Montgomery County, Maryland

STRATEGIC ADVISORY COMMITTEE MEETING

RENTAL HOUSING STUDY ANALYSIS FINDINGS

February 22, 2016

Presented by:
Kyle Talente, Vice President & Principal
RKG Associates, Inc.
MEETING AGENDA

- Existing conditions
- Supply/demand analysis
- Affordability analysis
- Next steps
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- Socioeconomic analysis
- Rental housing supply analysis
- Rental housing demand analysis
- Affordability analysis
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- Total Population – 2010-2014
- Total Population Density Per Square Mile – 2010-2014
- Total Households – 2010-2014
- Total Household Density Per Square Mile – 2010-2014
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- Racial And Ethnic Composition – 2010-2014
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American Community Survey (ACS) | B25008 | Total Population in Occupied Housing Units by Tenure | 2005-2009, 2010-2014 | United States Census Bureau
American Community Survey (ACS) | B25010 | Average Household Size of Occupied Housing Units by Tenure | 2005-2009, 2010-2014 | United States Census Bureau
American Community Survey (ACS) | S101 | Age | 2005-2009, 2010-2014 | United States Census Bureau
American Community Survey (ACS) | X/A | Components of Population Change | 2010-2014 | United States Census Bureau

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DEFINITION OF TERMS

- **Affordability** – The relationship between a household’s ability to pay for housing and the cost of housing; also called ‘price appropriateness’
- **Ability to pay** – The maximum amount a household can spend on housing without being cost burdened
- **Cost burdened** – Relationship between household income and percent of that income being spent on housing – HUD defines cost burdened as spending more than 30% of gross income
- **Area Median Income** – HUD-defined income thresholds based on household size; pinned to certain financial programs
  - Analysis focuses on 30%, 50%, 80%, 100%, 120%
  - Thresholds are relevant to various HUD housing programs
- **Conversion Units** – Owner occupied housing units converted to rental units
EXISTING CONDITIONS
Figure 1

TOTAL POPULATION
2010-2014

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<th>Location</th>
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<td>RT. 29 Corridor East</td>
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<td>Aspen Hill</td>
<td>63,219</td>
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<tr>
<td>Silver Spring/Glenmont</td>
<td>148,829</td>
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<td>Rosemary Hills/Kensington</td>
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<td>Friendship Heights/Bethesda/White Flint</td>
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<td>Westbard/Kenwood</td>
<td>33,791</td>
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<td>Potomac</td>
<td>78,114</td>
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<td>Germantown and Vicinity</td>
<td>139,661</td>
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<td>AG Reserve</td>
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<td>Upper Rock Creek</td>
<td>13,136</td>
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<td>Patuxent &amp; Cloverly</td>
<td>22,705</td>
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<tr>
<td>Rockville/Gaithersburg</td>
<td>145,695</td>
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Source: ACS 2010-2014
TOTAL POPULATION DENSITY PER SQUARE MILE
2010-2014

Source: ACS 2010-2014
TOTAL HOUSEHOLD DENSITY PER SQUARE MILE
2010-2014

Source: ACS 2010-2014
Figure 5

POPULATION CHANGE: 25 TO 34 YEARS OLD

Net County Change: 20,101

Figure 6

Net County Change: 16,961

Population 65 and Over

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<td>Westbard/Kenwood</td>
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<td>Rockville/Gaithersburg</td>
<td>3,027</td>
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RACIAL AND ETHNIC COMPOSITION
2010-2014

Figure 8

Source: ACS 2010-2014
PERCENT CHANGE IN HISPANIC/LATINO POPULATION

Figure 10

NET TOTAL MIGRATION, MONTGOMERY COUNTY
2010-2014

Population Change

- Net Migration - Total: 28,063
- Net Migration - International: 41,195
- Net Migration - Domestic: (13,132)

Source: Components of Population Change ACS 2010-2014
EDUCATION ATTAINMENT: POPULATION 18 TO 24 YEARS OLD
2010-2014

Figure 11

Percentage

Less than high school degree
Some college, Associates's degree
High school degree
Bachelor's degree or higher

Source: ACS 2010-2014
Map 3

HOUSEHOLD INCOME

Montgomery County, MD

- $45,807 - $75,272
- $75,272 - $105,865
- $105,865 - $143,788
- $143,788 - $195,341
- $195,341 - $250,000

Legend:
- Subdistrict Boundary
- Interstate
- U.S. Highway
- State Route
- Neighborhood Street

This map is for general planning purposes only. The data used to create the map are not suitable for making legal or zoning boundary determinations or delineating federal resource areas. Exercise caution when interpreting the information on this map.

Date: 3/2/2014
Source: ACS 10-14, MCDOT

RKG Associates Inc.

Ag. Reserve
Germantown & Vicinity
Upper Rock Creek
Aspen Hill
Patuxent & Cloverly
Rt. 29 Corridor East
Silver Spring/ Glenmont
Rosemary Hills/ Kensington
Friendship Heights/Bethesda/ White Flint
Westbard/Kenwood
Potomac
Rockville/ Gaithersburg
Maryland
Virginia

Scale: 1" = ½ mile
AVERAGE HOUSEHOLD INCOME (ADJUSTED TO 2014 DOLLARS)

AVERAGE HOUSEHOLD INCOME (ADJUSTED TO 2014 DOLLARS)
PERCENT CHANGE

Note: Total at place employment encompasses all employment sectors, including public administration

Source: OnTheMap 2013
TOTAL AT PLACE EMPLOYMENT DENSITY BY SUBAREA PER SQ. MI. 2013

Source: OnTheMap 2013
Note: Export (import) is defined as the difference between the number of at place of work employees and at home work employees.

Source: OnTheMap 2013
Population and households data indicate urban/rural dichotomy in development patterns

- Development more intense inside ICC and along I-270
- Inner Beltway “suburban communities” not so suburban

Settlement patterns defined by preference, income

- Younger persons clustering near transit areas
- Seniors seeking more affluent, suburban locations

County population diverse and still diversifying

- Foreign born residents make up substantial portion of County growth
- County is a ‘majority minority’ community
- Hispanic population increased nearly 38,000 people from 2009-2014, a percent increase of 27%
  - Concentrated growth in most affordable/transit-focused areas
Strong correlation between education and income
- Comparatively high attainment in every subarea (driving costs)
- Most expensive areas of County have highest education levels

Real household income has not kept pace with Consumer Price Index
- Income in County has gone down, on average
- Only two subareas experienced real income growth 2009-2014
- Impacts affordability for the lowest incomes the most

I-270 corridor is the employment center for the County
- More than 271,000 from Friendship Heights to Gaithersburg
- Glenmont line substantially less employment
- Government jobs substantial part of County employment
  - Almost 60,000 jobs on I-270 corridor
  - Employment centers import almost 160,000 workers each day (opportunity)
AFFORDABILITY ANALYSIS
## HUD HOUSEHOLD INCOME THRESHOLDS

<table>
<thead>
<tr>
<th>Income Bands</th>
<th>Persons in Household</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Extremely Low (30%) Income Limits</td>
<td>$25,700</td>
</tr>
<tr>
<td>Very Low (50%) Income Limits</td>
<td>$42,800</td>
</tr>
<tr>
<td>Low (80%) Income Limits</td>
<td>$54,800</td>
</tr>
<tr>
<td>100% AMI</td>
<td>$85,600</td>
</tr>
<tr>
<td>120% AMI</td>
<td>$102,720</td>
</tr>
</tbody>
</table>

Source: HUD AMI 2014, DHCA, RKG

Note: U.S. Housing and Urban Development (HUD) defines area median income (AMI) as the 100% median for a four person household. For metropolitan Washington DC (including Montgomery County) it is $107,000. The analysis uses three person thresholds to reflect the median household size for Montgomery County renter households.
## AFFORDABILITY ANALYSIS

### CORRESPONDING RENT THRESHOLDS

<table>
<thead>
<tr>
<th>Income Bands</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low (30%) Income Limits</td>
<td>$643</td>
<td>$723</td>
<td>$803</td>
</tr>
<tr>
<td>Very Low (50%) Income Limits</td>
<td>$1,070</td>
<td>$1,204</td>
<td>$1,338</td>
</tr>
<tr>
<td>Low (80%) Income Limits</td>
<td>$1,370</td>
<td>$1,541</td>
<td>$1,713</td>
</tr>
<tr>
<td>100% AMI</td>
<td>$2,140</td>
<td>$2,408</td>
<td>$2,675</td>
</tr>
<tr>
<td>120% AMI</td>
<td>$2,568</td>
<td>$2,889</td>
<td>$3,210</td>
</tr>
</tbody>
</table>

Source: HUD AMI 2014, DHCA, RKG

Note: Rent thresholds are calculated as 30% of gross income. The County’s Moderately Priced Dwelling Unit (MPDU) thresholds are established at 65% of the HUD median for a four person household, which is close to the 80% of AMI for a three person household.
RENTAL HOUSING
DEMAND ANALYSIS
RENTAL HOUSING DEMAND ANALYSIS

RENTER OCCUPIED HOUSEHOLDS, BY HOUSEHOLD SIZE
2010-2014

Figure 18

Source: ACS 2010-2014
RENTER OCCUPIED HOUSEHOLDS, BY HOUSEHOLD SIZE
MONTGOMERY COUNTY
2010-2014

1-Person: 35%
2-Persons: 28%
3-Persons: 16%
4+Persons: 21%

Source: ACS 2010-2014
RENTAL HOUSING DEMAND ANALYSIS

Figure 21

RENTER HOUSEHOLDS EARNING BELOW MEDIAN INCOME, BY AFFORDABILITY THRESHOLD
2010-2014

Source: ACS 2010-2014
Renter population more diverse than many other communities

- 37% of rental households have 3+ persons
  - Influenced by mix of units by bedroom count
  - Transient nature of County/region (NIH, Federal government) increases renter demand from traditional ownership households
  - Contributes to conversion levels

- About 66% of renters over 35-years old
  - Active adult (55+) makes up 25%

Renter households more diverse income levels than owners

- More than 50% of renter households earn less than 100% of AMI
  - Some subareas have concentrations over 80% of low/moderate income HHs
- Households earning below 50% of AMI account for 38% of demand
  - 46,845 renter households
RENTAL HOUSING SUPPLY ANALYSIS
PERCENT OF HOUSING UNITS RENTER OCCUPIED
2010-2014

Source: ACS 2010-2014
RENTAL HOUSING UNITS, BY BEDROOM COUNT
2014

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
RENTAL HOUSING UNITS, BY BEDROOM COUNT
ALL RENTAL UNITS
2014

- 3+Bedrooms: 39%
- 2-Bedrooms: 32%
- 1-Bedroom: 26%
- Efficiencies: 3%

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
Figure 27

YEAR BUILT
2008-2012

Source: CHAS 2008-2012
PERCENT OF EACH UNIT TYPE BEING USED AS RENTAL HOUSING
2014

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF DETACHED</td>
<td>8%</td>
</tr>
<tr>
<td>SF ATTACHED</td>
<td>23%</td>
</tr>
<tr>
<td>DUPLEX</td>
<td>80%</td>
</tr>
<tr>
<td>3-4 UNITS</td>
<td>72%</td>
</tr>
<tr>
<td>5-9 UNITS</td>
<td>75%</td>
</tr>
<tr>
<td>10-19 UNITS</td>
<td>81%</td>
</tr>
<tr>
<td>20+ UNITS</td>
<td>76%</td>
</tr>
<tr>
<td>ALL UNITS</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
Rental housing accounts for 30% all units in County
- Concentrated on Metro lines and employment centers
- Conversions highest in older, inner-Beltway and high employment areas
- Glenmont subarea high concentration away from employment

Employment/transit corridors have greatest conversion supply
- Silver Spring/Glenmont and Friendship Heights/Bethesda/White Flint lines
- Germantown has affordable conversion concentration (townhomes)

County rental supply has high concentrations of large units
- Almost 40% are 3+ bedroom units (conversions)
  - More than 25% with only apartments
  - Concentrated in older properties
- Only 14% of County supply constructed since 2000
  - 55% built prior to 1980
- Existing resident displacement concern if redevelopment becomes precedent approach
ANALYSIS RESULTS
RENTAL HOUSING DEMAND, BY AFFORDABILITY THRESHOLD
2010-2014

- Under 30% of AMI: 22%
- 30% to 50% of AMI: 17%
- 50% to 80% of AMI: 12%
- 80% to 100% of AMI: 23%
- 100% to 120% of AMI: 7%
- Over 120% of AMI: 20%

Source: ACS 2010-2014
RENTAL HOUSING SUPPLY, BY AFFORDABILITY THRESHOLD
2014

- Over 120% of AMI: 8%
- 100% to 120% of AMI: 6%
- Under 30% of AMI: 4%
- 30% to 50% of AMI: 15%
- 50% to 80% of AMI: 28%
- 80% to 100% of AMI: 38%

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
Figure 32

AFFORDABILITY BY BEDROOM COUNT
3-PERSON INCOME THRESHOLDS
2014

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
Figure 33

SUPPLY/DEMAND EQUILIBRIUM
ALL RENTAL UNITS
2014

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
SUPPLY/DEMAND EQUILIBRIUM
APARTMENT UNITS ONLY
2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Apartment Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDER 30% AMI</td>
<td>(20,830)</td>
</tr>
<tr>
<td>30% TO 50% AMI</td>
<td>(792)</td>
</tr>
<tr>
<td>50% TO 80% AMI</td>
<td>21,304</td>
</tr>
<tr>
<td>80% TO 100% AMI</td>
<td>8,119</td>
</tr>
<tr>
<td>100% TO 120% AMI</td>
<td>(4,916)</td>
</tr>
<tr>
<td>OVER 120% AMI</td>
<td>(20,536)</td>
</tr>
<tr>
<td>ALL UNITS</td>
<td>(17,651)</td>
</tr>
</tbody>
</table>

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
SHARE OF RENTER HOUSEHOLDS COST BURDENED, BY SUBAREA
2008-2012

Source: CHAS 2008-2012
COST BURDEND RENTER HOUSEHOLDS, BY AFFORDABILITY THRESHOLD
2008-2012

Source: CHAS 2008-2012
SHARE OF RENTER HOUSEHOLDS COST BURDENED BY MORE THAN 50% OF GROSS INCOME

2008-2012

Percentage

- **UNDER 30% of AMI**: 86%
- **30% to 50% of AMI**: 47%
- **50% to 80% of AMI**: 15%
- **80% to 100% of AMI**: 11%
- **OVER 100% of AMI**: 3%

Source: CHAS 2008-2012
<table>
<thead>
<tr>
<th>Location</th>
<th>Under 30% of HAMFI</th>
<th>30% to 50% of HAMFI</th>
<th>50% to 80% of HAMFI</th>
<th>80% to 100% of HAMFI</th>
<th>Over 100% HAMFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>RT. 29 CORRIDOR EAST</td>
<td>23%</td>
<td>26%</td>
<td>33%</td>
<td>37%</td>
<td>59%</td>
</tr>
<tr>
<td>ASPEN HILL</td>
<td>12%</td>
<td>9%</td>
<td>15%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>SILVER SPRING/GLENMONT</td>
<td>18%</td>
<td>15%</td>
<td>13%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>ROSEMARY HILLS/KENSINGTON</td>
<td>22%</td>
<td>19%</td>
<td>22%</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>FRIENDSHIP HEIGHTS/BETHESDA/WHITE FLINT</td>
<td>24%</td>
<td>31%</td>
<td>22%</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>WESTBARD/KENWOOD</td>
<td>11%</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>POTOMAC</td>
<td>9%</td>
<td>4%</td>
<td>14%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>GERMANTOWN AND VICINITY</td>
<td>16%</td>
<td>20%</td>
<td>20%</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>A.G. RESERVE</td>
<td>13%</td>
<td>7%</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>UPPER ROCK CREEK</td>
<td>7%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>PATUXENT &amp; CLOVERLY</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>ROCKVILLE/GAITHERSBURG</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>MONTGOMERY COUNTY</td>
<td>31%</td>
<td>31%</td>
<td>31%</td>
<td>31%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: CHAS 2008-2012
Figure 40: Subarea Supply/Demand Equilibrium, All Rental Units 2014

Net Surplus: 9,555

Source: 2014 County Assessment, 2014 County Rental Survey, ACS 2010-2014
KEY FINDINGS

- **Households at the lowest incomes are the least served**
  - 38% of renter households earn under 50% of AMI
  - 19% of rental units affordable under 50% of AMI

- **Units affordable from 30% to 80% of AMI, concentrated inside ICC and along I-270**
  - Sizeable supply from 50% to 80% Countywide

- **Affordability greatest in smaller units**
  - Factor of size more than anything
  - Only meets needs of specific households (no one over 2 persons)
  - Only ~12% of larger (3+ bedroom) units are affordable below 80% of AMI
KEY FINDINGS

- **Market unbalanced at lowest/highest end of market**
  - Under 30% of AMI households are short 20,830 units
  - Over 120% of AMI households are short 13,253 units

- **Concentration of units between 50% and 100% of AMI**
  - Testament to inclusionary zoning requirements
  - Age of housing also large influence
  - Great for households seeking to minimize cost

- **Preference needs to be considered**
  - Not all households seek to maximize ability to pay (high end)
    - Building 13,000 high-end units will serve new residents as well as existing
  - **Housing/transportation costs linked in Metro area**
    - Joint costs may be balanced (45% of gross income), but skewed to housing
Approximately 50% of all renter households cost burdened
- Share by subarea varies, but no less than 37% in Friendship Heights

Cost burdening much greater for lower incomes
- 80% of households earning below 30% of AMI
- 87% of households earning between 30% and 50% of AMI
  - Impacted by presence of income-controlled housing
- In contrast, only 9% of those earning over 100% of AMI
- “Excessive” burdening also concentrated among the most vulnerable
Montgomery County rental base provides diverse offerings
- Age of supply creates “natural” affordability
- Age also provides diverse unit size supply
- Transient nature of region/employment enhances conversion market

However, market forces eroding “naturally affordable” base
- Unbalanced supply/demand driving up costs
- Loss of real income due to downturn
- Demand from outside Montgomery County, Metro region

New development will be necessary to meet need of existing/growing unmet demand (affordably)
- Employment centers, transportation corridors

Rehabilitation/preservation equally (more) important
- Protection of 3+ bedroom apartment units
Ownership conversions provide a major resource for renters

- Removing conversions has dramatic impact on balance
  - Net shortage of 17,651 units based on demand
- Units almost exclusively concentrated in 80% and above groups
- Large share of the 3+ bedroom rental units
- Silver Spring/Glenmont only subarea where apartments exceed total demand

Economic expansion will erode conversion supply

- Market forces will make selling to owners more lucrative than maintaining as a rental
- The loss of conversions will disproportionally displace higher income households
  - Downward pressure on market = higher prices
- Lack of suitable supply will force existing residents to leave County
Purple Line connection east-west may change rental market equilibrium

- Direct impact – Redevelopment that will occur around new stations
  - Demolition/repositioning of market rate affordable units
  - Replacement with higher-end, smaller units
- Indirect impact – Silver Spring/Glenmont rentals will have better connectivity to Friendship Heights/Bethesda/White Flint line employment
  - Drive up pricing for naturally affordable units

County rental market driven, in part, by Federal spending

- Direct impact – NIH, NIST...
  - Changes in programmatic spending/focus could affect market
- Indirect impact – Federal government generates transient demand
  - From representatives to their support staff
  - Demand across all income spectrums
  - Part of conversion market
NEXT STEPS
Interview and stakeholder outreach

Typology analysis (APD)

Financial feasibility model (RKG)

Policy analysis (CHP)

Strategy Formulation