INTRODUCTION

Montgomery County evolved from a post-war bedroom suburb of Washington, D.C., composed primarily of single-family detached houses, to a significantly more independent economy, with a wide mix of housing types between 1960 and 1990. The transition was under way when the General Plan was adopted in 1970, but at that early stage, many of its implications were not yet clear. The General Plan Refinement effort offers a timely opportunity to evaluate the Plan's housing goals and objectives in light of the changes in the community.

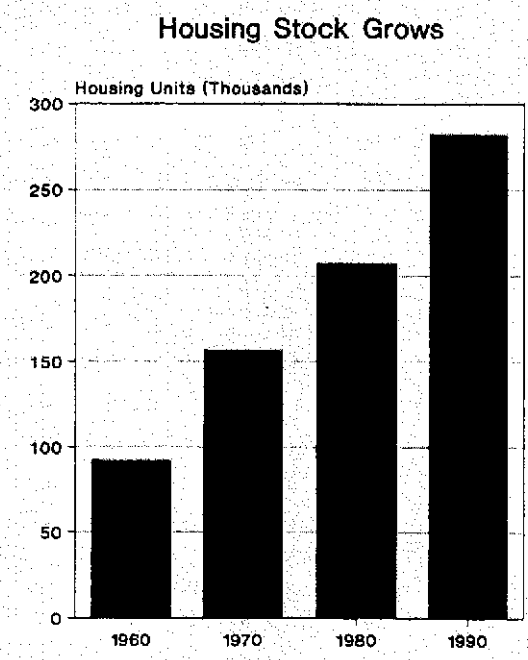
I. HOW WE HAVE CHANGED

A. Housing Stock

Montgomery County's housing stock has grown substantially in quantity and variety since the 1969 General Plan was adopted.

- *The number of housing units in the County grew by 83 percent between 1970 and 1990, from 161,400 to 295,700.* The larger increase occurred in the 1980s when the number of housing units increased by 37 percent, or 79,500 units. The rate of growth in the 1970s was 34 percent, or 54,840 units.

- *The average annual increase in the housing stock has varied tremendously in recent decades, dependent on factors such as mortgage rates, jobs, the business cycle, and changes in government policies.* U.S. Census data indicates that the 1970s were a period of moderate growth. An average of about 5,500 housing units were added to the housing stock per year. This relatively slow growth was due to the sewer moratorium, national recession, record inflation, and other factors. The 1980s experienced more rapid growth, averaging 8,000 units per year, as a result of the end of the sewer moratorium and the development boom in the latter part of the decade which was fueled in part by strong housing demand from the baby boomers. The 1960's also exhibited strong but less dramatic growth in the housing supply, of 6,400 units per year.



Source: U.S. Bureau of the Census and Montgomery County Planning Dept.

The largest annual increase in the housing supply occurred in 1966 when 10,445 units were constructed. This high number was almost matched in 1986 with the addition of 10,364 new units to the housing stock. The smallest annual increases occurred in 1975 and 1976 when only 2,281 and 2,042 units were added.

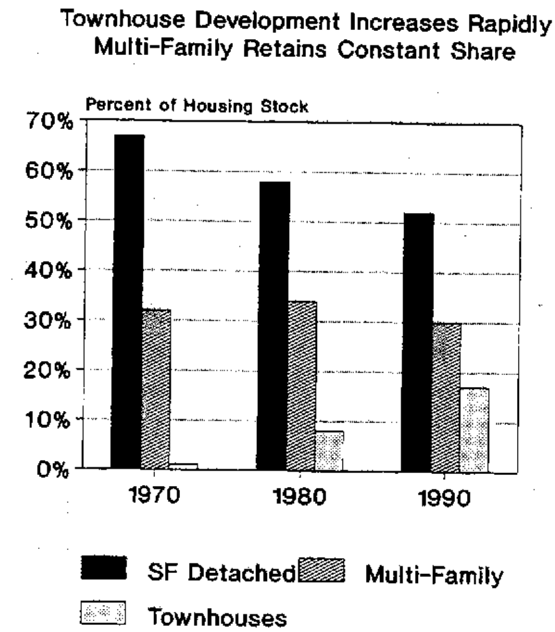
- *Montgomery County's 83 percent growth rate between 1970 and 1990 exceeded the region's rate of 56 percent.* During this period, the County's growth rate was less than that of Fairfax County, where the housing stock increased by more than 127 percent from 140,800 units to 320,300 units, but more than Prince George's County, where the housing supply increased by only 35 percent from 200,200 units to 270,100. (The Fairfax County data includes the Cities of Fairfax and Falls Church.)

- *Between 1970 and 1990, single-family detached houses declined from a 68 percent share of the housing stock to a 52 percent share.* In other words, single-family detached houses constituted over two-thirds of the County's housing stock in 1970, but just over half in 1990.

- *Townhouses emerged as a major component of the housing supply, rising from about 1 percent, 2,420 units, in 1970 to a significant 17 percent, 50,540 units, by 1990.* Townhouse completions were 39 percent of all residential completions from 1981 through 1990, reaching a high of 53 percent in both 1982 and 1983. The percentage of townhouses completed relative to the percentage of single-family detached houses has been declining since 1986, however. The appearance of townhouses as a major housing type was facilitated by the creation of the RT or residential townhouse zones in 1963 and by changes to the traditional single-family zones in the 1970's to permit townhouses.

- *Multi-family housing retained a comparatively constant share of the housing supply, declining slightly from 31 percent in 1970 to 30 percent in 1990.* The most dramatic growth in the number of apartments took place in the preceding decade, the 1960s, when new construction boosted the total by 33,000 units, from 18 percent to 31 percent of all housing units.

- *Townhouses were not the only new housing type to appear during the 1970s and 1980s: "plex units", especially quadraplexes; zero lot line single-family units; and stacked towns and flats also emerged as new housing choices for County residents.* The number of units of these new housing types was limited, however, because they are only permitted in a few zones. In addition, the County passed legislation permitting accessory apartments in single-family homes as a special exception use. This legislation legalized this relatively affordable form of housing.



Source: U.S. Bureau of the Census and Montgomery County Planning Dept.

"Plexes" are attached configurations of a small number of units, typically four. Their exteriors tend to resemble large single-family detached houses while their interiors are similar to townhouses. (Duplexes have been available for many years, but combinations of three or more units are relatively new.) Zero lot line units are single-family detached houses located on or very close to their lot lines on one or more sides. Stacked towns and flats are most like four story garden apartments in which some units resemble apartments and other units resemble townhouses.

- *The pattern of growth in the housing supply has basically followed the wedges and corridors concept during the decades since the adoption of the General Plan.* The attached maps of the geographic distribution of households in 1970 and 1990 show intense growth in the I-270 corridor, the US 29 area, the urban ring, and the satellite cities, especially Olney. Growth in the wedge has generally been modest in keeping with the Plan. (Households are used as a surrogate for housing units in these maps. Although vacant units would typically mean that there are more housing units than households, the Census data, from which the maps are derived, permits the most reliable comparisons.)

- *Montgomery County is nearing the build-out of its zoned capacity for housing.* According to a 1987 estimate, the County has the capacity to accommodate a total of about 440,000 housing units on its residentially zoned land. Of that total capacity, 144,300 units remain to be built. Keep in mind that 295,700 housing units already exist. In September 1991, the pipeline of approved development contained 33,200 units, 23 percent of the total net remaining zoning capacity.

  Only about eight percent of the total residential development capacity is located in the transit station sector plan areas in spite of the fact that many of the transit areas were designated as the centers of the corridor cities and were targeted for the most intensive growth by the 1969 General Plan. (The Planning Department is currently updating its estimate of residential development capacity based on changes in master plans and other factors.)

B. Tenure Characteristics

- *Montgomery County residents tend to own their own houses, and the proportion of those who do has increased in recent decades.* In 1970, 61 percent of all households were owners; by 1990, the percentage had risen to 68. One factor in this change has probably been the increase in the number of condominium apartments in the County. Condos are often more affordable to moderate income households who might otherwise be priced out of the "for sale" housing market.

  Condo conversions were so frequent in the 1970s that the County Council passed the first of a series of laws in 1979 to discourage them and to assist displaced tenants. Although new condominiums were constructed in the 1980s, there were few conversions after 1981.

- *More Montgomery County households own their own homes than Maryland households or households nationwide.* In 1990, 68 percent of Montgomery County's housing units were owner-occupied, as compared to 65 percent of the housing in Maryland and 64 percent of the units nationwide.

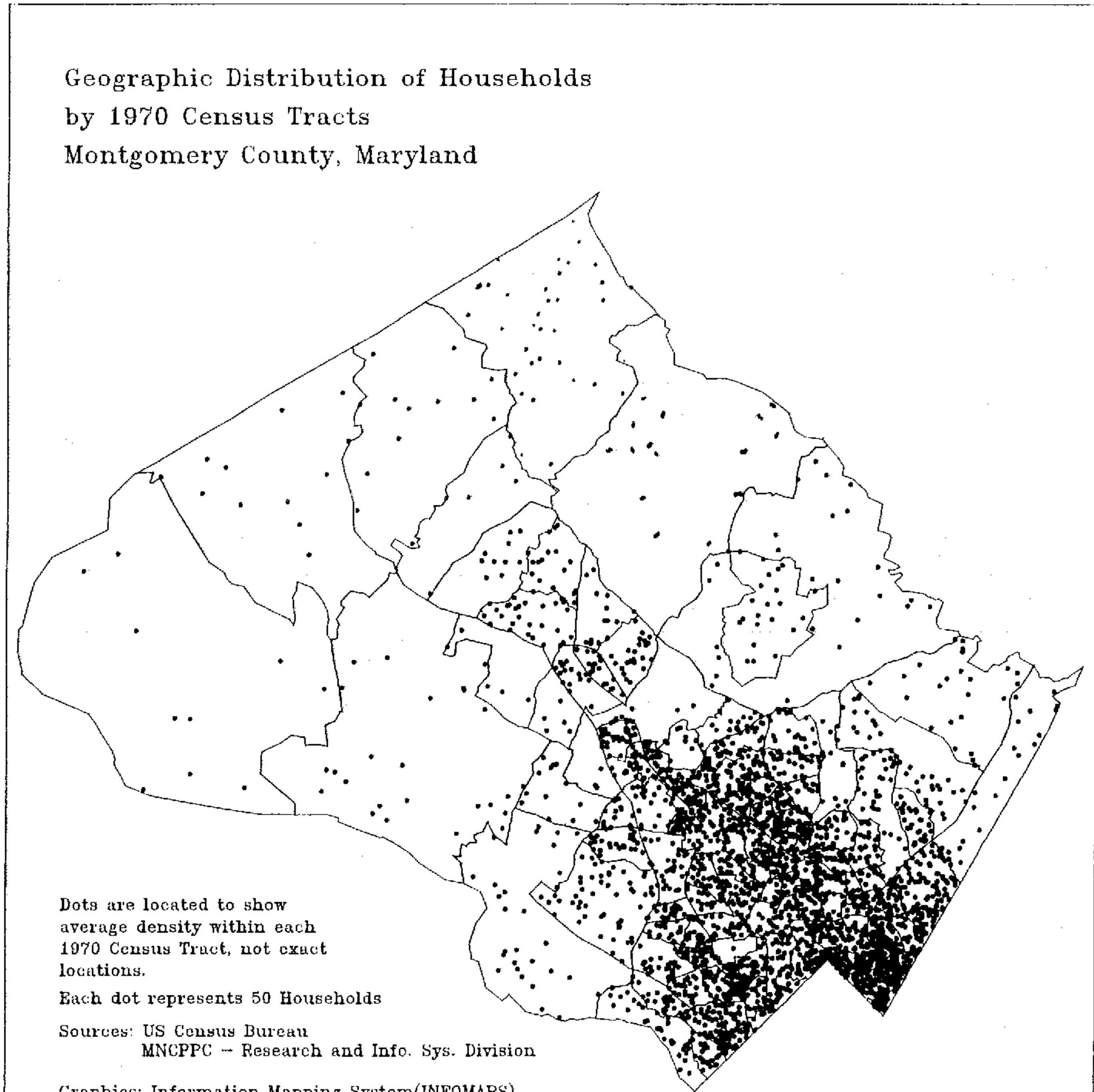
C. Housing Costs

Montgomery County's median housing prices are among the highest in the nation, but so are its household incomes:

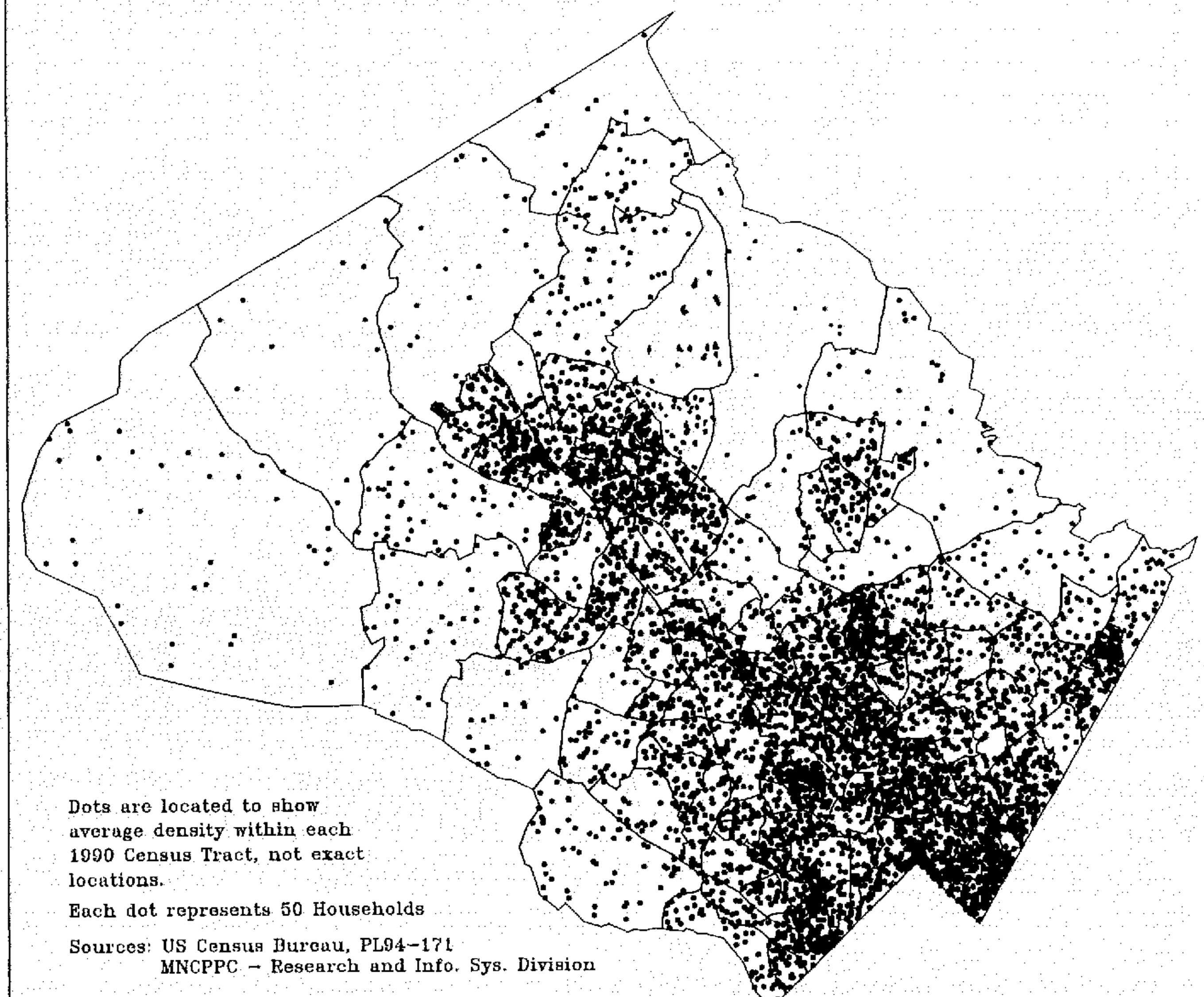
- *Montgomery County's housing prices climbed steeply during the last two decades.* The median price of new single-family homes, including both attached and detached units, increased by 429 percent, from $41,100 in 1970 to $217,290 in 1990. The increase is particularly substantial because the share of typically lower priced townhouses was so small in 1970 compared to 1990. Generally, the increase in the number of townhouses could have been expected to moderate the overall increase in prices.

- *Existing home prices were also rising, from a median of $31,800 in 1970 to a median of $164,500 in 1990, an increase of 417 percent.* Again, resale townhouses would affect the 1990 median but would not have been a factor in 1970.

- *The Washington area is among the ten most expensive metropolitan area housing markets in the United States.* Even in that context, Montgomery County's new home prices are 19 percent higher than the Washington, D.C. area me-


Geographic Distribution of Households
by 1970 Census Tracts
Montgomery County, Maryland
Dots are located to show
average density within each
1970 Census Tract, not exact
locations.
Each dot represents 50 Households
Sources: US Census Bureau
MNCPPC -- Research and Info. Sys. Division
Graphics: Information Mapping System(INFOMAPS)

Geographic Distribution of Households by 1990 Census Tracts Montgomery County, Maryland

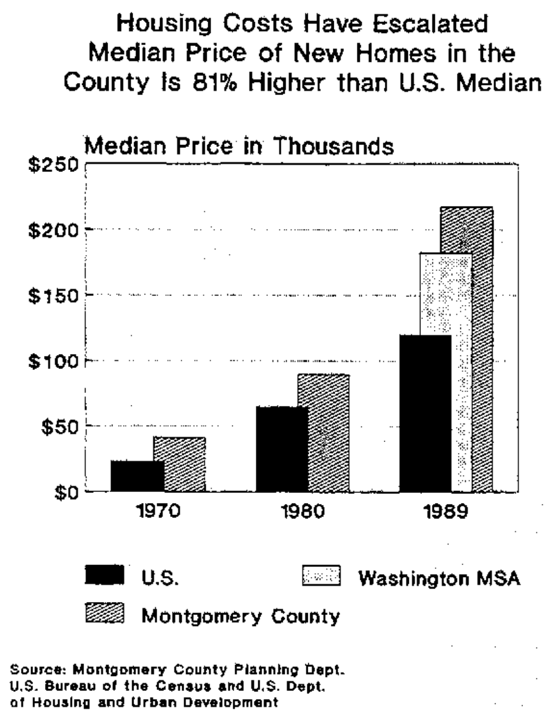


Dots are located to show average density within each 1990 Census Tract, not exact locations.

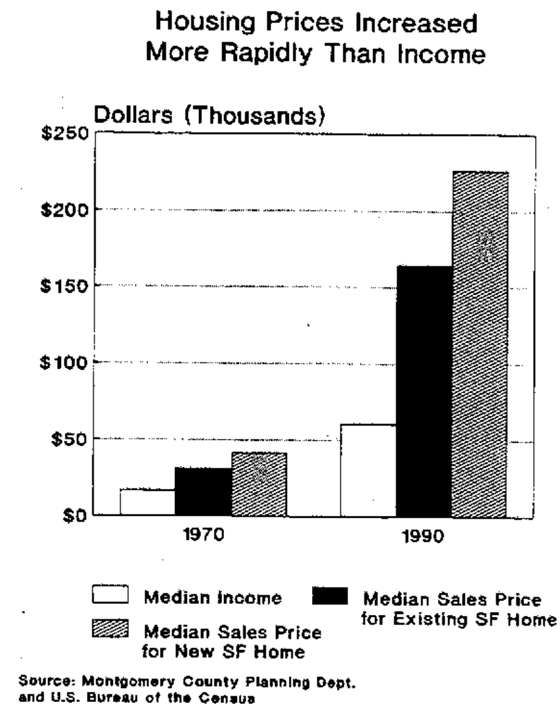
Each dot represents 50 Households

Sources: US Census Bureau, PL94-171
MNCPPC - Research and Info. Sys. Division

Graphics: Information Mapping System(INFOMAPS) dian and 81 percent higher than the national median. The relationships have not changed significantly since the General Plan was adopted. While new home prices in Montgomery County increased by 429 percent, the nation's median rose almost as much, 413 percent.



- *One significant factor in the growth in housing prices is the increase in household incomes.* The median household income in Montgomery County grew 263 percent, from $16,710 in 1970 to an estimated $60,586 in 1990. Nationally, median household income grew 243 percent. The growth in incomes, however, fell far short of the increase in housing prices nationally and locally. In addition, a major source of income growth, the large increase in dual income families, also means a less competitive position in the housing market for other types of households, such as single-parent households.



- *Another element in the enormous increase in housing prices is the tremendous growth in the median size of a new single-family house.* Nationally, median unit size grew by more than 500 square feet, from 1,385 square feet in 1970 to 1,905 square feet in 1990, an increase of almost 38 percent. Local data is not strictly comparable to the national data because of the difficulty locally in distinguishing between basements, which are included in the national statistics, and cellars, which are not. Since cellars are rarely built today, the 1990 Montgomery County median which includes basements is probably the most similar in methodology to the national figure. It shows a median size of over 2,900 square feet per new unit in the County in 1990, more than 50 percent larger than the national median. A primary reason for the increased size of housing units appears to be the strong demand for move-up housing among baby boomers.

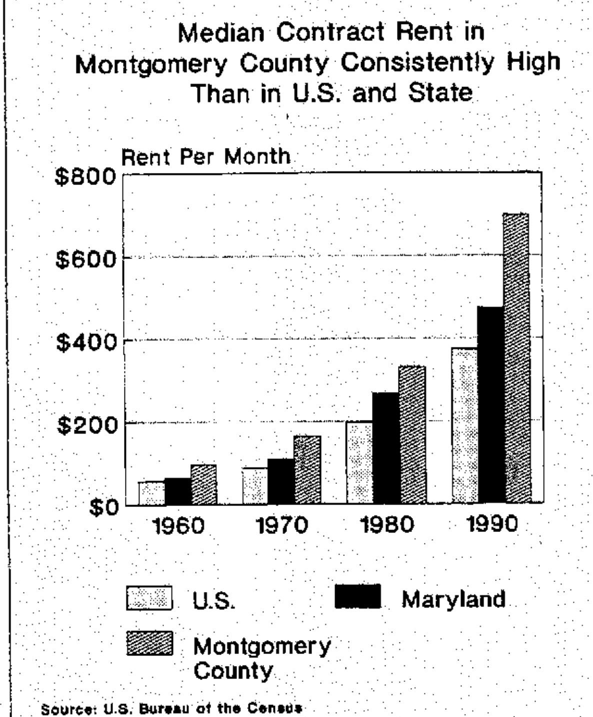
- *Montgomery County's most affordable "for sale" housing is located primarily in the I-270 corridor and the US 29 area.* This pattern is illustrated by the attached map which shows the percentage of 1986 through 1990 housing sales by traffic zone with prices of $140,000 or less in constant 1990 dollars. The $140,000 price was selected because it is approximately the highest price that a moderate income household, a household with an income of 80 percent of the County median, could afford.

  The traffic zones with the most affordable housing prices include many with a high number of MPDUs and other affordable housing built with governmental involvement. However, they also include areas where the housing is predominately or entirely market rate, such as the up-County and urban ring areas where more than 40 percent of the units are in this price range.

- *Contract rents increased more than incomes but less than "for sale" housing costs between 1970 and 1990.* The overall increase in contract rents in Montgomery County was 323 percent during this period, from $165 per month in 1970 to $698 per month in 1990.

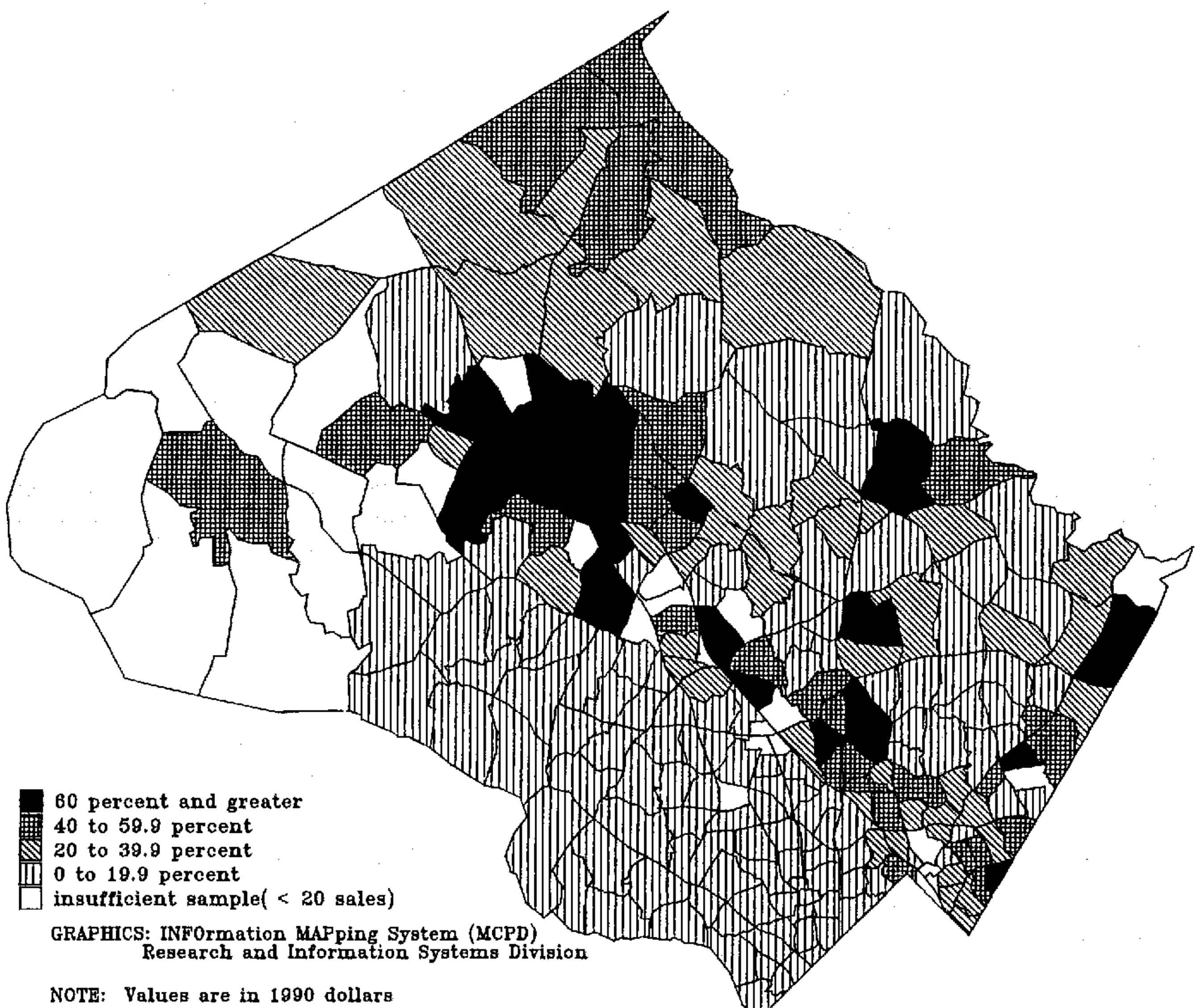
- *Median contract rents in Montgomery County are substantially higher than the statewide and national medians.* The County's median is 48 percent higher than Maryland's median of $473 per month and 87 percent higher than the United States' median of $374.

- *On the whole, rental apartment vacancy rates have risen in recent years, but the national increases have far exceeded local increases.* National vacancy rates rose steadily from 6.5 percent in 1982, 1.5 percent higher than Montgomery County, in 1982, to a peak of 11.4 percent in 1988, 7.1 percent higher than Montgomery County. Since then, national rates have declined by about half a percentage point a year to 9.5 percent in 1990. In contrast, the lowest vacancy rate in Montgomery County was 2.6 percent in 1984; the highest was 4.9 percent in 1990. County rates declined in 1989, as did national rates, but rose the next year.



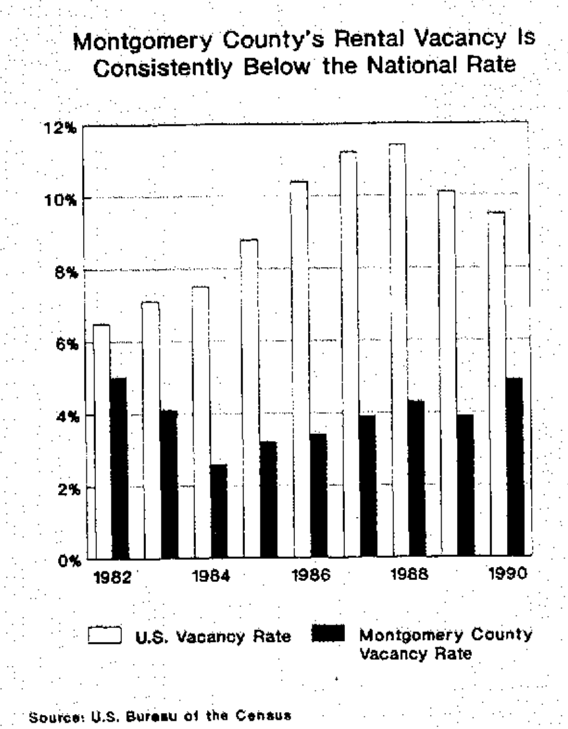
- *Montgomery County's current rental apartment vacancy rates are in line with the industry standard of 5 to 6 percent.* Although Montgomery County rental apartment vacancy rates have been rising, they are still far below national rates. A vacancy rate of 5 to 6 percent is generally considered a sign of a healthy market. A rate in this range means that there are enough units available to offer prospective renters a variety of choices and to permit owners to maintain or remodel units between tenants while still permitting the opportunity to make a reasonable profit. A low vacancy rate, such as Montgomery County's 2.6 percent in 1984, means a tight market with very few choices available to renters. A high rate, such as the national rate, may mean that paying the debt service and operating a building are not economically feasible.

Percentage of Single Family Housing
which sold for less than $140,000 between
1986 and 1990 by Traffic Zone.



GRAPHICS: INFOrmation MAPping System (MCPD)
Research and Information Systems Division

NOTE: Values are in 1990 dollars



The increased number of vacancies in Montgomery County and nationwide have a number of causes. In the County, the relatively rapid construction of multi-family housing in the mid-eighties and the current recession are probably major factors. In the United States the economy is considered a primary cause, especially in the northeast where a large proportion of the country's multi-family housing is located and where the economy has been unhealthy for a number of years.

D. Affordability

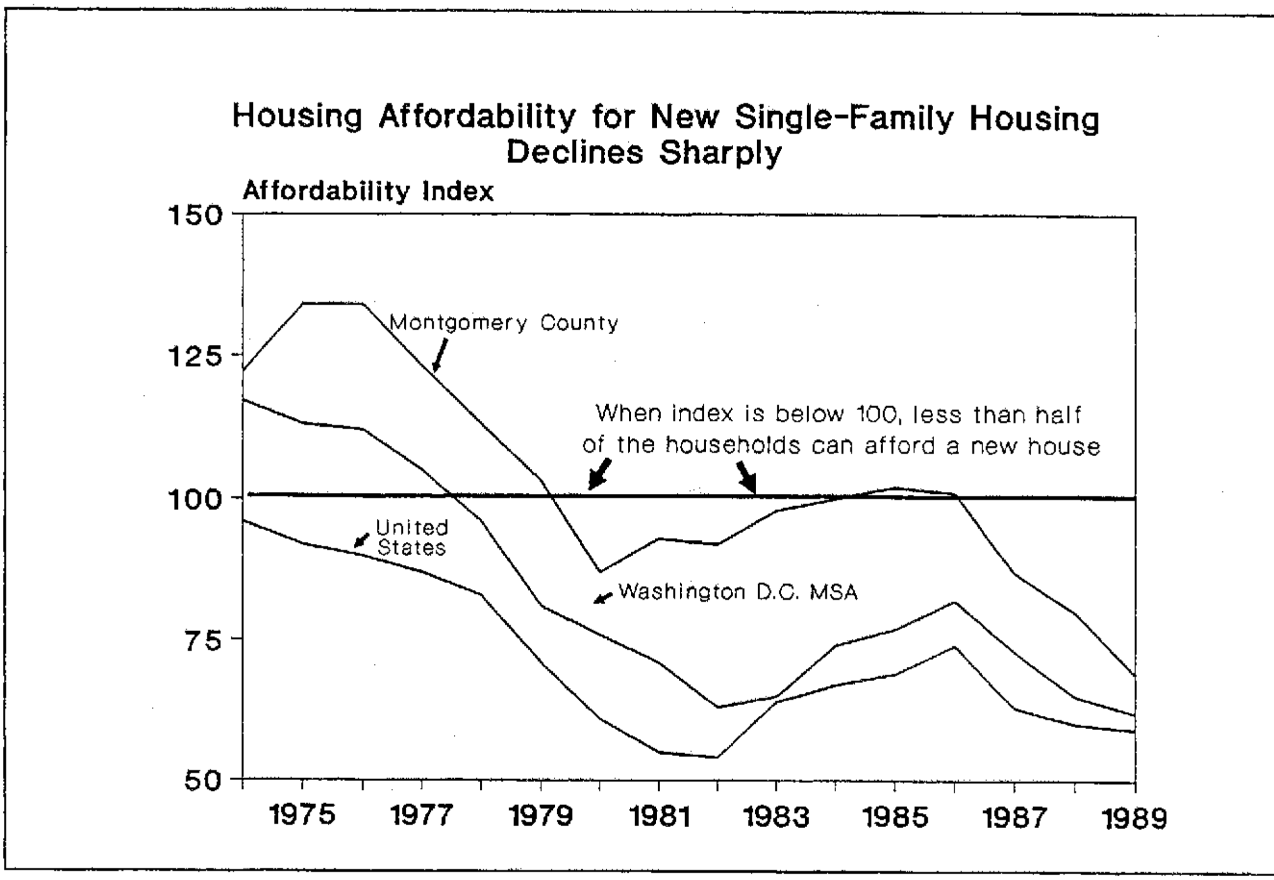
Many County residents and even more current employees in the County who are prospective residents cannot afford appropriate housing in the County.

- *Based on the Montgomery County Planning Department's housing affordability index, the affordability of new housing in the County has declined substantially since the mid-1970s.* In 1970, a median income household could afford to pay more than the median price for a new house. Today, the median income household probably cannot afford a typical new house. An index of 100 means that the median income household should be able to afford the median priced new house. When the index is below 100, the median income household cannot afford the typical house. Montgomery County's affordability index for new houses dropped 65 points from a desirable high of 134 in 1975 and 1976 to 69 in 1989. However, existing housing is more affordable than new housing with a 1989 index of 93. (The affordability index is not available prior to 1974).

- *Surprisingly, the affordability index shows that Montgomery County's new housing* is consis*tently more affordable to its residents than new housing in the Washington, D.C. MSA and the nation is to their residents.* In 1989, Montgomery County's index was 69 compared to 62 for the MSA and 59 for the United States. This gap has narrowed in recent years.

  The index is only a relative measure; it is not comparable to the percentage of households that can or cannot afford housing. Its value is to highlight the position of the median income household in one place or period of time relative to other areas or times. In addition, the index only measures the ability of households that already live in an area to afford housing in that area. It does not include households that might want or need to live in the area but cannot find suitable housing.

- *Another measure of affordability is the ratio of household income to housing costs.* Generally, a household that spends less than 20 percent of its gross income for housing is apt to be financially comfortable while a household that spends 35 percent or more is frequently struggling to survive financially. Most financial analysts consider an expenditure of more than 30 percent of household income for housing undesirable.



- *Only 5 percent of Montgomery County households that own their own housing spent more than 35 percent of their incomes for housing costs in 1987.* Another 4 percent spent between 30 and 35 percent while 68 percent spent less than 20 percent. This pattern also occurs at the national level where 15 percent of households paid more than 35 percent of income in 1987, another 6 percent paid between 30 and 35 percent, and 56 percent spent less than 20 percent.

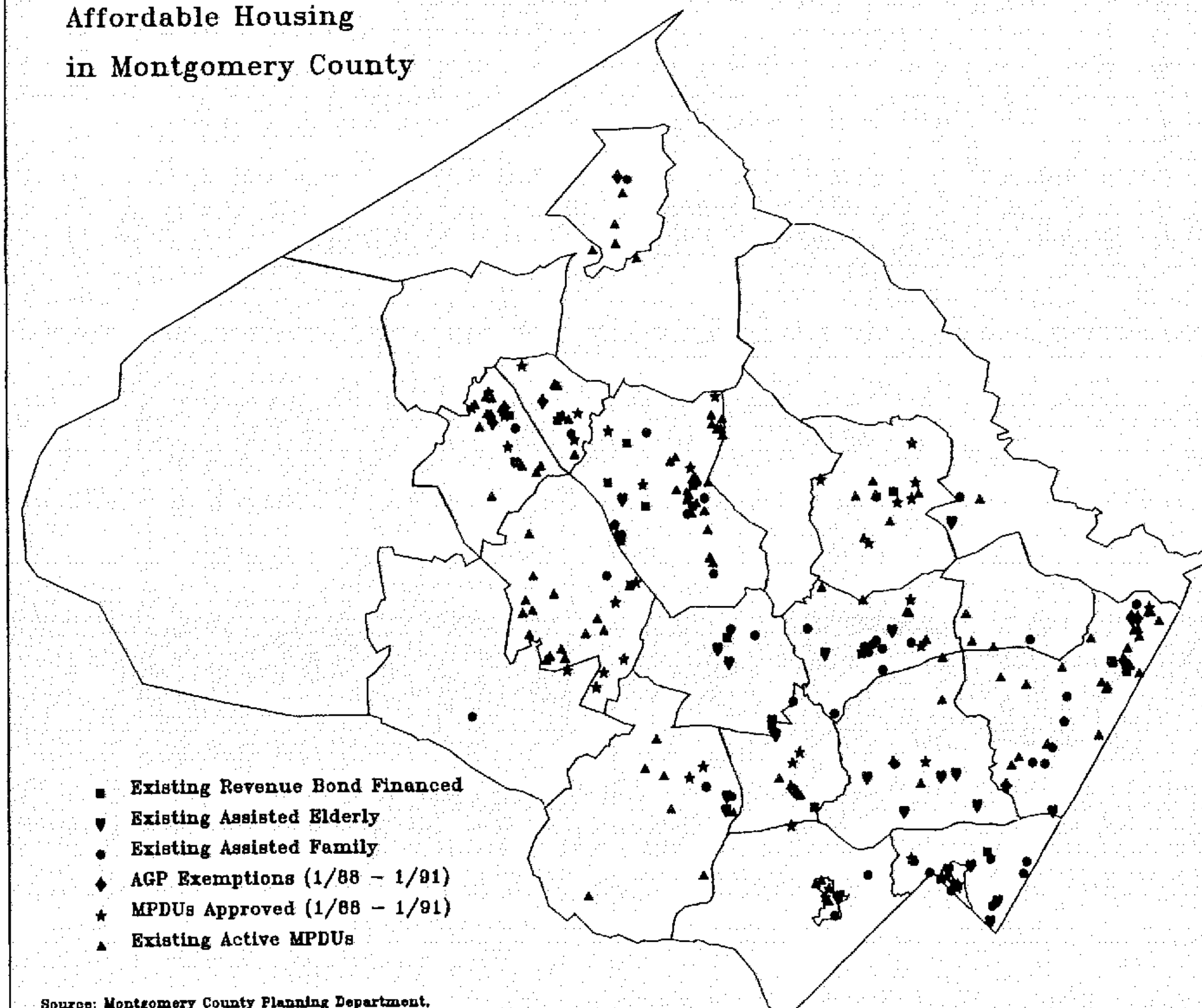
  Homeowners are frequently "house poor" when they first purchase a house, but in most cases, growth in income soon exceeds growth in housing costs, greatly improving their financial positions. The national data is similar to Montgomery County's but includes utility costs, which are not part of the local calculation. Thus, although Montgomery County homeowners are better off than their national counterparts, the difference is probably exaggerated by the variation in cost components.

- *Nonetheless, housing affordability is still a serious problem for many County households.* The Housing Opportunities Commission waiting list of those needing low and moderate income housing had reached a high of over 8,000 in the fall of 1991. Over 1,000 of those households were reported to be homeless.

- *Nationally and locally, renters tend to pay a larger proportion of their incomes for housing than do owners.* Almost 21 percent of Montgomery County renters spent 35 percent or more, 9 percent spent between 30 and 35 percent, and only 37 percent spent less than 20 percent of household income for housing costs in 1987. Nationally, an even greater proportion of renters were bearing an undesirably high rent burden. Thirty-nine percent spent more than

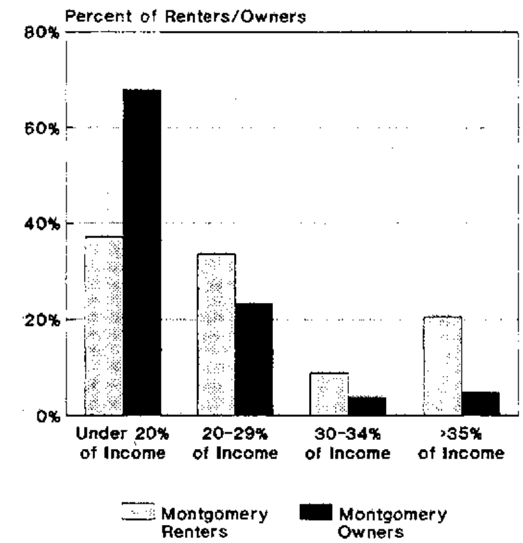
Map 1

Affordable Housing in Montgomery County



Source: Montgomery County Planning Department, Research Division, INFOMAP System. February 1991.

Renters Pay a Larger Proportion of Their Income for Housing Than Do Owners



Source: Montgomery County Planning Dept. and U.S. Bureau of the Census

35 percent of income, 10 percent spent between 30 and 35 percent, and only 25 percent spent less than 20 percent.

- *In addition to paying a higher proportion of their incomes for housing than owners pay, renters typically have substantially less income to spend.* Based on the Montgomery County 1987 Census Update Survey, the median 1986 household income of renters was $28,714, not much more than half of the median household income of owners which was $55,861. Renters tend to be young adults and elderly persons, who typically have relatively limited financial resources.

- *The Moderately Priced Dwelling Unit (MPDU) law had added about 7,800 new units of housing for moderate income families County-wide by the end of 1990, about 6 percent of all new units built after 1973.* The MPDU law, which was passed in 1973 and implemented in 1974, requires that at least 12.5 percent of the housing in developments of 50 or more units in most residential zones must be affordable to moderate income households. If more than the minimum percentage of MPDUs are provided, the developer receives a density bonus. Units may be "for sale" or rental, and the price is controlled for at least 10 years.

  MPDUs are not required in most of the wedge areas because large lot zones, zones of one or fewer units to the acre, are not covered by the law. Otherwise, MPDUs are mandated County-wide. They are most prevalent, of course, in areas that experienced the greatest growth during the last 16 years since the MPDU law was implemented. In 1990, for example, 44 percent of the currently controlled MPDUs that were not publicly owned were in the I-270 corridor policy areas of Rockville, Gaithersburg, and Germantown. (The Housing Opportunities Commission has the option to buy one-third of all MPDUs.)

- *In December 1990, Montgomery County had slightly more than 16,650 units of low and moderate income housing either in the housing stock or approved for construction, including MPDUs.* The existing affordable units represent approximately 5 percent of the total County housing supply. The total includes only units which were built or are operated with governmental financial involvement or a legal mandate, such as the MPDU law. Market rate housing affordable to low and moderate income households is not included. These units are located primarily in the corridor areas and the urban ring as shown in the previous map.

E. Character Of The Housing Stock

- *On the whole, Montgomery County's housing stock is in good condition.* The County's Comprehensive Housing Strategy reports that "according to the County's most recent Housing Assistance Plan (10/1/88 to 9/30/91), of the total 282,228 housing units in Montgomery

County, approximately 3,803 owner occupied units and 2,941 rental units were in substandard condition, a total of only 2.4 percent. Of the occupied substandard units, 3,631 owner units and 1,883 rental units were suitable for rehabilitation."

- *The protection of existing neighborhoods has been a County priority during the last two decades.* The County has improved the physical appearance and facilities in neighborhoods with Neighborhood Improvement Programs funded with Community Development Block Grant funds. Community associations have been offered myriad opportunities for involvement in government decisions affecting neighborhoods, and a number of self-government powers have been granted to homeowners' associations, especially in new communities.

  Neighborhoods have been protected from outside traffic through neighborhood protection policies which inhibit cut through traffic and parking by commuters or shopping area customers who are not area residents. These policies, of course, put more pressure on arterial roads. High priority has been given to preservation of qualified historic districts and structures to maintain these special resources and, incidentally, the ambiance of the neighborhood.

- *Changes to the Zoning Ordinance to permit townhouse zoning and cluster development were first passed in the 1960s and substantially implemented in the 1970s and 1980s.* These changes altered the character of the housing stock by permitting a mixture of different housing types on a single site, including townhouses, and allowing denser development of single-family detached housing. They also permitted increased protection of the environment and preservation of open spaces in common areas.

- *An important aspect of the implementation of the General Plan was the adoption of new residential zoning tools to further its goals.* These included the Central Business District (CBD) and Transit Station Residential and Mixed Use zones (TSR and TSM) which were designed to encourage relatively dense development at transit station impact areas and in the four established central business districts. These zones were intended to strengthen the corridor city concept.

- *The corridor concept was also implemented through the use of the Town Sector (TS) Zone which was adopted at about the same time as the General Plan and was intended to encourage the development of new towns.* Churchill in Germantown and Montgomery Village are prime examples of the use of this zone.

- *Another change to the residential zones was to provide zoning for planned unit type neighborhoods.* This innovation has had a major impact on housing patterns and is the Planned Development or PD Zone. The PD Zone is a floating zone which may be recommended in the master plan and implemented through rezoning. It generally permits higher densities than the base zone while requiring site plan approval. Its development standards are relatively flexible, and the PD Zone, along with the Town Sector Zone, has probably been the most frequent location for innovative housing types, such as zero lot line single-family detached units and a variety of attached configurations developed with planned open space and recreation, and, in some cases, local shopping facilities.

  The PD Zone, Town Sector Zone, and the Transit Station Zones require development plan approval by the County Council at the time of rezoning. Development plan approval allows elected officials to evaluate density and placement of units in return for granting flexibility in zoning standards. These zones also require site plan approval by the Planning Board.

- *The Rural Density Transfer (RDT) Zone and the Transfer of Development Rights (TDR) method of development in the designated receiving areas were developed to implement the Agricultural Reserve, the cornerstone of the wedge protection effort.* While protecting the wedge, the TDR program, like the entire MPDU program discussed above, allowed increased densities in the urban ring and the corridor areas. These programs increased the opportunities to construct townhouses and "plexes" in the Euclidean single-family zones while at the same time serving broad public policies objectives.

- *The Rural Cluster Zone was developed to provide for a mix of agricultural uses and low density residential development in close proximity to the Agricultural Reserve. This zone allows large lot residential development only (one dwelling unit for each five acres), utilizing private septic systems and wells.*

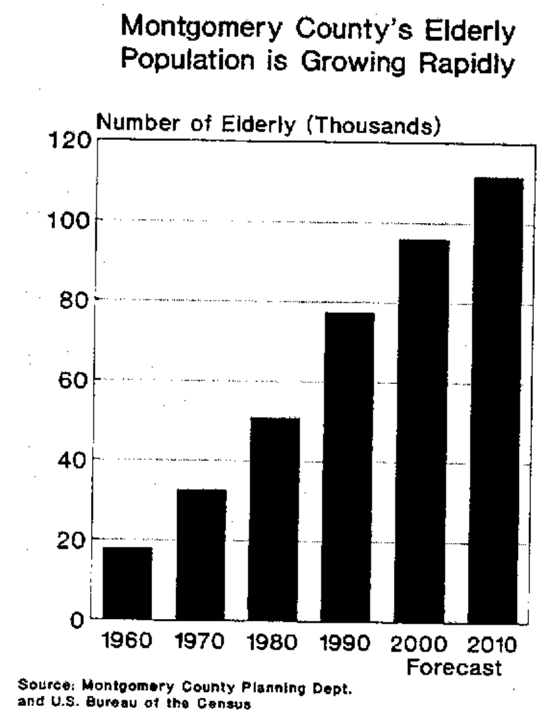
II. HOW WE EXPECT TO CHANGE

A. Demographic Trends

Anticipated changes in the composition of the population will influence the amount and type of housing needed in Montgomery County in the future.

Growing Elderly Population

- *The number of elderly people in Montgomery County's population is growing.* People are living longer and the population as a whole is larger. The 1990 Census shows a 52 percent increase in the County's population of persons aged 65 and over between 1980 and 1990. In 1990 more than 10 percent of Montgomery County's population is age 65 years and over.



- *This trend is expected to continue well into the future, slowly during the next two decades as the comparatively small depression and World War II generations reach retirement age, then very rapidly as the first baby boomers reach 65 in 2011.*

- *Age, along with income and family type, is a major determinant of housing needs and preferences.* Generally, people prefer to stay in their preretirement homes through their 60s. Home ownership rates remain over 80 percent to age 70 and do not drop below 50 percent until some point between age 80 and 85. The younger elderly who do move appear to seek housing with many amenities and low maintenance requirements. They often choose apartments, townhouses, or patio homes. The very elderly, over 80 or 85 years of age, often need more services, one-floor living, and easy maintenance. They usually choose standard apartments or specialized housing for the elderly if they move.