

Housing Innovation Pilot Program Act of 2024
Position: Favorable w/ Amendments
Hearing before the Education, Energy & Environment Committee
January 25, 2024

Roy Priest, Chair
Frances Kelleher, Vice Chair
Jeff Merkowitz, Chair Pro Tem
Richard Y. Nelson Jr., Commissioner
Pamela Byrd, Commissioner
Linda Croom, Commissioner
Robin Salomon, Commissioner



Chelsea Andrews
President/Executive Director

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Dear Chair Feldman, Vice Chair Kagan, and Members of the Committee:

The Housing Opportunities Commission of Montgomery County (HOC) strongly supports Senator Jeff Waldstreicher'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 and Housing Finance Agency, HOC has been developing mixed-income housing since its reorganization in 1974. In 2021, Montgomery County Government partnered with HOC to amplify our production of market rate, workforce, and low-income housing by creating a \$100 million Housing Production Fund (HPF), which has garnered nationwide attention. 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 required just a \$3 million annual appropriation, and the projects return \$2.5 million in interest each year, so the net cost to the County is just \$500,000/year. At today's interest rates, the net cost for \$50 million in bonds is about \$2.1 million/year. On average, \$50 million allows HOC to create 750 homes each 5-year revolution - or 3,000 homes over the 20-year life of the bonds. The funds then continue to revolve and produce housing in perpetuity.

The first \$50 million was quickly committed to two projects projected to deliver 681 units of new vibrant mixed-income housing. The Laureate at Shady Grove Metro station was completed in June 2023 and within five months is now fully leased. Hillandale Gateway, in East County, is under construction and planned to include a net zero energy Passive House multifamily building, which will be the first of its kind in Maryland. Each of these projects are served by transit, include community-serving retail, and are being delivered as public-private partnerships with private partners such as EYA, Bozzuto, and the Duffie Companies - but are owned and controlled by HOC. The County authorized a second \$50 million tranche in the spring of 2022, which the Commission is preparing to use to fund two new projects. We have several projects in the queue that will wait for those funds to revolve, but with State support HOC could accelerate those projects and deliver more housing, faster.

Ongoing public ownership ensures ongoing affordability, allows the provision of wrap-around services, and ensures that any growth in land value or equity can be used to provide more affordable housing in the coming decades. Tenant protections - such as HOC's policy of limiting rent increases to the rate of inflation - provide stability for all tenants, including those in market-rate units. Moreover, the funding that is repaid goes back into the HPF, becoming available for use in another new development. Because these projects are much larger than the typical affordable housing project, a 30% affordable HPF project can produce as many affordable units as a 100% affordable Low Income Housing Tax Credit project, without competing for those scarce federal resources.

This model has attracted national attention. It can be called public development, social housing, or mixed-income housing. It was recently featured in the New York Times, and jurisdictions across the country are seeking Legislation to adopt versions of this approach has recently been introduced in California, Washington state, Washington D.C., Maine, Hawaii and Rhode Island. Rhode Island's state Department of Housing has recently hired the Furman School at NYU to conduct a study of the HPF and international social housing models to guide that state's development of a similar model.

We applaud Sen. Waldstreicher and Del. Stewart for their vision and appreciate their 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, and if funding is available, we are eager to work with DHCD to develop technical assistance for other jurisdictions across Maryland.

Sincerely,

Chelsea J. Andrews

Chelsea J. Andrews
President