

Presentation to the New Town Focus Group

April 5, 2006

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Why does anyone want to live in Howard County anyway?

- Location
 - Nestled between Baltimore and Washington
 - Convenient to Jobs
- Education System
 - Ranked one of the best in the State
- Quality of Live
 - Peaceful
 - Plenty of Parks and Recreation

Teachers

- Starting salary for a Howard County Teacher is \$37,653
- On a monthly basis that is \$3,138 Gross
- 20% for taxes/SSA/Medicare = \$628
- Student Loan = \$250
- Car payment = \$375
- Gas and maintenance = \$200
- Credit card payments = \$40
- Medical co-pays and prescriptions = \$40
- Electricity/water/sewer/gas/phone/cable = \$245
- Clothing/cleaning/food = \$525
- Other costs = \$100
- That leaves \$435 for Housing
- **Where do they rent or purchase in Howard County?**

Definitions

- Moderate Income
 - Federal Definition – 60-80% of the Baltimore Metropolitan Statistical Average (BMSA)
 - BMSA Median Income = \$72,800
 - 60% = \$43,710 80% = \$ 58,280
 - County Median = \$82,650
- Middle or Work Force Income
 - 80 - 110% of Median income

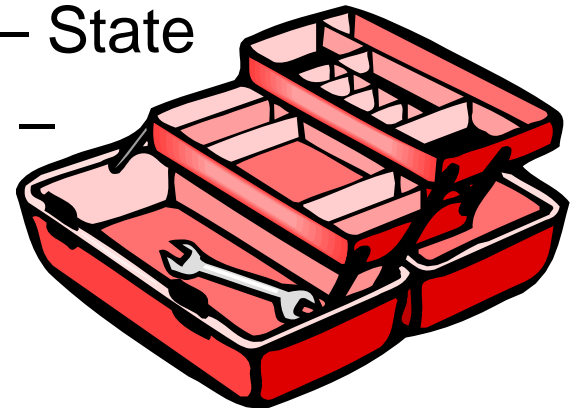


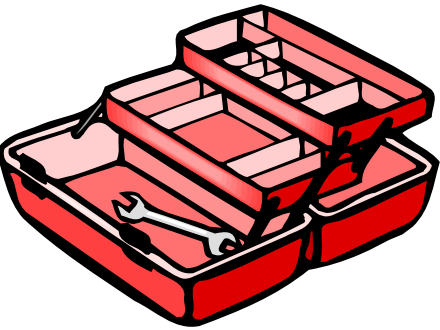
Tool Box

- Must have tools to address affordable housing for all income levels
- Low income 0-60% of median
- Moderate 60-80% of median
- Middle or Workforce 80-110% of median

Low Income Tools

- For this population, without other outside assets, rental housing is the housing choice
- The tools here come from Federal, State and Local Sources that include:
 - Housing Choice Voucher Program – Federal
 - Federal Public Housing Program – Federal/Local
 - Rental Assistance Program (RAP) – State
 - Subsidized Housing Developments – Local/State/Federal





Tools to Serve Low Income

- Housing Choice Vouchers come from HUD and are administered by the Howard County Housing Commission or Project Based from HUD
- Federal Public Housing is administered by the Howard County Housing Commission
- Other Subsidized housing units are provided by nonprofits like Columbia Housing Corporation, the Housing Commission or the Department of Housing
- State RAP program is passed through the Department of Housing to the Community Action Council



Another Tool

- Low Income Housing Tax Credit Program
- Provides Financing of new construction or major rehabilitation
- Targeted income range is from 30% to 60% of Median Income
- Two Programs 9% and 4%
 - 9% Program is very competitive but will finance 85% of the depreciable cost of the building.
 - 4% Tax Credit is a combination of Tax Exempt Bonds which must be 51% or more of the depreciable assets of the building(s) and 30-35% of the cost is covered by Tax Credits

What can be built with Tax Credits?



Mixed Use

Retail on First
Floor

80 1 and 2
bedroom units
on floors 2 - 5

Patuxent Square

- Financing Residential
 - Tax Exempt Bonds for Residential 57%
 - Low Income Housing Tax Credits 31%
 - Howard County Loan Funds 9%
 - Developer's Equity 3%
 - County also approved a Payment in Lieu of Taxes to make the operating budget viable
- Financing Commercial
 - Funded by Bank Loan

Another Example



Port Capital

- This Tax Credit endeavor will provide:
 - 84 units of Family housing in two and three bedroom apartments
 - Rents start at \$528 and go to \$975
 - Development includes a community Building with meeting space and a Tot Lot

Background Howard County

- Average sales price for all single family detached and townhouses in Howard County as of November 2005 was \$505,207
- The median income for the Baltimore Metropolitan Statistical Area is \$72,800
- The median income for Howard County according to the Census is \$82,065



Home Ownership Affordability

- The thumb rule used to determine the amount of house one can afford is 3 times one's annual income with good credit
- Using the BMSA median of \$72,800 one could afford a mortgage of no more than \$218,400
- Using Howard County median of \$82,065 the mortgage could not exceed \$246,195
- **The family with a median income can not afford the average priced house**

Developers and Builders

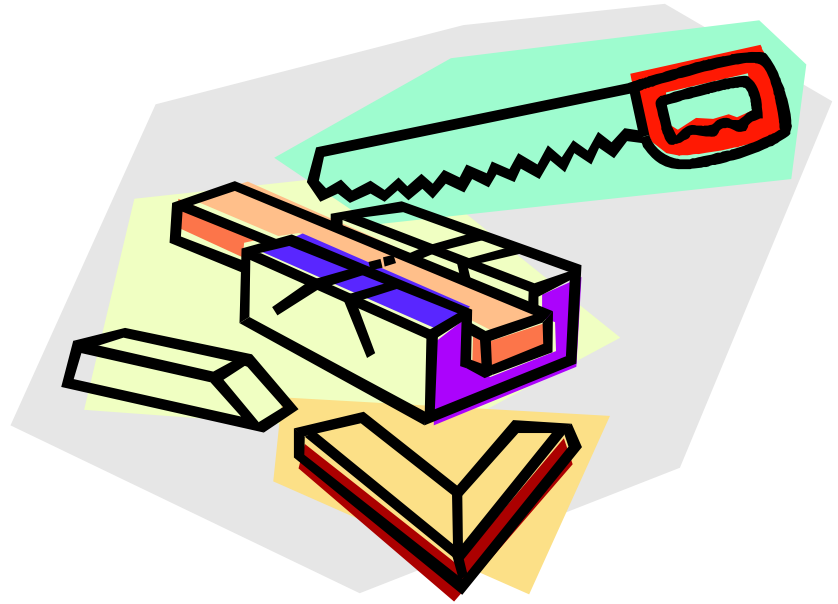
- Designing and building the product that appears in demand and that they can make the most profit
- They are building what is selling, what the market place is calling for
- Townhouse communities like Cherry Tree and Maple Lawn Farms are building Townhouses that appraise at \$350,000 to \$800,000

Cherry Tree Rendering



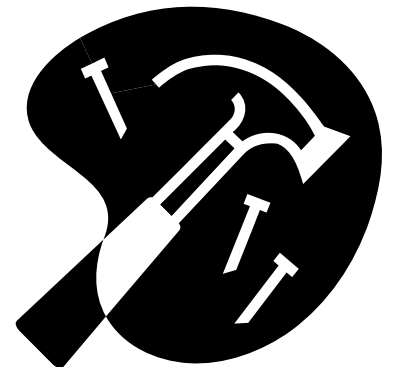
Solution Tool Box

- Inclusionary Zoning
- Shared Equity
- HCV Homeownership
- Land Banking



Inclusionary Zoning

- In Howard County we have adopted a program we call the Moderate Income Housing Program (MIHU)
- In various zoning districts, we have added a requirement to build varying percentages of moderate income housing



Zoning Districts

- The zoning districts which include a required moderate income housing component include:
 - Mixed Use Development – 5 -10% depending on density
 - Residential Mobile Home - 15% if single family and 20% if apartments
 - Planned Senior Community - 10%
 - Corridor Activity Center - 15%

Development Process

- When a development is subject to this subtitle, the developer must submit to the Department of Planning and Zoning with the original final plat or original site development plan
 - An agreement to provide a number of moderate income housing units offered for sale or rental units plus a plan for construction; and
 - Recordable covenants approved by the Department of Housing and the County Solicitor

Prices

- The Howard County Housing Commission establishes the sales price semiannually based on interest rates, insurance, taxes and HOA or Condo Fees
- Price is based on affordability
 - 65% of median income for townhouse
 - 60% of median income for an apartment

Shared Equity

- On homes that the Housing Commission has ownership we can sell to an eligible buyer the portion of the house they can afford
- We then share in the equity gain or loss as co-owner
- The buyer has at least 51% ownership



Shared Equity Continued

- Sales price is always the appraised value to support the house prices for the neighborhood
- Buyer has full use of the property
- Buyer pays all taxes and insurance
- At the end of five years, income is re-assessed, if they can then afford the entire home by themselves, they buy us out or we buy them out
- Buyer always has the right to buy us out at any time

Shared Equity Example

Cherry Tree Early Phase

- Base Market Value \$240,000
- First Mortgage \$118,700
- 2ND Mortgage (HCHC) \$21,300
- Buyers Equity 58% = \$140,000
- HCHC Equity 42% = \$100,000

Shared Equity Example

Cherry Tree Later Phase

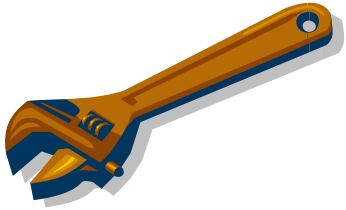
- Base Market Value \$375,000
- First Mortgage \$135,800
- 2ND Mortgage (HCHC) \$55,450
- Buyers Equity 51% = \$191,250
- HCHC Equity 49% = \$183,750

Some Additional Hurdles

- As the home increases in value at these rates, property tax can become a burden although
- In Howard County there is a 5% cap increase on property tax year to year

A Solution to the Property Tax Issue

- Modify the property tax assessment and charge according to the percent of ownership
- The buyer owns 51% and should pay 51% of the taxes
- Our Housing Commission pays 49% of the taxes, but....we are tax exempt
- Howard County has legislation introduced this month to accomplish this
- Additionally, deferring taxes for selected groups like teachers and first responders



Housing Choice Voucher Homeownership Program

- For those who have participated in the Housing Choice Voucher (HCV) Program and have climbed up the ladder of Self-Sufficiency is the Homeownership Program
- For our program the client must
 - Meet a minimum income of \$30,000
 - Participate in our Family Self-Sufficiency Program for a minimum of six months
 - Meet good credit ready requirements
 - Must be a Howard County program participant
- Financing for the purchase of a home will be provided, insured or guaranteed by the Federal Government
- The portion of their existing rent payments will go towards their mortgage payment for 15 years on a 30 year mortgage as long as they are income eligible

Land Banking



- Bank buildable land
- Our Adequate Public Facilities Ordinances dictate delays in construction
- Government and nonprofit agencies can afford the wait
- Legislation has been introduced to provide 100 additional affordable housing allocations
- Additionally, legislation has been introduced to provide an incentive for builders who would be building one and two bedroom units

How Could Any of this Apply to New Town?

- It is said that Jim Rouse believed in the concept of diversity both racially and economically and he incorporated this in his development called Columbia
- We need to keep that belief alive
- The mixed use developments like Patuxent Square with Retail Shops on the first floor and several apartments on succeeding floors would work. The apartments could be a mix of moderate, middle and market rate units to make the economics work – thus achieving economic diversity

Application to New Town Continued

- Developers are starting to understand that the workers who operate their shops need a place to live as well
- Having mixed economic levels in the same building would allow some creative financing to be achieved
- Replication of developments like Port Capital Village Apartments could add more mixed income units for small families
- Condos could be built and sold under the MIHU legislation using the Shared Equity Program as long as we can control the condo fee escalation

Jim Rouse was a visionary whose words inspired hundreds

"For many years I have lived and worked with the conviction that what ought to be, can be, with the will to make it so. May we raise up in this country an army of thinking...That This Job Ought To Be Done, Can Be Done, Will Be Done!"

The American City Award Acceptance Speech, People for the American

Way, New York, November 1993

We need to do what ought to be, here in the City that Jim Rouse Built!