



Montgomery County Housing Preservation Study



M-NCPPC

Kick-Off Meeting

September 10th, 2019



Neighborhood Fundamentals, LLC

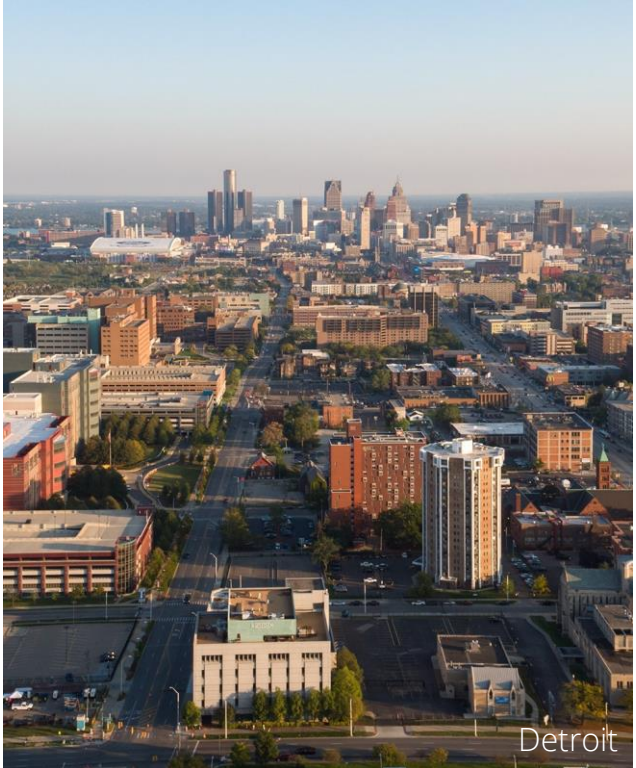
AGENDA

TEAM INTRODUCTIONS

SCOPE AND PROPOSED METHODOLOGY

DISCUSSION

HR&A is an economic development and real estate consulting firm working at the intersection of the public and private sectors.



We approach and understand affordability issues at three comprehensive, mutually reinforcing levels.



HOUSING STRATEGIES

Creating strategies and plans based on local needs and priorities



HOUSING POLICIES AND PROGRAMMING

Designing policies that align community goals with market conditions



HOUSING TRANSACTIONS

Advising on the development and preservation of housing

LSA works with local partners to increase understanding of housing and local economic development issues and to build capacity to expand housing options.



Virginia-based,
certified Woman Owned Small Business

Focus Areas

Housing Market Analysis
Land Use Planning
Community Engagement
Housing Policy
Demographic Analysis
Regional + Local Economic Analysis
Housing Consolidated Plans

Our team members bring the experience needed for a coordinated and actionable preservation study.

HR&A Advisors



Phillip Kash
Partner in Charge



Arjun Sarma
Project Manager



Mary Jiang
Analyst

LSA



Lisa Sturtevant
President



Ryan Price
Managing Director

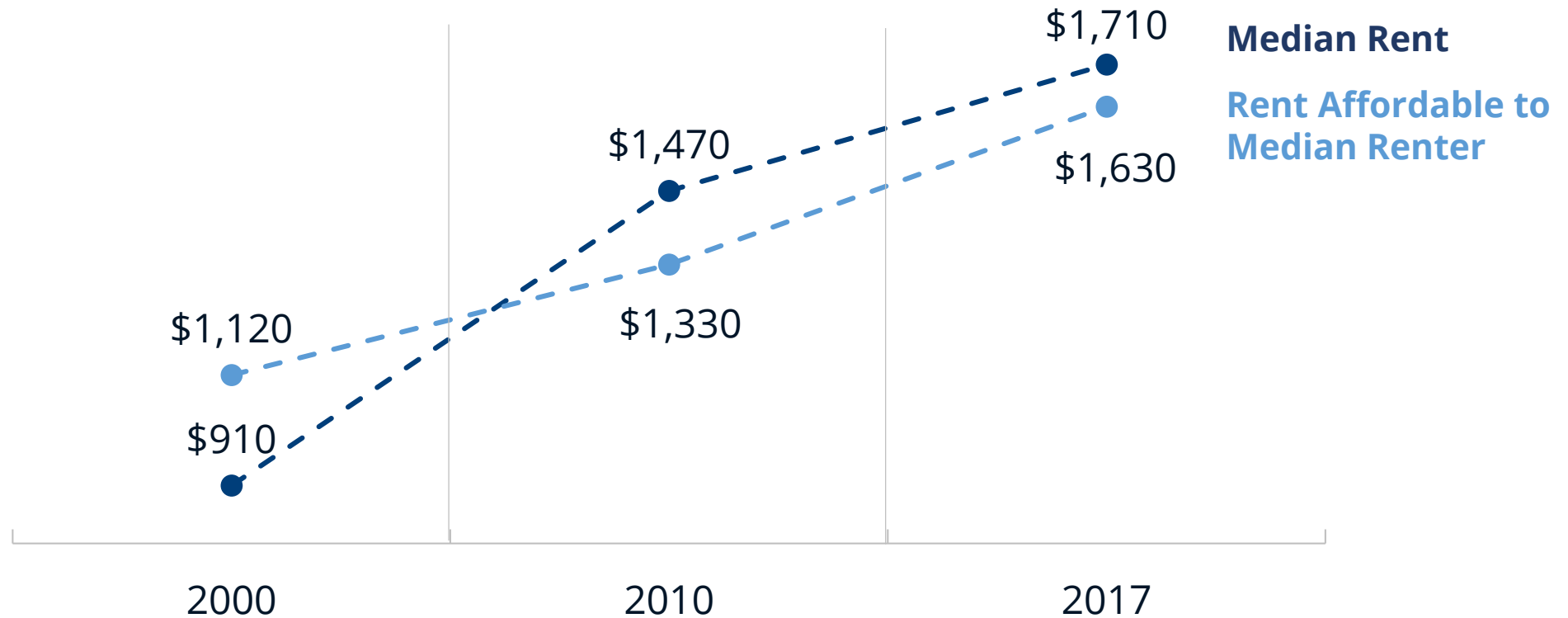
Neighborhood Fundamentals



Michael A. Spotts
President and Founder

After rents rapidly outgrew incomes between 2000 and 2010, MoCo's housing market defaulted to a new normal of rents unaffordable to the median renter.

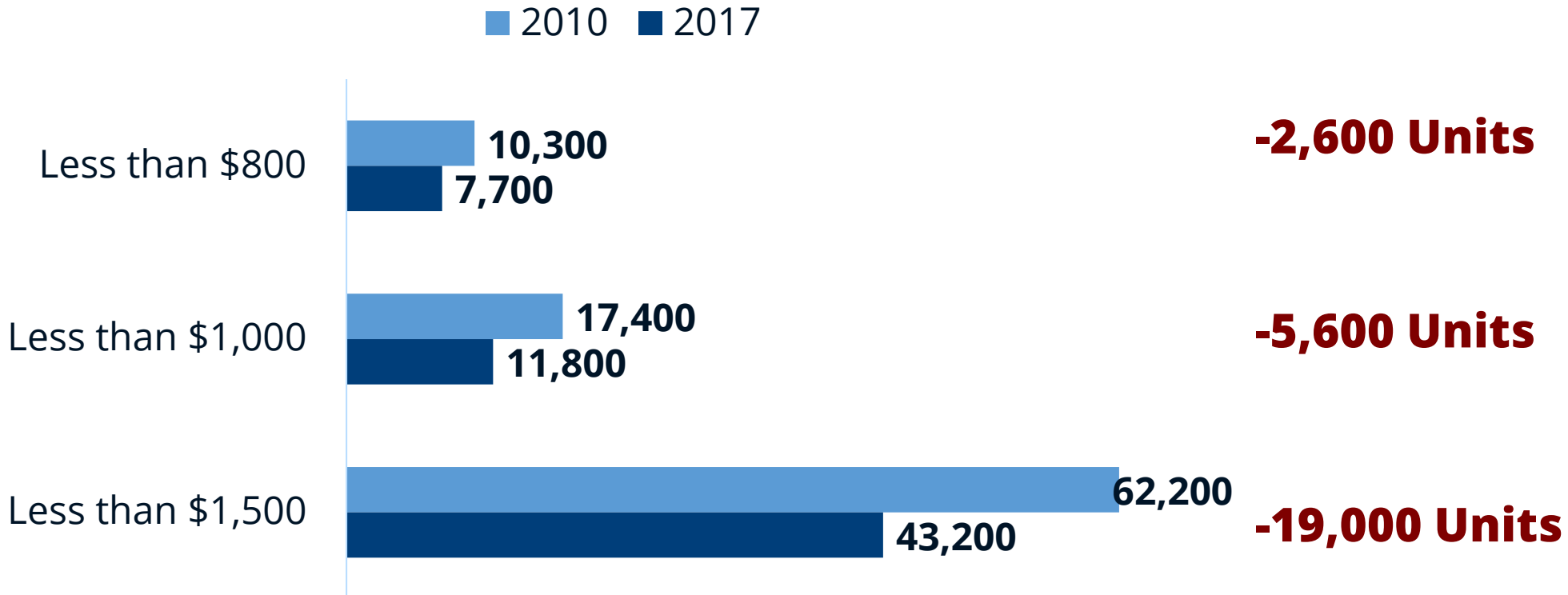
Median Gross Rent vs Rent Affordable to Median Renter



Source: ACS 2017, 2010 (1-year), Census 2000. Affordability calculated at 30% of gross median income.

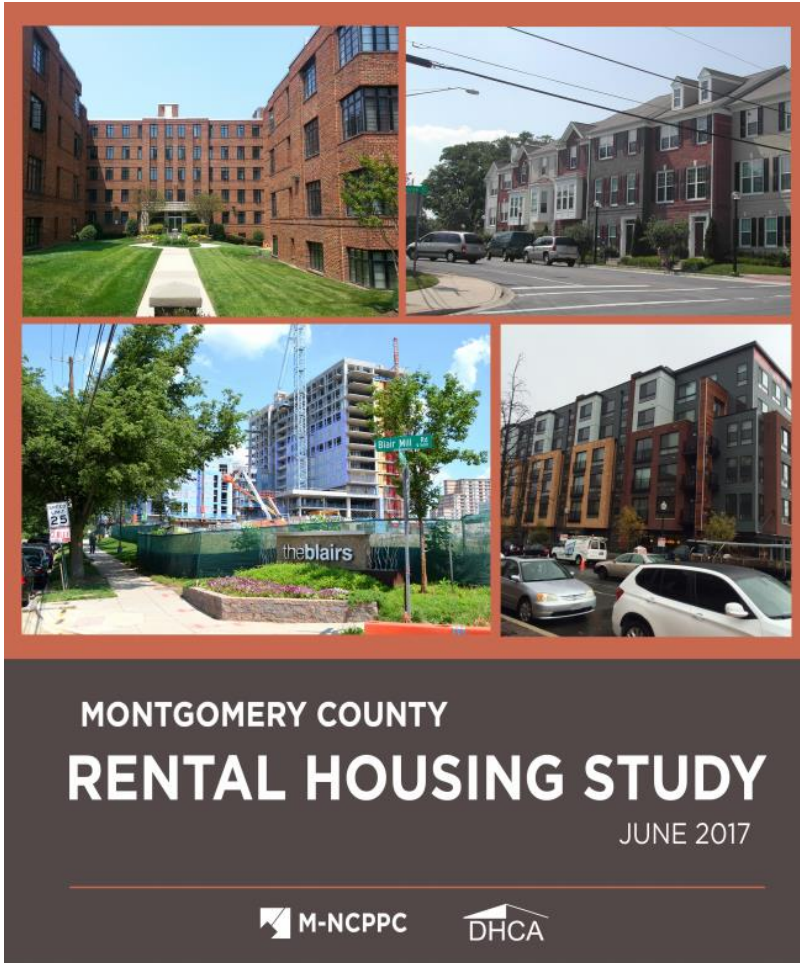
MoCo has lost units affordable to both low and middle-income households, with an overall 31% decline in the number of units renting for less than \$1,500 (2017\$).

Units by Gross Rent



Source: ACS 2017, 2010 (1-year), Census 2000. Inflation-adjusted to 2017 \$s.
HR&A Advisors, Inc.

The Housing Preservation Study is a direct outcome from recommendations made in the County's 2017 Rental Housing Study.



Four Recommended Preservation Tools

1. Inventory of at-risk properties

“Create and maintain up-to-date and maintained **inventory of both subsidized and non-subsidized affordable rental properties** in the county to be able **to plan for strategic investments** in the preservation of existing affordable rental housing.”

2. Expanded right of first refusal

3. Redevelopment with preservation incentives

4. Financial education for income-qualified renters

The Housing Preservation Study will build off the principles identified in the 2017 study.

A preservation strategy that keeps residents in MoCo will:

- Build an inventory of subsidized and unsubsidized affordable housing;
- Review MoCo's existing policies and best practices across the country; and
- Develop a strategy framework that addresses these challenges in a way tailored to MoCo's housing stock.





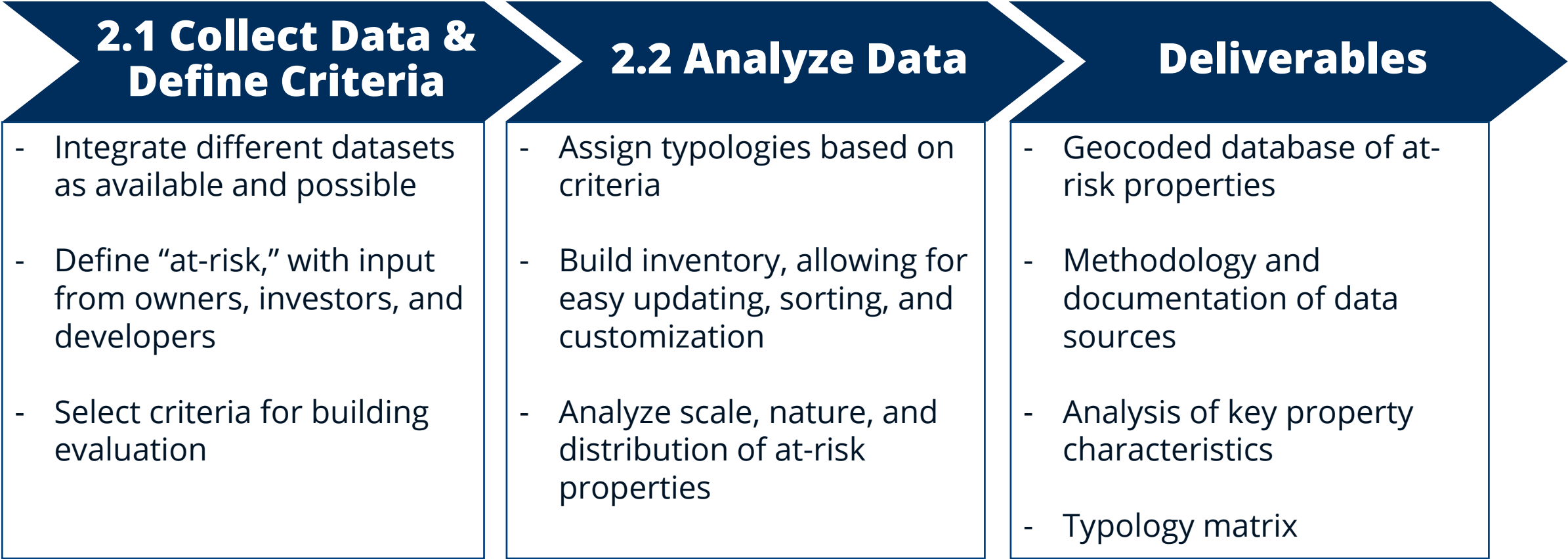
APPROACH & SCOPE

The Housing Preservation Study will be completed over a period of approximately 20 weeks, per the schedule below.

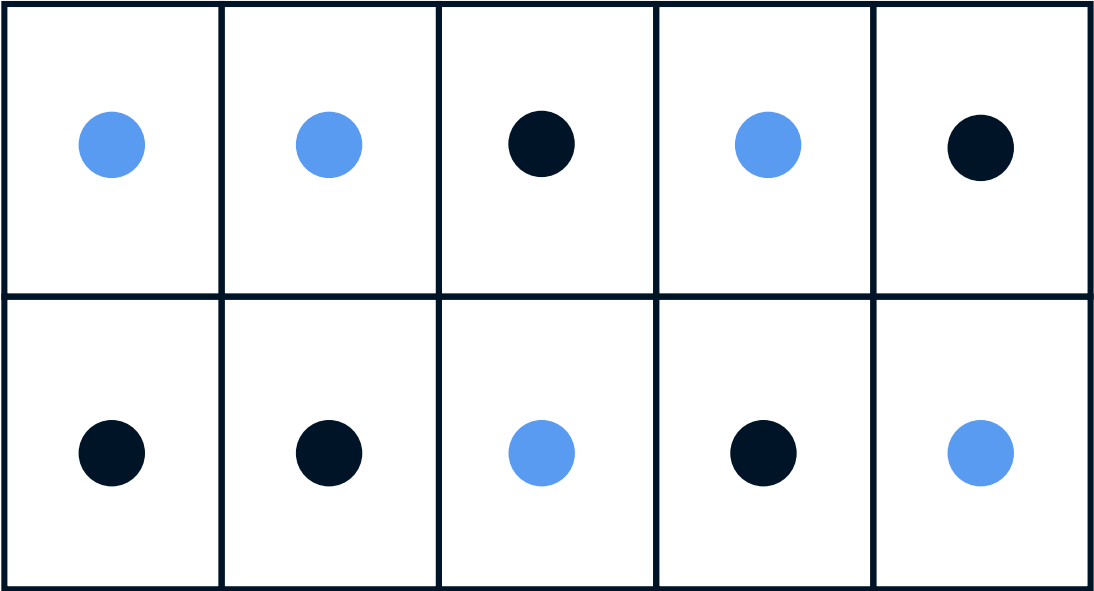


HR&A will develop a comprehensive housing assessment that defines the supply of housing in Montgomery County by rents, location, and demographic profile.

Task 2 | Creation of At-Risk Property Inventory



In the absence of fully complete rental data, we are developing a methodology to classify residential units as affordable.

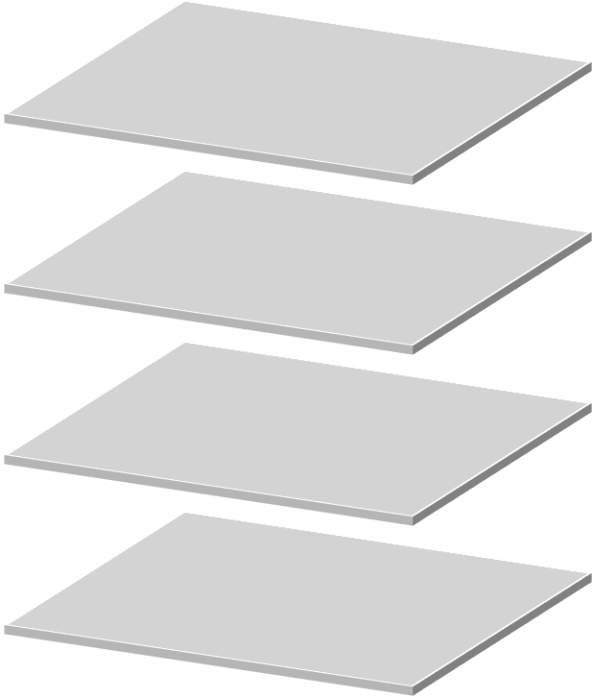


Parcel-level Information Available:

- Location
- Age of building
- Number of Units
- Tenure Type

● Parcels with rent data
● Parcels without rent data

Multiple data sources will be layered on our base dataset to derive estimates.



American Communities Survey (ACS):

Demographic Data by Block group

Commercial Rent Indices (Zillow, Trulia):

Quality-Adjusted Rents by Zip Code

CoStar Commercial Real Estate Data + JBG Smith Database + Montgomery County Rental Property Database:

Rents by Property

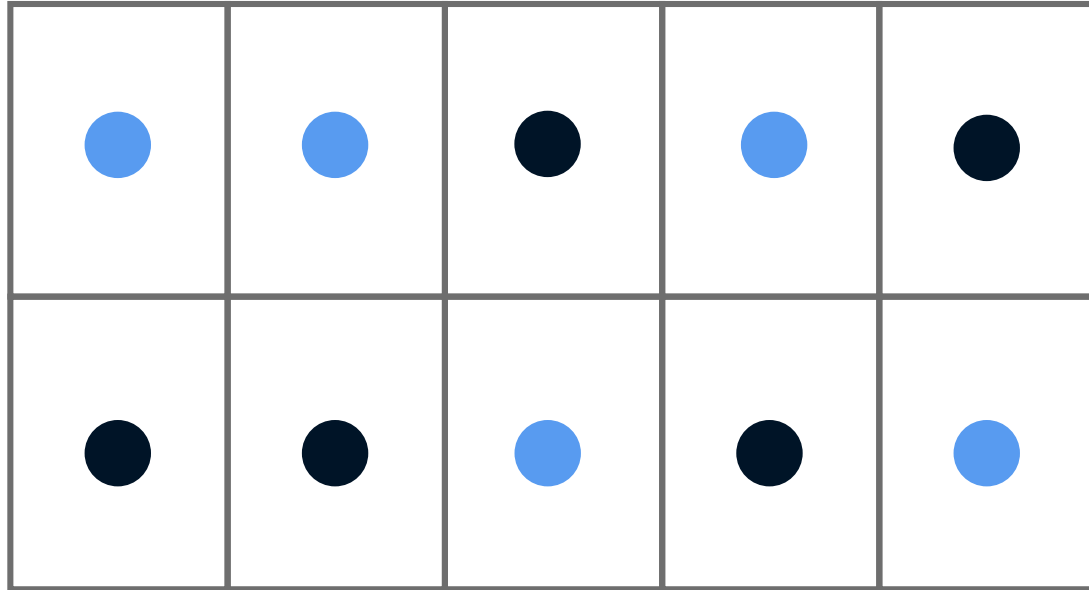
County Property Assessments:

Zoning, Use, Year Built, Living Area, Rooms, etc.

78%
of multifamily
units* have rental
data on CoStar

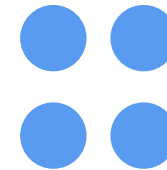
*in structures with 5 or more units, per 2017 ACS (1-year)

After connecting these datasets, we will use properties with complete data to train our model to estimate rents for properties without rent data.



Predictive Model Training & Testing

Training Dataset
(80-90%)



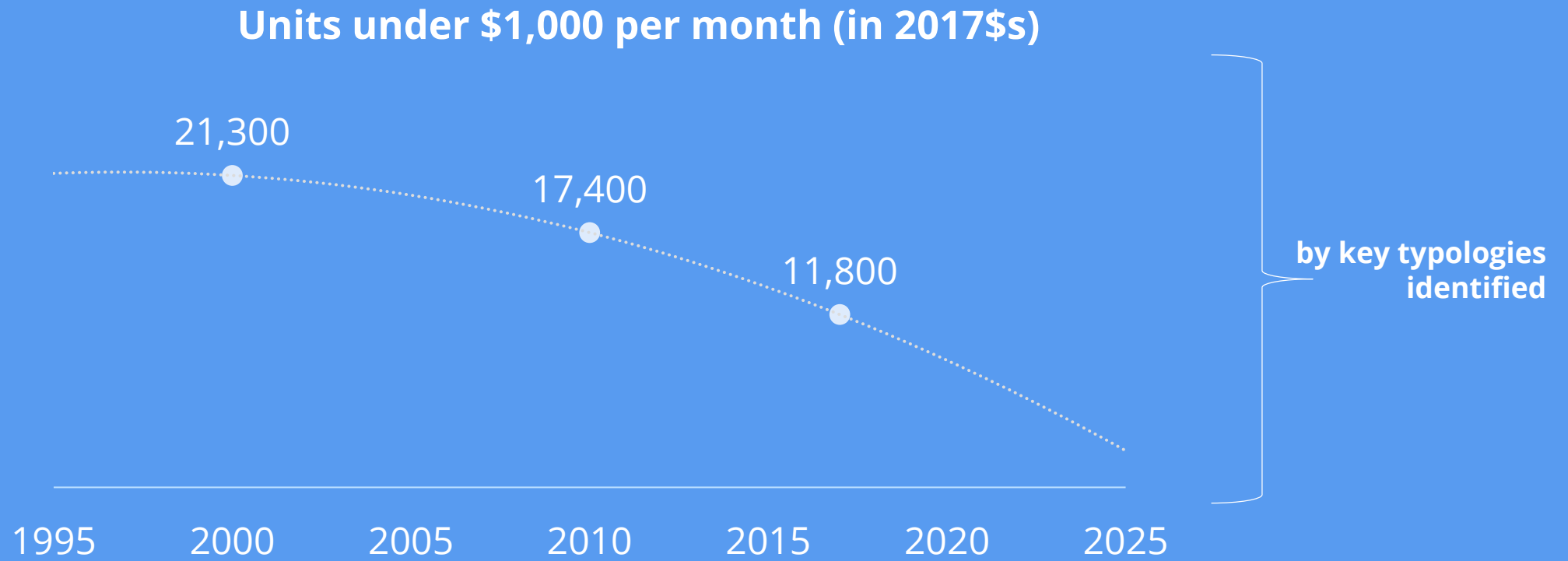
Test Dataset
(10-20%)



- Parcels with rent data
- Parcels without rent data

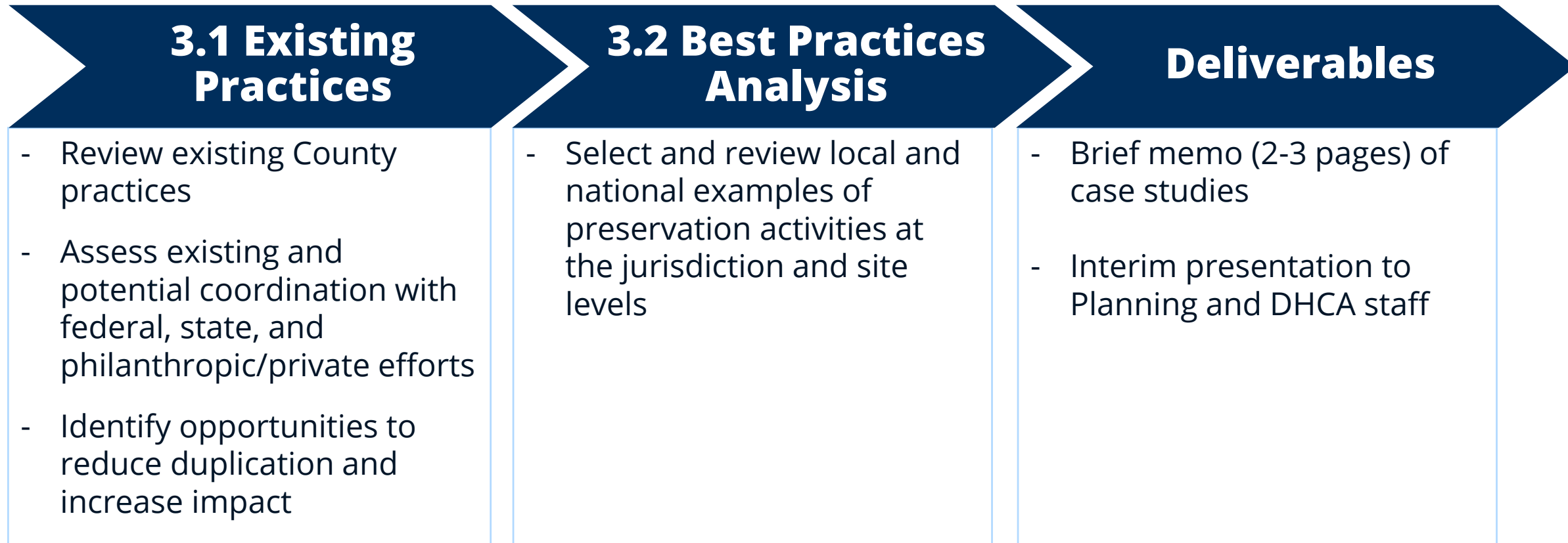
With estimates of the current NOAH stock in Montgomery County, we will examine recent trends to project the rate of loss in 5, 10 and 20 years.

Historic and Future Trends



Our team will review precedent policies and best practices to preserve housing affordability, including financial, land use, regulatory, and other strategies.

Task 3 | Review of Existing Policies and Best Practices



We will synthesize findings to create an actionable strategic plan that addresses the region's affordability preservation needs.

Task 4 | Recommended Strategies for Preservation



We will consider a range of current, proposed, and potential strategies.

**IMPLEMENT
CURRENT INITIATIVES**

**Preservation
Inventory**

**EVALUATE PREVIOUS
RECOMMENDATIONS**

**Right of First Refusal
Preservation Incentives
for Development**

**EXPLORE
FUTURE OPTIONS**

**Preservation
Fund**



QUESTIONS



What does successful housing preservation in Montgomery County look like? Is it about preserving existing units, or preserving overall (net) affordability?

Which tools or strategies have momentum?

How do you expect recent restrictions on development to affect this strategy?