

*MWCOG Planning Directors
Technical Advisory Committee*

Housing Demand and Impact of Local
Regulatory Processes

Lisa Sturtevant, PhD and Agnès Artemel

GMU Center for Regional Analysis
Artemel & Associates

October 19, 2012

Housing Demand in the Washington Region

Net New Jobs by Sub-state Region 2010-2030

	Net New Jobs	Percent Change
District of Columbia	152,130	20.8
Suburban Maryland	316,525	32.9
Northern Virginia	578,480	54.9
Washington Region	1,053,855	38.2

Source: IHS Global Insight, GMU Center for Regional Analysis

Housing the Region's Future Workforce

- How much housing is needed to accommodate new workers?
- Where should this housing be located?
- What types of housing units will be needed?
- What prices and rents will new workers be able to afford?

Housing Demand by Jurisdiction 2010-2030

Jurisdiction	High	Low	Jurisdiction	High	Low
District of Columbia	122,613	36,784	Alexandria	30,922	6,494
			Arlington	34,342	8,929
Calvert	9,764	8,007	Clarke	744	431
Charles	13,608	8,029	Fairfax	110,947	52,145
Frederick	27,336	19,956	Fauquier	6,870	4,740
Montgomery	108,522	69,454	Loudoun	98,171	51,049
Prince George's	52,382	28,286	Prince William	55,065	30,286
Suburban Maryland	211,612	133,731	Spotsylvania	30,375	13,061
			Stafford	22,680	11,793
			Warren	2,702	1,756
			Northern Virginia	392,817	174,191
			Jefferson Co WV	4,414	3,576
			Region	731,457	348,282

Source: GMU Center for Regional Analysis

High estimates assume workers housed in the jurisdiction in which they work. Low estimates assume continuation of inter-jurisdictional commuting.

The Region Needs Sufficient Housing to Ensure its Economic Vitality

- Job growth over the next two decades will result in significant housing demand, particularly in areas close to employment centers and transportation/transit.
- There will be strong demand for rental, multi-family and smaller units.
- Housing is needed for workers in all income groups, and there will be substantial demand for more moderately-priced housing.
- Recent pace of new housing construction will not generate sufficient housing.

What are potential challenges to generating sufficient housing to accommodate the future labor force?

Research Question

- To what extent do local regulatory processes, fees, and associated costs add to the delivered price of new housing units?
- Reports:
 - Overview of 15 jurisdictions in the metro area
 - Montgomery County focus: six case studies
 - Fairfax County focus: six case studies

Research

- Defined development review process in each jurisdiction
- Examined fees and costs at major stages (used published fees as of July 1, 2011)
- Evaluated complexity and timeframes
- Conducted in-depth case studies of single-family, townhouse, and multi-family projects in two counties—Montgomery and Fairfax

Findings

- **Complexity**
- **Cost**
- **Timeframes**

- All processes, fee structures, enabling authorities are different
- Increasing tendency to look to developer to solve range of community needs
- Development can be very difficult in formerly-suburban urbanizing areas (infill locations with transit access)

Increasing Complexity, Cost, and Time

How It used to be

- By right or site plan
- Low application fees
- Only cost is application
- Few steps
- Few conditions
- Contributions/proffers tied to adequate public facilities
- Federal and state contributions to infrastructure
- Simpler construction techniques

How it is now

- Rezoning, development permit with public hearing
- “Enterprise” system
- Application+impact+voluntary contributions
- Pre-application, community meetings, accepted for processing
- Large number of conditions
- Types of voluntary contributions increasing
- Developers asked to pay for infrastructure and community benefits
- Underground parking requirement means more expensive construction techniques

Complexity

- Numerous overlapping or sequential processes
- Requirements for community meetings and public input
- Multiple agencies involved, some outside local government
- Several “bites at the apple” with redesign required
- High level of specificity in approvals; change means going through process again
- Trying to accomplish multiple objectives

Attempts to Streamline

- Guide to Development Process
- Site Plan Standards/Residential Criteria, etc.
- One Stop Shop
- Actions in response to economy:
 - Extending expiration dates for approved site plans or development permits
 - Making certain fees payable at CO rather than building permit

Cost Elements

- Level 1: concept through public hearing
 - Application
 - Special studies
 - Proffers
 - Negotiated contributions
 - Community meetings
- Level 2: land development (stormwater mgmt, transportation, utilities)
 - Application
 - Site plan fees
 - Review and inspection fees
 - Misc fees – watershed, etc.
 - Water and sewer availability
 - Public improvement bonds
- Level 3: building construction
 - Application
 - Permit, including mechanical, plumbing, electrical
 - Review and inspection
 - Additional levies as a percent of base (Virginia 2%, automation or training fee)

Per Unit Cost of Local Regulations

- 15 jurisdictions
 - VA -- \$9,100 to \$60,700
 - MD -- \$16,200 to \$45,400
 - *assumed 58 unit-TH development
- Montgomery
 - SF/TH -- \$62,700 to \$93,600
 - MF -- \$35,900 to \$44,900
- Fairfax
 - SF/TH -- \$28,000 to \$71,700
 - MF -- \$22,500 to \$31,100

What triggers highest costs

- Need for a rezoning
- Project located in a proffer jurisdiction and in an area that lacks infrastructure
- Urbanizing jurisdiction, on redevelopment site near an established neighborhood
- Projects in areas covered by a recent Sector Plan, Small Area Plan, Neighborhood Plan
- Mixed use projects

Focus on Proffers and Contributions

- Initially proffers tied to adequate public facilities
 - Roads
 - Schools
 - Public safety
- Later,
 - Libraries and community centers
 - Parks and recreation facilities
- Subsequently,
 - Affordable housing contributions
- Now,
 - Contributions for community benefits
 - Contributions indexed for inflation

Community Benefit Contributions

- Pedestrian and bicycle trails
- Higher quality architecture; specific materials
- Specific signage, trees, plantings
- Recreational amenities
- CaBi bike racks
- Energy efficiency rating
- Transit subsidies
- Public art

Affordable Housing Contributions

- On-site units, land, contributions to Trust Fund
- Range of approaches to calculating contributions
 - No policy
 - Inclusionary zoning; based on thresholds
 - Bonus density
 - Negotiated based on guidelines
- Increase cost of providing units on one hand, and charge for the units on the other

Timeframes

- Master plan/comp plan amendment – 12 to 24 months
- Sector plan or neighborhood plan – 12 to 36 months
- Rezoning and development permit -- 12 months
 - When is application deemed “complete”
- Site plan – 6 to 12 months
- Building permit – 4 to 12 months
- Release of bonds

What does this mean for the production of new housing units?

- What we need:
 - More housing close to employment centers, transportation
 - More multi-family, rental, smaller units
 - Owner-occupied units <\$400,000
 - Rental units <\$1,250/month
- What we get:
 - Townhouse in urban area for \$800,000+
 - Single family in suburbs for \$400,000 to \$1 million
 - Multi-family near transit: \$700,000 condo, apartments renting for \$1,800 to \$2,700/month
 - Future trend: micro-units?

Discussion Items

- Complexity, time, and cost seem highest where we DO want development – activity centers with transit service, where jobs and housing should be co-located.
- Can we bring comprehensive plan/neighborhood plans where they need to be to reduce time and cost of obtaining rezoning?
- Can localities express their policies more clearly so that residents know what to expect when they buy in to a community?
- How can keeping housing affordable take priority among the many desired community benefits?
- Are current policies and procedures charging market rate units to create subsidized units?
- How can localities give developers more clarity in the costs and timeframes they can expect?
- How can builders and developers be incentivized to produce housing at a lower price range?

GMU Center for Regional Analysis
cra.gmu.edu

Artemel & Associates
www.artemelassociates.com