



MBIA Presentation to the PHED Committee – Housing Market Prince Georges County

June 3rd, 2024

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- The Housing Crisis
- Housing Production & Affordability Are Linked
- 2024 – A turning point for the state to reduce the housing shortage, protect renters and ultimately make Maryland a more affordable place to live.
- The opportunity for wealth generation
- Underproduction resulted in our 42nd national ranking
- We need a path to produce housing

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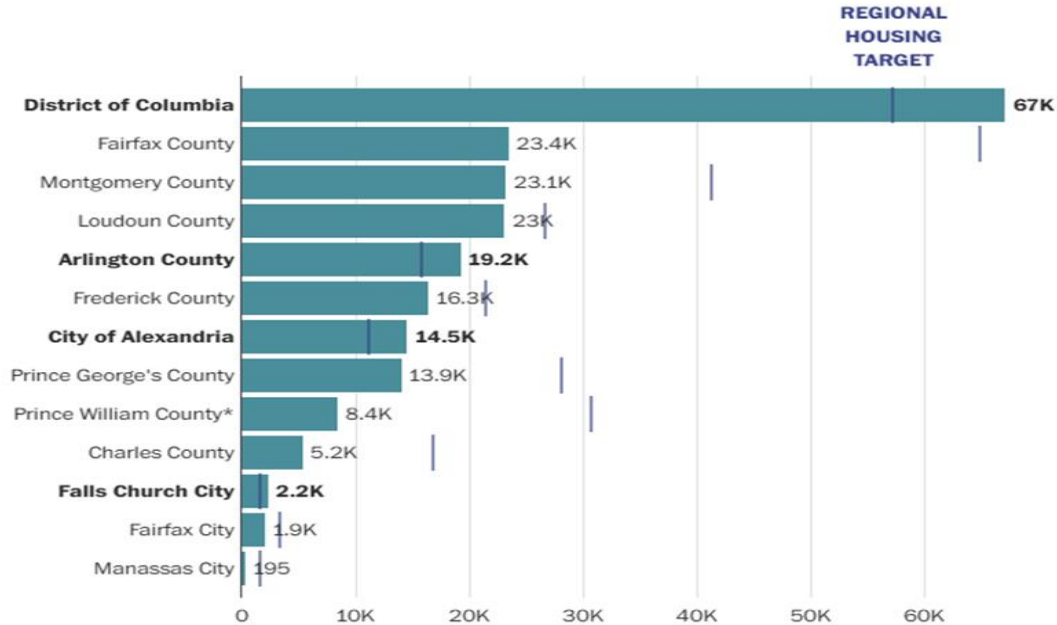
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MARYLAND TOTAL BUILDING PERMITS



COG Housing Targets



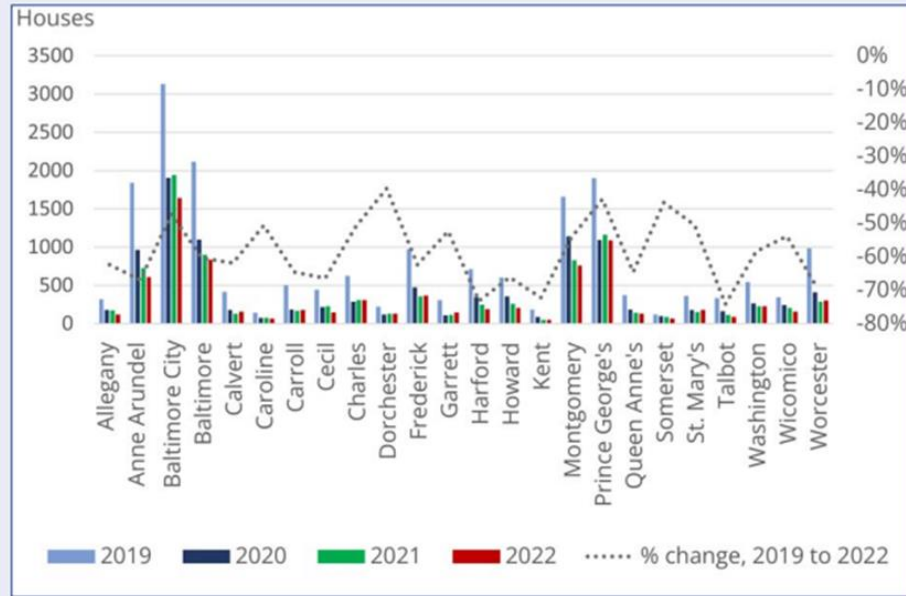
The Post estimated the region's housing production using available data. *Data for housing production in 2020 for Prince William County was unavailable.

Source: HAND/Urban Institute, Metropolitan Washington Council of Governments

DANNY NGUYEN / THE WASHINGTON POST

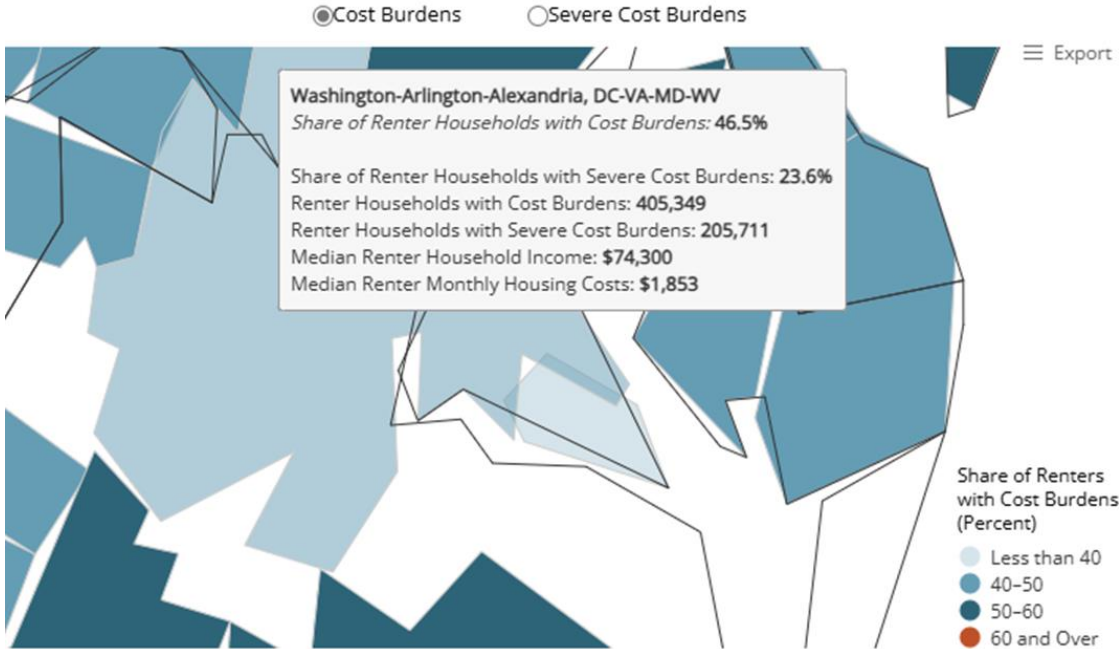
Housing Inventory by County

Figure 28: Housing Inventory and Percent Decrease by County, Calendar Years 2019 - 2022



Source: Housing Statistics from MDRealtor.org

Rent Cost Burden



Resolving the Tension Between Reality and Planning

Putting the Puzzle Together: Home Prices, Incomes and Smart Growth

Price of New Homes

Singles

Fairway Estates (Glenn Dale) \$927k

Timothy Branch (Brandywine) \$625k

Canter Creek (Upper Marlboro) \$743k

Villages of Savannah (Brandywine) \$833k

Westphalia East (Upper Marlboro) \$749k

St. James (Accokeek) \$1.2m

Pax Greens (Laurel) \$894k

Bennington Farms (Brandywine) \$1.4m

Townhomes

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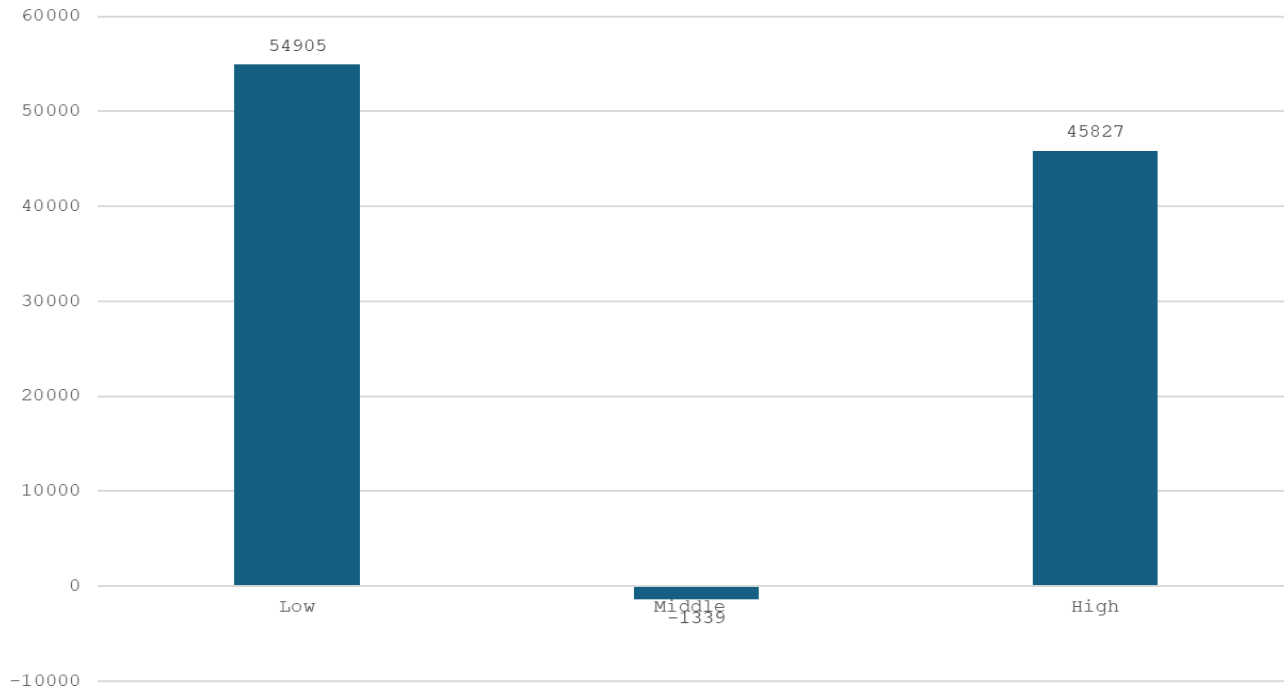
Woodyard Station (Clinton) \$452k

Amber Ridge (Bowie) \$514k

Melford (Bowie) \$621k

Middle Income Population Has Stalled Out

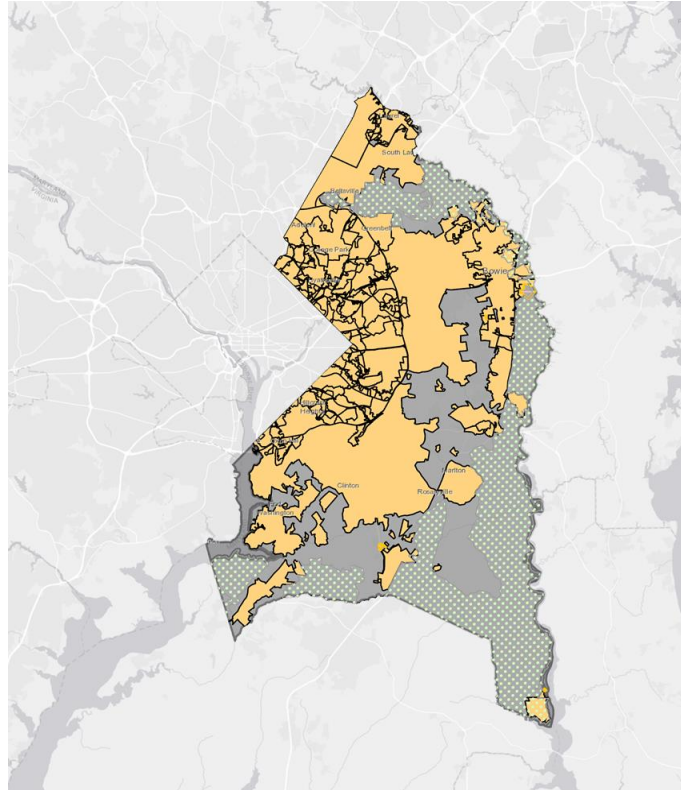
Population by Income Level 2005-2022



Smart Growth - PFAs

Preserve and enhance priority preservation areas, green infrastructure, tree canopy, environmental stewardship with redevelopment efforts

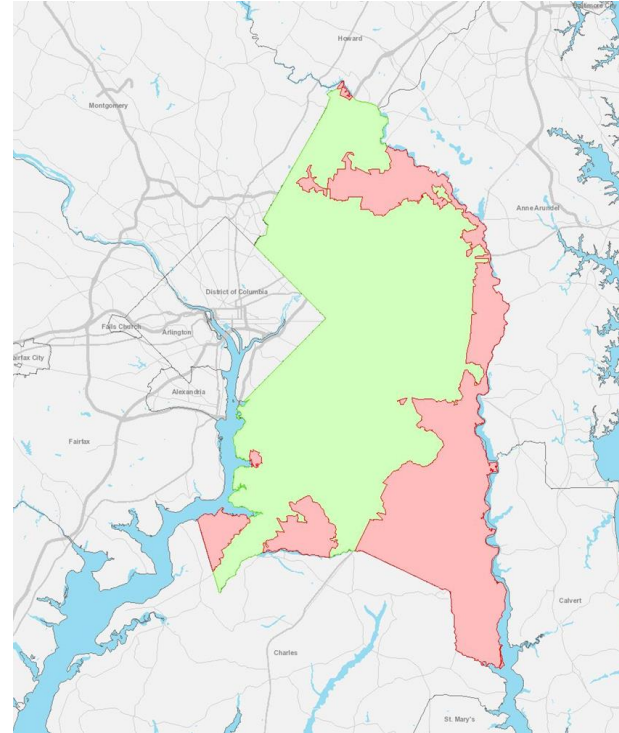
- Priority Funding Areas – yellow shading
- Priority Preservation Areas – green dots



Smart Growth – PFAs

Cost effective provision of water and sewer service

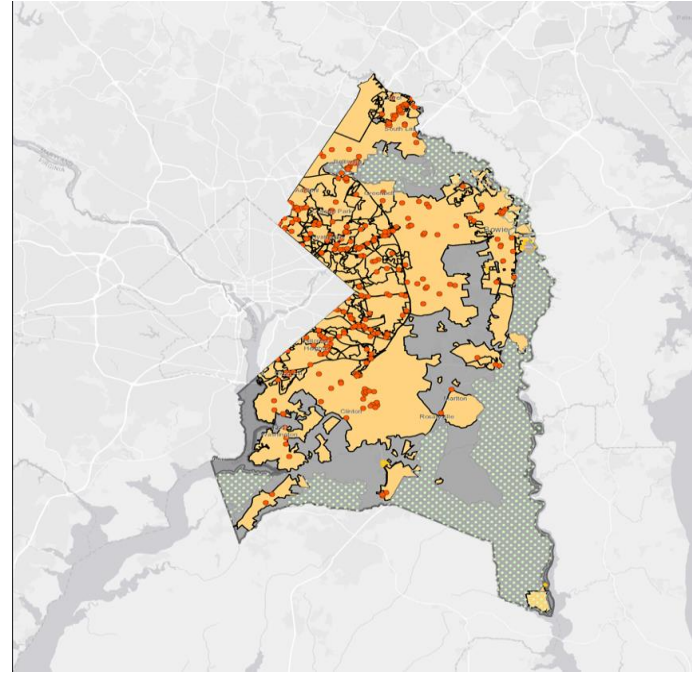
- Planned or Existing Community System – green shade
- No Community System Planned – red shade



Smart Growth - Redevelopment

- Priority Funding Areas – yellow shading
- Priority Preservation Areas – green dots

142/298 shopping centers are outside the Beltway



The Moral of the Story

- Prince George's County is not producing enough housing to meet the needs of its residents – or the residents and employers we want to attract
- Yet instead of proposals to make it easier to build homes at affordable prices, the public debate is about proposals to make it harder by restricting the location and/or type of construction
- New market rate homes cover the cost of public services they require
- Townhouses –including outside the Beltway – can be delivered at prices middle income HHs can afford
- New housing outside the Beltway serves important planning goals

The Fiscal Impact of Residential Construction in — Prince George's County – Sage Policy Group

- Quantify the annual, ongoing net fiscal impact of:
 - Single-family detached units
 - Single-family attached units (i.e., townhomes, duplexes, triplexes, etc.)
 - Multifamily units



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Methodology: Fiscal Costs

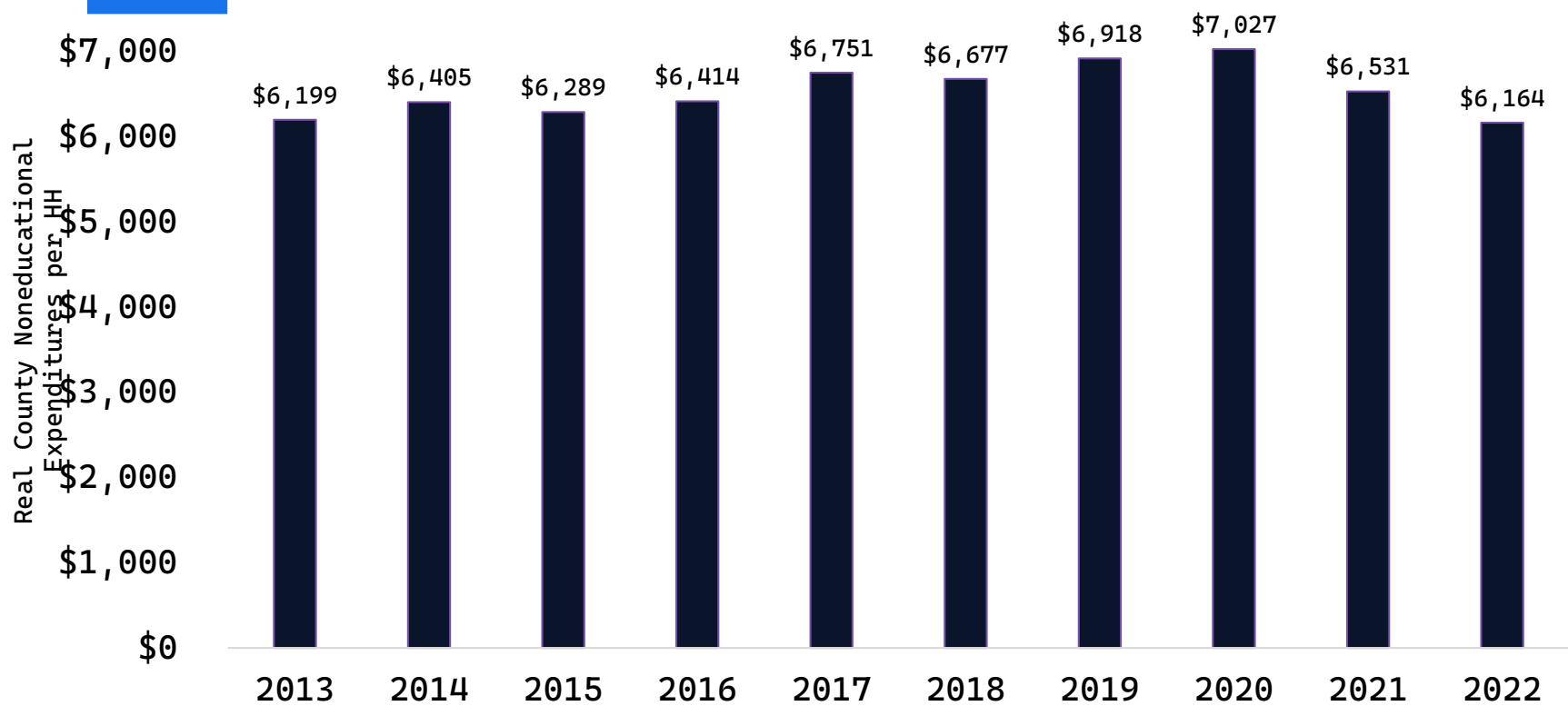
- This analysis uses an average cost method
 - County operating expenses / countywide households = per household cost of services
 - Uses inflation-adjusted FY 2013-22 expenditure data, Census Bureau ACS population data
- This overstates the costs of new housing units by including fixed costs
 - For instance, the county executive's office doesn't need more employees due to an increase in countywide households
- Public education costs calculated separately using pupil yield factors from the Prince George's County Department of Planning and per pupil expenditure data from PGPS.



Methodology: Fiscal Benefits

- The fiscal benefit per household is calculated for the following categories:
 - Income taxes
 - Property taxes
 - Other taxes and revenues (telecom., energy, shared taxes from the state, charges for services, etc.)
 - Indirect taxes (multiplier effects)

Noneducational Fiscal Costs



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Educational Fiscal Costs

| Type of Unit | Pupil Yield Factors | | | | Annual Educational Cost Per Unit |
|------------------------|---------------------|--------|-------|-------|----------------------------------|
| | Elementary | Middle | High | Total | |
| Single-family Detached | 0.121 | 0.068 | 0.094 | 0.283 | \$1,988.26 |
| Single-family Attached | 0.146 | 0.069 | 0.087 | 0.302 | \$2,121.75 |
| Multifamily | 0.179 | 0.095 | 0.131 | 0.405 | \$2,845.39 |

Annual Cost to County per Unit Type

| Type of Unit | Annual Cost per Unit Type |
|------------------------|---------------------------|
| Single-family Detached | \$8,526 |
| Single-family Attached | \$8,659 |
| Multifamily | \$9,383 |

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Annual Fiscal Benefit: Median Priced Home

| Category | Annual Revenues |
|--------------------|-----------------|
| Income Tax | \$4,975 |
| Real Property Tax | \$4,024 |
| Secondary Revenues | \$3,638 |
| Other Taxes | \$1,109 |
| Total | \$12,024 |

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Annual Net Fiscal Impact by Assessed Value & Unit Type

| Assessed Value | Single-Family Detached | Single-Family Attached | Multifamily |
|----------------|------------------------|------------------------|-------------|
| \$250,000 | -\$1,369 | -\$1,502 | -\$2,226 |
| \$300,000 | \$63 | -\$71 | -\$794 |
| \$350,000 | \$1,494 | \$1,361 | \$637 |
| \$400,000 | \$2,925 | \$2,792 | \$2,068 |
| \$450,000 | \$4,357 | \$4,223 | \$3,500 |
| \$500,000 | \$5,788 | \$5,655 | \$4,931 |
| \$550,000 | \$7,220 | \$7,086 | \$6,363 |
| \$600,000 | \$8,651 | \$8,518 | \$7,794 |
| \$650,000 | \$10,082 | \$9,949 | \$9,225 |
| \$700,000 | \$11,514 | \$11,380 | \$10,657 |
| \$750,000 | \$12,945 | \$12,812 | \$12,088 |
| \$800,000 | \$14,377 | \$14,243 | \$13,520 |
| \$850,000 | \$15,808 | \$15,675 | \$14,951 |
| \$900,000 | \$17,239 | \$17,106 | \$16,382 |
| \$950,000 | \$18,671 | \$18,537 | \$17,814 |
| \$1,000,000 | \$20,102 | \$19,969 | \$19,245 |



Price of New Homes

Single Family Homes

Fairway Estates (Glenn Dale) \$927k

Timothy Branch (Brandywine) \$625k

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Conclusions

- New units generate a net fiscal benefit at assessed values of:
 - \$298,000 for single-family detached units
 - \$304,000 for single-family detached units
 - \$328,000 for multifamily units
- This is based on an extremely conservative model; the actual thresholds at which units become fiscal positive are almost certainly at lower assessed values

STATE OF THE GROUND-UP MULTIFAMILY DEVELOPMENT MARKET – Prince Georges County

(sources)



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Current Multi Family Macro Themes

- Interest Rates:
- 2024 Higher for Longer (Unchanged)
 - 2025 Will Only Gradually Come Down
- Lenders may be Re-Awakening
 - (They are Starting to Realize that Two Calendar Years Might go by Without Lending any Money)
 - Most, not all, Investors are on the Sidelines
- Current Interest Rates are Likely Double what was Underwritten for Existing Projects
- Due to Expiring Variable Loans, Generational “Deals” are Available to Buyers with Dry Powder

Current Multi Family Themes

- Gov. Moore: MD has a Deficit of About 100,000 Housing Units
- Investors have taken a pause
- How Do We Get There Without major counties building Housing?
- Take a Closer Look, the Only Multifamily Projects that *Have* Started in Suburban MD Since the Council Election(s) of 2022 have Almost Exclusively had Extraordinary Circumstances: *(Significant County \$\$\$ Participation, Amazon, PILOTs, Opportunity Zones, etc.)*
- The Private Sector is Proving that they Can't or Won't Build Here
- CONCLUSION: Every Market-Rate MF Project in Maryland is on the Precipice of Requiring a PILOT or Tax Abatement to Overcome Investor Objections

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Current Challenges – Prince Georges County

- RENT CONTROL
- Expanding County ROFO's (Right of First Refusal)
- Experiencing Unprecedented Organized Crime and Sophisticated, Relentless Fraud
- Huge Challenge to Evict Non-Payers in Maryland. Residents are Moving In, Paying a Month, and then Never Pay Again and Exploit the Current Eviction Process
- Property Insurance Costs have Run Away and are Enough to Kill a Project Alone
- Construction Costs have Plateaued (But Not Gone Down)



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Rental Market and Rent Control

- 88,667 Total Multifamily Unit Inventory , 19,604 Class-A Units (Discretionary)
[22% of Total Stock]
- 69,063 Workforce Units, 69,063 Workforce Units **[78% of Total Stock]**
- DC MSA CPI Increased 3.6% in 2024, DC MSA AMI Increased 1.7% in 2024
- All Unit Rents have Increased Just 1.3% Over the Past 12 Months (\$30 on Average)
- Class-A Discretionary Rents Increased 1.7% Over the Past 12 Months (\$70 on Average)
- Unfortunately, Through an Investor's Lens There is no "Good" or "Palatable" Policy
- DC's Policy has been Effective Because it's Date-Certain (Doesn't Apply to After 1978)
- DC Metro Rent Growth has Already Returned to Equilibrium
- Recent History Already Shows Us that COVID was a 1-year Anomaly

RENT CONTROL BY THE NUMBERS

| PRINCE GEORGE'S COUNTY ANNUAL INCOME AND RENT GROWTH COMPARISON SUMMARY | | | | | | | | | | | |
|---|---------------------------|---|--------------------------------------|--|--|--|------------------|----------------|-------------------|--------------------------|-----|
| YEAR | ALL MF UNITS | WORKFORCE UNITS | LUXURY UNITS | DC CPI (NOV) | | DIFFERENCE BETWEEN NEW COUNTY CAP & ACTUAL | DC AMI | | AVERAGE RENTS | | |
| | 85,000 + Unit Sample Size | Class-B & Class-C (Generally Built Before 2000) | Class-A (Generally Built After 2000) | DC Metro Annual CPI Updated NOV or JAN | MOCO APPROVED RENT CAP (< of 6% or CPI + 3%) | | % INCREASE | AVG. HH INCOME | NO PRICE CONTROLS | WITH MOCO PRICE CONTROLS | |
| 2024 | 1.30% | 0.90% | 1.70% | 3.60% | 6.00% | 4.70% | 1.71% | \$154,700 | \$1,766 | \$2,311 | |
| 2023 | 3.30% | 3.70% | 2.10% | 4.40% | 6.00% | 2.70% | 6.89% | \$152,100 | \$1,743 | \$2,180 | |
| 2022 | 7.70% | 7.40% | 7.20% | 6.00% | 6.00% | -1.70% | 10.31% | \$142,300 | \$1,688 | \$2,057 | |
| 2021 | 2.20% | 1.60% | 3.80% | 1.50% | 4.50% | 2.30% | 2.38% | \$129,000 | \$1,567 | \$1,940 | |
| 2020 | 3.60% | 3.80% | 1.50% | 1.60% | 4.60% | 1.00% | 3.87% | \$126,000 | \$1,533 | \$1,857 | |
| 2019 | 4.20% | 3.70% | 4.70% | 0.80% | 3.80% | -0.40% | 3.50% | \$121,300 | \$1,480 | \$1,775 | |
| 2018 | 1.20% | 1.30% | 0.50% | 2.20% | 5.20% | 4.00% | 6.26% | \$117,200 | \$1,420 | \$1,710 | |
| 2017 | 3.60% | 3.50% | 1.70% | 1.70% | 4.70% | 1.10% | 1.57% | \$110,300 | \$1,403 | \$1,625 | |
| 2016 | 4.20% | 3.70% | 4.00% | 1.40% | 4.40% | 0.20% | -0.55% | \$108,600 | \$1,355 | \$1,552 | |
| 2015 | 2.40% | 1.90% | 1.40% | -0.20% | 2.80% | 0.40% | 1.87% | \$109,200 | \$1,300 | \$1,487 | |
| 2014 | 2.20% | 1.90% | 1.70% | 1.89% | 4.89% | 2.69% | -0.09% | \$107,200 | \$1,270 | \$1,447 | |
| 2013 | 3.20% | 2.70% | 1.40% | 1.81% | 4.81% | 1.61% | -0.19% | \$107,300 | \$1,242 | \$1,379 | |
| 2012 | 3.30% | 3.60% | 1.40% | 2.66% | 5.66% | 2.36% | 1.32% | \$107,500 | \$1,204 | \$1,316 | |
| 2011 | 1.70% | 0.80% | 3.90% | 2.27% | 5.27% | 3.57% | 2.51% | \$106,100 | \$1,165 | \$1,245 | |
| 2010 | 2.10% | 1.70% | 2.40% | 2.56% | 5.56% | 3.46% | 0.78% | \$103,500 | \$1,146 | \$1,183 | |
| 2009 | 4.10% | 3.10% | 4.70% | 0.96% | 3.96% | -0.14% | 3.74% | \$102,700 | \$1,122 | \$1,121 | |
| 2008 | 5.30% | 4.80% | 6.30% | 4.88% | 6.00% | 0.70% | 4.76% | \$99,000 | \$1,078 | \$1,078 | |
| CUMULATIVE | | | | | | | | 56% | \$55,700 | 30% | 49% |
| AVERAGE | 3.27% | 2.95% | 2.96% | 2.35% | 4.95% | 1.68% | 3.31% | \$3,276 | 3.4% | 5.4% | |
| | <i>Yardi Matrix</i> | <i>Yardi Matrix</i> | <i>Yardi Matrix</i> | <i>BLS (Bureau Labor Statistics)</i> | <i>Assumes MoCo Selected Cap</i> | | <i>HUD</i> | <i>HUD</i> | \$411 | \$627 | |
| | | | | | | | PER YEAR: | \$4,935 | \$7,530 | | |

RENT CONTROL BY THE NUMBERS

- 17 Years of Quality Rent Data (Delta, Axiometrics, Yardi Matrix) for the DMV (2008 – 2024)
- PGC Workforce Unit Rents Have Increased 2.9% From 2008 – 2024
- DC Consumer Price Index Has Increased 2.35% from 2008 – 2024
- DC Area Median Income has Increased 3.31% from 2008 – 2024
- For All Units Rents have Increased 3.27% from 2008 – 2024 (Strong Correlation to AMI)
- “Spike” in 2022 was 7.4%

RENT CONTROL – 2023 DMV STARTS

Prince Georges County

- 23% of the Close-in DMV Population, but...
- Only 16% of the New Unit Starts in 2023 [And None Conventionally Financed without Impact Fee Waivers or PILOTS]

“Close-in DMV Population Defined as Prince George’s, Montgomery, DC, Fairfax, Arlington, & Alexandria

| WASHINGTON, DC METRO 2023 MULTIFAMILY CONSTRUCTION STARTS (DELTA ASSOCIATES) | | | | | | |
|--|------------|-----------------|------------------------------------|---------------|------------------------------|-------------------|
| Quarter | State | County | Project Name | Project Type | Developer | Market-Rate Units |
| Q1 | VA | Fairfax | Alta Nova | Mid-Rise | Wood Partners | 320 |
| | VA | Falls Church | Modera Falls Church | Mid-Rise | Mill Creek Residential Trust | 246 |
| | MD | Prince George's | Amore | Mid-Rise | Klein Enterprises | 379 |
| | MD | Prince George's | Sovren | Mid-Rise | Gilbane Development Co. | 146 |
| | DC | Washington | NOVEL 14th Street | Mid-Rise | Crescent Communities | 197 |
| | DC | Washington | Modera H Street | Mid-Rise | Mill Creek Residential Trust | 285 |
| | DC | Washington | Claret | High-Rise | Community Three Development | 127 |
| Q2 | VA | Fairfax | Reston Midline - EYA | Mid-Rise | EYA Development | 229 |
| | VA | Fairfax | The Boro - Phase II | High-Rise | Akridge | 543 |
| | MD | Prince George's | Toledo Road | Mid-Rise | Hines | 320 |
| | DC | Washington | Mazza Gallerie Redevelopment | Mid-Rise | Tishman Speyer | 285 |
| | DC | Washington | Former Marriott Wardman Park Hotel | High-Rise | Carmel Partners | 828 |
| DC | Washington | Accolade | High-Rise | Foulger-Pratt | 243 | |
| Q3 | VA | Prince William | Lake Pointe | Low-Rise | NRP Group | 323 |
| | DC | Washington | The Blagden | Mid-Rise | Saul Urban | 112 |
| Q4 | MD | Charles | Waldorf Station Apartments | Low-Rise | Greenberg Gibbons | 272 |
| | MD | Montgomery | 7340 Wisconsin Avenue | High-Rise | Greystar | 255 |
| TOTAL UNITS STARTED | | | | | | 5,110 |

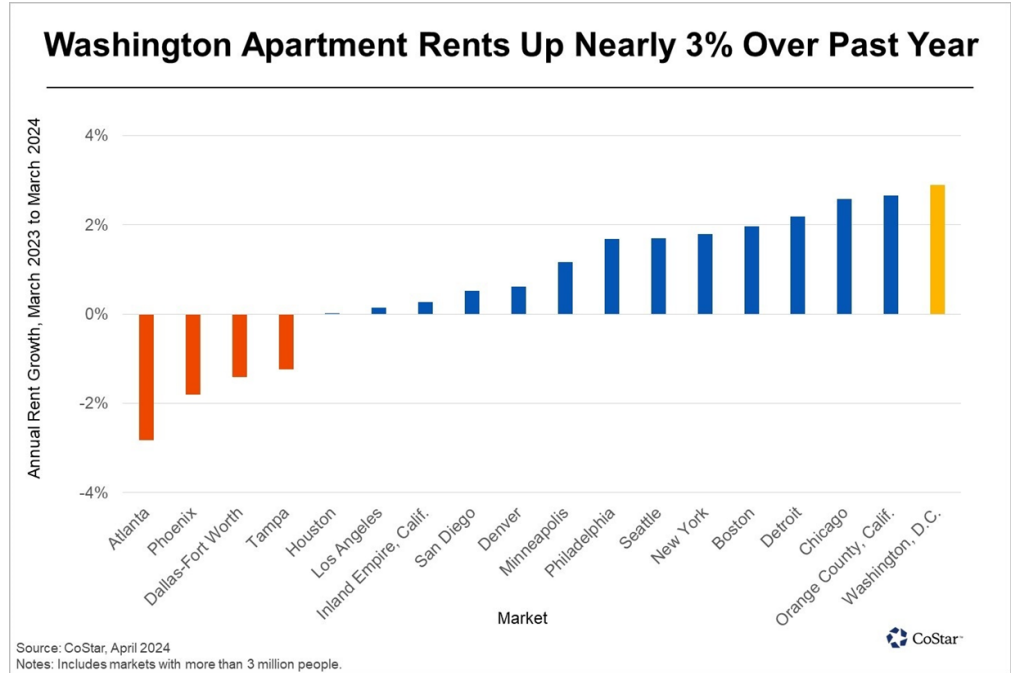
BUILD IT AND THE RENTS WILL GO DOWN

SUNBELT

[POPULATION INCREASING, SUPPLY SKYROCKETING, RENTS PLUMMETING]

GATEWAYS

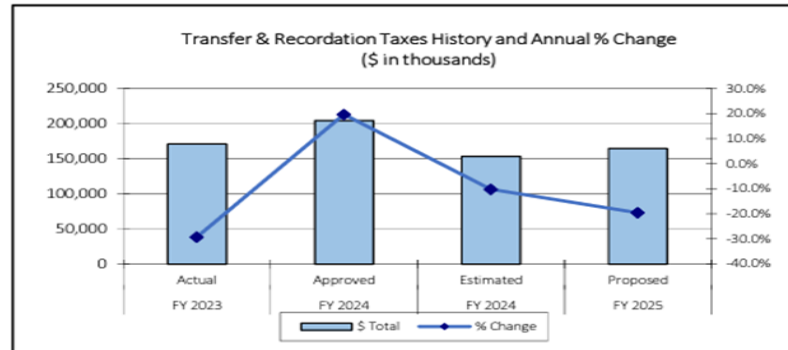
[POPULATION DECREASING, SUPPLY DRYING UP, RENTS INCREASING]



TRANSFER AND RECORDATION TAXES

- Down \$40M
- Begs the Question Could We have Afforded to Protect Vulnerable Renters and Not Alienate Buyers & Sellers of Expensive Properties.
- Bears Watching: This Drastic Drop & T&R Taxes Appears Unique to Montgomery and Prince George's Counties

| TRANSFER AND RECORDATION TAXES | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|
| (\$ in thousands) | | | | |
| | FY 2023 | FY 2024 | FY 2024 | FY 2025 |
| | ACTUAL | APPROVED | ESTIMATED | PROPOSED |
| YIELD | \$170,950 | \$204,571 | \$153,500 | \$164,500 |
| \$ CHG | -70,683 | 33,621 | -17,450 | -40,071 |
| % CHG | -29.3% | 19.7% | -10.2% | -19.6% |



MONTGOMERY COUNTY – A CAUTIONARY TALE

- Bought: \$207M / Sold: \$130M
- Sits at the Entrance to NIH and Bethesda Naval Hospital (on top of Harris Teeter)
- ~\$1M Less Recurring Revenue Per Year to The County from (1) Asset's Property Taxes
- Million's Lost in Transfer & Recordation



By: Emily Fu

JLB Cancels Contract to Buy, Develop Silver Spring Office



JLB Partners has terminated its contract to purchase and redevelop the Forest Glen Medical Center site in Silver Spring, Maryland, *Washington Business Journal* reported. The Dallas-based developer had planned to transform the low-rise medical office building at 9801 Georgia Ave into a residential-over-retail development.

The redevelopment site plan, approved by Montgomery County's land use regulatory agency in March, included a six-story building with 390 apartments across 425,000 square feet. Despite the termination, the property, owned by Forest Glen Medical Center LLP, retains its entitlement for redevelopment.

The site is involved in ongoing litigation, with three administrative appeals filed by the Forest Grove Citizens Association challenging the Montgomery County Planning Board's approval of JLB's redevelopment applications. The area is identified as a development opportunity in the 2020 Forest Glen and Montgomery Hills Sector Plan, which includes other potential sites along Georgia Avenue.

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CITIES EVENTS CAREERS PRESS RELEASES ABOUT

United States News > Washington, D.C. Real Estate News

News

Washington, D.C. Maryland

Invesco Offloads Bethesda Apartment Building At 37% Discount

May 10, 2024 | Emily Wishingrad, Washington, D.C.

A 359-unit apartment building on Bethesda's Wisconsin Avenue corridor that delivered in 2016 has sold at a sizable discount from its first trade.



Single floor
Fats 8300 at 8300 Wisconsin Ave. in Bethesda.



What We Need to Look At...

Nationwide shortage of roughly 1.5 million housing units - 92,000 in Maryland alone.

- Incentives to develop in desired areas i.e. inside the beltway as opposed to “shutting off” development in certain areas and certain building types**
- Better understand where impact fees go – infrastructure failing in areas where development is occurring – fees are paid to address the impact of these developments**
- Better understand why the build rate is so much less than the approved project rate – alleviate permitting roadblocks, these delays at all levels raise costs therefore delaying projects**
- What does Prince Georges County want from a housing stand point? What is quality development from the counties point of view? Industry wants to be a partner in getting to these developments**

Questions? Comments?

Contact Us

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Thank You for Your Time Today