“WOW! Why Don’t We Do That in Our Jurisdiction?”

★ The Washington Region’s Best Affordable Housing Practices ★

Current Housing Market in Washington Region

Despite a strong regional economy, the affordable housing supply has decreased in the Washington, D.C. region, and the struggle to find affordable housing is no longer limited to the region’s poor. The U.S. Department of Housing and Urban Development (HUD) defines affordable housing as that in which the occupant pays no more than 30 percent of his or her income for gross housing costs, including utilities. In the Washington region, nearly 15% of all households spend more than half their total income toward housing needs or else live in severely inadequate units.[1] With rising housing costs, significant numbers of households across the region are quickly being priced out of the area, and many families especially have found it difficult to locate affordable rental or sale housing.

Several factors contributed to the shortage of affordable housing in Washington, D.C. Most notably, area job growth and a strong high-tech economy have produced a “hot” housing market, raising rents and home prices a greater rate than inflation and creating an even larger regional population needing housing assistance. Also, in response to consumer demand, property owners in the region have often converted rental units with regulated rents to market rate, and developers have constructed upscale housing in newer, affluent communities rather than more affordable units in denser, established neighborhoods. Similar conditions exist in metropolitan regions across the country. With the present affordable housing shortage and with market forces and budget constraints working against them, local jurisdictions have been required to craft or expand upon a variety of approaches to provide housing that is affordable and safe for middle and lower-income households. These efforts are commendable for their effect at the municipal level; however, the region’s housing needs now require an additional, broader focus.

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“Best Practices” Report

The Washington Area Housing Partnership (WAHP) designed this Best Practices Report to spotlight successful programs and policies of local jurisdictions. Housing officials from each member jurisdiction of the Washington region were asked to identify their department’s goals and describe their corresponding affordable housing programs. WAHP selected the most successful programs to serve as area Best Practices. The Report arranges the programs based on how they address regional and local affordable housing threats also identified by jurisdictions. Unlike other Best Practices Reports, this Report then delves further into area housing needs by presenting opinions of those surveyed concerning threats to affordable housing in the region. Finally, because WAHP believes local programs working independently cannot adequately address the region's housing crisis, the Report also examines practices from other metropolitan areas with similar housing threats and suggests some regional solutions to the shortage of affordable housing in the Washington region, including the possibility of establishing a regional housing trust with local support from the private sector.

Survey Used

To gather information for the Best Practices Report, WAHP sent a survey questionnaire to each member jurisdiction. Designed to elicit a mixture of program descriptions, educated opinions, and policy recommendations, the survey consisted of four main questions:

- What are the three major goals of your jurisdiction's affordable housing policy?
- What are the three most successful programs in your jurisdiction? Please provide descriptions and success statistics for each.
- What are your county's greatest affordable housing challenges during the next three years? How do you plan to address them?
- What are the Washington region's greatest affordable housing challenges during the next three years? How do you think they should be addressed? What is your role?

The Best Practices

WAHP believes the most useful way to evaluate local programs is in light of affordable housing challenges faced by each jurisdiction. Therefore, WAHP used the survey answers to identify areas of consensus regarding both regional and local threats to the Washington region's affordable housing supply. WAHP then examined successful local programs addressing those threats to recognize the region's "best practices." Finally, WAHP gave a "gold star" to the most noteworthy and successful programs among all those selected as best practices.

Housing Quality

Substandard living conditions can cause physiological harm as well as psychological distress. Poor quality housing within a neighborhood can also lower nearby property values, helping to fuel the NIMBY effect on future, proposed affordable housing.[2] Finally, dangerous conditions may cause needed affordable housing units to go vacant. Improving the quality of affordable housing can include a range of actions, from making necessary unit repairs to revitalizing whole neighborhoods. WAHP selected four local programs of varying scope to serve as best practices in improving housing quality, including one WAHP "gold star."

Best Practices in "Housing Quality:"

Gold Star - Montgomery County's Housing Initiative Fund – A locally financed housing trust fund, the Montgomery Housing Initiative Fund (MHIF) provides flexible or gap financing to both for- and non-profit housing developers for the acquisition, construction, and preservation of affordable housing. The program has made possible the preservation of over 1,800 affordable housing units since its inception in 1988. The MHIF program is funded through a variety of mechanisms including revenue from the County's Condominium Transfer Tax (a 4% tax on the sale price of rental units that are converted to condominiums), 25% of the proceeds on the sale of County surplus land, and 10% of the revenues from the Alternative Review Procedure for Limited

Residential Development (a fee paid by residential developers building in Annual Growth Policy moratorium areas.)

The revitalization of Manchester Manor Apartments in Montgomery County was funded in part through the County's MHIF program.

One example of a renovated property under the MHIF program is Manchester Manor Apartments in Silver Spring, MD. The property had numerous housing code violations due to age, neglect, and mismanagement. The County's Housing Opportunities Commission (HOC), which builds, finances, owns, and maintains lower-cost housing in the County, acquired the building in 1998 and rehabilitated all major systems. The rehabilitation cost approximately $4.2 million, $800,000 of which was funded by a loan from the County's Department of Housing and Community Affairs under the MHIF program. Additional funding sources included tax-exempt financing in the amount of $2,428,252, a previous existing loan of $144,000, and tax credit equity of $846,299. Montgomery County maintained all 53 original units but restricted 45 of them for households at or below 50% of the area median income of $82,800.[3]

In addition to preserving affordable housing units, the program has assisted 45 housing developments with loans or pre-development studies and has created approximately 1,500 affordable housing units.

For further information about the Montgomery Housing Initiative Fund, please contact Stephanie Killian at (240) 777-3693.

Arlington County's Affordable Housing Investment Fund (AHIF) – Though they often have a greater supply of affordable housing units than newer communities, established communities such as older suburbs and central cities face the significant and combined challenges of maintaining old, poorly-conditioned buildings, preventing deterioration, and revitalizing neighborhoods. These challenges require creative financing approaches. Similar to Montgomery County's MHIF program, Arlington County's AHIF provides a flexible, local subsidy tool that allows the County to provide loans for the acquisition, rehabilitation, and construction of both rental and owner-occupied housing by for- and non-profit developers. The AHIF relies on a mixture of HOME, CBDG, and local funds. Arlington County strives to fund the construction or rehabilitation of over 350 units each year under this program. In addition to the federal funding, the County sets aside $800,000-2,000,000 per year in general tax revenue to provide the loans.

For further information on the Affordable Housing Investment Fund, please contact Fran Lunney at (703) 228-3785.

Prince William County's Neighborhood Rehabilitation Program – Administered by Prince William County's Office of Housing and Community Development (OHCD), this program provides for primary and secondary repairs on units owned by households at or below 80% of the median income.[4] Residents seeking home repairs must notify the County and are placed on a waiting list in accordance with the severity and number of repairs needed. Under the program, primary repairs are those repairs necessary for the health and safety of the unit's occupants. Secondary repairs include those improvements needed to reinforce primary repairs as well as those repairs needed to prevent a dangerous condition from occurring at a future date, such as repairs to a roof needed to prevent its failure in upcoming months. Over the past nine years, OHCD has rehabilitated over 650 units, using approximately $4.6 million of CBDG funds. The average cost of rehabilitating a multi-family unit is $5,000. The cost of rehabilitating a single-family unit is $17,000.

For further information about the Neighborhood Rehabilitation program, please contact David Watkins at (703) 792-7530.

The District of Columbia's HOPE VI efforts – HUD's Homeownership and Opportunity for People Everywhere program (HOPE VI) provides funds to renovate distressed public housing communities and offer employment skills training to residents. In 1995, the District successfully competed in national competition for $25 million in HOPE VI funds to rebuild low-income housing on the site of the former public housing project known as the Ellen Wilson Dwellings in Southeast Washington. Public housing officials had closed the high-crime, substandard housing project in 1988. Once vacant, the buildings attracted additional criminal activity; however, neighboring communities were skeptical of any re-development plans because the site borders on the nearby historic Capitol Hill area. To address those concerns, developers demolished the original structures and built the new "Townhomes on Capital Hill" as a mixed-income development with houses designed by a noteworthy local architect. The Victorian style townhouses blend in

The Townhomes of Capitol Hill were built using HOPE VI grants on the site of the former Ellen Wilson Dwellings public housing project in Washington, D.C.

with the historic homes on Capitol Hill and have also received architectural design awards. Though the original public housing development on the site was comprised entirely of low-income residents, 70 of the new 134 units are intended for higher-income residents, with a household income between $36,150 and $90,735. Another 34 units are intended for families making $18,075 to $36,150. The remaining 33 units are for low-income residents, with households below $18,075.

A similar transformation is taking place at Wheeler Creek Estates in Washington Highlands. Formerly Valley Green public housing, this development consisted of 314 units, only eight of which were occupied by 1999. The revitalization is also funded in part with HOPE VI grants, specifically, a $20.3 million grant awarded in 1997. Currently seventy-five percent complete, this project will contain 134 homeownership units and 180 rental units, including 100 apartments for the elderly. Like the Townhomes on Capitol Hill, this development will mix subsidized and market rate units. It will have a variety of housing types including semi-detached housing, townhouses, single family housing, and mid-rise apartment building, with continuity in building design and landscaping. With a total cost of $53.7 million, the project is a joint venture of three development groups. The District's Department of Housing and Community Development provided a $2.7 million HOME grant in addition to HOPE VI funds from HUD.

For further information regarding the District's HOPE VI projects, please contact the District of Columbia Housing Authority at (202) 535-1500.

Housing Location

As with any form of real estate, location is key to the success of affordable housing. Appropriate locations are not only convenient but can provide greater opportunities to low and moderate income residents, who require access to transportation modes, employment and recreation centers, grocery stores, and medical care. Locating units near public transit, in particular, can often expand the opportunities available to low-income residents who cannot afford a car but need access to job centers. The greater mobility may even reduce the residents' dependency on city and county services and will improve the quality of life. Finally, appropriate placement of affordable housing communities can reduce traffic congestion and longer commute times for all residents of the region.

Suitable affordable housing locations exist throughout each jurisdiction; however, mixing lower-cost units in with market-rate units can yield mutual benefits. Economic integration prevents the concentrated poverty often associated with large public housing developments. Economically-integrated housing also eases the burden on nearby schools and provides greater job opportunities in a community.[5]

Fifteen Moderately Priced Dwelling Units were integrated into the Barrow Court community in Potomac, Maryland, under Montgomery County's MPDU program.

Newly developing communities can especially benefit from economic integration of affordable units. As in many large regions, developing areas of the Washington region are generally more affluent than its urban core. Though the cost of land in these suburban and exurban communities is generally less than in older, established communities, new housing costs there are often prohibitive. Private residential developers respond to the demand for upscale housing, while lower-wage workers there suffer from the resulting shortage of affordable housing. Regional economic segregation can occur when lower-income populations are not able to afford housing in newly-developing areas. Again, because these areas are also frequently sites of rapid job growth, providing affordable housing would also yield greater employment opportunities for low- and moderate-income residents.

WAHP selected its "best practices" from programs that both integrate affordable and market-rate units as well as yield greater mobility and opportunity for low- and moderate-income residents, thereby improving the location of affordable housing.

Best Practices in "Housing Location:"

Gold Star - Montgomery County's Moderately Priced Dwelling Unit Program (MPDU) – Through this inclusionary zoning program, Montgomery County requires developers building subdivisions of 50 or more units to include a percentage of moderately priced units in exchange for a density bonus. Generally, a developer may build with 22% greater density than allowed by current zoning, in exchange for providing between 12.5% and 15% of the residential units for moderate-income households. MPDU's must be sold to households with eligibility certificates issued by the County's Department of Housing and Community Affairs. Households with incomes at or below approximately 60% of the area's median income of $82,800, adjusted by family size, qualify for eligibility certificates. The median sale price for a new MPDU is approximately $120,000 for a detached unit and $97,000 for a townhouse, while the new median sale price for a market-rate detached house in the County is currently $362,000 and $220,000 for a townhouse.

Unlike other jurisdictions, Montgomery County generally does not approve cash-in-lieu contributions rather than actual construction for its MPDU requirements. Developers therefore may not "buy out" of the MPDU requirement, assuring more local affordable housing opportunities. Over 10,000 units have been produced under this program, at essentially no direct dollar public cost. Built and financed by the private sector, the units are scattered throughout the County and are integrated with market rate units. Also, the Housing Opportunities Commission, the County's public housing authority, may purchase up to one-third of the units to lease to very low-income households, achieving a greater mix of income ranges within the County's large subdivisions. Non profit housing providers such as the Montgomery Housing Partnership may purchase approximately 7% of the MPDU's.

For further information about the Moderately Priced Dwelling Unit program, please contact Eric Larsen at (240) 777-3713.

Loudoun County's Affordable Dwelling Unit ordinance (ADU) – Like programs in Montgomery and Fairfax Counties, Loudoun County's ADU program provides for the construction and continued existence of affordable housing in developments of 50 or more units, at an equivalent density greater than one unit per gross acre. In exchange for a 10% density bonus, the ADU program requires developers to build 6.25% affordable units. Home buying assistance

Townhouses in Loudoun County's South Riding community. ADU's were incorporated throughout the development.

for the ADU's is available to households at 30-70% of the median household income, currently $82,800. The average sale prices for ADU units are $80,000 for condominiums and $114,000 for townhouses. The County holds lotteries to select eligible buyers. With its rapid growth rate, the County protects against speculation of ADU units by controlling resale prices for 50 years after the unit's original sale. Also, future purchasers must meet program qualifications and income eligibility guidelines during that period. In addition to homebuying assistance, the ADU Rental Program enables applicants at 30% to 50% of the median income to rent units directly from the apartment complex. The rent for a two bedroom/one bath unit is approximately $665/month. For a three bedroom/two bath unit, the rent is approximately $825/month.

For further information on the Affordable Dwelling Unit Sales Program, please contact Lenny Goldberg at (703) 777-0389. For further information on the Affordable Dwelling Unit Rental Program, please contact Stephanie Payne at (703) 777-0389.

Fairfax County's Public Housing Program – The Fairfax County Redevelopment and Housing Authority owns over 1,000 public housing units, which are managed by the County's Department of Housing and Community Development. The program operates on federal subsidies, including

The Reston Town Center public housing community is located in an upscale neighborhood near many retail employment opportunities in Fairfax County.

HOME and Section 108 loan guarantee program funds. The County's Housing Trust Fund also provides some funding. Finally, residents pay 30% of their income to live in a public housing unit. The average household income for public housing residents is currently about $11,000. The County strives to disperse many of its public housing units among privately-owned condominium, townhouse, and garden style apartment developments, thereby helping to alleviate the concentration that often occurs with public housing projects. The County has also worked to revitalize its public housing developments and construct others in convenient locations. One example is Reston Town Center Townhouses, 30 public housing units located within walking distance of a library, hospital, and Reston Town Center, a large, upscale mixed-use development with many retail and service employment opportunities. Built in the early 1990's, the suburban development is comprised entirely of three bedroom units. With its prime location, hidden rear parking, and aesthetic brick facades, the development was mistaken for upscale office/commercial space and received lease offers from several medical practices in town before it was occupied, helping to counter the general perception most people have of public housing.

For further information on Fairfax County's Public Housing program, please contact Michael J. Finkle at (703) 246-5262.

The Challenge of a Strong Economy

The strong high-tech economy has assisted metropolitan regions throughout the nation in attracting new industry, stabilizing or increasing population, and securing low unemployment rates. As one of the top areas for high tech employment concentration in the United States, the Washington, D.C. metropolitan region has especially benefited from this new industry. Unfortunately, favorable market conditions have failed to trickle down to low- and moderate-income households in need of housing. On the contrary, the strong economy has often worked to the detriment of affordable housing efforts, as inflation has increased local rents and sale prices. Sharply increasing the demand on the housing market, residential construction has also failed to keep up with the pace of the region's growth. Many jurisdictions listed the strong economy paradox as one of the greatest threats facing affordable housing in the Washington region. WAHP selected five local programs successfully meeting this challenge of providing affordable housing in the face of a strong economy.

Best Practices in Providing Affordable Housing in the Strong Economy:

★**Gold Star - Fairfax County's Rental Program –** Under this program, Fairfax County rents County-owned properties to special needs households, including senior citizens. Though the County owns the rental properties, the program does not utilize public housing funds. Instead, it operates under a mix of financing measures including local bond funds, the County's Housing Trust Fund, HOME grants, Section 108 funds, and low-income housing tax credits. Further, some developments have FHA reduced-rate mortgages, making the properties more affordable for the County and the residents. Similar to the County's Public Housing program, the Rental Program often distributes units throughout private developments. In all, the program provides 1,372 rental units for households with incomes from the low teens to the mid $20's. Of the many components of the Rental Program, the Moderate Income Rental Component finds housing for working residents whose incomes are higher than those in the Public Housing and Section 8 programs. The Senior Housing component of the Rental Program provides 348 units/beds for low- and moderate-income seniors. Finally, the Rental Program also has a component for working singles. The County leases twenty, single room occupancy (SRO) units for $93 per week at Coan Pond Residences, located within the offices of the Redevelopment and Housing Authority. The County rents the SRO's to singles earning between $13,260-35,250, with preference given to those who live or work in the County.

For further information on Fairfax County's Rental Program, please contact Michael J. Finkle at (703) 246-5262.

One of twenty single room occupancy (SRO) apartments making up Coan Pond Residences within the offices of Fairfax County's Redevelopment and Housing Authority.

★**Gold Star - Loudoun County's Linked Deposit Affordable Housing Program –** Under this program, Loudoun County "links" a portion of its county deposits with local financial institutions, as part of a public/private partnership. The County deposits local public funds with banks that agree to provide a number of affordable housing services, including specialized mortgage products and homeownership seminars. The banks also provide substantial home mortgage loans for low-income households. The program therefore maximizes limited County resources, as no taxpayer money is used for the services. Since 1994, the County Treasurer has executed Linked Deposit Plan awards with many financial institutions, including Signet Bank, First Union National Bank of Virginia, NationsBank, Crestar, and

Jefferson National Bank of Virginia. The awards range from $5.5 million to $7.5 million in yearly investments, with each bank receiving approximately $2.5 million. The services performed by the banks in return for the deposits are more extensive than those required under the Community Reinvestment Act. Finally, the program complements the County's ADU program by providing ADU applicants with required pre-purchase counseling and mortgage loans.

For further information on the Linked Deposit Affordable Housing Program, please contact Cindy Mester at (703) 777-0389.

City of Alexandria's Homeownership assistance programs – Alexandria utilizes a multi-faceted approach toward homeownership assistance. The City offers five-hour group home-buying counseling sessions, with subsequent individual sessions. It has two purchase assistance programs to provide closing costs and down payments up to $25,000 for low-income, HOME and CDBG eligible households[6] and $15,000 in assistance from the City's housing trust fund for moderate-income households.[7] The City also continues to assist homebuyers by introducing them to lenders, real estate agents, government agencies, and non-profit housing developers at a yearly homeownership fair. Since the inception of the programs last year, the City of Alexandria has provided homeownership counseling to 215 households and purchase assistance to 290 CDBG/HOME eligible households and 93 households eligible under the City's moderate income limits.

For further information on the homeownership assistance programs, please contact Tom David at (703) 838-4622.

Prince George's County's Single Family Bond Program – The Single Family Bond Program (SFBP) addresses the shortage of affordable housing caused by market conditions by using bond issues to provide mortgage loans at a lower rate than would be available in the market. The SFBP currently has a 30-year, two-tiered interest rate of 7.50% for applicants receiving a four-percent downpayment and closing cost assistance grant and 6.75% for applicants not receiving that assistance. Additionally, participating lenders offer better terms for loans on houses within County-designed "Target Areas," where the County would like to increase residential presence and provide improved affordable housing opportunities. Home buyers seeking housing within Target Areas may qualify for a loan under the SFBP despite having higher household incomes than applicants seeking housing in non-Target Areas. Lenders may also lend greater amounts for houses in Target Areas. Notably, the SFBP has met its goal of creating between 150-200 homeowners per bond issue, and the last three bond issues have yielded 565 homeowners in the County.

For further information about the Single Family Bond Program, please contact James Lyons at (301) 883-5570.

The Hawthorne Hills community is within a "Target Area" of Prince George's County. Under the SFBP, homebuyers can qualify for greater home buying assistance for houses within Target Areas.

Arlington County's Housing Grants – The Housing Grants Program provides supplemental housing assistance payments to low income elderly, disabled, and working families with children. While receiving the grant, renters are still responsible for paying between 30% and 43% of their gross monthly income toward rent payments. Funded from the County's general revenue, this program serves an average of 855 households each month. Aside from meeting income requirements, to qualify for a housing grant renters must be either 55 years or older, permanently disabled, clients or patients of a County-operated or supported mental health program, or working families with at least one child under 18.

For further information on the Arlington County Housing Grants program, please contact Ann Harvey at (703) 228-1350.

Decrease in Affordable Rental Housing

Despite the emphasis jurisdictions often place on home ownership, many also consider the shortage of available rentals as a significant threat to affordable housing in the region. Nationwide, the number of affordable rental units declined by 5% from 1991-1997.[8] In the Washington region, even market-rate rental units are difficult to find. The number of available, market-rate rental units in the region is at a 30 year low.[9] Vacancy rates for apartments built since 1980 are less than 2%.[10] Older, well-maintained apartments have similarly low vacancy rates.[11]

The demand is also affecting the assisted housing stock, which comprises one third of the region's affordable rental units.[12] Landlords seek increased rents, and the strong market encourages property owners to convert developments from federally assisted to market rate. To indicate the severity of the problem, the National Housing Trust has compiled a list of nearly 7,000 "at risk" assisted units, based on 86 projects with contracts expiring by 2004 in the District alone.[13] These findings suggest the affordable rental supply will continue to decrease in coming years.

Though availability is low throughout the region, suburban jurisdictions are especially in need of rental housing. In the 1990's, shrinkage in the supply of affordable units was greatest in the suburbs.[14] WAHP selected programs of three area suburbs as "best practices" in preserving affordable rental housing.

Best Practices in Providing Affordable Rental Housing:

Gold Star – Arlington County's Special Affordable Housing Protection District (SAHPD) – As the housing market became increasingly competitive in the 1970's and 1980's, condo conversions located along the metrorail corridor in central Arlington depleted the supply of affordable apartments there by approximately 11,000 units.[15] In response, the County adopted this zoning mechanism in 1992 to establish a zoning overlay district along the Rosslyn/Ballston metro corridor, a densely-populated area well-served by public transportation. Developers seeking to raze affordable multi-family housing in the corridor may voluntarily provide replacement units or retain the existing units on a one-for-one basis. In exchange, the developer receives greater zoning flexibility for height, setbacks, coverage, and parking, than what is allowed by right under the site's current zoning designation. The County has no designated funding source for this program; generally, the income stream from the increased number of units provides a subsidy for the affordable units. Because the County has a greater need to house low and moderate-income families than individuals, developers seeking the density bonus are required to replace one existing affordable unit with at least one new bedroom in an affordable unit. Therefore, though the total number of affordable units may decrease, the new development provides larger units better suited for families.

In 1993, the first project designated as a SAHPD, Clarendon Court, involved both the construction of 47 new units and renovation of 56 units. Without the SAHPD, 124 lower-cost apartments would have been demolished near the site to make room for luxury condominiums and an office building. Under the overlay district, the developer received a six-story density bonus and agreed to keep rents at Clarendon Court affordable for at least 25 years and give purchase options to tenants at the end of that period. With significant low-income elderly and minority occupancy, the

Clarendon Court Apartments in Arlington County. The Special Affordable Housing Protection District made possible the rehabilitation of 56 affordable units and the construction of 47.

community is conveniently located within walking distance of metrorail and now contains many two and three bedroom units. The project cost approximately $14 million. The County provided $1.5 million in loans, and the developer also received a ten-year, annual federal low-income housing tax credit of $320,000, as well as state housing funds.

The County has recently given zoning approval to a new project near the Rosslyn metro station. "Twin Oaks," currently garden style apartments with 55 affordable units, will be re-developed into a high rise building with approximately 318 units. The developer will maintain 38 affordable, two-bedroom units, designated for households as low as 45% of the median household income. These units will remain affordable for 40 years. The County has not proposed the use of federal or local funds, as the value of the density bonus alone will offset the cost of providing the affordable units.

For further information on the Special Affordable Housing Protection District, please contact Fran Lunney at (703) 228-3785.

Prince George's County's Multi Family Bond Program (MFBP) – This program finances approximately 1,000 renovated or newly-constructed rental units through tax exempt mortgage revenue bonds. Specifically, the County issues bonds for the acquisition and rehabilitation of multi family projects as well as for refinancing projects previously assisted under the program, to enable the owners to maintain the value of their properties. Recently, the County has issued $17.5 million in mortgage revenue bonds. Excess income realized from the reduced debt service is used for improvements to the projects.

For further information about the Multi Family Bond Program, please contact James Lyons at (301) 883-5570.

Montgomery County's Right of First Refusal program – Under this program, tenants' organizations, the County, and the County's Housing Opportunities Commission (HOC) have the first right of refusal to purchase a multifamily housing building to be sold. To purchase the building, the County, HOC, or the residents must meet terms of the contract that has been negotiated between the owner and buyer. Since the program began in 1981, the County and HOC have acquired ten multi-family complexes containing 1,104 units. The right of first refusal may be waived in exchange for a three-year rental agreement signed by the apartment contract purchaser. Over the past three years, the County has entered into 15 such rental agreements affecting a total of 3,857 units. The agreements may require rent increases to abide by the County Executive's recommended annual rent increase guidelines. Other agreements prohibit the conversion of the apartments for a period of three years. Under the program, "conversion" includes the converting of rental into condominium units, taking units off the market, and displacing at least 1/3 of a development's residents each year due to increased rents.

For further information about the Right of First Refusal Program, please contact Joseph Giloley at (240) 777-3654.

Filling in the Gaps: Program and Policy Suggestions

Though jurisdictions in the Washington region are to be commended for their efforts toward providing and preserving affordable housing, a shortage of affordable housing still plagues the region. The following section examines approaches of other regions as well as thoughts and ideas offered by area jurisdictions surveyed for this report. Again, suggestions are presented with respect to those local and regional affordable housing threats identified by local jurisdictions through the WAHP survey.

Housing Quality

Often, non-profit organizations and voluntary community associations help fill the need for repairs, maintenance, and even renovation of low-income units. One surveyed jurisdiction urged increased public support for the efforts of non-profit housing providers in the acquisition, rehabilitation, preservation, and operation of affordable housing properties. Another suggested jurisdictions impose a long-term interest or contractual obligation for developers to maintain the quality of affordable units after construction. Finally, one jurisdiction

Before and after photographs of a rehabilitation effort under the Neighborhood Rehabilitation Program in Prince William County. The property received new windows, doors, roof, siding, gutters, heating and cooling system, attic insulation and plumbing repairs. Completed in 1999, the project cost $20,500. The elderly resident was able to stay in the house during the rehabilitation. Photos by David Watkins, printed with courtesy of the Prince William County Office of Housing and Community Development.

suggested local governments in the Washington region undertake improved and comprehensive code enforcement efforts as well as create and fund programs to provide for rehabilitation loans for multi-family housing.

Outside of the Washington region, some jurisdictions have begun to include residents in their efforts to improve the quality of affordable housing. In Minneapolis, Minnesota, the Citizen Inspection Program trains neighborhood volunteers to identify building code violations and notify property owners of the needed maintenance. Overall, the program is a success. Property owners comply with requests from neighbors much more than they do citations from city inspectors.

Just outside of Minneapolis, the City of Richfield has a program designed to revitalize both neighborhoods and individual houses. Its Neighborhood Revitalization Strategy first borrows long-term capital improvement funds to acquire and demolish blighted properties. The City then sells the vacant lots to developers for construction of new, owner-occupied housing and repays its own loan through the enhanced tax increment on the property. City officials also give advice to individual home owners on how to remodel their properties, including an explanation of the up-front costs and the effects of the remodeling on the property value and taxes. In addition to the advice, the City provides second mortgage loans for the remodeling. Under a pilot program, the City of Richfield has extended these services to owners of apartment buildings as well, to help restore the quality of affordable rental housing as well.

Housing Location

To provide affordable housing residents with convenient access to transportation and other amenities, one surveyed jurisdiction suggested municipalities should encourage higher density in appropriate areas with adequate existing infrastructure, especially transit station areas.

Another jurisdiction believed adoption of an inclusionary zoning program would better disburse affordable units throughout market-rate properties, thereby reducing areas of concentrated poverty. Along with local programs, WAHP also believes cooperation among jurisdictions is crucial in distributing units throughout metropolitan regions. Statewide efforts to distribute affordable housing have even been implemented to address this concern. Legislation in New Jersey requires municipalities to take positive action toward providing a designated portion of the state's affordable housing needs. A result of two State Supreme Court cases known as the Mt. Laurel decisions, New Jersey's "Fair Housing Act" created the State's Council on Affordable Housing (COAH) which sets criteria and guidelines for municipalities who choose to enter into the COAH process. With nearly half of the State's municipalities involved, the Act has generated approximately 23,100 affordable housing units since its inception in 1985. When necessary, funding is provided by housing programs of the State's Department of Community Affairs or Housing and Mortgage Finance Agency. The municipalities usually employ inclusionary zoning to meet affordable housing guidelines. Overall, the Act has lessened the occurrence of exclusionary zoning throughout New Jersey and reduced the concentration of low-income housing in certain jurisdictions. Even in the absence of statewide legislation, in the view of the WAHP, affordable housing distribution is best managed with regional attention and cooperation.

The Challenge of a Strong Economy

Local governments have borne the responsibility for providing affordable housing to their low- and moderate-income families, often to meet the needs of private sector employers. Counties could capitalize on the region's growing high-tech industry and work with large corporations to help fund projects that would benefit both government and industry. Other regions have done a good job in meeting this ideal. Corporate support assists governments in funding a variety of housing initiatives. For instance, San Jose's largest employer, Cisco Systems, Inc., has contributed substantially to Silicon Valley's Housing Trust Fund. In return, Cisco's employees are more likely to find housing opportunities. Because of the generous support it receives from the private sector, the Silicon Valley Housing Trust Fund relies on corporate contributions rather than taxes to achieve its goals.[16]

In conjunction with this corporate support, WAHP also believes that the Washington region might be able to benefit from the adoption of a regional housing trust fund modeled after Silicon Valley's. Several jurisdictions in the region currently have local housing trust funds. In addition to those efforts, a regional trust might be better able to address the many housing concerns that affect the region as a whole.

Another region's response to the strong economy's effect on affordable housing is seen in Boston, Massachusetts. With growth pressures and high housing demands similar to those in the Washington region, Boston's affordable housing supply was hurt even more when the city ended its rent control system in 1996, leaving many otherwise affordable units to market forces. To create affordable housing opportunities during the housing crisis, the city utilized its housing linkage program. The program requires developers of large-scale commercial, retail, hotel, or institutional structures to pay a fee to construct off-site affordable housing in exchange for zoning relief. The fees are payable on a seven or twelve year schedule beginning on the date of permit issuance. Currently, developers pay $5.00 to the city's affordable housing trust for every square foot built above 100,000. The trust has allocated over $45 million in funds since 1986, creating nearly 5,000 affordable homeownership and rental housing units.[17]

Efforts such as Boston's linkage program and Silicon Valley's housing trust indicate it is appropriate and possible to seek assistance from the private sector. WAHP believes similar efforts could provide much needed funding for affordable housing in the Washington region.

Decrease in Affordable Rental Housing

To increase the shrinking affordable rental supply in the region, one jurisdiction suggested area governments lobby jointly at federal level for more Section 8, tax credits, tax-exempt bond financing, and McKinney funding. Another believed jurisdictions should work to increase homelessness prevention efforts.

One state-wide effort attempts to fill the need for rental units in Colorado. The Small Affordable Rental Transactions (SMART) program encourages the development of rental properties of 20 or fewer units by lending long-term, fixed-rate, first mortgage loans to developers. The State raises funds for the program through general obligation tax exempt bonds available for nonprofit and public sponsors.

Since the program began, it has approved more than $60 million in loans, funding 1,240 units for families and 53 units for elderly people.[18]

Conclusion

Several factors have contributed to the shortage of affordable housing in the Washington region, including the impact of the strong regional economy and the corresponding high demand on the residential market. WAHP surveyed area jurisdictions to identify the most significant housing threats in the region as well as programs implemented to address those threats. As illustrated in the report, local jurisdictions have implemented a number of successful techniques to construct, renovate, subsidize, preserve, and develop affordable homeownership and rental housing opportunities. By presenting these as Washington Area Best Practices, and, in particular, by giving Gold Stars for the most notable and successful programs throughout the region, WAHP hopes to provide ideas for jurisdictions facing similar housing constraints as well as foster dialogue among the jurisdictions on how to approach housing goals with a regional focus. Finally, WAHP also presented suggestions given by surveyed jurisdictions as well as model practices implemented by regions across the country to encourage the continued development of new housing programs. Our goal is for those concerned with the affordable housing crisis in our region to say, "Wow! Why Don't We Do That In Our Jurisdiction?" We hope and trust this report meets that goal.

Established in 1991, the Washington Area Housing Partnership (WAHP) is a regional public-private housing partnership that acts as a catalyst to preserve and expand the supply of affordable housing for low- and moderate-income families in the metropolitan area. The Partnership acts as a convener of regional leaders and stakeholders, as researcher and reporter on local housing policies, as provider of technical assistance to non-profit organizations and local governments, and as advocate for the expansion of affordable housing opportunities across the region. Although the Partnership has its own by-laws and board of directors, it is housed within and enjoys the full support of the Metropolitan Washington Council of Governments (COG).

The Washington Area Housing Partnership, Fall 2000

[1] Center for Housing Policy, "Housing America's Working Families," New Century Housing. V1:I1 (June 2000): 7.

[2] NIMBY is an acronym for "Not In My Backyard."

[3] $82,800 is the 2000 Estimated Median Family Income for the Washington Metropolitan Statistical Area, as determined by the U.S. Department of Housing and Urban Development.

[4] The median household income for a family of four is $50,200 in the County.

[5] Myron Orfield, Metropolitics: A Regional Agenda for Community and Stability (Washington, D.C.: Brookings Institution Press, 1997), 79.

[6] For a four-person household, the maximum allowable income limit for CDBG and HOME mortgages is $50,200 in the Washington, D.C. Metropolitan Statistical Area (MSA).

[7] For the Washington, D.C. MSA, the maximum allowable income limit is $79,500 for a household of three or more people.

[8] U.S. Department of Housing and Urban Development, "The Widening Gap: New Findings on Housing Affordability in America." (September 1999).

[9] Barbara Burtoff, "Apartment Adviser: Tips for Finding a New Rental Unit in D.C. Area's Tight Market," The Washington Post. 15 April 2000, I:7.

[10] Burtoff.

[11] Burtoff.

[12] Washington Area Housing Partnership, "Most Area Affordable Housing Unassisted: 1994 Findings of the Partnership's Regional Affordable Rental-housing Inventory (PRARI). (November 1994).

[13] National Housing Trust, "Special Report: At-Risk Properties in Washington, DC," (April 2000).

[14] U.S. Department of Housing and Urban Development, "The Worsening Crisis: A Report to Congress on Worst Case Housing Needs." (March 2000).

[15] Mary Lou Gallagher, "Arlington County's Affordable Housing Protection District," Planning. V60 N3, 12. (March 1994).

[16] Cisco Systems, Corporate News and Information, "Cis co Systems to Donate $800,000 to Housing Trust Fund." http://www.cisco.com/warp/public/146/pressroom/2000/apr00/corp_040300b.htm 17 July 2000.

[17] John Avault and Geoff Lewis, "Survey of Linkage Programs in Other U.S. Cities." Boston Redevelopment Authority. (May 2000).

[18] Michael A. Stegman, State and Local Affordable Housing Programs: A Rich Tapestry. (Washington, D.C.: The Urban Land Institute, 1999), 95.