



Howard County

Internal Memorandum

Subject: Testimony – CB 34-2013 - MIHU Mixed Income Option

To: Lonnie R. Robbins, Chief Administrative Officer

From: Thomas P. Carbo, Director *TPC*
Housing and Community Development

Date: May 31, 2013

Council Bill 34-2013 amends the Moderate Income Housing Unit law (Section 13.400 et seq.) to provide more inclusive affordable housing at both low and moderate income levels by allowing developers the option to build and sell or rent units to low income households as well as to moderate income households.

Background

The primary goals of the MIHU program are to (a) increase the supply of affordable housing in the County and to (b) integrate that housing into all new communities. The current MIHU program only serves moderate income households, that is:

- For for-sale homes, households below 80% of the Howard County median annual income (the current maximum annual income for a family of four is \$79,162); and
- For rental MIHUs, households below 60% of the Howard County median annual income (the current maximum annual income for a family of four is \$59,372).

Based on data of the last 5 years, the program has generally served households with annual incomes in the range of \$46,000 to \$74,000 for for-sale housing and \$30,000 to \$60,000 for rental homes. The program currently does not adequately address the needs of many working families making less than \$40,000 annually.

To encourage developers to include low as well as moderate income households in their developments, the MIHU program should include an option to allow a developer to provide some low income housing units in lieu of moderate income housing units. “Low income” would be defined as:

- For for-sale homes, less than 60% of the Howard County median annual income (currently \$59,372 for a family of four); and
- For rental units, less than 40% of the Howard County median income (currently \$39,581 for a family of four).

Recognizing that lower priced units place a greater economic burden on the developer, replacement of moderate income housing units with low income housing units would be, at the developer’s option, at one of the following rates:

If MIHU Requirement = 15%:		
Option	Low Income Units	Moderate Income Units
A	5%	5%
B	4%	7%
C	3%	9%
D	2%	11%
E	1%	13%

If MIHU Requirement = 10%:		
Option	Low Income Units	Moderate Income Units
A	4%	2%
B	3%	4%
C	2%	6%
D	1%	8%

Consequently, a developer choosing a mixed income option would be required to provide fewer total restricted units, but at lower prices/rents. This formula provides a small economic incentive for the developer to pursue the low income option.

For example, a developer of 100 three-bedroom, \$300,000 townhomes in a CAC zoning district is required to offer 15% of the units at the current MIHU price of about \$220,000. The revenue from the sales of these units would therefore be (85 units x \$300,000) + (15 units x \$220,000) = \$25,500,000 + \$3,300,000 = \$28,800,000. Under the above options, the gross revenues would be as follows:

Option	Revenues from:			
	Market Units	MIHUs	LIHUs	Total
A	\$27,000,000	\$1,100,000	\$850,000	\$28,950,000
B	\$26,700,000	\$1,540,000	\$680,000	\$28,920,000
C	\$26,400,000	\$1,980,000	\$510,000	\$28,890,000
D	\$26,100,000	\$2,420,000	\$340,000	\$28,860,000
E	\$25,800,000	\$2,860,000	\$170,000	\$28,830,000

Fiscal Impact

The bill will have no fiscal impact.

The Howard County Department of Housing and Community Development recommends approval of the Resolution.

cc: Ken Ulman, County Executive
 Jessica Feldmark, Chief of Staff
 Jennifer Sager, Legislative Coordinator