1999

What does smart growth mean for housing?

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By Karen A. Danielsen, Robert E. Lang, and William Fulton

Barely noticed amid the returns from the 1998 midterm elections was a quiet revolution that goes to the heart of how and where Americans live. While most news accounts focused on the high-profile candidate elections, voters across the nation-in Democratic and Republican areas alike-approved more than 160 state and local ballot measures intended to preserve open space and limit urban sprawl.

The coalition forming around the idea of limiting sprawl includes environmentalists, farmers, big-city mayors, and some developers. But perhaps most important, the so-called "smart growth" movement also includes many suburban voters who are fed up with growth. For example, suburbanites in New Jersey-who swept Republican Governor Christine Todd Whitman into office a few years ago on her promise to cut taxes-overwhelmingly supported her proposal to devote about $1 billion a year in taxes and user fees to help preserve half of the state's two million acres of open space over the next ten years. The idea of land preservation is so appealing to many suburbanites that they are willing to pay for it, in contrast with their typical distaste for more taxes.

Support for the suburban antigrowth movement is hardly limited to the crowded and liberal Northeast. Arizona, traditionally a strong property-rights state, is also considering ways to limit sprawl. Voters there in 1998 approved a high-profile land conservation measure and the state government is considering a variety of growth management mechanisms.

As the smart growth movement catches on in places as diverse as Arizona and New Jersey, the key question is how to manage growth without derailing economic development or sacrificing affordable housing. Indeed, one difference between smart growth and previous generations of growth management is the argument of smart growth advocates that their strategies will actually promote economic development. They say their approach will preserve quality of life while lowering regulatory barriers to housing and other economically productive development inside designated growth areas.

This approach suggests that smart growth advocates must tackle the difficult task of building support for higher density housing in both urban and suburban locations. Until recently, the smart growth movement-like its predecessors-was driven mainly by environmental and transportation concerns. Because housing comprises a major share of the nation's built environment, however, limiting the land it consumes may be the most effective way to develop more compact regions and preserve open space.

If smart growth is to broaden its effectiveness and appeal, its advocates must address some tough issues, such as how a limited land supply might affect affordable housing and whether it could create new methods of segregation.

What Is Smart Growth?
"Smart growth" is a term used to describe efforts to shape growth in a way that lessens sprawl. Smart growth advocates argue that while growth is inevitable, sprawl is not. As economist Anthony Downs has pointed out, sprawl "is not *any form* of suburban growth, but a *particular form*." Specifically, it is a form of suburban growth characterized by very low densities and "leapfrog" development.

The panoply of smart growth strategies includes many things, but at its core it seeks to use an area's land resources-both urbanized and raw-as efficiently as possible. Development is concentrated in agreed-upon growth zones and designed to reduce driving and enhance neighborhood ambience and community identity. At the same time, open land in conservation zones is protected rather than consumed for urban growth.

Though little definitive empirical research has been done, smart growth's supporters argue that this approach offers many potential benefits, including: financial savings for households and communities, including savings on infrastructure costs; less automobile use and better opportunities for alternative transportation; and a greater sense of community.

Housing's Role in Smart Growth
The smart growth philosophy suggests a series of housing strategies, including the promotion of urban infill housing and denser subdivisions in suburbia. Both urban and suburban projects must be planned and designed to promote access to commercial centers, recreational opportunities, and transit lines. The most basic smart growth housing strategy, however, is the creation of *higher density housing*. We use the term *higher density*, rather than *high density*, to emphasize the fact that the term *density* depends on context. In an outer suburban location it may mean shrinking large single-family lots a bit, whereas in an urban infill location it could mean building 50 units per acre. The point is that developing housing at higher densities and combining rental and ownership housing in communities throughout metropolitan America could be a major strategy for achieving smart growth.

Higher density housing, in and of itself, will not get rid of sprawl; it must be part of a comprehensive and integrated land use plan. High-density suburbs already exist in many unlikely areas-such as the metropolitan southwestern United States-but because these places were not designed and built with other smart growth principles in mind, their residents often suffer many of the problems associated with density without reaping any of the benefits, such as reduced dependence on automobiles.

For this reason, among others, it is often politically difficult to promote and build higher density housing in both cities and suburbs-a fact that presents a unique challenge to the smart growth movement. The politics of smart growth currently favor just one part of the equation-limiting greenfield development-but smarter growth cannot be realized without the other half of the equation. If most regions halt new development at the urban fringe without simultaneously green-lighting new growth in designated areas, an affordable housing crisis could result.

Perhaps the greatest challenge smart growth faces is community resistance to new development in already built-up areas. Enacting smart growth on a regional scale means that many existing

lower density neighborhoods will receive new higher density housing. Suburbanites have a long history of resisting higher density housing for fear of what it might do to property values and who may reside in such housing. No matter how much current politics oppose sprawl, policies adding higher density housing to most neighborhoods remain a tough sell. Americans appear to hate two things: density and sprawl. Smart growth's fate may depend on which they ultimately hate more.

The Market for Higher Density Housing

Smart growth advocates argue that a large market exists for smart growthÐstyle housing, but that regulatory and finance barriers prevent such development. Smart growth critics contend that low-density development reflects consumer preference. Is smart growth development potentially marketable if done right?

When people buy a house, they also buy a place. Consumers generally associate low-density housing with desirable community characteristics such as good schools, low crime, and moderate taxes; conversely, they associate high-density housing with an opposite set of undesirable community characteristics. Yet many home buyers seem more concerned with the type of neighborhood they are moving to and care little if the lot is a bit smaller. Indeed, there is some evidence that home buyers are willing to trade away low-density living if they receive an attractive package of community amenities or some other benefit in return, and at the same time feel comfortable about the future value of their investment.

In high-priced markets, the most popular homes are often zero-lot line, courtyard, and other small lot housing. In many of these markets, such as California's Silicon Valley, some suburbanites have begun to conclude that higher density housing offers a better quality of life than homes in the exurbs that require long commutes to work.

The experience of planned communities-which can have medium to high densities-suggests that middle-income and affluent suburbanites will buy higher density housing if they believe it will not diminish their quality of life or devalue their investment. Restrictions on how owners manage their property in such communities reassure home buyers that even clustered housing will not lose value.

The market for higher density housing may be an easier sell in urban settings than in the suburbs. The challenge, however, is to better manage the inconveniences of urban life. Consumer research shows that many suburbanites identify culturally with cities but are frustrated by the daily problems of living at higher densities, such as having to fight for a parking space. Developers of urban infill housing seeking to expand their market to suburbanites should make creative provisions for automobiles. It is also important to maximize security and privacy to meet the standards former suburbanites are likely to insist on.

Lifestyle and demographic changes-more working women; later marriages; fewer children per family; more gay, childless, and non-married couples; more singles; and more empty nesters-have made nontraditional households more mainstream. People in smaller, childless households often highly value convenience. Higher density housing near places of business can offer these residents short commutes, a high level of amenities, and low maintenance demands.

The Design of Higher Density Housing

Higher density housing is stigmatized by its association with urban social problems, but neighborhood distress may have more to do with design than density.

Creating a "sense of place" is a crucial component of any successful development, but it is especially important in higher density housing. It is becoming clear that higher density housing appeals to suburbanites if it incorporates traditional urban features. For example, the high-density planned community of LanesEnd in Irvine, California, offers a unique combination of alleys, courtyards, and "mews" (double-wide alleys). Few driveways face the street, permitting continuous on-street parking that creates a feeling of enclosure. Alleys have long suffered from an association with criminal activity, yet at LanesEnd they are regarded as semi-public social spaces. If planned communities can rehabilitate the reputation of alleys, is higher density housing really that hard a sell?

To enhance the appeal of higher density housing, developers should pay attention to design details, including:

Room layouts and widths. Town homes less than 18 feet wide may be too small for some furniture that suburbanites might bring from their previous, single-family homes.
Interior features, such as upscale kitchens and bathrooms, that can compete with features provided in more traditional low-density suburban models.
Specialized site planning and site design considerations based on local market conditions. For example, cluster housing is often acceptable in high land-cost markets but is less viable in markets where land is cheaper.
Designs that reflect local building traditions. This is especially important when building affordable suburban housing, which often meets resistance from local homeowners.

Financing Higher Density Housing

Building higher density housing with smart growth principles is made more difficult by lenders reluctant to finance alternative developments; bankers do not invest in projects without a proven record of acceptable risk.

Three main obstacles currently limit financing options for smart growth:

1. Difficulties with appraisals and finding suitable comparable sales
2. Lack of good market research to show the financial feasibility of higher density smart growth projects
3. Frequently, unclear presentations of project objectives, risks, and risk mitigation strategies

As smart growth developments become more common these problems may diminish, but in the meantime developers must search for alternative sources of financing, such as real estate investment trusts, pension funds, and insurance companies.

Consumer financing for higher density housing may require innovative products such as location efficient mortgages, which enable those living near public transportation to qualify for larger mortgages because the financial instrument obligates a household to reduce its transportation costs. The savings from higher density development need to be better quantified to facilitate development of standardized mortgage products.

Perhaps most important, if higher density housing is to achieve parity with low-density, large-lot residential development, it needs better access to the secondary mortgage market. A major challenge facing developers and institutions is that smart growth developments mix land uses in a way that does not lend itself to standardization. The financial instruments and institutions underlying American development isolate components of the built environment to better securitize their risk. It is a remarkably efficient system that pumps billions of low-interest dollars into development. Unfortunately, the system also produces places that often, like their financing, are narrowly focused.

Accommodating Higher Density Housing in Urban Containment Areas

American metropolises are increasingly developing urban containment strategies to help manage and limit growth. Geographical areas approved for growth are designated by urban growth boundaries (UGBs). Higher density housing is the most important element in the success of any urban containment strategy.

Developers and citizens are justifiably concerned that urban containment policies could slow growth and cause house prices to rise sharply. We emphasize the word *could* because these policies *should not* have that effect. While inflexible growth constraints cause artificial land scarcities and reduce affordable housing, emerging UGB models are characterized by flexibility intended to prevent, or at least mitigate, market distortions.

A UGB by itself will not achieve smart growth goals; it is also critical how land is used inside the boundary. Once the lines are drawn, metropolitan areas must encourage a creative approach to higher density housing that includes a wide range of policy tools-flexible zoning techniques, increased densities in redevelopment areas, and neighborhood conservation tools such as "accessory dwellings" (apartments in single-family homes) that permit the creation of more housing without disrupting the "feel" of stable older neighborhoods.

Smart Growth and the Future of Housing

Our argument is simple: Housing can and should be developed at higher densities than is now standard practice in order to alleviate many metropolitan woes, such as fiscal imbalances, jobs/housing imbalances, and waste of open land.

Higher density housing is not a panacea for sprawl. For smart growth strategies to succeed, its principles and practices must evolve to correct some of the potential problems that may accompany higher density housing development. And, of course, the restrictive development environment that accompanies smart growth has the potential to effectively limit who can live where in the name of curbing sprawl. As writer Gregg Easterbrook has noted, "One person's greenspace preservation is another's denied housing permit."

Affordable higher density housing continues to be an elusive smart growth goal. Escalating land costs due to normal development pressures and those born of growth boundaries-resulting in smaller but more costly lots-will continue to impact housing affordability. In addition, there remain many regulatory barriers in both urban and suburban communities that prevent or curtail the development of higher density infill projects and inhibit lot assemblage for higher density designs.

Sprawl is still the dominant building practice in the United States, but the political tide may be turning in favor of more contained regions. There is a growing sense that the postwar metropolis may have reached its limits. Only time will tell if sprawl's high-water mark was reached in the 1990s.