

**Does Maryland's Smart Growth Program Improve the  
Balance of Housing Choices?  
Evidence from Priority Funding Areas**

by

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# A Glimpse of Maryland's Housing Conditions

- Housing affordability has declined substantially
- Maryland Housing Affordability Index (for first time homebuyers)
  - 2002: 78.3%
  - 2006: 44.1%
- Large disparity between housing price and income growth
  - Median housing price increased 117% from 1999-2006
  - Median income only increased 26% during same period
- Microeconomic solution is to increase housing supply and density

# Does Smart Growth help?

- Maryland Smart Growth addresses both supply and density:
  - (1) Through adopted principles of Smart Growth, and
  - (2) funding of PFA "Growth Related Projects"
- (1) Adopted principles of Smart Growth
  - "Take advantage of compact building design"
  - "Create housing opportunities and choices"
- (2) Funding for PFA "Growth Related Projects" includes:
  - "Construction or purchase of new single family homes"
  - "Acquisition or construction of new multifamily rental housing"

# Focus of Research

- To determine whether Smart Growth:
  - encouraged "compact building design," and
  - increased "housing opportunities and choices"
- To analyze the impacts of Smart Growth at two geographic scales
  - Interstate level (between MD and neighbors)
  - *Intrastate* level (within MD)
- To map patterns of MF growth and PFA development across MD counties

# Measurement

- How is “housing opportunities and choices” and “compact building design” measured?
  - Numerous possibilities, but start with simplest
  - Use percent of new building permits that are multifamily units
- Why multifamily permits? Two Assumptions
  - More MF units = more “choice.” Only ~13% of all permits in MD are multifamily units
  - “Compact building design” promotes more MF units

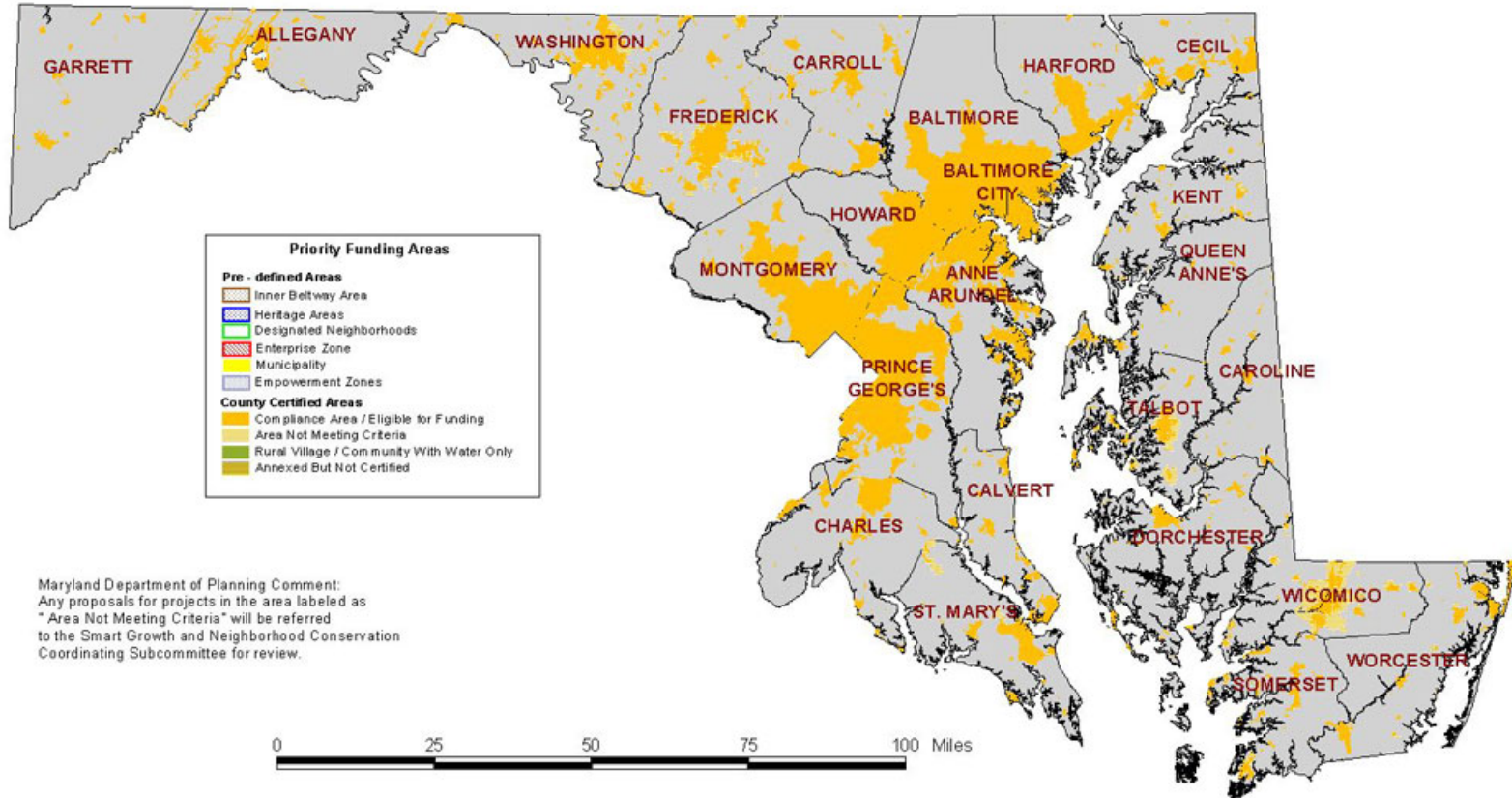
# Measurement Cont...

- How is Smart Growth measured?
  - Depends upon scale of analysis
- Interstate model
  - SG is simply captured by comparing "pre" and "post" 1997 time periods
  - If MD grew different in SG time period, it is evidence that policies are effective
- Intrastate model
  - Percent housing development inside PFAs
  - If more development inside PFAs is associated with more MF housing, then policies may be effective

# Analysis

- Uses annual building permit data from 1990-2004
  - Data is divided into "pre" and "post" Smart Growth periods
  - 1990-1997 = Pre; 1998-2004 = Post
- Uses panel data regression techniques to control for county and year specific characteristics
  - In interstate model, MD counties are compared to other states before and after 1997 SG act
  - In intrastate model, development inside and outside PFAs in MD counties is compared

# State-wide Priority Funding Areas



Maryland Department of Planning Comment:  
Any proposals for projects in the area labeled as  
"Area Not Meeting Criteria" will be referred  
to the Smart Growth and Neighborhood Conservation  
Coordinating Subcommittee for review.



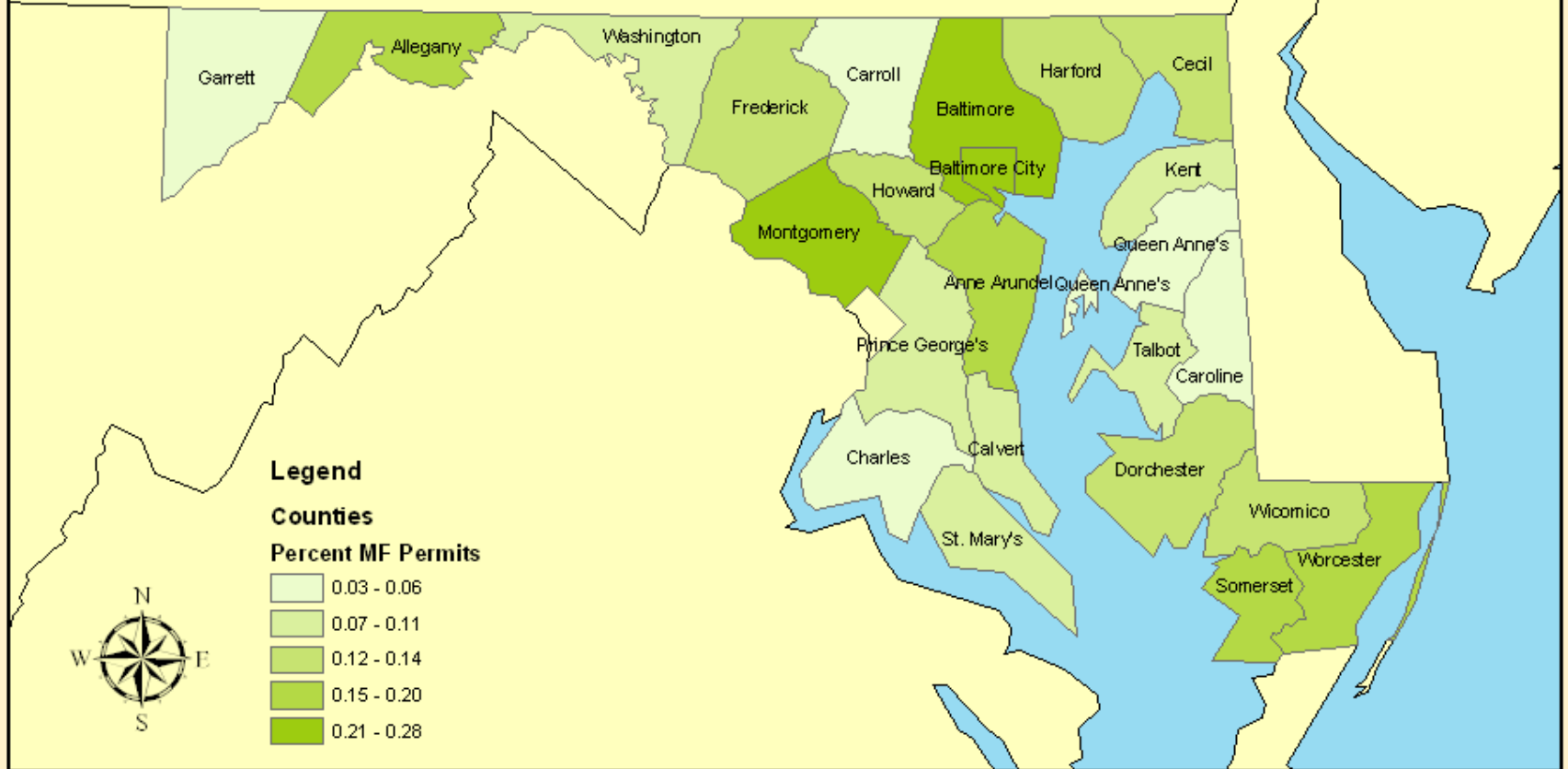
# Results

- In interstate model: No difference between MD and adjacent states
  - Suggests that SG is not significantly increasing MF units when compared to neighbors
  - Alternatively, SG could be still be effective if other states also have housing programs
- In intrastate model, counties with a higher percent of development in 1998-2004 PFAs had more new MF units
  - Suggests that PFAs may significantly increase housing choice and compact urban form
  - Suburban and Exurban counties experienced a decrease in percent of new MF units

# Results cont..

- County development inside PFAs decreased slightly during SG period
  - However, some urban and suburban counties experienced more activity inside PFAs during SG time period
  - see map for evidence
- Implications
  - Continue to promote PFA funding for housing infrastructure
  - Encourage more PFA investment in suburban and exurban areas, if housing choice is low
  - Revision of PFA boundaries may be necessary to capture areas where development is feasible

# Pattern of Multifamily Building Permits 1990-1997



## Percent Multifamily Permits 1990-1997

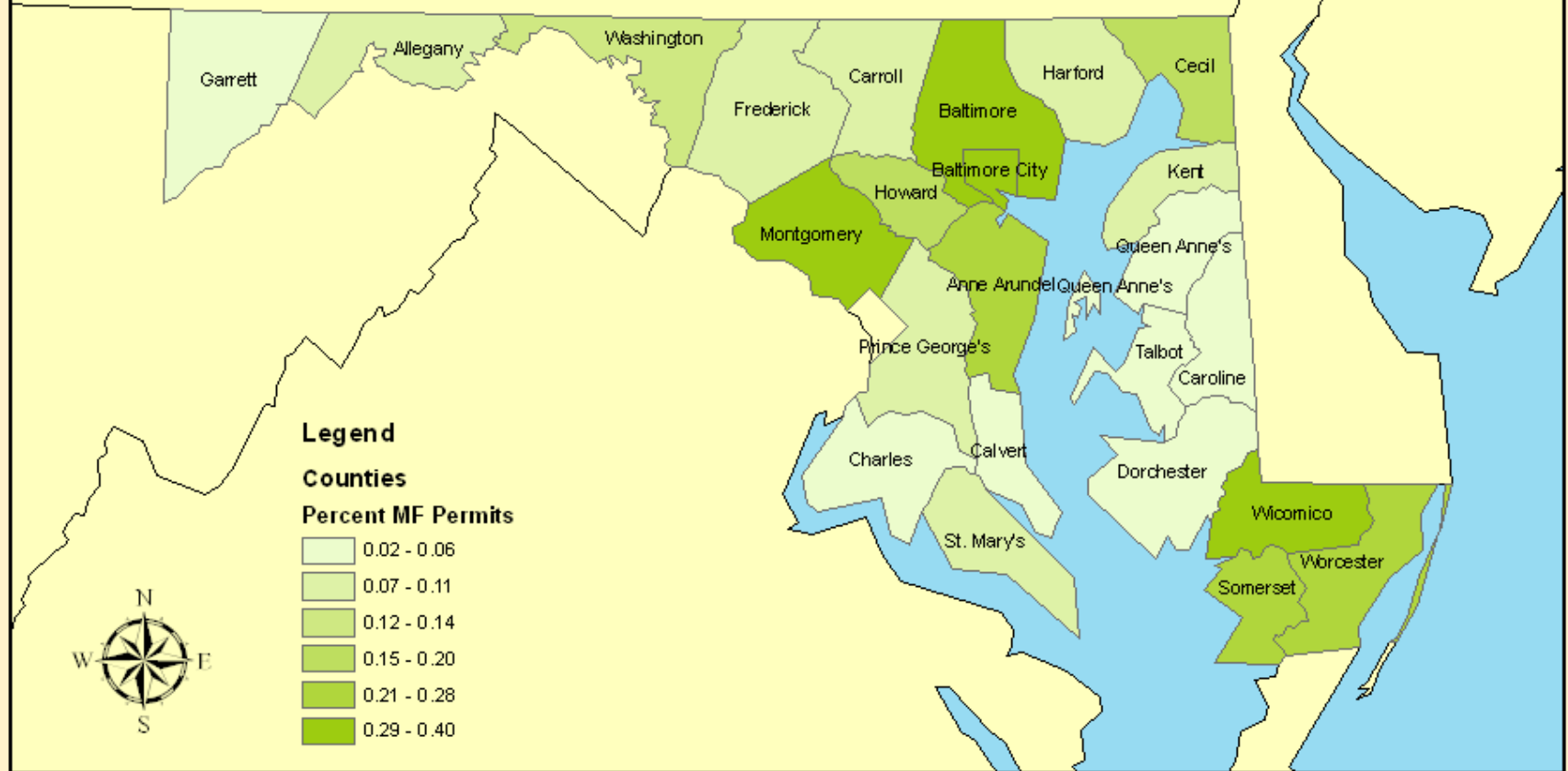
0 4 8 16 24 32 Miles

Albers Projection  
 Central Meridian: -95  
 1st Standard Parallel: 20  
 2nd Standard Parallel: 60  
 Latitude of Origin: 40

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# Pattern of Multifamily Building Permits 1998-2004



## Percent Multifamily Permits 1998-2004

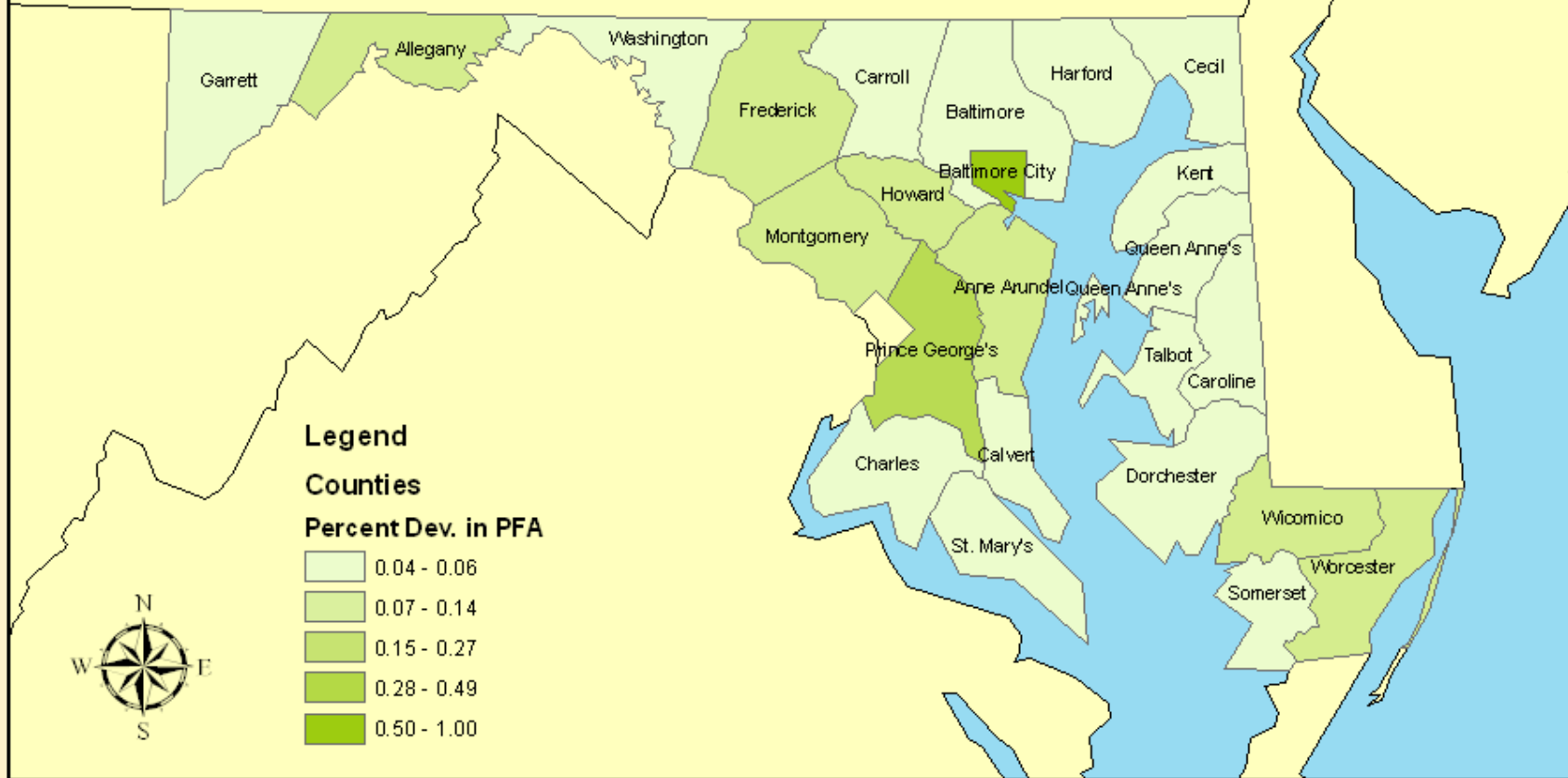
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0 4 8 16 24 32  
Miles

# Pattern of PFA Development 1990-1997



## Percent Development in PFA 1990-1997

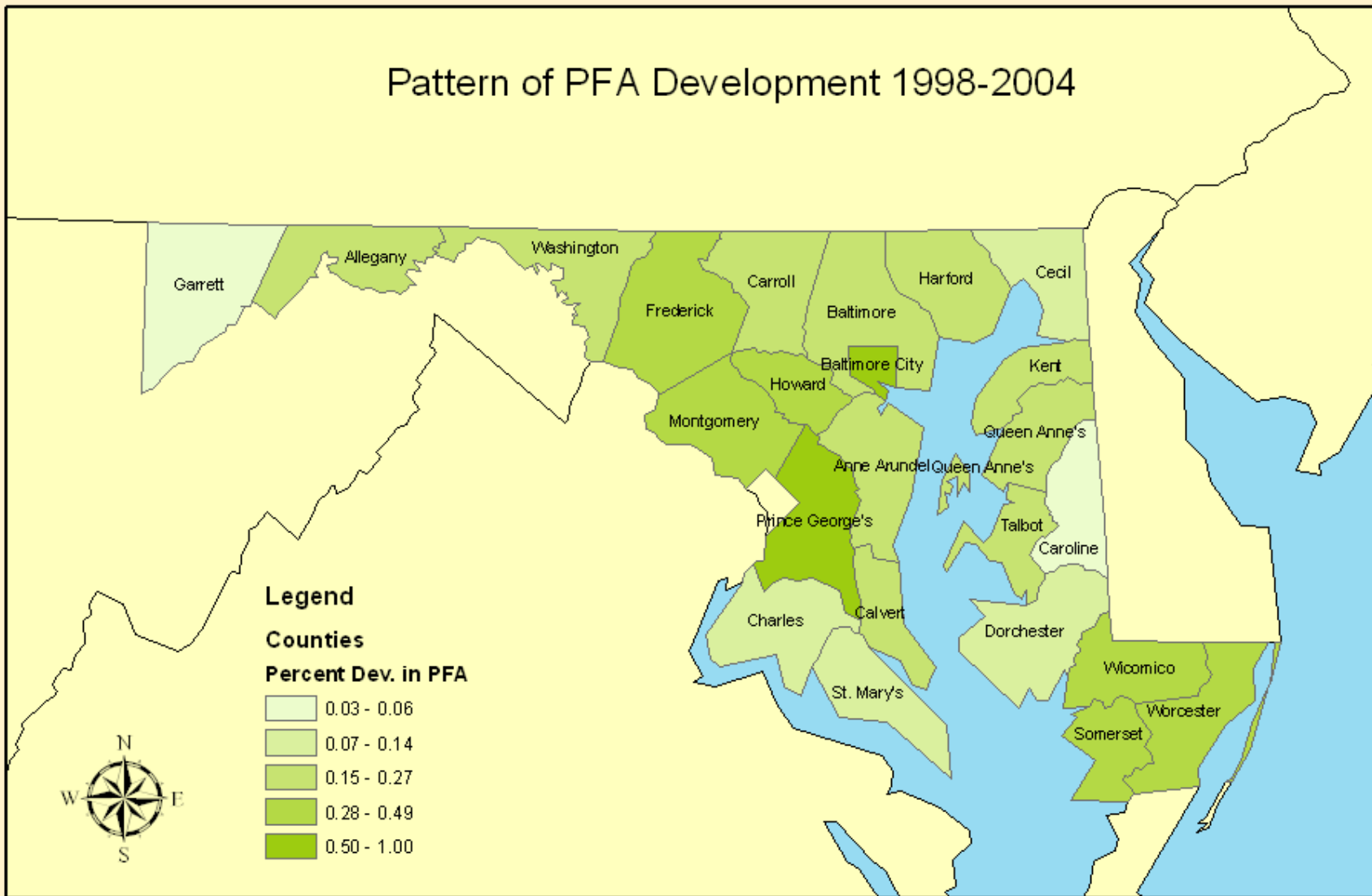


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# Pattern of PFA Development 1998-2004



## Percent Development in PFA 1998-2004

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# Future Research

- Analysis of detailed PFA funding
  - Data may or may not exist
- Need to examine housing development at city or neighborhood level
  - I.e, Song and Knaap's (2004) measurement of urban form and sprawl
- Focus on impacts on *affordable* housing
- Look at levels of BPs, rather than percentage
- Develop more accurate measures of housing choice, compact building design, and Smart Growth
  - Evaluate in context of local market demand
  - Take into account all relevant housing policies in MD