Frederick County Affordable Housing Needs Assessment

HR&A Analyze. Advise. Act.

Frederick County, MD
November 2016

Victoria Park

520 North Market Street

Taney Village Apartments

Bell Court Senior Living

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EXECUTIVE SUMMARY

On behalf of Frederick County, HR&A Advisors, Inc. conducted a housing needs assessment based on an evaluation of the County's housing market and demographic conditions. The analysis highlights the gap in the supply of affordable housing at prices affordable to county residents (housing gap) and estimates the number of residents that are currently housing cost burdened, paying more than 30% of their income for housing.

The results of the housing needs assessment form the foundation for recommendations on how the County can build on their existing policies and programs to address housing needs.

An analysis of the Moderately Priced Dwelling Unit (MPDU) Program was also conducted to inform whether the payment in lieu option should continue to be offered and what level of payment is appropriate.

Housing Needs and Moderately Priced Dwelling Unit (MPDU) Program Assessment Summary

The Housing Needs and MPDU Assessments are organized into the five areas, four types of housing need: workforce rental housing, rental housing with operating support, housing to support an aging population, and access to homeownership and then key points for the MPDU program.

Workforce Rental Housing:

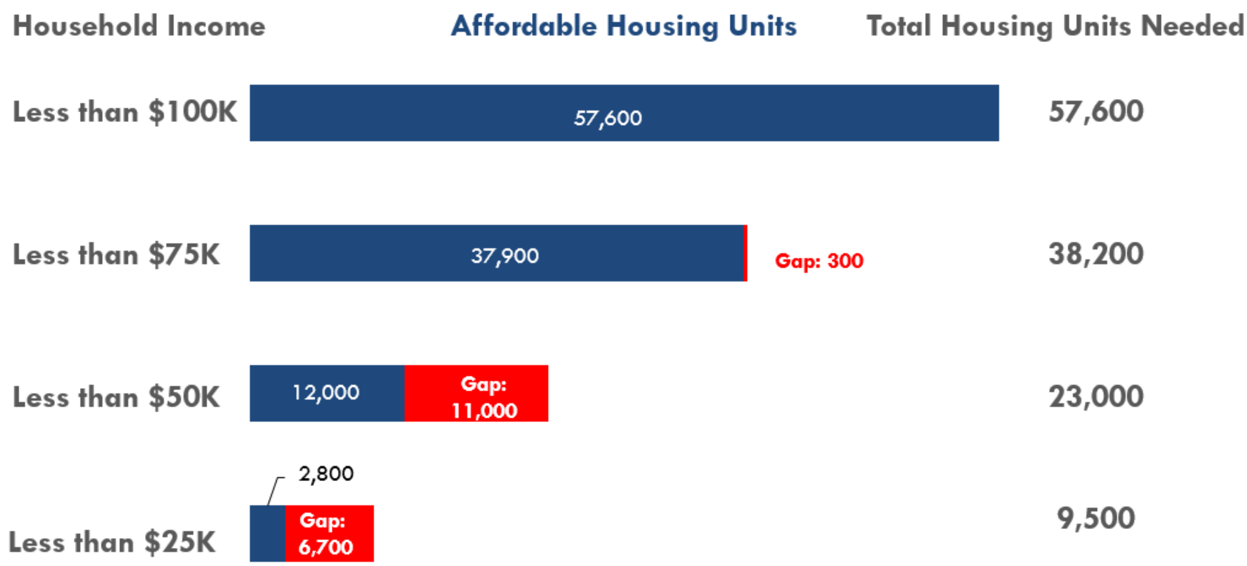
A gap in affordable workforce[1] rental housing has emerged since 2000.

In 2000, there was a shortage of housing affordable to very low-income households, those earning less than $25,000, of approximately 9,000 housing units. At the time, there was no gap in affordable housing for any other income level in Frederick County. By 2014 the gap in affordable housing had grown to 11,000 housing units and included households earning between $25-50,000 annually. This expansion of the housing gap, which includes households with moderate incomes, represents a new need for workforce rental housing and a continuing need for very low income rental housing (Graph 1).

The workforce rental housing gap is being driven by the decrease in naturally affordable rental housing in Frederick County. Naturally affordable rental housing occurs as a result of market conditions and does not require public assistance. The majority of naturally affordable rental housing stock is characterized by older properties that are nearing the end of their useful life and can no longer command premium rents. The supply of naturally affordable housing in Frederick County is decreasing as rents increase countywide (Graph 2). At the same time, the supply of publicly assisted affordable housing has remained relatively constant (Table 1, Appendix A). The decline of naturally affordable housing and the stable supply of publicly assisted affordable housing has resulted in a net decrease in the amount of affordable rental housing in the County over the past 15 years. The driving factor behind the emergence of the workforce rental housing gap is the decrease in supply of affordable housing options, rather than a significant increase in need from Frederick County residents.

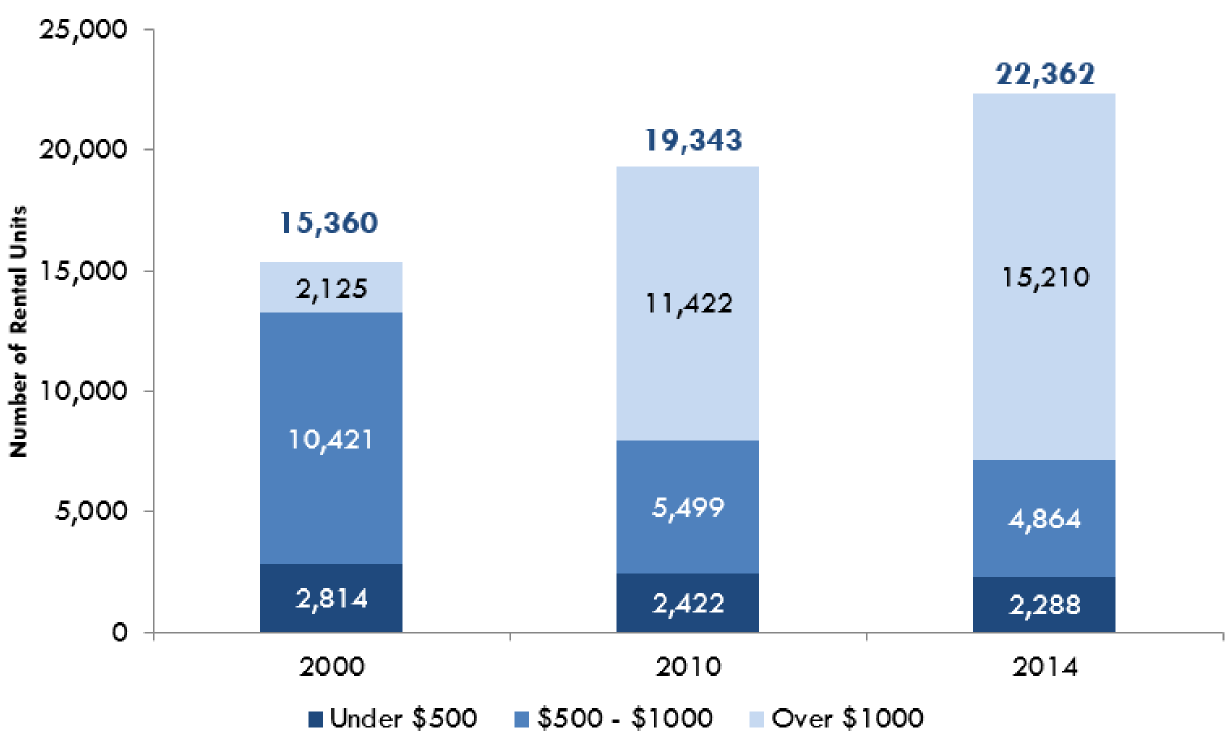
[1] For the purposes of this report workforce rental housing is housing that is affordable to households earning between $25-50,000.

Graph 1. Housing Gap Assuming a Maximum 30% Cost Burden, 2014



Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.
Source: ACS, Census

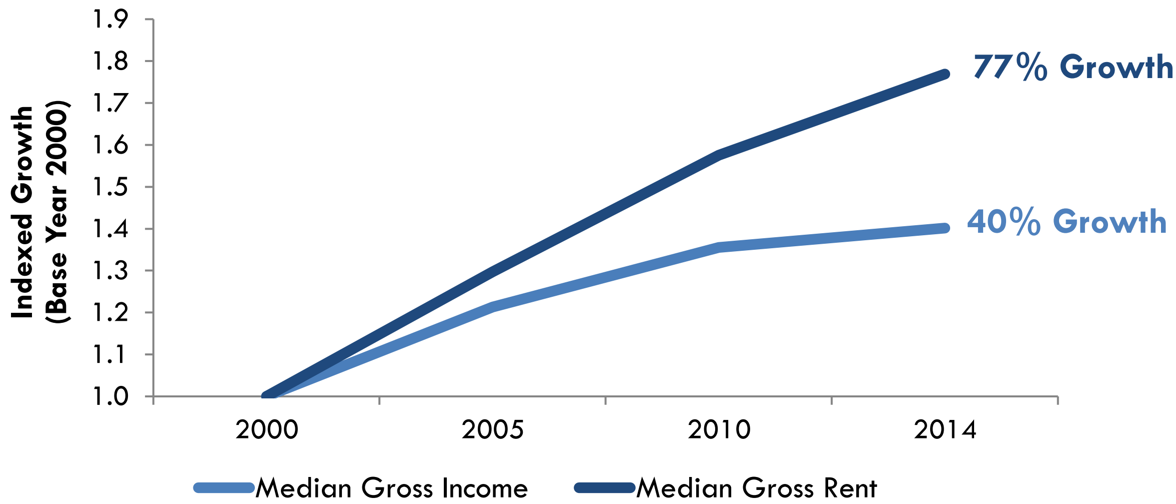
Graph 2. Number of Rental Units by Monthly Rent, Frederick County, 2000 - 2014



Source: ACS, Census

Rents have risen faster than incomes in Frederick County over the past 15 years (Graph 3). As a result, lower income households, particularly renter households, have to allocate an increasingly large share of their incomes towards housing costs to meet increasing rents (Graph 4, Graph 5).

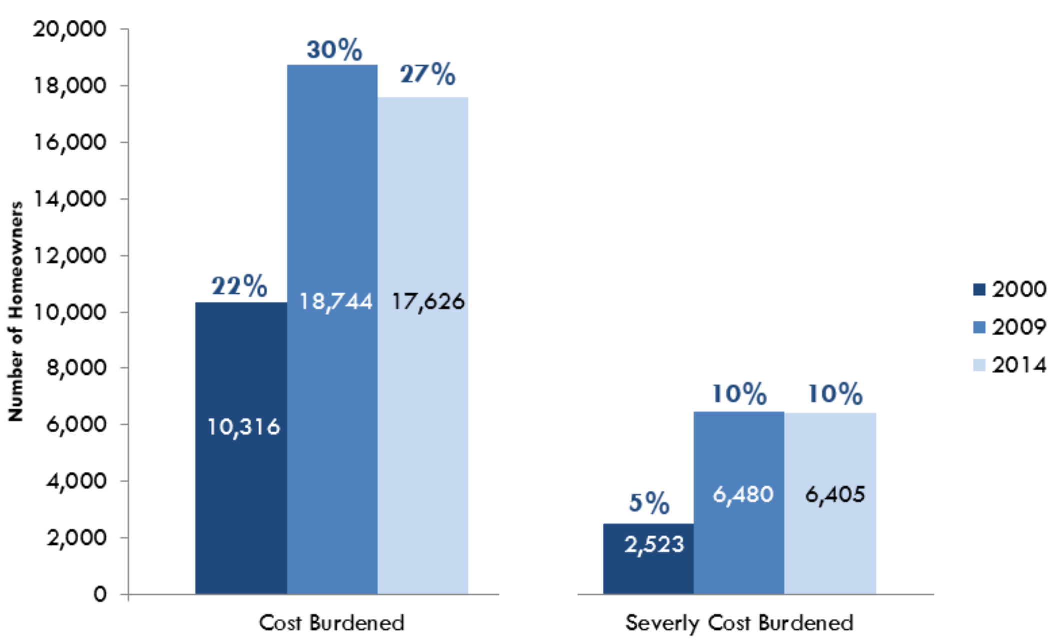
Graph 3. Indexed Median Household Gross Income and Median Rent Growth, Frederick County, Base Year 2000



	2000	2005	2010	2014	Growth
Median Gross Income	$60,276	$73,149	$81,686	$84,480	40%
Median Gross Rent	$719	$933	$1,133	$1,272	77%

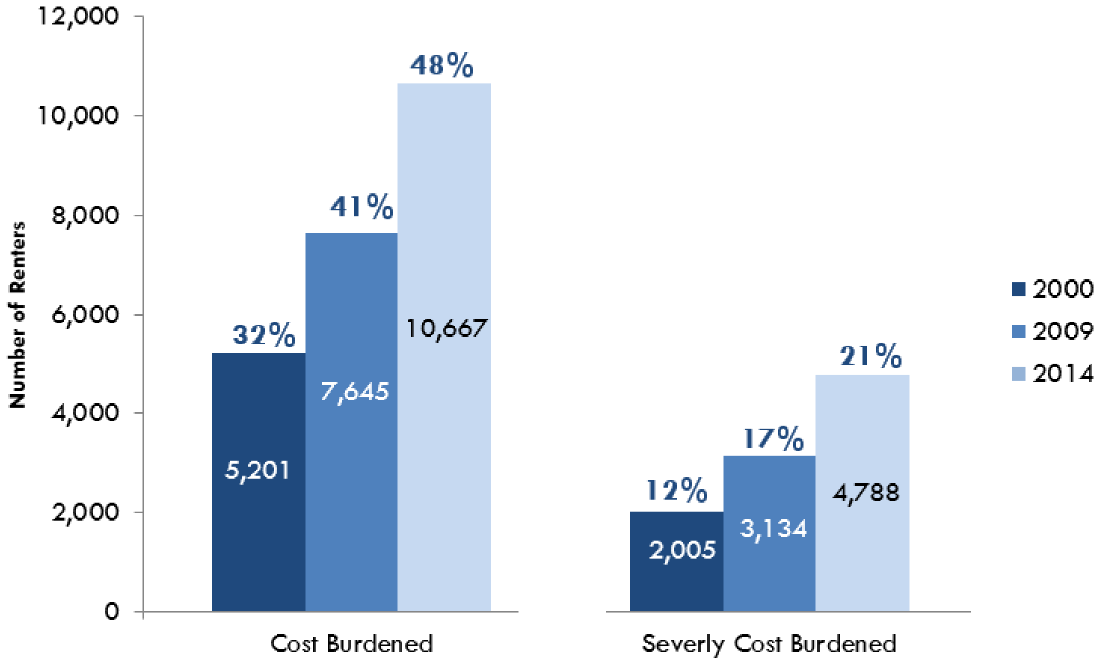
Source: ACS, Census

Graph 4. Homeowners by Cost Burden Status, Frederick County, 2000 - 2014



Source: PolicyMap

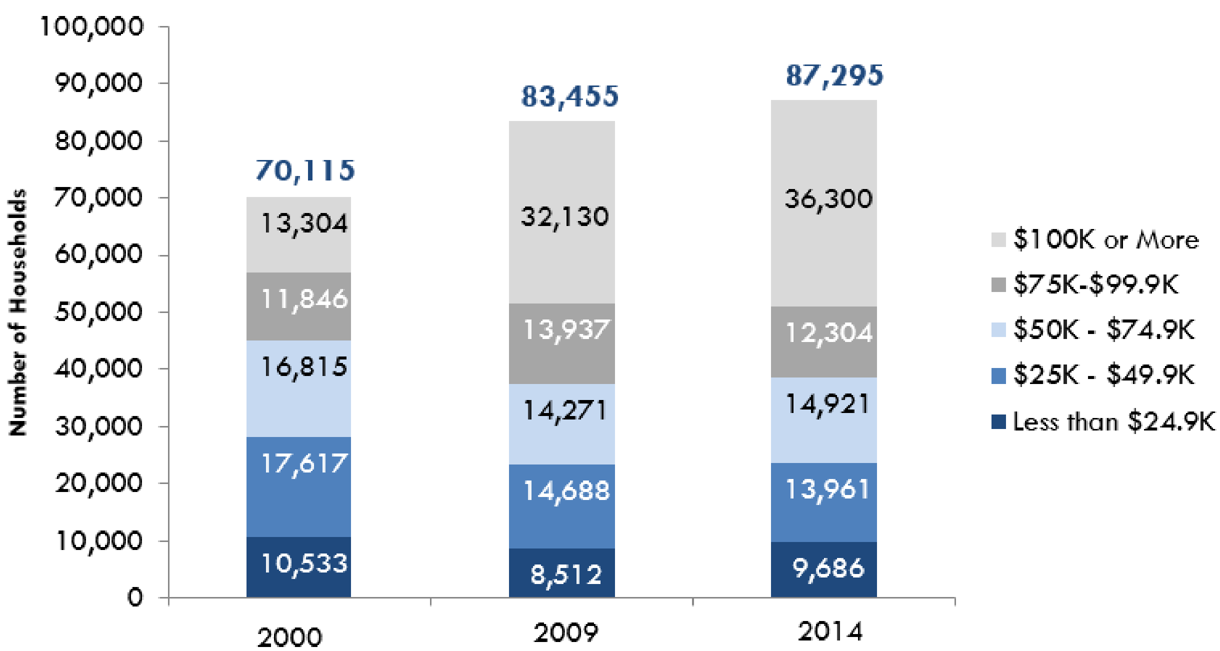
Graph 5. Renters by Cost Burden Status, Frederick County, 2000- 2014



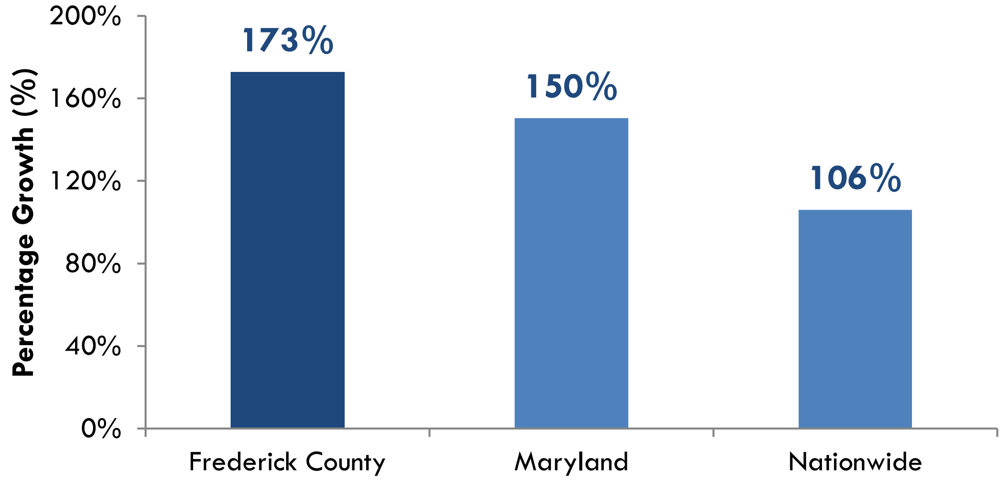
Source: PolicyMap

There are a few significant forces working in Frederick County's favor as it seeks to close the housing gap. These factors will reduce the number of new publicly assisted affordable housing units that must be produced to close the housing gap. The first is that number of lower income households has declined in Frederick County over the past 15 years and is currently holding steady (Graph 6). The population growth Frederick County has experienced is among households earning more than $100,000, many of whom commute into the urban core of the Washington DC metro for work (Graph 7). As a result of the stable number of lower income households in Frederick County, the housing gap should not increase because of greater need.

Graph 6. Households by Income Bracket, Frederick County, 2000 - 2014



Graph 7. Percentage Growth in Households Making $100,000+, Frederick County, 2000-2014



Source: ACS, Census

The second factor working in Frederick County's favor is the pipeline of new affordable rental housing in development. Approximately 300 units have either been brought onto the market or are currently in development since 2015 (Table 2). This represents a significant increase in the production of new affordable rental housing in Frederick County. The County's support of Low Income Housing Tax Credit (LIHTC) projects through subsidy, tax incentives and general cooperation with private developers can be credited for this increase in production.

Table 2. LIHTC Funded Developments in Frederick County, MD, 2006-2015

Project Name	Date	Pop. Type	Project Type	Units	LIHTC	Tax Credit Equity	Total Dev. Cost
Hillcrest Commons	2006	Families	New	60	9%	$ 5,616,444	$ 9,369,876
Brunswick House Apartments	2007	Elderly	Acq./Rehab.	2	4%	$ 1,482,236	$ 6,178,850
Victoria Park at Walkersville	2007	Elderly	New	80	9%	$ 5,906,882	$ 12,587,232
Frederick Revitalization	2008	Families	New/Acq./Rehab.	86	9%	$ 8,992,101	$ 18,487,867
Seton Village	2013	Elderly	Acq./Rehab.	43	4%	$ 3,576,926	$ 14,270,364
Taney Village Apartments	2014	Elderly	Acq./Rehab.	130	4%	$ 6,745,577	$ 24,616,482
Sinclair Way	2015	Families	New/Rehab.	71	9%	$ 13,611,269	$ 20,318,778
The Commons of Avalon	2015	Families	New	114	4%	$ 6,584,266	$ 28,231,410
Windsor Gardens	2015	Families	Acq./Rehab.	59	4%	$ 2,375,326	$ 10,276,816
Total				**645**		**$ 54,891,027**	**$ 144,337,675**

Source: Maryland Department of Housing and Community Development

The third factor is the potential for a significant increase in the number of naturally affordable rental units in Frederick County. Frederick County is experiencing a significant increase in development with 24,580 dwelling units in the pipeline currently.[2] Of these 1,112 are rental housing units that are near to reaching the market. The County also has a significant stock of existing rental housing, approximately 9,800 housing units, where the rents are slightly higher than what is affordable to households making less than $50,000. Competition from new rental development and the aging of existing properties will lead some of these 9,800 housing units to become naturally affordable to households earning less than $50,000 over the next ten years.

[2] Typically a significant portion of housing units in the development pipeline 'fall out' and are never developed.

Together these factors reduce the number of new affordable rental housing units needed to close the housing gap from 11,000 to approximately 5,720 (Table 3). This is still a significant need, but by steadily increasing the supply of affordable rental housing over time the County can close the housing gap.

Table 3. Current Affordable Housing Gap, Frederick County

Frederick County Affordable Housing Gap	**11,000**
New Affordable Housing in Pipeline[3]	300
Increase in Naturally Affordable Housing[4]	4,980
Remaining Affordable Housing Gap	**5,720**

Source: HR&A, CoStar, Census

The housing gap represents the summation of several different types of housing need in Frederick County. The different needs will require different actions from the County. There are two primary groups of housing need based on income level – workforce housing, which for this report includes households earning between $25-50,000, and extremely low income housing which includes households earning less than $25,000. Within the workforce rental housing there is specific need for affordable senior housing. The senior population in Frederick County is large, growing and has different housing needs than the general population. Conversely, there was no significant housing gap found for renter households with incomes over $50,000.

Within the extremely low income rental housing market, there are a few subpopulations with specific housing needs that the County should target. Like the workforce rental housing, there is need for senior housing among the extremely low income rental housing population. There is a significant veteran's population in Frederick County that is likely to require housing targeted to its diverse or special needs. The Frederick County Coalition for the Homeless' Strategic Plan for Ending Homelessness also identified specific types of affordable housing needed in Frederick County (Table 4, Table 5).[5]

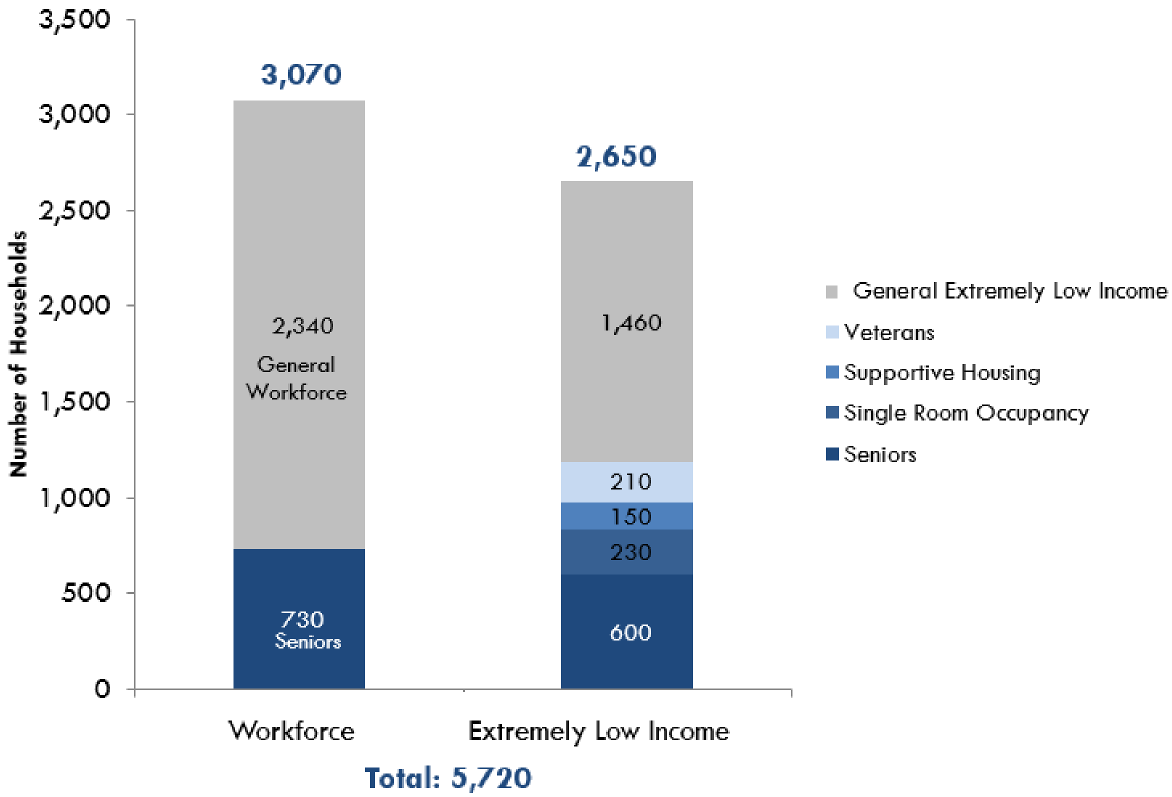
Table 4. Current Distribution of Affordable Housing Need, Frederick County

Workforce	**3,070**
Seniors	*730*
General Workforce	*2,340*
Extremely Low Income	**2,650**
Seniors	*600*
Single Room Occupancy	*230*
Supportive Housing	*150*
Veterans	*210*
General Extremely Low Income	*1,460*
Total	**5,720**

Source: Frederick County Coalition for the Homeless Strategic Plan for Ending Homelessness

[3] This includes Sinclair Way, The Commons of Avalon, Windsor Gardens, 520 North Market Apartments.
[4] This projection is over a ten year period and assumes that the existing naturally affordable housing units remain in use and are not taken off the market.
[5] The housing needs of subpopulations identified are not exhaustive and the County should continue to work with social service groups and others working with low-income residents to identify subpopulations with specific housing needs.

Table 5. Current Distribution of Affordable Housing Need, Frederick County



Source: Frederick County Coalition for the Homeless strategic Plan for Ending Homelessness - Supportive Housing and Single Room Occupancy.

Rental Housing with Operating Support:

A continuing lack of housing affordable to very low-income households. The gap in housing affordable to households making less than $25,000 declined moderately, in line with the drop in the number of households earning less than $25,000. For households making less than $25,000, the lack of affordable housing is not a recent development. The driving factor behind this housing gap is not the cost of housing but the limited incomes of these households. The rent that is affordable to households making less than $25,000 is rarely sufficient to cover the cost to develop and maintain housing.

Either households must spend more than 30% of their income on housing or subsidized housing must be provided to address this housing gap. The market is not capable of providing the quality housing needed at an affordable price in sufficient quantity. Publicly assisted affordable rental housing is required to avoid the displacement of these households from the County. The level of public assistance must include both the development subsidy that is needed to support workforce rental housing, as well as operating support to supplement the limited rents these households can afford. To meet this level of subsidy, the County will need to secure extremely limited federal operating subsidies in addition to developing local sources.

Housing to Support an Aging Population:

A growing housing cost burdened senior population. Frederick County's senior population has increased by 80% since 2000. Meanwhile, the portion of senior renters that were housing cost burdened in 2014 was 62%, up from 43% in 2000.

There are two groups of seniors that should be considered when evaluating their housing needs – younger seniors who are more likely to age in place and live unassisted and older seniors who often require services that cannot be provided in their homes. The senior population growth is projected to be concentrated among seniors over the age of 75 for the next 30 years.

The supply of housing developments that can support older seniors will need to increase or older seniors will have to move outside of the County to meet their housing needs. Seton Village is a recent affordable housing development in Frederick County for senior citizens.

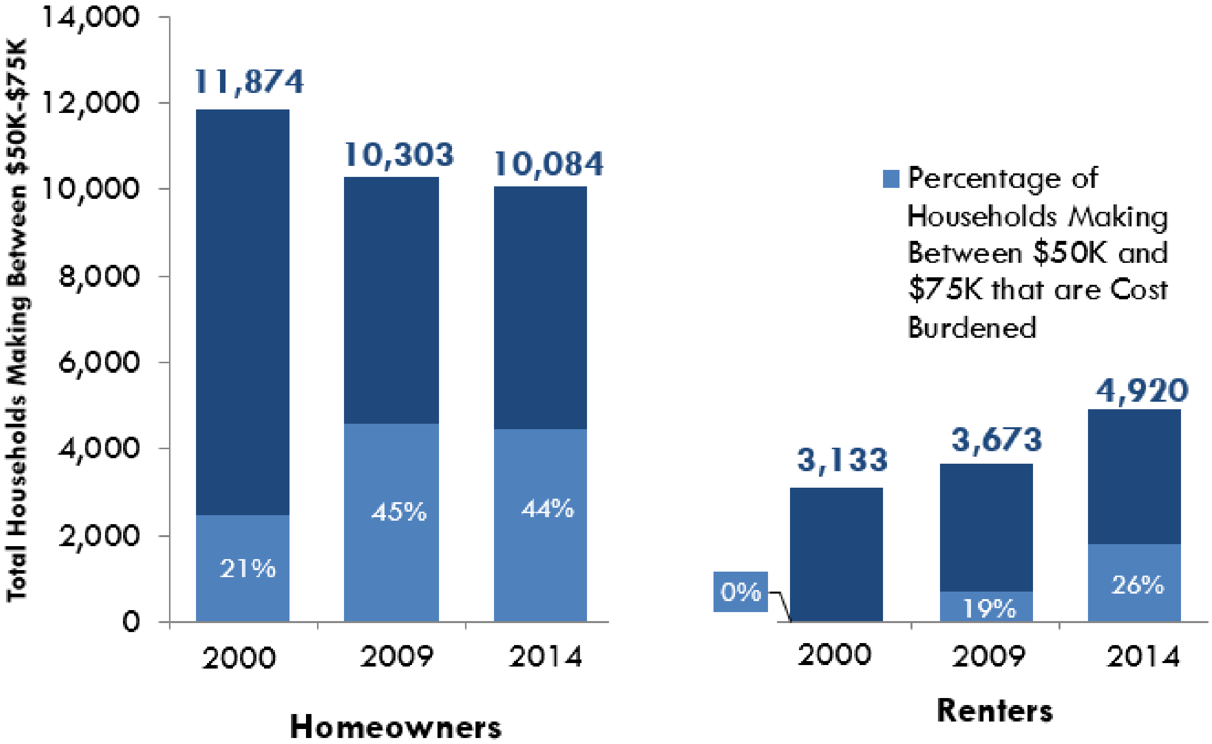
For younger seniors, who are more able to age in place, there is a significant housing cost concern, particularly among renters. Senior renters generally experience little wage growth and as a result struggle to cover increasing housing costs (rent, insurance, and utilities). In addition, seniors often choose to dedicate a higher portion of their income to housing costs due to a strong desire to age in place.

Seton Village, Emmitsburg, Frederick County, MD

Access to Homeownership:

It is increasingly difficult for moderate-income households to become homeowners. Over half of the homeowners earning less $75,000 in Frederick County are housing cost burdened. Households earning between $50-75,000 experienced the largest growth in cost burden increasing from 21% in 2000 to 45% in 2009 (Graph 8). The portion of owner occupied homes valued at less than $200,000 declined from 70% to 11% from 2000 to 2010.

Graph 8. Total Households Making Between $50,000 and $75,000, Frederick County, 2000 - 2014



Source: PolicyMap

Even with low-interest rates, the barrier to homeownership is rising in Frederick County as home prices increase. The need to make higher down payments (20% of increased home prices) or to pay private mortgage insurance (PMI) is contributing to the rising barrier to homeownership.

Still, Frederick County remains one of the most affordable locations for homeownership in the Washington metro region and has a high homeownership rate. It also continues to have a higher homeownership rate than other counties in the region. The need for affordable homeownership does not appear to be as pressing as the other affordable housing needs the County faces. However, the County should continue to support access to homeownership for moderate-income households,

Moderately Priced Dwelling Unit Program (MPDU):

The MPDU program is a source of critical local funding for affordable housing. The MPDU program generated $3,389,000 in payment in lieu income between 2012 and 2016. This funding provided development subsidies for affordable rental housing, down payment assistance, repairs to owner occupied homes, assistance to the homeless, among other uses. MPDU fees are the largest source of locally controlled affordable housing subsidies and an important part of the County's existing approach to creating and preserving affordable housing. The MPDU program has been less effective at producing housing units as part of new developments. To date, only one project, Whispering Creek, has created MPDUs in Frederick County.

The Housing Tools Analysis and Recommendations

Workforce Rental Housing:

Frederick County should continue to pursue affordable housing policies to leverage the Low Income Housing Tax Credit (LIHTC) in order to expand the supply of affordable workforce rental housing in the County. LIHTC is a powerful resource to support the creation of affordable rental housing that responds directly to the County's housing needs. The LIHTC program provides subsidy to lower the cost of development of rental housing, enabling property owners to charge rents affordable to low-and moderate-income households. In recent years several new LIHTC projects have been undertaken, creating hundreds of new affordable rental housing units (Table 6). If the County continues to attract LIHTC development at this rate, it can significantly reduce the gap in affordable workforce rental housing.

Table 6. LIHTC Funded Developments in Frederick County, MD, 2006 - 2015

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Source: Maryland Department of Housing & Community Development

The recommendations below are intended to help align the County's policies and practices to leverage LIHTC funding and increase the number of workforce rental housing:

Recommendation: The Affordable Housing Council and the Housing Department should continue to review the Maryland Qualified Allocation Plan (QAP) each year. The Maryland Department of Housing and Community Development establishes the state's QAP for Maryland, laying the framework for how LIHTC funding is awarded. Some of the awards are made on a competitive basis, referred to as '9% credits', and cover higher percentages of the development cost, usually 70-80%. Other credits, referred to as '4% credits' are awarded to any project that meets programmatic requirements set by MDHC (affordability, construction quality, etc.) and prove financial feasibility. These credits usually cover between 30-40% of development costs. Frederick County should continue its active engagement with developers to pursue both 4% and 9% credits.

The County and the Affordable Housing Council (AHC) should continue to work with affordable housing developers and other stakeholders to identify opportunities to maximize the competitive advantage for county-based LIHTC project proposals. As needed, the County and the AHC should also continue to work with advocates to encourage the state to make changes to the QAP that better position Frederick County to receive 9% credits for local projects.

Recommendation: Frederick County's tax abatement policy, referred locally to as a Payment in Lieu of Taxes (PILOT), should have standard eligibility criteria, an established process for approval and provide an as-of-right tax abatement policy for all LIHTC projects. A standard tax abatement policy will attract affordable housing developers by increasing certainty and streamlining the development process. Tax abatement programs provide a reduction in property taxes that can aid affordable housing developers pursuing LIHTC funding. An as-of-right tax abatement policy for LIHTC projects would lower the property tax burden on affordable rental properties and permit the pass-through of cost-savings to renters, thus ensuring deeper affordability or increasing the number of affordable housing units developed. Standard eligibility criteria and an established process for approval that provided certainty that any development that met the affordability standards would receive tax abatement would encourage the development of new affordable rental housing in Frederick County. Frederick County needs to look at current caps, which now prohibit certainty.

Oregon's Tax Exemption Program
In 1985, Oregon's legislature authorized a property tax exemption for low-income housing developed by nonprofit organizations. The legislation recently renewed and extended this program to 2027. The tax exemption is intended to benefit low-income renters by alleviating the property tax burden on developers that provide affordable housing. The qualifying property must be located within the City of Portland and occupied by income-eligible households (not to exceed 60% of AMI for the initial year and 80% for every subsequent year).

Recommendation: Continue Frederick County's policy of exempting impact fees for affordable housing. To assist with the creation of affordable housing, Frederick County exempts affordable residential development from development impact fees, if: the residential development is financed in whole or part by public funding that requires mortgage restrictions or recorded covenants restricting the rental or sale of the housing units to lower income residents in accordance with specific government program requirements; or the residential development is developed by a nonprofit organization that 1) has been exempt from federal taxation under 501(c)(3) of the Internal Revenue Code for a period of at least 3 years; and 2) requires the homebuyer to participate in the construction of the residential development.

Continuing the policy would lower the cost of affordable housing in Frederick County and increase the feasibility of LIHTC projects. 520 N. Market Street, an affordable housing project in development, is an example of how exempting impact fees can make affordable housing projects feasible.

Recommendation: The County should dedicate at least 50% of the MPDU fees to support LIHTC projects and award funding on a schedule that aligns with the State's scoring of LIHTC proposals. The County does not currently have set of predictable funding to support LIHTC projects and should consider establishing a dedicated and predictable annual amount of funds to help subsidize LIHTC financings. LIHTC projects offer the best opportunity to leverage the limited funding from MPDU fees. By dedicating at least half of MPDU fees to support LIHTC projects, the County will increase the number of affordable housing units created through the MPDU program. By providing a significant and relatively steady stream of funding for LIHTC developers to leverage, Frederick County will encourage affordable housing development and increase the number of LIHTC projects undertaken in the County.

Workforce Rental Housing: 520 N. Market Apartments
Currently under development by PIRHL LLC and Interfaith Housing Alliance, 520 North Market Apartments, is a much-needed addition to Frederick County's affordable housing stock. A recipient of the competitive 9% LIHTC tax credit financing, the development will be almost 90% affordable, comprised of 6 market rate units and 53 affordable units at 30%, 40%, and 50% of AMI. 520 North Market Apartments is an example of the layering of federal, state and local sources necessary to finance affordable rental housing. **The County provided important gap financing through the Local Deferred Loan Program that is funded with the MPDU fees. This loan of $700,000 leveraged the development of over $19 million in affordable housing development.**

Table 7. 520 North Market Apartments Financing

Sources of Funds:	Amount	Per Unit	Percent
First Mortgage	$2,544,000	$43,119	13%
Second Soft Mortgage (Rental Housing Works Program)	$820,000	$13,898	4%
Local Deferred Loan Program (MPDU Fee)	**$700,000**	**$11,864**	**4%**
9% Tax Credit Equity	$14,987,700	$254,029	75%
Developer Contribution	$829,400	$14,058	4%
Total Sources	$19,881,100	$336,968	100%
Uses of Funds:	**Amount**	**Per Unit**	**Percent**
Land and Building Acquisition	$2,120,000	$35,932	11%
Construction Costs	$12,480,900	$211,541	63%
Soft Costs	$5,280,200	$89,495	27%
Total	**$19,881,100**	**$336,968**	**100%**

Source: Pihrl, LLC

- First Mortgage – The developers received a primary loan serviced from the project's net operating income.
- Second Soft Mortgage (HOME Program) – Maryland's Home Initiatives Program offers subordinate loans serviced from 75% of the project's cash flow for eligible projects.
- Local Deferred Loan Program – Frederick County's Deferred Loan Program (DLP) provides 0% deferred gap loan financing to housing organizations to leverage other private, state and federal funding to create and preserve affordable housing.
- Tax Credit Equity – 9% Low Income Housing Tax Credit (LIHTC) equity
- Developer Contribution – The portion of the agreed-upon developer's fee that the developer is not paid as a development expense and instead remains in the rental project to cover development costs.
- The County also provided tax abatement which increased the first mortgage the project qualified for and reduced impact fees which lowered the development costs and subsidy need to build the affordable housing.

Recommendation: The County should explore additional local sources to support affordable housing. The fees received through the MPDU program are fully committed to existing affordable housing needs. To dedicate 50% of the MPDU funding to LIHTC projects without cutting funding to down payment assistance, supportive housing, and other important affordable housing efforts will require identifying additional funding sources.

There are several other funding sources that deserve deeper evaluation and exploration including New Market Tax Credits (NMTC) and the formation of a Housing Trust Fund (HTF) funded from dedicated local sources.

New Market Tax Credits – Established in 2000, the New Market Tax Credit program is tax incentive with the goal of increasing wealth and jobs in low-income communities across the United States that can also be used to support affordable housing, including elderly and supportive housing. The Community Development Financial Institutions Fund (CDFI Fund), under the US. Department of Treasury, is charged with selecting and awarding "allocation authority" to Community Development Entities (CDEs) around the country. The selected CDEs are allowed to raise a certain amount of capital, or Qualified Equity Investments (QEIs) from investors, who in exchange receive a tax credit against their federal income tax. The tax credit totals 39% of the original investment amount and is claimed over a period of seven years. The CDEs use the capital from the equity investments to make flexible loans and investments to local businesses in low-income communities, in effect stimulating wealth and creating jobs throughout the community.

Housing Trust Fund – City, county and state governments across the country have established Housing Trust Funds (HTF) to leverage financing to produce or preserve affordable housing. There are various revenue sources for housing production trust funds, including but not limited to: real estate transfer taxes, document recording fees, property tax levies, transient occupancy taxes (also known as hotel occupancy tax) and commercial and residential linkage fees. HTFs can also be funded through general budget allocation or through funds backed by government bonds.

Recommendation: Frederick County should expand the development of Accessory Dwelling Units as affordable rental housing. The County should revise Zoning Ordinance 1-19-8.212 to allow Accessory Dwelling Units to be rented. Interested homeowners can choose to develop Accessory Dwelling units on their property. Allowing rental accessory dwelling units will increase the supply of rental housing stock, while preserving the character of single family neighborhoods that dominate Frederick County.

Expanding the development of Accessory Dwelling Units may be one of the more expedient routes available to Frederick County to increase the supply of rental housing without undertaking multifamily development or providing deep subsidies. ADUs are essentially a market driven path to creating additional affordable housing throughout the County.

While Accessory Dwelling Units do not come with required affordable rent thresholds, they do tend to be affordable because of the lower cost and smaller size. In addition, the rent income earned by definition will go to Frederick County residents. ADUs can provide Frederick County residents, especially its elderly population, with alternate sources of income, accommodations for caregivers, income challenged single individuals, and small families.

Santa Cruz, CA and Accessory Dwelling Units

Cities and suburban communities across the country have adopted ADU friendly ordinances. In response to the extremely high cost of living in Santa Cruz, California, the City established an ADU development program with three major components: technical assistance, wage subsidy/apprentice program, and an ADU loan program. The City offers an *ADU Plan Sets Book* and an *ADU Manual*, informing homeowners on design concepts, zoning regulations, and the permitting process. Development fees are waived for ADUs made available to low and very-low income households.

Recommendation: Frederick County should continue to focus affordable housing around transit and employment centers. In Frederick County, transportation costs account for around 21% of median household income, while housing costs account for 28%.[6] For lower income households, this combined housing and transportation burden is often too large to bear. New affordable housing development should be concentrated along the Interstate 270 and Route 26 corridors, as well as just south of Frederick City. These locations offer access to key transit routes, including MARC and major roadways as well as employment centers. Decreased transportation costs will work to offset housing cost burdens for low and moderate income families.

[6] Urban Land Institute. Beltway Burden: The combined cost of Housing and Transportation in the Greater Washington, DC metropolitan area. 2009.

Rental Housing with Operating Subsidy:

Frederick County should continue to maximize the amount of rental assistance available to support affordable rental housing for very low-income households. The cost of operating rental housing (maintenance, insurance, capital repairs, taxes, etc.) often exceeds the rent that households earning less than $25,000 can afford. To create rental housing that is affordable to those with very low incomes, both development subsidy, as described above, and operating subsidy, usually in the form of rental assistance, are necessary.

Recommendation: Frederick County must continue to pursue vouchers and project-based rental assistance for vulnerable populations in order to maximize limited state and federal resources. Vouchers add to the financial feasibility of affordable housing developments while simultaneously providing very low-income or no-income residents an avenue towards long-term stable and quality housing. Due to ongoing budget cuts, the Federal government offers an insufficient supply of vouchers and project-based rental assistance. As a result, the County must be proactive in securing the limited number of vouchers that become available.

The Section 811 program is an example of the type of funding that Frederick County will have to pursue to secure vouchers. HUD awarded Maryland $9 million in Section 811 to provide project-based rental assistance for persons with disabilities referred by the Department of Health and Mental Hygiene and the Maryland Department of Disabilities. Eligible individuals are non-senior adults with disabilities, between 18 and 62 years of age, with income at or below 30% of AMI who are Medicaid recipients. The Section 811 Program funds cover the difference between the rent household can afford (paying no more than 30% of income on rent) and the fair market rent for up to 5 years.

Recommendation: Frederick County should continue to pursue a "Housing First" strategy as discussed in the Strategic Plan for Ending Homelessness in Frederick County. "Housing first," a homelessness assistance strategy adopted by advocates and policy makers across the country, prioritizes stable, permanent housing for individuals experiencing homelessness prior to providing other services.[7] This strategy is recommended in the Frederick County Coalition for the Homeless report that was adopted in 2015. To do so, Frederick County will need to expand its supply of affordable supportive housing, as well as educate social workers, legal aid, shelters, counselors and other service providers about "Housing First" goals and methods.

Affordable Homeownership:

Frederick County should increase down payment assistance to reduce the barriers to homeownership for low- and moderate-income households. Households able to make a 20% down payment on a home are not required to pay PMI. Mortgage insurance adds a significant cost to homeownership with no benefit to the homeowner. For FHA loans, mortgage insurance can represent an increase from .8-1.3% to the rate charged on the loan. As housing costs increase faster than incomes, moderate-income households are increasingly unable to save for a down payment. Below are the steps the County can take to reduce the barriers to homeownership:

Recommendation: The County should layer grants from mortgage lenders and the State to leverage local down payment assistance paid out of MPDU fees. Homebuyers using mortgages made through the Maryland Mortgage Program can receive down payment or closing cost assistance for up to $2,500. Similarly, lenders making Community Reinvestment Act home loans will often provide small grants

[7] National Alliance to End Homelessness - http://www.endhomelessness.org/pages/housing_first

or discounts to cover closing costs or portions of the down payment. When layered together, these two sources can significantly reduce the barrier to homeownership.

CRA Motivated Home Loan

A CRA motivated home loan is originated by a federally regulated bank or mortgage lender that is obligated to meet the requirements of the Community Reinvestment Act (CRA). Established in 1977, the CRA was designed to increase lending in low and moderate-income neighborhoods. To qualify for the CRA motivated loan program, applicants must be of low-to-moderate income (earning 80% or less of AMI) and/or buying in a low-to-moderate income census tract. These loans usually offer the following: lower down payment requirements, lower or no PMI, lower minimum credit score, flexible underwriting, as well as compatibility with down payment assistance programs. In addition, borrowers and co-borrowers must complete home buyer education provided by a HUD-certified housing counseling agency.

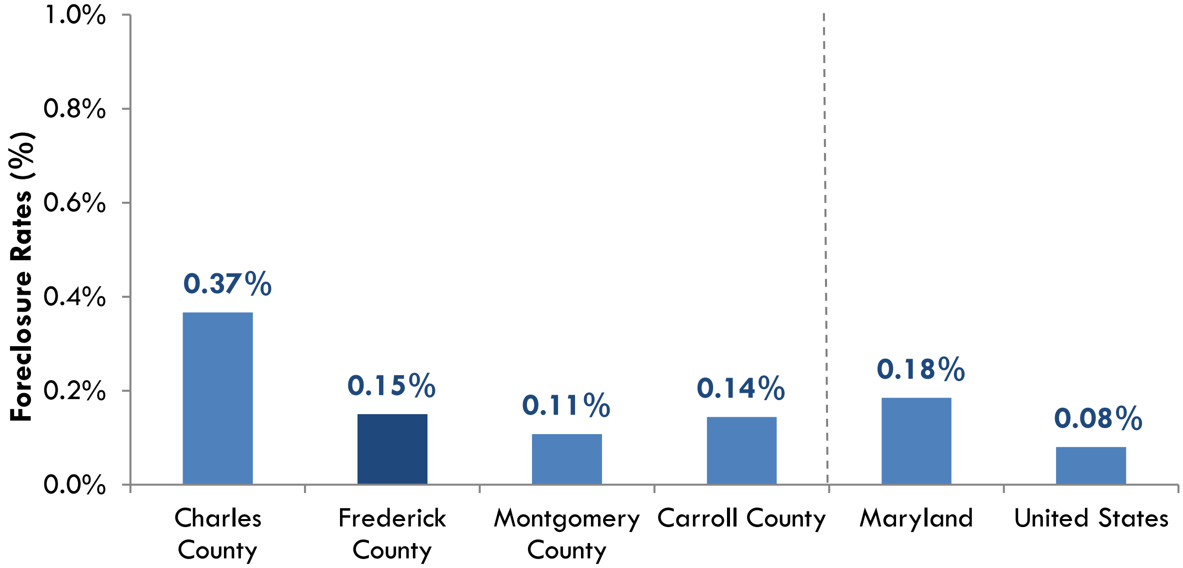
Recommendation: The County should increase the maximum amount of down payment assistance it provides and link it to housing prices. The County's Homebuyer Assistance Program is currently capped at $7,000 per home, far less than 20% of the purchase price of a home required to avoid PMI. If the County were to raise the down payment assistance and link it to the median sale price of homes in the County the housing assistance could enable low- and moderate-income households to avoid PMI and better afford homeownership.

To avoid providing excessive down payment assistance, the County could set the cap on down payment assistance at a level lower than 20% of the median sales price of a home. Setting the cap based on 80% of the median sales price of homes sold over the past year would provide enough assistance to allow low- and moderate-income households to purchase modestly priced homes. It would also automatically increase the down payment assistance cap as the market increases, keeping it a relevant and useful tool to support homeownership over time.

The limitation to this change in policy is that it would require a five to six-fold increase in funding from the County for each household assisted. This might be offset by dedicating additional public resources to down payment assistance or working with the philanthropic community to raise funding.

Recommendation: Frederick County should establish a working group to memorialize the lessons learned from the Foreclosure Crisis. Frederick County and the State of Maryland were hard hit by the Foreclosure Crisis and undertook a wide range of strategies to prevent foreclosures and mitigate their impact. It is important to memorialize the lessons learned both to prepare for future waves of foreclosures and to more effectively address foreclosures that continue to occur. Foreclosure rates have dropped in Frederick County to near historic levels (Graph 9) but there continue to be new foreclosures.

Graph 9. Foreclosure Rates, April 2016



Source: RealtyTrac

The working group should include the community action agency, the department of housing, foreclosure prevention counselors, local mortgage lenders and other stakeholders working to support homeownership in Frederick County.

Housing to Support Aging In Place:

Frederick County should continue to support the development of affordable housing that allows seniors to age in place within the County. The senior population in Frederick County has expanded rapidly and this growth is not expected to slow for the foreseeable future. At the same time, senior income growth has not kept pace with housing costs and seniors face increasing housing cost burdens.

Recommendation: Frederick County should set a minimum portion of its MPDU funds to serve elderly residents. The set aside MPDU funds could be used across the full range of housing programs, including down payment assistance, home rehabilitation, assistance with the development of ADUs, loans for rental housing and similar programs. By establishing a minimum ratio, the County will ensure that funding is dedicated to serve Frederick County's growing elderly population.

Recommendation: The Frederick County Department of Aging should continue to assist senior homeowners and renters to apply for local and state programs which often have complicated and lengthy application processes. The Frederick County Senior Housing Rehabilitation Grant Program provides grants of up to $15,000 for low-income senior homeowners to make emergency home repairs to correct substandard conditions and code violations, install indoor plumbing, or make other accessible, health and safety modifications that enable them to remain in their homes for a longer period of time. The County should actively promote assistance programs for senior residents applying for local, state and federal programs.

MPDU Program:

Frederick County should maintain the MPDU program's payment in lieu option. The MPDU program's payment in lieu option is appropriate and necessary to meet Frederick County's affordable housing needs. The payment in lieu provides funding that Frederick County can use to meet the housing needs of different vulnerable populations (homelessness, workforce rental housing, etc.). Without this option, the MPDU program would only address housing needs related to homeownership and rental housing for moderate-income households. This approach would leave the largest and most severe housing needs in the County unaddressed.

Recommendation: Frederick County should use the revised Affordability Gap Method to calculate the payment in lieu and increase it accordingly. The revised affordability gap method more accurately reflects the gap between what a moderate-income household can afford and current homes values than the current payment in lieu method. It provides a reasonable estimate of the cost a developer can avoid by choosing to make a payment in lieu. It creates a transparent process for setting the payment in lieu amount that can be updated regularly as market conditions change. In addition, the moderate payment increase may encourage some developers to build MPDU housing instead of making the payment.

Affordability Gap Method
Frederick County used the affordability gap method to calculate the MPDU program's initial payment in lieu amount. Below is a review of their methodology and a recommended methodology.

	Frederick County MPDU Calculation	Recommended Method
Step One: Determine What the Household can Afford	Assumed Household Income: 70% AMI	Assumed Household Income: 65% AMI *By setting a slightly lower household income the MPDU program would price homes at a level affordable to a larger band, those between 65%-80% AMI. It also more accurately reflects the slightly lower incomes in Frederick County compared to the region used to calculate AMI.*
	Household Size: 2.7 individuals *This is based on recent census data on household size.*	Household Size: 2.7 individuals *This is an appropriate household size to assume.*
	Purchasing Capacity: 2.5X the household income. This is based on an industry rule of thumb.	Purchasing Capacity: A calculation based on mortgage financing

	Frederick County MPDU Calculation	Recommended Method
Step Two: Determine Frederick County's Sale Price	Sales Price: Average sale price based on MRIS and Hanley Wood and DHCD.	*Sales Price: Median sale price of recent market transactions.* *Using a median price and market transactions more accurately reflects current sales prices*

	Frederick County MPDU Calculation		Recommended Method	
Step Three: Example Calculations	70% AMI for household size of 2.7 (2012)	$59,430	65% AMI for household size of 2.7 (2015)	$61,770
	Purchasing Capacity (X2.5)	$161,560	Purchasing Capacity (Calculator)	$220,125
	Average Sale Price (2012)	$179,060	Median Sale Price 2015	$265,000
	Total Gap Per Affordable Units	$17,500	Total Gap Per Affordable Unit	$44,875*
	Fee Per Market Rate Unit	**$2,188**	**Fee Per Market Rate Unit**	**$5,609**

**The fee calculated here is an example and should be revised using current data before being implemented.*
Information on current Frederick County methodology was provided by the County.
Note: The calculator used to find the purchasing capacity is located on page 52.
Note: The total gap per affordable unit represents the difference in cost between the average sale price and the purchasing capacity for one market rate home. Based on affordability requirements in Frederick County, the fee per market rate unit is designed to create funding for one affordable unit for every eight market rate units built. If eight market rate homes are built and the fee is paid, the $17,500 ($2,188 x 8) collected will fund one affordable unit.

The County should recalculate the MPDU fee per unit annually using the most current market information. By establishing a standard and regular process for revising the fee it will be able to remain relevant to market conditions.

FREDERICK COUNTY
HOUSING NEEDS ASSESSMENT

On behalf of Frederick County, HR&A Advisors, Inc. conducted a housing needs assessment based on an evaluation of the County's housing market and demographic conditions. The analysis highlights the gap in the supply of affordable housing at prices affordable to county residents (housing gap) and estimates the number of residents that are currently cost burdened. The housing needs assessment is based on data from a number of sources and extensive interviews with county stakeholders. Market data provides a baseline of current and projected future conditions. Interviews with developers, county employees and other engaged stakeholders were used to corroborate quantitative data and identify emerging trends in Frederick County.

The results of the housing needs assessment form the foundation for recommendations on how the County can build on their existing policies and programs to address housing needs within the County.

An analysis of the Moderately Priced Dwelling Unit (MPDU) Program was also conducted to inform a recommendation about whether the payment in lieu option should continue to be offered and what level of payment is appropriate.

Bell Court Senior Apartments, Woodsboro, Frederick County, MD

Task 1 Analyze existing countywide demographic data for low and moderate income households and assess demographic history and trends impacting the development of housing.

From 2000 to 2014, the number of households in Frederick County grew by 25%. This growth rate is higher than Maryland and the United States as a whole. Population growth has been evenly distributed across Frederick's existing household sizes (Graph 10, Graph 11). There has been slightly higher growth among single-person households (Graph 12). Given the stable nature of Frederick County's household size composition, the existing housing stock configuration should remain appropriate into the future.

Frederick County's senior population grew 81% between 2000 and 2014 (Graph 13). Other age groups grew at a more moderate pace (Graph 14). Frederick County must prioritize meeting the needs of the senior population by encouraging developments that cater to seniors on fixed incomes. The 75 year or older age group is predicted to grow substantially and will require targeted policies given that this population usually requires some form of assisted living (Graph 15). Several recommendations found within this report specifically address aging in place and recommendations for increasing housing options for seniors.

Most of the household growth in Frederick County has been concentrated among higher income households. The number of households making over $100,000 has more than doubled since 2000 (Graph 16), while lower income households have decreased slightly in number. While this trend should in theory lead to a decrease in demand for affordable housing, increasing rents and home prices are canceling out this effect (Graph 17, Graph 18).

The ratio of homeowners to renters in Frederick County did not change significantly from 2000 to 2014. The number of total households earning under $100,000 decreased during the 14-year period, while the number of households earning above $100,000 increased (Graph 16).

Closing the workforce rental housing gap will not necessarily require the development of 11,000 new affordable rental housing units. If the supply of affordable rental housing increases faster than the need, there will be downward pressure on asking rents. If, as a result, this pressure causes rents to drop or grow slower than the income of low- and moderate-income households than the number of rental housing units that are affordable will increase. This induced increase in the supply of affordable housing can reduce the number of new affordable rental housing units necessary to close the housing gap in Frederick County (Graph 19).

Frederick County is experiencing no population growth among low- and moderate income households. This increases the downward pressure new affordable rental housing has on existing rental housing in the County. (Graph 16)

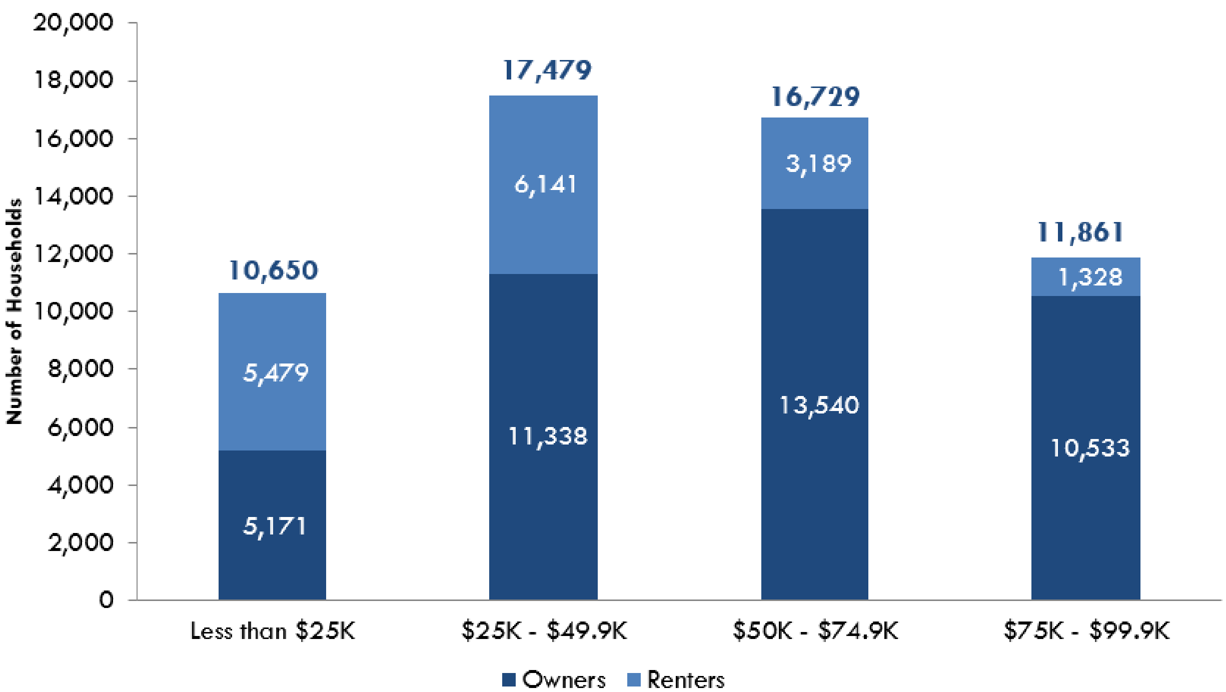
The Area Median Income (AMI) is the median income of a certain geographic region defined and published annually by the US Department of Housing and Urban Development (HUD). HUD follows Office of Management and Budget (OMB) definitions of metropolitan areas with some exceptions. The 5-year and 1-year U.S Census Bureau ACS data are used as a basis for calculating metropolitan area median incomes. Income limits are adjusted for family size with a family of four as the standard.

Once the final 4-person income limit has been established, calculation of income limits for other family sizes is straight-forward. The 1-person family income limit is 70% of the 4-person income limit. The 2-person family income limit is 80% of the 4-person income limit, the 3-person family income limit is 90% of the 4-person income limit, the 5-person income limit is 108% of the 4-person income limit, the 6-person family income limit is 116% of the 4-person income limit, the 7-person family income limit is 124% of the 4-person income limit, and the 8-person family income limit is 132% of the 4-person income limit. For family sizes larger than 8 persons, the income limit can be calculated by adding an additional eight (8) percent per person to the next lower limit. For example, a 9-person family income limit is 140% (132% + 8%), and so on. The resulting low-income limit calculation for other family sizes is then rounded up to the nearest $50. Rounding up ensures that the income limit does not exceed the 5% decrease threshold.

Based on the established AMI number, HUD then calculates different income limit categories: "extremely low (30% of AMI)", "very low (50% of AMI)", and "low (80% of AMI)"and adjusts these for family size. The resulting income limits are widely used by local, state, and federal housing agencies to determine income eligibility for households applying for publicly funded programs.[8]

Frederick County falls within the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area, where the 2015 Area Median Income was $109,200 (Table 8). This metropolitan AMI figure is higher than Frederick County's current median household income figure of $84,480, which is based on 2010-2014 ACS Survey data. This number is calculated from individual household data for the County and not adjusted by family size.[9]

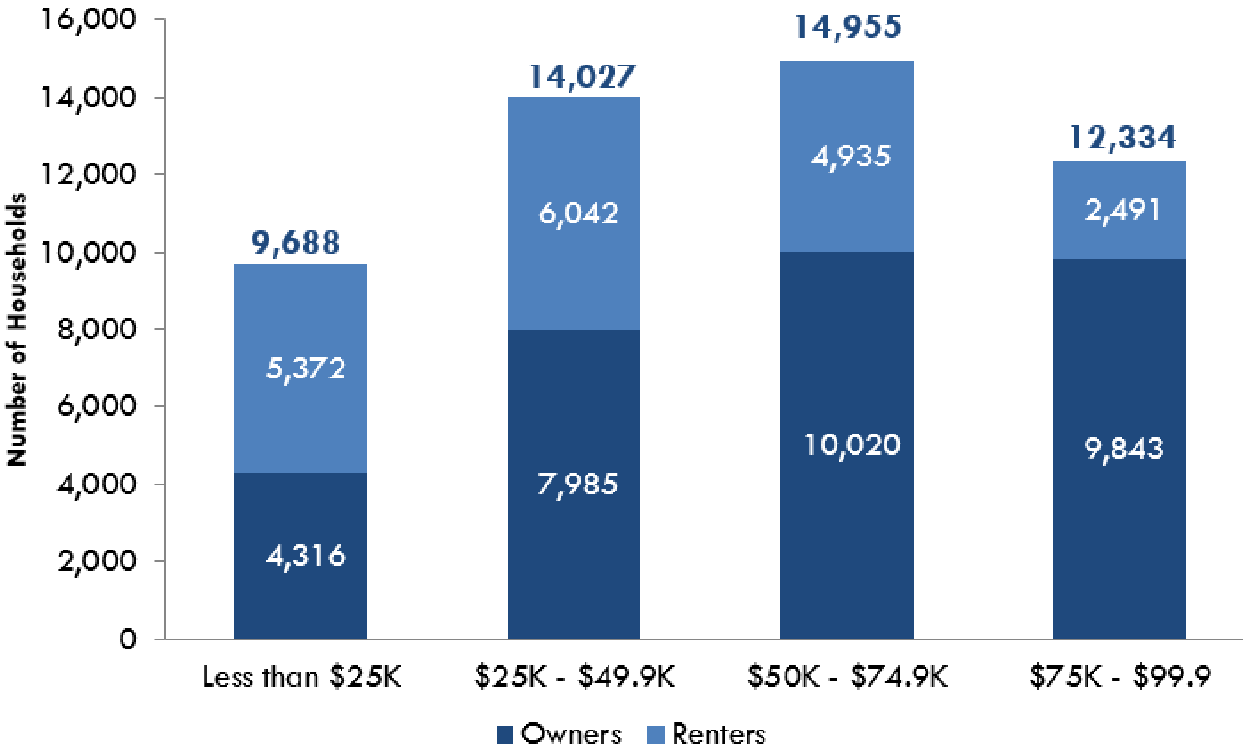
Graph 10. Households by Ownership Status and Income, Frederick County, 2000



Note: This chart does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2000, there were 13,341 households in Frederick earning more than $100,000, or about 19% of all households.
Source: ACS, Census

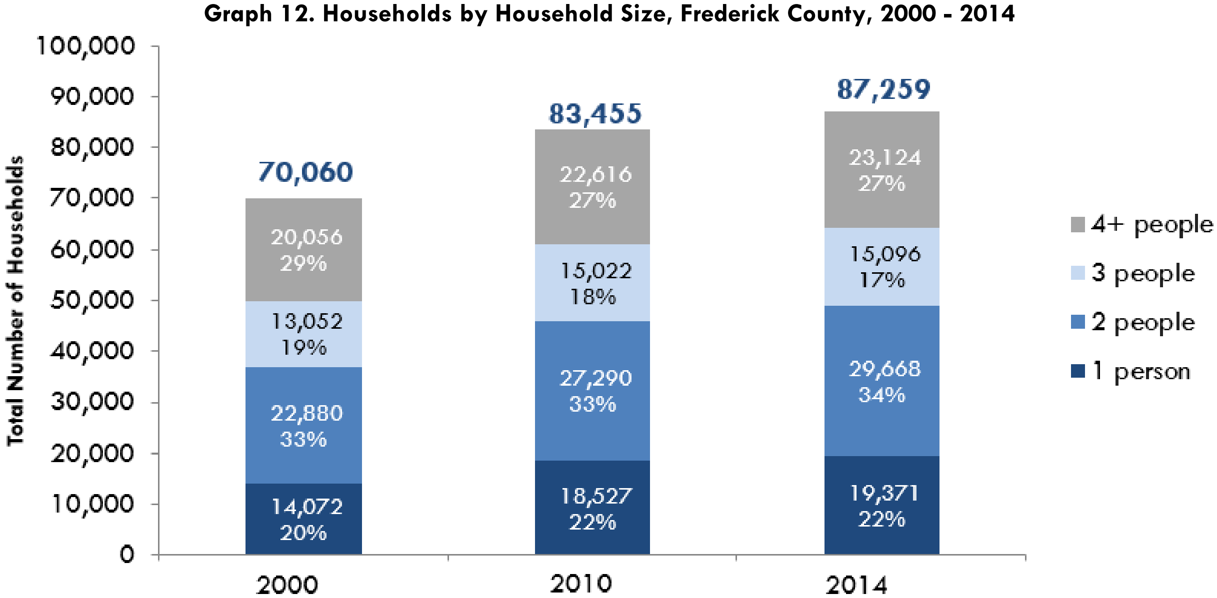
[8] https://www.huduser.gov/portal/datasets/il/il2015/2015summary.odn
[9] http://factfinder.census.gov/bkmk/cf/1.0/en/county/FrederickCounty,Maryland/INCOME/MEDIAN_HH_INCOME

Graph 11. Households by Ownership Status and Income, Frederick County, 2014



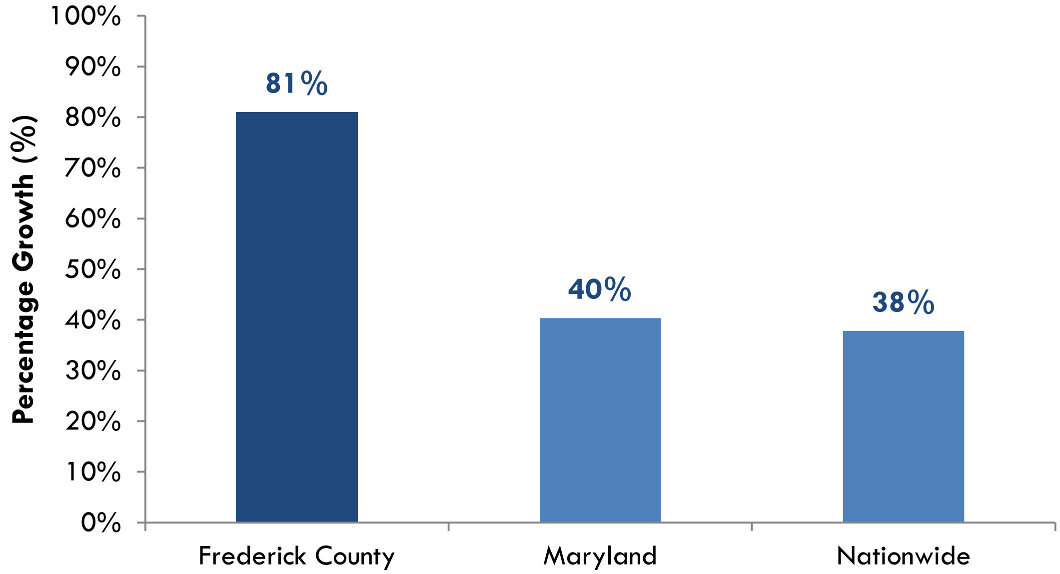
Note: This chart does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Source: ACS, Census

Graph 12. Households by Household Size, Frederick County, 2000 - 2014



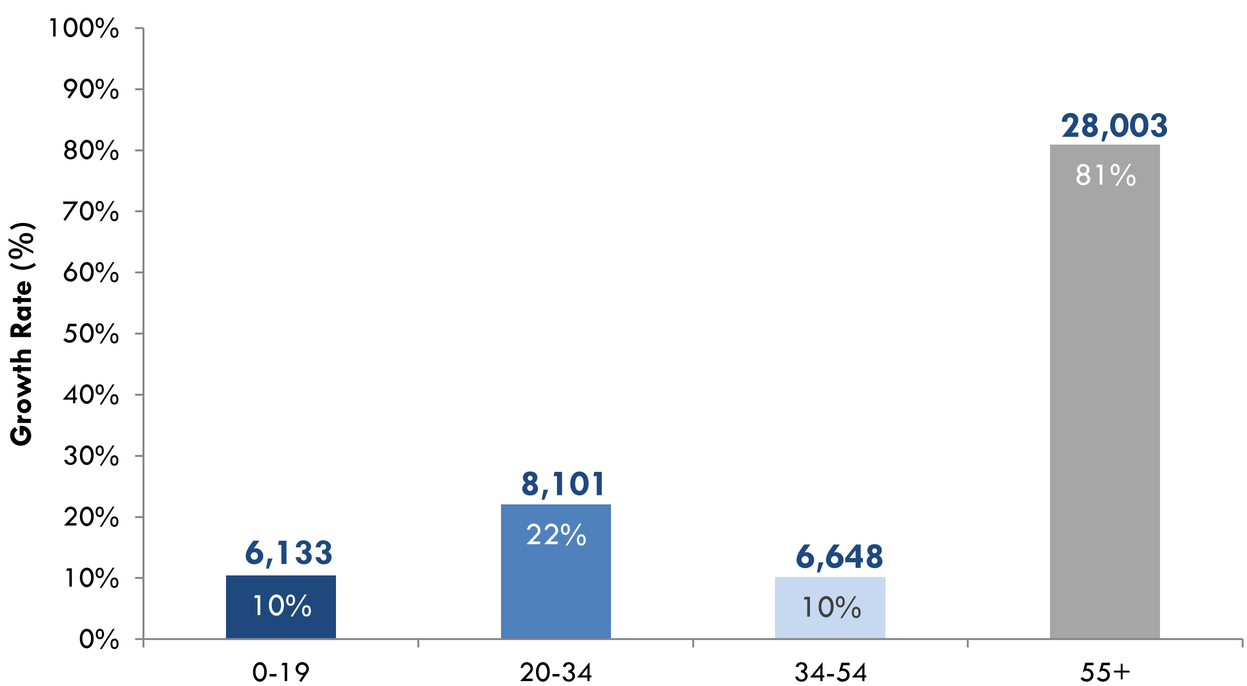
Source: ACS, Census

Graph 13. Percentage Growth of 55+ Residents, Frederick County, 2000-2014



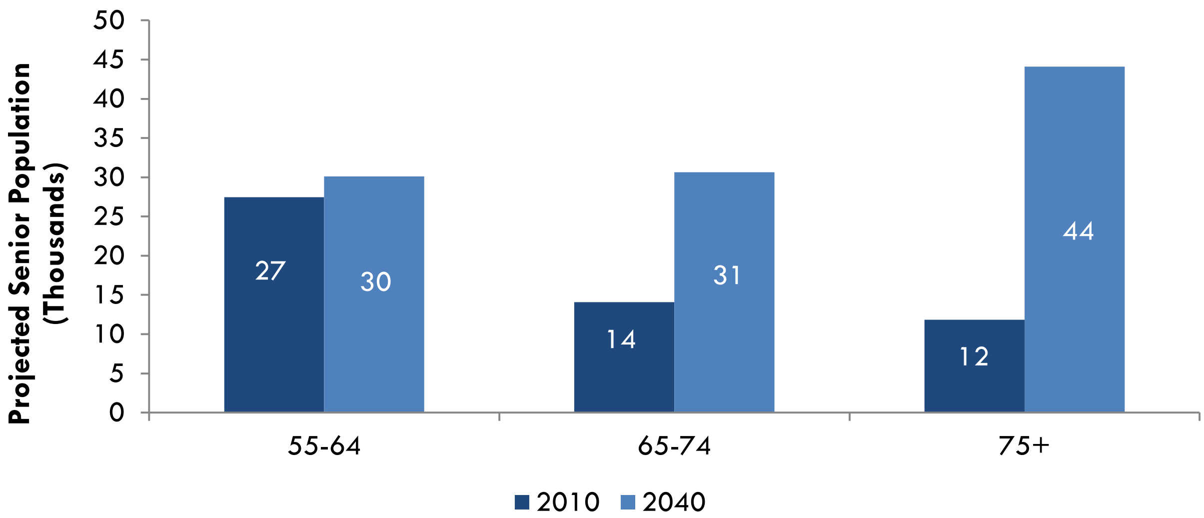
Source: ACS, Census

Graph 14. Population Growth by Age Group, Frederick County, 2000-2014



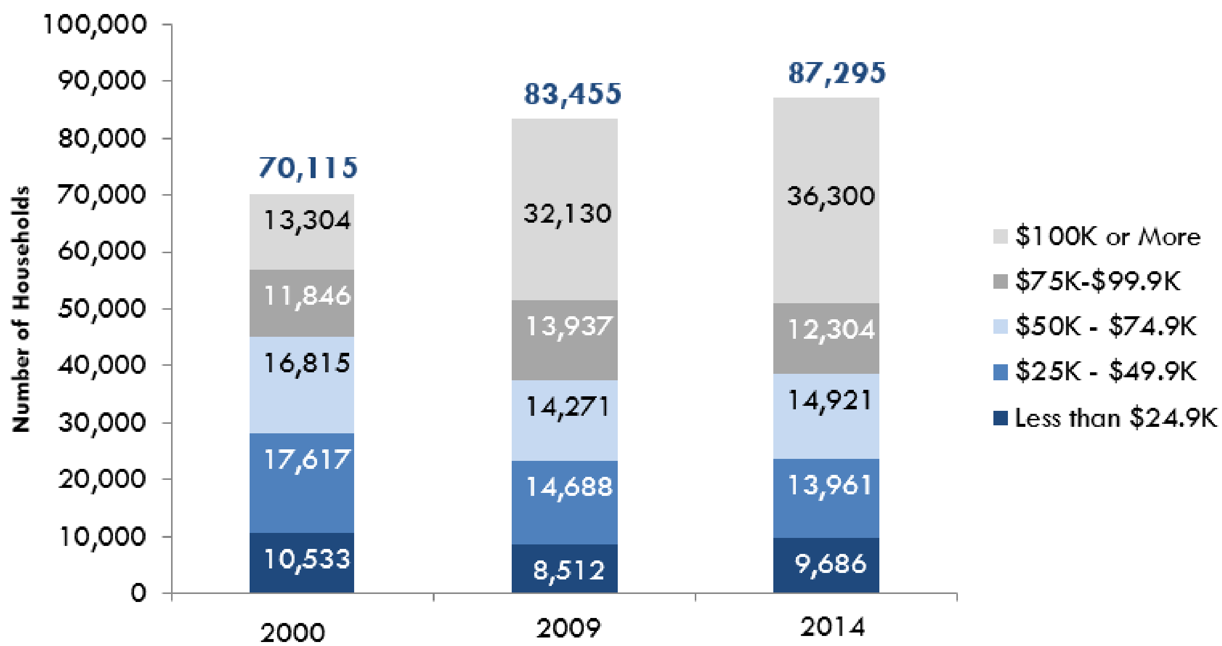
Source: ACS, Census

Graph 15. Projected Population Growth in Senior Population, Frederick County, 2010 - 2040



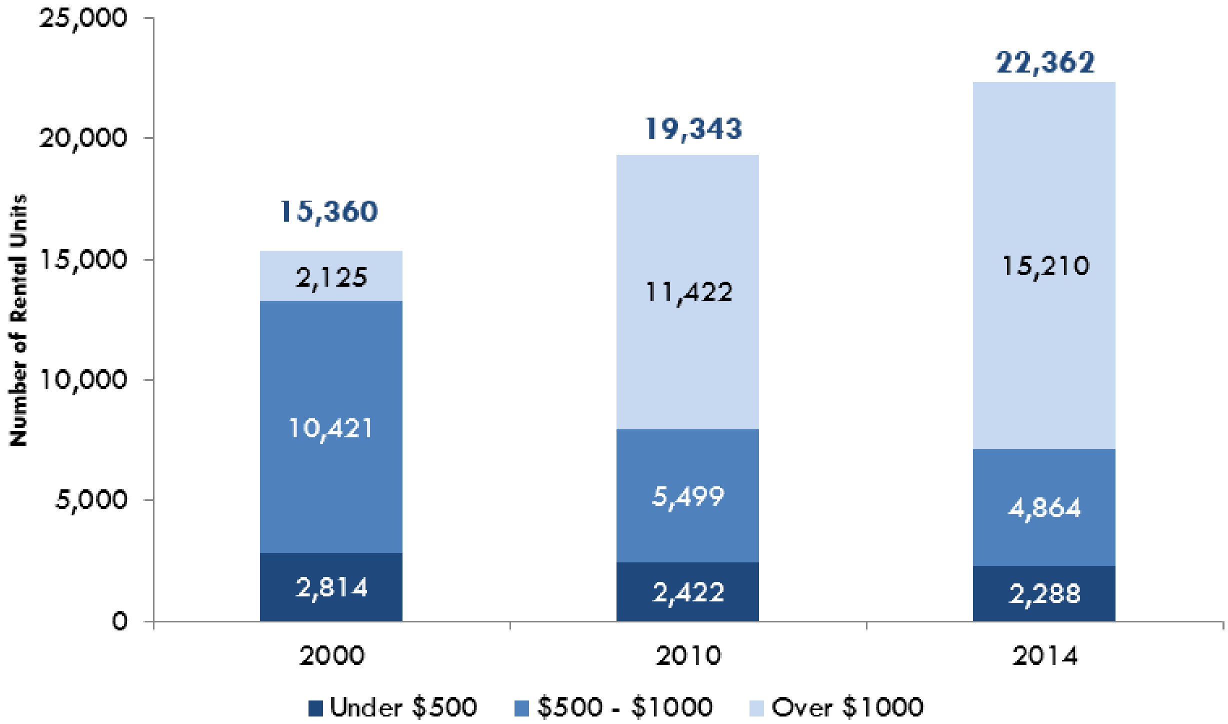
Source: Frederick County Department of Aging

Graph 16. Households by Income Bracket, Frederick County, 2000 - 2014



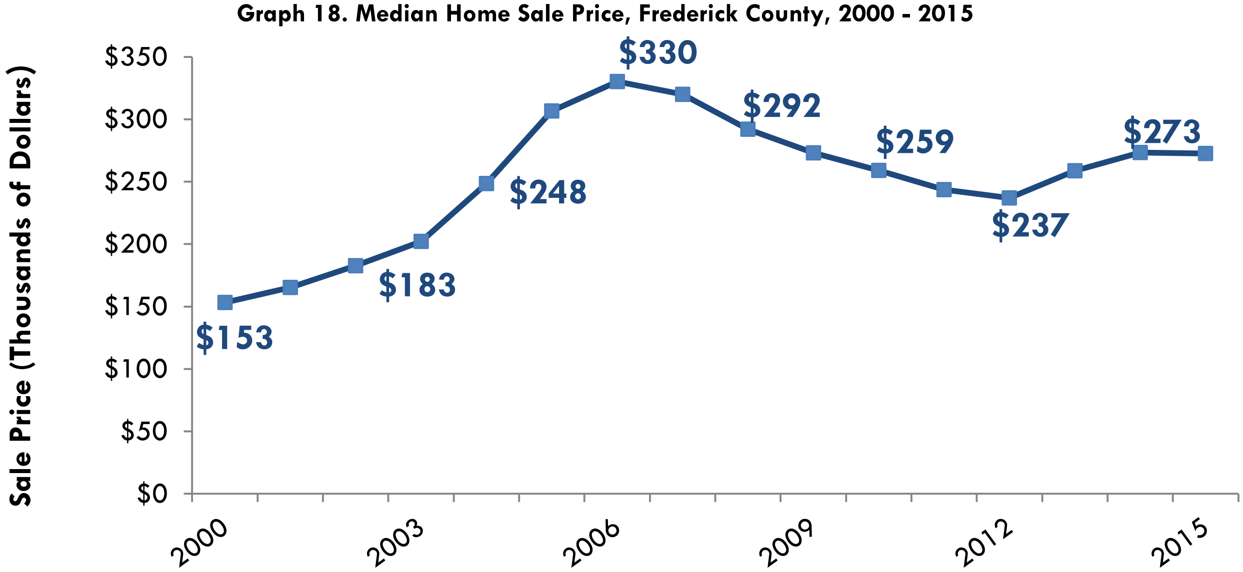
Source: ACS, Census

Graph 17. Rental Units by Monthly Rent, Frederick County, 2000 – 2014



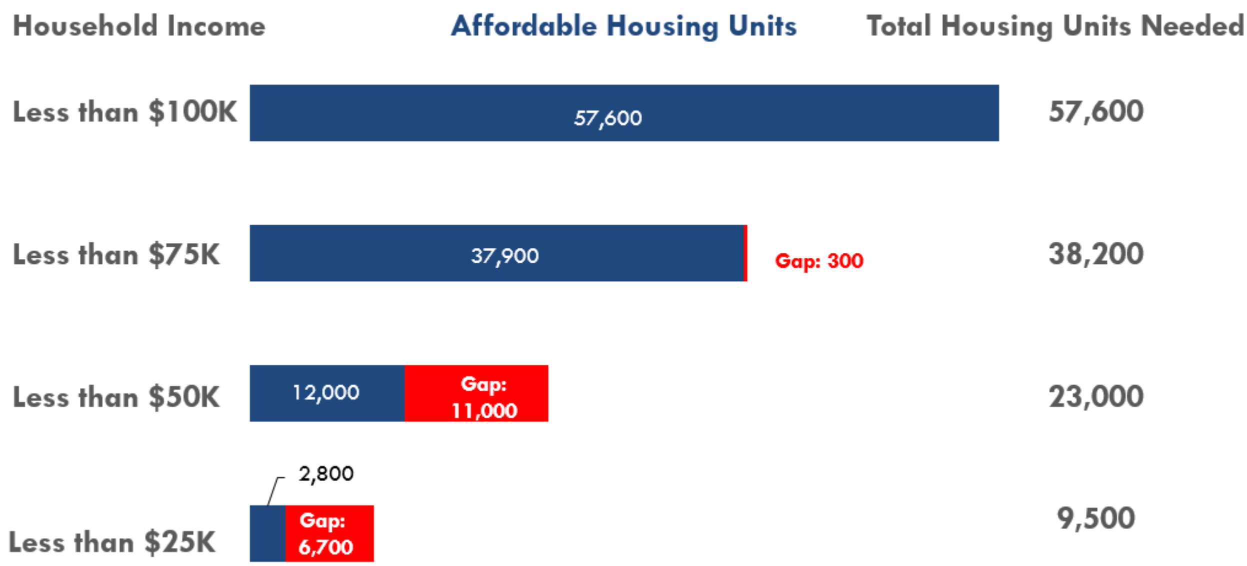
Source: ACS, Census

Graph 18. Median Home Sale Price, Frederick County, 2000 - 2015



Source: Zillow Research

Graph 19. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

Table 8. Area Median Income Limits for the Washington DC Metro Area, 2015

	Persons in Family					
FY 2015 Income Limit Category	**1**	**2**	**3**	**4**	**5**	**6**
Extremely Low (30%)	$22,950	$26,200	$29,500	$32,750	$35,400	$38,000
Very Low (50%)	$38,250	$43,700	$49,150	$54,600	$59,000	$63,350
Low (80%)	$47,600	$54,400	$61,200	$68,000	$73,450	$78,900
AMI (100%)	$76,500	$87,400	$98,300	$109,200	$118,000	$126,700

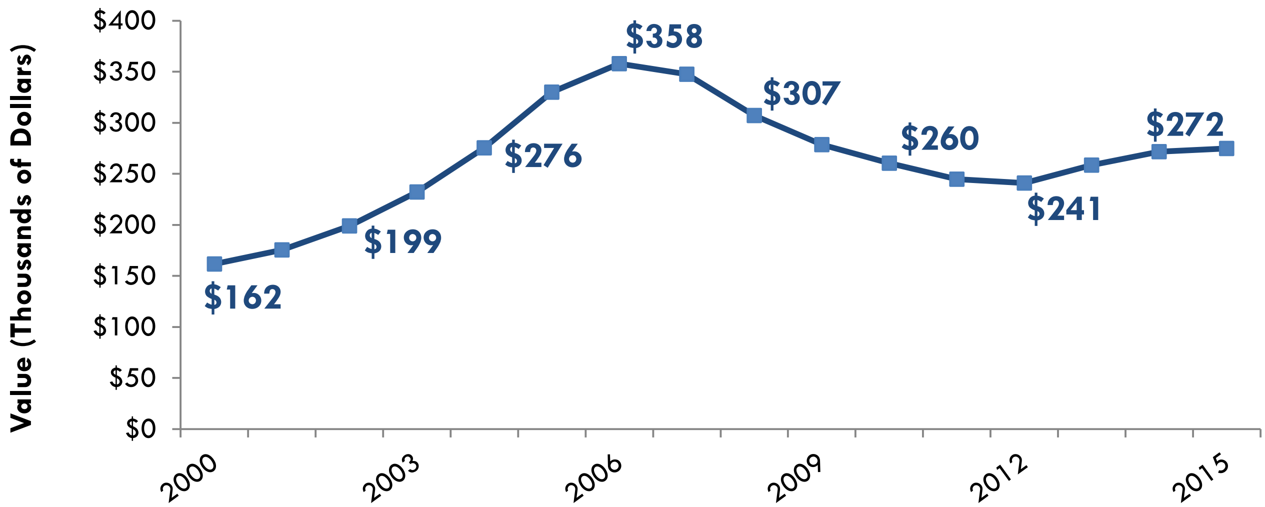
Source: U.S. Department of Housing and Urban Development

Task 2 Analyze multiple listing service information regarding all homes previously sold and currently listed by participating brokers. Establish the average list price, median sales price and market trends. In addition, analyze the data for rental properties to establish the average and median rents.

From 2000 to 2015, the median home value in Frederick County increased by $115,000 to $275,000 (Graph 20). The median sale price had a similar increase over the last 15 years increasing $120,000 to $272,000 (Graph 21). The median list price has increased $40,000 in the last 15 years to $298,000 (Graph 22). The average asking rent in Frederick County is $1.26 per square foot (Graph 23). This is about 50 cents lower than the Washington MSA asking rent per square foot.

Median home sale prices and average rent increases are putting pressure on Frederick County residents. Increases in home sale prices may act as a barrier to homeownership for moderate income households who would like to transition from rental properties to homeownership. Still, the faster rate of growth of asking rents in the Washington MSA may imply that Frederick County is at least marginally shielded from the Greater Washington Area's increasing housing prices.

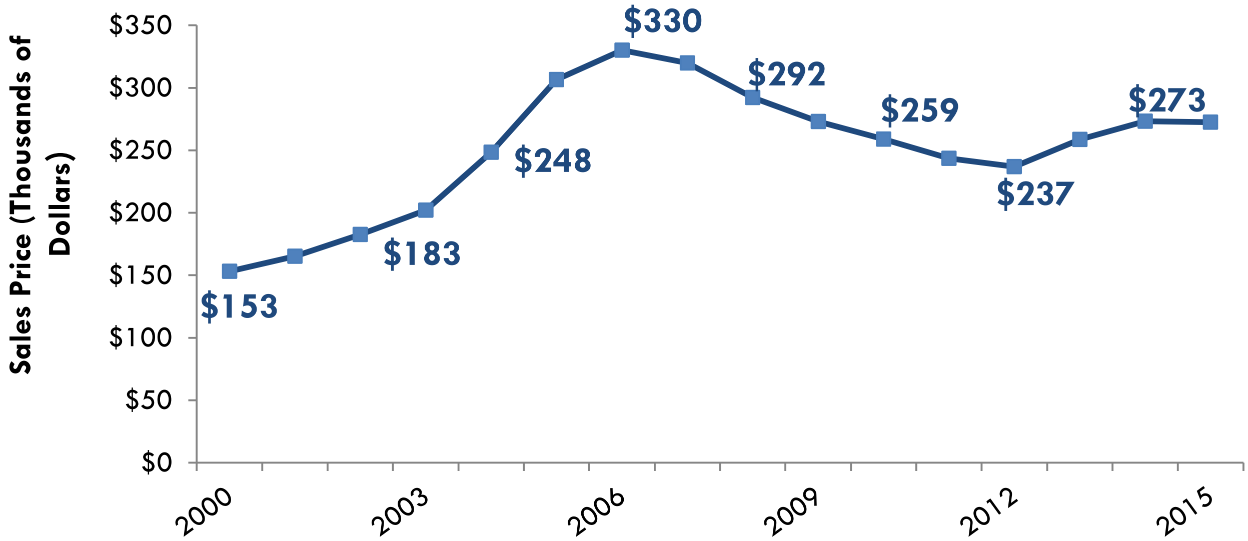
Graph 20. Median Home Value, Frederick County, 2000-2015



Source: Zillow Research[10]

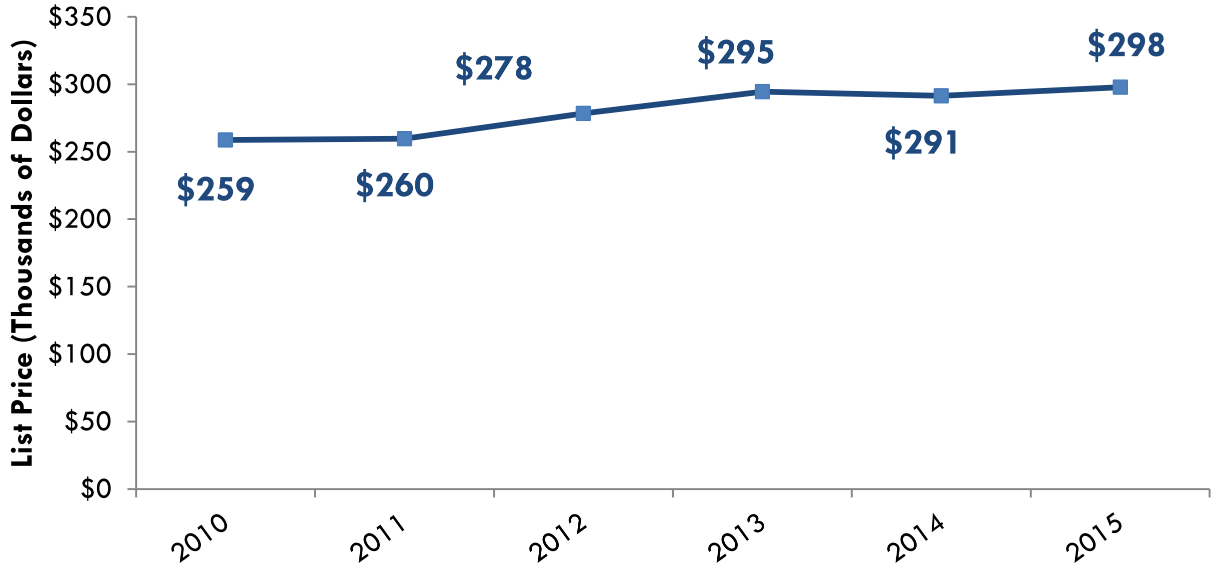
[10] Zillow Research uses sale prices and list prices while the Census uses self-reported home values, thus home value estimates may differ.

Graph 21. Median Home Sale Price, Frederick County, 2000-2015



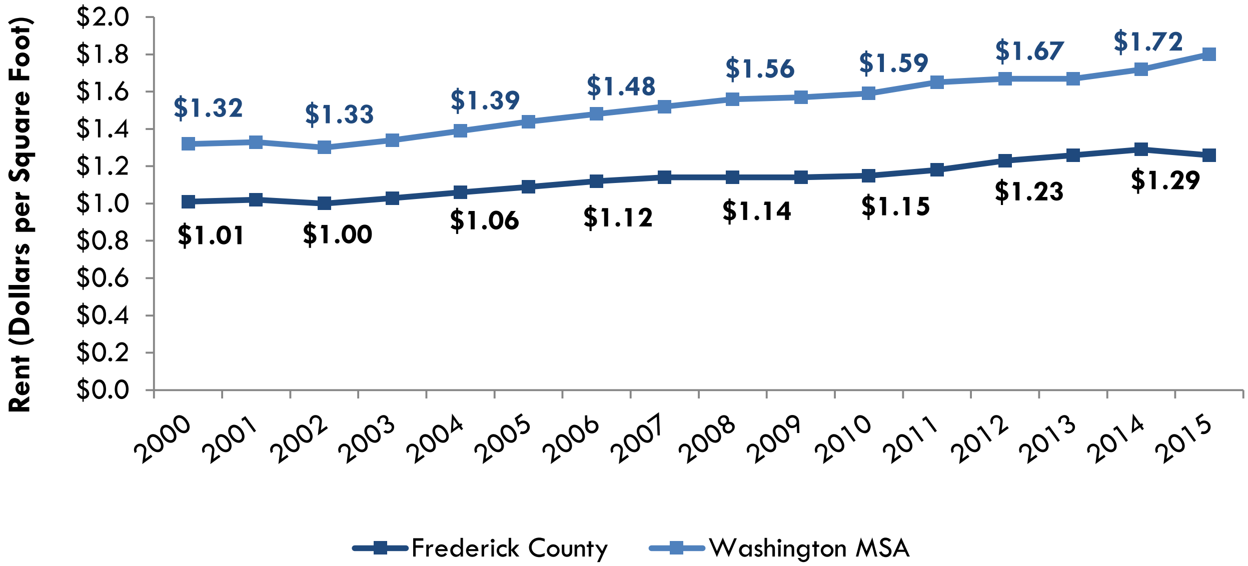
Source: Zillow Research

Graph 22. Median List Price, Frederick County, 2000-2015



Source: Zillow Research

Graph 23. Average Asking Rent for Multifamily Apartment Units, Frederick County, 2000-2015



Source: CoStar

Carver Apartments, Frederick, Frederick County, MD

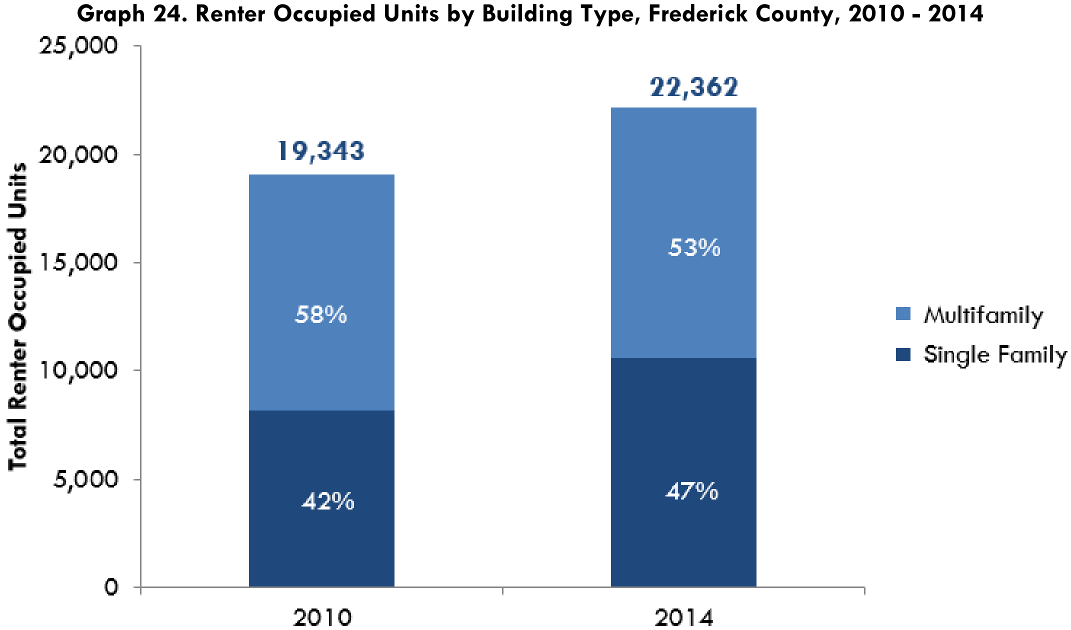
Task 3 **Analyze the residential construction sector in Frederick County including the history of the housing market, building permit projections, type of residential development and subdivision activity.**

A significant share of Frederick County's rental stock is comprised of single family homes, increasing from 42% of the total stock in 2010 to 47% in 2014 (Graph 24). This increase in single family rental housing could be driven by various factors. Unable to find multifamily options, renters may be forced to rent single family homes that are often more expensive or too large for their needs. The upward trend in single family rentals could also be driven by an increasing number of households that, unable to purchase a single family home, settle for renting one instead. Alternatively, owners of older, hard-to-sell homes may be putting them on the rental market. Finally, the upward trend in the single family rental stock could be driven by investors who are purchasing foreclosed homes and converting them to rental. Nevertheless, it is unclear from the data the degree to which different factors are contributing to the increase in single family rental housing.

From 2000 to 2015, 2,100 multifamily units were completed and entered the rental market.[11] New multifamily development in Frederick County is concentrated around Frederick City. Since 2010, 1,927 units have been constructed, are under construction, or proposed. These developments are all in the southern half of the county (Figure 1). Development patterns reflect the geographic patterns seen in the distribution of naturally affordable and rent assisted developments (Figure 2, Figure 3). From 2010 to 2014, the number of single family units grew at a faster rate than multifamily units, indicating a lack of new multifamily units (Graph 25). Nevertheless, the number of multifamily building permits has increased since 2010, forecasting a change in the current composition of the county's housing stock as multifamily units in the development pipeline are delivered (Graph 26).

From 2000 to 2014, Frederick County saw a 25% increase in total number of households. This is more than double the rate of growth in Maryland or the United States (Graph 27). Frederick County's planning department predicts an additional 16,750 households over the next decade. To respond to this household growth, the market would need to deliver 1,700 units per year or a 4.3% growth in the current housing stock (Graph 28). Between 2010 and 2014, the county added approximately 900 units per year over all incomes, far below the pace necessary to match the projected household growth.

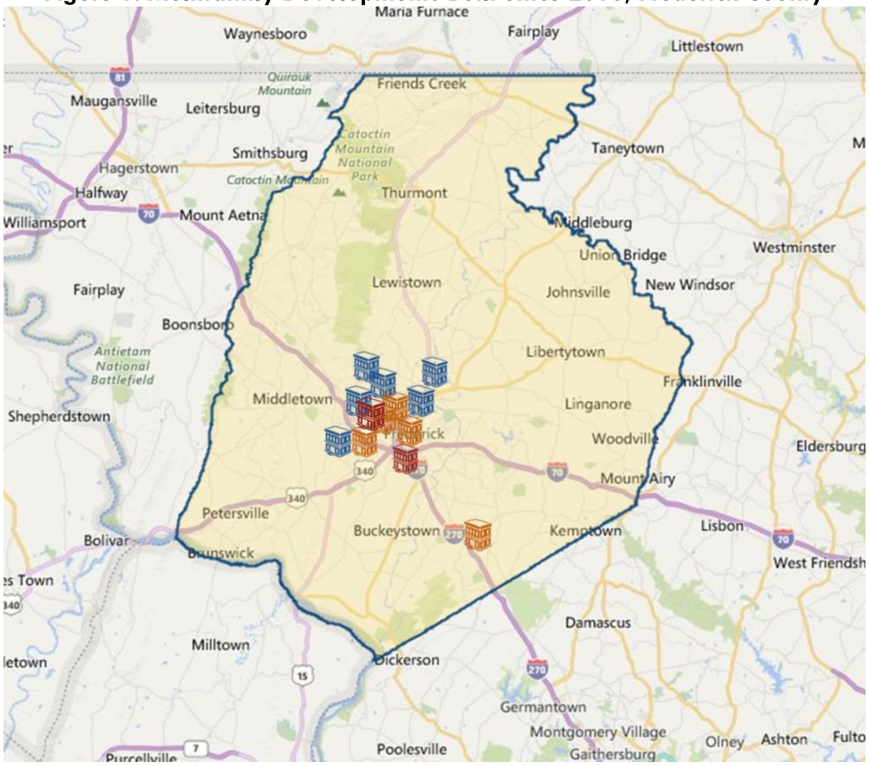
Graph 24. Renter Occupied Units by Building Type, Frederick County, 2010 - 2014



Source: ACS, Census

[11] Zillow Research Total Multifamily Units

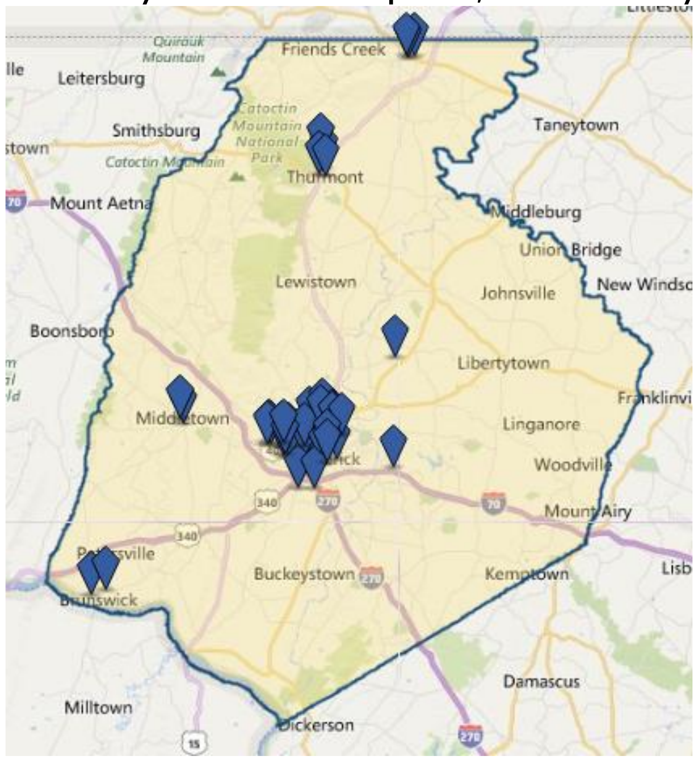
Figure 1. Multifamily Developments Built Since 2010, Frederick County



Construction Completed | Under Construction | Proposed

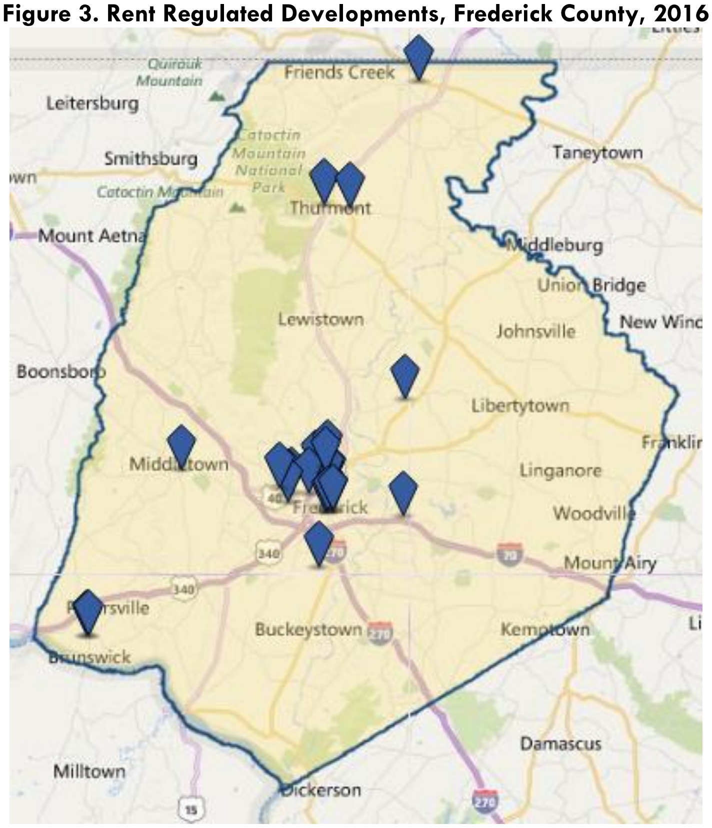
Source: CoStar

Figure 2. Naturally Affordable Developments, Frederick County, 2016



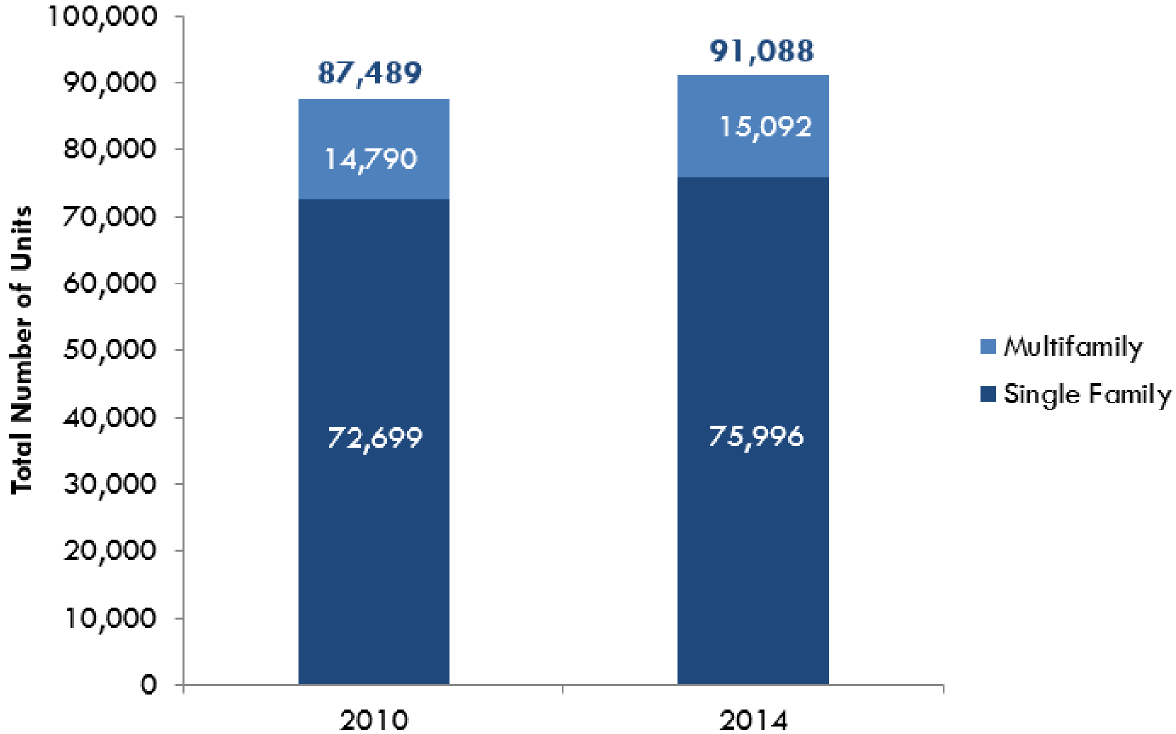
Source: CoStar

Figure 3. Rent Regulated Developments, Frederick County, 2016



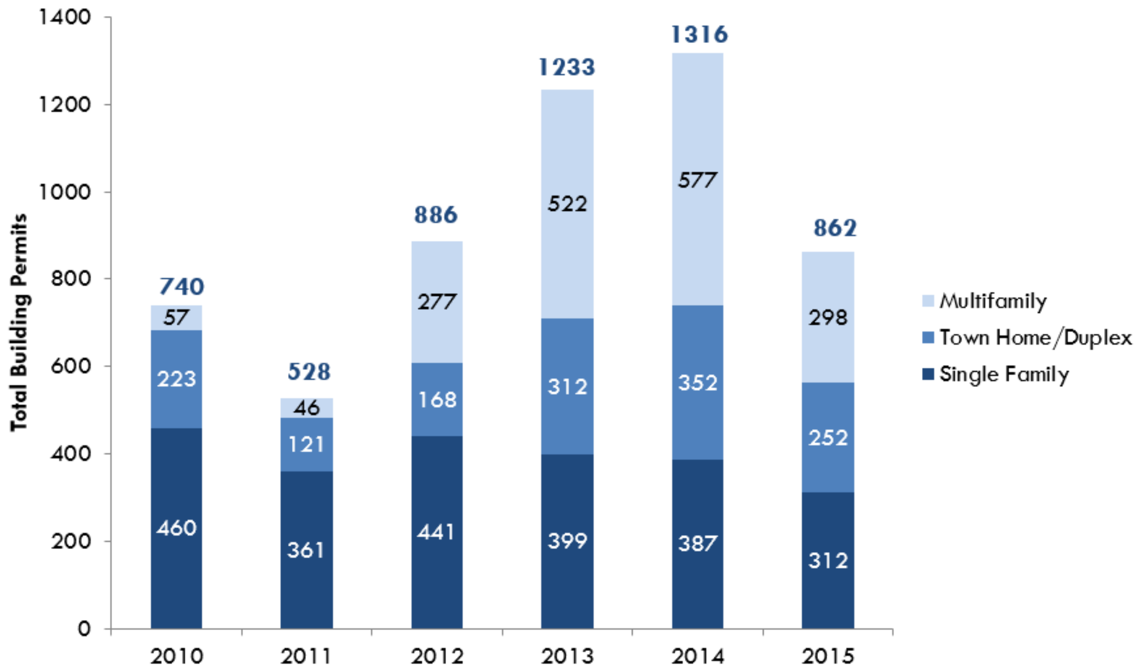
Source: CoStar

Graph 25. Total Number of Units by Housing Type, Frederick County, 2010 - 2014



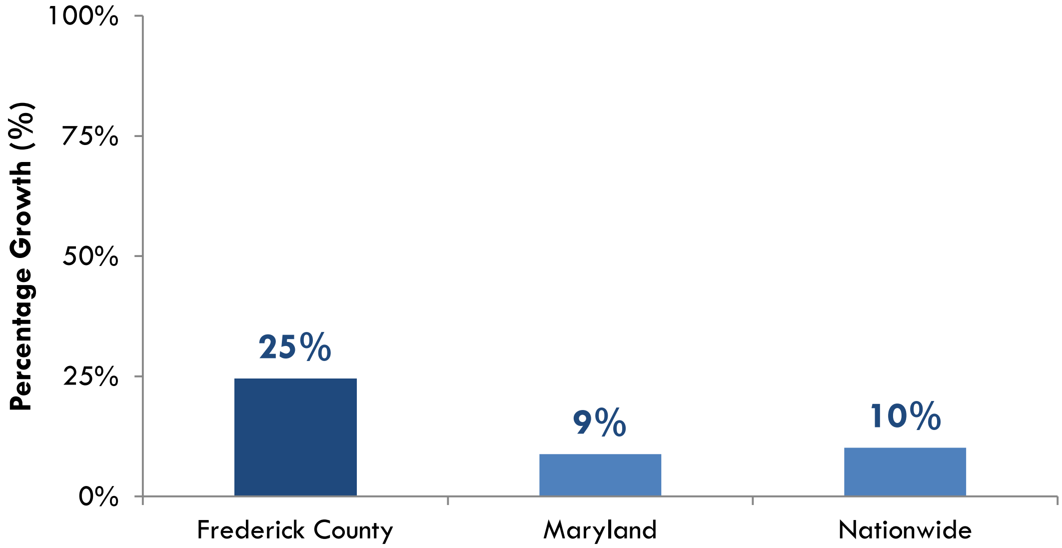
Source: ACS, Census

Graph 26. Building Permits by Type of Building, Frederick County, 2010 - 2015



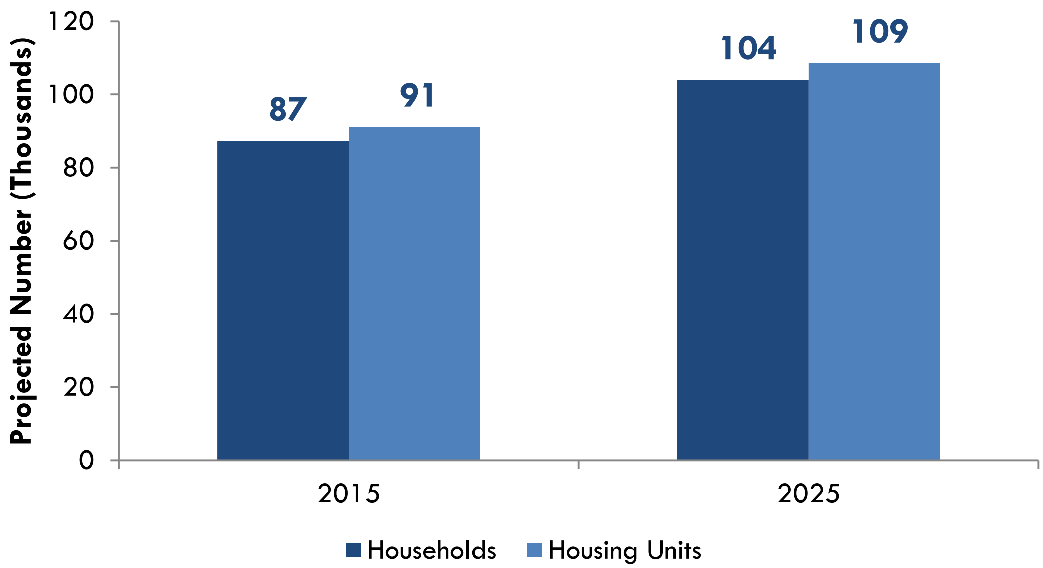
Source: Frederick County Department of Planning

Graph 27. Percentage Growth in Households, 2000-2014



Source: ACS, Census

Graph 28. Projected Households and Units, Frederick County, 2015-2025 (Frederick County Department of Planning)



Source: Frederick County Department of Planning

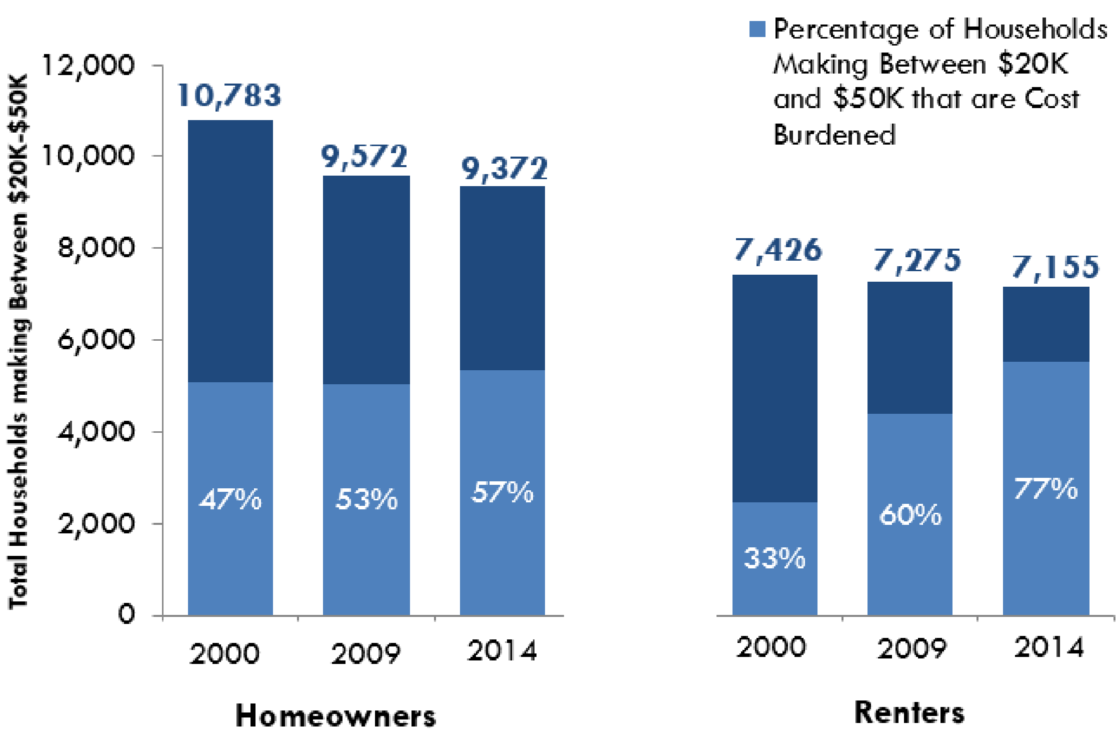
Task 4 Compare median incomes and the availability of housing options within various low and moderate income ranges. Establish affordability amounts and a definition of permanent affordable housing.

According to the Department of Housing and Urban Development (HUD), households spending more than 30 percent of their income on housing costs, be it rent or mortgage payments, are considered to be housing "cost burdened." This is a concern in Frederick County, where the percentage of cost burdened households has increased among low-to-moderate income renters and homeowners. For example, 60% of homeowners in the $20,000 to $50,000 income bracket and almost 50% of homeowners in the $50,000 to $75,000 bracket face housing cost burdens (Graph 29, Graph 30). This number has grown since 2000, particularly for homeowners making between $50,000 and $75,000. Likewise, renters making between $20,000 and $50,000 also face rental affordability problems with 77% of renters qualifying as cost burdened, up from 33% in 2000. In addition, 36% of renters making between $50,000 and $75,000 are cost burdened, up from 0% in 2000.

These trends imply a lack of housing options, particularly housing that is naturally affordable for these income brackets. In 2000, only households making less than $25,000 experienced a gap between need and availability of affordable housing, with a gap of 9,000 units assuming a maximum 30% cost burden. By 2014, households making less than $50,000 experienced a gap of approximately 11,000 units (Graph 31).

Permanent affordable housing is any housing with a long-term affordability requirement. It is typically defined as a housing unit with affordability restrictions of 50 years or longer. The goal of permanent affordability is to preserve the stock of affordable housing options. In some higher cost markets, a 99 year period is used as the standard for permanent affordability.[12]

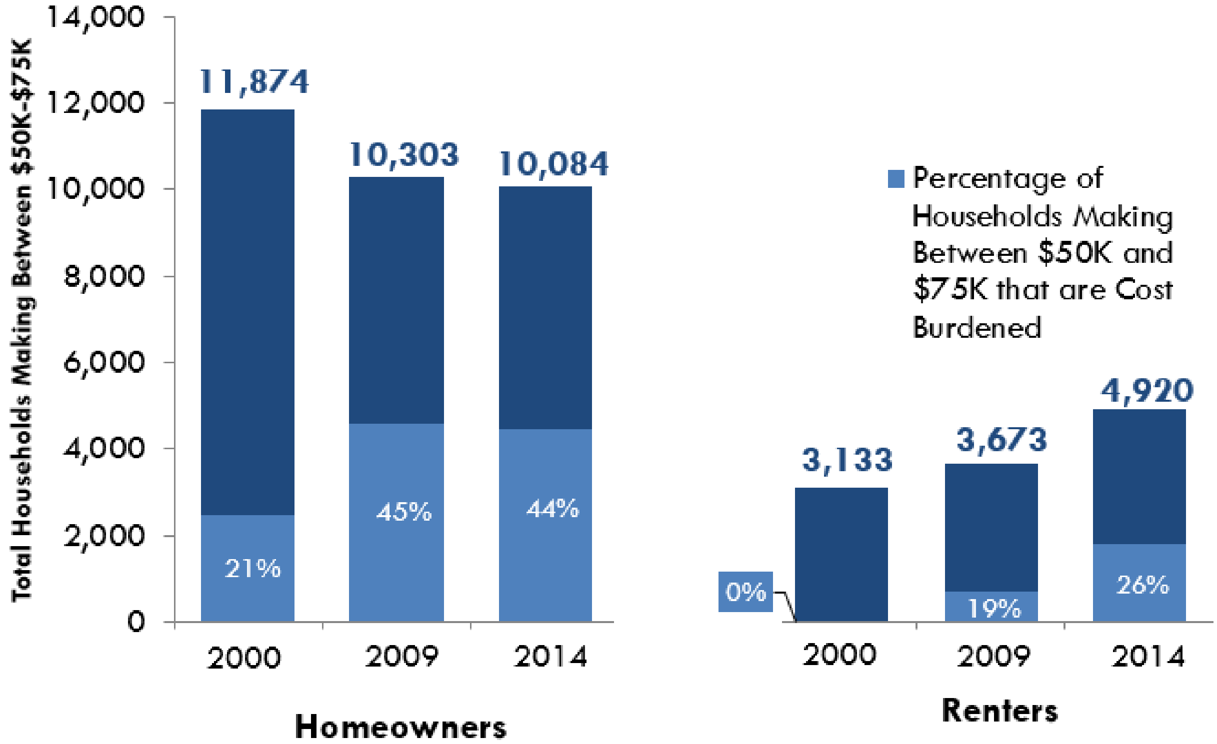
Graph 29. Total Households Making Between $20,000 and $50,000, Frederick County, 2000 - 2014



Source: PolicyMap

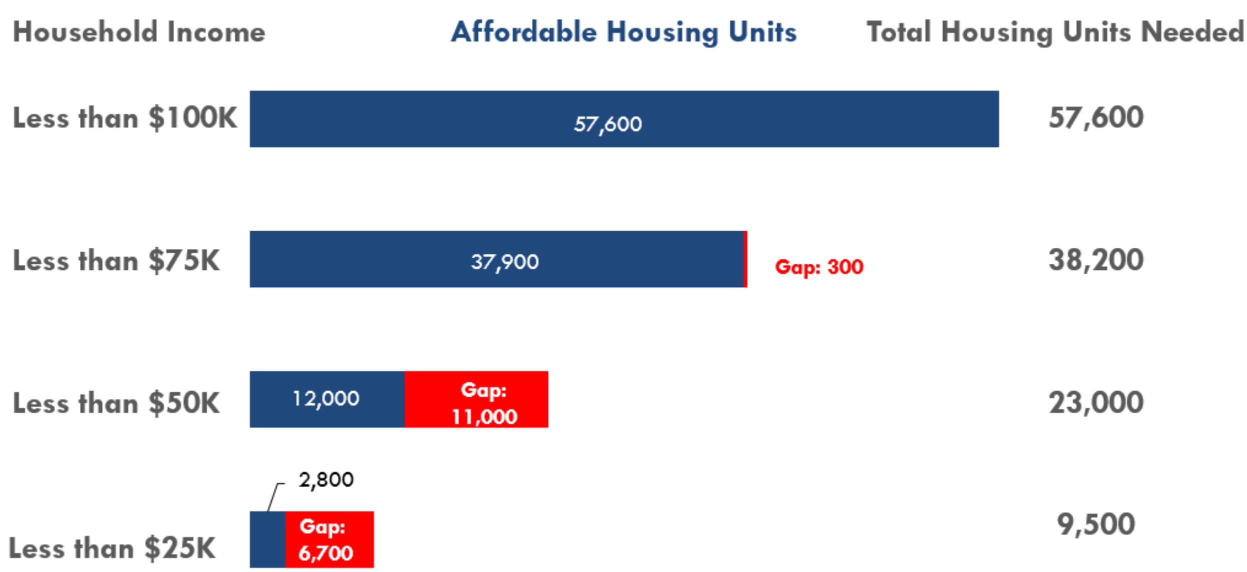
[12]http://cltnetwork.org/wp-content/uploads/2015/01/Permanently-Affordable-Housing-Sector-Chart-Glossary-11-2014-design-update.pdf

Graph 30. Total Households Making Between $50,000 and $75,000, Frederick County, 2000 - 2014



Source: PolicyMap

Graph 31. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households. Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

Task 5 Define an affordability index that measures the median household income relative to the income needed to purchase a median priced home in the county and the percentage of households at differing incomes who can afford to purchase a median priced home. Determine whether housing is becoming more or less affordable for households and identify changes such as the cost of housing and interest rates which affect affordability

Housing costs in Frederick County have increased since 2000, with gross rents increasing at a faster rate than incomes, thus indicating that rental properties are becoming more difficult to afford (Graph 32). The number of rental properties renting for greater than $1,000 per month increased by 616%. The number of rental properties renting for less than $1,000 has decreased by 46% (Graph 33). Home values have also increased substantially in Frederick County, likely indicating higher mortgage payments. Increasing home values have also led to an increasingly expensive home buying market, with listing and sale prices increasing substantially over the past 15 years (Graph 34, Graph 35). However, interest rates have decreased in the last 15 years which can help lower the cost of homeownership for moderate income households (Graph 36).

One method of measuring the affordability of housing is the analysis of cost burdens or the percentage of income paid towards housing costs. Using this metric, Frederick County housing has undoubtedly become less affordable over the past 15 years. The percentage of cost burdened homeowners increased from 2000 to 2009 and has subsequently remained level since then (Graph 37). This indicates that, even after the end of the foreclosure crisis, homeowners are still suffering the lingering effects (Graph 38 41). On the other hand, the percentage of cost burdened renters has steadily increased over the past 15 years (Graph 39 38).

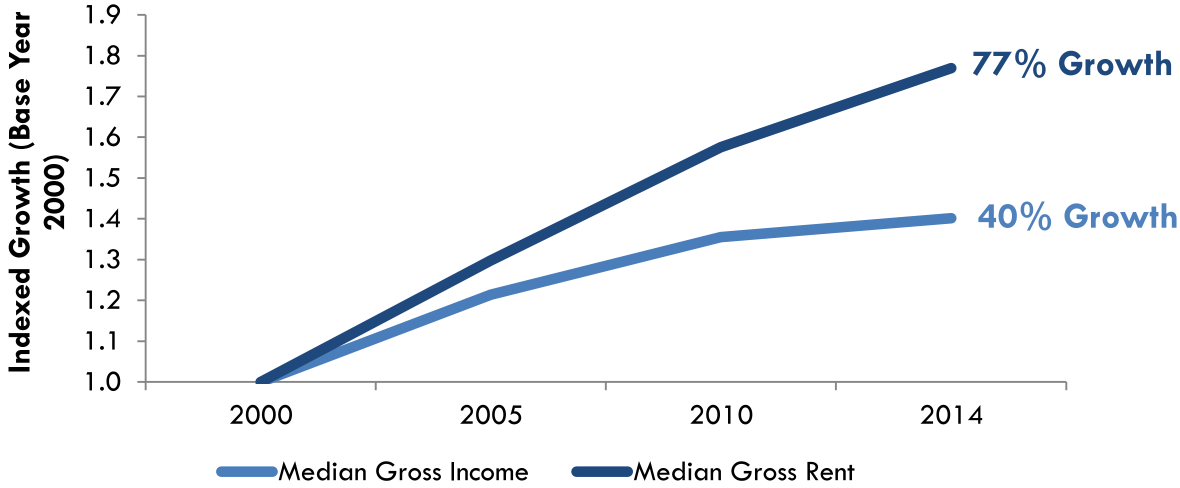
Another method of measuring housing affordability is the use of a housing gap. In Frederick County, the gap between the number of affordable accommodations and the number of households within that affordability range is growing (Graph 40 39, Graph 41 40). Specifically, households making less than $50,000 experienced no housing gap in 2000. However, by 2014, that gap had grown to approximately 11,000 households, meaning that about 11,000 households are paying greater than 30% of their income towards housing because there is not enough housing that is affordable to them. Closing the workforce rental housing gap will not necessarily require the development of 11,000 new affordable rental housing units. If the supply of affordable rental housing increases faster than the need, there will be downward pressure on asking rents. If, as a result, this pressure causes rents to drop or grow lower than the income of low- and moderate-income households than the number of rental housing units that are affordable will increase. This induced increase in the supply of affordable housing can reduce the number of new affordable rental housing units necessary to close the housing gap in Frederick County (Graph 41 40).

In Frederick County, the median home value is $301,300.[13] The typical monthly housing budget for a home in this price range would be $1,812. Assuming a 30% maximum housing cost burden, a household would need to make at least $72,476 in order to afford monthly payments. In 2014, 60% of households would be capable of purchasing a house that cost $301,300 (Table 9). This has changed since 2010. Due to a higher median home value and lower median household income, only 51% of households could afford a median priced home in 2010 (Table 10). It is important to note that affordability is not the only barrier to homeownership. Down payment and credit requirements, which have risen in recent years, can also act as barriers.

Interest rates have dropped over the past 15 years and remain at historic lows, contributing to increased housing prices. The impact on housing costs is less clear as the lower interest payments required on a mortgage are at least partially offset by higher home prices.

[13] Based off of US Census data. Slightly different from Zillow's estimated median home value seen in Graph 25 as US Census data is self-reported and Zillow data is estimated based off of an algorithm.

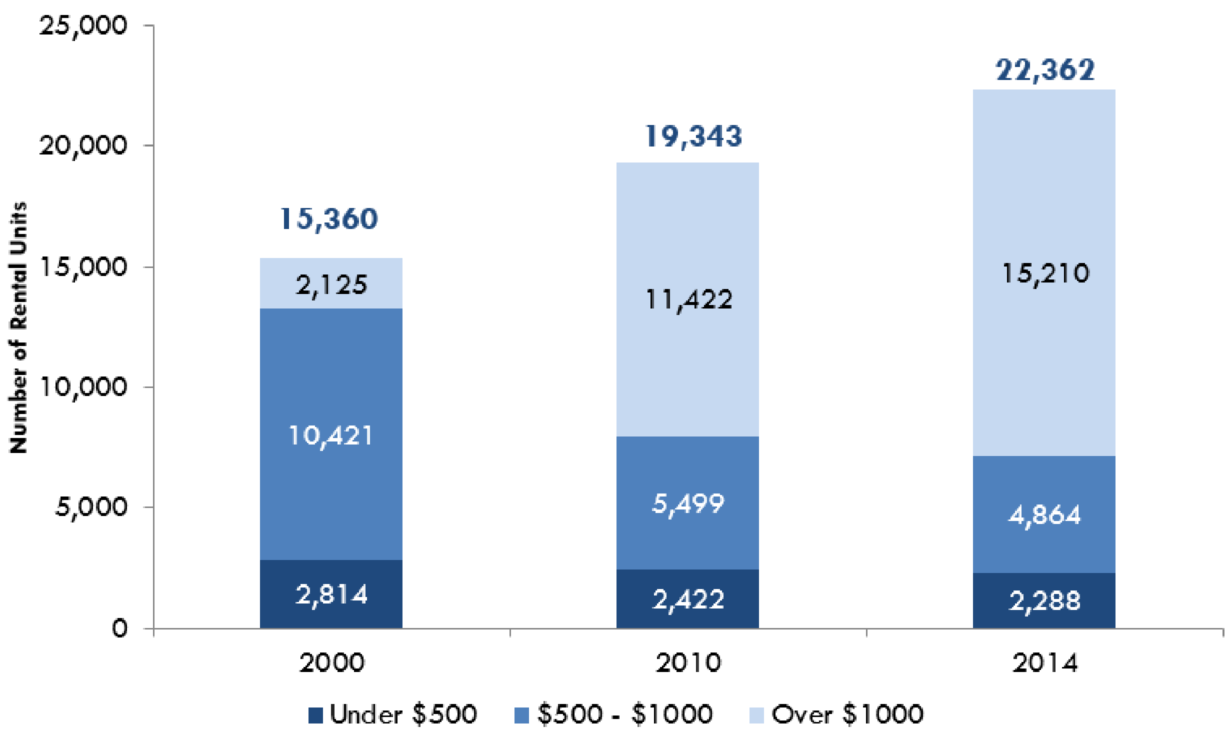
Graph 32. Indexed Median Household Gross Income and Median Rent Growth, Frederick County, Base Year 2000



	2000	2005	2010	2014	Growth
Median Gross Income	$60,276	$73,149	$81,686	$84,480	40%
Median Gross Rent	$719	$933	$1,133	$1,272	77%

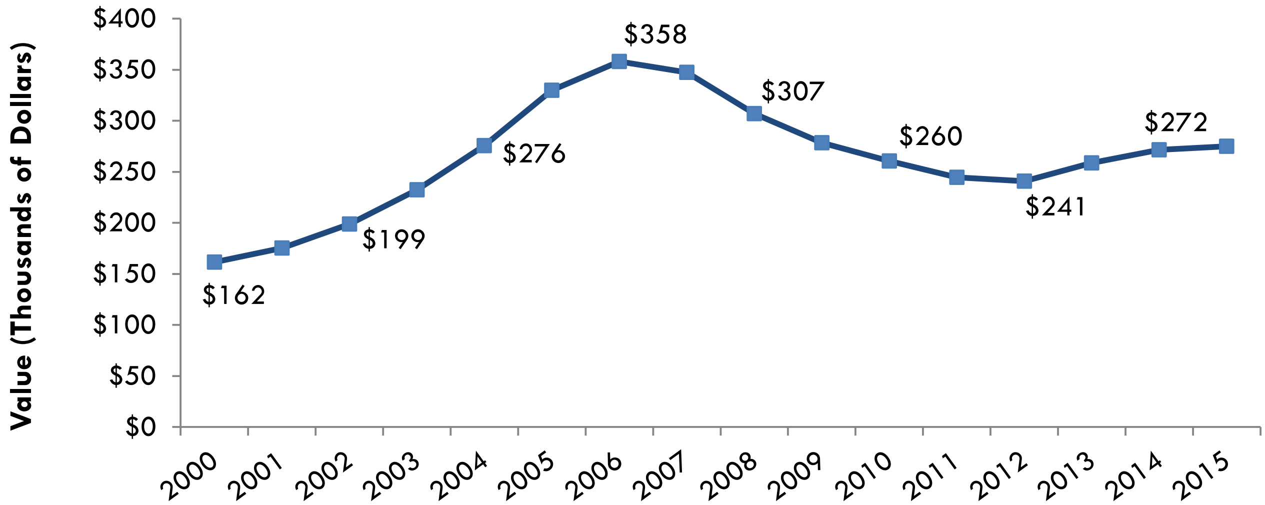
Source: ACS, Census

Graph 33. Number of Rental Units by Monthly Rent, Frederick County, 2000 - 2014



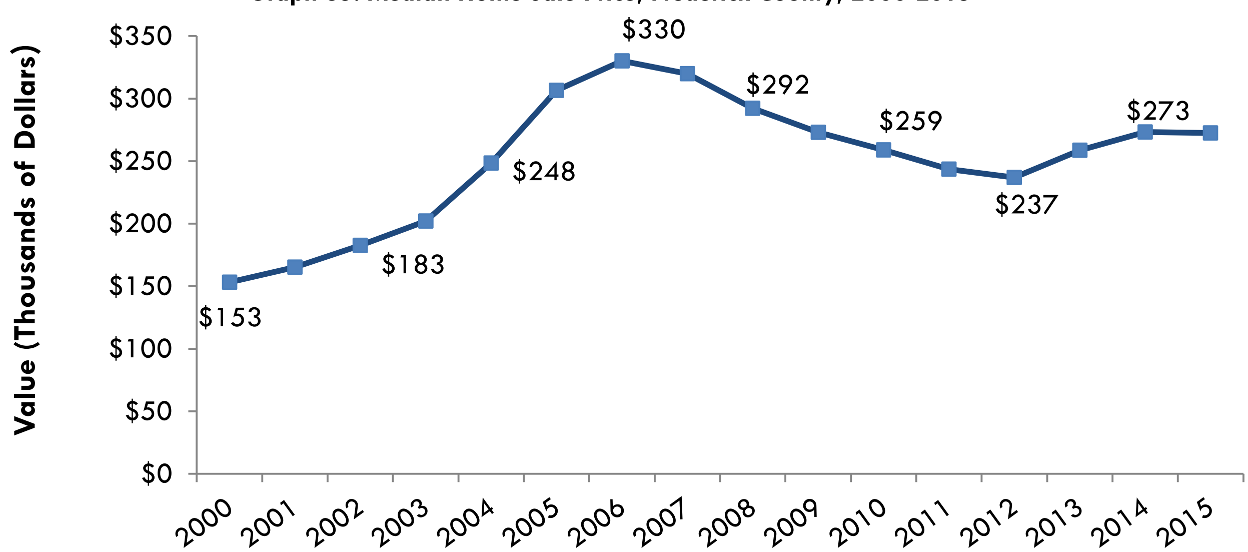
Source: ACS, Census

Graph 34. Median Home Value, Frederick County, 2000-2015



Source: Zillow Research[14]

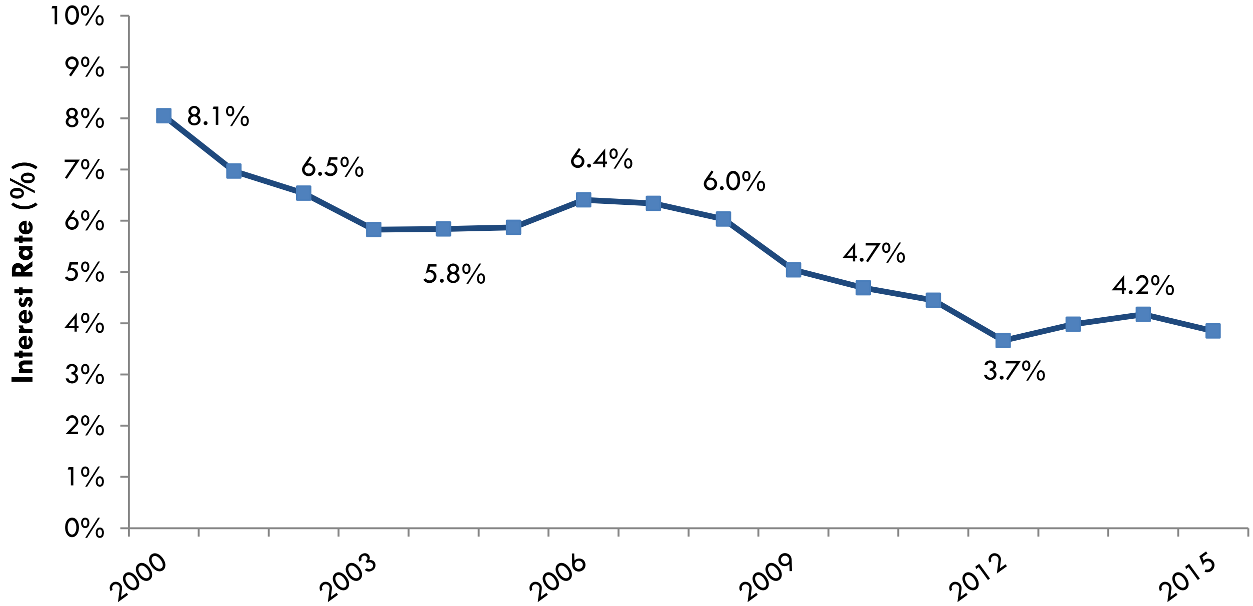
Graph 35. Median Home Sale Price, Frederick County, 2000-2015



Source: Zillow Research

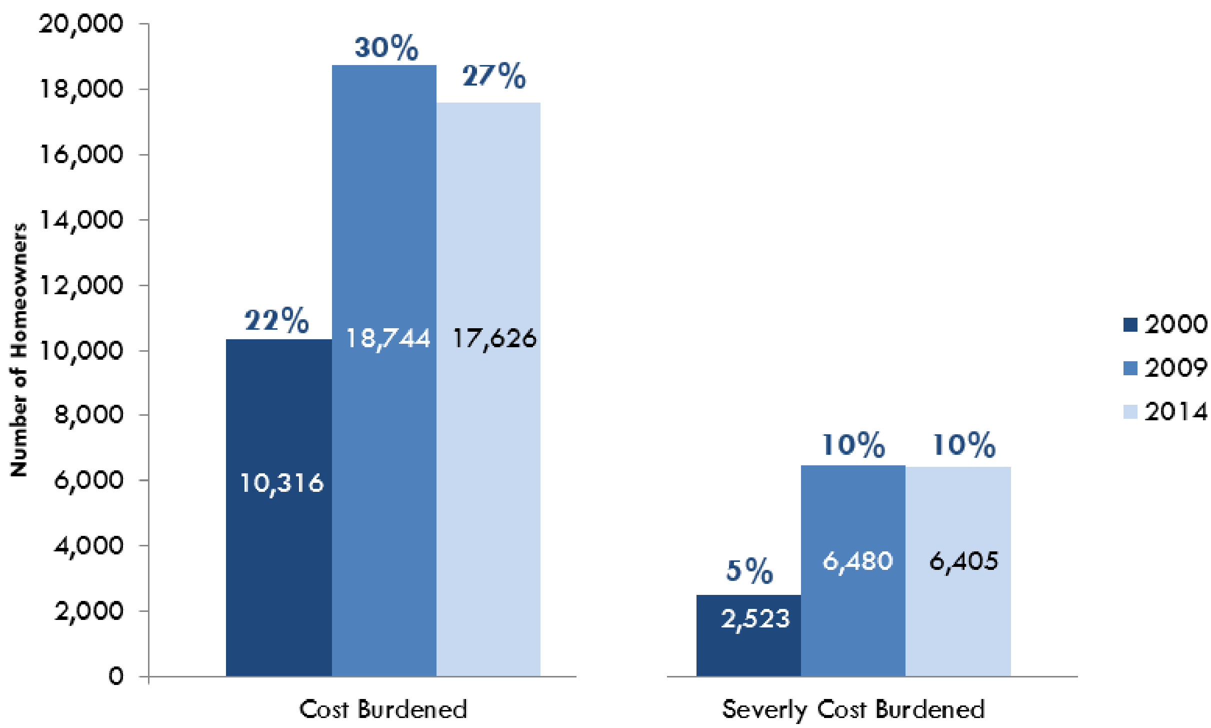
[14] Zillow Research uses sale prices and list prices while the Census uses self-reported home values, thus home value estimates may differ.

Graph 36. Interest Rates for 30-Year Fixed-Rate Mortgages



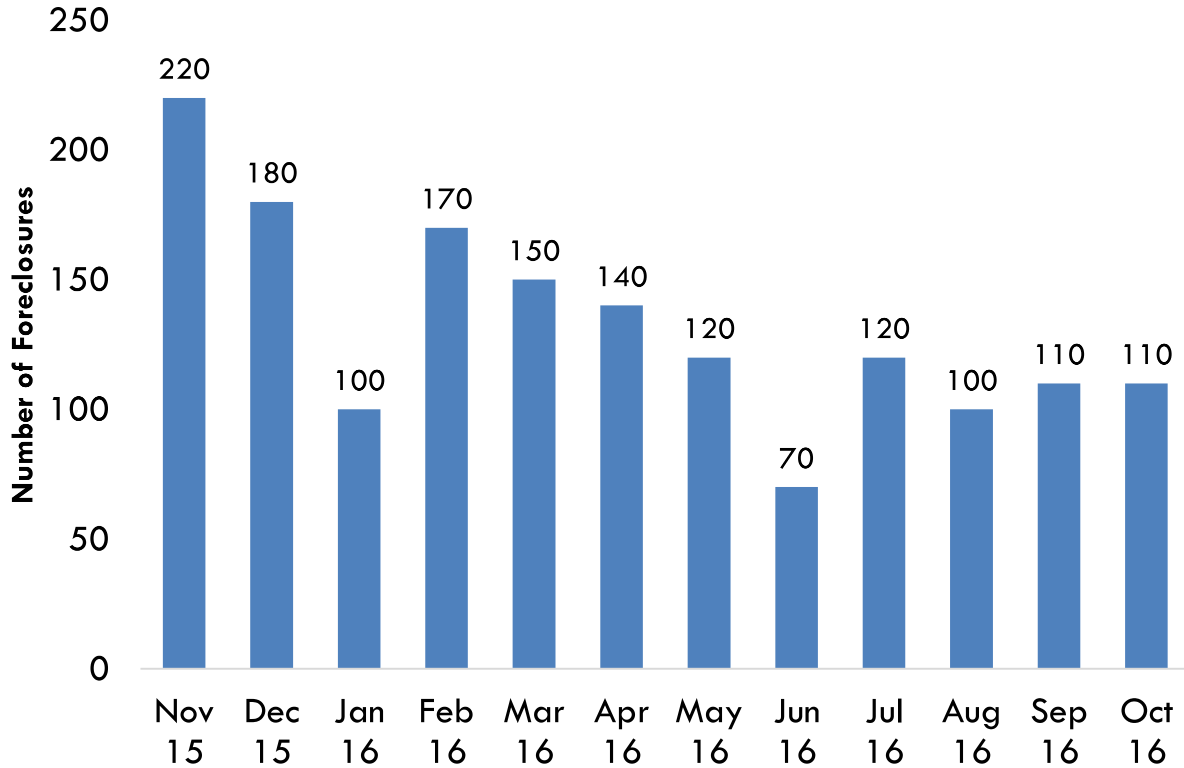
Source: Freddie Mac

Graph 37. Homeowners by Cost Burden Status in Frederick County



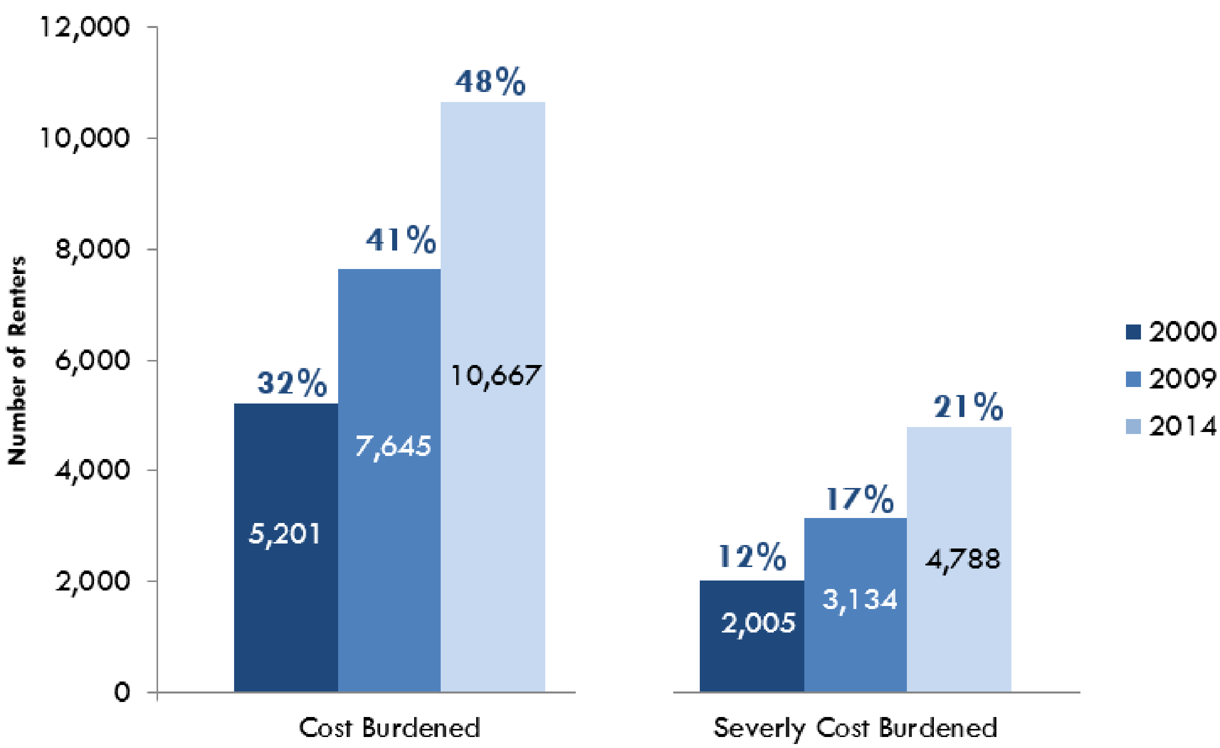
Source: PolicyMap

Graph 38. Frederick County Monthly Foreclosures, November 2015 – October 2016



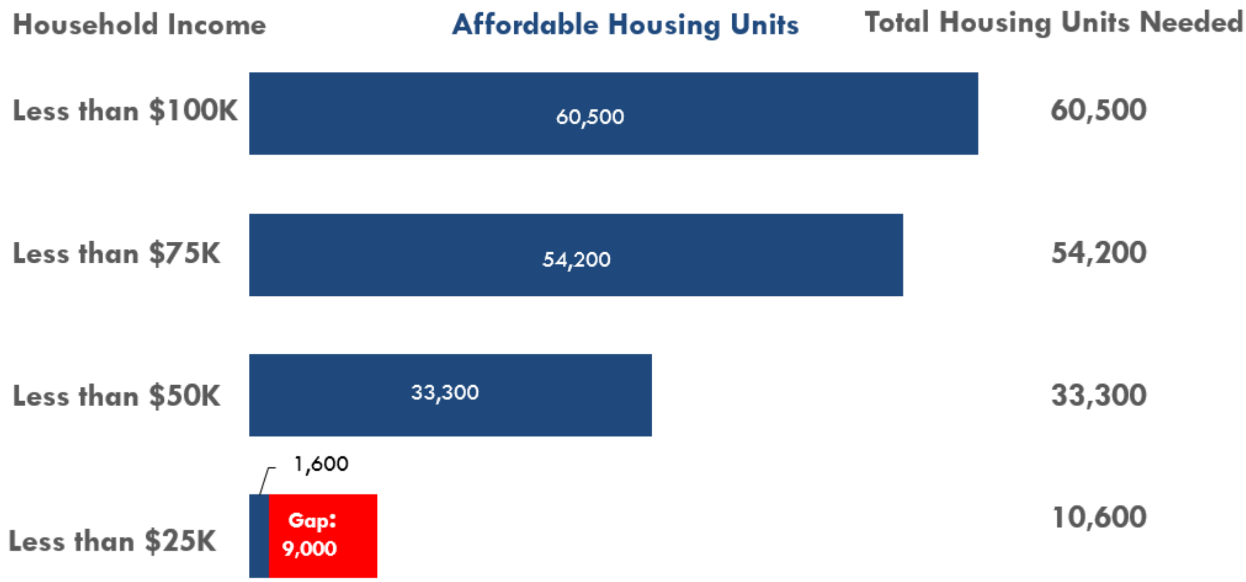
Source: RealtyTrac

Graph 39. Renters by Cost Burden Status in Frederick County



Source: PolicyMap

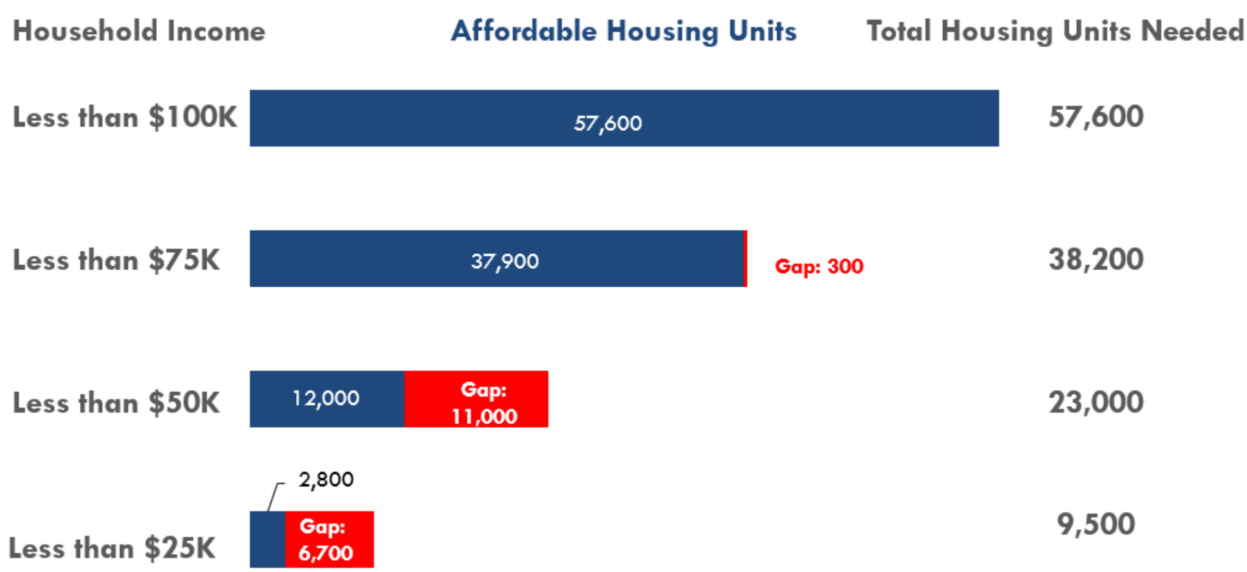
Graph 40. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2000



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2000, there were 13,341 households in Frederick earning more than $100,000, or about 19% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

Graph 41. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

Table 9. Affordability Index for Frederick County, 2014

Median Home Value	Monthly Housing Budget	Minimum Income	% of Households Who Can Afford
$301,300	$1,812	$72,476	60%

Interest Rate	4.00%
Amortization Period	360
Property Tax Rate	1.172%
Insurance	$950
Housing Burden Ratio	30%

Source: ACS, Census

Table 10. Affordability Index for Frederick County, 2010

Median Home Value	Monthly Housing Budget	Minimum Income	% of Households Who Can Afford
$314,300	$2,026	$81,027	51%

Interest Rate	4.75%
Amortization Period	360
Property Tax Rate	1.172%
Insurance	$950
Housing Burden Ratio	30%

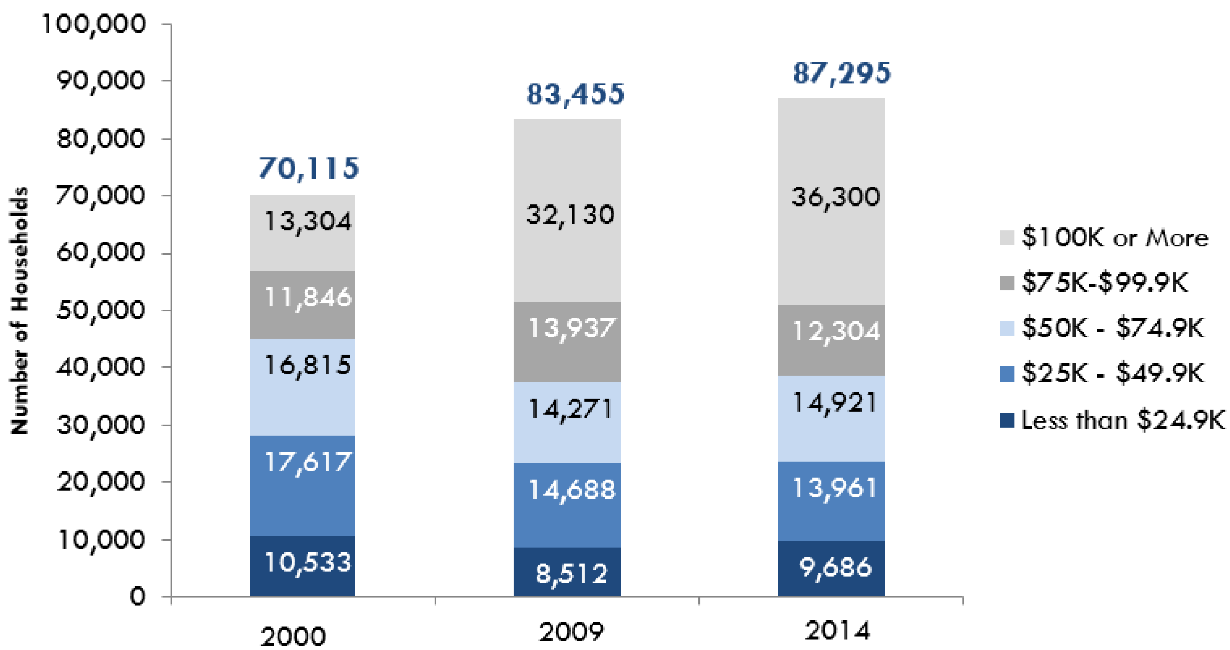
Source: ACS, Census

Task 6 Assess the number of limited income renter households, the gross rent affordable for income bracket, and the number of units available. Determine whether or not the County has adequate supply of rental housing to accommodate the number of households within the low to moderate income ranges.

The County has an insufficient supply of affordable rental housing to meet the needs of existing residents.

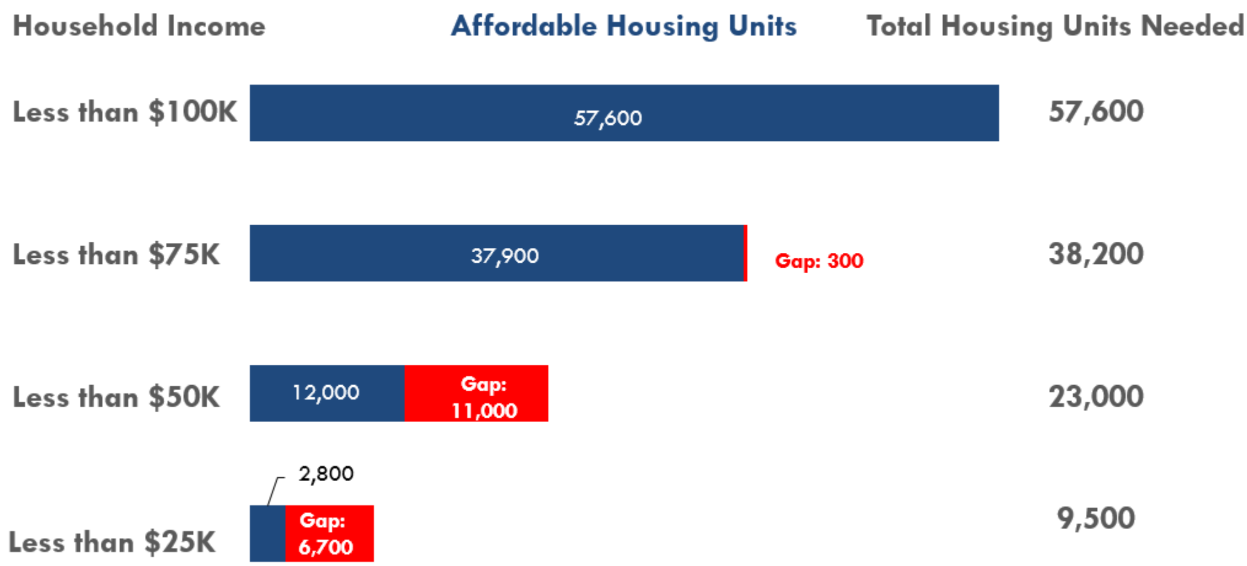
The number of households earning under $100,000 fell between 2000 and 2014 (Graph 42). Still, the housing gap within Frederick County continues to grow and is now concentrated among households that are making less than $50,000 (Graph 43). This can be attributed to both growing rents and growing home sale prices (Graph 44, Graph 45). This housing gap indicates that the county does not have an adequate supply of rental housing to accommodate the number of low to moderate income households. Frederick County should strive to lower the cost of housing for its moderate-income households in order to reduce housing cost burdens and the overall housing gap in the County.

Graph 42. Households by Income Bracket, Frederick County, 2000 - 2014



Source: ACS, Census

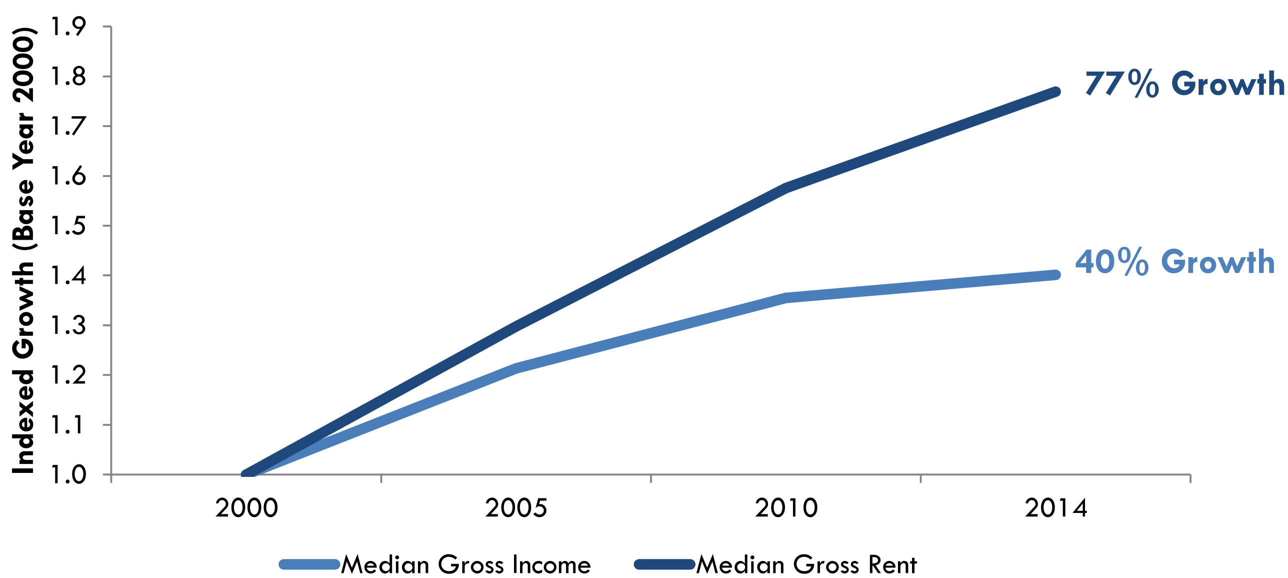
Graph 43. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

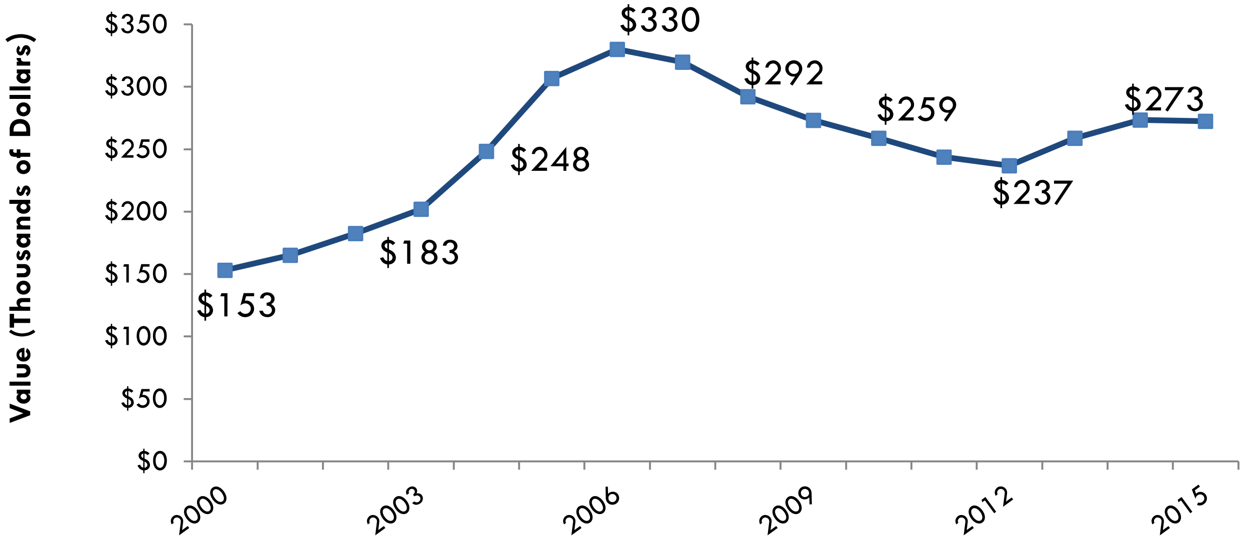
Graph 44. Indexed Median Household Gross Income and Median Rent Growth, Frederick County, Base Year 2000



	2000	2005	2010	2014	Growth
Median Gross Income	$60,276	$73,149	$81,686	$84,480	40%
Median Gross Rent	$719	$933	$1,133	$1,272	77%

Source: ACS, Census

Graph 45. Median Home Sale Price, Frederick County, 2000-2015



Source: Zillow Research

Lincoln on the Park, Emmitsburg, Frederick County, MD

Task 7 Assess current and future supply and demand, cost and affordability of housing. Identify potential gaps for the supply of affordable housing for households of limited incomes and whether or not the number of units available will be adequate to meet the estimated housing demand.

In 2000, only households making less than $25,000 experienced a gap between need and availability of affordable housing, with a gap of approximately 9,000 units (Graph 46). By 2014, households making less than $50,000 experienced a gap of approximately 11,000 units (Graph 47). This implies increasing housing costs, decreasing options for affordable homes, or a combination of the two. Assuming a maximum 30% cost burden, there was a gap in housing availability for households making less than $25,000 in 2000. By 2014, the majority of the housing need had shifted to households making less than $50,000, implying increasing housing prices and a lack of affordable options for households making between $25,000 and $50,000.

Closing the workforce rental housing gap will not necessarily require the development of 11,000 new affordable rental housing units. If the supply of affordable rental housing increases faster than the need, there will be downward pressure on asking rents. If, as a result, this pressure causes rents to drop or grow lower than the income of low- and moderate-income households than the number of rental housing units that are affordable will increase. This induced increase in the supply of affordable housing can reduce the number of new affordable rental housing units necessary to close the housing gap in Frederick County (Graph 47).

The housing gap for each income group shown in Graph 46 and Graph 47 is cumulative; thus, the gap for one income group should not be added to another income group to determine the 'total' gap. For example, the gap shown for households earning less than $50K includes all households earning less than $25K. Therefore, adding the housing gap for households earning less than $50K to the gap for households earning less than $25K would overestimate the housing gap by 6,730 units.

There are a few significant forces working in Frederick County's favor as it seeks to close the housing gap, which will reduce the number of new publicly assisted affordable housing units that must be produced. The first is that number of lower income households has declined in Frederick County over the past 15 years and is currently holding steady (Graph 48, Graph 49). The population growth Frederick County has experienced is concentrated among households earning more than $100,000, many of them commuting into the urban core of the Washington DC metro area for work. Since there is no significant housing gap for households earning over $50,000, the housing gap should not increase because of greater need.

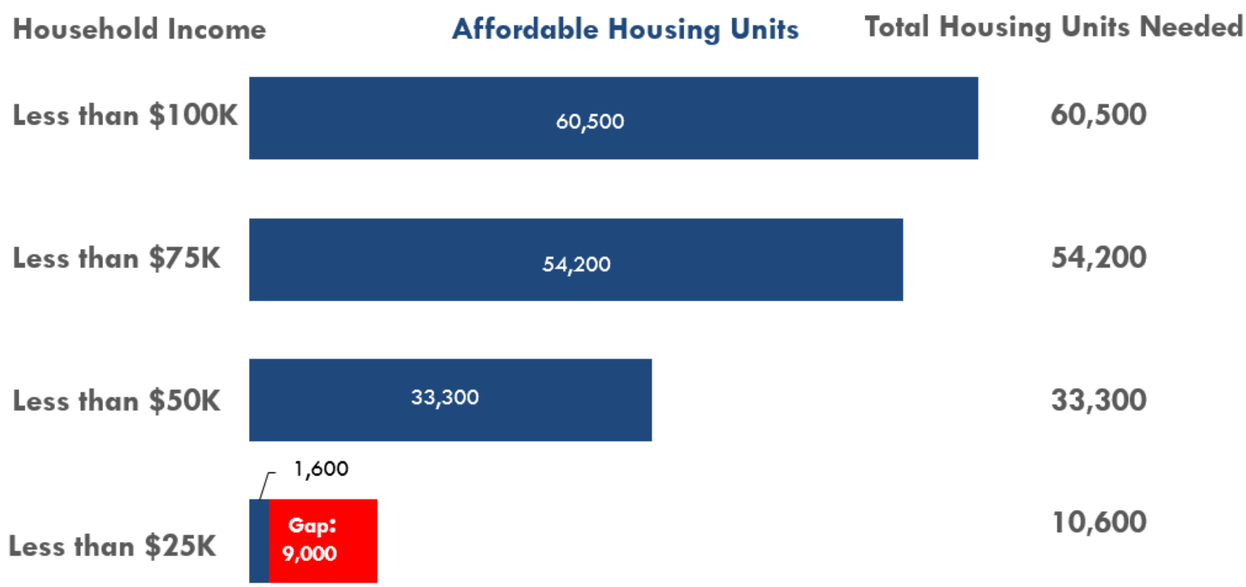
The second factor working in Frederick County's favor is the pipeline of new affordable rental housing in development. Since 2015, approximately 300 units have either been brought onto the market or started construction (Table 11). This represents a significant increase in the production of new affordable rental housing in Frederick County and compares to the approximately 345 units built between. The County's support of Low Income Housing Tax Credit (LIHTC) projects through subsidy, tax incentives and general cooperation with private developers can be credited for this increase in production.

The third factor is the potential for a significant increase the number of naturally affordable rental units in Frederick County. Frederick County is experiencing a significant increase in development with 24,580 dwelling units in the pipeline currently.[15] Of these 1,112 are rental housing units that are near to reaching the market. The County also has a significant stock of existing rental housing, approximately 9,800 housing units, where the rents are slightly higher than what is affordable to households making less than $50,000. Competition from new rental development and the aging of existing properties will lead many of these 9,800 housing units to become naturally affordable to households earning less than $50,000 over the next ten years.

[15] Typically a significant portion of housing units in the development pipeline 'fall out' and are never developed.

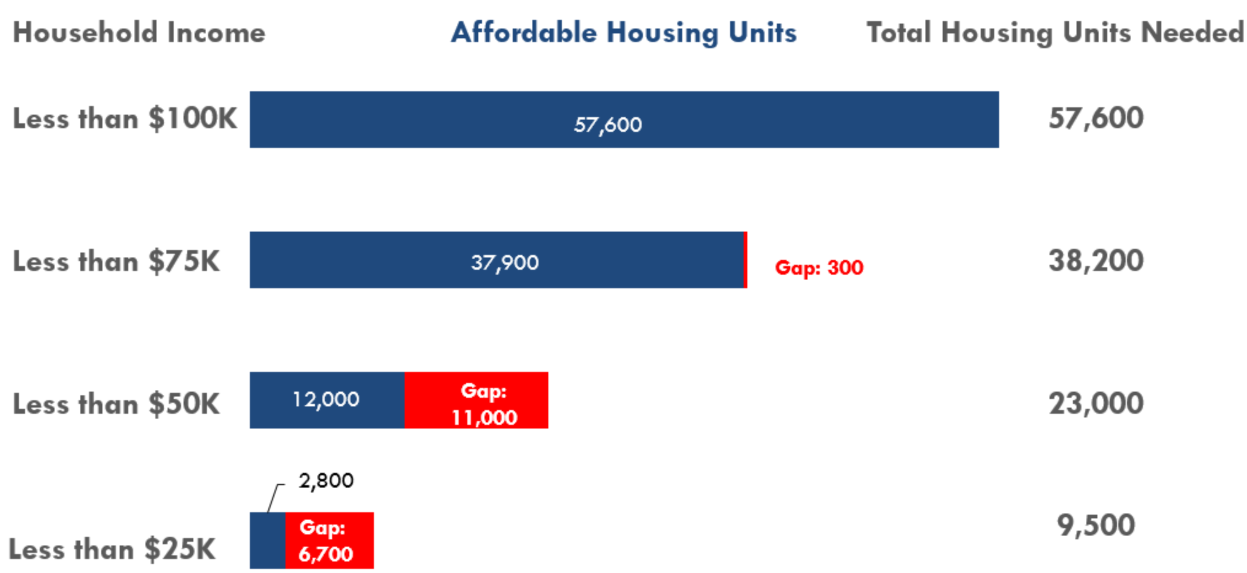
Together these factors reduce the number of new affordable rental housing units needed to close the housing gap from 11,000 to approximately 5,720 (Table 12). This is still a significant need but by steadily increasing the supply of affordable rental housing over time the County can close the housing gap.

Graph 46. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2000



Note: This chart does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2000, there were 13,341 households in Frederick earning more than $100,000, or about 19% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.
Source: ACS, Census

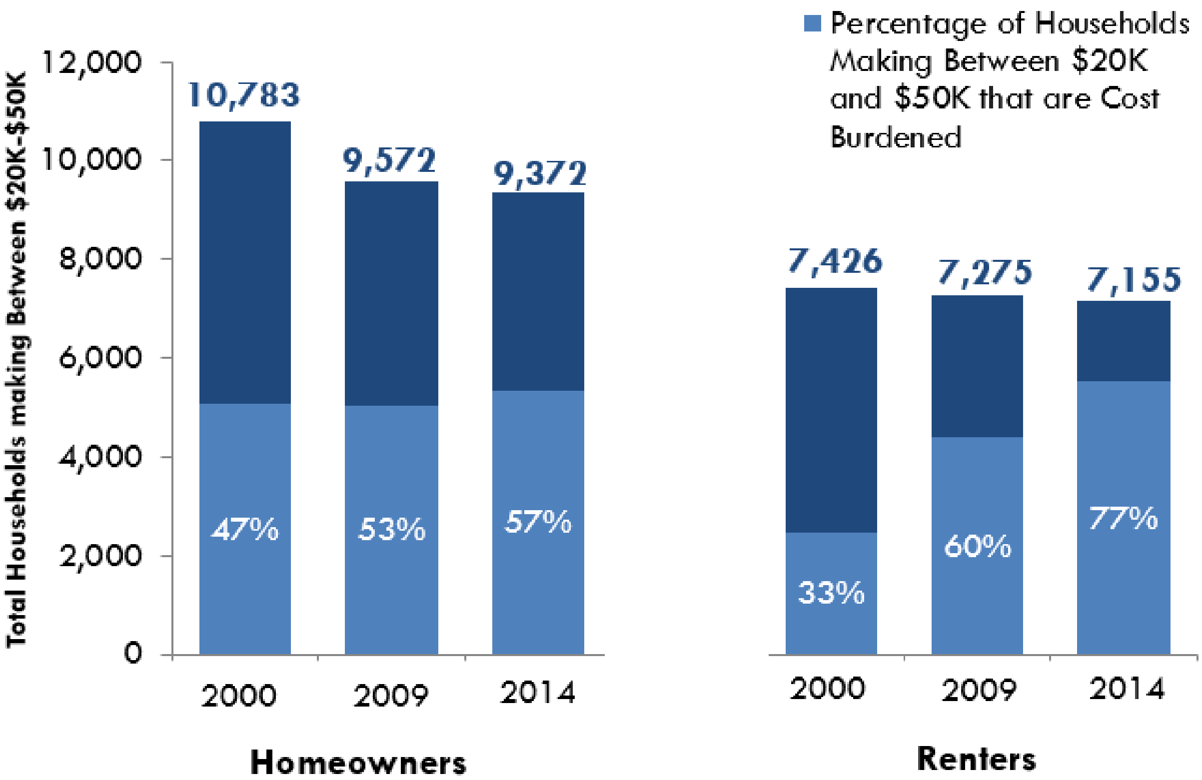
Graph 47. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

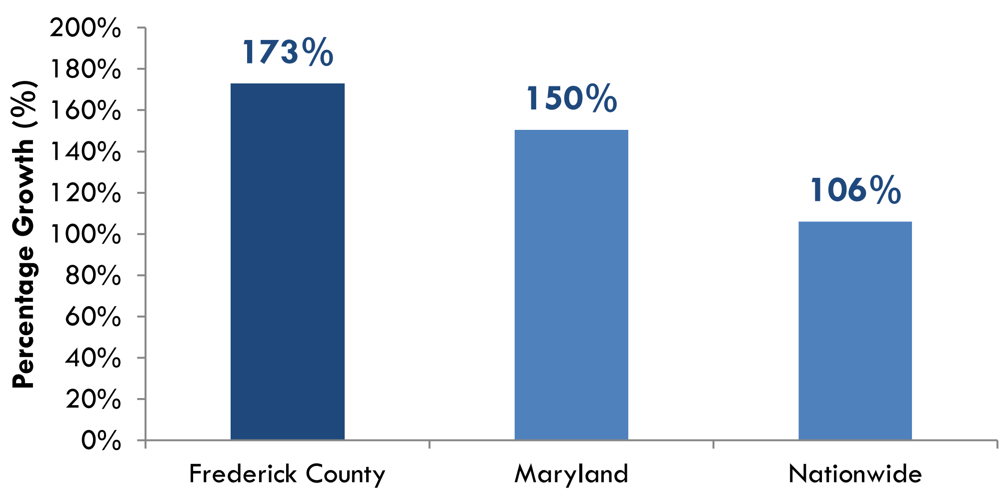
Source: ACS, Census

Graph 48. Total Households Making Between $20,000 and $50,000, Frederick County, 2000 - 2014



Source: PolicyMap

Graph 49. Percentage Growth in Households Making $100,000+, Frederick County, 2000-2014



Source: ACS, Census

Table 11. LIHTC Funded Developments in Frederick County, MD, 2006-2015

Project Name	Date	Pop. Type	Project Type	Units	LIHTC	Tax Credit Equity	Total Dev. Cost
Hillcrest Commons	2006	Families	New	60	9%	$ 5,616,444	$ 9,369,876
Brunswick House Apartments	2007	Elderly	Acq./Rehab.	2	4%	$ 1,482,236	$ 6,178,850
Victoria Park at Walkersville	2007	Elderly	New	80	9%	$ 5,906,882	$ 12,587,232
Frederick Revitalization	2008	Families	New/Acq./Rehab.	86	9%	$ 8,992,101	$ 18,487,867
Seton Village	2013	Elderly	Acq./Rehab.	43	4%	$ 3,576,926	$ 14,270,364
Taney Village Apartments	2014	Elderly	Acq./Rehab.	130	4%	$ 6,745,577	$ 24,616,482
Sinclair Way	2015	Families	New/Rehab.	71	9%	$ 13,611,269	$ 20,318,778
The Commons of Avalon	2015	Families	New	114	4%	$ 6,584,266	$ 28,231,410
Windsor Gardens	2015	Families	Acq./Rehab.	59	4%	$ 2,375,326	$ 10,276,816
Total				**645**		**$ 54,891,027**	**$ 144,337,675**

Source: Maryland Department of Housing & Community Development

Table 12. Affordability Index for Frederick County, 2014

Frederick County Affordable Housing Gap	11,000
New Affordable Housing in Pipeline[16]	300
Increase in Naturally Affordable Housing[17]	4,980
Remaining Affordable Housing Gap	**5,720**

Source: HR&A, CoStar, Census

Brooklawn Apartments, Frederick, Frederick County, MD

[16] This includes Sinclair Way, The Commons of Avalon, Windsor Gardens, 520 North Market Apartments.

[17] This projection is over a ten-year period and assumes that the existing naturally affordable housing units remain in use and are not taken off the market.

Task 8 Study the economic value to developers of building bonus density units available in the current MPDU Program and assess options for determining the number of affordable housing units to be produced.

There are a number of incentives and policies that can be implemented alongside Frederick County's MPDU program to increase efficacy and the production of MPDUs.

- Frederick County can offer density bonuses, to developers who deliver MPDUs, allowing them to develop over the maximum permitted density. In order to be financially feasible, the gain from an additional market rate unit should outweigh the profit loss from the inclusion of an MPDU. Density bonuses promote increased density in built-out communities or counties and can reduce the financial burden on developers in the right market. However, if the market does not call for higher density developments, then there is no financial incentive to seek density bonuses. According to interviews with developers, density bonuses in Frederick County are not effective as developments typically cannot reach maximum density due to existing county and state regulations (e.g. required setbacks, water quality requirements, etc.) Other developers indicated there was less demand for higher density development in most parts of the County making additional density unattractive.

  Recommendation: The County should maintain the existing density bonus allowed under the MPDU ordinance.

  It does not create an additional burden on the County and as development patterns change it may become a more attractive incentive.

- Fast Track Development Incentives cut down on permitting time in order to allow for construction to occur as soon as possible. Conversations with developers indicated that Frederick County's permitting process is largely efficient and fast tracking would, therefore, not be an effective incentive; however, a few developers suggested that narrowing the discretionary review of developments would speed the development process and would be a welcome incentive. To move forward on this, the County would need to revise its development approval process to include more development 'by right' options.

  Recommendation: The County should consider reviewing its development approval and obtain both resident and developer input.

- Frederick County currently mandates that for-sale properties remain under control and under MPDU price regulations for 15 years, while rental properties remain under control for 25 years. In comparison, Montgomery County regulates MPDUs and ADUs for 30 years (for-sale property) and 99 years (rental property). Longer time periods help preserve and retain the affordable housing stock. Recognizing this, Frederick County adjusted its MPDU policy to require that when federal, state, or local government affordable housing programs are used to fulfill the MPDU requirement, the control period for rental units increases to 99 years.[18] A longer affordability period for rental housing will help the County to preserve its affordable rental housing stock. The 99 year affordability period has not slowed the development of affordable housing in Montgomery County and will likely have few deleterious effects on development in Frederick County. [19]

[18]https://frederickcountymd.gov/documentcenter/view/280582

[19]https://www.montgomerycountymd.gov/DHCA/Resources/Files/housing/singlefamily/mpdu/report_mpdu30yearreview.pdf

Task 9 Define methods for addressing an affordability gap and provide specific measures for the MPDU Program to implement to assure housing affordability for low and moderate income households. Make specific recommendations to the Code and Regulations to enhance and simplify the existing Code and Regulations incorporating best practices from around the country. This should include but not be limited to providing alternative methods for pricing MPDU for sale units and determining rental values.

Based on regional best practices[22], we recommend the following methodology for determining prices for moderate income housing units offered for sale:

Purchase Capacity Calculator Assumptions		
Variable	**Example**	**Method**
Interest Rate	5.50%	Should be based on Federal Housing Finance Agency (FHFA) Monthly Interest Rate Survey, the average of the previous 6 months plus 150 basis point cushion to reflect the potential for increased interest rates or mortgage insurance.
Amortization Period	360 months	Standard 30-year mortgage
Property Tax Rate	1.172%	Should be based on Frederick County's property tax rates.
Insurance	$950	Should be based on a survey of insurance rates in Frederick County
Housing Burden Ratio	30%	Standard HUD cost-burdened threshold.[20]
Down Payment	5%	Industry standard down payment for a low- or moderate-income household.
Household Income	$61,770	65% of AMI based on a household size of 2.7. The downward adjustment in AMI accounts for the fact that Frederick County's median income is lower than the Metro-area AMI. This number is then adjusted for a household size of 2.7, the median household size in Frederick County.[21]
Condo Fee (when applicable)	$1,800	Should be based on an annual survey of condo fees and should <u>not</u> be included for single-family homes.
Property Value	$220,125 (single family), $197,584 (condo)	Property Value based on the above assumptions.

[20] Howard County uses 28% cost burden threshold in their MIHU policy. https://www.howardcountymd.gov/Departments/Housing/Home-Ownership-Opportunities/Moderate-Incoming-Housing-Unit-Program-MIHU

[21] The AMI is adjusted for a household size of 2.7 by calculating the appropriate AMI based off the AMI levels for household size of 2 and 3 at 65% of AMI.

[22] Recommendations drawn from Howard County MIHU and Washington DC's inclusionary housing policy.

Recommendation: Frederick County should establish the maximum MPDU Rental rates based on 30% of the monthly income of a household whose annual income does not exceed 50% of AMI.[23]

In order to ensure LIHTC development feasibility, the County should not include households that earn less than 50% of AMI. This will ensure that rental rates will support the project. The maximum rental rates should include an allowance for utilities paid by the tenant. The utility costs should be calculated based on prevailing costs in Frederick County.

Hillcrest Commons, Frederick, Frederick County, MD

[23] Based on Washington DC's Inclusionary Zoning Rental Policy.
http://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/IZAdministrativeRegulations.pdf

Task 10 Review the County's Comprehensive Plan to ensure consistency with the Housing Element's Chapter, the Frederick County Homeless Coalition's Strategic Plan, and the 2013 Needs Assessment of the Aging Population in Frederick County.

Frederick County has created a number of documents in recent years that address housing within the County, including a section on housing in the County's 2010 Comprehensive Plan, a Needs Assessment of the Aging Population in Frederick County, and Strategic Plan for Ending Homelessness in Frederick County by the Frederick County Coalition for the Homeless. Goals and objectives outlined in each of these documents are intended to guide the County's efforts related to affordable housing and provide a framework for pursuing specific affordable housing policy initiatives.

2010 Comprehensive Plan for Frederick County

The 2010 Comprehensive Plan for Frederick County (Comprehensive Plan) provides an overview of housing conditions within Frederick County to highlight the specific challenges that the County faces. While noting that housing is relatively affordable to in comparison to neighboring jurisdictions in the Washington, DC region such as Montgomery County and Loudoun County, the Comprehensive Plan also notes the rapidly rising cost of housing in Frederick County and the difficulty many longtime residents or people employed in Frederick County face when seeking reasonably priced housing in the County. From 2002-2013, 29% of people working in Frederick County commuted from outside the County, with the largest share of commuters coming from neighboring Washington County, where the median home value is more than 40% less than in Frederick County. To address issues such as this as well as others identified by the County, it outlined five housing goals:

- Achieve a balance of housing choices that meets the needs of Frederick County individuals and families at all income levels.
- Support opportunities for people to live where they work.
- Strive to provide those with special needs (elderly, disabled, very low income) safe, sound, and sanitary homes.
- Increase investment in existing neighborhoods and rural communities through revitalization efforts.
- Utilize infill and redevelopment to increase housing choices throughout the county.

HR&A reviewed the Comprehensive Plan in the initial stages of the development of this report and the Plan informed the five categories of recommendations that HR&A developed: Workforce Rental Housing, Rental Housing with Operating Subsidy, Affordable Homeownership, Housing to Support Aging in Place, and the MPDU program.

Needs Assessment of the Aging Population of Frederick County

The senior population (60+) of Frederick County is expected to more than double between 2010 and 2030, from approximately 37,000 to 77,000. In preparation for this dramatic demographic shift, the County developed a Needs Assessment of the Aging Population of Frederick County (Needs Assessment). The vision of the Needs Assessment is to ensure that Frederick County is a senior-friendly community now and for the future. To support this vision, the County established seven goals, the first of which is provide accessible and affordable housing. HR&A's findings within this report support that goal, primarily through three recommendations that emphasize the allocation of resources and streamlining of processes for seniors in the County:

- Frederick County should continue to support the development of affordable housing that allows seniors to age in place within the County.
- Frederick County should set a minimum portion of its MPDU funds to serve elderly residents.
- The Frederick County Department of Aging should continue to assist senior homeowners and renters to apply for local and state programs which often have complicated and lengthy application processes.

The Strategic Plan for Ending Homelessness in Frederick County
With regard to the Strategic Plan for Ending Homelessness in Frederick County (Homeless Plan), The County can achieve the goals set forth by securing housing vouchers and supporting the development of affordable rental housing with LIHTC as described in the recommendations made in the executive summary of this report.

The Homeless Plan calls for 148 units of Permanent Supportive Housing (PSH), 116 units to serve single individuals and 32 units to serve families. To develop these PSH units will require vouchers as described in the Rental Housing with Operating Support strategy. There is an extremely limited supply of vouchers and most of those vouchers available are targeted to specific populations (e.g. veterans, disabled persons, etc.); an example is the 811 program. If the County secures vouchers through a program that targets specific populations they will create the PSH units; however, those housing units may serve households from outside the County, not just Frederick County residents.

The 204 units of non-supportive housing called for in the Homeless Plan can be developed through the LIHTC housing called for in the Workforce Rental Housing Strategy. The 'Deeply Affordable' units will be partially addressed by the affordability requirement imposed by the Maryland Department of Housing and Community Development. The County can increase the number of 'Deeply Affordable' units by requiring additional units in exchange for local subsidy funded through the MPDU fee.

Table 13. Unit Goals of Homeless Action Plan

	Singles	Families	Total # of Units
Permanent Supportive Housing	116	32	148
Non-Supportive Housing	115	89	204
Affordable	*57*	*44*	*101*
Deeply Affordable	*58*	*45*	*103*
Total	**231**	**121**	**352**

Source: Frederick County Coalition for the Homeless Strategic Plan for Ending Homelessness in Frederick County

"Housing First," a homelessness assistance strategy adopted by advocates and policy makers across the country, prioritizes stable, permanent housing for individuals experiencing homelessness prior to providing other services.[24] Unlike previous strategies that require homeless individuals to move through a spectrum of housing options and services, including public shelters, short-term housing, and transitional housing, the "Housing First" strategy jumps straight to permanent housing as the best solution for helping individuals to achieve stability. Program model specifications differ depending on the place and population served; however, the general principals remain constant: quick access to permanent affordable housing is critical and should be achieved prior to providing other services.

Many jurisdictions are adopting a "Housing First" approach to ending homelessness. Public agencies and other service providers work with clients to overcome barriers to housing, including poor tenant history, credit history, discrimination, and to identify sources of income. Providers will usually identify and work with landlords willing to participate in a "Housing First" program to reduce or share the potential risk. Once in housing, clients will often need some level of services, short or long-term, to prevent a recurrence.

Recommendation: Frederick County should continue to pursue a "Housing First" strategy as discussed in the Strategic Plan for Ending Homelessness in Frederick County. This strategy is recommended in the Coalition for the Homeless report that was adopted in 2015. To do so, Frederick County will need to expand its supply of affordable supportive housing, as well as educate services providers about "Housing First" goals and methods.

[24] National Alliance to End Homelessness - http://www.endhomelessness.org/pages/housing_first

Task 11 Schedule and attend two meetings with Frederick County Representatives and other interested parties to discuss and present pertinent MPDU assessments and recommendations. A final report overview Power Point presentation shall be provided to Frederick County officials in a public meeting.

HR&A attended Fredrick County Housing Council meeting on March 8th, 2016. As part of this meeting HR&A discussed with council members the scope of the affordable housing study and their views on the most pressing housing issues in Frederick County.

On May 2nd HR&A meet with the County Executive to discuss the preliminary results of affordable housing market study and receive feedback. On December 19th HR&A will present a Power Point to the County Executive and other Frederick County officials as part of a public meeting.

Task 12 Analyze the use of public/private partnerships to enable the creation of affordable senior housing. Examine the possibility of collaborating with the business community to identify commercial properties with the potential for affordable residential components.

The Low Income Housing Tax Credit (LIHTC) program is a collaboration between public and private stakeholders, including developers, institutional investors, non-profit organizations, and federal, state and local governmental agencies. This partnership can enable the creation of affordable senior housing though tenant age requirements that are in compliance with federal fair housing law.[25]

Developers can often score higher points on tax credit applications if they designate a percentage of units for elderly residents; however, this is dependent upon the state's Qualified Allocation Plan. Currently Maryland's QAP does not include senior residents under its "targeted populations" (only elderly homeless persons).[26] Frederick County should work with advocates and state officials to ensure that the QAP awards developers for creating senior housing, or that counties have the ability to identify their own highest need populations and receive points for serving them.

Adding a commercial component to a LIHTC project can often lead to complications but more sophisticated developers are capable of combining commercial development with affordable housing.

Developers expressed little interest in systemically targeting commercial properties for redevelopment to include affordable housing. There was a perception that this was likely to result in a more complicated transaction and that Frederick County had sufficient development opportunities for more standard development. Multiple developers were interested in mixed use and mixed income developments generally. They believe these were most likely to be feasible near the City of Fredrick or the southern portion of the County.

[25] http://services.housingonline.com/nhra_images/TCA%20Jan%202013%20%20requirements%20for%20senior%20housing.pdf

[26] http://dhcd.maryland.gov/HousingDevelopment/Documents/rhf/MD%20Rental%20Financing%20Program%20Guide%20Final%205.8.15.pdf

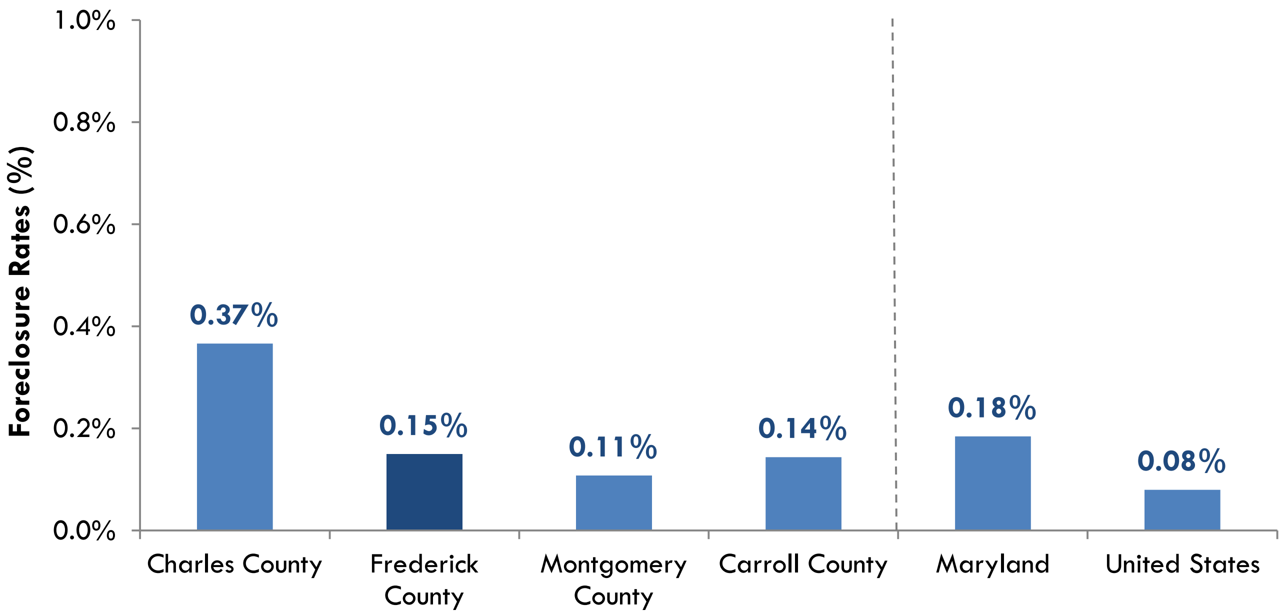
Task 13 Analyze Frederick County foreclosure market and trends over the next five years to determine the impact on affordable housing needs

In April 2016, the foreclosure rate in Frederick County was 0.15% (Graph 50). This was slightly lower than Maryland's foreclosure rate of 0.18% but higher than foreclosure rates in Carroll, and Montgomery Counties. In addition, Frederick County's foreclosure rate is almost double that of the United States' foreclosure rate of 0.08% (Graph 50). High foreclosure rates may imply undue housing cost burdens on homeowners.

Recommendation: Frederick County should establish a working group to memorialize the lessons learned from the Foreclosure Crisis. Frederick County and the State of Maryland were hard hit by the Foreclosure Crisis and undertook a wide range of strategies to prevent foreclosures and mitigate their impact. It is important to memorialize the lessons learned both to prepare for future waves of foreclosures and to more effectively address foreclosures that continue to occur. Foreclosure rates have dropped in Frederick County to near historic levels (Graph 50) but there continue to be new foreclosures.

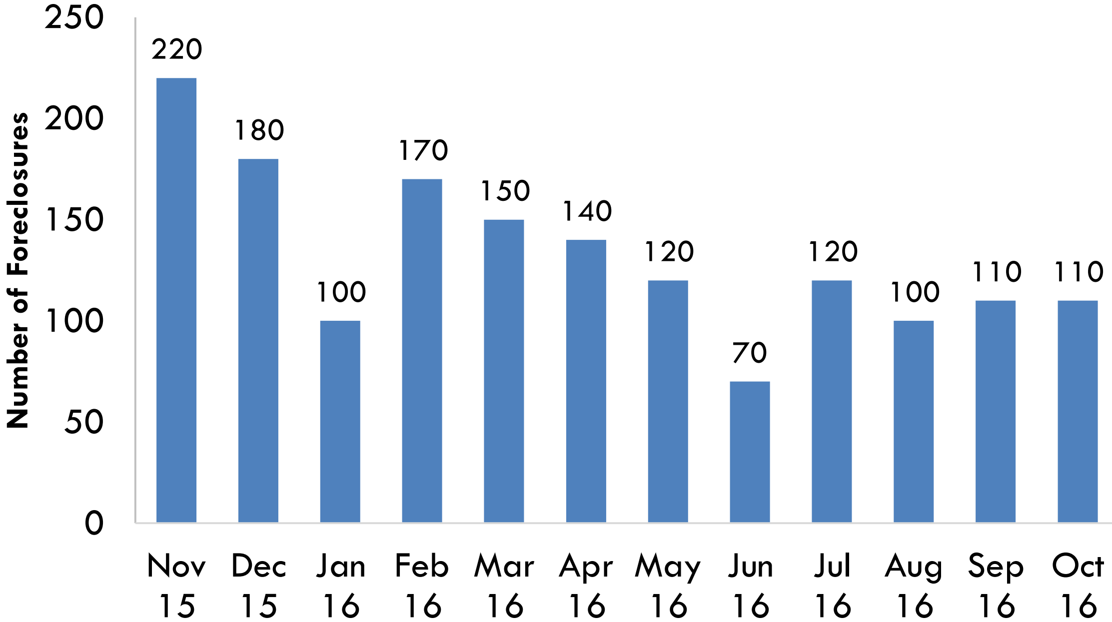
The working group should include foreclosure prevention counselors, local mortgage lenders and other stakeholders working to support homeownership in Frederick County.

Graph 50. Foreclosure Rates for April 2016



Source: RealtyTrac

Graph 51. Frederick County Monthly Foreclosures, November 2015 – October 2016



Source: RealtyTrac

Catoctin View Apartments, Frederick, Frederick County, MD

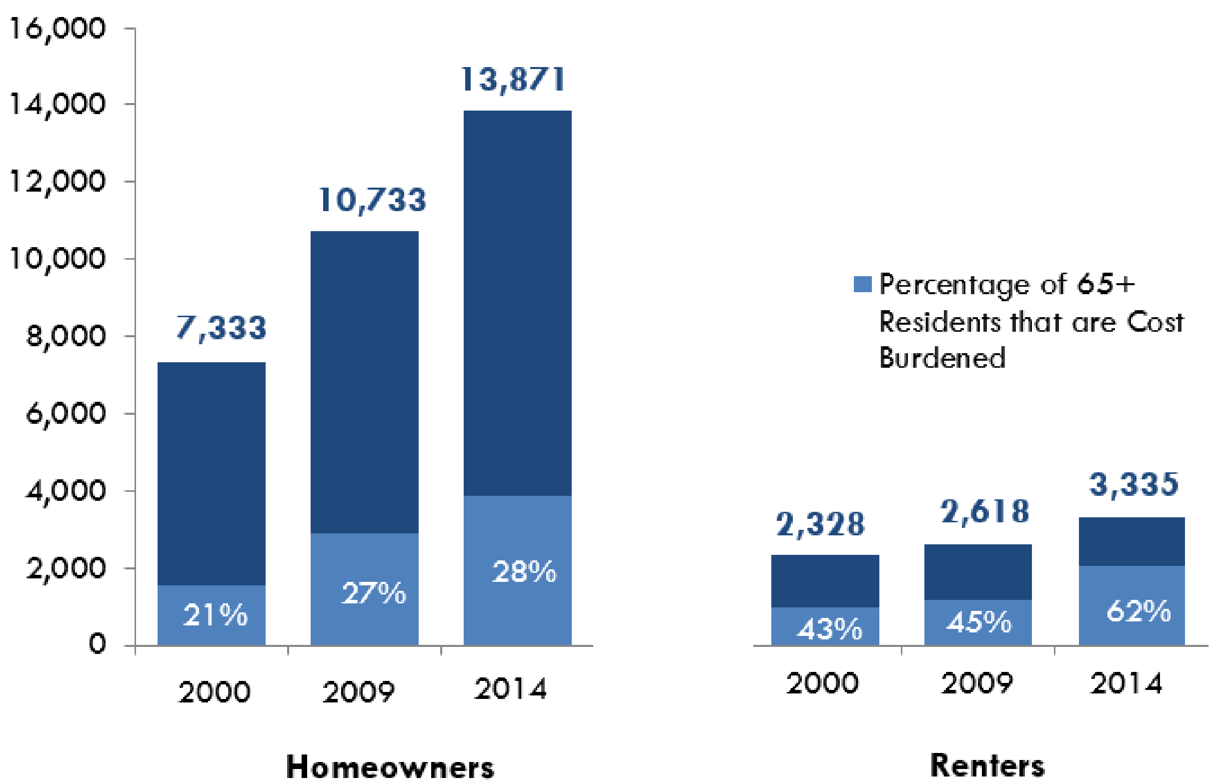
Task 14 Break down the housing need by household characteristics, such as family size and composition, income, accessibility and other factors.

The percentage of cost burdened residents age 65 and over steadily increased between 2000 and 2014. The percentage of cost burdened homeowners over 65 is generally in line with the overall percentage of cost burdened homeowners. The percentage of cost burdened renters over 65 has increased by 19% from 2000 to 2014 and represents 62% of all renting seniors (Graph 52). This indicates that renting seniors are more likely than not to be paying over 30% of their income towards housing costs. This population sub-niche must be addressed in order to reduce the cost burdens of seniors who often have fixed incomes.

Households making less than $25,000 experience a housing gap in Frederick County (Graph 53). These households are most likely to be paying more than 30% of their income towards rent and are most at risk of homelessness. Similarly, households making less than $50,000 are experiencing a growing housing gap (Graph 53). This can be attributed to the gross rents increasing at a faster rate than income growth, forcing many households to spend more than 30% of their income on housing costs (Graph 54).

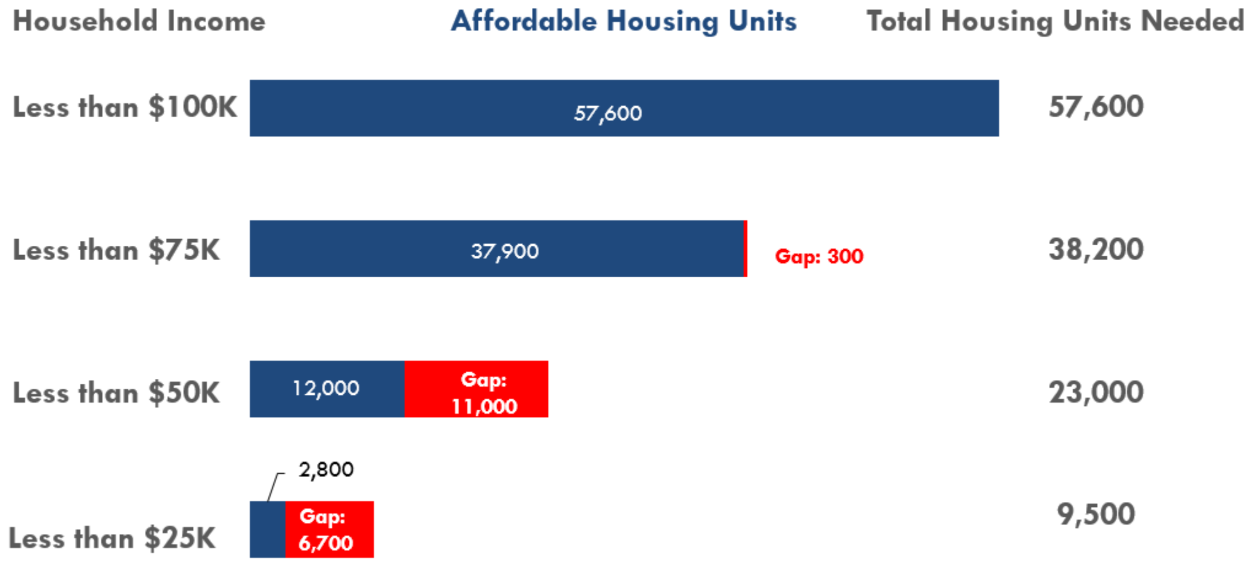
Finally, Frederick County should remain cognizant of the geographic dynamics of affordable housing development. As the county grows, it may become imperative to focus affordable housing development outside of Frederick City and the surrounding vicinity in order to better serve individuals in the northern region of the county. Currently, the majority of affordable housing developments are concentrated around Frederick City (Figure 4, Figure 5).

Graph 52. Total 65+ Homeowners and Renters, Frederick County



Source: PolicyMap

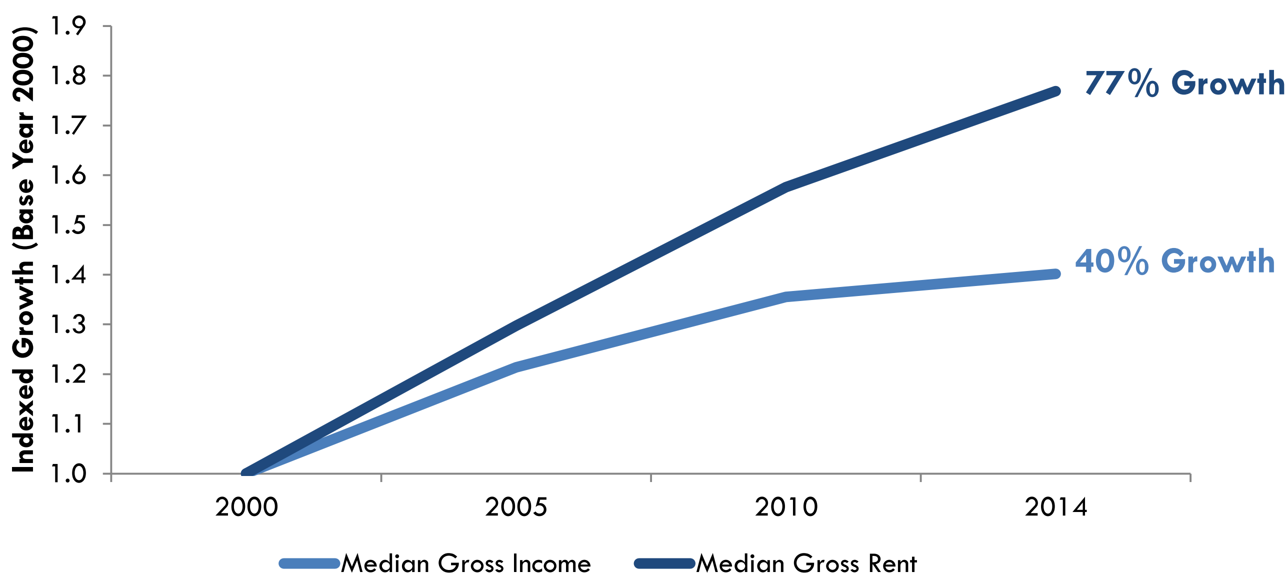
Graph 53. Housing Gap Assuming a Maximum 30% Cost Burden, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

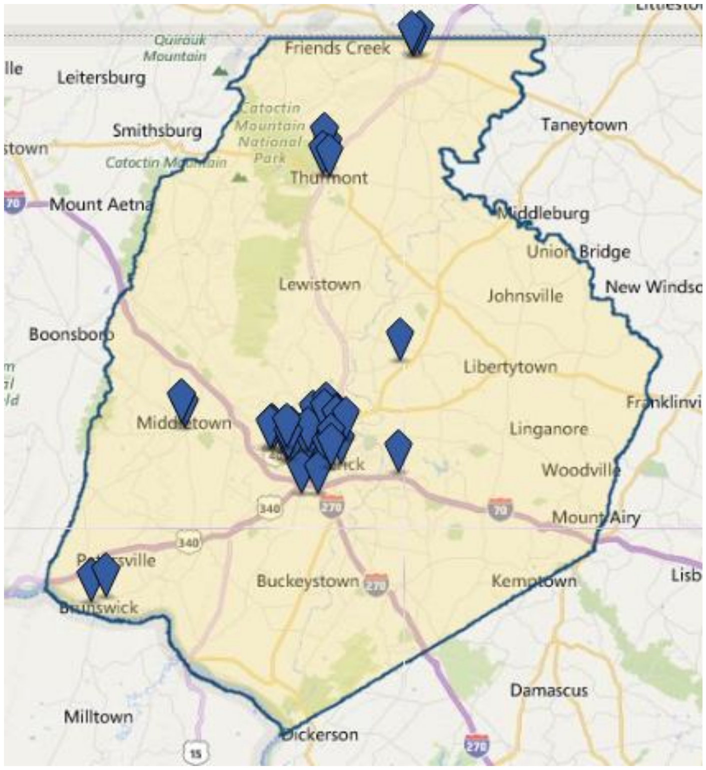
Graph 54. Indexed Median Household Income and Median Rent Growth, Frederick County, Base Year 2000



	2000	2005	2010	2014	Growth
Median Gross Income	$60,276	$73,149	$81,686	$84,480	40%
Median Gross Rent	$719	$933	$1,133	$1,272	77%

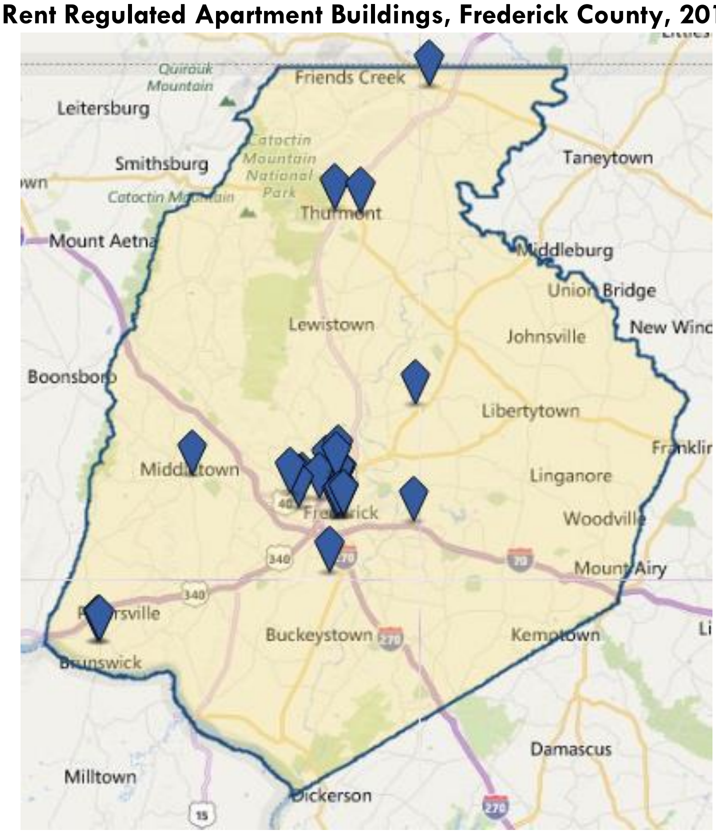
Source: ACS, Census

Figure 4. Naturally Affordable Apartment Buildings, Frederick County, 2016



Source: CoStar

Figure 5. Rent Regulated Apartment Buildings, Frederick County, 2016 (CoStar)

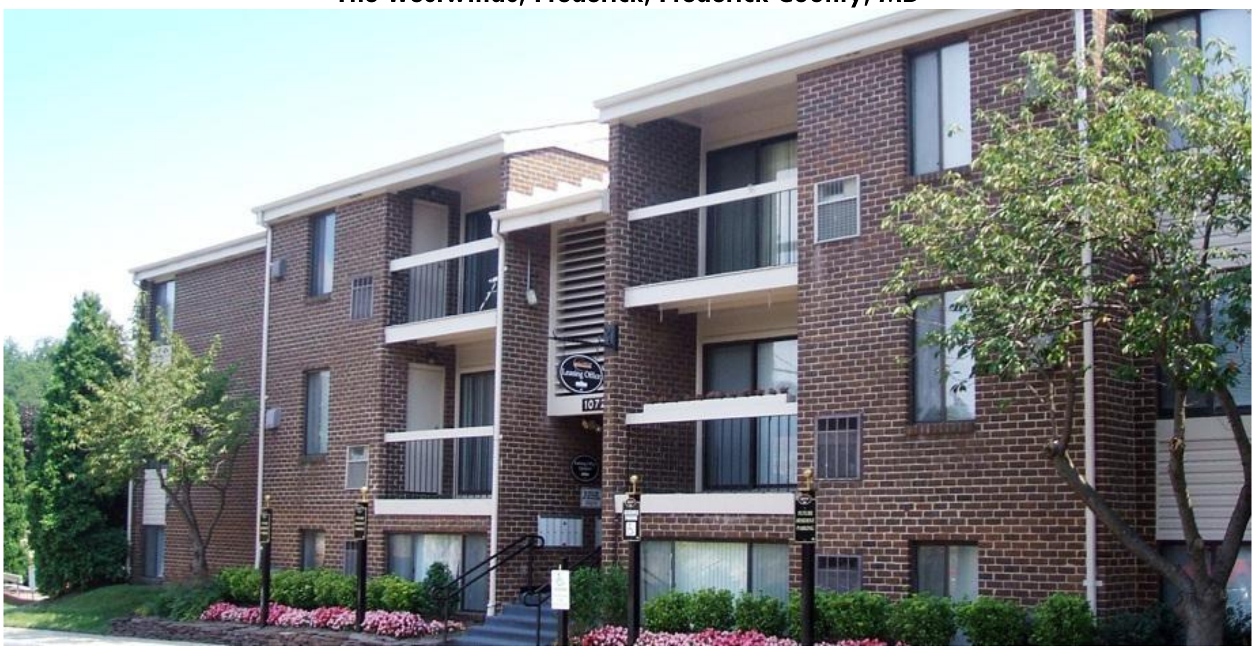


Source: CoStar

2.1.1 Provide an inventory of existing affordable and accessible housing, both publicly supported and solely in the private sector throughout the County.

To understand the existing affordable and accessible housing options, multiple inventories were conducted to determine the number of naturally affordable housing units, publicly subsidized housing units, and senior housing units. Naturally affordable housing is defined within this report as housing that is affordable to a household earning up to $50,000 (Table 14, Appendix A) without public or philanthropic assistance that establishes a below market rent.[27] An inventory of senior rental housing was compiled (Table 15, Appendix A). Senior housing was used to represent accessible housing as all senior housing developments were found to include accessible units. An updated inventory of Frederick County's master list of affordable properties was created (Table 16, Appendix A). Finally, an inventory of multifamily developments developed after 2010 was compiled (Table 1, Appendix A).

The Westwinds, Frederick, Frederick County, MD



[27] The inventory includes rent assisted developments in order to provide the total number of units affordable to households making less than $50K.

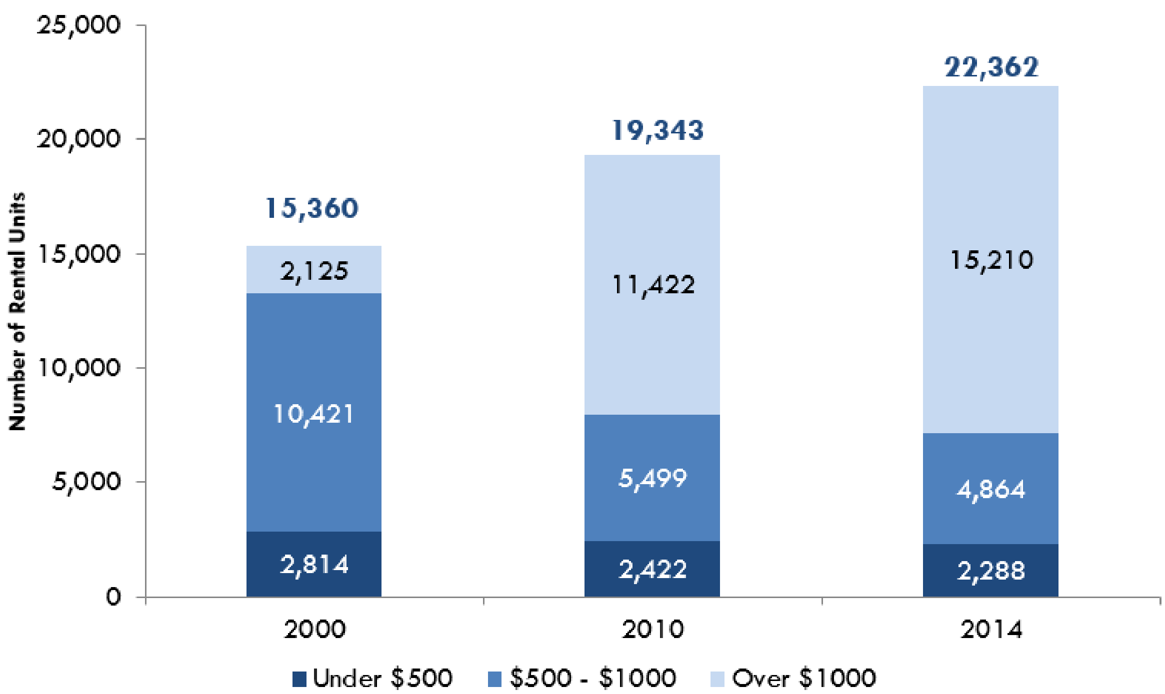
2.1.2 Give a detailed picture of the current affordable and accessible housing market in Frederick County, with specific attention to the existing demand and supply at various for sale and rental price points for both rental and single-family ownership housing and including housing for seniors on fixed incomes.

Frederick County has a mix of publicly assisted and natural affordable housing. The supply of naturally affordable housing is decreasing as rents increase countywide (Graph 55). The supply of publicly assisted affordable housing is stable, though there are few affordable housing projects in the pipeline (Table 14). Between 2010 and 2014, the overall growth of multifamily residential buildings was low (Graph 56). The pipeline of development permits in Frederick County indicates that this trend is changing and multifamily development is increasing within the county (Graph 57).

The need for publicly assisted affordable housing has increased as rents have increased. More moderate-income households, particularly renter households, are being forced to allocate an increasingly larger share of their incomes towards housing costs (Graph 58, Graph 59). This is exacerbated by relatively slow income growth when compared to gross rent growth (Graph 60). Thus, even with most household growth in higher income ranges (Graph 61, Graph 62), an increasing number of households may require some form of assisted affordable housing.

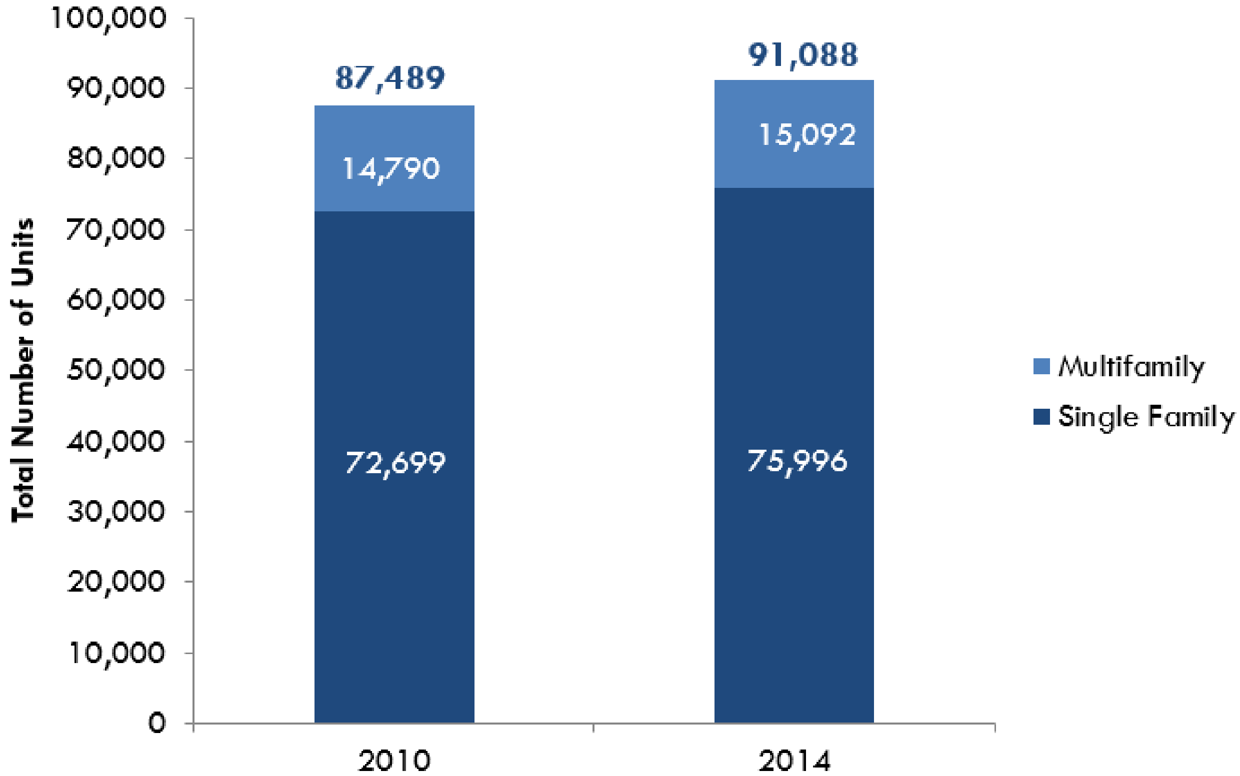
The demand for accessible housing in Frederick County has increased in tandem with the demand for senior housing. Senior housing constitutes the majority of accessible housing in the county. Frederick County's senior population has grown by 81% since 2000 and is predicted to continue growing at a high rate (Graph 63, Graph 64, Graph 65). The development of senior housing has not kept pace. A review of the market found no new senior housing developments since 2007. Seniors are likely to be able to age in place until they reach advanced ages at which point many will require greater assistance. The Department of Aging has projected the highest level of growth among seniors with advanced ages (Graph 66). This demographic trend and the lack of recent demand will eventually result in a gap in housing for older seniors. It will either be resolved by a significant portion of these seniors leaving the County or development of numerous new senior housing projects.

Graph 55. Number of Rental Units by Monthly Rent, Frederick County, 2000 - 2014



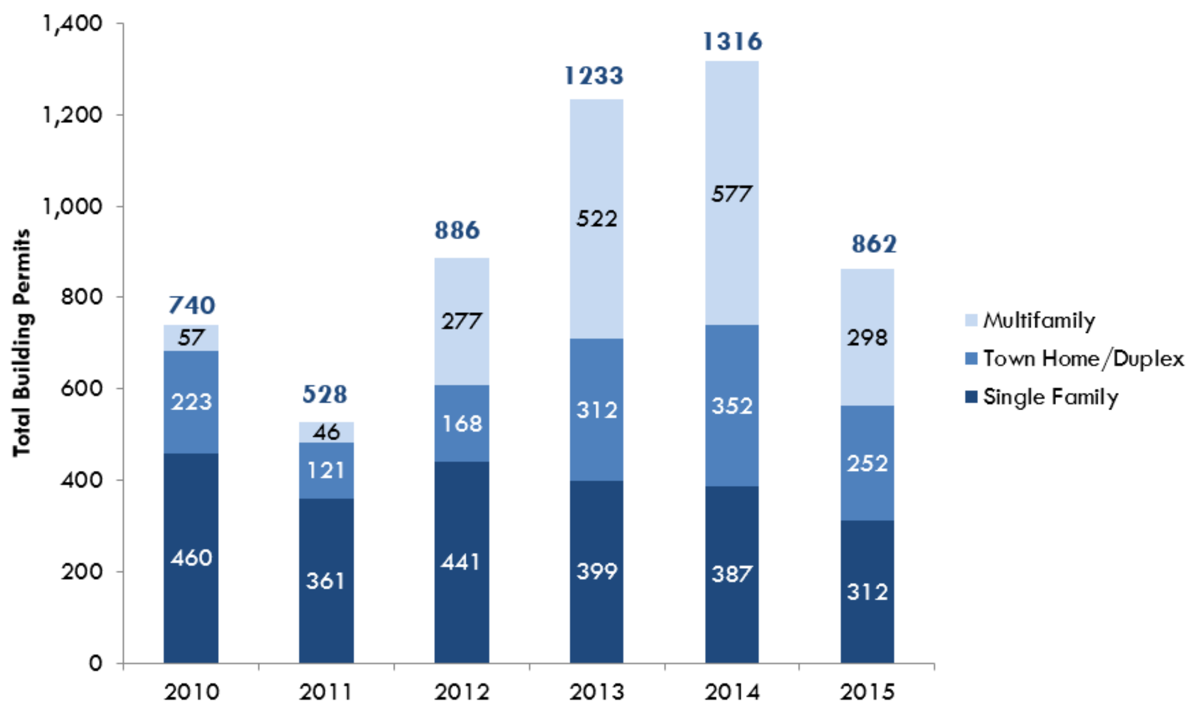
Source: ACS, Census

Graph 56. Total Number of Units by Housing Type, Frederick County, 2010 - 2014



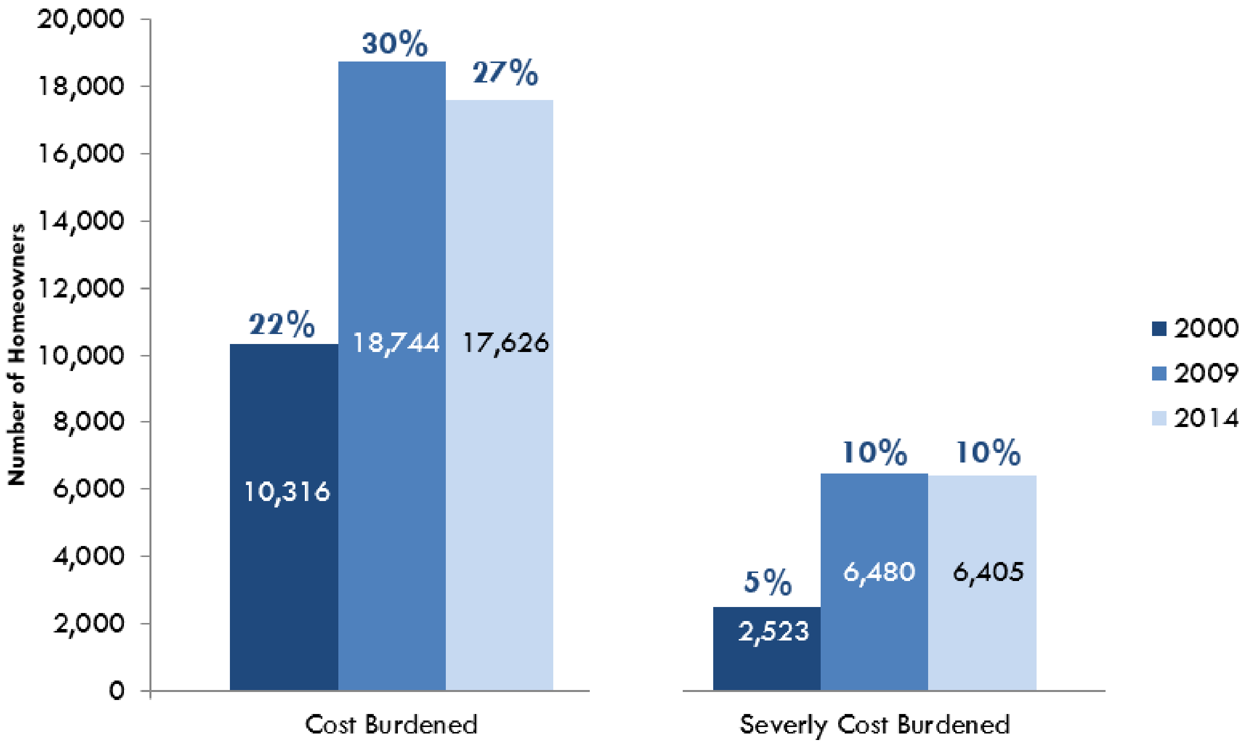
Source: ACS, Census

Graph 57. Building Permits by Type of Building, Frederick County, 2010 - 2015



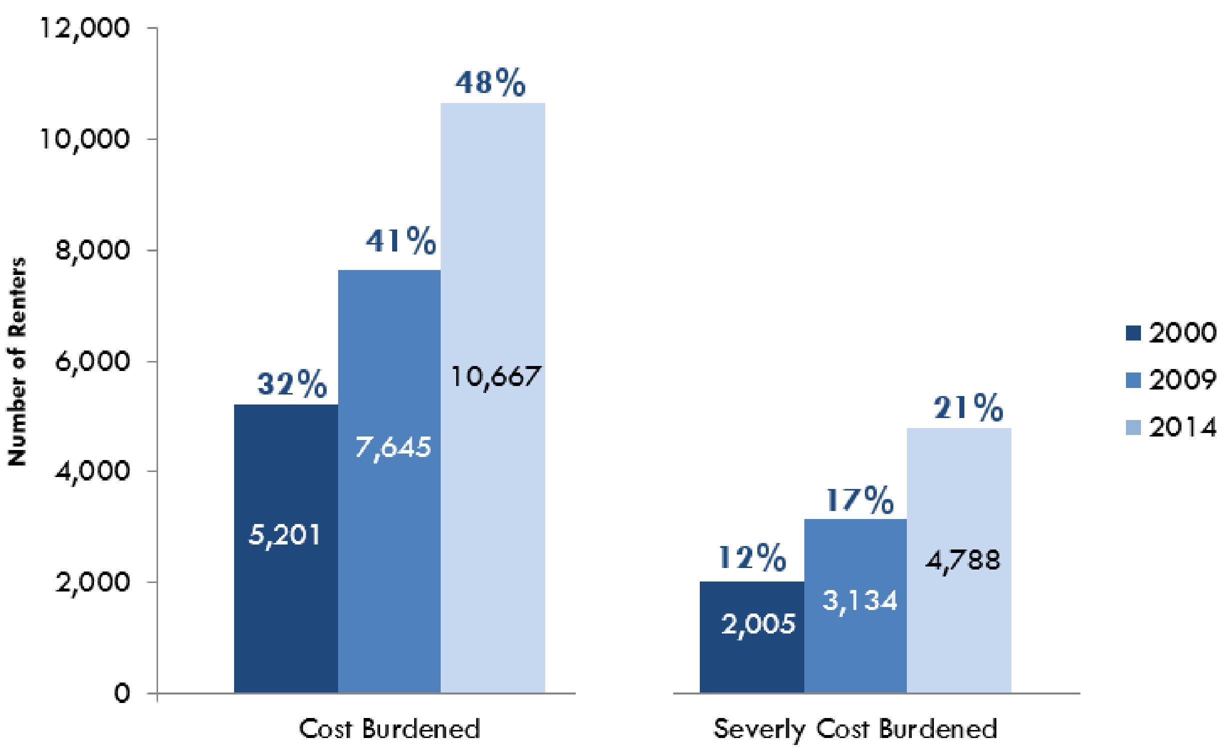
Source: Frederick County Department of Planning

Graph 58. Homeowners by Cost Burden Status, Frederick County



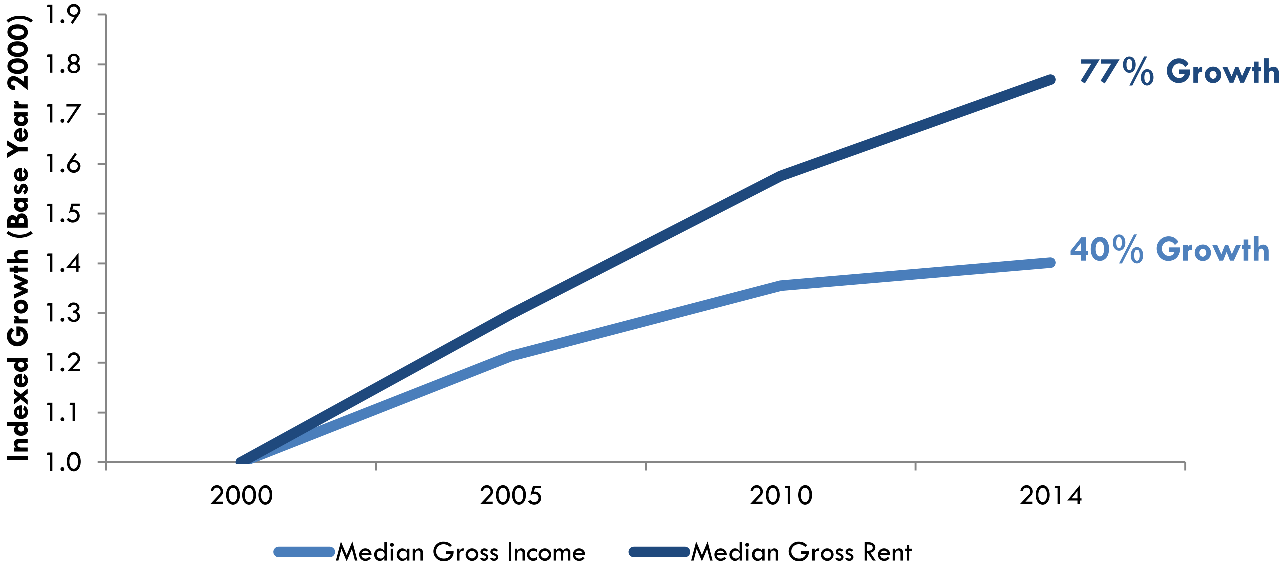
Source: PolicyMap

Graph 59. Renters by Cost Burden Status, Frederick County



Source: PolicyMap

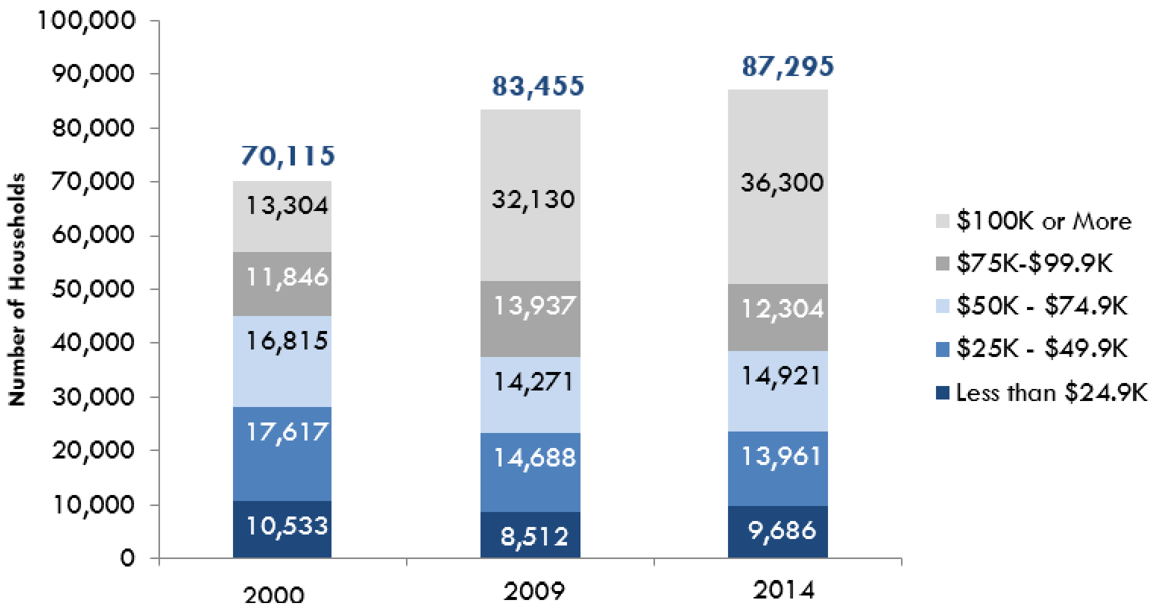
Graph 60. Indexed Median Household Income and Median Rent Growth, Frederick County, Base Year 2000



	2000	2005	2010	2014	Growth
Median Gross Income	$60,276	$73,149	$81,686	$84,480	40%
Median Gross Rent	$719	$933	$1,133	$1,272	77%

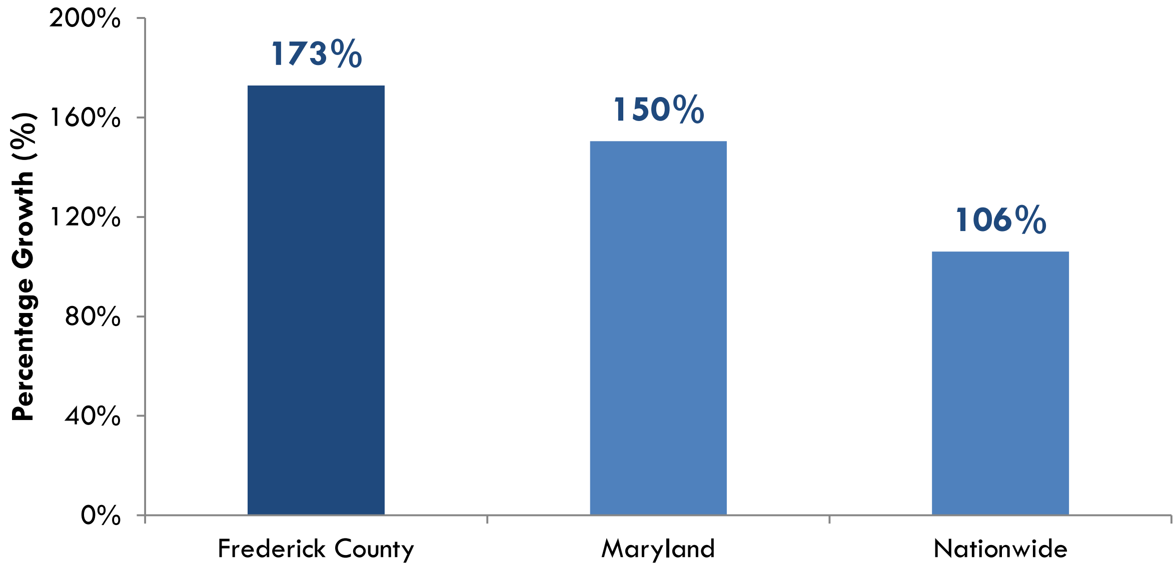
Source: ACS, Census

Graph 61. Number of Households by Income Bracket, Frederick County, 2000 - 2014



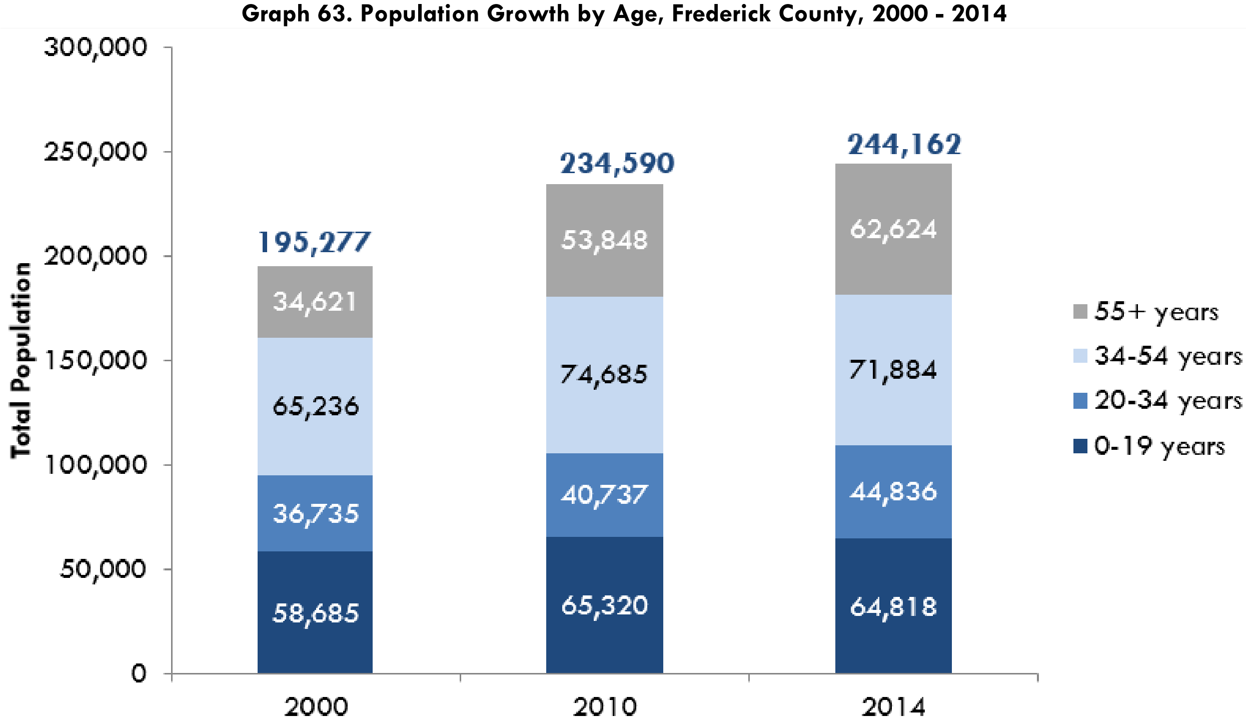
Source: ACS, Census

Graph 62. Percentage Growth in Households Making $100,000+, 2000-2014



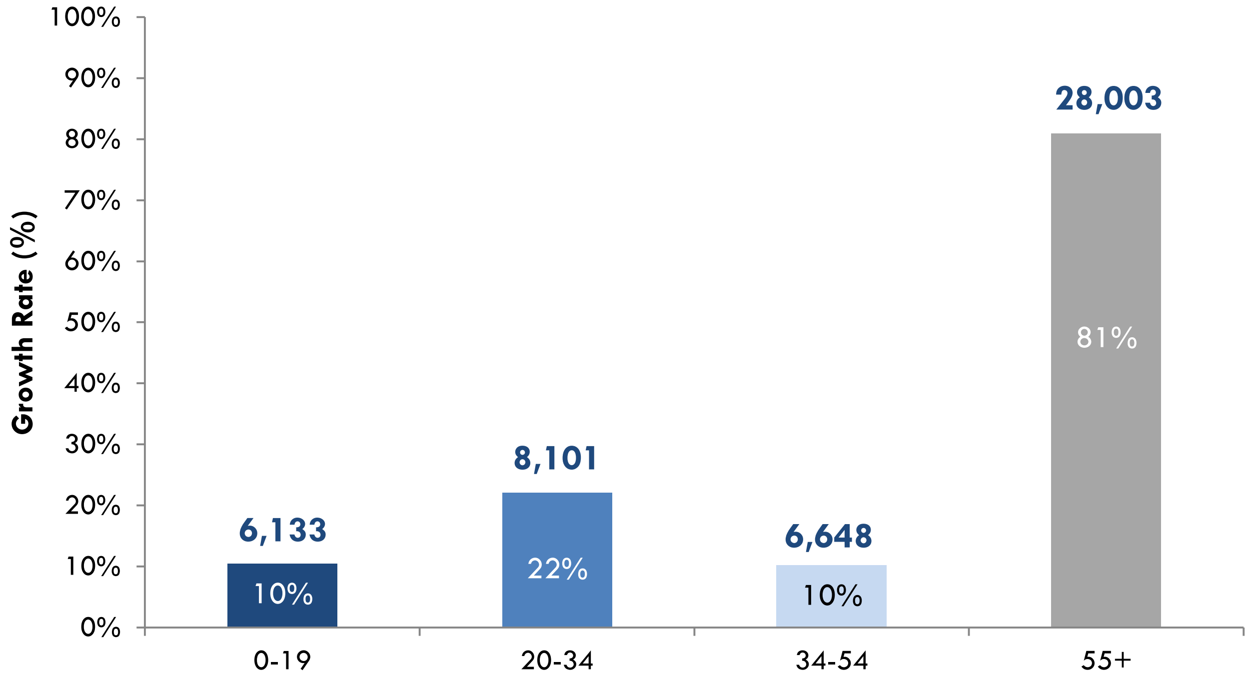
Source: ACS, Census

Graph 63. Population Growth by Age, Frederick County, 2000 - 2014



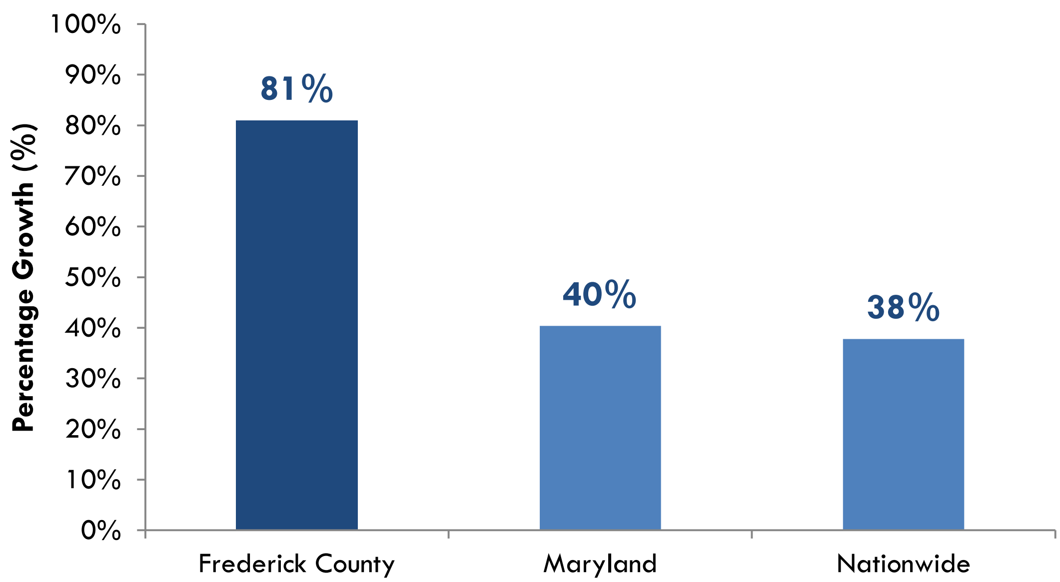
Source: ACS, Census

Graph 64. Rate of Population Growth by Age Group, Frederick County, 2000 - 2014



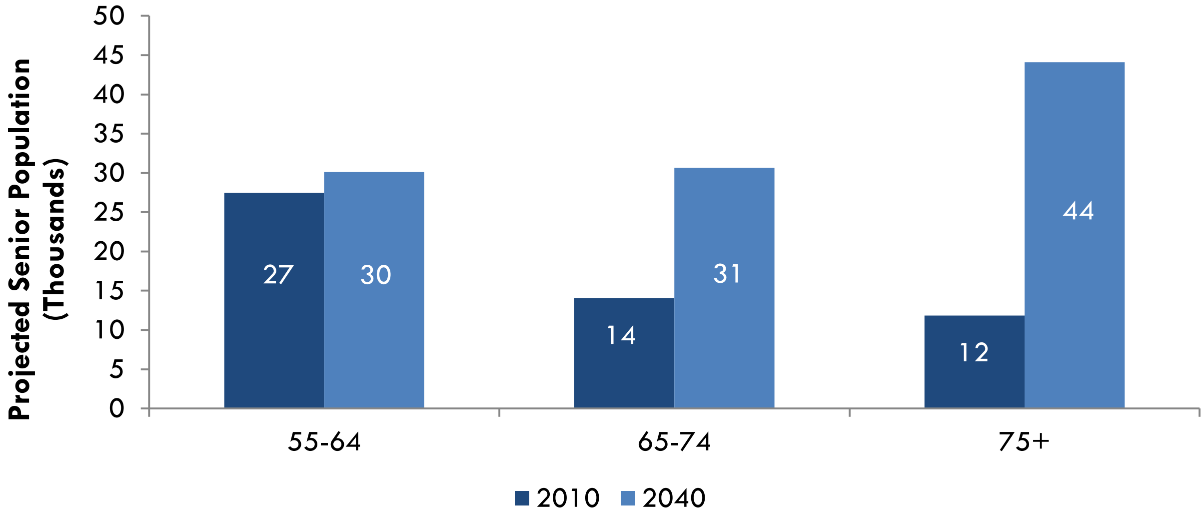
Source: ACS, Census

Graph 65. Percentage Growth of 55+ Residents, 2000-2014



Source: ACS, Census

Graph 66. Projected Population Growth in Senior Population, Frederick County, 2010 - 2040



Source: Frederick County Department of Aging

2.1.3 Provide information regarding the location of affordable housing that will assist Frederick County in the development of action strategies aimed at reducing housing and transportation cost burdens.

Naturally affordable housing, housing that is affordable without public or philanthropic assistance, plays a large and important role in providing affordable housing in Frederick. This housing stock is older, common for naturally affordable housing, as properties that are near the end of their useful life can no longer command premium rents. The County should consider strategies to preserve this naturally affordable housing stock. As described in the recommendation section, this may involve the use of Low Income Housing Tax Credits (LIHTC) to provide financing to rehabilitate properties and establish affordability requirements.

There are 32 naturally affordable rental developments scattered around Frederick County, encompassing over 3,800 units (Figure 6). The affordable developments are concentrated around Frederick City. The majority of naturally affordable rental developments were built before 1980.

Assisted affordable housing is primarily family and elderly housing and is concentrated around Frederick and the northern two-thirds of the county. Frederick County may want to consider diversifying the location and type of affordable housing stock. While locating affordable housing developments in the southern third of the county is likely to be more expensive it may also provide better access to jobs and transportation throughout the region. There appears to be a limited supply of single-room occupancy (SRO) affordable housing in the Frederick County. The County may want to expand the supply to better meet the needs of households requiring supportive housing. Supportive housing is housing that provides services (counseling, etc.) in addition to housing.

There are 25 multifamily rental developments in Frederick County that have some form of rent assistance, encompassing 1,792 units. Similar to naturally affordable developments, these developments tend to be concentrated around Frederick City (Figure 7).

Finally, senior housing is also concentrated around the City of Frederick. The County may want to continue to support this development pattern as closer proximity for senior housing reduces the travel requirements for seniors and can prevent isolation (Figure 8). Almost all of the senior housing properties appear to have some affordability component. They represent a valuable asset to the County as the elderly population is growing rapidly.

For low to moderate income households, transportation costs often consume a significant portion of household income and should be considered when analyzing overall cost burdens. As housing costs continue to rise in the Washington, DC metro area and specifically in Frederick County, low to moderate income families are moving deeper into the suburbs in search of affordable housing options. Nevertheless, the potential housing cost saving on cheaper rents and mortgages are often eaten up by increased transportation costs as working families are forced to commute longer distances to jobs centers (Graph 67)

Areas with lower housing costs can actually be more expensive after factoring in transportation costs. According to a ULI report, in the Washington, DC metropolitan area, transportation cost increases begin to exceed housing savings when families locate roughly 15 to 17 miles from employment centers.[28] In many outer suburban areas, public transit is often not an option and households are reliant on private vehicles, subject to gas price fluctuations, traffic congestion, and parking costs. This is particularly concerning for low income families, whose combined housing and transportation budget can consume an overwhelmingly large share of household income.

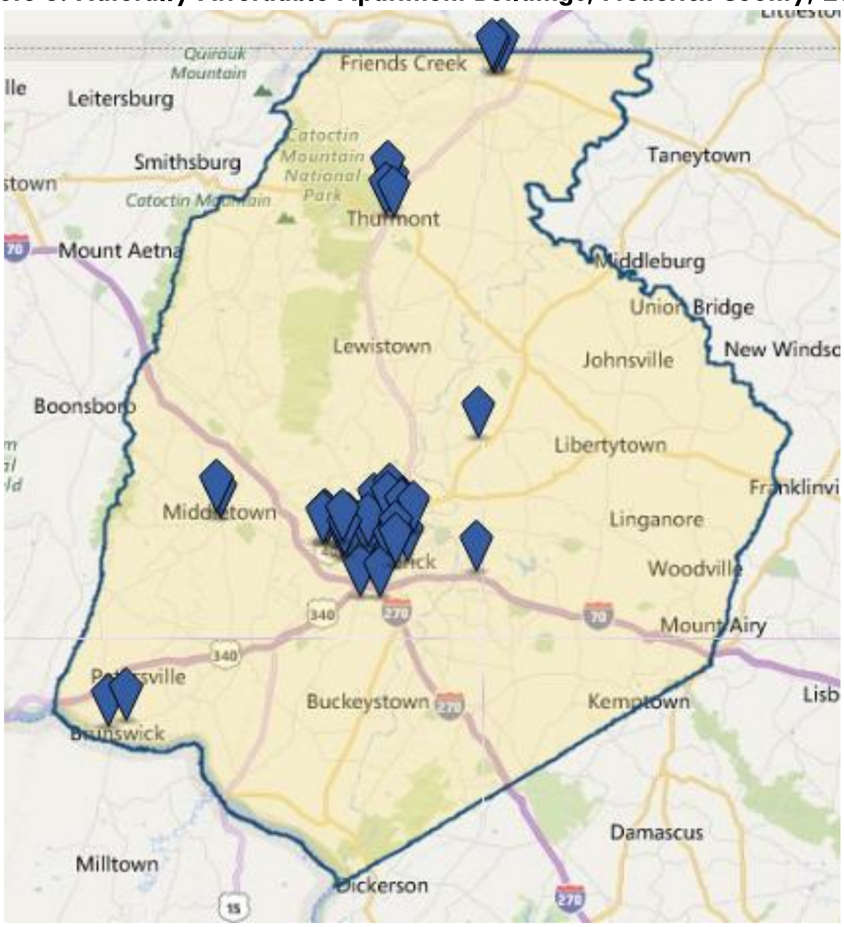
In response to this alarming trend, experts and policy makers nationwide are focusing on Transport Oriented Development (TOD), a development strategy that locates various land uses around public transit stations or

[28] Urban Land Institute. Beltway Burden: The combined cost of Housing and Transportation in the Greater Washington, DC metropolitan area. 2009.

corridors. This is especially relevant for low and moderate income households who currently face an impossible trade-off between high housing costs versus high transportation costs.

Recommendation: Frederick County should continue to focus affordable workforce development around transit and employment centers. In Frederick County, transportation costs account for around 21% of median household income, while housing costs account for 28%.[29] For lower income households, this combined housing and transportation burden is often too large to bear. New affordable housing development should be concentrated along the Interstate 270 and Route 26 corridors, as well as just south of Frederick City. These locations offer access to key transit routes, including MARC and major roadways as well as employment centers. Decreased transportation costs will work to offset housing cost burdens for low and moderate income families.

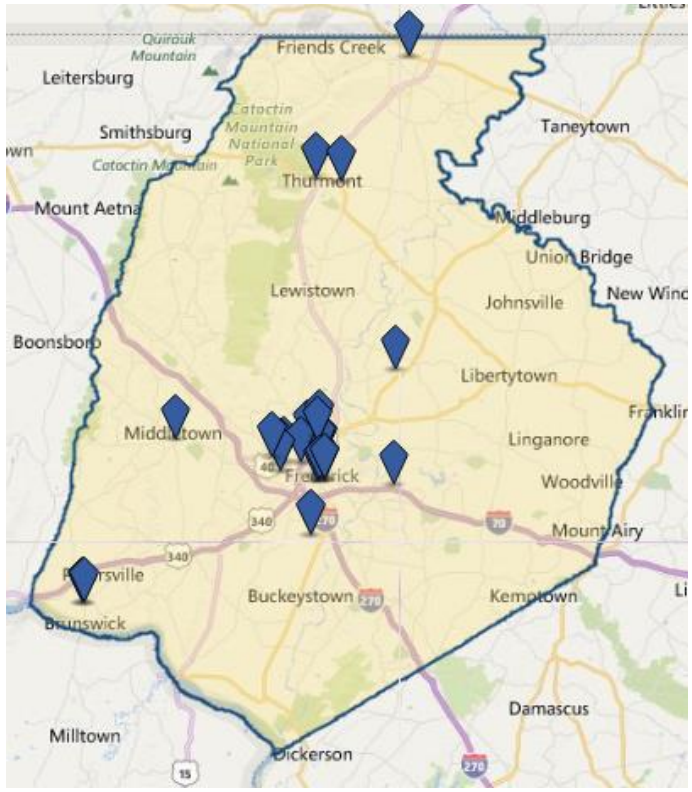
Figure 6. Naturally Affordable Apartment Buildings, Frederick County, 2016



Source: CoStar

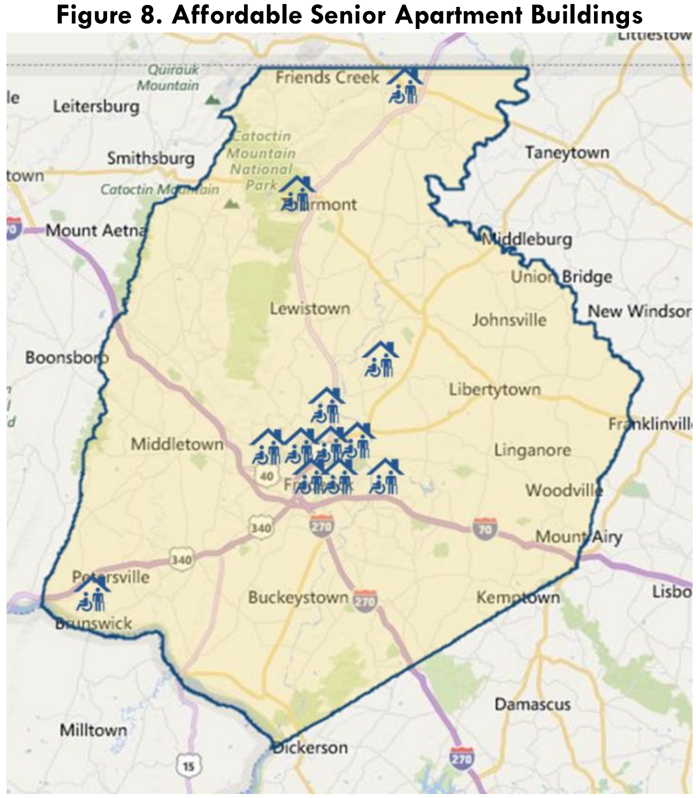
[29] Urban Land Institute. Beltway Burden: The combined cost of Housing and Transportation in the Greater Washington, DC metropolitan area. 2009.

Figure 7. Rent Regulated Apartment Buildings, Frederick County, 2016



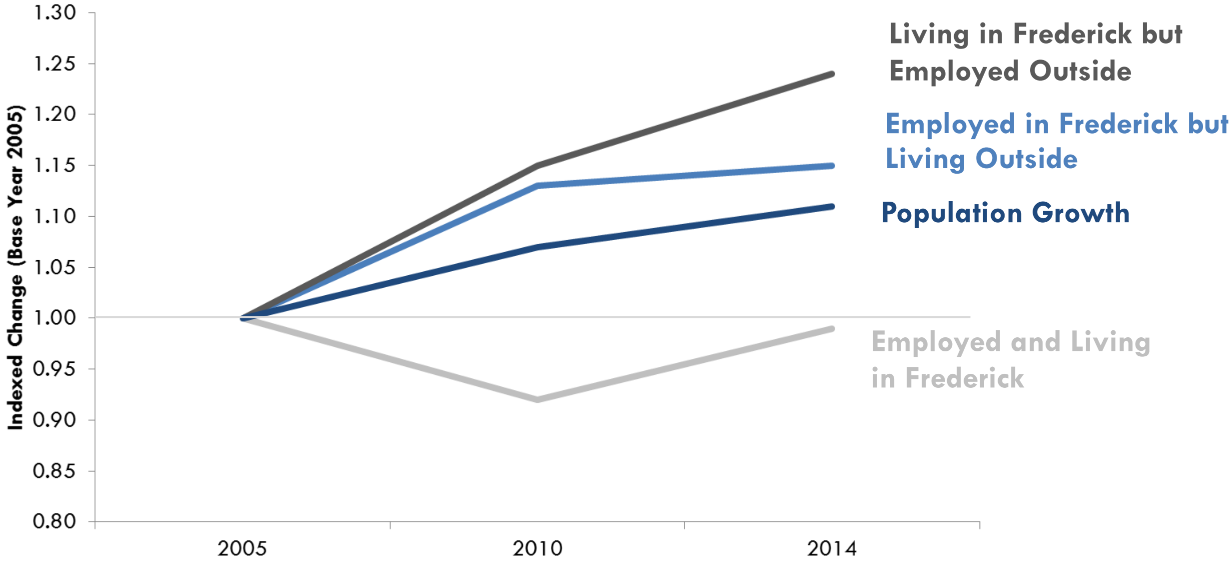
Source: CoStar

Figure 8. Affordable Senior Apartment Buildings



Source: CoStar

Graph 67. Indexed Change in Commuting Dynamics, Frederick County, Base Year 2005



Source: LED On The Map

Frederick Greenes Apartments, Frederick, Frederick County, MD

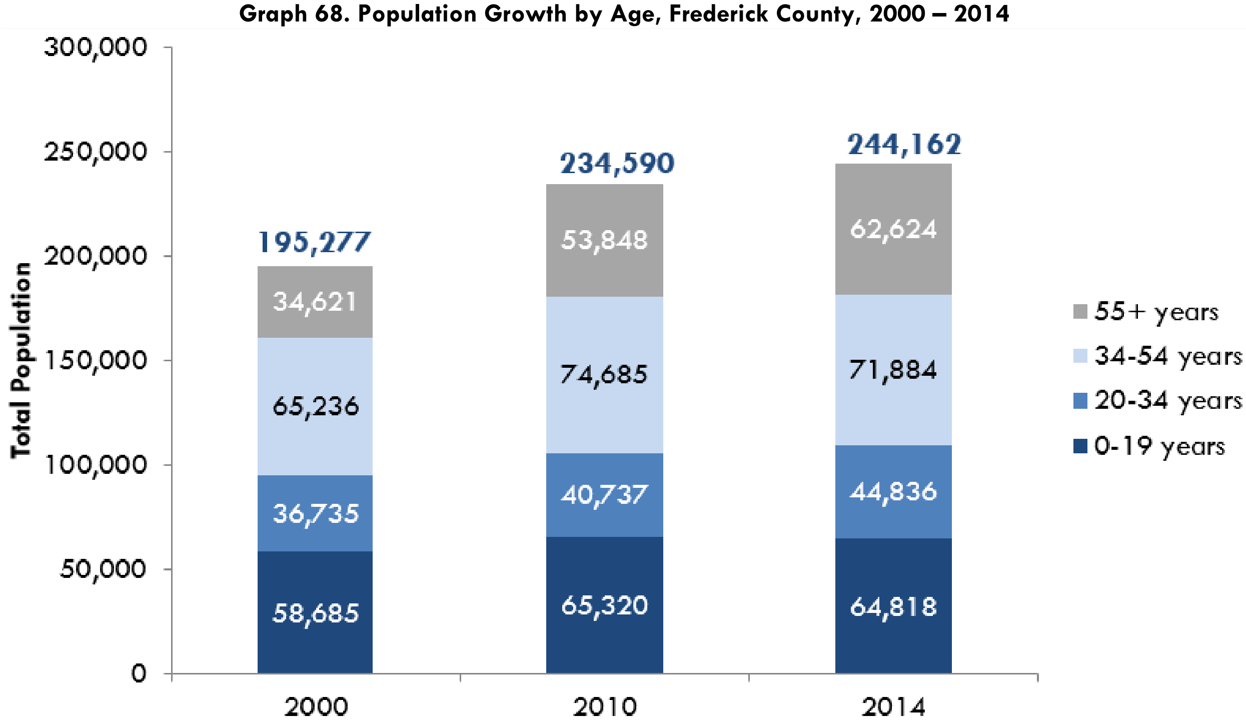
2.1.4 Provide market trend information to Frederick County that will assist in decision-making regarding the investment of public funds in affordable housing programs over the next 10 years.

The declining supply of naturally affordable rental housing and the limited development of rental housing to replace it will be an increasing challenge for Frederick County. The naturally affordable housing stock is older, with many proprieties nearing the end of useful life. Market forces are likely to result in these affordable units being taken offline or redeveloped as higher end housing. Both of these outcomes will reduce the supply of affordable housing in the County.

The number of households in Frederick County earning less than $75,000 has declined slightly over the past 15 years. This trend helps to address the County's affordable housing needs, as the size of the population in need is declining. If the size of the low- and moderate income population continues to decline or remains steady the County should be able to address the existing rental housing gap by supporting the development of new rental housing.

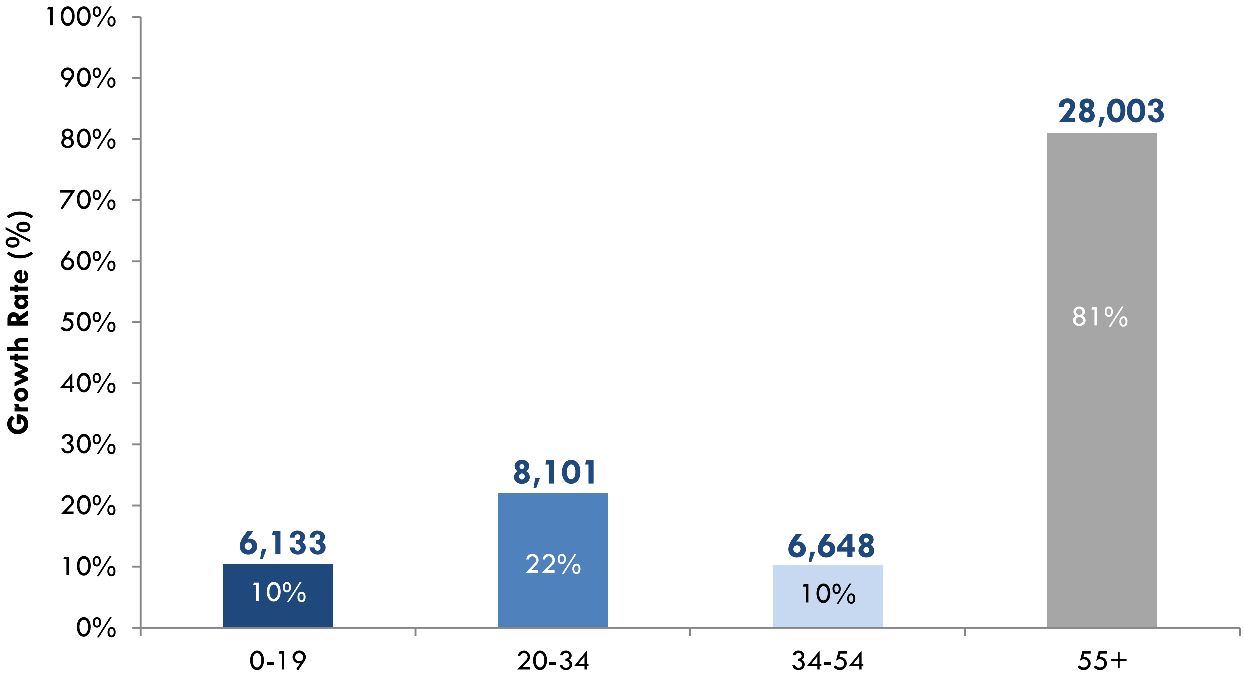
Frederick County's senior population has grown by 81% since 2000 and is predicted to continue growing at a high rate (Graph 68, Graph 69, Graph 70). A review of the market found two new senior housing developments since 2007: Victoria Park and Seton Village. Together, these developments added 123 units to Frederick's senior affordable housing portfolio. Seniors are likely to be able to age in place until they reach advanced ages at which point many will require greater assistance. The Department of Aging has projected the highest level of growth among seniors with advanced ages (Graph 71). This demographic trend necessitates that Frederick County must continue supporting and investing in the production of senior affordable housing, particularly housing for seniors with advanced ages. Without further development, Frederick County's seniors will either need to leave the County in significant numbers or face a housing shortage.

Graph 68. Population Growth by Age, Frederick County, 2000 – 2014



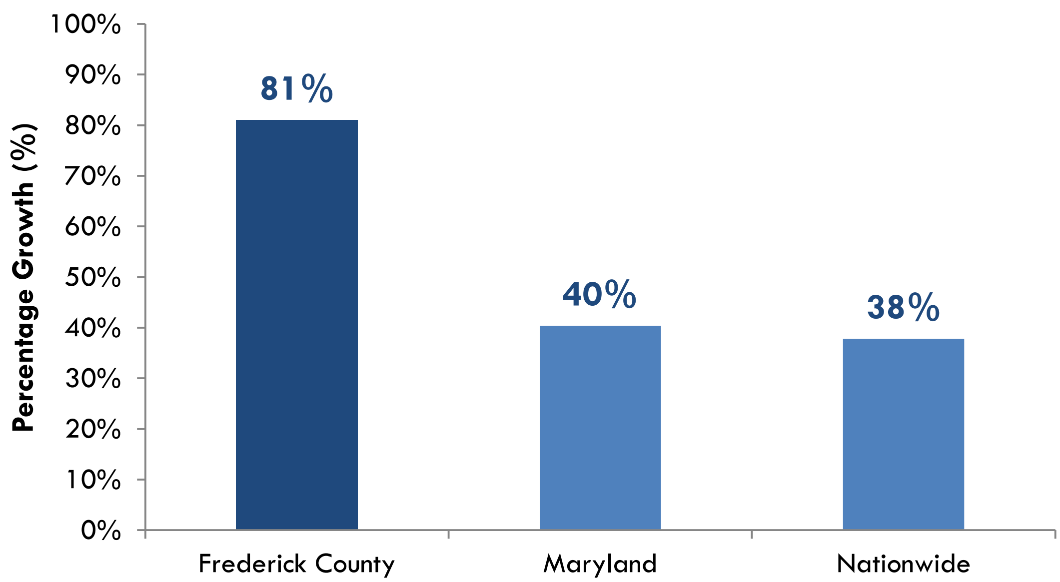
Source: ACS, Census

Graph 69. Rate of Population Growth by Age Group, Frederick County, 2000 - 2014



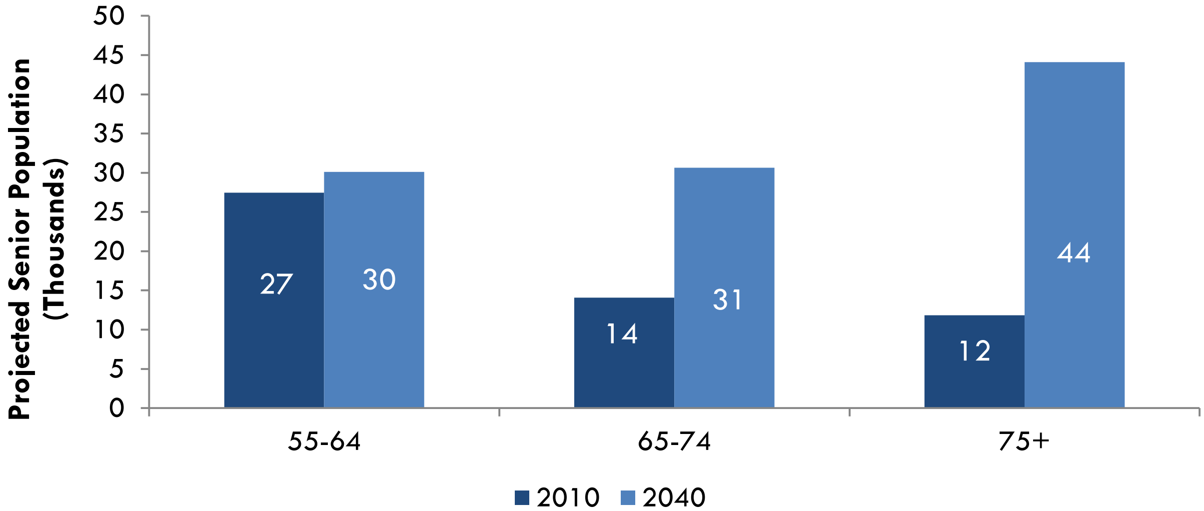
Source: ACS, Census

Graph 70. Percentage Growth of 55+ Residents, 2000-2014



Source: ACS, Census

Graph 71. Projected Population Growth in Senior Population, Frederick County, 2010 - 2040



Source: Frederick County Department of Aging

Aging in Place Renovations, Frederick County, MD

2.1.5 Provide information regarding housing market "sub-niches" that may have an impact on affordable housing demand, investment, and construction.

There are multiple housing sub-niches in Frederick County. Based on the analysis of housing need, low- and moderate-income households and seniors are facing the most pressing issues. The low- and moderate income households can be viewed as three separate groups with different needs: households earning less than $25,000, households earning between $25-50,000 and households earning between $50-75,000.

Households earning less than $25,000
Residents living in households earning less than $25,000 annually are characterized by a wide variety of situations. Some households may be composed of retired seniors relying exclusively on Social Security. Other households may be composed of individuals who are too sick to work or unable to work due to a disability. Alternatively, some may be individuals working for an hourly wage in the service industry, or "underemployed," meaning they do not work as many hours as they would like or be willing to work. Households earning less than $25,000 may include the following:

- A waiter or waitress at a local restaurant with two children
- A retired senior dependent upon Social Security payments
- A cashier at a grocery store or other retail establishment
- A forklift operator at a warehouse with a spouse and a child

Households earning less than $25,000 need affordable housing options in order to avoid paying the majority of their income on housing costs. These households are likely to spend more than half of their income on housing costs and are at the highest risk of homelessness. In 2014, households within this income bracket experienced a gap of approximately 6,700 units (Graph 72). The housing cost burden for these household is driven more by their limited income than high-cost housing. 30% of their income is not sufficient to cover the development and maintenance cost of most housing. To address this they either must spend more than 30% of their income on housing or obtain publicly subsidized rent.

Households earning $25-50,000
Households making less than $50,000 a year may have a single earner or two earners receiving hourly wages. Individuals may have full-time jobs but may be unable to command higher wages due to a lack of experience or education. Childcare needs may prevent an individual in the household from working fulltime. Households earning between $25K and $50K may include the following:

- A nurse in the first three years of his or her career with a child and spouse that works part time as a cashier
- A teacher, firemen or police officer in the first few years of his or her career
- A recent college graduate working at a local bank
- A retired couple living on their combined Social Security payments

Within Frederick County, households earning less than $50,000 annually are experiencing significant housing burdens. Households within this income bracket are increasingly cost burdened and their housing cost burden has grown dramatically in recent years. There is not sufficient affordable housing stock to meet the needs of households making less than $50,000 a year in Frederick County. Rents have increased in Frederick County while incomes have held steady for these households. This resulted in a housing gap of more than 11,000 units in 2014 (Graph 72).

Households earning $50-75,000
Households earning less than $75,000 a year may have a single earner or two earners working full-time jobs. Individuals may have full-time jobs in lower paying fields or have a lack of experience within their field. Households earning between $50,000 and $75,000 may include the following:

- A mid-career, single high school teacher
- A mid-career firefighter and a part-time waitress with two children
- A recent college graduate working as lab technician for a pharmaceutical company and another recent college graduate working as an information technology engineer.

Households earning less than $75,000 are not experiencing a significant shortage of housing in Frederick County. However, they are struggling to afford homeownership within Frederick County. 44% of homeowners within this income bracket are cost burdened (Graph 73).

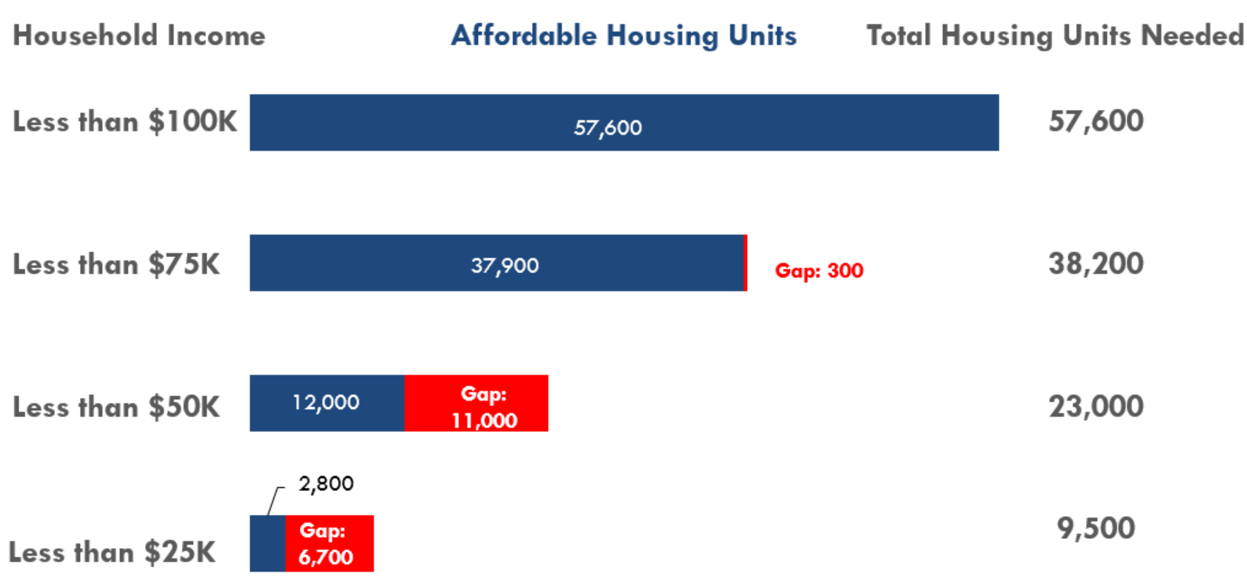
Senior Residents

Senior households are growing in Frederick County. Senior household cost burdens, particularly those of senior renters, have increased substantially. Approximately 62% of senior renters are cost burdened, up from 43% in 2000 (Graph 74). Senior households may be particularly susceptible to market changes and increasing housing costs. Many senior households are on fixed incomes and have no way to accommodate for increasing housing costs. Additionally, the number of seniors in Frederick County will continue to climb, increasing pressure on the senior housing market and potentially increasing prices further (Graph 75). Thus, Frederick County should strive to meet the needs of seniors, particularly low income seniors, as their population grows.

Homeless Population

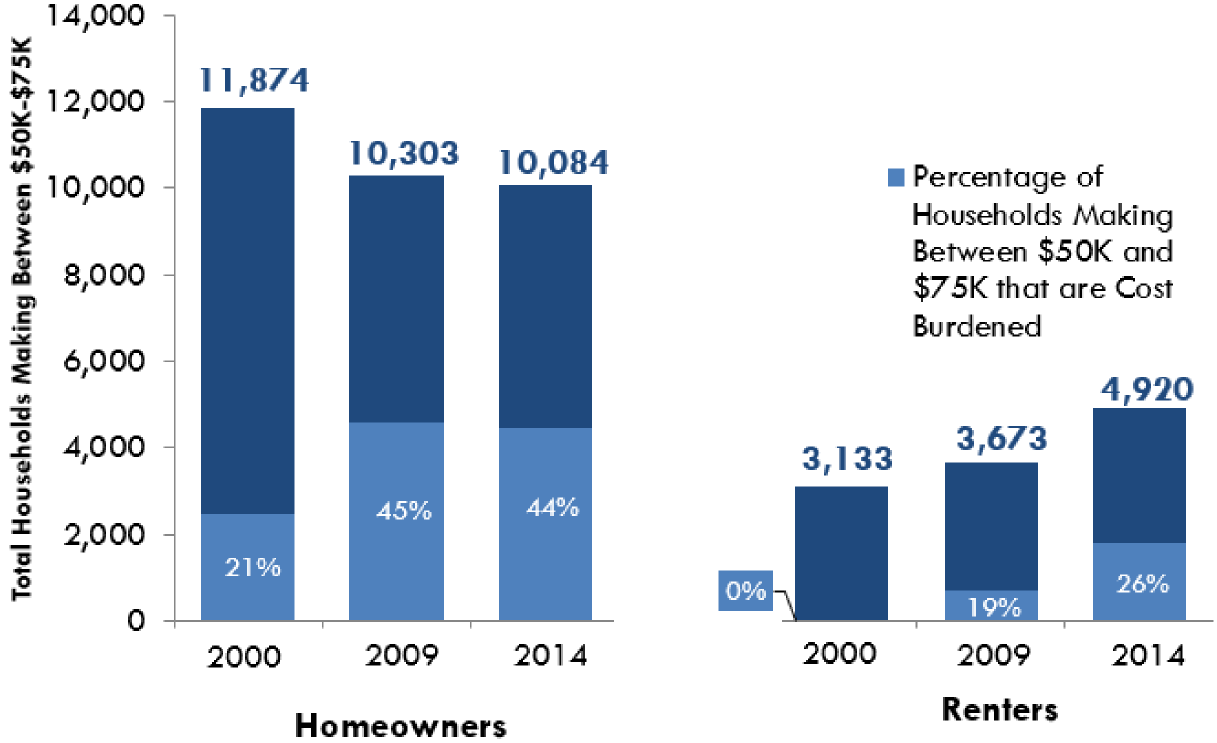
Homelessness in Frederick County remains an issue. Per OrgCode and the Frederick County Coalition for the Homeless, "homelessness is an extremely rare event." Frederick County's rate of homelessness per 10,000 people is generally lower than other comparable areas in Maryland but there is still room for improvement (Graph 76). Frederick County Coalition for the Homeless published a report that was adopted by Frederick County in 2015. Of the report's four recommendations, Goal One is most aligned with this report's findings and recommendations. Increasing housing options is a crucial tactic to ending homelessness in Frederick County. As evidenced by the gap analysis, many Frederick County residents are in need of permanent supportive housing or deeply affordable housing (Graph 72). Frederick County should utilize public funds to further FCCH's goal of making homelessness a short-term, uncommon event.

Graph 72. Housing Gap Assuming a Maximum 30% Cost Burden, Frederick County, 2014



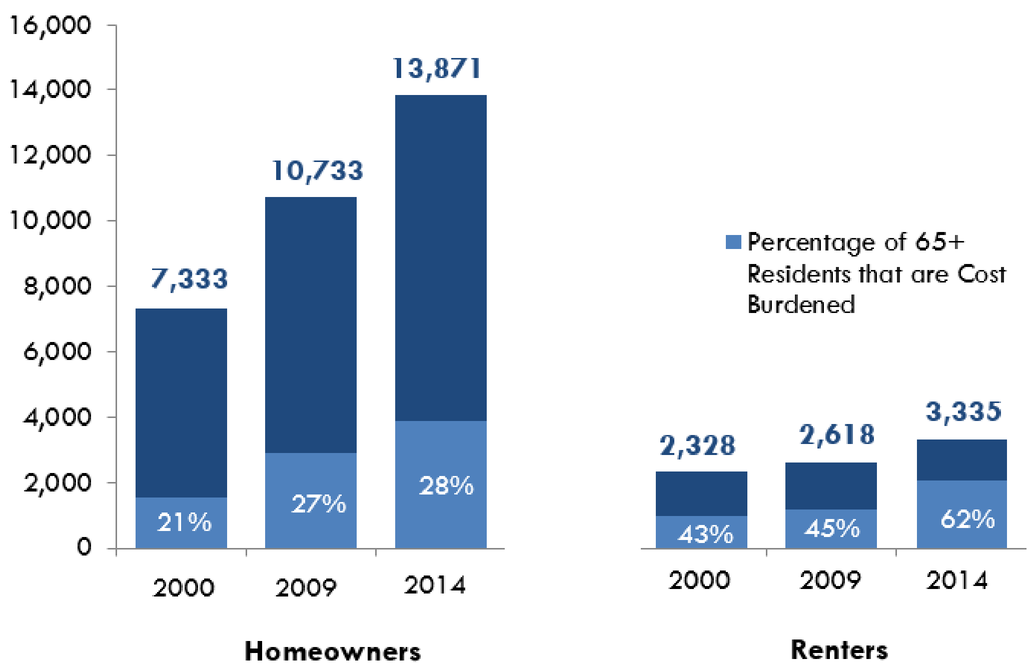
Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.
Source: ACS, Census

Graph 73. Total Households Making Between $50,000 and $75,000, Frederick County, 2000 - 2014



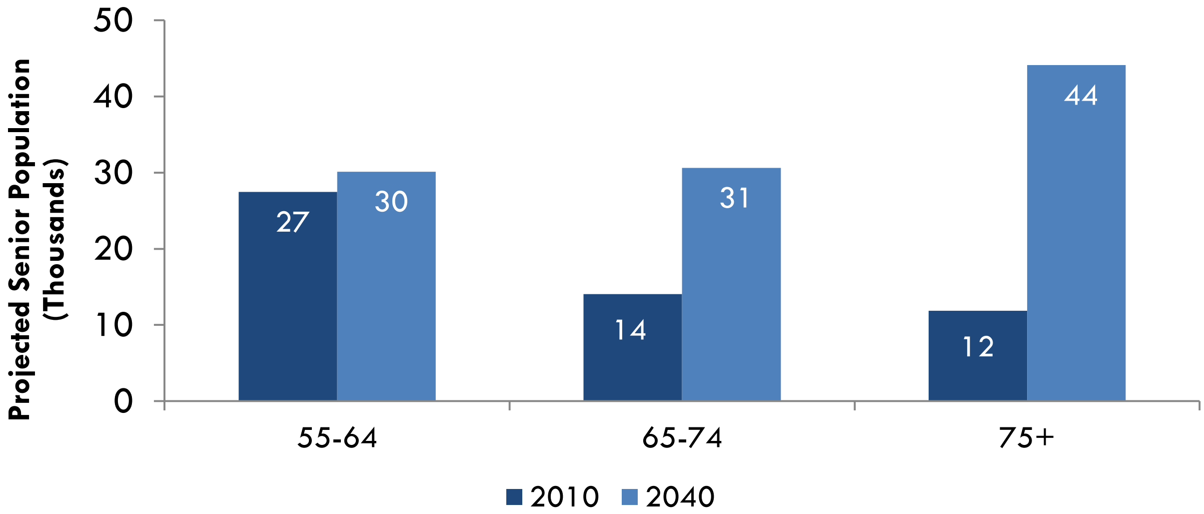
Source: PolicyMap

Graph 74. Total 65+ Homeowners and Renters, Frederick County



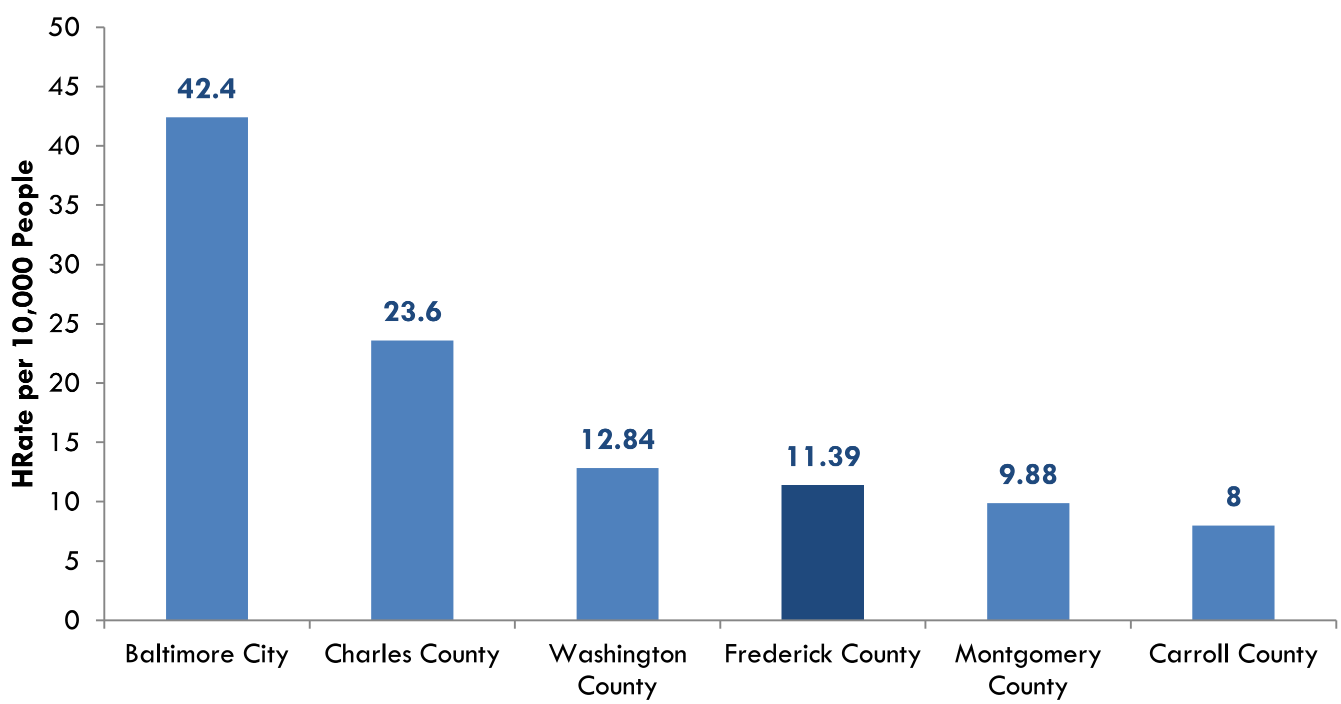
Source: PolicyMap

Graph 75. Projected Population Growth in Senior Population, Frederick County, 2010 - 2040



Source: Frederick County Department of Aging

Graph 76. Homelessness Rate per 10,000 People



Source: Frederick County Coalition for the Homeless Strategic Plan for Ending Homelessness in Frederick County

2.1.6 Provide recommendations for specific measures for the County's Moderately Priced Dwelling Unit (MPDU) Program to assure housing affordability for low and moderate income households including those on fixed incomes.

Adopted in 2003, Frederick County's MPDU ordinance was created in response to a "severe housing problem" with respect to the supply of housing for residents with moderate-incomes. In order to encourage production of moderately priced units, Frederick County requires that 12.5% of a project's total housing units must qualify as MPDUs. In addition, Frederick County established density bonuses that were meant to encourage further MPDU development in exchange for increased density allowance. In the history of the MPDU program, Whispering Creek is the only development to include MPDU units. All other developments in Frederick County have either fallen outside the MPDU eligibility guidelines or have opted to pay a fee in lieu of MPDU production. The payment in lieu option was added to the MPDU ordinance in 2011. The fee was established utilizing an affordability gap method that calculated the affordable home price for a moderate-income individual and subtracted that from the average sale price.

The MPDU ordinance is up for renewal and County leadership is evaluating how to refine the program. The most pressing issue up for consideration is whether to keep the payment in lieu option and if so, what level of payment is appropriate.

Recommendation: Frederick County should maintain the MPDU program's payment in lieu option.

The MPDU program's payment in lieu option is appropriate and necessary to meet Frederick County's affordable housing needs. This policy is consistent with best practices from around the country.[30] The payment in lieu provides funding that Frederick County can use to meet the housing needs of vulnerable populations (homelessness, workforce rental housing, etc.). Without this option, the MPDU program would only address housing needs related to homeownership and rental housing for moderate-income households, leaving the largest and most severe housing needs in the county unaddressed.

The payment in lieu option also provides developers with flexibility. The MPDU program places a significant burden on the developer by decreasing revenue from the reduced sales price, and increasing risk from the possibility that they will have more difficulty selling the MPDU units. Allowing developers the option of selecting the payment in lieu allows them to eliminate the risk related to selling MPDU units. Typically, the last units sold in a development represent the profit. A delay in the sale of these units have a significant impact on a developer's ability to transition to a new project.

There are several options for Frederick County to access when deciding where to set the payment in lieu. Each option is imperfect and involves tradeoffs; the County will need to select a method that balances affordable housing needs with the costs imposed on development. The three most appropriate methods for setting the payment in lieu are:

- Affordability Gap Method – This method uses the market sale price and the price which is affordable to a moderate-income household to determine the 'gap' between the market and affordability. The payment in lieu is then set based on that gap. Sometimes the payment is set slightly higher to encourage developers to build the affordable units as part of their project.
- Replacement Cost Method – This method looks at the cost to develop an affordable unit to replace the unit that was not developed as part of the project. The replacement cost calculation relies on information about the cost to develop affordable housing and the amount of subsidy needed to make that affordable housing unit financially feasible.

[30] Both the City of Annapolis and Rockville, Maryland have implemented similar MPDU Programs.

- Market Method – This method determines the amount of 'extra' profit developers are earning beyond what it takes to attract them into the market and sets the payment based on that amount. There are two practical limitations to this approach. First, it is difficult in any circumstance to know how profitable a development project will be ahead of time. Constructions costs, sales prices, soft costs and absorption rates are continuously changing and even the developer is unsure of the profit they will earn until the last units is sold. Second, each development earns a different level of profit. Development in certain areas or of a certain type can be significantly more profitable than others. Despite these limitations it is useful to evaluate whether development projects can bear additional fees.

Recommendation: Frederick County should use the revised Affordability Gap Method to set the payment amount.

Using the revised affordability gap method, the fee per unit increases from around $2,000 to $5,600. The revised affordability gap method more accurately reflects the gap between what a moderate-income household can afford and current homes values than the current payment in lieu method. It provides a reasonable estimate of the cost a developer can avoid by choosing to make a payment in lieu. It creates a transparent process for setting the payment in lieu amount that can be updated regularly as market conditions change. In addition, the moderate increase in the payment may encourage some developers to build MPDU housing instead of making the payment.

The Replacement method produces a slightly higher payment in lieu amount, which the County could also choose to use. This method for setting the payment amount is likely to be less effective over time, as it is not tied as closely to market conditions in Frederick County. Instead, it is influenced significantly by the Low Income Housing Tax Credit program and recent affordable rental projects in the county.

The Market method is not a suitable on its own. As described in more detail later in this section, the data it is based on is not easily available and is subject to wide variation. Despite these limitations this method still provides useful insight into the strength of the housing development market.

Affordability Gap Method

	Frederick County MPDU Calculation	Recommended Method
Step One: Determine What the Household can Afford	Assumed Household Income: 70% AMI	Assumed Household Income: 65% AMI *By setting a slightly lower household income the MPDU program would price homes at a level affordable to a larger band, those between 65%-80% AMI. It also more accurately reflects the slightly lower incomes in Frederick County compared to the region used to calculate AMI.*
	Household Size: 2.7 individuals *This is based on recent census data on household size.*	Household Size: 2.7 individuals *This is an appropriate household size to assume.*
	Purchasing Capacity: 2.5X the household income. This is based on an industry rule of thumb.	Purchasing Capacity: A calculation based on mortgage financing

Frederick County used the affordability gap method to calculate the MPDU program's initial payment in lieu amount. Below is a review of their methodology and an alternative methodology.

	Frederick County MPDU Calculation	Alternative Method
Step Two: Determine Frederick County's Sale Price	Sales Price: Average sale price based on MRIS and Hanley Wood and DHCD.	*Sales Price: Median sale price of recent market transactions.* *Using a median price and market transactions more accurately reflects current sales prices*

	Frederick County MPDU Calculation		Recommended Method	
Step Three: Example Calculations	70% AMI for household size of 2.7 (2012)	$59,430	65% AMI for household size of 2.7 (2015)	$61,770
	Purchasing Capacity (X2.5)	$161,560	Purchasing Capacity (Calculator)	$220,125
	Average Sale Price (2012)	$179,060	Median Sale Price 2015	$265,000
	Total Gap Per Affordable Units	$17,500	Total Gap Per Affordable Unit	$44,875
	Fee Per Market Rate Unit	**$2,188**	**Fee Per Market Rate Unit**	**$5,609**

Information on current Frederick County methodology provided by the County. The fee calculated under the recommended method is an example and should be revised using current data before being implemented.

Note: The calculator used to find the purchasing capacity is located on page 52.

Note: The total gap per affordable unit represents the difference in cost between the average sale price and the purchasing capacity for one market rate home. Based on affordability requirements in Frederick County, the fee per market rate unit is designed to create funding *for one affordable unit for every eight market rate units built. If eight market rate homes are built and the fee is paid, the $17,500 ($2,188 x 8) collected will fund one affordable unit.*

The alternative methodology more accurately reflects the gap between what a household can afford and the price of a market rate for-sale housing unit. In FY 2015, Frederick County collected $1,930,101 in payment in lieu fees. If Frederick County used the alternative method above, it would have collected $4,947,869.

Purchase Capacity Calculator Assumptions		
Variable	**Assumption**	**Source**
Interest Rate	5.50%	Federal Housing Finance Agency (FHFA) Monthly Interest Rate Survey, the average of the previous 6 months plus 150 basis point cushion to reflect the potential for increased interest rates or mortgage insurance.
Amortization Period	360 months	Standard 30 year mortgage
Property Tax Rate	1.172%	SmartAsset property tax calculator.
Insurance	$950	Quote from local insurance broker.
Housing Burden Ratio	30%	Standard HUD cost burdened threshold.
Down Payment	5%	Industry standard down payment for a low- or moderate-income household.

The Purchase Capacity calculator determines the amount of mortgage a household at a given income can afford to purchase based on current market conditions. All of the model's assumptions are based on market information that can be updated periodically.

2.1.7 Examine current laws and regulations to identify any barriers to affordable housing and provide recommendations for needed change.

As part of this affordable housing study, HR&A reviewed Frederick County's housing policies and programs. Based on this overview and combined with our market evaluation and needs assessment, recommendations for adjustments and additions to Frederick County's programs are detailed below.

Current Program: Homebuyer Assistance Programs
The Frederick County Homebuyer Assistance Program (HAP) administered by the Frederick County Department of Housing and Community Development (DHCD) helps local families with limited resources obtain their first home, by providing up to $7,000 in closing cost assistance. The HAP Program is used in conjunction with state or federal first mortgage programs (USDA, FHA, CDA or VA). The application is submitted on behalf of the homebuyer by the first lender.[31] In 2015, Frederick County had dispersed $179,000 in Homebuyer Assistance Loans.

Recommendation: Frederick County should work to reduce the homeownership barriers faced by moderate-income households.

Almost one in two homeowners making between $50,000 and $75,000 are cost burdened (Graph 77). As housing costs increase faster than incomes, moderate-income households may find it difficult to afford to purchase a home. In order to encourage a healthy ratio of owners to renters, the County should strive to reduce homeownership barriers for first-time homebuyers and support moderate-income households through down payment assistance.

Recommendation: Frederick County should continue to partner with local lenders that are willing to provide matching down payment funding or flexible first mortgages.

The County should seek opportunities to leverage Maryland's Mortgage Program and partner with local lenders to match MPDU funds dedicated to down payment assistance. Both the Maryland Mortgage Program and lenders covered by the Community Reinvestment Act can be sources of matching grant funding to reduce the cost of homeownership.

With over 70 participating banks and mortgage companies, Maryland's Mortgage Program offers eligible homebuyers down-payment and closing cost assistance, a 30-year competitive fixed rate loan, and free/low-cost homebuyer education.[32]

Recommendation: Frederick County should leverage Maryland's Mortgage Program by issuing bonds to fund lower-than-market interest rate mortgage loans for Frederick County homebuyers.

Buying down interest rates help eligible low to moderate-income homebuyers maximize their purchasing power. Lower interest rates result in lower monthly payments and long-term interest savings that often make homeownership possible.

[31] https://frederickcountymd.gov/DocumentCenter/View/1501

[32] At least one of the applicants needs to be a "First-Time Homebuyer", defined as someone who has not owned (or been on title for) a principal residence anywhere in the last three years. However, exceptions are made for military veterans who are using their exemption for the first time or homebuyers who are purchasing in a Targeted Area. In addition, homebuyers may not own any other real property at the time of settlement.

CRA Motivated Home Loan
A CRA motivated home loan is originated by a federally regulated bank or mortgage lender that is obligated to meet the requirements of the Community Reinvestment Act (CRA) of 1977, designed to increase lending in low and moderate-income neighborhoods. To qualify for CRA motivated loan program, applicants must be low-to-moderate income (earning 80% or less than the area median) and/or buying in a low-to-moderate income Census tract. These loans usually offer lower down payment requirements, lower or no mortgage insurance premiums, lower minimum credit score, flexible underwriting, as well as compatibility with down payment assistance programs. In addition, borrower and co-borrower must complete home buyer education provided by a HUD certified housing counseling agency.

Current Program: Housing Choice Voucher Program
The Housing Choice Voucher (HCV) Program provides rental assistance to eligible low-income households to enable them to afford housing in the private rental market. The program provides variable rent subsidies to qualified tenants based on their family income; the family pays approximately 30% - 40% of their income towards rent and utilities. The monthly subsidy portion of the contract rent due from the housing agency is paid directly to the landlord on behalf of the tenant. Units are inspected and families are recertified annually. Unit owners screen and qualify tenants according to their standard criteria for tenancy.[33]

Current Program: Rental Allowance Program (RAP)
RAP is a short-term rental assistance program to help households through a temporary crisis situation that puts stable housing at risk. The goal of RAP is to assist people to move into self-sufficiency by providing transitional assistance for a limited period. Applicants must be financially eligible according to family size and gross annual income. Generally, the applicant may not have a gross annual income greater than 30% of the HUD-published area median income and must have a verifiable plan to increase income over the six months the program is in effect. State-funded short-term rental assistance program is given to at-risk qualified families.[34]

Recommendation: Frederick County should continue to maximize the rental assistance available to support affordable rental housing for very low-income households.

The rents that households earning less than $25,000 can afford often do not cover the cost of operating rental housing (maintenance, insurance, capital repairs, taxes, etc.). To create rental housing that is affordable to those with very low incomes, both development subsidy as described above and operating subsidy, usually in the form of rental assistance are necessary.

As identified in the gap analysis, the housing gap for households making less than $25,000 is 6,700 units assuming a 30% maximum cost burden (Graph 78). This means that more than 6,700 households are paying more than 30% of their income towards housing costs due to a lack of options that would allow them to pay less. Rental assistance would reduce low-income households' cost burden. When used in conjunction with other services, rental assistance can help meet the needs of Frederick County's homeless population. Rental assistance helps households stay in their homes and increases the affordability of rental units within the County. Ideally, this would allow more people to rent, as well as keep them in their unit when unable to pay rent on their own. Thus, rental assistance can be used to help achieve the goals of Frederick County's Coalition for the Homeless.

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33 https://www.frederickcountymd.gov/DocumentCenter/Home/View/21613
34 https://www.frederickcountymd.gov/DocumentCenter/Home/View/859

Section 811 in Maryland

In 2015, HUD awarded Maryland $9 million in Section 811 Project Rental Assistance funding. Funds will be used to provide project-based rental assistance for persons with disabilities referred by the Department of Health and Mental Hygiene and the Maryland Department of Disabilities. Eligible individuals are non-senior adults with disabilities, between 18 and 62 years of age, with income at or below 30% of AMI who are Medicaid recipients. The Section 811 Program funds cover the difference between the rent household can afford (paying no more than 30% of income on rent) and the fair market rent for up to 5 years. The funding is anticipated to provide project based assistance for 150 units statewide. It is expected that 75% of the units will be in the Baltimore and Washington, D.C area.

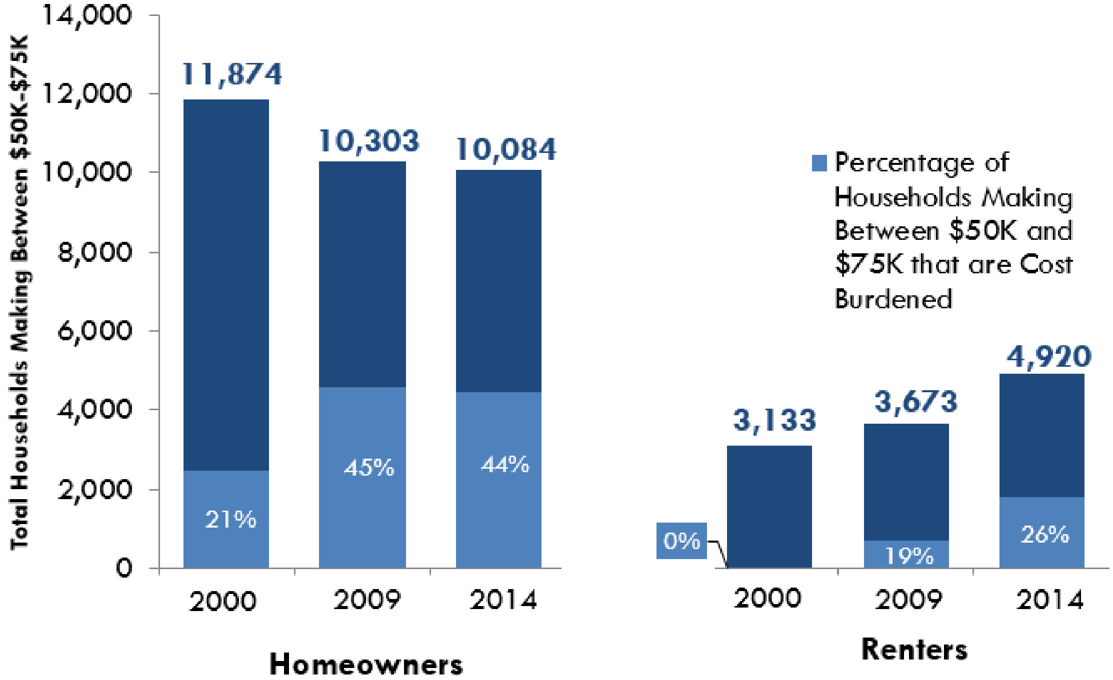
Recommendation: Frederick County must continue to aggressively pursue vouchers and project-based rental assistance for vulnerable populations in order to maximize limited state and federal resources.

Vouchers add to the financial feasibility of affordable housing developments in Frederick County, while simultaneously providing very low-income or no-income residents an avenue towards long-term stable and quality housing. It is important to point out that there is an insufficient supply of federal vouchers.

Housing Choice Voucher Program

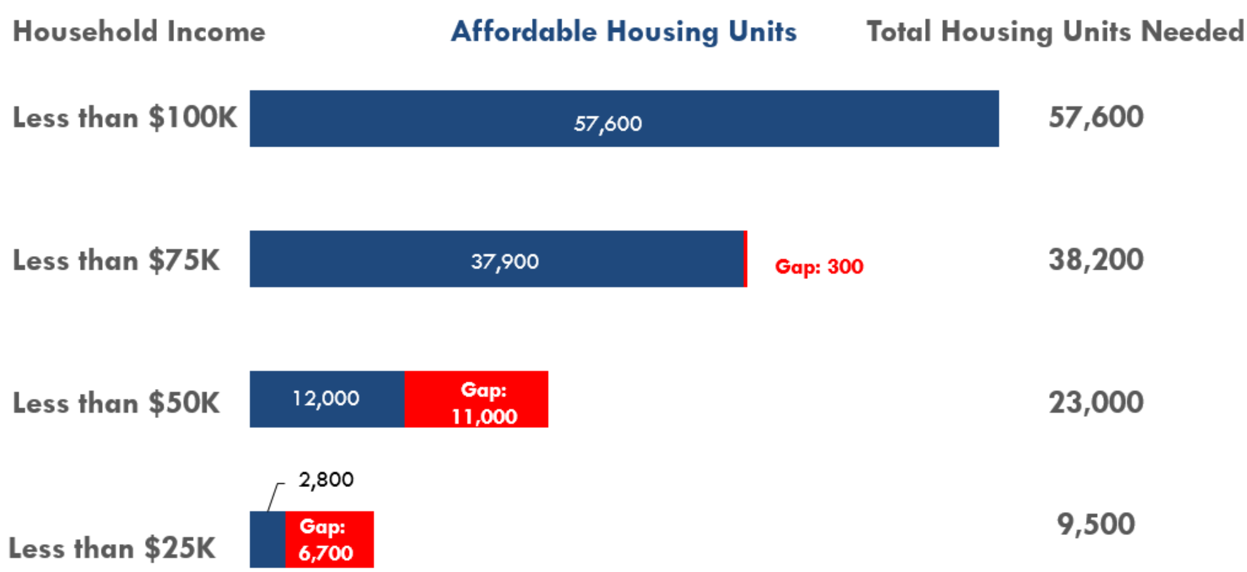
The U.S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher program assists low-income families, seniors, and the disabled to afford housing in the private market. Administered by local public housing agencies (PHAs), the Housing Choice Voucher program has two separate components: tenant-based and project-based vouchers. Under the tenant-based program, eligible families receive a voucher that can be used to seek rental housing of their choice within designated geographies, as long as the unit meets federal health guidelines. The PHA pays a rental subsidy directly to landlords, while the participating family pays the difference between the actual rent and the subsidy (usually limited to 30-40% of household income). A PHA has the option of allocating up to 20% of its Housing Choice Voucher budget to the Project-Based voucher program. Under the Project-Based program, rental subsidy is attached to a unit of rental housing through a contract with the owner that can last from 1 to 10 years. If the tenant moves, the unit's affordability restrictions remain intact and the landlord is responsible for selecting another eligible tenant, usually referred from the PHA voucher waiting list. PHAs may allocate Project-Based Vouchers to existing units, as well as to units in new construction or substantially rehabilitated projects; however, no more than 25% of the units in a multifamily building may receive PBVs (this limit does not apply to projects assisting people with disabilities, senior households, or other families receiving supportive services).

Graph 77. Total Households Making Between $50,000 and $75,000, Frederick County, 2000 - 2014



Source: PolicyMap

Graph 78. Housing Gap Assuming a Maximum 30% Cost Burden, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households.
Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap.

Source: ACS, Census

Current Program: Developer Impact Fee Exemption for Affordable Housing Program
Allows qualifying applicants of affordable residential development to be exempt from payment of development impact fees to assist with the creation of affordable housing by allowing qualifying applicants for residential development to be exempt from the payment of development impact fees if:

- The residential development is financed, in whole or part, by public funding that requires mortgage restrictions or recorded covenants restricting the rental or sale of the housing units to lower income residents in accordance with specific government program requirements; or 2. The residential development is developed by a nonprofit organization that 1) has been exempt from federal taxation under 501(c)(3) of the Internal Revenue Code for a period of at least 3 years; and 2) requires the homebuyer to participate in the construction of the residential development.
- The residential development is developed by a nonprofit organization that 1) has been exempt from federal taxation under 501(c)(3) of the Internal Revenue Code for a period of at least 3 years; and 2) requires the homebuyer to participate in the construction of the residential development.

The applicant will be exempt from development impact fees for public schools and libraries.[35]

Current Program: Payments in Lieu of Tax Policy (PILOT)
Allows qualified projects to pay a negotiated amount in lieu of payment of Frederick County real property tax on approved housing development that provides rental housing for low or moderate income citizens. This is similar to how other jurisdictions provide tax abatements to affordable housing developments.[36]

Current Program: Deferred Loan Program (DLP)
The purpose of the Deferred Loan Program (DLP or Program) is to provide flexible loans to help create and preserve affordable housing in Frederick County through leveraging of other funding sources, such as local, state, federal, public and private sources. The DLP shall provide funding for capital costs of rental and ownership housing. Repayments to the DLP shall return to a revolving fund to be used for future DLP loans.[37] In 2015, Frederick County dispersed $142,000 in loans through the Deferred Loan Program.

Current Program: Maryland's Builder/Developer Incentive Program
The Builder/Developer Incentive Program enables eligible homebuyers who are using a Maryland Mortgage Program (MMP) loan to purchase their home to receive more down payment and/or closing cost assistance than is available through the standard down payment and closing cost assistance program. Any borrower who receives a contribution for down payment and/or closing cost assistance from a participating builder or developer and who is using a Maryland Mortgage Program (MMP) loan to purchase their home may participate in the Builder/Developer Incentive Program. The DHCD will match contributions dollar-for-dollar, up to $2,500, toward down payment and closing costs from participating builders and developers who are interested in expanding affordable homeownership opportunities. The builder/developer's contribution may be combined with assistance from local jurisdictions, unions and/or nonprofit agencies; however, the Builder/Developer Incentive Program match will not exceed $2,500. The match is in the form of a zero percent deferred loan that is repayable at the time of payoff or refinance, or upon the sale or transfer of the house. This assistance is over and above what is available through the standard down payment and closing cost assistance programs, allowing some borrowers to have more choices in buying a home.[38]

[35] https://frederickcountymd.gov/DocumentCenter/View/18189
[36] https://frederickcountymd.gov/DocumentCenter/Home/View/3744
[37] https://frederickcountymd.gov/DocumentCenter/View/265117
[38] http://mmp.maryland.gov/Documents/Partner_Match_Documents/BDIP_FAQ.pdf

Recommendation: Frederick County should align its affordable housing policies to leverage the Low Income Housing Tax Credit (LIHTC) in order to expand the supply of affordable workforce rental housing.

The Housing Needs Assessment found a significant mismatch between rental costs and renter household incomes throughout the County. For households earning less than $50,000, the assessment found a gap of approximately 11,000 affordable units (Graph 80). The federal Low Income Housing Tax Credit (LIHTC) program provides subsidy to lower affordable rental housing construction costs and can be an important tool to fill the affordable rental housing gap in Frederick County by increasing the supply of affordable housing and lowering the cost of market rate rental housing.

LIHTC is a powerful resource to support the creation of affordable rental housing that responds directly to the County's housing needs. It provides subsidy typically between 30-80% of the cost of development of rental housing, which allows property owners to charge rents affordable to low-and moderate-income households. LIHTC is by far the most commonly used source of financing for affordable housing throughout the country. From 1987 to 2009, approximately 2.2 million units were developed through LIHTC.[39]

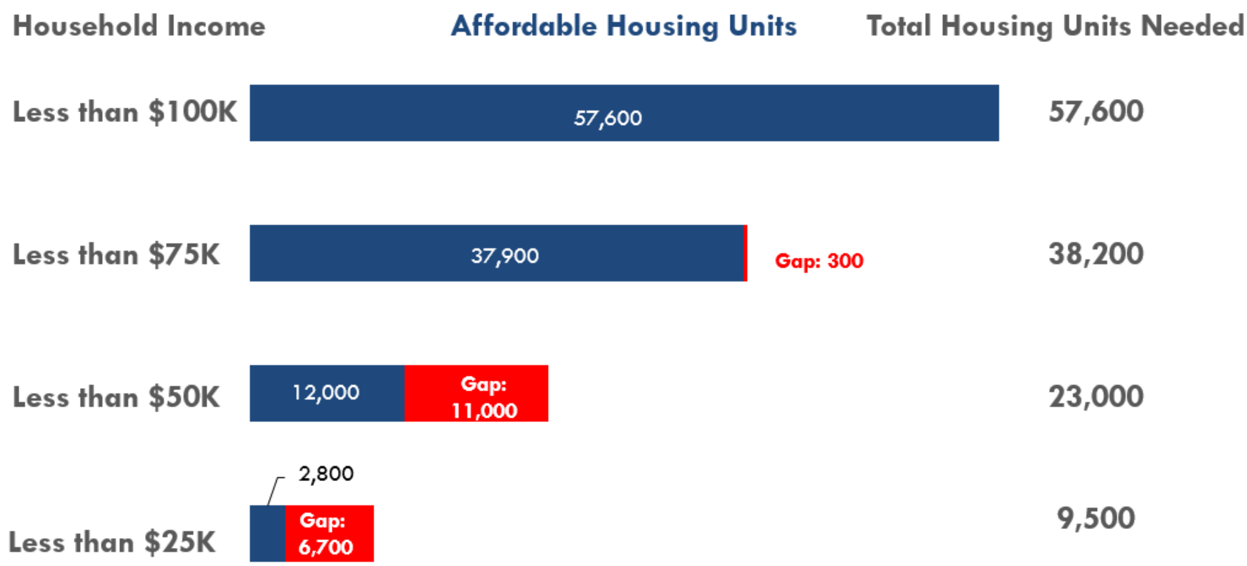
LIHTC's income eligibility levels are flexible and vary depending on the Area Median Income. In Frederick County, eligible households can earn no more than 60% of the Area Median Income ($57,081 for a household size of 2.7). As demonstrated by the gap calculations, Frederick County most pressing housing needs are in this income bracket. This alignment, along with the sheer scale of subsidy, makes it essential that the County continue to actively leverage affordable housing funds through the LIHTC program.

The County's strong track record of attracting LIHTC financed projects can be enhanced by implementing the recommendations in this section. Since 2006, 645 housing units were created with LIHTC equity in Frederick County (Table 18).

The Maryland Department of Housing and Community Development awards LIHTC funding to eligible affordable rental housing projects. Some of the awards are made on a competitive basis, these are referred to as '9% credits' and cover higher percentages of the development cost, usually 70-80%. Other credits are awarded to any project that meets programmatic requirements set by MDHC (affordability, construction quality, etc.) and prove financial feasibility. These credits are referred to as '4% credits'; and usually cover between 30-40% of development costs. Frederick County should actively pursue both 4% and 9% credits. The recommendations below are intended to help position the County to maximize the amount of LIHTC funding it leverages to create affordable rental housing.

[39] https://www.huduser.gov/portal/pdredge/pdr_edge_research_081712.html

Graph 80. Housing Gap Assuming a Maximum 30% Cost Burden, 2014



Note: This graph does not include data for households earning more than $100,000 annually, as those households are unlikely to face a housing gap. In 2014, there were 36,255 households in Frederick earning more than $100,000, or about 41% of all households. Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts parts of the gap. Source: ACS, Census

Table 18. LIHTC Funded Developments in Frederick County, MD, 2006-2015

Project Name	Date	Pop. Type	Project Type	Units	LIHTC	Tax Credit Equity	Total Dev. Cost
Hillcrest Commons	2006	Families	New	60	9%	$ 5,616,444	$ 9,369,876
Brunswick House Apartments	2007	Elderly	Acq./Rehab.	2	4%	$ 1,482,236	$ 6,178,850
Victoria Park at Walkersville	2007	Elderly	New	80	9%	$ 5,906,882	$ 12,587,232
Frederick Revitalization	2008	Families	New/Acq./Rehab.	86	9%	$ 8,992,101	$ 18,487,867
Seton Village	2013	Elderly	Acq./Rehab.	43	4%	$ 3,576,926	$ 14,270,364
Taney Village Apartments	2014	Elderly	Acq./Rehab.	130	4%	$ 6,745,577	$ 24,616,482
Sinclair Way	2015	Families	New/Rehab.	71	9%	$ 13,611,269	$ 20,318,778
The Commons of Avalon	2015	Families	New	114	4%	$ 6,584,266	$ 28,231,410
Windsor Gardens	2015	Families	Acq./Rehab.	59	4%	$ 2,375,326	$ 10,276,816
Total				**645**		**$ 54,891,027**	**$ 144,337,675**

Source: Maryland Department of Housing & Community Development

Recommendation: Frederick County's tax abatement policy should have clear eligibility criteria, an established process for approval and provide an as-of-right tax abatement policy for all LIHTC projects.

Tax abatement programs provide a reduction in property taxes that can aid affordable housing developers pursuing LIHTC funding. Property taxes are a significant portion of a project's operating costs and high tax burdens can threaten the stability of rent-capped affordable housing projects. An as-of-right tax abatement policy for LIHTC projects would lower the property tax burden on affordable rental properties and enable developers to pass through costs savings to renters, ensuring deeper affordability. LIHTC projects that serve seniors or homeless should receive greater tax abatements. In addition, information about the tax abatement program should be readily available to developers on Frederick County's website. Developers need to quickly understand the process for securing tax abatements from the County. It is important that the policy align with the state's affordability requirements, thus streamlining the regulatory process by avoiding discrepancies in definitions and processes. Other federally-aided or state-aided affordable rental housing projects should also be eligible for tax abatements for the life of the affordability period.

Oregon's Tax Exemption Program
In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. Recently the legislature has renewed and extended this program to 2027. The tax exemption is intended to benefit low-income renters by alleviating the property tax burden on those agencies that provide this housing opportunity. The qualifying property must be located within the City of Portland and occupied by income-eligible households (not to exceed 60% of AMI for the initial year and 80% for every subsequent year).

New York City's Tax Incentive Program
New York City's 420-c Tax Incentive program is a complete or partial property tax exemption for low-income housing currently or formerly financed with Low Income Housing Tax Credits for a term of up to a maximum of 60 years. The City may require a payment in lieu of taxes (PILOT) as a condition for the exemption. The project must be developed by a non-profit organization in partnership with a for-profit developer.

Portland Oregon MULTE Program
Portland, Oregon has established a range of tax exemption programs to stimulate affordable housing development. For example, the Multiple-Unit Limited Tax Exemption (MULTE) Program, enables qualified multiple-unit projects to receive a ten-year property tax exemption on structural improvements to a property as long as program requirements are met. During the term of the exemption, a minimum of 20% of units must be affordable to households earning up to 60% of AMI or to households earning 80% or less of AMI when the project's market rents are at or exceed 120% of the area AMI levels. Program requirements, rules, eligibility, compliance requirement and application processes are detailed on the Portland Housing Bureau website.

Recommendation: Frederick County's Affordable Housing Council and the Housing Department should continue to review Maryland's Qualified Allocation Plan (QAP) each year.

The County and the AHC should work with affordable housing developers and other stakeholders to adjust County policies to maximize the competitive advantage for local LIHTC project proposals. As needed, the County and the AHC should also work with advocates to make changes to the QAP that better position Frederick County to receive 9% credits.

Under the Low Income Housing Tax Credit Program, each state must develop a Qualified Allocation Plan (QAP) that sets out priorities and criteria for awarding federal tax credits to qualified residential projects. State housing agencies can adapt the LIHTC program to meet their housing needs under broad federal guidelines. While most plans include general provisions related to cost and quality, QAPs vary widely in terms of approach, clarity and detail. Carefully designed processes and programmatic structures can go a long way to reduce unnecessary costs and facilitate targeted results. Maryland's Community Development Administration (CDA) is tasked with administration and oversight of the LIHTC program, as well as updating their QAP. Currently, Maryland offers a basis boost of up to 30% for "Family Housing in Communities of Opportunity." To meet this priority, the project must be general occupancy housing with reasonable access to jobs, quality schools, and other economic and social benefits.

Recommendation: The County should dedicate at least 50% of the MPDU fees to support LIHTC projects and award funding on a schedule that aligns with the State's scoring of LIHTC proposals.

LIHTC projects offer the best opportunity to leverage the limited funding from MPDU fees; therefore, the County should dedicate at least 50% of the fees to support LIHTC projects. By providing a significant and steady stream of funding for LIHTC developers to leverage, Frederick County will encourage affordable housing development and increase the number of LIHTC projects undertaken in the County.

Recommendation: The County should explore additional local sources to support affordable housing.

The fees received through receives through the MPDU program are fully committed to existing affordable housing needs. To dedicate 50% of the MPDU funding to LIHTC projects without cutting funding to other important affordable housing efforts will require identifying additional funding sources. There are several other funding sources that deserve deeper evaluation and exploration including New Market Tax Credits (NMTC) and the formation of a Housing Production Trust Fund (HPTF) funded from dedicated local sources.

New Market Tax Credits – Established in 2000, the New Market Tax Credit program is tax incentive with the goal of increasing wealth and jobs in low-income communities across the United States that can also be used to support affordable housing including elderly and supportive housing. The Community Development Financial Institutions Fund (CDFI Fund), under the US. Department of Treasury, is charged with selecting and awarding "allocation authority" to Community Development Entities (CDEs) around the country. The selected CDEs are allowed to raise a certain amount of capital, or Qualified Equity Investments (QEIs) from investors, who in exchange receive a tax credit against their federal income tax. The tax credit total 39% of the original investment amount and is claimed over a period of seven years. The CDEs use the capital from the equity investments to make flexible loans and investments to local businesses in low-income communities, in effect stimulating wealth and creating jobs throughout the community.

Housing Trust Fund – City, county and state governments across the country have established Housing Trust Funds (HTF) to leverage financing to produce or preserve affordable housing. There are various revenue sources for housing production trust funds, including but not limited to: real estate transfer tax, document recording fees, property tax levies, transient occupancy taxes (also known as hotel occupancy tax) and commercial and residential linkage fees. HTFs can also be funded through general budget allocation or through funds backed by government bonds.

Recommendation: Frederick County should expand the development of Accessory Dwelling Units (ADUs) to increase the supply of affordable rental housing.

The County should revise Zoning Ordinance 1-19-8.212 to allow Accessory Dwelling Units to be rented. In addition to providing renters with low-cost housing options, this program will also provide supplementary income for homeowners. Allowing rental ADUs will not only increase the supply of rental housing stock but also preserve the character of single family neighborhoods the dominate Frederick County, while creating mixed-income communities.

Accessory dwelling units are additional living quarters on single family lots that are independent of the primary dwelling unit and provide basic requirements for sleeping, cooking and sanitation. Given their smaller size and lower development costs, ADUs are naturally affordable. Also referred to as accessory apartments, second units, in-law housing or granny pods, ADUs can either be attached or detached from the main residence. Accessory dwelling units offer a variety of benefits to communities, including increasing the overall housing supply and offering an affordable housing option for low-and moderate-income residents. ADUs can also be a convenient and affordable option for seniors and/or disabled persons who may want to live close to family members or caregivers. In addition, ADUs can be connected to the existing utilities and designed to blend in with the primary residence's architecture, preserving neighborhood character and preventing the need for new infrastructure development.

Santa Cruz, CA and Accessory Dwelling Units

Several cities and suburban communities have adopted ADU friendly ordinances. In Santa Cruz, California, the City established an ADU development program with three major components: technical assistance, wage subsidy/apprentice program, and an ADU loan program. The City offers an *ADU Plan Sets Book* and an *ADU Manual*, informing homeowners on design concepts, zoning regulations, and the permitting process. Development fees are waived for ADUs made available to low and very-low income households.

2.1.8 Consider the needs of older adults and those with disabilities for accessible, affordable units as these individuals age in place.

In Frederick County, there are subpopulations with housing needs that the County should target, such as seniors and veterans. Frederick County's senior population is expanding rapidly and increasingly rent-burdened (Graph 79). Table 17 shows the specific need for affordable senior housing within the overall housing needs of the County.

The senior population in Frederick County has different housing needs than the general population and these needs must be addressed through the housing that is available to this group. Frederick County currently offers a variety of programs targeted at seniors. These programs and policies are outlined below, followed by specific recommendations to address the challenges posed by the county's growing senior population.

Current Program: Senior Tax Credit
The Frederick County Senior Tax Credit was enacted by the Board of County Commissioners on January 3, 2012. The Senior Tax Credit is a supplement to the current Frederick County Homeowner Tax Credit supplement. The state will administer the credit as part of the State Homeowner Tax Credit Program. The amount of the Senior Tax Credit will be 20% of the net County real property taxes (up to zero) for qualifying homeowners.[40]

Current Program: Bell Court Senior Apartment
The Bell Court Apartments in Woodsboro, Maryland, are owned by the Frederick County Government and provide affordable rental housing for the low income elderly. The project consists of 28 one-bedroom townhome style units and serves elderly residents who make less than 30% of AMI (approximately $22,850 per person annually).[41] Elderly tenants must be 62 or older.

Current Program: Accessible Homes for Seniors
The "Accessible Homes for Seniors" program, which began just last year, offers seniors low- and no-interest loan options for home renovations and has recently been expanded to include grant money for those who do not qualify for the loans. The program helps to fund home improvements for Maryland residents age 55 and over, including installing grab bars, railings, and ramps, and widening doorways, home improvements that will help seniors stay in their homes and maintain their independence.[42]

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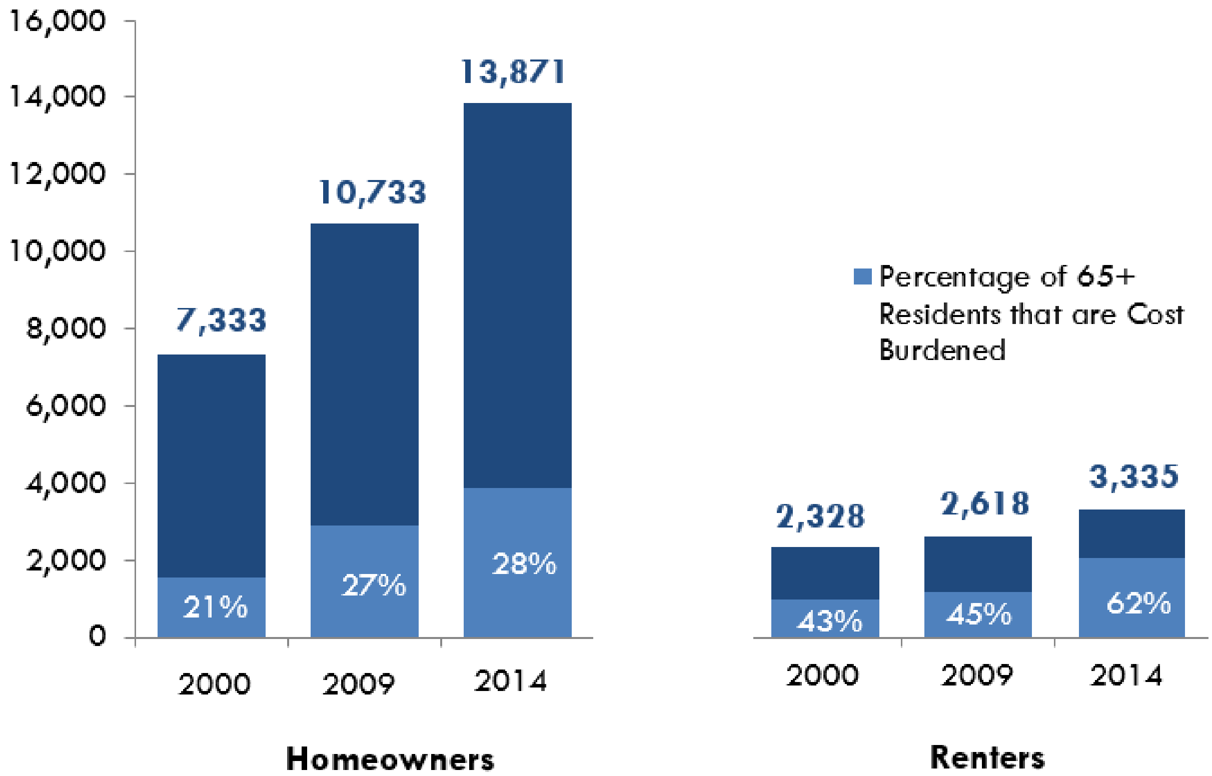
40 https://frederickcountymd.gov/DocumentCenter/View/22375
41 https://www.frederickcountymd.gov/DocumentCenter/Home/View/5349
42 http://dhcd.maryland.gov/Residents/Pages/ahsp/default.aspx

Graph 79. Total 65+ Homeowners and Renters, Frederick County



Source: PolicyMap

Table 17. Current Distribution of Affordable Housing Need, Frederick County

Workforce Housing	**3,070**
Seniors	*730*
General Workforce	*2,340*
Extremely Low Income Housing	**2,650**
Seniors	*600*
Single Room Occupancy	*230*
Supportive Housing	*150*
Veterans	*210*
General Extremely Low Income	*1,460*
Total	**5,720**

Source: Frederick County Coalition for the Homeless Strategic Plan for Ending Homelessness

Recommendation: Frederick County should continue to support the development of affordable housing that allows seniors to age in place within the county.

The senior population in Frederick County is expanding rapidly, with growth projected to increase into the future. At the same time, senior incomes have not kept pace with the income growth of other age brackets, resulting in increasing levels of senior housing cost burdens. Renting seniors, in particular, are experiencing housing affordability challenges, with more than 62% of renting seniors qualified as housing cost burdened. While the County, the state of Maryland and the federal government offer multiple programs to help older residents afford to stay in their homes, these programs are insufficient to respond to the rapidly rising number of older residents.

Aging in Place

Several factors, including the aging of the baby boom generation and rising life expectancies, are contributing to dramatic increase in the number and proportion of the senior population in the United States. Research has shown that the overwhelming majority of older adults prefer to "age-in-place", remaining in their current homes and communities. Aging-in-place is defined as "the ability to live in one's own home and community safely, independently and comfortably, regardless of age, income, or ability level."[43] However, a senior's ability to age-in-place depends on a variety of factors, including their home's physical features and layout, availability and accessibility of community resources, and housing affordability.

Local governments around the country are tailoring their housing, transportation, and health policies to plan and prepare for aging populations. Housing affordability is a primary concern for jurisdictions with rising numbers of seniors with fixed incomes who cannot afford increasing rent, property tax increases or home modification costs. Some localities have addressed this challenge through tax exemptions, caps, or deferment options to protect older homeowners, while others have developed tax assistance programs to provide grants to assist low-income households. Nassau County, New York has adopted limitations on the growth of a property's assessed value as a way to control local tax payment levels. . In Georgia there are freezes on assessments of homesteaded property in several counties, including Cobb, Gwinnett, Muscogee and Forsyth.

In addition to tax policies, some counties are looking to promote aging-in-place through affordable senior housing development, universal design standards, and home modification subsidies.

Recommendation: Frederick County should make explicit its existing commitment to prioritize senior affordable housing project funding.

The County should engage LIHTC developers to establish a set-aside of MPDU funds to support senior affordable housing. A similar discussion should also occur for other affordable housing programs that MPDU funds support (e.g. owner-occupied rehabilitation, etc.). In addition, a portion of MPDU funds could be made available for homeowners to develop affordable Accessory Dwelling Units for seniors.

Recommendation: Frederick County should continue to assist senior homeowners and renters to apply for local and state programs which often have complicated and lengthy application processes.

The Frederick County Senior Housing Rehabilitation Grant Program provides grants of up to $15,000 to low income senior homeowners to make emergency home repairs, to correct substandard conditions and code violations, to install indoor plumbing, or make other accessible, health, and safety modifications that enable

[43] US Center for Disease Control and Prevention http://www.cdc.gov/healthyplaces/terminology.htm

them to remain in the home for a longer period of time. An eligible household must have at least one occupant age 55 or older, have a total gross income at or below 30% of the Washington MSA median family income limit, occupy the property as a primary residence, and have ownership of the property in fee simple.

Maryland's Renters' Tax Credit Program provides property tax credits for renters who meet certain requirements, with deeper subsidies available to those individuals over the age of 60 or 100% disabled. The policy is based on the reasoning that renters indirectly pay property taxes as part of their rent and thus should have some protection, as do homeowners under the Homeowners' Tax Credit Program. The amount of the renters' tax credit will vary according to the relationship between the rent and income, with the maximum allowable credit being $750. Those found eligible for a credit as determined by the State Department of Assessments and Taxation will receive a check directly from the State Treasury of Maryland.[44]

Current Program: Senior Rehab Grant Program
The Frederick County Senior Housing Rehabilitation Grant Program provides grants up to $15,000 for emergency repairs and accessibility modifications to very low income senior homeowners.[45]

County-Funded Rehabilitation, Frederick County, MD

Current Program: Emergency Rehab Loan Program
The Frederick County Emergency Housing Rehabilitation Program provides zero interest, deferred loans up to $15,000 for emergency repairs.[46] In 2015, Frederick County dispersed $2,097 in Emergency Housing Rehab Loans.

Current Program: Special Loan Program
The Frederick County Department of Housing and Community Development administers the "Special Loan Programs' on behalf of the Maryland Department of Housing and Community Development (DHCD).These programs are designed to improve single family and small rental properties for low and moderate-income families. The programs rehabilitate properties, increase energy conservation and meet special housing needs such as lead paint abatement and installation of indoor water and sewer facilities. The Special Loans will have interest rates based on the household incomes of the residents and owner-occupants, or the project income available to repay the loan. Loans in excess of $5,000.00 or with deferred payments are secured

[44] http://dat.maryland.gov/realproperty/Pages/Renters%27-Tax-Credits.aspx
[45] https://frederickcountymd.gov/DocumentCenter/View/284912
[46] https://frederickcountymd.gov/DocumentCenter/View/263761

by a mortgage. Loans may provide for deferred payment of principle and interest for households with income below 50 percent of the Washington, D.C. MSA median income.[47]

Current Program: Special Targeted Applicant Rehabilitation Program (STAR)
The Special Targeted Applicant Rehabilitation (STAR) Program preserves and improves single-family properties by rehabilitating the property and updating it to applicable building codes. STAR loans may also be used to build replacement houses under certain conditions. STAR loans are funded with federal HOME funds and certain HUD requirements apply. HOME funding is available from the state on a limited basis.[48]

Current Program: Lead Hazard Reduction Grant and Loan Program
The Lead Hazard Reduction Grant and Loan Program (LHRGLP) provides funds to assist homeowner and landlords lessen the risk of lead poisoning and preserve the housing stock by reducing or eliminating lead-based paint hazards. Eligible activities include door and window treatment, floor treatments, paint removal, stabilization and repainting, encapsulation, enclosure and specialized cleaning.[49]

Current Program: Indoor Plumbing Program (IPP)
The Indoor Plumbing Program (IPP) is designed to provide indoor plumbing to residential properties. The properties may be single family, owner occupied homes as well as rental properties with one to twenty units. [50]

Middletown Valley, Middletown, Frederick County, MD

[47] https://frederickcountymd.gov/DocumentCenter/View/286705
[48] https://frederickcountymd.gov/6384/Special-Targeted-Applicant-Rehabilitatio
[49] https://frederickcountymd.gov/DocumentCenter/Home/View/20003
[50] https://frederickcountymd.gov/6385/Indoor-Plumbing-Program-IPP

2.1.9 Provide information (i.e., costs, standards) concerning the use of universal design standards in new dwellings in order to accommodate senior needs as they age in place.

Recommendation: Frederick County should require visitability standards for households that receive senior rehabilitation loans.

Visitability standards require minor adjustments in design that make homes accessible to elderly and disabled residents. Visitability requirements include: zero step entryways, wide doorways, and at least a half bath on the first floor. Unlike universal design standards, which are much more comprehensive and costly, visitablity standards only require minimal changes and should not impose a large cost burden on seniors who receive rehabilitation loans. Requiring visitiability standards will help ensure that Frederick County's housing stock is accessible to elderly and disabled populations into the future.

Universal Design and Visitablity Standards

Universal design refers to a "collection of design features and products that make a home safer and more comfortable for all residents, and promotes independence and personal satisfaction even as daily activities become more physically challenging."[51] Universal design features include: step-free entranceways; wide doorways and hallways; lever handles for all doors rather than twisting knobs; reachable electrical panels, electrical plugs, light switches and thermostats; a first floor bedroom and full bathroom; and non-slip floors, steps and bath facilities. As more Americans choose to "age in place," the demand for universal design homes and products is likely to increase; however, critics of universal design standard often cite the significant cost premium, which according to one account, can range between 15-20% for a multifamily project.[52]

Another design standard that provides benefits to elderly users is known as "visitable" design, which, unlike universal design standards, requires minor adjustments in design that make homes accessible to the majority of the population. Visitability requirements include: zero-step entryways, wide doorways, and at least a half-bath on the main floor. Several local governments, including Atlanta and Austin, require visitability in all publicly funded homes. Other jurisdictions, such as Pima County, Arizona, require visitability in all publicly funded and privately funded homes. Some states have begun to encourage these standards through public incentive programs, such as the tax credits offered by Georgia, Virginia, and Pennsylvania.

[51] Quigley, Leo. Innovation in Senior Housing: Four Case Studies. Enterprise Community Partners.
[52] http://nhi.org/online/issues/148/housingforall.html

Appendix A – Data Tables

Table 1. Multifamily Developments in Frederick County Since 2010

Building Address	Building Name	Rent Type	Affordable Type	Avg Asking/SF	Avg Effective/SF	Number Of Units	Vacancy %	Year Built
3230-3250 Centennial Way	Urban Green Apartments	Market		1.56		352		2017
300 Cormorant Pl	The Retreat at Market Square	Market		1.53	1.53	206	8.74	2014
1369 Hampshire Dr	Overlook at Avalon	Affordable	Rent Restricted	1.01	0.93	44	68.18	2016
1369 Hampshire Dr	Overlook at Avalon Phase II	Market				67		2016
2401 Highpoint View Ct	Vista View of Whittier	Market		1.27	1.16	70	2.86	2013
100 Holling Dr	East of Market Apartments	Market		1.63	1.63	160	0	2015
909 Mansion Dr	Prospect Hall Apartments	Market		1.37	1.29	376	4.79	2014
New Design Rd		Market/Affordable				224		2018
520 North Market Street		Affordable				53		2017
0 Waverly Dr	Waverly View					240		2017
350 West Patrick Street	Sinclair Way	Affordable				71		2016
5834 White Lake Ln	Bainbridge Jefferson Place	Market				224		2017
2001 Wood Hollow Pl	The Park at Walnut Ridge	Market		1.52	1.48	204	11.27	2013

Source: CoStar

Table 14. Naturally Affordable Multifamily Rental Developments

Building Name	Building Address	Rent Type	Avg Asking/SF	Avg Effective/SF	Number Of Units	Vacancy %	Year Built
	111 E 3rd St	Market	0.98	0.86	5	0	1900
Brunswick Garden Apartments	620 6th Ave	Market	0.88	0.88	22	9.09	1966
	1 W 10th St	Market	1.34	1.18	6	16.67	1983
Northside Apartments	9 N 15th St	Market	1.43	1.43	48	0	1972
Princeton Court Apartments	5792 Brook Hill Ln	Market	1.94	1.94	159	0.63	1987
Parkview Apartments	750 Carroll Pky	Market	0.9	0.83	53	7.55	1950
	100 E Church St	Market	1.48	1.48	8	0	1800
	16 N Church St	Market	0.89	0.89	7	0	1890
	103 S Church St	Market	1.01	0.89	6	16.67	1985
The Apartments At Sunset Walk	1000 Columbine Dr	Market	1.19	1.07	453	3.31	1986
DePaul Village Apartments	51 Depaul St	Market	0.81	0.79	16	0	1945
	1309 N East St	Market	1.21	1.21	12	0	1971
	1499 N East St	Market	1.18	1.18	16	0	1968
The Grove at Alban Apartments	91 Hill St	Market	1.25	1.25	290	2.07	1980
Elmwood Terrace / Hunters Glen	1420 Key Pky	Market	1.29	1.29	504	12.5	1972
Woodlawn Village Apartments	1469 Key Pky	Market	1.49	1.35	102	7.84	1978
Hickory Hill Apartments	1445 W Key Pky	Market	1.2	1.1	162	1.23	1981
Little Brook Apartments	1200 Little Brook Dr	Market	1.64	1.63	96	5.15	1984
Emmits Manor	604 W Main St	Market			16	6.25	1972
	704 Motter Ave	Market	0.99	0.87	7	14.29	1969
Frederick Greenes Apartments	1313 Motter Ave	Market	1.51	1.38	71	4.23	1950
	446 E Patrick St	Market	1.26	1.11	6	16.67	1981
	610-612 W Patrick St	Market	1.19	1.19	24	0	1983
Fieldpointe	349 Prospect Blvd	Market	1.23	1.23	252	0.4	1964
The Westwinds	1072 Redfield Ct	Market	1.05	1	154	5.84	1978
Cedar Crossing Apartments	5802 Rosebay Ct	Market	1.66	1.66	109	0	1986
Thurmont Garden Apartments	1 Sandy Spring Ct	Market	1.29	1.29	60	3.33	1974
Westerleigh Apartments	410-412 W South St	Market	0.98	0.95	30	3.33	1990
	144 Water St	Market	0.89	0.84	24	4.17	1971
Derbyshire	798 Wembley Dr	Market	1.55	1.55	159	0	1988
The Residences at the Manor Apartments	141 Willowdale Dr	Market	1.23	1.14	583	4.12	1986
Willowdale Crossing Apartments	150-A Willowdale Dr	Market	1.14	1.14	432	2.78	1984

Source: CoStar

Table 15. Affordable Senior Housing, Frederick County

Building Address	Building Name	Rent Type	Affordable Type	Avg Asking/SF	Avg Effective/SF	Number Of Units	Vacancy %	Year Built
222 Broadway St	Weinberg House	Affordable	Rent Restricted	0.81	0.81	23	8.7	1995
100 Burgess Hill Way	Creekside at Taskers Chance	Affordable	Rent Restricted	1.67	1.67	120	5	1995
750 Carroll Pky	Parkview Apartments	Market		0.9	0.82	53	7.55	1950
1001 Carroll Pky	Brooklawn Apartments	Market/Affordable	Rent Subsidized	1.25	1.25	86	0	1965
205 East Eighth	Autumn Place	Affordable				20		
401 W Lincoln Ave	Lincoln on the Park	Affordable	Rent Restricted	1.24	1.24	32	0	1993
540 Logan Street	Winter Place	Affordable				20		
1 W Moser Rd	Moser Manor Apartments	Affordable	Rent Subsidized	1.32	1.32	27	0	1989
798 Motter Ave	Catoctin Manor Apartments	Affordable	Rent Subsidized	1.34	1.34	23	0	2007
800 Motter Ave	Catoctin View Apartments	Affordable	Rent Subsidized	1.53	1.53	100	1	1973
1100 Peach Orchard Ln	Brunswick House Apartments	Affordable	Rent Subsidized			52		1980
5802 Rosebay Court	Cedar Crossing Apartments	Affordable						
105 Sandstone Dr	Victoria Park at Walkersville	Affordable	Rent Restricted	1.22	1.22	80	0	2008
550 Shriner Court	Union Bridge Apartments	Affordable						
327 South Seton Avenue	Seton Village	Affordable				43		
6351 Spring Ridge Pky	Spring Ridge Senior Living Apartments	Market/Affordable	Rent Restricted	1.46	1.46	144	0.69	2002
1421 Taney Ave	Taney Village	Affordable	Rent Subsidized	1.37	1.37	130	4.62	1978
690 West Adams Circle	Bell Court Apartments	Affordable	Rent Restricted			28		1997

Source: CoStar

The Apartments at Sunset Walk, Frederick, Frederick County, MD

Table 16. Affordable Unit Inventory, Frederick County

Project Address	Project	Total Units	Total Restricted Units	Tenure Type	Total Handicapped Units	Funding Source(s)	Developed Date
205 E Eighth St. Frederick, MD 21701	Autumn Place	20	20	Elderly & Disabled	20	HUD	1992
690 W. Adams Cir. Woodsboro, MD 21798	Bell Court Apartments	28	28	Elderly	5	State Rental Housing Partnership, BOCC	1997
1100 Peach Orchard Ln. Brunswick, MD 21716	Brunswick House	52		Elderly			1980
209 Madison St. Frederick, MD 21701	Carver Apartments	60		Family		Public Housing	1952
798 Motter Ave. Fredrick, MD 21701	Catoctin Manor	23		Elderly		HUD Public housing	2007
800 Motter Ave. Fredrick, MD 21701	Catoctin View	100		Elderly		Public Housing	1970
1000A Heather Ridge Dr. Frederick, MD 21702	Country Hill Apartments	108		Family		CDA S8	1980
100 Burgess Hill Way Frederick, MD 21702	Creekside at Taskers Chance	120		Elderly		CDA LIHTC - 60%	2006
50 52 De Paul St. Emmitsburg, MD 21727	De Paul Street Partnership	20	20	Family			2003
31 W Patrick St. Frederick, MD 21701	Francis Scott Key	46	26	Family	3	LIHTC - 60%	2001
5999 Ladd Ln. Frederick, MD 21701	Frederick Villas	39		Family		Affordable Housing	1986
1445 W. Key Pkwy Frederick, MD 21702	Hickory Hill	162		Family			1981
1150 Orchard Ter. Frederick, MD 21703	Hillcrest Commons	60		Family			2007
1421 Key Pkwy Frederick, MD 21702	Hunters Glen	108		Family			1984
101-111 S. Market St. Frederick, MD 21701	Lafayette Square LTD	35				CDA	2006
411 W. Lincoln Ave. Emmitsburg, MD 21727	Lincoln on the Park	32		Elderly			1994
1313 Motter Ave. Frederick, MD 21701	Frederick Greenes	71		Family			1948
1 West Moser Rd. Thurmont, MD 21788	Moser Manor	26		Family			1990
N. Market, 7th and Bentz St. Frederick, MD 21701	North Market Hope IV	42		Family			2009
Vermont Ct. Frederick Md 21701	Lucas Village	92	92			Public Housing	1972
126 S. Carroll St. Frederick, MD 21701	South Carroll St. Apartments	32		Family			2010
1201 Maple Terrace Ln. Brunswick, MD 21716	South Mountain Village	40		Family			1985
6351 Spring Ridge Pkwy Frederick, MD 21701	Spring Ridge Senior	144	73	Elderly	8	LIHTC - 60%	2002
1421 Taney Ave. Frederick, MD 21701	Taney Village	130					1978
15 Sunny Close St. Thurmont, MD 21788	Thurmont Village Apts.	22		Family			1985
105 Sandstone Dr. Walkersville, MD 21793	Victoria Park	80		Elderly			2008
222 Broadway St. Frederick, MD 21701	Weinberg House Apartments	23		Elderly, Disabled	23	LIHTC - 60% HOME CDBG, PILOT	1995
412-414 W. South St Frederick, MD 21701	Westerleigh Apartments	28		Family		CDA	1990
1103-1109 Key Pkwy Frederick, MD 21702	Windsor Gardens	59		Family			1984
540 Logan St. Frederick, MD 21701	Winter Place Homes	20		Elderly		Sect. 8	1990
1701-1709 W 7th St	Detrick Plaza Apartments	98		Family			1960
312 Broad St	Middletown Valley	84		Family			1972
1001 Carroll Pky	Brooklawn Apartments	86		Family			1965
1369 Hampshire Dr	Overlook at Avalon	44		Family			2016
200-296 Phebus Ave	Lincoln Apartments	50		Family			1967
101 E South St	Frederick Revitalization I	74		Family			2009
New Design Rd		224		Family			2018

Source: CoStar, Frederick County. PolicyMap

Appendix B – Acronym Reference Sheet

Acronym Reference Sheet

Acronym	Meaning
LIHTC	Low Income Housing Tax Credit
MPDU	Moderately Priced Dwelling Unit
QAP	Qualified Action Plan
PILOT	Payment in Lieu of Taxes
HUD	US Department of Housing and Urban Development
TIF	Tax Increment Financing
ADU	Accessory Dwelling Unit
HPTF	Housing Production Trust Fund
CDFI Fund	Community Development Financial Institutions Fund
DLP	Deferred Loan Program
HCV	Housing Choice Voucher
CDE	Community Development Entity
MULTE	Multiple-Unit Limited Tax Exemption
MMP	Maryland Mortgage Program
IPP	Indoor Plumbing Program
CRA	Community Reinvestment Act
ACS	American Community Survey
MSA	Metropolitan Statistical Area
LHRGLP	Lead Hazard Reduction Grant and Loan Program
RAP	Rental Allowance Program
AMI	Area Median Income
STAR	Special Targeted Applicant Rehabilitation
PHA	Public Housing Agency
HAP	Homebuyer Assistance Program
DHCD	Department of Housing and Community Development
PMI	Private Mortgage Insurance