

Earl De Maris

Earl.DeMaris@yahoo.com

Phone 304.535.2230

Fax 443.276.0935

Post Office Box 1510
700 East Ridge Street
Harpers Ferry, WV 25425

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Delegate Marvin E. Holmes, Jr.
House Office Building, Room 207
6 Bladen St.
Annapolis, MD 21401

Re: proposed legislation — State Rail Station Overlay Zones

Dear Delegate Holmes;

I am writing this letter in support of the proposed legislation to establish State Rail Station Overlay Zones (SRSOZ) in the State of Maryland. Among the many benefits it will bring to Maryland is a better balance between jobs and housing and a more rational and economical use of infrastructure already built and paid for. This bill brings a much higher level of quality thinking to land-use governance than I have ever seen. I say this based upon 40 years of experience in top positions in both the private sector and the public sector.

By way of background much of my career has been in the field of housing finance, affordable housing and community planning. I served in the Senior Executive Service as the **Deputy Administrator** (Assistant Deputy Secretary level) of the **New Communities Program** at the Department of Housing and Urban Development (**HUD**) in Washington, D.C., a program designed to stimulate planned communities, and which failed because of local regulatory delays and lack of sufficient funding. I later became **Director of the Maryland Housing Fund**, Maryland's mortgage insurer for affordable housing. And I served as **Chief Financial Officer** and later **Director of Real Estate Development** for the **Housing Opportunities Commission of Montgomery County, Maryland** (HOC).

In 2005 I was asked by HOC to start a new venture – a housing development consulting company to assist public entities, non profits, and private developers to develop mixed income housing in jurisdictions throughout the country. HOC has been considered one of the premier public developers in the country and the new entity was created to assist others through the complexity of local regulations, development issues and financing in the creation of mixed income communities. Housing Opportunities & Concepts (HO&C) began operations in June 2006 after the enabling legislation for HOC had been amended to allow development services outside Montgomery County and Maryland.

HO&C has grown rapidly, and today has over \$1 billion under contract from a diverse range of clients, including non profits, foundations, housing agencies, churches and private developers. The demand for development consulting is coming from all sectors, partly because of the huge local obstacles to mixed income development. Details on many of the projects can be found at www.hoandc.com. I retired from HO&C in January 2009, and continue my involvement as a senior advisor and member of the board of directors.

In my experience, the development of viable and sustainable mixed income communities has been greatly restricted by local zoning, height restrictions and other ordinances that often discourage development and growth. Our biggest challenge for our clients is working through the requirements of the local jurisdictions. Even in Montgomery County, perhaps the first and

most progressive local jurisdiction to attempt mixed income communities instead of low- income ghettos, the development process has been deterred by zoning, height and density restrictions that has resulted in almost no new mixed income development during the past 10 years. The financing gap for developers, and time delays working through the local maze of regulations, has discouraged private developers from the market. The consequence is that artificially restricting supply significantly below demand forces prices up notwithstanding any “good intentions.”

Part of the HOC Strategic Plan for the past decade has been to develop within transit oriented communities. In 1994 we built **The Metropolitan** in Bethesda, 308 units next to the Bethesda metro. This was a successful mixed income property, ranging from high-end luxury units to units affordable for those with less than 60% median income. The Metropolitan has been used as an example of successful development of transit oriented housing. However, the County owned the land and was a development partner with HOC; otherwise the delays and financing gap would have prevented the project. If the SRSOZ were in place, there might have been 600 units on this site without spending one additional public cent on sidewalks or streets or generating one gallon more of storm water.

In 2000 HOC began another transit-oriented project over the Wheaton metro site on Georgia Avenue. The complexities of this 220-unit project were immense, and the units did not come onto the market until late in 2008. Even with the deep subsidy of 9% tax credit financing, HOC needed substantial state and county funding to bring this project to completion. The final unit cost for this affordable and mixed income project exceeded \$300,000! No private entity would have proceeded with this project.

Clearly, the public sector alone cannot meet the growing need for transit-oriented housing. Incentives are needed to draw in the expertise and capital of the private sector. Local jurisdictions vary in attitudes and restrictions on development, and the State is in need of flexible, efficient and rational mechanisms to encourage the private sector to participate in the development of viable housing communities in the high density areas near rail that are natural magnets for housing.

The Maryland Housing Fund was a successful State sponsored vehicle that benefited housing communities in Maryland by providing mortgage insurance beyond that offered by the federal government. It is a good example of the leadership that has made Maryland one of the more progressive states in terms of community development. It is time for Maryland to again demonstrate leadership by adopting this SRSOZ State Rail Station Overlay Zone legislation.

In my experience at the federal, state, and local level, as well as my 20 years in the private sector as an investment banker, this SRSOZ legislation is teamwork at its best. It will empower local governments will bring the private sector back into community development perhaps without any additional subsidies. Viable and sustainable communities need both the private and public sector working in partnership for a better Maryland. Please contact me if you have any questions. Thank you.

Very Respectfully,

Earl De Maris

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