

Testimony of Cheryl Gannon, President  
Montgomery County Civic Federation  
Maryland House Economic Matters Committee  
HB 239, Starter and Silver Homes Act  
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Good afternoon, my name is Cheryl Gannon, and I am the President of the Montgomery County Civic Federation-- a 100-year-old non-profit umbrella organization of neighborhood civic and homeowner associations across Montgomery County. Thank you for the opportunity to testify today.

The MCCF acknowledges the projected future growth in Montgomery County population and supports providing equitable housing opportunities (both home ownership and rental) to current and future generations of residents. We endorse data driven proposals that will meet the needs of residents who struggle to afford housing, while protecting the environment and providing necessary infrastructure. We have a strong commitment to an inclusive planning process that includes resident voices in the future of their own communities.

We call on the Maryland General Assembly to work toward a strategic compromise on housing legislation that focuses on data driven affordability measures, public land use opportunity around transit, certainty in the market, and retaining local flexibility and discretion on how to meet overall county housing targets with measures that actually improve affordability, protect the environment and provide the necessary infrastructure.

In that regard, we appreciate the *Transit & Housing Opportunity Act of 2026* to unlock land around transit areas and create as many as 7,000 new homes. We also appreciate the *Housing Certainty Act of 2026* to create certainty in the market for developers. Both measures will unlock new opportunities for housing.

The stated goal of the *Starter and Silver Homes Act*, to create more affordable typologies in housing is an important goal. However, as structured, the bill will not necessarily increase affordability and in some cases will worsen the affordability problem, while doing damage to the environment, and ignoring critical infrastructure needs. The legislation amounts to a sweeping preemption of local control over planning and turns the planning process over to private developers to increase density in single family areas with no requirements for affordability, or environmental protection or infrastructure. This is the predictable result of slapping down one-size-fits-all land use rules, without guardrails, across a large and diverse state. Changes are needed to bring this legislation in line with stated affordability goals and local conditions.

### **Economic Development**

The state must refocus on economic development. Stable, well-paying jobs are the key to affordability. Maryland's economic development record is lackluster. Developers have indicated in both the Montgomery County Planning Department's pipeline analysis and study of Pike and Rose development that job projections do not justify moving any faster on developing approved units. The Council of Government data shows that Montgomery County has enough zoned land now to accommodate future needs. The development pipeline in Montgomery County has many stalled approvals. Developers will build planned and approved housing when the job projections justify it. As an executive with Montgomery Housing Partnership said once in a public meeting—supply and demand works when supply exceeds demand and there are no developers that build in excess of

demand. That is a formula for bankruptcy. High interest rates and construction costs, and sluggish economic development stalls housing and a zoning free-for-all will not fix those problems.

The Maryland DHCD misunderstands the Austin TX example. Austin experienced a tech and jobs boom when Oracle, Apple, Tesla and others moved in and brought a spike in available jobs. Pandemic remote work brought new residents as well. But jobs were the underlying factor promoting housing construction. In response, the market overbuilt—not as a deliberate policy choice but as a miscalculation-- and there was a drop in rents that has now leveled off. But there were also failed projects—creating a literal ghost town for example of unfinished homes that sat rotting in the elements for several years until it was bulldozed by the city, and developer financial difficulties and bankruptcies. Maryland should aspire to the economic development of Austin, but not the chaotic miscalculations of housing and jobs. Housing follows jobs, and not the other way around.

### **Affordability**

Affordability requires subsidy. The most critical housing needs in Montgomery County are concentrated among residents of low to moderate income who cannot afford or are challenged to afford market-rate housing. These residents will not be helped by new market rate housing. Affordable housing needs a subsidy, and a sweeping preemption of local control will not magically produce affordable housing.

There is no connection between untethered market rate housing and affordability. This bill has no affordability requirements. Even worse, the bill provides opportunity for developers to circumvent the workforce and affordable housing requirements under recently enacted legislation in Montgomery County. There is nothing to prevent developers from removing lower priced housing and replacing it with higher cost housing.

We have seen this locally and in other parts of the country. In Montgomery County, one example-- Preston Place in Chevy Chase, -- a project that removed replaced the historic, naturally occurring affordable Lake Apartments (66 dwelling units) with 63 luxury townhomes. Phase II will replace 67 naturally affordable 2- and 3-bedroom rental townhomes with 84 luxury townhomes. The county's Racial Equity and Social Justice review found that the University Blvd Corridor plan would have a moderately detrimental effect on communities of color as the naturally occurring affordable housing is replaced with new and more expensive market rate units.

We've seen this gentrification over the years in nearby Washington, DC in Shaw, the U Street corridor and Mt. Pleasant for example as density brought higher prices to these areas. The limitations of upzoning have been studied by economists in peer reviewed journals—A study of housing prices before and after 2010 upzoning in Nashville showed on average that the prices of the upzoned parcels increased by 11%–38% more than the unchanged parcels. The price of the upzoned parcels at the lower end of the distribution increased, while the price of the high-end parcels decreased. Similar results were found in studies of upzoning in NYC and Chicago where upzoning increased the value of upzoned properties. There is no credible policy study that supports the idea that upzoning reduces costs.

### **Infrastructure and Environment**

Montgomery County must have adequate infrastructure to support growth. The Adequate Public Facilities Ordinance requires that new development is approved after determining that the

surrounding infrastructure, such as sidewalks, roads, and schools, can meet the needs of new residents, visitors, and students. Our water mains are 100 years old, and we have hundreds of breaks each winter. We just had a massive raw sewage spill into the Potomac River, transportation is underfunded, the schools have a multi-billion-dollar deficit just for maintenance of schools never mind new construction or educational programs. Considering the state's deficit and budget squeeze, the burden of keeping up with this unregulated upzoning plan proposed by the Governor will fall on taxpayers and local jurisdictions. The state should not be mandating anything if it cannot afford to underwrite the costs.

The expanded building envelope mandated by this bill will reduce green space and tree canopy on lots, which are important to the overall environment. Limiting the building envelope on a lot forces development to happen in one contained footprint, leaving the rest of the land to function like natural green space. Across a subdivision, that adds up to:

- Better stormwater control
- More trees
- More habitat
- Cooler neighborhoods
- Cleaner water

It's a subtle zoning tool, but environmentally, it's very powerful.

The state is already struggling to meet 5-year climate goals and increasing paved surfaces by allowing development over most of a lot will necessarily involve reducing green space and trees and accelerate existing stormwater runoff problems. Downtown Silver Spring for example is a NOAA designated heat island, and the trees of the surrounding community are essential to the environment. Clear cutting lots to build townhouse developments will create an environmental disaster. We do not have county rules about trees on single family zoned lots. Redefining multi-family developments to single family homes will mean that reviews of removing trees or planting new trees that would have applied through optional method will no longer be in place.

### **Local Control and Public Input**

The bill must restore local control and restore public input into the Planning process. The bill treats developers as the only party with a voice or rights when developing multi-family property on single family lots. Yet it is taxpayers that will bear the burden of the costs, environmental degradation, congestion, traffic and other costs.

If the state-wide preemption in the Starter and Silver Homes bill were to be adopted, the opportunities for local jurisdictions to act creatively in addressing their housing needs, to adapt approaches to the characteristics and needs of their communities, and to learn from each other's experience what works well and what doesn't (and why), would be lost. This would be a substantial and damaging loss. The state can help (and even push) by defining the state-wide housing need and allocating the responsibility to address that need across the state's counties. But the best approaches are unlikely to be found (and large-scale mistakes may be made) if our counties do not have the opportunity to adopt different approaches suited to their specific situations and needs and to learn from each other's knowledge, expertise, and experiences.

In Maryland, the principle of local control over zoning is more than 100 years old. Yet, the Starter and Silver bill proposes to preempt this principle, which has supported steady economic growth, with a statewide zoning code. The assumption seems to be that what is good land use for Garrett County is good for Montgomery County, and what is good for Montgomery is good for St. Mary's. Geography alone tells us otherwise. Moreover, citizens know what level of government suits their housing needs best - county and municipal officials with granular knowledge and multi-neighborhood experience. The following "thought experiment" illustrates the value of the historical consensus on local control over the fundamentals of zoning: If a Republican Administration proposed this bill, would it receive any Democratic votes? If not, the bill cannot be sound housing policy.

### **Equity in Targets/Exemptions**

Targets for new housing must be equitably spread across the state and within each county. Exemptions push the overall target numbers onto smaller areas within a county, increasing the burden on non-exempt communities to absorb the entire target. This creates equity issues which must be addressed head on. Exempting smaller counties, smaller municipalities and historic districts tends to shelter more expensive and wealthier communities at the expense of non-incorporated communities, including the less wealthy areas and communities of color. Ironically, the state is proving the point that one-size-fits-all measures don't work by carving out exemptions.

**In conclusion**, the bill should be limited to setting targets for counties and municipalities while retaining local control and current regulations and processes that include resident input into where and how the housing is developed, including appropriate placement of townhouses, setbacks and height limitations, density maximums, lot coverage limitations, tree and stormwater management, resident input into existing development review process, compatibility standards including design and architectural standards.

We agree with the MACO suggestion to take action to limit investors buying homes.

Additional funding is needed from the state to upgrade infrastructure including roads, schools and transportation. The state should undertake a review of the state of the infrastructure to determine the cost and scope of upgrades to water, sewer, roads and school maintenance and construction to support new housing. Montgomery County has an Adequate Public Facilities Ordinance that must be retained and funded.

The state should consider a study panel focused on policy levers to promote and subsidize affordable housing for target populations not served by this bill's focus on market rate construction and where the need is greatest. The primary causes of projects that are stalled are financing challenges, construction costs, and lack of job growth. The state should refocus on measures to get beyond these hurdles, including possible state and private partnerships on project financing. The state should increase its funding for subsidized housing and provide grants to localities to foster projects to meet the needs of workforce and income restricted housing.

Preempting local control over housing is not the answer and upzoning will not improve affordability.