

"Federation Corner" column
The Montgomery Sentinel - August 10, 2006

Politicians' empty promises on affordable housing

by Wayne Goldstein

Why do incumbents and their challengers believe that they must say they are for more affordable housing? I've been involved in various affordable housing issues for almost six years, and my impression is that voters only care about this issue in the context of a larger sense of social justice. In recent years, though, there has been a tremendous increase in housing prices such that many people could not afford to buy the houses they live in, nor could they afford to sell and relocate anywhere except far from here. However, this is not the kind of affordable housing that most of the current and wannabe politicians promise to protect or provide more of.

I've given Gaithersburg staff a hard time in recent weeks in this column about the Crown Farm. However, I was impressed with the concern expressed at a recent meeting by Gaithersburg City Manager David Humpton. Since 198 affordable apartments were lost at the West Deer Park Apartments to make way for expensive townhouses, Mr. Humpton has encouraged the city council to introduce legislation that could allow for a moratorium on such redevelopment until the City has a plan to deal effectively with these changes. Three votes to introduce this legislation are needed, but have not yet been found. Meanwhile, more such projects may be coming forward that could cause the loss of as many as 25% of the City's existing affordable units, and the most that the City might do is increase a county-mandated payment to relocate equal to 2 months' rent up to 3 1/2 months' rent. This will help displaced tenants be a little better able to compete for smaller apartments that cost more.

Several meaningful solutions to this huge problem are as simple as they are unpalatable to politicians eager only to make empty promises. Those builders who want to redevelop existing affordable housing could be required to build a comparable number of new affordable units. The profits would be lower, but so would be the purchase price. Alternatively, the City or an affordable housing provider with the right of first refusal could buy the property at market prices. The city could collect funds to pay for such programs by charging an affordable housing impact fee for all new market-rate houses that aren't required to build moderately-priced dwelling units (MPDUs). This fee could be 1% to 2% of the sales price of the new house, with builders of more expensive houses paying a higher percentage. There could also be a real estate transfer tax of 1/4 of 1% dedicated to affordable housing programs. After all, new houses generate a need for landscapers and house cleaners and others who also should have an opportunity to live in the community where they work.

These ideas, which could make a real difference in preserving existing affordable rental housing and providing substantial funds to build new owner-occupied affordable housing or keep existing housing affordable, could also apply to Montgomery County. Despite endless pronouncements that there is an affordable housing crisis, elected and appointed county officials do little more than make modest tweaks of our existing affordable housing laws to make them a little stronger. While the county's Housing Initiative Fund was increased several years ago from a shamefully low \$3 million a year to about \$20 million a year, this amount now looks pathetically low in a county with a \$4 billion a year budget.

Meanwhile, the county loses price controls on the last of the thousands of MPDUs built since the '70s. When the county passed legislation in 1974 requiring MPDUs, it applied to developments over 50 units and only required that the MPDUs have price controls for 5 years. This made the program a joke because people tried hard to buy those MPDUs for a reduced price, knowing they would only have to wait 5 years to cash out. In the late '70s, the control period was extended to 10 years, then to 20 years for rental units in the late '80s. In the early 2000s, the program again became a joke when builders were able to regularly

buy out of their MPDU obligation for as little as \$13,000 per MPDU, an amount too small to replace the lost MPDU.

It wasn't until 2004 that the control period was increased to 30 years for sale units and 99 years for rental units, applying to developments over 20 units. However, with most large properties already built upon, new development is primarily in the form of infill projects of less than 20 units. The only way to get such projects to contribute their fair share is through an affordable housing impact fee.

It may be that hundreds of MPDUs with meaningful controls will now be built each year. However, thousands of affordable apartments have been recently lost in a single year through condominium conversions. While the condo market has cooled for now, when it warms back up, the county will be at risk to lose thousands more of these affordable units. Unless we demand meaningful action instead of empty promises, we will fall so far behind that this county will eventually become a place affordable only to the rich or to those lucky enough to win the lottery to rent or possibly buy an occasional MPDU.

Even the recently-passed workforce housing has a clause to make it less effective. Much of our legislation goes into effect 20 days after passage or even sooner. A targeted condominium conversion bill to provide some protections for some tenants went into effect 8 days after passage last December. However, the workforce housing legislation, which was passed in July, will not go into effect until December. This could give builders enough time to rush the approval of their projects so that there may be little workforce housing produced for the next two years. The same thing happened with the county transportation and education impact fees, which, while passed in October 2003, did not go into effect until March 2004. Residential building permits tripled during that period compared to the same period the previous year, and most were applied for the last week of February 2004.

If you care about affordable housing, ask one of the many people running for office this year to tell you what they want to do to increase the supply of affordable housing by thousands of units or to protect the existing supply of affordable housing by saving thousands of units. They may tell you that more market rate units need to be built to create more MPDUs and they may say that master plan height and density limits supported by the community need to be scrapped so that more housing can be crammed next to Metro stations. You might instead ask them about impact fees, well-funded rights of first refusal, or buying back the thousands of MPDUs where price controls ended but the units are still more affordable.