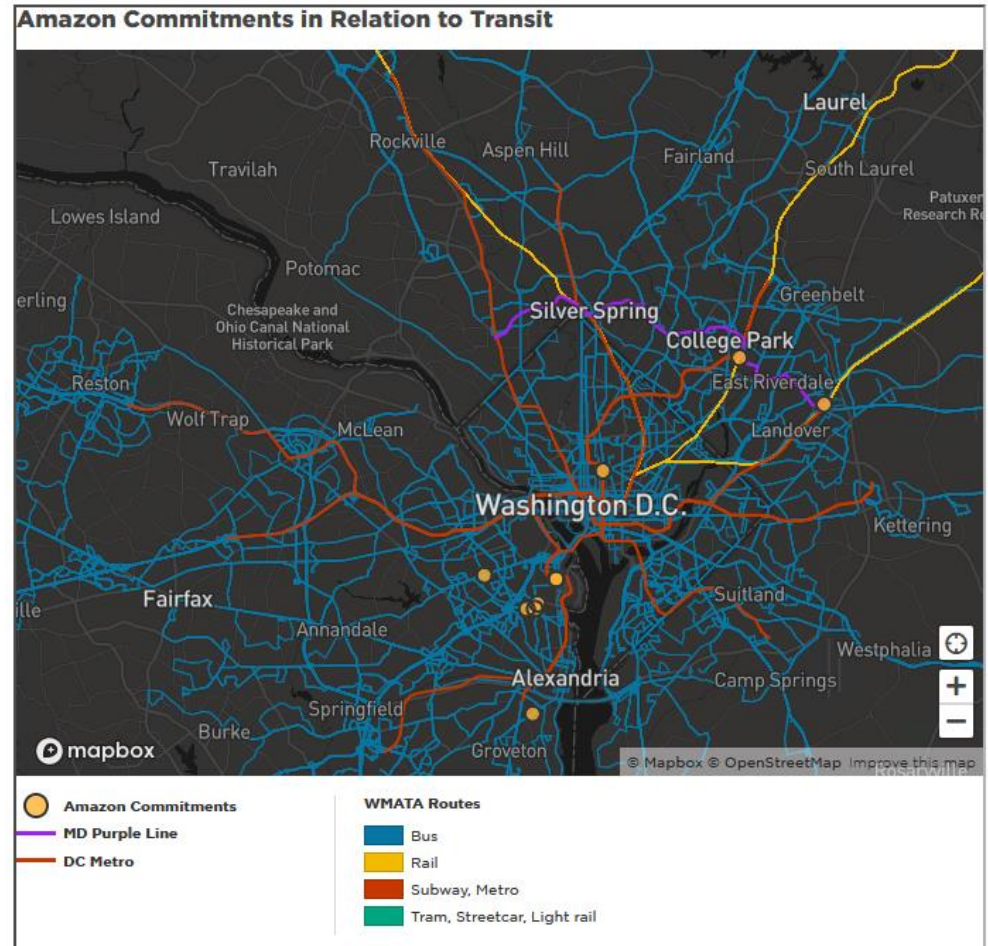
- In 2021, 85% of new multifamily rental units were within one of the region's 141 Activity Centers or within a half-mile walk of one of the 199 High-Capacity Transit Stations.
- This exceeds the target of 75% set by the COG Board in 2019.
- The NoMa Activity Center had 1,428 new units, the most of any Activity Center.





# Housing – Private Sector

- **Amazon's Housing Equity Fund** - \$2B in below-market loans and grants to preserve and create more than 20,000 affordable homes for individuals and families earning moderate to low incomes.



Amazon Housing Equity Fund map



# Housing Affordability Planning Program

- COG-administered program made possible through Amazon Housing Equity Fund.
- Up to \$75,000 grants to local governments and non-profit developers engaged in affordably-priced housing near transit.
- \$650,000 for 10 local planning initiatives and development projects. (approved in June 2022)



Congress Heights Metro Residential (DC/NHT Communities)

# Moving the Needle on Housing Equity

- Ensure quality places are available to residents of all incomes, ages, and abilities.
- Regional Analysis of Impediments to Fair Housing Choice (*Regional Housing Equity Plan*).
- First metropolitan Washington regional fair housing plan in 25 years.



[mwcog.org/fairhousing](http://mwcog.org/fairhousing)

# Key Findings

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- The region still needs more housing; production has increased recently– more than 25,000 new permits in 2022 –far below the 2019 COG Board targets.
- Annual multi-family rental production has increased since the 1990s, peaking at more than 16,000 new units in 2014. In 2021, 110 new multifamily rental buildings were completed, adding 13,764 units.
- Just under half of all units built in 2021 were within a half-mile walk from a Metrorail station, while 28 percent of units built before 2021 are in a Metro walkshed.
- About 85% of new units were located within one of the region’s 141 Activity Centers or HCT Station Areas, surpassing the Board target.

## Paul DesJardin

Director of Community Planning and Services  
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[pdesjardin@mwkog.org](mailto:pdesjardin@mwkog.org)

[mwkog.org](http://mwkog.org)

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Washington, DC 20002







# State of Rental Housing Affordability in Montgomery County

## An HOC Overview

Chelsea Andrews  
Executive Director

Zachary Marks  
Chief Real Estate Officer

Presentation to the Planning, Housing and  
Parks Committee

January 30, 2023





# ABOUT HOC

## Public Housing Authority

- Rental assistance programs
- Resident services like financial & credit counseling, Family Self Sufficiency program, Fatherhood Initiative
- Permanent supportive housing for veterans, individuals with disabilities, individuals experiencing homelessness
- Youth and adult workforce and business development services through affiliated non-profit Housing Opportunities Community Partners

## Housing Finance Agency

- Governmental, Private Activity, 501(c)3, and Taxable Bonds (Rated A2 by Moody's)
- Multifamily financing: \$560m through 2023
- Single family financing: \$30-40m of low-cost mortgages and \$2.5m in closing cost assistance for moderate-income families annually

## HOC

Seven Commissioners  
Appointed by CE &  
Confirmed by Council

## Owner & Operator

- 8,881 units owned or managed
  - Multifamily: 5,843 units
  - Scattered sites: 1,595 units
  - Senior housing: 1,443 units

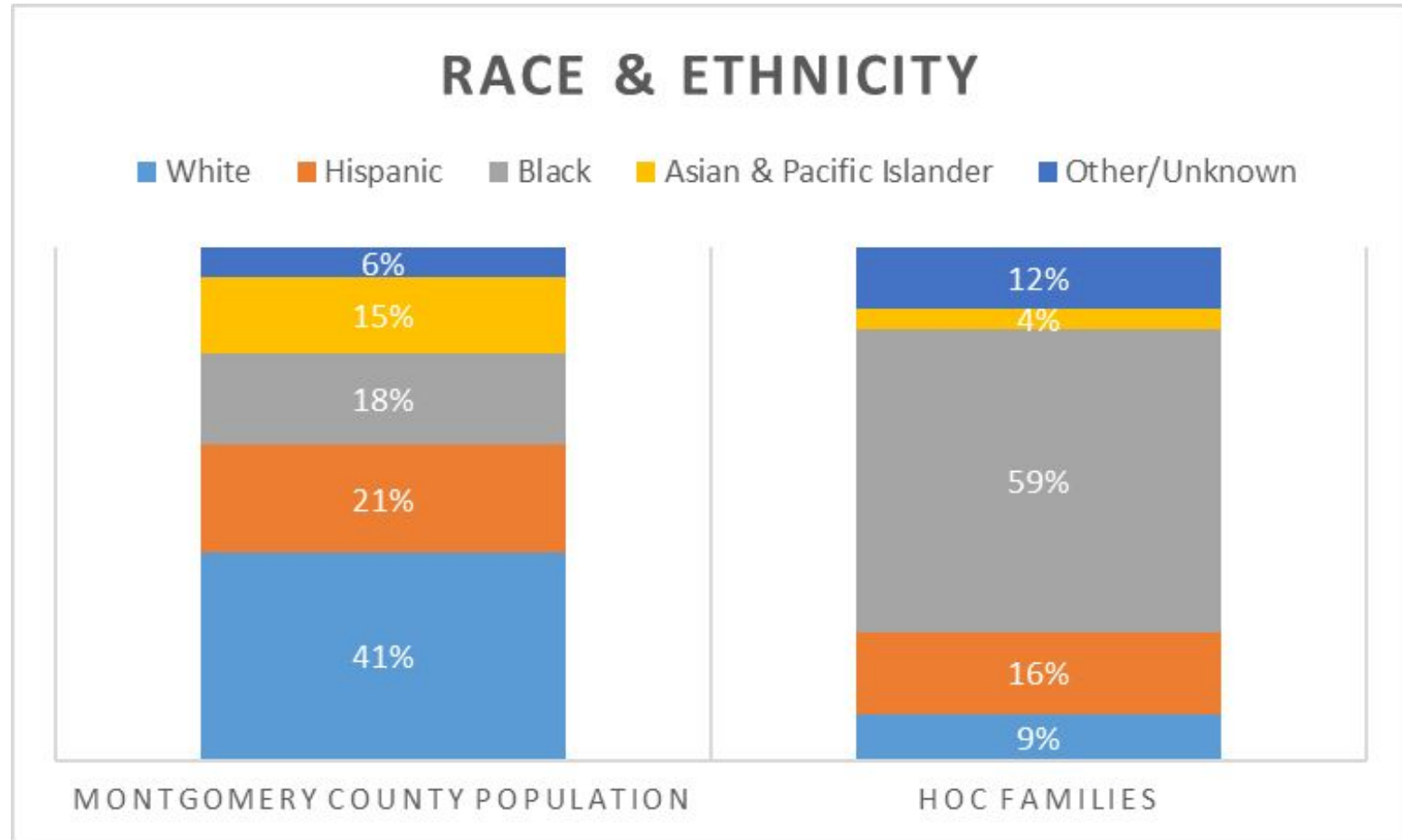
## Public Developer

- HOC currently has 13 construction and major renovations in design, predevelopment or under construction
- 3,270 total units, 1,812 affordable
- \$894 million total construction cost



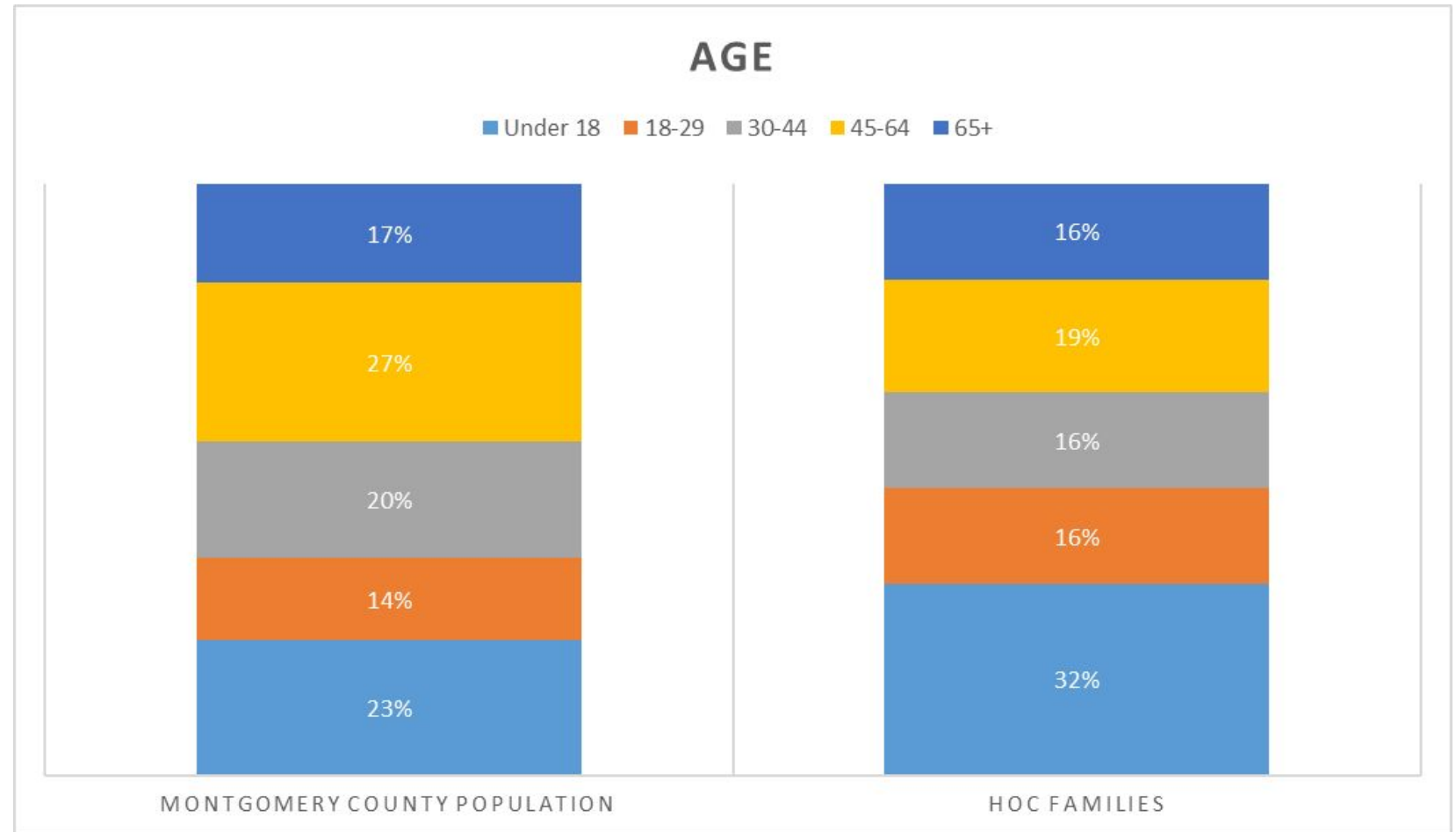
# HOC Demographics

# HOC Demographics



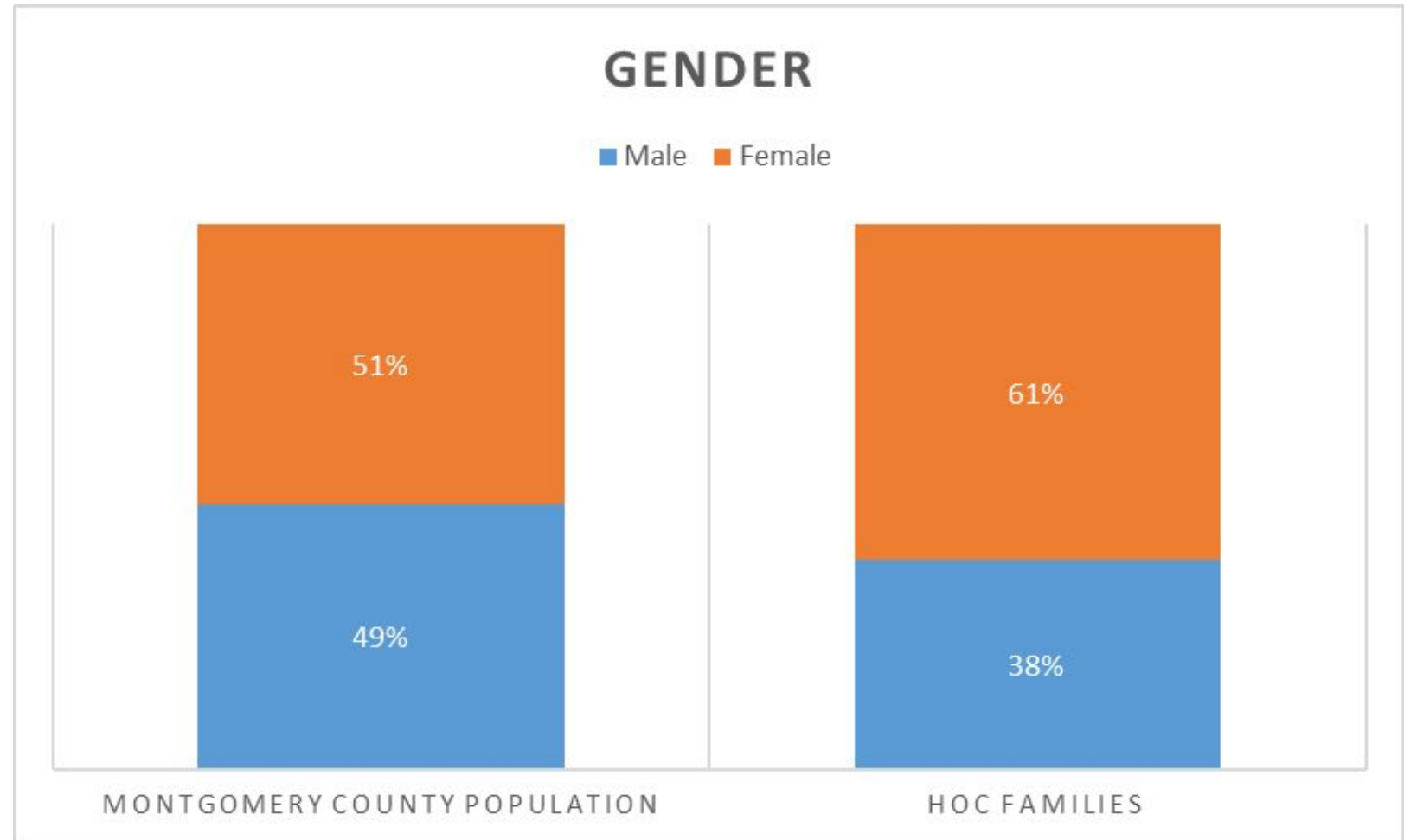
Source: HOC internal data as of 1/26/23; Montgomery Planning/American Community Survey 2021.

# HOC Demographics



Source: HOC internal data as of 1/26/23; Montgomery Planning/American Community Survey 2021.

# HOC Demographics

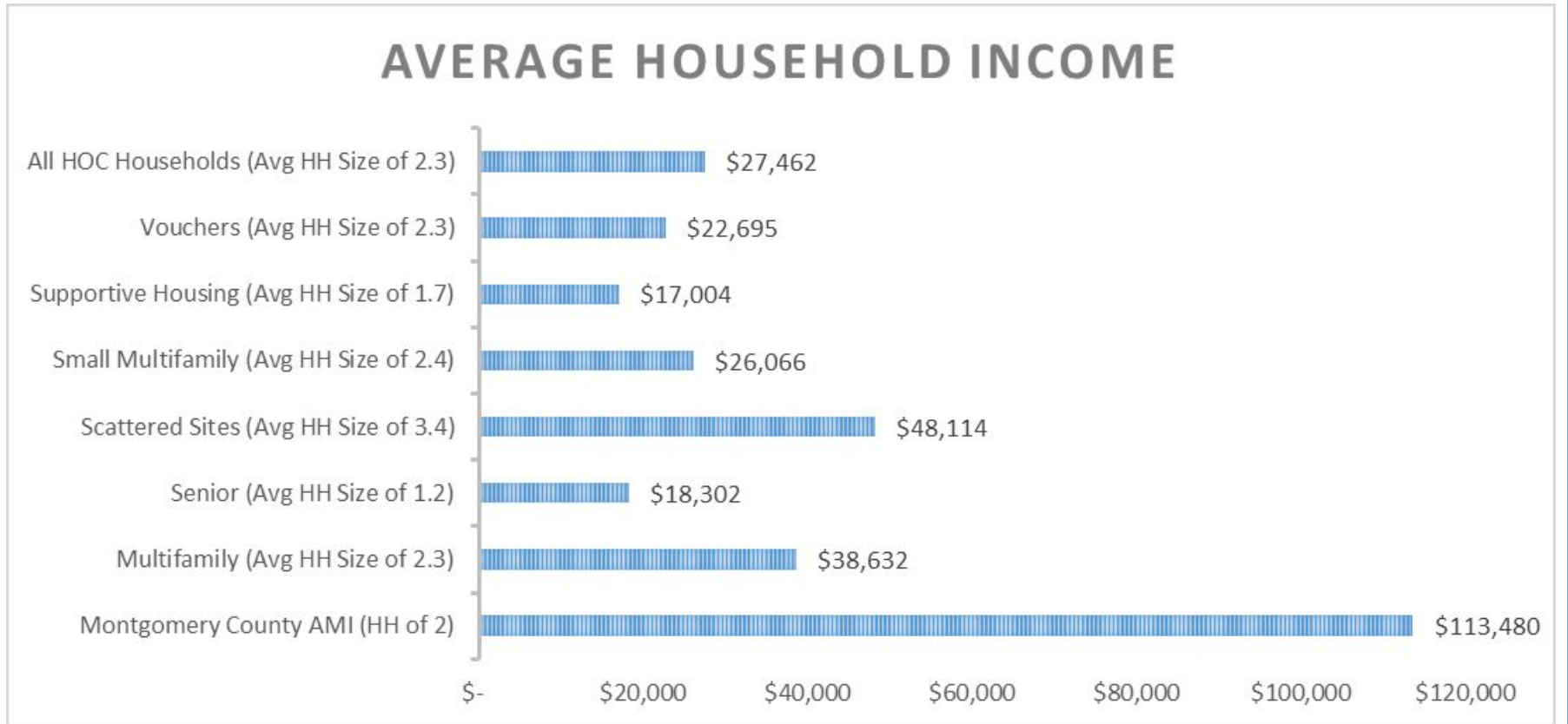


Source: HOC internal data as of 1/26/23; Montgomery Planning/American Community Survey 2021.



# HOC serves 33,704 residents in 14,620 households

## HOC Demographics



Source: HOC internal data as of 1/26/23; DHCA MPDU Guidelines. HOC averages do not include market-rate residents.



# Rental Assistance Programs

# Rental Assistance Programs

## **HOC currently serves 8,388 households with rental assistance**

- 7,702 Housing Choice Vouchers (97% utilization) + 803 incoming clients from other jurisdictions, 110 Mainstream Vouchers and 92 Emergency Housing Vouchers
- 34% of voucher holders are elderly (62+) and 32% are disabled
- Average subsidy is \$1,267; average tenant payment for rent and utilities is \$518

## **Current waitlist is 36,676 applicants for all programs - 27,519 for vouchers**

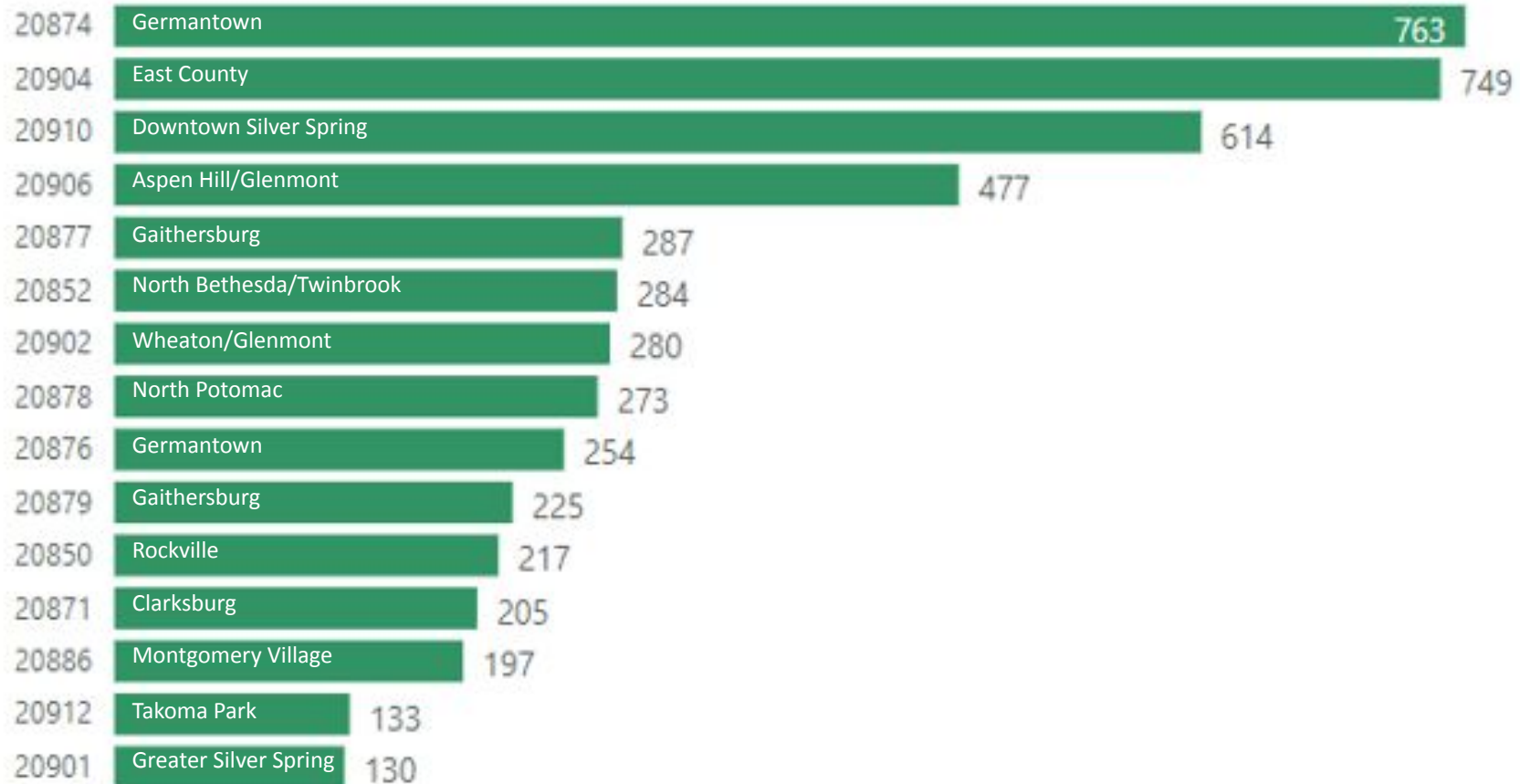
- Average time to get a voucher is 6.5 years
- Emergency Housing Vouchers serve families who are homeless, at risk of homelessness, fleeing or attempting to flee domestic violence, human trafficking, sexual assault or stalking. These families are referred by DHHS. These vouchers may not be re-issued after September 30, 2023

## **19% of voucher holders are still rent burdened**

- Rent burdened families pay more than 30% of income
- Average rent-burdened voucher-holder pays 46% of their income on rent
- Based on the high-cost of living in Montgomery County, HOC recently obtained HUD approval to increase our Voucher Payment Standard to 112% of the published Fair Market Rents. On average, rents still exceed the voucher payment standards by \$193



# Top 15 Zip Codes with the Most Families Using Vouchers

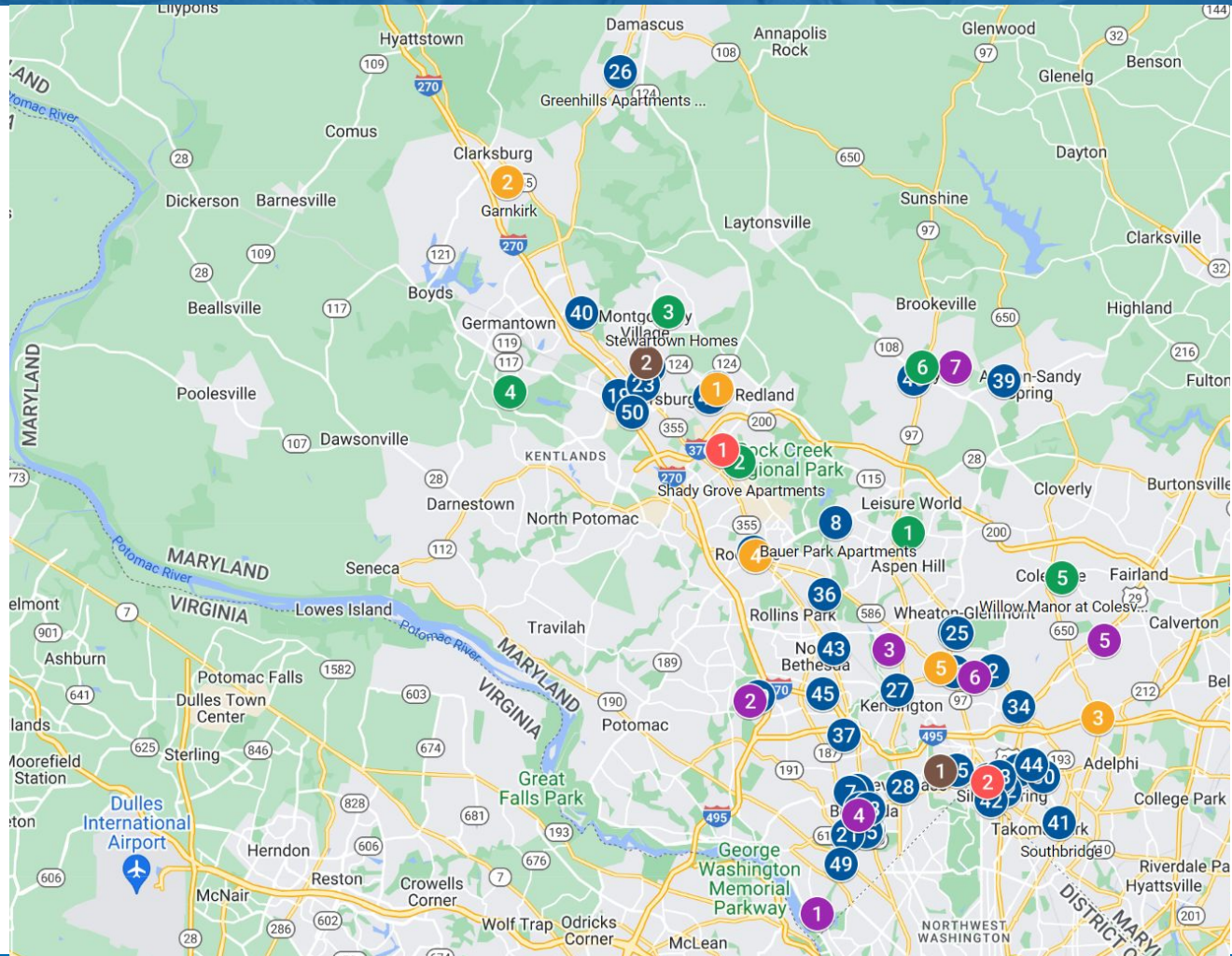




# HOC Real Estate & Development



# HOC owns properties across Montgomery County



HOC Multifamily Properties + Pipeline. Does not include scattered sites.

# Evaluating the Preservation Need

## As of July 2020...

- Approximately 80% of the County's rental stock is unrestricted.
- Of those, 45% are priced to rent at or below 65% AMI.
- Nearly 26,000 (60%) of units below 65% AMI are unrestricted (NOAH).

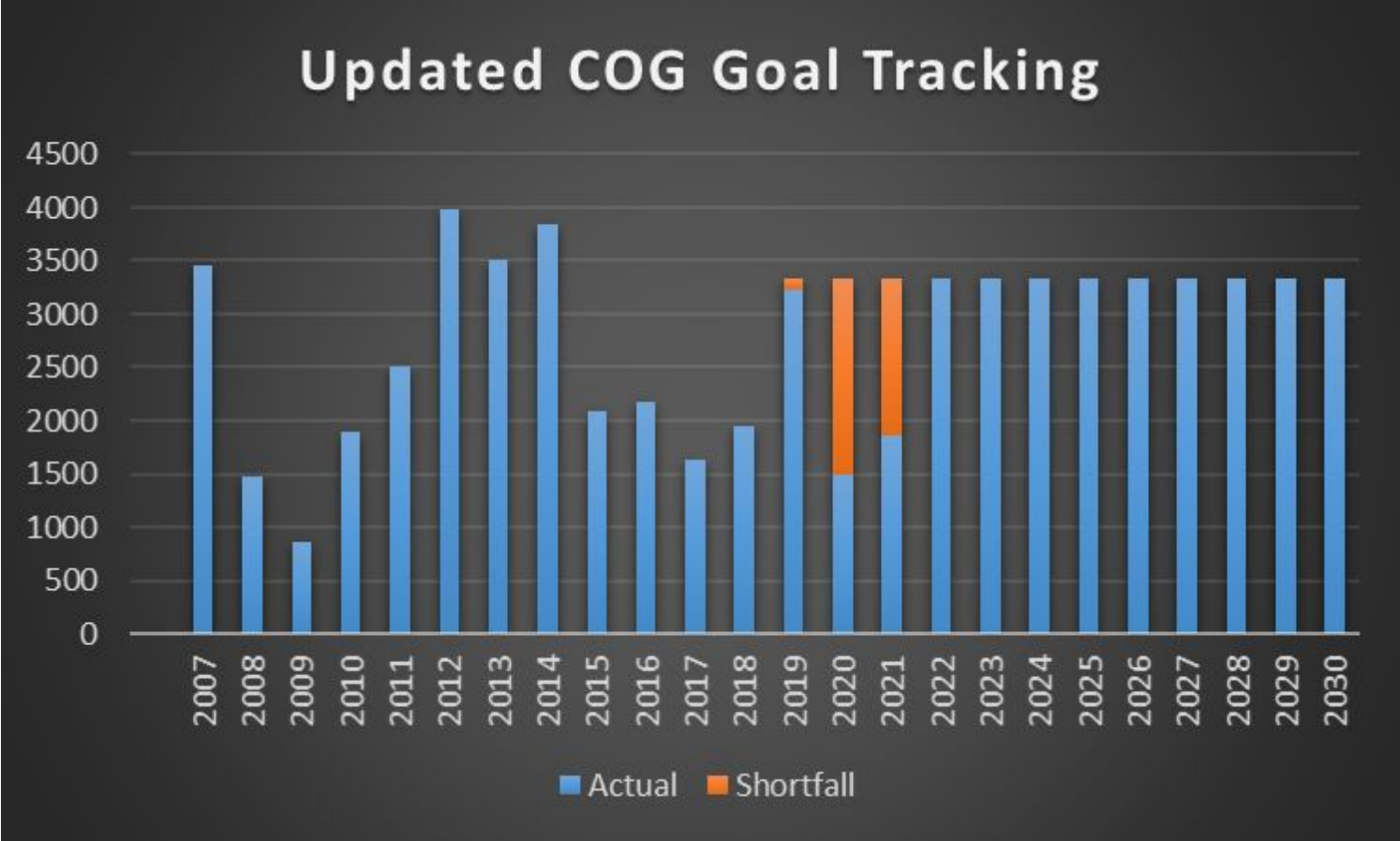
By 2030, between 7,000-11,000 of these 26,000 NOAH units will be lost.

## Preservation of Affordable Housing Study\*



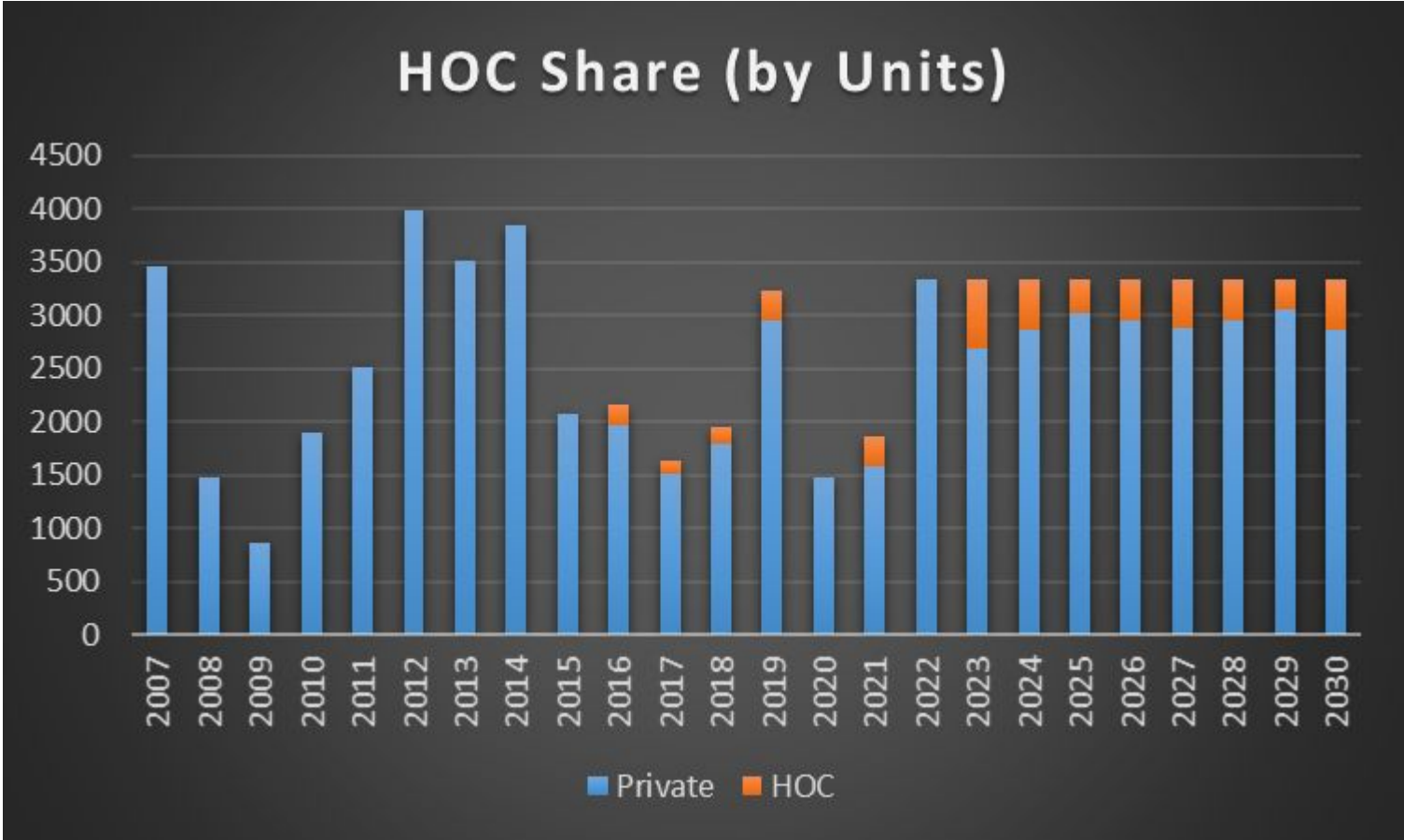
\*Commissioned by the Montgomery County Planning Department

# Producing new housing





# Producing new housing



# How we can close the gap

## More rental assistance

- Whether funded locally or at the state or federal level
- Continuing the Emergency Housing Voucher program to assist the most vulnerable families
- Shallow subsidy voucher programs could stretch local and state dollars further and cover families that may not be eligible for federally funded programs

## Preservation of existing affordable housing

- HOC is eager to work with County, State and nonprofit partners to develop new funding sources to expand our ability to acquire and preserve Naturally Occurring Affordable Housing
- Continued county support for acquisition and renovation of scattered site units (often MPDUs)

## Production of new housing

- Housing Production Fund is a huge success and just getting started
- State bill HB60 (Del. Stewart) would create a Housing Innovation Fund to provide 1:1 matching funds for HPF
- HOC's bond issuances are constrained by a volume cap issued by Maryland DHCD. We currently project a shortfall of \$125 million in bonding capacity in order to maximize our development pipeline and intend to request a special allocation from the State. We will seek County support for this request.



# Selected HOC Real Estate Projects



# Selected Projects Under Construction



## The Laureate (Shady Grove)

First new development to utilize HOC's Housing Production Fund, the Laureate (formerly Building D of the western half of the County Service Park redevelopment) is a 268-unit, transit-oriented community in Rockville, just steps from the Shady Grove Metro Station. As required by the HPF, 20% of units will be set aside at 50% AMI, and 10% of units will be set aside at MPDU limits. Construction was funded without LIHTC equity or long-term HIF funding. This mixed-use building will house local-serving retail and an HOC Customer Service Center.



## Elizabeth Square (Silver Spring)

New construction, mixed-use, mixed-income senior apartments over the future South County Regional Recreation and Aquatics Center ("SCRRAC") located in Silver Spring. The Leggett (formerly Elizabeth House III) includes 267 residential units, with 106 RAD replacement homes for the current Elizabeth House limited to households making 30% of AMI. An additional 14 units are restricted to 60% AMI and 118 units to 80% AMI. Residential units are expected to be completed in September with the SCRRAC following in early 2023.

# Selected Projects

---

## Design | Planning



### **Hillandale Gateway (East County)**

A new mixed-use, mixed-income community located on the site of Holly Hall Apartments, a former 96-unit Public Housing community in Silver Spring. Hillandale Gateway will consist of 155 age-restricted residential units, 308 multifamily apartments, retail, and parking. Both buildings will be built to Passive House standards. The senior building will strive to achieve Zero Net Energy through Passive House construction techniques, energy efficient mechanical systems, and the installation of solar panels on the site. HOC anticipates closing on LIHTC and construction financing on or around 3Q FY23.



### **The Metropolitan Apartments (Bethesda)**

High-rise, 308-unit rental community atop County Garage 49 located in Bethesda, MD. Staff continues to advance the design and planning efforts for the future renovation. The 216 market rate units benefitted from minor renovations between 2012 and 2013 but need more significant renovations to remain market competitive. The 92 affordable units have not had any renovations since construction. Staff is proposing to achieve National Green Building Standard (“NGBS”) Silver certification.



# Selected Projects

## Design | Planning



### Heritage Emory Grove (Gaithersburg)

Proposed redevelopment project for mixed-income homeownership, honoring the history of a thriving, self-sufficient community founded by freed African-Americans in 1864. A partnership between Montgomery County, HOC and Emory Grove United Methodist Church, this project contemplates new street grids, pedestrian connectivity, an updated community center, Johnson's Local Park, historical programming, cultural amenities, and community gardening to help re-establish the camaraderie and interconnectedness of the original community with Emory Grove United Methodist Church as its reaffirmed heart.



### Wheaton Gateway (Wheaton)

Proposed vibrant new mixed-use residential and retail property on 5+ acres in Wheaton, MD, featuring mixed-income, multifamily housing, and exciting public and commercial spaces at the site of the Lindsay Ford automotive dealership. Wheaton Gateway will include a variety of unit types (i.e. 1-, 2-, and 3-bedroom units) offered at a variety of prices (target of 70% market-rate and 30% MPDUs). Buildings will be designed to meet Passive House standards. HOC intends to explore a variety of potential construction technology systems including mass timber, steel, and concrete.

# Selected Projects

## Design | Planning



### **Sandy Spring Missing Middle**

Proposed development of 22 missing middle units to the existing Sandy Spring Meadows development in Sandy Spring Village Center. Current proposal includes six duplex units, 12 triplex units, and four carriage houses, along with a 900 square-foot central community space on 3.27 acres. Ten units would be MPDUs all would incorporate green building techniques.

# Selected Projects Recently Completed



## The Fenton (Silver Spring)

This 124-unit mixed-income and mixed-use development was completed in November 2019. Of 124 units, 84 are restricted to residents earning below 60% of AMI and further subsidized with Project Based Rental Assistance. The remaining 40 units are affordable to residents earning below 80% of AMI. It is located in Fenton Village near the Silver Spring Metro, and is home to two new, locally-owned dining options for Silver Spring: The Breakfast Club, an upscale all-day breakfast restaurant, and the Black Lion Cafe, a second location for the Rockville-based coffee roaster and retailer specializing in Ethiopian coffee.



## Residences on the Lane (Rockville)

New construction, mixed-use, mixed-income senior rental apartments located in Rockville Town Center. Residences on the Lane (formerly Upton II) includes 150 age-restricted residential units, including 112 replacement homes for HOC's nearby Town Center Apartments. Of the 150 units, 30 are restricted to 40% AMI (22 of which are subsidized with Project Based Rental Assistance), 82 are restricted to 60% AMI, and 23 are restricted to 80% AMI. The building opened for occupancy in December 2021 and is nearly fully occupied.



**Montgomery County Council  
Planning, Housing and Parks Committee  
Affordable Housing Planning Discussion  
January 30, 2023**

Douglas M. Firstenberg

STONEBRIDGE

# THE CHALLENGE

## Housing Production Shortage

- Montgomery County is not on pace to provide the projected housing needs of 63,000 new units by 2040
- 25% of households are projected to be individuals and families that earn below \$50,000 per year

## Significant Rent Challenged Households

- There is a shortage of affordable housing at incomes below 50% AMI
  - 40,000 families in multi-family units are cost-burdened (spend greater than 30% of gross income on housing)
  - 29,000 families are severely cost-burdened (spend greater than 50% of gross income on housing)

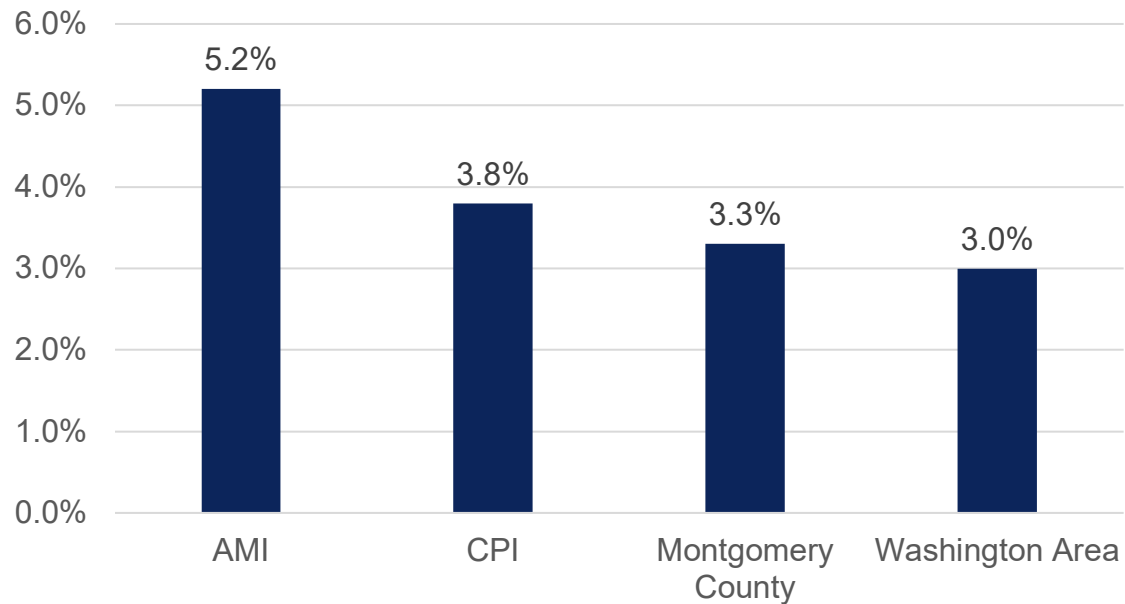
# SUPPORTABLE RENT SUMMARY

- “Covering” annual operating expenses and “dynamic” real estate taxes requires rental income equal to:
  - 36% AMI for high-rise units
  - 33% AMI for garden units
- 70% of AMI supports:
  - \$135,000 of development costs for high-rise units (less than 25% of costs)
  - \$130,000 of development costs for garden units (less than 33% of costs)

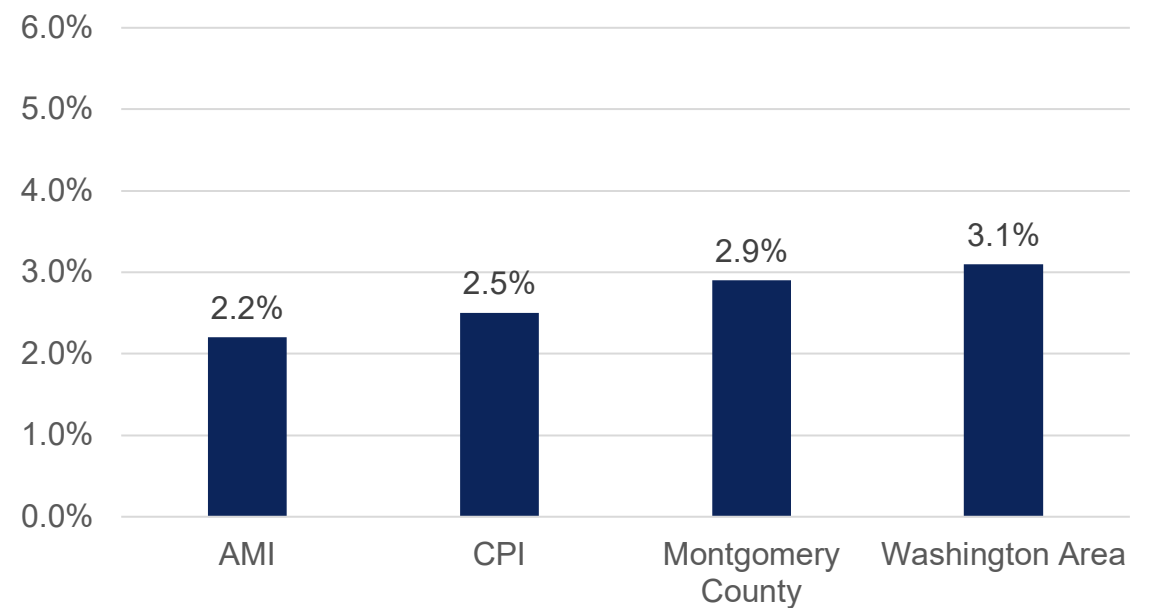


# MARKET RENT GROWTH (CLASS A PROPERTIES)

5 Year Annual Rent Growth Rate (2017 – 2022)



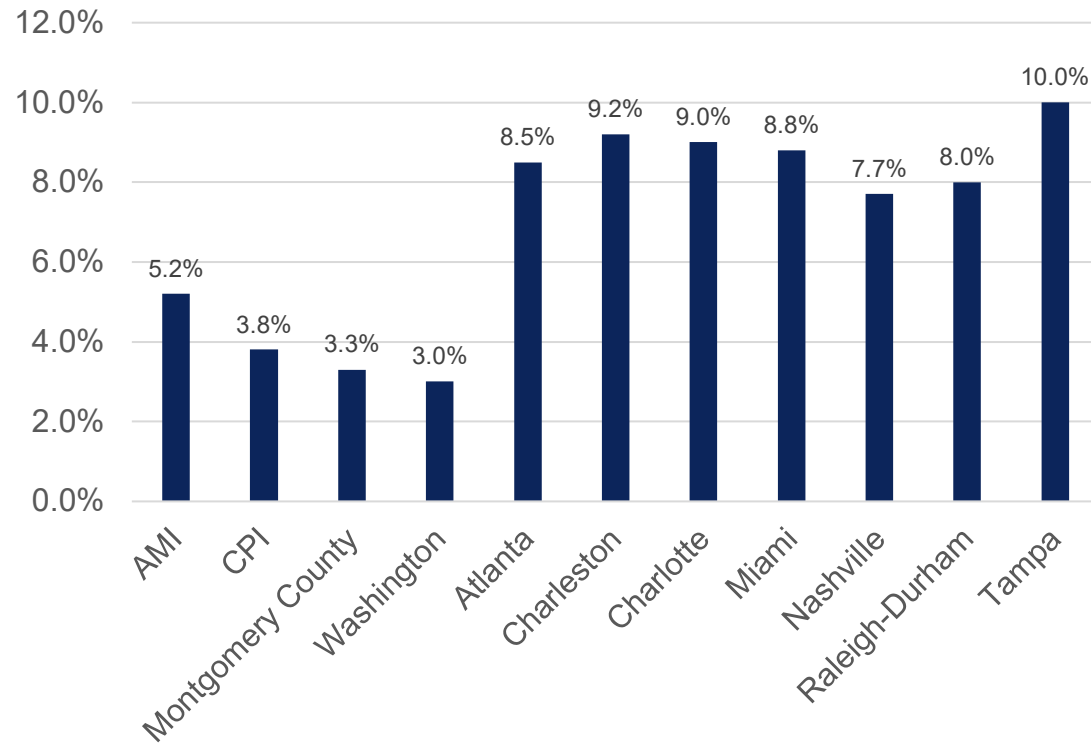
20 Year Annual Rent Growth Rate (2002 – 2022)



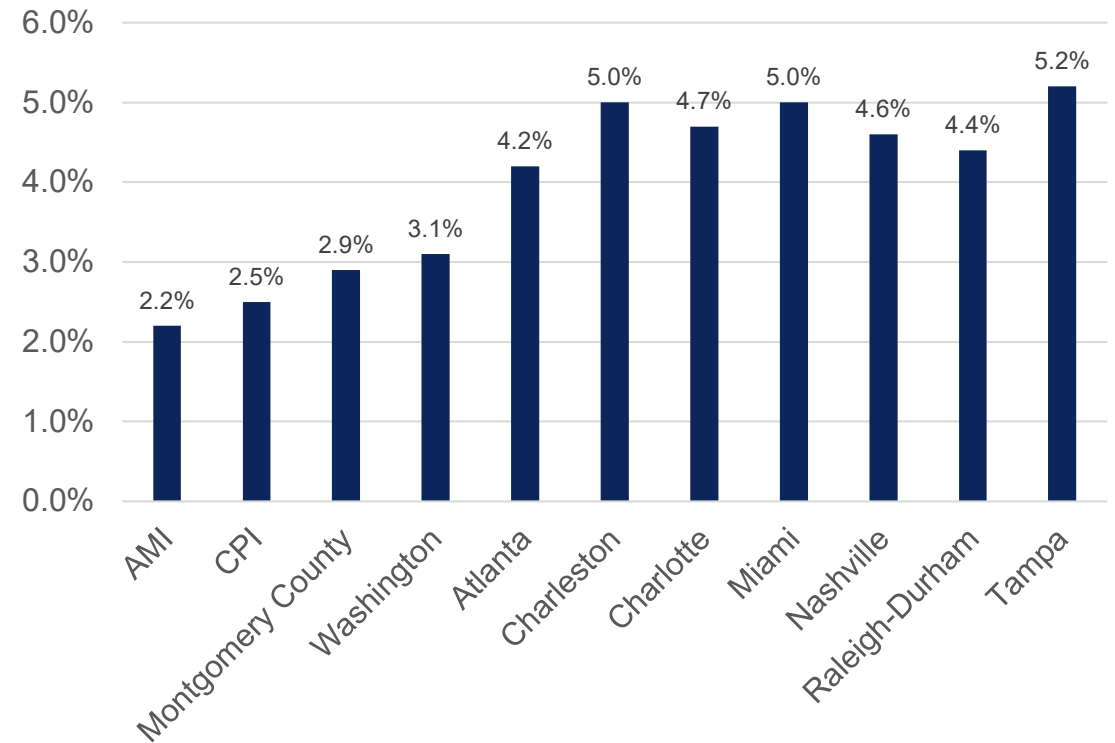
# CAPITAL DRIVES DEVELOPMENT AND OWNERSHIP

- 80% of development capital comes from outside the County
- The “math” drives development and investment

**5 Year Annual Rent Growth Rate (2017 – 2022)**



**20 Year Annual Rent Growth Rate (2002 – 2022)**



## **SOLUTION: COMPREHENSIVE PLAN ENCOURAGING DEVELOPMENT AND CREATION/PRESERVATION OF WORKFORCE AND DEEPLY AFFORDABLE HOUSING**

Program elements:

- Preservation of existing affordable units through purchase with restrictions is far more cost effective than new development
- Take advantage of opportunities to purchase buildings below replacement costs:
  - The Exchange at Wheaton Station - \$275,000 per unit
  - Metro Accessible Project Pending Sale - \$280,000 per unit
- Creative use of County “tools” to achieve units at all levels of affordability:
  - Land
  - Rental assistance programs
  - Housing Production Fund
  - Alternative Location Agreements
  - Housing Initiative Fund
  - Low Income Housing Tax Credits
  - Pilots

## Path Forward:

“...a more efficient way to ensure that low-income households receive the benefits of rent regulation is to pair broad-based, anti-gouging rent regulation with target subsidies that reduce housing costs for low-income tenants.”

Source: NYU Furman Center. Policy Brief April 2021. Sophie House, Matthew Murphy, and Katherine O'Regan. *Rent Regulation for the 21<sup>st</sup> Century: Pairing Anti-Gouging with Target Subsidies*.

**BY PARTNERING, WE CAN FIND SOLUTIONS THAT WORK TO GROW THE COUNTY AND ADDRESS HOUSING AFFORDABILITY WITH A FOCUS ON THOSE WHO ARE RENT-CHALLENGED.**

# Production of Affordable Housing Requires Public Investment

Montgomery County



**The Laureate**  
(30% affordable, 80 units)  
*HPF, Tax Abatement, Bonds, Public Land*



**The Lindley**  
(40% affordable, 80 units)  
*Tax Abatement, Public Land, Non-profit Partner*



**The Daley**  
(23% affordable, 77 units)  
*Public Land*



**Capitol Quarter, DC**  
(57% affordable)  
*Public Housing, Tax Credits, Public Land*



**Old Town Commons, Alexandria VA**  
49% affordable  
*Public Housing, Tax Credits, Public Land*



**Chatham Square, Alexandria VA**  
34% affordable  
*Public Housing, Tax Credits, Public Land*

# **MONTGOMERY COUNTY COUNCIL**

## **PLANNING, HOUSING AND PARKS COMMITTEE**

### **AFFORDABLE HOUSING COMMITTEE SESSION**

**JANUARY 30, 2023**



# MONTGOMERY COUNTY

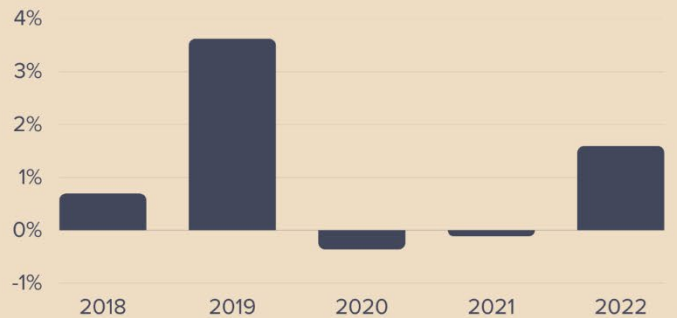
## SUMMARY

### PORTFOLIO INFORMATION

Average Rent	\$1,749
Percent AMI	59.4%
Number of Residents	8,201
Number of Units	4,407
Number of Bedrooms	6,203

### RENT ESCALATION

Five-year Average: 1.09%



# 4

## UNINTENDED CONSEQUENCES OF RENT STABILIZATION

1. Housing disinvestment
2. Loss of tax revenue
3. Housing deterioration
4. Gentrification

# Housing Disinvestment

## ■ BOSTON, MA

Rent-regulated properties were valued at a discounted rate compared to non-rent-stabilized property. A 12% increase in valuation of previously rent-stabilized assets occurred immediately upon repeal of rent control.

Autor, Palmer and Pathak, *2012 Housing Market Spillovers: Evidence From the End of Rent Control in Cambridge, Massachusetts* (Working Paper 18125. National Bureau of Economic Research)

## ■ ST. PAUL, MN

Rent stabilization is being unwound and repealed because building permits dropped from 1,391 to less than 200 between 2021 and 2022.

Melo, Frederick, *St. Paul Council Likely to Prune Rent Control Ordinance Next Week*, Twin Cities Pioneer Press. Sept. 7, 2022

## ■ SAN FRANCISCO, CA

Rent regulations led to a decrease in housing supply and soaring rents in available housing stock because many providers removed rent-controlled units from the market, converting them to condos, TIC or redevelopment.

Pastor, Carter, Abood, *Rent Matters: What are the Impacts of Rent Stabilization Measures*, p.12 (October 2018 - USC Dornsife Program for Environmental and Regional Equity)

# Housing Disinvestment

## SOUTHERN MANAGEMENT CASE STUDY

### **POSSIBLE COMMUNITIES**

For this development, we considered communities within our portfolio that included a large surface area of undeveloped property and good density.

Our options were Summit Hills in Montgomery County and Cavalier Club in Fairfax and Arlington Counties.

### **BACKGROUND**

In 2021, we began plans to build on one of our existing properties. Plans included the addition of for-sale, market-rate townhomes and a new multi-family building for long-term use with a significant portion of workforce units.

### **OUTCOME**

We chose not to develop our Montgomery County community due, in large part, to the legislative uncertainty facing multi-family projects in the jurisdiction.

Note: Summit Hills is full of opportunity. We welcome the chance to partner with the county on creative workforce programs at this location.





# Summit Hills

8484 16TH STREET  
SILVER SPRING, MD 20910

- BUILT: 1960
- ACQUIRED: 1979
- RESIDENTS: 2,327
- UNITS: 1,120
- BEDROOMS: 2,207





# Loss of Tax Revenue

In 2015, the Regional Economics Studies Institute of Towson University and BBPC produced a study that detailed the following:

- Rent control would result in a loss of 70,951 jobs over a 10-year period (estimating from 2015-2025 in the aggregate).
- Tax revenues would drop by \$538,544,636 over the same 10-year period if burdened by rent control.
- The county would be forced to make up lost tax revenues by increasing property taxes to homeowners.



# Housing Deterioration

Under rent control, housing providers typically allow properties to diminish in quality until the rent-controlled rate reflects the market prices. Building maintenance and provision of costly amenities are adversely impacted in a similar manner.

(Glaeser, *Does Rent Control Reduce Segregation?*, Discussion Paper 1985, Harvard University of Economic Research, 2022)



# Gentrification

According to a recent Wall Street Journal article, high-income, NYC residents in rent-controlled apartments pay 39% below market, while low-income NYC residents only pay 15% below market.

- There is an increased cost associated with maintaining older housing products that cannot be shared or passed on to renters in a controlled environment.
- This incentivizes providers to tear down existing workforce housing and build new class A properties.
- Even assuming 15-20% MPDUs in a new build, we continue to expand an unaffordable footprint to the detriment of our workforce renters.



# Solutions

- **Robust anti-rent gouging bills** that prohibit bad actors but provide workable exemptions, including:
  - New construction
  - Capital investments/renovations
  - Operating expenditures for those assets less than 60% AMI
  - County- or state-legislated mandatory investments, such as BEPS or sprinklers
- **Subsidies for county renters**

# APPENDIX

## Southern Management Companies' County Workforce Housing Communities



# CHATEAU

9727 Mt. Pisgah Rd., Silver Spring, MD 20903

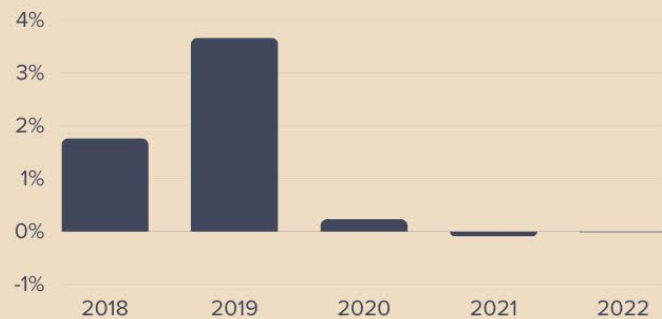
BUILT  
1968  
ACQUIRED  
1976  
TYPE  
High-rise

## COMMUNITY INFORMATION

Average Rent	\$1,708
Percent AMI	56.9%
Number of Residents	770
Number of Units	398
Number of Bedrooms	651

## RENT ESCALATION

Five-year Average: 1.11%





# CLARIDGE HOUSE

2445 Lyttonsville Rd., Silver Spring, MD 20910

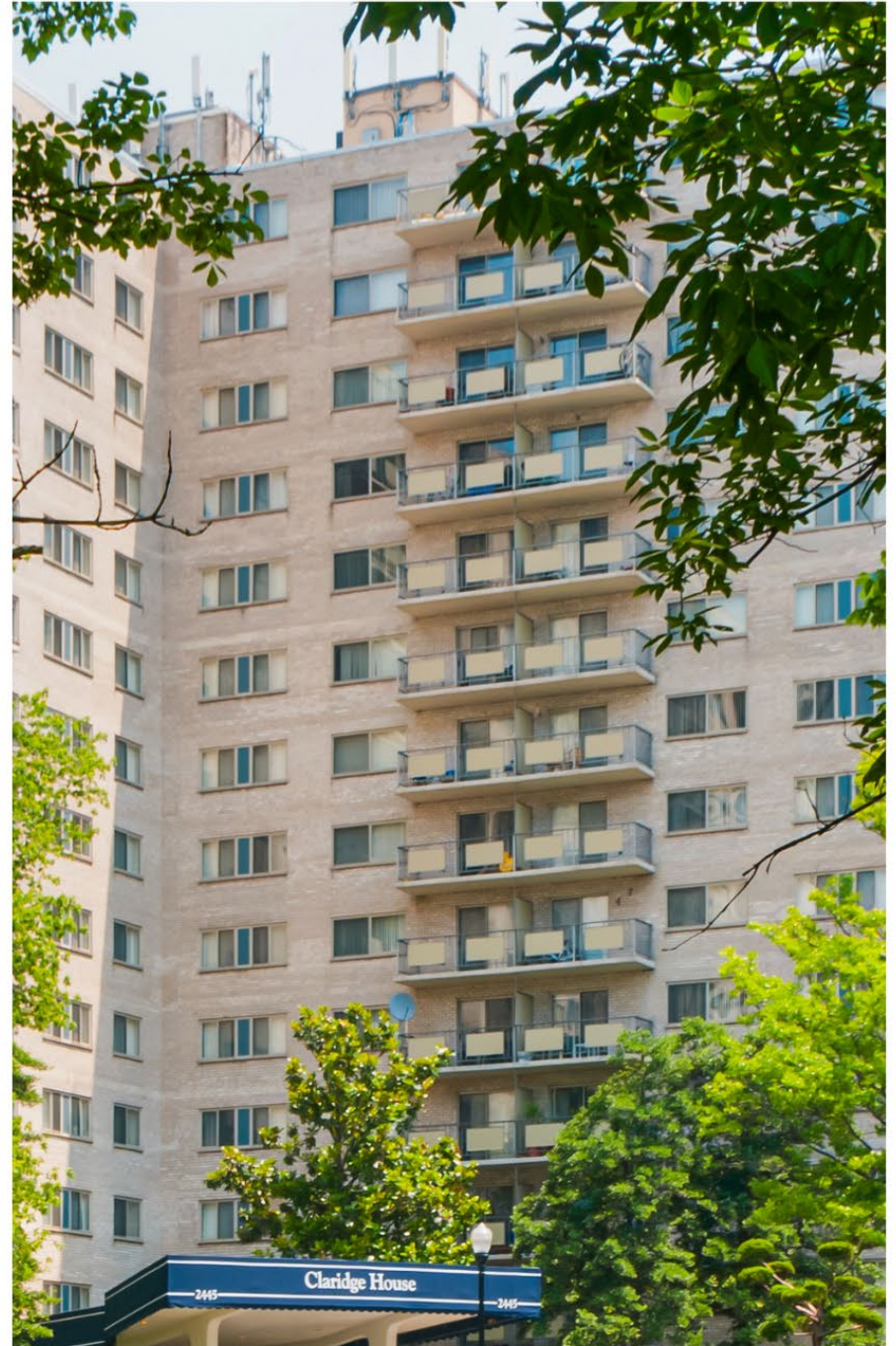
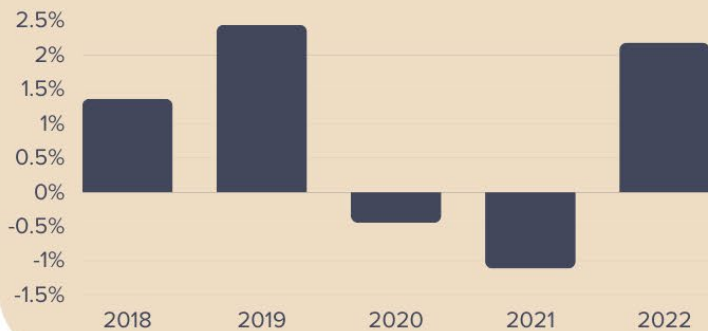
BUILT  
1966  
ACQUIRED  
1978  
TYPE  
High-rise

## COMMUNITY INFORMATION

Average Rent	\$1,759
Percent AMI	62.2%
Number of Residents	371
Number of Units	241
Number of Bedrooms	326

## RENT ESCALATION

Five-year Average: 0.89%





# HAMPSHIRE WEST

BUILT  
1963  
ACQUIRED  
1976  
TYPE  
Garden

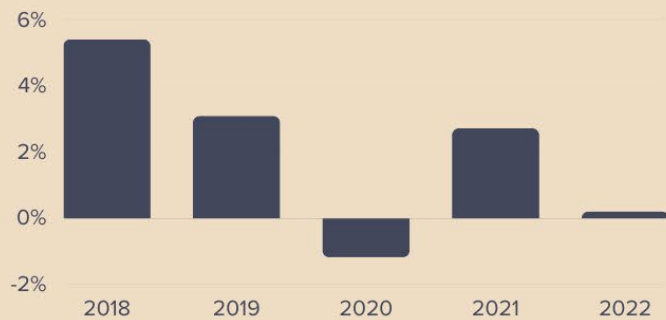
1432 Hampshire West Court, Silver Spring, MD 20903

## COMMUNITY INFORMATION

Average Rent	\$1,789
Percent AMI	56.6%
Number of Residents	552
Number of Units	184
Number of Bedrooms	356

## RENT ESCALATION

Five-year Average: 2.05%





# MIRAMONT

6040 California Circle, Rockville, MD 20852

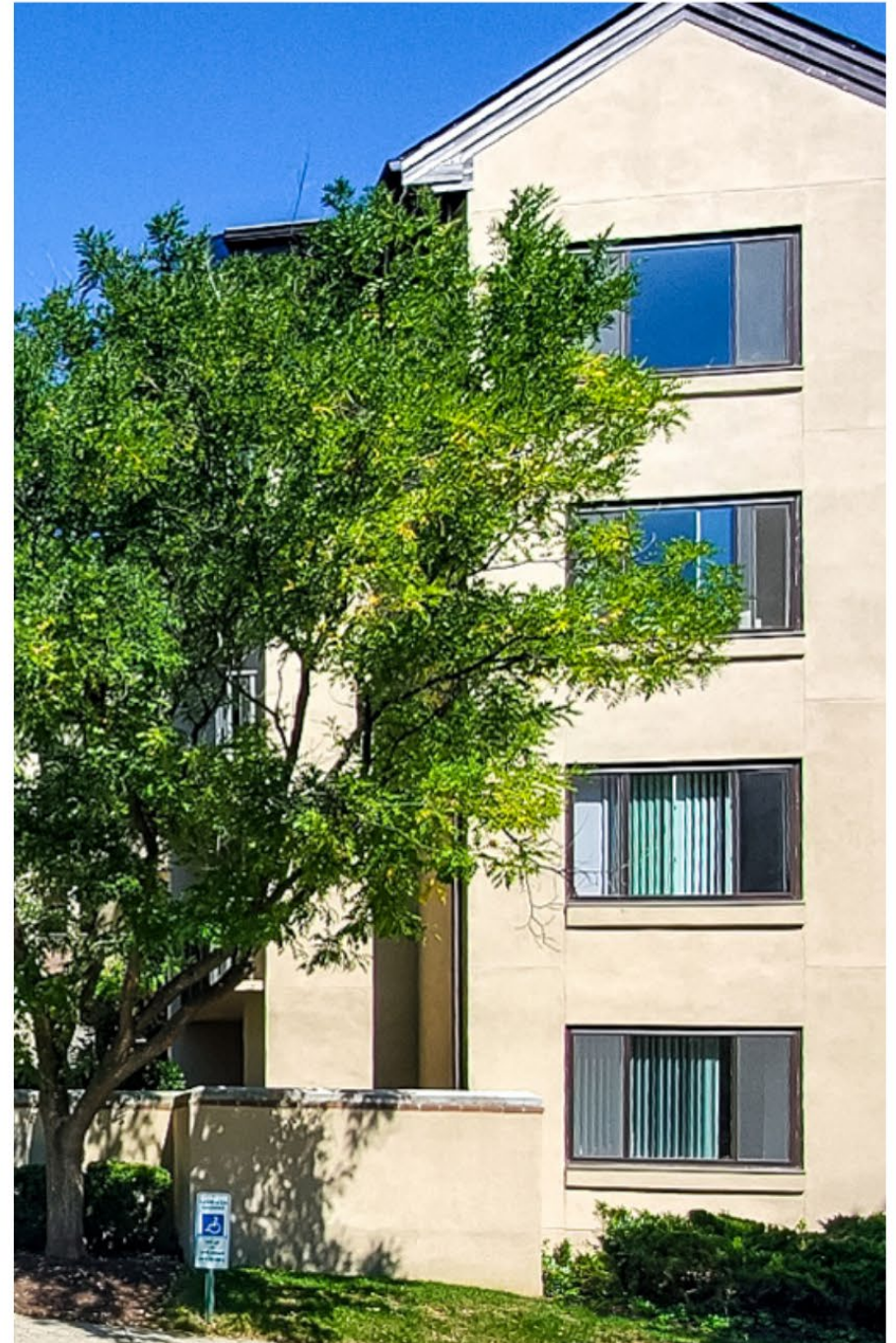
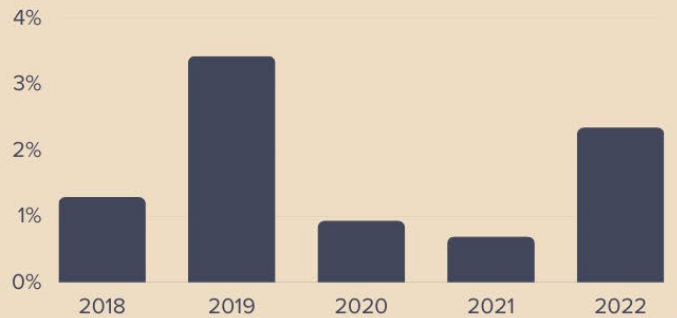
BUILT  
1985  
ACQUIRED  
1986  
TYPE  
Garden

## COMMUNITY INFORMATION

Average Rent	\$1,659
Percent AMI	59.7%
Number of Residents	445
Number of Units	300
Number of Bedrooms	381

## RENT ESCALATION

Five-year Average: 1.73%





# NOB HILL

9120 Piney Branch Rd., Silver Spring, MD 20903

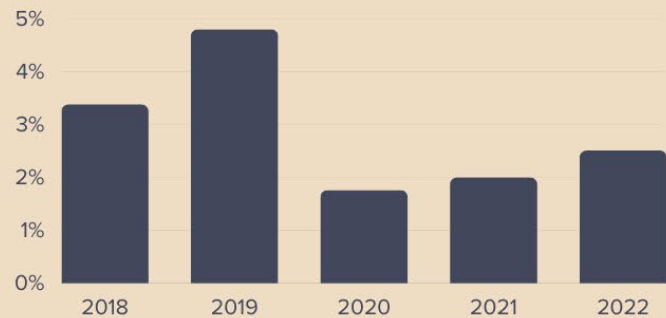
BUILT  
1960  
ACQUIRED  
1983  
TYPE  
Garden

## COMMUNITY INFORMATION

Average Rent	\$1,465
Percent AMI	49.7%
Number of Residents	885
Number of Units	396
Number of Bedrooms	601

## RENT ESCALATION

Five-year Average: 2.89%



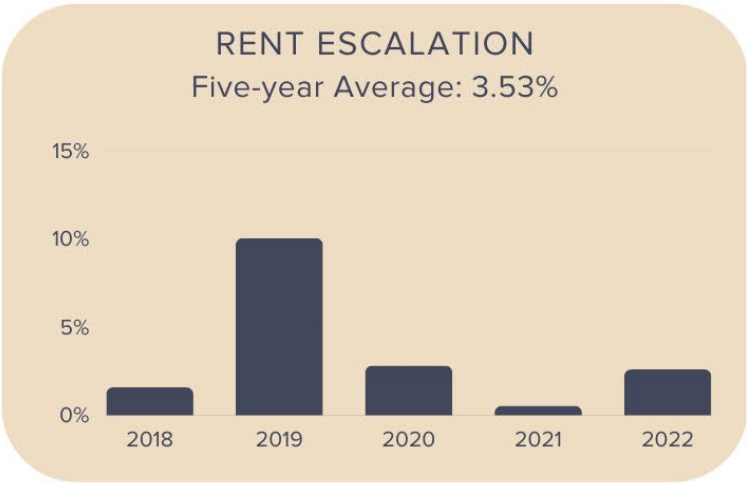


# PARK RITCHIE

7600 Maple Ave., Takoma Park, MD 20912

BUILT  
1967  
ACQUIRED  
1987  
TYPE  
High-rise

COMMUNITY INFORMATION	
Average Rent	\$1,394
Percent AMI	42.7%
Number of Residents	555
Number of Units	189
Number of Bedrooms	409



# SILVER SPRING TOWERS

BUILT  
1966  
ACQUIRED  
1976  
TYPE  
High-rise

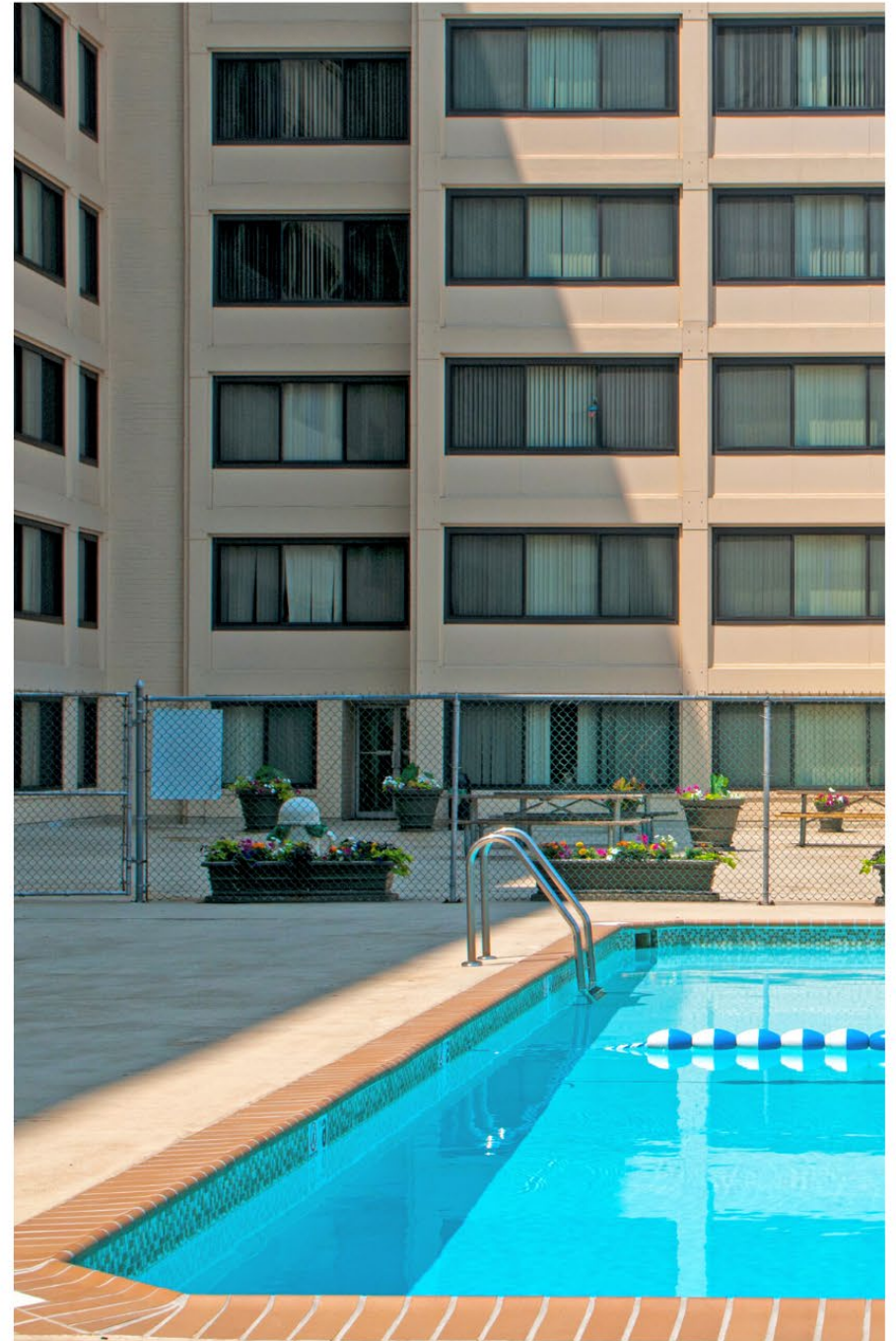
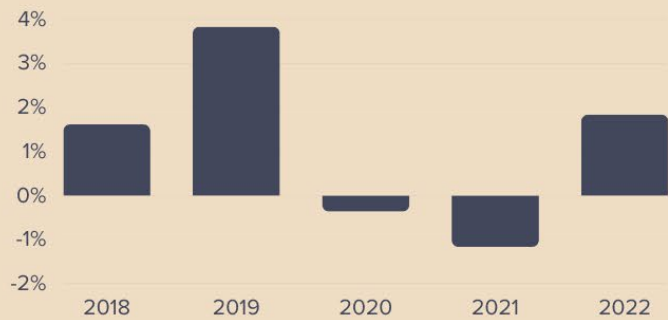
816 Easley St., Silver Spring, MD 20910

## COMMUNITY INFORMATION

Average Rent	\$1,505
Percent AMI	57.0%
Number of Residents	513
Number of Units	432
Number of Bedrooms	456

## RENT ESCALATION

Five-year Average: 1.15%





# SUMMIT CREST

38 N. Summit Drive, Gaithersburg, MD 20877

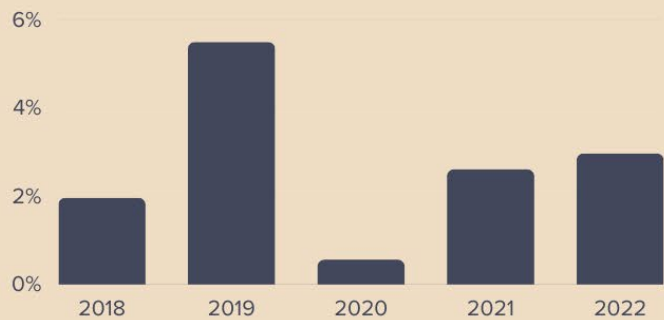
BUILT  
1969  
ACQUIRED  
1982  
TYPE  
Garden

## COMMUNITY INFORMATION

Average Rent	\$1,610
Percent AMI	52.2%
Number of Residents	558
Number of Units	232
Number of Bedrooms	420

## RENT ESCALATION

Five-year Average: 2.72%





# SUMMIT HILLS

8484 16th St., Silver Spring, MD 20910

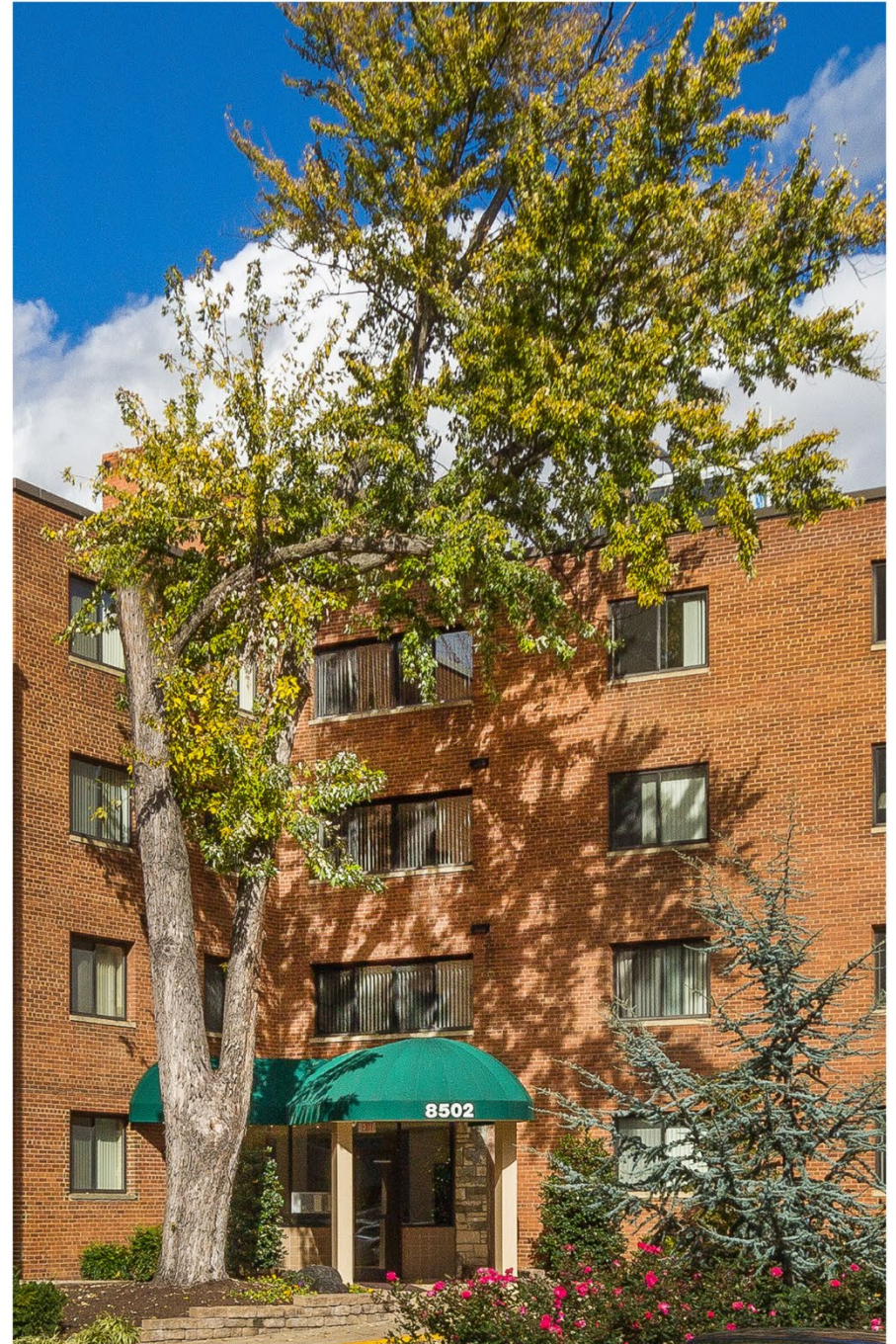
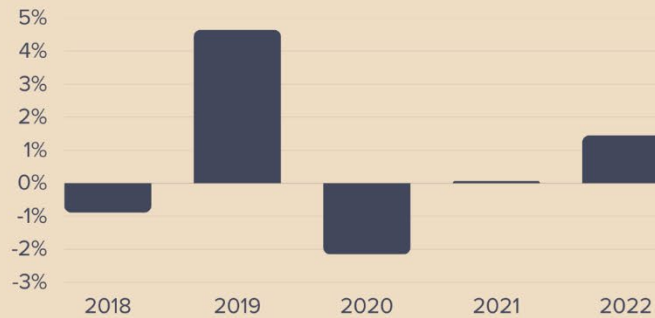
BUILT  
1960  
ACQUIRED  
1979  
TYPE  
Mid-rise and  
Garden

## COMMUNITY INFORMATION

Average Rent	\$1,856
Percent AMI	58.7%
Number of Residents	2,327
Number of Units	1,120
Number of Bedrooms	2,207

## RENT ESCALATION

Five-year Average: 0.62%





# TWIN TOWERS

1110 Fidler Lane, Silver Spring, MD 20910

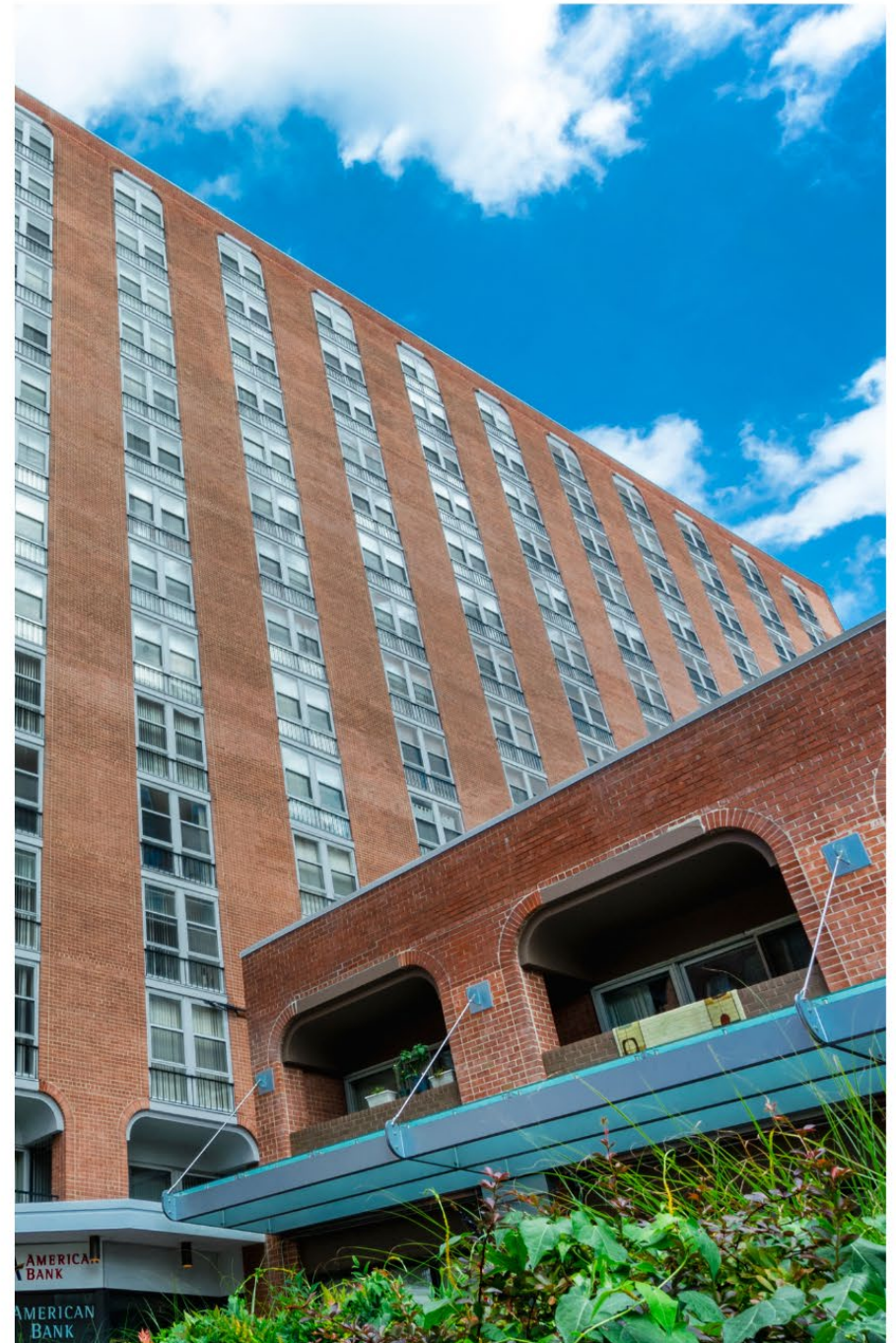
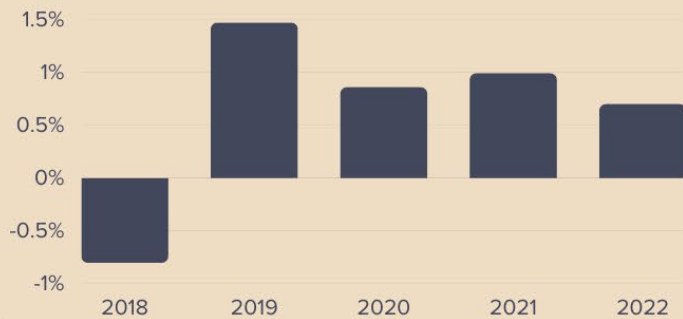
BUILT  
1966  
ACQUIRED  
1977  
TYPE  
High-rise

## COMMUNITY INFORMATION

Average Rent	\$1,633
Percent AMI	60.0%
Number of Residents	453
Number of Units	343
Number of Bedrooms	396

## RENT ESCALATION

Five-year Average: 0.25%



# Rent Burden & Policy Solutions

Presented by  
Tram Hoang, MURP  
Senior Housing Associate  
PolicyLink



### **Mission**

**PolicyLink** is a national research and action institute advancing racial and economic equity by Lifting Up What Works.®

### **Population**

**100 million residents** economically insecure living at or below 200 percent of the national poverty level.

### **One Unifying Result**

*All people in America—particularly those who face the burdens of structural racism—participate in a just society, live in a healthy community of opportunity, and prosper in an equitable economy. We focus on advancing liberating policies for the 100 million people living in or near poverty, the majority of whom are people of color.*

# Challenges of the Rental Market





# U.S. is Now Rent-Burdened Nationwide

## The Typical American Renter Is Now Rent-Burdened, a Report Says

Moody's Analytics finds that renters in the U.S. now pay 30 percent of the median income for the average rent.



By Anna Kodé

Jan. 25, 2023

The typical American renter is now rent-burdened — meaning that 30 percent of the median U.S. income is required to pay the average rent, according to a new report from Moody's Analytics.

“This 30 percent is a symbolic threshold, a milestone,” said Thomas LaSalvia, the director of economic research at Moody's.

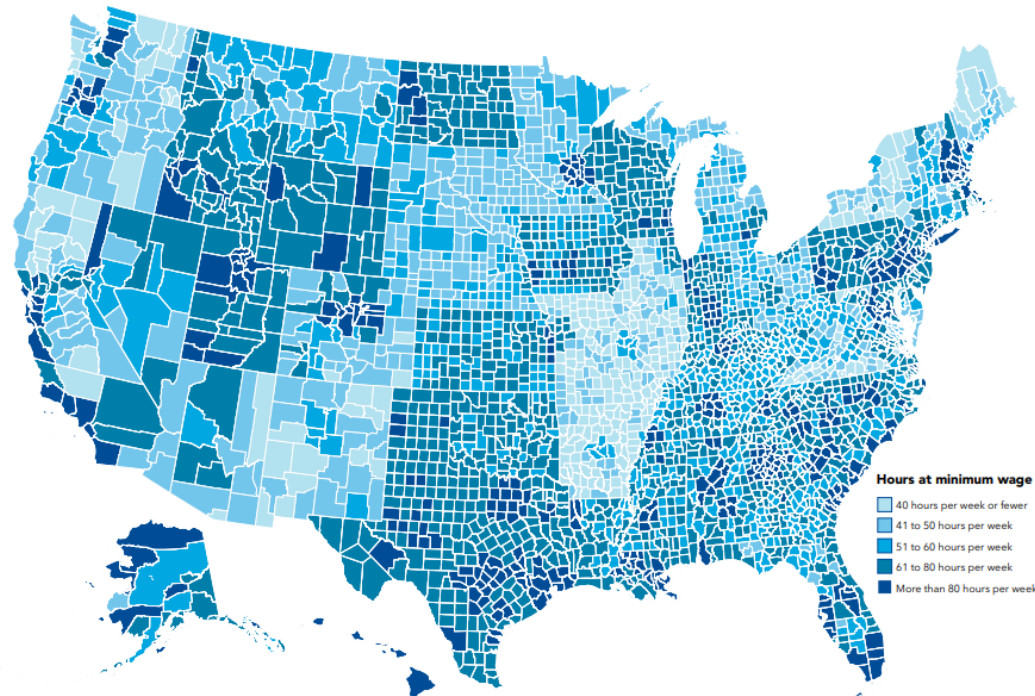
Reaching this threshold puts typical American renters — who earn the median income and pay the average rent — where they have never been before, Mr. LaSalvia said. (According to the Pew Research Center, about 36 percent of American households rented, rather than owned, their homes in 2019, the last year that reliable data was available from the Census Bureau.) Moody's first started tracking the metric in 1999, when the typical rent-to-income ratio was 22.5 percent.

**Data Source:** Moody's Analytics, January 2023.  
<https://cre.moodyanalytics.com/insights/market-insights/q4-2022-housing-affordability-update/>

# Stable Housing is Out of Reach for Many in Maryland

## HOURS AT MINIMUM WAGE NEEDED TO AFFORD A ONE-BEDROOM RENTAL HOME AT FAIR MARKET RENT IN 2022

\*Note: New England states are displayed with HUD Fair Market Rent Areas. All other states are displayed at the county level. This map does not account for sub-county jurisdictions with minimum wages higher than the prevailing county, state, or federal minimum wage. No local minimum wages are sufficient to afford a one-bedroom rental home at the Fair Market Rent with a 40 hour work week. The geographic variation of Oregon and New York's state minimum wages are reflected at the county level.



Stable housing is out of reach for thousands of renters in Maryland due to rising rents and stagnant wages.

This means:

**93** hours/week

**2.3** full time jobs

For a minimum wage worker to afford a typical two-bedroom\*

\*note: renting at the fair market rate **Source:** Out of Reach: the High Cost of Housing (2022),

# Housing Cost Burden in Montgomery County

Housing burden by tenure, severity, and race/ethnicity: Montgomery, MD; **Tenure:** Renters; **Severity:** Burdened; **Poverty:** All income levels; **Year:** 2019

SELECT BREAKDOWN ▾

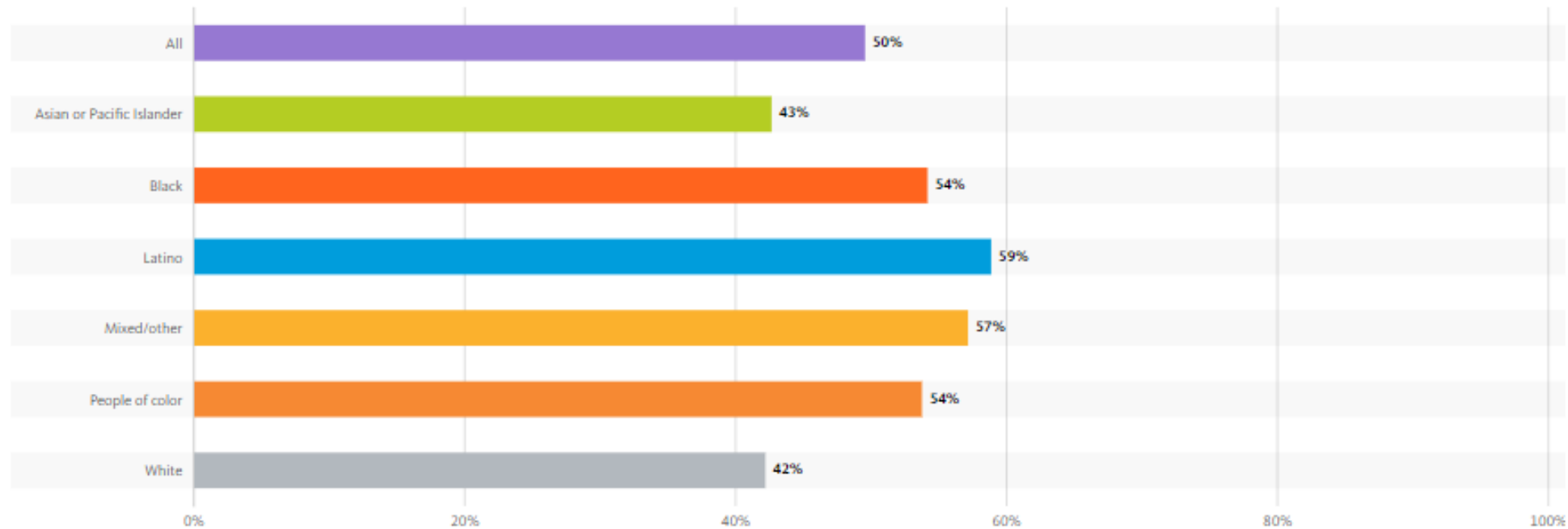
FILTERS:

TENURE ▾

SEVERITY ▾

POVERTY ▾

YEAR ▾



Data source: IPUMS  
USA | National Equity  
Atlas

# Policy Solutions to Advance Housing Stability





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## Spectrum of Policy Solutions

- **Homeownership Programs** for those who choose the pathway
- **Tenant Protections** to keep people in community: just cause, right to counsel, advance notice, tenant screening, rent stabilization
- **Increasing Supply of Housing** in sub-markets where there is most need (at the lowest income levels)
- **Increased Investment in Deeply Affordable Housing** in the form of development financing, vouchers, alternate models of ownership
- Rent stabilization is just part of the solution to the housing crisis, but we will never solve the housing crisis without it.

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## Why Rent Stabilization?

- Low-income renters and renters of color are most impacted by egregious rent increases
- Closing the racial homeownership gap
- Preventing displacement and homelessness
- Slowing the growth of private equity and corporate landlord consolidation
- Creates transparency in local housing markets
- Provides immediate and cost-effective protections that complement our entire ecosystem of housing strategies

# Where Rent Stabilization is Working



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## Rent Stabilization is Common-Sense Policy

- 180+ jurisdictions in the U.S. have rent stabilization laws in place
- In 2019, Oregon and California passed statewide rent regulations
- In the 2023 legislation session, Washington and Connecticut have proposed bills with many other states proposing enabling legislation
- Between 2020-2022, 5+ cities and counties have passed or strengthened rent stabilization laws

**Data Source:** Urban Institute, January 2019.

<https://www.urban.org/research/publication/rent-control-what-does-research-tell-us-about-effectiveness-local-action>



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## Recent Rent Stabilization Policies

Jurisdiction	Annual Cap
Oakland, California	60% of CPI or 3%, whichever is lower
St. Paul, Minnesota	3%
Santa Ana, California	80% of CPI or 3%, whichever is lower
Pasadena, California	75% of CPI
Perth Amboy, New Jersey	3% (2.5% if tenant also pays water bill)
Portland, Maine	70% of CPI

# Thank you!

Please contact Tram Hoang, Senior Housing Associate at [tram@policylink.org](mailto:tram@policylink.org) with any questions or requests for additional materials.

