

DRAFT RECOMMENDATIONS

Housing Opportunities Master Plan

November 6, 2020

We are pleased to release our draft recommendations for Howard County's upcoming Housing Opportunities Master Plan. At this time, we kindly ask that you review the following document, and that you share your thoughts through our online survey: <https://www.surveymonkey.com/r/WFDLKSJ>.

If you have any questions that you would like to ask us about our draft recommendations, you may also join us for one of two online Open House meetings. For more information on the dates and times of these meetings, please visit <https://www.howardcountymd.gov/HousingTaskForce>.

We thank you in advance for your time, and we look forward to hearing from you soon.

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 has conducted detailed housing market and policy analysis in Howard County. During this time, the RCLCO team has worked closely with the Howard County Department of Housing and Community Development ("HCD"), and has regularly met with the Housing Opportunities Master Plan Task Force, which has provided guidance and input along the way. In August, 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 until September and received nearly 2,300 responses during that time.

This 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 has developed a set of draft recommendations, which fall into three broad categories: land use, planning, and zoning; programs and policies; and Adequate Public Facilities Ordinance ("APFO"). The following document includes an overview of these recommendations, as well as the reasons why they are important for Howard County to consider. After reviewing this document, the RCLCO team kindly requests that you share your feedback, which it will consider as it refines and revises the recommendations during the months of November and December.

Critically, the RCLCO team and the Housing Opportunities Master Plan Task Force have developed these draft recommendations with the primary goal of identifying concrete 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 during the General Plan process. Relevant components of the revised recommendations produced in December 2020 will therefore be shared with the Howard County Department of Planning and Zoning ("DPZ"), which is spearheading the ongoing General Plan efforts, to evaluate in concert within its scenario planning process before RCLCO finalizes the Housing Opportunities Master Plan recommendations in March 2020.

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 affordable housing throughout the 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 to produce income-restricted, subsidized 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 (“Moderate Income Housing Unit,” or MIHU policy). While the County recently expanded this policy, there are still locations where it does not functionally apply. Developers may pay a fee in lieu (“FIL”) of providing the units on-site, which is a practice that many jurisdictions use to collect revenue for other affordable housing goals. However, Howard County’s fees are currently low enough that it is generally more advantageous to pay the fees rather than integrate the units into the development, which works against the goal of facilitating new MIHU production. FIL is an important revenue driver that allows the County to provide gap funding for 100% affordable developments, but the current fee structure does not produce significant revenue or encourage the production of units through MIHU.

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.*
- I-1.2 Include incentives to encourage the production of additional affordable and/or accessible units beyond the MIHU baseline rules.*

I-1.3 Ensure redevelopment plans include clear policies for meeting affordable housing needs, including MIHUs.

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-1.4 Evaluate the use of a countywide affordable housing overlay through the General Plan process. If feasible, the overlay should allow affordable housing development proposals that are located in low-poverty neighborhoods and meet specified criteria to proceed “by-right” (without the need for additional reviews and approvals). The overlay should also loosen zoning requirements unrelated to health and safety for predominantly income-restricted affordable housing and prioritized housing types in all locations. Flexibilities may include reduced parking or relate to height and/or setbacks.

I-1.5 Complement by-right development of affordable housing in low-poverty areas with a process to ensure that any affordable housing investment in higher-poverty areas contributes to neighborhood revitalization and supports the reduction of concentrated poverty through mixed-income housing development.

2) Enable more equitable growth throughout the county

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 lacks both existing affordable housing, as well as land planned for development that could be affordable. Substantially limited growth in the Rural West 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 affordable 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 Conduct a study to determine if there are locations in the Rural West (and other undeveloped, non-preserved areas of the county) where it is feasible to accommodate increased development, while balancing other priorities such as sewer/water capacity, historical context, and agricultural preservation goals. If the study identifies such locations, use its results to revise zoning where 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, with provisions/resources for redevelopment plans or other master plans to meet thresholds for affordability and growth in a context-sensitive manner. For example, a redevelopment plan in an area with high-cost, mostly ownership-oriented housing could prioritize zoning tools to encourage affordable rental development and entry-level homeownership options. A lower-density neighborhood could facilitate growth by allowing modest increases in density across the whole neighborhood, or prioritize a corridor for significantly denser, mixed-use, mixed-income development.

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 redevelopment plans recommended above. Examples of potential housing types include efficiency rentals, attached single-family housing, "cottage clusters," townhomes, and other "missing middle" types.*
- I-3.2 Provide the regulatory flexibility to increase opportunities for accessory dwelling units. These accessory dwelling units could include detached apartments over garages, basement apartments in townhomes, and/or attached, bump-out caregiver suites. Pair with a financing/technical assistance program to encourage affordability.*
- I-3.3 Allow additional density/form flexibility if a portion of units are affordable and/or near existing infrastructure, retail, and community assets.*
- I-3.4 Adjust associated provisions in zoning codes that create "de facto" barriers to housing stock diversification. 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.

Recommendations for consideration:

- I-4.1 Identify areas through the General Plan scenario process where "tactical" investments (e.g., pedestrian improvements to connect a residential community with a retail node) and/or regulatory changes could 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.*
- I-4.2 Allow neighborhood-serving retail (e.g., small corner markets, coffee shops, etc.) in all residential zones.*
- 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).*

5) Streamline entitlement and review process

Lengthy and complex entitlement processes add costs to a development, often without a corresponding benefit to the community. This challenge is common throughout the region and the country as a whole, and increasing the efficiency of the development process enables more developments to be financially feasible, particularly smaller-scale projects. Streamlined approval processes could give more scope for provision of community benefits on larger projects.

Recommendations for consideration:

- I-5.1 Ensure discretionary reviews and public design reviews do not unnecessarily delay projects.*
- I-5.2 Scale the entitlement and review process to the size of the development.*

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 seniors, 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 affordable 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 affordable 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 senior, 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. Though 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 Create an inter-agency housing opportunities task force with DPZ, HCD, and CRS that is responsible for setting strategic direction, prioritizing resources, ensuring housing affordability is considered in County policies not explicitly about housing, and coordinating and tracking housing-related efforts.*

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 there is a programmatic approach to meeting housing needs countywide.*
- 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 (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.*

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, 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 low-poverty 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.*
- II-2.2 Establish an affordable housing trust fund, which is a formal, coordinated, and predictable structure for allocating housing funding. Trust fund revenue would be allocated as "gap financing" for projects leveraging other sources of capital, for policies or programs proposed as a part of this plan, and for the preservation of existing affordable units.*
- II-2.3 Consolidate existing funding sources conducive to housing production with the trust fund.*
- II-2.4 Look for additional targeted sources of ongoing revenue, such as issue-specific taxes (e.g., short-term rental fees) and/or general fund contributions, to add to annual trust fund contributions and create a more diverse revenue base.*

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 property inventory database, define risk factors for loss from the affordable stock, and identify high-impact properties for preservation.*
- II-3.2 Tailor capital/revenue generation and planning strategies to the individual properties identified as high-impact.*

The recently passed "right of first refusal" policy 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. 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.*

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.

II-3.7 Allow additional density, subsidies, and/or other incentives to facilitate the creation of replacement units.

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.

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 options for those that prefer to explore housing options in other 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 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 for property upgrades and/or maintenance in exchange for ensuring ongoing affordability.

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 neighborhood conditions in places experiencing, or at risk of disinvestment.

Recommendations for consideration:

II-4.5 Identify neighborhoods with significant capital needs and/or that are at-risk of disinvestment.

II-4.6 Pair with outreach to neighborhood residents and organizations, identification of targeted investments, and coordination of subsidy provision and rehabilitation activities.

Depending on market strength, it may either be uneconomical for landlords to invest in upgrading a property, or such upgrades could lead to rent increases that increase cost burdens for lower-income tenants.

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 support 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 resource navigator website and hotline.

II-4.9 Provide technical assistance to homeowners to identify needs and access resources.

II-4.10 Create a vetted contractor/vendor list and assist households in navigating the rehab/retrofit process.

II-4.11 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-4.12 Address non-conforming elements of existing properties by loosening rules and/or “grandfathering in” conditions unrelated to health and safety.

5) Expand opportunities for homeownership

Though 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. Purchasers are able to acquire the home at an affordable price, and this subsidy is passed on to future 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.

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 very low incomes may struggle to pay lower-cost rents, and this dynamic can have disproportionate impacts on certain population and demographic groups (e.g., non-white households, households with disabilities, seniors and other households on fixed incomes, etc.) for a range of reasons. It is important to proactively address systemic barriers and advance economic opportunity for groups that face more significant housing barriers and/or have traditionally experienced discrimination.

Recommendation for consideration:

- II-6.1 Create a local rental assistance program to enhance housing stability for the highest need households and support County residents in times of natural disaster (such as following the Ellicott City floods) or economic instability (such as COVID-19).*

Even when additional financial assistance is provided, households that have very 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 program by increasing marketing to landlords and expanding resources available for the program's incentives.*
- II-6.3 Look for opportunities for deeper engagement with property owners of naturally-occurring affordable 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 housing 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 seniors 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 Create and manage a housing matching service or searchable database of accessible units and features, with the goal of matching households with available units.*
- II-6.10 Create a waitlist structure for households seeking accessible units and negotiate with landlords to reduce penalties for tenants who terminate a lease in order to access an accessible unit.*

Outdated definitions of "family" or capping the number of unrelated individuals that may live in a unit create barriers for non-traditional family structures and limit alternative living arrangements, roommates, and supportive home sharing necessary for individuals with special needs to live independently.

Recommendation for consideration:

II-6.11 Remove references in the zoning code that limit the number of unrelated individuals that can live in an individual unit, while maintaining regulations related to crowding that preserve health and safety.

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.

Recommendation for consideration:

II-6.12 Expand resources for tenant legal assistance and proactive outreach efforts to both tenants and landlords

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:** Improve the balance between housing and infrastructure needs, and find creative ways to meet demands for both housing and infrastructure.

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

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

Recommendations for consideration:

III-1.1 As previously discussed, 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.

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 to meet housing demand, rather than 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.

III-2.2 Consider automatically exempting affordable housing from moratoria in low-poverty areas and also exempting market-rate housing (including on-site MIHUs) in higher poverty areas.

III-2.3 Consider whether other priority housing types (e.g., age-restricted housing, missing-middle housing, etc.) should also receive automatic or limited exemptions from moratoria.

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 Identify opportunities for co-location of public facilities and housing.

III-3.3 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-3.4 Proactively address zoning challenges, such as barriers to mixed-use or housing development, on institutionally zoned sites.

III-3.5 Facilitate information sharing, outreach, and technical assistance in planning and development for community organizations.

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.