

So, You Want to Build More Affordable Housing? Here's How....

*By Tyler Craddock
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Governor McDonnell recently announced the formation of a Housing Policy Advisory Committee, led by Senior Economic Advisor Bob Sledd, to help develop the McDonnell Administration's housing policy. This is a good idea for several reasons. One is the important role that housing and related industries plays in Virginia's economy. Another is the importance to economic development of having a robust, steady supply of well-built, affordable housing for current and future workers. A third reason is the basic notion that every Virginian should have, on some level, access to the three basic human needs: food, clothing and shelter (i.e. decent, affordable housing).

Everyone wants to feel like they are "pro-housing." But, just what does that mean? To different folks, it can very much mean different things, especially when the rhetoric and platitudes go up and consideration of real-world, on-the-ground solutions goes down. So, I am going to dispense with the normal platitudes that many times characterize op-ed pieces and instead offer some specific policy ideas that should at least be considered as part of the work of the Governor's Housing Policy Advisory Committee and others who are working to help ensure that all Virginians have access to decent, affordable shelter.

The following ideas would provide an immediate jolt to the Virginia housing industry in particular and the Virginia economy in general:

1. Repeal or at the very least seriously overhaul the cash portion of the proffer system for residential construction. The cash proffer system is broken; it is out of control; it needs to go. One need look no farther than the localities across Virginia that have brazenly demanded new homeowners to pony up proffer amounts that exceed \$30,000, \$40,000 or in some instances even \$50,000 per home. These taxes artificially inflate the cost of new housing and in so doing raise the cost of housing across the board.
2. Reform the rest of the proffer system. What began as an attempt to allow developers to ameliorate conditions specific to a particular project has devolved into a political free-for-all, particularly for residential developers. As part of the process of getting zoning approval, developers are routinely required to offer "voluntary" proffers with respect to offsite infrastructure improvements that may or may not be connected to the parcel they are developing. Contributions to affordable housing funds to pay for the bad policy choices made by the locality now demanding the contribution, architectural features like brick siding or fenestration, square footage and lot size and scope are just some examples.

These types of proffered conditions usually serve no real planning or zoning purpose; they are just political in nature. Without them, the developer is likely to face denial of his or her case. These types of proffered conditions drive up the cost of housing and should not be permitted. Offsite improvements that are not related to the project at hand should be paid for by all who benefit. If local governments want affordable housing, they need to get out of the way, rather than trying to get into the business. Market demand, not the dictates of the planning pooh-bas, should drive items such as architectural features and lot size; indeed, any other arrangement distorts the market and drives up costs.

3. Repeal minimum lot sizes and thereby allow clustering by-right in all residential and agricultural zoning classifications. This one should really be a no-brainer. For the purposes of an example, let us assume that a one-hundred acre parcel is zoned in such a way that allows for 100 homes to be built on it (one home per acre gross). Now, many zoning classifications will also prescribe a minimum lot size (say, one acre). Why not allow the developer to set the lot size? In this same example, the developer might find it advantageous to build all homes on fifty of the acres and leave the other fifty acres in a conservation easement or common area to be enjoyed by the residents.

This makes sense from both an economic perspective (lower land preparation costs means less expensive houses) and an environmental perspective (more open space and preservation of working farms). The actual number of lots would not increase. Instead, overall density (and not minimum lot size) would be the driving force. To be sure, current law requires localities to allow clustering in 40 percent of their total acreage. Unfortunately, some localities have circumvented the intent of the clustering statute by placing the mandate in only the agriculturally-zoned areas, places where development is less likely to occur anyway, and when it does, you end up with only ten homes clustered on one-hundred acres, a far cry from what clustering is meant to be. This modest change would remedy that situation. It would also allow market demand to set lot sizes; if there is demand for larger lots, so be it, but if there is demand for smaller, more affordable lots, that should be allowed as well.

4. Make the land development process more efficient. In instances where local government has deadlines to complete reviews, put real teeth in those deadlines. During the course of a project, the interest clock is always running. The longer it takes to complete a project, the more expensive the end product. Time really is money. Where there are deadlines in the planning and zoning for local government to act, there needs to be one extension under certain circumstances and for a set amount of time, and after that, if the local government fails to act the proposal is deemed approved and the applicant is refunded any applicable filing fees. The intent is not to skirt reviews but to incentivize their being done in a timely manner that helps keep projects on track.

These are not the only ideas that would help increase access to affordable housing, but they are four that would move us in that direction and that should be discussed.

Tyler Craddock is the Director of Government Affairs for the Virginia Chamber of Commerce. Previously, he served as the Director of Public and Government Affairs for the Home Building Association of Richmond. Prior to moving to the Richmond area, he worked as a Legislative Aide to former Delegate Allen W. Dudley (R-Franklin County), a consultant to former North Carolina State Representative Cary Allred (R-Alamance County) and in the private sector as a real estate agent for Prudential McCann Realty in Burlington, North Carolina. A graduate of Virginia Tech (BA '93, MA '96), he resides in Chesterfield County with his wife and children.