



Issue Brief #4

Inclusionary Housing in Montgomery County, MD

Montgomery County, MD, the nation's sixth richest county, is located immediately north and northwest of Washington, D.C. With more than 800,000 residents, it is the most populous county in Maryland. During the 1970s and 1980s, Montgomery County grew from a Washington D.C. bedroom community to the region's second largest employment center. Now more than 60 percent of residents work and live in the County. Montgomery County is notable for its integrated neighborhoods—by racial and ethnic group, and by income, and most attribute this to an affordable housing law passed over 25 years ago.

In the 1960s, Montgomery County began experiencing a shortage of affordable housing. As demand for residential building lots exceeded supply, prices increased at rates higher than general inflation. Builders saw a reduction in their housing output and began constructing the largest and most profitable houses they could on virtually irreplaceable lots. Increases in new housing costs caused the price of existing houses to increase, making it difficult for young families to find housing in the County.

By 1967 the League of Women Voters, Suburban Maryland Fair Housing and other housing advocacy groups set out to secure county policies to diversify the local housing supply. In 1974, as a result of their persistent efforts, the Montgomery County Council passed local legislation creating an innovative countywide inclusionary zoning and density allowance program—the Moderately Priced Housing law. Believed to be the country's first mandatory, inclusionary zoning law, Montgomery County's Moderately Priced Dwelling Unit program requires that between 12.5 and 15 percent of the total units in every new subdivision or high-rise building of 50 or more units be sold or rented at specified, affordable prices. Developers are granted density bonuses of up to 22 percent, which allow them to build more units on a particular parcel of land than zoning normally allows.

In addition, the law gives the County's public housing authority, the Housing Opportunities Commission (HOC), the right to purchase one-third of the affordable housing units. These units are used for HOC's programs to assist low-income families and to ensure that subsidized housing is dispersed all over Montgomery County—and not concentrated in a few areas—avoiding segregation by race and income.

The affordable housing units are designed to blend into the larger developments of which they are a part. The style, quality and construction of the units are often indistinguishable from that of nearby market rate housing. While each development's Homeowners Association oversees maintenance of common areas and sometimes exteriors, the HOC maintains its subsidized rental units, and individual owners are responsible for keeping up their own properties.

Resale and occupancy restrictions are also imposed on the affordable units. The price at which a unit can be resold is controlled for 10 years and, from 11 to 20 years a portion of the appreciated resale price of an affordable unit must be paid to the County, and after 20 years these are no restrictions. Households with an income at or below 65 percent of the area's median income, adjusted by family size, qualify for the program.

According to the County's Department of Housing and Community Affairs, overall goals of the program are:

- To produce moderately priced housing so that County residents and persons working in the County can afford to purchase or rent decent housing;
- To help distribute low and moderate-income households throughout the County's growth areas;
- To expand and retain an inventory of low-income housing in the County;
- To provide funds for future affordable housing projects by sharing the windfall appreciation when affordable housing units are first sold at the market price.

The affordable housing program has received broad support in Montgomery County. New homebuyers are among the most vocal supporters because the program makes affordable housing available to families who otherwise might not have been able to live in the County. Employers and businesses support the program because it creates housing for entry level and mid-management employees. Affordable housing advocates support the program because it provides for a geographic distribution of low and moderate-income housing, encouraging racial and economic integration. Elected officials support the program because it doesn't require a large financial investment by the County. Although builders initially expressed objection to some of the program's procedures and regulations, they are now generally supportive and have made suggestions for its improvement.

Recent studies conducted by the Innovative Housing Institute have shown that resale prices of market value homes are not adversely impacted by their proximity to affordable housing. This is true whether the subsidized housing is in the same subdivision, within 500 feet of, or directly adjacent to the market rate housing.

Since 1974, more than 10,000 units of affordable housing have been built in Montgomery County. More than 1,600 of those units are owned and managed by the Housing Opportunities Commission.