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**TESTIMONY OF HOUSING OPPORTUNITIES COMMISSION
ON HOUSE BILL 1330**

My name is Zachary Marks, and I am the Chief Real Estate Officer at the Housing Opportunities Commission of Montgomery County (“HOC” and “Commission”). I am writing in support of House Bill 1330 (“HB 1330”), which reinvigorates and reimagines the Partnership Rental House Program (“PRHP”) as a powerful tool for the creation of publicly owned mixed-income housing.

As the Committee may know, publicly owned mixed-income housing – often called social housing – is an internationally proven method of housing provision that accomplishes crucial affordable housing goals while also achieving design excellence, leading on energy efficiency, and creating socioeconomically diverse communities that foster broader acceptance of housing for all as a public good. Much like the PRHP with HB 1330’s innovation for this purpose, the State’s Housing Authorities are also positioned to produce social housing – in some cases at scale.

HB 1330’s inclusion of middle-income households as PRHP-eligible units transforms the PRHP from a minor complementary affordable housing finance resource into a primary channel for increased mixed-income housing production. For decades, the Low Income Housing Tax Credit (“LIHTC”) has produced the vast majority of new affordable housing. While a critical tool, the program has inadvertently left out many middle-income Marylanders in high-cost parts of the state. The Federal government recognized this issue and so introduced income averaging to the LIHTC program in 2018.

HB 1330 not only similarly recognizes this issue but also allows for Housing Authorities like HOC to construct social housing both with and without accessing the LIHTC program. This legislation and dedicated funding will assuredly allow for more 4% LIHTC developments to become feasible thus increasing production. Yet, as annual LIHTC and volume cap allocations to the State are ultimately finite, any funding that creates production opportunities that do not use those resources, thus raising the State’s ceiling of implied affordable housing production, is doubly valuable – both for the housing it will create and the other dear resources this housing didn’t have to take from another worthy project.

HOC has been delivering publicly owned mixed-income housing since 1989. The Commission has always valued this model’s many merits: deconcentration of poverty, social integration, broader popular acceptance of affordable housing, and the reinvestment of rental revenue from higher-income units paid to HOC into more affordable housing and housing at deeper levels of affordability. Montgomery County, in collaboration with HOC, recently created

the Housing Production Fund; which is a bespoke fund designed to increase the production of housing in the County via the social housing model. HB 1330, likewise, would allow HOC and other Housing Authorities across the State to increase housing production. It is invaluable to have all three levels of government – local, State, and Federal – pulling together in the same direction in this manner toward a viable new model for affordable housing.

Though the explicit changes that HB 1330 makes to the PRHP are to include middle-income households, the new and improved PRHP will also produce more units for households of lower income. Often new funding sources are evaluated without consideration for the synergistic effects of their practical implementation. There will be other funding sources present in nearly all new developments that will seek to use the PRHP with the changes made by HB 1330 that will require deeper affordability in a portion of units.

In fact, a component of all of HOC's mixed-income communities serve households of lower income. The provision of funding for the middle-income units in mixed-income communities has many follow-on effects, including greater rental revenue capture by these Housing Authorities, greater development fee income to these Housing Authorities via increased housing production capacity, and broader allocation of the other resources typically available to the State's Housing Authorities.

We appreciate the progressive and practical creativity associated with HB 1330 and thank the Environment and Transportation Committee for its consideration of these comments.