

The REAL ESTATE PROFESSIONAL

THE MAGAZINE FOR REAL ESTATE SALES AND MANAGEMENT

MARCH 31, 2011

Full Economic Recovery Calls For Shifts In Housing Strategy

By Pete Berman

The nation's economic recovery is being hampered by a large, but often unmentioned, shift in the mobility of American workers. Because of the collapse of housing prices and the difficulty of obtaining mortgage financing, only a portion of today's unemployed or under-employed are able to move to take a job in another region.

It is as if we are stuck in place, glued to the game board in the same spot. Moving one's family was always difficult, but today's trouble in housing means it can border on the impossible to move to another locale that provides a new opportunity. The result is that our economy—normally nimble and responsive as both companies and workers respond to events, opportunities and incentives—is unprepared for 2011's challenges.

Our great free enterprise system is becoming ossified. The solution to this is two-fold: encourage more high-density, mixed-use development with rental housing; and adopt zoning that permits single-family homes on small lots.

The benefits of these policies will not be instantaneous, but these changes unquestionably would improve mobility and return "opportunity" to a multitude of workers and help keep our economic recovery on track.

First, America's public officials and urban planners need to increase the role of medium- and high-density rental housing in the nation's housing stock—especially in the suburbs. Our

overemphasis on owner-occupied, single-family homes fails to recognize the population's need for a diverse mix of housing options. In the last decade an attempt to prevent change within communities has led to restrictive and at times punitive land use regulations.

The simple fact is that zoning and development practices in many suburban areas encouraged the construction of single-family homes on large lots and discouraged the creation of multifamily rental housing. These policies contributed to suburban sprawl and rising home prices due to the high cost of a lot. Simultaneously, these policies spurred the decline of existing population centers as new residents were pulled away from downtown areas.

Clearly, at least some of these policies were well-intentioned and it was widely accepted that the resulting low density would be beneficial to the tax base by keeping student enrollment manageable. However, over time we have come to recognize that large lot zoning tends to lead to a homogenous housing stock of mainly large homes (in recent years, 3,000 square feet or more). Homogenous housing stock is not economically viable as it does not offer units appropriate to the population's changing lifestyles, nor does it accommodate a diverse economy by providing housing to different socioeconomic groups. Further, it uses up open space at a rapid rate and is inefficient for delivering municipal services.

Ask yourself: How many communities today would seek more McMansions?

It is time for public officials and municipal planners to abandon current practices and do much more to encourage the construction of well-designed, medium- and high-density housing of good quality in and near existing population centers. Mixed-use buildings with apartments above shops and offices should play a prominent role in these new approaches, which will contribute to more robust regional economies. Likewise, having desirable office and commercial space close to housing could well spur entrepreneurial development.

The creators of 19th-century railroad villages and cities intuitively recognized the benefits of density and mixed uses, and we need to revise planning and zoning policies to once again embrace this successful development model.

A key element of these villages was mid-rise buildings with commercial space on the street level and apartments (and sometimes offices) on the upper floors. These buildings provide a vibrant mix of residences, shops and workplaces— uses that complement and benefit each other. Jane Jacobs passionately describes the vitality of these mixed-use neighborhoods in her seminal treatise on urban planning, “The Death and Life of Great American Cities.” Today, nearly 50 years after its publication, Jacobs’ call for dense, walkable neighborhoods with mixed uses and sidewalks (something shamefully entirely missing from many suburban developments, although one might wonder where they would lead if present) is more popular and important than ever.

Secondly, our public officials and our zoning rules must recognize that big houses on large lots is a model that does not work for the vast majority of homebuyers and communities. Our rush to build 3,500-square-foot homes on 2 acres, then 3 acres and 5 acres has only made it more difficult for young people to get a foothold in the housing market. More modest lots and home sizes would encourage far more responsiveness in the housing market while also allowing a cross section of the population to live within each community. How can teachers, police officers and nurses live within the communities where they work when homes are not attainable by them?

Critically, like the availability of more rental housing options, a more diverse mix of housing also would lead to more mobility in the workforce. Job mobility is imperative to allow for an efficient labor force. We must have housing that reflects the needs of employees and allows contract workers or new employees to move to an area for gainful employment. As wrenching as the economic shifts of recent years have been, they will be made even more difficult if workers cannot move to respond to new opportunities.

Collectively, encouraging more higher-density housing and encouraging more diversity in single-family housing would go a long ways to spurring economic recovery. These steps also would lay the foundation for more livable, workable communities, a more nimble labor force and a more responsive economy.



Peter Berman has over a dozen years experience in the Construction, Development, and Inspection industries. As a third-generation builder and project manager, he grew up in and around the construction industry. In addition to managing The Ruby Group, Pete is a frequent speaker and educator for a number of organizations including the Journal of Light Construction and the National Association of Homebuilders.