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WRITTEN TESTIMONY IN OPPOSITION

STARTER & SILVER HOMES ACT

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I am Leanne Tobias, a decades-long resident of Bethesda and a retired commercial real estate investment fund manager and consultant with substantial expertise in market rate housing, affordable housing and the financing and development of sustainable real estate. While I'm submitting this testimony in my personal capacity, I also chair CCCFH, the Citizens Coordinating Committee on Friendship Heights, which represents 18 neighborhoods and 20,000 residents in Montgomery County on land use, housing and infrastructure issues.

As a long-time Maryland resident, I am committed to genuine housing affordability throughout our state. There are numerous state and local pathways to achieve this, including approaches recommended in Governor Moore's Transit Oriented Development Act and Housing Certainty Act. Unfortunately, the Starter and Silver Homes Act is not among them. ***Upzoning single-family neighborhoods for market-rate construction will not reduce housing prices, will not help Marylanders who are having trouble buying a home, and detracts attention and resources from effective solutions.***

Here's why the Starter and Silver Homes Act **won't work**:

1) ***Real estate is priced according to the market value of similar properties nearby and newly built homes are typically more expensive than existing homes.*** Even if new townhomes have smaller lots than nearby single-family homes, they have more efficient layouts, similar square footage and living space and updated features. As a result, new townhome prices track and frequently exceed the prices of nearby single-family homes.

This is currently true in much of Maryland. A new CCCFH median price comparison of a sample of 121 new townhomes to existing single-family homes in 7 Maryland counties found that ***new townhomes were more expensive in 5 of the 7 counties reviewed by a range of 9% to 41% (Baltimore, +21%; Charles +13%; Dorchester +18%; Montgomery +41%; Prince George's +9%).*** Median new townhome and existing single-family home prices were about the same in Anne Arundel County. In Harford County, the median new townhome price was 4% less expensive than the median-priced existing home. While additional in-depth research is necessary, these results indicate that upzoning single-family neighborhoods will not materially reduce housing prices for new buyers, seniors, and working families throughout Maryland.

2) ***Real estate equity investors demand substantial returns, so the private sector will not build homes for moderate-income and lower-income families without subsidy.*** As of 2026, organizations that invest up front in residential real estate (largely pension funds, insurance companies and private equity funds) require returns in the high teens to low twenties, for an

average of roughly 20%. As a result, private developers build luxury housing, which commands the higher rents or sale prices necessary to achieve the required returns. This holds true for all market-rate real estate, including townhomes, apartments and condominiums, and single-family developments. ***The need to generate financial returns in the 20% range means that housing that is affordable for low- to moderate-income Marylanders won't be built without subsidy, a result that won't be changed by upzoning single-family neighborhoods.***

A January 2026 study from Georgetown University's Center for Poverty and Inequality confirms that building market rate housing is unlikely to help low-income families. The study examines 2015-2023 housing trends in ***six metropolitan areas*** (Atlanta, Dallas, Houston, Phoenix, Seattle and Washington, DC) ***with higher housing growth than the national average. Over the eight years studied, the share of units occupied by higher income households increased, while the share of units occupied by lower income households declined or stayed flat.***

So if upzoning single-family neighborhoods won't work, what is the answer? A number of alternative approaches make sense:

•**Partner with local governments to upzone vacant and under-developed land for townhome and other missing middle construction.** While townhomes are the same price or ***more expensive*** than **existing** single-family homes, they are ***cheaper*** than **new** single-family construction. Build townhomes on designated redevelopment sites or on undeveloped land.

•**Subsidize the construction of affordable housing for moderate- to lower-income buyers and renters, including starters and silvers.** One creative approach is donating surplus publicly-owned sites for affordable housing construction. This strategy has been applied successfully in Montgomery County and is a centerpiece of Governor Moore's Transit-Oriented Development legislation. Governor Moore's proposal to designate these sites as enterprise zones is an excellent idea.

•**When fiscally feasible, use state funds to provide low-cost equity capital for new, mixed-income housing.** This mechanism replaces the 20% equity supplied by private investors with state-supplied equity requiring a return of under 10%. The lowered return requirements allow the owner to lease or sell a portion of the finished units at affordable rates. Montgomery County's Housing Production Fund has implemented this approach. If enacted at the state level, this strategy has the advantage of allowing Maryland to earn a financial return by increasing the inventory of affordable housing.

•**Expand Maryland's efforts to make mortgages less expensive.** As Maryland policy innovators have proposed, create a pilot program to guarantee and/or buy down the interest rate on privately-issued mortgage loans for first-time buyers who have encountered difficulty in purchasing a home. The state would establish a dedicated fund structured to reduce lenders' risk, capped per borrower and per year to limit state liability. This strategy could be administered in conjunction with downpayment assistance and other mortgage affordability

support already being implemented by the Department of Housing and Community Development through the Maryland Mortgage Program.

As currently written, the Starter and Silver Homes Act will not reduce housing prices and will not help Marylanders who are having trouble buying or renting a home. Defeat this highly flawed proposal and turn to effective solutions that will make housing more affordable for the people of Maryland.