



# Strategies for Increasing Housing Supply in High-Cost Cities

## DC Case Study

*Pamela M. Blumenthal, John R. McGinty, and Rolf Pendall*

*August 2016*

**The laws of supply and demand dictate that when housing demand outpaces supply, prices go up. In theory, supply increases in response to that demand and prices stop their climb. The housing market has not followed this pattern in many jurisdictions in the United States: rents and housing prices have risen and vacancies have fallen, but the housing supply has not yet rebounded. With limited housing supply and anemic income growth, millions of households now struggle to afford housing. A growing number of households, including moderate-income households, are cost burdened, spending more than 30 percent of their income on housing, with the burden greater among renters. In the 10 highest-cost metropolitan areas, 41 percent of households were cost burdened in 2013, compared with 34 percent of households nationwide (JCHS 2015).**

These high-cost jurisdictions, which include San Francisco, Boston, New York, and Washington, DC, are of particular interest to understanding market dynamics and can be testing grounds for methods that increase housing supply to better serve unmet demand. This brief discusses the recent literature on the implications of insufficient housing supply in high-productivity jurisdictions, then it uses the Washington, DC, region to explore barriers and opportunities to increase housing supply.

## The Economics of Housing Supply

More people want to live in high-cost metropolitan areas like Washington, DC, New York, Boston, and San Francisco than can afford to. The high cost of housing in these areas harms individual well-being and regional economic competitiveness.

Across the United States, housing continues to get more expensive while wages remain flat (Shierholz and Mishel 2013). Housing already makes up the largest share of most Americans' spending, and continued escalation in housing costs forces individuals to spend less on food, health care, utilities, and other necessities (JCHS 2015; Mills et al. 2006). Various factors contribute to the insufficient supply of housing in high-cost areas: scarcity of land, restrictive land-use controls, environmental and other regulations, insufficient infrastructure, expensive building materials, cumbersome permitting processes, community opposition to higher-density development, tight credit and financing, and more. The severity of these barriers varies from place to place, but taken as a whole, they almost always lead to the production of too few housing units.

## **Competition for Scarce Housing Bids Up Housing Prices**

Insufficient housing supply means households wishing to move to a particular area must compete for a limited number of units. This competition leads to a bidding up of housing costs, pricing many individuals out of the market altogether. A shortage of available, affordable housing threatens to displace long-term residents as more affluent households pay a premium for homes that would traditionally be occupied by lower-income families.

This process reinforces itself. Gyourko, Mayer, and Sinai (2013) analyzed “superstar” cities: desirable metropolitan areas that cannot increase their housing density through construction, cannot continually expand their borders, and have few close substitute locations. The authors found that high-income families strongly prefer to live in these desirable areas and are willing to outbid lower-income families, driving up land prices. As the number of high-income families grows across the country, residents of high-cost cities are outbid by even higher-income families, increasing housing costs and pricing out low- and middle-income earners. This cycle is extreme in cities like New York, Boston, San Francisco, and Los Angeles, but similar dynamics play out in other cities.

## **Lack of Housing Reduces Productivity**

The competition for limited housing units pushes job-seekers away from centers of economic activity. Ganong and Shoag (2013) find that over the past 30 years the flow of less-skilled workers to cities that offer high-paying jobs and opportunity has greatly declined as a result of prohibitively expensive housing. Hsieh and Moretti (2015) chronicle how the US economy suffers as a result of the insufficient supply of housing in high-cost cities. Their analysis estimates how land-use restrictions have shaped economic growth over the past 50 years. Examining the contribution of 220 metropolitan areas (metros) to economic growth, Hsieh and Moretti find that if workers were able to freely move to metros with more robust economies, the US economy would have grown 0.3 percent more a year from 1964 to 2009. This amounts to nearly \$2 trillion more in economic gain and an annual wage increase of \$8,775 for the average worker. Hsieh and Moretti also find that the fast productivity growth in New York, San Francisco, and San Jose increased local housing prices and local wages, but employment did not expand accordingly. As Richard Florida sums up, “Instead of fueling productivity and growth, too much of America’s urban economic power is simply being wasted on higher housing bills.”<sup>1</sup>

While Hsieh and Moretti speak to the effects of inadequate housing supply on the US economy as a whole, research says little about how much an insufficient supply of housing affects the economic growth and competitiveness of individual jurisdictions. High housing costs have been associated with declines in employment and income and a loss of population (Glaeser 2006). Regulations that reduce housing supply have a substantial impact on housing and labor market dynamics (Glaeser, Gyourko, and Saks 2005). Focusing on the Massachusetts economy, Bluestone recommends that “increasing the supply of housing to reduce price appreciation and ... developing affordable housing for young working families may be the best economic development strategy the state could undertake” (2006, 30).

Although housing starts average only 2.2 percent of housing stock (Mayer and Somerville 2000), a region’s ability to respond to increased demand for housing from labor demands or income shocks through the construction of new units is important to its economic well-being (Saks 2005). Income inequality is reinforced when low-income households, who might benefit most from moving, cannot afford to relocate to high-productivity areas (Furman 2015).

Analysis by Taylor (2016) suggests expanding the supply of market-rate housing is necessary to reduce displacement and alleviate rent burdens for residents of all income levels. In contrast, an analysis by New York City’s comptroller (Stringer 2015) finds that the city’s efforts to spur more affordable housing construction would inadvertently displace tens of thousands of families and worsen the affordability crisis. Both pieces highlight the ongoing debate among scholars and policymakers about whether the construction of market-rate housing, especially higher-end luxury condos, drives rents up or down. Moretti firmly believes that “on net, adding more units tends to lower rents.”<sup>2</sup> Yet many practitioners in high-cost cities don’t see such a theory playing out on the ground. Market-rate homes traditionally become affordable as they age, but in gentrifying neighborhoods developers are instead buying them and producing higher-end units. Gentrifying prevents the traditional filtering process from creating housing affordable for low- and middle-income families.

## **Expensive Housing Forces People to Make Trade-Offs**

Though research remains directional on the macro effects of limited housing supply, evidence is more conclusive on the detrimental effects of high housing costs on individuals. Quality, affordable, and stable housing is central to the well-being of families and individuals. Housing plays a critical role in people’s lives; it serves as a major consumption item, acts as a key source of stability and safety, and anchors people in places where they can pursue education or employment opportunities.

Yet many individuals must make trade-offs when housing is unaffordable. People may choose to spend a greater share of household income on housing, live in more crowded housing, commute farther to work, or live and work in other areas altogether (Taylor 2015).

Families living in unaffordable housing reduce their spending on other necessities and are more vulnerable to economic shocks. Homeownership can be a buffer against material hardship and is an important way to accumulate wealth (Lerman and Zhang 2014), but the high cost of housing has forced

many people to delay homeownership or forgo it entirely. In this light, high housing costs could reinforce and deepen existing inequalities (Rognlie 2015).

Many middle- and low-income people are forced to the outskirts of high-cost cities, far from job locations and often in neighborhoods with fewer resources and opportunities. Longer commutes harm the economic and general well-being of individuals and impose more traffic, congestion, air pollution, and infrastructure maintenance costs on society at large.

These national trends are evident in the DC region, where housing costs have accelerated in the past 25 years and the share of mega-commuters—people who travel at least 90 minutes and at least 50 miles, one way, to work—is among the highest in the country (Rapino and Fields 2013). We use the DC region to examine barriers to increasing housing supply and opportunities to surmount these challenges. We first provide background on the housing market and demographics of the region then outline the barriers, challenges, and opportunities as informed by interviews with experts involved in housing and development in the District of Columbia and Arlington, Fairfax, and Montgomery Counties.

## DC Region Case Study

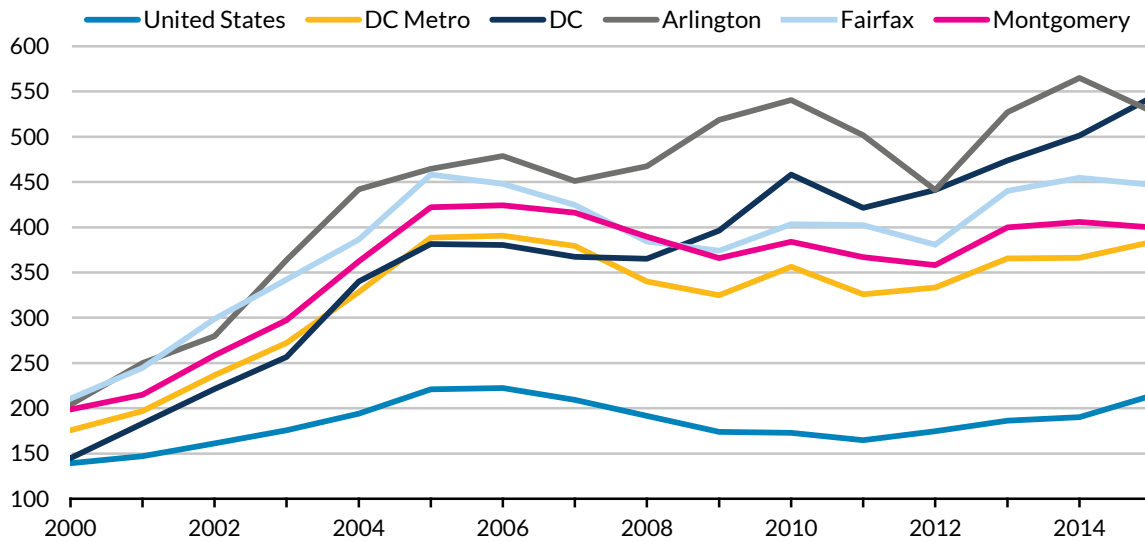
### Insufficient Housing Supply

The Washington, DC, region is one of the most expensive places in the country to own and rent property.<sup>3</sup> The median house price in the region was \$372,500 in 2013, compared with the national median price of \$175,700. Similarly, rents were \$1,481 regionally compared with \$905 nationally.<sup>4</sup> Since 2000, the average year-end sale price of a home in the United States has increased 53 percent, compared with 118 percent in the DC region and as much as 275 percent in the District (figure 1). With high housing costs, low- and even moderate-income residents experience housing cost burdens. More than 33 percent of households in the DC region pay more than 30 percent of their income on housing. When looking just at renters, that share increases to 46 percent, with over 22 percent of households putting more than half their income toward rent (JCHS 2015).

FIGURE 1

### DC Region Home Values Outpace Nation

Median end-of-year sale prices (in thousands of dollars), all homes, by jurisdiction



Source: Zillow.

The DC region is a high-productivity area, ranked in the top 10 of metropolitan areas for gross domestic product in 2014 (Bureau of Economic Analysis 2015). Thus, the potential loss in productivity identified by Hsieh and Moretti could be harming individuals, jurisdictions, the region, and the country. To better understand the experiences of a high-cost region, we conducted a case study on the DC region. We recognize housing and employment markets are regional. However, a detailed study of over a dozen counties and a half-dozen cities in three states and the District of Columbia is beyond the scope of this project. Since our goal is to identify opportunities to increase housing supply, we selected four jurisdictions. We used a “density and dollars” approach, applying the criteria in box 1.

#### BOX 1

##### Criteria to Identify Jurisdictions

- Suffer from high housing costs
- Are built up with high housing density
- Have the greatest projected housing demand over the next decade
- Are projected to generate a considerable number of jobs over the next decade
- Represent differing state environments and local governance structures
- Use a range of tools to produce affordable housing

The District of Columbia and the counties of Arlington, Fairfax, and Montgomery are the most expensive jurisdictions in the DC region for housing (table 1). Various factors contribute to the high home values in these localities, including good schools and access to Metro. These jurisdictions are some of the most desirable places to live not only in the region but in the country, as reflected in their high price tags. They are also where future jobs will be: in 2023, 57 percent of the projected 777,000 new jobs in the DC area will be in these four jurisdictions (Chapman 2015). The selected jurisdictions are shown in figure 2.

TABLE 1

**Median Home Value and Median Monthly Rent, by Jurisdiction, 2013**

*Metropolitan Washington Council of Government member counties and DC*

	<b>Jurisdiction</b>	<b>Median home value</b>	<b>Median monthly rent</b>
1	Arlington County, Virginia	\$584,600	\$1,733
2	Fairfax County, Virginia	\$476,600	\$1,687
3	Montgomery County, Maryland	\$446,300	\$1,568
4	District of Columbia, District of Columbia	\$445,200	\$1,242
5	Loudoun County, Virginia	\$437,700	\$1,654
6	Prince William County, Virginia	\$321,400	\$1,477
7	Frederick County, Maryland	\$307,000	\$1,243
8	Charles County, Maryland	\$297,900	\$1,463
9	Prince George's County, Maryland	\$269,800	\$1,241

Source: US Census Bureau, American Community Survey, 2009–13.

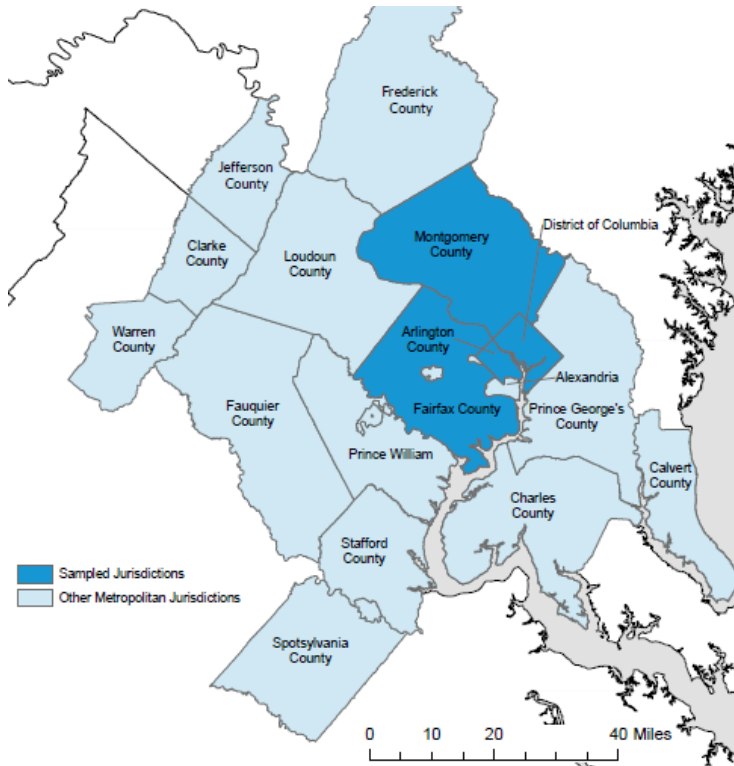
Various factors have helped drive up housing prices in the DC region. Most fundamentally, the shortage of buildable land has limited development options and slowed housing production. Arlington County is only 26 square miles. At 68 square miles, the District has little land that isn't developed or owned by the federal government, and the height limitation inhibits efforts to increase density. Fairfax and Montgomery Counties, much larger areas, have made policy decisions that reduce available land. Fairfax has identified a mere 10 percent of its land for higher-density development, and Montgomery County has a significant amount of land designated as agricultural reserve.

At the same time, ongoing population growth in the region, fueled by millennials and recovery from the federal budget sequester, has created a clear and present need for housing units. The District has continued to add residents since 2000, reversing five decades of decline; over the past 15 years the region has absorbed over 830,000 residents.<sup>5</sup>

After the housing boom in the early 2000s, regional housing production plummeted with the onset of the Great Recession in 2008. Today, some evidence points to supply increasing in response to demand, particularly within the District. The city issued just under 5,000 housing permits in 2015, the most since the Census began tracking the statistic at the beginning of the 1980s. Those 5,000 permits equate to 7.5 per 1,000 District residents, putting the city permitting on par with Boston and ahead of New York, San Francisco, Los Angeles, and Portland.<sup>6</sup>

FIGURE 2

The Case Study Explores Washington, DC, and Arlington, Fairfax, and Montgomery Counties



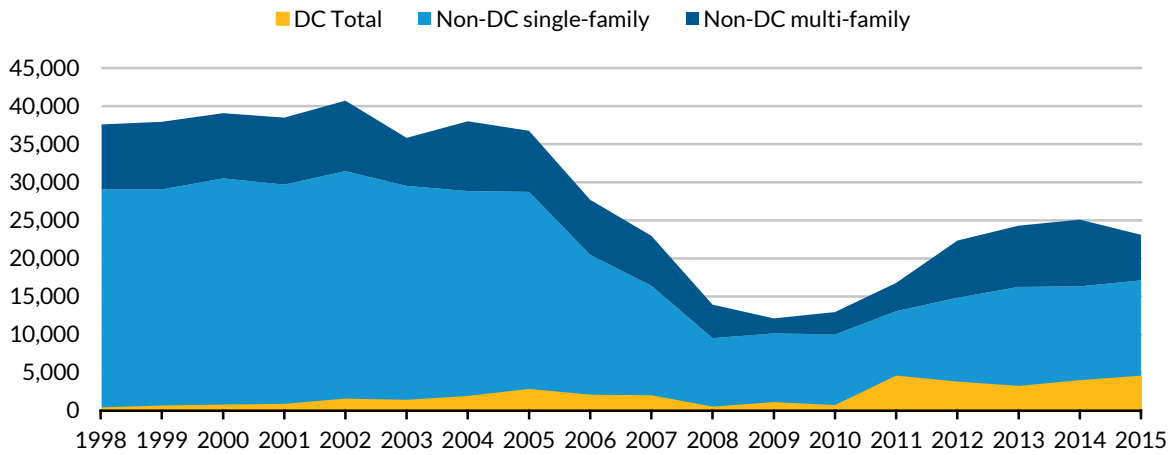
Source: 2010 Census TIGER files.

Outside the District, the overarching narrative continues to be limited supply and large demand. While the District has doubled its housing permitting since the start of the recession, the rest of the region lags far behind for both single- and multifamily units (figure 3). The region's issuance of building permits over the last four years is lagging behind pre-recession levels (2003–07) by over 30 percent. Meanwhile, the regional population has continued to grow, raising concerns that the region does not have sufficient new construction to meet the need.

FIGURE 3

### Construction in DC Outpaces the Rest of the Region

Units issued building permits, 1998–2015



Source: US Census Annual Permits by Metropolitan Area, DC Office of Planning.

Notes: 2015 annualized production through September. Single-family totals include units in buildings with up to four units.

While supply has increased in the District, new construction has consisted primarily of high-end luxury apartments, failing to directly address the need for affordable housing. From 2005 to 2012, the number of rental units available for over \$1,500 a month doubled in the District, while the number of units priced under \$800 nearly halved. Housing costs have increased faster than incomes in the DC region,<sup>7</sup> making many mid- to high-market units out of reach for large swaths of the population.

The DC region has seen a significant shift in where new residential development is taking place. In the early 1990s, more than half of all new residential construction took place in the inner suburbs of Fairfax, Montgomery, and Prince George’s Counties, while the region’s inner core of DC, Arlington County, and Alexandria accounted for less than 5 percent of all residential permits. Over time, distant suburbs have captured greater shares of construction, but building activity in the inner core has skyrocketed as well. The share of residential building activity in DC, Arlington County, and Alexandria stands at nearly 40 percent today (Sturtevant 2015).

### Future Demand

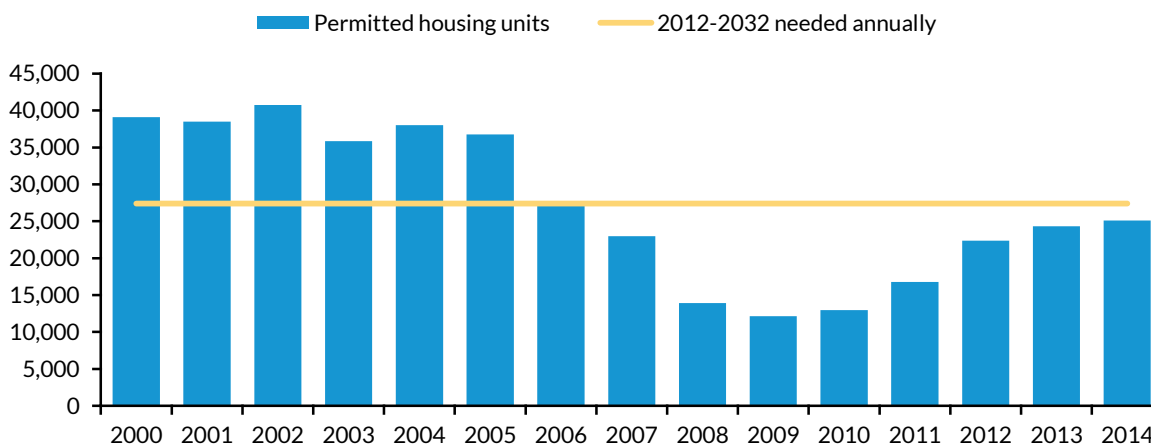
Sturtevant and Chapman (2013) predict that if every jurisdiction in the DC region is to provide enough housing for its future workforce over the next two decades, the entire metropolitan statistical area will need to add 548,298 housing units between 2012 and 2032. This averages out to 27,415 housing units per year. That level of production has not been seen in the DC region since 2006 (figure 4). The region needs to not only produce and maintain that level of production moving forward but also make up for the deficit it continues to run yearly.



FIGURE 4

**DC Region Must Ramp Up Housing Production to Meet Future Demand**

*Annual building permits issued, DC metropolitan statistical area, and projected annual future need*



Sources: US Census Annual Permits by Metropolitan Area, DC Office of Planning; Sturtevant and Chapman (2013).

All jurisdictions in the DC region need to produce more housing. From 2012 to 2032, the area needs to build more than 344,000 single-family units and more than 203,000 multifamily units (table 2). When examining housing production by jurisdiction, even the District’s historically high permitting of 4,956 units in 2015 falls short of the 5,262-unit floor needed to meet future demand. As construction remains sluggish in surrounding jurisdictions, meeting future need becomes all the more difficult.

TABLE 2

**To Meet Projected Need, All Jurisdictions Need More Production**

*Future housing demand, 2012 to 2032, by jurisdiction*

Jurisdiction	Total units needed	Single-family	Multifamily	Units needed per year
<b>Washington, DC MSA</b>	<b>548,298</b>	<b>344,624</b>	<b>203,675</b>	<b>27,415</b>
District of Columbia	105,240	38,012	67,229	5,262
Arlington County	19,717	6,546	13,171	986
Fairfax County	83,069	62,095	20,974	4,153
Montgomery County	83,829	51,316	32,514	4,191
Rest of MSA	256,443	186,655	69,787	12,822

Source: Sturtevant and Chapman (2013).

This projected population growth will place additional upward pressure on the area’s housing costs. The Metropolitan Washington Council of Governments (MWCOG) projects that its 22 member jurisdictions will gain over 2 million people by 2040 (Goodwin 2015), and the Urban Institute estimates the DC region’s population will grow by nearly 38 percent over the next two decades (to approximately

2.1 million people),<sup>8</sup> compared with only 6.5 percent growth in Philadelphia, 7.4 percent in New York, and 7.5 percent in Boston.

Housing the region’s new workforce will require a shift in the type of housing unit produced as the demographic shifts and changing preferences result in residents who demand more multifamily housing, smaller housing, and rental housing (Sturtevant and Chapman 2013). For the region to attract and accommodate these new residents, it must provide a diversity of housing options that meet the needs of all its residents: renters and owners, high income and low income.

## Demographic Change Fueling Changes in Housing Need

The demographics of the DC region are changing dramatically and in a myriad of ways. A younger, more racially and ethnically diverse workforce will impact the type, location, and price point of housing required in the future.

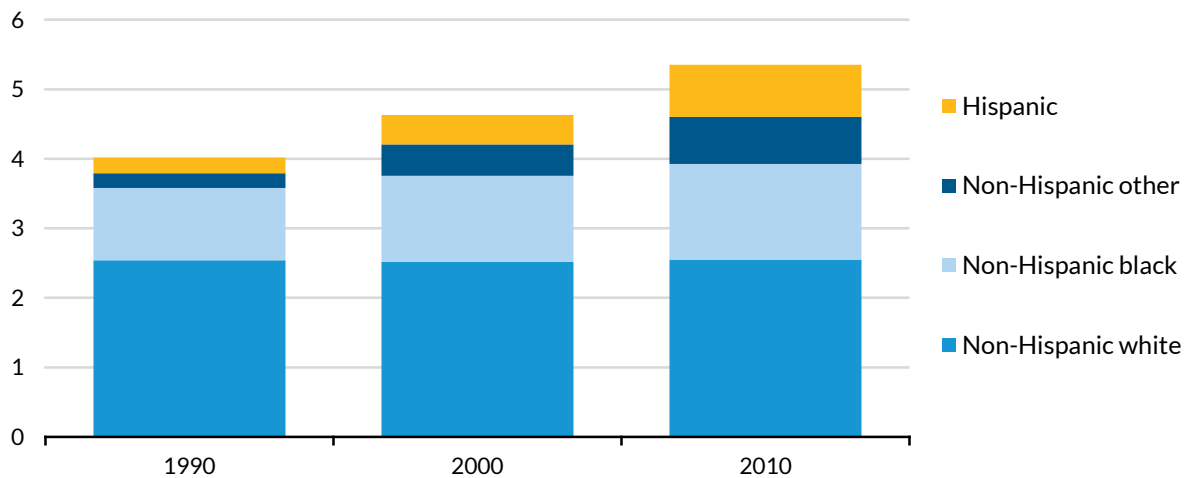
### ETHNIC DIVERSITY

Between 1990 and 2010, the population of the DC region grew from 4.0 million to over 5.3 million. The non-Hispanic white population did not grow, while all other groups did, with Hispanics and non-Hispanics of other races more than tripling (figure 5).<sup>9</sup>

FIGURE 5

### DC Region’s Recent Growth Entirely Composed of Hispanics and Nonwhites

*Population by race and ethnicity (millions)*



Sources: US Census, Decennial Censuses of Population and Housing, calculated for the DC commuting zone.

### INCOMING: YOUNG ADULTS

At the most simple level, the bulk of the growth in any region’s housing demand occurs when children in a metropolitan area age and form their own households. People begin entering housing markets as early as their late teens, a process that usually picks up when they enter their early 20s usually as renters; the

late 20s and 30s are prime years for transitioning into homeownership, often accompanying marriage and childbearing (Clark and Dieleman 1996). The recession has slowed this process, and the trend in the DC area has been changing with the growth of Hispanic and Asian families whose children remain at home for longer on average than do non-Hispanic whites and blacks (Goodman, Pendall, and Zhu 2015). The DC area also is a destination for people moving from other regions. Even here, however, the new arrivals account for only about a quarter of those in their 20s.

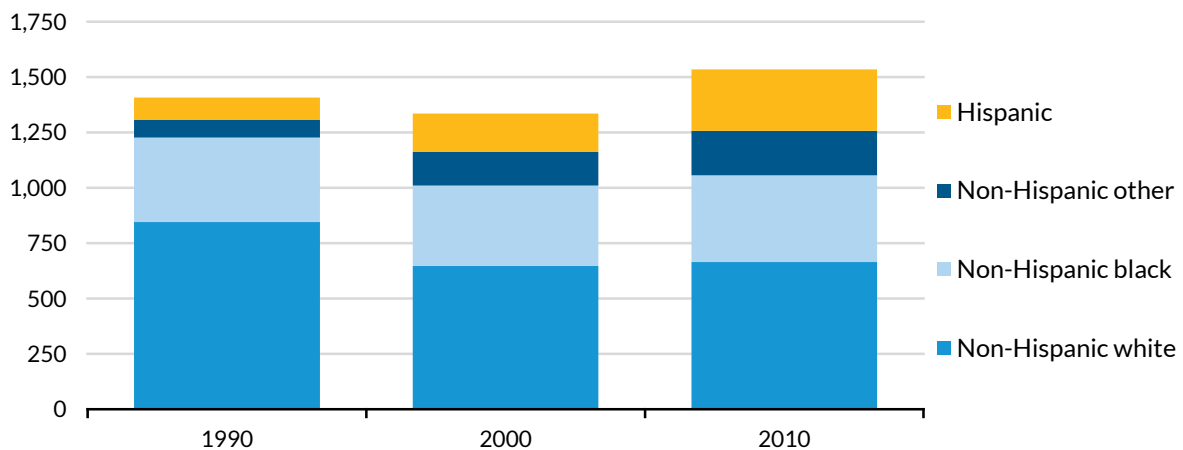
In 2010, millennials surpassed baby boomers as the largest demographic cohort in the history of the United States (Fry 2015). While the United States on the whole is aging, the DC region is doing so to a lesser degree, and jurisdictions like the District and Arlington are getting younger. The District now has a higher percentage of millennials than any other major US city: millennials make up 35 percent of the population, compared with 23 percent nationwide.<sup>10</sup> The median age of District residents decreased 0.9 years over the past 15 years, while it rose 2.1 years nationwide.<sup>11</sup>

Millennials matter to the housing market now because they constitute the majority of those in their prime years for household formation and homeownership growth. The number of people ages 15 to 34 dropped in the 1990s, when the baby boomers were aging out of this group and being followed by the smaller generation X (figure 6). Entry-level housing and rentals became more affordable during this period. But since 2000, the situation has reversed, with very rapid growth in this age group because millennials who already lived in the region grew older and the DC region attracted incoming millennials.

**FIGURE 6**

**Minorities Fueling the Surge in the DC Region’s 15- to 34-Year-Old Population**

*Thousands*



**Source:** US Census, Decennial Censuses of Population and Housing, calculated for the DC commuting zone.

Though non-Hispanic whites dominate popular characterizations of millennials, they accounted for only 43 percent of the 15- to 34-year-olds in the DC region in 2010, down from 60 percent 20 years earlier. Blacks, non-Hispanics of other races, and especially Hispanics made up most of the surge in the region’s 15- to 34-year-olds.

The District and the “inner” jurisdictions on which we focus offer several advantages over the “outer” counties that encourage households with means to prefer them, bid up their housing prices, and support land-use plans and regulations that reduce permitted residential density and increase costs. Current preferences among many workers—but especially millennials—for walkable, transit-accessible workplaces have allowed the District to sustain its employment even as auto-oriented job centers have scrambled to reposition themselves to recover market share. School choice and universal prekindergarten make staying in the District conceivable for young adults who two decades ago would have thought a suburban move was inevitable.

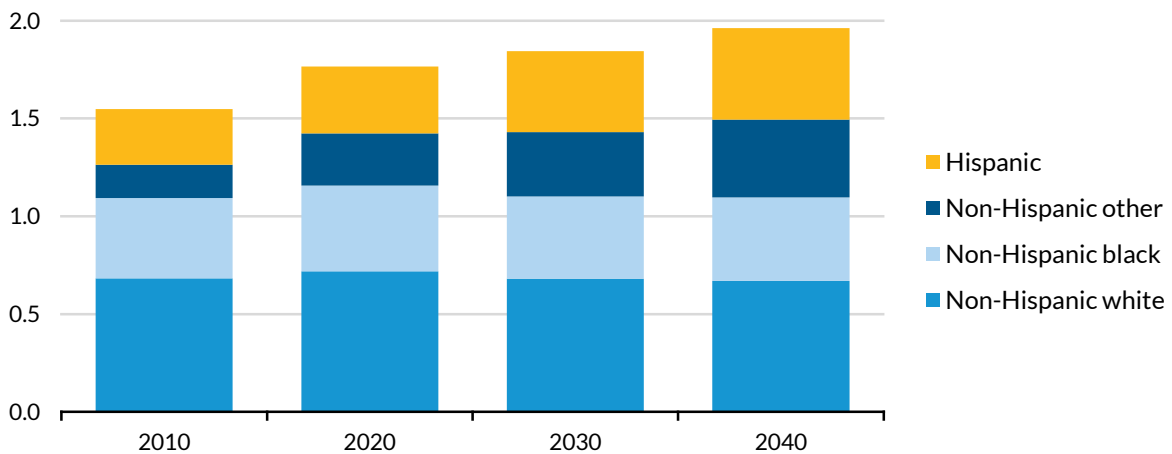
Most young families, however, choose to live in the suburbs because the lower housing cost and high-quality schools offer a balance they prefer. The challenge arises, however, when they need to move to less advantageous outer suburbs where they drive longer distances to work and shop, housing values appreciate less, and schools aren’t as good as in the constrained suburbs.

What about the future? The Urban Institute’s Mapping America’s Futures project, which examines growth scenarios, suggests that the number of people ages 15 to 34 in the DC region will grow from 1.5 million to almost 2.0 million from 2010 to 2040, reflecting the assumptions that young people will continue to migrate to DC and that today’s diverse young adults will continue to have children who decide to stay in the region (figure 7). Most of the growth will consist of Hispanics, Asians, and non-Hispanics of multiple races, as the numbers of non-Hispanic blacks and whites peak at around 420,000 and 720,000, respectively, in 2020.

FIGURE 7

**Young Adults Will Continue to Grow, Add Diversity to the DC Region**

*Projected population of 15–34-year-olds (millions)*



Source: US Census, Decennial Censuses of Population and Housing, calculated for the DC commuting zone.

## OUTGOING: OLDER ADULTS

Adults ages 65 and older account for 10 percent of the DC region, with a population of about 534,000 in 2010. Urban Institute projections suggest that this number will grow to over 830,000 by 2020, 1.2 million in 2030, and 1.4 million in 2040.

Few of these older adults will move. On average, only about 6 percent of older adults move over the course of a year nationwide. Those who remain in their longtime homes may want to refurbish them for comfort, safety, and energy-efficiency. They may need or want to rely on their houses as a source of retirement income. As the number of older adults increases, a greater number of movers will be seniors than at present. This may lead to an increase in the number of older adults who would prefer—and may have the means—to live in the central part of the region.

On net, though, older adults do not constitute a source of demand for housing. Rather, attrition through mortality reduces the number of households who begin a decade in their 50s or older over the following decade. This means that while baby boomers are at this moment fueling a very big increase in the DC region's senior-headed households, they are already starting to fuel an increase in the number of homes vacated because of mortality. This trend will accelerate for the next two decades. Since a disproportionate share of the region's older residents live in the constrained inner jurisdictions, the attrition could represent an excellent opportunity to rejuvenate, diversify, and densify many neighborhoods that offer outstanding opportunity to young households. As with millennials and other residents, the baby boomers' decisions will depend in part on the choice set the jurisdictions provide.

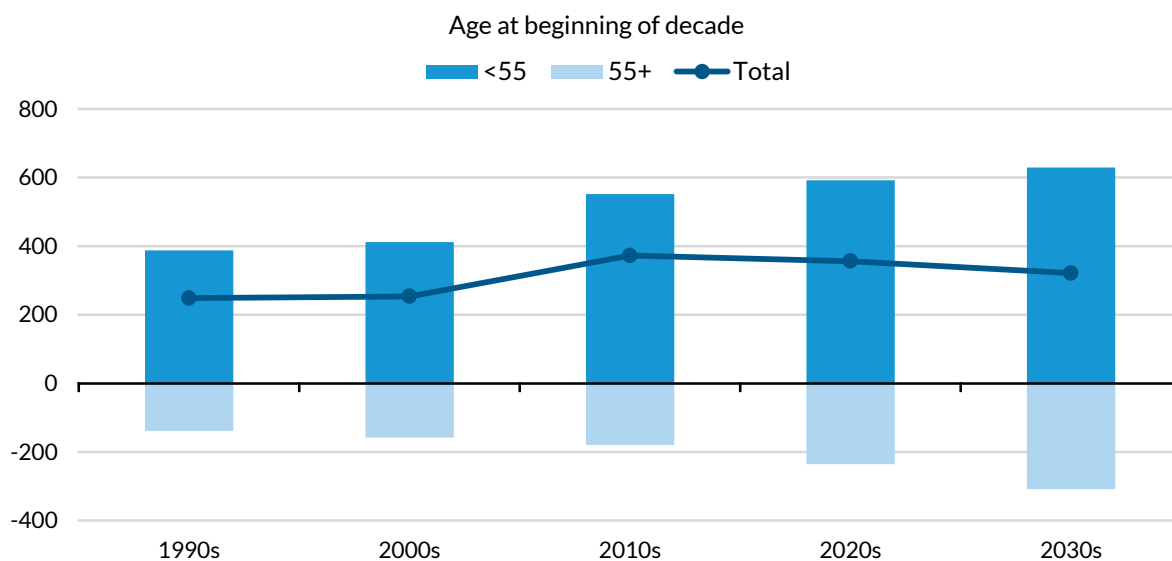
## ADDING IT UP: COHORTS AND HOUSING TRENDS

Our projections suggest that the DC area has a large amount of potential growth in housing demand, largely driven by the large number of young Hispanic and Asian people in the region already. These residents have children at higher rates than non-Hispanic whites and blacks partly because they are younger and partly because Hispanics have relatively high birth rates. Their concentration in the DC area will likely attract other coethnics. The incoming cohorts (those headed by a person younger than 55 at the beginning of the decade) are expected to increase from just over 400,000 in the 2000s to over 550,000 in the 2010s, 590,000 in the 2020s, and 630,000 in the 2030s (figure 8).

FIGURE 8

### Growth in Households: Surging Young Population Will Fuel Continued Housing Demand despite Attrition of Baby Boomers

Cohort change over decade (thousands)



Source: US Census, Decennial Censuses of Population and Housing, and Urban Institute projections using Mapping America's Futures, calculated for the DC commuting zone.

Attrition will diminish the demand for housing, but the growing tendency of older adults to remain in their own homes is likely to smooth the supply of housing from attrition. The number of older adults will decline by about 180,000 in the 2010s, 235,000 in the 2020s, and 308,000 in the 2030s. Not all this attrition will occur in parts of the region where incoming households want to live, but much of it will.

In light of these demographic changes, continued strong demand, and the relative advantages of increasing housing in the region's most constrained locations, policymakers and decisionmakers need to provide housing options and financing tools that support urban lifestyles, suburban town centers, aging in place, and other urban forms. Pursuing promising strategies to adequately meet the housing needs of millennials, baby boomers, and the rest of the DC region's population will require decision-makers to overcoming various challenges and barriers, which the rest of this brief investigates.

## Barriers, Challenges, and Opportunities

A vast literature examines regulatory barriers to development (e.g., Advisory Commission on Regulatory Barriers to Affordable Housing 1991; Quigley and Rosenthal 2005) with a smaller set looking at community opposition (e.g., Babcock 1969; Lowry and Ferguson 1992; Pendall 1999). An evolving body of work explores mechanisms for reducing development costs and producing affordable

housing (e.g., Hickey and Sturtevant 2015; Jakobovics et al. 2014). And work is being done to better build support for housing, creating toolkits and identifying best practices.<sup>12</sup>

Our task was to reach beyond the literature to learn from the experiences of experts in the DC region about the barriers, challenges, and opportunities to addressing the region’s need for more housing across the income spectrum. We interviewed 33 people during a three-month exploratory phase and then hosted a small, day-long roundtable discussion to test the ideas and themes that interviewees raised. Our goal during the interview phase was to talk to an elected official, planning commissioner, and staff member from the housing, planning, and economic development departments in each jurisdiction. We also sought to interview two of the largest private employers in each jurisdiction. We reached out to advocates, trade associations, philanthropy, and researchers (“other”). We chose to not focus on developers, speaking to a few who operated in multiple jurisdictions in the DC region and brought additional perspectives to the conversation. Table 3 shows the breakdown of the people with whom we originally spoke.<sup>13</sup> The roundtable discussion was attended by key stakeholders and decisionmakers from the DC region, including a subset of our interviewees.

**TABLE 3**  
**Number of Interviewees by Type and Jurisdiction**

Type	Arlington	District	Fairfax	Montgomery	Multiple	Total
Government	4	6	4	3		17
Employer					3	3
Developer					3	3
Other					10	10

Source: Authors’ analysis of interviews.

The following discussion draws from our interviews and roundtable discussion. While many barriers and interventions were place-specific, themes emerged that could be applicable beyond the region.

### The DC Region Needs More Housing to Reduce Price Pressures

Interviewees and convening participants generally agreed that “greater housing supply is necessary but not sufficient” (23) in the DC region. A few DC experts thought that the District was keeping up with demand, although the suburban jurisdictions were not. As one person explained, “If you track median sales price with area median income and purchasing power, it shows supply is keeping up in DC.” Many interviewees noted that, regardless of supply, cost would remain a challenge (22), with pressure on existing stock “as bad as ever” as naturally occurring affordable housing is “getting swept up across the region” (18). Discussions of supply invariably touched on affordability. More specifically, as one discussion participant phrased it, “supply for whom and to what end?”

The hard costs of construction and land make new housing expensive (4). Except at the top of the market, the price of land per unit wipes out projects that have any rent constraints (18). As new housing

is built, the rents don't cover operating expenses; subsidies are needed to fill the gap (13). Several people mentioned the government's inability to provide enough subsidies to meet low-income households' housing needs. Current solutions to affordability were not seen as scalable. Some questioned whether "we have a housing problem or an income problem" and why we subsidize housing rather than increasing income (9).

Another stream of comments focused on the need for sufficient political will to tackle the issue. The strongest statement of this issue was, "We are having million-dollar conversations about billion-dollar problems" (7). Interviewees saw the common response that the jurisdictions don't have money as a choice to not prioritize affordable housing (12). Lack of leadership and vision, cited by several people, may be related to this unwillingness to bring bold thinking to address unmet housing needs.

In addition to building more housing, preservation of existing housing is considered critical, since we "can't build out of the hole, production of new supply is not sufficient" (9). Not enough housing is being produced to replace the units that are being lost (18); preservation is cheaper, and it supports mixed-income neighborhoods (12). The convening added more texture to this issue, with participants noting that the scarcity of land made preservation even more important and asking how to balance preservation with densification. For example, if you replace affordable garden apartments with a project that has more units, the affordable units produced through inclusionary zoning are unlikely to have offset the lost garden apartments. Areas opened up to rezoning put naturally occurring affordable housing at risk. Could other ways of adapting current supply increase housing supply?

With Hsieh and Moretti's findings in mind, we asked interviewees about the role of housing in local economic competitiveness. Though most interviewees viewed having sufficient housing across income ranges as important to economic competitiveness, they felt a clear analysis was needed on housing costs' impact on competitiveness. As one person explained, "We have plenty of data, but you need to cut the data in a way that connects the dots" (7). People discussed the need for more analysis on why development is important to the health of the jurisdiction (1) and why having residents across a range of incomes is beneficial (31). One recommendation was for research linking land use and transportation to the future economic condition of the county (e.g., tax base, services), research that brings it down from the 50,000-foot view (29).

## **Barriers to Meeting the Region's Housing Needs**

Interviewees identified various barriers that contribute to the insufficient supply of housing. Limited availability of land was posited in each jurisdiction. Montgomery County estimates it has about 28,800 acres where development should be encouraged; over 47 percent of the county is agricultural reserve and parks and only 4 percent is undeveloped (MCPD 2009). Fairfax has identified 10 percent of its land as available for higher-density development (20). Much of the land in DC is owned by the federal government or set aside as parks. Supply in DC is further constrained by the height limitation (18).<sup>14</sup> Arlington is trying to accommodate more people in its fixed amount of space (13). Absent major policy changes, the limited developable land means building with greater density to meet population growth.



## COMMUNITY OPPOSITION

The most commonly discussed barrier was community reluctance to support higher-density development. Resident opposition to new developments, particularly when they bring increased residential density, is well established in the literature (e.g., Lowry and Ferguson 1992; Pendall 1999). Fischel (2005) explains why the “homevoter” will go to great efforts to protect his greatest investment, his home, from perceived threats to property values.

---

*“We have limited land for residential development, the regulations make approvals difficult, and public participation makes it even harder” (14).*

---

This phenomenon is evident in the DC region: residents in established single-family neighborhoods in each of the four jurisdictions oppose new development, whether from resistance to change, fears, or “the prejudice of the day” (2). People are like “Jekyll and Hyde,” supporting affordable housing until it is going to be located in their own neighborhood (20). A developer explained, “Existing residents are voters, and they fear traffic, lower-income people, schools getting crowded; they fear change and its impact on their community.” A roundtable participant noted a significant stigma in the United States when it comes to being poor and living around low-income individuals; until we find ways to have frank conversations about this stigma, progress would not happen. This recognition of resident fears was reiterated across jurisdictions from a range of respondents.

In addition to homeowners protecting their property values, opposition comes from long-time residents who fear being pushed out of their neighborhoods as redevelopment raises housing costs, particularly for renters (12). The opposition is greatest when developers and planners seek greater density in established neighborhoods, particularly suburban communities that residents don’t want to become urban (27). Often residents won’t support even mild densification, citing concerns about preserving neighborhood character (6). One person noted that efforts to affirmatively further fair housing will require building affordable housing in neighborhoods with significant resistance, which could add years to a project (18).

Community opposition creates significant barriers to development. Local elected officials need to be responsive to their constituents’ concerns if they want to be reelected. Additionally, community opposition adds real costs to development under current approval procedures. These costs include extra years before the project is approved; fees for attorneys, studies, and hearings; and concessions of reduced density, more amenities, and other commitments (18).

## SCHOOLS

Community resistance to increased density often reflects concerns of overcrowding local schools, according to interviewees from each jurisdiction. This issue has been particularly salient in the past few

years. Schools in many jurisdictions are over capacity. The increase in students results mostly from a new generation of children in existing single-family housing, not from new multifamily developments. Many schools were closed decades ago when enrollment was extremely low, and the remaining schools have insufficient capacity to serve growth as neighborhoods experience a new cycle of families. In addition, children attending private schools moved to public schools during the financial crisis. Meanwhile, standards have changed: a school that could accommodate 900 students in the past is now considered appropriate for 730 (2). As an interviewee noted, it is hard to plan when the rules change. Nevertheless, residents fear crowded schools and associate higher-density development with additional students.

In addition to educating residents about the facts—that the new development is not responsible for the influx of students—interviewees noted the need to rethink school buildings. Large 30- to 60-acre lots are no longer available, requiring innovation; “we need to consider smaller sites, reusing buildings, and policy changes” (8). New approaches will require better coordination among the housing, planning, and transportation folks to provide for services, schools and infrastructure (13). County staff members expect the adjustment will be difficult for residents, with one warning of a “future battle looming” as residents fail to moderate their expectations (32).

Another interviewee saw residents’ commitment to high-quality schools as an opportunity to build more acceptance of affordable housing and resident diversity. By tapping into people’s core values of their community (and country) as a place of opportunity and economic mobility, one could show them maps of who has access to quality schools and how that relates to going to college (28). The need for school funding, for both construction and operations, could also be used to support the argument for growing the tax base through additional density to provide the needed resources (31).

## OTHER BARRIERS

Another barrier to greater housing supply was the current financing environment, particularly the lack of capital and the difficulty in attracting private equity. “Capital has in mind what it wants to invest in” (18). The roundtable discussion fleshed this out as developers clarified that, “Capital plays a huge role. It’s not the developer’s sole decision; the investor runs the deal.” For example, pension plans invest in real estate and expect it to outperform other sectors. They want both yield and product diversification within their real estate investments. Capital is fluid; thus, DC is competing with other regions for the residential investment dollars.

A related issue is construction costs. Many construction subcontractors (e.g., plumbers, electricians) were hard hit by the recession and had to lay off crews. With a much smaller staff, a reluctance to rebuild too quickly, and efforts to recoup their losses from the recession, subcontractors are taking the opportunity to make up the margins, which increases construction costs.

Interviewees noted the need for a “better financing structure” that would support affordable housing (22). Related comments noted the lack of incentives to developers to build middle-income housing (11). Again, the convening provided more details. Participants explained that developers build the most expensive units they can to maximize their profit. This results in a lack of starter homes.

Additionally, if investors and policymakers have a choice to build for low-income or middle-income residents, they will choose middle income. Race is part of this equation, though it is rarely voiced.

Developers and elected officials we interviewed also mentioned the regulatory environment. We did not probe this issue and do not focus on it since a substantial body of work has explored the relationship between different aspects of land-use regulation and housing supply (e.g., Gyourko and Molloy 2015). A detailed assessment of the District’s affordable housing needs included recommendations related to the regulatory environment and funding (Tatian et al. 2015).

Two categories of barriers were not raised by interviewees: the role of state fiscal incentives and whether the jurisdiction had sufficient infrastructure (other than schools) to support greater density. These omissions may be an artifact of the interview protocol making them less salient. Since these are areas where state policy can make a significant difference in outcomes, they deserve further examination in future work despite their absence from our discussions.

## Promising Strategies to Increase Housing Supply in Low- and High-Density Places

The interviews consistently conveyed that elected officials and planning staff in the jurisdictions respect the low-density character of many of their single-family neighborhoods and are not going to pursue creating significantly higher density there: we are “not bulldozing existing, stable single-family neighborhoods for higher density” (8). With elected officials, staff, and residents in many jurisdictions reluctant to change the character of single-family neighborhoods, accommodating new growth will require increasing density in already dense areas and increasing infill. Accordingly, we group the following strategies into two categories: those for existing high-density areas and those for low-density single-family neighborhoods.

### STRATEGIES FOR HIGH-DENSITY AREAS

As an Arlington participant explained, it makes more sense to invest in corridors with decent transportation and put density there rather than trying to make single-family neighborhoods accessible. Similar comments were made about Fairfax. This is consistent with the sentiment expressed during the roundtable that when we talk of supply, we need to be thinking in terms of creating livable places connected to jobs, not solely housing units. It is easier to provide infrastructure in concentrated areas (20). Increasing density often provides the needed incentive for reinvestment. It also can give the jurisdiction an opportunity to capture value (5). High-density development is seen as providing greater opportunity for affordable units as well as enabling the jurisdiction to grow its tax base.

**New neighborhoods.** Several models are available for high-density development. One is creating new residential neighborhoods at underused land near Metro stations. DC’s NOMA neighborhood is a good example. An area previously known for the Greyhound bus station, it is now a vibrant community with about 4,000 housing units, 358,000 square feet of retail, and more residential and commercial development in the pipeline. Other areas in DC are poised for redevelopment, such as the former Walter Reed Hospital site, Saint Elizabeth’s East Campus, and part of the McMillan Reservoir site. Similarly, Merrifield, an “industrial suburban crossroads” in Fairfax,<sup>15</sup> has developed into a mixed-use

town center with 1,000 housing units, a multiplex theatre, 125,000 square feet of office space, and 500,000 square feet of other nonresidential space (OCR 2016). A key benefit of creating new neighborhoods is that existing community opposition is low, and that can make building political will and support for development easier.

**Transportation corridors.** One strategy recommended by several interviewees was continuing to build high-density residential and mixed-use developments along transportation corridors. Building near Metro stations is an explicit target of the Metropolitan Washington Council of Governments' Region Forward vision (MWCOG 2010). This approach recognizes that transportation offers people greater access to jobs, reflects the role of transportation costs in housing affordability, and is likely to limit community opposition. Further, greater density around Metro stations and along transportation corridors can be leveraged to create mixed-income developments to ensure low-income households benefit (19).

Without careful thought and appropriate regulations or policies, creating or improving a transit corridor can raise property values in a low-income community and put current residents at risk of being priced out. "No doubt: when you improve transportation and job connectivity, housing prices increase" (31). This is particularly important as the demand from millennials for transit-oriented development has contributed to premium rents (18). The jurisdiction can benefit by establishing a process that uses the value of the land to subsidize low-income units (4), particularly if the development involves city- or county-owned land or Washington Metropolitan Area Transit Authority-controlled land (19).

Several interviewees emphasized the need to establish mechanisms to protect existing residents. One person noted that concerns about displacement from development around Metro stations reflect a shortage of transit and of high-quality urban places with access to jobs and opportunities (29). He recommended improving transportation networks to better connect affordable neighborhoods to jobs and opportunities, looking beyond Metro and bus corridors. Current transit doesn't always match people's living and work locations, and it is unaffordable for many (21). Many people rely on buses, which are cheaper than Metrorail but also unreliable, leaving people at risk of losing their jobs (1). Several people were concerned about an emphasis on transit-oriented development in a region with unreliable transit (16). A roundtable participant noted smart growth is hard without a reliable public transportation system, and the need for widespread repairs to the Metro this summer only heightens this concern.

**Commercial properties.** Another opportunity is to redevelop surplus shopping centers and office buildings into residential units or mixed-use nodes. Several people noted the high commercial vacancy rates in the region, reflecting employers' shrinking workspace per employee. One interviewee explained that 25 percent of the commercial space in Arlington is empty, as is 20 million square feet of commercial space in Fairfax (27). This option has not been fully embraced, in part because people want to believe commercial tenants will return, sparing residents from having to pay higher property taxes. Another explanation was that converting commercial to residential use comes with a higher square foot rate because a significant number of commercial real estate investors are coupon holders. This conversion approach was also recommended on a larger scale in Montgomery, where industrial parks are being

abandoned. Significant housing could be built if these campuses were developed into mixed-use communities and connected with bus rapid transit or other reliable public transportation.

Commercial development can also be leveraged for residential purposes through linkage fees. Although several interviewees felt this was good policy, they agreed that linkage fees were not feasible in the current environment, with the region's office sector having been hit so hard (28).

**Mixed-use development.** Interviewees view the transition from single use to mixed use positively. In fact, one person noted that “mixing uses is key to success—financial and otherwise” (32). It provides an opportunity to add in affordability. Redevelopment also offers an opportunity to obtain value when a public-private partnership gives benefits to a developer (5). For example, using public land for a mixed-income development can provide the deeper subsidy necessary for affordable units for lower-income households (4). Fairfax's decision to focus growth on transit station areas, urban centers like Tysons Corner, and commercial business centers enabled much higher intensity. The departure from single-use patterns took pressure off low-density residential communities (20).

## STRATEGIES FOR SINGLE-FAMILY NEIGHBORHOODS

With political constraints on increasing density in single-family neighborhoods, what opportunities are available in these locations? Some of these neighborhoods are located near transit and provide access to jobs, great schools, and other high-quality resources. Others are in disconnected subdivisions that would be difficult to retrofit. Both types of single-family neighborhoods are likely to be home to older adults seeking to remain in the community.

Fairfax policymakers considered “neighborhood recycling,” which would involve reassembling land in old subdivisions, decades ago. After trying it in a few situations and finding it “very messy,” they abandoned the strategy (20). Instead, a mild increase in density can be accomplished by more easily permitting accessory dwelling units.

Accessory dwelling units (ADUs), which may be better known as in-law suites, granny flats, or accessory apartments, are additional living quarters on single-family lots. They may be separate buildings or part of the same structure, but they contain a separate living space equipped with a kitchen and bathroom facilities (HUD 2008). ADUs increase density by providing small, more affordable dwelling units. They can bring an additional source of income to a homeowner. They also can enable an older adult to have another person live on site, providing services formally or informally.

The current regulations for ADUs are stringent in the four jurisdictions. One respondent noted they are “not really allowed in DC now” (11), although a convening participant noted that ADUs are a historical form in DC, with English basements in row houses and carriage houses. Whether ADU-friendly changes made to the District's zoning code this January lead to increased density remains to be seen. Rules regarding ADUs are so onerous in Arlington that only about 12 units have been approved (32). Similarly, Fairfax's strict provisions have led to few being built (20).

While ADUs make sense economically, they are likely to continue to be met with significant neighborhood pushback. However, with an aging population in many single-family neighborhoods, older

adults may see ADUs as an opportunity to stay in their homes. This shift in public opinion within an influential political constituency could help build support for changing regulations to better promote ADUs (32). Highlighting the possibility of this shift, one interviewee said that residents who opposed ADUs when they were considered by a jurisdiction 10 years ago are now reconsidering their position since the additional units could help them age in place (31).

To increase supply and address affordability, the jurisdiction could provide a tax break if the unit meets affordability requirements or provide funds to create an ADU in exchange for rent restrictions on the unit. DC's program to help low-income homeowners with historic preservation is a possible model, offering full turnkey services, including the agreements, inspections, and approvals. Some roundtable participants were skeptical that an ADU strategy could actually move the needle on affordability, questioning whether it was "too much bloodshed for the units you get." Others took a more bullish perspective and viewed such units as an important tool, if sufficient communication with neighborhood members occurred.

Single-family neighborhoods pose additional challenges. DC is working to ensure it preserves single-family homes. Pressure to convert row houses to several flats creates the risk of losing single-family homes. In suburban jurisdictions, single-family houses are not being broken up but instead are being torn down and replaced with larger single-family houses. This by-right development also changes the character of the neighborhood. These large homes appear out of place on small lots, and the construction often necessitates the removal of trees (20).

#### **MATCHING SUPPLY AND DEMAND**

One complication of pursuing these strategies is to ensure that the units added to the supply match the demand. Sturtevant and Chapman's (2013) projections note the need for 344,000 single-family homes and 203,000 multifamily homes in the region. Several of our interviewees noted the mismatch between what is built and what residents want. For DC, the issue arose in the context of having a large percentage of single-person households, which is creating some of the pressure to convert row houses to flats (28). While young people and older adults are creating demand for smaller units (requiring some jurisdictions to change their regulations) (5), families' needs for larger apartments are not being met (11). A roundtable participant noted that the focus on demographic changes highlights the needs of millennials and older adults, with insufficient attention to the needs of families. The lack of intergenerational housing was also mentioned (5). We did not explore how much of the mismatch results from zoning and regulations and how much is driven by market considerations, but this is an area for further probing.

#### **EDUCATING THE COMMUNITY**

The interviewees acknowledged that the "risks [residents] perceive are reasonable" (29), requiring developers, planning staff and elected officials to find ways to address residents' concerns. Change, economic development, mixed income communities—these issues need to be communicated to residents in a way that assuages their concerns.

The interviews generated three opportunities for reducing resident resistance to increased density:

- encourage greater engagement by new residents who are more open to higher density,
- educate residents to reduce their fears, and
- strategically introduce higher density.

The changing demographics in the DC region present the opportunity to get younger, newer residents who are less attached to the way things are and more supportive of higher density and mixed-use development involved in the development process. Some interviewees were encouraged by newer residents' enthusiasm for high density and general pro-development approach. This was attributed in part to more people living in urban neighborhoods as well as some residents having fought development, seen the resulting low-density units, but then realized they can't afford them (14). In effect, their own actions were pricing them out of the market in their neighborhoods. These anecdotes reflect the need provide more and stronger rational and economic arguments, as moral arguments alone are not sufficient (31). A bit more skepticism was voiced at the roundtable. Participants questioned whether society's "entrenched desire for homeownership" would change. As one person expressed it, if this generation's values are inculcated by the former generation, will they also become "defenders of the faith" and resist greater density?

Community members of color are seeking to participate in the process, wanting to ensure their housing needs and concerns over gentrification and displacement are being taken into consideration (27). Leaders need to build trust and establish better working relationships with these communities. At our roundtable discussion, recent efforts were identified, such as Arlington closed-captioning board meetings in Spanish to engage and inform traditionally excluded groups in the policymaking process, and Montgomery allowing testimony to be given in Spanish.

Additionally, "the constituency is aging out of the debate" (33). The general sense among interviewees was that most of the resistant residents are older and that younger residents are more likely to have moderate or supportive views so they should be encouraged to become involved. A few people were concerned that new residents were less informed about the development process and would be just as likely to be focused on home values (11) instead of creating a more inclusive community with greater density to support services. Others were concerned that it is hard to get people to participate, particularly those sympathetic to change (29). We heard of examples from each jurisdiction of local conflicts between residents supporting and opposing a development.

Consideration needs to be given to what are the best engagement and education strategies to reduce opposition and build support for development. Both long-term residents aging out of the debate and wishing to stay in their communities as well young residents moving to the area and seeking to put down roots share changing visions for their communities to enable them to stay in them.

The roundtable included a session focused on engagement strategies. Greater inclusivity was an important theme as millennials, low-income households, seniors, and many others would benefit from

“housing for everybody.” This could involve building on existing coalitions to include voices and needs not currently being served, but other vehicles would likely be needed. It also requires new ways of engagement that allow community involvement beyond attending community and planning board meetings. Building more trust, including working through a trusted partner, was an important component of any outreach activities. Another suggestion was to ensure people see how their voice mattered, such as identifying the “wins” and letting people know how their participation had an effect. In general, improving feedback and follow up with community members was seen as important.

Recognizing the many successful organizations in the region, participants suggested the benefit of having advocates share effective messaging and other lessons learned with each other. Similarly, creating a tool that made best practices more accessible, particularly on how to reach different audiences, could be useful.

Many of the people we interviewed thought education could play an important role, with residents as well as with local officials and the business community. The three main elements to be communicated were (1) how to best manage projected growth, (2) the benefits of density, and (3) the value of diverse housing types and people. One interviewee realized that “our policies are misunderstood, because we’ve been lazy, not adequately educating our constituents” (26).

As one elected official stated, “the projections show the population is still growing. That’s good news, we aren’t becoming Detroit.” Yet, with limited land for development, we have to make decisions about how to fit the growth in the space we have (8). If you can get the community to view growth positively, you can start the conversation and get them focused on problem solving rather than saying no. Data can help tell the story. People may be fighting density while wanting stores and restaurants to return. They don’t realize that household size has diminished, eliminating the population necessary to support those services (28). Roundtable participants noted the importance of understanding each audience’s “real” issues, rather than what they say, to enable advocates and policymakers to address those concerns. It was also important to arm policymakers with the economic arguments supporting increased housing, particularly affordable housing. One recommendation was to provide officials with information on earlier experiences (i.e., we did the same thing we are proposing now in this other neighborhood and look how well it’s turned out) to help them counter the arguments they face.

---

*“People see change occur, and it’s not the horror they expected” (2).*

---

A need was identified to help communities understand the value of having affordable housing throughout the jurisdiction and region, of having economic and social diversity among their neighbors (5). This requires more data and outreach. It was recommended that issues be framed to emphasize “us” rather than “them.” One example was to consider the target affordability range, then identify the jobs at



that income level. Trying to reach households that make 60 percent of the area median income might apply to a school worker or hospital worker. If you can then talk about providing housing for these workers, you humanize the issue; you are talking about your neighbors, not “them” (31).

A roundtable participant shared the framework she uses, observing that “analytical people listen with their heads, emotional people listen with their hearts, and financially motivated people listen with their wallets.” Building coalitions to implement change in the region require successfully addressing all three of these constituencies.

People had more ideas about the content than the process by which to educate residents. Several people noted the importance of getting information to residents early so they don’t fill gaps with misinformation or fears (12). The role of “positive” bloggers on development issues, such as Greater Greater Washington, was seen as an important resource (28). Of course, as one person noted, “In theory, education can be good.” With some neighborhoods, you can explain, get their involvement, and meet their concerns. In other cases, it still doesn’t work; the neighborhood may not want the development (2). Organizations like the Northern Virginia Affordable Housing Alliance could help jurisdictions educate their residents and engage a diverse group of residents.<sup>16</sup>

One strategy to increase engagement and educate residents to build support for change is choosing an initial development wisely, then using that successful example as a model (5). This advice was given by numerous interviewees (and reiterated at the roundtable) and applied to both high-density market-rate housing and affordable housing. For example, if people see a well-designed development with retail in a 10-story apartment complex that transitions well to the surrounding low-density housing, they may be more likely to allow it to be replicated (13). The importance of design was emphasized by numerous people as key to community acceptance.

#### IMPORTANCE OF DESIGN

Good design is critical to promoting additional development, regardless of which strategy to increase density is being pursued. When asked about community response to new development, a continued refrain was that people don’t like “density,” but really badly designed density is the problem (28).

---

*“Good design can make change more palatable; bad design exacerbates the problems of change” (8).*

---

Design defines how a community feels about itself, it allows you to provide amenities for everyone and density makes it affordable (33). If the project is designed well, “then everyone wants it, this is the kind we would want to live in” (22). Some might argue that good design gets ruined as the developer adjusts the plan during community negotiations. Additionally, given how much community angst has

stemmed from poorly designed buildings, who arbitrates what constitutes good design can be controversial. Research continues to support the need for more consistent, timely development review (Jakabovics et al. 2014). It is unclear how that fits into having planning departments focus more on design and compatibility.

## PRIORITIZING HOUSING

As discussed above, lack of leadership and vision was identified as a barrier. If elected officials were committed to prioritizing housing, one suggestion was that the jurisdiction's leadership creates a council of agencies to optimize housing production. These agencies are housing and community development, the public housing authority (which has a huge need for redevelopment and increased density), transportation (given the significant investments and discretion), land disposition agency (with a goal of increasing housing, rather than optimizing revenues), the agency managing current property (i.e., general services), planning, and the state housing finance agency (28).

Without leadership from the public sector, strategies will not be implemented unless the press, residents, or the "money people," such as businesses and philanthropy, force officials to act (7).

This issue received more attention at the roundtable. Greater prioritization could be encouraged by externalizing the true costs of lack of affordable housing connected to jobs so policymakers better understand the cost of their decisions. They need to learn to recognize the trade-offs in development. Another recommendation was to recognize housing as a critical part of transportation policy, possibly through the Council of Governments.

## COMPLEMENTARY STRATEGIES AND OPPORTUNITIES

**Employer engagement.** We began this project with the hypothesis that employers could support local or regional efforts to increase housing supply, such as the role Chicago Metropolitan 2020 and Silicon Valley Leadership Group have played in supporting housing development that met specified criteria. We anticipated they would be particularly supportive of efforts to increase housing supply as a critical component of their ability to hire quality workers across the income and skills spectrum. We reached out to the human capital departments in some of the largest private-sector employers in the region, particularly hospitals and universities, but also defense contractors and hotel chains, to ask about the role of housing in attraction and retention of employees. We were able to obtain very few interviews; whether this reflected lack of interest in the issue, higher priority demands, or our failure to find the right person and make a compelling argument for the interview, we don't know. Other interviewees, however, were not surprised by the lack of response.

We spoke with human capital staff at two universities and a defense contractor. We also asked other interviewees about the opportunity to engage employers. The consensus is that the private sector is not providing leadership locally or regionally in meeting housing needs. Several reasons were given for this lack of involvement. The most common was the large role of the federal government in the region, reducing the impact of the private sector. The structure of the private sector further explains a lower level of involvement than in other communities. Defense contractors, for example, may have a large campus in a small jurisdiction. In the DC region, staff members often work on site for the federal

government, reducing the office footprint of the contractor as well as its connection with the local community (30). Many local hospitals and universities now have multiple campuses in the region, so their employees live in various jurisdictions, reducing the organization's involvement in a single jurisdiction (25). The regional distribution of housing works well for some companies, enabling senior employees to live in large homes in the suburbs and younger employees to commute by public transportation from an urbanized area to offices in, for example, Bethesda, Tysons, or Arlington (30).

Some people thought business leaders were aware of the lack of affordable housing but were unwilling to take a leadership role. Others thought they weren't "tuned in." Business leaders have identified the lack of a range of affordable housing as a challenge. For example, they established housing as an issue of economic competitiveness in developing Fairfax's Strategic Plan for Economic Success (26).

We were told greater involvement by the private sector would only occur if the housing situation became an employment constraint (15). One would need to find firms having difficulty retaining and attracting employees, likely the smaller employers, and they don't have time for meetings (31). Others felt a better case needed to be made as to housing's importance to the region's economic competitiveness. "We haven't made the case well enough for them to enter the conversation" (31). At the roundtable, identifying employer "champions" and clearly explaining what you want from them, was identified as an important engagement strategy.

The Greater Washington Housing Leaders Group (GWHLG), begun in June 2014, convenes more than a dozen public and private-sector leaders concerned about housing affordability to examine the nature of the affordable housing shortage in the greater Washington area; the relationship of housing affordability to economic growth; and strategies to increase affordable housing for low- and moderate-income households in the region (GWHLG 2015). It seeks to get the business sector involved by helping businesses understand how the housing shortage affects their bottom line (3).

Our probes to identify other opportunities for building a coalition were unsuccessful. While we were told by an interviewee new voices are needed, because the region is not making much progress, no one offered ideas of who those new voices should be.

**Regional opportunities.** Jurisdictions in the DC region are fairly sophisticated in addressing housing needs, particularly for low-income households. The four jurisdictions we examined in detail have inclusionary zoning programs, funding streams for housing, and a stated recognition of the important role that housing plays in the well-being of individuals, communities, and the city or county. Several organizations bring together people from different jurisdictions to address housing and other regional issues. In addition to Metropolitan Washington Council of Governments, they include the 2030 Group,<sup>17</sup> a business organization; Washington Regional Association of Grantmakers;<sup>18</sup> and most recently the Greater Washington Housing Leaders Group, a combination of public- and private-sector leaders (GWHLG 2015). Despite various entities discussing regional issues, we found near-consensus among the people we interviewed that not much regional activity is occurring around housing: the jurisdictions "have collaborative discussions, but not a regional approach" (12). "People talk but there is

no action” (1). Even collaboration among the jurisdictions in Northern Virginia was seen as limited with greater engagement unlikely. The region lacks political leadership at the regional level (32).

While we perceived a sense of frustration at the lack of regional approaches to increasing housing supply, particularly for affordable housing, we did not get a sense that there was much appetite for regionalism when we asked about such opportunities. Only one person responded affirmatively (8). Yet, many of the interviewees identified the importance of a regional approach to solve the housing problem, with two people noting the absence of a regional housing compact (13, 16). This apparent conflict may reflect the challenges in developing and implementing a regional housing plan.

The largest challenge appears to be the multiple jurisdictions and levels of government involved in the region. As one person explained, typically, when there are “growing regional problems, governors start to realize the problem, but here we have two states, the District, and the federal government. That’s four jurisdictions” (16).

Several people had little confidence in regional approaches: “I don’t see a regional approach [to housing]; they can’t agree on transportation or water” (9). Another person cited the many problems facing the Washington Metropolitan Area Transit Authority as an example of how the region’s jurisdictions do not cooperate (24). Yet others mentioned the larger regional needs to be addressed, such as connecting the region to Fort Meade and Baltimore, where thousands of jobs are inaccessible to residents in the DC region (29).

Competition among jurisdictions was also seen as a barrier to regional activity. For example, the perceived inability of the jurisdictions to work together to attract international investment to the region, a situation in which they are not directly competing against each other, was seen as an indicator of the ineffectiveness of the MWCOG (1). With housing, the challenges are even larger. For example, DC doesn’t want to solve its homelessness problem only to have people experiencing homelessness in neighboring jurisdictions come to DC for assistance (12). Similarly, disproportionate funding of housing trust funds creates problems as governments providing more money per capita may become politically vulnerable when their residents question why they are paying more (13). A DC interviewee suggested that neighboring jurisdictions have no incentive to adopt a regional approach to affordable housing because they are getting a great deal with DC housing a disproportionate number of the region’s low-income households (11).

While a regional approach does not seem promising in the current environment, jurisdictions can learn from each other. One roundtable participant reflected that positive messaging that highlights successful examples in the region might be more prudent than simply shaming politicians and leaders into action. Jurisdictions can have shared goals even if they have different policies. At the core, the arguments are the same across the region (both for and against development), providing opportunities to work as a region, according to a roundtable participant. A primary function of MWCOG appears to be highlighting best practices (26). It provides space for officials and staff to have regional conversations and work toward collaboration (5). Through Region Forward, MWCOG members agreed on goals and shared research and policy initiatives (26) as they developed a vision for a more accessible, sustainable,

prosperous, and livable region.<sup>19</sup> Containing explicit goals, Region Forward can help each jurisdiction assess its activities as well as measure the region's performance (5). However, its greatest value may be as a shaming tool (14). One challenge to the best practices approach identified by interviewees and roundtable participants is the lack of scalability.

Perhaps more promising is the potential for regional coordination to build from smaller inter-jurisdictional collaboration (26). DC, Montgomery County, and Prince George's County worked together on a plan to address homelessness and coordinated their adoption of a \$15 minimum wage. An approach to address housing regionally by focusing on transit corridors that span jurisdictions could be promising, such as development along Lee Highway running through Arlington and Fairfax (26). These small steps could grow into a greater degree of regional collaboration.

The private and philanthropic sectors could be necessary to force local officials to act regionally. As best summed up, "We need the money folks to tell elected folks to figure it out" (7). There was a sense that in the absence of local leadership, the region needs "someone to step in—perhaps philanthropy—to bust out of this" (31). The Washington Regional Association of Grantmakers recently teamed up with Enterprise Community Loan Fund to create Our Region, Your Investment, an initiative to access more capital to support the creation of affordable housing in the region. Continued innovation combined with more leadership capital will be necessary. Having large, regional employers at the table could be effective, but that would require a strategy to get them to the table.

The need for more affordable housing at all income levels throughout the DC region necessitates new strategies, collaborations, and innovative ways of thinking that move beyond traditional approaches. As Cohen (2015) writes:

The challenge may be less a matter of coming up with effective strategies for increasing the production of affordable housing than a challenge of generating the political will across the region and across sectors to bring these ideas to fruition. The mobilization of public sector, business, and nonprofit advocates working together throughout the region will be the linchpin for making progress.

## Future Research

Our focus was on action items, not on creating a future research agenda. However, our case study identified a few major research needs. People spoke of the importance of having sufficient housing to ensure the jurisdiction's or region's economic competitiveness, but they consistently noted the lack of analysis enabling them to make that argument to political leaders, business leaders, and community members. The general request was to connect the dots between housing and economic competitiveness. A related request was for analysis on the benefits of income diversity in a neighborhood.

The second issue requiring additional research is the availability of financing for housing development. This topic was not identified through the interviews, but the discussions make it clear that policy makers would benefit from better understanding the constraints imposed by the financing

available to developers. What is private equity willing to fund? When can a developer obtain acquisition and development financing? Funding sources and costs are critical to increasing supply and may influence both the type of developers and what gets built.

Another area that would benefit from research relates to the infrastructure needs created by new development, particularly the standards and financing. For example, jurisdictions are beginning to change their standards for on-site parking, which reduces direct costs. Other standards may be subject to revision as urban and suburban forms change. Financing needed infrastructure is accomplished through impact fees in Maryland and by proffers in Virginia. With proffers currently under review by the Virginia legislature, other methods for paying for new infrastructure need to be examined. To the extent infrastructure costs delay or deter development, this is an area ripe for further exploration.

## Notes

1. Richard Florida, "The Urban Housing Crunch Costs the U.S. Economy about \$1.6 Trillion a Year," *City Lab*, May 18, 2015, <http://www.citylab.com/housing/2015/05/the-urban-housing-crunch-costs-the-us-economy-about-16-trillion-a-year/393515/>.
2. Emily Badger, "How to make expensive cities affordable for everyone again," *Wonkblog*, *Washington Post*, February 19, 2016, <https://www.washingtonpost.com/news/wonk/wp/2016/02/19/how-to-make-expensive-cities-affordable-for-everyone-again/>.
3. We use "DC region" as shorthand for the Washington, DC, metropolitan statistical area, which consists of the District of Columbia, 5 counties in Maryland, 11 counties and six independent cities in Virginia, and 1 county in West Virginia. See "Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas," Bulletin 13-01, Office of Management and Budget, February 28, 2013, <https://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b-13-01.pdf>.
4. US Census Bureau, American Community Survey, 2009–13.
5. US Census Bureau, Census 2000 and American Community Survey 2014 one-year estimates.
6. John Ricco, "DC Added Record Housing in 2015. That's Slowing Down Price Increases," *Greater Greater Washington*, February 4, 2016, <http://greatergreaterwashington.org/post/29640/dc-added-record-housing-in-2015-thats-slowing-down-price-increases/>.
7. Lisa Sturtevant and Agnes Artemel, "DC Area Incomes Fall behind Skyrocketing Housing Costs," *Greater Greater Washington*, October 4, 2012, <http://greatergreaterwashington.org/post/16343/dc-area-incomes-fall-behind-skyrocketing-housing-costs/>.
8. See Rolf Pendall et al., "Mapping America's Futures," accessed June 2016, <http://apps.urban.org/features/mapping-americas-futures/>.
9. Calculations for the DC region in the demographics section are based on the DC commuting zone (CZ). Unlike metropolitan statistical areas, CZs include nonmetropolitan areas (<http://www.ers.usda.gov/data-products/commuting-zones-and-labor-market-areas.aspx>). The DC CZ consists of the District of Columbia; Calvert, Charles, Frederick, Montgomery, Prince George's, and St. Mary's Counties, Maryland; Arlington, Fairfax, Fauquier, Loudoun, Prince William, Rappahannock, and Warren Counties, Virginia; and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, Virginia.
10. Robert McCartney, "Why the DC area risks losing its allure to millennials," *Washington Post*, October 17, 2015.
11. US Census Bureau, Census 2000 and American Community Survey 2015 one-year estimates.
12. For example, see the Housing Communications HUB's [Messaging and Framing Toolkit](#) and the Coalition for Affordable Housing's [Housing Advocacy Catalog](#).
13. To provide anonymity to the people we interviewed, we reference their statements by a number that we can use to identify the person if required.
14. In evaluating the height limitation, the DC Office of Planning estimated 4.9 percent of the District's land area had development capacity, after applying a number of filters such as single-family zone districts (Office of Planning 2013).
15. Alison Rice, "A Suburban Wasteland in Virginia Gets a Modern Urban Feel," *New York Times*, December 18, 2012.
16. "About NVAHA," Northern Virginia Affordable Housing Alliance, <http://nvaha.org/about-nvaha/>.
17. See <http://the2030group.com/>.
18. See <https://www.washingtongrantmakers.org/>.
19. See <https://www.mwcog.org/regionforward/>.

## References

- Advisory Commission on Regulatory Barriers to Affordable Housing. 1991. *Not in My Backyard: Removing Barriers to Affordable Housing*. Washington, DC: Advisory Commission on Regulatory Barriers to Affordable Housing.
- Babcock, Richard F. 1969. *The Zoning Game: Municipal Practices and Policies*. Madison: University of Wisconsin Press.
- Bluestone, Barry 2006. *Sustaining the Mass Economy: Housing Costs, Population Dynamics, and Employment, Housing and the Economy in Greater Boston: Trends, Impacts and Potential Responses*. Boston: Boston Federal Reserve Bank.
- Bureau of Economic Analysis. 2015. "Economic Growth Widespread Across Metropolitan Areas in 2014." Washington, DC: Bureau of Economic Analysis.
- Chapman, Jeannette. 2015. "The Greater Washington Region's Future Housing Needs: 2023." Arlington, VA: George Mason University School of Public Policy.
- Clark, William A. V., and Frans M. Dieleman. 1996. *Households and Housing: Choice and Outcomes in the Housing Market*. Piscataway, NJ: Transaction Publishers.
- Cohen, Rick. 2015. "Call the Question: Will the Greater Washington Region Collaborate and Invest to Solve Its Affordable Housing Shortage?" Washington, DC: Greater Washington Housing Leaders Group.
- District of Columbia Office of Planning. 2013. *Height Master Plan for the District of Columbia: Final Evaluation and Recommendations*. Washington, DC: Government of the District of Columbia.
- Fischel, William A. 2005. *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*. Cambridge, MA: Harvard University Press.
- Fry, Richard. 2015. "This Year, Millennials Will Overtake Baby Boomers." Washington, DC: Pew Research Center.
- Furman, Jason. 2015. "Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents." Remarks delivered at the Urban Institute, Washington, DC, November 20.
- Ganong, Peter, and Daniel Shoag. 2013. "Why Has Regional Convergence in the U.S. Stopped?" Faculty Research Working Paper RWP12-028. Cambridge, MA: Harvard University John F. Kennedy School of Government.
- Glaeser, Edward L. 2006. *The Economic Impact of Restricting Housing Supply*. Cambridge, MA: Rappaport Institute for Greater Boston, Harvard University.
- Glaeser, Edward L., Joseph Gyourko, and Raven E. Saks. 2005. "Why Have Housing Prices Gone Up?" *American Economic Review* 95 (2): 329–33.
- Goodman, Laurie, Rolf Pendall, and Jun Zhu. 2015. "Headship and Homeownership: What Does the Future Hold?" Washington, DC: Urban Institute.
- Goodwin, Gregory. 2015. "Round 8.4 Cooperative Forecasting: Population and Household Forecasts to 2040 by Traffic Analysis Zone." Washington, DC: Metropolitan Washington Council of Governments.
- GWHLG (Greater Washington Housing Leaders Group). 2015. "[Addressing Housing Affordability for Economic Growth and Quality of Life](#)." Washington, DC: GWHLG.
- Gyourko, Joseph, Christopher Mayer, and Todd Sinai. 2013. "Superstar Cities." *American Economic Journal – Economic Policy* 5 (4): 167–99.
- Gyourko, Joseph, and Raven Molloy. 2015. "Regulation and Housing Supply." In *Handbook of Regional and Urban Economics*, vol. 5B, edited by Gilles Duranton, J. Vernon Henderson, and William C. Strange. Amsterdam: Elsevier Science.
- Hickey, Robert, and Lisa Sturtevant. 2015. "Public Land & Affordable Housing in the Washington DC Region: Best Practices and Recommendations." Washington, DC: National Housing Conference.
- Hsieh, Chang-Tai, and Enrico Moretti. 2015. "Why Do Cities Matter? Local Growth and Aggregate Growth." Working Paper 21154. Cambridge, MA: National Bureau of Economic Research.
- HUD (US Department of Housing and Urban Development), Office of Policy Development and Research. 2008. *Accessory Dwelling Units: Case Study*. Washington, DC: HUD.



- Jakabovics, Andrew, Lyn M. Ross, Molly Simpson, and Michael Spotts. 2014. "Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rental Units." Washington, DC: Urban Land Institute.
- JCHS (Joint Center for Housing Studies). 2015. *The State of the Nation's Housing 2015*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.
- Lerman, Robert I., and Sisi Zhang. 2014. "Do Homeownership and Rent Subsidies Protect Individuals from Material Hardship? Evidence from the Great Recession." Washington, DC: Urban Institute.
- Lowry, Ira S., and Bruce W. Ferguson. 1992. "Development Regulation and Housing Affordability." Washington, DC: Urban Land Institute.
- Mayer, Christopher J., and C. Tsurriel Somerville. 2000. "Residential Construction: Using the Urban Growth Model to Estimate Housing Supply." *Journal of Urban Economics* 48 (1): 85–109.
- MWCOG (Metropolitan Washington Council of Governments). 2010. "Region Forward: A Comprehensive Guide for Regional Planning and Measuring Progress in the 21st Century." Washington, DC: MWCOG.
- Mills, Gregory, Daniel Gubits, Larry Orr, David Long, Judie Feins, Bulbul Kaul, Michelle Wood, Amy Jones and Associates, Cloudburst Consulting, and QED Group LLC. 2006. "Effects of Housing Vouchers on Welfare Families." Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research.
- MCPD (Montgomery County Planning Department). 2009. "Reducing Our Footprint: 2009-2011 Growth Policy." Silver Spring, MD: MCPD.
- OCR (Office of Community Revitalization), Fairfax County. 2016. "Merrifield Town Center (Mosaic District)." Fairfax, VA: OCR.
- Pendall, Rolf. 1999. "Opposition to Housing: NIMBY and Beyond." *Urban Affairs Review* 35:112–36.
- Quigley, John M., and Larry A. Rosenthal. 2005. "The Effect of Land Use Regulation on the Price of Housing: What Do We Know? What Can We Learn?" *Cityscape* 8 (1): 69–137.
- Rapino, Melanie, and Alison Fields. 2013. "Mega Commuters in the U.S.: Time and Distance in Defining the Long Commute Using the American Community Survey." Working paper 2013-03. Washington, DC: US Census Bureau.
- Rognlie, Matthew. 2015. "Deciphering the Fall and Rise in the Net Capital Share." Brookings Papers on Economic Activity. Washington, DC: Brookings Institution.
- Saks, Raven E. 2005. *Job Creation and Housing Construction: Constraints on Employment Growth in Metropolitan Areas*. Finance and Economics Discussion Series. Washington, DC: Federal Reserve Board.
- Shierholz, Heidi, and Lawrence Mishel. 2013. "A Decade of Flat Wages: The Key Barrier to Shared Prosperity and a Rising Middle Class." Washington, DC: Economic Policy Institute.
- Stringer, Scott. 2015. "Mandatory Inclusionary Housing and the East New York Rezoning: An Analysis." New York: Office of the Comptroller.
- Sturtevant, Lisa. 2015. "New Housing Construction: Where, What Types and For Whom?" Washington, DC: Housing Association of Nonprofit Developers.
- Sturtevant, Lisa, and Jeannette Chapman. 2013. "Housing the Region's Future Workforce 2012–2032." Arlington, VA: George Mason University School of Public Policy, Center for Regional Analysis.
- Tatian, Peter, Josh Leopold, Elizabeth Oo, Gerry Joseph, Graham MacDonald, Austin Nichols, Maia Woluchem, and Simone Zhang. 2015. *Affordable Housing Needs Assessment for the District of Columbia*. Washington, DC: Urban Institute.
- Taylor, Mac. 2015. "California's High Housing Costs: Causes and Consequences." Sacramento, CA: Legislative Analyst's Office.
- . 2016. "[Perspectives on Helping Low-Income Californians Afford Housing](#)." Sacramento, CA: Legislative Analyst's Office.

## About the Authors

**Pamela M. Blumenthal** is a senior research associate in the Urban Institute's Policy Advisory Group, where she and her colleagues work to provide urban policymakers with evidence-based policy recommendations. She is also part of the Metropolitan Housing and Communities Policy Center, with an emphasis on qualitative research and expertise in affordable housing, land-use regulation, and economic resilience.

Blumenthal has a BA in English from Cornell University, a JD from the University of Michigan Law School, and a PhD in public policy and public administration from the George Washington University.

**John R. McGinty** is a former research associate with the Policy Advisory Group at the Urban Institute, where he worked predominantly on issues surrounding housing and economic development in US cities. He is currently the director of public transportation partnerships at Mozio.

**Rolf Pendall** is director of the Metropolitan Housing and Communities Policy Center at the Urban Institute. In this role, he leads a team of over 40 experts on a broad array of housing, community development, and economic development topics, consistent with Urban's nonpartisan, evidence-based approach to economic and social policy.

Pendall's research expertise includes metropolitan growth trends; land-use planning and regulation; demographic change; federal, state, and local affordable housing policy and programs; and racial residential segregation and the concentration of poverty. He directs the Urban Institute's Mapping America's Futures project, a platform for exploring the local implications of future demographic change. Other recent projects include Urban's evaluation of the US Department of Housing and Urban Development's (HUD) Choice Neighborhoods demonstration, a HUD-funded research study on the importance of cars to Housing Choice voucher users, and long-standing membership in the MacArthur Foundation's Research Network on Building Resilient Regions. From 1998 until mid-2010, Pendall was a professor in the Department of City and Regional Planning at Cornell University, where he taught courses and conducted research on land-use planning, growth management, and affordable housing.

# Acknowledgments

This brief was funded by the Open Philanthropy Project. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at [www.urban.org/support](http://www.urban.org/support).

The authors gratefully acknowledge editorial assistance from Fiona Blackshaw.



2100 M Street NW  
Washington, DC 20037  
[www.urban.org](http://www.urban.org)

## ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

Copyright © August 2016. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.