

General Development Plan 2008



Background Report on Housing

April 2008



I. Introduction

Anne Arundel County is an attractive place to live, work, locate a business, raise a family and retire. The County has incredible natural resources with several hundred miles of shoreline along the Chesapeake Bay and its tributaries. The County has enjoyed a strong economy and a growing employment market due to the many businesses that have located here. This has resulted in a housing market that has seen a significant increase in the quality and quantity of houses built in the County as well as increases in the sales price of new and existing houses.

The County's population has also increased although it is expected to grow at a slower rate in the upcoming decades. The population is shifting towards middle age and into retirement. There has been an increase in elderly population especially in the 85 and over age group. These factors directly impact the type of housing and services necessary to meet the needs of the County's population.

With a robust economy and anticipated job growth, especially related to the technology and defense industry, it appears that the County will continue to enjoy a level of prosperity for the foreseeable future. At the same time there will be challenges to meet the needs of a growing workforce and meet the County's goal of providing a range of housing choices to all its residents.

This background report will provide an overview of housing in the County, address new requirements for the 2008 General Development Plan, and identify actions needed to meet the housing needs of all residents.

II. Planning Goals and Requirements

The *1997 General Development Plan* states that the "primary objective of the County's housing policies is to assure a range of housing choices to all residents." Housing costs and affordability were primary concerns. The plan set forth these housing goals:

- Promote an adequate supply of housing throughout the County with a broad range of housing types and prices that meet the needs of people at different ages and stages of their lives.
- Encourage the redevelopment of existing communities and rehabilitation of existing housing as communities and housing stock age.

Several recommendations were made to accomplish these goals, including:

- Develop affordable housing through incentives,
- Revise zoning regulations to allow accessory apartments,
- Promote an adequate supply of housing with a broad range of types and prices that meet the needs of people at different ages and stages of their lives, and
- Redevelop existing communities and rehabilitate the existing housing stock.

The *Small Area Plans* developed subsequent to the *1997 General Development Plan* contained some additional recommendations regarding housing in Anne Arundel County. The recommendations included:

- Provision of a range of housing densities and types to achieve a broad range of housing choice,
- Locate higher density housing near activity centers,
- Creation of a residential structure and housing pattern that strengthens the sense of community identity, provides a broad range of housing opportunities, fosters residential stability and community character and enhances the overall quality of life in the area,
- Assistance for revitalization and rehabilitation of existing housing,
- Programs such as homeownership counseling and mortgage assistance, and
- Development of senior housing and assisted living facilities in areas with community services.

The County has taken several steps to achieve the above goals including the adoption of new zoning districts to create mixed use activity centers, revisions to the zoning ordinance in relation to assisted living facilities, and partnerships with agencies such as Arundel Community Development Services, Inc. (ACDS) to revitalize housing and increase homeownership. Currently, the most significant challenge relates to the nationwide trend in escalating housing prices over the past several years, and the more recent economic downturn in the housing market as it attempts to make corrections and stabilize.

New State Planning Requirements for Housing

The 2008 General Development Plan must address the requirements of new state legislation adopted in 2006 related to workforce housing. House Bill 1141 mandated that local jurisdictions' comprehensive plans must assess workforce housing needs and contain goals, objectives, and policies that preserve or develop workforce housing. The comprehensive plan may include:

- Preservation or renovation of existing housing stock,
- Redevelopment of existing residential areas,
- Streamlined regulatory process,
- Reduced regulatory fees for construction or renovation and leveraging of Federal financial assistance,
- Financial incentives for construction and renovation,
- Special zoning regulations including inclusionary zoning,
- Efforts to preserve workforce-housing stock for subsequent program participants, and
- Coordination with neighboring jurisdictions and private sector employers.

House Bill 1160 established a Workforce Housing Grant Program that would provide funding for affordable housing as defined in the legislation. The program is unfunded at this time.

Base Realignment and Closure (BRAC) Housing Study

In November 2005 Congress approved the final recommendations of the 2005 Base Realignment and Closure (BRAC) Commission. Anne Arundel County, and specifically the Fort George G.

Meade region, will experience additional growth in jobs and housing as a result of BRAC. Housing demand associated with BRAC is being driven by the generation of 22,000 additional jobs in the Fort Meade region over the next five to ten years. The Maryland Department of Planning projects that approximately 4,500 new households will locate in Anne Arundel County as a direct result of BRAC, with additional households locating in surrounding jurisdictions. While a portion of these new residents will be renters, the majority will be homeowners. A range of housing prices and quality will be needed to meet these demands.

To help address this, Anne Arundel County is undertaking a Regional Housing Study, under a grant from the Federal Office of Economic Adjustment, to identify the existing housing supply, estimated demand, and location of new housing to meet these demands.

III. Overview of Housing in Anne Arundel County

Anne Arundel County has seen a dramatic shift in the economy and the housing market since the *1997 General Development Plan* was completed. While the strong economic growth experienced during the 1990's translated into a strong housing market in Anne Arundel County, the recent economic downturn will have an effect on the housing market and affordability in the near term.

According to the 2006 American Community Survey (U.S. Census Bureau), of the 201,602 estimated housing units countywide, 126,837 (62%) were single unit, detached structures. Single unit, attached structures account for an estimated 36,149 (18%) of the total housing units. Apartments and/or condominium units were estimated at 34,485 (17%). The remaining 4,131 estimated units (3%) were made up of mobile homes, recreational vehicles, or units within boats. The dominant type of housing unit continues to be the single-family detached unit type, followed by the single family attached unit, reflective of the suburban nature of Anne Arundel County.

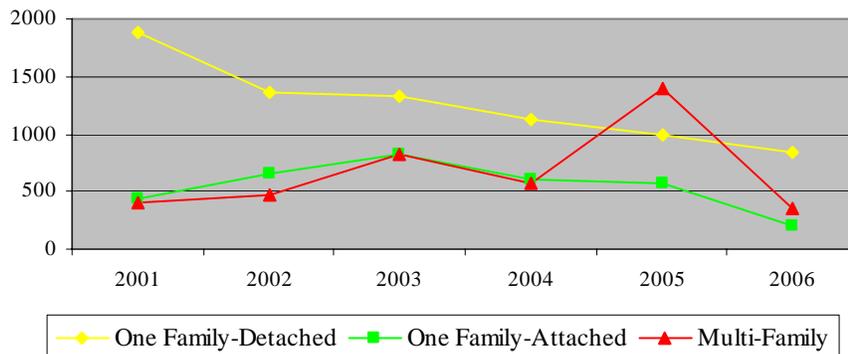
Anne Arundel County is also an attractive retirement area. The popularity of "adult" developments has grown in recent years. The County defines "adult independent living" units as independent dwelling units for persons 55 years of age or older without minor children. Within the past five years nearly 1,200 additional age-restricted units are either approved for construction or waiting development plan approval. In addition to age-restricted units, there are approximately eighty-six State licensed assisted living facilities.

Between 2001 and 2006 the County issued 14,876 residential building permits, as shown in Table 1. Of these permits, over half (7,543) were issued for single family units. Permits for multifamily and one-family attached units were issued at almost equal pace during the same period with the exception of 2005, when nearly 1,400 multifamily units were permitted. Statistics indicate that the number of permits issued annually for single-family detached units has declined steadily from approximately 1,880 in 2001 to approximately 850 in 2006, reflecting the maturing nature of the County.

As noted above, the boom in the housing market has declined over the past few years not only in Anne Arundel County but nationwide. Metropolitan Regional Information Systems (MRIS) data shows a marked decrease in the number of sales countywide. The 6,502 units sold in 2007 represented a decrease of 17% from the prior year.

Table 1: Residential Permits Issued (2001 - 2006)

	2001	2002	2003	2004	2005	2006
One Family-Detached	1877	1369	1328	1126	996	847
One Family-Attached	442	663	830	600	570	201
Multi-Family	404	464	830	578	1391	360
Total	2723	2496	2988	2304	2957	1408



Homeownership and Affordability

At the height of the housing market, housing prices escalated as developers constructed more expensive single-family homes to meet the demands of a more prosperous economy. In 1995 the median sales price of a home was \$141,016. By 2007 the median sales price had increased to \$340,000. In contrast, the median income did not increase at the same pace, presenting a challenge for persons who wish to purchase a home within their affordable range. According to the 2006 American Community Survey, the median household income was \$79,160. An estimated 29% of total County households earned less than \$50,000 annually.

This has resulted in a growing affordability gap between household income and the availability of housing at moderate prices. Adding to the fact that the cost of housing increased at a faster rate than the incomes of the County's households, it is just as important to recognize that there are very few homes available priced at what would be considered affordable for workforce households.

Rental Housing and Affordability

The majority of housing built in the County is single family detached. According to the County's 2006-2010 Consolidated Plan, of the 9,779 building permits issued for new housing between 2000 and the first half of 2004, only 821 were for multifamily apartment communities, accounting for only eight percent of the permits issued.

Rental housing accounts for 21 percent of all occupied housing units in Anne Arundel County. The most recent County Apartment Inventory documents a total of 24,525 rental units including 2,238 units in 20 public housing communities and 22,287 units in 92 private complexes. The highest concentration of rental units in the County is found in the Glen Burnie area, where 39% of the total rental units are located. The City of Annapolis and surrounding area with 5,889 apartments has the next highest concentration of rental units (19.2%). The 2007 average vacancy rate among the apartment complexes was 4.4%. This is considered a healthy rate that promotes competitive rental rates, ensures customer choice and allows for unit turnover. According to 2005 census data, the estimated vacancy rate for all rental housing in the County was 4.23% as compared to a national average of 7.7% during the same year.

Rental housing is considered to be affordable if the rent and utilities are 30% or less of the household income. According to the Census Bureau, in 2005 nearly 50% of Maryland renting households spent more than 30% of their income on rent and utilities annually.

In Anne Arundel County the median household income in 2005 was \$71,961, which was \$10,000 more than the state median. In that year an estimated 44% of the County's renting households spent more than 30% of their income on rent and utilities.

The rental housing market has experienced many of the same trends as the homeowner housing market. Between 2000 and 2003, monthly rents in Anne Arundel County rose from a median of \$798 to \$960, a 20% increase. With fewer rental units being built there has been a decrease in the supply, which in turn affects the cost of rental units. The average rental rates shown in a 2007 Apartments Study for Anne Arundel County range from about \$800 for a one bedroom to \$1,300 for a three-bedroom apartment. Rental rates vary by location and can go as high as \$1,700 for a three-bedroom apartment.

IV. Current Programs and Strategies to Address Housing Needs

Anne Arundel County strives to offer a wide variety of housing types and prices to meet the needs of people of all ages and income levels. The *1997 General Development Plan* called for the creation of several residential mixed use zones and encouraged growth in existing Town Centers, around key transportation hubs and close to existing commercial and employment centers. Since that time, four mixed-use zones were established in the zoning code to encourage a combination of residential, commercial and industrial uses. The mixed-use zoning districts have since been applied to six sites in the County. This enables people to live near their work as well as have access to retail opportunities and other services. Some of the County's *Small Area Plans* provided more detailed land use recommendations for these mixed-use areas.

While the majority of County residents are in a position to take advantage of the many job opportunities here in the County and many have the ability to purchase a home in the County, some residents need assistance to obtain housing. The expected workforce growth will continue to drive demand for housing in general while creating a need for affordable housing for residents of all incomes.

A Federally approved plan is required of all State and local jurisdictions in order to receive funds from the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Shelter Grant (ESG) and Housing Opportunities for People With Aids (HOPWA) formula programs. The Consolidated Plan provides the framework to prioritize and fund housing and community development programs and projects that address the needs identified through the planning process. During this comprehensive planning process communities identify and assesses their housing and community development needs and establish goals, priorities, and strategies. The resultant strategic plan guides the investment of Federal housing and community development funds as well as State and County funds to address the needs of low and moderate-income residents of a community. The *Anne Arundel County Consolidated Plan: FY 2006 –FY 2010* was adopted by the County Council on May 16, 2005.

To address housing and community development needs and implement strategies of the Consolidated Plan, Anne Arundel County partners with Arundel Community Development Services, Inc. (ACDS), the Housing Commission of Anne Arundel County, and others to administer programs such as public housing and publicly subsidized units, housing vouchers, acquisition/rehabilitation programs, homeowner rehabilitation programs, innovative homeownership programs, and rental housing production programs.

ACDS, a nonprofit corporation under contract with Anne Arundel County, is responsible for writing Anne Arundel County's Consolidated Plan and for planning, administration and implementation of the State, local and Federally funded housing and community development programs. ACDS seeks to preserve and increase the supply of affordable housing, revitalize declining neighborhoods, promote homeownership and ensure housing for those with special needs.

The Housing Commission of Anne Arundel County oversees the publicly subsidized units in the County. There are nine public housing complexes: six in Glen Burnie, and one each in Odenton, Pasadena, and Severn. There are also eleven public housing complexes in the City of Annapolis.

In addition to ACDS, Anne Arundel County has several governmental agencies and closely connected nonprofit organizations with well defined roles in meeting the needs of the low income community including the Department of Social Services (DSS), Department of Health, Mental Health Agency, Department of Aging, Anne Arundel County Workforce Development Corporation, and the Community Action Partnership. The collective efforts of all of these departments and agencies are instrumental in defining the needs of the County's low-income population and developing and implementing programs to address those needs.

The State's Department of Housing and Community Development, working with ACDS, also offers several programs to support homeownership in the County. These programs provide low interest mortgage and down payment assistance for qualifying buyers.

V. Workforce Housing

As stated above, the median income in the County has not increased at the same pace as the cost of housing, presenting a challenge for persons who wish to purchase or rent a home within their

affordable range. This problem is not unique to the County or to Maryland, but the State has recently passed legislation requiring local governments to address the need for workforce housing as part of their comprehensive planning efforts. The State also established a Workforce Housing Grant Program that provides the following definitions:

“Affordable” means that housing costs do not exceed 30% of household income.

“Workforce housing” means:

Rental housing that is affordable for a household with an aggregate annual income between 50% and 100% of area median income.

Homeownership housing is affordable to a household with an aggregate annual income between 60% and 120% of area median income or in target areas recognized by the Secretary. For the purposes of the MD Mortgage Program, it is affordable to a household with an aggregate annual income between 60% and 150% of the area median income.

There have been several Task Force initiatives to address the issue of workforce housing. The Annapolis and Anne Arundel County Chamber of Commerce undertook the latest task force initiative in July 2006. The effort was guided by the vision that “in order to be a vibrant, attractive and economically prosperous community, Anne Arundel County must strive to create and maintain a diverse community of workers.” This necessitates the creation and preservation of a housing market with a broad range of housing options for all income levels.

Challenges to Meeting Workforce Housing Needs

Anne Arundel County has experienced a dramatic rise in median homes sales prices driven by growth at the higher end of the housing market. Although sales prices have decreased in recent months due in part to the banking mortgage situation, there is still a shortage of affordable housing to meet the needs of local citizens. The average worker, including police, firefighters, teachers and health care workers, cannot purchase a home without additional assistance either from a second income or a working spouse.

Other contributing factors include rising land costs, infrastructure costs and development regulations such as Adequacy of Facilities requirements that, while necessary from the growth management perspective, can also increase the cost of providing housing. In addition, the length of time involved in the subdivision review and permitting process can add months to the development time during which a developer must pay on funds borrowed to finance the development. This can result in higher costs passed on to the project and ultimately to the buyers or renters.

Today’s banking/mortgage crisis makes it more difficult to obtain financing even if one can find a home in an affordable price range. Many prospective buyers are unable to obtain conventional financing. Federal, State and local programs have fewer dollars available to assist with housing needs.

Strategies for Meeting Workforce Housing Needs

One way to increase the number of affordable units is to maintain the existing housing stock and increase the supply of well-maintained affordable homeownership units. The *Anne Arundel*

County Consolidated Plan suggests the areas of Severn, Brooklyn Park and Glen Burnie as opportunity areas to meet these needs. A variety of Federal, State and County programs provide incentives for residential rehabilitation in these designated neighborhoods. In a related program, the County Venture Housing program offers County surplus property for the development of affordable housing. This has been a successful program in the past and has been administered by ACDS. It is also important to maintain and expand the existing supply of affordable rental housing through rehabilitation, new construction and rental assistance.

In addition to expanding the supply of affordable housing stock the County, in partnership with ACDS and other agencies, can assist first time limited income buyers in purchasing their first home through a variety of programs that offer counseling, down payment assistance and low interest mortgages.

To supplement these existing programs, there are other strategies that should be considered for increasing the supply of workforce housing, including:

- Inclusionary housing programs that require a certain percentage of new residential units to be sold below market rate;
- Financial incentives such as a streamlined regulatory process, property tax credits, and financing opportunities (partner with local banks);
- New incentives to promote infill development;
- Greater reuse of underutilized land and vacant buildings through incentives such as the Commercial Revitalization Tax Credits and flexible uses;
- Examine the requirements of the Adequate Public Facilities (APF) ordinance to understand its effect on housing prices and the types of housing being built;
- Continue to look at allowing workforce and affordable senior housing as conditional uses within nontraditional zoning categories;
- Explore the possibility of adaptive reuse of commercial buildings, such as motels, hotels, and former retail centers, for workforce housing;
- Explore the possibility of institutionalizing the process for developing County owned surplus property as workforce housing. If the land is deemed unsuitable for development of affordable units, it could be sold and a portion of the proceeds appropriated to a Housing Trust Fund for workforce housing activities.

These strategies will be examined further during development of the 2008 General Development Plan.

VI. Conclusions

Anne Arundel County holds to the vision that in order to be a vibrant, attractive and economically prosperous community, it must meet the housing needs of all of its citizens by providing an adequate supply of housing throughout the County with a broad range of housing types and prices. It must strive to create and maintain a diverse community of workers who not only work within the County but who are also able to live here. It must also meet the needs of its senior and underserved populations.

The 2008 General Development Plan will serve as a blueprint for the future and the policies and recommendations developed through this process will provide the methods to achieve that vision.