



Montgomery Planning | Countywide Planning & Policy

11/4/2021

# Attainable Housing Strategies

## Work Session #5



Attainable Housing Strategies



# Today's Agenda

Staff would like to discuss and seek Planning Board agreement or direction on the following topics specific to The Attainable Housing Optional Method, Cottage Courtyard Living and other elements to consider:

- Recap of previous decisions pertinent to today's discussion
- Follow up from previous work sessions
  - Density in the AHOM
  - Cottage Courtyard Housing and Small Houses
- Other topics/Board requests:
  - Affordability
  - Gentrification and Displacement
  - Trees
  - Impact taxes
  - HOAs
  - Municipalities
  - Parking
  - Subdivision
  - Pattern book elements
  - Catalyst policies
  - Property Assessment



# Recap – Attainable Housing Optional Method

- The Planning Board was supportive of the idea of the AHOM and middle density attainable housing, but asked staff to take another look at the base density recommendations to see if they were appropriate or potentially set too low.



# Recap – Attainable Housing Optional Method

- **AHOM Geographic Applicability:** Properties zoned R-90 or R-60 that abut a corridor planned for BRT in the *2013 Countywide Transit Corridors Functional Master Plan*, and Connecticut Ave and River Road inside the beltway, properties recommended for AHOM in a Master Plan or properties recommended for a Residential Floating Zone through a Master Plan are eligible for the AHOM.
- **Maximum Average Unit Size:** The most practical means of ensuring attainability is to establish a maximum average unit size across all unit types within a development project. The Planning Board recommended 1,500 SF as the maximum average unit size.





# Recap – Cottage Court Housing and Small Houses

- The Planning Board also directed staff to take another look at the draft recommendations for Cottage Courtyard housing, and whether detached housing should be an option in the AHOM.
- There was an expressed desire to allow detached houses if they were smaller in size with minimal setbacks (like a cottage or bungalow court), and a suggestion that the courtyard part of Cottage Courtyard housing was less relevant.





# Density in the AHOM





# Density in the AHOM

- Staff recommendations from the 10/7 work session was a base density of 9 units/acre in R-90, and 12 units/acre in R-60
- Staff considered multiple factors:
  - Missingmiddlehousing.com approximate density expectations
  - 2018 Missing Middle Housing Study expected densities
  - Housing scenarios from the Missing Middle Housing Study
  - Real-life developments of townhouses along/near corridors in Montgomery County





# Density in the AHOM

Housing Type	Missingmiddle.com	MM Housing Study
Cottage/Bungalow Court	5-10	10-15
Duplex side-by-side	8-17	14
Townhouse	11-25	24
Multiplex	5-12	
Stacked Flats		30-34
Stacked Triplex	15-38	33
Small Apartment	21-35	20-40



## Robindale Site from MM Housing Study

- ~ 30 units/acre
- Illustrative diagram that does not illustrate all code requirements, utilities, stormwater, or emergency access
- Small unit sizes between 650 and 1,450 SF
- Does not account for previous or newly dedicated ROW as tract area





# Density in the AHOM



## Rock Spring Park

- I-3 optional method
- 168 units, 10.62 acres, 15.8 units/acre
- 18'x40' typical ground floor



## Randolph Farms

- RT-15 floating zone, LMA G-964
- 104 units, 8.44 acres, 12.3 units/acre
- 16-20' x 40' typical ground floor





# Density in the AHOM

*R-90 Zone*

% Reduction in Average Unit Size	Average Unit Size (SF)	Density Incentive Factor	Net Density (units/acre)	SF of Development (per acre of site)
Base	1,500	100%	10	15,000

## Bonus Density

- Slightly modified from 10/7
  - Increased base density from 9 to 10 and 12 to 13

*R-60 Zone*

% Reduction in Average Unit Size	Average Unit Size (SF)	Density Incentive Factor	Net Density (units/acre)	SF of Development (per acre of site)
Base	1,500	100%	13	19,500



# Density in the AHOM

*R-90 Zone*

% Reduction in Average Unit Size	Average Unit Size (SF)	Density Incentive Factor	Net Density (units/acre)	SF of Development (per acre of site)
Base	1,500	100%	10	15,000
5%	1,425	110%	11	15,675
10%	1,350	120%	12	16,200
15%	1,275	130%	13	16,575
20%	1,200	140%	14	16,800
25%	1,125	150%	15	16,875
30%	1,050	160%	16	16,800

*R-60 Zone*

% Reduction in Average Unit Size	Average Unit Size (SF)	Density Incentive Factor	Net Density (units/acre)	SF of Development (per acre of site)
Base	1,500	100%	13	19,500
5%	1,425	110%	14.3	20,378
10%	1,350	120%	15.6	21,060
15%	1,275	130%	16.9	21,548
20%	1,200	140%	18.2	21,840
25%	1,125	150%	19.5	21,938
30%	1,050	160%	20.8	21,840

## Bonus Density

- Slightly modified from 10/7
  - Increased base density from 9 to 10 and 12 to 13
  - Made the increases linear instead of tiered
- 2 percent increase for every 1 percent decrease in average unit size
- 20 percent decreases in average unit size result in 14 and 18 units/acre





# Density in the AHOM

## Staff recommendations

- Increase base density for AHOM developments to 10 units/acre in the R-90 zone, and 13 units/acre in the R-60 zone
- Modify the bonus density to a straight 2 percent increase in density for a 1 percent decrease in average dwelling unit size



# Cottage Court Housing and Small Houses





# Cottage Court Housing and Small Houses

- Staff recommendations from the 10/7 work session was to create a new building type and use standards for Detached House for Cottage Court Living for the AHOM, and not otherwise allow detached houses
- Planning Board recommendations to look at ways to allow small detached houses that do not need to directly relate to a courtyard



# Cottage Court Housing and Small Houses

## Staff Recommendation

- Do not include Detached House for Cottage Court Living as a unique building type
- Allow detached houses in the AHOM with modifications to the development standards table:
  - Specification for Dwelling Units
    - b. The Maximum dwelling unit size for a Detached House is 1,500 SF
  - Height
    - Principal building – 25'      Accessory structure – 20'





# Other Topics and Board Requests



# Affordability





# Affordability

- During a previous work session, the Planning Board asked staff to look into an optional or mandatory affordability provision for Attainable Housing.
- Staff does not believe it is economically feasible for small scale, infill housing types to cover the high subsidy required to make units affordable to low- and moderate-income households.
- Staff supports future analysis and implementation of an optional affordability component that would ensure mission driven partners have the tools and flexibility to build attainable housing types with regularity.



# Affordability: Applicability of MPDU

- If there are any Attainable Housing developments with 20 units or more (which is only possible for certain medium scale or large scale developments and not small scale/house scale attainable housing types), the MPDU requirement would still apply.
  - Mandatory 12.5-15% MPDU set aside requirement for all developments over 20 units.
  - Changes made in 2018 require housing developments with 11 to 19 units to make a payment to the Housing Initiative Fund (HIF)





# Feasibility of Affordability Component

- Staff worked with Habitat for Humanity on a blog post about their duplex project on Garland Avenue in Takoma Park
- Blog post highlighted the subsidy required to make the units affordable
  - Habitat was able to lower the cost of the subsidy and spread it across two units to help fill the fundraising gap to make the units a reality, highlighting the impact of building more and smaller units.
  - The subsidy needed to make this affordable to the families that Habitat serves is still high - \$175,000 per unit
  - **Staff believes that this subsidy gap is too large for the market-rate sector to be able to build these types of units without financial assistance from the county and it would be infeasible to require a mandatory affordability component.**



# Affordability Options

- While staff believes that it is **not feasible to require mandatory affordable provisions** for small scale or medium scale infill projects with less than 20 units, staff has identified several options for the Planning Board to consider should they want to mandate a requirement, either optional or mandatory.
  - Density Bonuses
  - Relief from Development Standards
  - Payment to the HIF
  - Financial assistance to subsidize rents
  - Right of First Refusal (ROFR) on certain multiplex properties to create affordable units.



# Gentrification and Displacement





# Gentrification and Displacement Findings

- Small scale attainable housing is unlikely to cause gentrification because it is most likely to be built in neighborhoods that are neither lower income nor have ever been historically disinvested.
- Gentrification requires wholesale change to a neighborhood and our market analysis demonstrates that allowing duplexes and triplexes will not alter the number of properties likely to be replaced in any neighborhood.



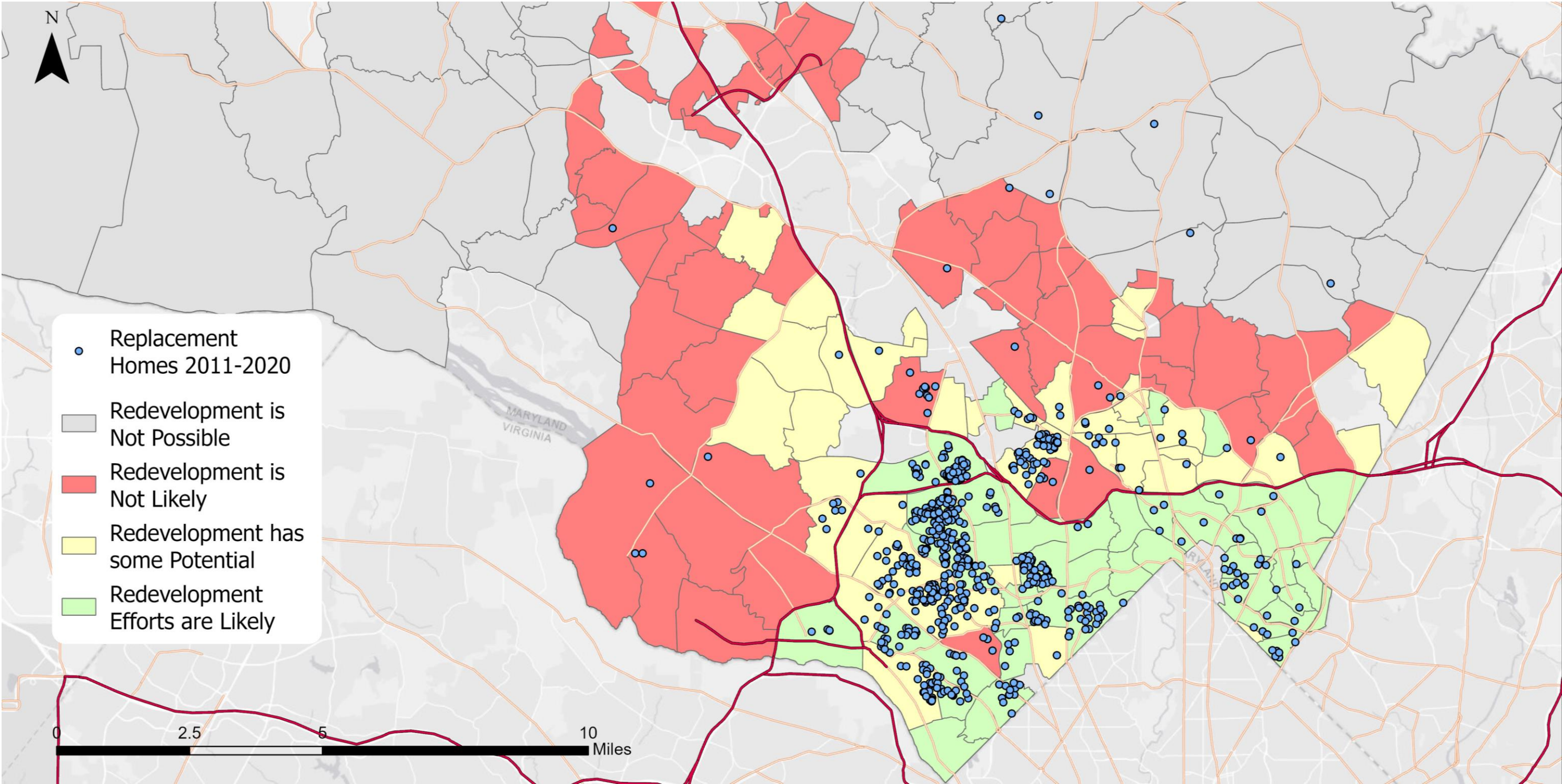
# Likelihood of Replacement

- Replacement of existing homes is most likely to occur among homes valued at 30 to 70 percent of the average home value in a neighborhood.
- Staff updated the financial model presented to the Planning Board on March 4, 2021 to estimate the feasibility of replacing homes at the 55<sup>th</sup> percentile of value with two 1,500 square foot units (one duplex).
- Redevelopment of homes at 55<sup>th</sup> percentile of value into attainable housing is likely to occur in the same neighborhoods in which replacement homes are currently being built.





# Neighborhoods with Replacement Potential





# Potential Replacement Home Neighborhoods: Description

Neighborhoods in which small scale attainable housing is likely to occur:

- had a **higher proportion of households identifying as White alone**, non-Hispanic or Latino in 2010 than the rest of the county;
- saw the **proportion of White alone household decline at a slower pace** from 2010 to 2020 than the rest of the county;
- had **higher median income** in 2010 than the rest of the county;
- had **median income increase at a faster or similar rate** as the rest of the county between 2010 and 2020; and,
- had **average or higher than average levels of owner occupancy** of the units within 1- to 4-unit properties.



# Definition of Gentrification

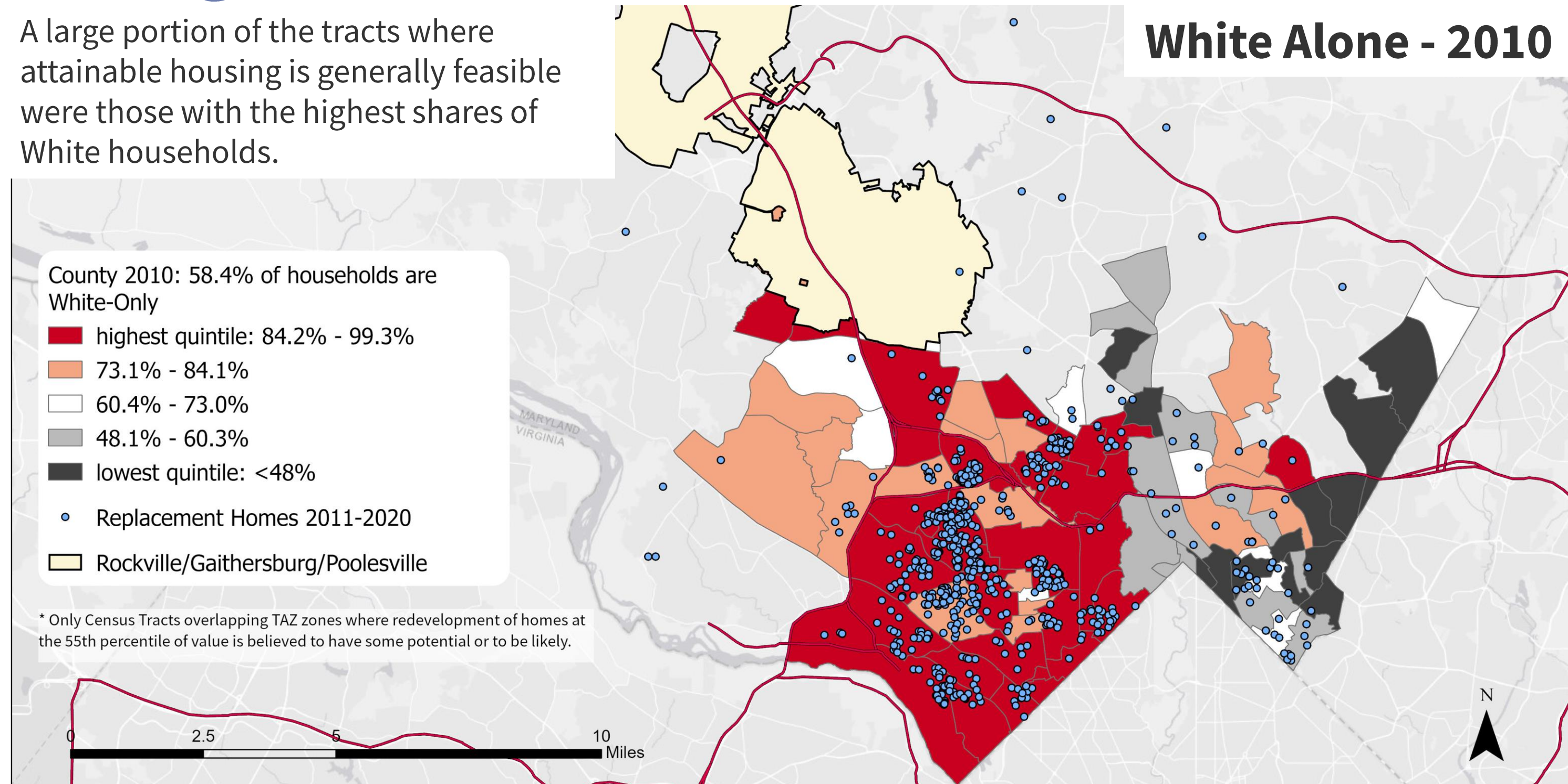
**Gentrification:** “a process of neighborhood change that includes economic change in a historically disinvested neighborhood—by means of real estate investment and new higher-income residents moving in - as well as demographic change - not only in terms of income level, but also in terms of changes in the education level or racial make-up of residents”

– UC Berkeley Urban Displacement Program (emphasis added)



# Many neighborhoods with replacement potential have high shares of White households.

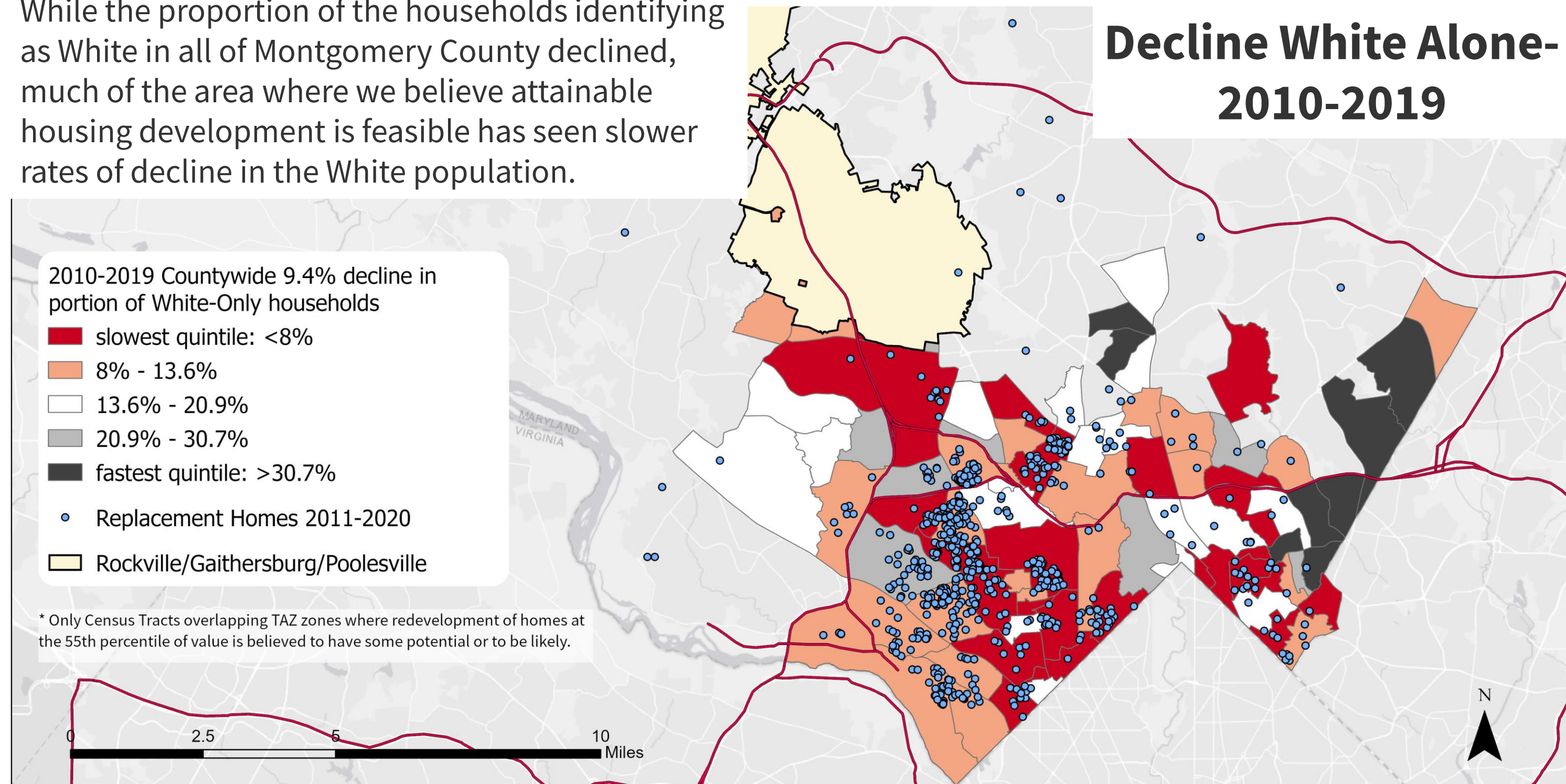
A large portion of the tracts where attainable housing is generally feasible were those with the highest shares of White households.





# White population decline is slower in many neighborhoods with replacement potential.

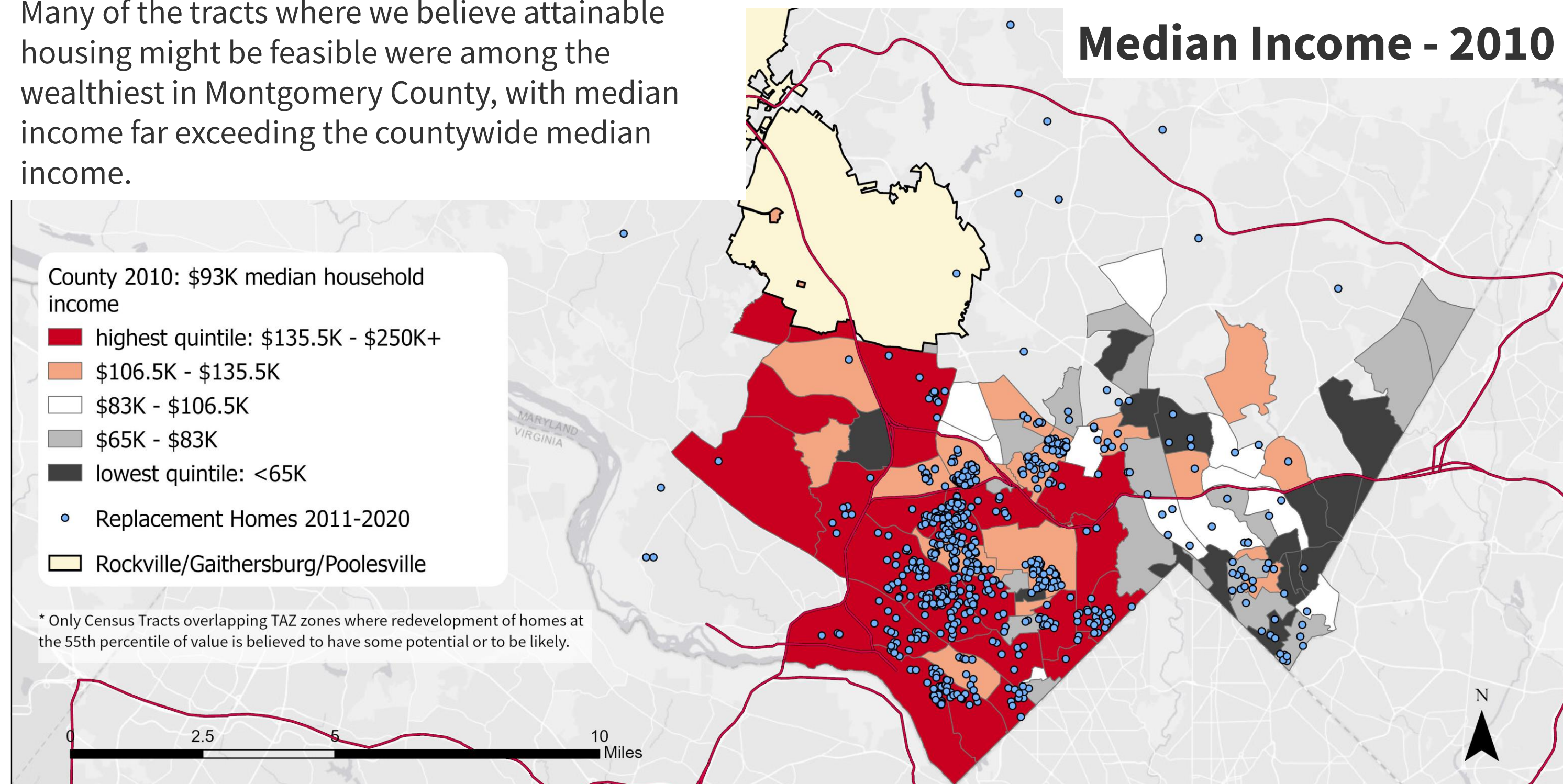
While the proportion of the households identifying as White in all of Montgomery County declined, much of the area where we believe attainable housing development is feasible has seen slower rates of decline in the White population.





# Many neighborhoods with replacement potential have high median income.

Many of the tracts where we believe attainable housing might be feasible were among the wealthiest in Montgomery County, with median income far exceeding the countywide median income.

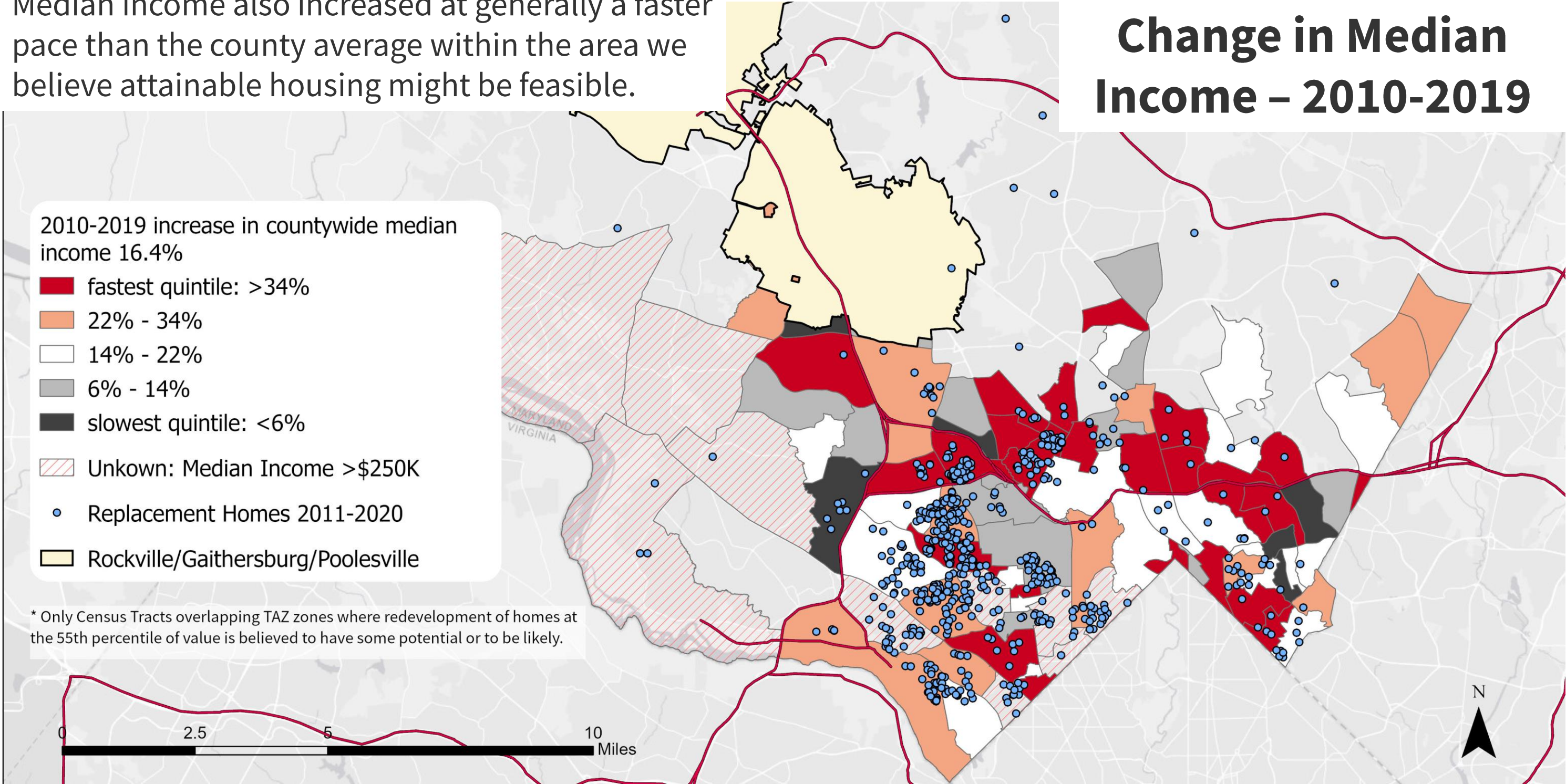




# Median income increased faster in many neighborhoods with replacement potential.

Median income also increased at generally a faster pace than the county average within the area we believe attainable housing might be feasible.

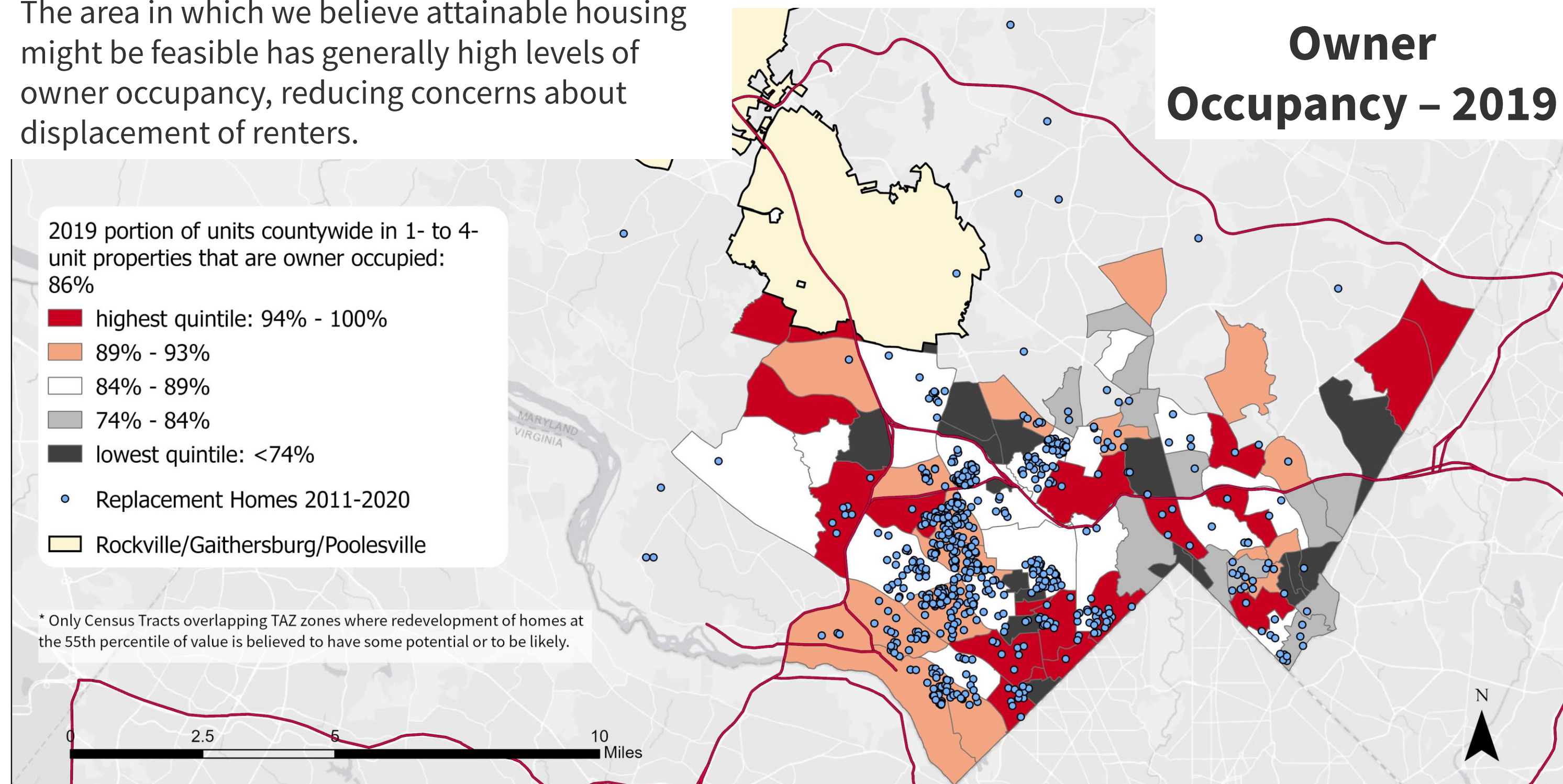
## Change in Median Income – 2010-2019





# Many neighborhoods with replacement potential have higher shares of owner occupancy.

The area in which we believe attainable housing might be feasible has generally high levels of owner occupancy, reducing concerns about displacement of renters.



# Gentrification and Displacement: Medium Scale (AHOM)

**Staff also found that medium scale attainable housing is unlikely to cause gentrification for several reasons:**

- There are only a small number of properties eligible for AHOM development in any neighborhood, making this type of development unlikely to generate neighborhood level demographic change;
- Eligible properties are not a source of lower-cost housing;
- A large proportion of properties abutting corridors are owner occupied, and thus there are few renters that development might displace.



# Property Assessment





# Property Assessment: Summary

- We've heard a lot concern about the tax implication for existing homeowners.
- We investigated this concern through direct dialogue with the State Department of Assessments and Taxation (SDAT), the entity responsible for assessing the value of all real estate in Maryland.
- **We can state that based on our conversation with SDAT and our understanding of the assessment process, that attainable housing recommendations have no immediate implication for the taxes of existing homeowners.**



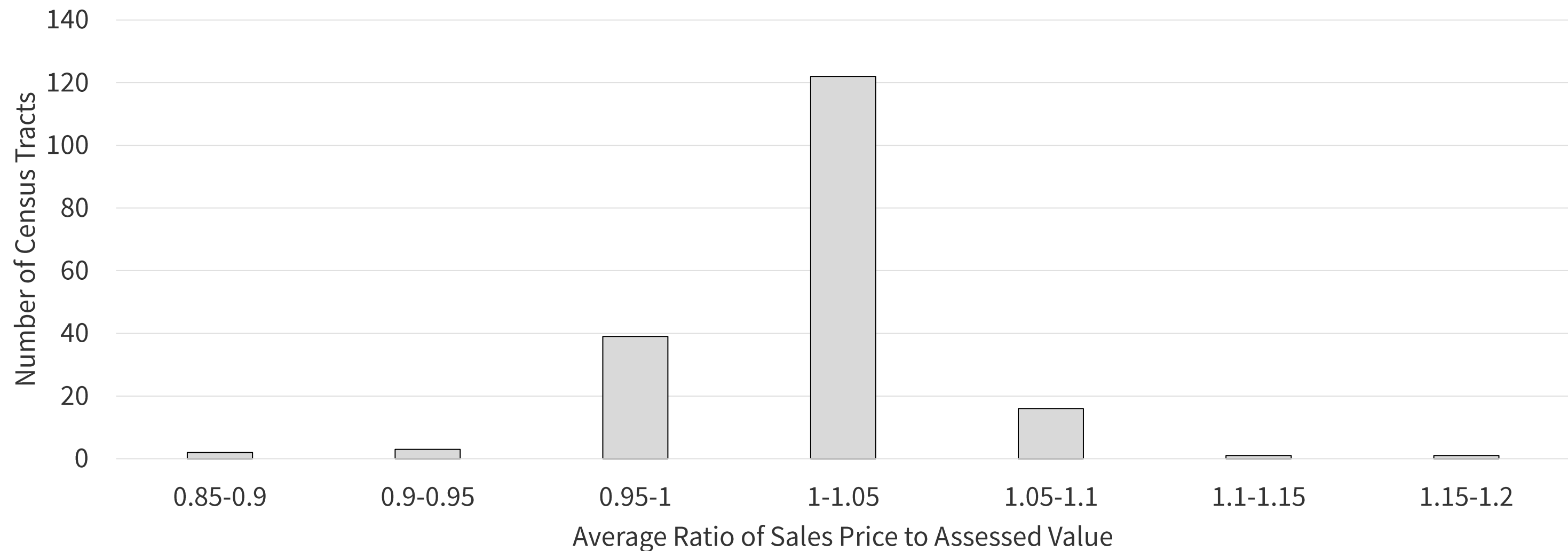
# Property Assessment: Assessment Process

- SDAT uses verified sales for comparable properties of a similar use, type, and style that are in a comparable neighborhood or market area to determine the assessed values of properties. (“follow the market”)
- SDAT reassesses all properties on a rolling 3-year cycle
- Reassessments of individual properties out of cycle occur:
  - new construction adding over \$100,000 in value
  - Redevelopment involving subdivision of the parcel
  - Change in use to create a multi-family unit
- However, if properties are acquired at lower or higher purchase prices over time and the comparable sales warrant a decrease or increase in the assessed value of those similar properties upon the next reassessment cycle, it may indirectly impact the assessments for similar properties in that market area



# Property Assessment: Recent Sales and Assessment Values

- Recent sales and assessment data shows SDAT closely sets assessed value to actual sales value (“following market trends”)



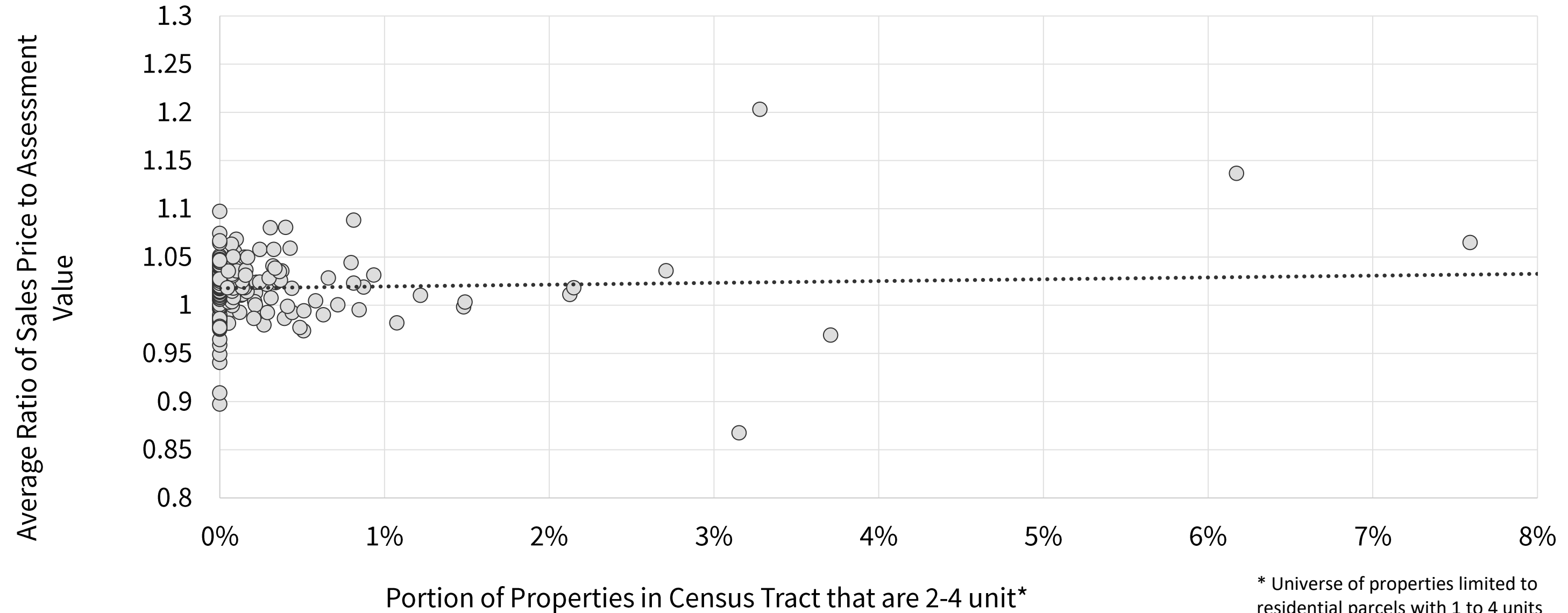
\* Data limited to approx. 20,000 single-family homes that sold between 2017 and 2020. The assessment cycle ran from 2018 to 2021





# Property Assessment: Relationship with 2-4 Unit Properties

- There is no meaningful relationship between the number of 2- to 4-unit properties in a Census Tract and the ratio of sales value to assessment value for single-family homes



# Trees



# Trees

- One of the themes in the correspondence about AHS is concern over loss of trees due to infill development. **Staff understands these concerns and believes that future analysis and action should look at how to balance new infill development (including attainable housing typologies, as well as other types of infill development like replacement homes) with the protection of tree canopy.**
- Staff also supports a planned future stakeholder working group aimed at strengthening Montgomery County's Forest Conservation Law and expanding related forest conservation programs to achieve no net loss of forests countywide.





# Impact Taxes



# Impact Taxes

- Development Impact Taxes are set by the Montgomery County Council and assessed on new residential and commercial buildings and additions to commercial buildings in the county to help fund the improvements necessary to increase the transportation or public school systems capacity.
  - The residential impact tax rates charged are generally based on two factors – geographic location and type of housing being built.
- Currently, impact taxes are not paid on a replacement home.
- Attainable housing types will be assessed an impact tax.
- **Staff believes that the most appropriate impact tax category for attainable housing types is multifamily low-rise and projects will pay for the net housing unit increase on the property.**



# HOAs





# HOAs

- Many homeowners' associations (HOAs) have restrictions against renting property or having more than one unit on a property.
  - Covenants between a homeowner and an HOA are private binding documents. Just as with other private contracts, the courts enforce the contracts when asked to do so by one of the parties involved. The county does not enforce private covenants.
- While HOAs cannot override zoning, they can generally have more restrictive conditions and limit having more than one unit on a property.



# Municipalities



# Municipalities

- Municipalities with their own zoning authority are not affected by any changes to county zoning.
- Under Section 20-509 of the State Land Use Article, other municipalities may:
  - Regulate only the construction, repair, or remodeling of single-family residential houses or buildings on land zoned for single-family residential use as it relates to:
    - residential parking;
    - the location of structures, including setback requirements;
    - the dimensions of structures, including height, bulk, massing, and design; and
    - lot coverage, including impervious surfaces.
- Within the scope of this provision, under any of these topics, **a municipality may have more restrictive conditions.**





# Parking



# Parking

## **Staff recommends making adjustments to reduce minimum vehicle parking for Attainable Housing dwellings**

- Unnecessary parking contributes to the cost of housing and to the creation of impervious surfaces
- Reductions to minimums still allow for market forces to prevail if there is a demand for parking



# Parking

**1. Adjustments to Vehicle Parking**

\* \* \*

**2. Special Uses**

\* \* \*

Outside PHD without street parking	Outside PHD with street parking	Inside PHD without street parking	Inside PHD with street parking
2 spaces/dwelling	1 space/dwelling	1 space/dwelling	1/2 space/dwelling

c. Attainable Housing

i. The baseline parking minimums in the parking table under Section 6.2.4.B may be reduced by multiplying the baseline minimum by an adjustment factor of 0.50 under the following circumstances:

- (a) In the R-200 zone, a duplex building built under the standard method that is located on a street with on-street parking;
- (b) In the R-90, R-60 or R-40 zone, a duplex or multiplex building built under the standard method that is located outside of the Priority Housing District and is located on a street with on-street parking;
- (c) In the R-90, R-60 or R-40 zone, a duplex or multiplex building built under the standard method that is located inside of the Priority Housing District and is located on a street without on-street parking; or
- (d) Dwellings built under the Attainable Housing optional method of development where 50% or more of the existing site frontage is along a street without on-street parking.

ii. The baseline parking minimums in the parking table under Section 6.2.4.B may be reduced by multiplying the baseline minimum by an adjustment factor of 0.25 under the following circumstances:

- (a) in the R-90, R-60 and R-40 zones, a duplex or multiplex building type build under the standard method that is located within the Priority Housing District and is located on a street with on-street parking; or
- (b) dwellings built under the Attainable Housing optional method of development where 50% or more of the existing site frontage is along a street with on-street parking.





# Subdivision



# Subdivision

## Preliminary Plans

- Primary means of subdivision
- 120-day review with Board approval
- Full findings of Chapter 50, to be finalized before Planning Board approval

## Administrative Subdivisions

- Smaller, less complex situations such as lot consolidation, up to three lots in residential zones, or lots for existing institutions
- 90-day review with Director or Board approval
- Full findings of Chapter 50, but may be finalized after approval but before Plat

## Minor Subdivisions

- Only very simple/minor applications such as plats of correction, outlots into lots, ownership lots on commercial property
- No plan review, just Plat review



# Subdivision

**Staff recommends creating a new type of Administrative Subdivision and a new type of Minor Subdivision for housing associated with the Attainable Housing Strategies**

- Administrative
  - Creation of up to 8 lots for attached building types (duplex, multiplex) if approved by standard method in residential zones
  - Existing lots or parcels that may be reconfigured as necessary
- Minor
  - Creation of up to 4 lots for attached building types
  - Existing single lot already approved for a detached house



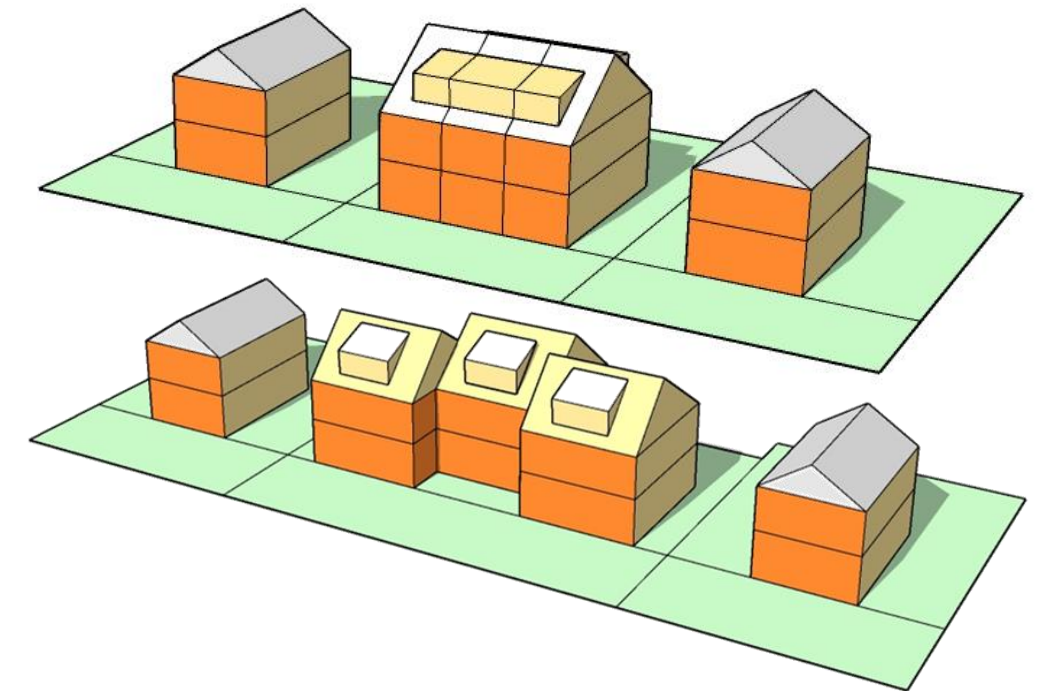


# Pattern Book Elements



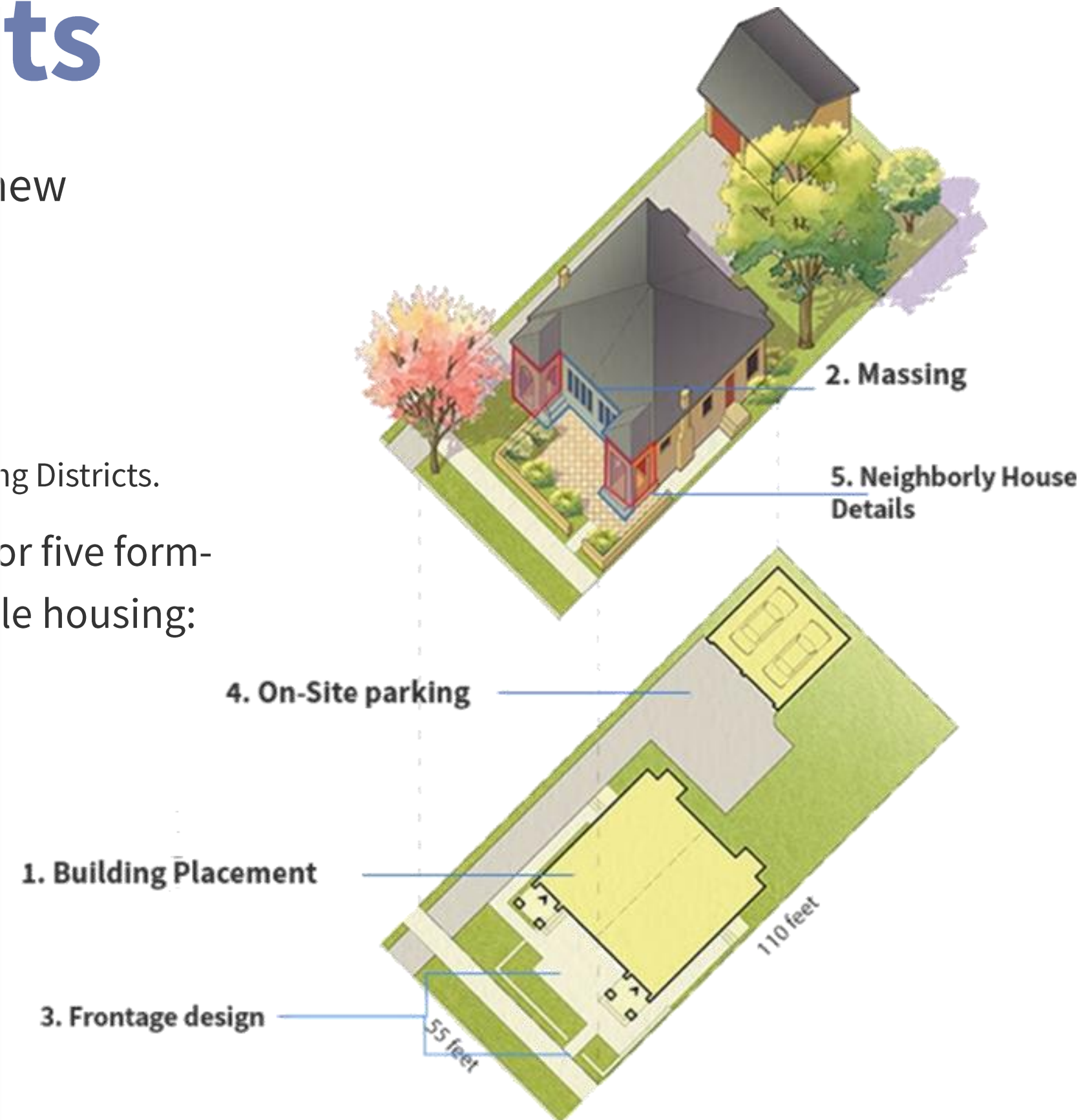
# Pattern Book Elements

- The pattern book is being created under the broader planning department work program titled “Innovative Housing Toolkit.”
- As part of the Innovative Housing Toolkit, staff will conduct an existing conditions analysis and procure a consultant for the design services associated with the pattern book.
- Sharing the results of the existing conditions analysis with the consultant will ensure delivery of a high-quality product within the approved budget in a timely manner for Planning Board review in Fall, 2022.



# Pattern Book Elements

- The Pattern Book shall apply to the following types of new developments
  - Duplexes in the R-40, R-60, R-90, and R-200 zones.
  - Triplexes in the R-40, R-60, and R-90 zones.
  - Quadplexes in the R-40, R-60, and R-90 zones within the Priority Housing Districts.
- The pattern book shall provide clear and objective guidance for five form-based standards for the development of house-scale attainable housing:
  - Building Placement
  - Massing
  - Frontage Design
  - On-Site Parking Layout
  - Neighborly House Details



# Pattern Book Elements

- **Staff seeks guidance on the implementation of the pattern book from the Planning Board since this will inform the most useful format for the document.**
- The implementation process may require planning staff to support DPS by reviewing permit applications for conformance with the pattern book standards.
- Alternately, DPS may use the pattern book independently without any involvement from planning staff.





# Catalyst Policies



# Catalyst Policies

- **Staff believes certain catalyst policies may assist the development of these housing types.**
- Proposed policies are broadly divided into two types:
  - 1. Owner Occupied Conversions**
    - Property Tax Refund
    - Conversion Assistance Toolkit
    - Owner Occupied Conversion Loan Fund
  - 2. Community-level Incentive Policies**
    - TAZ Grant Program



# Owner Occupied Conversions

## Property Tax Refund

- A refund for a single-family homeowner or vacant lot owner who converts their single-family home to a multiplex or adds multiple units on their single-family zoned lot, for **up to 10 years** if the original owner occupies the unit.
- Refund levels for various property types:
  - **Duplex: 50 percent of the taxes paid**
  - **Triplex: 66 percent of the taxes paid**
  - **Quadplex or Apartment: 75 percent of the taxes paid**
- For other homebuyers of the multiplex houses the same refund structure should apply for the **first five years** of their ownership of the new attainable housing types.



# Owner Occupied Conversions

## Conversion Assistance Toolkit

- A countywide multiagency team shall put together an ‘Attainable Housing Conversion Assistance Toolkit’ as a part of a new work program, which shall have the following information:
  - A detailed list of regulatory requirements and a process guide
  - Contact information for relevant officials
  - Resources for conflict mitigation
  - Guidance on potential bidding resource
  - Guidance on how to access current incentive and grant programs





# Owner Occupied Conversions

## Owner Occupied Conversion Loan Fund

- Staff recommends exploring establishment of a loan fund with a one-time capitalization of \$5,000,000. Potential guidelines for the loan may be as follows:
  - **Eligibility:** Owner of any single-family home or single-family zoned lot
  - **Term:** Five years, with the first year being interest-free and subsequent years the interest rate may be adjusted to the Federal Reserve Prime Rate or Montgomery County Municipal Bond Rate
  - **Conditions:** The conversion must be completed within 365 days of loan disbursement, or the loan will have to be repaid in full.
- The loan shall be capped at \$25,000 and disbursed on a first come first serve basis.



# Community-level Incentive Policies

Staff also recommends exploring certain incentives that would apply to the communities that see a greater degree of growth in attainable housing types. The geographies for these incentive programs shall be linked to the transportation analysis zones (TAZ) in the county.

## TAZ Grant Program

- Staff recommends exploring establishment of an annual grant fund of \$5,000,000.
- Each individual grant shall be capped at \$5,000. Potential eligible activities for which homeowners may use the grant dollars are as follows:
  - Stormwater Mitigation
  - Fire safety Improvements
  - Energy Efficiency upgrades



# Next Steps

- Next work session is on December 2, we will review AHS report and applicable ZTAs
- We are planning a community meeting for mid-December, when we have the final Planning Board recommendations

Major Events/Milestones	
March 24	HEAT Meeting #1
March 29	Community Meeting #1
April 9	Virtual Office Hours
April 14	HEAT Meeting #2
April 21	Community Meeting #2
April 27	Virtual Office Hours
April 28	HEAT Meeting #3
May 13	Planning Board Briefing
May 19	HEAT Meeting #4
June 2	Community Meeting #3
June 3	Virtual Office Hours
June 14	#HousingDay on Twitter
June 24	Planning Board Briefing and Public Comments
July 8	Planning Board Work Session #1
July 22	Planning Board Work Session #2
September 9	Planning Board Work Session #3
October 7	Planning Board Work Session #4
November	Work Sessions Continue
December	Work Sessions Continue
Late Winter	Potential Council Action

