

Inventory of Affordable Housing 2000

Montgomery County, Maryland

Executive Summary

The early 1990s were a comparatively moderate period for County housing prices. By 2000, the market is increasingly tight and expensive. The current shortage of rental housing for lower income households is nearing crisis proportions. Providing an adequate stock of affordable housing is a growing challenge, one that is important not only to County households but to employers needing workers.

Affordable housing has been an issue for Montgomery County for many decades. This report shows that by a number of measures, housing was comparatively reasonable during the recession of the early 1990s. Generally, there were more housing options for low-and moderate-income households, those with incomes at or below 80 percent of the County median, than in many previous periods. Lower cost, privately-owned rental units were quite abundant.

The relative availability of affordable housing stemmed both from the loss of jobs during the recession and a resulting reduction in demand for housing and from the aging of the housing stock. By the end of the 1990s, the economy and its effect on housing were changing. Job growth brought new housing demand, raising prices and encouraging expensive modernization of older housing stock. Rents are climbing. Mortgage rates are higher. Vacancy rates have declined, leaving renters fewer choices. Some privately owned lower cost housing units are no longer affordably priced, as program price control periods end or owners prepay subsidized loans early. Department of Park and Planning reports of for sale housing prices have not yet shown this change but prices appear to be rising in 2000. One bright spot is that government provided or assisted housing was more evenly distributed throughout the County by the end of the decade than in earlier years.

This report details the status of the County's lower cost housing stock. Major findings are summarized below.

Findings

Market rate single-family housing

- The median sales price for single-family housing was flat in the 1990s. Prices grew less than the Consumer Price Index or median household income in 6 of the 10 years.
- State tax assessor's assessment data show a healthy share of the housing stock in the \$150,000 to \$175,000 range, affordable to many moderate income households.

Rental housing

- Increasing rents and decreasing vacancy rates are creating an increasingly tight rental market. Early 2000 data show a continuation of this trend.
- While affordable apartments are reasonably plentiful now, pressure to upgrade older stock and build expensive new units threatens to decrease the affordable stock. Maintenance and modernization are essential to the continued viability of residential buildings but the cost often threatens their affordability.
- County government is actively working to retain affordable units in the housing stock.

Government provided, mandated or subsidized housing

- Almost 500 new units were added to the supply of assisted housing through new construction and the acquisition and rehabilitation of older buildings between 1993 and 1999.
- Government is working with private and nonprofit firms to retain units in the stock of affordable housing that are in danger of loss as their subsidized loans are paid off. (These units were built by the private sector with low cost subsidized loans that require a portion of the units to be available to low-income households for the term of the loan.)
- The number of price controlled Moderately Priced Dwelling Units (MPDUs) declined due to low levels of housing construction during the 1990s. MPDUs were a high percentage of all completions in many years, however. (MPDUs are moderately priced units required in every subdivision of 50 or more units. Sales prices are controlled for 10 years, rents for 20.)

Distribution of affordable housing

- Government assisted and mandated affordable housing in the County is more evenly distributed among the planning areas and policy areas in 1999 than in 1993, the time of the first Inventory of Affordable Housing.

A few CBDs and a transit station policy area have fairly high percentages of affordable housing. In some cases this is a consequence of the aging housing stock in the area that tends to offer lower rents. In others, the percentage of affordable housing reflects the type of financing for new construction or the staging of development. In any case, these areas are particularly appropriate for lower cost housing to take advantage of proximity to transit, jobs, shopping, and other services.