

BRAC Impacts on Fort Meade Area Housing

Submitted by:
Sage Policy Group, Inc.

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Abstract

The relocation of jobs to Fort George G. Meade (FGGM) as a result of the Base Realignment and Closure (BRAC) process will significantly contribute to housing market dynamics in Central Maryland from 2010 through 2015. While BRAC may become a major source of recovery for that region's housing market, it will also exacerbate existing problems of workforce and affordable housing scarcity in Anne Arundel and Howard counties.

BRAC is expected to relocate 5,400 on-base jobs to FGGM from sites outside Central Maryland. These BRAC jobs will result in 16,061 new jobs in the mid-case estimate when defense contractors, the supply chain, and retail and consumer businesses supported by these new workers are considered. By 2015 the full impact of these new jobs on the housing market is likely to be felt. This full impact is estimated to be housing demand by 9,793 households, with 86 percent earning \$50,000 to \$150,000 and relatively few above or below these income levels.

Many of the jobs moving to BRAC are now located in northern Virginia and those holding these jobs are within commuting distance of FGGM albeit a long commute. For various reasons, surveys of these workers indicate that approximately 40 percent will choose to commute to FGGM rather than relocate to Central Maryland. Thus it is expected that the initial demand for housing in Central Maryland will be 6,021 BRAC-related households. This initial demand starting primarily in 2010 will eventually expand to the full demand of 9,793 households over a period of years as long-distance commuters retire, change jobs, or move to Central Maryland.

Approximately 55 percent of these households are expected to seek housing in Anne Arundel and Howard counties and the City of Laurel based on historic commuting patterns at FGGM. The current downturn in the housing market has created a large unsold inventory of homes and downward pressure on prices that will facilitate the area's ability to meet initial demand. By 2015, however, more typical housing conditions are likely to prevail. Moreover, there will be only modest changes in the nature of the housing supply in the two counties which have among the highest housing prices in Maryland. Alternatively, Laurel with its lower priced housing is expected to expand its supply of townhouses and multifamily units.

BRAC is just part of the projected substantial job growth in Anne Arundel and Howard counties. Job growth has for years outstripped housing growth in the counties, a pattern expected to continue well into the future. The result is continued pressure on prices and a tendency for new construction to serve the upper reaches of the market. Lower- to middle-income households seeking housing in the counties are hard pressed to find anything affordable. For this analysis, it is estimated that those earning less than \$80,000, a total of almost 2700 households or 44 percent of the unconstrained BRAC-related housing demand in Anne Arundel and Howard counties, will be priced out of the counties' housing market.

Without deliberate efforts on the part of the counties to create more affordable housing, this problem will grow worse. Teachers, public safety officers, retail workers, and many others will find themselves commuting longer distances to work in the counties.

Executive Summary

Primary Finding

Remarkably, almost half of the BRAC households will likely be priced out of the housing market in Anne Arundel and Howard counties despite the recent downturn in housing prices in Central Maryland. This unsatisfied demand will be satisfied elsewhere, including in the City of Laurel which has a relatively healthy supply of available workforce housing now and into the future. The displacement will also translate into longer commutes in Central Maryland, a chronic problem that will worsen unless meaningful policy shifts are implemented.

Given that land prices are unlikely to change radically going forward, the only policy option for making land more affordable per housing unit is to increase permissible housing density. Housing developed at six units or 16 units per acre by definition creates more options for workforce/affordable housing than housing that uses one or two acres per home. Thus, the first major impediment to more affordable housing is economic--the price of land--and this can be addressed by reducing the amount of land used per housing unit.

Workforce/affordable housing has been a concern of the planning and housing community for decades. Maryland has been a pioneer along this dimension. For instance, inclusionary zoning was first implemented in Montgomery County, Maryland in 1974 requiring that 15 percent of new developments of over 50 housing units be affordable to low-income households in return for density increases of up to 20 percent. Since that effort, hundreds of communities across the nation have adopted similar zoning ordinances. Dozens of other strategies have also been developed since that time.

The City of Laurel presents a sharp contrast to Anne Arundel and Howard counties with respect to the availability of workforce housing. While some of this can be attributed to historic differences between Laurel and the counties, it is also true that Laurel in recent years has continued to authorize expansions of its stock of housing that have typically kept pace with or exceeded the growth of the city's population. Vacancy rates indicate an adequate supply of housing. This relative abundance of housing helps to support greater affordability. Moreover, recently authorized and anticipated construction favors townhomes and multifamily housing, both housing types that tend toward affordability. Often, Howard and Anne Arundel counties are viewed as representing models for other communities. In this instance, it may be that Laurel is a model for them.

The Housing Market Implications of BRAC Activities at FGGM

This Sage Policy Group, Inc. (Sage) analysis focuses upon the housing market implications associated with the anticipated influx of jobs in and around Fort George G. Meade (FGGM) as a result of the most recently completed base realignment and closure (BRAC) process. Particular attention is given to Anne Arundel County, Howard County and the City of Laurel (the study area) and the analysis focuses on both owner-occupied and rental housing at various price points.

Please note, 2015 projected housing supply data do not reflect construction build-out for any of the jurisdictions studied in this report, only what is available in the current supply pipeline (both occupied and unoccupied).

Key Analytical & Data Findings

The report is divided into six chapters.

1. The first chapter reviews information regarding the number of net new jobs associated with base realignment at FGGM.

By establishing the total number of jobs produced by BRAC directly and indirectly, estimating the number of jobs per household, and analyzing commuting patterns, the study team concludes that of the 6,021 initial housing units demanded due to BRAC at FGGM under the mid-case, over 90 percent will be demanded by households living in Maryland.

Among the most impacted housing markets will be the ones in Anne Arundel County, Baltimore County, Harford County, Carroll County, Howard County, Montgomery County, Prince George’s County, and Baltimore City where collectively 88 percent of demand is allocated. The study team estimates that incremental demand for housing in the City of Laurel will exceed 70 units over the first few years of BRAC impact and then increase to over 120 units on a steady, permanent basis.

Moreover, of the 6,021 initial units demanded, just slightly less than 20 percent will involve rental as opposed to owner-occupied units.

In the long run, a steady state (2015) of housing demand will evolve as long-distance commuters who chose to stay in their existing homes rather than move to Maryland retire or change jobs and are replaced by new job holders who have more traditional commuting patterns. The “steady state” model reflects housing demand expectations on an annual, permanent basis beginning in 2015. This demand, reaching almost 10,000 rental and owner-occupied units on an annualized basis, will be substantially greater than the initial demand when jobs are first relocated to FGGM.

Exhibit ES-1: Total jobs associated with housing demand related to BRAC at FGGM: steady state (2015)

Type of job	Mid-case	Low case	High case
On-base	5,400	5,400	5,400
Contractor-tail	3,778	2,833	4,722
Indirect	2,019	1,811	2,227
Induced	4,864	4,364	5,365
Total	16,061	14,408	17,713

Note: Totals may not add due to rounding.

Source: Sage

2. The second chapter focuses upon the existing supply of housing in the three communities of special interest, which are anticipated to be the preferred location for at least 55 percent of newcomers seeking housing.

Base Realignment and Closure will largely be associated with reductions in the level of active unsold existing inventory in the years ahead and will be less associated with new construction than had been presumed when BRAC’s prospective impacts on Central Maryland were first being explored in 2005.

Sage concludes that under the low case, new construction would be reduced 80 percent in 2009 and 40 percent in 2010 relative to the pace of construction that would prevail but for the nearly unprecedented softness in the local housing market.

Consequently, rather than adding almost 4,000 new housing units in 2009-2010, Anne Arundel County would see not quite 1,600 total new units added in those two years.

For Howard County, the reductions in new construction would be from almost 3,900 units in the high case to just over 1,500 units in the low case.

For the City of Laurel, the roughly 750 new additions to the housing stock projected under the high case would decrease to about 400 units in the low case.

Despite the expected lack of building, the inventory of unsold homes is expected to remain higher than normal in the near-term.

The presence of BRAC effects emanating for Fort George G. Meade will help to stabilize housing prices in 2010, which in turn should permit the homebuilding industry to eventually return toward previously established rates of development sometime thereafter.

Exhibit ES-2: Summary of projections of total housing stock: low case

<i>Location</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Anne Arundel County	194,432	196,414	198,395	198,791	199,954	201,630	203,262	204,893	206,525	208,528
Howard County	101,441	102,911	104,848	105,239	106,386	108,255	110,122	111,911	113,705	115,411
City of Laurel	N.A.	11,544	12,055	12,076	12,465	13,035	13,135	13,585	13,585	13,935

Sources: Howard County Department of Planning and Zoning, City of Laurel, Maryland Department of Planning, Sage

- The third chapter stratifies housing demand and supply by price and type (i.e., owner occupied and rental).

Despite the ongoing downturn in housing and the associated boost in active housing inventory, the study area remains largely unprepared for the impending influx of BRAC-related families that will require workforce housing.

In both Howard and Anne Arundel counties, the demand for housing priced under \$200,000 will be either greater than available supply as measured by recent annual sales or will account for a substantial majority of such housing when BRAC impacts begin to be felt in earnest in 2010. It is anticipated that the situation will further deteriorate thereafter.

In the City of Laurel, however, the issue of workforce owner-occupied housing is not nearly as pressing.

With respect to all other price points, available supply appears to be adequate. This has much to do with the ongoing housing downturn, which has cut home sales volume not quite in half in the course of just three years.

Exhibit ES-3: Net increase in housing demand by jurisdiction due to BRAC: steady state (2015)

<i>Jurisdiction</i>	<i>Estimated net housing demand (households)</i>		
	Mid-case	Low case	High case
Anne Arundel County	3,451	3,096	3,806
Howard County	1,847	1,657	2,037
Laurel (Prince George's County)	117	105	130
Other areas (1)	4,378	3,927	4,828
Total (2)	9,793	8,785	10,801

Notes: 1. Other areas include jurisdictions throughout Maryland as well as Virginia, Pennsylvania, the District of Columbia, West Virginia, and Delaware.

2. Totals may not add due to rounding.

Source: Sage

4. The fourth chapter estimates the total new demand for housing as a result of base realignment at FGGM. Specifically, the chapter focuses on unconstrained demand. Sage examines the ratio of jobs to households as an estimate of what this report refers to as “unconstrained demand”. The value of this ratio is to account for those individuals who would wish to live in a specific jurisdiction to be near their workplaces but cannot because of the lofty price points characteristic of that jurisdiction.

Unconstrained demand may not be satisfied by available supply, particularly once one accounts for the cost of available housing. The implication is that some people who would prefer to live in the study area may ultimately choose to live beyond the boundaries of the area due to considerations of affordability.

According to study team estimates, in both counties, there will not be enough available housing inventory to accommodate all those who would be expected to seek housing there, nor will there be sufficient housing to permit smooth functioning of the marketplace. Many households will then live beyond the study area’s limits due to the lack of available inventory.

The study team also concludes that workforce/affordable housing will remain an issue in the study area for many BRAC-related households in the two counties, though not necessarily in the City of Laurel. A substantial factor in the continued need for affordable housing is the expectation that job growth in the counties will outpace growth in the number of housing units in the counties. Part of this is also due to expectations of the continued growth in the share of the market allocated to age-restricted housing.

Both Anne Arundel and Howard counties need to accelerate the formation of new housing opportunities if BRAC effects are to be appropriately accommodated.

Exhibit ES-4: Impact of BRAC on housing availability--unconstrained demand

<i>Factor</i>	<i>Anne Arundel County</i>	<i>Howard County</i>	<i>City of Laurel</i>
Housing stock, 2000	186,937	92,818	9,548
Total households, 2000	178,670	90,043	8,931
Housing stock as share of total households, 2000	104.6%	103.1%	106.9%
Housing stock, 2005-2007	194,432	101,441	11,544
Unconstrained housing demand, 2005-2007	195,686	105,718	9,924
Housing stock as share of unconstrained housing demand, 2005-2007	99.4%	96.0%	116.3%
Housing stock, 2015	210,888	117,741	14,277
Non-BRAC demand, 2015	217,218	125,578	12,878
BRAC housing demand, 2015	3,489	1,885	117
Unconstrained housing demand, 2015	220,669	127,425	12,995
Housing stock as share of unconstrained housing demand, 2015	95.6%	92.4%	109.9%

Sources: U.S. Census, Anne Arundel County, Howard County, City of Laurel, Sage

5. In the fifth chapter, Sage examines the level of demand for housing to be generated in the study area by base realignment activities at Aberdeen Proving Ground (APG), which is roughly 42 miles to the north.

This report concludes only 76 households will seek housing in Anne Arundel and Howard counties as a result of BRAC activities at APG.

This housing demand will occur over a period of many years, primarily between 2010 and 2015. This demand will not materially affect the functioning of the overall housing market and will not influence issues of affordability in any material way.

Even when one also accounts for the impact of BRAC activities at Aberdeen Proving Ground in Harford County on demand for housing in Anne Arundel and Howard counties and the City of Laurel, it appears that BRAC will represent only a fraction of incremental demand available to be satisfied during the years ahead.

6. The sixth and final chapter focuses upon housing supply gaps and recommends specific strategies to address them.

Almost half of the BRAC households will likely be priced out of the housing market in Anne Arundel and Howard counties. This will create increased demand elsewhere with the City of Laurel almost certainly being high on the list of alternative places to live.

The number of BRAC households who would prefer to live in Anne Arundel and Howard counties, but who are highly likely to be priced out of the housing market totals 2,696 households.

By 2015, unconstrained housing demand in the two counties from BRAC activities at FGGM is expected to include the 5,298 households. The 2,696 households earning less than \$80,000 represent 44 percent of this unconstrained demand.

The impacts of BRAC at FGGM provide opportunities for Anne Arundel and Howard counties to create deliberate and strategic responses to the likelihood that proximately located workforce/affordable housing will become quite scarce as BRAC impacts unfold.

Many households will suffer lengthy commutes in search of affordability. This is a pre-existing phenomenon in Central Maryland and base realignment will exacerbate the problem of lengthy commutes absent some significant countervailing policies and/or investments. Potential solutions include allowing greater housing density and continued emphasis on transit and transit-oriented development.

Strategies for Affordable Housing

Appropriate strategies for Central Maryland

After researching all of the tools available nationwide, looking at the various success stories and studying the principles for success, one needs to then apply these ideas, practices and principles to the existing practices and local market conditions in order to define the strategies most appropriate for Central Maryland. The housing downturn that began in earnest in 2006 and deepened considerably in 2007 and 2008 have highlighted the importance of housing affordability. The lack of affordability induced many households to embrace housing expenses far in excess of what has been traditionally viewed as financially sound. This has been true both of owner-occupied and rental dwelling units. Therefore, any effort to promote more advantageous ratios of income to housing expense must encompass both owner-occupied and rental segments.

If implemented, any of these strategies could result in reducing the affordable housing imbalance by 2015. The reader should keep in mind that this study only covers six years into the future and many of these strategies to address the imbalance between demand and supply of affordable housing may take longer to implement than the timeline covered by this analysis. The broad strategy areas recommended to be considered include:

Strategy I. Expand the availability of sites.

Land cost can be reduced by making publicly owned land - including County surplus property and Board of Education owned property - available at no cost to developers for the construction of workforce housing. Federal, State and County dollars, if made available, could also be used to purchase land for the construction of new housing, encouraging infill development.

Strategy II. Changes to Land Use Policies.

By allowing land use to support a diversity of housing types, workforce housing can easily be provided. Local jurisdictions should encourage mixed use development with jobs, housing and other services within walking distance. Mixed use sites should be planned to meet the objective of providing affordable “live near your work” opportunities. Inclusionary zoning should be adopted requiring that workforce housing be provided coupled with other incentives such as flexible setbacks and the ability to build alternative dwelling units. Density bonuses may need to be considered in exchange for workforce housing as part of inclusionary zoning and mixed use zones. The counties should examine how Adequate Public Facilities (APF) ordinances are affecting the supply of workforce housing. Local jurisdictions should develop an expedited review and permitting process as an incentive to developers who provide workforce housing as a component of development. Local jurisdictions should consider the feasibility of adaptive reuse of commercial buildings, such as motels and former retail centers, for workforce housing. Commercial revitalization areas should allow for the provision of workforce housing.

Further, there are very few public policies as broadly accepted as the notion of transit oriented development. The density associated with such development is consistent with elevated levels of

ridership, varied price points, efficient utilization of land, and significant positive economic and fiscal impacts. Transit oriented development opportunities can be quite rare, however, with the implication being that state and local governments are encouraged to take full advantage of these opportunities.

Strategy III. Funding Strategies.

Land use efforts to address the need for workforce housing should be coupled with financial incentives from the public sector. Local governments often provide funds that can complement various financial incentive programs available from the federal and state governments. Many local jurisdictions have established Housing Trust Funds that are funded through one or more consistent and dedicated funding sources. These dedicated sources many times include transfer and recordation tax funds from tax increment financing districts, and a portion of the taxes on select services and commodities. Development cost can be reduced by reducing or even eliminating permitting, capital facilities, and impact fees. Payment-in-Lieu-of-Tax agreements help to lower the operating cost for developers of multifamily rental projects, thus maximizing private funding.

Strategy IV. Empowering residents.

The region should provide program subsidies and educational resources so that residents can afford and maintain housing. Down payment, closing cost and mortgage write-down support for residents seeking to purchase homes can be provided in the form of grants or loans. Programs to share equity created over time in owner-occupied affordable housing can help homeowners build wealth while allowing a portion of the equity to be reinvested into future affordable housing projects. Programs that provide low cost financing or grants to rehabilitate owner-occupied homes are a good vehicle for preserving and maintaining the current stock of affordable housing. Finally, by educating prospective homeowners about the process of home purchasing and the responsibilities of homeownership, communities can encourage greater homeownership and community development. Similarly, quality counseling can help homeowners avoid foreclosures and other pitfalls of homeownership.