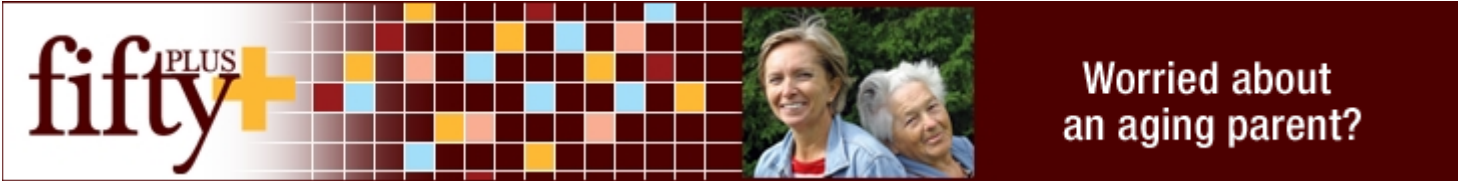


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From the Baltimore Sun

Sun Special Report

The coming housing crunch

Homebuilding limits, impending job surge are putting the region on a collision course

By Jamie Smith Hopkins
Sun Reporter

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First of three parts



The Baltimore metropolitan area stands ready to add more than 200,000 jobs over the next 25 years, propelled by the huge economic engine of the nation's capital and the growing demands of talent-hungry employers. But it won't have enough homes for all those workers.

Local jurisdictions have increasingly reined in new residential construction, even as businesses created jobs faster in the region than they did nationwide. Howard County, for instance, issued 22 percent fewer permits for new dwellings last year than it did in 2000.

It's a mismatch that's on track to get much worse. A Sun analysis of state job and household forecasts found the metro area - Baltimore and its five suburban counties - would be 20,000 homes short in just four years. By 2030, the region would be 100,000 homes shy - as many dwellings as Howard County has now, to put that in perspective.

The gap could be even larger because the state forecasts include just a portion of the jobs expected from the national military base reshuffling.

Experts say the disparity will over time further pressure housing costs in an area that has seen steep price increases in the past few years, outpacing many other regions. The shortage would probably push workers into ever-longer commutes, clogging highways and local roads. Ultimately, some say, the housing crunch could choke job growth and throw the region into a recession.

"There is a price to be paid for constrained supply," said Nicolas P. Retsinas, director of Harvard University's Joint Center for Housing Studies.

Local leaders aren't sounding alarms. Just the opposite. They adamantly promote job growth and just as adamantly keep a lid on residential development, ignoring any conflict between the two policies. It is as much a lack of regional planning

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as of long-range thinking because each jurisdiction makes its own rules, as is overwhelmingly the case nationwide.

The result so far: Though homebuilding has picked up in the pro-growth city, the suburban counties - Anne Arundel, Baltimore, Carroll, Harford and Howard - issued permits for 1,200 fewer units last year than they did in 2000, a 10 percent drop, according to [Baltimore Metropolitan Council](#) data.

Builders say the falloff would have been greater if they hadn't turned to "infill," building on already approved vacant lots in established neighborhoods, a finite resource. All told, suburban Baltimore's supply of lots ready for building is one of the tightest among the country's growing regions - "abnormally tight, bad tight," according to Kenneth Wenhold of Metrostudy, a housing market information provider.

County leaders have slowed the pace of homebuilding in response to potent public frustration. Many suburban residents, sick of congested roads and crowded schools and wary of possible higher taxes, want even less development, according to a poll conducted for The Sun last fall. They are increasingly well-organized and often manage to delay, alter or block projects, turning on its head the old story of powerful developers rolling into town to do whatever they please.

But employers are so coveted by local politicians as a source of tax revenue and economic health that the counties all have officials whose sole responsibility is to persuade businesses to move in or expand, sometimes by offering incentives.

"Nobody wants to stop the job growth ... but everybody wants to stop the housing growth," said Jeff Bronow, chief of research for Howard County's planning department.

This mind-set comes at a time when the region is adding jobs at a healthy pace and is poised for many more. Thank location.

Proximity to Washington has helped save the Baltimore region from the fate of many other Rust Belt cities and their suburbs. The increasing spillover of contracts, research grants and other money from the nation's capital continues to transform an economy that was once a manufacturing stronghold into one with high-tech, highly educated and highly paid workers.

The National Security Agency, one of Maryland's largest employers, is in Anne Arundel County. The sprawling headquarters of both the [Social Security Administration](#) and the Centers for Medicare and Medicaid Services are in Baltimore County. The region has an ever-growing cluster of contractors - many specializing in defense and information technology - that make a living off the federal government. All this attracts well-educated workers.

'Knowledge city'

"Baltimore is becoming more of a knowledge city than its peer cities," said Richard P. Clinch, director of economic research at the [University of Baltimore's](#) Jacob France Institute.

The federal presence has a downside, namely that sharp government cutbacks would hit this area harder than most. But recent years have been good, and more Washington-fueled growth is on the way. The Baltimore region is one of the major winners of the recent national military base restructuring, which state leaders say should create 40,000 jobs, radiating out from Fort Meade in Anne Arundel and Aberdeen Proving Ground in Harford.

As things stand now, roughly nine out of 10 jobs in the region are in service-providing fields - and don't think burger-flipping. The fastest-growing sector in the past decade was professional and business services, which includes accountants, engineers and attorneys. With notable research universities and hospitals as employment anchors, the Baltimore area also has strong job growth related to education and health services.

Local economists and planners believe these trends - barring recessions more severe than forecasters factored in - will continue. By 2010, the Baltimore region will have 118,000 more jobs than it did last year, including self-employment, the Maryland Department of Planning predicts. Long-term forecasting is more difficult, but the agency projects 122,000 additional jobs between 2010 and 2030.

Local economists say these numbers are conservative because the forecasts include only about a third of the jobs expected to come to the region in the next several years with the military base realignment.

To determine whether housing growth would keep pace with job growth, The Sun matched up three state Department of Planning forecasts. Those forecasts project through 2030 the number of jobs, the number of available workers and the number of households, the standard term used as shorthand for occupied dwelling units.

The Sun accounted for workers who hold multiple jobs, for demographic trends such as the retirement of the baby boom generation and for commuting patterns. For instance, the calculations include the impact of Washington commuters - people who live here and work there - and assume that this trend holds steady.

The analysis shows a looming housing shortage touched off by homebuilding restrictions and later aggravated by population trends. Even as jobs multiply, the number of workers in an average household will shrink, the result of baby boomers retiring. That means more homes will be needed just to keep even, let alone to keep up with job growth.

The current housing market slowdown and resulting glut of homes for sale don't change this fundamental gap between jobs and housing. The analysis takes into account all occupied units, rented and owned.

The Sun sought the advice of economists and demographers, including the state's chief forecaster, in crafting its analysis. Neither experts nor local politicians dispute the methodology, other than to point out that forecasts are not crystal balls and, therefore, using them to make conclusions is an imprecise business.

But the value in such an analysis isn't the exact number, it's the trend. Like an early-warning signal, it offers a general roadmap of where the region is headed and an opportunity to change course.

'A problem here'

"There's a problem here," said Stephen S. Fuller, a George Mason University professor who has produced similar studies for the Washington region. "If you want all these jobs, you ought to be paying more attention to housing."

Not everyone is alarmed. Some residents concerned about the pace of residential growth are skeptical that the region will get all the jobs that leaders are expecting. And Aris Melissaratos, secretary of the state Department of Business and Economic Development, is convinced that housing shortages will take care of themselves as builders and politicians respond to demand.

But Fuller says he sees no signs that the local officials who set building rules are willing to bend. He believes the consequences will be severe if trends continue unchecked. Workers will push farther afield in search of homes they can afford - 60 to 80 miles or more. Housing prices will continue to spiral upward. Traffic congestion, pollution and commuting costs will balloon along with the sprawl.

In the end, the region's economy could be thrown into long-term economic stagnation, said Anirban Basu, a Baltimore economist who has done studies for homebuilders and local governments.

"I think that's ultimately what's going to stem our positive momentum - the high cost of housing," Basu said. "We as a region will not only be asked to provide housing for those who work in the Baltimore metro area but many of those who work in the Washington metro area."

Washington's housing situation is much worse than Baltimore's, Fuller said. The Washington area, which has many homebuilding restrictions of its own, is adding more jobs than nearly every other metropolitan area in the nation. That's why its workers are moving to the Baltimore region in increasing numbers.

"We're seeing a lot of people coming over from the greater capital region because we're very affordable by their standards," said Carolyn Blanchard Cook, deputy executive vice president of the Greater Baltimore Board of Realtors.

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This migration, paired with several years of very low interest rates, has helped drive up prices. And economists say the high cost of housing is already hampering hiring. Unemployment is a low 4 percent in the region, and a variety of employers have said they would create more jobs if they could find people to fill them.

"Recruiting is the biggest struggle that Howard County businesses face," said the County Council's chairman, Christopher J. Merdon, who nevertheless notes that voters do not support a faster homebuilding pace.

Supply and demand

Massachusetts has seen what a housing shortage can do. Home prices in the latter half of the 1990s jumped more than 50 percent, and that was at a time of higher interest rates. Barry Bluestone, director of the Center for Urban and Regional Policy at Northeastern University in Boston, blames that rise for some of the state's 150,000-job loss between 2001 and 2004. The national recession alone can't explain all of the sharp decline or the slow pickup since, he said. The state is still down markedly from its employment peak in 2001.

Nearly half the lost jobs were in the information, finance, and professional and business services sectors. Good jobs, in other words. Young workers have been fleeing the state for cheaper locales, and businesses follow, Bluestone said.

"Our reputation for a very well-trained labor force, our reputation for being a wonderful place to live because of all the amenities, was offset by the incredibly high cost of living - driven by the high cost of housing," said Bluestone, who has researched the effect of home prices on economic health. "In the Baltimore case ... within the next five to 10 years, if you don't find a way of providing supply to meet demand, you may find you begin to lose jobs."

Washington, too, has experienced spiking housing prices. But unlike Massachusetts, it's continuing to add jobs at a fast clip. The upshot: Workers are being pushed farther away.

The Washington model could be Baltimore's future, especially if a domino effect under way accelerates, as economists believe is probable: higher-paid Washington workers in search of affordable housing moving here while Baltimore workers, in turn, settle outside of the area, pressed east and north where prices are lower.

The number of longer-distance drivers is already rising.

"I am losing a lot of clients to southern Pennsylvania," said insurance agent Pamela G. Beidle, an Anne Arundel councilwoman who is more open to growth than many of her colleagues. "I'm actually trying to get my Pennsylvania license."

Most people have not seriously considered the cost of a region growing out of balance. Residents tend to be much more focused on the downsides of population growth.

In Aberdeen, a Harford County city of 14,000, residents are up in arms about a number of proposed annexations that together could bring several thousand homes. There are anti-annex signs on lawns, anti-annex ads in the local newspaper, even an anti-annex spokesman for the opposition group that has formed. Three hundred people, upset by the number of homes and the process, turned out to protest the first annexation proposal at a City Council meeting last month - a cheering, jeering crowd that so overwhelmed City Hall, someone called the fire marshal.

Council members voted unanimously to approve the proposal. But residents have organized a petition drive to try to overturn it, at a time when Aberdeen, home of the proving ground, has huge job growth bearing down on it from the military base reshuffling.

Aberdeen's experience is hardly unique.

"Everybody's saying, 'Great, all these jobs, that's great for our economy,'" said Dan Pontious, regional policy director of the Citizens Planning and Housing Association, a Baltimore nonprofit focusing on affordability, transit and quality of life.

"But the question is: OK, terrific, so where are people going to live?" added Michael A. Sarbanes, CPHA's executive director. "The political pressure is to say, 'Well, we don't know - but not here.'"

That's largely what local elected officials are saying, even in light of The Sun's shortage analysis. They don't argue with the conclusions; some say they are already seeing the problems of too much demand for too little supply. But they don't want to make the changes necessary to ease the crunch.

One reason: money. Faced with crowded schools, snarled roads and other expensive infrastructure problems, many communities in the country have passed laws to slow homebuilding. But they all want business expansion because it looks like a great deal, the solution to funding woes.

Edward R. Reilly, chairman of the Anne Arundel County Council, noted that the county spends more in government services on residents than it collects from them in real estate taxes but that businesses are a net gain.

Another potent reason for constraining growth: that's what voters say they want.

"You can upzone properties [to allow denser development], but then you have the surrounding communities that are impacted," said Ronald C. Dillon Jr., an Anne Arundel councilman who represents Pasadena and calls land use the most difficult local issue.

"Those are the people we work for," Dillon said. "We work for the people who are here now, not the ones that are coming down the road."

Counties' limits

Though Anne Arundel has tried to speed up its sluggish development process to get homes in the pipeline for the military base realignment, commonly referred to as BRAC, crowded schools have led to building delays in many communities, said the county's planning director, Joseph W. Rutter Jr. And recent zoning changes to allow more homebuilding in some areas have been canceled out by other changes that decrease density.

If the regulations and pace hold steady, land zoned for homebuilding in Anne Arundel could be exhausted in about 15 years, Rutter estimated. Jobs, though, are expected to keep rolling in. The state forecasts an increase of nearly 60,000 in the next 25 years.

"I don't have a sense that the citizens of the county are interested in accelerating the growth of the residential component, and I think the County Council and the county executive are reflecting that sentiment," said Reilly, who figures people will get used to longer commutes.

Baltimore County Councilman Vincent J. Gardina proudly points out that in 1994 he considerably reduced the density in Honeygo, one of the county's growth areas. That plan limited the area to about 5,100 new homes, less than half as many as the original zoning allowed, county planners estimate. The earlier plan "would have been overwhelming" for the area's infrastructure, Gardina said.

"I'm not in favor of boosting [local] zoning to accommodate BRAC or any other projections because I just think it impacts the quality of planning and the quality of neighborhoods," he said. "You need to have a balance, and I think we've achieved that."

But Gardina - echoing other elected officials - doesn't want to slow the other side of the equation, either. "Job growth ... really allows us to provide the type of services we provide in Baltimore County," he said.

The Carroll County commissioners, who were swept into office by voters disgruntled about growth, overhauled land-use rules during a yearlong freeze on homebuilding that ended in 2004. Those changes will begin slowing residential growth in about two years, said Commissioner Dean L. Minnich.

Harford County, ground zero for half of the 40,000 jobs expected to come with BRAC, seems more open to higher-

density zoning - just not all that much, in the scheme of things. About 1,200 to 1,500 additional homes would have been permitted under the county's recent comprehensive rezoning effort. Would have been - because the legislation is dead, vetoed by County Executive David R. Craig, who favored more homes within the county's growth area but objected to increases in residential and commercial zoning in rural spaces.

Meanwhile, in Howard County, where planners forecast an increase of 55,000 jobs in the next 25 years, a cap has slowed homebuilding. Builders constructed an average of 2,000 units a year in the 1990s. The county now limits residential permits to 1,850 units annually, with scheduled decreases to 1,350 units a year in 2020. (That includes a recent increase of 100 units a year specifically for moderately priced housing, a pressing need in a county where the average home sells for \$470,000.)

That leaves Baltimore City as the only place in the region that really wants more residents. But if the state planners are right, the city won't get nearly enough to ease the regional shortage - not without major change.

"Our planning is not putting these numbers together and getting to a balance, so there's got to be an effort to really look at the big picture, look beyond jurisdictional boundaries," said Pontious, the CPHA official.

Thinking regionally

The Metropolitan Washington Council of Governments, worried about housing shortages, is trying that. Last year, it got member jurisdictions to approve forecasts that, in later years, show more homebuilding than would now be allowed. That means Washington and surrounding counties in Maryland and Virginia have - at least in concept - agreed to rezone eventually.

The [Baltimore Metropolitan Council](#), the organization of this region's elected executives, did not follow suit.

"We brought that up with our own local planning people, and they weren't willing to buy in, adding all these households," said Dunbar Brooks, the BMC's data development manager.

The military restructuring could be just the jolt the area needs to work together on the larger job-housing imbalance in meaningful ways, economists say. There's nothing that focuses the mind like the expectation of 40,000 new jobs coming soon.

"Because this is such a high-profile issue, and not just for Maryland, we're going to be watched by other states on how we accommodate this," said John Hopkins of RESI, [Towson University's](#) research and consulting arm, who agrees that housing shortages are looming. "Are you going to have a lot of battles between community and environmental groups versus homebuilders, or are you going to have an understanding that growth is going to happen one way or another and it's best to come up with a solid plan?"

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Sun reporter June Arney contributed to this article.

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