Good Local Housing Policy is Good Economic Development Policy

We hear a lot about the importance of housing to the nation’s economy, and recently, the news has been about how a slowing housing market is contributing to slower overall economic growth. At the local level, there has always been analysis of the impacts of residential construction on the economy. But, in this period of economic recovery, is there another way to think about the link between affordable housing and local and regional economic growth?

The availability of housing that is affordable to people along the income spectrum is an important building block of strong, resilient regional economies. Along with a robust transportation network, good schools, sound government, and an open business environment, creating a sufficient supply of housing—near jobs and transportation and at prices and rents workers can afford—should be a key component of local and economic development strategies.

What happens when there isn’t enough housing workers can afford near their jobs? Usually, they move further out to try to find less expensive housing. When this happens, workers and families, local businesses, and the entire region all feel the effects.

**Impacts on Workers and Families**

- Workers spend more on transportation when they have longer commutes. As a result, they have less disposable income and have less to spend on other necessities, such as food, health care, child care, and savings. Family well-being can therefore be negatively impacted by these higher commuting costs.

**Impacts on Local Businesses and the Local Economy**

- When workers have less disposable income, they also spend less on non-essential items. They spend less on local retail goods and services, which has a negative impact on local businesses.
- Workers with longer commutes are more likely to arrive late to and leave early from work. As a result, worker productivity suffers, which has negative repercussions for business productivity and growth.
- In addition, workers with longer commutes may eventually be more likely to look for employment closer to their homes. Local businesses, therefore, will face higher employee turnover and elevated costs for recruitment and retention.

**Impacts on the Region**
If more workers have longer commutes, there will be more traffic on the roads. The region’s already-congested highways and local roads will become even more crowded, which affects everyone who needs to get around the region.

When workers live further from transit, there are fewer potential transit riders. When transit ridership declines, or even flattens, it is more difficult to maintain and improve transit services region-wide.

Increasing sprawl and traffic negatively impacts the environment and reduces the overall quality of life for the region’s residents.

A recent event in Chesapeake, Virginia, sponsored by Housing Virginia, brought together people from around the Hampton Roads region to consider forecasts of employment for the region and to think about the housing that would be needed to accommodate Hampton Roads’ changing and growing workforce. A full copy of the report is available from Housing Virginia. Similar studies were done for the Washington, D.C. and Richmond, Virginia metro areas.

By making the economic case for affordable housing, the conversation brought together not just the usual suspects who care about affordable housing, but also local land use planners, elected officials, economic development professionals, and transportation analysts and advocates. This broadening of the discussion around the future demand for housing is important not only to increase understanding of regional housing needs, but also to engage a larger and more diverse set of stakeholders who can help convince local officials and residents of the need to plan for more housing around transit and near growing employment centers, to re-zone areas to allow for multifamily and higher density housing, to allocate funding to build and preserve housing affordable to very low-income families, and to explicitly link business attraction efforts to the housing needs of new workers.

Making the economic case for affordable housing can feel uncomfortable to those who believe that having access to safe, decent and affordable housing is a right that everyone should enjoy, without exception. But by linking housing needs to a region’s economic prosperity, we can bring more people into the effort to help find ways to make sure there is a diverse mix of housing affordable to individuals and families all along the income spectrum.

ABOUT THE AUTHOR more »
Lisa A. Sturtevant is executive director of the Center for Housing Policy and vice president for research for the National Housing Conference.