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March 13, 2014

By Email

Ms. Erin Wilson  
Housing Planner  
Housing Programs Section  
Community Planning and Development Services  
City of Rockville  
111 Maryland Avenue  
Rockville, Maryland 20850-2364

Re: Brightview Rockville Town Center  
Site Plan Application No. STP2014-00189  
MPDU Alternative Agreement Application

Dear Erin:

We represent Shelter Development, LLC ("Shelter"). It is the applicant for Site Plan Application No. STP2014-00189. The project is known as "Brightview Rockville Town Center." The project is subsequently referred to as "Brightview."

On March 10, 2014, the Mayor and Council enacted amendments to Chapter 13.5 of the MPDU Ordinance and to the related Regulations. Thus, pursuant to the amended Ordinance and Regulations, we request an alternative MPDU agreement as part of the already-filed Site Plan application.<sup>1</sup>

Brightview will be Rockville's first project that offers MPDU-qualified seniors an affordable housing program in an independent living rental service-enriched senior housing project that includes significant products and services as part of the reduced monthly fee. Further, Brightview will be the first Rockville Town Center project that provides housing specifically designed for seniors.

Our Application is organized as follows:

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<sup>1</sup> Section 13.5-5(f)(3).

## 1) Project Description

In accordance with Article 7 of the City of Rockville Zoning Ordinance, the Applicant submitted its Site Plan Application for the development of a 195 unit, service enriched, rental community for independent living and for assisted living with street level retail available to the public in the MXCD Zone. The project constitutes "Senior or Special Needs Housing with Services" under the MPDU Ordinance.<sup>2</sup>

The Site Plan approval will establish the exact number of independent living dwelling units and the assisted living units. About 116 of the units will be independent living dwelling units. About 79 units will be for assisted living which do not constitute "dwelling units." There will be no skilled nursing. Brightview will include ground floor retail including a restaurant, café, and general retail open to the public on part of the ground floor.

## 2) Outline of MPDU Program Details

- a) Total estimated independent living dwelling units: 116 units. (Final determination to be established as part of the Site Plan approval.)
- b) Proposed percentage of MPDU Units: 12.5% (The percentage would be a reduction of 2.5% from the MXCD Zone's standard 15%). Please see the justification that follows this section.
- c) Calculated number of MPDU dwelling units based on the above: 15 units.
- d) Chart: Proposed number of units within each of the three income tiers and illustration of compliance with the requirement that 30% of the one bedroom units must be offered in the two lowest income tiers.<sup>3</sup>

(See the chart on the next page.)

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<sup>2</sup> Section 13.5-5(f)(3).

<sup>3</sup> (Note: The numbers used for the minimum and maximum income for each of the three tiers are based on Rockville's current standards of eligibility for a single person living in a one bedroom unit and are for illustrative purposes only. Brightview would be required to comply with the Ordinance Section 13.5-4 and the Regulations pertaining to rental limits for MPDU's, as amended from time to time.)

Tier	Min. Income	Max. Income	Calculated Average Income	%age of Avg. Income	Calculated Monthly Fee	Number of Units in Each Tier	% of MPDUs in Each Tier
Tier 1	\$22,000	\$29,700	\$25,850	70%	\$1,508	2	13%
Tier 2	\$29,701	\$37,400	\$33,551	75%	\$2,097	3	20%
Subtotal Percentage						5	33% = exceeds the 30% minimum requirement
Tier 3	\$37,401	\$45,100	\$41,251	75%	\$2,578	10	67%
Totals						15	100%

- e) An additional occupant may only be charged seventy-five (75%) of the then current market rate monthly fee for an additional occupant.
- f) All of the MPDU dwelling units will be one bedroom independent living units.
- g) All of the MPDU dwelling units will be finished, repaired, replaced and maintained in the same fashion as the one bedroom market rate units.
- h) Residents living in the MPDU dwelling units will have the same service package as the comparable market rate units including access to all of the same amenities.
- i) The MPDU dwelling units will be distributed throughout the independent living floors of the building in the same fashion as the market rate one bedroom units.
- j) Brightview will work with the City of Rockville to consider qualified MPDU applicant referrals. Brightview will consider them and determine whether the referred individuals meet the Brightview resident criteria. When there is a vacancy(ies) at Brightview, if qualified MPDU applicants are not available from Rockville's Housing Programs Section of Community Planning and Development Services ("CPDS"), or if, otherwise, there is a lack of qualified MPDU applicants at such particular time, Brightview will be allowed to offer the available unit(s) to members of the general public. In such a case, the monthly fee will be set at the then current MPDU monthly fee.
- k) A qualified MPDU applicant will be subject to all of the terms and conditions set forth in the Brightview independent living contract, except as modified to comply with the Rockville MPDU Ordinance and Regulations.

- l) A qualified MPDU applicant must pay a "security deposit" equal to the then current MPDU monthly fee.
  - m) Brightview will be allowed to evaluate each qualified MPDU applicant as to the person's ability to pay on a case by case basis.
  - n) Brightview will have the right to conduct an evaluation of each qualified MPDU applicant to confirm that independent living is a safe and appropriate level of care for such person.
  - o) Each qualified MPDU Brightview resident of an independent living unit will not thereby have any contractual right to assisted living at Brightview.
  - p) Each MPDU dwelling unit agreement shall provide that the monthly fee may be changed no sooner than ninety (90) days after the City of Rockville promulgates new minimum and maximum income limits for qualifying for the City of Rockville MPDU Program.
  - q) Brightview will provide a compliance report to the City if and when requested.
- 3) Justification for Providing 12.5% MPDU Units

Brightview is requesting that the percentage of MPDU independent living dwelling units be reduced from the MXCD Zone's 15% requirement to 12.5%. Brightview's reduced monthly fee provides not only the typical "sticks and bricks" but also products and services, including food and food preparation, that are not included in more conventional housing projects in Rockville where the MPDU percentage is only 12.5%.

The Mayor and Council are authorized to grant Brightview's request in accordance with Ordinance Section 13.5-5(f)(3)c. It reads as follows:

As part of its request for an alternative MPDU agreement, and only when MPDUs are provided onsite, the Applicant may request permission to provide a percentage of onsite MPDUs that is lower than otherwise required if the applicant can demonstrate that providing the reduction will result in furthering the objective of providing a broad range of housing opportunities throughout the City. The maximum percentage reduction is limited to two and one-half percentage points (2.5%) from the required percentage of MPDUs.

The related Regulation, Regulation Section 5.F.3.c., includes the above language and the following additional language:

... The justification must be documented by verifiable data and is subject to review and approval by the Mayor and Council.

As explained below, Brightview's application satisfies the requirements of the Ordinance and Regulations.

Brightview is not only providing *some* MPDUs onsite, it is providing *all* of its MPDUs onsite.

Providing all of the MPDUs onsite is in keeping with the express language that on March 10, 2014, the Mayor and Council added to Rockville's declaration of public policy.

Thus, first and foremost, Brightview will be *providing actual* MPDUs onsite. Rockville citizens will *live at Brightview*.

Brightview will further Rockville's objective of providing a broad range of housing opportunities not only by actually providing real dwelling units but also by providing MPDUs that will be affordable for folks who qualify for MPDUs.

Brightview will offer three distinct income tiers.

Two one bedroom apartments, for thirty years, will be offered in the lowest income tier (\$22,000-\$29,700), where an MPDU qualified senior will only pay 70% of the average income within such tier. Under today's regulations, the fee translates to \$1,508 per month. Using Brightview's current estimated \$3,300 market rate, the \$1,508 rate is 54% less than the market rate.<sup>4</sup>

Three one bedroom apartments, for thirty years, will be offered in the next lowest tier (\$29,701-\$37,400). Under today's regulations, the monthly fee would be \$2,097 per month. Using Brightview's current estimated \$3,300 market rate, the \$2,097 rate is 36% less than the market rate.

Ten one bedroom apartments, for thirty years, will be offered in the third tier (\$37,401-\$45,100). Under today's regulations, the monthly fee would be \$2,578 per month. Using Brightview's current estimated \$3,300 market rate, the \$2,578 rate is 22% less than the market rate.

It warrants repeating that Brightview will provide a housing opportunity that does not exist today. Brightview will be Rockville's first project that offers MPDU-qualified seniors an affordable housing program in an independent living

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<sup>4</sup> The above-calculated percentage reductions show the percentage differences in the monthly fee for those 15 one bedroom units that would be offered as MPDUs and the similar one bedrooms offered at the monthly market rate of \$3,300. Brightview will have some larger one bedroom units whose market rate monthly fees are estimated to be up to about \$3,700-\$4,000. All of the monthly fees noted are estimates in current, 2014 dollars. They are subject to change based upon the market conditions and inflation existing at the time of opening.

rental service-enriched senior housing project that includes significant products and services as part of the reduced monthly fee. Brightview will be the first Rockville Town Center project that provides housing specifically designed for seniors.

In addition to providing more MPDUs in Rockville as described above, the Brightview project as a whole will further Rockville's objective of providing a broad range of housing opportunities for all Rockville citizens. The independent living type of housing and the assisted living type of housing will be available where it has not existed before. Thus, Brightview will *further* Rockville's objective of providing a broad range of housing opportunities for all Rockville citizens, including folks who qualify for the MPDUs. For individuals, age 65 and older, whose income equals or exceeds \$50,000, there are about 2,000 persons who live within a 3 mile radius of Brightview, and there are about 7,000 persons who live within a five mile radius of Brightview. To comply with providing "verifiable data that is subject to review" as required under the Regulations, we note that the above demographic evidence is from Nielson Claritas, a division of The Nielson Company (US), LLC.

Brightview's market rate units are priced to be affordable for Rockville middle class seniors whose income modestly exceeds the MPDU qualified income levels. Using the 75% of income used for the upper tiers of the MPDU residents' income, a market rate unit at a \$3,300 monthly fee would translate to be affordable by "market rate" individuals whose incomes begin at about \$53,000 of annual income, which is about \$658 of income more per month than the upper tier of MPDU qualified folks who earn \$45,100 per year.<sup>5</sup>

As noted earlier and to restate the obvious, Brightview will be providing independent living market rate units and assisted living units in the Rockville Town Center where none exist today. The approx. 101 market rate units and the approx. 79 assisted living units will provide Rockville residents in addition to the MPDU qualified Rockville residents a housing opportunity that does not exist today. Collectively, such units will clearly further Rockville's objective of providing a broad range of housing opportunities throughout the City.

The underlying justification why reducing the percentage of MPDUs from 15% to 12.5% lies in preserving Brightview's ability to further Rockville's

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<sup>5</sup> As evidenced by the Rockville Regulations in the booklet "Moderately Priced Housing Regulations" and the Rockville web page that addresses MPDUs known as "MPDU Information Moderately Priced Dwelling Units" under the section identified as "MPDU Rents and Income Limits" which reads in part, "The minimum income for qualifying for the City of Rockville MPDU Program is \$22,000. The maximum income limits for the City of Rockville MPDU rental and purchase program are as follows . . . 1 person [\$45,100]."

objective of providing a broad range of housing opportunities, especially for not only MPDU qualified individuals but also for middle class Rockville residents.

Brightview must be economically viable. To that very important and fundamental end, Brightview's market rates must be affordable and competitive with the other providers in the market. The folks who pay the market rate fees will be subsidizing the revenue lost from the discounted monthly fees for the MPDUs. As noted, the \$3,300 monthly market rate fee includes the subsidy for the 15 MPDUs assuming that the percentage is permitted to be 12.5%.

To provide "verifiable data that is subject to review" as required under the Regulations, and to provide evidence that Brightview's \$3,300 market rate is competitive with nearby projects, please consider the fees at the following projects:

Project and Location	Monthly Independent Market Rate	Date and Source of Information
Ingleside at King Farm, Rockville	\$2,142-\$3,141 (with required entrance fees ranging from \$147,840-\$329,280)	2014 Fee Schedule
Asbury Methodist, Gaithersburg	\$1,840-\$2,067 (with required entrance fees ranging from \$91,600-\$130,900)	2013 Fee Schedule
Ring House, Rockville	\$3,785-\$4,200	2014 Fee Schedule
Kensington Park, Kensington	\$3,000-\$3,400	2013 phone interview

As evidenced by the above chart, Brightview's monthly market rate fee is competitive. We note that the Ingleside and Asbury projects require entrance fees for its market rate residents, which might be among the reasons why their monthly fees are less than Brightview's, and those of Ring House and Kensington Park.

We note the obvious that Rockville middle class residents have no obligation to rent a unit at Brightview where market rate unit residents will pay a rate that includes the MPDU subsidy expense. If Brightview's monthly market rate fee is too expensive, cost-conscious middle class Rockville residents will at least ponder whether they should rent elsewhere. If that were to become a trend, Brightview's resident population would be more divergent economically between the MPDU residents and the market rate residents who may tend to be Rockville residents in the higher income levels.

Brightview's program is designed to provide a range of income diversity by providing units for those who qualify for MPDU units and for middle class "market rate" folks, including those who are in the lower end of the "market rate" income levels. The reduction from 15% to 12.5% of MPDUs better ensures that such "market rate" folks will be able to live at Brightview and afford the monthly market rate fee that bears the MPDU subsidy expense.

Brightview's plan is supported by Rockville's Legislative Findings. Rockville's Legislative Finding Number (1) reads in part that, "The City is experiencing an increase in residents of or approaching retirement age, with consequential fixed or reduced incomes . . . ." Not overburdening the market rate seniors with a greater subsidy better enables the lower tier of middle class earners to reside at Brightview.

Rockville's Legislative Finding Number (2) reads that, "The supply of moderately priced housing has grown at a radically slower pace than the demand for such housing." Too much of a MPDU subsidy expense will contribute to reducing the supply of moderately priced housing by pushing out those market rate residents in the lowest "market rate" income levels.

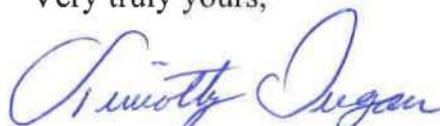
Consistent with Rockville's Legislative Findings, a reduction in the 15% MPDU requirement to 12.5% is justified so that middle class seniors at the lower "market rate" end of the income scale are not priced out of the Brightview community due to an unnecessarily high market rate service fee necessary to subsidize the MPDU subsidy expense. The market rates must remain competitive with the other providers in the market.

In summary, Brightview has a cost for providing quality products and services, for example (not all inclusive), retaining and compensating qualified and experienced staff, who will run the project day to day, and purchasing food and other items. All Brightview residents will receive the same service package. The project's costs must be borne somehow by all of the residents.

Reducing the MPDU percentage from 15% to 12.5% is justified in order to:  
(1) operate the building successfully, while bearing the MPDU monthly subsidy expense;  
and (2) still offer market rates that are competitive with nearby projects.

Thank you for your consideration. Please call with your comments, questions and instructions.

Very truly yours,



Timothy Dugan

cc:

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