Senior Housing Workgroup Overview 2019-2025

Somer T. Cross, Chief of Housing

Department of Housing and Community Affairs (DHCA)

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Agenda

Problem Need to Address

Affordable Senior Housing Workgroup

Recommendations

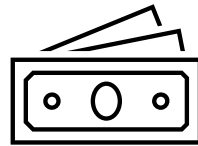Lessons Learned

Issue to Address

Inclusionary Zoning

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Senior housing has different considerations

Housing

- Different homeowner / Renter goals
- No long-term commitment
- Includes Beds and Dwelling Units

Cost

- Different pricing structure
- Rent is often bundled with per-unit service
- Service fee considerations based on staffing, not materials

Zoning

- Less traffic
- No Schools
- Need access to local amenities

Tools—Inclusion Inclusionary Program (MPDU)

✓ Enacted in 1973, the Moderately Priced Dwelling Unit (MPDU) Program creates and provides housing options for a range of incomes, ages, and household sizes.

✓ Law imposes requirements on the construction of affordable housing to meet the existing and anticipated needs for moderate-income housing.

✓ Control period is 99 years for rental and 30 years for for-sale units, evidenced by Covenants

✓ Requires a minimum of **12.5%-15%** of all new units in developments, including conversion projects, with over 20 units to be affordable to moderate-income households (generally, 65%-70% AMI)

✓ Provides incentives through optional increases in density to offset the cost of construction to encourage the construction of moderately priced housing

✓ Since 2000, MPDU program has generated more rental units than LIHTC program

Chelsea Heights, Silver Spring
A down-county infill development

MPDUs

	Rental	Sales
Participant Income	70% or 65% of AMI –based on unit type	70% of AMI households and below
Administration	Administered by leasing offices	Administered by DHCA staff
Control Period	99-year control period (historically 20 years)	Now 30 year renewing control period (historically 10 years)
Households Served	Primarily for 1-3 person households	Primarily for 3-5 person households
How Prices Set	Rents set at AMI for household paying no more than 25% income	Sales prices are set based on construction costs which creates a variety of affordability levels
2025 New Unit Rates	Garden Efficiency - $1,555 High Rise 3 bedroom - $2,485	Approximately $225,000

MPDU Rental Program

- RENT RATES AND INCOME LEVELS CHANGE EVERY YEAR

Rent Rates 2025	
Bedroom	Maximum Rent 25% Income*
1	$1,800
2	$2,160

*High Rise – Garden Rates lower

- **NEW BUILDINGS**:
  - 65% AMI for garden apartments
  - 70% of AMI for high-rises
- **EXISTING BUILDINGS:**
  - Increase by the amount of the Voluntary Rent Guidelines
  - 2023 - 0.4%   2024 - 5.8%
- **FEES**:
  - Not charge common amenity fees
  - $25 Application fee
  - $0 surface parking
  - Structure parking - same as market rate
  - Storage and pet fees - same as market rate

MPDU Rental Program

- Income – 2025 Rates

Household Size	Garden Apartments		High Rise Apartments (5 stories or more)	
	New Tenants	Renewing Tenants	New Tenants	Renewing Tenants
	Max Income	130% of Max HH Income	Max Income	130% of Max HH Income
1	$74,500	$96,850	$80,500	$104,650
2	$85,000	$110,500	$92,000	$119,600

- Can earn more over time
- Do not need to currently live or ever work in the County
- Most senior incomes go down over time – subject to development's minimum standard

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MPDU Rental Program

- ## Not Set Up for Current Products

Stand Alone Independent Living

Proposal for Development	MPDU Law
Monthly fee of $7,500 / month – includes housing, meals, utilities, emergency services, care coordination, shuttle	• Only control "rent" – Estimate that 40% of their business model is "rent" means $3000/month • $4500/month in services MPDU rent for 1BR is $1665 / month + $4500 = $6,165 / month Monthly income under MPDU program is maximum $6208

Continuing Care Residential Community

Proposal for Development	MPDU Law
Buy in fee of $500K estimated	Not control anything related to buy in fees – people making less than $75K / year would have a hard time paying $500K up front unless have previously owned a home
Monthly fee of $3000 / month – includes housing, meals, utilities, emergency services, care coordination, shuttle	• Only control "rent" – Estimate that 27% of their business model is "rent" means $810/month, $2,190/month in services • MPDU rent for 1BR is $1665/ month but can be reduced • $810 + $2,190 in services = $3,000 / month (market rate)
Also included is lifetime guarantee to remain in future levels of service	Requires annual recertification
Processing fee, application fee	Not control any additional fees but application fee limited to $25
State law requires them to have 65%-70% reserved prior to construction (which could be 2-3 years in advance)	Not offer units until 3 months before

Trying to fit a square peg in a round hole

Senior Housing

Senior Restricted
Only restriction is age. Sometimes called active adult.

Rental
Treated like any other MPDU

Sale

Pre 2018 - Were allowed. Might have continuing MPDU or ADU restrictions

Post 2018 - 25A-5(l) for sale age restricted MPDUs must be satisfied by payment to HIF

Independent Living
Provides more care and planned activities but no programmed health care. All units have a kitchen which makes it a dwelling unit.

Limited Use
R-30, R-20, R10 & all CR and Employment zones

Mostly rental, so treated as any other rental MPDU development. Issue is that the additional service fees tend to be expensive for MPDU partipciants

Conditional Use
Most residential zones

Meet requirements by one of four options but any of those options must "otherwise satisfies Chapter 25A"

Same requirements for pre- or post 2014 but reviewing authority is different

Pre 2014 - Goes to Board of Appeals (was a special exception)

Post 2014 - Goes to Office of Zoning and Administrative Hearings

1. 15% permanently reserved for households of very low income; OR

2. 20% reserved for households of low income; OR

3. 30% reserved for households of MPDU income; OR

4. Reserved for mix of those incomes with minimum percentage determined by agreement with DHCA

Continuing Care
Includes Independent Living, Assisted Living and Nursing Care

Only the independent living portion must meet MPDU requirements because it is the only portion that is a dwelling unit (has kitchen) but because it is classified as a different use, it does not have the same requirements as a stand alone independent living unit development

Mostly rental, so treated as any other rental MPDU development. Issue is that the additional service fees tend to be expensive for MPDU participants

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Workgroup

Inclusionary Zoning

Affordable Senior Housing Workgroup

- Created in 2019 – paused in 2020

- Renewed 2023

- Met 5 times full group
  - May 2023
  - July 2023
  - September 2023
  - November 2023
  - March 2024

- Subcommittee – November / December 2024

Participants:
- DHCA
- MNCPPC
- Council Staff
- DPS
- Executive Staff
- HHS
- Commission on Aging
- For-Profit Senior Developers
- Nonprofit Senior Developers
- Maryland Department of Aging Staff
- Leading Age Maryland

Presentations Outside Workgroup

- GROWS - September 2023
- Land Use Attorneys - February 2024
- Commission on Aging Forum – May 2024
- Council of Governments – May 2024
- Commission on Aging – MPSL presentation October 2024; Senior Housing presentation January 2025

Considerations

- **2018 Senior Housing Needs Study**
  - Forecasts – significant rise in senior population
  - Seniors own some of oldest housing stock
  - Want to remain where they are as long as possible
  - 28% seniors have income under $50K
  - More seniors are rent burdened than non-seniors

- **Products to remain in the home**
  - Home Share
  - Design for Life / HARP – accessibility
  - Villages
  - Housing Website

- **Subsidy Programs**
  - No subsidy program exists for independent living
  - Only subsidy for in the home is related to medically necessary services (but discussion of other services needed)
  - County had SALS program for assisted living but not widely used

- **Many different senior housing types on the market**
  - Evolved long after MPDU Code developed
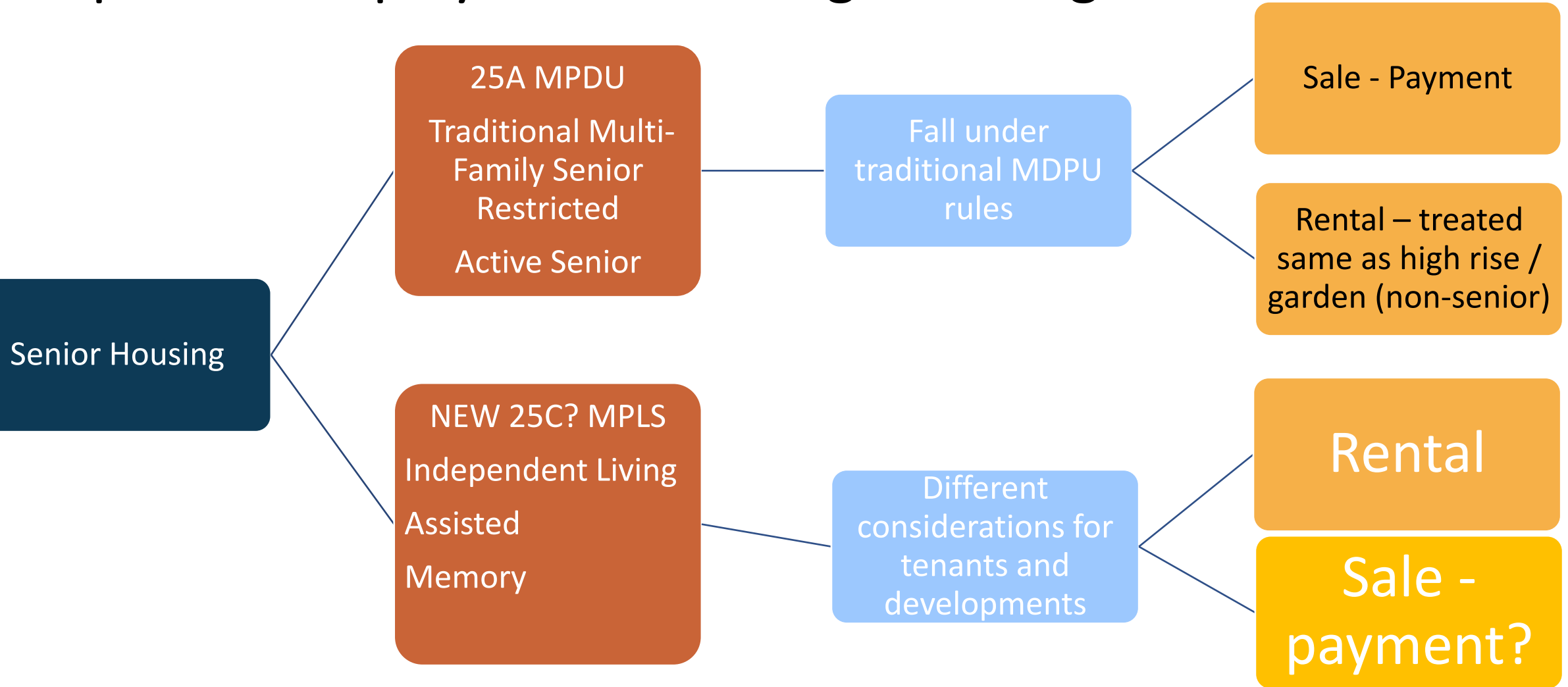 - As needs grow, so does the services offered and so does the cost

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Recommendations

Moderately Priced Senior Living (MPSL)

Proposal – Simplify and Make Single Oversight

Senior Housing

25A MPDU
Traditional Multi-Family Senior Restricted
Active Senior

Fall under traditional MDPU rules

Sale - Payment

Rental – treated same as high rise / garden (non-senior)

NEW 25C? MPLS
Independent Living
Assisted
Memory

Different considerations for tenants and developments

Rental

Sale - payment?

*ADL (activities of daily living) services include medication management and assistance with bathing, dressing, and mobility.

Rental Program is <u>not set up</u> for senior business models	• Independent Living – charging a mix of rent and services with no two alike • CCRCs – High buy-in fees, but more reasonable monthly fees • Often guaranteed to move to assisted living and nursing home
Seniors' <u>incomes</u> are based on different factors than non-seniors	• Retirement – lower incomes • Rely on savings • AMI tend to be lower and decrease over time, versus increasing AMI
Seniors are a <u>growing population</u> with growing needs	• 131% increase expected for 75 to 84 age range in 20 years • Have different needs in housing than non-seniors – accessibility, some with services
Seniors have more <u>mobility issues</u> than compared to those 20 years ago	• 21% more likely to be limited mobility • 41% more likely to move to IL before age 80 • 49% less likely to rate their health as good
Seniors own the <u>majority of the county's housing stock</u>	• They also own the County's oldest housing stock • Not built for their needs • Require expensive improvements
Need a <u>separate program</u> to address the particular issues associated with seniors	• Recommended Moderately Priced Senior Living (MPSL) • Not always applied to dwelling unit (assisted living would fall under this) • Under current process, no one County department has oversight over all affordable senior development

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Proposal

Number of units required

- Tiers Based on Income

65+	17% of total County population*	181,034 people	PROPOSAL	
Senior Population in Lower AMI bands			IL with services	AL / Memory
50%-70%	14%	25,345	6%	3%
30%-50%	9%	16,293	2%	1%
Below 30%	14%	24,983	N/A	N/A
TOTALS	37%	66,621	8%	4%

*Census.gov and note it is projected to increase by 113%

Takeaways from past conversations
- Housing Needs of Seniors study determined 80% of Montgomery County seniors are homeowners

- AARP study and Housing Needs Study determined majority of those (80%+) want to remain in their house as long as possible

Conclusions
- Almost 40% of the senior population is under 70%AMI

- Only 20% of the senior population is looking for MF rental

40% of 20% = 8%

Fees Charged Depend on Services Offered

	Housing	Utilities	Food[1]	Medical[2]	Transportation		MAX TOTAL
Independent	25%	5%	25%	10%	10%		75%
Assisted	25%	5%	25%	20%	5%		80%
Memory	25%	5%	25%	30%	0%		85%

1 Need to consider scale based on number of meals provided
2 Need to consider in relation to insurance

1. Reviewed Elder Index, BLS and Market Rate example to determine what portion of income spent on each category – no consistency
2. Set it at 2 tiers –
   a. For HH with 50-70%AMI – set it at 65%AMI (require 6% of units)
   b. For HH with 30-50%AMI – set it at 50%AMI (require 2% of units)
3. Would cap it to no more than 80% what market rate pay

DHCA Calculated Estimated MPSL Monthly Fees Under Proposal Compared to Example Market Rate Developments
Based on 2025 100% AMI = $163,900

Unit type	1 Person		2 People	
	50% AMI	65% AMI	50% AMI	65% AMI
Market Rate IL Example with all services (no limit)	$7,500		$10,500	
IL with all services (75% income)	$3,585	$4,661	$3,824	$4,972
CCRC Market Rate Examples	$3000		$4500	
CCRC Proposed an Affordable Rate (75% income) but with 80% of the market rate cap	$2,400	$2,400	$3,600	$3,600
Affordable IL Development – MPDU High Rise (only provide housing and utilities = 30% income)	$2,010			
Montgomery County Assisted Living Estimate	$8,000		N/A	
Proposed Assisted Living MPSL (80% income)	$5,245	$5,682		
Montgomery County Memory Care Estimates	$10,000			
Proposed Memory MPSL (85% income)	$5,573	$6,037		

Proposal

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- Provide a consideration for assets – based on the average housing price in the County ($615K last year)
- Allow alternative payments (same value calculation as MPDU)
- Propose automatic payment for sales units
- Any alternative should be paid out over multiple years to address typical senior housing returns – proposed 5 years
- Payments would go to create a senior housing fund to assist with the development of future affordable senior developments and accessibility improvements in senior-owned homes
- Need to consider any senior-specific incentives to offset the cost – proposed residential to allow all limited instead of conditional, and bonus density but developers did not agree; proposed transportation impact tax reduction
- Cannot control buy-in fee under state law so would all be the same or allow alternatives for CCRCs
- Suggest fee adjustments based on COLA, which is what Social Security is based on

- Suggest entrance fees be waived for assisted living and levels of care be treated the same for MPSL
- Not charge MPSL a la cart services
- 40% of all new units must have priority to current Montgomery County residents (previous tax year)
- Will require full 180 days before allowing open to market-rate tenants
- Control period – 99 years
- HOC and nonprofits will be allowed to reserve a portion of units
- DHCA will look to create senior specific website to assist with marketing
- Need to look at removing the necessity of annual certification in MPLS, possible affidavit to simplify the process
- Unit sizes and features should be comparable to market rate – which should be larger than MPDU and with safety and monitoring features, too

Lessons Learned

NEXT STEPS

Affordable Senior Housing Legislation

- **December - February** - Meet with community groups to get their input
  - Commission on Aging
  - Land Use Attorneys
  - Developers
  - Others

- **Early March** – Affordable Senior Housing Workgroup

- **February / March** – draft legislation

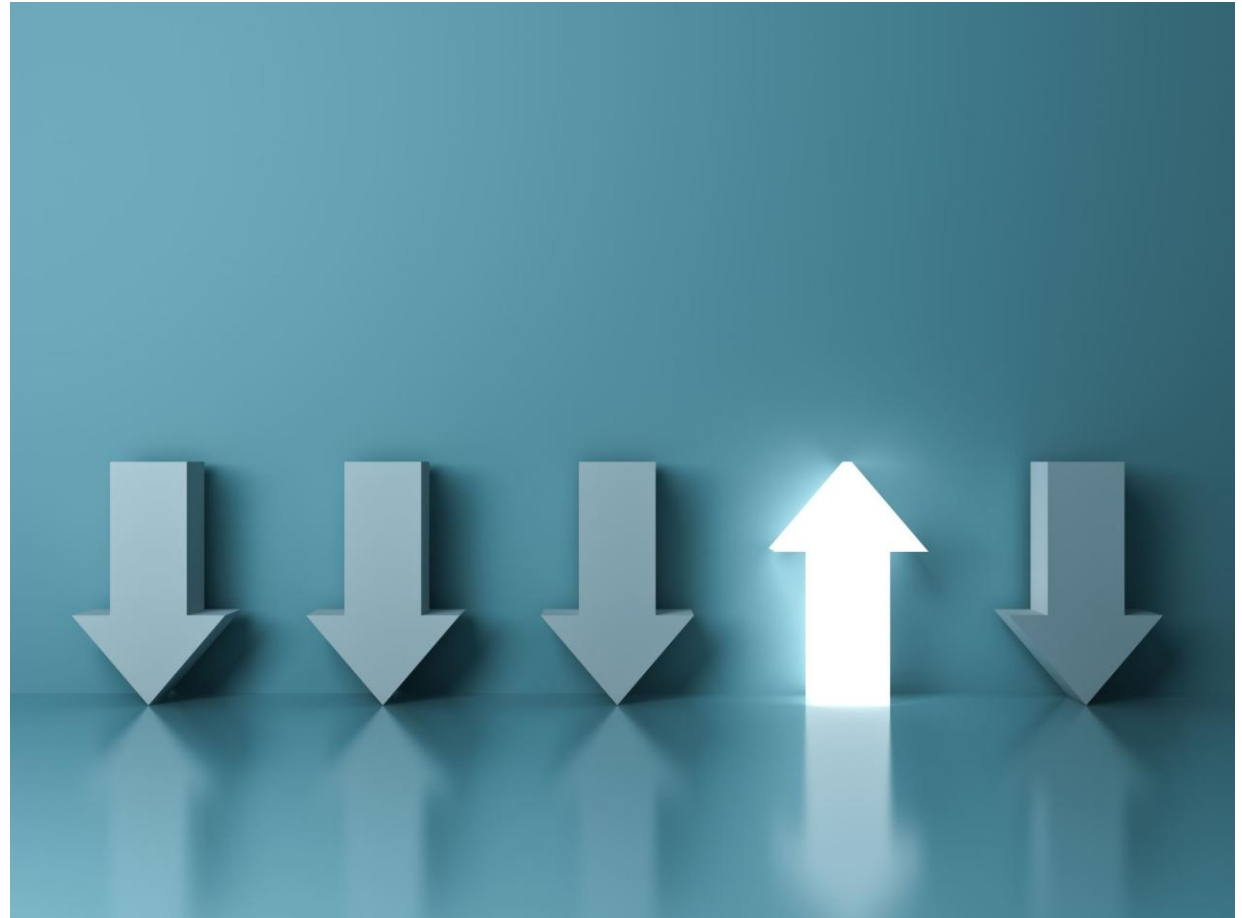- **April** – begin adoption process
  - ZTA
  - Section 25C(?) of Code

Priorities
- Staff
- Elected Officials

Timeline

Hard to be the first
- Vetting
- Data

QUESTIONS?