



**Chelsea Andrews**  
Executive Director

January 31, 2023

Dear Chair Barve and Members of the Environment & Transportation Committee:

The Housing Opportunities Commission of Montgomery County (HOC) strongly supports Delegate Vaughn Stewart's proposed legislation to establish a Housing Innovation Fund in Maryland and provide matching funds for the production of new mixed-income housing by Public Housing Authorities.

As Montgomery County's Public Housing Authority, HOC has been developing mixed-income "Opportunity" housing since its reorganization in 1974. In recent years, Montgomery County has partnered with HOC to amp up our production of market rate, workforce, and low-income housing by creating a \$100 million Housing Production Fund (HPF). This revolving fund provides low-cost, short-term construction financing for new housing development that provides a minimum of 20% of units affordable at 50% of Area Median Income (AMI) or below, and an additional 10% of units affordable at the level of the County's Moderately Priced Dwelling Unit (MPDU) program - 65-70% of AMI or below. The Commission seeks to provide deeper affordability whenever possible.

The first \$50 million tranche of HPF funding was authorized by the Montgomery County Council in 2021, and was quickly committed to two projects projected to deliver 681 units of new housing. The Laureate at Shady Grove Metro station is expected to begin leasing this spring. Hillandale Gateway, in East County, is expected to break ground this year and is planned to include a net zero, passive house multifamily building. Each of these projects are served by transit, will include community-serving retail, and are being delivered as public-private partnerships. After the first \$50 million tranche was committed, the County authorized a second \$50 million tranche in the spring of 2022.

Once development is completed and the HPF is repaid, each of these projects must remain owned or controlled by HOC. Ongoing public ownership ensures ongoing affordability, allows the provision of wrap-around services, and produces growing equity that can be used to provide more housing in the coming decades. Tenant protections - such as HOC's policy of abiding by Montgomery County's Voluntary Rent Guidelines - provide stability for all tenants, including those in market-rate units. And the funding that is repaid goes back into the HPF, becoming available for use in another new development. Critically, this funding is additive to the existing tools for developing affordable housing, such as Low-Income Housing Tax Credits.

This model has attracted national attention. It can be called public development, social housing, or mixed-income housing. Legislation to adopt versions of this approach has recently been introduced in California, Washington state, Washington D.C., Maine and Rhode Island.

We applaud Del. Stewart for his vision and appreciate his willingness to work with us on clarifying amendments that ensure this fund is compatible with existing federal, state and local policies. By creating a Housing Innovation Fund to provide matching funds for local initiatives such as the HPF, Maryland can ensure production of stable, affordable housing across the State. This fund would allow local Authorities to produce more housing using local funding models that work for each individual jurisdiction.

Sincerely,

*Chelsea Andrews*

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