



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE

Marc Elrich
County Executive

Tiffany Ward
Director and Chief Equity Officer

MEMORANDUM

February 13, 2023

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

Re: Racial Equity Impact Assessment (REIA) Supplemental Appropriation (SA) #23-76
Preservation of Naturally Occurring Affordable Housing (PNOAH) Fund

- I. **FINDING:** Based on available information, Supplemental Appropriation #23-76 *Preservation of Naturally Occurring Affordable Housing (PNOAH) Fund* does not appear to substantively alter programming or activities that began with funding Supplemental Appropriation #22-74. Therefore, the Office of Racial Equity and Social Justice's (ORESJ) finding remains unchanged:

Supplemental Appropriation #22-74 Preservation of Naturally Occurring Affordable Housing creates an opportunity to advance racial equity and social justice in the County, however, ORESJ cannot determine at this point the extent to which this funding will reduce affordability challenges disproportionately impacting residents of color and low-income people. Specifically, ORESJ cannot conclude that this funding will reduce racial disparities in housing-cost burden in the County. Reductions in this disparity will depend on a number of factors, including how many units are impacted, where those units are located, how long units will be maintained and priced at or below market rates, and whether other aspects of residents' economic lives are secure.

- II. **BACKGROUND:** This project funds the preservation of naturally occurring affordable housing (NOAH) in areas at risk of rent escalation to higher market rents, including in the Purple Line Corridor and other County transit corridors. The increase in funding is needed to appropriate loan repayment proceeds in this revolving fund which provides

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capital to support acquisitions and preservation to ensure the continued affordability of naturally occurring affordable housing.

According to a 2020 Montgomery County Planning study, 27% (25,900 units) of the County's unrestricted multifamily housing stock are NOAH units with rents that are less than 65% of the Area Median Income level¹. A NOAH property is generally understood to mean rental housing that is at least two decades old, short on amenities, and affordable without a subsidy². The Planning study identified three risk indicators for NOAH units losing affordability, which include: proximity to transit, building size, and building age. The Purple Line Corridor Coalition identified 6,500 affordable housing units where rents are expected to increase based on proximity to transit³. The majority of the County's NOAH properties are located in clusters in Lyttonsville, Takoma Park, Silver Spring, and Gaithersburg to some extent⁴.

It is estimated that by 2030, between 7,000 – 11,000 of the County's 26,000 NOAH units will be lost due to deterioration of the property, rent increases, renovation investments, and/or redevelopment⁵. Created in the FY21-26 Capital Improvement Program, the PNOAH fund appropriated \$40 million to respond to the increased risk of losing these affordable housing units. Current reporting shows all original appropriations have been closed or committed towards projects⁶.

III. **ANALYSIS:** In April 2022, ORESJ conducted a REIA of supplemental appropriation #22-74 that provided the original funding for the creation of the PNOAH fund. No additional information was provided to indicate any substantive changes to the original project. Given that Supplemental Appropriation #23-76 builds upon Supplemental Appropriation #22-74 ORESJ's analysis and findings remain unchanged. Please read ORESJ's REIA of Supplemental Appropriation #22-74 available here:
<https://www.montgomerycountymd.gov/ore/Resources/Files/22-74.pdf>.

¹ Montgomery County Planning. Montgomery County Planning Study. Available at:

<https://montgomeryplanning.org/wp-content/uploads/2020/11/200914-Montgomery-County-Preservation-Study.pdf>

² Willis, H. Preserving Affordable Housing. March 2020. Available at: https://www.washingtonpost.com/realestate/the-noah-conundrum-maintaining-the-lifeboat-for-affordable-rental-housing/2020/03/18/e3e18aa6-12ba-11ea-bf62-eadd5d11f559_story.html

³ Testimony on behalf of County Executive Marc Elrich on the Amendment to the FY21-26 CIP and Supplemental Appropriation #22-74 to the FY22 Capital Budget, Department of Housing and Community Affairs - \$40,000,000 for Preservation of Naturally Occurring Affordable Housing Fund. Available at:

<https://www.montgomerycountymd.gov/COUNCIL/Resources/Files/agenda/col/2022/20220419/testimony/item10-AseemNigam.pdf>

⁴ Montgomery County Planning. Montgomery County Planning Study. Available at:

<https://montgomeryplanning.org/wp-content/uploads/2020/11/200914-Montgomery-County-Preservation-Study.pdf>

⁵ IBID

⁶ DHCA housing fund progress and pipeline report. Available at:

https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2023/20230206/20230206_PH3.pdf

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In addition, the County should consider implementing additional measures to bolster efforts to preserve and increase the stock of NOAH units. Mecklenburg County's Evaluate Upstream Blueprint identified action steps as part of a strategy to maintain the existing inventory of NOAH properties⁷. Highlighted strategies that may be of interest include:

- Develop a data-driven community strategy to identify NOAH sites
- Identify strategies and funding where needed to mitigate displacement
- Increase funding for property acquisitions and rehabilitation; ensure incorporation of the plan for quality property management and maintenance
- Increase funding to continue maintaining and/or expand NOAH homeownership
- Increase funding to integrate supportive services as necessary
- Increase funding for the expansion of critical home repairs
- Identify and educate and incentivize NOAH owners/investors

cc: Aseem Nigam, Director Department of Housing and Community Affairs
Ken Hartman, Director, Strategic Partnership, Office of the County Executive

⁷ Evaluate Upstream: Blueprint for Optimizing the Homelessness Prevention Assistance System in Charlotte-Mecklenburg. Available at: https://secureservercdn.net/50.62.172.157/275.2a4.myftpupload.com/wp-content/uploads/2021/04/Evaluate-Upstream_Blueprint_FNL.pdf