Report and Recommendations

Montgomery County's

Affordable Housing Task Force

March 2008

Cover: rendering of Montgomery County Housing Opportunities Commission’s Wheaton MetroPointe project.

Letter to Montgomery County Executive Isiah Leggett

March 31, 2008

Dear Mr. Leggett:

In response to your call for action we have had the privilege of serving as Co-chairs of the Affordable Housing Task Force. It is now our pleasure to transmit to you the Task Force Report and Recommendations.

Your direction was clear: There is a way, and we must find it. You instructed us to come together, study proven alternatives, develop new ones, and recommend the strategies that will result in more affordable housing for Montgomery County residents. Indeed, the challenges were formidable. The cost of housing in Montgomery County has reached a point that threatens much of what we hold dear. Our outstanding quality of life and the strength of our economy and communities are in grave danger as the cost of either renting or purchasing a home is out of reach for so many who live here, work here and dream of doing both.

We have worked alongside a dedicated group of housing experts and advocates, business owners and employers, community members, and staff from County departments and agencies. Our approach was to first identify the most critical issues impacting affordable housing in the County and create subcommittees. These areas include: Case Studies, Community Support, Finance, Incentives and County Land, Zoning and Regulation. Each task force member participated in one of the subgroups. A talented and committed technical support team was assembled from County departments and agencies to work with each respective subcommittee. Each group also had a designated chairperson who was responsible for coordinating and managing the work of his or her subcommittee. Throughout the month of December 2007, DHCA staff coordinated and managed intensive public work sessions throughout the County where significant feedback was solicited and received. The report you have before you is the final result of this entire rigorous process.

On behalf of the entire task force, we thank you for the opportunity to serve in this capacity and participate in this important endeavor.

Sincerely,

Barbara Goldberg-Goldman
Co-Chair

Richard Y. Nelson, Jr.
Co-Chair

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Executive Summary

Montgomery County, Maryland is an exceptional community. It combines vibrant, exciting and diverse urban centers with attractive suburban neighborhoods and a beautiful and productive agricultural landscape. Our County is home to almost one million individuals, making up 18% of Maryland's entire population. We are home to the largest concentration of residents holding a Bachelors degree of any community with a population over 50,000. And it encompasses nearly 500 square miles of land. Our own economy and community commitment are among the strongest in the nation. Our cultural arts environment continues to expand. No longer can we be described as a "bedroom community" to the nation's capital. Our attraction is based upon much, including an excellent school system, public services, job availability, well-maintained neighborhoods, and commercial centers.

The downside of being one of the most desirable communities in the nation in which to live is the increased inflationary pressures on the County's housing stock. Even though the County has developed some of the most progressive and effective affordable housing programs in the country, programs such as the award winning Moderately Priced Dwelling Unit (MPDU) program, and the Montgomery Housing Initiative Fund (HIF), a model trust fund, our current efforts do not sufficiently address the affordable housing crisis that we now are facing. Indeed, the scope of the affordable housing issue is substantial, encompassing a wide spectrum of income levels from the homeless and special needs populations, well into the range of the middle income workforce. The difficulty, and in some cases the impossibility, of finding affordable housing here has reached catastrophic proportions.

To address this issue, Montgomery County Executive Isiah Leggett formed the Affordable Housing Task Force by issuing Executive Order 84-07 on February 28, 2007. Recognizing that the increasing lack of affordable housing will have crippling effects on Montgomery County's residents, communities, and economy, County Executive Leggett brought together a group of dedicated representatives and individuals from all sectors of Montgomery County and the region to form the task force. Housing experts and advocates, representatives of the financial and development industry, builders, housing providers, planners, community members and representatives of governmental departments and agencies all came together to consider the issues and potential solutions. The larger task force then divided into subcommittees around particular issues.

Members of the subcommittees worked tirelessly. They met in person in and outside of the full task force meetings, collectively, and individually. They brainstormed, they agreed, and they disagreed. They lent us the benefit of their expertise and experience, and they generously contributed their time, talent and resources including office space for meetings, complementary meals and coffee. The full Task Force reviewed, discussed and debated all of the recommendations. Staff then prepared an informal document and presented it to the community-at-large in order to solicit diverse feedback. A series of six intense work sessions were held at or near each of the County's Regional Service Centers. Each work session consisted of several hours of presentation, dialogue, and debate; providing opportunities for significant comment, review, and suggestions.

After identifying the most critical issues affecting the creation and preservation of affordable housing in the County and exploring new ideas and programs that have been proven effective around the country, the Task Force went to work in identifying a variety of tangible and realistic tools to address the housing crisis right here in our own backyards. The Affordable Housing Task Force proposes the implementation of the following recommendations and strategies to the County Executive.

Issue 1: Preserve Affordable Housing

Market pressures are making both rental and ownership housing more expensive in Montgomery County. Households who rent are at a particular risk. It is imperative that Montgomery County retain and preserve the existing affordable rental housing stock by maintaining the affordability of units and reducing the impacts of conversion of affordable rental housing to condominium ownership.

Recommendations:

- Create a Short Term Property Acquisition Fund
- Create a Revolving Equity Fund
- Work proactively with the private sector involved in housing in order to preserve and maintain as many affordable homes as possible.

Issue 2: Create Affordable Housing

Because of market conditions, including the high costs of land, labor, materials, and regulatory requirements, the construction of affordable housing is less economically viable than it was in the recent past. Demands for public funds are fierce in times of static public revenues. Steps must be taken to reverse this trend.

Recommendations:

- Add “Increasing Affordable Housing” as a new objective in all future master plans.
- Investigate the use of an affordable housing impact fee on all new non-residential development.
- Create a more attractive planning and economic environment for the development of
- affordable housing.
- Reduce parking requirements for housing developments in order to reduce homeowner costs, encourage use of mass transit and promote more environmentally friendly patterns of development.
- Develop a comprehensive inventory of all publicly owned sites and properties and make appropriate sites available for housing.

Issue 3: Adopt Regulatory Reform

Regulatory requirements and fees can add time and expense to the development of affordable housing. Easing of some requirements and fees, and the expediting of reviews can save time and money in the production of affordable housing.

Recommendations:

- Expedite regulatory reviews.
- Permit accessory apartments without requiring special exception permits.

Issue 4: Achieve Community Acceptance of Affordable Housing

The need for affordable housing as an integral part of an inclusive community is often not understood or appreciated. This lack of understanding often leads to opposition to affordable housing programs and developments. To some extent, nearly every aspect of the County is dependent on affordable housing opportunities, near employment centers, for entry level and service sector employees, retired residents, and others who are unable to compete for market priced housing. The County must take steps to help achieve community acceptance, understanding and support of affordable housing. These steps should include the following:

Recommendations:

- Promote well-designed, low impact affordable housing to foster public acceptance.
- Develop and implement an extensive community support educational campaign.
- Encourage business support of affordable housing initiatives.

Issue 5: Goals for Affordable Housing Preservation and Production

When implemented, the recommendations contained in this report will provide a tool-box of initiatives that will expand the County's ability to preserve and develop affordable housing. To effectively and efficiently address the County's affordable housing needs, there must be an assessment of the demand for housing to serve various populations in the County. The County Housing Policy adopted in July 2001, established annual goals for affordable housing preservation and production by program and by population group. The first step in implementing the recommendations of the Affordable Housing Task Force should be an assessment of and a recommitment to these goals.

Recommendations:

- Review and assess the affordable housing preservation and productions goals as noted by the Department of Housing and Community Affairs in the July 2001 County Housing Policy.
- Address the very special, specific and diverse needs of the homeless population, developmentally and physically challenged individuals, seniors and others with special needs by consulting and working with advocates, housing providers, health and human service agencies and organizations.
- Engage the County-Stat program to assist in assessing progress toward meeting the established goals.

Issue 6: Home Purchase Assistance for Public Employees

Montgomery County relies on a dedicated, qualified workforce to provide public services to the County's residents. The cost of housing has hindered the County's ability to attract and retain quality employees. Employees who purchase homes in the community in which they work can provide a reliable, stable workforce that will enable the County to continue to provide public services efficiently and for good value to its residents.

Recommendation:

Create a program that will provide temporary abatement of property taxes, transfer taxes, and recordation fees for eligible County employees who purchase a home in the County.

Moderately Priced Dwelling Units, MPDUs
attractively integrated among market rate housing

THE AFFORDABLE HOUSING TASK FORCE MISSION

In March 2007, County Executive Isiah Leggett appointed a Task Force to examine the affordable housing issues in Montgomery County and make recommendations.

The Task Force mission was to advise the County Executive on strategies to increase the availability of affordable housing in Montgomery County.

The Task Force was directed to:

1. Review affordable housing "best practices" from around the country.

- Determine their applicability to Montgomery County based on affordable housing needs in Montgomery County.
- Identify existing barriers to affordable housing development and preservation in Montgomery County.
- Adopt or suggest adoption of relevant "best practices," determining which can be implemented quickly and which require longer implementation schedules.

2. Propose other creative solutions to address Montgomery County's affordable housing needs.

- Identification of required resources.
- Proposal of legislative, regulatory, land use or other initiatives.

3. Develop and assist in the implementation of strategies to educate the public around the necessity of providing a full range of housing choices that will sustain and enhance the economic vitality and quality of life in Montgomery County.

Some of the Task Force members at work

Montgomery County Affordable Housing Task Force Members

Task Force Co-Chairs

Barbara Goldberg-Goldman
Founder, Affordable Housing Conference

Richard Y. Nelson, Jr.
Director, Montgomery County Department of Housing and Community Affairs

Task Force Members

Nathaniel (Tad) Baldwin
Retired

Vivian Bass
CEO, Jewish Foundation for Group Homes

Ralph Bennett
Architect/President, Bennett, Frank, McCarthy Architects, Inc.

Michael Bodaken
President, National Housing Trust

Thomas Bozzuto
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James A. Brown
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Community Advocate, Senior Fellow, Office of Community Partnerships
Office of County Executive

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Norman M. Dreyfuss
Executive Vice President, IDI Maryland

David Flanagan
Elm Street Development

James Frazier
Member, Interagency Fair Housing Group; Member, National Association for the Advancement of Colored People (NAACP)

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Executive Director, Montgomery County Coalition for the Homeless

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Chair for Housing, Urban Land Institute

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Office of the Secretary
Maryland Department of Housing and Community Development

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President/Chief Executive Officer,
Monument Bank

Mark Winston
Glazer Winston Honigman & Ellick, PPLC

* Royce Hanson serves as Planning Board Chair and thus cannot endorse all sentiments contained within this report.

**Councilmember Praisner served as a member of the task force from its formation until her death on February 1, 2008. We appreciate her contributions and learned counsel.

Designated Sub-Committee Members

Hugh Bailey
Community Advocate

Vivian Benjamin
Assistant Director, Mortgage Finance Program, Housing Opportunities Commission

Kayrine Brown
Director, Mortgage Finance Program
Housing Opportunities Commission

Robert Goldman
President, Montgomery Housing Partnership

Wayne Goldstein
President, Montgomery County Civic Federation (MCCF)
Member, MCCF Housing Committee
Member, MCCF Plan & Land Use Committee

Ruby Rubens
Consultant, Study Circles Group Montgomery County Public Schools

Staff Designees
Montgomery County
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Senior Planning Specialist

Catherine Mahmud
Senior Planning Specialist

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Senior Executive Administrative Aide

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Various Montgomery County Departments

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Chief of Staff
Department of Economic Development

Susan Scala-Demby
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Department of Permitting Services

Capt.Tina Faass
Director, Personnel Division
Department of Police

Rita Howard
Division Chief
Department of Recreation

Deirdria (Dei) Roberson Hudnell
Director, Family and Community
Partnerships Montgomery County Public Schools

Nadim A. Khan
Chief, Special Needs Housing
Department of Health and Human Services

Hemal Mustafa
Manager
Department of Permitting Services

Mohammad Siddique
Deputy Director, Special Projects
Department of Public Works and Transportation

Sharon K. Suarez, AICP
M-NCPPC Montgomery County
Department of Planning

Affordable Housing Task Force Sub-Committees

After identifying the most critical issues impacting affordable housing, subcommittees were created and Chairpersons were assigned. Each task force member worked as a member of a subcommittee along with designated subcommittee members, and County staff who provided technical assistance and facilitated the work of the groups. The subcommittees were as follows:

Case Studies

Mission: To examine concrete, real-life examples of development experiences and deriving lessons learned and suggestions for system improvements in Montgomery County.

1. David Flanagan (Chair)
2. Ralph Bennett
3. James Brown
4. Robert (Rob) Goldman
5. Raquel Montenegro
6. Howard Ross
7. Thomas Street
8. Roylene Roberts (Staff)

Community Support

Mission: To explore ways to promote public education, understanding, sensitivity, and acceptance, and active support of affordable housing by all stakeholders in the community.

1. Steve Lynch (Chair)
2. Vivian Bass
3. Victoria Davis
4. James Frazier
5. Wayne Goldstein
6. Nadim Khan (HHS)
7. Sharan London
8. The Honorable Marilyn Praisner
9. Deidria Roberson Hudnell (MCPS)
10. Ruby Rubens
11. Patrice Cheatham (Staff)

Finance

Mission: To review current financing programs and explore opportunities to expand and improve current programs and develop new options.

1. Dale Saunders (Chair)
2. Vivian Benjamin (HOC)
3. Michael Bodaken
4. Tom Bozzuto
5. Kayrine Brown (HOC)
6. (Chau) Nguyen Minh Chau
7. Caroline Varney-Alvarado
8. Mark Winston
9. H.L. Ward
10. Cathy Mahmud (Staff)

Incentives/County Land

Mission: To examine current affordable housing incentives, recommend improvements or new incentives for public or private.

1. James Soltesz (Chair)
2. Richard Cohen
3. Norman Dreyfuss
4. Ellen Lazar
5. John McIlwain
6. Larry Rosenblum
7. Mohammad Siddique (DPWT)
8. Brian Tracey
9. Melanie Isis (DHCA)

Zoning/ Regulatory/Legislative

Mission: To examine the current zoning and various regulations in Montgomery County and their impact on housing development and preservation and recommend improvements for these areas.

1. Barbara Sears (Chair)
2. Hugh Bailey
3. Tad Baldwin
4. Cheryl Cort
5. Royce Hanson
6. Lesa Hoover
7. Omar Karim
8. Hemal Mustafa (DPS)
9. Susan Scala-Demby (DPS)
10. Melanie Isis (Staff)

Statement of Montgomery County's Affordable Housing Crisis

Many of the reasons for the housing crisis that we now find in Montgomery County can be traced back to the successes for which Montgomery County, Maryland is known. County Executive Isiah Leggett has said that "As our County expands and grows, so too do the problems and challenges associated with the growth." He has emphasized that affordable, safe, and decent housing, must be a right, and not a privilege for those who now live in Montgomery County and for those who work in the County, but who cannot afford to live in the community that they serve.

The term, "affordable" has been used in many different ways. We believe it encompasses the housing needs of people below the poverty level as well as those who fall within the ranges of low and middle income wage earners within our community. Creating new and preserving existing affordable housing within Montgomery County is critical and must be addressed now. The issue is multilayered and requires widespread community cooperation supported by partnerships that include the private and non-profit sectors as well as government. We consider "affordability" to be no more than 2.5 times the household income for the purchase price of a primary residence for homeownership and no more than 30% of monthly household income for rent. Here in Montgomery County, with a household median income of $98,800, for a family of four, the disparity between income and housing costs (in both ownership and rentals) complicates our approach in addressing the housing crisis in which we find ourselves.

Consider the following facts:

- On any given night an average of 1,100 persons are homeless in Montgomery County.[1]
- The number of households on the Housing Choice Voucher (formerly Section 8) waiting list is 14,967.[2]
- The number of households on the Housing Opportunities Commission, (HOC) waiting list for public housing is 5,280.[2]
- Most rental vacancies are located far from mass transit hubs.[3]
- Nurses, firefighters, police officers, teachers and service industry employees along with people in mid-level management are among those who serve our community but can not afford to live in it.[3]
- A fast growing percentage of workers in Montgomery County continue to live out side of the County. For example, according to a 2005 firefighter study, fewer than 24% of the Montgomery County career firefighters live in the county that they protect.[4]
- In 2006, a family with two adults, one pre-school child and one school-age child required $ 67,042.00 to rent a two bedroom apartment. This translates into a required full-time hourly salary of $15.87 per adult.[5]

- In 2006, a single parent family with one pre-school age child and one school-age child, required $61,438.00 to rent a two bedroom apartment or a full-time hourly salary of $29.09 per adult.[5]
- Area incomes have risen by roughly 3% while home prices have risen over 20%.[3]

The average purchase price of: [3]

- an *existing* single family home in 2006 was $552,500
- an *existing* single family home in 2007, was $569,000
- a *new* single family home in 2006 was $881,600
- a new single family home in 2007 was $978,375
- an existing town home in 2006 was $356,750
- an existing town home in 2007 was $365,000
- a new town home in 2006 was $518,510
- a new town home in 2007 was $475,757
- an existing condominium in 2006 was $313,496
- a new condominium in 2006 was $373,848

The average monthly rental rate of: [6]

- a one bedroom apartment in 2007 was $1151
- a two bedroom apartment in 2007 was $1333
- a three bedroom apartment in 2007 was $1646

Clearly, the facts speak for themselves. Even now as the County, State and the Nation, confront the emerging and evolving threats presented by increasing property foreclosures and instances of fraud and negligent mortgage lending, the housing affordability crisis in the County continues to be dire. As our County population expands, so do the justifiable demands for adequate housing and accompanying services. Unless we take swift and focused action now, we will find ourselves beyond crisis, and in a state of existence that runs counter to everything for which Montgomery County stands. We must address this problem and identify creative solutions to combat and put to final rest the notion that this is an insurmountable task. A very real "turn around" is possible. Immediate, serious planning and action are necessary.

Data Sources:
[1] Montgomery County Coalition for the Homeless
[2] Montgomery County Housing Opportunities Commission (HOC)
[3] Maryland National Capital Park and Planning Commission
[4] Montgomery County Career Firefighters Association, Inc.
[5] Montgomery County Department of Health and Human Services
[6] Montgomery County Department of Housing and Community Affairs
*There was no increase in cost of new town homes between 2006 and 2007.

Report and Recommendations

Issue 1. Preserve Affordable Housing

Market pressures are making both rental and ownership housing more expensive in Montgomery County. Households who rent are particularly at risk. It is a goal of Montgomery County to retain and preserve the affordable rental housing stock by maintaining the affordability of the units and reducing the impacts of conversion of affordable rental housing to condominium ownership.

Recommendation: Create a Short Term Property Acquisition Fund.[1]

This fund would:

- Provide short-term financing (up to 36 months) to enable experienced public, non-profits, such as HOC, or for-profit organizations to purchase at-risk affordable rental properties before they are sold and renovated for higher-rent occupancy or conversion to condominium ownership.
- Support implementation of the recently enacted authority of the County to purchase rental housing constructed since 1981 under the Right of First Refusal program.
- Augment the County-funded Housing Initiative Fund by providing additional sources of funds.
- Fund through a variety of partnerships with federal, state and local governments; financial institutions, private foundations, organizations and individuals; pension funds, insurance companies, Community Development Financing Institutions, (CDFI's) and investment firms. Several different examples across the Country serve as successful models for this endeavor.
- Be managed by a third party entity; although the County would coordinate and oversee the program.

Desired Results

- Reduce displacement of at-risk renter households due to lack of housing affordability or condominium conversions.
- Increase public and non-profit ownership of affordable rental housing.

Implementation

- Utilize the Request for Proposals (RFP) process to solicit specialized assistance in program development and management.
- Incorporate third party, governing board or other needed entities, or select an administrative agent from among those providing such services.
- Designate required seed funding from the Montgomery Housing Initiative Fund.
- Attract private funding through financial partners.

<u>Recommendation</u>: Create a Revolving Equity Fund[2]

This fund would:

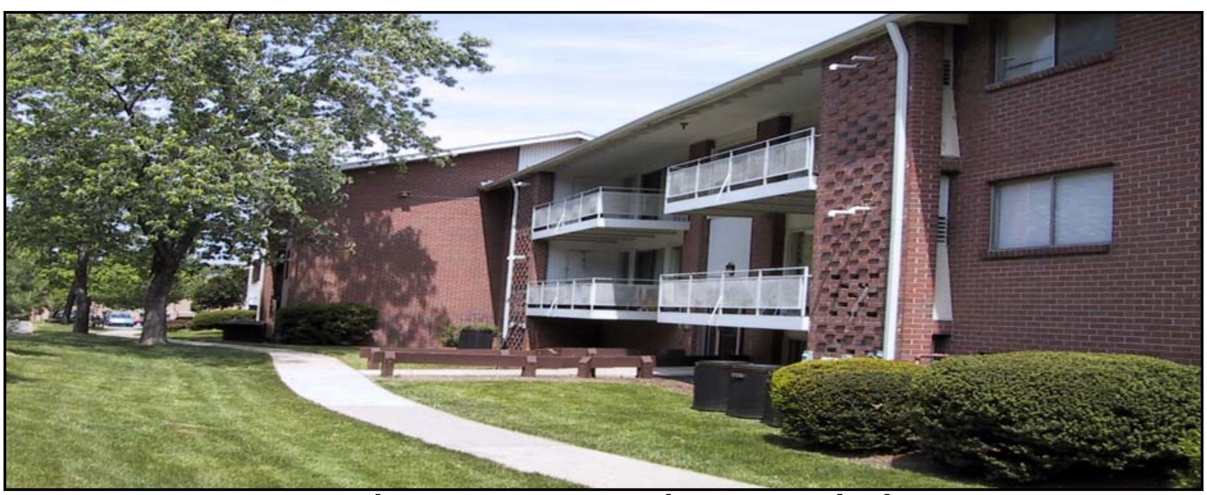
- Provide long-term or permanent gap financing for the acquisition, preservation and construction of affordable housing units.
- Supplement the principal through the issuance of long-term taxable bonds.
- Become a revolving fund by putting loan repayments back into the fund for re-use.
- Augment the County-funded Housing Initiative Fund (HIF) by using HIF funds as seed money, and soliciting capital investment from private sources including foundations, financial institutions, pension funds, Montgomery County employers, and other investors.

Desired Results

- Creation of a fund of at least $75 million to support the preservation and development of affordable housing.
- Funds would be derived from private sources including financial institutions, insurance companies, pension funds and major local employers. Attraction for such capital includes sources such as the HIF, taxable revenue bonds as well as a percentage of the transfer tax.

Implementation

- Utilize RFP process to solicit specialized assistance in program development and management.
- Incorporate third party, governing board or other needed entities.
- Designate required seed funding from HIF.
- Attract private funding through financial partners.



Amherst Apartments in Wheaton, Maryland

Recommendation: Work proactively with owners of developments that provide affordable housing.

The County must be more aggressive in heading-off the possible loss of affordable housing as early as possible.

This would entail:

- Creation of an "early warning system" to stay abreast of plans for sale or other circumstances that could endanger affordability, such as and including the expiration of federal funding contracts.
- Creation and implementation of a range of tools and incentives that could be applied quickly and aggressively to preserve endangered affordable housing developments, including assistance to the private sector in the acquisition and preservation of affordable housing.

Desired Results

- Timely intervention to prevent the potential loss of affordable housing resources.
- Better maintenance of privately owned affordable housing developments.
- Strategic acquisition of affordable housing developments by public agencies and non-profit housing providers.

Implementation

- Inventory all multifamily housing developments in Montgomery County.
- Establish indicators that will warn of impending threat to affordability of individual developments.
- Create and market tools designed to preserve at risk affordable housing.
- Fund preservation programs with Montgomery Housing Initiative Fund and other appropriate County and non-County resources.

Issue 2. Create Affordable Housing

Market conditions, including the costs of land, labor, materials, and regulatory requirements, make the construction of affordable housing less economical. Demands for public funds are fierce in times of static public revenues. Additional funding sources for use in development of affordable housing must be found.

<u>Recommendation</u>: Add "Increasing Affordable Housing" as a new objective in all future master plans.

This would entail:

- Recognition that affordable housing is as necessary within all Montgomery County communities as other public facilities such as parks, libraries, and schools.
- Promotion of increased density and mixed use zones in sector plans and master plans.
- Establishment of public policy that permits affordable housing in commercial, industrial, and residential areas served by transit.

Desired Results

- Greater community acceptance through partnering and educating residents about the benefits of affordable housing.
- More sites that are zoned to provide opportunity for development of affordable housing.
- Development of affordable housing closer to employment opportunities.
- Stress on schools and public services can be reduced as the distribution of affordable housing is encouraged and increased.
- Higher transit usage by residents. *

Implementation

- Secure agreement of Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County Council that provisions for affordable housing will be included in every Sector and Master Plan.

__Recommendation__: Investigate and implement the use of an affordable housing impact fee or a reasonable alternative on all new non-residential development. (*) [3]

This would entail:

- Analysis of all regulatory and permitting fees that impact non-residential development in comparison with surrounding jurisdictions.
- Analysis of affordable housing impact fees imposed on non-residential development in other areas of the country.
- Proposing an impact fee rate based on project square footage.
- Estimation of impact fee revenues that might be targeted toward development and preservation of affordable housing.

Desired Results

- Provision of a new funding source for affordable housing.
- Shifting of some responsibility for funding affordable housing preservation and development to the commercial sector which creates new jobs and increases need for affordable housing.

Implementation

- Montgomery County Council would direct a joint effort with the M-NCPPC taking the lead role in investigating and implementing the use of an affordable housing impact fee or a reasonable alternative. The private business sector, the development industry, and the Montgomery County Department of Economic Development will assist in this endeavor.

<u>Recommendation</u>: Create a more attractive planning and economic environment for the development of affordable housing.[4]

Incentives should be provided that encourage developers to provide more than the minimum requirement of affordable housing. The benefit of the incentive should increase proportionately with the increase in affordable units provided.

Such incentives will permit:

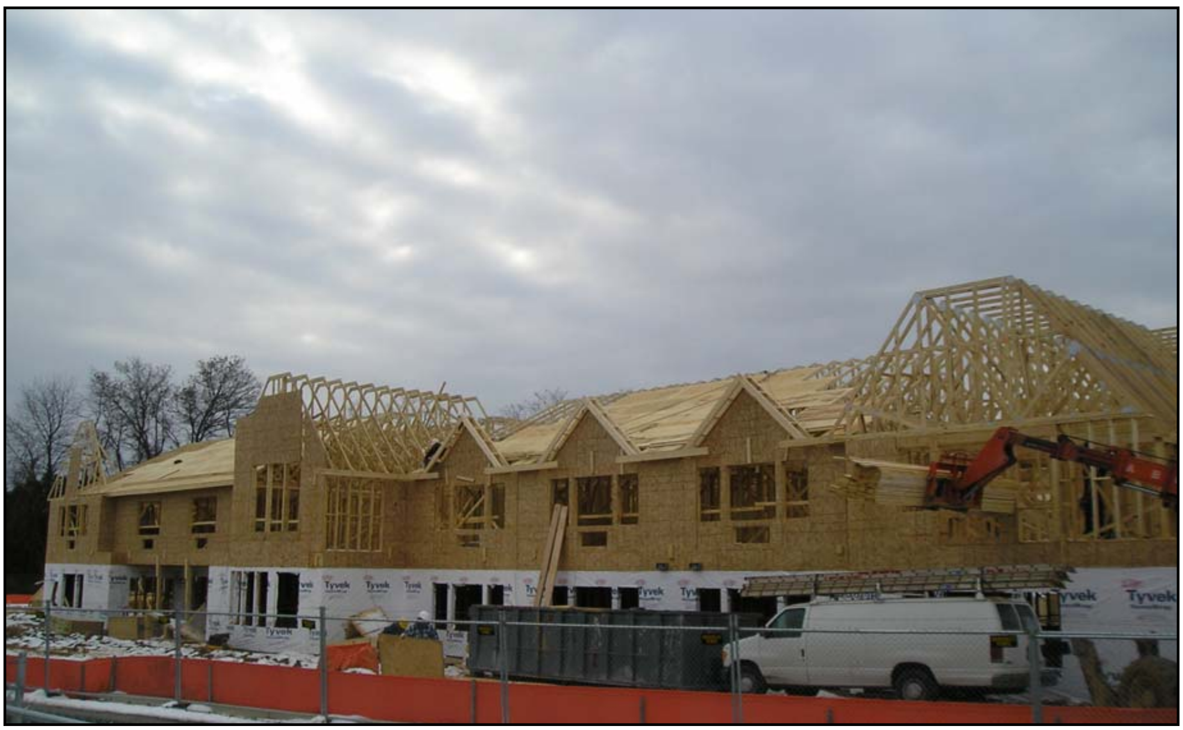
- Increased heights, densities, floor area ratio (FAR) and flexibility in meeting public amenity/open space requirements for developments that include affordable housing above the minimum requirements.
- In some instances, the large size of market rate units has resulted in the construction of fewer units than may be permitted under zoning. Size and number of units should be considered in future developments.
- Expedited reviews and consolidated processes for developments including affordable housing.
- Adjustments to the bonus density formula for the provision of Moderately Priced Dwelling Units (MPDUs). Increase the degree of incentives proportionately to the number of increased affordable units.
- Development of a mixed-use floating zone (with minimum affordable housing benchmarks) for use in Metro station areas and transit-serviceable urban cores, as well as amendments to industrial and commercial zones to allow mixed use.
- Development of housing close to transportation and retail to reduce traffic and encourage walkable developments, and integrate Affordable Housing throughout the county.
- Implementation of final zoning by sectional map amendment rather than local map amendment at the completion of a master plan and sector plan so that the new zones are applied in a more timely manner.
- Expand waiver to include all units less than 60% of average monthly income for payment of transportation and school construction impact taxes, WSSC fees, and other fees and taxes that contribute to increased costs of developing affordable housing.
- Expansion of the County's existing Payment in Lieu of Taxes (PILOT) program by publicizing its availability, and requesting State authorization to provide more flexibility in offering PILOTs so that the County may negotiate agreements in return for a higher number of affordable units or greater affordability of the units to which the PILOT applies.

Desired Results

- Increased production of affordable housing, especially in urban and transit serviceable areas.

Implementation

- Adopt Zoning Text Amendments by the Montgomery County Council that will provide increased heights, densities, floor area ratio (FAR) and flexibility in meeting public/amenity/open space requirements in return for additional housing affordability.
- Adopt Zoning Text Amendments and create new zones that will promote affordable housing in central business districts (CBDs), urban cores, industrial and transit and commercial areas.
- Amend rezoning process to allow zoning map amendments in a more timely manner, not just during implementation of sector plans and master plans.
- Amend subdivision and site plan process to consolidate reviews where affordable housing is provided.
- Amend impact tax laws to allow additional tax waivers in return for increased affordability.
- Secure State enabling legislation for expansion of Payment in Lieu of Tax (PILOT) programs.



Grace House Assisted Living Facility in Silver Spring, Maryland.

Recommendation: Reduce parking requirements for housing developments.[6]

Parking spaces, especially structured or underground spaces, are a major expense in residential development. This phenomenon coupled with a disincentive to utilize public transportation directly impacts the cost to the homeowner, renter and the environment. Quality of life in our County is affected where parking becomes a major factor in the overall respective development. The following must be explored, especially in central business districts (CBDs) and in areas well served by transit, to help reduce housing development costs, and increase affordability:

- Unbundling of parking spaces from residential unit rents and sales prices. Parking and housing should be rented or purchased separately.
- Shared parking (e.g. allowing business parking spaces to be used by residents in the evenings and on weekends).
- Use of nearby, off-site locations to maximize use of parking spaces and to take advantage of parking demand at different times by different users.
- Development of parking management plans during project planning to describe employee, visitor, and retail customer parking arrangements and charges, followed by periodic monitoring and update of the parking plan.
- Requiring no more parking than expected demand within a project, instead of relying on a fixed formula.
- Use of market rate parking for single occupant vehicle parking and reserved, reduced, or free parking for (resident/employee) carpoolers and vanpoolers.
- Metered spaces at garage entrances for short term retail.
- Use of time-share vehicles, such as Flexcar® and Zipcar(R).
- Study and consider successful tools used in other jurisdictions to reduce costs of providing parking.

Desired Results

- Reduce costs of providing parking when it is not needed to support residential development.
- Make more efficient use of parking resources.
- Reduce dependence on automobiles in urban and transit-oriented development.

Implementation

- Adoption of Zoning Text Amendment by Montgomery County Council to amend parking requirements in certain areas.

Recommendation: Develop a comprehensive inventory of all publicly owned sites and properties.

Land constitutes a major component of the cost of developing housing. All appropriate County and publicly-owned property should be evaluated for development or redevelopment to include affordable housing.

If adopted, efforts will:

- Create, maintain and manage a comprehensive and thorough inventory of vacant and under-developed County-owned property.
- Examine appropriate properties for development of affordable housing.
- Evaluate properties owned by the Montgomery County Board of Education, the Maryland-National Capital Park and Planning Commission (M-NCPPC), the Washington Metropolitan Area Transit Authority (WMATA), Washington Suburban Sanitary Commission (WSSC), and other vacant properties suitable for affordable housing.
- Assess all proposed County vertical capital facility projects for potential mixed-use development to include affordable housing.

Desired Results

- Provide no-cost or low-cost sites that promote the affordability of residential development.
- Integrate affordable housing into communities throughout the County.
- Promote mixed-use development resulting in possible reduction of additional transportation negative impacts.

Implementation

- Create an inventory of all publicly owned sites including those owned by Montgomery County Government, Maryland National Capital Parks and Planning Commission (M-NCPPC), Board of Education, Housing Opportunities Commission (HOC), and Washington Suburban Sanitary Commission (WSSC).
- Evaluate publicly owned sites for potential development of affordable housing.
- Evaluate all county capital projects for potential co-location of affordable housing.

Issue 3. Adopt Regulatory Reform

Regulatory requirements and fees can add time and expense to the development of affordable housing. Furthermore, such requirements actually could work as disincentives to engage and partner with the private sector. Easing of some requirements and fees, and the expediting of reviews can save time and money in the production of affordable housing.

<u>Recommendation</u>: Expedite regulatory reviews. [7]

Many regulatory reviews, including submission of preliminary plan, detailed site plan, engineering design, plats, and building permits occur sequentially. Approval processes at M-NCPPC and DPS for all housing projects with major affordable housing components should be reviewed and streamlined.

Recommendations include:

- Consolidate multiple reviews into one hearing that must occur within 6 months. Many of the projects that are currently awaiting permits or which are stuck in M-NCPPC's pipeline would produce a significant number of affordable housing units.
- Create new Affordable Housing Division at M-NCPPC to accelerate regulatory review and approval and monitor production of affordable housing. The division's review would be equal to others at M-NCPPC, such as environmental planning.

Desired Results

- Streamlined and expedited approvals for development that contain a certain minimum proportion of affordable housing.
- Cost savings to affordable housing development by reducing review times.
- Establishment of a staff at M-NCPPC that will advocate for affordable housing development in the planning and review process.

Implementation

- Amend development approval process to expedite reviews of affordable housing development and redevelopment.

Recommendation: Permit accessory apartments without requiring a special exception permit.

Accessory apartments provide for a secondary, more affordable housing unit in a single-family home. Applications for accessory apartments, however, must be approved as a special exception to the zoning ordinance, an expensive and time-consuming process. The County should adopt legislation and zoning text amendments that:

- Create standards which are not overly restrictive, for approving accessory apartments that relate to proximity to transit, occupancy, parking, accessory unit access, and other appropriate factors.
- Make an accessory apartment a by-right use in appropriate single family zones.

Desired Results

- An increase in the number of approved accessory apartments and the increase of affordable housing opportunities in the County.
- A less costly and time consuming approval process.

Implementation

- Adopt Zoning Text Amendments by Montgomery County Council allowing accessory apartments by right in locations in proximity to transit and in conformance with certain adopted standards.
- Encourage more aggressive enforcement of housing codes related to accessory apartments.

Recommendation: Establish a centralized authority for affordable housing.

A centralized authority must be empowered by the Executive Branch to facilitate coordination of public agencies and parties involved in preservation and creation of affordable housing. This authority must be empowered to:

- Command the resources necessary to accomplish the production and preservation of affordable housing.
- Identify affordable housing opportunities, and gather interested parties from government, non-profit and private sources to identify and solve problems, and push for quick and substantial progress.

Desired Results

- Elevation of the priority given to affordable housing production and preservation by public, private, and non-profit agencies involved in the effort.

Implementation

- Designated by authority of the County Executive.

Issue 4. Achieve Community Acceptance of Affordable Housing

The need for affordable housing as an integral part of an inclusive community is often not understood or appreciated by the County's residents. This lack of knowledge often leads to opposition to affordable housing programs and developments. To some extent, nearly every aspect of the County's economy is dependent on affordable housing opportunities, near employment centers, for entry level and service sector employees, retired residents, and others who are unable to compete for market priced housing. The County must promote the benefits of affordable housing by educating the entire Montgomery County community.

<u>Recommendation</u>: Promote well-designed, low-impact affordable housing to foster public acceptance.

Developments with affordable housing components that make use of density bonuses, height and floor area ratio (FAR) allowances should:

- Use transportation demand management programs to lower community impacts.
- Be skillfully designed above and beyond status-quo in order to foster public acceptance.
- Maximize flexibility for use of public space to promote the creation of as many units as possible.

Desired Results

- Increased acceptance of affordable housing development due to good design and positive community impact.

Implementation

- Work with M-NCPPC and the DPS to amend laws and regulations in order to promote good design and to reduce community impact of development.

<u>Recommendation</u>: Develop and implement an extensive community support campaign.

The County must promote the education, understanding, sensitivity, acceptance and active support of affordable housing by all stakeholders. The campaign should include:

- Assistance of a professional public relations firm.
- Use of studies that document the lack of negative impact that affordable housing has on property values.
- Development of all materials in multiple languages.
- Use of mass media including radio, cable television.
- Coordination with the school system and inclusion in school curriculum and other programs and activities.
- Development of team comprised of housing experts/officials who address concerned citizen groups and promote community support of individual projects.
- Development of roundtable discussions, speaker's bureau and outreach to garner support from public officials, major employers, civic organizations and faith based organizations.

Desired Results

- Broad understanding of the benefits of affordable housing in Montgomery County, especially to the County's economy.
- Community acceptance and support for affordable housing development.

Implementation

- Utilize the Department of Procurement's Request for Proposals (RFP) process for solicitation of specialized public relations services for development of a public education program for affordable housing.

Issue 5. Goals for Affordable Housing Preservation and Production

When implemented, the recommendations contained in this report will provide a tool-box of initiatives that will expand the County's ability to preserve and develop affordable housing. To effectively and efficiently address the County's affordable housing needs, there must be an assessment of the demand for housing to serve various populations in the County. The County Housing Policy adopted in July 2001 established annual goals for affordable housing preservation and production by program and by population group. Among the first steps in implementing the recommendations of the Affordable Housing Task Force should be an
assessment of and a recommitment to these goals.

<u>Recommendation</u>: Establish Affordable Housing Preservation and Production Goals

Fulfillment of this recommendation requires:

- Review and assessment by the DHCA and M-NCPPC of the affordable housing preservation and productions goals of the July 2001 County Housing Policy.
- Addressing the diverse needs of the homeless population, developmentally and physically challenged individuals, seniors and others with unique and special needs by consulting and working with advocates, housing providers and health and human service agencies and organizations.
- Engaging the County-Stat program to assist in assessing progress toward meeting the established goals.

Desired Results

- Measurable and quantifiable goals for affordable housing preservation and development meeting the needs of Montgomery County's residents, of those who work in Montgomery County and would like to live here and the needs of special populations.
- Ability to assess progress toward the goals through a performance measurement process such as the County-Stat program.

Implementation

- Convene service providers and advocates to review and assess the current annual preservation and production goals for affordable housing, including goals for special populations.
- Adopt new annual preservation and production goals for affordable housing.
- Annually assess progress toward the goals.

Issue 6. Home Purchase Assistance for Public Employees

Montgomery County relies on a dedicated, qualified workforce to provide public services to the County's residents. The cost of housing in the County has hindered the County's ability to attract and retain quality employees. Employees who purchase homes in the community in which they work can provide a reliable, stable workforce that will enable the County to continue to provide public services efficiently and for good value to its residents.

Recommendation: Establish a program to assist county employees in purchasing a home in the County.

This would entail:

- Creation of a program that will provide abatement of property taxes, transfer taxes, and recordation fees for eligible County employees who purchase a home in the County.

Desired Results

- Additional County employees who purchase homes in the County.
- A more stable, reliable County workforce.

Implementation

- Adopt eligibility guidelines for the program, including income eligibility, eligible job tenures, and prior ownership requirements.
- Abate County transfer taxes, recordation fees, and first year County property taxes for eligible participants. Phase out property tax abatement for a participating household over two to four years.

Foot notes (see Appendix: Technical Papers for additional information)
[1] Short Term Property Acquisition Fund
[2] Revolving Equity Fund
[3] Affordable Housing Impact Fee
[4] Create a More Attractive Planning and Economic Environment
[5] Increase Densities in Urban Areas and Transit Zones
[6] Reduce Parking Requirement for Housing Developments
[7] Expedite Regulatory Review

Community Work Sessions on Issues and Recommendations

Community Comments and Ideas

The Task Force held a series six public work sessions in order to introduce the recommendations and to encourage input from the community-at-large. Each session resulted in stimulating discussion and in the development of great ideas.

Below is a compilation of the comments and ideas expressed during the sessions. All have been considered and many have been adopted as a part of the recommendations.

The community is to be commended for dedicated engagement and valuable contributions to this process.

Issue 1: Preserve Affordable Housing

1. Preservation is key. Prioritize preservation of existing affordable housing.
   a. Provide resources for development and implementation of early warning system.
   b. Provide resources for short term bridge that can move quickly to acquire and improve properties that are identified via the early warning system.

2. Use Housing Initiative Fund (HIF) for guarantees and to subsidize interest on redevelopment and construction loans. Consider the example of federal guarantees for housing, small business loans and student loans.

3. Strongly encourage or mandate the participation of employers to participate in some way to address the affordable housing crisis. Suggestions:
   a. Employers should be encouraged to participate by doing at least one of the following: contribute to the Housing Initiative Fund (HIF), or the Revolving Equity Fund; develop their own employee assistance program (s) or participate in one of the State of Maryland programs (based on the number of employees they have).

4. Study methods of preserving all types of homes that are currently affordable including single family. Develop incentives for individual home owners who may consider selling to a non-profit or to the County at a price below market.

5. Structure the funding programs so that they can move quickly as soon as opportunities arise. Utilize pre-approval processes, develop relationships in advance, and in general find ways to quickly address opportunities.

6. Allow tenant groups access to the Property Acquisition and Revolving Equity Funds.

7. Homes are available in the $150,000-$300,000 range however better tools are needed to address housing code violations. Neighborhoods in this price range are currently undesirable in large part due to this.

Issue 2: Create Affordable Housing

1. Study Feasibility of creating Community Land Trusts, as they:
   a. Provide permanent affordability.
   b. Retain full public subsidy.
   c. Build homeowner equity.
   d. Integrate the community into long term control.

2. Establish numerical benchmarks for production of affordable housing. Set benchmarks with the understanding that they will change over time. Use the Housing Initiative Fund report report to begin the process.

3. Develop tracking system and projection system for development of affordable housing based on concrete data. This would be a joint effort of the Department of Housing and Community Affairs, the Housing Opportunities Commission and Maryland National Capital Park and Planning Commission..

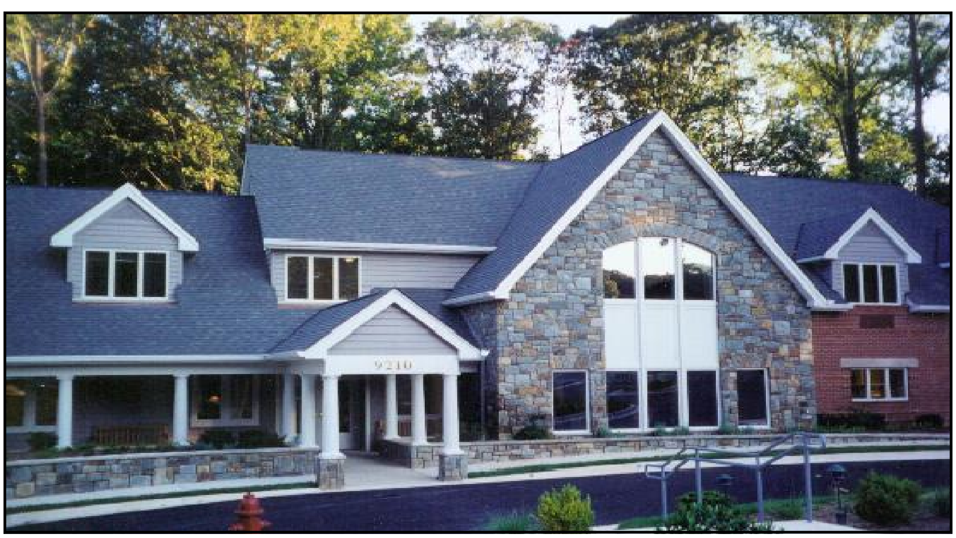
4. Encourage public-private joint ventures for development of affordable housing. Include the use of County-owned sites.

5. Assess the impact of imposing a housing linkage impact fee.

6. Regarding "comprehensive listing of land;" The listing must identify properties that make sense for development and those that do not. Do not simply compile the list which would imply that all vacant land is all available and appropriate for development.

7. Consider ways to encourage land donations.

8. Create new affordable housing appropriate for various life stages; for example, young professionals, families and seniors.



Byron House Assisted Living Facility in Potomac, Maryland

Issue 3: Adopt Regulatory Reform

1. Create new regulations and/or laws to ensure that renters understand their purchase rights in condo conversion situations.

2. Regulate the operation of housing programs within the County so that the jurisdictions work together more and to reduce confusion among residents.

3. Regulate affordable housing the same way utilities are regulated. Limit developer profits where housing is concerned.

4. Regulate affordable housing the same as other public infrastructure such as roads and schools.

5. Affordable Housing should be included in the Master Plan as a mandate and not as an option.

6. Rather than liberalizing regulatory restrictions for developments containing affordable housing which may overload community infrastructure, make sure Master Plans require affordable housing within the adopted development envelope.

7. Density bonuses are not currently tied to increase in Moderately Priced Dwelling Units (MPDUs) in a balanced way. This must be addressed.

8. Regarding “parking requirements”:
   a. If over supply of parking can be documented, then and only then, reduce parking requirements.
   b. Shared parking should be considered.
   c. Single family communities often have too little parking.
   d. Parking requirements for multifamily should be market driven, and thus should be viewed as a business decision of the developer.

9. Support accessory apartments by special exception only. The special exception process encourages community support and confidence that that the accessory apartment will not be destructive to the community.

10. Regarding housing code: address loopholes. For example, in over-crowded homes people know that they should say they are related in order to avoid code violation.

11. Regarding accessory apartments:
    a. Consider subdividing lots and development of secondary detached dwellings.
    b. Provide tax assessment benefit to encourage accessory apartments.
    c. Consider a pilot program to allow accessory apartments by right in areas that are with in 1/2 – 1 mile of transit centers.
    d. Establish performance criteria for accessory apartments.
    e. If allowed by right, give preference to individuals already on the waiting list for housing.

12. Areas of the County that already have affordable housing should not be subject to density increases as a tool to allow more development.

13. Find better ways to regulate rent increases. Suggestion to have State delegation call for a moratorium on rent increases until a more effective rent control system is in place.

14. Address legislation which limits County's ability to lease land for more than 40 years so that a model could be adopted that allows the county to hold land leases on a more permanent basis.

Issue 4: Community Support of Affordable Housing

1. Stricter enforcement of housing code would lead to more community support. Homeowners fear destruction of neighborhoods and lack confidence in code enforcement for affordable housing.

2. County should market economic diversity as a desirable community asset. County has been promoting the opposite through gentrification.

3. Regarding community support/outreach campaign:
   a. Speak to positive impact on property values. Publicize existing studies.
   b. Bring together a team consisting of representatives from the Department of Housing and Community Affairs (DHCA), the Housing Opportunities Commission (HOC), and the Maryland National Capital Park and Planning Commission (M-NCPPC) to speak to concerned citizen groups and to promote affordable housing.
   c. Address crime, mandate and enforce zero tolerance for criminal activity within HOC units and/or Section 8 scattered site units.
   d. Involve "housing friendly" businesses in promoting Affordable Housing.

4. To garner community support on individual projects, tie in amenities such as parks, libraries, and bike paths.

5. A community support campaign should target the more affluent areas which currently do not have their fair share of affordable housing. Residents who live in economically diverse areas feel they have already demonstrated their support by locating here. It is not fair that certain areas are routinely targeted for affordable housing and other areas are not.

Additional Community Comments and Ideas

1. As citizen volunteers, the Task Force should state a bold vision and provide informed advice.

2. Prioritize the housing needs of the "neediest", such as the homeless, those with special needs and the working poor.

3. Adopt a bottom-line "no net loss test" to stop the loss of affordable housing. The County should not allow redevelopment that does not at least preserve current level of affordable homes.

4. Renters who are displaced by redevelopment or conversion should receive sufficient transition assistance to cover the cost of finding and moving into replacement homes. Two months of current rent is not enough. The cost should be borne by redeveloper not by taxpayer.

5. Develop employer assisted programs for county employees. Quantify the need for employer assisted housing via county employee survey.

6. Work force housing in price ranges above $300,000 (plus condo fees) is still too expensive for target market of, firefighters, police and teachers.

7. Minimum wage salaries of $10/hr equates to annual salaries below $20,000 per year. Its no wonder families are overcrowding homes. We need to increase minimum wage.

8. Look closely at specific plans currently in process in Silver Spring. Hundreds of affordable units are at risk. Locations: Sligo Ave., Easley, and East West Hwy.

9. Find ways to support and encourage seniors who are alone in houses to rent accessory apartments to young professionals. Idea: Operation Match.

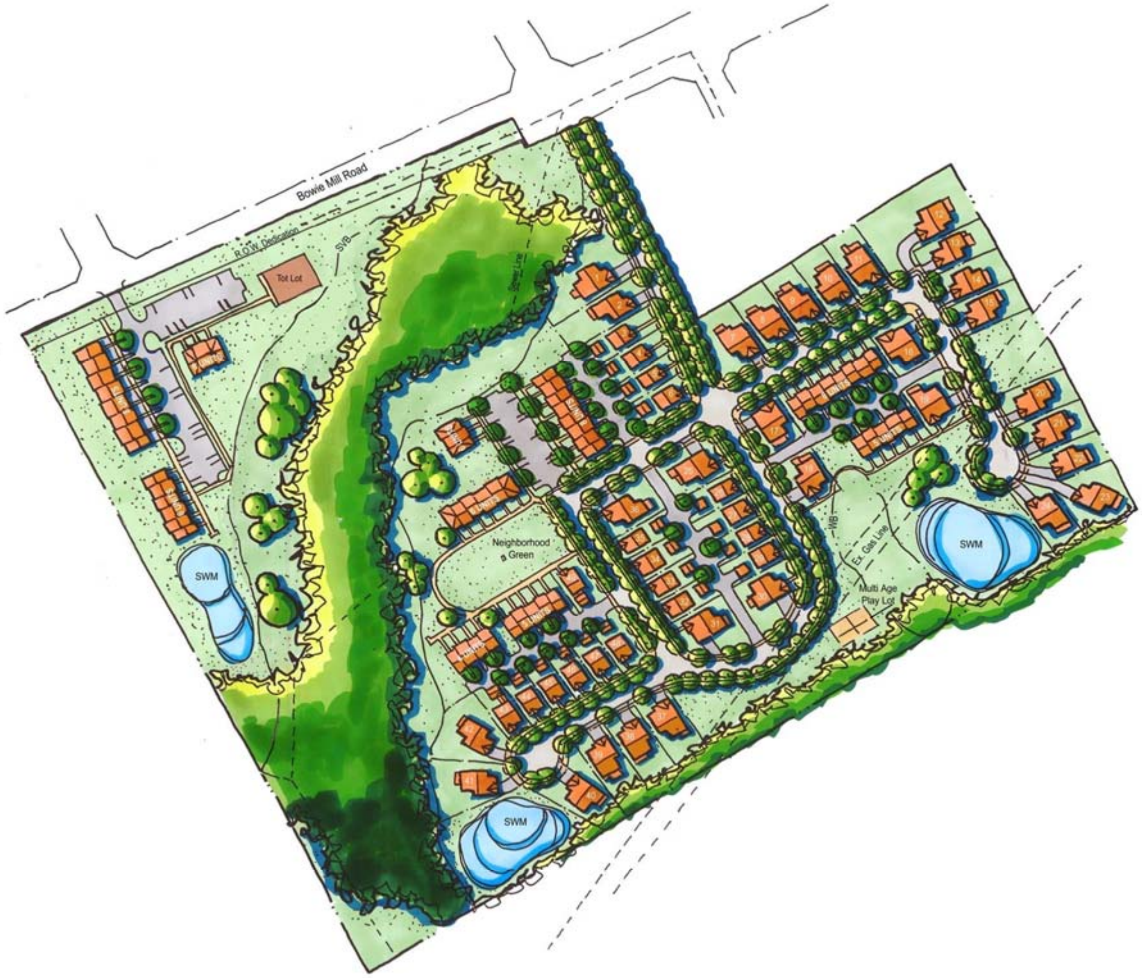
10. Agricultural Reserve allows some communities to avoid development and creates a higher market price for available land. Too much land is off limits due to the Reserve. Task Force should recommend that something be done about this.

11. Rent Stabilization Best Practice Idea: Follow the model in Montreal. They have rent stabilization which allows owners to exceed it when they demonstrate that they have gone above and beyond a certain minimum level in improvements and maintenance.

12. There is a dire shortage of affordable assisted living and there is an increasing need. Task Force should address this situation.

13. The County should encourage organizations such as the NIH who recruit short term low wage researchers to contribution to the housing crisis by building affordable housing on their own campus. Temporary residents like these are consumers of local affordable housing. The County should identify similar situations and engage these employers to help find solutions.

14. Task Force should recommend that the County design its own "community reinvestment act." Have all local jurisdictions, and major employers who have low and moderate income workers submit a housing plan.



Site Plan for Bowie Mill Road Project

Affordable Housing Accomplishments Since Formation of the Task Force

Over the past year, even as the Affordable Housing Task Force diligently worked toward new approaches and strategies Montgomery County continued in ongoing efforts toward preserving and creating affordable housing in the County. Below is a progress report on accomplishments of the past year.

Progress on County-Owned Sites

Edson Lane site includes 15 attached units, 6 Moderately Priced Dwelling Units, (MPDUs), and 9 Workforce Housing units in North Bethesda.

- Department has selected HOC as the developer.
- Development agreement is being finalized.

Bowie Mill Road site includes up to 117 attached and detached mixed-income units on 32 acres in Olney.

- Department has selected Montgomery Housing Partnership (MHP) and Elm Street Development as the developers.
- Development agreement is being finalized.

Fleet Street site will include 80 units of new senior housing adjacent to the County Government Center in Rockville.

- Approvals are being negotiated with the City of Rockville.
- Victory Housing has been selected as the developer.
- The development financing package is being negotiated.

Within ***King Farm*** the Department of Housing and Community Affairs has assisted the Housing Opportunities Commission in the purchase of 49 two-and three-bedroom apartments which will sell as condominiums under program similar to the Workforce Housing Program.

Bonifant Street (Silver Spring Library) site will provide multifamily housing on the top floors of the new library.

- Site consolidation is in process.

3rd District Police Station site will consist of roughly 12 acres in White Oak. An 8 acre residual portion of the site is being secured for development of affordable housing.

Legislative Initiatives

- Right of First Refusal authority expanded to include rental housing constructed since 1981.
- Right of First Refusal authority expanded to include mobile home parks

Funding for Housing

- Commitment by County Executive to expand the County's funding of affordable housing preservation and production to $75 million in three years.

Performance and Accountability

- County Executive instituted new County-Stat Performance Measurement and Accountability System. Affordable Housing is one of the first issue areas that County-Stat is addressing. The Department of Housing and Community Affairs and the County-Stat staff are developing performance indicators that will be assessed periodically over the next several years.

Appendix of Technical Papers

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Technical Paper # 1

Short Term Property Acquisition Fund

Recommendation is to create a **Short Term Property Acquisition Fund** to augment the Montgomery County Housing Initiative Fund (HIF) resources. The Fund would provide quick, short-term, 36 months or less, financing to enable experienced, non-profit or for profit organizations to purchase at-risk multi-family affordable properties before they are sold at market-rate or other conversion. Longer term affordability could then be assured through permanent financing. One potential use of this fund is to make use of the new expansion of the County's Right of First Refusal for the acquisition of existing rental housing.

Current Situation:

The Montgomery County Housing Initiative Fund (HIF) is a locally funded housing trust fund that receives revenue from a variety of sources including loan repayments and a dedicated payment equivalent to 2.5 percent of the County's Property Tax revenue. Since its inception in 1988, the HIF has been administered by the County's Department of Housing and Community Affairs (DHCA). In Fiscal Year 2005, almost $17 million in funding was available. County Executive Leggett has added funding in Fiscal Year 2008 to increase program funding to $35 million and has pledged to increase funding to at least $75 million annually.

HIF funding is available throughout the year and can be used for predevelopment, bridge, acquisition, and permanent financing. Funding can be in the form of low-interest or no interest loans, forgivable grants, or operating subsidies. To remain as flexible and responsive as possible, individual requests for funding are reviewed throughout the year by a Housing Loan Review Committee that makes recommendations to the Director of DHCA, who has final decision authority. HIF funding can and has been used to: fund new construction; preserve existing homes; support new rental construction; finance substantial rehabilitation of rental housing; support the preservation or development of senior, family or special needs housing; and support the preservation or development of single-family, townhouse and apartment buildings. This flexibility has enabled the County to develop a continuum of housing options. The certainty provided by a dedicated source of funding allows the County and its development partners to plan for the future.

Since 1989, more than $169 million has been provided to or reserved for 147 projects.

The Housing Opportunities Commission (HOC) Multi-Family Mortgage Financing provides low-interest financing for low and moderate income housing to private and non-profit developers by issuing tax-exempt bonds. The HOC can provide gap financing or joint venture equity for the acquisition, development or repositioning of mixed income multifamily properties in Montgomery County. In addition, the HOC partners with investors to obtain federal and state Low Income Housing Tax Credits (LIHTC) for low and moderate income properties.

Best Practices:

The Open Door Housing Fund, a new merger of the Washington Area Housing Trust Fund (WAHTF) and the Unitarian Universalist Affordable Housing Corporation (UUAHC) is a locally controlled housing loan fund operating in the Washington, DC, metro region with $17 million in FY 2008 total assets ($9 million of which is dedicated to DC site acquisition financing). Fund capital has come from federal, state and local governments, banks, churches, foundations and individuals. The Open Door Housing Fund offers predevelopment, bridge, acquisition and construction loans to all types of affordable housing developers including nonprofit, for profit and tenant associations. Governance is provided by a board of up to 20 directors drawn from the directors of the two original funds, elected officials and others.

Under the Housing Production Trust Fund, the **Site Acquisition Funding Initiative (SAFI)** for the District of Columbia the District issued an RFP to select groups to underwrite, administer and match acquisition funding to a District Government pre-qualified group of nonprofit developers. Four groups were selected as intermediaries for this funding. These groups are responsible for underwriting and finding a one for one match for District money in acquisition loans to nonprofit developers. These loan requests are processed through each intermediaries typical underwriting process. If approved a summary is forwarded the Distict, which has 10 days to approve or stop a loan.

The District assumes the top 25% of loss on any one deal. If there is a loss this amount is subtracted from any amount due back to the District. A covenant is placed on the property restricting its future use, specifically the income of the people who live in the property.

New York City Affordable Housing Acquisition Loan Fund is a specialized Fund begun in 2006 that may be used for land or property acquisition, soft construction costs, capitalized interest, predevelopment and environmental costs, architectural plans and feasibility consultancy costs. Seed money from the City ($8 million) and foundations ($32 million) is used as a guarantee for a larger amount of senior debt. The New York Fund offers a rate of return between 7% and 8%. The Fund is expected to preserve and/or create approximately 30,000 affordable housing units over ten years.

Loan underwriting is delegated to experienced Community Development Financial Institutions (CDFIs), who originate and service project loans. These include the Corporation for Supportive Housing, Enterprise Community Loan Fund, LISC, Low Income Investment Fund and New York City Housing Development Corporation. A six-person Credit Committee is responsible for approval of prospective underwriters and review of defaults or exceptions to the fund’s underwriting standards.

Loans from $400,000 to $7,500,000 are given to nonprofit or for-profit developers for up to three years and can be used in 100% affordable or mixed-use development projects.

Cook County (Chicago) - The first of six 2007 Keystone Initiatives to Preserve and Improve Affordable Rental Housing in Chicago is to establish a Preservation Fund to increase capital flow to properties at risk of being lost from the affordable rental market. It will provide an economical source for acquisition funds and secondary capital for nonprofit and for-profit developers, focusing on market segments not fully served by current traditional financial institutions or by government subsidy programs.

Implementation:

The Short Term Property Acquisition Fund ("The Fund") will offer: 1) bridge loans to assist in acquiring and holding at risk properties until permanent, long-term financing can be arranged; and 2) mortgage insurance to lower debt coverage requirements and increase the size of the first-lien mortgage for properties at risk of both deterioration and market conversion.

The Fund will include support from public, private and foundation sources. Potential partners would include government agencies, banks, pension funds, insurance companies, community development financial institutions and investment firms. Preliminary expectations are that it will assist in the preservation of 48,000 units through 2020.

Management: The Short Term Property Acquisition Fund would be most efficiently managed by an entity other than the government, in fact, none of the model funds are managed by a government. Montgomery County could solicit non-profits to apply through an RFP process. This was the method recently employed by the District of Columbia.

Selection criteria would include specialized experience and the non-profits ability to leverage funds.

Structure: The Fund management would consist of either a single or a series of "lead leaders" who would seek other participatory lenders to join the fund. The lead lender would negotiate with the borrower and make the deal while the participatory lenders would buy a piece of the loan. Typically, the lead lender will already have partners and relationships with potential investors such as banks, insurance companies or major local employers. It could offer them opportunities according to what is available at certain rates. The advantage of this structure is that it would diversify the funding sources and spread the risk, and thus become more attractive to investors.

Operations: Montgomery County would be responsible for coordinating the program. Loan decisions could, if desired, be made by a board or a committee of the Fund organization through certain "borrowing guidelines" established and agreed to by the County and the lead lender.

Funding: The Task Force recommends that Montgomery County designate funding annually to support the Short Term Property Acquisition Fund. The investment is expected to yield potential revenue from other lending partners. The combined revenue will support short-term 36 months or less financing to experienced non-profit or for profit organizations to purchase at-risk multi-family affordable properties before they are sold for market-rate or other conversion.

Technical Paper # 2

Revolving Equity Fund

Recommendation is to create a **Revolving Equity Fund** that would leverage County and other financial contributions into a larger pool of money through issuance of long-term taxable bonds. The Fund would assist in the preservation of affordable units as well as in the development of new affordable and work force units, including mixed-income/mixed-use projects and both rental and for sale properties. Funds would eventually recycle as transactional proceeds are received.

Current Situation:

Montgomery County Housing Initiative Fund (HIF) is a locally funded housing trust fund that receives revenue from a variety of sources including loan repayments and a dedicated payment of 2.5 percent of the County's Property Tax revenue. Since its inception in 1988, the HIF has been administered by the County's Department of Housing and Community Affairs (DHCA). In Fiscal Year 2005 (FY05), almost $17 million in funding was available. County Executive Leggett has added funding in Fiscal Year 2008 to increase program funding to $35 million and has pledged to increase funding to at least $75 million annually.

HIF funding is available throughout the year and can be used for predevelopment, bridge, acquisition, and permanent financing. Funding can be in the form of low-interest or no interest loans, forgivable grants, or operating subsidies. To remain as flexible and responsive as possible, individual requests for funding are reviewed throughout the year by a Housing Loan Review Committee that makes recommendations to the Director of DHCA, who has final decision-making authority. HIF funding can and has been used to: fund new construction; preserve existing homes; support new rental construction; finance substantial rehabilitation of rental housing; support the preservation or development of senior, family or special needs housing; and support the preservation or development of single-family, townhouse and apartment buildings. This flexibility has enabled the County to develop a continuum of housing options. The certainty provided by a dedicated source of funding allows the County and its development partners to plan for the future.

The Housing Opportunities Commission (HOC) Multi-Family Mortgage Financing provides low-interest financing for low and moderate income housing to private and non-profit developers by issuing tax-exempt bonds. The HOC can provide gap financing or joint venture equity for the acquisition, development or repositioning of mixed income multifamily properties in Montgomery County. In addition, the HOC partners with investors to obtain federal and state Low Income Housing Tax Credits (LIHTC) for low and moderate income properties.

Best Practices:

The Open Door Housing Fund, a new merger of the Washington Area Housing Trust Fund (WAHTF) and the Unitarian Universalist Affordable Housing Corporation (UUAHC) is a locally controlled housing loan fund operating in the Washington, DC, metro region with $17 million in FY 2008 total assets ($9 million of which is dedicated to DC site acquisition financing). Fund capital has come from federal, state and local governments, banks, churches, foundations and individuals. The Open Door Housing Fund offers predevelopment, bridge, acquisition and construction loans to all types of affordable housing developers including nonprofit, for profit and tenant associations. Governance is provided by a board of up to 20 directors drawn from the directors of the two original funds, elected officials and others.

<u>Implementation:</u>

The Revolving Equity Fund would augment HIF funds by using a portion of HIF money to “seed” the fund. This would then attract other capital from private sources such as banks, insurance companies, pension funds, individuals and major local employers. Another possible dedicated source of funding would be to use 1% of the transfer tax. Altogether, this larger pool of money would be leveraged yet further through issuance of taxable revenue bonds.

The impact of dedicating HIF money would be that there would be less HIF money for DHCA to use directly or through HOC, although the money would still be used toward similar goals.

<u>Organizational Structure</u>: It is proposed that the Montgomery County Government create the “Montgomery County Affordable Housing Equity Fund” by the formation of a limited liability company of that name (the “Fund”). The purpose of the Fund will be to invest funds with private sector real estate development companies which establish ventures to preserve existing and produce new affordable housing in Montgomery County. As a result of these investments, over time it is anticipated that the public and private sectors, working together, will increase the affordable housing stock, enhance economic development goals of the community, generate job growth, create wealth, and revitalize our communities.

<u>Management</u>: Management of the Fund will be accomplished through a combination of methods. First, the County will form an entity to be known as AHE Management, LLC, (i.e., Affordable Housing Equity), which will be the Manager of the Fund (the “Manager”). The Manager will be governed by a three member management committee appointed by the County Executive, with the advice and consent of the County Council. The management committee will have extensive authority to establish flexible, commercially reasonable rules for the governance of the Fund, and for the investment of Fund assets. Members of the management committee will serve with compensation, be persons experienced in real estate finance and development, serve staggered six year terms, be eligible for reappointment, and be subject to strict conflict of interest rules. The management committee will be assisted by two fund co-managers (“Fund Managers”). The first will be an experienced professional real estate investment fund manager. The second will be the Montgomery County Housing Opportunities Commission (the “Commission”). Compensation of the fund managers will be negotiated and approved by the management committee. The fund managers will perform the day-to-day management responsibilities relating to the operation of the Fund, will advise the management committee with respect to the structuring of investments by the Fund, and will advise the management committee with respect to specific investment decisions. The management committee will have authority to allocate responsibilities between the two Fund Managers as it deems appropriate. The process for the selection of the non-Commission Fund Manager will, of necessity, be a very careful one, intended to balance the need for conventional investment prudence with imagination and the aggressive pursuit of the public purposes of the Fund. Additionally, staff members of the Commission will work with the management committee to assist the fund manager in evaluating ventures in which the Fund may invest and to ensure that the public purposes of the Fund are honored in each investment decision. The management committee will need to strive to negotiate arrangements with developers that will both achieve substantial public purposes and be profitable to the developer and the Fund.

Approved Developers: Based upon the recommendations of the Fund Manager and HOC, the Manager will select a group of approved developers. The list of approved developers will be subject to regular and periodic review. Approved developers will be eligible to submit proposals for specific development transactions in which the Fund may invest.

Funding Structure: The Fund will raise capital through the issuance of intermediate term (e.g., ten year) taxable revenue bonds. The Manager and its underwriters will target investors including individuals, institutional investors (including insurance companies, pension funds and others), and banks. Fund proceeds will be made available to the private sector real estate development community that will contribute toward the reduction in the overall cost of capital in order to facilitate the production and preservation of rental and "for sale" affordable housing in Montgomery County.

While the Fund will raise funds in the capital markets in the form of taxable bonds, the Fund will make investments in specific ventures in the form of equity. As an equity investor, the Fund will receive a preferred return on invested capital at an interest rate to be negotiated in each specific transaction, plus a residual ownership interest in the specific venture to be negotiated. The Fund will retain the residual ownership interest, the benefits of which it will use to meet Fund expenses, serve as a reserve, assist in providing credit enhancement as described more fully below, and to make additional investments in affordable housing preservation and development in the future as assets of the Fund become unrestricted.

Use of Funds: The Fund will be structured to enable the private sector to leverage the total value of investments in the Fund into a substantial multiple of those assets, thereby achieving a very substantial level of affordable housing preservation and production. It is anticipated that capitalization of the Fund will take place over a three year period. The objective will be to raise at least $100 million in the Fund. Balances in the Fund will be re-cycled into on-going investments in affordable housing preservation and development.

For illustrative purposes, the way in which the Fund will work, will be as follows: Private developers will present housing preservation and development opportunities to the Fund. The Fund Manager will invest $200 in equity for every $100 in equity invested by the applicant private developer in a specific transaction approved for the Fund. This combined $300 in total equity will then be leveraged into at least $1,500 in total development. (This 80/20 leveraging is very conservative. Depending on the specific transaction, the debt/equity ratio could be anything from 80/20 to 95/5, depending on many factors.) The Fund will enjoy the same attributes of return on investment and ownership that are enjoyed by the equity invested by the developer in the specific venture. Debt financing for a specific venture receiving equity from the Fund may be combined either with conventional lender financing or with bond financing offered by the Montgomery County Housing Opportunities Commission ("HOC").

Credit Enhancement: Bond investors will require assurance that promised interest payments on the bonds will be paid when due and that bond principal will be repaid timely and in accordance with the bond documents.

The Fund will employ several devices to "credit enhance" the bonds. First, Montgomery County will commit $10 million from the Housing Initiatives Fund annually for at least five years (the "County Commitment"). The County Commitment will provide a source of interest payments on the bonds during that period during the early life of the bonds when planned income from the ventures in which the Fund invests will be insufficient to meet bond and other obligations of the Fund. Second, the Fund will pledge all, or some portion of its interests in specific ventures to support repayment of interest and principal on the bonds. Third, the Fund will obtain credit enhancement through bond guaranties from an institutional investor, such as a life insurance company. It will obtain such guaranties through either the payment of a guaranty fee or by the pledge of a portion of the Fund's residual ownership interest in a venture in which the Fund invests, or a combination of both a guaranty fee and a pledge of residual interests.

While the County Commitment is a substantial one, in fact this approach will enable the County to leverage the annual contribution into the preservation and development of hundreds of millions of dollars of affordable housing. While precise projections are not available at this time, it is anticipated that this investment by the County of $50 million should result in the development of at least $1 billion in housing during the first seven to ten years of the program. This is an excellent investment for obvious reasons. It is virtually incontestable that there is no other way in which the County can invest its money in housing and achieve such a level of production and preservation. It is also anticipated that as the Fund's share of the residual interests retained by the Fund in the development ventures in which the Fund invests increases, the original $50 million investment from the Housing Initiatives Fund will be worth substantially more than the original investment. This appreciated value can also be re-cycled in the future to continue the process of issuing bonds and leveraging them into very significant volumes of housing preservation and production.

Housing Types: With regard to the type of housing developments in which the Fund will invest its equity, the alternatives are virtually limitless. The key will be to measure the extent of the public purpose that is achieved. One idea would be to find a venture that has land in inventory or under contract that it can develop in a wide variety of housing uses. Optimally, it would include rental and for sale housing. It would have a mixture of lower income, workforce and market rate rental housing. It would have workforce and market rate "for sale" housing. It could be a moderate or a large sized project. It could also have a commercial component. The presence of commercial space in the development creates a whole range of new possibilities. As time goes on, and Fund investments have more of a history, prospective users of Fund investments will also be evaluated on new applications for funds based on the public purpose they have been able to achieve in prior developments funded by the Fund.

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[1] For the purposes of this paper, the term "private sector" includes for profit and not-for-profit developers.
[2] If available, approved low income housing tax credits will count toward the developer equity requirement.
[3] For example, assuming that the Fund issues bonds in the amount of $100 million, and that the interest rate on the bonds is 8%, and that interest-only is due on the bonds during the first two years of the life of the bonds, the potential exposure for bond interest during that two year period is $8 million annually. It should also be assumed that there will be virtually no revenue to the Fund during those first two years and that the Fund will need to resort to the County Commitment to meet its bond interest and operating expense obligations during those first two years.

Technical Paper # 3

Affordable Housing Impact Fee

Recommendation is to investigate and implement the use of an **Affordable Housing Impact Fee** on all new commercial development, including office and retail to build affordable housing in the County**.**

Current Situation

Impact fees are set by the Montgomery County Council, assessed on new buildings and additions to commercial buildings in the county to fund in part, the improvements necessary to increase the transportation or public school systems capacity, thereby allowing development to proceed. No impact fees are currently assessed for affordable housing.

School and Transportation impact fees are not applied to any Moderately Priced Dwelling Unit (MPDU), or other dwelling unit built under government regulation or binding agreement that limits for at least 15 years the price or rent charged for the unit in order to make the unit affordable to households earning less than 60% of the area median income, adjusted for family size. School impact taxes do not apply to Personal Living Quarters which meet the price or rent eligibility standards for MPDU; any dwelling unit in an Opportunity Housing Project built under Sections 56-28 through 56-32, which meets the price or rent eligibility standards for a MPDU; or any development located in an enterprise zone designated by the State. The fee does not apply to reconstruction of an existing building that does not increase the number of dwelling units; any building that replaces an existing building on site or in the same projects with the same number of dwelling units.

Best Practices

Jurisdictions in other states have imposed housing mitigation fees on new commercial space. Many California jurisdictions impose fees based on commercial square footage, to be used for affordable and workforce housing on or off-site. A development may dedicate land for workforce housing in lieu of fees, pay into a Workforce Housing Fund, or create an alternative, such as providing an Employer-Sponsored Mortgage Assistance Program. Marin County, CA, requires shopping center renovations to provide housing units for workers employed at the centers at a cost they can afford.

Impact fees dedicated to affordable housing have also been imposed on new residential development, sometimes at the time of building permit. Many California jurisdictions levy impact fees on new residential construction, as does Boulder, Colorado. Palo Alto, CA, imposes a $16,804 impact fee on a $500,000 house, and allocates a portion of the fee to Palo Alto's Below Market Rate (BMR) Housing Program, targeting households earning 80-120% AMI for ownership units. Households earning 40-70% AMI are eligible for the BMR rental program.

Sample Workforce Housing Mitigation Fees (in dollars per square foot)

Jurisdiction	*Retail*	*Office*	*R&D*	*Hotel*	*Industry*
Berkeley	4.00	4.00			2.00
Marin County	4.32	5.75	5.75	9.31	2.99
Oakland	4.00			4.00	
Palo Alto	15.58*	15.58	15.58	15.58	15.00
San Francisco	13.95	14.95	9.97	22.21	
Sonoma	3.59	2.08	2.15	2.08	2.15

(Technical Supplement to the Proposed Workforce Housing Policy, Montgomery County Planning Department, M-NCPPC, August 2005)

* The fee is set after an economic nexus study which shows the need for low/workforce income housing generated by lower paid jobs connected with new commercial space. The fees go into a housing trust fund.

Implementation

The Task Force recommends that Montgomery County investigate and implement the use of affordable housing impact fees on all new commercial development, using a per square footage basis for the fee charge. The county has experienced enormous growth during the past three decades in all categories of commercial space except for Industry, and has pressing affordable housing needs that require large amounts of funding in order to begin development and attempt to catch up with the job creation activity during this same period of time.

Montgomery County
New and Revised Impact Taxes
Effective December 2007

Dwelling Type	School Impact Tax Per Dwelling Unit
Single-family detached	$20,456
Single-family attached	$15,401
Single Family house surcharge	$2 per square foot of gross floor area that exceeds 3,500 square feet, to a maximum of 8,500 square feet)
Multifamily (except high-rise)	$9,734
High-rise	$4,127
Multifamily senior	$0

In the event the school cluster has exceeded the 105% school program capacity, applicants are required to pay a per unit School Facilities payment.

School Type	Cost per student	student generation rate/ school level / unit type			
		Single Family Detached [SFD]	Single Family Attached [SFA]	Multi Family Garden apt.	High/low rise w/ parking
Elem. School Student Generation Rate x Cost of Seat	$19,514	0.3200	0.2110	0.1530	0.0420
Middle School Student Generation Rate x Cost of Seat	$25,411	0.1440	0.1220	0.0560	0.0390
High School Student Generation Rate x Cost of Seat	$28,501	0.1310	0.1070	0.0390	0.0330
ES facilities payment		**$6,244.48**	**$4,117.45**	**$2,985.64**	**$819.59**
MS facilities payment		**$3,659.18**	**$3,100.14**	**$1,423.02**	**$991.03**
HS facilities payment		**$3,733.63**	**$3,049.61**	**$1,111.54**	**$940.53**
facilities payment if 3 school levels are over 105% capacity		**$13,637.30**	**$10,267.20**	**$5,520.20**	**$2,751.15**

In addition to the School Impact Tax, applicants for building permits in a residential development must also pay the Transportation Impact Tax

Building Type	**Metro Station**	**Clarksburg**	**General**
Single-Family detached residential (per dwelling unit)	$10,649	$15,973	$10,649
Single-Family attached residential (per dwelling unit)	$4,357	$13,070	$8,713
Multifamily residential (Garden apartments) (per dwelling unit)	$3,388	$10,164	$6,776
High-rise residential (per dwelling unit)	$2,420	$7,261	$4,840
Multifamily-senior residential (per dwelling unit)	$968	$2,904	$1,936
Office (per sq. ft. GFA)	$4.85	$11.65	$9.69
Industrial (per sq. ft. GFA)	$2.43	$5.78	$4.85
Bioscience facility (per sq. ft. GFA)	$0	$0	$0
Retail (per sq. ft. GFA)	$4.34	$10.46	$8.67
Place of worship (per sq. ft. GFA)	$0.26	$0.68	$0.51
Private elementary and secondary school (per sq. ft. GFA)	$0.39	$1.02	$0.77
Hospital (per sq. ft. GFA)	$0	$0	$0
Social Service Agency	$0	$0	$0
Other nonresidential (per sq. ft. GFA)	$2.43	$5.78	$4.85

Technical Paper # 4

Create a More Attractive Planning and Economic Environment

Montgomery County's Affordable Housing Task Force recommends that steps be taken to **Create a More Attractive Planning and Economic Environment** which would encourage developers of affordable housing to produce more than the minimum requirement. The benefit of incentives should increase proportionately with the increase of affordable units produced.

Current Situation

Montgomery County's inclusionary zoning requires developers to include 12.5% to 15% moderate cost units in developments of 20 or more units in most residential zones. In addition, 10% of the units must be provided as affordable workforce housing units in transit station and central business district zones. To offset the expense of providing these affordable units, developers may receive density allowances of up to 22% above the base density of the zone. Recent dramatic increases in land and construction costs, however, may make it difficult for the affordable units to be produced at costs that will be affordable to program participants. Developers might be more eager to build if additional incentives and bonuses were available, thereby creating more market and more affordable housing.

The bonus density allowance that offsets the costs of the affordable units may be reduced by site conditions and requirements, including topography, environmental and forestation requirements, zoning setbacks, and master plan limits on building heights. Due to these factors, Development Review staff at M-NCPPC confirms that developers may not be able to secure approval of the full density allowance in their projects, jeopardizing the economic feasibility of the development.

Best Practices

Many jurisdictions across the United States have created affordable housing density bonus ordinances to increase their affordable housing. These "inclusionary zoning" ordinances either require or encourage affordable housing units as part of market rate development. Density bonuses can be mandatory or voluntary. Mandatory bonuses can be opposed by developers, but guarantee creation of affordable housing. Voluntary bonuses are less effective, but face less political opposition. The legislature decides how high the density bonus should be to produce the most affordable units.

Density bonuses can be set or flexible. Some jurisdictions set a maximum bonus density, and staff negotiates a minimum density bonus. Density bonuses can take various forms: affordable units for low and very-low income households or a mix of affordable and market units, which give developers more flexibility. Density bonuses can encourage development of multifamily housing as well as single family housing. Density bonuses can be targeted at specific corridors or redevelopment areas, at different incomes, even at different housing unit sizes (3 or 4 bedroom units, for example). If rehab is involved along with new construction, the bonus may be applied to the entire project or only to new units. If income limits for bonus units are at 50% of median household income, the income from the units might be insufficient to make the affordable units feasible. Some jurisdictions provide additional incentives beyond a density bonus.

Many states and localities have adopted inclusionary zoning and provided density bonuses to reward developers for building mandated affordable housing.

Montgomery County, Maryland's own Moderately Priced Dwelling Unit Program, or MPDU Program, is one of the oldest and most successful inclusionary zoning programs in the nation. Adopted in 1973, the program has led to the development of over 12,000 affordable housing units. While program price controls have expired on many of the units, the program has recently been amended to extend affordability controls for longer time periods; 30 years for homeownership units and 99 years for rental units. Because the program is mandatory throughout most of the County, (the City of Gaithersburg is the only notable exception), the program has received wide-spread acceptance throughout the residential community and among the development industry.

California. Another well-known inclusionary zoning program exists in California as a result of California's SB1818, which offers a density bonus to facilitate production of affordable and workforce housing. SB1818 was recently revised to decrease the percentage of affordable units needed to get a reduced density bonus, and increase the maximum density bonus to 35%. Developers can now earn up to a 35% density bonus depending on the number of affordable units they provide. California localities must offer developers incentives (setbacks, parking requirements, open space, etc.) based on the percentage of affordable units in a development. Localities must grant developers a flat density bonus of 20% for developments with 10% lower income units and 5% very low income units, and a 5% bonus for 10% moderate income units. The density bonus increases by 1.5% for each 1% increase in low-income units above 10%, up to the maximum of 35%. The very low-income density bonus increases 2.5% for each 1% increase in very low-income units above 5%, up to the maximum of 35%. The moderate income (condo/PUD) density bonus increases by 1% for each 1% increase in moderate income units above 10% to a maximum of 35%. Developers are granted a flat 20% density bonus for senior housing.

SB1818 also creates a density bonus for applicants who donate land for very low-income housing to local government or to a developer approved by the locality. The land must also meet certain requirements related to by-right zoning, location, and size. Land donations must be large enough to provide at least 10% of the units for very low-income households. For a 10% land donation, an applicant receives a 15% density bonus above the maximum allowable density for the entire development. The density bonus increases by 1% for each 1% increase in very-low income units that can be built on the land, up to a maximum of 35%. SB1818 requires the first occupant to be moderate income, rather than requiring a 10-year term of affordability; and requires sharing equity on resale. SB 1818 does not preempt local inclusionary requirements.

A 2007 report on California's inclusionary housing policies found that the number of local jurisdictions with inclusionary policies increased from 107 (20 percent) in 2003 to 170 (32 percent) in 2007.
The policies are estimated to have created about 30,000 units of long-term affordable housing statewide from 1999 through mid-2006. Roughly 70% are rentals. The report advised more cities and counties to adopt inclusionary policies, enhance tracking of in-lieu fees and inclusionary unit production, expand partnerships with nonprofit housing developers, and offer more incentives and flexibility for developers.

San Francisco, California proposed Proposition J in 2004 to commit developers to construction of middle-income owner-occupied "workforce housing" for households earning 80%-120% area median income. The City had a severe housing shortage, in part because of a huge increase in population and jobs between 1990 and 2000, and only a modest increase in housing. The city proposed relaxed height and density restrictions, expedited permit review and planning commission hearings, exemptions from the standard conditional-use process, and omission of floor-area-ratio limits on residential projects in downtown office districts. It planned to advance $2 million from the general fund to cover environmental review for the districts and other neighborhood planning areas, and require repayment by developers. Voters rejected Proposition J, because of opposition to many of the details.

The **City of Fremont, California** offers developers incentives to encourage affordable housing development, including marketing and applicant screening; flexibility in size and interior finishes on affordable units; building attached affordable units in a single-family detached project; building one-story affordable units in a multistory project; and additional units exempted from the city's Inclusionary Housing Ordinance. Fremont's inclusionary zoning affects developments of 7 or more units/lots. Developers must provide a minimum of 15% of the total units as affordable. For-sale units must be affordable to moderate-income households, and rental units must be affordable to very low and low-income households.

Developers also get a density bonus on new developments of 5 or more units, single- and multi-family, for sale or for rent, if the project includes affordability or special household provisions.

Up to three incentives are offered to developers depending on how many affordable units are provided including:

- Site identification assistance;
- Marketing and applicant screening;
- Density bonus; and
- Development standard modifications;

Projects where at least 49% of the units are affordable receive enhanced incentives:

- Deferral of impact fee payments of up to 18 months is available for developments which restrict, at a minimum, at least 49% of the units to very low to moderate income households for a minimum of 45 years for ownership, and 55 years for rental developments. The city or redevelopment agency will cover the cost of development impact fees.
- Financial assistance using CDBG funds or federal HOME funds or others.
- Facilitation with the entitlement process.
- Assistance with community engagement activities.
- Site identification assistance.
- Support in leveraging public and private funds.

Antioch, CA, offers density bonuses to developers who provide units for low and very-low income households but not senior households. Antioch offers incentives such as reductions in site development standards and/or modifications in zoning district requirements, and modifications in architectural design requirements which exceed minimum building standards (such as reductions in setbacks or required parking). The City Council may award additional density bonuses for a particular type of housing such as 3 or 4-bedroom units. Antioch requires the developer to pay an annual monitoring fee to the city of between $500 -$5000 to cover processing costs, and allows the city to impose penalty costs on developers for noncompliance.

Danville, CA, offers a density bonus based on the **term of affordability restrictions**. The longer the restrictions, the higher the density bonus offered. Projects with restrictions of between 10-30 years are eligible for a 25% density bonus. They must have 20% of units restricted to low-income households OR 10% restricted to very-low income households OR 10% restricted to senior households. Projects restricted for more than 30 years are eligible for at least a 30% density bonus and at least one other incentive. The project must include 10% of units restricted for low-income, OR 5% restricted for very-low income OR 50% restricted for senior households, or at least 10% restricted for moderate-income households with a handicapped person or persons. If a developer agrees to construct a project with at least two of the restricted populations, the developer can get an additional incentive and may receive an additional density bonus. Additional incentives can be offered such as: 1) reductions in site development standards, modification of zoning code requirements or architectural design standards exceeding State building standards, including reduction in setbacks, square footage, minimum lot size, minimum lot dimensions, street section, sidewalks, open space, landscaping or number of parking spaces; 2) approval of mixed use zoning; and 3) waiver of certain controlled fees.

Connecticut has an Affordable Housing Land Use Appeal Act which allows developers to bypass zoning if a development had 30% of the units as affordable. The community has the burden of demonstrating how the public interest is harmed.

Arlington, VA increased density to rebuild transit-oriented development under a General Land Use Plan and used sector plans to intensively redevelop its two Metro rail corridors out to ¼ mile from the metro stations. It added new zoning tools to encourage mixed-use and a 50/50 tax base mix. New mixed use zones included C-O-A, 50/50 residential/office mix up to 6.0 FAR; and R-C, which gives 1.24 FAR for office, 2.0 FAR for residential. High-density development is approved through a special exception site plan, where the FAR ranges from 3.5-10 with heights of 100’-300’. In contrast, by-right development is allowed at 1.4 FAR and 45’ height. Arlington created 41,000 housing units.

Los Angeles passed an ordinance in July 2007 that grants downtown developers a 35% density bonus in the size of their building if they offer affordable housing. The ordinance was designed to stimulate residential development downtown. It eliminates setback requirements, allows developers more flexibility to determine use of open space, and requires new downtown buildings to comply with design standards established by the Community Redevelopment Agency. Developers must provide 5% of housing units for very-low income residents (family of four earning $37,000 or less), and include either:

- 10% of units for low-income residents, or
- 15% of units for moderate-income residents, or
- 20% of units for Workforce Income residents (150% of median household income, about $57,000/year for a family of four).

The bonus will allow developers to build more housing, which will generate more affordable housing.

Charlestown, R.I. is considering an inclusionary housing ordinance that would offer participating developers incentives such as the opportunity to build at higher densities than normally allowed, and the option of paying a fee, donating land to the town, rehabilitating existing units, or constructing affordable units off-site to satisfy affordability requirements. The town would require developments of six or more lots or units, to set aside at least 15 percent of units for affordable housing. Units would remain affordable for 99 years and could not be used as seasonal rentals.

Virginia Beach, Va., supported development of workforce housing on the city's western section, where housing was planned, by allowing developers to build up to 30 percent more units than allowed under current zoning rules, if they sell at least 17 percent of the units in a project at below-market rates. For-sale units would be targeted at households earning $36,000 to $76,000 annually, while rentals would target households earning about $27,000 annually. A second phase of the program will address existing neighborhoods.

Implementation

Montgomery County could adopt any one of the models above. Given the pressing need for affordable housing, the County should consider the **Los Angeles** model and grant a 35% density bonus to developers who build affordable housing. Additional regulatory incentives could be offered such as reduced setback requirements, expedited review, and flexibility on use of open space (including allocation to other projects). New buildings would be required to be compatible with adjacent structures and/or comply with design standards established by M-NCPPC.

Eligible projects for the County's proposed density bonus would have to provide 10% of housing units for very-low or low-income residents, and include EITHER:

- 25% of units for moderate-income residents (60-80% AMI), or
- 35% of units for Workforce Income residents (80%-120% AMI).

The yield from the density bonus would be projects with a minimum of 35% affordable or 45% affordable/workforce units. In both scenarios market units would represent over 50% of the total units developed.

Montgomery County should also increase density using transit-oriented redevelopment by revising its General Plan. Sector plans should up-zone areas around the county's hubs and spokes (major corridors) to a 3/4 mile radius. New zoning tools should encourage mixed-use development, with new mixed use zones and higher F.A.R. (1.24 for office, 2.0 for residential). High-density development with F.A.R. from 3.5-10 and heights of 100'-300', should be approved through a special exception site plan, that follows the process adopted by Arlington, Virginia. F.A.R. from 3.5-10 should be used in special exception projects with heights of 100'-300', and by-right development should occur at 1.4 F.A.R. and 45' height.

Technical Paper #5

Increase Densities in Urban Areas and Transit Zones

Montgomery County's Affordable Housing Task Force recommends **Increasing Densities in Urban Areas and Transit Zones** to encourage development of affordable and workforce housing.

Increasing density in urban areas and places with good public transportation can increase housing production, and generate more affordable housing units. Increased density reduces capital and maintenance costs for utilities per unit, along with public safety costs, and school capital costs, as older schools sustain attendance. Density increases use of public transportation enormously, as private cars become less necessary. Increased density reduces construction costs from $37,368 per unit built at 3 units per acre, to $20,509 per unit built at 30 units per acre.

Construction costs also are reduced in compact development ($9,252 per unit) versus scattered development ($19,638 per unit). Households own fewer vehicles when there is greater employment density, saving them money for other needed expenditures.

Current Situation

Montgomery County's most densely zoned areas are in central business districts (CBDs) and transit zones. Overlay Zones are tools also used for adding density to areas or targeted sites without updating the master plan and sector plan, and allows developers the right to build in accordance with the overlay zone.

Best Practices/Tools

Affordable Housing Overlay Zones can include a range of housing from very low to market rate. In most communities Workforce housing counts toward market rate units. Enactment of an overlay zone increases permitted density without updating the master plan and sector plan. They can be applied to large areas or just a few sites Overlay zones can allow by-right affordable housing development, multifamily development on commercial sites, waivers of local fees, and required review of design and development standards. Development guidelines for higher density affordable housing usually require the housing to blend in with the surrounding neighborhood in its parking, density, height, and lot coverage.

Minimum density zoning specifies the minimum allowable development density or floor area ratio, instead of the maximum density typically found in zoning ordinances. Minimum densities encourage compact development. Target areas for higher density must be identified, and a decision on how much density is desired must be made.
Future density allocations shouldn't exceed what the market is willing to provide. Otherwise, minimum density requirements may hinder development rather than encourage more intensive land uses. A market analysis may be necessary to discover if there is sufficient demand for increased density. Infrastructure must be analyzed to ensure it can serve the maximum build-out density in the incentive zone. Infrastructure must be coordinated with all affected units of government including the school district, county, and special taxing districts.

Transit Oriented Development (TOD) increases density around transit centers to maximize proximity to transit for the greatest number of residents and users. It imposes density requirements, stipulating the number of dwelling units per acre for residential development, or floor area ratio for mixed use or nonresidential development. The required densities are applied after unbuildable land is subtracted from the development site.

Best Practices/Locations

California's SB1818 encourages affordable/workforce housing through density bonuses. Municipalities must also give developers incentives and create a plan for affordable housing as part of their general plan. Recently, SB1818 was revised, decreasing the percentage of affordable units needed to get a reduced density bonus, and increasing the maximum density bonus to 35% depending on the number of affordable units provided. Localities are required to offer developers 1-3 incentives (setbacks, parking requirements, open space, etc.) based on the percentage of affordable units in a development. A flat density bonus of 20% must be granted for developments with 10% lower income units and 5% very low income units, and a 5% bonus granted for developments with 10% moderate income units. The density bonus increases by 1.5% for each 1% increase in low-income units above 10%, up to the maximum of 35%. The very low-income density bonus increases 2.5% for each 1% increase in very low-income units above 5%, up to the maximum of 35%. The moderate income (condo/PUD) density bonus increases by 1% for each 1% increase in moderate income units above 10% to a maximum of 35%. Developers are given a flat 20% density bonus for all senior housing.

SB1818 also created a *density bonus for applicants who donate land* for very low-income housing to a local government or developer approved by the locality, if the land meets requirements related to by-right zoning, location, size, etc. Land donations must be large enough to provide at 10% of the units for very low-income households. For a 10% land donation, an applicant receives a 15% density bonus above the maximum allowable density for the entire development. The density bonus increases by1% for each 1% increase in very-low income units that can be built on the land, up to a maximum of 35%.
SB181 requires the first occupant to be moderate income rather than requiring a 10-year term of affordability; and requires sharing equity on resale. SB 1818 does not preempt local inclusionary requirements.

More dense development was prescribed for **South Western Connecticut** in a 2007 study by the South Western Regional Planning Agency. Denser development will increase the supply of affordable housing. The Agency recommended that local and state leaders evaluate 22 areas in eight municipalities for denser development, and offer density bonuses and other incentives to developers of affordable housing. Families earning up to 80 percent AMI could afford only 14.4 percent of homes in the region. The agency also recommended that a clearinghouse on affordable housing be established in the agency.

Washington County, Oregon, increased density by increasing Floor Area Ration (FAR) and Dwelling Unit per Acre, (du./ac.) from 0.5 F.A.R. in the RC zone, to 80 d.u./ac. or 1.0 F.A.R. in the R80-120 zone. Density declines with distance from the transit station.

Fremont, California created a new **R-3 zone** to promote multifamily developments within medium, high and very high density areas throughout the city. Incentives offered by the city within the R-3 zone include:

- site identification assistance;
- flexibility in lot and site standards through the site plan and architectural review approval process when the intent of the standard is met through other means.
- additional incentives for projects that qualify for a density bonus such as increased maximum lot coverage of 70%;
- reduced common open space areas for each affordable unit;
- reduced parking requirements for affordable units.
- land use modifications
- allowance for life-work units
- streamlined processing of plans and permits
- marketing and applicant screening – initial renters and/or eligible homebuyers are selected by the city.

Portland, Oregon, established development standards in multifamily dwelling zones with minimum and maximum densities, and height limits. The R3 zone, for example, has minimum density of 1 unit per 3,750 s.f. of site area, and a maximum density of 1 unit per 3,000 s.f. of site area, with a height limit of 35 feet. The RX zone has a minimum density of 1 unit per 500 s.f. of site area, and a maximum density of 4 F.A.R., with a height limit of 100 feet.

In **Oakland, California,** the Metropolitan Transportation Commission Resolution 3434, Transit-Oriented Development (TOD) policy for Regional Transportation Project, addressed multiple goals including reducing the shortage of affordable housing in the Bay Area. The policy requires transportation agencies, local jurisdictions, members of the public, and private sectors, to work together on development patterns that support use of transit. One element of the TOD policy is "Corridor-level thresholds to quantify appropriate minimum levels of development around transit stations along new corridors."

Implementation

Montgomery County should increase density in central business districts (CBDs) and transit station areas by establishing minimum densities and using increased F.A.R. to encourage compact development in existing residential and mixed use zones, ranging from 1.0 to 4 F.A.R. The county must decide how much density is desired and where, ensuring that density is dispersed so that no area of the county is unfairly "densified". In addition, target areas for higher density should be identified outside of Metro station areas and CBD's, to build out the county's remaining housing capacity using Transit Oriented Development. Minimum density thresholds should be identified and established in the target areas between 0.5 to 4.0 F.A.R.. New commercial development and transportation must be coordinated with new residential development to ensure development patterns that rely heavily on transit, and to discourage single occupancy vehicle trips. Infrastructure must be analyzed to ensure it can serve the maximum build-out density, and planning must be done to sequence infrastructure expansion to serve build-out of density over time.

Technical Paper # 6

Reduce Parking Requirements for Housing Developments

The Affordable Housing Task Force recommends **Reducing Requirements for Parking** to make new housing more affordable, as well as uncoupling the cost of parking from the cost of housing. In this way residents (buyers or renters) decide whether or not to purchase parking.

Current Situation

Currently, multifamily housing in Montgomery County can be approved for reduced parking requirements based on the zone in which the development is located, its proximity to a Metrorail transit station, the presence of affordable units in the development, its use as senior and disabled housing, dedicated van transportation, and use of buildings for dining or meals programs. Reductions in parking requirements may be approved by the Planning Director or Montgomery County Planning Board of the Maryland-National Capital Park & Planning Commission. In non-age restricted multifamily housing, parking credits may go up to approximately 20% of the normal parking requirements. Senior and disabled housing can receive credits up to 45% of the normal requirement.

Montgomery County's parking space policy is detailed in Article 59-E of the Montgomery County Code, which addresses Off-Street Parking and Loading. Article 59-E specifies the sizes of parking spaces, and specifies the amount of parking required based on the type of building or facility.

Percentage reductions in parking requirements are available, generally 10%-20%, for projects that meet special conditions described below.

RESIDENTIAL

MULTIPLE-FAMILY DWELLING UNITS may receive a 10% reduction in the standard parking requirement if units are located within a CBD or transit station development area. Parking requirements for multi-family units are:

1 space – Studio
1 ¼ spaces - 1 bedroom
1 ½ spaces - 2 bedroom
2 spaces - 3+ bedrooms

Other parking reductions available include:

- 5% reduction if units are within 1,600 feet of a Metrorail station entrance or 1,000 feet for developments for seniors and disabled.
- For MPDUs or other affordable units at or below MPDU affordability, parking requirements can be reduced to one-half the requirement for market rate units.
- 10% reduction for a private shuttle bus program that continues for at least 7 years.
- 20% reduction for assisted living facilities with dining facilities that serve at least 50% of residents (excludes senior housing, disabled housing and life care facility).

SINGLE FAMILY units require two spaces per unit for detached (except in very steep grades), mobile home, semi-detached, townhouse, two–family, and four-plex.

PERSONAL LIVING QUARTERS require one space for each individual living unit, provided that parking complies with standards for multiple-family dwellings.

SENIOR/DISABLED**:** Base parking requirements are determined in accordance with the location of the property in relation to the Parking Policy Areas approved by the District Council on June 28, 1984, and maintained by the Planning Board. Base parking requirements vary according to the number of bedrooms per unit.

Base Requirements for Housing and Related Facilities for Senior Adults or Persons with Disabilities				
	Minimum Parking Requirements (Spaces/Unit)			
No. of Bedrooms	Southern Area	South Central	Northern Central	Northern Area
0—1	0.50	0.65	0.85	1.00
2 or more	0.65	0.85	1.15	1.35

NEW BUILDINGS:

Reduced parking can be approved if a new use will be conducted in the building; and the reduced number of parking spaces is adequate to accommodate the proposed new use. A reduction is restricted to the proposed new use and expires when use of the building changes or is enlarged, unless the Planning Board approves the changes.

MIXED USE BUILDINGS:
Reduction in parking requirements can occur if parking is shared and the land or building is under the same ownership or under a joint use agreement and used for two or more purposes. Parking must be located within 500 feet walking distance of the entrance to an establishment to be served. The Planning Director/Planning Board decides at parking facility plan approval, whether shared parking is possible and appropriate at the location proposed.
The total number of spaces needed is computed by multiplying the minimum amount of parking normally required for each land use—office/industrial, general retail, etc., by the appropriate percentage of use during 5 time periods: weekdays, daytime and evening, weekends, daytime and evening, and nighttime. The number of spaces is determined by totaling the numbers in each column, and choosing the highest number as the parking space requirement.

Best Practices

ARLINGTON, Virginia's Site Plan Review Process is the means by which it achieves transit oriented development in Metrorail corridors. Site Plan Review gives the County a higher degree of control in project design and operational conditions. Typically, the site plan review process has required a lower parking ratio in exchange for other community benefits including transportation improvements. Lower parking ratios contribute to reduction of the project's generation of automobile trips. Parking requirements are negotiated for each project, however certain parking ratios have been applied frequently in Metrorail corridors such that they can be considered "standards": 1.1 spaces per dwelling unit. Projects located close to Metrorail and other transportation options have reduced parking requirements 1.0 space per dwelling unit. A development applying under this process must create a Transportation Management Plan, which may include the following:

- Market rate single occupant vehicle parking;
- Shared parking (e.g., allowing spaces to be used by the general public in the evenings and on weekends); use of nearby, offsite locations to maximize utilization of parking spaces and to take advantage of parking demand at different times by different users.
- Unbundling of parking spaces from residential unit rents.
- Monitoring of the Plan is required approximately 18 months after initial occupancy, through a post-occupancy traffic count and mode split survey.

In addition, Arlington is adjusting parking requirements for by-right construction that does not undergo Site Plan Review.

Implementation

Currently Montgomery County offers parking percentage reductions for multifamily housing that meets specific conditions, general proximity to Metro or commercial hubs, and inclusion of MPDUs or other price-controlled housing. Mixed-use projects can also get a reduction where parking is shared and the land or building is under the same ownership or under a joint use agreement. The Planning Director/Board decides at parking facility plan approval, whether shared parking is possible and appropriate at a proposed location.

Many multifamily projects including mixed-uses are and will continue to be located outside of CBDs and Metro transit cores, and will need the same reduced parking requirements in order to reduce costs and increase affordability. Montgomery County should adopt use of transportation management plans as does Arlington County, for new large multifamily projects including mixed use projects. The plans should include:

- Unbundling of parking spaces from residential unit rents.
- Shared parking.
- Development of a parking management plan that includes a description of employee, visitor, and retail customer parking arrangements and charges;
- No more parking than expected demand within a project.
- Reserved spaces for (resident/employee); carpoolers and vanpoolers.
- Market rate single occupant vehicle parking.
- Free vanpool parking/Reduced carpool parking rate (50 percent).

Monitoring of the plan should be required 12-18 months after initial occupancy through a post-occupancy traffic count and mode split survey.

Technical Paper #7

Expedite Regulatory Reviews

The Affordable Housing Task Force recommends **Expediting Regulatory Review** processes at Maryland-National Capital Park & Planning Commission (M-NCPPC) and the Department of Permitting Services (DPS) for all projects with major affordable housing components. All reviews should be consolidated into one hearing that occurs within 6 months of plan submission.

Current Situation

M-NCPPC's current regulatory review process is outlined in the *Manual of Development Review Procedures for Montgomery County, Maryland, Administrative Standards for Plans Submitted to the M-NCPPC Commission, Development Review Division, for Review and Approval by the Montgomery County Planning Board*.

The Manual outlines the process for submitting an application using standard submittal procedures and alternative submittal and review procedures for non-standard applications. Standard Application submittal involves many steps: Pre-submittal; Optional Meetings with Staff; Initial Application; Final Application; Certificates of Compliance; Statements of Justification; Acceptance or Rejection of Application; Notice to Adjacent and Confronting Property Owners, Civic/Community/Condominium/Homeowner Associations; Pre-submittal Meeting; Pre-Submittal Citizen Meetings; Site Posting; Noticing Requirements; Notice of Application; Consent Agenda Plan Amendments; Notice of Public Hearing; Notice for the Consent Agenda; Evaluation of Applications; Referral and Inter-Agency Consultation; Plan Revisions in Response to Issues and Comments; Planning Board Hearing; Exhibits; Hearings and Consult Agenda; Resolutions and Options; and Certified Plan Approval.

M-NCPPC's development review process is complex, and difficulties can compound because of incomplete applicant submissions; phases of development that must be undertaken sequentially; certain reviews must take place in order; unique project parameters (i.e. size, location, community impact); involvement of numerous county departments and approvals; compliance with community notifications and public hearings; compliance with requirement for resolution (based on court decisions); incorporation of additional time for plan amendments; and time necessary to ensure a quality project.

The review and processing of applications for residential or mixed-use development that designates at least 20 percent of the total number of housing units to persons or families with incomes at or below the income level for moderately priced dwelling units (MPDUs) are expedited as a part of the DPS "Green Tape for Affordable Housing program." The Washington Suburban Sanitary Commission and the Maryland National Capital Park and Planning Commission have also joined this initiative. Consolidation of review processes and an amplification of the Green Tape program will help make the development of affordable housing more efficient and less costly.

Background

Complex and difficult regulatory review processes can be considered an affordable housing barrier, defined by HUD as, a public regulatory requirement, payment, or process that significantly impedes the development or availability of affordable housing without providing a commensurate health and/or safety benefit.

The Advisory Commission on Regulatory Barriers reported that regulatory barriers increase construction and regulatory costs by 35 percent. Affordable housing barriers identified by HUD include:

- Large lot single-family zoning
- Prohibitions on accessory apartments
- Exorbitant development and impact fees
- Excessive or discriminatory public review requirements
- Shortage of land zoned for multifamily housing
- Spacing requirements for group homes
- Requiring special-use permits for group homes
- Discriminatory treatment of manufactured housing
- Unreasonable and expensive building code requirements for rehabilitation projects

Key issues hindering affordable housing development in local and state policies were identified by HUD, and are many of the ones recommended by the Affordable Housing Task Force:

- Impact fees and waiver of impact fees.
- Treatment of accessory apartments and manufactured (HUD-Code) homes.
- Recent studies or commissions on affordable housing barriers.
- Infrastructure standards (water, sewer, streets) and parking requirements.
- Density bonuses.
- Consolidated Plan review and Expedited Plan review.
- Public review of Affordable Housing Projects.
- Building Code
- Comprehensive Plan requirements and housing elements, consistency between comprehensive plan, zoning, and availability of land to meet housing needs.

A 2006 study of **Charlottesville, Virginia** regulations and their impact on affordable housing, found that regulatory barriers represent a significant part of the price increase on area homes. The study cited a finding by the National Association of Home Builders showing that regulatory barriers and delays increased home costs by as much as 25% nationwide, barring as many as 11.8 million households from buying the median-priced home.

The study recommended a "critical and comprehensive reorganization of government management of current and proposed regulations" to decrease the cost of creating affordable housing. Local government can create more housing options and reduce costs for homebuyers, developers and taxpayers, by streamlining development approval processes.

Best Practices

Dallas, Texas reformed its development review process in 2002, creating a new Development Services Department (DSD). The DSD is a combination of former departments and divisions that provided permit and plan review, approval, and inspection services for private development. The DSD is structured so that a developer can conduct business within one department, and the city can provide high-quality services while protecting the health, safety and welfare of the community. Development Plans are processed in an average time of four weeks and must be approved by the City Plan Commission before a building permit is issued. The site plan review processes takes 2-3 weeks, while the Building Permit process averages 2-3 days for single-family residential. Dallas does not require site plan review for single family dwellings or duplexes on two acres or less. Dallas offers Express Plan Review for a $500 fee to expedite the building permit process from several weeks to a single review session. The Express Review team reviews the plans, and if no major issues arise, schedules a review meeting. If plans meet the requirements of codes and ordinances, permits may be issued following the review meeting. DSD's Engineering Division determines public infrastructure requirements, and can halt permits if needed. Certain legal issues site or special zoning issues may delay processing of permit applications. DPS may impose an additional $500 per hour fee for each hour of the actual Express Plan Review meeting.

San Diego, California's 'Expedite Program' provides streamlined permit processing for all eligible affordable/in-fill housing and sustainable building projects, at a fee of $500 per unit for all units in a project. Eligible residential projects include those where at least 10 percent of units are for households earning below 65 percent area median income (AMI) for renters, and at or below 100 percent AMI for sale units. Urban infill housing projects of 10 units or more within "urbanized" areas of the City are eligible if the units are affordable to households earning up to 150% AMI. Military housing, sustainable buildings, and mixed-use developments are also eligible for the program. Excluded are projects that pay in-lieu fees to satisfy San Diego's inclusionary housing ordinance. The city gives priority to projects that are both affordable and utilize sustainable building methods.

Cary, North Carolina, hired a consulting firm to analyze their Uniform Development Ordinance (UDO) and make recommendations, including streamlining regulatory review. The consultant proposed a number of changes; including granting staff more authority to make final decisions on site plans to reduce review times, within constraints authorized in a revised UDO. The consultant suggested that applicants still have the ability to appeal to the Town Council as a safeguard, and that Town Council members could call up potentially controversial site plans for review. The consultant suggested the establishment of a pre-application meeting (recommended or mandatory) for subdivisions, re-zonings, PUDs, and site plans over a certain size. Earlier applicant contact with staff would reduce processing time for complex procedures. The clarification of all vague language in review standards was also recommended in order to provide more specific criteria for decisions.

Honolulu, Hawaii developed a process to grant affordable housing projects exemptions from planning, zoning, and construction standards, as long as the exemption does not negatively affect public health and safety. Eligible projects must have at least 50 units (except those created by nonprofits solely for low-income residents, which may contain 20 units), and have at least 50 percent of units affordable to people earning 80% to 140% of AMI. Exemptions include development plan designations, zoning district, parking, park dedication, building density, and subdivision requirements. A developer must submit proof of site control and project viability, showing the project meets other requirements, such as connection to the sewer system. The developer must show preliminary plans and a list of all exemptions sought. The City Council reviews all applications and takes action within 45 days. If the Council doesn't act, the exemptions are automatically approved. The public has opportunity for input on project exemptions at City Council hearings.

Implementation

The Maryland-National Capital Park and Planning Commission and the Montgomery County Department of Permitting Services should undertake a comprehensive review of the regulatory review process, with the goal of expediting reviews of affordable housing development, while preserving opportunity for public and community input in making such development compatible and complimentary to the community. To the extent possible, processes should be designed to run concurrently instead of sequentially, hearings should be consolidated and held in a timely manner, and competing public policies that impact affordable housing development should be prioritized and compromised to meet the most pressing public needs.

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