

5. Affordability and Attainability

Issues and Challenges

It costs too much to live and build housing in Montgomery County. Reflecting both high demand and the county's reputation for a high quality of life, housing prices in Montgomery County are among the highest in the Washington metropolitan area.

Our failure to deliver appropriate and attainable housing has created a housing supply mismatch with negative, secondary effects on our neighborhoods, schools, environment, transportation infrastructure and economic health. Deep disparities in wealth and homeownership in the county were shaped by a legacy of discriminatory lending practices, restrictive covenants and single-family zoning. The implications and secondary effects of this history are still being felt to this day.

The county's housing attainability gap for both renters and owners is increasing, especially for low- and moderate-income households. Between 2014 and 2018, the supply gap (the number of units affordable to households at a certain income segment) worsened for renter households earning up to 65% of the area median income (AMI)—receding by almost 5,000 units in five years. Only one unit for every two households at 50% of AMI, and one unit out of every four for households earning 30% of AMI are available for low-income households in Montgomery County.

Household growth in the county has been concentrated in the lowest and highest end of the income distribution. About half of all new households since 2010 earn less than \$50,000 annually. While in 2018, households earning less than \$50,000 comprised just less than a third of total households, this group has been growing the most rapidly over the past decade. These trends could be due to various factors, including existing households increasing their income or lower income households moving to the county. Whatever the cause, these trends imply that there is demand for housing across the income spectrum and a growing need for affordably priced housing.

We expect this bifurcated income growth to continue. By 2040, Montgomery County expects to add more than 60,000 new households, both working and non-working, including seniors and persons with disabilities.

Based on the wages of new jobs and incomes of non-workers, the greatest share of new households are expected to have incomes under \$50,000 a year (27% of forecasted new households), and over \$125,000 a year (24% of new forecasted households), with a growing need to provide multifamily owner and renter housing options.

New multifamily housing needed to accommodate new households during the 2020 to 2040 period is estimated at 55% rental and 28% owner. These multifamily types include condominiums, townhomes, duplexes, triplexes and quadplexes.

Given the average annual production of around 2,500 new units from 2015-2019, the county is producing less housing than what the employment-driven housing demand forecasts. A significant increase in housing production would be needed to meet current and future demand.

Aside from housing, unaffordable land, buildings, labor, taxes, insurance and regulatory fees in

the country also affect small businesses, tech and other entrepreneurs, arts and cultural institutions, and nonprofits. The ripple effect of these issues impacts transportation, economic development, equity and the environment. Addressing affordability will help us achieve our goal of making the county a thriving place for all.

Vision for Affordability and Attainability

In 2050, all Montgomery County residents have a right to affordable and attainable housing. Housing is not only a right, but a value added to the community and a means to meet our economic development, environmental resilience and equity goals. The county's housing supply is affordable as well as attainable, meaning the market creates units that respond to the broader housing demands of the community. .

Housing policies, regulations and practices address the deep disparities that exist in wealth and homeownership shaped by a legacy of institutional racism, and discriminatory laws, policies, and lending practices in housing.

A key factor in Montgomery County's ability to thrive is ensuring the availability of housing that meets the needs of the people who live here. In 2050, our housing supply grew to relieve pressure on the market, stabilize rents, and ensure housing is attainable for a broad range of incomes. This involved a comprehensive look at impediments to building housing, a will to change current policies when necessary, and an understanding that new housing and new residents are a benefit to Montgomery County.

Wide-ranging housing policies and actions that address supply, type, size, development costs, affordability, preservation, tenant protections, homelessness, and housing for older adults and people with disabilities are deployed to meet the varied housing needs of a diverse and growing population.

Build More Housing, of More Types, in More Ways

Montgomery County needs to build more housing. Declining production and increased development costs have resulted in rising housing costs and an increase in the number of cost-burdened households. Without an appropriate range of housing types at attainable price points, the county will be unable to attract and retain the employment base necessary to support our economic wellbeing.

Future housing growth is needed in transit accessible locations including current and planned rail and BRT corridors. These transit corridors are lined by zones of predominantly single-family detached units. Gentle density increases would allow the introduction of more housing types near transit to serve a mix of incomes.

Communities hostile to new development have become highly adept at using the public process to fight and block building. Addressing this barrier to new development involves building capacity and understanding of the value of housing and new residents to our communities.

Building more housing also involves strengthening and refining current housing policies and programs that help build income-restricted affordable housing. Montgomery County's pioneering inclusionary program, the Moderately Priced Dwelling Unit Ordinance, should be continually strengthened to meet the affordable needs of moderate-income households, but it is not the only option. Tools like the county's housing trust fund, the Housing Initiative Fund,

tax abatement policies like Payments In Lieu of Taxes (PILOTS), and state resources like the Low-Income Housing Tax should be leveraged and expanded when possible to help fill our growing need. Solving the county's housing crisis will require a shared vision and coordination with neighboring jurisdictions to find regional solutions.

Goals, Policies and Actions

Goal 5.1: Provide and produce housing units that meet the diverse household sizes and needs of all Montgomery County residents in terms of type, size, accessibility, affordability and location.

Policy 5.1.1: Encourage the production of a broad variety of housing types to achieve attainable price ranges.

Action 5.1.1.a: Expand housing options in detached residential areas near high-capacity transit by modifying the zoning code to allow duplexes, triplexes, and quadruplexes, residential types by-right and with smaller lot areas.

Action 5.1.1.b: Look at market-oriented mechanisms to help set inclusionary zoning requirements, automatic Payment in Lieu of Taxes (PILOTS) or tax abatement requirements to incentivize affordable housing production in housing projects.

Policy 5.1.2: Develop new housing, especially affordable housing, on surplus, vacant and underutilized public and private lands in the county.

Action 5.1.2.a: Create and analyze an inventory of available surplus, vacant and underutilized private and public lands for public and private partners to acquire for housing, with special attention to assembling land.

Action 5.1.2.b: Establish tax abatements and other financial incentives to encourage conversion of high-vacancy office sites into residential uses through adaptive reuse or redevelopment of the site.

Policy 5.1.3: Continue exploring and prioritizing co-location of housing and other uses between public agencies, especially during the master planning and public lands disposition processes.

Action 5.1.3.a: Establish a more streamlined process for affordable housing projects, including revisions to the Local Map Amendment, Floating Zone, Conditional Use and Mandatory Referral processes.

Action 5.1.3.b: Study the possibility of implementing a progressive tax structure that rewards investment in vacant and underutilized sites and shifts the tax burden to sites that remain vacant and underutilized, through tools such as land value taxation.

Policy 5.1.4: Build capacity for affordable housing development production with faith-based institutions, employers, the private sector and nonprofits through education and technical support on the development review process.

Action 5.1.4.a: Create an affordable housing ombudsman to manage projects with an emphasis on coordination across agencies.

Policy 5.1.5: Reduce development costs by pursuing and encouraging new and innovative housing construction types to help reduce construction costs, including modular prefabricated housing, and mass timber.

Action 5.1.5.a: Consider using financial tools and zoning incentives to encourage alternative construction types.

Policy 5.1.6: Support the production of innovative and creative housing options including single-room occupancy units (SROs),²⁷ duplexes, triplexes, quadruplexes, multiplexes, shared housing,²⁸ co-housing,²⁹ accessory dwelling units (ADUs), and cooperative housing³⁰ to help meet housing needs and diversify housing options.

Action 5.1.6.a: Review regulations and policies, including impact taxes and zoning, to remove barriers and encourage the production of creative housing options, including multi-generational housing, single room occupancy, shared housing, cooperative housing and co-housing.

Action 5.1.6.b: Consider fee waivers, financial assistance, and other incentives to increase ADU production.³¹

Action 5.1.6.c: Explore the possibility of county-offered low-cost financing or financial assistance to homeowners who are willing to enter their ADU into a deed restriction that restricts the rent.

Action 5.1.6.d: Explore ways to work adaptability into building design to ensure buildings can respond to changing demographics and generational need over the lifetime of a building.

Policy 5.1.7: Provide family-sized housing units in new multifamily housing developments.

Action 5.1.7.a: Develop incentives and tools to encourage the development of housing units that meet the needs of families, including larger size three-bedroom (or more) units.

Policy 5.1.8: Build or retrofit housing that meets the needs of older adults to enable them to age in place, downsize, choose rental or ownership, or find housing with the appropriate level of services.

Policy 5.1.9: Expand current state and county programs and identify new tools to increase access to homeownership in order to support and improve paths to homeownership, especially among low-income residents, people of color and younger households.

Action 5.1.9.a: Expand state and county down payment assistance programs, like the SmartBuy program.

Action 5.1.9.b: Expand support for county and nonprofit organizations like the [Housing Opportunities Commission's Mortgage Purchase Program](#) that provide education, financial counseling on homeownership especially for low- and moderate-income households, and - households of color.

Action 5.1.9.c: Create employer-supported homebuyer and renter counseling programs and assess the feasibility of developing programs for employer contributions to closing cost and down payment assistance programs for their employees.

Action 5.1.9.d: Consider exempting first-time homebuyers from county-imposed fees and taxes like the recordation tax.

Policy 5.1.10: Collaborate with neighboring jurisdictions to expand housing resources and tools; share data, resources, and best practices; and identify and consider regional solutions to housing challenges.

Action 5.1.10.a: Develop and update shared housing goals for both Montgomery County and the region through collaboration with the Metropolitan Washington Council of Governments.

Action 5.1.10.b: Study strategies to best align with neighboring jurisdictions' housing policies and practices to reduce housing instability and eliminate homelessness.

Action 5.1.10.c: Create a Housing Functional Master Plan to provide measurable housing goals and strategies for different market segments in Montgomery County as well as an analysis of affordability gaps and impediments to the housing supply.

Policy 5.1.11: Encourage affordable, sustainable, green development and environmental sensitivity in housing, neighborhood design, and redevelopment.

Goal 5.2: Ensure that the majority of new housing is located near rail and BRT stations, employment centers and within complete communities that provide needed services and amenities for residents.

Policy 5.2.1: Pursue financial and zoning opportunities to increase residential density, especially for older adults and people with disabilities, near high-capacity transit that will result in increased walkability and access to amenities.

Action 5.2.1.a: Provide appropriate financial incentives, such as tax abatements, Payment in Lieu of Taxes (PILOTs) and Tax Increment Financing (TIFs) to increase housing production in targeted locations near high-capacity transit.

Action 5.2.1.b: Provide incentives to encourage county employers and property owners to develop mixed-income housing at employment centers by redeveloping surface parking lots and underutilized property.

Policy 5.2.2: Ensure all established residential communities have access to affordable, high-quality transit.

Goal 5.3: Continue to promote the policy of mixed-income housing³³ development through the implementation of county policies, programs, regulations and other tools and incentives.

Policy 5.3.1: Combat the concentration of poverty and segregation with financial and zoning incentives that help spur targeted housing investments to increase demographic and income diversity across the county.

Action 5.3.1.a: Implement lower Moderately Priced Dwelling Unit (MPDU)³⁴ requirements for new residential development in low-income areas to increase economic diversification and reduce the barrier to development.

Policy 5.3.2: Fully integrate affordable housing into our communities and ensure it is indistinguishable from market-rate housing, including quality of design, sustainability features and community amenities.

Policy 5.3.3: Encourage the development of affordable housing by strengthening the capacity of the Moderately Priced Dwelling Unit (MPDU) program and other affordable housing programs.

Action 5.3.3.a: Consider implementing income averaging³⁵ to reach broad levels of affordability.

Action 5.3.3.b: Create a centralized MPDU application system for rental units, including establishing a waiting list.

Action 5.3.3.c: Ensure that the Department of Housing and Community Affairs (DHCA) has the ability and flexibility to terminate and modify covenants due to unaffordability.

Action 5.3.3.d: Explore the county's and the state's ability to make homeowner's association (HOA) and condo fees more reasonable for residents of affordable units.

Action 5.3.3.e: Work with Prince George's County and the State of Maryland to attain a 9% Low Income Housing Tax Credit (LIHTC) set-aside for Montgomery and Prince George's County.

Action 5.3.3.f: Expand local housing voucher³⁷ programs with dedicated funding to meet the needs of lower-income households.

Policy 5.3.4: Explore public-private partnerships to build 100% affordable housing projects in areas where the project is consistent with the idea of increasing income diversification.

Policy 5.3.5: Continue to grow and identify new sources of revenue for the Housing Initiative Fund (HIF).

Action 5.3.4.a: Explore changes to the recordation tax to generate additional funding for the HIF.

Goal 5.4: Eliminate homelessness through strategies that provide safe, stable and affordable housing opportunities for homeless youth, singles and families.

Policy 5.4.1: Enhance implementation of the county's Housing First Initiative³⁹, which places people experiencing homelessness into housing as rapidly as possible and provides wraparound services²⁸ to help them maintain their housing.

Action 5.4.1.a: Increase access to housing options for tenants who face challenges in obtaining housing, including expanding resources for the Risk Mitigation Fund.⁴⁰

Policy 5.4.2: Increase the number of permanent supportive housing units to address the unmet need in the county.

Action 5.4.2.a: Explore changes to the zoning code to support the creation of permanent supportive housing units like Single-Room Occupancy (SRO) or Personal Living Quarter (PLQ) units by-right in all residential and mixed-use zones.

Policy 5.4.3: Continue to focus on reducing the time families and individuals spend in temporary shelters.

Policy 5.4.4: Use the master plan process to collaborate with the Department of Health and Human Services to evaluate the housing needs of individuals and families on the homelessness spectrum, including identifying potential locations for supportive housing.

Policy 5.4.5: Eliminate racial disparities across the homelessness spectrum.

Goal 5.5: Minimize displacement of people, especially among low-income residents, people of color, people with disabilities and older adults.

Policy 5.5.1: Preserve market-rate and income-restricted affordable housing stock, striving for no net loss³⁰ of affordable housing in the event of redevelopment. Develop targeted, balanced, priority-based strategies that minimize displacement, increase our housing supply and reinvestment, and help the creation of mixed-income communities.

Action 5.5.1.a: Create a “No Net Loss” of Affordable Housing Floating Zone in targeted areas, like the Purple Line corridor.

Policy 5.5.2: Monitor and work with owners of affordable housing to develop preservation plans for properties to ensure long-term affordability.

Action 5.5.2.a: Consider implementing Housing Affordability Strategy⁴¹ plans for small areas with expiring subsidies or existing market-rate affordable housing that allow for the enhancement and preservation of long-term housing affordability through the provision of additional density and zoning changes.

Policy 5.5.3: Consider and support enhancement of the Right of First Refusal⁴² and other efforts to aid the Housing Opportunities Commission (HOC) and other county and nonprofit partners in the purchase of affordable rental buildings that are at risk of being sold to keep the units affordable.

Policy 5.5.4: Continue to use the Housing Initiative Fund acquisition and rehabilitation loans and the Right of First Refusal contracts to acquire and preserve or create extended affordability in housing developments.

Action 5.5.4.a: Create financial and technical assistance and zoning incentives to preserve market-rate affordable rental and common ownership condominium properties.

Action 5.5.4.b: Create a preservation fund in targeted areas to help nonprofits purchase market rate affordable properties.

Policy 5.5.5: Encourage the replacement of larger family sized units in redevelopment, relocation and right to return processes.

Action 5.5.5.a: In the case of redevelopment, create strategies to retain naturally occurring affordable housing and existing housing types that are typically not constructed in the marketplace including 3+ bedroom units for families.

Policy 5.5.6: Protect tenants' rights, improve living conditions in rental housing, and ensure renters' contributions to the community are emphasized and valued.

Action 5.5.6.a: Promote financial and technical assistance and counseling to renter households that may be at risk of eviction.

Action 5.5.6.b: Collect and report data on evictions and use of emergency financial assistance to find opportunities to enhance existing assistance.

Policy 5.5.7: Support various programs (nonprofit, private, county-sponsored and philanthropic) that aid residents in the upkeep and repair of their homes and properties.

Action 5.5.7.a: Continue and strengthen the county's vigorous Housing Code Enforcement program to maintain in good condition the county's aging but vital rental housing stock.

Policy 5.5.8: Continue to strengthen the rights of tenants in properties with multiple code-enforcement violations that require more frequent inspections ("troubled properties") through education to ensure timely maintenance and safe living conditions.

Policy 5.5.9: Integrate people with disabilities and older adults into communities with affordable and accessible housing that offer services and amenities. Continue and enhance coordination between county and other agencies and nonprofits that provide housing with wraparound services.

Policy 5.5.10: Identify and implement programs to meet any shortfall of housing for people with disabilities. As funds are available, increase rental subsidies and opportunities to the most at-risk populations. Obtain and leverage federal and state funds when possible.

Action 5.5.10.a: Develop zoning and financial incentives to designate and build housing for people with disabilities.

Action 5.5.10.b: Through the regulatory process, incorporate accessible design features such as no-step entrances, wider doors, barrier-free entrances, and other improvements to help people age in place, assist persons living with a disability and accommodate populations with mobility limitations.

Policy 5.5.11: Monitor indicators of neighborhood change and establish programs to minimize the concentration of poverty or the involuntary displacement of vulnerable populations.

Action 5.5.11.a: Create an interactive monitoring database that maps indicators of neighborhood change including gentrification and displacement, and concentration of poverty and segregation.

Policy 5.5.12: Use the County's Growth Policy [Subdivision Staging Policy] to monitor the secondary effects of targeted growth policies, including loss of market-rate affordable housing and displacement.

Goal 5.6: Expand housing access through elimination of fair housing barriers and enforcement of fair housing laws to protect residents from discrimination.

Policy 5.6.1 Provide education, outreach and services for residents regarding their rights as tenants and home buyers under the Fair Housing Law and additional protections offered through the state and county.

Policy 5.6.2: Provide education and training to landlords, property managers, real estate agents, lending institutions and others on their obligations under the Fair Housing Law and additional protections offered through the state and county.

Policy 5.6.3: Conduct fair housing testing to ensure access to housing choice for protected classes and compliance by public and private sector housing providers.

Policy 5.6.4: Commit to the principles of Affirmatively Furthering Fair Housing by pursuing meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity.

Action 5.6.4.a: Develop a Regional Fair Housing Plan with other jurisdictions and the Metropolitan Washington Council of Governments.