M E M O R A N D U M

July 5, 2023

TO: Planning, Housing, and Parks (PHP) Committee

FROM: Pamela Dunn, Senior Legislative Analyst
               Ludeen McCartney-Green, Legislative Attorney

SUBJECT: Housing Targets Follow-up

PURPOSE: Receive update and discuss county housing targets

Those expected for this worksession:

Tanya Stern, Acting Director, Montgomery County Planning Department
Jason Sartori, Chief, Countywide Planning and Policy, Planning Department
Lisa Govoni, Housing Planner IV, Countywide Planning and Policy, Planning Department

At this session, the Committee will receive a briefing on initial efforts to create local housing targets.

General Background Information

In 2018, area officials on the COG Board of Directors passed a resolution[1] acknowledging the region's housing production challenges. What followed was a focused evaluation to determine:
- the amount of housing needed to address the shortfall and whether the region could produce it,
- the ideal location for new housing to optimize and balance its proximity to jobs, and
- the affordability of new units to ensure they are priced appropriately for those who need them.

The information gathering, data analysis, and consultation that followed resulted in **three regional housing targets** for COG member governments to pursue. They are: (1) Add at least 320,000 housing units to the region between 2020 and 2030; (2) At least 75 percent of new housing should be in Activity Centers or near high-capacity transit; and (3) At least 75 percent of new housing should be affordable to low- and middle-income households.

---

[1] Certified Resolution R27-2019, https://www.mwcog.org/documents/2019/09/11/certified-resolution-r27-2019---housing-targets/

The first regional housing target resulted in 75,000 more units than the Round 9.1 regional forecast and allocated 10,000 of these additional units to Montgomery County (including 1,000 each to the Cities of Gaithersburg and Rockville).

In March of this year, the PHP Committee received a briefing on regional housing targets from the Metropolitan Washington Council of Governments (MWCOG). The Committee also heard about DC's efforts to refine their jurisdiction-level housing target. And the Committee received a briefing and update on Montgomery County's housing target.

As a result of the information provided, the PHP Committee asked Planning staff to work on a methodology to develop localized housing targets for various planning areas in the county. The Committee suggested Planning staff consider a reduced number of planning areas and remove the Cities of Rockville and Gaithersburg from the analysis, given that the Cities have their own land use authority and complete their own forecasts.

Local Housing Targets Project

Planning staff calculated the remaining portion of the countywide housing target (forecasted plus additional) to be approximately 31,000 units by 2030. Attached on ©1-6 is the Planning Department's preliminary approach to calculating localized housing targets. The number of planning areas have been reduced from 28 to 22 and are shown on the map on ©2.

To distribute the 31,000 units needed by 2030 across the 22 Planning Areas, Planning Staff developed an index based on five factors: Thrive Montgomery 2050 Growth Area, Household Forecast, Zoned Residential Capacity, Activity Center Density, and a Premium factor.

1. **Thrive Montgomery 2050 Growth Area**: The concept of corridor-focused growth is a fundamental organizing element for Thrive Montgomery 2050. Three growth contexts were identified in Thrive Montgomery 2050:
   - Corridor-Focused Growth. Encompasses the most developed part of the county with highest density population; should have the highest share of new growth.
   - Limited Growth. Contains the mainly suburban residential communities where limited, organic growth is envisioned to meet localized needs for services, provide a diverse range of housing choices, and increase racial and socioeconomic integration to achieve Complete Communities.
   - Rural Areas and the Agricultural Reserve. Will continue to be dedicated primarily to agriculture, rural open space, and environmental preservation; can absorb some growth as agriculture evolves and existing residential communities' needs change over time.

   The index places emphasis on targeting growth within the Corridor-Focused Growth area and, to a limited degree, within the Limited Growth area.

According to Thrive Montgomery 2050, "the intensity of development along these corridors should be aligned with the urban, suburban, and rural context of the surrounding area and calibrated to account for existing or planned transit and other transportation infrastructure. Some corridors, such as Rockville Pike, even now connect several centers of activity, making these corridors appropriate for more intensive

development. Other corridors will have less intensive development due to their context and level of transit service."

The Committee may want to know how the index distinguishes (or assign units) between corridor-focused growth areas and limited growth areas? And, if the area bordering the corridor (i.e. "context of the surrounding area") or number of connections within a corridor (by planning area) is considered?

2. **Household Forecast**: In June 2023, MWCOG adopted the Round 10.0 Cooperative Forecast. The new Montgomery County forecast is available for different time intervals between 2020 and 2050, and at a geographic scale that matches the planning areas used for this project. Index points were allocated to each Planning Area based on its share of the Round 10.0 household forecast for 2020 to 2030 This included around 24,000 new household units (excluding Gaithersburg and Rockville).

If the Council adopts the Round 10.0 Cooperative Forecast, the county-wide housing target will be adjusted (however slightly) as will the sub-county data used to produce it. This may remove the need for a Household Forecast factor.

3. **Zoned Residential Capacity**: As part of Thrive Montgomery 2050, Planning staff prepared a Residential Development Capacity analysis that estimates the total residential development that may be built in Montgomery County based on existing zoning and master plan recommendations. For this project, the analysis was updated to include recently completed master plans (like the Silver Spring Downtown and Adjacent Communities plan). It is included in the index to place an emphasis on master plan areas that call for growth.

4. **Activity Center Density**: In addition to corridor-focused growth, Thrive Montgomery 2050 emphasizes the importance of efforts to concentrate context-sensitive growth in centers of activity. Centers of activity range from large downtowns to medium-sized town centers, to rural villages and neighborhoods. The local target methodology places an emphasis on areas with large and medium activity centers identified in Thrive Montgomery 2050.

The Committee may want to know how the index distinguishes between large and medium centers?

5. **Premium:** The premium factor focuses on planning areas that have a high share of their land in a Corridor-Focused Growth area but have seen little recent housing growth. Planning areas that have more than 40 percent of their land in a Corridor-Focused Growth area but have built less than the county's average density of new units since 2013 (excluding the Agricultural Reserve Planning Area) receive additional points in the index calculation.

The Committee may want to know the rationale for choosing 40 percent to represent a "high share of land in a Corridor-Focused Growth area".

In addition to establishing the factors to include in an index to distribute forecast units across planning areas, Planning Staff developed weighs to apply to each factor. The Thrive Montgomery 2050 Growth Area, Household Forecast, and Zoned Residential Capacity factors were weighted equally, and each given a maximum value of 30 points. Activity Center Density factor and the Premium factor were each given a maximum value of 5 points.

The Committee may want an explanation of the rationale for the weights chosen.

Once an index score was calculated for each Planning Area, the scores were summed to a countywide index total. Each Planning Area's share of the countywide index total was calculated to represent the Planning Area's share of the countywide housing target.

In addition to calculating Planning Area-level housing targets, Planning Staff also calculated an affordable housing goal for each Planning Area, per the Committee's direction. Planning staff recommended targets for income-restricted housing (such as MPDUs or Low Income Housing Tax Credit units) based on existing rates of such housing in each Planning Area (see © 5). The affordable housing targets are **goals** for the Planning Areas but do **not** represent new or higher affordable housing requirements for individual development projects.

Draft results for the Local Housing Targets Project are noted in the table and map on © 5-6.

Background on Regional Housing Targets

In early 2018, the National Capital Region Transportation Planning Board (TPB) noted the need to provide a sufficient supply of housing to reduce strains on the transportation system caused by workers commuting to jobs in the region from communities located beyond its boundaries. TPB analysis determined that additional housing in the region would significantly improve transportation system performance, particularly if those units were strategically located in Activity Centers and near High-Capacity Transit Stations.

As part of the initiative, local housing and planning directors worked together with the Metropolitan Washington Council of Governments (MWCOG) to determine that the region needed an additional 75,000 units beyond what was forecasted by 2030 to address the region's housing shortage. They focused on the amount, accessibility, and affordability of additional units needed.

In 2019, the Montgomery County Council signed on to MWCOG's ambitious housing goals through a resolution that called on the county (including the cities of Gaithersburg and Rockville) to increase its share of housing built by 10,000 above the forecasted amount of 31,000 household units.

Local Housing Targets Project

On March 17, 2023, Planning staff presented to the Council's Planning, Housing and Parks (PHP) Committee an overview of existing conditions for 28 Planning Areas in Montgomery County that are currently used for other housing initiatives, including identifying and designating areas of the county with a 15% Moderately Priced Dwelling Unit (MPDU) requirement. Planning highlighted various housing conditions throughout the county, including the growth context identified in Thrive Montgomery 2050, units per acre, percent of total units built since 2013, and the number of affordable housing units, among other Planning Area characteristics.

At the briefing, the PHP Committee directed Planning staff to develop a methodology to consider more localized housing targets for the various Planning Areas. The Committee also provided guidance to reduce the number of Planning Areas and remove Rockville and Gaithersburg from the analysis given that the county does not have zoning authority over the two cities and they complete their own forecasts. Planning staff calculated the remaining portion of the countywide housing target (forecasted plus additional) to be approximately 31,000 units by 2030.

Project Methodology

Since March, Planning staff has been preparing a methodology to identify local housing targets. Several Planning Areas were consolidated, and some boundaries were redrawn to reflect current growth contexts. This resulted in a reduction from 28 Planning Areas to the 22 shown in the map below.

Figure 1. Map of 22 Proposed Planning Areas.

To keep the effort simple, Planning staff utilized accepted metrics and tools that have previously been created or used to guide or analyze county growth patterns. The resulting methodology involves an index focused on five factors: Thrive Montgomery 2050 Growth Area, Household Forecast, Zoned Residential Capacity, Activity Center Density, and a Premium factor.

- **Thrive Montgomery 2050 Growth Area**: The concept of corridor-focused growth is a fundamental organizing element for Thrive Montgomery 2050, as it recognizes not only that intensively developed centers of activity and preservation of land both play a vital role in our quality of life but that neither pattern can exist without the other. Three growth contexts were identified in Thrive Montgomery 2050:
    - *Corridor-Focused Growth.* Encompasses the most developed part of the county with highest-density population; should have the highest share of new growth.
    - *Limited Growth.* Contains the mainly suburban residential communities where limited, organic growth is envisioned to meet localized needs for services, provide a diverse

range of housing choices, and increase racial and socioeconomic integration to achieve Complete Communities.

- *Rural Areas and the Agricultural Reserve.* Will continue to be dedicated primarily to agriculture, rural open space, and environmental preservation; can absorb some growth as agriculture evolves and existing residential communities' needs change over time.

For this factor, the index targets growth within the Corridor-Focused Growth area with a smaller emphasis on the Limited Growth area.

- **Household Forecast:** In June 2023, MWCOG adopted the Round 10.0 Cooperative Forecast. The forecast is based on an analysis of data from a variety of sources, including local development, population and economic trends, models of the region's population and economic base, and published state and federal statistical resources. The new Montgomery County forecast is available for different time intervals between 2020 and 2050, and at a geographic scale that matches the Planning Areas used for the Local Housing Targets project. As such, index points were allocated to each Planning Area based on its share of the Round 10.0 2020 to 2030 household forecast, which included around 24,000 new household units excluding Gaithersburg and Rockville.

- **Zoned Residential Capacity**: As part of Thrive Montgomery 2050, Planning staff prepared a Residential Development Capacity analysis that estimates the total residential development that may be built in Montgomery County based on existing zoning and master plan recommendations. The analysis, which serves as a baseline estimate of current residential capacity in Montgomery County, also accounts for market trends, zoning rules and existing policy decisions. For the Local Housing Targets project, the analysis was updated to include recently completed master plans (like the Silver Spring Downtown and Adjacent Communities plan) and used in the index to place an emphasis on areas where our master plans call for growth.

- **Activity Center Density**: Thrive Montgomery 2050 proposes redoubling and refining efforts to concentrate context sensitive growth in centers of activity. Centers of activity range from large downtowns to medium-sized town centers, to rural villages and neighborhoods. The local target methodology places an emphasis on areas with large and medium activity centers identified in Thrive Montgomery 2050.

- **Premium**: The premium factor focuses on Planning Areas that have a high share of their land in a Corridor-Focused Growth area but have seen little recent housing growth. Planning areas that have more than 40 percent of their land in the Corridor-Focused Growth area but have built less than the county's average density of new units since 2013 (excluding the Agricultural Reserve Planning Area) received additional points in the index calculation.

Factor Weighting

As part of the methodology development, Planning staff weighted these five factors to create an index. The chart below outlines the maximum index points assigned to each factor. The Thrive Montgomery 2050 growth area, household forecast, and zoned residential capacity factors were

weighted equally, and each given a maximum value of 30 points. Activity center density and the premium factor were given a maximum value of 5 points each.

Table 1. Recommended Local Housing Targets Index Factor Weightings.

Index Factor	Maximum Index Points
Thrive Montgomery 2050 Growth Area *Share of Planning Area located within Corridor Focused Growth & Limited Growth Areas*	30
Household Forecast *Share of County Household Forecast from 2020 to 2030 (MWCOG Round 10.0)*	30
Zoned Residential Capacity *Share of Total County Capacity*	30
Activity Center Density *Large and Medium Activity Centers identified in Thrive Montgomery 2050*	5
Premium Factor *>40% in Corridor-Focused Growth Area, less than average density of new units built since 2013*	5

Setting the Local Targets

Once an index score was calculated for each Planning Area, the scores were summed to a countywide index total. Each Planning Area's share of the countywide index total was calculated to represent the Planning Area's share of the countywide housing target.

Affordable Housing Targets

Another part of the Local Housing Targets project is setting an affordable housing goal for each Planning Area. While the MWCOG goal targets 75% of new units affordable to low- and middle-income households, Planning staff recommended local targets for income-restricted housing (such as MPDUs or Low Income Housing Tax Credit units) based on existing rates of such housing in each Planning Area. These affordable housing targets are goals for the Planning Areas but do not represent new or higher affordable housing requirements for individual development projects.

Table 2. Recommended Affordable Housing Targets.

If the current share of affordable housing is…	Then the affordable housing target is…	Planning Area count
Less than 5%	17.5%	13
At least 5%, but less than 10%	15%	7
10% or greater	12.5%	1

Draft Results

The Local Housing Targets project's draft results are noted in the table below.

Table 3. Draft Local Housing Targets.

Planning Area	Share of County Housing Target (%)	Local Housing Target (Units)	Local Affordable Housing Target (%)	Local Affordable Housing Target (Units)
Agricultural Reserve	0.00%	0	0.0%	0
Aspen Hill	4.42%	1,370	15.0%	206
Bethesda/Chevy Chase	11.52%	3,571	17.5%	625
Clarksburg	3.77%	1,169	15.0%	176
Cloverly	2.16%	669	17.5%	118
Damascus	0.00%	0	15.0%	0
Darnestown	0.64%	197	17.5%	35
Fairland	4.53%	1,404	17.5%	246
Gaithersburg Vicinity	6.22%	1,927	15.0%	290
Germantown	6.70%	2,077	17.5%	364
Goshen	0.80%	249	17.5%	44
Kemp Mill/4 Corners	4.84%	1,499	17.5%	263
Kensington/Wheaton	8.65%	2,683	15.0%	403
North Bethesda	12.10%	3,752	15.0%	563
Olney	1.96%	608	17.5%	107
Patuxent	0.95%	296	17.5%	52
Potomac	2.23%	692	17.5%	122
Silver Spring	8.89%	2,757	12.5%	345
Takoma Park	7.29%	2,260	15.0%	339
Travilah	2.17%	673	17.5%	118
Upper Rock Creek	2.45%	760	17.5%	133
White Oak	7.70%	2,386	17.5%	418

Figure 2. Draft Local Housing Targets.