



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MEMORANDUM

August 17, 2004

To: Meredith Wellington, Planning Board Member
Cc: Karl Moritz, Acting Chief, MRO Research and Technology Center (RTC)
From: Sharon Suarez, AICP, Housing Coordinator, MRO RTC
Re: MPDU Issues

Per our phone conversation this week, I am sending you the results of some internal research on two issues related to MPDUs: whether MPDUs could pay less than their share of condo fees and whether there is a market for age-restricted (elderly) MPDUs.

Be assured that I will continue to look for anything that would help us understand how to unbundle services, in order to reduce the associated costs. Also, I am including the following URLs that give us a heads-up on the legal issues surrounding "independent living": <http://www.bazon.org/issues/housing/infosheets/independentliving.htm> and <http://www.abanet.org/irr/hr/spring04/seniors.html>.

I. In condominiums, can market rate units underwrite the condo fees for the MPDU units (so that the MPDUs do not have to pay any or all of their respective condominium fees), or does a state law require that the MPDUs pay their own condominium fees?

MPDUs must pay their own condo fees. Ken Tecler (301-279-9500), the General Council for HOC, stated that Maryland law says that condominium owners will pay condo fees based on their percentage interest in the condominium budget. The percentage interest is assigned to each unit as it is recorded, based on square footage. If MPDUs pay a smaller condo fee, it is because they are smaller units. Even so, HOC spends millions of dollars each year for condo fees for the MPDUs it has purchased. This is at the heart of the reason that some market rate developers argue that MPDUs in condominium structures should be efficiencies-because efficiency units are the smallest units possible and the associated condo fees, therefore, will be reduced.

II. Is there a market for age-restricted (elderly) MPDUs?

There does not appear to be much demand for age-restricted MPDUs, generally.

The two agencies that would know of such interest, if any existed, are DHCA and HOC. Each maintains wait lists for various types of housing. The MPDU wait list is maintained by DHCA, which has so many applicants that it only accepts applications twice a year for one month at a time. HOC maintains the public housing wait list. Neither has received interest from elderly families related to the MPDU program.

When asked, Eric Larsen stated DHCA has received few, if any, applications from the elderly for either sale or rental MPDUs over the years.¹ DHCA has tried to make it easy for elderly to qualify for the MPDU program. For example, though the MPDU law stipulates that a qualified MPDU buyer or renter must not have owned a home in the past 5 years,² DHCA can waive that requirement and has done so in the past.³ When asked whether the high homeowner association (HOA) fees, condo fees, or other associated service fees were so high that they were preventing elderly from applying or qualifying for MPDUs (rental or for-sale), he stated that there was so little interest from the elderly that he could not know for sure, though common sense would support that assumption. He does know that both relatively high unit costs and related high service fees have often prevented HOC and other non-profits from buying MPDU units.

MPDU-qualified buyers could not be found for age-restricted MPDUs in the past, and the elderly-only MPDUs were diverted to non-MPDU elderly buyers.

In the instance of Maplewood Park (currently run by Marriott), MPDUs were constructed as part of a 100-percent age-restricted community. According to Eric Larsen of DHCA, not one elderly MPDU-qualified applicant was found within the primary market period. Neither HOC nor other non-profits were interested in purchasing any of the MPDU units at Maplewood Park, either, because of high service fees. As a result, DHCA allowed all MPDU units to be offered for sale to non-MPDU households that met the age restriction. In the case of Riderwood, services fees were not high, but no elderly MPDU applicants were found, and the developer was allowed by DHCA to fill the MPDUs with non-MPDU age-qualified buyers.

HOC and other non-profit housing organizations are allowed to buy or lease up to 40% of the MPDUs constructed,⁴ and they might do so, if the units and the associated HOA, condo, or service fees are reasonable and if there is a significant interest, such as could be demonstrated by HOC's wait list, for example. If elderly-only units were purchased by HOC and other non-profits, then the units would not typically go to MPDU applicants. Instead, HOC would typically rent the units to elderly families on the public housing wait list or to other low-income elderly, "near-elderly," or disabled families, as is policy in other elderly-only properties.⁵

The bottom line, then, is that unless there are sufficient numbers of MPDU-qualified elderly interested in buying or renting MPDU units in a specified location, then it is likely that all of the MPDU units may be sold or rented to non-MPDU-qualified elderly applicants. Meanwhile, the non-elderly MPDU-qualified applicants are ineligible to apply for these elderly-only units.

¹ Eric Larsen, MPDU Program Manager, DHCA; phone conversations; July 27 through August 2, 2004.

² Montgomery County Code, Section 25A-4(d).

³ Eric Larsen, *ibid*; phone conversation; August 12, 2004.

⁴ Montgomery County Code, Section 25A-8(b).

⁵ HOC, Admissions and Continued Occupancy Policy, July 200, pp. 19 to 22. See Section 10 (Tenant Selection and Assignment Plan). Assume that HOC would follow the same policy in elderly-only MPDUs as it does for its other elderly-only properties.

We may have more tax-credit affordable age-restricted elderly units being built than needed to fill the wait list for public housing in Germantown.

HOC reported that the current senior rental wait list for affordable public housing units includes 425 households—less than one percent of the households with a householder aged 55 or older, countywide.^{6,7} Of those 425 elderly households, 67 have expressed interest in renting units in the Germantown area.⁸

Recently, Churchill Senior Housing built 120 elderly-only tax-credit affordable units in Germantown, and Cloppers Mill Manor proposes to build another 81 elderly-only tax-credit affordable units in Germantown in the near future.

In other areas of the county, 285 tax-credit affordable senior rental units have recently been built or are about to be completed, as well. They are: Hampshire Village--110 units (Georgia Ave at Norbeck Road); Olney Manor--105 units (Olney); Randolph Manor--83 units (Fairland); Gardens of Traville--60 affordable out of 120 units (Rockville area).

Conclusion

- Programs other than the MPDU program better serve the elderly who need below market rate housing. There are elderly persons on the wait list for affordable housing, but not for the MPDU program.
- The main impact of age-restricting MPDUs is to reduce the inventory of MPDUs.
- A mechanism that is serving the affordable housing needs of elderly Montgomery County residents is when HOC or another non-profit agency purchases MPDUs and uses them to serve a lower income population than that served by the MPDU program.

⁶ Andrew Oxendine, Senior Property Manager, HOC; telephone conversation; July 27, 2004.

⁷ Only HOC's wait list is discussed here, because, as mentioned earlier, DHCA seldom, if ever, received any MPDU applications from the elderly and does not have an elderly wait list.

⁸ Xeiva Quinn, HOC; telephone and email; August 12, 2004.