

## **Assisted Housing<sup>6</sup>**

Assisted housing is housing for low- and moderate-income households produced with government funding in the form of loans, grants, direct ownership, or a combination of these. The majority of assisted housing units are provided by the County government for households with low or very low incomes. When substantial federal funding was available, assisted housing tended to be primarily federally funded. Today, in response to scarce federal funds, Montgomery County combines a variety of funding sources and approaches to implement its assisted housing program. In the County, the primary owner and provider of assisted housing is the Housing Opportunities Commission (HOC). DHCA is an essential contributor, facilitating or providing funding, expediting use of County-owned land, and otherwise enabling the provision of affordable housing. A number of nonprofit organizations have also developed low-income housing, as have the cities of Rockville, Gaithersburg, and Takoma Park. MPDUs owned by HOC and the affordable component of special ceiling allocation housing also qualify as assisted housing and may be funded under a number of programs.

### **Assisted Housing Programs**

#### **1) Family Assisted Housing**

“Family assisted housing” is an umbrella term for low and moderate income housing designed for families. Many of these units were built or purchased through federal government programs, including various forms of Section 8 funding, the federal Low Income Housing Tax Credit program, the federal low rent public housing program, and Section 221(d)3 and Section 236 insured mortgages with below market rate financing. Some of these programs were discontinued some years ago, but housing built through them remains an important part of the affordable housing stock. A more recent addition to the list of federal housing programs is the HOME program, a block grant program. Currently, Section 8 programs, funding through the HOME program, and federal low income tax credits are the principal sources of federal funds for affordable family housing. Money from both Section 8 and HOME is quite limited. Tax credits are very competitive.

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<sup>6</sup>This section simplifies the extremely complex financing arrangements that typically produce affordable housing units. It is intended to provide an understanding of the supply and distribution of affordable units for the general reader with basic descriptions of frequently used programs. Readers desiring more in-depth information about financing alternatives should contact HOC or DHCA staff.

As federal funding has become increasingly scarce, Montgomery County has developed a variety of local approaches to increase the stock of affordable housing for families. These include funding by the County Rent Supplement Incentive Program and the Montgomery Housing

**Table 7**

Distribution of Subsidized Affordable Housing by Planning Area  
Excluding Privately Owned MPDUs  
Montgomery County, 1999

	Total Units in Complex (Assisted & Market)	Opportunity Housing Units (A)	Family Assisted Units (B)	Family Rev.Bond Units (C)	Elderly/ Disabled Units (D)
Aspen Hill	3,437	27	979	41	415
Bethesda-Chevy Chase	1,554	89	669	43	156
Cloverly	310	5	206	0	100
Colesville/White Oak	990	0	163	142	96
Damascus	207	2	127	24	0
Fairland	2,361	287	442	147	0
Four Corners	695	82	157	96	279
Gaithersburg and Vicinity	3,150	531	846	262	203
Germantown	3,210	322	472	348	0
Kensington-Wheaton	1,150	16	404	0	612
North Bethesda	1,606	52	159	211	249
Olney	335	17	185	20	8
Potomac	673	6	278	0	173
Rockville	1,290	0	485	0	594
Rural	23	0	23	0	0
Travilah	86	13	73	0	0
Silver Spring/Takoma Park	3,194	322	772	219	696
Upper Rock Creek	144	0	144	0	0
<b>Total</b>	<b>24,415</b>	<b>1,771</b>	<b>6,584</b>	<b>1,553</b>	<b>3,581</b>

Note: This chart includes MPDUs owned by HOC and nonprofits that are permanently price controlled. It does not include low cost market rate housing.

*Source: Montgomery County Planning Department, Research and Technology Center  
Department of Housing and Community Development, HOC, September 2000.*

Initiative Fund. HOC and the County frequently assemble complicated packages of programs and approaches to acquire or construct housing. The resulting projects may include federal and state funds as well as locally generated monies. Some projects are developed as part of a public/private partnership, and many use a mixed income approach so that rents from market rate units help subsidize low income units. The federal low-income housing tax credit continues to be an important funding resource for both public and private development. (Although it does not need tax credits itself, the government can sell its credits to help finance its projects.)

Income ceilings for family assisted housing units vary depending on the program. “Very low income” public housing and Section 8 projects limit resident household income to approximately 50 percent of the area median. In March 2000, the local HUD office set the current maximum income for this category at \$43,500 for a family of four. Income for low-income Section 8 housing is limited to about 60 percent of the area median and was set in March at \$54,200 for a family of four. Other lower income programs, such as Section 236 and some types of public housing, typically target a household income of between 60 and 80 percent of median income, currently between \$54,200 and \$66,240 for the family of four. The limits for almost all programs permit adjustments for household size.

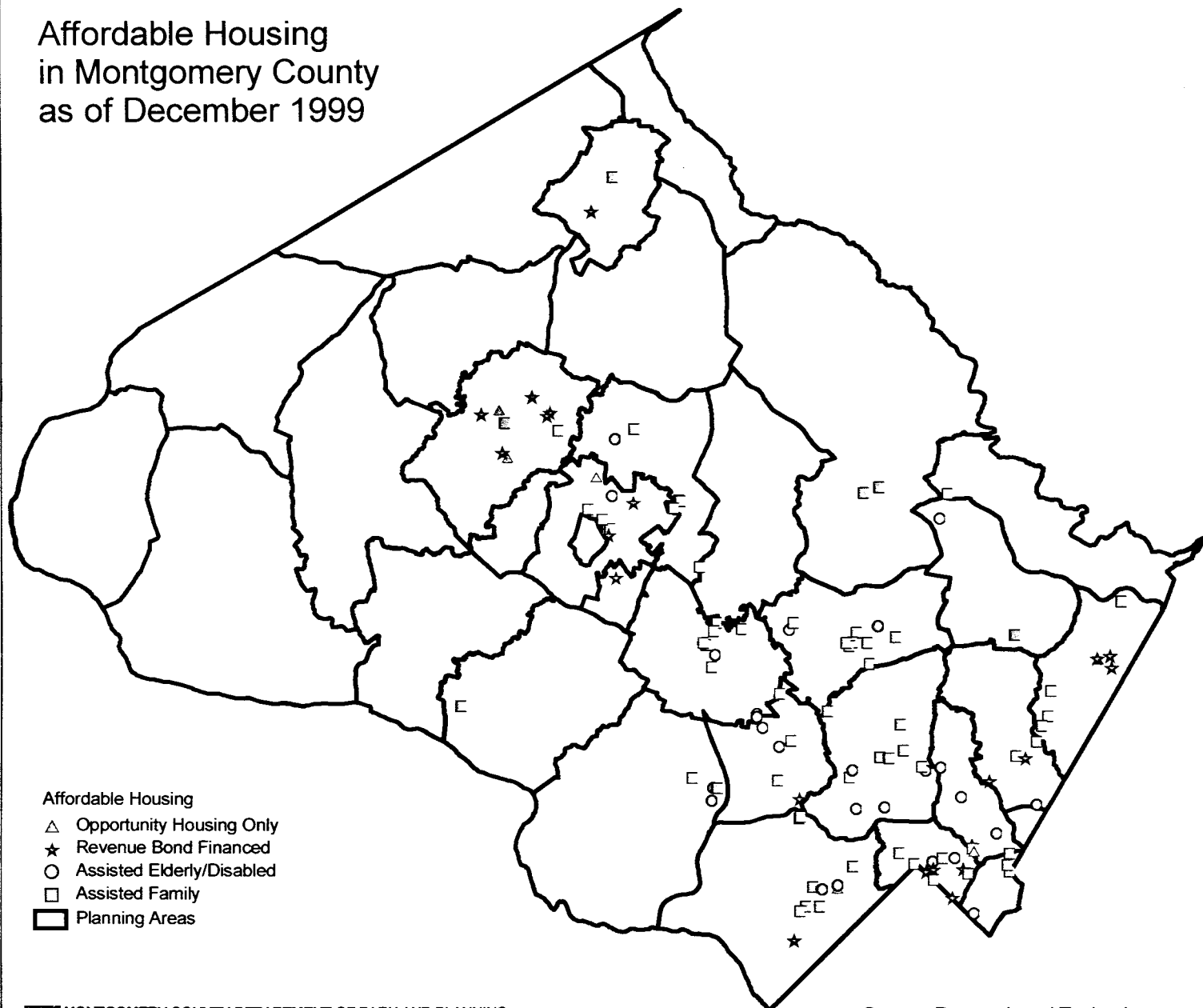
Tables 6 and 7 present the distribution of Montgomery County's affordable housing by policy area and by planning area. The tables show that there were almost 6,600 family assisted family units in the County in December 1999. These include scattered site units, most of which are MPDUs owned and managed by HOC. The current total represents an increase of 840 units since the first Inventory of Affordable Housing in 1994.

The tables and Map 2 show that assisted family housing is distributed throughout the developed areas of the County, particularly in the I-270 Corridor and the Urban Ring. In these areas, only a few of the smaller transit station policy areas and Clarksburg do not offer family assisted units. The transit station areas without assisted units generally comprise nonresidential uses only. Aspen Hill Planning Area has the largest supply of family assisted housing, almost 980 units. Aspen Hill also has a comparatively large total number of housing units so that its percentage of family assisted housing is not unusually high. Other planning areas with a large supply of family assisted housing are Gaithersburg and Vicinity, Bethesda-Chevy Chase, and Silver Spring/Takoma Park, (Table 7).

The most significant changes in the family assisted housing supply between the last Inventory's 1993 data and the 1999 data occurred in Bethesda-Chevy Chase, Gaithersburg, Colesville/White Oak, and Rockville. Both Gaithersburg and Colesville/White Oak lost units, about 400 and 150 units respectively. Bethesda-Chevy Chase and Rockville, on the other hand, gained almost 600 and over 200 units respectively. Bethesda Commons and The Metropolitan account for much of the Bethesda increase. Units lost from the affordable housing supply will be discussed at greater length in a later section. However, most were lost or, at best, became moderate priced housing, when owners of complexes funded through earlier federal programs

Map 2

Affordable Housing  
in Montgomery County  
as of December 1999



Affordable Housing

- △ Opportunity Housing Only
- ★ Revenue Bond Financed
- Assisted Elderly/Disabled
- Assisted Family
- ▭ Planning Areas

decided to buy out of those programs and cease providing of affordable units. DHCA and HOC are actively working to avoid further loss of units.

## **2) Assisted Housing for Elderly and Disabled Residents**

This category includes age restricted housing, often with some special facilities or programs for older residents, and housing for people of any age with disabilities. In some cases, units are set aside for older persons in complexes that also contain assisted family housing. Units for the elderly in mixed age projects have been counted as units for the elderly in the tables but are coded on the scatter map according to the nature of the majority of the units in the project. Several senior complexes also contain senior centers or senior nutrition programs. Some offer “assisted living” arrangements that provide residents with the services, such as assistance with bathing, dressing, and mobility, that they need to continue to live relatively independently. Typically, there is an additional fee for such services.

Montgomery County has 3,581 assisted units for the elderly. The supply remains essentially unchanged since 1993. However, four new facilities are in the planning stages and would add a total of 532 units. Most units would be low-income. All of these projects expect to use low-income housing tax credits. Three of the facilities are either approved for special exception or do not need a special exception. These are Andrew Kim House in Olney (76 units), the Oaks at Gaithersburg (76 units), and planned senior housing at Traville (230 units). The fourth project, Hampshire Village (150 units) is in currently in the approval process.

Generally, affordable senior housing is located in established sections of the County. Such locations offer the greatest demand for age restricted housing and are usually near other desirable facilities, such as shopping, medical facilities, and public transportation. The Silver Spring/Takoma Park, Kensington-Wheaton, and Rockville Planning Areas contain the most assisted housing for the elderly. Together, these areas offer more than half of the County’s supply. Senior citizens are also eligible for Section 8 vouchers which provide the financial assistance to allow them to live in market-rate rental housing.

Elderly assisted housing is acquired and operated through a variety of programs, including some of the same programs that produce assisted family housing. Federally sponsored programs include public housing, Section 8, low income housing tax credits, Section 202, and Section 236 senior residences. Some of these programs are no longer funded but housing built through them remains a valuable resource.

HOC and the County frequently combine a variety of federal, state, and local programs to develop elderly housing projects. As with assisted family housing, a mixed-income approach is increasingly common. In addition to properties owned by the County and HOC, there are a number of privately owned/publicly financed projects. The Montgomery County Revenue Authority and the City of Rockville also own below market priced elderly housing. Inwood House in Wheaton is specifically designated for people with disabilities.

### **3) Bond Financed Housing**

Another important segment of the affordable housing supply is generated by the requirements for housing financed with tax exempt bonds. HOC has the authority to issue these bonds for the construction of new rental apartment complexes or the purchase of existing buildings. The 1986 tax reform laws put a cap on the dollar amount of bonds HOC can issue each year to lend to other developers, severely curtailing HOC's ability to facilitate affordable housing through this resource. Bonds for HOC's own multi-family projects have not been limited, except in the cases where HOC acts as general partner of a low income housing tax credit development.

In return for the favorable financing offered by HOC's tax exempt bonds, developers are required to provide a percentage of the units to low and moderate income households for a number of years. HOC negotiates an individual agreement with each developer. The base requirement is that 20 percent of the units must be affordable to households with incomes up to 50 percent of the median income or 40 percent at 60 percent of area median income. The agreement may also specify that another 30 percent of the housing must be set aside for households at "opportunity" or moderate income levels. The remaining units are typically market rate.

A typical arrangement for revenue bond financed projects would be 20 percent of the units designated for households at 50 percent of median income. Occasionally, agreements require reserving more than 20 percent of the units for low income households.

A number of bond financed projects were sold during the recession. These sales resulted in renegotiation of the terms of the bonds with the new owners. In many cases, the financial realities of the recession led to reductions in the affordable housing provided. In more recent years, units have been lost as owners have retired their loans as early as possible, often before the end of the loan period, in order to maximize profits in the current vigorous market.

Tables 6 and 7 show a 1999 total of 1,553 low and very low income units that have been financed with low cost bonds. This total does not include projects still in the pipeline or scattered site units. Both new construction and the acquisition and rehabilitation of older buildings are included.

Affordable units required by subsidized bond financing are currently available in 12 of the 22 policy areas. Some of the units are in current growth areas, such as Germantown and Gaithersburg, that also have comparatively high numbers of MPDUs and Special Ceiling Allocation housing. Many others are in older, developed areas, such as Bethesda and Silver Spring, that have little land remaining to participate in the incentive programs.

### **4) Opportunity Housing**

“Opportunity housing” is housing affordable to moderate income households. HOC has been able to purchase many of these properties through various County laws that give the Commission the right of first refusal in certain types of housing sales. For instance, this right is available when rental units are converted to some other type of tenancy, particularly conversions to condominiums. As mentioned earlier, HOC also has the right of first refusal for one-third of the MPDU units in each new subdivision. Some of these HOC-purchased MPDUs become Opportunity units. Other HOC-owned MPDUs are designated as lower-income family assisted units in the scattered site assisted housing program.

In addition, subsidized bond agreements sometimes require that some of the units financed by the bonds rent to households within the “opportunity” income limits. The opportunity income ceilings are approximately 85 percent of the median household income. There were 1,771 opportunity units located in almost every policy area in 1999. Gaithersburg and Germantown West Policy Areas had the highest numbers, followed by the Silver Spring Central Business District.

## **5) Tenant Based Programs**

This study concentrates on housing units that have been designated as affordable and complexes with an affordable component. Programs that help low-income households rent market rate units are another important element of the affordable housing supply. The federal Section 8 program is the largest source of tenant based assistance. Montgomery County and the State also offer rental assistance programs for low-income households.

In Montgomery County, the Section 8 program Housing Choice Voucher program is administered by HOC. In Section 8, the tenant pays 30 percent of household income for housing. Section 8 makes up the difference between that payment and an established rent level. Voucher holders may opt to pay more than the amount of the government share to afford a more expensive unit. In 1999, the maximum rent for a two-bedroom apartment was \$820 for Section 8. In 2000, it is \$863.

Some vouchers are set aside for certain subgroups of the population. For example, some vouchers are available to people with disabilities and others to households whose members are in danger of being separated. HOC currently administers 4,254 vouchers. Some of these are spent on affordable units created through other public programs. Others are used in market rate housing. The Section 8 programs allow their holders more choice about where to live than site based programs. However, not all market rate complexes accept vouchers. The extent of geographic distribution of the voucher program is difficult to calculate due to the nature of the program.

## **Affordable Housing Lost or at Risk of Loss**



A side effect of the current strong economy is the loss of some privately owned subsidized units. In the last several years, a number of projects with federal subsidies, grants,

#### Units at Risk of Loss

•	Lost 1997 - 1999	372
•	Currently at risk of loss	1,050
•	In preservation process	466
•	Currently safe	4,137
Total		6,246

**Table 8**

Distribution of Montgomery County Affordable Housing  
By Policy Area  
1999

	Total Subsidized Housing and Below Market Private, Price Controlled MPDUs	Percent Private Price Controlled MPDUs
Aspen Hill	1,576	6.6%
Bethesda CBD	733	14.0%
Bethesda Chevy Chase	262	0.9%
Clarksburg	20	3.0%
Cloverly	158	3.2%
Damascus	167	5.5%
Darnestown/Travilah	0	0.0%
Derwood	328	5.7%
Fairland/White Oak	1,348	5.1%
Friendship Heights	0	0.0%
Gaithersburg City	1,296	6.5%
Germantown Center	24	15.4%
Germantown East	686	11.4%
Germantown West	1,298	8.0%
Glenmont	0	0.0%
Grosvenor	106	3.9%
Kensington-Wheaton	970	2.9%
Montgomery Village/Airpark	664	3.6%
North Bethesda	497	3.5%
North Potomac	247	3.1%
Olney	421	4.3%
Potomac	555	3.4%
R & D Village	172	7.2%
Rockville	1,079	6.3%
Rural	234	2.0%
Shady Grove	0	0.0%
Silver Spring CBD	896	16.8%
Silver Spring/Takoma Park	1,307	4.4%
Twinbrook	0	0.0%
Wheaton CBD	293	14.6%
White Flint	304	51.6%
<b>Total</b>	<b>15,641</b>	<b>4.9%</b>

Note: This chart includes MPDUs owned by HOC and nonprofits that are permanently price controlled and privately owned, price controlled MPDUs. It does not include low cost unsubsidized market rate rental housing.

Source: Montgomery County Planning Department, Research and Technology Center

or financing have been removed from these programs by their owners. In some cases, owners have paid off subsidized loans before the end of the full loan period. In others, owners stop participating in rent subsidy programs. County officials are actively seeking the means to retain the threatened units in the affordable housing stock.

#### Findings

Montgomery County offers a wide variety of assisted housing units owned by HOC, nonprofit organizations, and the private sector. About 840 new units were added to the supply of family assisted housing with the completion of projects, such as the Glen, Strathmore Court, the Metropolitan, and Pooks Hill, and the acquisition and rehabilitation of older buildings, such as Manchester Manor, Bethesda Commons, and Amherst Square.

At the same time, 372 privately owned units were lost through buyouts of subsidized financing that ended the requirement for a number of units affordable to low income households. The County is actively working to retain other complexes with subsidized financing in the affordable housing supply. This can be a costly undertaking, especially since these buildings may require substantial modernization. These properties also have a very high price in the private market and, therefore, are expensive to buy.