MEMORANDUM

TO: City Council

FROM: Alfred D. Lott, ICMA-CM, CPM
City Manager

SUBJECT: ***Status Report*** DATE: May 13, 2021

Status Report

1. Freeway Airport Redevelopment DSP 20015
Last Thursday (May 6th), the Prince George's County Planning Board reviewed Detailed Site Plan (DSP) 20015 for grading and infrastructure associated with the residential redevelopment of Freeway Airport which includes 416 single-family attached (townhouse) lots and 93 single-family detached lots, for a total of 509 lots. The 131-acre site is located in the southwest quadrant of the intersection of US 50 (John Hanson Highway) and Church Road in the R-A (Residential Agriculture) zone. At the conclusion of the hearing, the Planning Board voted unanimously in favor of the staff recommendation for approval of the DSP. Commissioner Washington made the motion to approve, which was seconded by Commissioner Geraldo. One individual signed up in opposition; but they did not participate in the hearing.

2. Planning Director Level Variance Approvals
The Planning Department has been very busy processing administrative variance approvals, under Council's authorization in Resolution R-86-19. As the weather gets warmer, homeowners are planning to make home improvements, but some find out their minor improvements run afoul of the County's zoning regulations. The Planning Director approval process saves time for residents and avoids having to convene the Bowie Advisory Planning Board for public hearings. Resolution R-86-19 requires staff to notify City Council of approvals made by the Planning Director. Attached for Council's information is a list of all cases decided at the Planning Director level since January 2020.

3. Economic Development Committee (EDC)
The Bowie EDC held their regular meeting (virtual) Wednesday and discussed Housing in Bowie. Past EDC Chair Boyd Campbell and current EDC members Yolanda Muckle and Alicia Stukes provided a briefing on housing in the region and EDC Chairman Ragland along with Mr. Campbell lead a discussion of housing in Bowie. The EDC will

continue discussions with the intent of bringing one or more recommendations to the City Council in the future. The next meeting of the EDC is Wednesday June 9, 2021 at 7:30 AM.

ADL: lfr
Attachments 6

PLANNING DIRECTOR LEVEL ZONING VARIANCE APPROVALS SINCE JANUARY 2020
MAY 13, 2021

Application # (Approval)	Applicant	Address	Request
PDVAR-3-20 (1/24/20)	Smith	8404 River Park Road	14 feet from the minimum 20-foot rear yard setback requirement to allow construction of a 304 square foot (19' x 16') open deck addition onto the rear of the existing dwelling.
PDVAR-4-20 (8/5/20)	Jefferson	15594 Peach Walker Drive	Two feet from the maximum six-foot high fence height requirement
PDVAR-5-20 (8/20/20)	Coffie	2501 Liana Place	Variances from the minimum 60-foot setback to allow a 12' x 24' shed to be located approximately 4 feet from the street line of MD 197 and approximately 34 feet from the street line of Lerner Place. Variances of 56 feet from MD 197 and 26 feet from Lerner Place are requested.
PDVAR-6-20 (11/20/20)	Fink	12404 Canfield Lane	Three feet from the minimum eight-foot side yard setback to allow construction of a 258 sq.ft. addition (8 feet x 32 feet) on the east side of existing garage five feet from the side lot line
PDVAR-7-20 (12/8/20)	Gress	12607 Safety Turn	Five-foot wide expansion of the existing paved driveway in front of the dwelling
PDVAR-1-21 (1/27/21)	Nurovic	15506 Peach Walker	(After the fact) A 106 square foot expansion of the existing paved driveway in front of the dwelling
PDVAR-2-21 (4/27/21)	Tracy	15603 Peyton Court	(After the fact) A three-foot high, 30-foot long, lattice extension above an existing six foot high fence in the rear yard
PDVAR-3-21 (5/6/21)	Afinni	17312 Russet Drive	Five feet from the eight-foot side yard setback for a house to construct a deck.

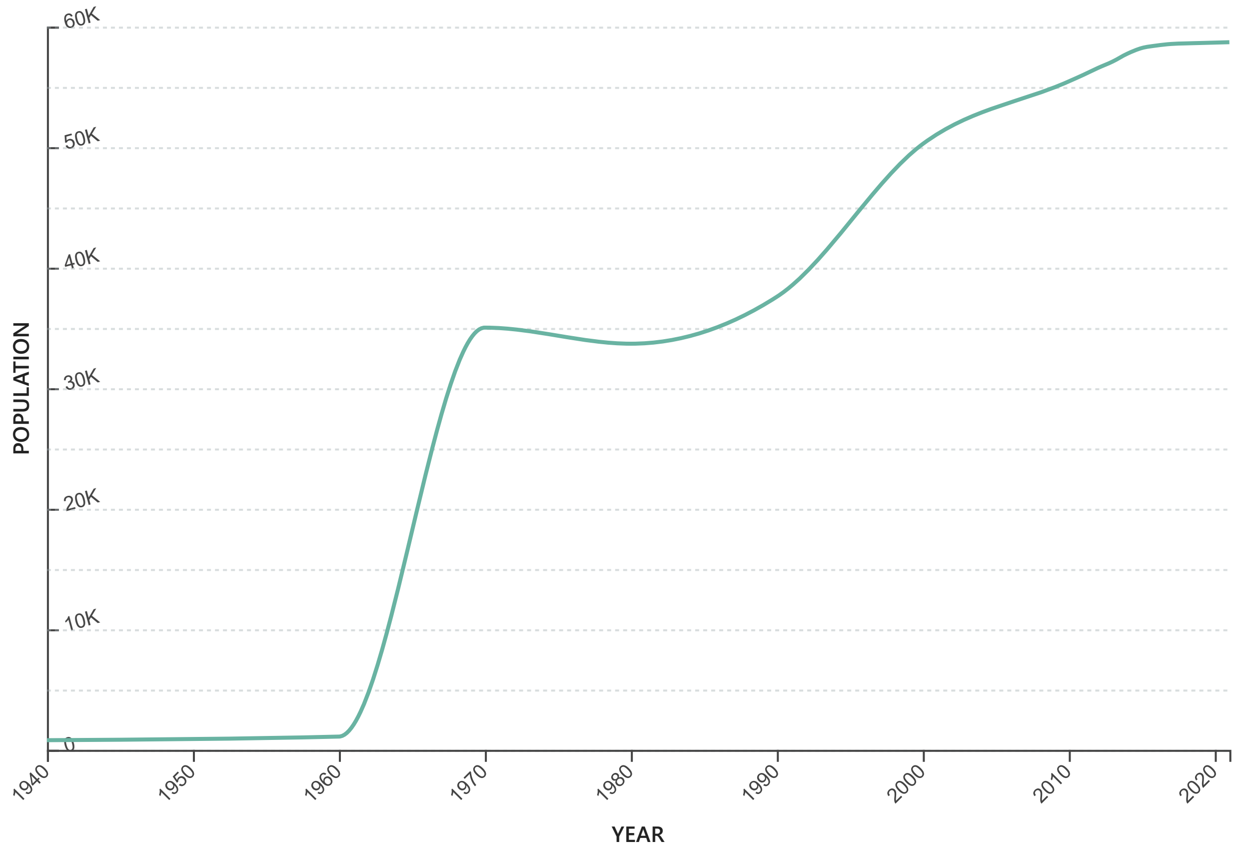
World Population Review

Bowie, Maryland Population 2021

Show Sources

Bowie, Maryland Population 2021

58,709



State	Maryland
County	Prince Georges County
Land Area	19.8 sq mi
Density	2,968.90/sq mi
2020 Growth Rate	0.06%
Growth Since 2010	7.28%
Rank in State	5th
Rank in Country	660th

The current population of Bowie, Maryland is **58,709**, based on our projections of the latest US Census estimates. The US Census estimates the 2018 population at **58,610**.The last official US Census in 2010 recorded the population at **54,727**.

Bowie is a city located in Maryland. With a 2020 population of **58,709**, it is the **5th** largest city in Maryland (after Baltimore, Frederick, Rockville, and Gaithersburg) and the **660th** largest city in the United States. Bowie is currently growing at a rate of 0.06% annually and its population has increased by 7.28% since the most recent census, which recorded a population of **54,727** in 2010. Bowie reached it's highest population of 58,709 in 2021. Spanning over 20 miles, Bowie has a population density of 2,969 people per square mile.

The average household income in Bowie is $132,306 with a poverty rate of 3.17%. The median rental costs in recent years comes to $1,888 per month, and the median house value is $338,100. The median age in Bowie is 42.7 years, 39.4 years for males, and 45.2 years for females. For every 100 females there are 89.7 males.

Bowie Demographics

According to the most recent ACS, the racial composition of Bowie was:

- Black or African American: 53.23%
- White: 34.48%
- Asian: 5.14%
- Two or more races: 4.38%
- Other race: 2.61%
- Native American: 0.15%
- Native Hawaiian or Pacific Islander: 0.00%

Bowie Population by Race

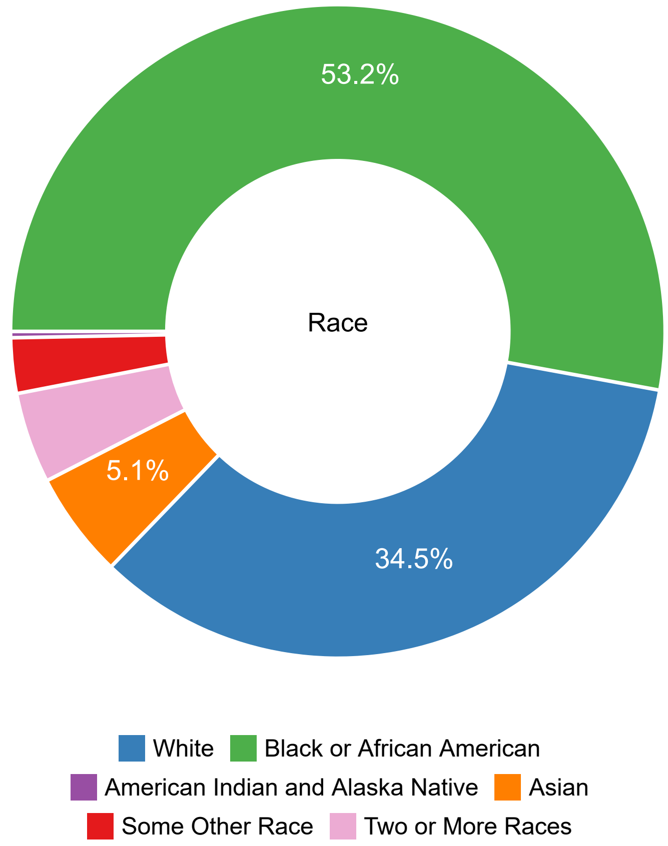
Show Source

Population by Race

Total Hispanic Non-Hispanic

Race	Population	Percentage
Black or African American	31,130	53.23%
White	20,166	34.48%

Race	Population	Percentage
Asian	3,007	5.14%
Two or More Races	2,563	4.38%
Some Other Race	1,526	2.61%
American Indian and Alaska Native	89	0.15%



Bowie Population by Age Show Source

Bowie Population Pyramid 2021

Bowie Median Age

42.7	39.4	45.2
Total	Male	Female

Bowie Adults

There are 45,721 adults, (8,638 of whom are seniors) in Bowie.

Bowie Age Dependency

57.7
Age Dependency Ratio

23.3
Old Age Dependency Ratio

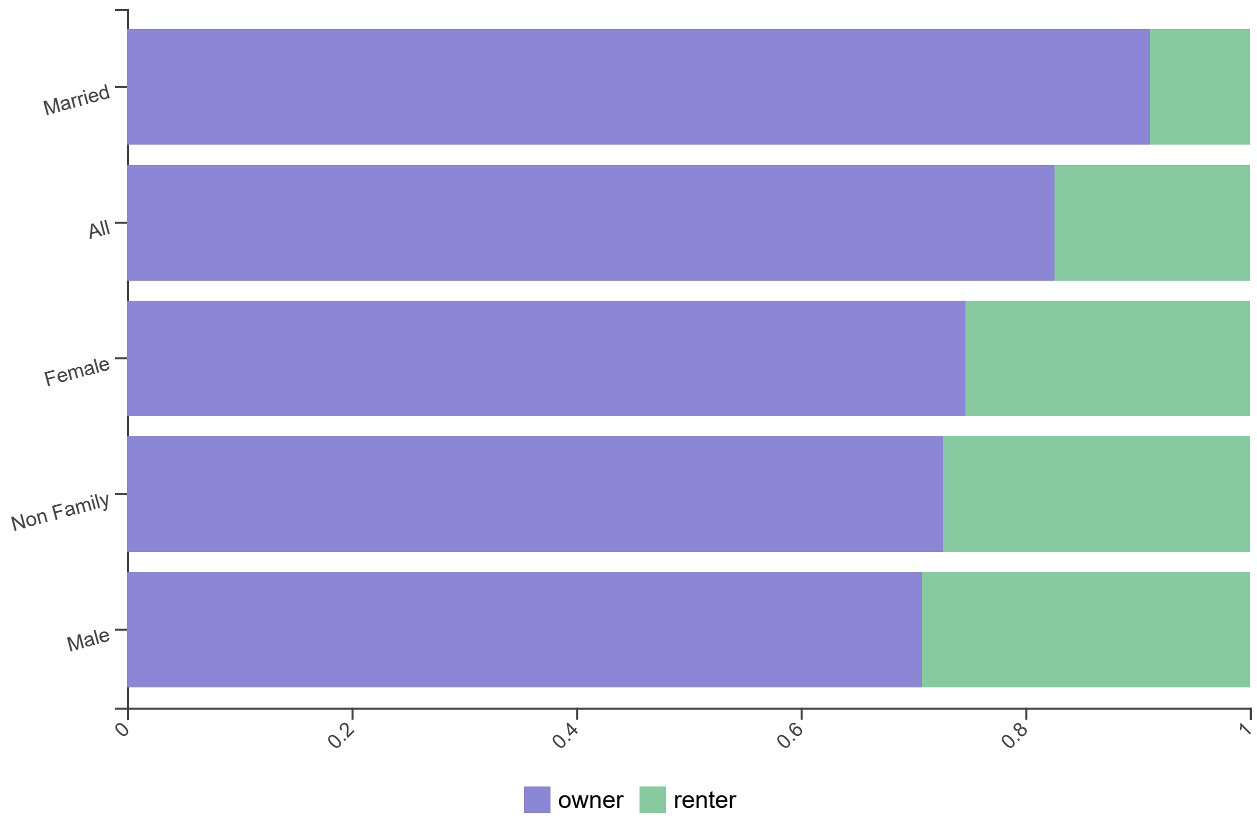
34.4
Child Dependency Ratio

Bowie Sex Ratio

Female	30,825	52.71%
Male	27,656	47.29%

Bowie Households and Families Show Source

Bowie Renter vs Owner Occupied by Household Type



Bowie Household Types

Type	Owner	Renter
Married	91.1%	8.9%
All	82.6%	17.4%
Female	74.7%	25.3%
Non Family	72.7%	27.3%
Male	70.8%	29.2%

82.6%

Rate of Home Ownership

Bowie Households by Type

Show Source

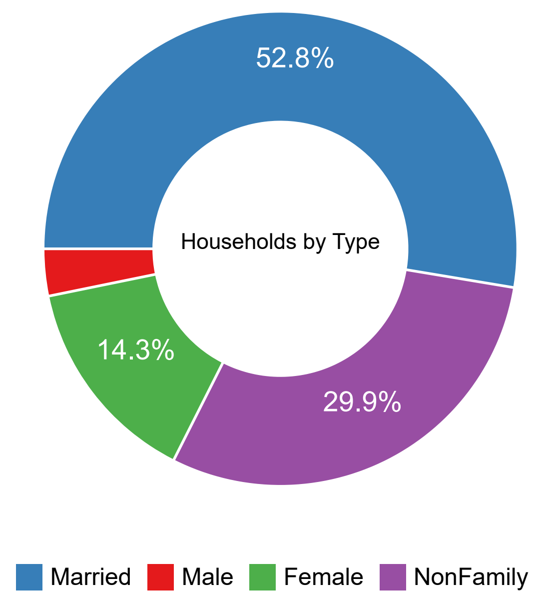
Type	Count	Average Size	Owned
All	20,983	2.77	82.6
Married	11,078	3.45	91.1
Non Family	6,266	1.22	72.7
Female	2,996	3.39	74.7
Male	643	3.29	70.8

3.34

Average Family Size

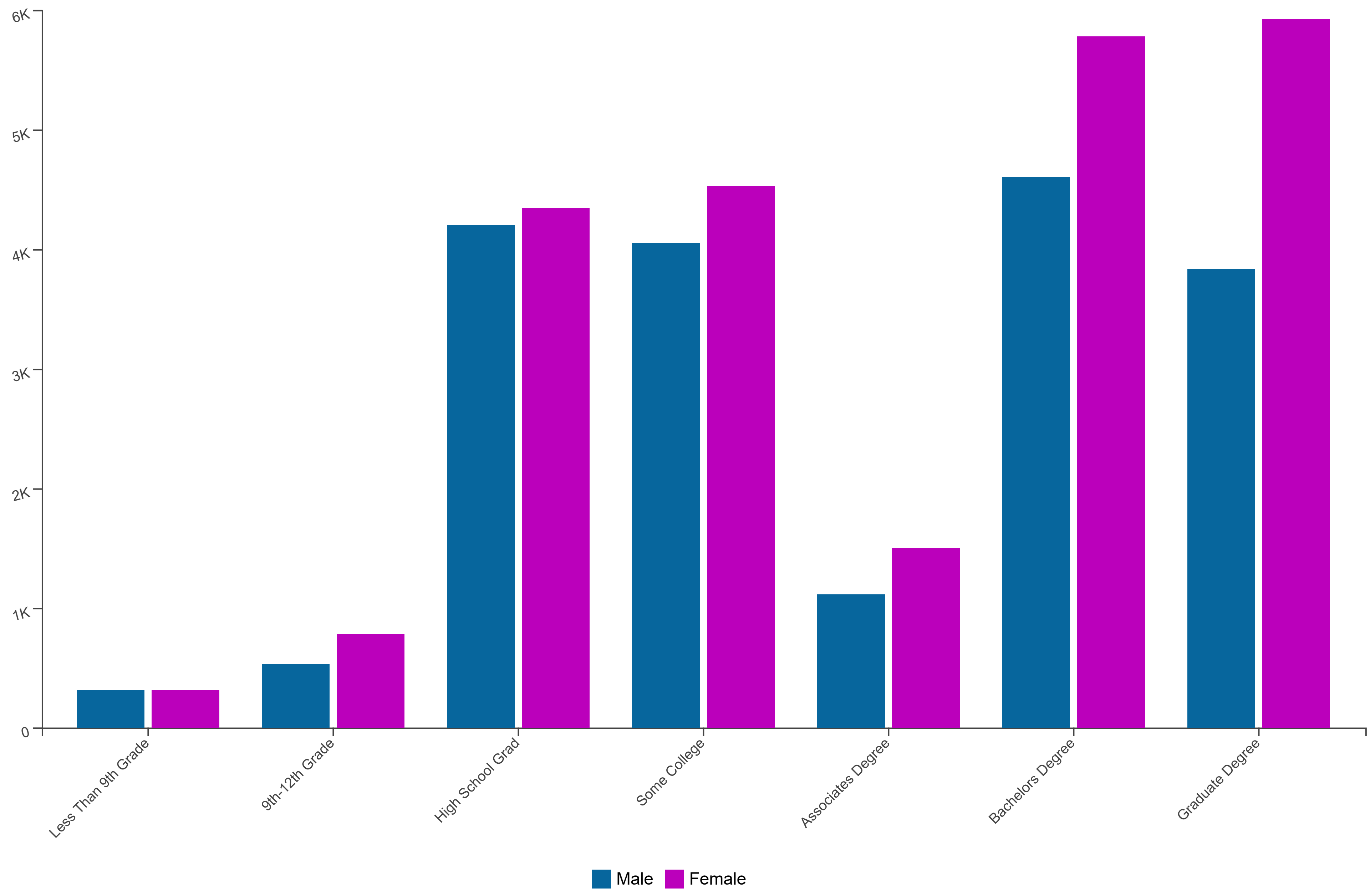
2.77

Average Household Size



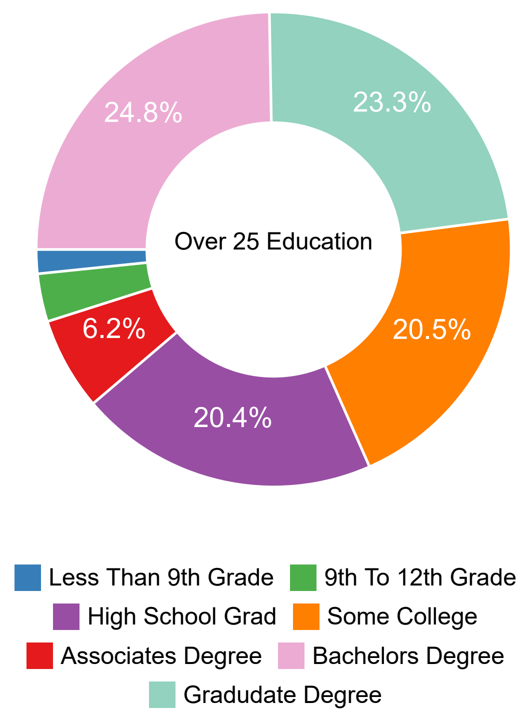
Bowie Educational Attainment by Sex (over 25)

Show Source



CSV JSON

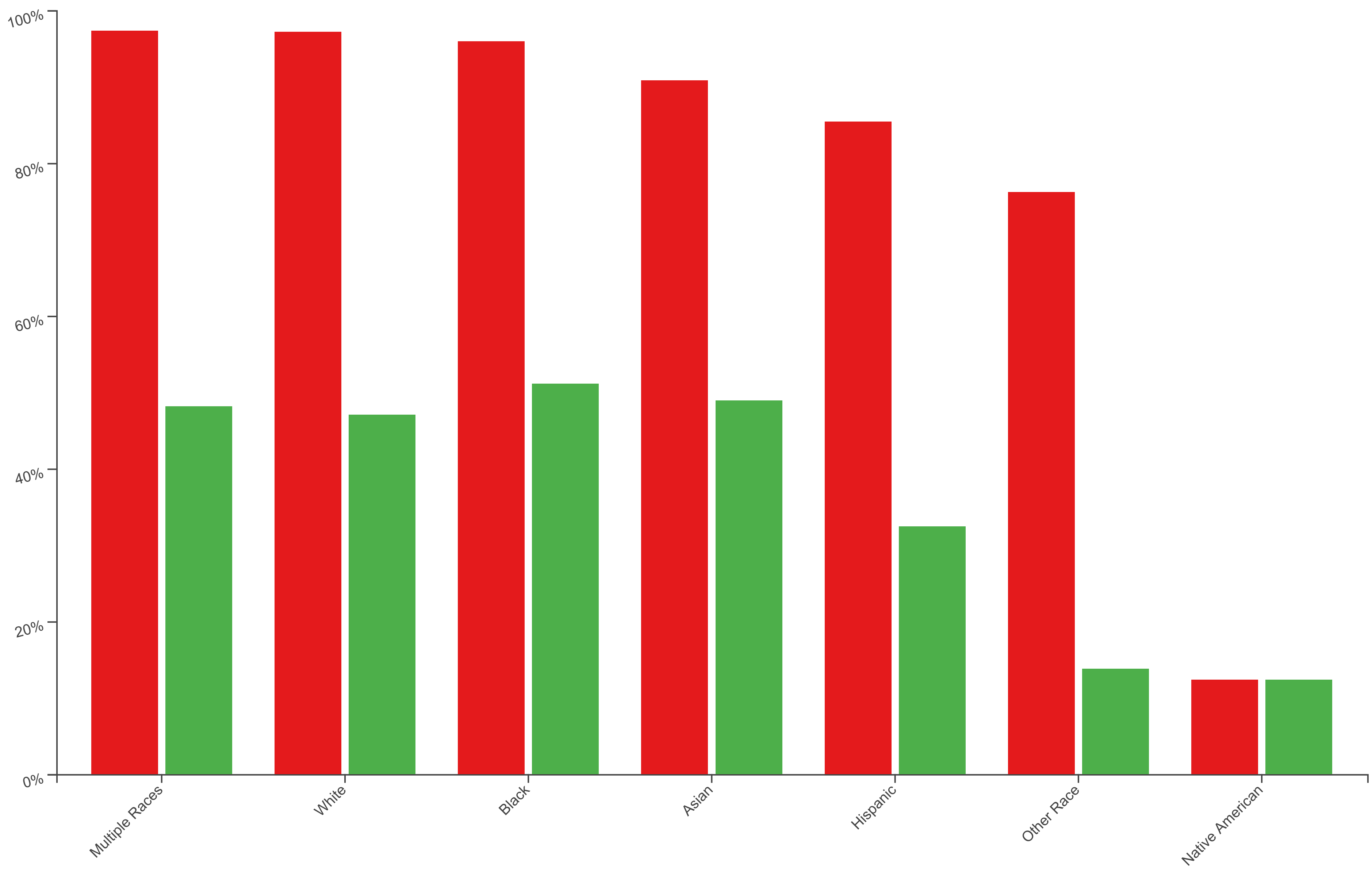
Education Attained	Count	Percentage
Less Than 9th Grade	625	1.49%
9th to 12th Grade	1,316	3.15%
High School Graduate	8,548	20.44%
Some College	8,577	20.51%
Associates Degree	2,612	6.25%
Bachelors Degree	10,383	24.83%
Graduate Degree	9,758	23.33%



Bowie Educational Attainment by Race Show Source

Bowie Educational Attainment by Race

Percentage Counts



CSV JSON

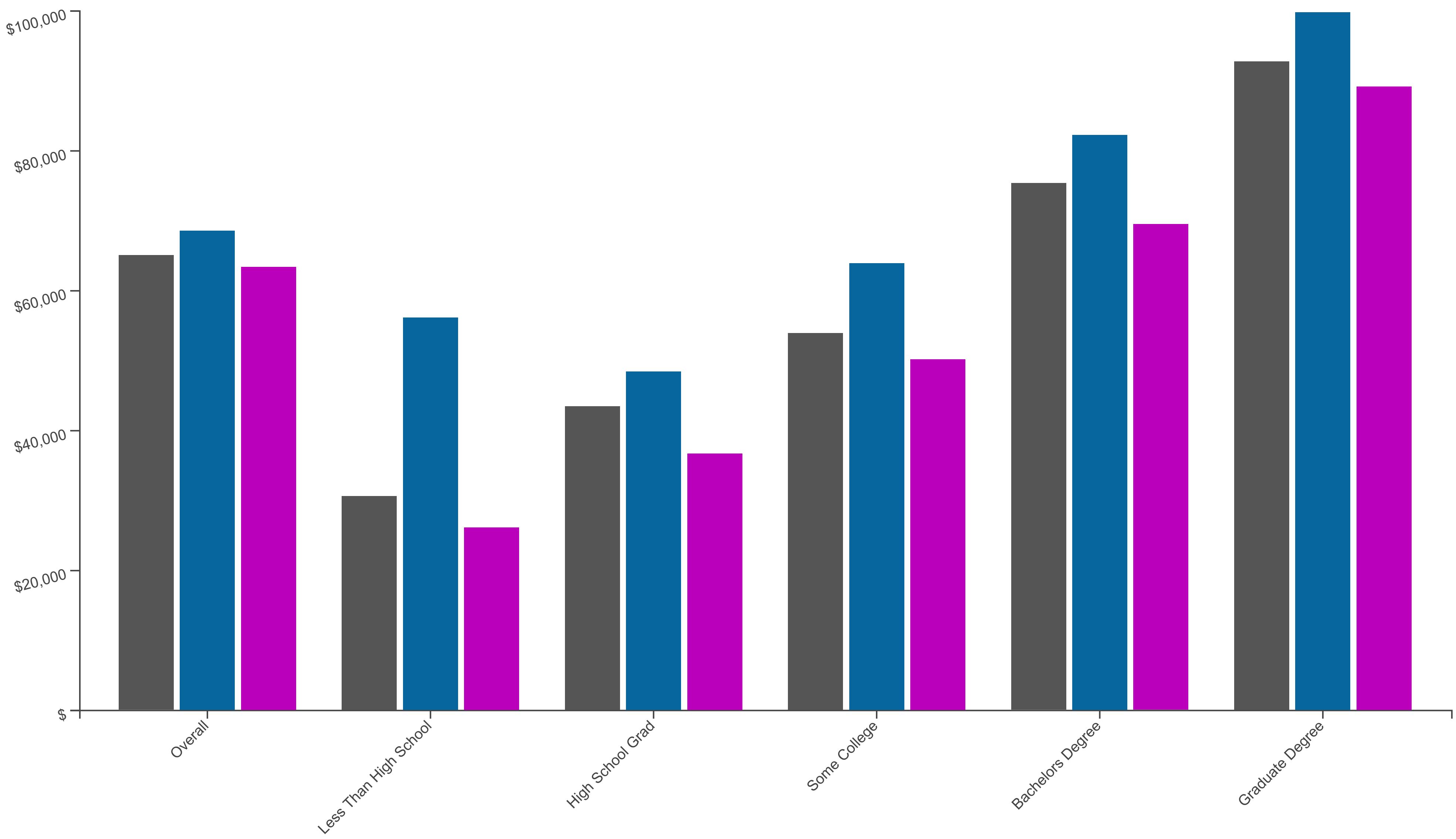
Name	Total	High School	Bachelors
Black	21,706	20,816	11,088
White	14,410	14,000	6,777
Hispanic	2,362	2,017	766
Asian	2,209	2,006	1,080
Multiple Races	1,296	1,261	624
Other Race	907	691	125
Native American	89	11	11

The highest rate of high school graduation is among multiple races people with a rate of 97.30%.

The highest rate of bachelors degrees is among black people with a rate of 51.08%.

Bowie Earnings by Educational Attainment

Show Source



CSV JSON

Name	Average	Male	Female
Overall	$64,976	$68,512	$63,326
Less Than High School	$30,547	$56,083	$26,059
High School Grad	$43,395	$48,372	$36,623
Some College	$53,862	$63,854	$50,101
Bachelors Degree	$75,297	$82,172	$69,423
Graduate Degree	$92,689	$99,722	$89,099

$64,976

Average Earnings

$68,512

Average Male

$63,326

Average Female

Bowie Language

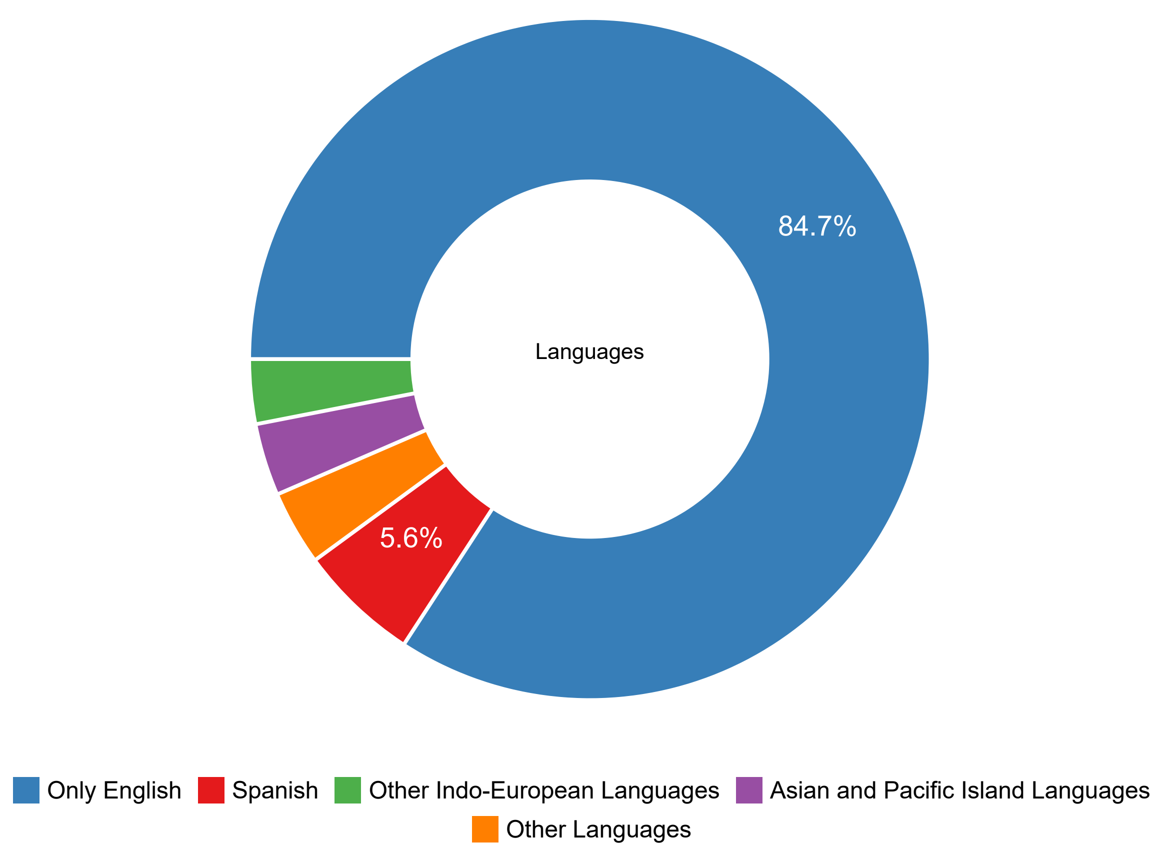
Show Source

Bowie Language by Age

All Ages 5-17 18-64 65+

Bowie Language

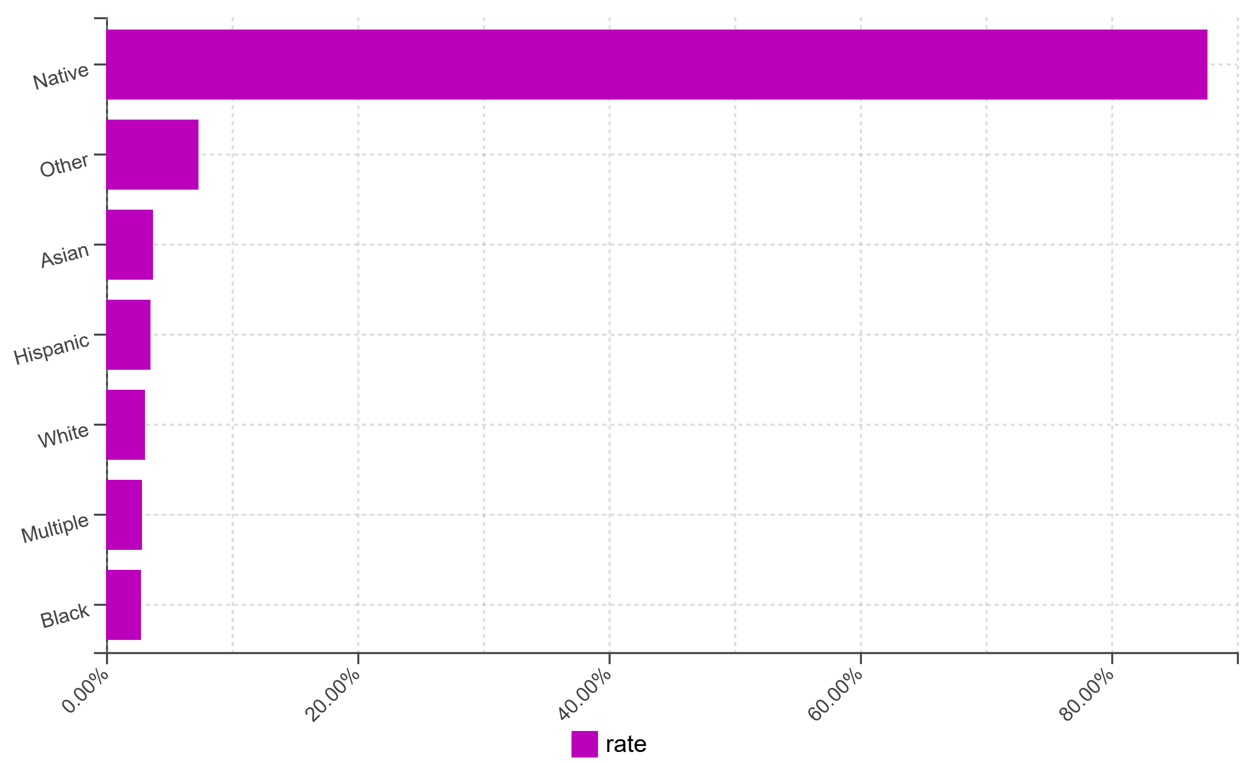
84.72% of Bowie residents speak only English, while 15.28% speak other languages. The non-English language spoken by the largest group is Spanish, which is spoken by 5.64% of the population.



Bowie Poverty

Show Source

Bowie Poverty by Race



CSV JSON

Name	Total	In Poverty	Poverty Rate
Black	30,874	856	2.77%
White	18,058	559	3.10%
Hispanic	4,213	148	3.51%
Asian	3,006	112	3.73%
Other	1,515	111	7.33%
Native	89	78	87.64%
Multiple	2,563	73	2.85%

3.17%

Overall Poverty Rate

3.18%

Male Poverty Rate

3.16%

Female Poverty Rate

Poverty in Bowie

The race most likely to be in poverty in Bowie is Native, with 87.64% below the poverty level.

The race least likely to be in poverty in Bowie is Black, with 2.77% below the poverty level.

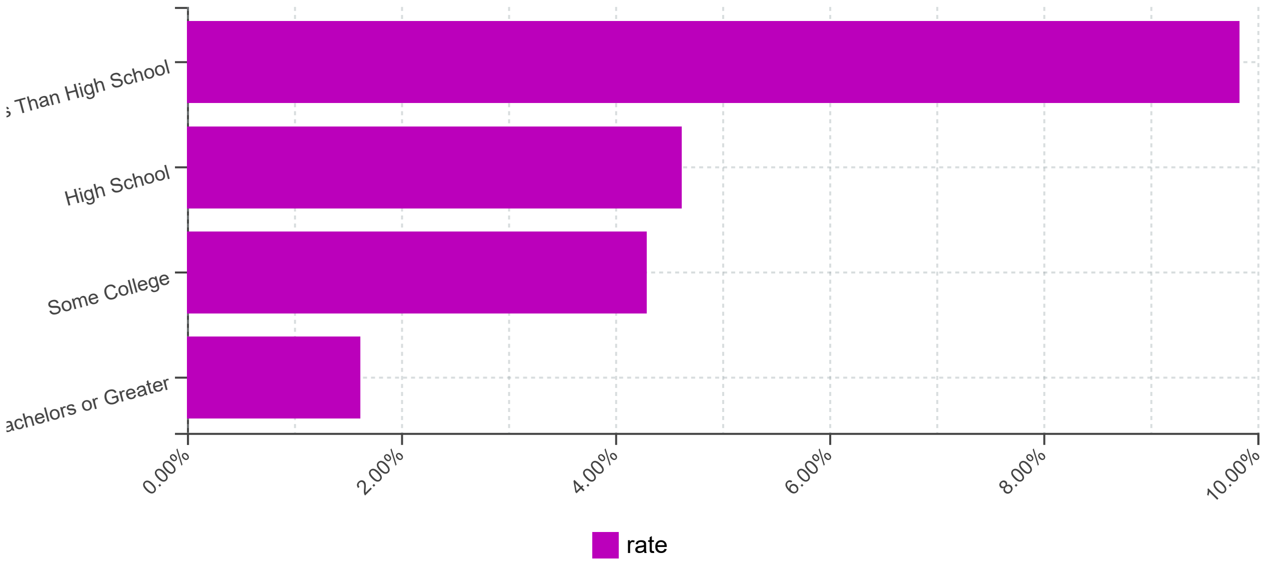
The poverty rate among those that worked full-time for the past 12 months was 0.49%. Among those working part-time, it was 3.66%, and for those that did not work, the poverty rate was 8.88%.

Bowie Poverty Rate by Education

Show Source

CSV JSON

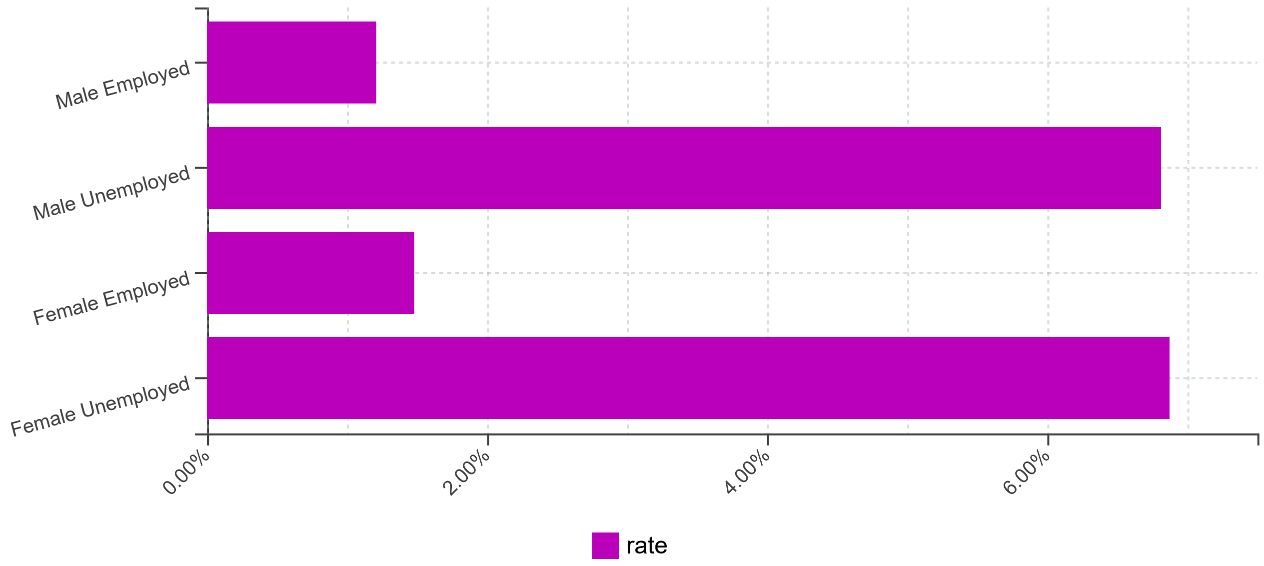
Name	Poverty
Less Than High School	9.83%



Name	Poverty
High School	4.62%
Some College	4.29%
Bachelors or Greater	1.62%

Bowie Poverty Rate by Employment Status and Sex

Show Source



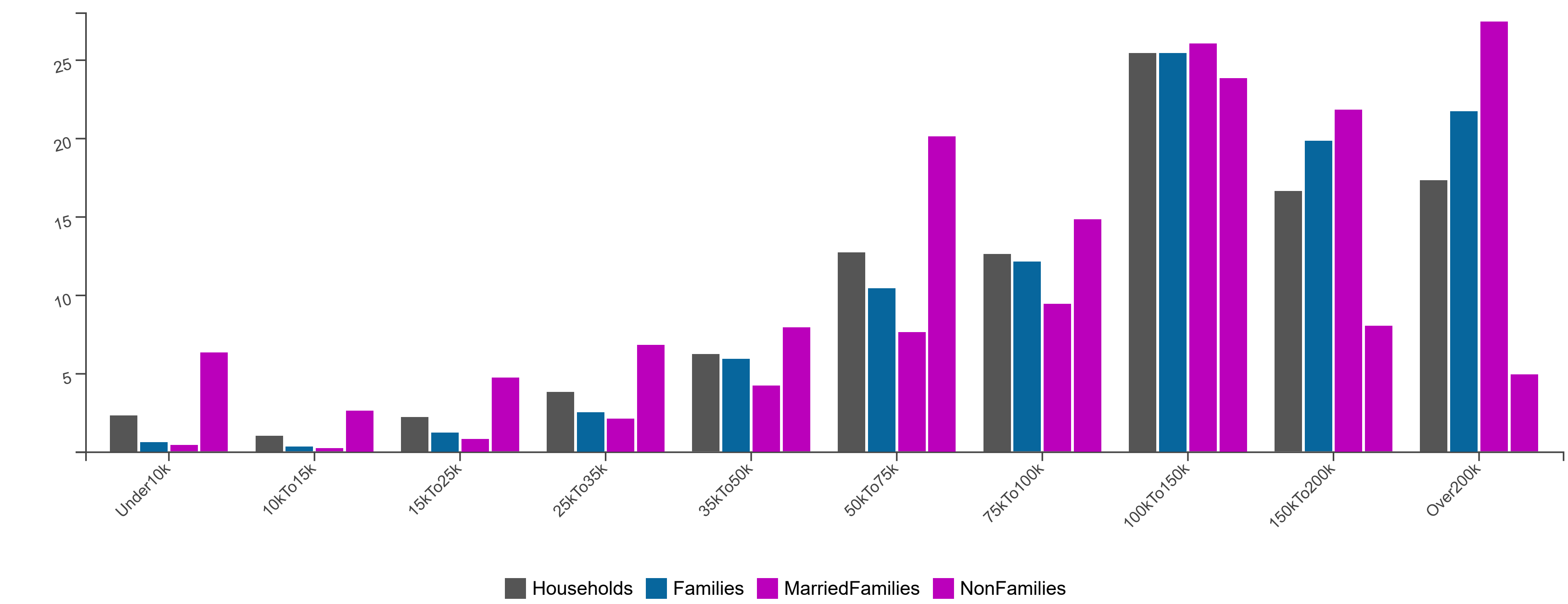
CSV JSON

Name	Poverty
Female Unemployed	6.87%
Male Unemployed	6.81%
Female Employed	1.48%
Male Employed	1.21%

Income by Household Type

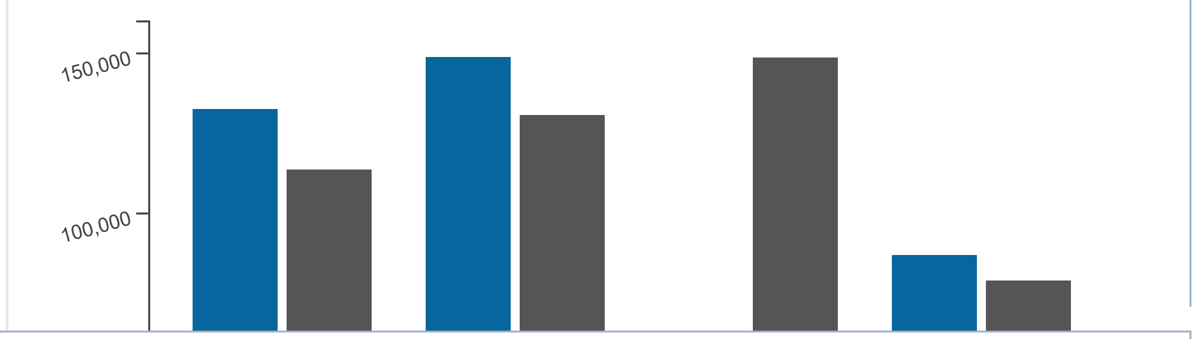
Show Source

Bowie Income by Household Type



CSV JSON

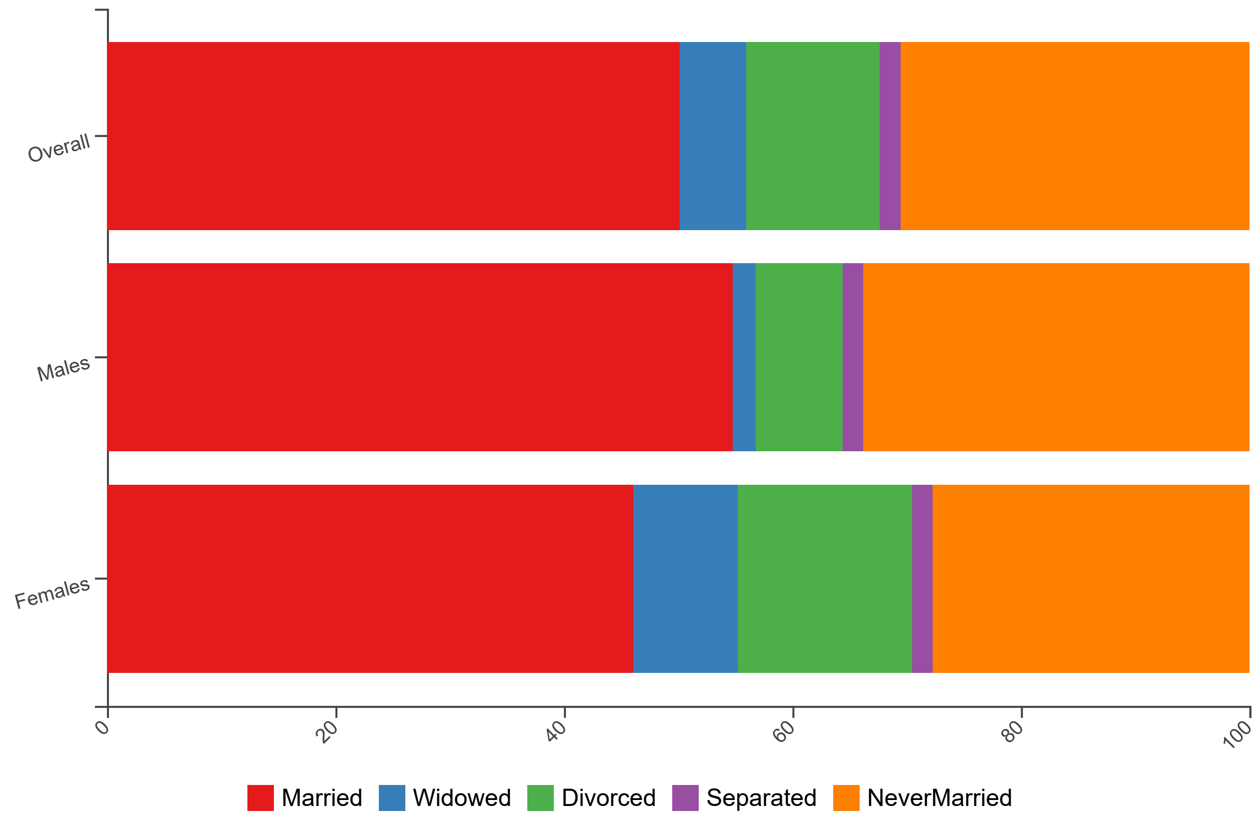
Name	Median	Mean
Households	$113,338	$132,306
Families	$130,430	$148,475
Married Families	$148,385	-
Non Families	$78,770	$86,663



Bowie Marital Status

Show Source

Bowie Marital Status



Marriage Rates

50.1%

Overall Marriage Rate

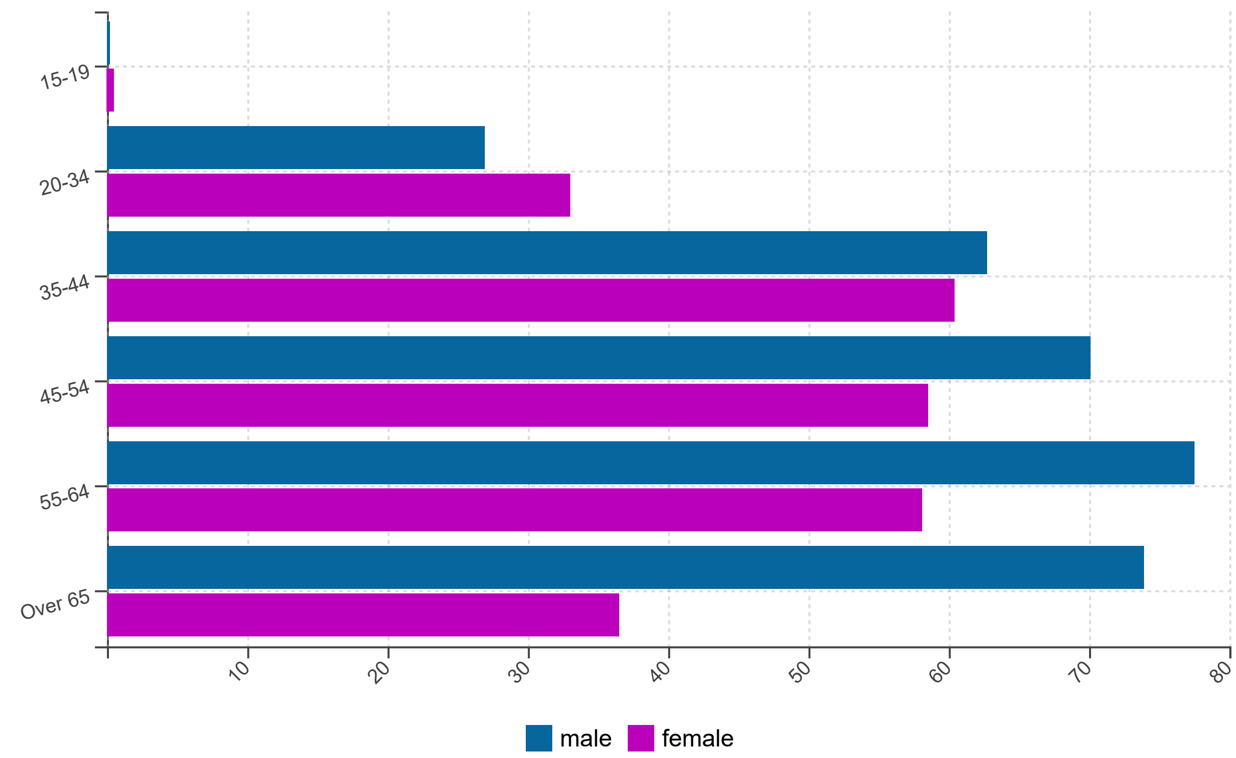
54.8%

Male Marriage Rate

46.1%

Female Marriage Rate

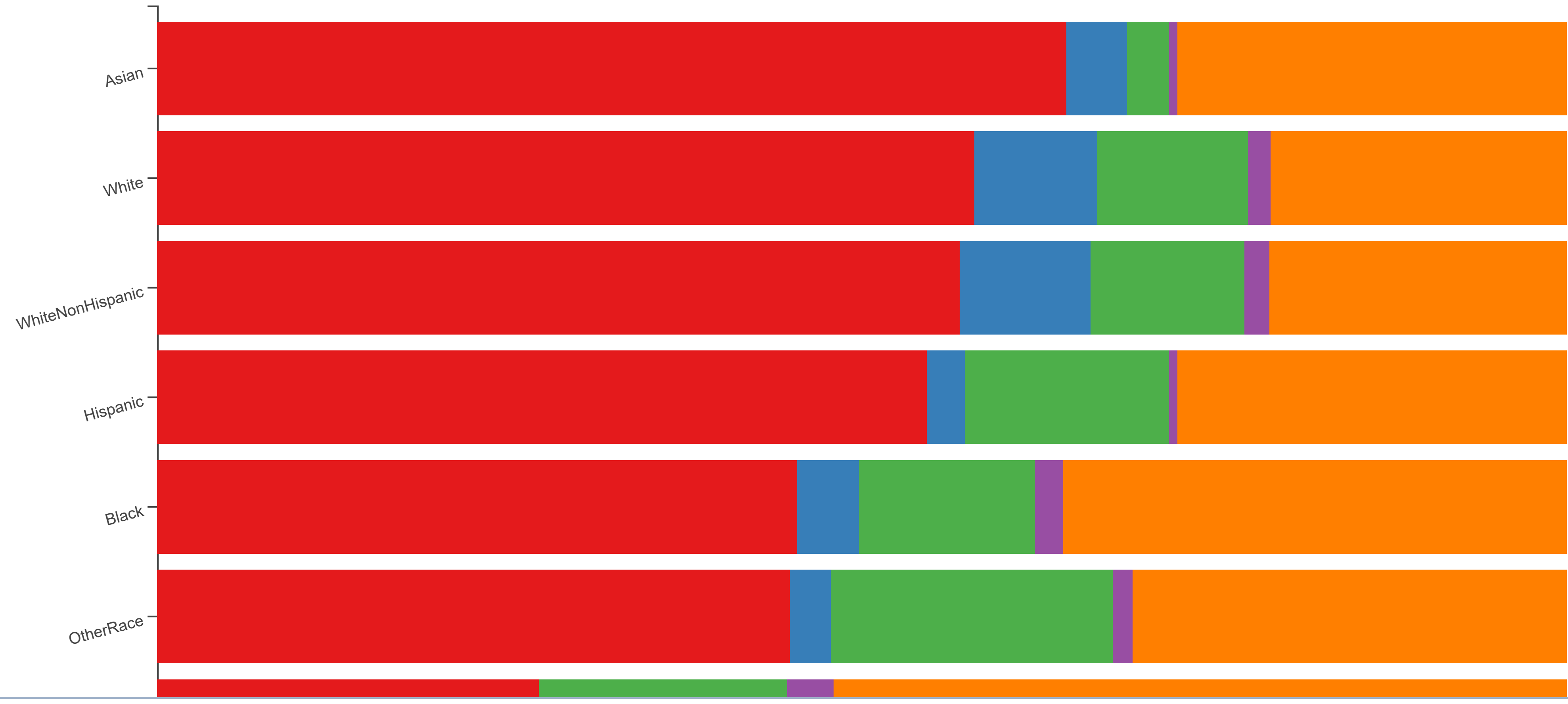
Bowie Married by Age and Sex



Bowie Marriage

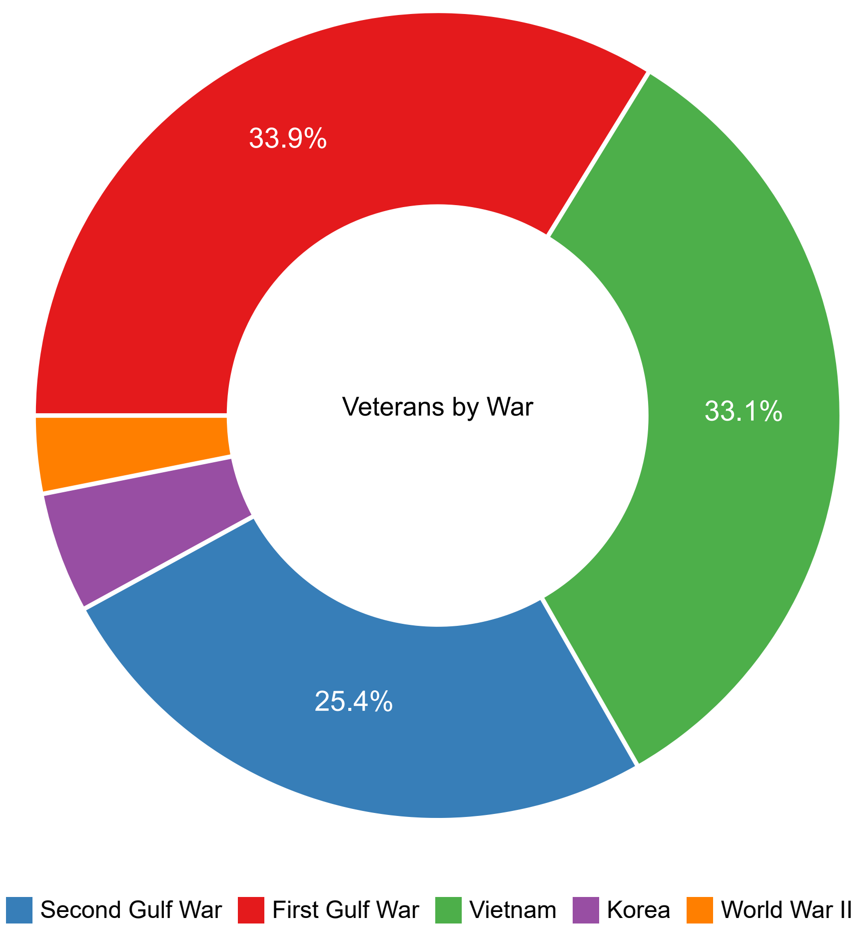
The age group where males are most likely to be married is 55-64, while the female age group most likely to be married is 35-44.

Bowie Marital Status by Race



Bowie Veterans by War

Show Source



4,428

Number of Veterans

3,879

Male Veterans

549

Female Veterans

CSV JSON

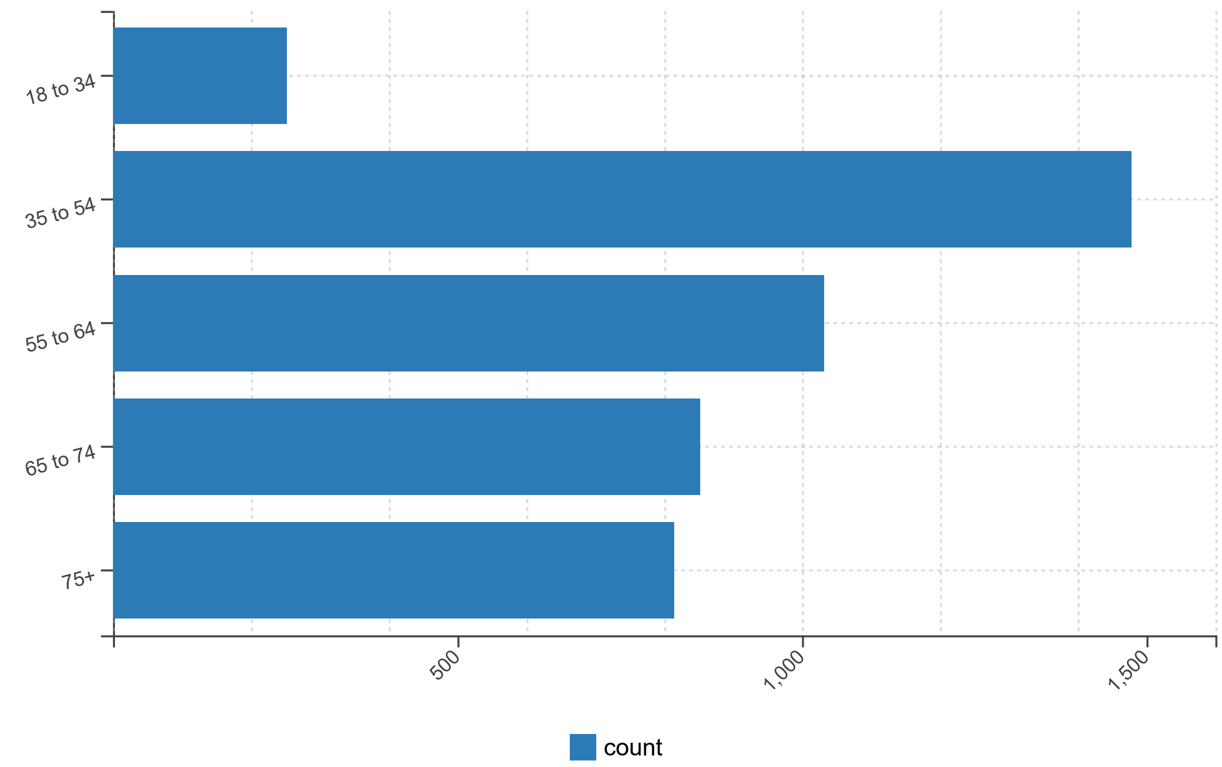
War	Veterans
First Gulf War	1,365
Vietnam	1,331
Second Gulf War	1,021
Korea	190
World War II	120

Bowie Veterans by Age

Show Source

CSV JSON

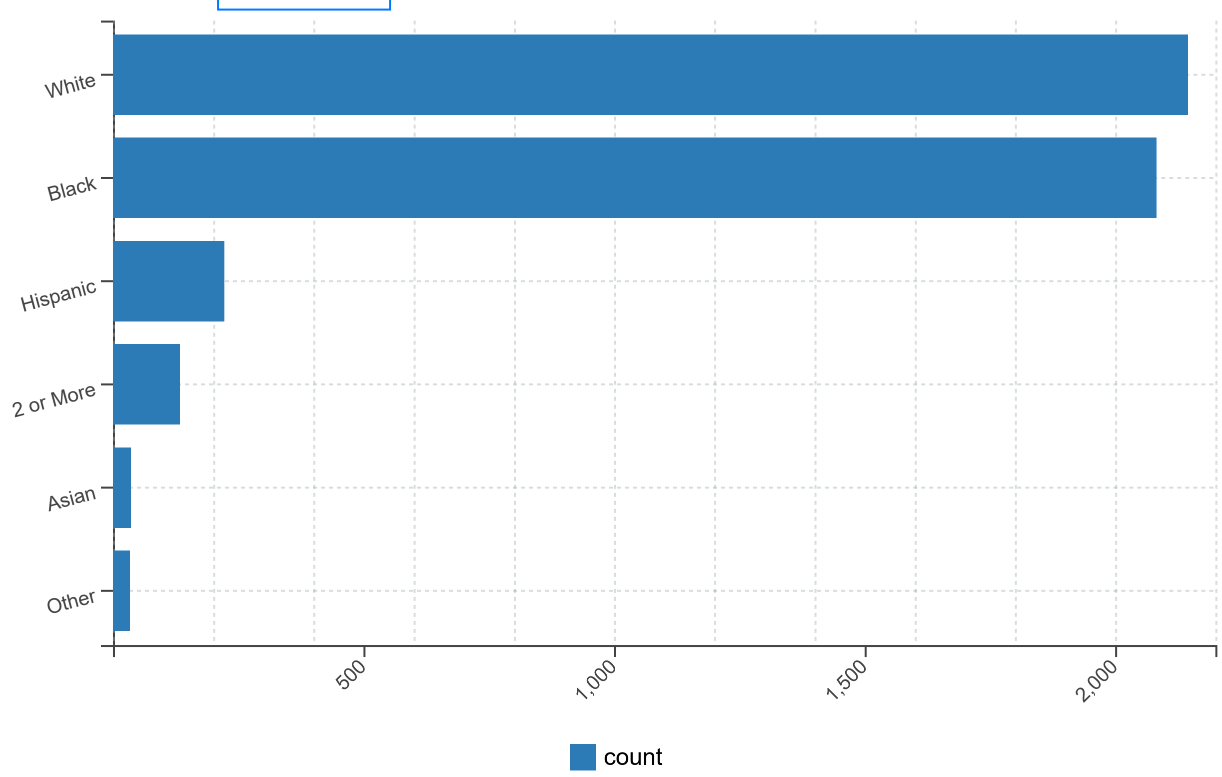
Age Group	Veterans
35 to 54	1,478
55 to 64	1,032
65 to 74	852
75+	814
18 to 34	252



Bowie Veterans by Race

Show Source

Percentage Counts



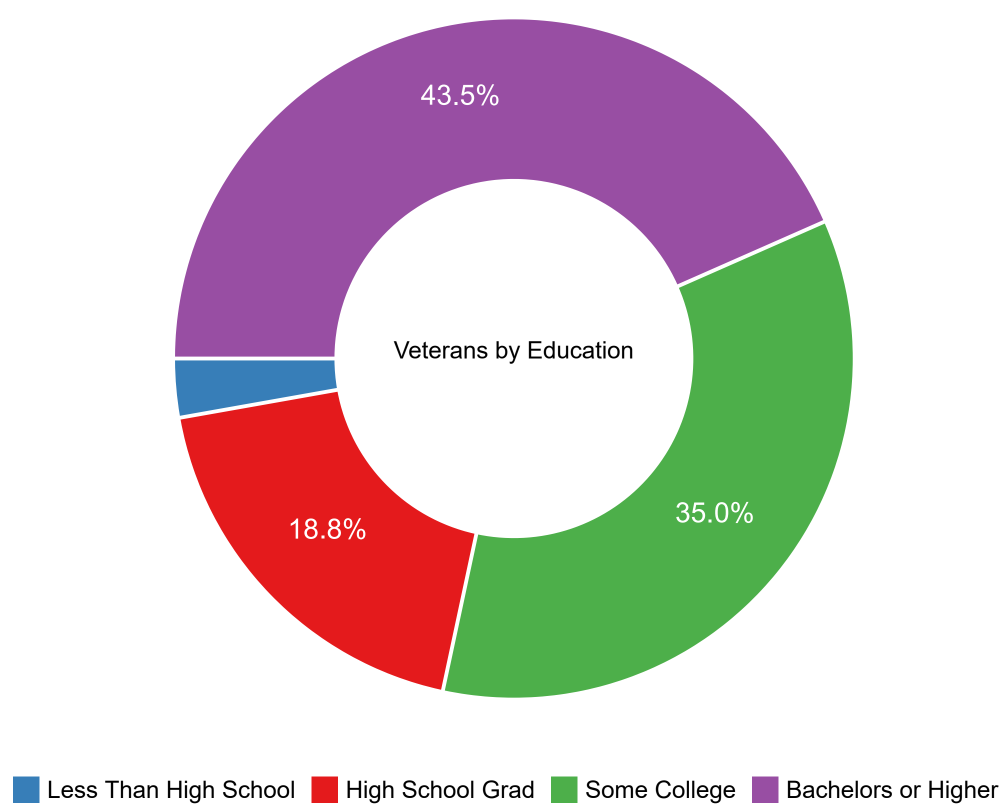
CSV JSON

Name	Veterans	% of Total
White	2,145	13.24%
Black	2,082	8.56%
Hispanic	222	8.56%
2 or More	133	8.74%
Asian	35	1.48%
Other	33	3.18%

Bowie Veterans by Education

Show Source

Bowie Veterans by Education



1.66%

Veteran Poverty Rate

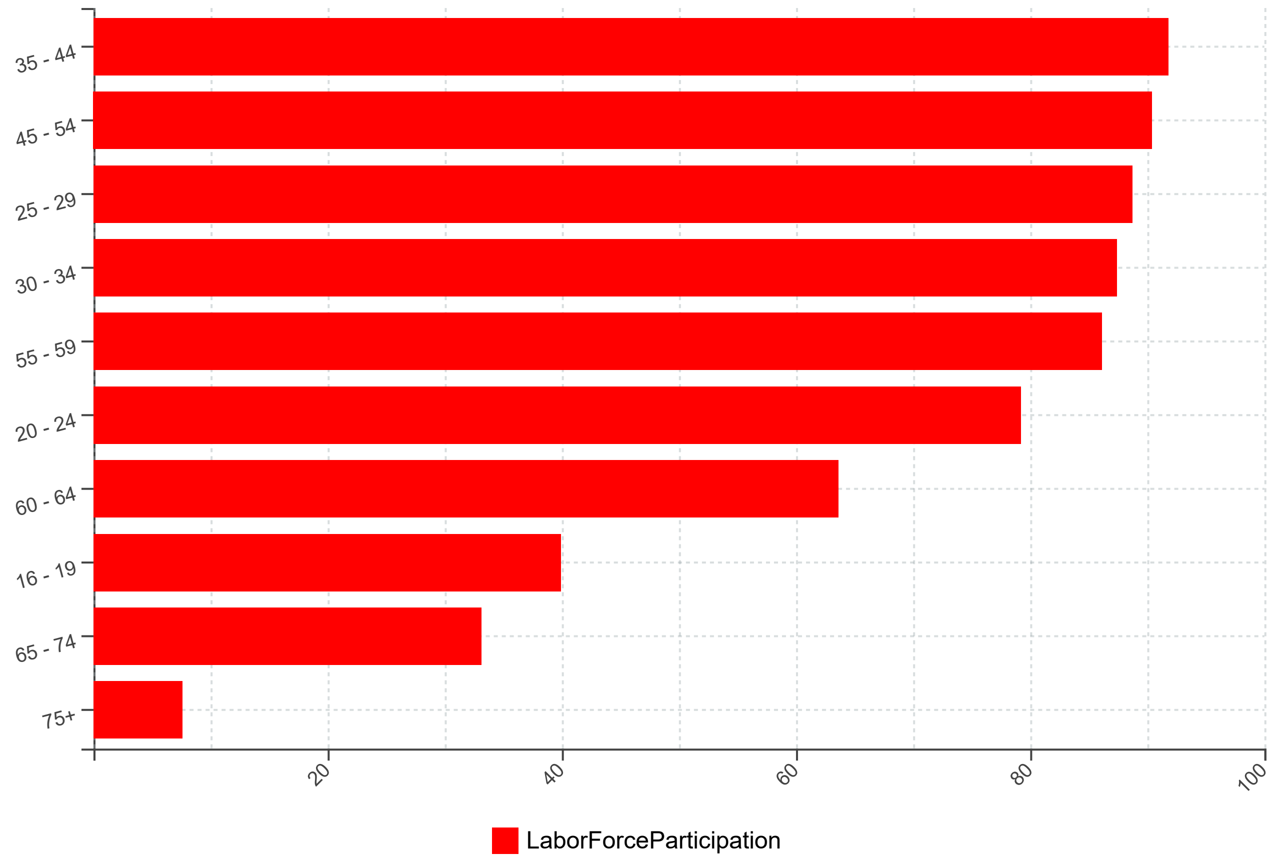
18.90%

Veteran Disability Rate

Bowie Employment by Age

Show Source

Labor Force Participation | Employment Rate | Unemployment Rate



71.5%

Labor Force Participation

67.6%

Employment Rate

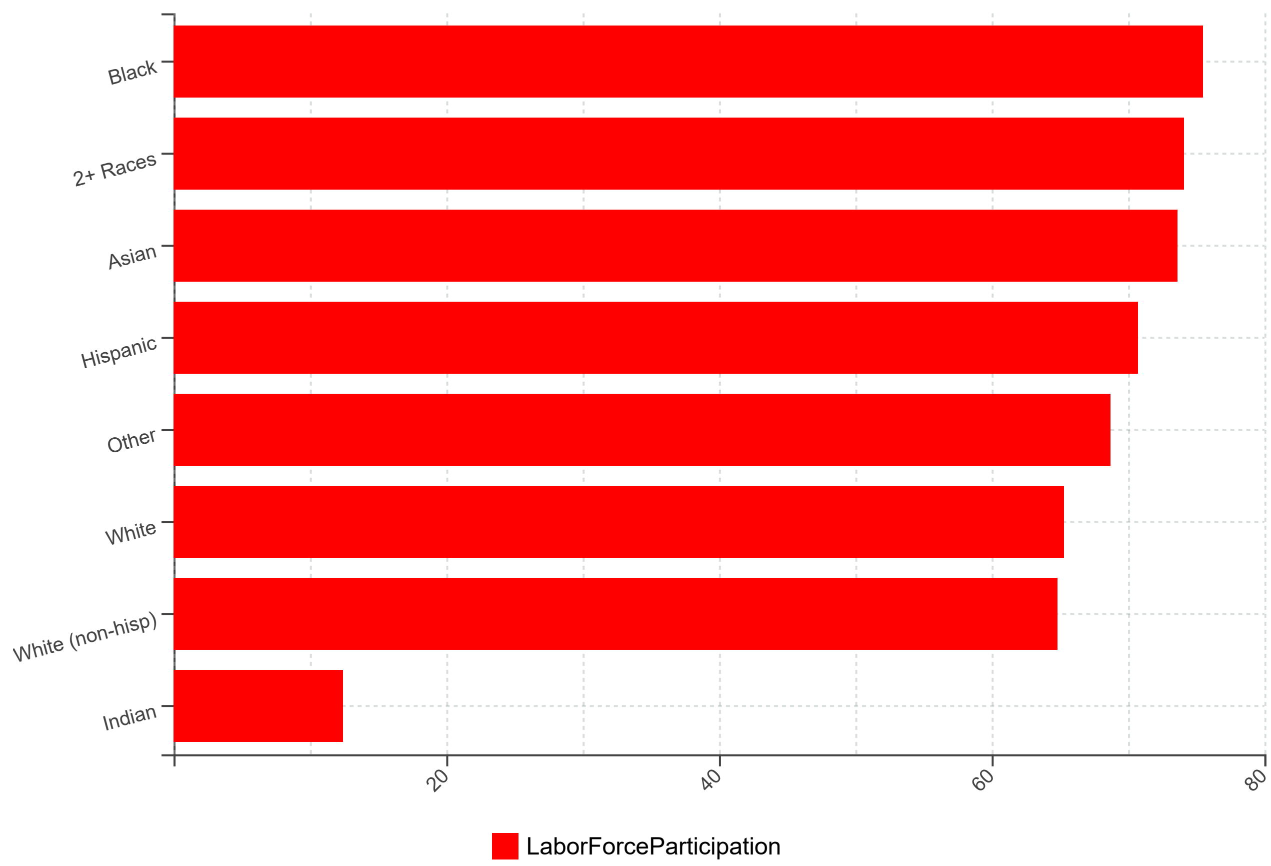
4.8%

Unemployment Rate

Bowie Employment by Race

Show Source

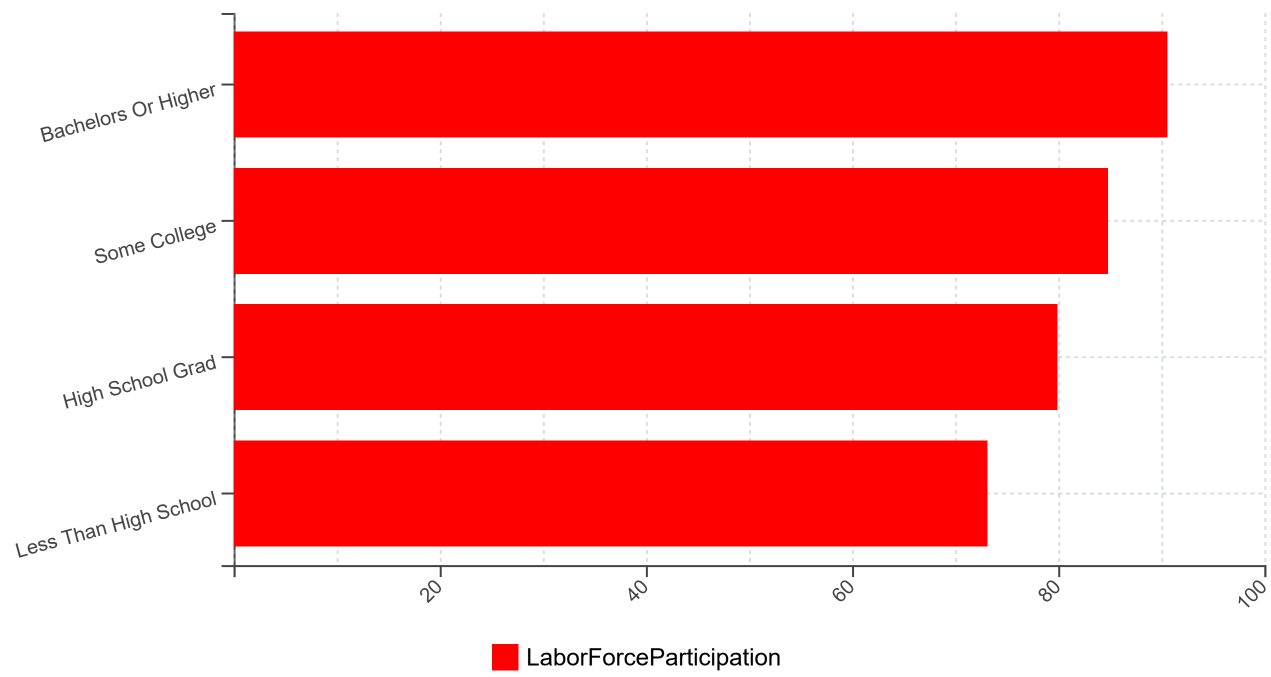
Labor Force Participation | Employment Rate | Unemployment Rate



Bowie Employment by Education

Show Source

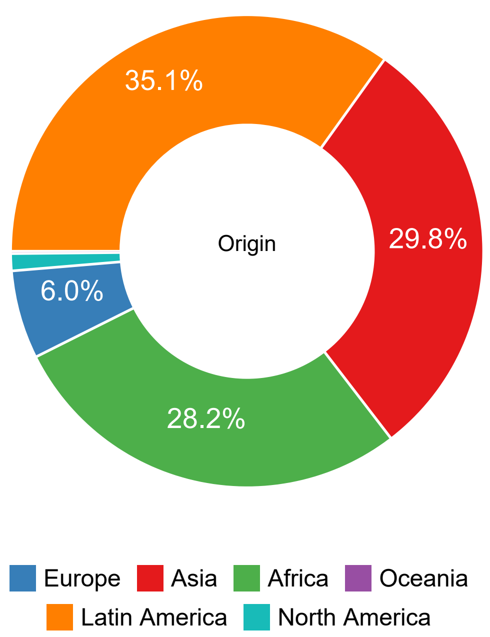
Labor Force Participation | Employment Rate | Unemployment Rate



Bowie Place of Birth

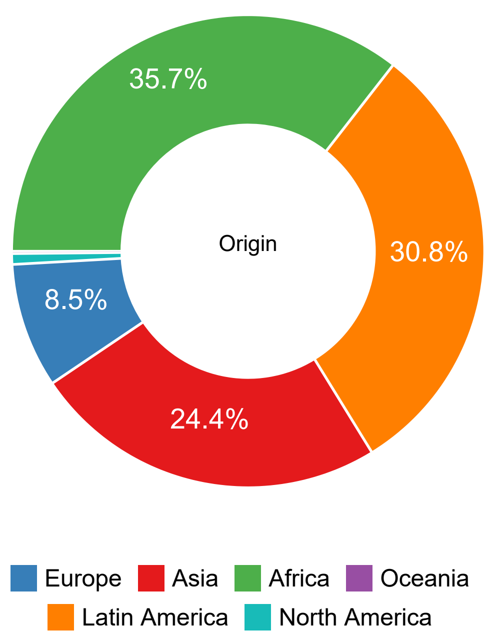
Show Source

Origin of Non-Citizens



Non citizens include legal permanent residents (green card holders), international students, temporary workers, humanitarian migrants, and illegal immigrants.

Origin of Naturalized Citizens



32.21%

Born in Maryland

85.07%

Native Born

14.93%

Foreign Born

5.20%

Non Citizen

9.73%

Naturalized

Place of Birth

85.07% of Bowie residents were born in the United States, with 32.21% having been born in Maryland. 5.20% of residents are not US citizens. Of those not born in the United States, the largest percentage are from Africa.

Bowie Population by Year

Show Sources

Year	Population	Growth	Annual Growth Rate
2021	58,709	33	0.06%
2020	58,676	33	0.06%
2019	58,643	33	0.06%
2018	58,610	47	0.08%
2017	58,563	132	0.23%
2016	58,431	206	0.35%
2015	58,225	475	0.82%
2014	57,750	648	1.13%

Year	Population	Growth	Annual Growth Rate
2013	57,102	528	0.93%
2012	56,574	574	1.03%
2011	56,000	542	0.98%
2010	55,458	5,189	0.99%
2000	50,269	12,680	2.95%
1990	37,589	3,894	1.10%
1980	33,695	-1,333	-0.39%
1970	35,028	33,928	41.35%
1960	1,100	300	1.61%
1940	800		0.00%

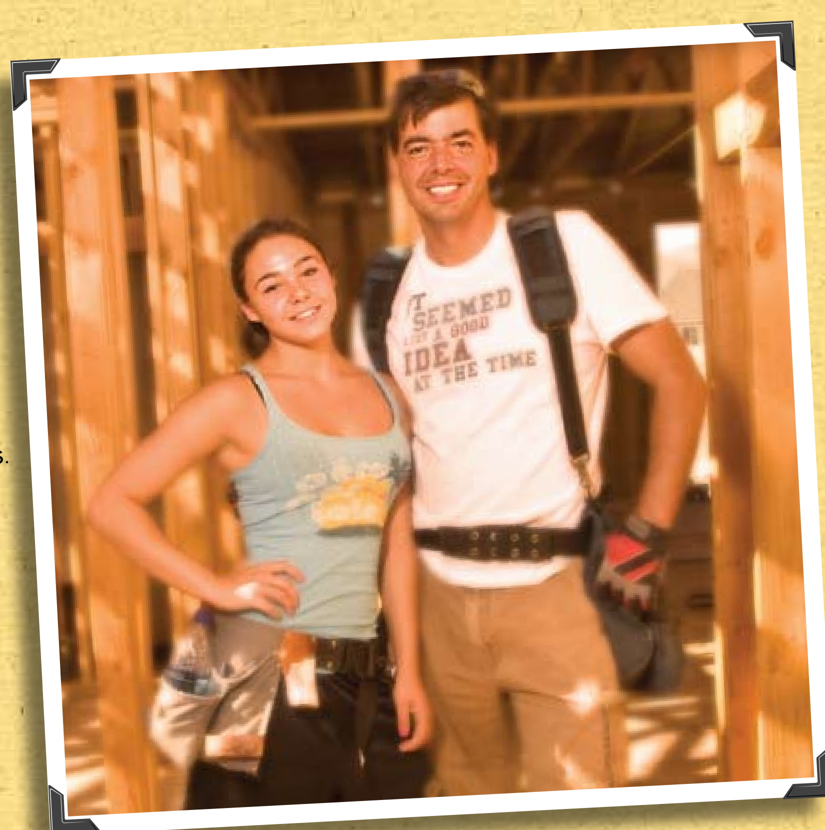
THE PROOF IS IN THE NUMBERS:

The Positive Economic Impact Of Residential Development

NEVADA RURAL HOUSING AUTHORITY

Getting you home

Housing matters to people



When a family, or business, contemplates relocating to a new area, they evaluate their future success, to a large extent, on the availability and affordability of housing. Other considerations include access to quality education, churches, community organizations and convenient shopping. Before someone commits to a new location, they need to feel secure that there are no barriers to their success. Housing expenses can easily consume 30-50% of household income, so it is no surprise that access to and the affordability of housing impacts community development.

According to the US Dept of Housing and Urban Development, the generally accepted definition of affordability is for a household to pay no more than 30% of its annual income on housing. Families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. An estimated 12 million renter and homeowner households now pay more then 50% of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.

95 million Americans were burdened with paying more than 30% of their income for housing in 2001[1]

[1]The Joint Center for Housing Studies at Harvard University, "State of the Nation's Housing," 2003

People attract business and housing attracts people

Most communities want to provide for a diverse, economically stable population, with adequate infrastructure and resources for its citizens. The dichotomy between the need for new economic development and the need to attract new citizens (with all of their accompanying support requirements) has always been a delicate balancing act for local government policy makers. One of the major debates seems to be; 'do we need new industry to create new or better jobs for citizens', or 'do we need more housing options to attract citizens that will be available to work in the industries interested in locating in our area.'

The up side of this debate is that residential development can address both concerns. Housing construction is its own economic engine that simultaneously enhances a communities' ability to attract new business. The following pages document—with the support of national research studies—the definite, identifiable economic impact that housing development has on a local community before, during and after housing is constructed.

Housing development creates new jobs for citizens and provides desired housing options that attract residents.

PHASE I:

Direct and indirect impact of construction activity

Money trickles into a community well before noticeable construction activity. Planning professionals, attorneys, engineers, architects and designers are commissioned to develop preliminary designs. Financial models are prepared and land is acquired. Redevelopment plans are presented and local businesses strategize for their position in a growing economy.

There is an increase in construction related jobs that are available to local workers, thereby increasing wages. There are local permit fees, impact fees, utility fees, and transfer taxes. There is increased work in landscaping, trucking and transportation, and off-site improvements such as road and sidewalk work, as well as sewer and water systems infrastructure. There are also marketing, financing, and realtor costs that bring money to local coffers.

The financial impact of construction is felt by a variety of business types including lenders, title companies, appraisers, insurance agents, relocation, moving and rental companies, cable and internet providers, cleaning and window washing services, locksmiths, appliance and furniture stores, hardware stores, gutter companies and landscapers.

The U.S. Department of Agriculture's Rural Housing Service estimated that each single-family home financed by the Section 502 program (loans primarily used to help low-income individuals or households purchase homes in rural areas) generates 1.75 jobs and $50,201 in wages and $20,560 in annual tax revenues to rural America.[2]

DIRECT AND INDIRECT IMPACT OF CONSTRUCTION ACTIVITY OF 100 HOUSING UNITS

Based on an average metropolitan statistical area, and homes with an average construction value of $145,372.[3]

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes1	Local Jobs Supported
$4,845,000	$924,000	$3,921,000	$511,000	102

[2]*Maureen Kennedy, "Increasing Homeownership Through Partnership," Rural Voices (Summer 1996)*

[3]*National Association of Home Builders Housing Policy Department, "The Local Economic IMPACT of a Typical Tax Credit Housing Project", September 2007*

PHASE II:

Construction ripple

The Center for Home Ownership conducted a study in 2001 that found community-based homeownership programs were instumental in revitalizing neighborhoods. A portion of the local income generated by construction will be spent, generating more income, which generates more spending—a process known as the ripple effect.

In addition to the direct purchase of construction materials for the project, construction workers make purchases that affect the local economy. Workers generally live close to the construction site, and thus spend a substantial part of their wages in the local community for food, entertainment, and other services. Area businesses benefit from this increased patronage, from the sale of building supplies for the project, and from sales to the residents of the new units. The prosperity of the owners and employees of these businesses increases, allowing them to purchase more from other local ventures.

The U.S. Bureau of Labor Statistics produces a regional analysis of spending patterns by income levels called the Consumer Expenditure Survey (CES). According to CES, when workers become consumers and spend a portion of their wages in the local economy, they support additional jobs in 16 local industries.

ONE-YEAR ECONOMIC IMPACTS OF THE DEVELOPMENT OF 100 HOUSING UNITS

Based on an average metropolitan statistical area, and homes with an average construction value of $145,372.[4]

Type of Units	Jobs Supported	Wage and Salaries	Business Owner's Income	Local Taxes
Single Family	253	$7,388,000	$2,670,000	$854,000
Multifamily	121	$3,543,000	$1,280,000	$409,000

[4]*National Association of Home Builders, "The Local Impact of a Typical Tax Credit Housing Project", September 2007*

PHASE III:

Long term impact of housing development

Occupied housing increases local jobs, income, and taxes. A 2009 National Association of Home Builders study found that a household, whether in a single-family home or a rental unit, will typically pay 1.2% of its income on taxes and user fees. In addition, property taxes increase because of new housing activity and the increased value of surrounding property.

A household moving into a new housing situation generally spends about three-fifths of its income on goods and services sold in the local economy, causing an economic ripple that permanently increases the level of economic activity for local business owners. The list of goods and services affected include groceries, home improvement, pet food, gasoline, car repairs, beauty salons, clothing, fitness centers, school supplies and so on.

Twelve years after investing $94 million in 7,562 affordable housing units, Oregon has helped generate 12,212 jobs, $393 million in wages and $23 million in income tax.

Association of Oregon Community Development Organization, "Economic Impact of Affordable Housing Development," April, 2003

For moderate to low-income members of the community, the opportunity to purchase a home represents the family's first opportunity to begin developing personal assets. The wealth building effect of owning a home mainly comes from tax advantages. The deductible mortgage interest and the tax-free treatment on gains when a home sells offer a "forced" savings plan. Additionally, home values rise with the rate of inflation (except after real estate "bubbles"). For most households, these gains are the most significant way wealth is built.

According to an economic impact report issued by the Association of Oregon Community Development, 7,562 households in a community housing development paid, on average, $267 less in rent per month than they would have paid for a fair market apartment. Annual savings are estimated at over $24 million. Based on likely spending patterns, that money will support 833 full-time jobs each year.[5]

ONGOING, ANNUAL ECONOMIC IMPACTS OF 100 NEW HOUSING UNITS

Based on an average metropolitan statistical area, and homes with an average construction value of $145,372.[6]

Type of Units	Jobs Supported	Wage and Salaries	Business Owner's Income	Local Taxes
Single Family	76	$1,983,000	$416,000	$393,000
Multifamily	36	$945,000	$238,000	$243,000

[5]*Association of Oregon Community Development Organization, "Economic Impact of Affordable Housing Development," April, 2003*

[6]*National Association of Home Builders, "The Local Impact of Home Building in Average City, USA: Income, Jobs, and Taxes Generated by Single Family Construction", and "The Local Impact of Home Building in Average City, USA: Income, Jobs, and Taxes Generated by Multifamily Construction", March 1997*

The cost of not providing affordable housing

While there are endless studies outlining the positive economic impacts that housing developments have had all over the country, the negative consequences of not providing affordable are equally compelling.

Without affordable housing, a negative ripple effect occurs in almost the exact opposite way as the positive ripple described earlier. Businesses can't attract the young, educated workforce they need to expand. Young, well-educated professionals are often forced to leave because of high housing costs. New businesses and new industry are deterred from moving to the area. The region never cashes in on all of the potential income that new housing makes possible including construction income, consumer spending and tax revenues.

Failure to provide for a balance of housing options close to jobs leads to traffic congestion and other problems that diminish quality of life. If the community workforce must travel from a house in a distant region, there is a substantial loss of consumer spending and local annual business income. In 2003 highway congestion costs the nation $69.5 billion in wasted fuel and time, and congestion is increasing.[7]

Investment in affordable housing is a solution for many of our community's challenges offering exponential dividends that pay off for decades. Today's economic conditions may represent the most compelling case yet for acting now.

A worker must now earn at least $15.21 an hour to afford a two-bedroom home at the national median price, an increase of 37% since 1999.

National Low Income Housing Coalition. "Out of Reach: America's Housing Wage Climbs", 2003

[7]*NALEP and Smart Growth Leadership Institute, "Smart Growth is Smart Business", 2004*

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Updated May 3, 2021

Introduction to U.S. Economy: Housing Market

The Housing Market

Real estate and the housing market play an important role in the U.S. economy. At the individual level, roughly 65% of occupied housing units are owner occupied, homes are often a substantial source of household wealth in the United States, and housing construction provides widespread employment. At the aggregate level, housing accounts for a significant portion of all economic activity, and changes in the housing market can have broader effects on the economy.

Household Net Worth

Purchasing a home is often one of the largest investments individuals make. Home ownership accounts for a significant portion of households' net worth in the United States. As of October 2020, owner-occupied real estate accounted for slightly more than a quarter of households' net worth, according to Federal Reserve data. The share of households' net worth arising from their home has been relatively stable over the past several years, after declining significantly following the 2007-2009 recession.

Employment

Residential construction is a significant industry in the United States, and it employs a large number of people. At the peak of the housing market bubble in 2006, residential construction employed more than 1 million individuals. However, as a result of the housing bubble bursting and subsequent recession, employment fell to a low of about 560,000 employees in May 2011. Since then, employment has picked up in this industry and reached about 872,000 by March 2021, according Bureau of Labor Statistics data.

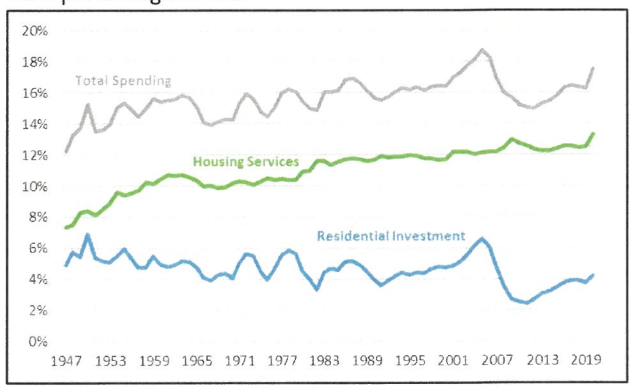
Housing and the Broader Economy

The housing market is incorporated into gross domestic product (GDP), the prominent measure of economic activity, in two ways. First, GDP includes all spending on the construction of new single- and multi-family structures, residential remodeling, and brokers' fees, which is referred to as residential fixed investment. As of 2020, spending on residential fixed investment was about $885 billion, accounting for about 4.2% of GDP. Second, GDP includes all spending on housing services, which includes renters' rents and utilities and homeowners' imputed rent and utility payments. As of 2020, spending on housing services was about $2.8 trillion, accounting for 13.3% of GDP. Taken together, spending within the housing market accounted for 17.5% of GDP in 2020.

As shown in **Figure 1**, housing's share of GDP has generally trended upwards, with the notable exception of the housing market crash in 2007. Between 2000 and 2005, residential investment grew rapidly before declining even more rapidly as the housing bubble burst. Since then, residential investment has remained well below its peak both in real terms and as a percentage of GDP. Despite a steep drop in total housing spending, both in real terms and as a percentage of GDP, spending on housing services continued to rise as a percentage of GDP through this period. Housing's share of GDP has still not reached its 2005 peak.

Figure 1. Total Spending in Housing Market

As a percentage of GDP



Source: Bureau of Economic Analysis, National Income and Product Accounts, Table 1.1.5, and Table 2.3.5.

Housing's Indirect Impact on the Economy

The housing market can play an important role in the broader economy as well, as evidenced by the housing bubble that precipitated the recession of 2007-2009. Housing prices can impact residential investment and therefore affect economic growth. Rising home prices likely encourage additional construction spending to take advantage of higher prices, leading to more robust economic growth. A decline in housing prices is likely to depress construction spending, leading to more anemic economic growth.

Fluctuations in the housing market, particularly housing prices, can have broader effects on the economy through so-called wealth effects. An increase in housing value encourages homeowners to spend more than they do at other times for a variety of reasons, including higher confidence in the economy, increased home equity for homeowners to borrow against, and higher rental income. A decrease in prices results in the opposite. In the United States, consumer spending makes up roughly 70% of the economy; therefore, changes in housing wealth can result in significant changes in economic growth.

Monetary Policy and the Housing Market

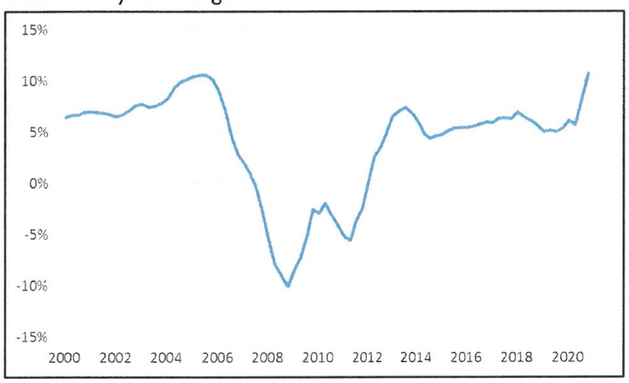
Federal Reserve decisions may also affect the housing market through the cost of financing a home purchase. Most Americans take out a mortgage to purchase a home, and mortgage debt accounts for about 70% of all household debt. The interest rate associated with a mortgage is partially determined by the supply and demand for loanable funds; however, the Federal Reserve can also influence mortgage interest rates by adjusting its benchmark interest rate, the federal funds rate. When the Federal Reserve decides to increase the federal funds rate, it puts upward pressure on mortgage interest rates as well. Higher mortgage interest rates increase the overall cost of purchasing a home, by increasing mortgage payments. During the 2007-2009 recession, the Federal Reserve purposely tried to decrease mortgage interest rates more directly by purchasing mortgage-backed securities. The Federal Reserve took similar action during the COVID-19 pandemic, lowering the federal funds rate and increasing purchases of mortgage-backed securities. Thirty-year mortgage rates temporarily dropped below 3% in 2020.

Housing Market Conditions

A number of broad indicators are used to assess the housing market. National indicators do not necessarily capture the variation among local markets and, therefore, may not be indicative of any one specific locality.

Figure 2. Nominal Housing Prices

Year-over-year change



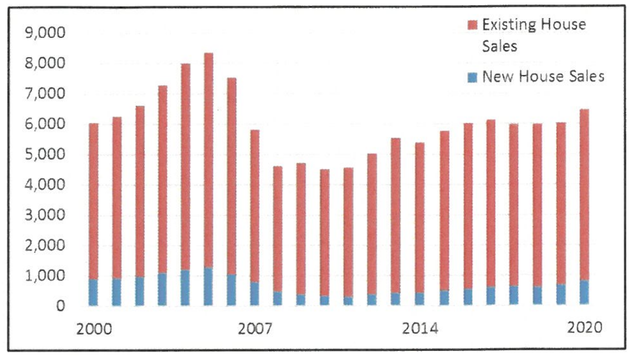
Source: Federal Housing Finance Agency, House Price Indexes, Seasonally Adjusted Purchase-Only Index.

Housing prices are an indicator of the housing market's conditions and have important implications for the economy as a whole. As shown in **Figure 2**, after falling significantly during the 2007-2009 recession, average nominal housing prices have been increasing nationally each year since the beginning of 2012, surpassing their previous nominal peak in the first quarter of 2016. Growth in housing prices increased rapidly in 2020 and peaked at 10.8% growth in the fourth quarter, likely due in part to low mortgage rates.

Another common indicator of the health of the housing market is home sales. Increasing home sales are generally viewed as a sign of a strong housing market and a strong economy, as it suggests individuals have both the income to make the purchase and a positive economic outlook. As shown in **Figure 3**, during the 2007-2009 recession, home sales fell dramatically. Home sales began to recover in 2011 and 2012 but have still not recovered to pre-recession levels. In 2020, both sales of existing and new houses increased, by 5.6% and 19.3%, respectively.

Figure 3. Annual House Sales

In thousands



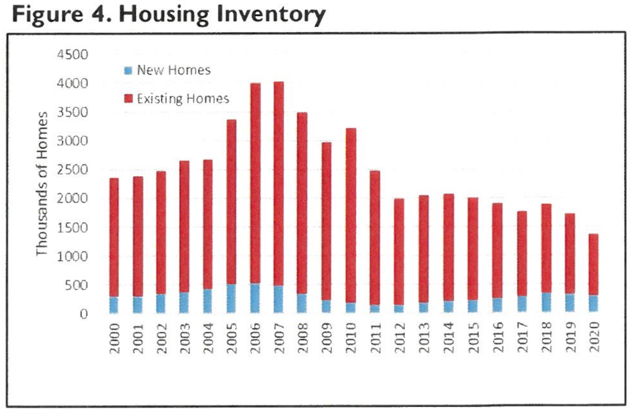
Source: Department of Housing and Urban Development, U.S. Housing Market Conditions.

Residential investment, shown as a percentage of GDP in **Figure 1**, is also used as a measure of the health of the housing market. If demand for housing declines or economic actors expect the housing market to weaken, residential investment is likely to slow or decline, and vice versa.

COVID-19

As evidenced by housing market conditions in **Figure 2** and **Figure 3**, despite increased housing insecurity caused by the pandemic, many housing market indicators have thus far remained strong. Contributing to rising prices and increased sales is that housing inventory—the supply of homes for sale/on the market—decreased, as shown in **Figure 4**. Housing inventory was low even before the pandemic, although it is possible that the pandemic exacerbated the shortage by causing people to put off selling their homes, in which case supply would be expected to increase somewhat in 2021.

Figure 4. Housing Inventory



Source: Department of Housing and Urban Development, U.S. Housing Market Conditions.

(Note: This In Focus was originally authored by Jeffrey Stupak, former CRS Analyst in Macroeconomic Policy.)

Lida R. Weinstock, Analyst in Macroeconomic Policy

IF11327

Disclaimer

The Importance of America's Housing Sector to the Economy

by David Lereah

Is there a housing crisis in America? Or are we simply in need of tweaking a system that already works? The answers to these questions are vital, especially for those in the real estate industry, including homebuyers and sellers, real estate practitioners, home builders, multifamily property developers and community planners.

After all, if there are not enough homes, and ones that American households can afford, where will people live? How will local communities build their tax revenue? If people stop buying homes because of lack of supply, what happens to the U.S. economy?

The housing sector is one of the largest and most important sectors of the U.S. economy.

In addition to providing shelter, housing provides millions of Americans with jobs and generates hundreds of billions of dollars of economic output each year. The value of residential structures totals over $12 trillion, while the housing sector directly and indirectly accounts for about 15 to 20 percent of our nation's Gross Domestic Product (GDP) every year. Moreover, most studies indicate that households spend about 30 to 40 percent of their disposable income on housing-related expenses. Those expenditures help to support other sectors of the economy.

Last year was a prime example. Economic growth in 2001 was anemic — GDP increased a mere 0.48 percent from the fourth quarter of 2000 to the fourth quarter of 2001.

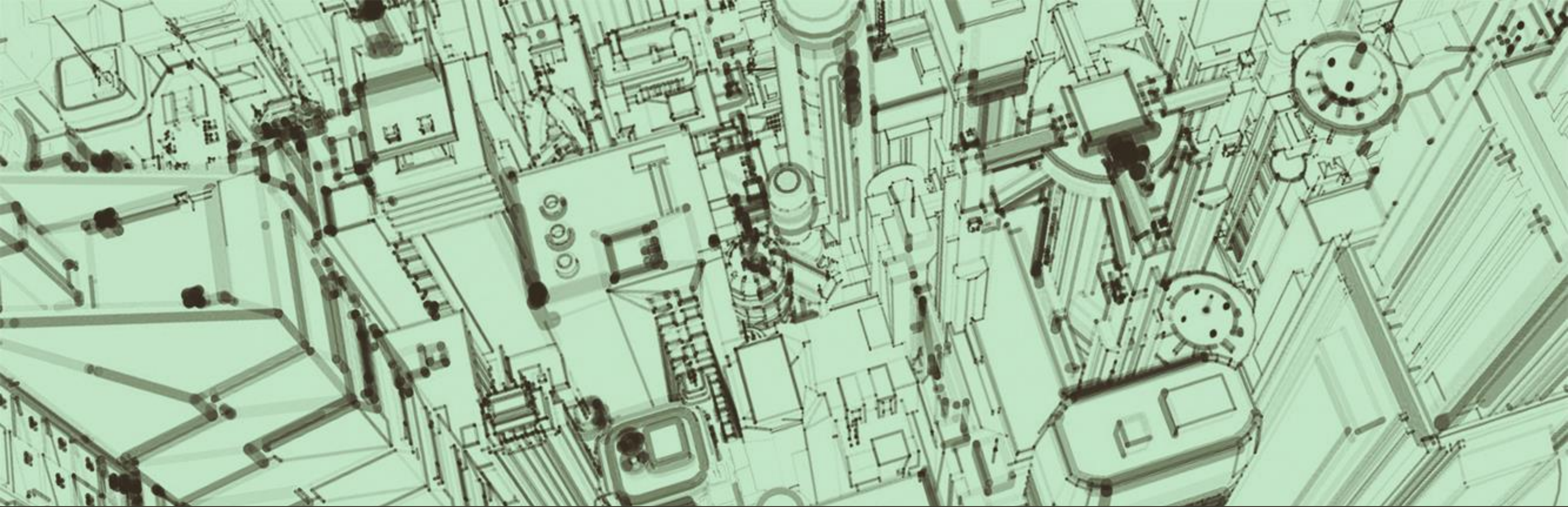
During that same period, the housing sector contributed more than half to the economic growth, with total single-family sales posting an all-time high of 6.2 million units. Housing is also an important source of wealth for many households. In 2001, existing home prices appreciated at a rate of 6.3 percent, the strongest increase in over a decade. Recent studies suggest that a rise in the value of home equity has a large impact on consumer spending decisions. The Federal Reserve estimates that for each one-dollar change in stock market equity, consumer spending increases by 3 to 7 cents. In another study, Case, Quigley, and Shiller (2001) argue that each extra dollar of housing wealth has five times the impact of an extra dollar of stock market wealth.

Healthy home price appreciation, in combination with robust sales, provides a strong tax base for local governments. Almost 70 percent of all tax revenues raised by local governments in the United States comes from property taxes. Homeowners contribute about 43 percent of property taxes, while commercial property taxes account for the remaining 57 percent. Because home prices historically have outpaced the rate of inflation by a couple of percentage points, the local tax base and tax revenue also keep pace with, if not exceed, the rate of inflation.

One of the ways housing contributes to economic growth is via the so-called multiplier effect. Homebuying spurs additional expenditures such as new furniture, new appliances and moving costs, all of which contribute to economic activity.

PricewaterhouseCoopers (PwC) estimates that the multiplier effects from a single home sale amounts to about 0.28 percent of GDP. That translates into $5,100 for each home sale. The National Association of Home Builders (NAHB) places the estimate at $7,800 to $8,900 in the first year of a move.

The multiplier effect is particularly important to local economies. Home sales and the construction of new homes provide jobs and tax revenues for local, state and federal governments. The National Association of Home Builders estimates that the construction of 1,000 single-family homes generates 2,448 full-time jobs in construction and construction related industries, $79.4 million in wages and $42.5 million in combined federal, state and local revenues and fees. Furthermore, NAHB estimates that roughly 30 percent of the new home occupant's income is spent on items produced by local businesses, such as medical care, daycare and services of dry cleaners and auto repair shops.



Metro Washington DC Residential Real Estate Market

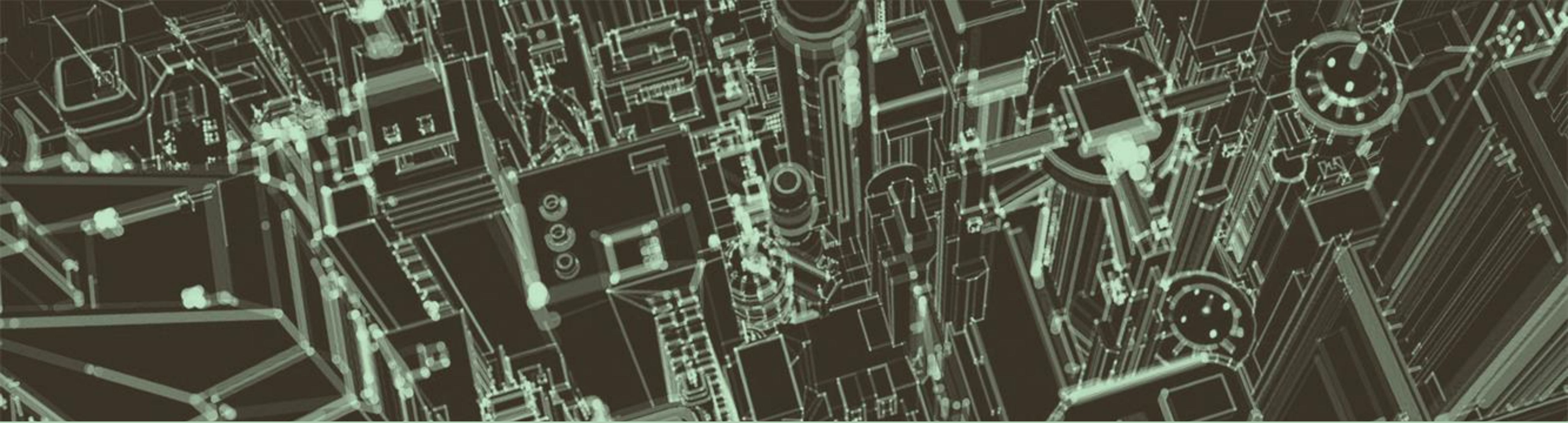
Presented by: Boyd Campbell, Associate Broker

Regional Market Snapshot

- The market is robust compared to the previous years.
- The DC metropolitan area still ranks among the top five in average sales price and activity.
- All segments from luxury properties to entry are doing well in the region.
- Financing types have been mostly cash and or conventional financing. Government financing has been confined mostly to entry-level markets.
- Notable, is record low mortgage interest rates, lack of inventory coupled with the pandemic has created a feeding frenzy.

Regional Market Snapshot - Continued

- Year-over-year increases have been are mostly double digit as noted on chartandSold price over list commonplace.
- A strong desire for rentals has pushed lease rates up significantly and as a consequence attracted more investors while pushing up property values.
- The Purple Line, Federal Government presence, Military facilities and most recently Amazon and other large players in the region will significantly drive demand via young, educated and financially stable workers.

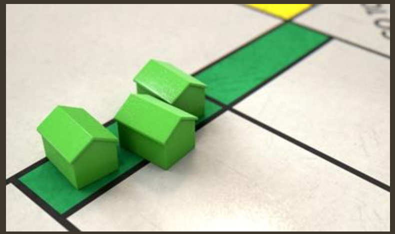


Prince George's County Real Estate Market

Today

Prince George's County Today

- Yet again experienced the most robust activity compared to our immediate neighbors and a number of transactions and appreciation.
- Number of months' supply below 2.00 months which was below the region on average for most of the previous 12 months.



- As in previous years the Bowie, Laurel, Hyattsville and some parts Upper Marlboro have experienced the stronger average increase in sales price.

Prince George’s County Today - Continued

- National Harbor although expanding significantly in commercial arena has not seen the same types of appreciation in the residential space.
- Short sales and foreclosures that most impacted our market as in previous years is not an issue and contributed to some of the more significant appreciation.
- Washington DC and first ring neighborhoods from Washington DC have actually seen the highest percentage increase in sales price as a result of investor purchases and flipping.

Prince George's County Real Estate Market

Tomorrow

Prince George's County Tomorrow

- The Maryland Department of Housing and Community Development is working feverishly to provide additionally housing units for the working class. Low to moderate income homebuyers and tenants, are needed for most all retail and many office and other commercial as well.
- As mentioned previously, strong demand for rentals and affordable real estate prices continue to shore up local market and no different in Prince Georges County.
- Numerous projects in the County to include National Harbor, New Carrolton, Branch Avenue, Kontera, and Westphalia to name a few hold significant promise for continued growth. Bowie State MARC Station project I'm told is being resurrected

Prince George’s County Tomorrow - Continued

New home construction continues to lag here with a total of 59* units in the MLS. As it does in many other areas of the country. Unlike in the past consumer demand is not lacking.

a. Shortage of fairly priced parcels to purchase.

b. Difficulty securing financing.

c. Difficult and inconsistent process with DPIE and MNCPPC.

d. Difficult and unreasonable expectations and/or demands from utility companies.

e. Unattractive margins.

f. Single lots have all the above challenges as well.

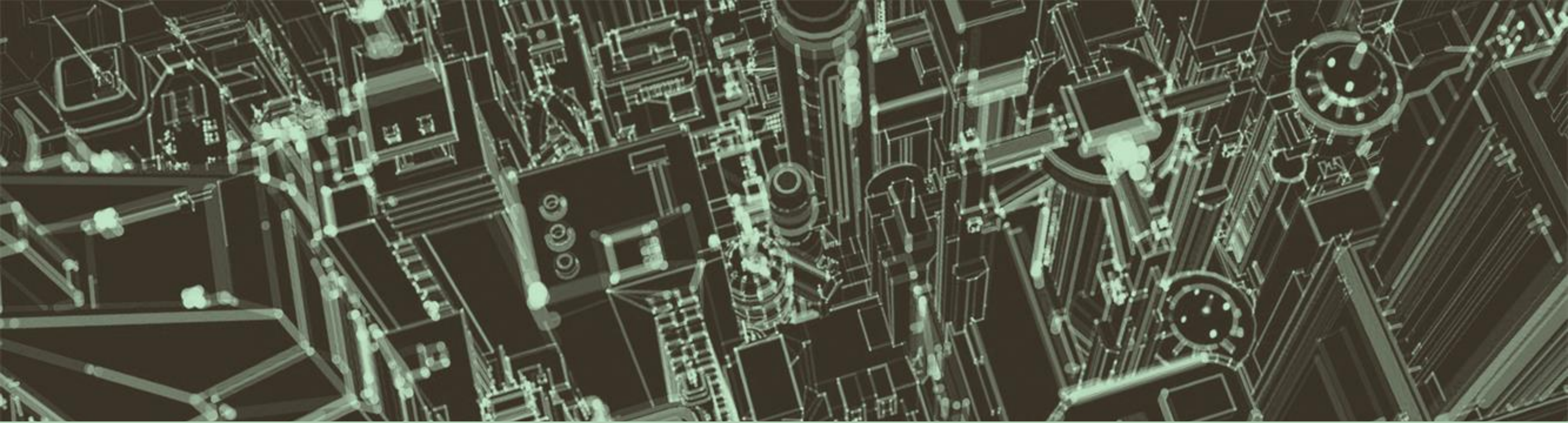
Bowie Residential Market

Past

Bowie Residential Market Past, Present and Future

Past

- The bedroom community of the past is not the future.
- Largely oriented and populated as a family oriented
- Minimum focus on retail and employment centers
- Meaningful and beneficial diversity non-existent



Bowie Residential Market

Present

Bowie Residential Market Past, Present and Future

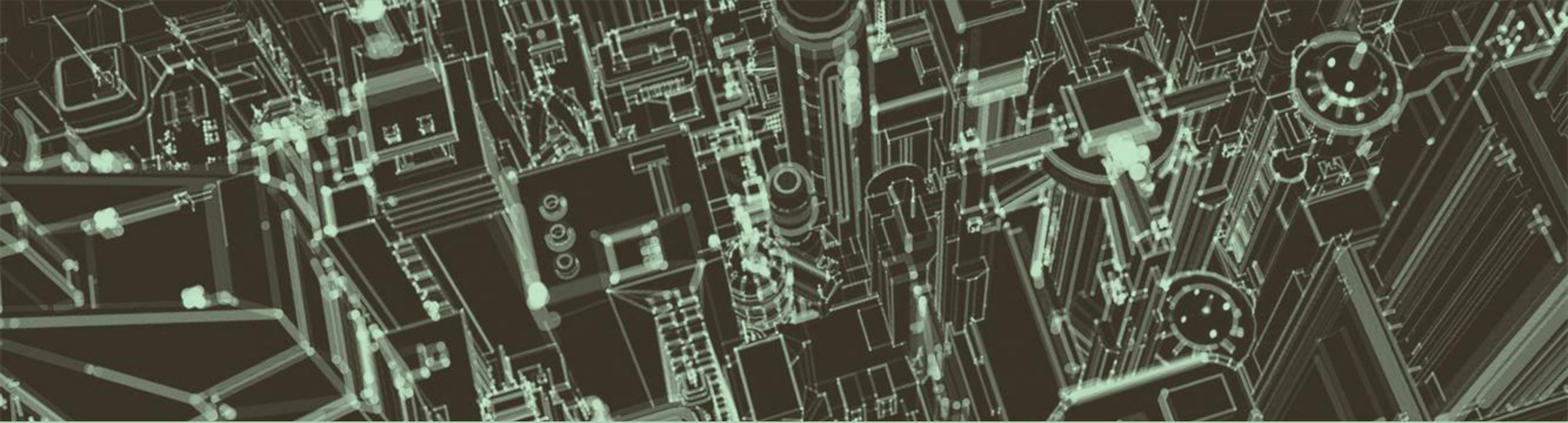
Present

- Demographic has changed significantly
- Location, amenities and affordability is a major draw.
- Unprecedented housing drought as compared to previous years, see report*
- Significantly more population and jobs in the city and immediate vicinity.

Bowie Residential Market Past, Present and Future

Present

- Steady residential growth south i. e Upper Marlboro but lacking retail and employment center growth
- Tremendous growth north that’s driving some consumers to Bowie.
- The current projects in Bowie to include Melford, Bowie Marketplace, Mill Branch, South Lake and Bowie Town Center
- Balance not met relative to tax revenue residential vs commercial
- Growth will continue to be strong based on regional growth spillover



Bowie Residential Market

Future

Bowie Residential Market Past, Present and Future

Future

- Desirability continues for above mentioned reasons
  - National, international and local business presence critical
    - Contributes to tax base
    - Provides retail options
    - Provides employment options
    - Supports and bolsters existing business
  - Population Growth
    - Projected *
    - Organic
  - Prince Georges Plan 2035
    - Bowie-Mitchellville and Vicinity Master Plan
      - http://www.mncppc.org/3390/Bowie-Mitchellville-and-Vicinity-Master-

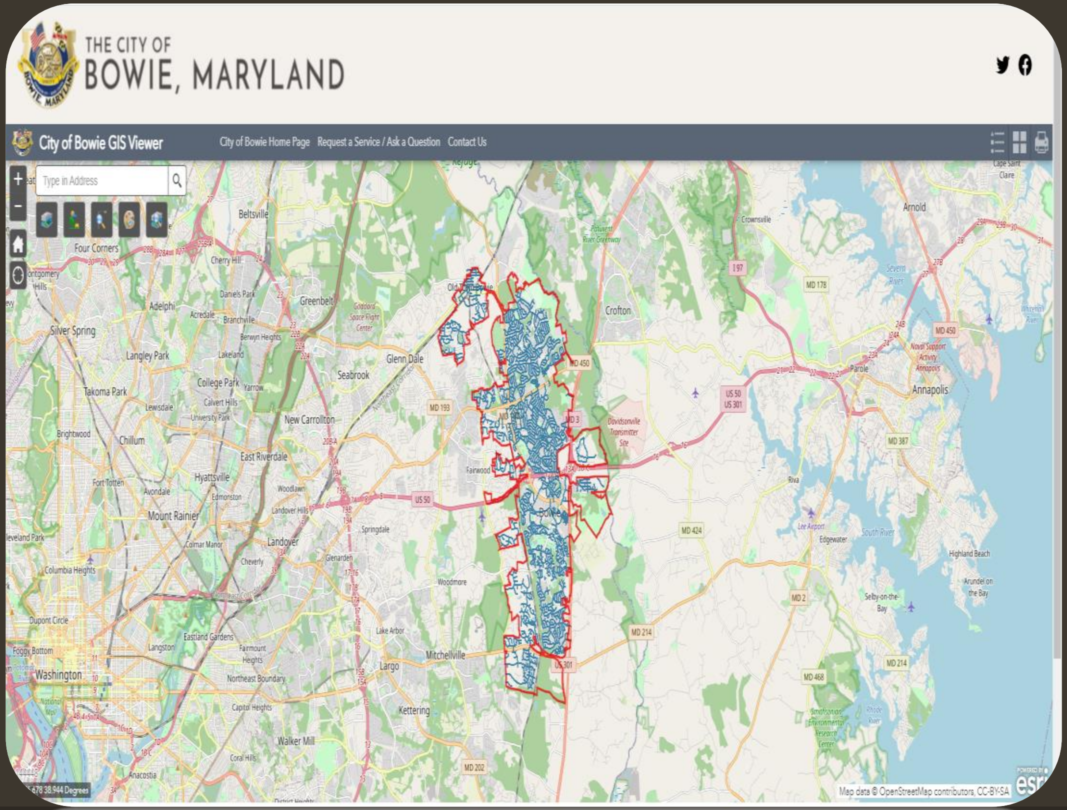
Bowie Residential Market Past, Present and Future

Future

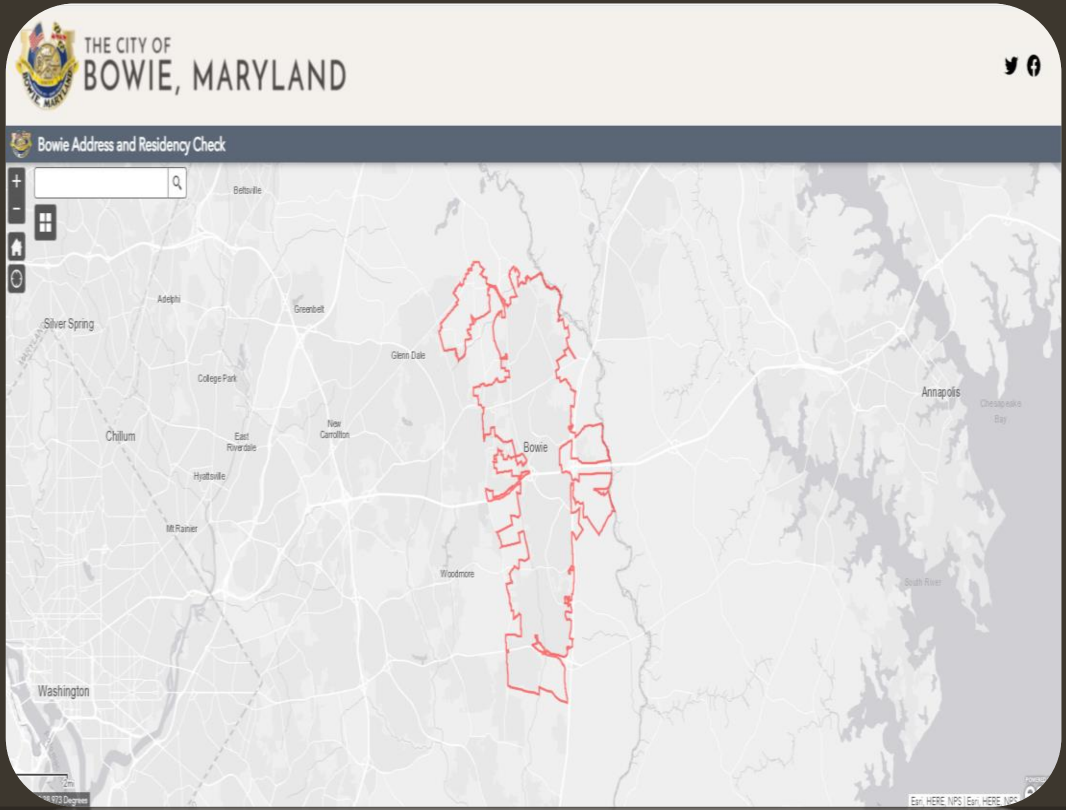
- Economic Sustainability and Growth
  - Desirous
  - Retail follows rooftops
  - Employers follow rooftops
  - Keen development
- Benefits of Rooftops
  - Satisfies demand

City of Bowie Maps

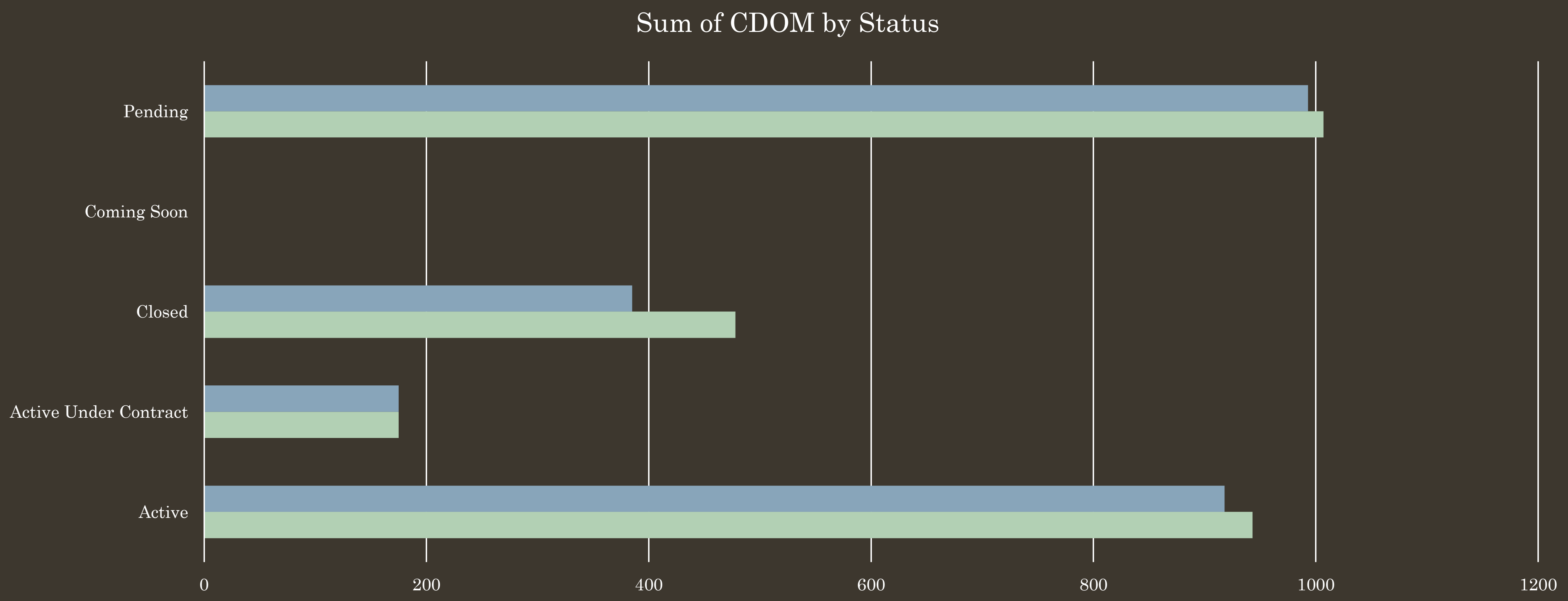
City of Bowie Sub-divisions

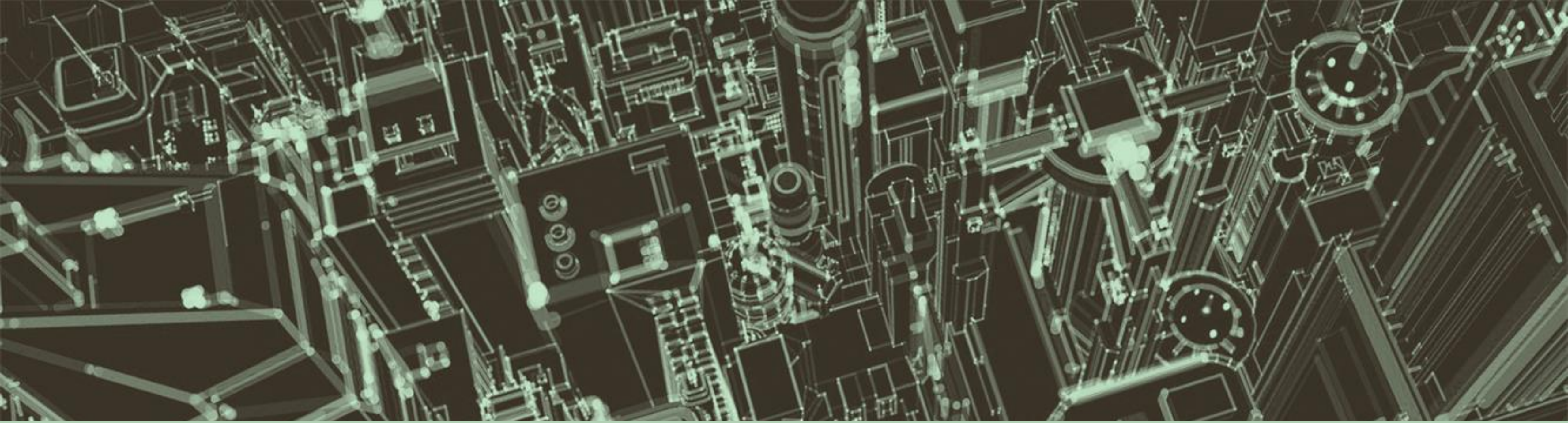


City of Bowie Boundaries



City of Bowie Residential Market Analyst DOM and CDOM





Questions and Answers