

ATTACHMENT # 5

**ASSESSMENT
OF M-NCPPC PARK HOUSE POLICY**

PREPARED BY

**RESEARCH AND TECHNOLOGY CENTER
MONTGOMERY COUNTY DEPARTMENT OF PARK AND PLANNING**

Park Houses as Affordable and Special Needs Housing

**A Research Report by the Research and Technology Center
Montgomery County Department of Park and Planning**

February 2003



The Maryland-National Capital Park & Planning Commission

Montgomery County Planning Board
Derek P. Berlage, Chairman

Montgomery County Department of Park and Planning
Charles R. Loehr, Director

Research and Technology Center
Drew Dedrick, Chief

Report Author
Sally Roman, Master Planner, Research and Technology Center

Acknowledgements:

The author wishes to thank Don Cochran, Jerry Bush, Carrye Palleschi, Melissa Banach, Roselle George, and Michele Rosenfeld for their assistance and advice.

Park Houses as Affordable and Special Needs Housing

Findings:

Park houses are an important source of affordable and special needs housing in Montgomery County. Seven houses currently serve as group homes for persons with special needs. Sixty-three of the Maryland-National Capital Park and Planning Commission's 68 rental properties in the County are leased at rents affordable to low-income households. These rents reflect the modest nature of many of the houses and the special circumstances of their leases, such as tenant contributions to maintenance and the presence of the public on the property. Nonetheless, these units offer much needed housing to households that might otherwise be priced out of the local market.

Recommendations:

1. Develop a formal policy statement for Montgomery County park houses that:
 - a. Continues to give priority to Commission low- and moderate-income households.
 - b. Targets low- and moderate-income households when non-Commission employees rent park houses.
 - c. Defines affordable housing according to HUD and Moderately Priced Dwelling Unit (MPDU) standards.
 - d. Establishes a formal process to review the status of park houses and make decisions about whether to raze an individual unit.
2. Actively seek special needs tenants as houses become available for new occupants, especially if there are no qualified Commission employee tenants. Permit special needs tenants the choice of paying current rents or paying a discounted rent in return for reduced landlord services.
3. Include park houses in assessments of Montgomery County's supply of affordable housing.
4. Consider the feasibility of creating group homes for specific populations, such as teachers, in large park houses.

Introduction:

When the Maryland-National Capital Park and Planning Commission (M-NCPPC) acquires parkland, one or more dwellings often come with the land. These units are a bonus housing resource for the County. This study examines their current use and their potential as affordable housing or small group homes for special needs populations. To the Commission's credit, the majority of these units already serve as affordable housing, primarily for Commission employees, and several are group homes for persons with disabilities.

Commission Policy

In 1976, M-NCPPC recognized the value of continued residential use of park houses by adopting a Practice that permits these units to be offered as

rental properties. A revised Practice, that remains in effect, was adopted on September 11, 1985. Not all units are rented, however. In some cases, the previous owners retain the right to occupy the dwellings during their lifetimes. In some, the Commission selects some other use – Commission offices, meeting rooms, special event facilities for weddings and other special occasions, and other uses.

The majority of the units are rented to employees, or if there are no employee applicants, rented on the open market. At the discretion of the Planning Board, units may also be used by public or private nonprofit agencies or individuals “as part of an approved public program.” Seven properties currently serve as housing for special needs populations under this provision. Sixty-eight units are rented to households. At this time, 38 are rented to employees, 29 to non-employees, and one is vacant.

The Commission Practice on park houses gives priority to “low/moderate income employee families (subject to total family income), place of employment, family size, years of service, hardship, and other factors that benefit the Commission (e.g. security, site protection, visitor intrusion and information, and related duties.) If there are no employees interested in a unit, the Commission typically selects nonemployee tenants on the basis of the same criteria to the degree possible.

The Practice requires fair market rents for park houses. Employee rents may be discounted to reflect the value to the Commission of employee contributions to the property and automatic rent collection. Rents are not discounted beyond this, however, so that they do not constitute additional employment compensation under IRS regulations. As the following sections show, the affordability of park houses results from the generally modest nature of the housing.

Description of Park Houses

The majority of the park houses predate most of the County’s rapid post World War II growth. Most are modest rural styles, often quite small. Four units have only one bedroom. Twenty have two bedrooms. Cinderblock construction is not unusual. Asbestos shingle is also common. Amenities tend to be limited. Air conditioning and dishwashers are rare. Half have only one bathroom. Most park houses are single-family detached units, but two comprise a duplex, and four are apartments, generally in single-family homes.

Not every house is modest, however. Several are large and modern with many conveniences. Seven units are historic properties. These are of varying sizes and levels of luxury, but offer the charm and interest that earned them a historic designation. Generally, historic properties are less suitable for special needs housing than other units, especially if exterior retrofitting would be required.

Park houses are scattered throughout the County from Chevy Chase to Kensington to Rockville and Potomac. The largest number are in Clarksburg, most adjacent to Little Bennett Park. In total, 30 park houses are located in Clarksburg. The I-270 corridor, south of Clarksburg, has comparatively few. (See the attached map.)

Park House as Affordable Housing

Park house rents reflect the modest nature of most of the houses. The Commission Practice states that rent for non-employees must be at "fair market value." The Practice also states that rents to employees must not represent a fringe benefit as defined by the IRS. The level at which a discounted rent becomes a fringe benefit has been variously defined as a 20 or 25 percent discount.

The Commission has the flexibility to adjust rents to reflect the savings to the Commission for 1) lack of full landlord services, 2) lack of certain appliances (refrigerator or stove), 3) rent payments by employees through payroll deduction, and 4) other factors where these leases differ from conventional leases. Some of the other factors that are applied on a case by case basis include 1) employee duties on site, 2) nuisance value of living on a property accessible to the public, and 3) exemplary maintenance.

Rent adjustments for most of these reasons were more common in earlier years than they are today. Since 1995, a company that provides full landlord services has managed park houses. Employee rents are generally discounted in return for the convenience to the Commission of collecting rents by payroll deduction. Other adjustments are rare.

Most rents¹ are lower than County averages when recently adopted park house rents for 2003 are compared to County averages for 2002. The differences are even more significant than they may appear because the majority of units in the County survey are apartments, while the park houses are primarily single-family detached units. Rents for single-family detached units are typically higher than for apartments with the same number of bedrooms.

Comparison of 2003 Park House Rents
And 2002 County Average Rents
By Bedroom Count

Unit Size	County Av. Rent	Park House Average	Park Houses	
			Below County	Higher Than County
One-Bedroom	\$970	\$666	4	
Two-Bedrooms	\$1,120	\$674	19	1
Three-Bedrooms	\$1,396	\$812	28	
Four-Bedrooms	\$1,541	\$1,051	10	1
Five-Bedrooms	\$1,541	\$1,654	2	1
Total			63	3

Source: M.C. Dept. of Park and Planning, Research & Technology Center,
DHCA, December 2002.

¹ Park house rental data describe the 66 of the 68 units for which detailed information was available.

The average one-bedroom park house rent is about one-third less than the average one-bedroom apartment County-wide. Two-bedroom units cost about 40 percent less than the market average, as do three-bedroom units. Four-bedroom units are also one-third less. Only the five-bedroom average is higher. One very expensive unit skews this average. Overall, only three units have rents that exceed the County average for the number of bedrooms.

2003 Park House Rents
Compared to Rents Affordable to Low Income Households
By Household Size

Unit Size	Affordable Low-Income Rent 30% of Income	Park House Average	Park Houses	
			Below County	Higher Than County
One Person	\$953	\$666	4	
Two Persons	\$1,088	\$674	19	1
3 - 4 Persons**	\$1,360	\$812	38	1
5 or More	\$1,469	\$1,051	2	1
Total			63	3

*Low income is based on HUD Section 8 low income levels for the Washington area for 2002, 60 percent of income.

**This category includes both 3 and 4 bedroom units. Some may actually sleep more than 4 depending on household composition.

Source: Mont.Co. Dept. of Park and Planning, Research & Technology Center, December 2002.

Another approach to measuring the affordability of park house rents is to calculate the rents that various size households can afford at a given income level. The table compares park house rents to the rents that low-income households could afford if they spend no more than the recommended 30 percent of income for rent. Low-income households are defined as those households that meet eligibility criteria for HUD Section 8 programs.

This table uses one-bedroom rents for single-person households, two-bedroom rents for two persons, three bedroom rents for three or four persons, and four-bedroom rents for households of five or more. While a one-bedroom unit is frequently sufficient for a two-person household, these units are so scarce that they are assumed to be available primarily to the smallest households. Similarly, many 3 and 4 person households could fit comfortably into a two-bedroom unit. Choosing the smaller unit would increase affordability of these already low rent units.

A third source of comparison is with the County's Moderately Priced Dwelling Unit (MPDU) rents. Of the one-, two-, and three-bedroom park units, only two have rents that exceed MPDU levels. MPDU rents are \$815 for a one-bedroom unit, \$980 for a two-bedroom unit, and \$1,125 for a three-bedroom unit.

By any measure of comparison, park houses currently comprise a respectable portion of the County's stock of affordable housing. However, there is a delicate balance between preserving the affordability of park houses and maintaining the units in good condition. Over the years, some have not received ideal maintenance and are in less than perfect condition. If the units continue to lease at market rents, improving them will affect their affordability. On the other

hand, the Commission feels a responsibility to upgrade or raze units in poor condition.

Park Houses as Special Needs Housing:

In addition to their value as affordable housing, park houses offer potential locations for special needs housing. The current thinking among people with special needs,² groups that represent them, and agencies that provide services for them is that the best residential settings tend to be scattered, small group homes. Park houses are often well located and sized for this purpose.

Because of the variety of special needs, appropriate housing locations vary from sites close to public transportation, shopping, and jobs to sites that are more isolated. Residents who are very independent or alternatively, residents who travel very little, such as frail elderly, may thrive in a less urban location.

In order to use park houses as special needs housing, changes to the building may be necessary. Minor changes and small additions are generally acceptable in park houses. Houses with historic designations are probably the last choice for any exterior change.

Seven park houses currently operate as group homes for special needs populations, serving a variety of

needs. Their locations range from downtown Silver Spring to the northern edge of Clarksburg. Currently, these units do not generate rent.

Park Houses Serving Persons With Special Needs			
Name	Address	Need Served	
Adrienne House	8915 Colesville Road	Road	Chronically Mentally Ill
Jesup Blair House	23801 Frederick Road	Road	Homeless families with children
Layhill Rd. Group Home	900 Jessup Blair Road	Road	Developmentally Disabled
Muncaster Mill Therapeutic Redi House	15309 Layhill Road	Road	Children
Watkins Mill House	6316 Muncaster Mill Road	Road	Children
	13411 Riley's Lock Road	Road	Chronically Mentally Ill
	20201 Watkins Mill Road	Road	

With the emphasis on small, scattered group homes, park houses are a good resource for special needs housing. However, this use raises a policy issue. Park house rents provide a respectable contribution to the Commission's Property Management Funds. These monies may be available for historic preservation in parks if a surplus exists at the end of the year. If a substantial number of units are converted to this use and do not pay rent, there will be a noticeable financial impact. Generally group homes do not rent or purchase their buildings. It does not seem unreasonable to expect future special needs users of

² The term "special needs population" includes people with a wide variety of needs from homelessness to mental illness to physical disabilities to the frailty of advanced age and similar conditions.

park houses to pay rent. Reduced landlord services could also be offered in return for discounted rents.

Possible Recommendations For Park House Policy

Recommendations:

- e. Maintain the current Practice of offering park houses to low-income households at moderate rents.
- f. Actively seek special needs tenants as houses become available for new occupants, especially if there are no qualified Commission employee tenants.
- g. Include park houses in assessments of Montgomery County's supply of affordable housing.
- h. Continue to give priority to Commission low- and moderate-income households.
- i. Revise the Practice to state the as a goal targeting low- and moderate-income households when non-Commission employees rent park houses.
- j. Refine the Practice to define affordable housing according to HUD and MPDU income ceilings.
- k. Strengthen our current Practice into forward thinking policy.
- l. Consider the feasibility of creating group homes for specific populations, such as teachers, in large park houses.

MEMORANDUM

DATE: February 20, 2003

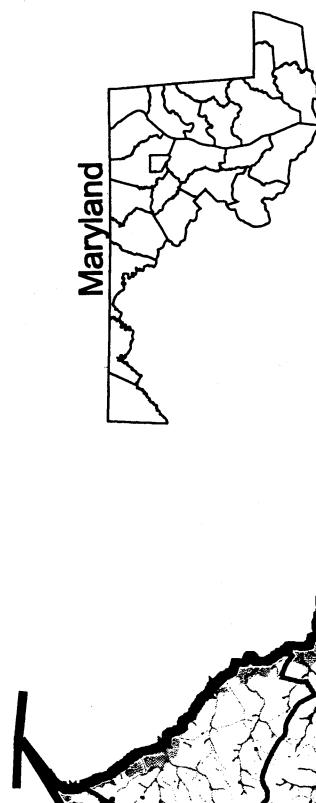
TO: Selected Research, Parks, Strategic Planning, and Legal Staff

FROM: Sally Roman, Research and Technology Center

SUBJECT: Park House Study

Attached is a new draft of the park house study, incorporating comments from several of you. The largest number of changes address Jerry Bush's concerns. I hope I've captured them correctly. Let me know if you have further suggestions. Otherwise, the recommendations we will discuss today will be the major remaining addition. Also, I have asked Carrye Palleschi to let me know which park house is no longer a group home. I'll make that change when I receive the information.

Montgomery County Maryland Parks and Park Houses



Maryland

Howard County, Maryland

A map of Prince George's County, Maryland, showing the Largo area. The map includes state and county boundaries, roads, and a river. A black arrow points from the text "LARGO" to a specific location on the map. A road sign for "MD 200" is also visible.

21

1:240000
1 Inch equals 20,000
feet

District of Columbia

Fairfax County, Virginia

Clark County, Nevada

Roanoke County, Virginia

NOTICE: The photographs, graphics, and descriptive information shown on this map is based on data provided by the U.S. Geological Survey, the State of Florida, the Broward County Department of Natural Resources, the Broward County Water Management Department, the Broward County Health Department, the Broward County Fire and Emergency Medical Services, the Broward County Sheriff's Office, the Broward County Animal Control and Protective Services, and may not be copied or reproduced without written permission from McMillen Associates, Inc.

A legend box containing eight entries, each with a small icon and text: County Boundary (solid line), Railroads (wavy line), Major Roads (solid line), Other Roads (dashed line), Water (wavy line), Park Houses (square with diagonal line), Existing Parks (diamond with diagonal line), and Municipalities (solid line).

MONTGOMERY COUNTY DEPARTMENT OF PARK AND PLANNING
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MapX: Parks and Park Houses

Map Created December 12, 2002

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

PRACTICEapproved by
Commission**subject****no. 6-50**

11 September 1985

effective date

USE OF COMMISSION-OWNED PARK HOUSES

AUTHORITY

This practice, originally approved by the Commission February 11, 1976, was revised by the Executive Committee October 3, 1983, to include provisions for lease extension; security deposits; maintenance of electrical systems in park houses; and coordination of agreements with carry-over provisions for tenancy. The current revision amends the basis for rentals, the date for rental adjustments, and contains new criteria for discounting rents.

Thomas H. Countee, Jr.
 Thomas H. Countee, Jr.
 Executive Director

REFERENCES

Art. 28, §§5-103, 5-110, 5-113, and 5-115, Annotated Code of Maryland, 1957, as amended, 1983 Replacement Volume.

U.S. Code Annotated, Title 26, Internal Revenue Code, §3501(b).

M-NCPPC Merit System Rules and Regulations, Sections 640 and 641 (as amended by the Commission April 14, 1982).

Prince George's County park houses classifications (Attachment A).

Montgomery County park houses classifications (Attachment B).

PURPOSE

To make Commission-owned park houses available for use in a manner beneficial to the public, the Commission, and its employees.

POLICY

A. General

Commission-owned park houses not otherwise covered by agreements made with the grantor at the time of acquisition shall be made available: (1) for rent to Commission employees; (2) at the discretion of a Planning Board, for use by public agencies or private nonprofit organizations or for individuals as part of an approved public program; and (3) for rent on the open market at fair market value.

Rental of Commission-owned park houses shall be administered without discrimination towards applicants or tenants because of age, sex, race, religion, color, national origin, or disability.

Practice 6-50
 USE OF COMMISSION-OWNED PARK HOUSES
 Effective 11 September 1985
 App. Commission

POLICY
 (Continued)

B. Appraisals

All Commission-owned park houses are appraised by independent certified appraisers when acquired, or on an as needed basis.

C. Rental Adjustments

Rental adjustments as appropriate shall be made July 1 each year to reflect changes in the Metropolitan Area market.

Annual rental adjustments will be based on market surveys or other indices of market rents for single family detached houses and apartments.

Each Planning Board may establish dates for gradual implementation of substantial rent increases necessitated by unusually high changes in appraisals.

D. Income Tax Liability

The Internal Revenue Service assesses income tax liability to employee-tenants if the rental rate constitutes additional compensation. Such additional compensation is not permissible under the Merit System Rules and Regulations. Accordingly, there should be no income tax liability, but if IRS determines that liability exists, it will be the personal responsibility of the employee.

E. Personnel Action Forms

Personnel Action Forms (PA2's) will show the requirement of an employee's occupancy in a Commission park house as a condition of employment. (See M-NCPCC Merit System Rules and Regulations, Sections 640 and 641.) Such occupancy shall be reevaluated if there is a change in employment status. (See item 2., p.4.)

F. Leases

All terms of rentals of park houses must be contained in written leases between the Commission and tenants. All lease agreements require Legal Department approval of legal sufficiency and form, and must be signed by the Executive Director or designee. Leases shall state that employee-tenants shall be charged rent through payroll deduction.

All leases for park houses, unless otherwise stated, are written on a month-to-month basis for a minimum of 3 months, and must allow at least 90 days prior notice to vacate for the convenience and necessity of the Commission. However, 30 days notice shall be provided in the case of eviction for cause. Tenants may terminate their leases with 30 days notice. To the extent possible, the Property Management Offices will assist in the relocation for employee-tenants forced to vacate.

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Employee-tenants must vacate park houses within 90 days of leaving the Commission's employ, unless granted an extension in writing by the Park Property Managers with approval of the Director of Parks or the Director of Parks and Recreation, as appropriate.

POLICY
(Continued)

Unless otherwise defined in the lease, the Commission maintains roofs, essential electrical and plumbing systems, and furnaces of its park houses, and provides paint and other maintenance materials to tenants. Employee-tenants will be credited for labor cost to paint the structure, with a reduction in rent to cover that labor cost.

Park houses are rented in "as is" condition.

G. Nonemployee Leases

Leasing of Commission-owned park houses to nonemployees will be allowed when it has been determined that neither Commission employees nor the County Government is interested in leasing a particular park house.

* Availability of those park houses shall be advertised in local newspapers and leased at fair market value.

Property Management Offices shall negotiate these leases based on condition of the structure and repairs to be made.

H. Habitability; Razing

Commission-owned park houses that have no potential use as a park facility or require substantial expense to put into habitable condition to meet housing codes may be demolished, or disposed of by sale or auction as determined by the appropriate Department Director in accordance with applicable local law.

I. Special Provision Regarding Security Deposits

Prior to moving into a park house all prospective tenants must provide a security deposit equal to one month's rent. In unusual or hardship circumstances, this requirement may be waived by the Department Head. When a park house is to be vacated, it is inspected and upon satisfactory inspection, the lease terminated. The deposit and accrued interest, if any, are returned to the tenant. If the house has been damaged or is left in an unclean condition, the cost of the necessary maintenance or repairs will be charged against the security deposit. (NOTE: After the deposit has been held for one year, it will begin to accrue interest at a rate determined by the laws governing security deposits.)

practice 6-50
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Effective 11 September 1985
 pp. Commission

ESPONSIBILITIES

A. Montgomery County Parks and Prince George's Parks and Recreation Property Management Offices

At the time of acquisition of improved park properties with carry-over tenants, the Land Acquisition Offices, General Counsel, and Property Management Offices must coordinate all agreements with any carry-over provisions regarding tenancy, such as life estates, established rentals, etc.

B. Montgomery County Director of Parks and Prince George's County Director of Parks and Recreation

1. On matters pertaining to only one county, each Director is responsible to the appropriate Planning Board. On matters of Commission-wide policy, they receive guidance from the Commission.
2. Both Directors determine the requirement for occupancy of Commission-owned park houses as a condition of employment, and reevaluate such occupancy upon employee reassignment of employment status.
3. Both Directors convey to employee-tenants pertinent information reported on park housing activities by the Secretary-Treasurer and General Counsel.
4. Designation of property to be covered by the provisions of this practice is the responsibility of each Director, as appropriate.
5. Further responsibilities of the Directors, or their designees, are:
 - (a) To establish initial rents (to be reviewed annually and adjusted, as appropriate), and to assign and reassign employees, as circumstances require, to occupancy in Commission-owned park houses (See assignment criteria, page 5);
 - (b) To keep a complete record of each park house appraisal and assignment;
 - (c) To adjust rentals by a percentage and/or a flat dollar amount, estimated to equal the benefit and savings to the Commission for: 1) lack of full landlord services, 2) lack of certain appliances, 3) rent payment through payroll deduction, and 4) other factors where Commission leases differ from conventional leases;

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- (d) To pay employee-tenants for burdens and services, not directly compensated, governed by the Fair Labor Standards Act and Commission Merit Rules;
- (e) To adjust rentals for burdens and services (e.g., security, site protection, visitor intrusion and information, and related duties) on a case-by-case basis, at a discount ceiling as established by the appropriate Planning Board;
- (f) To assure that rents do not increase as a result of an increased appraisal resulting from the employee-tenant's improvements to the property where such improvements are made at the employees' full expense; NOTE: Prior permission must be granted by the Director of Parks or Director of Parks and Recreation to improve the property. No reduction in rental appraisals will be made resulting from improper maintenance of park houses.
- (g) To approve a discount based on benefits to the Commission for exceptional maintenance by the employee-tenant;
- (h) To report current park houses activities periodically to the appropriate Planning Board;
- (i) To seek through the appropriate Planning Board authorization to make such other adjustments as the Secretary-Treasurer and General Counsel believe will satisfy IRS and Merit System criteria.
- A. Assignments of park houses shall be based on responses to advertisements of availability of park houses and review of applications, giving priority consideration to low/moderate income employee families (subject to total family income), place of employment, family size, years of service, hardship, and other factors that benefit the Commission (e.g., security, site protection, visitor intrusion and information, and related duties).
- B. Assignments of park houses will be based on the recommendation of the Park Property Managers and the approval of either the Director of Parks or the Director of Parks and Recreation, as appropriate.

RESPONSIBILITIES
(Continued)

ASSIGNMENT OF
PARK HOUSES

Practice 6-50
USE OF COMMISSION-OWNED PARK HOUSES
Effective 11 September 1985
App. Commission

NOTICES OF
AVAILABILITY
OF PARK
HOUSES

Notices of availability of park houses and conditions of occupancy shall be advertised in UPDATE and by other appropriate means. Such notices must indicate that park houses are available to Commission employees regardless of the County or department in which they are employed.

Availability of park houses for rent to the general public will be advertised in area newspapers.