

Priority Housing Tools, Rockville, Maryland

Five near-term tools recommended for implementation

The following five tools represent the highest-priority near-term actions available to the City of Rockville to expand housing production and increase affordability. Together, these tools address the supply, affordability, and financing constraints that the HNA identifies.

Rockville is experiencing significant market challenges that limit the ability to add market rate rental housing and MPDU units. While the market is weak, the city can focus on revising the MPDU program to streamline for sale move ins and align In Lieu Fee with city priorities, and securing resources, both through public land and a dedicated revenue source for the Housing Opportunity Fund, to support the delivery of affordable homes for those who need them most. The city can also formalize their relationship building and engagement with the development community to build a stronger development pipeline and better align with County and State organizations.

The following tools provide recommendations for next steps and indicate which of the existing Housing Policies from the comprehensive plan and related actions align with each recommendation.

Tool 1: MPDU Program Enhancement

Lever	Timeline
Inclusionary Zoning Reform	Near-term (0–18 months)
Related Existing Actions: Housing Policy 10: Maintain a MPDU program and continue to add MPDUs to the housing stock as residential development occurs Action 10.1: Continue to monitor and adjust income requirements and other aspects of the MPDU program to encourage the production of affordable units. Action 10.2: Adjust the structure of the MPDU program to encourage the production of more MDPU. Action 10.7: Explore strategies that seek to restructure the MPDU in-lieu fee payment option to allow for more feasible and wider application when such options better meet the City’s housing objectives.	

WHAT IT IS

Rockville's MPDU program requires 15% of units in qualifying new developments to be priced affordably, primarily targeting households at 60% AMI. This is the city's single most important affordable housing delivery mechanism. This recommendation is to streamline the MPDU process, particularly the for sale process, and create goals around which to guide resizing the fee-in-lieu structure to align with city priorities when market conditions improve.

This is not a recommendation to change the unit requirement or target income level, as these adjustments alone are not expected to result in feasible projects given current market conditions and would require reevaluation when the market improves.

WHY IT MATTERS FOR ROCKVILLE

The HNA found that 76% of active deed-restricted affordable units built in Rockville between 1990 and 2020 came through the MPDU program, suggesting it has served as the dominant affordable housing delivery mechanism in the city. Yet the program has some challenges:

- **Ambiguous In Lieu Fee:** There is an In Lieu fee currently mentioned in the MPDU ordinance, however it is not clear how it's sized. The city should be intentional about language and fee setting to be able to use the fee as a tool more effectively.
- **Process complexity:** Stakeholder engagement indicated some parts of the MPDU process, particularly when selling affordable units to qualifying buyers, can be challenging.
- **Production risk:** A halt in market-rate multifamily development directly reduces MPDU production, since MPDUs are triggered by market-rate projects, which is currently being seen in the Rockville Multifamily market.

KEY ACTIONS

- **Streamline For Sale Process:** Simplify the for sale MPDU selection process, to make the for sale MPDU application and document review and execution more efficient. This may require streamlining the process or increasing capacity to work with developers to get applicants in homes.
- **Direct Guidance on target AMIs:** The current inclusionary code does not specify AMI levels for rental or for sale. While the city provides guidance on a project by project basis, particularly for for-Sale projects, more consistent direction on AMI levels would reduce uncertainty for developers.
- **Reform fee-in-lieu:** To make the in-lieu fee support the city's goals, Rockville should first define what the fee is intended to achieve. The fee should be calibrated to advance priority outcomes, such as encouraging on-site affordable housing or generating revenue for the Housing Opportunity Fund. Clarifying these priorities now will allow the city to right-size the fee when market conditions improve and ensure in-lieu payments remain a meaningful alternative to on-site unit production.
- **Engage the development community for input:** Those who are going through the MPDU process are the best source of information for areas of improvement. It is recommended that as the city considers adjustments to the program, they engage the Development community for input and feedback on how the program works well and what challenges might exist.

Tool 2: Housing Opportunity Fund – Securing Dedicated Funding

Lever Direct Subsidy / Local Capital	Timeline Near-term (6–18 months)
Related Policies Policy 10: Maintain a Moderately Priced Dwelling Unit program and continue to add MPDUs to the housing stock as residential development occurs. • Action 10.8: Explore ways to grow the city’s Housing Opportunities Fund, such as through a dedicated budget line item and/or expanded MPDU fee-in-lieu requirement. Policy 8: Provide financial incentives for the production and preservation of affordable housing. • Action 8.2: Establish stable sources of funding for Rockville’s local Housing Opportunities Fund that can be used for affordable housing rehabilitation or development projects. Policy 9: Sustain and develop programs that assist Rockville residents’ entry into the home buying or rental market. • Action 9.9: Explore an annual budget line item to fund allocation for an affordable housing ownership program.	

WHAT IT IS

Rockville has already taken the initial step of establishing the Housing Opportunity Fund (HOF) as a locally controlled, flexible vehicle for affordable housing investment. The HOF is an opportunity for the city to fund preservation and construction of affordable housing, down payment assistance, emergency rental assistance, owner-occupied rehabilitation grants, and other housing subsidies, without the programmatic restrictions of federal streams like CDBG or HOME. What the HOF currently lacks is a dedicated, recurring revenue source.

WHY IT MATTERS FOR ROCKVILLE

Without a recurring revenue commitment, the HOF cannot function as a reliable subsidy engine: LIHTC gap financing needs a predictable capital pool; emergency rental assistance needs a program fund that can be drawn down and replenished; NOAH preservation needs acquisition capital that can move quickly; owner-occupied rehabilitation needs grant funding; and down payment assistance needs a revolving source.

Montgomery County’s Housing Initiative Fund (HIF) operates at approximately \$50–60 million annually. Rockville’s HOF is the city’s own complement to the County HIF, allowing Rockville to deploy capital on its own terms, at its own pace, and toward city-identified priorities. Peer cities of comparable size to Rockville have committed \$1–3 million annually¹; which could be a reasonable initial target for Rockville as the HOF transitions from an established structure to an operational program.

KEY ACTIONS

¹ Stana Fe, NM commits \$3M annually, Charlottesville VA \$800K noted in 2025,

- **Formalize HOF governance and developer expectations:** Confirm the HOF's governing structure, outline the fund's investment criteria, and develop a Notice of Funding Availability (NOFA) so the fund is operationally ready when revenue is secured.
- **Secure a dedicated revenue stream:** Consider an approach to committing an annual General Fund appropriation to the HOF, while also redirecting existing revenues to the HOF, including MPDU fee-in-lieu payments, and short-term rental registration fees. Each of these streams reflects value generated by the housing market and should be reinvested in affordable housing.
- **Consolidate City housing accounts into the HOF:** Designate the HOF as the single vehicle for all city housing subsidies, consolidating any existing program-specific accounts or reserves. This simplifies administration and ensures that all housing capital is visible, trackable, and deployed under a single investment framework.
- **Establish programmatic set-asides:** Once funding is established, create set-asides within the HOF: a minimum share for households at or below 30% AMI, a share for emergency rental assistance, a share for homeownership programs (down payment assistance and owner-occupied rehabilitation), and a dedicated LIHTC gap loan pool.
- **Staff for deployment:** Identify staff capacity to manage underwriting, compliance, and reporting.

Tool 3: Public Land Disposition Policy

Lever	Timeline
Public Land / Site Control	Mid-term (18 months–3 years)
Related Policies Policy 9: Sustain and develop programs that assist Rockville residents' entry into the home buying or rental market. • Action 9.3: Conduct an inventory of vacant and under-utilized land to identify any sites that may be suitable for needed affordable units. • Action 9.4: Consider including the development of housing in conjunction with the construction or redevelopment of community facilities.	

WHAT IT IS

A Public Land Disposition Policy establishes a formal process for the city to inventory publicly owned properties, including surface parking lots, underutilized municipal facilities, and surplus parcels. This tool recommends that Rockville evaluate each site's suitability for housing, determine whether affordable or mixed use housing would be more appropriate, and convey them to mission-driven developers. Relevant for sites appropriate for affordable housing, Maryland law permits municipalities to convey property below market value for affordable housing purposes.

WHY IT MATTERS FOR ROCKVILLE

Land cost and land availability are current feasibility constraints for housing in Rockville. HNA stakeholder engagement identified that, for rental housing, land values in Rockville often exceed what developers can pay for affordable housing projects. Reducing or eliminating land cost through public land disposition can make projects viable that would otherwise not be feasible and releasing public land for development that is not currently available to developers can help drive new development projects.

KEY ACTIONS

- **Complete a public land inventory:** Conduct a comprehensive inventory of all city-owned and city-controlled parcels and assess their development potential for affordable or mixed use housing.
- **Adopt a disposition-for-affordability policy:** Adopt a formal policy requiring affordable housing or mixed income evaluation as a first use for any surplus city property before market sale that is informed by market dynamics to help determine the most appropriate residential program for the site.
- **Allow use of ground leases:** Develop a ground lease framework (99-year term) that could be used to maintain city ownership of land while enabling affordable development.
- **Coordinate with Montgomery County:** Coordinate with Montgomery County to inventory County-owned parcels within Rockville's planning area for potential co-disposition.

Tool 4: LIHTC Project Support

Lever	Timeline
Direct and Indirect Subsidy / Tax Credit Finance	Mid-term (18 months–3 years)
Related Policies Policy 8: Provide financial incentives for the production and preservation of affordable housing. • Housing Action 8.1: Leverage federal resources and identify local and State funding sources to support the production of housing affordable to low- and moderate-income households. • Housing Action 8.5: Promote and advocate for tax-exempt financing in conjunction with the Low-Income Housing Tax Credit to support the development of multiple unit affordable housing.	

WHAT IT IS

The Low-Income Housing Tax Credit (LIHTC) is the primary federal tool for producing affordable rental housing nationally. LIHTC projects are financed through a combination of tax credit equity, debt, and local gap capital. In the current interest rate environment, projects typically require additional gap financing to close the remaining feasibility gap. Both direct and indirect subsidy can help support LIHTC developers to pursue projects in Rockville. Without a local gap loan pool, projects in Rockville cannot competitively apply for Maryland's limited LIHTC allocations.

WHY IT MATTERS FOR ROCKVILLE

The City of Rockville has had requests for additional gap financing from developers who are looking to build in the city but are unable to put together a complete capital stack due to the high-cost environment. Additionally, Rockville's greatest need is at income levels well below market rate, not being provided by current market forces. Working with LIHTC developers to encourage the development of 60% and below AMI units in the city can help address the growing need at those income levels. Maryland DHCD allocates LIHTC on a competitive basis, and projects with additional non-LIHTC funding would also score higher.

KEY ACTIONS

- **Capitalize a gap loan pool:** Capitalize a gap loan pool for LIHTC projects. Sources could include General Fund, MPDU fee-in-lieu, CDBG, and other available sources.
- **Align a gap loan pool with the state LIHTC cycle:** Coordinate with Maryland DHCD and Montgomery County DHHS to align local gap financing allocation with the state LIHTC application cycle, maximizing the multiplier effect of local dollars.
- **LIHTC project tax abatements:** Currently only LIHTC projects owned by a non-profit are allowed a tax abatement. The city should consider extending LIHTC project PILOTs or tax abatements to all projects producing units at 60% AMI or lower.
- **Consider alternate subsidy approaches:** The city could provide indirect subsidy including waiving impact fees for LIHTC projects or consideration of reducing parking ratios for affordable projects.

Tool 5: Stakeholder Alignment and Development Partnerships

Lever	Timeline
Governance / Process Reform	Near-term (0–12 months to launch; ongoing)
Policy 8: Provide financial incentives for the production and preservation of affordable housing. Action 8.6: Pursue and leverage funding from Montgomery County government’s Housing Initiative Fund for affordable housing projects in Rockville. Action 8.8: Explore strategies and seek opportunities with the development community, foundations and non-profit to utilize New Markets Tax Credits to promote mixed-use developments, including rental and homeownership affordable housing, in eligible Census tracts.	

WHAT IT IS

A structured, sustained program through which the city builds working relationships with the private development community, nonprofit housing providers, Montgomery County agencies, and state financing partners. The goal of these engagements is to reduce information gaps and friction that can cause development projects to stall before they reach permitting. This tool operates in parallel with every other tool in this framework as they all depend on the city having trusted counterparts in the development community and at the County.

WHY IT MATTERS FOR ROCKVILLE

Some stalled projects in Rockville may be the result of financing gaps or market conditions, but some may reflect developers not knowing who to speak with at the city, and city Staff not knowing which projects might be close to moving forward. Cultivating Private and nonprofit developer relationships can allow the city to proactively encourage strategic development’s in the City with developer input. Nonprofit developer relationships can help developers align with city’s needs if the city is able to more clearly and proactively communicate priority goals.

Strategic city - County coordination is also critical to project success. As the county controls HIF capital, HOC project-based vouchers, and DHHS coordination, a standing coordination structure would help give Rockville more input into how County resources are deployed locally.

KEY ACTIONS

- Establish a City-Developer Housing Roundtable:** Launch a standing quarterly forum with market-rate and affordable developers active in Rockville, focused on pipeline transparency, barrier identification, and feedback on city processes. This is a working session that should be candid, off-record, and action-oriented.
- Formalize City-County coordination:** Establish a standing staff-level working group with Montgomery County DHCA, HOC, and DHHS to align city HOF deployment with County HIF funding cycles, coordinate project-based voucher applications, and share pipeline intelligence on projects serving the lowest-income households.
- Conduct a developer barrier audit:** Commission structured interviews with 6–10 developers who are either active in or have pulled back from development in Rockville. Identify the top process, policy, and relational barriers to development. Findings should directly inform HOF investment criteria, permitting priorities, and MPDU reforms.