

**Case No. 04-33 "Text Amendments to Require the Provision of Affordable Housing
– Inclusionary Zoning–**

Good evening. My name is Sally Roman. I live at 4229 Franklin Street, Kensington, Maryland. I am retired from the Montgomery County Department of Park and Planning where I was the master planner for housing and demographics. Since then, I have been a housing consultant for Park and Planning and the Montgomery County Council. I worked with County Council staff to produce the major report leading to the recent changes to our inclusionary zoning law.

I am here tonight because I am a strong believer in inclusionary zoning. I hope to provide information that will assist you as you consider inclusionary zoning for Washington, D.C.

The Moderately Priced Dwelling Unit (MPDU) program, Montgomery County's inclusionary zoning law, has been very successful. It has achieved economically integrated communities throughout the County. Units are approved as part of the approval of every subdivision of the specified size¹, rarely attracting separate attention. There has been remarkably little controversy. Best of all, the MPDU program has generated more than 11,600 moderately priced units through 2004, 12,100 when Rockville is included. Since most County construction statistics include Rockville, including their MPDUs is reasonable.

I understand there is concern that the Montgomery County program worked well in its early years during a period of intense suburban development and is not producing much now. The program's peak was from 1984 to 1989 when 4,241 MPDUs were produced. All residential construction has slowed since then. In the most recent five-year period, from 2000 to 2005, the County produced a lower total of 1,507 MPDUs. Fifteen hundred units are not insignificant, however. As a result, 1,500 moderate and low-income households have a place to live that they can afford that they probably would not have otherwise. I think it is safe to say that few, if any, other jurisdictions in the country have produced as many affordable units during this period. It is also safe to say that without inclusionary zoning, Montgomery County would have far fewer units.

Another concern appears to be the program's response to changing market conditions. It is true that the program produces the most units in the early years of a housing boom, such as the mid-1980s. Ironically, however, production drops off in the later years of a boom. Construction of market rate units in an atmosphere of rising prices becomes so attractive that builders build as few MPDUs as possible.

The data also show that when a recession comes, such as the recession of the early 1990s, the number of MPDUs may not be as high as it was during the boom years, but MPDUs as a percentage of all housing units built rises substantially. For example, during the boom years of '88 and '89 or '98 and '99 fewer than 5 percent of units completed were MPDUs. In the down years, after the 1991 recession, MPDU production rose

¹ Currently 20 units or more. Was 50 units or more from adoption in 1974 until early 2003, then 35 or more from 2003 to April 2005

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significantly as a percentage of all construction, rising to a high of 13 percent in 1993. It appears to me that when times are tough, builders welcome MPDUs since they know they can sell them, at least break even on them, and keep their crews busy. In spite of the current housing boom, the business cycle appears to remain a reality. Since inclusionary zoning is by definition proportional to all housing construction, it actually adjusts quite admirably to the market.

I would also like to comment briefly on the response of the building and development community to our inclusionary zoning law. There was resistance in the early years, with a few law suits and discussion of more suits. On the whole since then, there has been very little debate. It appears that builders have found ways to construct MPDUs without much financial loss, if any, that they like the flexibility and added densities of the MPDU development standards, and, as I mentioned before, that MPDUs offer a marketable product during recessions. I've even heard several major developers make positive comments about the program at conferences and meetings.

For Montgomery County, the greatest challenge in recent years may be one of particular interest to you, providing MPDUs in high-rise buildings. In the earlier years, federal programs, such as widely available subsidized financing through revenue bonds, were sufficient to make projects work. As federal programs have dried up, the situation has become more difficult.

Montgomery County has struggled with this issue since late 1999, as payments in lieu of constructing MPDUS became more common in response to financial feasibility issues. We have explored a variety of approaches. Our first response included reducing the MPDU requirement in some high-rise zones from 15 percent to 12.5 percent, still a little higher than your proposal, and allowing some property tax abatement. Last winter, the Council passed legislation that permits greater height than that recommended in the master plan but still within the limits of the zone, reduced some green area requirements, allowed higher income ceilings, and standardized the alternative agreement fee to 125 percent of land cost, typically about 10 percent of unit cost for high-rise. In addition, our Department of Housing and Community Affairs (DHCA) is developing a higher rent scale for high-rise than for garden apartments. The rents had been the same.

The alternative agreements, or buyouts, have been very controversial. Another change has been to establish a three agency panel of the Director of Park and Planning, the Director of DHCA and the Director of HOC, our housing authority, to make these decisions. We do not have experience with this change yet, since technical adjustments had to be made that delayed its implementation. We are optimistic that these changes will be effective in producing inclusionary units in high-rise. This is very important to us as high-rise continues to be a major element of our new construction, especially near Metro stations.

I have tried to address issues that seem most important to you. I would be glad to answer any questions. Thank you.

Year	Montgomery County MPDUs			Rockville MPDUs			Total MPDUS by Year
	For Sale	Rental	Total County	For Sale	Rental	Total Rockville	Combined County & Rockville
1976	108	9	117				117
1977	139	13	152				152
1978	55	47	102				102
1979	105	37	142				142
1980	404	120	524				524
1981	433	63	496				496
1982	702	63	765				765
1983	468	237	705				705
1984	565	659	1224				1224
1985	369	475	844				844
1986	644	232	876				876
1987	597	348	945				945
1988	242	110	352				352
1989	162	105	267				267
1990	242	46	288				288
1991	253	106	359				359
1992	283	0	283				283
1993	408	0	408				408
1994	334	0	334				334
1995	292	46	338				338
1996	282	87	369				369
1997	218	12	230				230
1998	211	0	211				211
1999	122	143	265	6	0	6	271
2000	121	65	186	0	17	17	203
2001	150	71	221	47	0	47	268
2002	128	80	208	95	98	193	401
2003	13	130	143	51	142	193	336
2004	285	8	293	6	0	6	299
Totals	8,335	3,312	11,647	205	257	462	12,109

422 Average 1976 through 2003

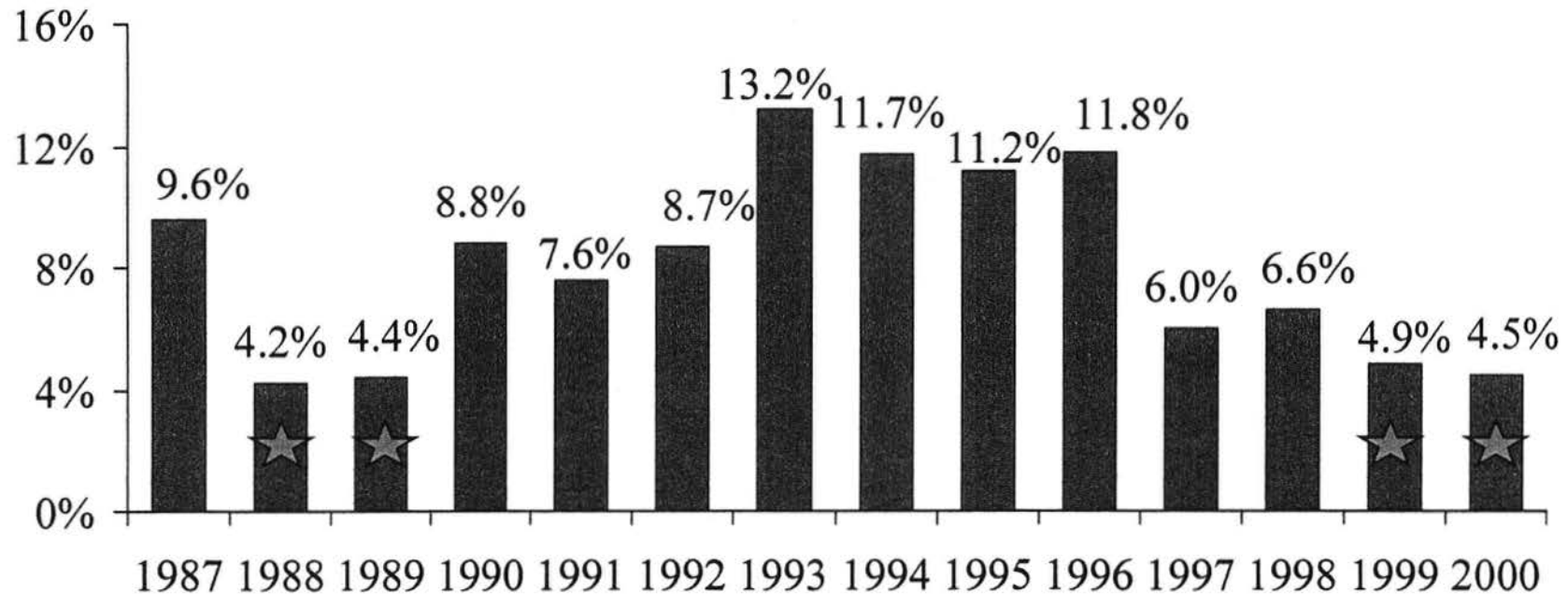
418 Average 1976 through 2004

Sources: The Maryland National Capital Park and Planning Commission (MNCPPC) Research and Technology Center (RTC), the Department of Housing and Community Affairs, the Housing Opportunities Commission, and the City of Rockville.

Updated: December 2004

Ratio of New MPDUs to Completions Declines in Housing Booms

MPDUs as a percentage of all completions



Research & Technology Center
M-NCPPC, Montgomery Cty.

■ % MPDUs

★ Boom periods