Why Housing Is So Expensive

And What Economic Development Officials Can Do About It

Casey Anderson · Rodgers Consulting
Maryland Economic Development Association (MEDA) Annual Conference

BEYOND ZONING

J.B. Jennings: Why Does “Affordable” Housing Cost So Much?

PHOTO

drop J.B. Jennings headshot here

Sen. J.B. Jennings (R–District 7)
Minority Leader, Maryland Senate

$4.4B financing announced

~10,000 affordable rental homes

≈ $442K per unit — Jennings’s math*

SEN. JENNINGS ASKS

- Calls ≈$442,000 per “affordable” unit “extremely high.”
- Questions the state’s large role in financing development; flags nonprofit overhead and compliance.
- Still agrees Maryland needs more affordable housing.

THE STATE RESPONDS (DHCD)

- Disputes the per-unit math and the framing; says much of the detail is already public.
- Notes the figure would sit below the ~$516K national average to build a unit (NCSHA, 2025).
- Concedes the core point — “building housing is expensive” — and urges cutting regulation.

THE PRO FORMA GAP

The Project Everyone Says They Want



THE PROTOTYPE

157 rental homes
6 stories, Type III podium

Mixed-use
8,000 SF ground-floor retail

Transit-adjacent infill
~1-acre site, FAR 3.5, 152,000 GSF

20% affordable (MPDU)
studios to 3BR, plus penthouses

~118 structured spaces
0.75 per unit, transit ratio

DC suburbs
Montgomery County cost basis

Exactly the smart-growth infill our plans call for. **Now look at what it costs to build.**

THE PRO FORMA GAP

Anatomy of a Feasibility Chasm

TOTAL DEVELOPMENT COST

$75.1M

$478,000 / unit · $492 / GSF

STABILIZED COMPLETED VALUE

$54.8M

$349,000 / unit · @ 5.5% Exit Cap

THE FEASIBILITY DEFICIT

-$20.3M

-$129,000 per unit capital hole

Two Questions — and the Gap Between Them

This talk explains two things: (1) why a conventional unit like this costs $478,000 to build, and (2) why the same building can throw off income well above its operating costs and still be badly under water.

It works, operationally: $3.0M in stabilized NOI — a genuinely healthy building — but that is only a 4.0% yield on cost, against the 6.0–6.5% lenders and equity require.

So it opens under water: about $20M (≈$129,000/unit) short of its own cost, and it pencils only wrapped in LIHTC, tax-exempt bonds, and soft debt.

THE PRO FORMA GAP

How the Costs Stack Up (1/5)

Running total: **$50.5M** of $75.1M



Hard costs $50.55M · 67% of total cost

Driver: Construction at $265/SF — a Type III podium with structured parking.

"Bricks and sticks"? Not only. The phrase implies hard costs are just the unavoidable price of materials and the labor to assemble them. But code requirements, the mandated parking podium, and energy and environmental standards are all baked into that $265/SF. Those regulatory costs never appear as a line item — not in the pro forma, and not in any public tally of what mandates cost — because they are simply assumed to be "the cost of construction."

How the Costs Stack Up (2/5)

Running total: **$60.7M** of $75.1M



Soft costs $10.11M · 13% of total cost

Driver: Usually described as architecture, engineering, legal, and consultants.

But "soft" hides the state. The line also carries explicit payments — impact, tap, mitigation and proffer fees and taxes — plus the hidden cost of the time and effort it takes to work a project through the regulatory process: staff, consultants, and months of iteration and redesign before a permit is ever in hand.

THE PRO FORMA GAP

How the Costs Stack Up (3/5)

Running total: **$64.3M** of $75.1M



Financing carry $3.61M · 5% of total cost

Driver: Two layers of debt carry the job: a senior construction loan of ~$48.8M at 7.25%, plus a $2.575M mezzanine tranche priced at 12% to fill the gap the senior lender won't cover.

Regulatory load: Time is the tax. Interest accrues every month the project sits in review, and the far pricier mezzanine money compounds it — so a 3–4-year entitlement process converts directly into carry on capital that is earning nothing yet.

THE PRO FORMA GAP

How the Costs Stack Up (4/5)

Running total: **$72.1M** of $75.1M



Land $7.85M · 10% of total cost

Driver: $50,000 per unit — and it is the residual: whatever value is left after every cost above is subtracted.

Why this decides everything. If the residual doesn't clear a reasonable return, the land simply isn't developed — or, more often, isn't redeveloped. An owner won't take a performing property offline for a thin premium over its current use; the aggravation isn't worth it. Regulation shrinks the residual until the project never happens at all.

THE PRO FORMA GAP

How the Costs Stack Up (5/5)

Running total: **$75.1M** of $75.1M



Regulation is in every layer — not just “soft costs.”

- **Hard costs:** energy, environmental & structured-parking mandates
- **Soft costs:** impact, tap, mitigation & proffer fees
- **Financing carry:** the 3–4-year entitlement clock, billed as interest
- **Land:** the compressed residual — what little is left

Stacked to $75.1M — $20.3M past what the finished building is worth.

THE PRO FORMA GAP

Cap Rates: Why a Half-Point Swings the Deal

Value = NOI ÷ cap rate.

The cap rate is the yield a buyer demands — roughly the risk-free 10-year Treasury plus a risk premium, minus expected growth. When the risk-free rate rises, cap rates rise with it, and values fall.

Same building, same $3.0M NOI — only the cap rate changes:

$60.3M	**$54.8M**	**$50.2M**	**$46.4M**
at 5.0%	at 5.5% (this deal)	at 6.0%	at 6.5%

Why a half-point swings the whole deal

Because value is NOI divided by a small number, a 50-basis-point move changes it by millions — 5.5% to 6.0% erases about $4.6M here, roughly a quarter of the feasibility gap. And the same macro forces push up the interest rate on the debt at the very same moment. A modest move in rates can turn a deal that barely pencils into one no lender will finance — without anyone changing a single cost in the pro forma.

The 'Everything Bagel' Governance Model



Housing Cost as an Everything Bagel

The Well-Intentioned Mandate Trap: Every public constituency adds its favorite seasoning to the housing development process: stormwater treatment, forest conservation, historic review, prevailing wage, complete streets, public art, and inclusionary zoning.

Siloed Agency Optimization: Individual public agencies operate in complete silos. Each maximizes its own priority without considering cumulative balance-sheet feasibility.

Treating Housing as a Piggy Bank: Private real estate development is treated as a funding source for civic infrastructure and social goals.

PRICING THE REGULATION

The Smith Island Cake: Stacking Regulations & Fees



More Regulations...
More Fees....
Energy Codes - LEED/IECC/NAHB GB
Permitting Fees
Public Infrastructure Improvement/Dedications
Affordable Housing/MPDU
Stormwater and Forest Conservation
School/Library Impact Fees
Historic Preservation
Water and Sewer Tap Charges
Adequate Public Facilities
Development Proffers
Site Development Approval
Recordation Tax
Zoning Approval
Transfer Tax

Impact & Mitigation Fees	Range per Door
Water & Sewer Tap Connections	$10,641 – $16,200
School Impact & APFO Mitigation	$11,449 – $45,931
Roads & APFO Transportation	$500 – $3,500
Affordable Housing / MPDU PIL	$3,000 – $6,500
Forest Conservation In-Lieu (FRO)	$357 – $1,070
Review, Filing & Inspection Fees	$5,000 – $10,000
Subtotal Municipal Fees	**$36,950 – $95,783**
Site Civil Hard Costs	**Range per Door**
Earthwork, Stormwater & Paving	$27,000 – $45,000
Water/Sewer Mains & Underground Dry Utilities	$16,000 – $33,000
Subtotal Site Development	**$43,000 – $78,000**

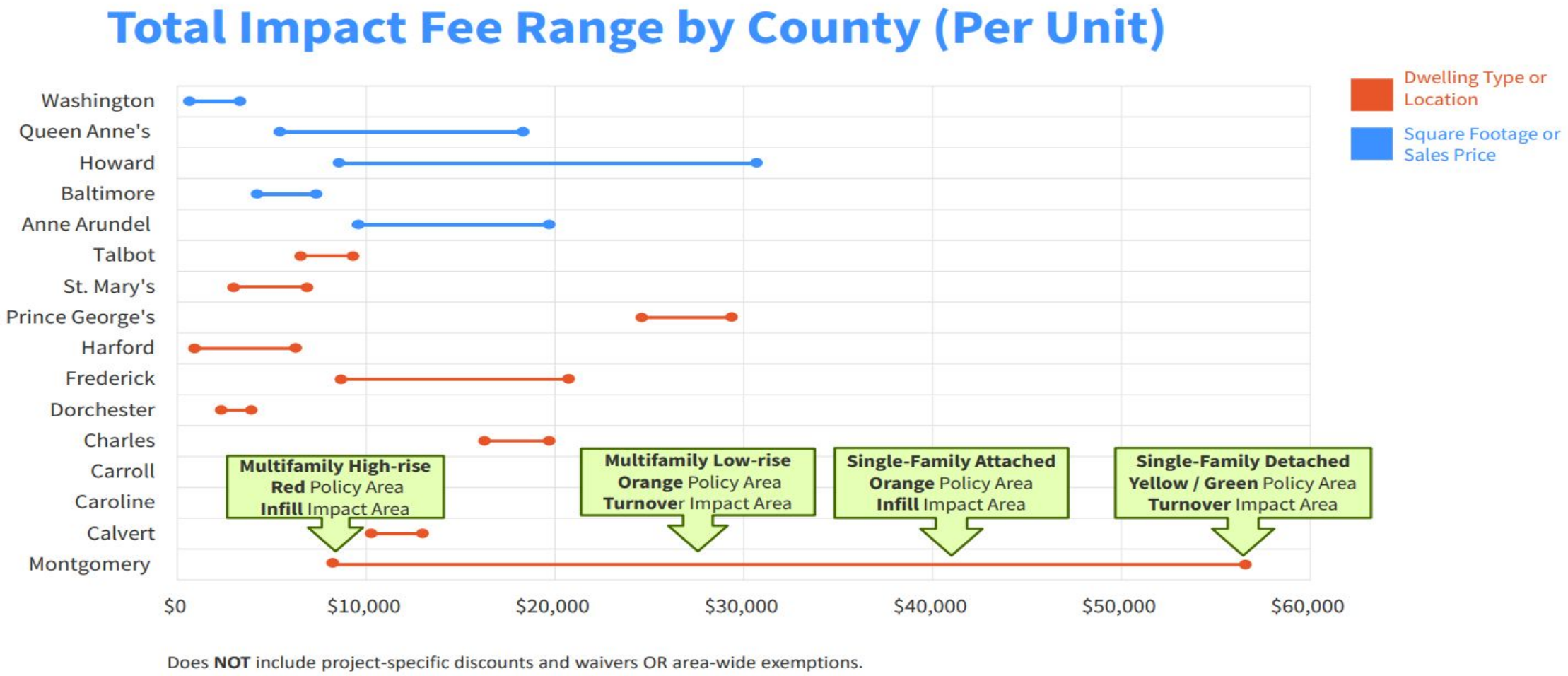
THE 'GROUND TAX' BEFORE FRAMING:

$79,950 – $173,783

Per Dwelling Unit (Excluding Land & Vertical Construction)

- Alternating Layers: Thin layers of regulations ('the cake') separated by thick layers of fees ('the fudge').
- Paid Before Vertical Framing: Before a single wall is framed or interior pipe laid, up to $174k per door is committed to clear mandates.
- Regressive Consumer Pass-Through: Every dollar in fees and site mandates must be amortized directly into monthly rent or finished home purchase price.

All Over the Map: Impact Fees by Jurisdiction



PRICING THE REGULATION

Beyond Zoning: Mandated Parking & Ancillary Standards



Modern Luxury Kitchen: $20k–$30k
High-end appliances, quartz counters, custom cabinetry.



Full Luxury Bathroom: $8k–$12k
Ceramic tile, contemporary vanity, full tub/shower.



2 Structured Spaces: $70k–$110k
Costs more to house two cars underground than both living spaces combined.

The Non-Zoning Cost Driver: The Temptation of Unvetted Ancillary Mandates

Parking minimums are NOT zoning in the strict sense—they are regulatory mandates that force capital into concrete instead of homes. Jurisdictions that want to stay competitive must resist the temptation to layer on requirements that 'sound good' for quality or safety—expansive setbacks, oversized utility easements, or specialized building codes—but have never been evaluated for cost-effectiveness or risk.

PRICING THE REGULATION

Adding Everything to the Bagel Makes the Bagel Expensive

Loading Every Worthy Goal onto Development

Prevailing Wage Mandates: Federal Davis-Bacon or local prevailing wage rules immediately add 15%–25% to vertical hard construction costs.

Deep Affordability Requirements: Restricting units to 30%–50% AMI starves the property of operating revenue, requiring even larger capital subsidies.

Design & Participation Mandates: **A**rchitectural reviews, specialized MWBE quotas, and energy mandates.

The Per-Unit Cost Explosion

The Subsidized Cost Paradox: In the DC/Baltimore region, subsidized tax-credit units now routinely cost $550,000 to $650,000+ per unit to build.

Diminishing Yield on Public Capital: Because every subsidized unit is loaded with multiple policy objectives, the same pool of public capital builds fewer total affordable homes each year.

The Everything Bagel in Purest Form: We take a program whose whole purpose is to produce affordable homes—and load it with every other objective until it yields less housing per dollar.

The Bottom Line: The subsidy doesn't clear the regulatory cost stack—it becomes another layer of it.

THE COST OF PROCESS

Quantifying the Cost of Permitting: Soltas & Gruber (2026)

EMPIRICAL RESEARCH FINDINGS · EVAN SOLTAS (PRINCETON) & JONATHAN GRUBER (MIT)

“How Costly Is Permitting in Housing Development?” (Working Paper, Early 2026)

Analyzed a live submarket of 'ready-to-issue' (RTI) parcels in Los Angeles County—raw land fully permitted vs. identical unpermitted land.

+50%

LAND VALUE PREMIUM

Regulatory readiness alone adds 50% to raw land value (~$48/SF of land | median of $770,000 per parcel). Surviving the permitting gauntlet is capitalized directly into land prices.

33%

OF PRICE-TO-COST GAP

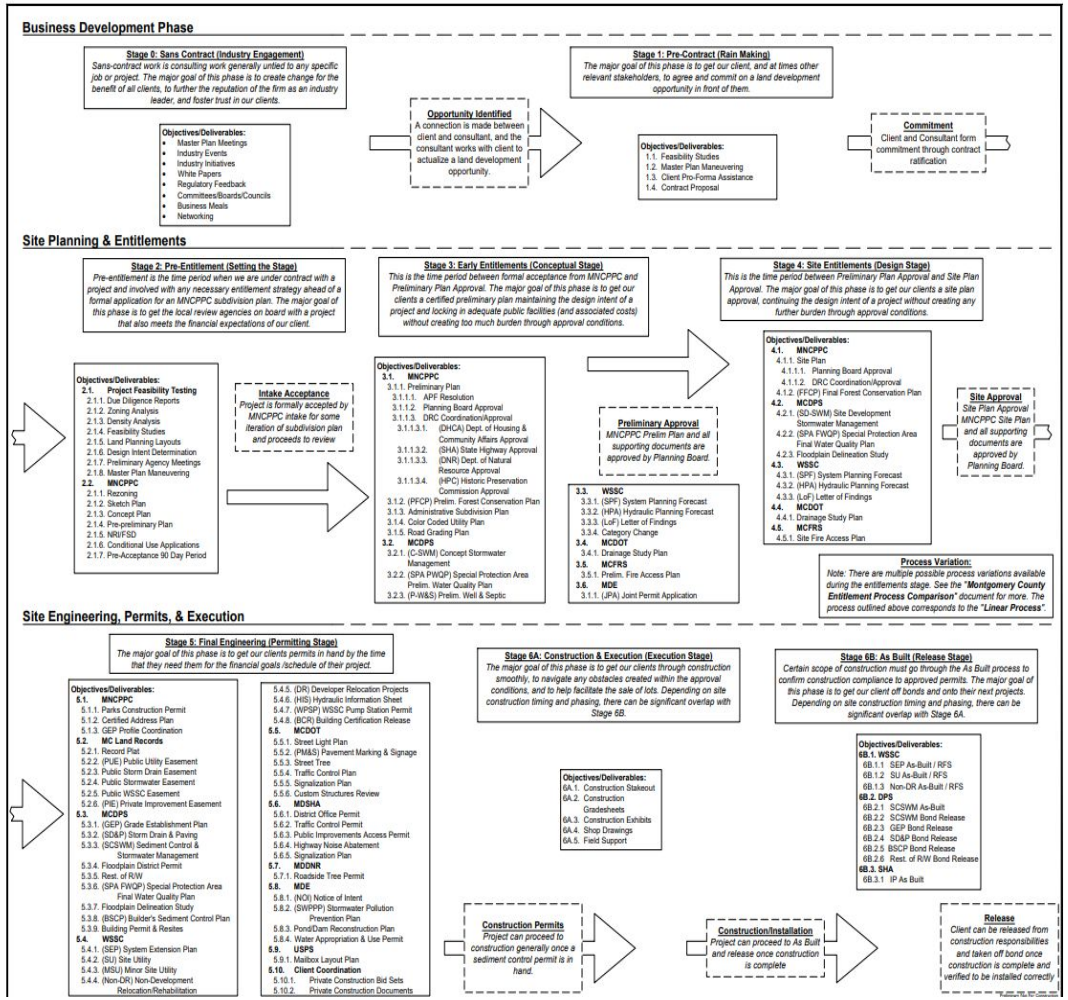
The approval premium explains fully one-third of the entire gap between physical construction costs and finished home prices.

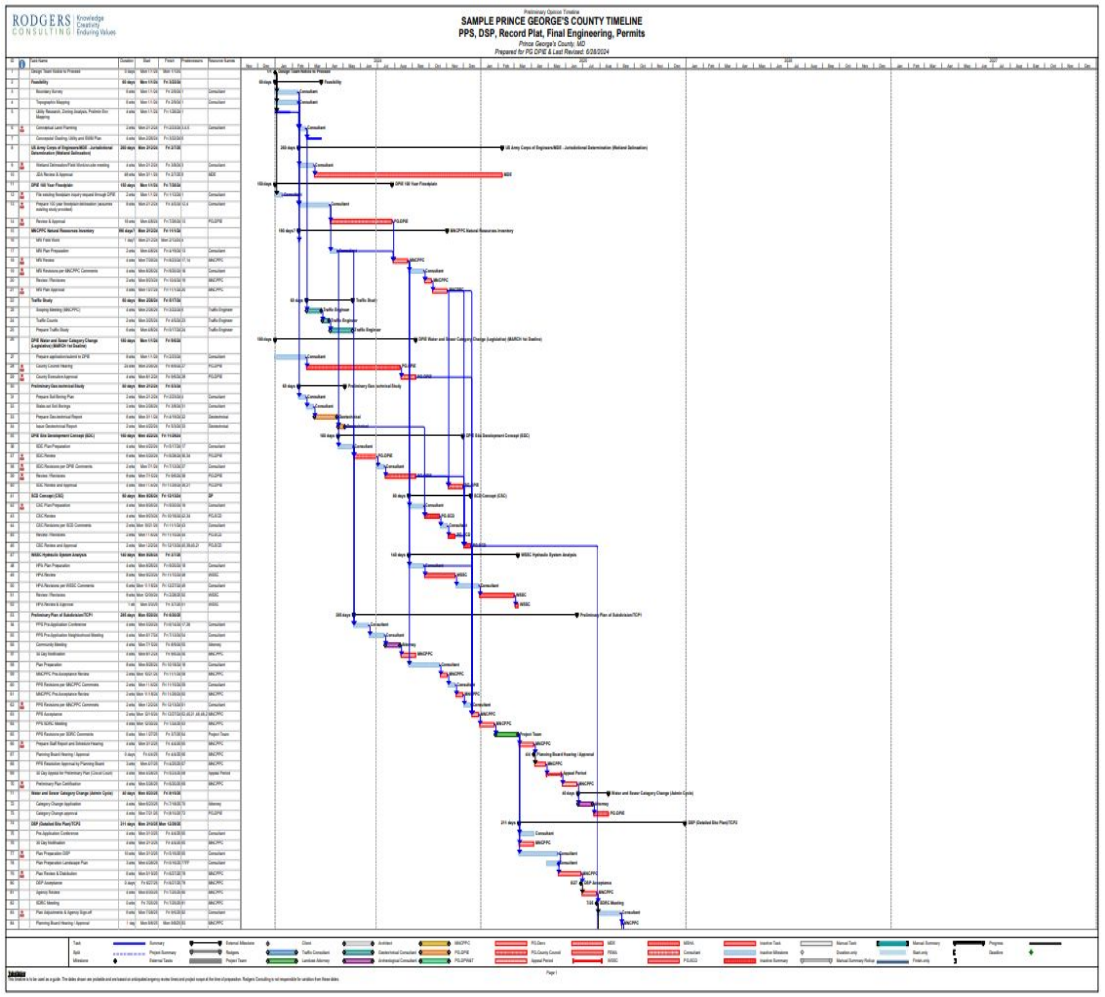
40%

OF PROJECT DURATION

Permitting eats 40% of total development time. Mid-sized apartment buildings take over 4 years to complete in high-regulation metros—roughly double the timeline of Raleigh or Fort Worth.

The Entitlement Gauntlet: Time Converts Directly into Cost





Case Study: Comsat in Clarksburg



Regulation Cuts Land Available for Development by 3/4

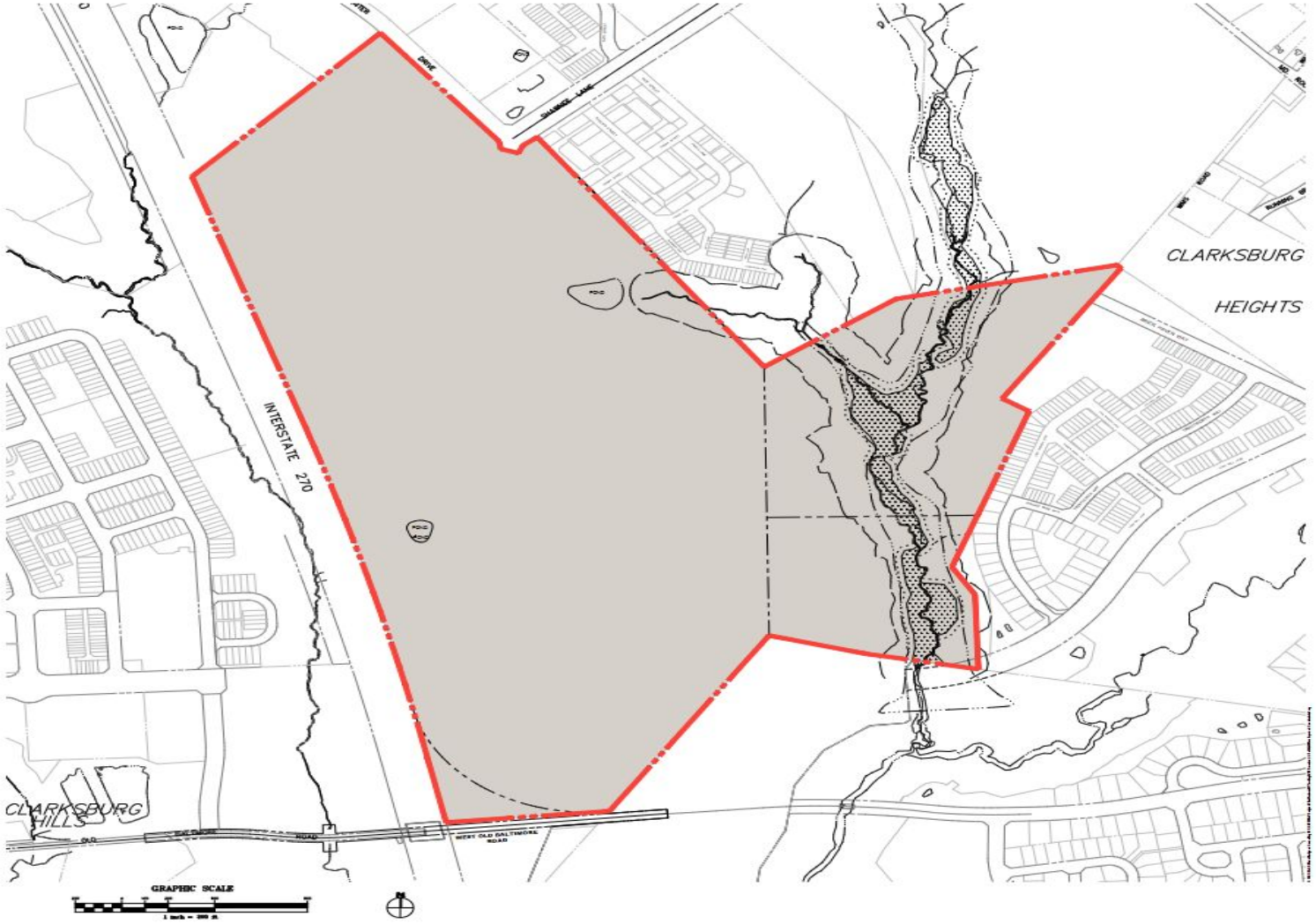
- At COMSAT in Clarksburg, Maryland, we can watch it happen cut by cut in physical space.
- Planners and elected officials claimed they zoned 203.8 acres for master-planned mixed-use housing.
- Non-zoning exactions, environmental buffers, and dedicated infrastructure consume the site.

The Site: 203.8 Gross Acres (100%)

COMSAT PROPERTY
203.8 AC± TOTAL

203.8 AC±
(100.0%±)

SITE AREA



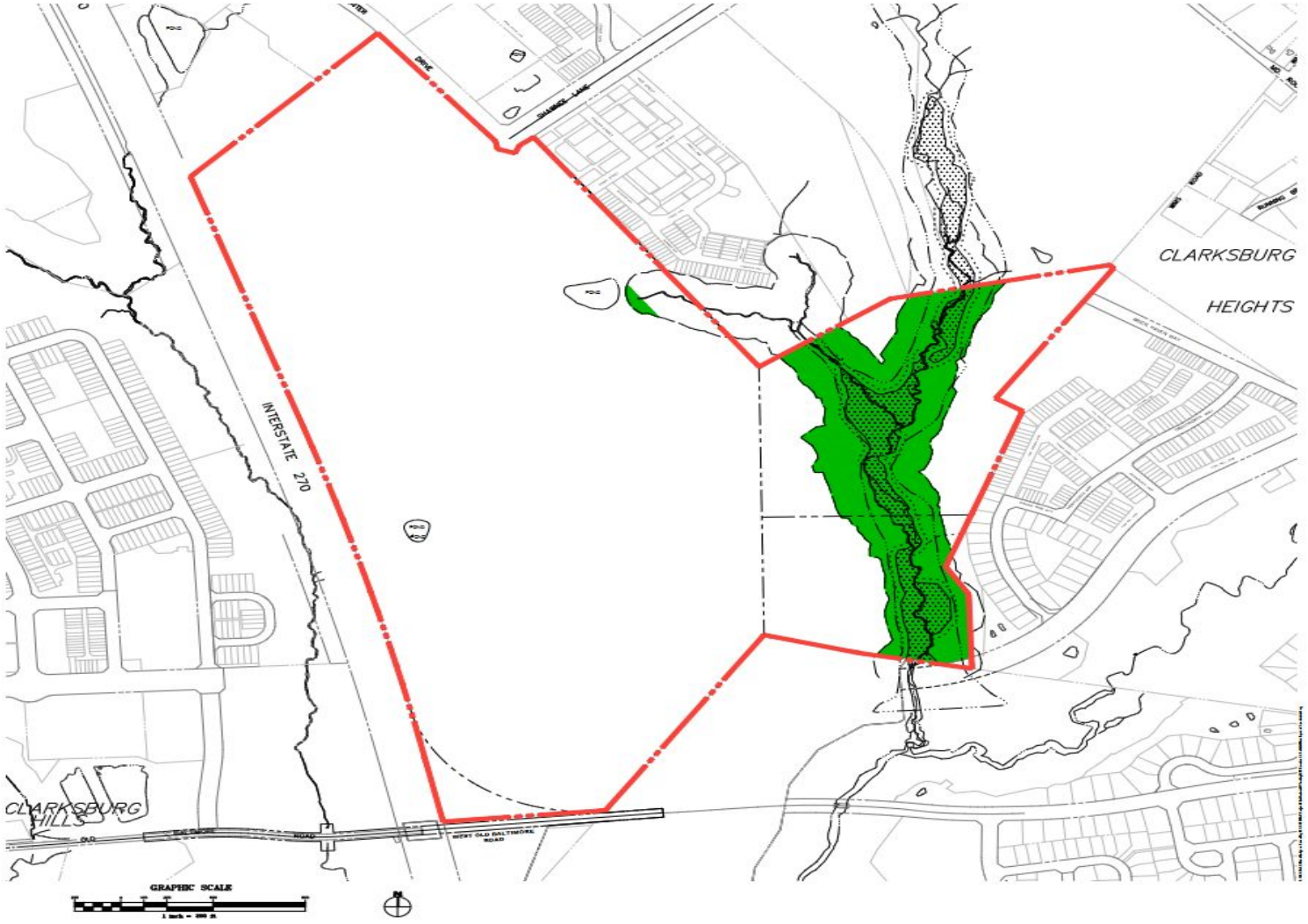
NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

Stream Valley Buffer (22.5 AC | 10.8%)

COMSAT PROPERTY
203.8 AC± TOTAL

22.5 AC±
(10.8%±)

STREAM VALLEY BUFFER

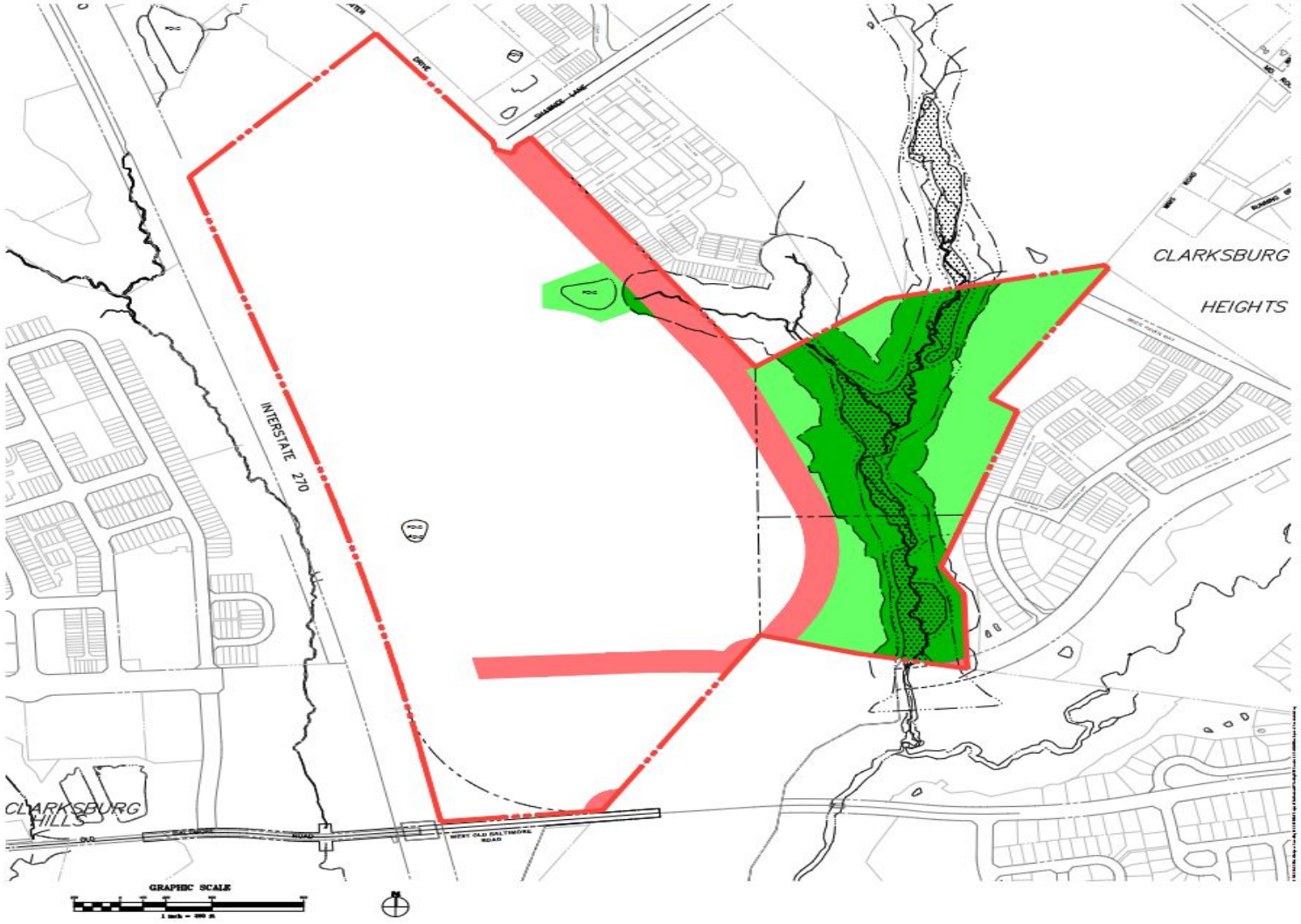


NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

Open Space + Master-Planned Roads (35.0 AC | 16.8%)

COMSAT PROPERTY
203.8 AC± TOTAL

22.5 AC± (10.8%±)	STREAM VALLEY BUFFER
18.8 AC± (9.0%±)	OPEN SPACE
16.2 AC± (7.8%±)	MASTER PLAN ROADS



NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

I-270 Dedication & 200' Buffer (26.6 AC | 12.8%)

COMSAT PROPERTY
203.8 AC± TOTAL

22.5 AC± (10.8%±)	STREAM VALLEY BUFFER
18.8 AC± (9.0%±)	OPEN SPACE
16.2 AC± (7.8%±)	MASTER PLAN ROADS
8.3 AC± (4.0%±)	I-270 R/W AND INTERCHANGE DEDICATION
18.3 AC± (8.8%±)	I-270 200' BUFFER

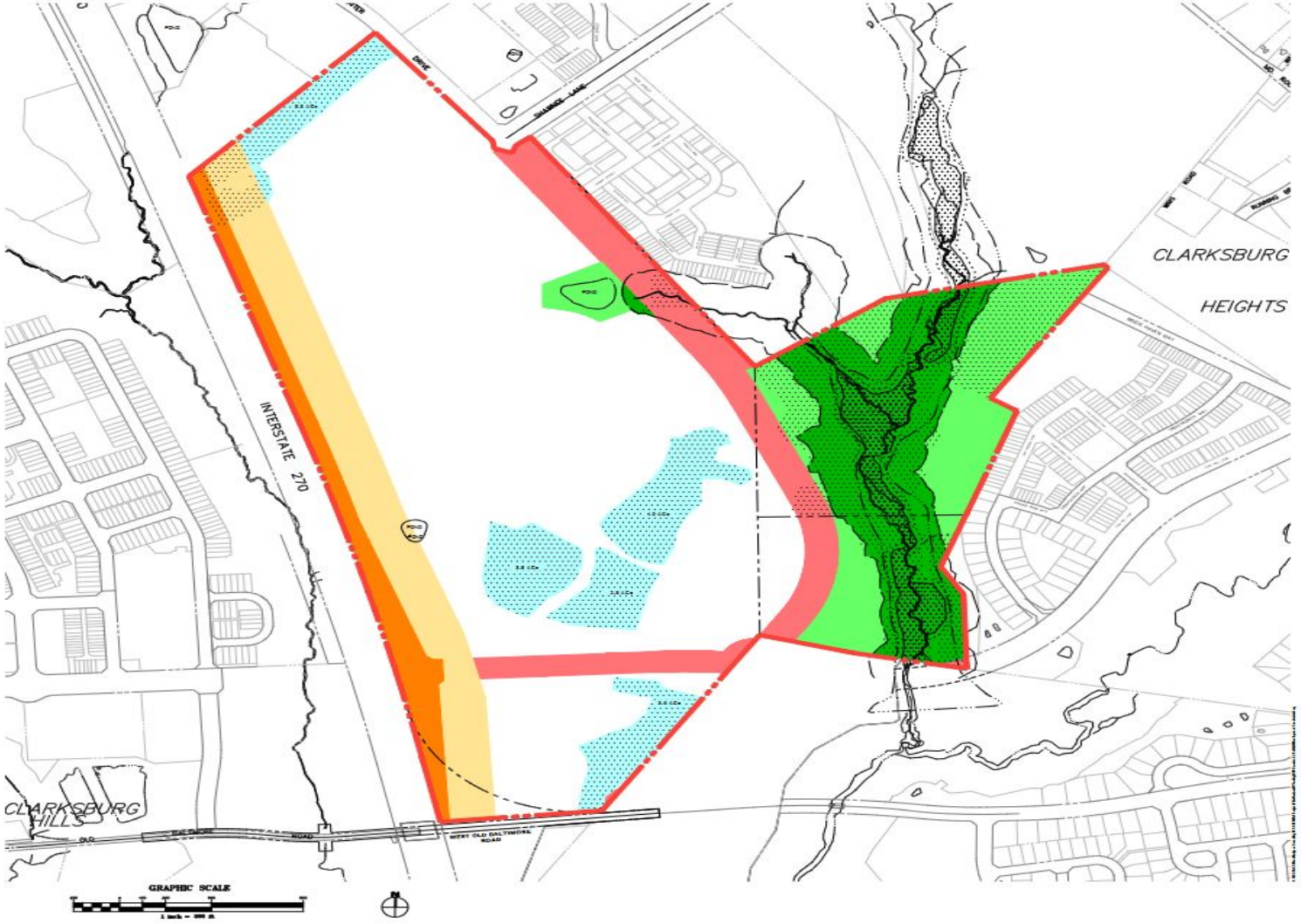


NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

Forest Stand Preservation (18.5 AC | 8.9%)

COMSAT PROPERTY
203.8 AC± TOTAL

22.5 AC± (10.8%±)	STREAM VALLEY BUFFER
18.8 AC± (9.0%±)	OPEN SPACE
16.2 AC± (7.8%±)	MASTER PLAN ROADS
8.3 AC± (4.0%±)	I-270 R/W AND INTERCHANGE DEDICATION
18.3 AC± (8.8%±)	I-270 200' BUFFER
18.5 AC± (8.9%±)	FOREST STAND

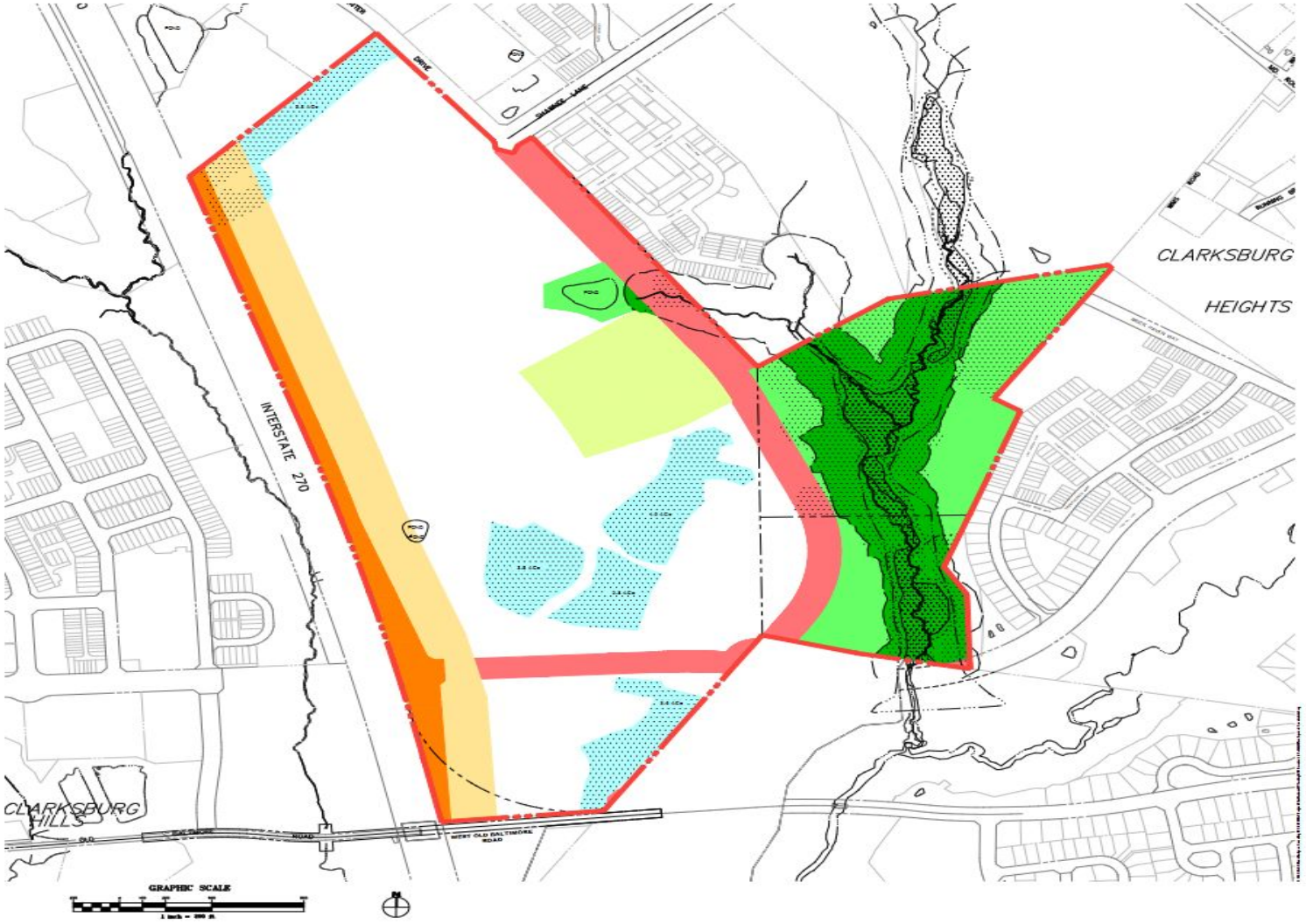


NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

Dedicated Local Park (10.0 AC | 4.8%)

COMSAT PROPERTY
203.8 AC± TOTAL

22.5 AC± (10.8%±)	STREAM VALLEY BUFFER
18.8 AC± (9.0%±)	OPEN SPACE
16.2 AC± (7.8%±)	MASTER PLAN ROADS
8.3 AC± (4.0%±)	I-270 R/W AND INTERCHANGE DEDICATION
18.3 AC± (8.8%±)	I-270 200' BUFFER
18.5 AC± (8.9%±)	FOREST STAND
10.0 AC± (4.8%±)	LOCAL PARK



NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

Internal Development ROW (19.9 AC | 9.8%)

COMSAT PROPERTY
203.8 AC± TOTAL

22.5 AC± (10.8%±)	STREAM VALLEY BUFFER
18.8 AC± (9.0%±)	OPEN SPACE
16.2 AC± (7.8%±)	MASTER PLAN ROADS
8.3 AC± (4.0%±)	I-270 R/W AND INTERCHANGE DEDICATION
18.3 AC± (8.8%±)	I-270 200' BUFFER
18.5 AC± (8.9%±)	FOREST STAND
10.0 AC± (4.8%±)	LOCAL PARK
19.9 AC± (9.8%±)	DEVELOPMENT ROW



NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

35% Green Cover Mandate (26.7 AC | 13.1%)

COMSAT PROPERTY 203.8 AC± TOTAL	
22.5 AC± (10.8%±)	STREAM VALLEY BUFFER
18.8 AC± (9.0%±)	OPEN SPACE
16.2 AC± (7.8%±)	MASTER PLAN ROADS
8.3 AC± (4.0%±)	I-270 R/W AND INTERCHANGE DEDICATION
18.3 AC± (8.8%±)	I-270 200' BUFFER
18.5 AC± (8.9%±)	FOREST STAND
10.0 AC± (4.8%±)	LOCAL PARK
19.9 AC± (9.8%±)	DEVELOPMENT ROW
26.7 AC± (13.1%±)	35% GREEN COVER (68.5 AC x 0.35)
49.6 AC± (24.3%±)	PRIVATE PROPERTY REMAINING



NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

The Result: 78% Taken, Only 24% Left

COMSAT PROPERTY
203.8 AC± TOTAL

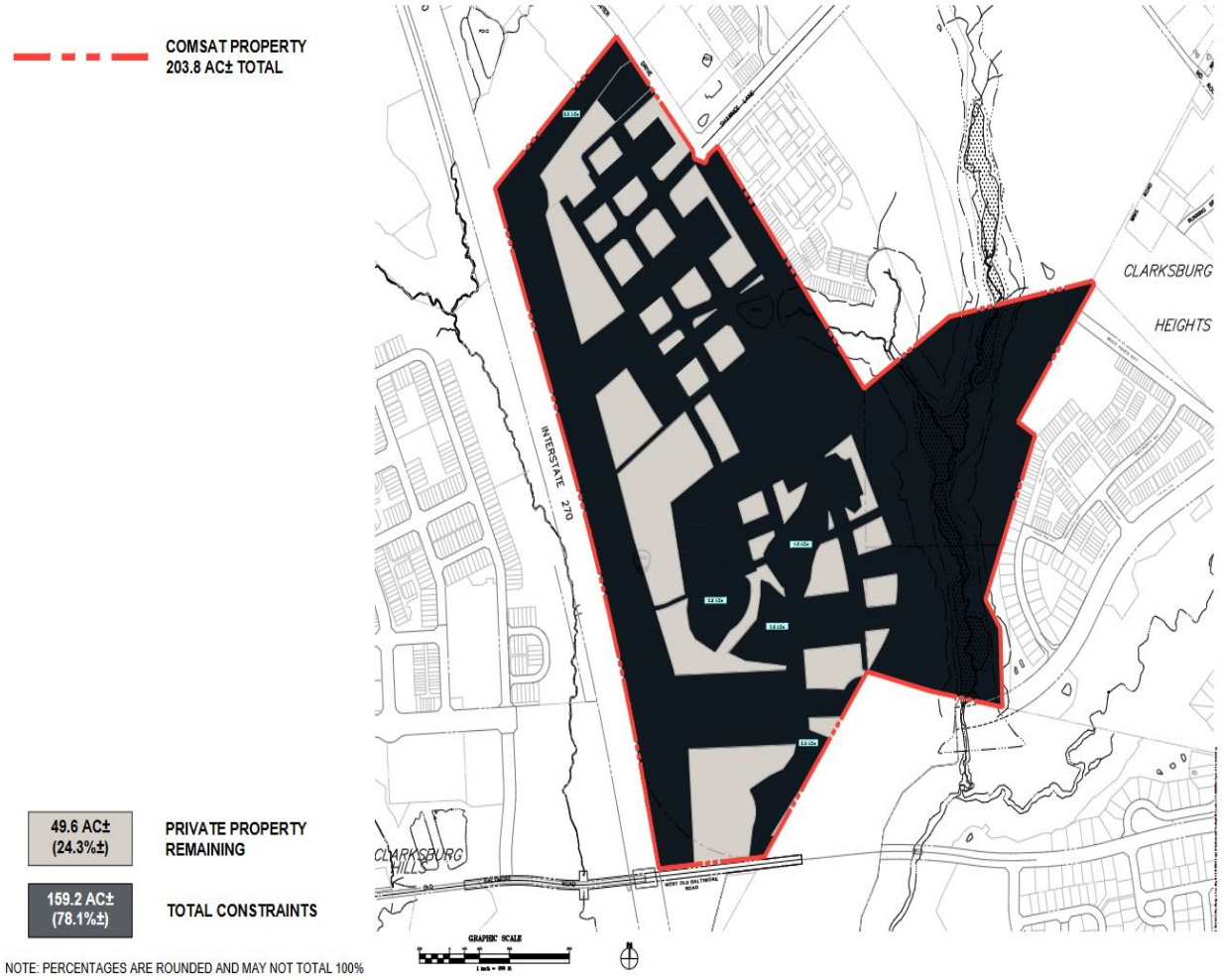


49.6 AC± (24.3%±)	PRIVATE PROPERTY REMAINING
159.2 AC± (78.1%±)	TOTAL CONSTRAINTS

NOTE: PERCENTAGES ARE ROUNDED AND MAY NOT TOTAL 100%

COMSAT CLARKSBURG

Fewer Homes → Fewer People for Jobs & Transit



THE IMPACT ON PUBLIC GOALS

10-15 Units/Acre

Net Land Cost per Buildable Acre

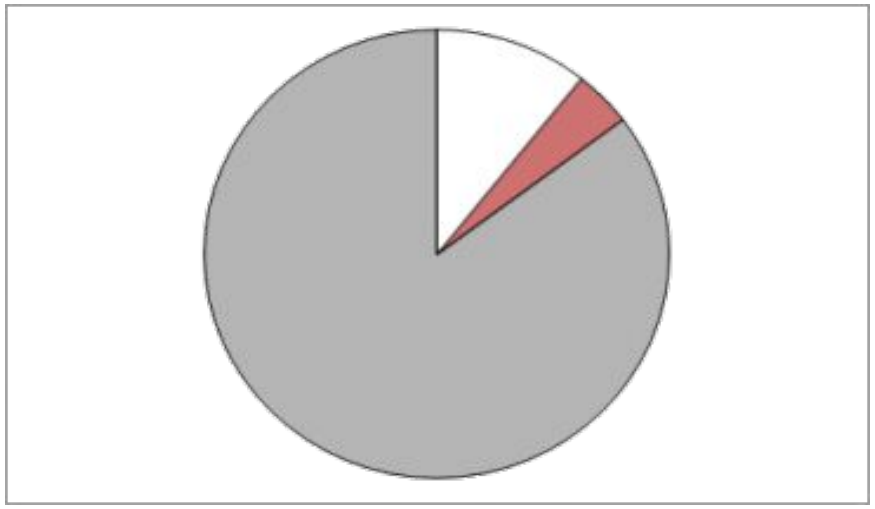
Gross Site Area: 203.8 Acres.

Total Public Deductions: 159.2 Acres (78.1%) taken by buffers, parks, roads, and green cover.

Net Private Buildable Dirt: 49.6 Acres (24.3%) remaining in fragmented pieces.

The Planning Illusion: Planners zoned for mixed use, transit-oriented development, but non-zoning exactions leaves fewer residents, passengers and customers to support retail or transit.

The Countywide Squeeze & Transit Mirage



Montgomery County Total Acreage: 324,319

- 85% Constrained: 276,515 Acres (Ag Reserve, parks, stream buffers, single-family neighborhoods).
- 15% Unconstrained: Just 47,804 Acres left for all future jobs, housing, and growth.

	One-half Mile Radius			One-quarter Mile Ring		
Metro Station Name	Total Acreage	Developable Acreage	Percent Developable	Total Acreage	Developable Acreage	Percent Developable
Bethesda	502.89	83.19	16.54%	369.36	28.52	7.72%
Forest Glen	503.98	25.77	5.11%	344.40	7.44	2.16%
Friendship Heights*	263.65	51.48	19.53%	205.72	33.91	16.48%
Glenmont	502.65	83.83	16.68%	416.70	40.61	9.75%
Grosvenor-Strathmore	507.45	8.34	1.64%	419.73	-	0.00%
Medical Center	502.41	2.75	0.55%	433.93	-	0.00%
Rockville	495.4	65.61	13.24%	393.30	25.49	6.48%
Shady Grove	502.34	34.95	6.96%	489.11	23.20	4.74%
Silver Spring*	418.17	67.29	16.09%	331.91	18.51	5.58%
Takoma*	212.72	23.44	11.02%	172.97	5.24	3.03%
Twinbrook	474.24	87.69	18.49%	434.85	38.06	8.75%
Wheaton	502.65	82.83	16.48%	391.80	28.14	7.18%
White Flint	489.39	92.46	18.89%	390.88	31.42	8.04%
Total	5,877.94	709.63	12.07%	4,794.66	280.54	5.85%

SOLUTIONS & PRIORITIZATION

The Path Forward: Stop Layering, Dial Back the Asks

The Diagnosis: Uncoordinated Accumulation

The Problem Isn't One Thing: Housing is not expensive because of a single flawed statute, one rogue agency, or developer greed. It is the cumulative layering of dozens of separate requirements.

Every Goal Is Individually Defensible: Stormwater, tree canopy, parks, roads, affordable set-asides, and design aesthetics each have worthy advocates.

Nobody Balances the Total Bill: When every agency maximizes its own mandate without evaluating aggregate feasibility, the economics fail.

The Pro Forma Breaks: Private capital walks away**,** housing becomes unattainable, and regional economic development stalls.

The Imperative: Deciding What Actually Matters

Dial Back the Cumulative Asks: Stop treating private development as an all-you-can-eat buffet to solve every municipal deficit and policy aspiration. Governments must establish explicit priorities and scale back total burdens.

Resist the Temptation to Add Mandates: Avoid imposing costly requirements that masquerade as quality or safety—such as parking minimums, expansive setbacks, or unvetted building code additions—without rigorous cost-effectiveness and risk evaluations.

Streamline Process & Reduce Carrying Time: Shift toward administrative, predictable approval paths. Every month saved in review reduces debt carry and directly compresses the cost-to-price spread.

Align Regulation with Economic Reality: Recognize that housing supply is core economic development infrastructure. If you want workforce housing, public demands must be balanced against market feasibility.