



ASPIRE FOR CHOICE IN HOUSING

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CHALLENGE

Frederick, MD is the second largest city in Maryland, 40 miles north of Washington DC, and possessed of an attractive, walkable, mixed use, historic downtown. All of this makes it a very attractive location in which to live. Although tempered by the recession, the rising housing prices are in response to the attractive surroundings, and the city is in danger of pricing some of its workforce out of the city in search of more affordable housing. Millennials and seniors make up over 40 % of the market and are particularly vulnerable to being priced out of the city.

The mTAP assignment is to look at the state of Affordable Housing in Frederick, MD and make recommendations to the city as to what actions they might take to maintain its inclusive nature, and grow inclusively.

RESEARCH AND APPROACH

The **Opportunities** we found were to:

1. Grow the MPDU Program: Utilize to a greater extent the Mixed-Use Land-Use designation in small area plans to allow housing in commercial areas,
2. Enhance Public Incentives,
3. Activate space in the Historic District,
4. Analyze National Best Practices for what can be learned.

As ULI representatives, we are pro-market and pro-growth, we prioritized the opportunity to Grow the MPDU Program. The MPDU program is designed to designate 12.5% of a project's units as affordable, however there is an option to pay a 'pay in lieu' whose monies are utilized to subsidize a mortgage program that the city also operates. The program has challenges; a great number of units were entitled before the program went into place.

The Comprehensive Plan projects a need of 8,500 housing units by 2030. There are 8,100 units in the pipeline and already entitled. Of these, only 2,500 units are subject to the requirements of the MPDU program.

We presented our results to the Mayor of Frederick and to the Board of Alderman.

Two of the best exchanges in the presentation came when we were asked our opinion of the effectiveness of the MPDU Program; what did we think of the 'pay in lieu', and how could we make the program more effective? Regarding pay in lieu, we responded that the city should prioritize between providing affordable units, or funding the mortgage program. If the mortgage program is desired, keep the 'buy out'; if the units are desired, then the city should target eliminating the buyout. Currently, all development subject to the program has chosen the buyout. If the buyout is too affordable, the City could probably raise the rate. If the desire is to supply inclusionary affordable units, and make a statement about an Inclusive Vision for the City, then the pay in lieu should be eliminated.

Additionally we were asked how we would make the MPDU more effective. We responded by saying that they should get more MPDUs out of the units in the pipeline. How to do this?, by not categorically renewing the entitlement every three years. For example, if the project is not built and the entitlement sunsets, make the project subject to the requirement. We do not believe this had been considered.

There is a group in Frederick who has been working to promote residential (re)development in the historic center for a number of years. While looking for ways to incentivize and realize affordable housing, the city could work with this group who may already have some ideas.

Our **Recommendations** are:

1. Research and Analysis; fund studies to determine the efficacy of existing programs, fund a city position to study the more granular level impact of additional housing in commercial areas.
2. Consider a Director of Housing position who would bring the city's housing efforts together.
3. Interface with the public to craft the vision of an Inclusive Frederick keep them apprised of progress.
4. Meet with the Development Community to air challenges and concerns. Identify partnership opportunities.
5. Formulate a revised Affordable Housing Strategy.