



**HOUSING  
OPPORTUNITIES  
COMMISSION  
OF MONTGOMERY COUNTY**

**Strategic Plan: FY 2008-2012**

*Good Homes Make Good Communities*



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# Message from the Executive Director

**A**t HOC, the strategic plan guides our work. Every two years, the Commissioners adopt a new Strategic Plan after a process that assesses the agency's progress and identifies key objectives for the years ahead. The process is challenging but important, because it keeps HOC on the right track to achieve our mission, "Providing affordable housing and supportive services." The previous Plan, issued in 2005, has truly guided Commission initiatives over the past two years.

In the last Strategic Plan, the Commission recognized the decline in Federal funding, predicted that the trend would continue, and determined that HOC should concentrate on finding new sources of revenue. The Plan contained an initiative to launch a professional consulting service that leverages our experience and track record of success. From that vision, Housing Opportunities & Concepts was born. HO&C has signed up several clients already and seems destined for success.

Another focus of the previous Strategic Plan was to maximize revenue from the

agency portfolio. In the intervening two years, HOC conducted a thorough evaluation of its property portfolio. Because of the research and analysis of the character of the portfolio, HOC is now poised to assess new acquisition and redevelopment opportunities, plan long range capital improvements, and plan the future direction of the portfolio.

The FY 2008-2012 Strategic Plan continues some of the directions of the former plan but has as its primary focus enhancing the delivery of customer service to our residents, clients, and others who do business with the agency. HOC plans to open at least one customer service satellite office in the near future. This center will provide services to residents and clients in a location easily accessible by public transportation. By moving these services to a remote site, HOC will have the room to consolidate staff in the Detrick Avenue building.

Finding more efficient ways to deliver services is an important part of maximizing our resources. The agency must also



continue to find new ways to achieve optimal efficiency in other areas, including development, finance and technology. This will continue to be a recurring theme for HOC in the years ahead.

HOC has been successful in implementing the Plan outlined in 2005. I am confident that the leadership of the Commission and the commitment of HOC staff will bring continued success.

A handwritten signature in black ink, appearing to be "D. H. ...".

# **HOC Mission:**

## ***To provide affordable housing and supportive services***

### Introduction

To provide affordable housing and supportive services is the mission of the Housing Opportunities Commission, and the Strategic Plan, FY 08 – FY 12, continues HOC's commitment to the mission. How we accomplish that mission has always required innovation and creativity, and the current environment presents challenges that are particularly difficult. The Strategic Plan for FY 2008-2012 continues to address the problem of severely limited and diminishing funding with a dramatically expanded income range in need of assistance to find affordable homes. It also addresses the need for the agency to provide customer service to its clients, residents, landlords and other customers in a more convenient and efficient manner.

One of the most significant factors in the current climate is the Federal Government's ongoing disinvestment in housing and housing programs for low and very low income families. In the past several years, HUD has restructured the Housing Choice Voucher program with the goal of controlling and reducing the cost. HUD has succeeded in implementing changes that will dramatically erode Federal support for vouchers, as well as for other housing and community development programs. HUD most recently has restructured the Public Housing program as well, moving to an asset management model and a new deficit funding formula. The impact on HOC may be less damaging than on many other housing authorities. The changes nonetheless do nothing to assist HOC in providing housing to those in poverty, and they create new challenges.

The Federal Government has been the primary funding source for housing programs for decades. For the foreseeable future, the Federal budget will have a deficit, and the deficit will be one of the controlling factors in Federal funding decisions. The Federal Office of Management and Budget has identified discretionary domestic programs for funding cuts to address the deficit. The trend and the intent are clear. Public funding of housing is now and is likely to continue to be an unreliable resource. Another factor in the environment is the widening economic range of families unsuccessfully facing the steep housing prices in Montgomery County. As housing costs in Montgomery County

soar, the need for affordable homes for low, moderate and now, middle income households continues to grow. HOC's and the County's affordable housing programs have traditionally served low and moderate income households that earn up to approximately \$50,000 a year. In answer to the ongoing call for workforce housing, the County Council adopted a workforce housing bill in 2006 that mandates an additional 10% of units targeted at the workforce housing market in multi-family developments in transit areas.

While the term "Workforce Housing" has numerous definitions, there is consensus that members of workforce families work in the County but many cannot afford to live here. They are frequently two-earner, middle income families of teachers or emergency first responders, for example, who must move farther and farther out to find homes they can afford. Out-of-reach home prices have already led to heavy traffic volumes, as workers accept longer commutes. Employers are having difficulty finding workers. Many public safety workers live either in the far northern edges of Montgomery County or in other counties. The need for workforce housing has become an economic and public safety issue as well as a social issue.

HOC understands the need of workforce families to find homes closer to their jobs. At the same time, HOC's primary focus is homes that are affordable to low and moderate income households. One of the most significant tasks of the FY 08 - FY 12 period will be to determine how to allocate reduced resources equitably among the competing needs of households ranging in income from zero to \$100,000. The strategic planning process provided Commissioners and Executive Staff the opportunity to wrestle with the issue.

## Objectives

To achieve the mission, the Strategic Plan includes six objectives. Each one includes implementation steps.

### *1. New and Existing Homes*

The plan emphasizes the importance of producing new affordable housing as well as preserving the county's affordable housing stock. Several facets of this objective include preservation of affordable, multi-family communities by purchase or negotiation, pursuit of publicly-owned land for affordable housing developments and expansion of homeownership opportunities.

## *2. Increased Revenue*

Reviewing current issues during the FY 06-10 strategic planning process inspired Commissioners and staff to create a broadened vision of HOC and produced the most dramatic new objective in that Strategic Plan. From the recognition that HOC must generate even more of the funding for the mission than it has historically, the Strategic Plan established the goal that HOC should embark on enterprises resembling private sector businesses to generate income. That effort, named Housing Opportunities and Concepts, is in operation. The Strategic Plan envisions its continuation and expansion.

## *3. A New Model of Customer Service*

Another objective of the plan focuses on HOC's creation of customer service centers located in different areas of the county to provide more convenient and efficient service to clients, residents, landlords and other customers. Changes to processes and organizational structure will support the initiative. This objective furthers a goal in the previous Strategic Plan to decentralize services.

## *4. Supportive Services*

HOC recognizes that successful housing programs include the delivery of supportive services. HOC is committed to expanding its services. Two examples of the many methods employed to achieve this objective are broader use of public-private partnerships and increasing homelessness prevention activities.

## *5. Portfolio Model*

One objective specifically addresses the management of our housing portfolio to maximize both its public purpose and its revenue potential. Implementation actions include maintaining the affordability of HOC's housing stock, applying a portfolio model to achieve a balance of types and locations of units, and developing a long-range renovation plan.

## *6. Community Leadership*

Finally, HOC's Strategic Plan commits it to exercising leadership in meeting Montgomery County's affordable housing needs. Implementation steps direct HOC to work in the legislative and planning realm at all levels of government, to reach out to various components of the community, both non-profit and corporate, and to use its financial resources to assist in the production of housing by other organizations.

Each of HOC's Objectives is supported by Implementation Actions that focus on specific tactical initiatives that the Agency will employ.

### ***Objective 1:***

#### **Preserve and produce affordable and workforce housing in Montgomery County.**

HOC's activities under this objective will add to the supply and minimize the loss of housing available to individuals and families on the income continuum from zero income up to 120% of Area Median Income (AMI). It focuses on HOC's activities to expand the supply of affordable housing opportunities for low and moderate income families and individuals.

#### **Implementation Actions:**

- Acquire and finance units to preserve their long-term affordability and to increase opportunities for households at lower income levels to find homes throughout the County
- Negotiate extended affordability with owners of multi-family properties
- Identify land for future development or redevelopment
- Pursue publicly-owned land for new development of affordable housing
- Pursue opportunities for transit-oriented housing developments
- Expand homeownership opportunities to a broader income range of Montgomery County families and workers while continuing efforts to de-concentrate poverty

## **Objective 2:**

### **Strengthen HOC's ability to generate income for operations, affordable housing programs and services.**

In the current climate of reduced public funding for housing production, preservation and supportive services, HOC will market its skills to outside organizations and seek to maximize revenues from internal operations.

#### **Implementation Actions:**

- Develop new sources of funding to support HOC's mission
- Expand Housing Opportunities and Concepts (HO&C) to generate income to expand and preserve affordable housing
- Increase revenues from existing HOC activities
- Seek grants from new sources for supportive services and educational opportunities for residents and clients
- Develop strategies to increase donations and generate income through collaborative activities between HOC and Community Partners, Inc.

## **Objective 3:**

### **Decentralize delivery of services to clients and residents in conjunction with enhancing efficiency throughout HOC's activities.**

HOC will enhance customer service by improving convenience, responsiveness and accessibility for our clientele.

#### **Implementation Actions:**

- Identify appropriate facilities to provide customer service

- Train staff to provide multiple services at multiple locations throughout Montgomery County
- Explore technological initiatives to enhance services to customers

### **Objective 4:**

#### **Expand services to residents and clients to address the County's changing needs.**

Through the programs administered by HOC's Resident Services division, HOC supports initiatives that provide job training, education, counseling, transitional housing services for youth and elderly and other programs that meet the unique needs of those residing in affordable housing. As the size of HOC's affordable housing portfolio increases and the County's demographics change, a key objective of the agency is to adequately fund its resident services programs.



HOC youth at Sandy Spring Meadows gather for a grant-funded bicycle program organized by Resident Services staff.

#### **Implementation Actions:**

- Expand the use of public-private partnerships for resident services initiatives
- Expand opportunities for residents to advise HOC about issues that affect their housing and services
- Increase services to prevent homelessness among our residents and clients
- Expand resident services activities to include all residents in HOC's income-restricted housing
- Work with service providers to develop housing programs for the elderly and those client populations that cannot be served without special services

### **Objective 5:**

#### **Manage HOC's portfolio to maximize public purpose and to maximize revenues.**

With nearly 7,000 units in its portfolio, HOC will develop a comprehensive approach to systematically manage the maintenance, rehabilitation and income potential of its properties.

### **Implementation Actions:**

- Maintain affordability within HOC's current stock
- Develop an HOC portfolio model to identify and describe HOC's optimal mix of housing
- Develop criteria for acquisitions, dispositions and renovations of properties in accordance with the portfolio model
- Develop a long-range property renovation plan that identifies the capital needs of the portfolio
- Develop a portfolio management system that will measure performance in relation to both financial and public purpose goals
- Optimize market rents in order to maintain and increase public purpose activities within the existing portfolio



**Forest Oak Towers**  
Gaithersburg  
Acquired 2007

### **Objective 6:**

#### **Exercise leadership in meeting Montgomery County's housing and related social service needs.**

HOC will use its unique perspective and experience to participate in the creation of housing policy at the local, state and federal levels. Among its roles, HOC will facilitate interaction among various stakeholders, collaborate on projects to achieve housing and supportive services, articulate the message of the need for affordable housing, educate the community about housing issues, and involve a broad spectrum of stakeholders.

### **Implementation Actions:**

- Develop and pursue legislation and policy at all levels of government to secure adequate and reliable funding for affordable housing and supportive services
- Strengthen HOC's relationships with government at the local, state and federal levels



**HOC Chair Michael Kator  
with Kodjo Alodjinou, winner  
of an agency-sponsored youth  
photo contest.**

- Pursue legislation and policy that enhance the creation and preservation of affordable housing and related activities
- Strengthen HOC's relationships with the community, industry, nonprofit and forprofit housing organizations and develop new partners
- Encourage Montgomery County to identify the scope of the affordable housing deficiency and steps to address it
- Raise public awareness of HOC's goals and accomplishments
- Assure effective involvement of HOC in the planning process, council, state and federal public hearings and civic and neighborhood meetings
- Expand HOC's advocacy efforts through broader Commission, staff and resident participation

# Environmental Outlook

Montgomery County continues to develop into an urbanized county, with many new residents and employers attracted to the county's high quality of life, excellent public services, and diverse communities and housing stock. These trends will increase the overall demand in the County for variety and choice in housing of all types. The increase in the demand for affordable housing will be especially robust.

HOC has identified a number of socio-economic variables that provide a scenario for planning how the Agency will provide affordable housing and supportive services in the future. This scenario incorporates demographic trends, housing market conditions, and public policy goals and objectives.

## *Demographic Trends*

The 2006 Montgomery County Annual Population Estimate gauged County population at 947,000. The County Planning Board estimates population to grow to about 975,000 in 2010, an increase of about 12% since the 2000 Census. The Planning Board predicts that households will grow at a slightly faster rate. In 2005, the number of households was measured by the County 2005 update at 350,000. The Planning Board forecasts this figure to grow to about 370,000 in 2010. This would be a 14% increase in the ten years since 2000. The Board reported that the number of residents age 65 or older in Montgomery County in 2003 was 111,618. The 2005 update, however, reported a decrease to 104,272. County projections forecast the figure to be about 122,105 in 2015.

Immigration will continue to be a major factor in the County's population growth and increase in births. The Census Bureau estimates that over 63,000 immigrants moved to Montgomery County during the 1990s, 48% of all immigration to Maryland during this period. The County projects continued foreign immigration to the County at recent levels. Nationally, immigration has been moderated by federal policies related to terrorism, which include stricter controls on immigration.

According to the 2000 Census, 26.7% of County residents were born outside of the United States. In 1990, this percentage was 18.6. As in 1990, a plurality of foreign-born County residents was born in Asia. Latin America was the second-most cited place of birth for residents in this group. Income continues to grow in the County. According to the 2005 Census Update, median annual household income has increased from \$71,551 in 2000 to \$83,880 in 2005.

### *Trends in Housing, Employment, and Transportation*

The County reports that 80% of the County's housing projected for 2020 is already built. Planning Board estimates for household growth closely match the number of units that can be built under current restrictions. These assessments do not, however, attempt to match projected demand for affordable housing with a projected number of affordable units that would be expected to be produced.

Job growth will moderate in the next decade. The Planning Board estimates that there were about 500,000 jobs in the County in 2005, an increase of about 9% over five years. The Board projects jobs to grow at an average annual rate of about 1.28% from 2005 through 2010, for a total of about 545,000 jobs in that year. In the period 1993 through 2000, jobs grew at an average annual rate of about 2.53%. According to the 1990 Census, about 75% of County residents age 16 years or older were employed. By the time of the 2000 Census, that figure dropped to 71%.

Traffic congestion, which is both a reflection of housing development and a factor in determining new demand, will become worse in the near future, at a rate faster than either job or household growth. The Planning Board predicts that the number of peak evening automobile trips in the County will increase by about one-third by 2015. Highway congestion will be about 58% greater than it is now. These figures assume current transportation projects are completed and do not account for the transportation plans of either the County Council or the County Executive, which can be expected to have a measurable effect on highway congestion but not on trips taken.

### *Housing Costs in Montgomery County*

The U.S. Department of Housing and Urban Development has revised the Fair Market Rents for the Washington region. Effective October 2006, the Fair Market Rent for a two-bedroom, non-subsidized apartment in the County is \$1,286, including utilities. Using the federal standard of affordability, a household requires a gross income of \$51,440

to afford the unit. This salary is equal to a full-time, hourly wage of \$25.72.

The median sales price for all types of single-family housing in the County (attached and detached, new and existing) rose between 1998 and 2005 from \$205,000 to \$440,000. To afford a \$440,000 home, a household with good credit would have to earn about \$100,000 annually, nearly 25% more than the County median household income. This calculation assumes a 30-year fixed loan at 6.5% interest with a ten percent down payment. Both the median income and median home prices may underestimate the disconnect between home prices and incomes. Thirty-nine percent of County households had incomes in excess of \$100,000 in 2005. About 26% of households had incomes below \$50,000. According to the 2005 Census Update, 41% of renter households spend more than 30% of their incomes on housing.

By early 2007, the median sales price for single-family detached housing was about \$552,000 for existing homes and \$881,600 for newly-constructed units. For attached housing, the sales prices were approximately \$356,750 and \$518,510. These median prices reflect an increase ranging from 60% for new detached housing to 93% for new attached units since 2002.



**Condominiums, such as this one in Clarksburg are increasingly unaffordable for many in Montgomery County.**

### *Housing Availability*

The County rental vacancy rate for all apartment types declined from 4.3% in 1997 to 1.8% in 2001. By 2006, the rate rose to 3.9%. Delta Associates, a real estate consulting firm, gauged the rate in the Washington region at 2.5%, the lowest of any major metropolitan area in the United States. The national rate was measured at 6.4%. Although the County's rate is higher than the region's as a whole, due to a great increase in new and pipeline units, the Washington region is the tightest in the nation.

The decline of price-controlled Moderately Priced Dwelling Units is also aggravating the problem for low-income residents. The decrease in the number of new MPDUs produced annually and the expiration of price controls on existing units have caused the decline. In 1993, there were 4,499 price-controlled MPDUs. In 1996, the number was 3,927. By 1999, there were 3,805

price-controlled MPDUs. These figures include rental and homeownership units. The County Housing Policy, adopted in 2001, states an annual MPDU production goal of 300 units. The average in FY 1999 and FY 2000 was 232 MPDU units; 300 units have not been produced in any year since 1996. Fewer MPDUs were produced in 2003, a total of 143, than in any year since 1979. In 2004, 293 MPDUs were completed. Despite the law's revision in 2005, MPDUs are lost to expiring control periods faster than they are replaced by new units.

The elderly are facing a worsening housing crisis as well. According to Victory Housing, approximately 30% of County households with an elderly member have incomes below 50% of the area median. Also according to Victory Housing, 40% of elderly renters in Montgomery County spend 30% or more of their incomes on rent and utilities.

In the Department of Park and Planning's *Affordable Housing in Montgomery County: Status and Inventory*, published in September 2000, the agency states that the "County does not appear to have enough affordable housing to meet demand and that the distribution does not offer the same opportunity for low and moderate income households to live in each planning area."

HOC's waiting lists for its core federal housing programs, the Housing Choice Voucher program and Public Housing, underscore the demand for affordable housing in the region. As of January 2007, there were 15,675 households on the voucher waiting list, which opened in August 2006. The Public Housing waiting list, opened in September 2006, had 4,938 households.

### ***Political Environments***

Despite major political change at all levels of government, budgetary realities will be a major influence on the future direction of housing policy. However, there have been important signals that Congress may try to reassert itself into a debate about the role of the federal government in housing policy.

The new Democratic chairmen of the congressional committees that authorize housing policy, Barney Frank in the House and Christopher Dodd in the Senate, have stated that affordable housing is a priority for their panels. Rep. Frank in particular is widely acknowledged as a strong advocate for federal housing programs. The political realignment will likely allow the so-called housing trust fund bill, part of the reform packages for Fannie Mae and

Freddie Mac, to pass Congress. Other bills, such as those to increase the number of Housing Choice Vouchers and to eliminate certain reporting requirements of housing authorities, also stand better chances of passing.

In the last Congress, appropriators failed to pass nine of the eleven appropriations bills needed to run the government. Instead of revisiting that process (as FY 2008 bills begin to get drafted), the new Congress passed a continuing resolution for the impacted federal programs. Public housing is expected to only get funded at about 76 percent of need in the current calendar year. It is likely that the President will propose changes in program formulas that would reduce budgets and directly impact HOC's ability to serve its clients. It appears equally likely that Congress will slightly increase federal housing expenditures.

HUD continues to label the cost of the voucher program unsustainable, and HUD is expected to try to limit housing programs. Congress has generally voted to retain level funding. HUD has also implemented its new asset management program for Public Housing. The last Congress conducted no hearings on the issue, which permitted HUD to move ahead. However, Chairmen Frank and Dodd have announced their intentions to hold hearings and have suggested they may introduce legislation to block implementation of asset management.

While for the first time in years Congress is unlikely to enact sweeping tax cuts, Ways and Means Chairman Charles Rangel has promised to address the Alternative Minimum Tax, which was developed to ensure the taxation of the very wealthy but now is expected to affect the upper middle class in coming years. Any fix of the AMT will cause a loss of revenue, which may impact discretionary programs such as those at HUD.

On a related note, Rep. Chris Van Hollen, who represents about half the County, has been assigned to the Ways and Means Committee. The Congressman, who has shown interest in HOC's programs, may be in a strong position to advocate for the agency's views on issues on bonds, the Low-Income Housing Tax Credit and related matters that are under the committee's jurisdiction.

State lawmakers may choose to cut certain programs to meet massive revenue shortfalls. Governor O'Malley has proposed major increases in school funding, which will likely reduce the availability of funds for less prominent programs such as housing. Housing programs, not strongly supported in Annapolis in recent years, may be an

attractive target.

Budget concerns will be challenging at the national, state and county levels for the next several years at least.

In 2004 and 2005, the County restructured the MPDU program. The major revisions include requiring that developer buyout funds and other payments augment the Housing Initiative Fund rather than replace budgeted funds; extending the duration of the control period; severely limiting approvals of buyouts; and permitting flexibility in zoning and development standards to accommodate necessary density.







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