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DETAILED RECOMMENDATIONS & IMPLEMENTATION STRATEGIES

Housing Opportunities Master Plan

March 5, 2021

BACKGROUND

In January 2020, Howard County selected RCLCO to develop a comprehensive, strategic plan for expanding housing opportunities in Howard County. Since 1967, RCLCO has been the "first call" for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development. The project team also includes Neighborhood Fundamentals, which provides research and technical assistance on issues related to housing policy and affordability; JMT, which manages community planning and meeting facilitation; and PRR, which specializes in public and environmental justice outreach.

Starting in February, the RCLCO team conducted housing market and policy analysis in Howard County. During this time, the RCLCO team worked closely with the Howard County Department of Housing and Community Development ("HCD"), and it regularly met with the Housing Opportunities Master Plan Task Force, which provided guidance and input along the way.

Key milestones during this process included the following:

- During the summer, the RCLCO team hosted its first virtual community meeting, during which it gathered input from nearly 70 community members on their housing-related issues and experiences. This input was supplemented with a public survey, which ran from June through September and received nearly 2,300 responses during that time. This large response rate stemmed from advertisement through a variety of public, private, and nonprofit resources, as well as environmental justice outreach to historically underrepresented communities.
- During the fall, the RCLCO team translated the market and policy analysis, stakeholder interviews, and community input into a series of challenges facing housing in Howard County today, and the associated guiding principles to steward its recommendations. Within this context, the RCLCO team developed a set of draft recommendations, which fell into three broad categories: land use, planning, and zoning; programs and policies; and Adequate Public Facilities Ordinance ("APFO").
- The RCLCO team then hosted its second virtual community meeting in November, with the goal of collecting feedback and responding to questions about these recommendations. More than 100 people participated in this meeting, and this input was supplemented with a second public survey.
- In December, the RCLCO team revised its recommendations, based on feedback from the November community meeting, and based on the continued input of the Housing Opportunities Master Plan Task Force. The RCLCO team then continued to refine these recommendations during the following months, as it received additional comments from the public, and as it conducted further environmental justice outreach.
- In February, the RCLCO team finalized its recommendations, incorporating them into the Housing Opportunities Master Plan.

Critically, the RCLCO team developed the recommendations in the Housing Opportunities Master Plan with the primary goal of identifying strategies for expanding housing opportunities in Howard County, recognizing that some of the recommendations proposed for consideration need to be evaluated in the context of other County land use priorities. The following document includes an overview of these recommendations, as well as the reasons why they are important for Howard County to implement in order to achieve its stated goal of improving housing opportunities for its residents.

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I. LAND USE, PLANNING, AND ZONING

Based on the research to-date, the RCLCO team identified three primary challenges that relate to land use, planning, and/or zoning in Howard County. To respond to these challenges, the RCLCO team formulated three corresponding "guiding principles" for its work, and then constructed a set of recommendations around them.

- **Challenge:** Housing supply has not kept up with housing demand, particularly over the last decade and given recent employment growth. This imbalance between supply and demand is leading to rising affordability issues.
  - **Guiding Principle**: Increase the amount of housing that is available at all price and rent points, especially housing that serves low- and moderate-income households. In the near term, Howard County should prioritize housing development to serve owner households making less than 120% of Area Median Income ("AMI") and renter households making less than 60% of AMI, as well as remove barriers to market-rate rental housing development. In the mid to long term, Howard County should address existing policies that are impacting the types and amounts of housing that can be built—across product types and price ranges—to broadly increase available housing supply.
- **Challenge:** A lack of housing diversity throughout Howard County inhibits racial and socioeconomic integration. Historically disadvantaged populations, lower-income households and households experiencing poverty find that most of the housing options affordable to them are concentrated in only a few locations. This challenge is especially problematic considering that most remaining land and school capacity is in the Rural West, where current zoning regulations largely prohibit affordable housing development of any kind.
  - **Guiding Principle**: Encourage greater racial and socioeconomic integration by increasing affordable housing opportunities throughout Howard County, especially in locations that do not have them at this time. Identify specific locations in the county where additional mixed-income housing can be built in a fiscally and environmentally responsible way, even if it requires zoning, land use, and infrastructure changes to accommodate.
- **Challenge:** New development today is less diverse than the housing inventory overall. In recent years, new development has shifted in favor of rental apartments, and—at the same time—the for-sale market has largely stopped building smaller, attainably priced for-sale housing.
  - **Guiding Principle**: Promote a greater diversity of housing options in Howard County by expanding by-right zoning for small lot single-family, townhome and other attached, and moderate-density multifamily development. Facilitate and encourage the expansion of existing properties to include additional units, such as basement apartments and accessory dwelling units ("ADUs"). Diversifying the housing stock can create more affordable housing options throughout the County, which can advance racial and income integration and economic mobility.

Proposed Approach and Recommendations for Addressing Challenges

Land use and zoning policies dictate what can be built, where, and for whom. Intentional decisions regarding land use, planning, and zoning are critical to advancing racial and social equity. There are five broad ways the County can use land use and zoning to address the above challenges:

1) **Use land use policy and provide incentives to produce income-restricted housing units**

   Land use, zoning, and planning policies impact more than market-rate development, and regulatory barriers/inefficiencies disproportionately affect affordable housing development. Conversely, these tools can proactively facilitate production of units targeted to low- and moderate-income households.

   Today, this production is primarily accomplished by requirements to reserve a portion of units in new market-rate developments for moderate-income households at a reduced rent or purchase price ("Moderate Income Housing Unit," or MIHU policy). While the County recently expanded this policy, there are still circumstances in which it is less likely to produce affordable units on-site, primarily in the case of single-family detached and/or age-restricted housing developments. A land value analysis conducted by RCLCO indicates that it can be difficult for developers of larger and more expensive detached housing to produce on-site MIHUs without jeopardizing the economic feasibility of their projects. For these two product types, Howard County therefore allows developers to pay a fee in lieu ("FIL") instead of providing the units on-site, which is a practice that other jurisdictions use to advance affordable housing goals in different development contexts. FIL provides revenue that allows the County to provide gap funding for housing developments with even greater percentages of affordable units or even deeper levels of income targeting than what market-rate developments can achieve.

   Recommendations for consideration:

   I-1.1 Update MIHU rules and fee structures, with the primary goal of producing more units throughout the County that are integrated within communities. More specifically, the County should provide modest increases in density to accommodate on-site MIHU *provision (e.g., to better take advantage of the existing option to incorporate MIHUs in Multi-Plex structures in certain single-family detached developments). The County should also explore whether it is feasible to apply zoning categories or overlays that enable housing types more conducive to MIHU development (e.g., R-SC, R-SA-8, R-A-15, CEF) across a broader area to encourage MIHU development in lower-density contexts. Additionally, the County should require new housing developments in a final zoning category—Planned Golf Course Communities—to provide MIHUs or pay FIL, neither of which is required by current regulations. Finally, over time and as markets shift, the County should periodically evaluate MIHU provisions (including but not limited to fee-in-lieu, which is mostly applicable in the context of single-family developments), to ensure that they are appropriately calibrated and do not dissuade on-site provision of units.*

I-1.2 Consistent with current regulations, FIL should be allowed in specific cases when on-site MIHU provision would jeopardize the economic feasibility of a housing development and inhibit its ability to proceed. In such cases, the County should work to ensure that the resulting revenues proactively advance economic integration and support expanded housing choice. For example, if FIL is paid in a High Barrier neighborhood (definition below), the resulting revenues could be used to support a mixed-income development or rental assistance contract that would otherwise advance economic integration. The appropriate mechanism for supporting this approach is to dedicate FIL to the Trust Fund described in Recommendation II-2.2.

I-1.3 Include incentives to encourage the production of additional affordable and/or accessible units beyond the MIHU baseline rules. Specifically, the County should consider providing additional density and waiving setback requirements for projects that provide significantly more than the required number of MIHUs, and/or that provide deeper levels of income targeting in the form of Low Income Housing Units ("LIHUs") or Disability Income Housing Units ("DIHUs"). To provide illustrative examples, the current density limitations for the RA-15 and RA-Apt zoning designations are generally more restrictive than the height limitations, so the removal of density caps in exchange for more MIHUs, LIHUs, or DIHUs could incentivize developers to provide more affordable housing without encroaching on allowable building heights. The County should also evaluate whether to waive setback requirements for projects that do the same. Finally, the County should consider offering additional increments of density (and associated form flexibility to accommodate additional units) and other incentives to projects that provide a higher proportion of accessible/visitable MIHUs and/or LIHUs, given that not all persons with disabilities receive Social Security disability insurance ("SSDI") or are at that income level.

I-1.4 Ensure that any Official Area Plan (definition below) that the County decides to undertake (e.g., redevelopment plans), includes clear policies for meeting affordable housing goals. At the very least, these plans should include the provision of MIHUs, using the same rules and fee structures that apply to the County as a whole. However, planning efforts, especially those in low-poverty neighborhoods, should have the ability to supersede these rules and fee structures if they will ultimately produce more affordable housing units than what the MIHU policy alone would produce. Such planning efforts should include coordination with the inter-agency housing opportunities task force outlined in Recommendation II-1.1, including HCD and the Howard County Department of Community Resources and Services ("CRS") in particular, to explore opportunities to coordinate land use and planning incentives with housing, service, and community development subsidies to better meet housing needs and expand housing opportunities. All Official Area Plans should explicitly consider the needs of older adults and persons with disabilities and mobility impairments, and proactively support improvements that will expand housing choice and enable independent, integrated living.

Affordable housing is often more difficult to build than market-rate housing, largely due to the need for assembling complex subsidy programs and navigating additional layers of regulation. Streamlining regulations can improve the viability of affordable housing when considering regulations like parking, setbacks, height, etc. While market-rate development is often willing to incur these costs because there is an ability to earn a meaningful return on investment, income-restricted affordable housing developments cannot recoup these costs and are less likely to proceed unless additional subsidy can be found to cover the costs of regulation and approval processes.

Recommendations for consideration:

I-1.5 Create a countywide affordable housing overlay, which should allow affordable housing development proposals that are located in High-Barrier Neighborhoods (definition below) and meet specified criteria to proceed "by-right," or without the need for additional reviews and approvals. To qualify, an affordable housing development should meet basic affordability requirements (reserve at least 40% of units at 60% of AMI and be subject to a long-term use restriction[1]), provide accessible and visitable units beyond the minimum required by law, and fall within a range of parameters related to form, density, massing, setbacks, parking, etc. For example, the overlay could allow for affordable development to proceed by-right if it falls within an across-the-

[1] *The County could also consider allowing a portion of income-restricted units to reach up to 80% of AMI, provided that this difference is offset by deeper affordability in other units (similar to the "income averaging" option allowed under the LIHTC program). Affordability periods should generally match those of the MIHU or LIHTC programs, whichever is greater in the specific development context.*

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board percentage increase above current zoning (e.g., 25% increase in allowable density and/or height), or it could explicitly enumerate allowable forms that would qualify in specific zoning categories (e.g., townhomes/stacked flats allowed in single-family zones, bonus height/density in multifamily zones, etc.). The overlay should also loosen zoning requirements unrelated to health and safety (e.g., parking, height, setbacks, etc.) for predominantly income-restricted affordable housing and prioritized housing types in all areas, especially if the proposed development is near existing infrastructure, retail, and community assets.

I-1.6 Complement by-right development of affordable housing in High-Barrier Neighborhoods with a process to ensure that any affordable housing development receiving County financial support (e.g., HCD loan, payment-in-lieu-of-taxes, etc.) or Housing Commission development in a Preservation-Revitalization Neighborhood (definition below) contributes to neighborhood revitalization and supports the prevention or reduction of concentrated poverty through mixed-income housing development. This policy should improve upon and replace limitations on County/Housing Commission activities delineated in Section 13.1500 of the Howard County code. An example of an applicable neighborhood would be one that has substantial housing options for lower-income households but may have housing quality challenges. To accomplish this goal, the County should adopt formal criteria and requirements for funding recipients (particularly for allocating the Trust Fund revenues proposed in this plan) and Housing Commission development that include:

- *Minimum standards related to mixes of incomes to reduce/prevent poverty concentration;*
- *A plan for developer and County actions to facilitate a right-to-return to the neighborhood for temporarily displaced households (see also Recommendation II-3.6 through Recommendation II-3.9);*
- *A plan for mobility counseling for affected households that prefer to move to other neighborhoods;*
- *Standards for supportive services for lower-income households; and*
- *Standards for improving building quality and (where feasible) supporting community-serving infrastructure and amenities.*

2) Enable more equitable growth throughout the County through changes to zoning regulations and land use plans

A functioning market-rate development sector is also crucial to maintaining and expanding housing affordability. Without continued market-rate development, the pressures on existing housing stock will continue to increase, exacerbating current challenges and limiting the impact of County interventions. Addressing housing needs in areas currently zoned for denser housing is unlikely to be successful on its own, because land supply is limited and much of the land is already developed or preserved for other uses. In particular, the Rural West and many other lower-density neighborhoods that are exclusively zoned for single-family residential development lack both existing affordable housing, as well as land planned for development that could be affordable. Substantially limited growth in these lower density contexts reinforces existing patterns of segregation and limits the County's ability to add housing supply.

The County needs to consider locations throughout the County where regulatory barriers inhibit the production of both income-restricted and market-rate housing (including lower-cost housing types), even though they have the characteristics to support additional development.

Recommendation for consideration:

I-2.1 Determine if there are strategic locations in the Rural West and in lower density portions of the planned service area where it is feasible to accommodate increased development, while balancing other priorities such as sewer/water capacity, historical context, and agricultural preservation goals. Revise zoning regulations in locations where such development is feasible.

Achieving equitable growth requires every neighborhood to evolve, making countywide growth parameters important. This evolution may not look the same throughout the County, and specific planning efforts within those parameters can help guide context-sensitive growth.

Recommendation for consideration:

I-2.2 Provide guidance on minimum growth and affordability goals countywide. When undertaking an Official Area Plan, the County should ensure that the provisions within those plans related to building form, density, height, etc. contribute to those Countywide goals within the neighborhood context. For example, a redevelopment plan in an area with high-cost, mostly ownership-oriented housing could allow a wider range of building forms and provide bonus density to encourage affordable rental development and entry-level homeownership options. Meanwhile, a lower-density neighborhood could facilitate growth by allowing modest density increases across the neighborhood, or prioritize a corridor for significantly denser, mixed-use, mixed-income development.

There is a need for housing types that enable independent living across the income spectrum, and the demand for such housing cannot be met through affordable housing production alone. Market-rate production can and should expand the supply of homes that enable people with different housing needs to live and thrive in Howard County.

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I-2.3 Evaluate zoning, land use, and building regulations to identify necessary changes to advance independent living opportunities. Specifically, the County should evaluate requirements related to universal design, accessibility, and visitability to ensure that:

- *Design specifications and requirements conform with best practices and*
- *The percentage of units in new developments required to meet the respective standards is appropriate.*

3) Facilitate the development of lower-cost housing typologies

The County's older housing stock has a variety of home and lot sizes, including many townhomes and low-density condominiums. However, large single-family homes and townhomes account for the bulk of recent development, leaving large gaps in the types and sizes of units that are available. Barring other differences, smaller homes are generally more affordable, and smaller unit sizes can facilitate development on a wider range of lot types, shapes, and sizes. The production of smaller units may also allow those who prefer to downsize to do so, opening up larger homes for families.

Limits or restrictions on more naturally affordable housing typologies limit the ability of additional supply to address affordability challenges. Improvements in building type diversity are therefore necessary to provide housing choice, and our first community outreach survey pointed to broad support for these improvements. Efforts to diversify housing stock can be paired with targeted interventions to support more deeply affordable housing.

Recommendations for consideration:

I-3.1 Allow a broader range of housing types to proceed by-right through changes to zoning and density limits and/or by encouraging such housing types through the Official Area Plans discussed above. Examples of potential housing types include efficiency rental units, attached single-family homes, "cottage clusters," townhomes, and other "missing middle" types.

I-3.2 Provide the regulatory flexibility to increase opportunities for ADUs. Current regulations allow "accessory apartment dwellings" in limited contexts. Permanent accessory apartments must be internal to the structure/attached to the main unit and on lots above a certain size, and are allowed in most, but not all, residential zones. Temporary accessory family dwellings may be detached but are limited to substantially larger lots, are limited to family members, and must be removed within 60 days of the family member moving from the unit. Against that background, the County should consider:

- *Allowing a wider range of building types by-right, including stand-alone detached units, units over garages, basement apartments in townhomes, and/or attached, bump-out caregiver suites with less restrictive design requirements;*
- *Revising lot size requirements and allowing ADUs in all zones, which would at the same time increase ADU development potential and allow for more incremental growth by spreading demand across a wider range of neighborhoods; and*
- *Removing owner occupancy requirements, which can make obtaining financing more difficult.*

To support affordability through ADU development, the County could provide pre-approved designs/plans and offer technical assistance, low-cost financing, and/or expedited permitting or approval to targeted property owners. Such owners may include:

- *Lower-income, cost-burdened homeowners (including those on fixed-incomes) seeking a supplemental income stream;*
- *Owners who commit to rent to lower-income tenants; or*
- *Older adults, persons with disabilities, or owners who commit to renting to older adults, persons with disabilities, or caregivers at affordable rates.*

The County could also support mission-driven organizations that provide services and support (e.g., financing, development, property management, etc.) to users that are either low-income or are willing to lease to lower-income tenants.

I-3.3 As part of the evaluation conducted during the General Plan process, "stress test" policies that allow greater form flexibility, density, etc. to ensure that other land use and zoning policies do not create "de facto" barriers to housing stock diversification, and adjust the associated policies accordingly. For example, a zone may allow the development of duplexes on a by-right basis, but rules related to lot-coverage, height, and off-street parking could make such development impossible in practice.

4) Remove zoning barriers to mixed-use neighborhoods and developments

Mixed-use neighborhoods can reduce demand for transportation infrastructure and enable individuals without automobile access to meet more of their needs independently. The incorporation of residential development near existing retail can support the retail sector and local tax base, improving tax values per acre for the County compared to single-use properties.

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Recommendations for consideration:

I-4.1 Make "tactical" investments (e.g., pedestrian improvements to connect a residential community with a retail service area) and/or regulatory changes to create "15 minute neighborhoods," in which a significant proportion of everyday needs (e.g., groceries) could be reached within a short walk or bike ride. Such tactical improvements should advance integrated living opportunities and support the needs of persons with mobility impairments (e.g., ensuring that sidewalks are wheelchair accessible) and could include paratransit options for persons with disabilities.

I-4.2 Allow neighborhood-serving retail (e.g., small corner markets, coffee shops, etc.) in all residential zones. The list of eligible establishments could correspond with those allowed in Village Centers under the New Town zoning designation, though some restrictions on the scale of such establishments may be necessary for neighborhood context.[2]

I-4.3 Provide zoning flexibility to enable both vertical mixed-use buildings (e.g., ground-floor retail with housing above) and horizontal mixed-use sites (e.g., housing next to or on-site with retail strips). In the latter context, adjustments to associated provisions such as parking, form, and massing may be necessary to fit within existing sites. Consider proactive zoning changes for sites that should be redeveloped with mixed-use.

5) Promote efficient processes for approving development

When the approval process (including site development reviews, design reviews, rezoning, and building permitting) of a jurisdiction is lengthy and/or complex, it can add costs to a development, often without corresponding benefits to the community. This challenge is common throughout the region and across the country. Increasing the efficiency of the approval process enables more developments to be financially and/or technically feasible, particularly in the case of smaller-scale developments, affordable housing, redevelopment projects, and projects undertaken by individual homeowners. This dynamic stems from the fact that these projects may require sophisticated understanding of land use, zoning, and building codes but have smaller margins (or no margins in the context of home improvement), fewer units through which fixed costs can be spread, and/or—in the context of income-restricted housing—additional regulatory and funding approvals. In addition to increasing the likelihood that more diverse housing improvements and developments can be feasible, streamlined approval processes could give more scope for provision of community benefits on larger projects.

Recommendations for consideration:

I-5.1 To the extent feasible, approvals and incentives discussed in the above recommendations should be granted administratively. This approach could be particularly beneficial for recommendations regarding MIHU requirements/incentives (I-1.1, I-1.3), income restricted affordable housing production through the countywide affordable housing overlay or in Preservation-Revitalization Neighborhoods (I-1.5, I-1.6), and accessory dwelling units (I-4.2).

I-5.2 Provide expedited or by-right approval for home modifications that facilitate independent living (accessibility, visitability, one-floor living, fall prevention).

I-5.3 For proposals that require Planning Board approval, create an expedited review and approval process for proposals that fall within a specific "safe harbor" (e.g., encroach on setbacks within a specific range, or exceed density limits by a minimal amount).

I-5.4 Expand upon the County's existing tracking efforts and proactively analyze data regarding the length of the approval process on an ongoing basis to identify trends, potential inefficiencies, and potential product types or development characteristics that contribute to lengthier development timelines. This information can be used to update administrative processes and remove zoning barriers (e.g., identifying the type of proposals that could be eligible for expedited review or uses that should be allowed by-right).

Definitions and Targets

Definitions and targets are important components of any Housing Opportunities Master Plan because they provide a useful framework through which the County can measure its success. The following definitions and targets apply to the recommendations in the Land Use, Planning, and Zoning section of the Housing Opportunities Master Plan.

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[2] *These uses include: "stores, shops, offices or other commercial uses which provide opportunities to fulfill the day-to-day needs of the village residents, such as food stores, specialty stores, service agencies, financial institutions, personal services, medical services, and restaurants."*

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1) **Targets for Land Use, Planning, and Zoning**

- ***Minimum Growth***: *In any given year, Howard County should produce at least 70 new housing units for every 100 new jobs, based on the methodology that Howard County currently uses to define employment. This target translates to an average of approximately 2,000 housing units per year over the next decade, based on the current job growth forecast in the General Plan, and adjusting for the significant loss and subsequent recovery of jobs during the COVID-19 pandemic. As a point of reference, Howard County added an average of 1,125 new housing units each year between 2010 and 2019. Please note that the job forecast in the General Plan, which is still a work-in-progress, may change during future scenario planning efforts.*
- ***Minimum Affordability***: *In any given year, the greater of at least 15% of all new housing units or 300 units overall should be available to households making less than 60% of Area Median Income ("AMI"). This target is roughly proportionate to the share of the overall household base that these households currently represent in Howard County. This target translates to at least 3,000 units over the next decade, reducing the current imbalance by 30% or more.*
- ***Minimum Accessibility***: *At least 10% of new housing units affordable to households making less than 60% of AMI should be physically accessible for persons with disabilities. Based on American Community Survey ("ACS") data, RCLCO estimates that 7.9% of households in Howard County have at least one member with a disability. As such, the target is slightly higher than the share of households that require accessible housing, given that the aging nature of the population is likely to lead to additional demand moving forward. This target should be supplemented with concerted efforts to facilitate accessibility improvements to the existing ownership and rental stock to better enable integrated living and aging in place.*

2) **Definitions for Land Use, Planning, and Zoning**

- ***Official Area Plan***: *A corridor, neighborhood, redevelopment, or area plan that is led or supported by DPZ and incorporates changes or guidance related to County land use and zoning policy/decisions (e.g., the Downtown Columbia Plan). Such plans are distinct from plans adopted by village associations, condominium associations, homeowner's associations ("HOAs"), or other civic/community groups that have not been developed in conjunction with the County government. All Official Area Plans should affirmatively contribute to meeting County-wide goals and objectives related to housing opportunities and affordable housing, as set out in the General Plan and/or subsequent planning efforts. To leverage DPZ capacity and encourage locally-driven redevelopment efforts, the County should encourage interested neighborhood groups to request that it initiate an Official Area Planning process, provided that the group contributes resources—including, but not limited to, financial backing—to the planning effort; engages with all affected residents, including historically marginalized and/or underrepresented communities; and addresses underlying covenants, deed restrictions, or other legal mechanisms that could conflict with or inhibit the effectiveness of land use and zoning changes, policies, and incentives included in the Official Area Plan.*
- ***High-Barrier Neighborhood***: *A neighborhood in which high housing costs, limited rental housing stock, or other factors create barriers to entry for lower-income households and in which policy should support greater affordable housing opportunities. Specifically, a High-Barrier Neighborhood is a census tract in which the share of households with incomes that are below 200% of the Federal Poverty Level ("FPL") is less than 75% of the countywide average. Similar to Area Median Income ("AMI"), the FPL varies based on household size; as a point of reference, the household income for a four-person household at 200% of the FPL is currently $52,400, which is approximately 55% of AMI. Currently, 12.4% of households in the County have incomes than fall below 200% of the FPL; therefore, this definition would identify "High-Barrier" neighborhoods as census tracts in which fewer than 9.3% of households (75% of 12.4%) have incomes that are below 200% of the FPL. To determine these areas, the County should use five-year American Community Survey ("ACS") data, in order to minimize sample size issues that could otherwise lead to more frequent and less predictable changes in definitions. Today, examples of such areas include most neighborhoods in the Rural West, as well as parts of greater Ellicott City.*
- ***Preservation-Revitalization Neighborhood***: *A neighborhood in which the age, tenure, quality, and price point of the housing stock enables residency of a wider range of households, and lower-income households in particular. In such neighborhoods, policy should work to support mixed-income opportunities over the long term by preventing concentrations of poverty, preventing displacement and providing supportive services to households with greater needs, and encouraging revitalization of any lower quality/deteriorating housing stock. A Preservation-Revitalization Neighborhood is a census tract in which the share of households with incomes that are below 200% of the Federal Poverty Level ("FPL") is more than 125% of the countywide average. Currently, 12.4% of households in the County have incomes than fall below 200% of the FPL; therefore, this definition would include census tracts in which more than 15.5% of households (125% of 12.4%) have incomes that are below 200% of the FPL. To determine these areas, the County should use five-year American Community Survey ("ACS") data, in order to minimize sample size issues that could otherwise lead to more frequent and less predictable changes in definitions. Today, examples of such areas include Long Reach, Oakland Mills, and much of the Route 1 Corridor.*

II. PROGRAMS AND POLICIES

Based on the research to-date, the RCLCO team identified five primary challenges that relate to programs and policies in Howard County. To respond to these challenges, the RCLCO team formulated five corresponding "guiding principles" for its work, and then constructed a set of recommendations around them.

- **Challenge:** Howard County lacks a cohesive strategy for prioritization, policy/program design, and resource allocation.
  - **Guiding Principle**: Develop a comprehensive and collaborative strategy for addressing housing needs and prioritizing resources. Ensure that the strategy is implemented, regularly evaluated, and updated over time.
- **Challenge:** Existing resources are not sufficient to meet current and future capacity and demands (e.g., schools, transportation, etc.) while also dedicating funds to housing goals.
  - **Guiding Principle**: Develop funding sources dedicated specifically to addressing affordable housing needs, through such actions as development, rehabilitation, rental assistance, and any other strategies outlined in this plan. These funding sources should include existing ones that could be dedicated for this purpose, as well as new ones that could be created for this purpose.
- **Challenge:** It continues to be difficult to supply housing for diverse populations, with significant needs going forward.
  - **Guiding Principle**: Ensure that Howard County meets the unique housing needs of older adults, persons with disabilities, and other diverse populations. Evaluate whether guidelines for special needs housing are actually appropriate for those communities' needs, and revise where necessary.
- **Challenge:** The COVID-19 pandemic and associated economic disruption is exposing and exacerbating housing insecurity.
  - **Guiding Principle**: Ensure Howard County is well equipped to deal with housing challenges that arise during economic downturns.
- **Challenge:** A large portion of housing that is available to low- and moderate-income households in Howard County is older and at risk of deterioration and/or redevelopment going forward.
  - **Guiding Principle**: Maintain and increase the existing housing stock while improving housing quality and household stability.
    - For rental housing, identify at-risk properties and prioritize tools/resources most appropriate for the given property, including acquisition, repair/rehabilitation, and/or equitable redevelopment.
    - For owner-occupied homes, provide tools and resources to ensure that elderly, low-income, and other vulnerable homeowners have greater opportunities to maintain and remain in their current homes and sustain their quality of life.
    - Address community-level housing quality issues by promoting and facilitating investment in repair and rehabilitation at a neighborhood scale, particularly in communities that have historically experienced disinvestment and/or discrimination.

Proposed Approach and Recommendations for Addressing Challenges

County interventions are necessary to address needs that the market cannot reach, and new funding resources are necessary for those interventions to take place. Although the County has existing programs in place to address a range of housing issues, these interventions do not have the resources or reach to address the scale of need. New approaches and resources are needed to create a more effective and efficient system for prioritizing needs and effectively deploying resources. Recommendations for consideration fall into six categories:

1) **Improve housing sector coordination and boost capacity**

Howard County has a range of departments, nonprofit organizations, and private companies committed to addressing housing needs. Internally, the County lacks a sufficiently coordinated, cross-departmental strategy for prioritizing housing needs, designing and administering programs, and allocating resources. Increasing coordination and leveraging partnerships will be critical to improving efficiency and scaling up housing programs in order to address unmet needs.

Recommendation for consideration:

II-1.1 Within one year of the implementation of the Housing Opportunities Master Plan, create an inter-agency housing opportunities task force with DPZ, HCD, and CRS that is responsible for:

- *Setting strategic direction and prioritizing resources;*
- *Ensuring housing affordability is considered in County policies not explicitly about housing;*

- *Supporting policies that expand housing choice and stability and opportunities for integrated living for older adults and persons with disabilities (including updates to accessibility and visitability standards); and*
- *Coordinating, monitoring and evaluating housing-related efforts and assessing progress toward housing goals and objectives.*
- *Facilitating continuing opportunities for public engagement and dialogue on existing and emerging housing challenges, with a particular focus on outreach to historically marginalized communities, lower-income households, older adults, persons with disabilities, and other groups facing barriers to housing choice and opportunity.*

This inter-agency task force should also consider such items as alternative proposals to MIHU and have a formal role in housing-related policymaking efforts, such as developing the housing components of Official Area Plans and making changes to zoning or APFO. To promote consistency with the objectives of the Housing Opportunities Master Plan, the task force should proactively consider the impact of relevant policies on socio-economic integration, and work to develop and support policies that affirmatively advance racial equity, fair housing, and supportive, integrated living environments for persons with disabilities. In addition, the task force should have a formal role for "affiliated entities" involved in implementing housing and community development activities (e.g., the Housing Commission and nonprofit service providers) to provide ongoing guidance and feedback on County housing needs and policies. Engagement with affiliated entities should be structured in a manner that consciously addresses potential conflicts of interest in the allocation of County resources. Finally, the County should also form an advisory group comprised of members of the Housing Opportunities Master Plan Task Force, which should meet with the inter-agency task force on a bi-annual basis, or more frequently if circumstances dictate.

Finally, the inter-agency Task Force should publish an annual report/dashboard that shows the level of progress toward achieving key goals and objectives of the Housing Opportunities Master Plan.

The County's current model of supporting nonprofits and other mission-driven organizations to provide housing and services is well-regarded, but resources are spread relatively thin across a large number of entities. Enhanced partnerships, coordination, and support can help address fragmentation, increase efficiency and reach, and support economies of scale in service provision.

Recommendations for consideration:

II-1.2 Enhance current relationships with nonprofits to ensure that there is a programmatic approach to meeting housing needs countywide. An example of this approach could include the establishment of a formal strategy that links County agencies (including HCD, CRS, Health, and Education), nonprofit service providers, and mission-driven housing developers to address the interrelated challenges that lead to housing instability and homelessness for households with high-barriers to stable housing. This effort would also work to ensure that current and future programs are coordinated and avoid duplication.

II-1.3 Ensure resources for operations and general support are proportionate to the role that nonprofit organizations play, and explore opportunities for other administrative partnerships (e.g., shared "back office" functions, pooled benefits, etc.) that help smaller nonprofits improve scale.

II-1.4 Create a joint strategy for fundraising from major funders/institutions to build organizational capacity in the nonprofit service provider network and increase resources for programmatic activities. Potential institutional partnerships, grant requests, and social impact investments could focus on the health care providers, given the nexus between housing stability and accessing health services.

2) Raise and deploy capital for affordable housing production and preservation

At this time, existing resources are insufficient to meet the need for income-restricted or subsidized housing in Howard County, and available funding is unpredictable year to year. A diverse revenue base can provide more consistent and adequate funding for affordable housing and protect against market shifts and political changes. This revenue base allows producers of affordable housing to better plan ahead. It also creates a framework in which the County can prioritize resources and advance its policy priorities (e.g., providing affordable housing in High-Barrier Neighborhoods, providing affordable housing opportunities for older adults, etc.).

Recommendations for consideration:

II-2.1 Identify new, ongoing funding resources for affordable housing investment that can generate a large upfront allocation of capital (e.g., a bond issuance backed by a dedicated tax). Per Recommendation III-1.1, the resulting revenues should be split between housing and school facilities to facilitate equitable housing and educational access throughout the County. As an example for consideration, RCLCO estimates a real property tax increase of $0.02 (per $100 of assessed value) on all residential properties could result in an additional $8.5 million in tax revenue each year, providing over $4.0 million per year for both housing and *schools[3]. In this example, the owner of a home with an assessed value of $400,000 would pay just $80 in additional real property taxes annually under this increase. Such provisions may be time-limited and/or renewable via Council vote or referendum.*

II-2.2 Establish an affordable housing trust fund, which is a formal, coordinated, and predictable structure for allocating housing funding. The primary purpose of the Trust Fund should be to expand the number of income-restricted affordable rental and homeownership units in the County. Examples of potential uses include:

- *"Gap financing" for affordable rental or homeownership projects (both new construction and preservation) that leverage other sources of capital, such as the Low Income Housing Tax Credit. Financing should be provided as a flexible loan, with repayments "revolving" back into the Trust Fund. Such loans should support projects with a portion of units reserved for extremely-low income households;*
- *Short-to-mid-term acquisition funding for strategically important sites/properties, including resources for executing the new County right-of-first-refusal for rental properties;*
- *Resources for moderate-to-substantial rehabilitation of existing affordable properties, or for market-rate properties in exchange for reserving a portion of units for income-eligible households;*
- *Grants or low-cost loans to developers to increase the number of affordable and/or accessible units in a MIHU/LIHU/DIHU development, and to support other housing development/rehabilitation efforts;*
- *Resources for the rehabilitation or retrofitting of existing multifamily rental properties to create additional affordable units that are accessible or visitable. Resources for similar improvements of owner-occupied homes are discussed in Recommendation II-4.9;*
- *Support for mixed-income/affordable and integrated housing developments for persons with disabilities, which may include traditional funding resources (Section 811 Project Rental Assistance, Mainstream Vouchers, Weinberg Foundations resources) and/or incorporate innovative models (such as the "intentional intergenerational and intentional neighboring" models); and*
- *Rental contracts with private market-rate owners to reserve a portion of units for income-eligible households to facilitate housing choice in High Barrier Neighborhoods or the right-to-return in Preservation-Revitalization Neighborhoods.*
- *Housing developments that specifically advance the strategies and action steps identified in "The Path Home," the County's five-year plan to end homelessness.*

Trust Fund allocation procedures should establish goals, targets, and incentives for serving persons with disabilities, older adults, and other groups that may face significant housing barriers. Trust Fund allocation procedures should also balance expanding housing choice in High Barrier Neighborhoods and encouraging equitable redevelopment in Preservation-Revitalization Neighborhoods. Advancing racial equity and socio-economic integration should be a priority for the allocation of Trust Fund resources, especially for Trust Fund resources derived from FIL payments. It will likely be necessary to adopt complementary recommendations, including Recommendation I-1.5 in particular, to maximize the ability of Trust Fund revenues to meaningfully expand equitable housing opportunities throughout the County.

One option for Trust Fund administration is to establish it as a dedicated program within the existing Community Renewal Fund. To enhance efficiency and increase competitiveness, program requirements and administration should be structured to work with primary sources of capital, given that Trust Fund resources will serve as a smaller portion of the funding stack. For example, funding can be awarded on a rolling basis, or at a point in time that is coordinated with the state of Maryland's LIHTC allocation timeline. Similarly, the County can adopt underwriting and other program requirements consistent with those of the state's Community Development Administration and utilize the same forms and paperwork. Funding approval should be granted administratively, with the County Council providing higher-level oversight on allocation procedures and program outcomes.

In addition to—or in lieu of—Trust Fund revenues, Payments-in-lieu-of-Taxes ("PILOTs") can be used to fill funding gaps for affordable housing development. As with the prior recommendations, award of PILOTs should be based on clear and consistent standards regarding affordability levels and term. Qualified developments should receive approval via administrative review.

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[3] According to the 2019 Comprehensive Annual Financial Report ("CAFR"), total residential assessed value in 2019 was $42,313,103,881. If the County were to increase the total direct tax rate for residential properties from $1.014 per $100 of assessed value to $1.034 per $100 of assessed value, the increase would therefore result in an additional $8.5 million per year.

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II-2.3 Assemble capital for the Trust Fund from both new and existing sources. As an initial target, Trust Fund revenue should be sufficient to provide gap resources for one affordable development/preservation effort per year, while still providing resources for other activities eligible under the Trust Fund.[4] Given the fiscal uncertainty and increased social service needs associated with the COVID-19 pandemic, the County should adopt an initial target of $5 million in new revenues for the first year, with the goal of increasing this target once the impact of the COVID-19 pandemic on local budgets has lessened. Critically, this initial target of $5 million should be in addition to existing revenue sources that the County already dedicates to housing. Following the COVID-19 pandemic, the County should then establish an annual target of $10 million (including existing revenue sources), with the goal of eventually expanding to $20 million over time. The Trust Fund should have multiple sources, as a diverse revenue base can provide resiliency in the face of economic shifts. Potential sources for consideration include:

- *Revenues from the new revenue mechanism discussed in Recommendation II-2.1;*
- *Trust Fund loan repayments;*
- *MIHU FIL payments;*
- *Proceeds from the sale or lease of publicly-owned properties that are not utilized for community facilities and/or affordable/mixed-income housing.*
- *HUD formula resources (such as the HOME Investment Partnership Program);*
- *A portion of existing transfer tax receipts;*
- *Potential new issue-specific sources (e.g., short-term rental fees, "sin taxes" such as cigarette taxes); and/or*
- *Annual general fund contributions*

Well-designed Trust Funds are often "revolving" and can be recapitalized through loan repayments. However, under the typical terms for affordable housing gap financing, there may be a significant lag between when loans are made and when a critical mass of funds revolve back into the Trust Fund (often between 15 and 30 years). As such, failure to renew one-time or time-limited sources should be offset by increases in General Fund contributions or other sources to maintain production.

3) Create a robust multifamily preservation strategy

Preserving existing affordable housing—both income-restricted and market-rate—is a critical part of a comprehensive housing affordability strategy. Preservation is important from an equity perspective, given the disruption and hardship faced by cost-burdened and/or displaced households. Research suggests that preservation can be more cost-effective than new development, and the challenges and timelines associated with new development make it critical to prevent the loss of affordability while waiting for new units to be placed into service.

Effective preservation strategies require knowledge of the existing affordable housing stock, including income-restricted properties with expiring restrictions and naturally occurring affordable rental housing.

Recommendations for consideration:

II-3.1 Create and regularly update a database of affordable housing units, including both income-restricted and market-rate properties. Define risk factors that could indicate units at risk of removal from the affordable stock, such as the need for capital repairs or the magnitude of rent, sales price, and/or property value escalations. The County should use the database to identify "high-impact" properties that it should preserve using the strategies outlined in this section. High-impact properties could include larger ones with a significant number of affordable housing units, as well as smaller ones in locations without other affordable housing options nearby.

II-3.2 Tailor capital/revenue generation and planning strategies to the individual properties identified as high-impact. For example, if several large-scale preservation opportunities (e.g., affordable rentals with expiring use restrictions in an economically vibrant neighborhood) are anticipated within a short window of time, there may be justification for an ad-hoc increase in General Fund

[4] The cost of producing affordable housing is highly variable and depends on a range of factors, such as land costs/acquisition prices, production method (e.g., new construction, acquisition/rehabilitation, recapitalization of existing affordable units, etc.), construction type (e.g., "stick-built" low-rise, wood over podium, steel and concrete, etc.), and income targeting. Estimates of gap needs per unit can therefore vary widely, from around $30,000 per unit to nearly $100,000 per unit. The County would have the opportunity to set a cap on the amount it is willing to pay per unit. Assuming an average portfolio cost of approximately $40,000 per unit, $10 million could finance approximate 200 units of new construction or preservation annually, with $2 million remaining for other eligible activities. Using an estimated tenant-based subsidy cost of $12,000 per year per household, $2 million could fund deeply income-targeted units for up to 166 households earning up to 30-50% of AMI.

contributions to the Trust Fund. Alternatively, if existing market conditions are such that an existing affordable property is likely to be redeveloped (and there is insufficient subsidy/capital for mission-driven acquisition), an Official Area Plan could be developed to allow for greater density or other incentives to replace a greater proportion of the affordable units lost.

The County recently passed a "right of first refusal" policy (Section 13.1203) that creates a legal "window of opportunity" when a market-rate rental property is put up for sale, during which the County can support the acquisition and preservation of the property as affordable housing. Given that this time window is limited and that the property must be purchased at fair value, this new tool requires proactive planning as well as resource development and prioritization to preserve existing units. It can also open opportunities for maintaining affordability even when the property is not acquired by a mission-driven entity.

Recommendations for consideration:

II-3.3 Create a framework for evaluating which opportunities to pursue and the appropriate tools to do so. Considerations may include:

- *Whether the property is in a High-Barrier Neighborhood or if the preservation effort would otherwise promote or maintain neighborhood economic diversity;*
- *Whether the property has future development potential;*
- *Whether there are lower-cost methods of preserving units within the property (e.g., PILOTs, rental assistance contracts, etc.); and*
- *What the implications are if preservation is not successful (e.g., greater cost burdens if rents increase, total displacement of current residents due to redevelopment, etc.).*

II-3.4 Engage with developers to identify organizations or partners that will have adequate capacity to work with the County to acquire critical properties, when available.

II-3.5 Deploy other tools (e.g., property tax incentives, rental assistance contracts, reservations of units for voucher holders, etc.) when negotiating right-of-first refusal opportunities (discussed in more detail below).

Preservation efforts require the preservation of affordability and not always the preservation of existing structures, as market and/or physical property conditions may make redevelopment a more effective approach than rehabilitation. When a property is redeveloped, a right to return to the neighborhood is necessary to avoid a reduction in the County's overall affordable housing inventory and prevent the direct harm to tenants caused by involuntary displacement. To facilitate mixed-income housing through redevelopment, replacement units can be provided within the neighborhood using various mechanisms, and do not need to be provided in the single, redeveloped property.

Recommendations for consideration:

II-3.6 When the redevelopment of existing affordable properties is necessary, allow density transfers and form/height flexibility to create opportunities for mixed-income redevelopment. For example, if a multi-building development with surface parking is being redeveloped, the County could allow greater density/height/massing for new development on portion of the site if a portion of the existing apartment buildings are rehabilitated and preserved as affordable housing.

II-3.7 Allow additional density, subsidies, PILOTs and/or other incentives to facilitate the creation of replacement units. To the extent feasible, such incentives should be provided "automatically" (received by the owner/developer if baseline parameters are met, subject to availability) or approved administratively.

II-3.8 Negotiate rental contracts and/or provide tax incentives to facilitate additional affordable units and/or deeper income targeting in the redeveloped property or others throughout the neighborhood. For example, if affordable units are anticipated to be lost to redevelopment or rehabilitation, the County can work to identify nearby properties that are willing to reserve a portion of units in an otherwise market-rate development for income-restricted households, in exchange for tax relief or monthly rental payments from the County. Displaced tenants can be given a right-of-first-refusal to lease those units.

II-3.9 Provide tenant relocation support, mobility assistance and counseling, and rental assistance to existing tenants to find affordable replacement housing and provide additional choice for those that prefer to explore housing options in other neighborhoods. Such strategies can include an expansion of existing efforts to improve geographic mobility, such as those undertaken by the Columbia Housing Center, which engages with private market landlords to encourage greater economic and racial integration across neighborhoods.

Owners of market-rate housing may consider maintaining affordability or reducing rents, if given adequate incentives. Rental agreements provide a flexible tool to meet demand as markets shift, rent trajectories change, etc. and can facilitate mixed-income housing opportunities.

These agreements can be used to replace units lost from the affordable stock and/or increase housing choices in neighborhoods with few affordable units.

Recommendations for consideration:

II-3.10 Negotiate rental assistance contracts (e.g., agreements to reserve units for lower-income households in exchange for subsidies) with private landlords.

II-3.11 Provide tenant matching and income qualification/certification assistance for landlords participating in rental contracts and offering units at below-market rates.

II-3.12 Provide property tax incentives to encourage landlord participation.

4) Improve housing conditions and promote and expand programs that support households with home repair and modification needs

Robust code enforcement is critical to maintaining and improving health, safety, and quality of life at both the household and neighborhood levels. While some housing quality challenges are the result of bad actors, others may stem from a lack of knowledge, capacity, and resources to effectively maintain properties. Supports and resources help improve housing and neighborhood quality and stability in the latter context.

Recommendations for consideration:

II-4.1 Expand code enforcement in coordination with landlord and homeowner outreach, technical assistance, and subsidy provision.

II-4.2 Provide support to renters in affected properties to improve housing stability, including relocation and/or legal assistance.

II-4.3 Provide resources (e.g., tax incentives, small rehabilitation loans, etc.) for property upgrades and/or maintenance in exchange for ensuring ongoing affordability. Verification of compliance can occur through the same mechanisms as the MIHU program.

II-4.4 Identify opportunities to strategically acquire properties from willing sellers to preserve those properties and units.

While it is important to provide rehabilitation support to households and owners throughout the County, there is also a need for strategic investment to improve housing conditions in neighborhoods that are experiencing, or at risk of, disinvestment.

Recommendations for consideration:

II-4.5 Work with community groups, nonprofit service providers, or other entities that provide support for lower-income households to identify neighborhoods with significant capital needs and/or that are at-risk of disinvestment, based on the age and quality of the existing housing stock and community infrastructure.

II-4.6 In identified neighborhoods, conduct proactive outreach to neighborhood residents and organizations to identify opportunities for targeted investments, and coordinate subsidy provision and rehabilitation activities.

Even when interventions are not necessary to improve the quality of housing, they may be necessary to preserve its affordability, particularly as upgrades are required. For example, many landowners in high-growth and/or high-value neighborhoods may choose to redevelop their properties rather than upgrade them, if they are able to offset the cost of construction with increased rents. At the same time, property improvements can often lead to rent increases even in cases when the units themselves are preserved. In both cases, improvements in the quality of affordable housing units can lead to increased cost burdens for lower-income tenants who live in them.

Recommendation for consideration:

II-4.7 Provide capital subsidies for multifamily rental rehabilitation in exchange for ongoing affordability. Forms of subsidies might include property tax incentives or low-interest or forgivable loans.

Howard County offers a range of programs, subsidies, tax abatements and deferrals, and home retrofit supports that improve homeowner housing quality and stability. These tools can help ensure ongoing stability for lower-income homeowners, and facilitate retrofits of existing homes to incorporate accessibility/visitability improvements, universal design, and/or one-floor living. However, the identification of available resources and management of the process can be difficult for those in need.

Recommendations for consideration:

II-4.8 Create a homeowner/property owner resource navigator website and hotline. These tools should serve as a one-stop shop and clearinghouse for housing resources in the County. The website and hotline should be accessible for users with disabilities who may use assistive technology to access housing information. This effort should include programs across all pertinent agencies, particularly HCD, DPZ, CRS and the Office of Aging, among others. The one-stop-shop should consolidate relevant information on housing improvements, financing options, and county codes, regulations, and inspections. It should also promote programs *such as the Reinvest*Renovate*Restore program for existing homeowner, Settlement Down Payment Loan Program ("SDLP") for future homebuyers, and tax credits and other resources for fall prevention and accessibility/visitability improvements. The resource navigator and hotline should facilitate improvements for both owner-occupants as well as landlords to facilitate reasonable accommodations for renters with disabilities. This resource should be coordinated with the activities in Recommendation II-4.9 through Recommendation II-4.11.*

II-4.9 Within the framework of the one-stop-shop, the County should offer specific support for expanding opportunities for independent living for older adults and persons with disabilities. Potential forms include enhanced technical assistance and financial support for home modifications and reasonable accommodations that promote accessibility, visitability, universal design, and/or one floor living. Examples of specific services provided may include "permit-ready" or preapproved designs; more intensive case management, resource navigation, access to assistive technology, and referrals to home-based health services; enhanced access to in-home occupational therapist review; and education/support on financial products such as reverse mortgages. The County should proactively market this service to encourage participation (for example, through an insert in annual tax notifications).

II-4.10 More generally, provide technical assistance to property owners to identify needs and access resources.

II-4.11 Create a vetted contractor/vendor list and assist households in navigating the rehab/retrofit process.

II-4.12 Use information gained to inform adjustments to existing programs and development of new options.

Properties may not comply with existing zoning and regulatory provisions, particularly if built prior to the passage of the most recent codes. In some cases, property owners may need to bring properties up to the most current code and address "non-conformance" when making even modest property improvements. This process can be difficult to navigate from a technical perspective, create a financial barrier to upkeep for lower-income property owners, and lead to disinvestment.

Recommendation for consideration:

II-4.13 Address non-conforming elements of existing properties by loosening rules and/or "grandfathering in" conditions unrelated to health and safety (e.g., off-street parking, setbacks, density, etc.).

5) Expand opportunities for homeownership

Although homeownership should not be viewed as a necessity to create wealth, it has historically served this purpose for segments of the population, while others—especially African-Americans—have been proactively excluded because of discriminatory policies and practices. Improving sustainable access to homeownership can be an important affirmative step to addressing the wealth gap and limited economic mobility, and can help integrate communities with high levels of homeownership-oriented housing stock and high home values.

"Shared equity" homeownership programs create permanent, entry-level homeownership opportunities for moderate-income households. These programs can take multiple forms. A prospective homeowner could receive a subsidy (e.g., down payment assistance, a secondary loan, etc.) to purchase a home on the open market. Alternatively, a developer could be required (as with the MIHU program) or incentivized to produce units that are offered to income-qualified purchasers. Purchasers are able to acquire the home at an affordable price, and this subsidy is passed on to future income-eligible purchasers in the form of reduced resale prices. Homeownership units produced through the County's MIHU program utilize the shared equity model, and future policies that encourage homeownership can be reoriented toward this or similar programs that create a permanently affordable "first rung on the ladder" to wealth creation through homeownership.

Recommendations for consideration:

II-5.1 Use down payment assistance and/or second mortgages to help acquire/preserve existing lower-cost units.

II-5.2 When incorporating affordability provisions into redevelopment plans or other new policies, utilize shared equity/permanent affordability provisions similar to those of MIHU.

II-5.3 Work with banks that offer first mortgages for shared equity purchasers in other local jurisdictions (e.g., Montgomery County, City of Rockville, etc.) to expand into Howard County and increase mortgage access for these programs.

II-5.4 Regularly evaluate and adjust MIHU resale formulas as necessary to reduce the number of resales that are released to the general public when an income-qualified purchaser is not found. The County should also expand existing and explore new approaches to preserving MIHU homeowner units, such as layering down payment assistance and assigning right-to-purchase to a nonprofit committed to keeping the unit affordable in perpetuity.

6) Support low-income households, vulnerable populations, and households with specialized needs

There is a diversity of housing needs in the County, some of which cannot be addressed by simply producing more affordable housing units. Specialized interventions are necessary to provide housing opportunities across the spectrum of income and needs.

Households with extremely low incomes may still struggle to pay the costs associated with affordable housing, even in cases when such units are income-restricted. This dynamic can have disproportionate impacts on certain population groups, such as non-white households, households with disabilities, and older adults or other households on fixed incomes. It is therefore important to advance housing opportunities for groups that have historically faced discrimination, and for groups that encounter significant economic barriers.

Recommendation for consideration:

II-6.1 Create a local rental assistance pilot program to provide or enhance housing stability for the highest need households, and to support County residents in times of natural disaster (e.g., following the Ellicott City floods) or economic instability (e.g., the COVID-19 pandemic). A permanent rental assistance program that provides households with indefinite support and covers the difference between their rent and 30% of their income is not financially feasible with current County resources. Therefore, the proposed program should be used to fill gaps and serve as a "bridge" for households waiting to receive existing federal and state rental assistance programs. The program should be designed to provide a flat dollar amount per month, ongoing monthly subsidy to all households who qualify. For the initial pilot, the County should focus on households that meet all of the following criteria:

- *The household must be severely-cost burdened and/or accessing homeless services;*
- *Recipients must be an extremely low-income household, a low-income elderly household, or a low-income household with a person with a disability; and*
- *The household must be not currently receiving other household-based housing subsidies.*

The local rental assistance pilot should use local resources and be supplemented by philanthropic and employer contributions, building off the model of the Live-Where-You-Work program. The program should be monitored and evaluated to adjust household targeting, subsidy amounts, and other design characteristics as necessary. The program could also be expanded if sustainable revenue sources are identified. The County should also advocate for additional state and federal funds to support existing rental assistance programs and clear waiting lists.

Even when additional financial assistance is provided, households that have extremely low incomes or face other barriers to housing (e.g., lack of credit or a poor credit history, eviction records, etc.), may struggle to find available housing units. The County is effectively using landlord outreach and incentive programs to open access to private-market units at affordable rents that might otherwise be rented to higher-income tenants. Landlord incentives—such as security deposit or rent guarantees—are generally lower-cost interventions than rental assistance or new affordable housing development, and they can meaningfully expand housing choices for vulnerable households. Rental agreements (e.g., direct leases, rights of first refusal for units, etc.) can create affordable housing opportunities in neighborhoods with few or no income-restricted properties.

Recommendations for consideration:

II-6.2 Expand the County's current landlord outreach programs (including the Housing Connections program) by increasing marketing to landlords and expanding resources available for landlord incentives (e.g., security deposit guarantees, visual inspections by housing providers, and limited on-time rent guarantees).

II-6.3 Look for opportunities for deeper engagement with property owners of naturally occurring affordable housing units that might be targets for acquisition or preservation.

The severity of the COVID-19 pandemic and the scale of response required the creation of new housing support programs and the adoption of new protocols. There is an opportunity to use these efforts to inform more proactive disaster responses moving forward.

Recommendations for consideration:

II-6.4 Create a formal evaluation structure for COVID-19 relief efforts and incorporate lessons learned into standing programs, such as rental assistance, emergency tenant assistance, etc.

II-6.5 Formalize protocols for responding to future natural and economic disasters, based on what worked well in recent disaster response efforts.

There is generally a strong preference for integrated and independent living for persons with disabilities or limited mobility, as well as older adults. Some neighborhoods and locations have the characteristics to better support households with disabilities or limited mobility, but housing that supports each of these unique groups is not always located in the same area.

Recommendations for consideration:

II-6.6 Within other functional planning efforts and to the extent data is available, conduct a neighborhood accessibility/mobility assessment with a specific focus on identifying areas with the characteristics that facilitate more independent living opportunities. Prioritize the identified areas for investment in age-restricted housing and integrated housing opportunities for those with disabilities.

II-6.7 Within other functional planning efforts and to the extent data is available, identify neighborhoods that lack mobility infrastructure but already offer senior communities or supportive housing stock. Prioritize tactical infrastructure investments in these neighborhoods to improve the quality of life and ability for households to live independently.

II-6.8 For individual developments, prioritize integrated living to the greatest extent possible.

Developers are required to provide accessible units within new properties, but units sometimes go vacant due to mismatches in timing, limited information, and affordability challenges even though there is significant need for accessible units.

Recommendations for consideration:

II-6.9 Support enhanced participation in and utilization of MDHousingSearch.com (a state-run housing matching service/searchable database that includes accessible units and features), with the goal of matching households with available units. Support coordination with MD Department of Disabilities to access Section 811 waiting list to match tenants with accessible units when they become available and reduce length of time units are vacant.

II-6.10 Negotiate with landlords to reduce penalties for tenants who terminate a lease in order to access an accessible unit.

Tenants face information and resource barriers in disputes with landlords and may not be fully aware of their legal rights. Access to counsel is important to tenants seeking recourse when a landlord is in violation of lease, safety, housing quality, or accessibility/reasonable accommodations requirements.

Recommendations for consideration:

II-6.11 Expand resources for tenant legal assistance and proactive outreach efforts to both tenants and landlords. Resources should include information concerning Fair Housing Act requirements regarding reasonable accommodations, and any County supports and resources to facilitate those accessibility accommodations. The County should ensure website accessibility for users with disabilities who may use assistive technology to access housing information.

II-6.12 Create a one stop shop and information clearing house within the County to support landlords and tenants with training on rental regulations, codes, legal matters, tenant screening services, landlord-tenant relations, and dispute mediation and conflict resolution.

Definitions and Targets

Definitions and targets are important components of any Housing Opportunities Master Plan because they provide a useful framework through which the County can measure its success. The following definitions and targets apply to the recommendations in the Land Use, Planning, and Zoning section of the Housing Opportunities Master Plan.

1) **Targets for Programs and Policies**

- *Preservation of Affordability: Howard County should strive for zero-net loss of affordability for its existing Extremely Low-Income, Low-Income, and Moderate-Income households. In other words, Howard County should pledge to maintain the existing number of housing units in which these households can live without cost burdens, while still adding new affordable housing units that are consistent with the goals outlined in the Land Use, Planning, and Zoning section.*
- *One-For-One Replacement: When the redevelopment of an existing property with affordable housing units becomes necessary, Howard County should aim for a one-for-one replacement of those units on a countywide basis. For example, the removal of a property with 100 affordable housing units should coincide with the addition of 100 new affordable housing units, whether in the form of newly constructed units, negotiated rental contracts, etc. When accomplishing this goal, Howard County should strive to ensure that all displaced residents who wish to return to their existing neighborhoods have a path to do so.*

- *<u>Housing Trust Fund:</u> As discussed in Recommendation II-2.3, the County should adopt an initial target of $5 million in new revenues for the first year, in addition to the existing revenue sources that the County already dedicates to capital investment in affordable housing, such as FIL revenues and federal block grant resources. Once the fiscal uncertainty associated with the COVID-19 pandemic have lessened, the County should then increase its target to $10 million annually (including these existing revenue sources), with the goal of eventually expanding to $20 million over time.*
- *<u>Housing Trust Fund Spending:</u> 100% of units produced with Trust Fund spending should serve households at or below 80% of AMI. Mixed-income development with unrestricted units or units targeted at incomes greater than 80% of AMI should be eligible to receive funding, provided that the (a) Trust Fund resources only support units targeted at 80% AMI and below, and (b) such subsidy is necessary to make the more deeply-income targeted units financially feasible. At the aggregate portfolio level, 20% of Trust Fund-supported units should be restricted to households at or below 30% of AMI. The Trust Fund should also establish a per-project minimum threshold of 10% of units targeted at 30% AMI, though the County should have the flexibility to make limited exceptions (for example, preservation of a market-rate affordable rental in a High-Barrier Neighborhood where project-based subsidies are not immediately available).*

2) Definitions for Programs and Policies[5]

- *<u>Extremely Low-Income Household</u>: Households making less than 30% of AMI.*
- *<u>Low-Income Household</u>: Households making between 30% and 60% of AMI.*
- *<u>Moderate-Income Household</u>: Households making between 60% and 80% of AMI.*

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[5] *Please note that these definitions are similar to, but differ from, others used in the affordable housing field. For example, the definition for "Low-Income Households" often varies by program, with the Low Income Housing Tax Credit ("LIHTC") program classifying these households as those making less than 60% of AMI, and the Department of Housing and Urban Development ("HUD") programs classifying these households as those making less than 80% of AMI. In addition, programs often include another definition for "Very Low-Income Households," which are commonly defined as those households making between 30% and 50% of AMI.*

III. APFO

Based on the research to-date, the RCLCO team determined that Howard County's APFO limits the ability to provide affordable housing and meet housing demand, despite its intended purpose of metering growth and creating a mechanism for planning and phasing infrastructure. The RCLCO team therefore formulated a "guiding principle" for its work, and then constructed a set of recommendations around it.

- **Challenge:** The APFO is placing significant limitations on the amount of housing that can be built, and it is potentially accelerating those capacity issues by limiting the ability to increase the tax base.
  - **Guiding Principle**: Find creative ways to meet demands for both housing and infrastructure, and consider targeted amendments to the APFO to improve planning and predictability and to better balance housing and school interests.

Proposed Approach and Recommendations for Addressing Challenges

Nationwide, approaches for balancing new growth with supportive infrastructure, school capacity, public facilities, etc. vary from one jurisdiction to the next. APFOs are not universal, and high-demand jurisdictions in the region and across the United States—both with and without APFOs—are struggling with the same challenges in striking this balance as Howard County. Such ordinances can serve an important role when counties are in predominantly "greenfield" growth modes and need to build substantial new infrastructure as they expand into new and undeveloped locations. However, APFOs are less effective when most new construction occurs through redevelopment and/or infill development in locations where existing public infrastructure is already present. Although APFO is an important component of housing policy, changes to the County's overall approach—beyond APFO—are necessary to ensure that infrastructure, school, and facility capacity do not fall behind. Recommendations for consideration fall into three categories:

1) **Identify creative mechanisms to fund both housing and school facility investment to attain full development of annual allotted new housing units and to meet growing demand**

   The primary near-term challenge related to facilities is school capacity. Given that new development is not the only driver of school facility needs, a more sustainable solution is necessary so housing development can proceed along with equitable access to high-quality schools.

   Recommendations for consideration:

   III-1.1 As discussed in Recommendation II-2.1, identify new, ongoing funding resources for capital investment. The source should generate a large upfront allocation of capital (through bonding, general fund appropriation, or other additional revenue source), with a defined split of the resulting revenues shared between housing and school facility investment. As highlighted as a potential example in Recommendation II-2.1, RCLCO estimates a real property tax increase of $0.02 (per $100 of assessed value) on all residential properties could result in more than $4 million per year for both housing and schools.

   III-1.2 Allow developers to proffer land or a portion of a site for school or facility construction in exchange for zoning flexibility and/or density on the remaining portion of the site.

2) **Evaluate targeted changes to the APFO to support the growth required to improve housing affordability and opportunities when the APFO Review Committee convenes following the General Plan**

   Howard County's APFO meaningfully limits the ability to provide affordable housing and meet housing demand, despite its intended purpose of metering growth and creating a mechanism for planning and phasing infrastructure. The APFO has become the single-greatest influence on shaping growth and development in the County and risks creating longer-term liabilities for the County if school-related moratoria lead to development that primarily occurs outside of areas with the most supportive infrastructure.

   Current regulations require the formation of an APFO Review Committee within one year of the adoption of a new General Plan. The purpose of that committee is to review how APFO is working and develop recommendations for changes and improvements.

   Recommendations for consideration:

   III-2.1 Consider amending APFO restrictions, moratoria, and fee structures for all housing types in areas with existing transportation infrastructure and strong mobility/independent living characteristics. Examples of these areas could include Columbia and/or Ellicott City, which are largely established and have minimal room for large-scale, greenfield residential development; in these locations, continued school capacity challenges are more likely to stem from the turnover of existing units rather than the creation of new ones, and the APFO alone is therefore unlikely to solve these challenges.

   III-2.2 Consider automatic exemptions from school-related moratoria for affordable housing in low-poverty school districts, as well as market-rate housing in high-poverty school districts. To receive these exemptions, market-rate housing in high poverty school districts should include on-site MIHUs, consistent with countywide policies. When market-rate redevelopment occurs in such *cases, the County should also prioritize Recommendations II-3.6 through II-3.9, in order to ensure any displaced residents have a right to return if they desire to do so. Given that these exemptions relate to school districts and their capacity, it is appropriate to use Free and Reduced Meals ("FARM") rates as a metric in this case, despite the guidance that the County should otherwise use Census-provided metrics such as the FPL to identify high and low concentrations of poverty more broadly.*

III-2.3 Consider whether specific types of housing should receive automatic or limited exemptions from moratoria as well. For example, some housing types—like those with age restrictions—do not attract schoolchildren, and therefore will not contribute to school capacity challenges going forward. Likewise, other "priority" housing types—such as small-lot single-family and other forms of "missing middle" development—may be necessary to better serve the existing household base, and such exemptions can help incentivize their development.

III-2.4 Consider identifying areas of the County where existing infrastructure is underutilized and therefore could support additional residential density with limited new public investment.

3) Creatively utilize land assets in the County

Intentional, proactive development policies can support both housing and facility needs. Approaches that generate revenue (as described above) can be complemented with policies that open sites for community and public facilities. Importantly, co-location of housing and facilities can be a critical tool for more efficiently utilizing existing land. Underutilized public land is an important asset for meeting community goals, but activating public sites requires an intentional approach and creative partnerships.

Recommendations for consideration:

III-3.1 Create an inventory of publicly-owned land assets and benchmark inventory against facility needs.

III-3.2 Establish affordable and mixed-income housing as a priority for the use of publicly-owned land assets.

III-3.3 To make the most efficient use of limited land, identify opportunities for co-location of public facilities and housing and prioritize such complementary developments

III-3.4 When affordable/mixed-income housing and/or community facilities are not prioritized at a given site, allocate proceeds to the Trust Fund described in Recommendation II-2.1.

III-3.5 Establish protocols for conveying site control, public benefit/revenue contribution requirements, and a process for accepting unsolicited bids.

Community-serving entities such as faith-based institutions, community groups, hospitals, and college/universities often hold significant land assets. Such entities may find it within their mission or institutional needs to engage in partnerships for affordable housing and public facility development.

Recommendations for consideration:

III-3.6 Proactively address zoning challenges, such as barriers to mixed-use or housing development, on institutionally zoned sites.

III-3.7 Facilitate information sharing, outreach, and technical assistance in planning and development for community organizations.

Definitions

Definitions are important components of any Housing Opportunities Master Plan because they provide a useful framework through which the County can measure its success. The following definitions apply to the recommendations in the APFO section of the Housing Opportunities Master Plan.

1) Definitions for APFO

- ***Low-Poverty School Districts**: Elementary school districts with FARM rates that are less than 50% of the countywide average. Currently, the average FARM rate across all Howard County public school systems is approximately 22.5%; therefore, this definition would identify "low-poverty school districts" as those school districts in which fewer than 11.3% of elementary school students qualify for free or reduced meals. Based on the current FARM rates, this definition would classify 17 of the County's 42 elementary school districts as "low-poverty school districts."*
- ***High-Poverty School Districts**: Elementary school districts with FARM rates that are more than 150% of the countywide average. Currently, the average FARM rate across all Howard County public school systems is approximately 22.5%; therefore, this definition would identify "high-poverty school districts" as those school districts in which more than 33.8% of elementary*

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school students qualify for free or reduced meals. Based on the current FARM rates, this definition would classify 15 of the County's 42 elementary school districts as "high-poverty school districts."

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DISCLAIMERS

Critical Assumptions

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

It has become increasingly clear that the U.S. economy is in a recession, and yet the extent of the damage to the economy and the ability to rebound from a still unfolding disruption are unknown. These events underscore the notion that stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology. As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, any project and investment economics included in our analysis and reports should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- Competitive supply (both active and future) will be delivered to the market as planned, and that a reasonable stream of supply offerings will satisfy real estate demand
- Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.