AMERICA'S EMERGING HOUSING CRISIS

A SPECIAL REPORT BY JOEL KOTKIN
WITH WENDELL COX

NATIONAL COMMUNITY CORE RENAISSANCE

AMERICA'S EMERGING HOUSING CRISIS

Joel Kotkin

An internationally-recognized authority on global, economic, political and social trends, Joel Kotkin is the author of THE NEXT HUNDRED MILLION: America in 2050, published by The Penguin Press. The book explores how the nation will evolve in the next four decades. His previous, also critically acclaimed book, was THE CITY: A GLOBAL HISTORY.

Mr. Kotkin is the Roger Hobbs Distinguished Fellow in Urban Studies at Chapman University in Orange, California and Executive Editor of the widely read website www.newgeography.com. He writes the weekly "New Geographer" column for Forbes.com. He is a Senior Visiting Fellow at the Civil Service College in Singapore. He serves on the editorial board of the Orange County Register and writes a weekly column for that paper, and is a regular contributor to the Daily Beast.

Wendell Cox

Wendell Cox is a public policy and demographic consultant and principal of Demographia, in the St. Louis area. He is co-author of the Demographia International Housing Affordability Survey, now in its 10th edition. He is also author of Demographia World Urban Areas, the only regularly published compendium of population, land area and density for urban areas of more than 500,000 population.

He was appointed to three terms on the Los Angeles County Transportation Commission and one term on the Amtrak Reform Council. He served as a visiting professor at the Conservatoire National des Arts and Metiers, a French national university in Paris. He holds an MBA from Pepperdine University.

NATIONAL COMMUNITY CORE RENAISSANCE

National Community Renaissance

National CORE's mission is to provide award-winning affordable housing paired with best-practice social service programs tailored to help families move toward self-sufficiency and ultimately to home ownership. Over more than two decades, CORE has built and renovated needed housing for tens of thousands of people. Our Hope through Housing Foundation has provided more than two million hours of service that better the lives of our very youngest to our most senior residents. It is that commitment that sets National CORE apart. Learn more at www.nationalcore.org.

EXECUTIVE SUMMARY

Ultimately, we need to develop a sense of urgency about the growing problem of providing adequate shelter.

From the earliest settlement of the country, Americans have looked at their homes and apartments as critical elements of their own aspirations for a better life. In good times, when construction is strong, the opportunities for better, more spacious and congenial housing—whether for buyers or renters—tends to increase. But in harsher conditions, when there has been less new construction, people have been forced to accept overcrowded, overpriced and less-desirable accommodations.

Today, more than any time, arguably, since the Great Depression, the prospects for improved housing outcomes are dimming for both the American middle and working classes. Not only is ownership dropping to twenty-year lows, there is a growing gap between the amount of new housing being built and the growth of demand.

Our still-youthful demographics are catching up with us. After a recession-generated drought, household formation is again on the rise, notes a recent study by the Harvard Joint Center for Housing Studies[1]. In some markets, there isn't an adequate supply of affordable housing for the working and middle classes. Overall, according to the research firm Zelman and Associates, the country is building barely one-third the number needed to meet the growth in households. Overall inventories of homes for sale are at the lowest level in eight years.[2]

The groups most likely to be hurt by the shortfall in housing include young families, the poor and renters. These groups include a disproportionate share of minorities, who are more likely to have lower incomes than the population in general. This situation is particularly dire in those parts of the country, such as California, that have imposed strong restrictions on home construction. California's elaborate regulatory framework and high fees imposed on both single- and multi-family housing have made much of the state prohibitively expensive. Not surprisingly, the state leads the nation in people who spend above 30 percent, as well as above 50 percent, of their income on rent.

Sadly, the nascent recovery in housing could make this situation even more dire. California housing prices are already climbing far faster than the national average, despite little in the way of income growth. This situation could also affect the market for residential housing in other parts of the country, where supply and demand are increasingly out of whack.

Ultimately, we need to develop a sense of urgency about the growing problem of providing adequate shelter. As a people we have done this many times — with the Homestead Act, and again, after the Second World War, with the creation of affordable "start-up" middle- and working-class housing in places like Levittown (Long Island), Lakewood (Los Angeles), the Woodlands (Houston) and smaller subdivisions, as well as large scale cooperative apartment development in places like New York. Government policy should look at opportunities to create housing attractive to young families, which includes some intelligent planning around open space, parks and schools. It is important to ensure that a sufficient supply of affordable housing is allowed throughout metropolitan areas, for all income groups.

Nothing speaks to the nature of the American future more than housing. If we fail to adequately house the current and future generations, we will be short-changing our people, and creating the basis for growing impoverishment and poor social outcomes across the country.

SECTION ONE:
AMERICA'S HOUSING CRISIS

The current housing recovery has provided a welcome respite to homeowners, but it may exacerbate a growing shortage of affordable residences. Overall, shelter is becoming more costly to more Americans in some parts of the country, and is likely to become more so as long as the overall supply of housing of all types continues to lag household formation. Even with a mild housing recovery, the number of new private housing units built in 2012 barely reached a half million, roughly one-third the level seen in the mid-2000s (Figure 1).[3]

The uptick in housing prices threatens both prospective owners and renters, forcing people who would otherwise be buyers into the rental market, raising demand, which tends to boost prices.[4] Ownership levels continue to drop, most notably for minorities. African-American home ownership dropped 14 percent from 2004 to 2013 (2nd quarter), while Hispanic home ownership dropped 8 percent from 2001. In contrast, white-non-Hispanic home ownership dropped only 4 percent from its peak in 2004.[5] Last year, according to the Harvard Joint Center for Housing Studies[6], the number of renters in the U.S. rose by one million, accompanied by a net loss of 161,000 homeowners.

This is bad news for middle-income Americans, and even more so for renters, particularly in the lower economic quintiles. Rents and home prices are closely related; when prices rise for houses, they also rise for renters, except during periods of speculative fever such as occurred in the mid-2000s (Figure 2).

Figure 1 **Housing Starts: 1970-2012 (United States)**

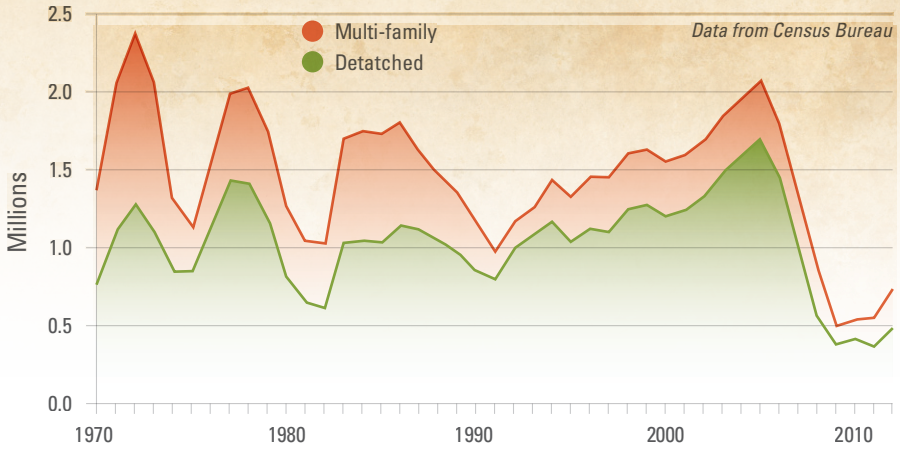
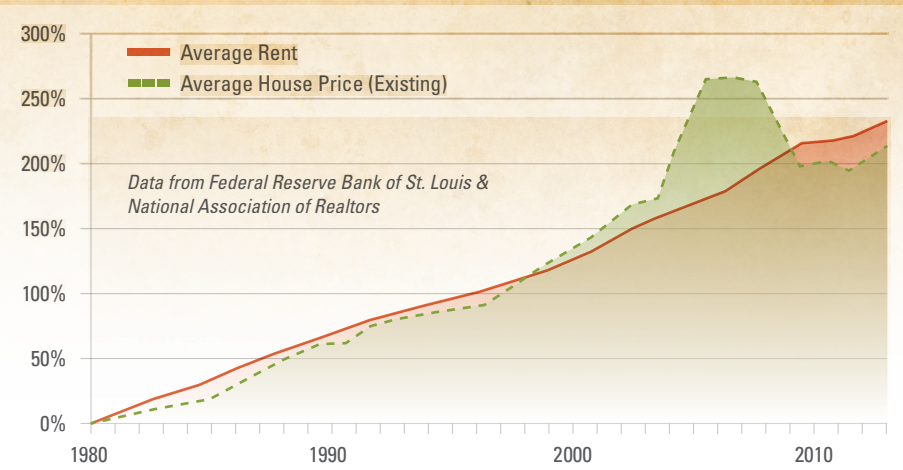


Figure 2 **Rent & House Prices (United States 1980-2012)**



Despite claims that lack of transport and high gas prices represent their biggest financial challenge, it is the cost of shelter that most impacts their pocket books.

The number of renters, for example, now paying upward of 50 percent of their income for housing, has risen by 2.5 million since the recession and 6.7 million over the decade. Roughly one in four renters, notes the Harvard study, is now in this perilous situation. The number of poor renters is growing, but the supply of new affordable housing has dropped over the past year (Figure 3).

The impact is particularly destructive for the poor. Despite claims that lack of transport and high gas prices represent their biggest financial challenge, it is the cost of shelter that most impacts their pocket books. Housing far outstrips the cost of transportation, even with higher fuel prices, particularly for lower-income Americans (Figures 4 and 5).

Figure 3 **Severely Burdened Households (50% or more of income for housing)**

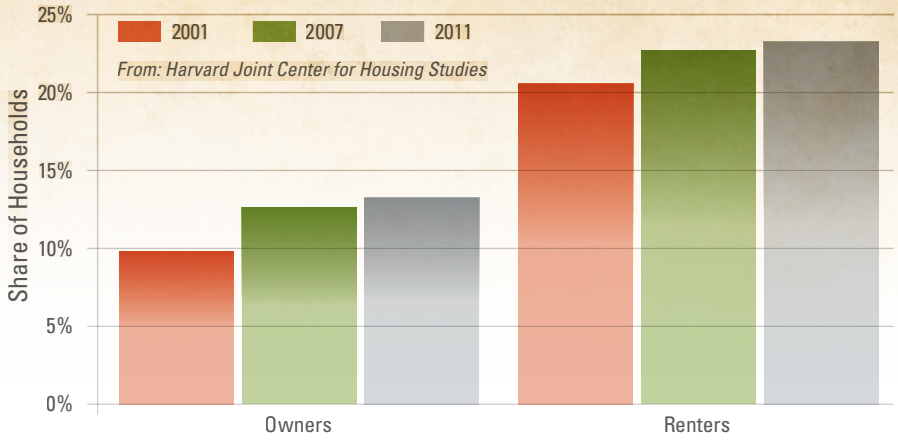


Figure 4 **Lowest Quintile: Housing & Transportation (Expenditures Pre-tax Income 2000-2011)**

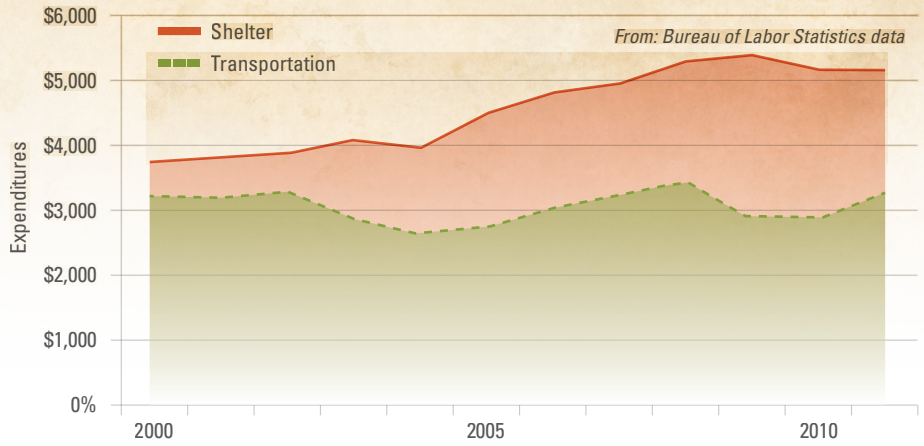
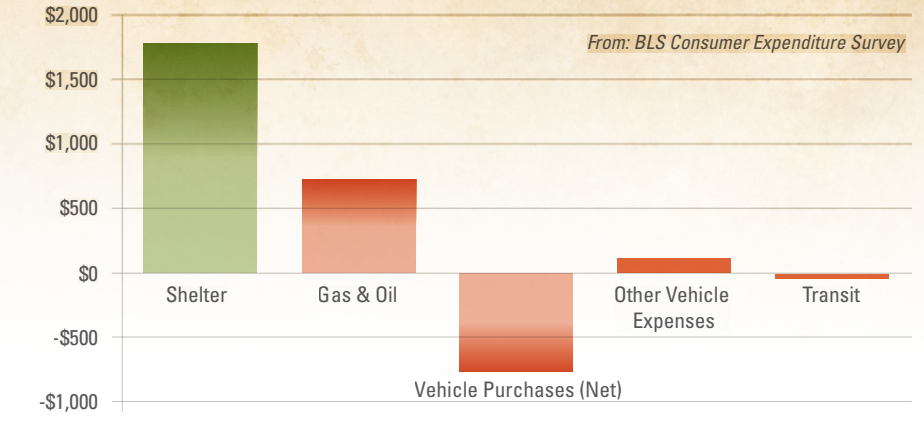


Figure 5 **Housing & Transportation Cost Trend (Lowest Household Income Quintile: 2000-2011)**



Expenditures per Household: 2000-2011

Overall, the National Low Income Housing Coalition (NLIHC) estimates a shortage of 7.1 million housing units that are affordable for extremely low-income households (Figure 6). By itself, California's affordable housing shortage for households with extremely low incomes would be approximately 1.3 million units, based on the NLIHC estimate. This becomes ever more dangerous, given very low increases in incomes, particularly among working-class Americans.[7]

We can not expect this situation to be addressed in a sizable way by government-funded solutions. The government has offered housing relief for the poor over nearly eight decades, but "only a fraction of the need" has been met.[8] For example, a 2004 NLIHC report noted that New York City's housing voucher wait list was 150,000, and that Los Angeles County had a wait list 17 times its potential supply of housing.[9]

Inclusionary zoning, which requires builders to build or finance a quota of lower-income housing in return for permission to build, has been another method designed to increase affordable housing. These programs are helpful to the few who are able to take advantage of the limited supply. But such efforts have done little to alleviate the overall problem of housing affordability for lower-income households.[10] Despite wide use of this practice in California and elsewhere, housing affordability remains a critical problem and lack of affordable housing has reached a level that piecemeal policies cannot resolve.

The affordable crisis is more severe in some places than others. Among the states, the highest house prices relative to incomes in the nation are in Hawaii, California, Massachusetts, New York and Oregon (Figure 7).[11] Housing affordability in the 15 largest metropolitan areas is indicated in Figure 8, San Francisco, Los Angeles and New York being the worst.

Figure 6 **Affordable Housing Shortage: 2011 (Extremely Low-Income Households)**

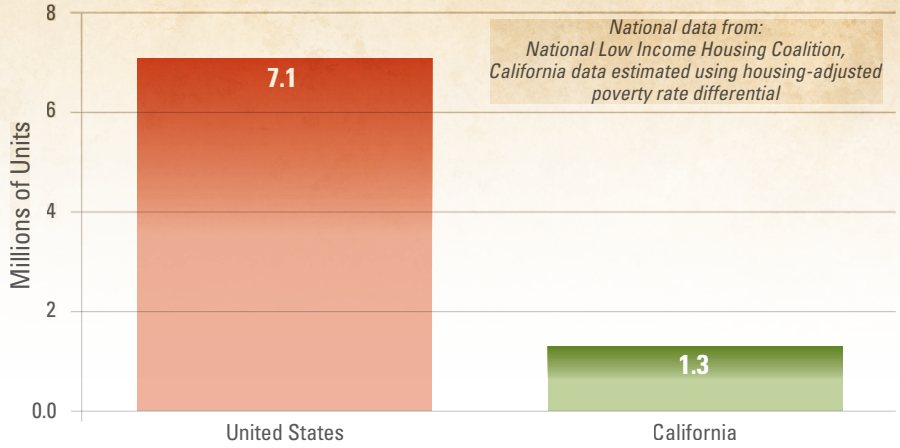


Figure 7 **Highest House Prices Relative to Incomes - States: 2011 (DC Not Included)**

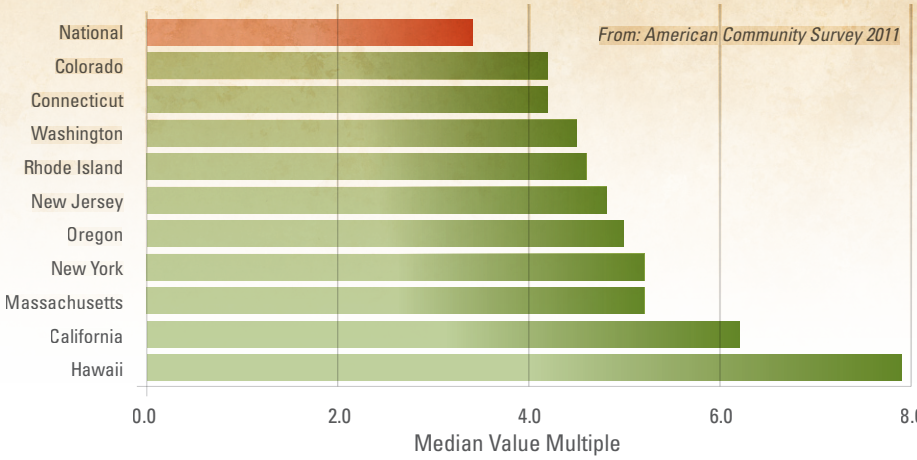
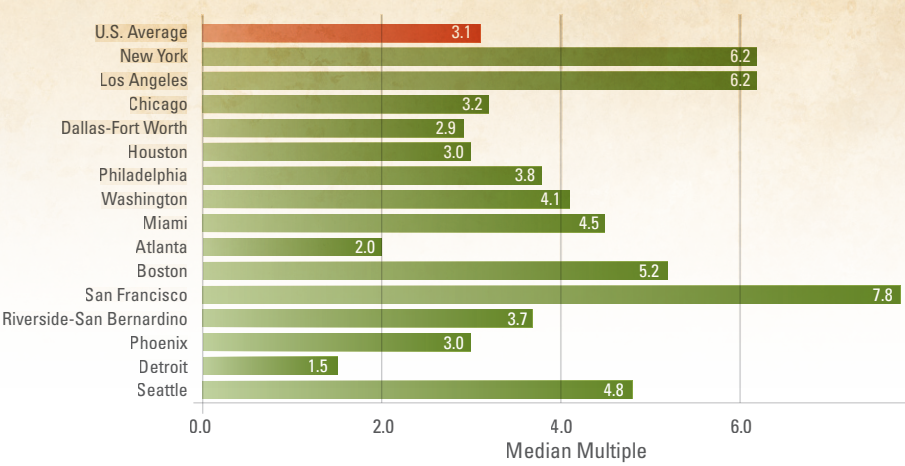


Figure 8 **Housing Affordability: 15 Largest MSAs (Median Multiple: 2012 3rd Quarter)**



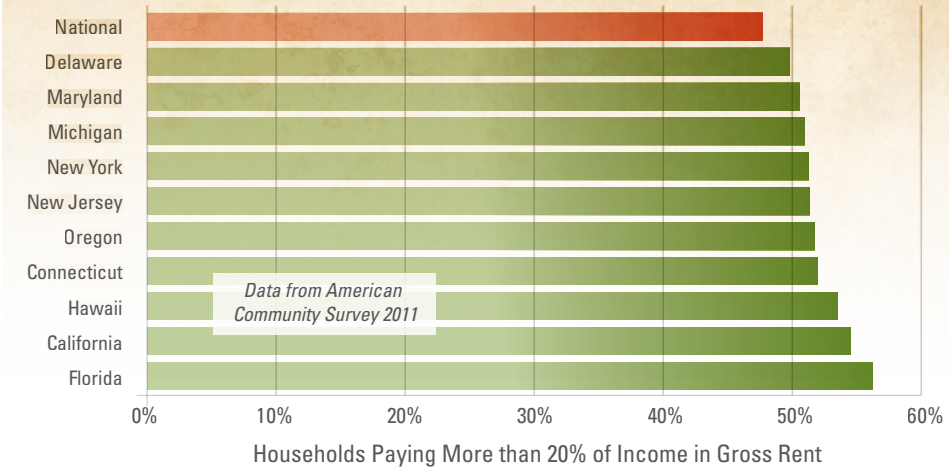
These states include metropolitan areas that have the highest percentages of people paying more than 50 percent of pre-tax income for housing. According to the Center for Housing Policy and National Housing Conference[12], 39 percent of working households in the Los Angeles metropolitan area spend more than half their income on housing, 35 percent in the San Francisco metro area and 31 percent in the New York area. All of these figures are much higher than the national rate of 24 percent, which itself is far from tolerable (Figure 9).

This is already creating widespread hardship in both the country's cities and suburbs. It can be seen in the rise of families doubling up (Figure 10). Moving to flee high costs has emerged as a major trend, particularly among working-class families.[13] For those who remain behind, it's also a return to the kind of overcrowding we associate with early 20th century tenement living.

As was the case in the late 19th century, overcrowded conditions create poor outcomes for neighborhoods and, most particularly, for children. It has been associated with negative consequences in multiple studies, including greater health problems. The lack of safe outside play areas is one contributing factor.[14] Academic achievement was found to suffer in overcrowded conditions in studies by American[15] and French[16] researchers. Another study[17] found a higher rate of psychological problems among children living in overcrowded housing.

This is occurring as a generation of middle-class people — weighed down by a poor economy, inflated housing prices and often high student debt — is being pushed to the margins of the ownership market. In particular, the increase in student debt has been huge, with average balances now at $25,000, up nearly 60 percent from 2004.[18] There will be as many as 8 million people entering their 30s in the next decade. Those struggling to move up face rising rents and dismal job prospects. It's not surprising that a growing number of Americans now believe life will be worse for their children.[19]

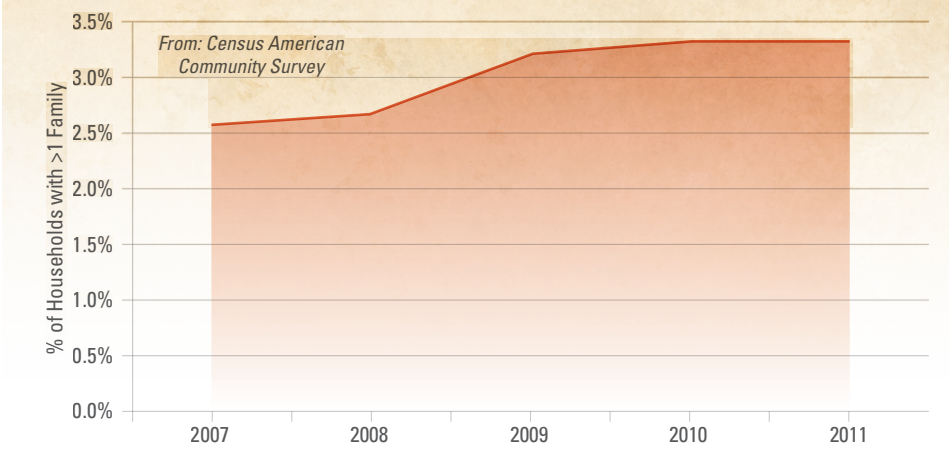
Figure 9 **Housing Burden (30%+ of Income) - Worst Ranking States**



By itself, California's affordable housing shortage for households with extremely low incomes would be approximately 1.3 million units.

(NLIHC Estimate)

Figure 10 **Doubling Up: Share of Households (More than One Family Per Household)**



This pessimism contradicts the traditional American notion that life should get better—often associated with housing getting better—for each generation.[20] From the nation's earliest days there were programs to encourage households to purchase federal government land as the nation moved west. During the 19th century, the federal government sold more than 80 million acres of public land directly to homesteaders, many of whom struggled to make a living on the land, not all of them successfully.[21]

The housing situation in the cities, particularly for the working classes, was especially difficult. In New York during the 1800s, notes author and historian Irving Howe, the once elegant homes of the wealthy—including the house that had quartered George Washington during his first term—were subdivided, and crowded with Irish, German, and Jewish immigrants, as well as African-Americans arriving from the South.

These converted houses, followed by the erection of vast tenement districts, represented the "most visible threat to the health" of the population. Initially all but unregulated, these units often had no more than one privy per twenty inhabitants. Apartments were frequently crowded with large extended families, and sometimes boarders were also taken in. As the crusading reporter Jacob Riis said of the ubiquitous tenement:

> ***"[it] cannot be well-ventilated, it cannot be well-lighted; it is not safe in case of fire…A five story house of this character contains apartments for eighteen or twenty families, a population frequently amounting to 100 people, and sometimes increased by boarders and lodgers to 150 or more."[22]***

Conditions began to ease as early as the 1920s. Private entrepreneurs began rapidly building new housing, both on the suburban periphery and on greenfield areas within cities. By the 1920s, the first suburban boom was occurring, with nearly 900,000 homes a year springing up in new communities outside of city lines. Suburbs grew twice as rapidly as cities.[23]

The Great Depression temporarily halted virtually all such building. In the 1930s, homeownership dropped by 4.2 percentage points, slightly more than the 3.5 percentage point plunge that followed the collapse of the recent housing bubble. (In 2012, homeownership remained above pre-bubble 1995 levels).[24] With housing construction stymied, overcrowding grew as lowered incomes made paying the rent ever-more difficult for more Americans.

Overcrowded housing became a focus of federal policy following World War II. The problem was substantially alleviated by expansion of residential housing by commercial builders. The U.S. home ownership rate increased from 44 percent immediately before World War II (1940) to 62 percent in 1960.[25] Housing overcrowding dropped from 9 percent in 1940 to 3.6 percent in 1960.[26]

New Deal legislation, such as the Housing Act of 1934, the Federal Housing Administration (FHA) and the creation in 1937 of the Federal National Mortgage Association, or Fannie Mae, set the stage for the great housing boom of the late 1940s and 1950s. This was further augmented by the GI Bill, which also provided low-interest loans to returning veterans.

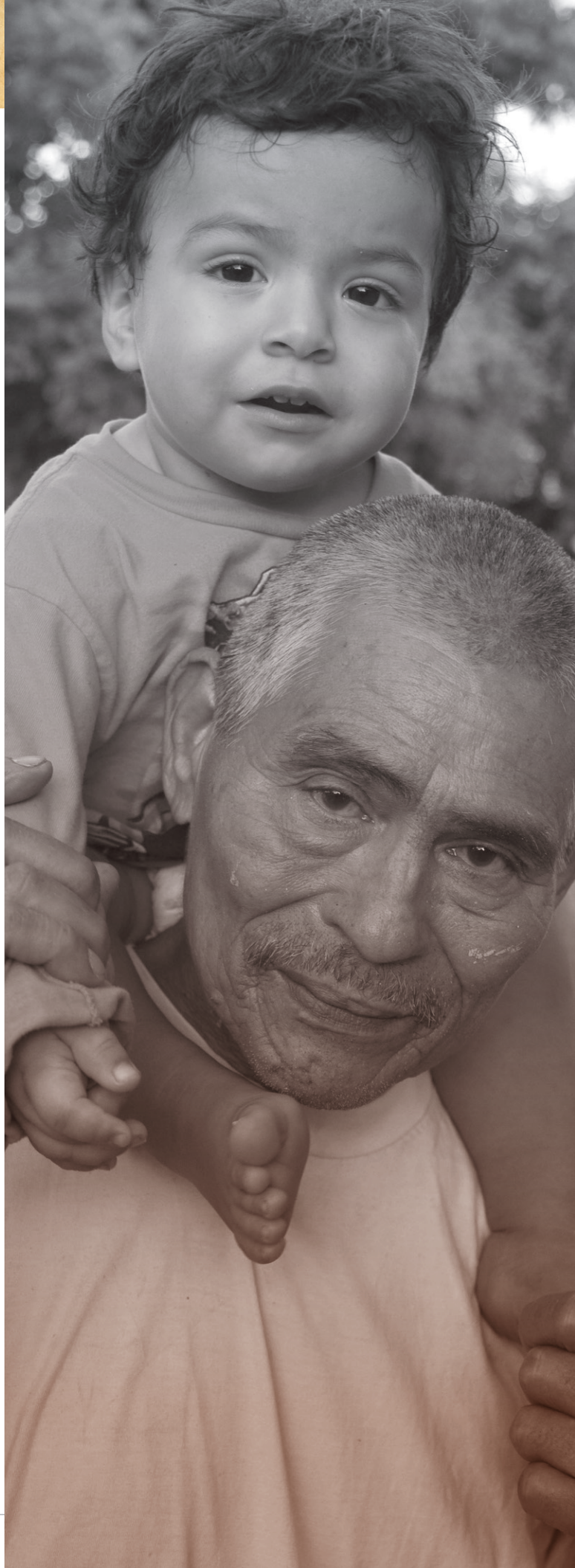
Almost half of suburban housing, notes historian Alan Wolfe, depended on some form of federal financing.[27] The results were miraculous, with homeownership reaching over 50 percent for the first time, despite a massive surge in population. Post-war era America, notes economic historian Benjamin Friedman, achieved improvements in housing and incomes "to a greater extent than had ever seemed likely."[28]

Efforts to expand housing opportunities commenced again during the Great Society's "new towns" effort in the 1960s, but, for the most part, this effort — opposed by big city mayors and public housing advocates — largely failed.[29] So too, eventually, did the once ambitious efforts to build subsidized housing, although it is critical to recall that these efforts did help relieve the intense shortages that occurred after World War II.

There has been a federally funded public housing program in the United States since 1937. The original program was aimed at working families, whose needs were largely met by federally assisted private developers. By the 1950s, the focus of public housing had shifted to lower-income households. Generally, households with incomes 20 percent or less than the median income in their communities became eligible.

A 2009 estimate by the Center for Budget and Policy Priorities placed the number of households receiving federal housing assistance at approximately 4.8 million, essentially only one in four eligible households. In fact, the number of households with severe housing burdens (more than 50 percent of income spent on housing) is two-thirds higher than the number of households receiving federal housing assistance.[30]

Further, there has been considerable resistance to expanding funding for federal housing programs, particularly given budget pressures at both the federal and local levels. It is thus clear that any material improvement in housing affordability for lower-income households will not come until housing or poverty becomes a higher political priority.



The housing crash in 2007 exacerbated these problems by depressing starts for single-family and multi-family houses to near record lows. Despite the uptick that started in 2012, starts have remained consistently depressed, even as prices have risen. Investors moved into the market to scoop up the once huge inventory of unsold and foreclosed homes.[31] Now and during the bubble era, they have been particularly drawn to housing markets with constrained supply. The increase in investors (also called "speculators" or "flippers") drives prices even higher.[32]

Contrary to conventional wisdom, dense urban housing did not escape the impact of the recession. In Chicago, for example, at least four in 10 condominium projects proposed or begun in 2007 remained in financial distress in late 2012.[33] A sample of eight major metropolitan markets indicated that median house price declines from mid-2008 to the beginning of 2010 were slightly worse in many central areas than they were in either the inner or outer suburbs (Figure 11).[34] And even as the market has slowly recovered, very little of the new construction, particularly in more expensive areas, is for the use of working or even middle-class families. In New York, a city with among the most serious deficiencies in affordable housing, the biggest growth has been in the luxury market.[35]

Yet even as housing production has slowed, household formation has begun to increase. After dropping during the recession, the number of new households doubled between 2008 and 2012 to over 1 million. The Harvard housing study expects this level to increase by between 20 and 40 percent over the decade (Figure 12).

Figure 11 **Central Area & Suburban House Prices (Median Prices: Mid 2008 to Beginning of 2010)**

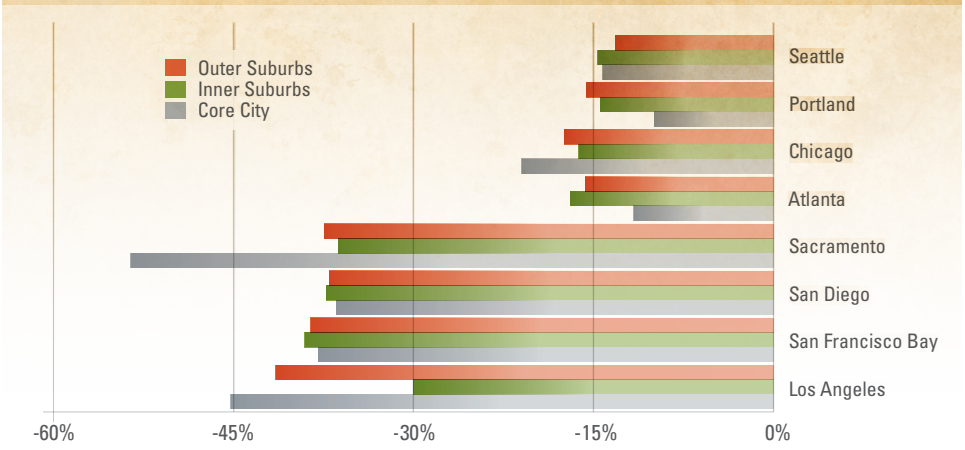
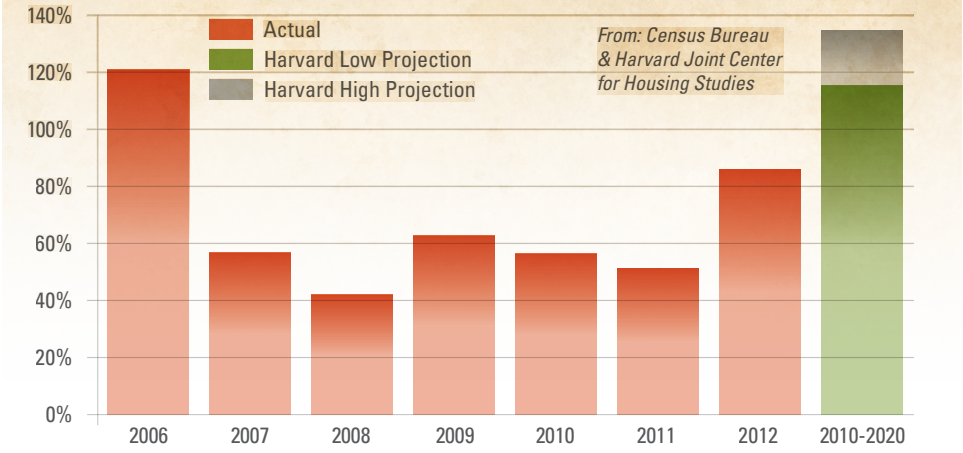
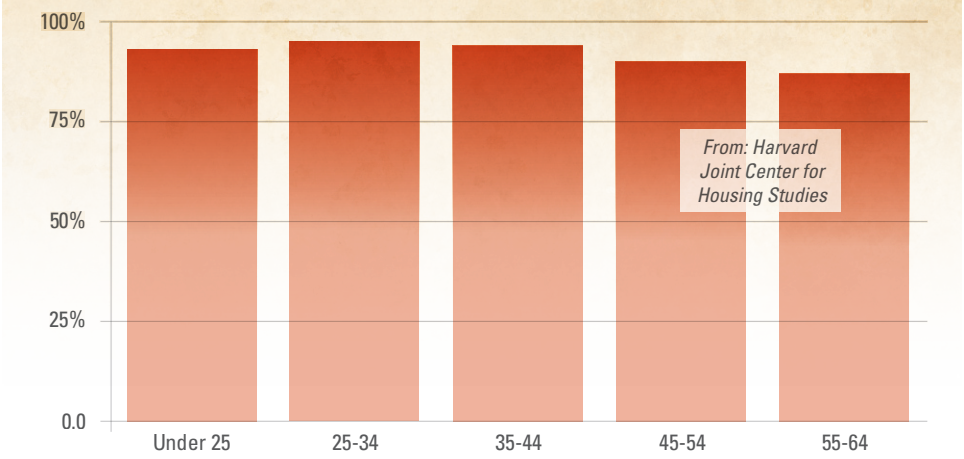


Figure 12 **Household Growth: 2006-2020 (Actual and Projected)**



The growing excess of demand over supply will be driven in part by the entrance of the millennial generation into the prime ages for family formation. This generation has been slower to get into residences of their own, in part due to the effects of the housing bust and the still weak economic recovery, as well as the drag of student loans,[36] notes a 2012 study by Harvard's Joint Center for Housing Studies. In 2006, at the peak of the housing bubble, ownership among young households was higher (49 percent) than in 2000 (47 percent). By 2011, this had dropped to 42.5 percent, the largest loss in home ownership of any demographic.[37]

Figure 13 **Expect to Own a Home (By Age)**



The housing bust was particularly unkind to younger adults, but it is important to note that the aspiration for ownership has not faded. The Harvard Housing Studies report found attitudes toward home ownership to be strong in virtually every age group (Figure 13).[38]

Indeed, even in the current tentative housing recovery, the 62 million millennials, — the generation now aged 17 to 31 years old — still account for nearly 30 percent of all recent home purchases, according to the 2011 National Association of Realtors Profile of Home Buyers and Sellers. So, contrary to expectations of an emerging "generation rent," millennials can be expected to exercise great pressure on housing for the decade to come, particularly as they age and the economy, hopefully, improves. They will be entering a market that may be more crowded than that faced by their parents, three-quarters of whom, according to AARP, have no intention of moving from their current residence.[39]

As generational theorists Morley Winograd and Mike Hais suggest, millennials, like their Depression-era grandparents, may stay at home longer, marry later and have children later than their boomer or even X-er forebears, but they will enter the housing market eventually. Overall, they note, millennials' strong "civic" orientation, and their priority on parenting and home ownership, shows that they are not so dissimilar from previous generations.[40]

It is critical to note that the chasm between housing supply and demand not only impacts prospective buyers, it winnows its way through the entire market. Generally speaking, as prices rise, single-family homes become scarcer; as buyers are kept off, rents also rise. Since 1980, the average house price as reported by the National Association of Realtors has moved in near-lockstep with rents, as reported in the Consumer Price Index, except for the worst years of the housing bubble. The people at the bottom, of course, suffer the most, since the lack of new construction and the inflated prices for houses also impact the rental market.

The housing bust was particularly unkind to younger adults, but it is important to note that the aspiration for ownership has not faded.

SECTION FOUR:
CALIFORNIA AND THE ROAD TO UNAFFORDABILITY

Perhaps nowhere is the housing crisis more evident than in the nation's most populous state, California. Why this has occurred has been widely debated. Some ascribe it to the state's greater economic performance, others to natural land constraints and still others to population pressures. Although all these factors have played a role, the largest factors have been policy choices that have driven up land and housing prices, as well as rents, to unsustainable levels.

The Golden State uses policy prescriptions that have been widely touted in the planning literature as models for the rest of the country.[41] In the 1950s and 1960s, Southern California was ground zero for the "American dream" of owning a house. From tony Newport and Bel-Air, to the middle-class suburbs of the San Fernando Valley and Garden Grove, to working-class Lakewood, the region created a vast geography of opportunity for prospective homeowners.

Restrictive land use policies first began to appear around 1970. Subsequently, California house prices escalated in relation to prices in the rest of the nation.[42] The policies included housing-construction moratoria, imposition of urban-growth boundaries, a much more bureaucratic approval process, and large impact fees. The effect has been to constrain the supply of new housing.

Dartmouth University economist William Fischel has detailed the impact of more restrictive regulations on California's house price increases.[43] Fischel points out that the demand, as indicated by migration from the rest of the nation and by overall population growth, was greater before 1970, when

Figure 14 **Median House Price: California & U.S.: 1970-2013**

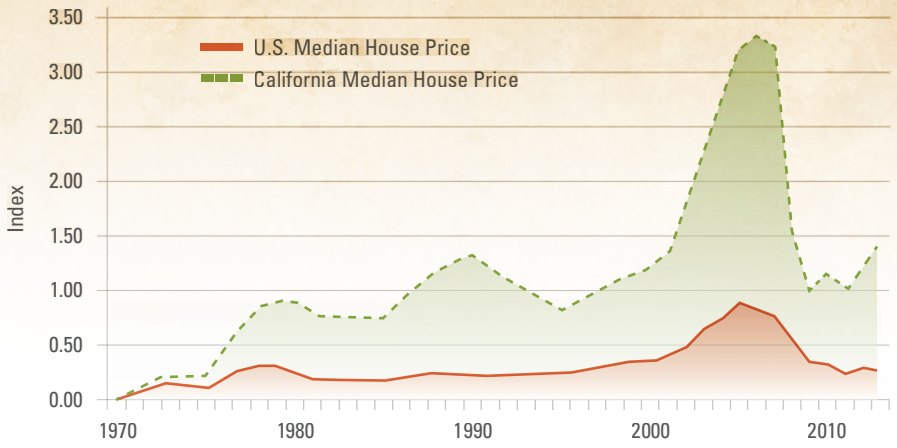
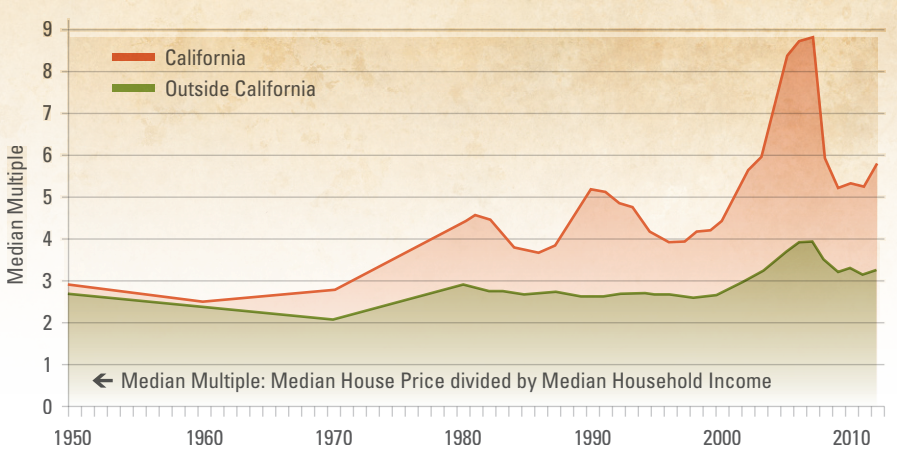


Figure 15 **Housing Affordability: 1950-2012**



house prices were generally consistent with the national median multiple—the median house price divided by median household income. National Association of Realtors data indicates that the median house price in California was 7 percent above the national average at that time. By 2013, the price differential had expanded to 109 percent (Figures 14 and 15). Rents have also increased to become the third highest in the nation.[44]

With house prices again skyrocketing, much of California is morphing into something that resembles an even greater geography of inequality than in the past. Higher incomes do not account for this gap between California and the rest of the country. Indeed, even when incomes were accounted for, San Jose[45] was the most unaffordable major metropolitan market in the nation, with a median multiple of 7.9 in the third quarter of 2012. San Francisco[46] was the second most unaffordable, with the median multiple of 7.8. San Diego[47] was the third most unaffordable, with the median multiple of 6.4. Los Angeles[48] was the fourth most unaffordable, tied with New York, with a median multiple of 6.2 (Figure 16).

These four California major metropolitan areas (Los Angeles, San Francisco, San Diego and San Jose)[49] have been the most costly in the nation, both during the housing bubble and after, in 2012.[50]

The prices in the Riverside-San-Bernardino and Sacramento metropolitan areas were much closer to the national median price (Figure 17). But both had reached unprecedented median multiples during the housing bubble, ranking among the 10 most unaffordable major metropolitan areas in the nation, which indicates a housing affordability crisis that could resurface.

Increasingly, even those in the middle class have been forced either into being "house poor," or into being completely shut out of home ownership. Some may simply be obliged to leave the area. Even more troubling, the working class and the poor suffer from the kind of crowded, overpriced housing conditions reminiscent of those experienced during the Depression and World War II.

This connection between policy choices and high housing prices and rents is likely to worsen in the years ahead. The state's climate change legislation — notably Senate Bill 375, enacted in 2008, and Assembly Bill 32, enacted in 2006 — are creating an anti-growth or slow-growth policy atmosphere in California that has done much to hamper further construction of single-family homes. Given the rising number of demographic groups with an interest in household formation, it is not clear how the housing industry will respond to their needs. High-density condominiums cannot be the only solution. More creative policies than the simple-minded "cramming" policies being implemented in California are needed.

Figure 16 **Housing Affordability: California & U.S. (Median Multiple: 3rd Quarter 2012)**

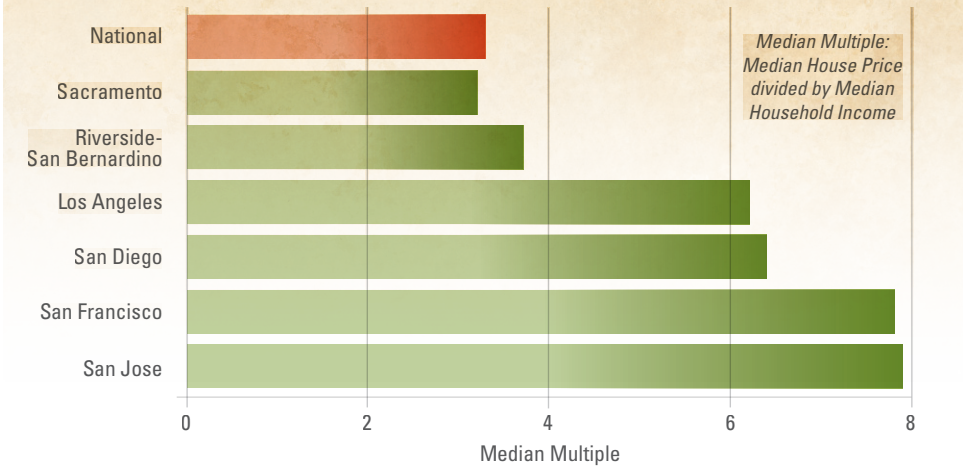
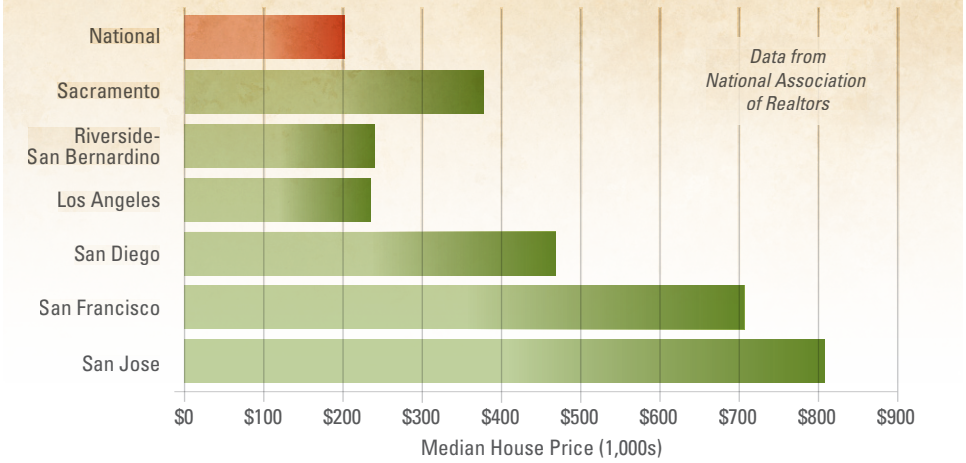


Figure 17 **Median House Prices: California & U.S. (Second Quarter 2013)**



The notion that California prices reflect a stronger economy or higher income growth is simply wrong. Indeed, the last two spikes[51] in housing costs have occurred as the state's median income has dropped (Figure 18).

Nor can we blame a huge surge of new residents: California's once buoyant population growth has slowed to levels similar to those in the rest of the country.[52] Instead, virtually all of the additional cost of building a house in California is in the finished land costs, which are estimated to have risen by $208,300 since 1970 (Figure 19). This is more than nine times the increase in finished land costs at the national level, which are estimated at $22,800. In fact, the estimated finished land price for the median priced new house in California is nearly equal to the overall average cost in the rest of the nation ($242,100).[53]

The role of land use policies is paramount here. It is due largely to these policy constraints that California's affordability crisis seems likely to worsen as the housing market recovers. Given the limits on new home construction and the results of ever-tightening regulation, California's housing market is particularly vulnerable to wild swings in prices. The year-over-year median house price increase to May 2013 was the greatest since 1980, even greater than in any of the last decade's "bubble" years. Overall, state increases were up to three times that of the rest of the nation (Figure 20).

Figure 18 **Per Capita Income: California v. U.S. (1950-2012)**

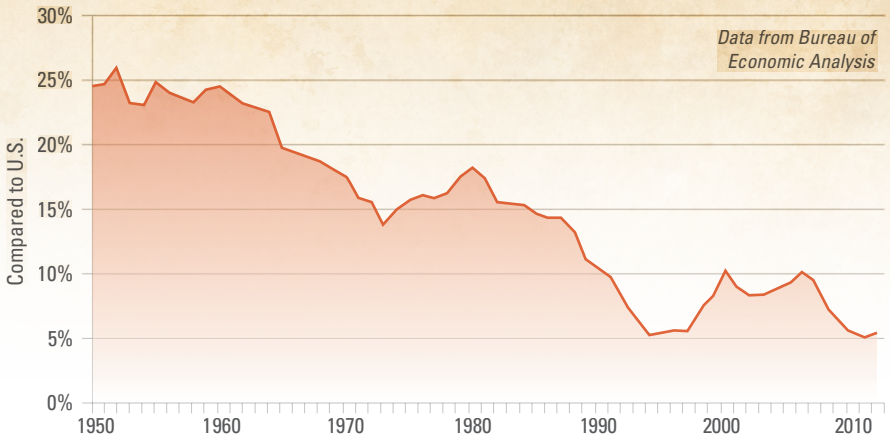


Figure 19 **Sources of New House Price Increases (1970-2012: California & United States)**

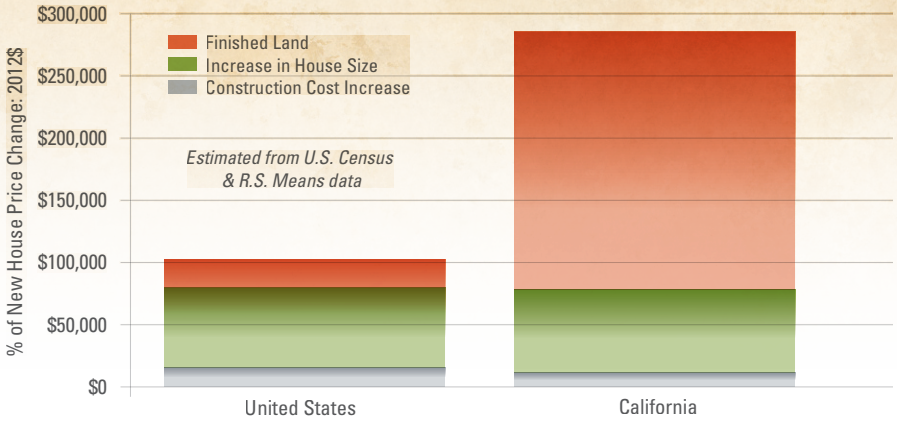
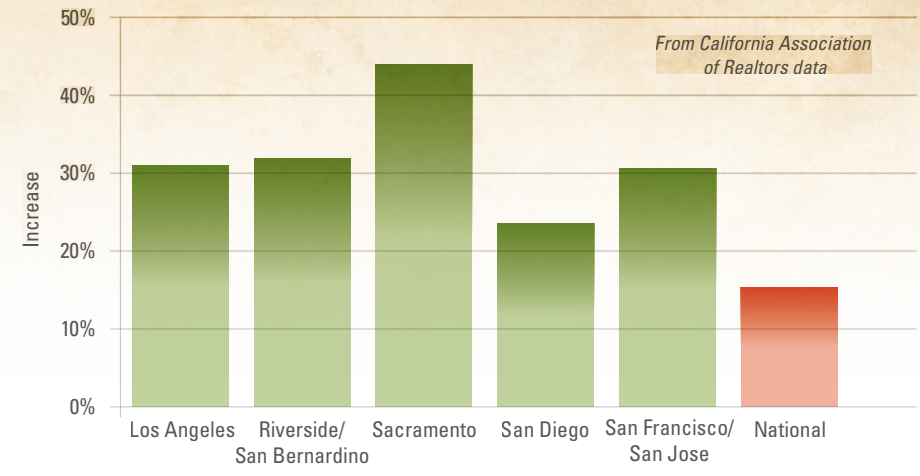


Figure 20 **Change in Median House Prices: 2012-13**



Between 2000 and 2010, the state added 3.4 million new urban residents, while expanding its urban land area by little more than 300 square miles. This calculates to a new development density of 11,100 per square mile (Figure 21). By comparison, the density of new development was less than one-half as great in second-ranking Oregon, and one-third the California level in third-ranking Nevada. The density of California's urban expansion was more than five-and-a-half times the national average of 1,938 per square mile.[54]

This huge housing affordability chasm between California and the rest of the U.S. has little to do with construction costs, which have not risen as quickly in most of California as they have elsewhere. In the last four decades, the construction cost index in California has risen somewhat less (4 percent) than it has in the nation as a whole.[55] The construction cost index has risen little above the rate of inflation (Figure 22).

The principal question is, why have California housing costs risen so substantially in relation to both the rest of the nation and to household incomes? The pressure on prices comes predominately from the cost of land, and from fees charged to developers seeking to increase housing stock, both single-family and multi-family.

The concentration of the house price increase in finished land is illustrated in Figure 23. It is estimated that 73 percent of the cost increase in California was due to finished land, compared to 22 percent of the increase in the U.S. construction costs. The much larger house sizes accounted for 78 percent of the cost increase nationally and 27 percent in California.

Figure 21 **Density of New Urban Development (States: 2000-2010)**

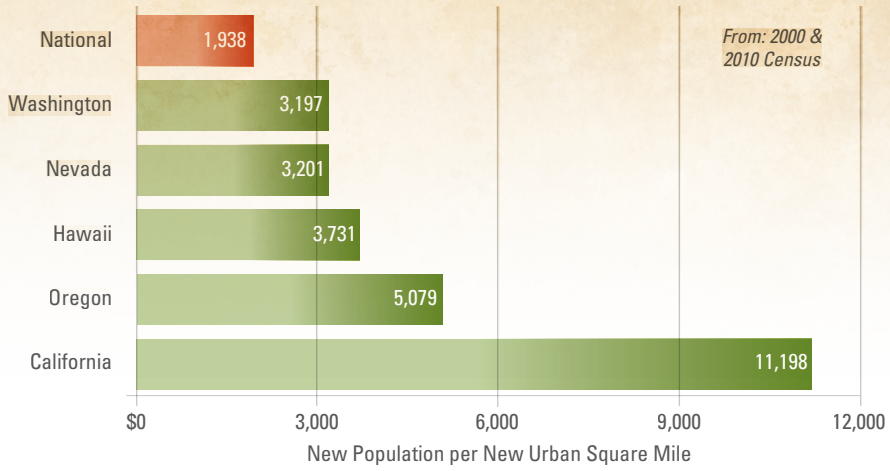


Figure 22 **Construction & House Prices (Comparison to National Averages: 2012)**

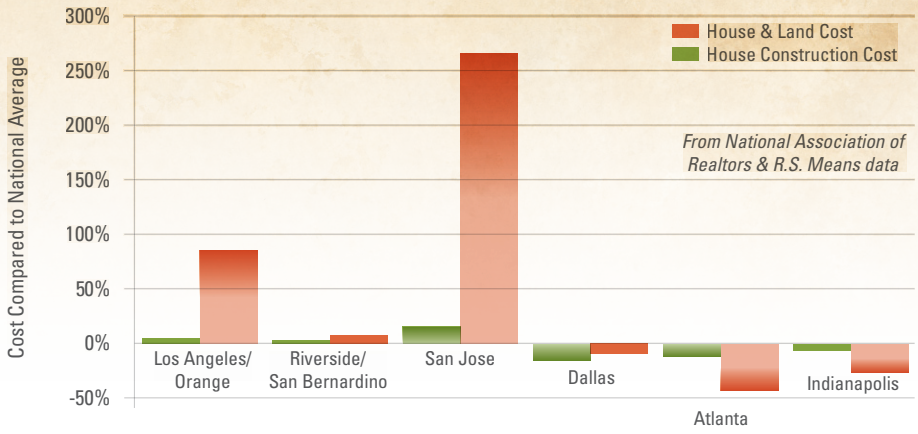
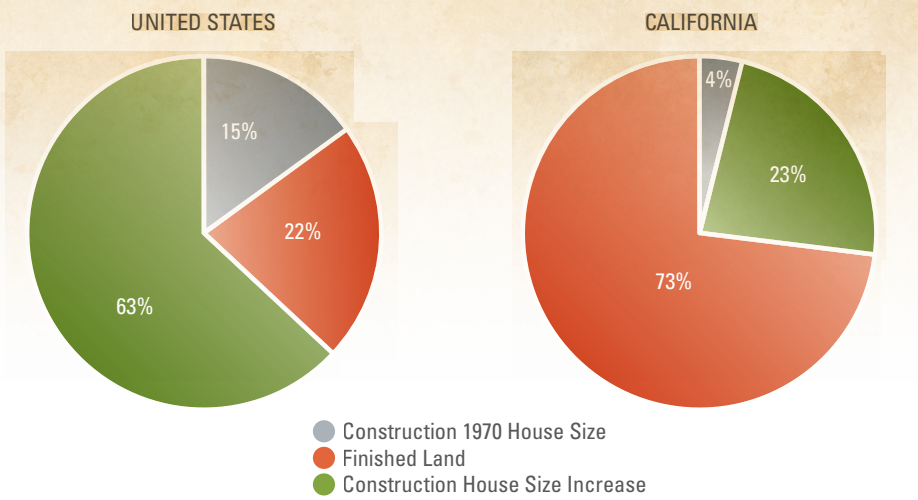


Figure 23 **New Houses: Components of Increase (Prices: 1970-2012, Same House)**



Besides regulatory restraints, California housing prices are driven up by the highest impact fees in the nation. Until recent decades, the infrastructure for new housing units was generally paid for out of taxes or debt financing by the citizens of local jurisdictions. As financial pressures have become more intense, many local jurisdictions have imposed impact fees on land developers. Development firms prepare land for home building and sell the land to home builders or in some cases build the new housing themselves. Impact fees are typically charged by the unit — on a single lot for a single-family house, or on each apartment unit for a multi-family dwelling.

An annual survey by Duncan and Associates shows that the average impact fee in California for single-family residences is $31,100 per unit (2012). This is nearly 90 percent higher than in the second most expensive state, Maryland. California's average impact fee on single-family residences is approximately 265 percent higher than the average outside of California, which is $8,500. California's impact fees on single-family residences are considerably higher than those in other states: Florida (3.4 times), North Carolina (4.4 times), Texas (8.2 times), and Georgia (15.2 times).

These same high fees are also impacting the cost of multi-family housing. California's impact fees on multi-family units averaged $18,800, which is 290 percent above the outside-California average of $4,800. California's average was more than double that of second-ranking Oregon. California's impact fees on multi-unit residences are also considerably higher than those in states with strong domestic migration, such as Florida (3.2 times), North Carolina (5.1 times), Texas (10.2 times), and Georgia (12.2 times). The extent of the difference between impact fees in California jurisdictions and jurisdictions elsewhere in the nation (many fast-growing) is illustrated in Figures 24 and 25. According to Duncan and Associates, most jurisdictions outside California do not charge any impact fees at all.[56]

There is a perception among some planners that these charges are paid by developers out of their profits, but developer return on investment requirements could not be met without recovering these costs from the eventual occupants of the new housing. A number of studies have suggested that new development on the urban fringe is more expensive to service, justifying large impact fees.[57] Economist Claude Gruen, however, notes a number of difficulties with this idea, such as the fact that public service provisions tend to be less expensive in new suburban communities, and that infrastructure repair and upgrading (required when increasing an area's density) is most costly in dense, established communities.[58]

High impact fees are often associated with more restrictive land use policies that result in housing stock that is both older and more expensive . When developers perceive that they will not be able to recover the impact fees from builders or tenants, it is likely that anticipated land development will not proceed, and housing units will not be built.

Figure 24 **Impact Fees per Unit: Single-Family (Most Costly States: 2012)**

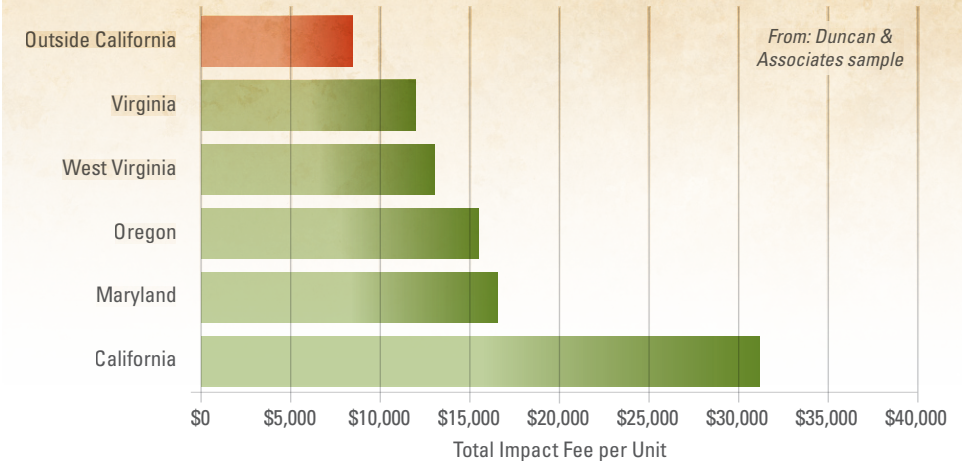
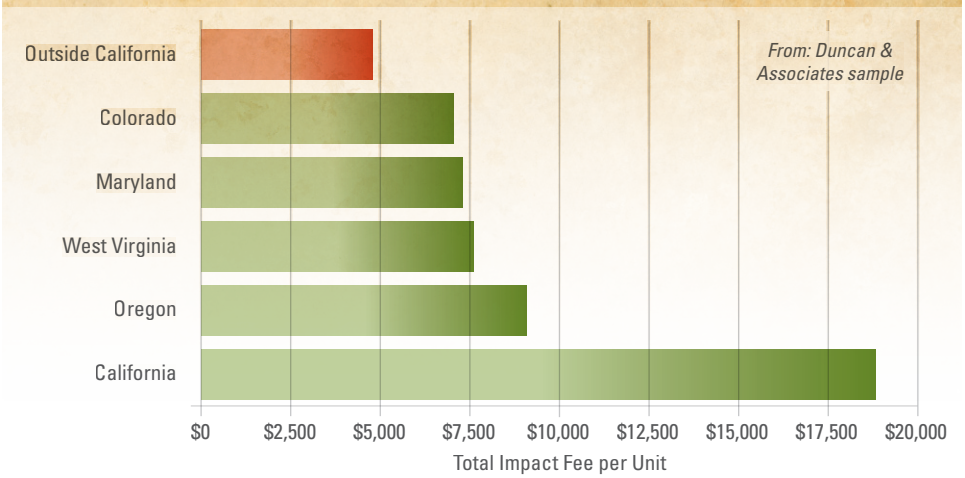


Figure 25 **Impact Fees per Unit: Multi-Family (Most Costly States: 2012)**



Alternatively, these fees are passed on to the eventual home owners or apartment owners who further pass the costs on to their tenants through higher rents.[59]

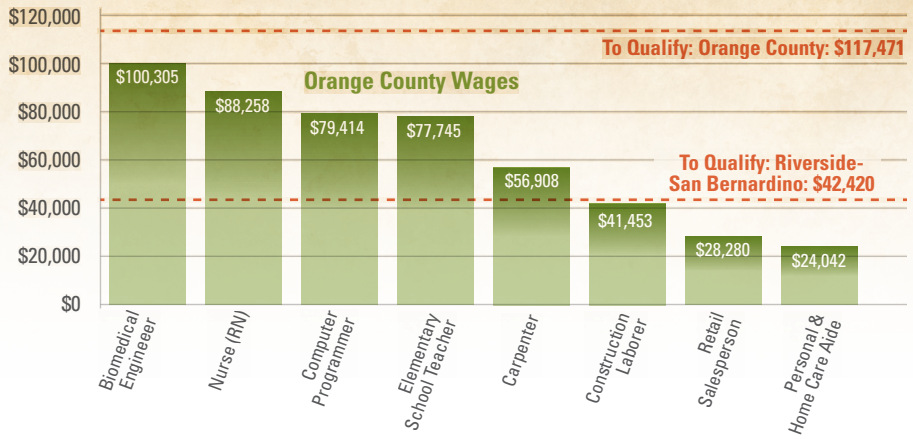
These trends have impacted a wide range of people, including many with much-desired skills. Young families in particular are caught in the crosshairs, since the overwhelming majority of this group cannot rely on family wealth for making house purchases. Some 60 percent of households nationwide can now afford to buy a house, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index,[60] but that percentage has dropped even in the Riverside-San Bernardino and Sacramento metropolitan areas to about 40 percent and 50 percent, while San Jose, Los Angeles and San Diego have percentages in the 20 to 30 percent range. The lowest percentage is in the San Francisco metropolitan area, at 17 percent. We can expect these numbers to worsen in the immediate future.

This impacts even highly skilled, educated workers. According to an analysis for Orange County, California by National CORE, a nonprofit housing developer, given Orange County average salaries, even a biomedical engineer or a nurse does not earn enough to buy a house there (Figure 26). As economist and author Claude Gruen has suggested, more restrictive land use regulation

> ***"…is to the middle class what the economic disaster of slum clearance was to the poor."***

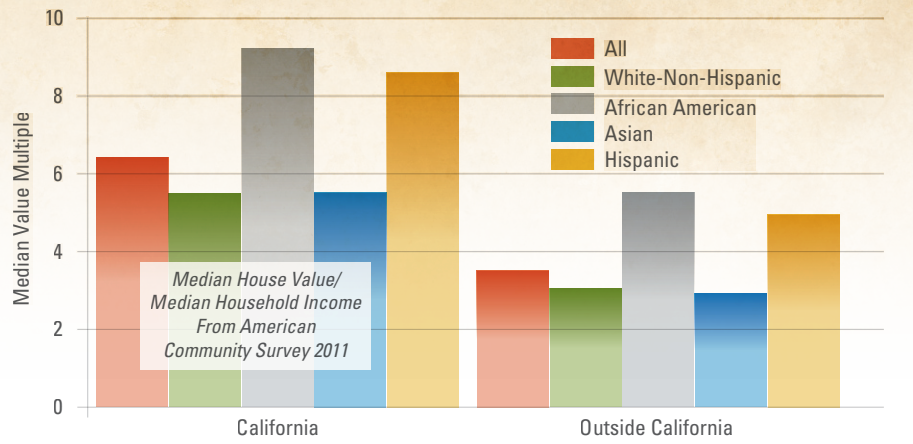
California's high housing prices also impose particular burdens on Hispanic and African-American households, many of whom are first-time buyers and more often do not have families with sufficient assets to help with the down payment. Nationally, housing is most affordable for Asian and white-non-Hispanic households, at median

Figure 26 **Workforce Wages and Qualifying Incomes (Orange County & Inland Empire)**



Qualifying income (with 10% down payment) data from National Association of Realtors & actual wage data from California Employment Development Dept.

Figure 27 **Housing Affordability by Ethnicity (Major Metropolitan Areas)**



value multiples[61] of 2.9 and 3.1 respectively. In California, the median value multiple for both Asian and white-non-Hispanics is 5.5. Among Hispanic households, the median value multiple is much higher, at 8.6 and even higher for African-American households at 9.2 (Figure 27). These higher costs are a significant deterrent to the aspirations of Hispanic and African-American households wishing to own their own homes.[62]

A report by the Tomas Rivera Institute notes that restrictive land use policies are a substantial barrier to Latino and African-American households in California. "Whether the Latino homeownership gap can be closed, or projected demand for homeownership in 2020 be met," notes the Institute," will depend not only on the growth of incomes and availability of mortgage money, but also on how decisively California moves to dismantle regulatory barriers that hinder the production of affordable housing. Far from helping, they are making it particularly difficult for Latino and African-American households to own a home."[63]

Urban containment policies impact housing costs in ways that hit hardest on those with the lowest incomes, contrary to the claims made by their advocates in places such as Portland.[64] Tragically, the loss of housing affordability has been greater in the core area where there is a larger percentage of lower-income households. In the areas with high poverty (1.5 times the average poverty rate), housing costs are rising substantially more than they are in the metropolitan area in general. Owned-housing costs were up 61 percent relative to incomes between 2000 and 2010, compared to 35 percent for the metropolitan area. Income-adjusted rents were up 21 percent in the higher poverty areas compared to 8 percent in the metropolitan area.[65]

The net result is that more Californians are becoming house or rent poor. According to American Community Survey data, four of the six major metropolitan areas with the largest share of renters spending over 30 percent of their income on rent — Riverside-San Bernardino, Los Angeles-Orange, Sacramento, and San Diego — are located in the Golden State (Figure 28). This includes a majority of renter households in Los Angeles and several nearby smaller cities.

Even more troubling is a that a growing portion of working households suffer severe housing burdens—spending 50 percent or more of their income on housing. California again leads the way, according to the National Housing Conference with Los Angeles and San Diego among the top five problematic major metropolitan areas (Figure 29).

There has been little outcry that California now has the highest poverty rate in the nation of any state (when adjusted for the cost of housing), largely due to housing prices (Figure 30). California's lack of affordable housing has many other consequences. In addition to financial difficulties for households both below and above the poverty level, its housing-driven higher cost of living reduces the quality of life for residents, and results in significant losses to the economy. These higher costs are eroding California's competitive position, leading to a deficit in domestic migration.

Figure 28 **Housing Burden (30%+ of Income) Worst Ranking Major Metropolitan Areas: 2011**

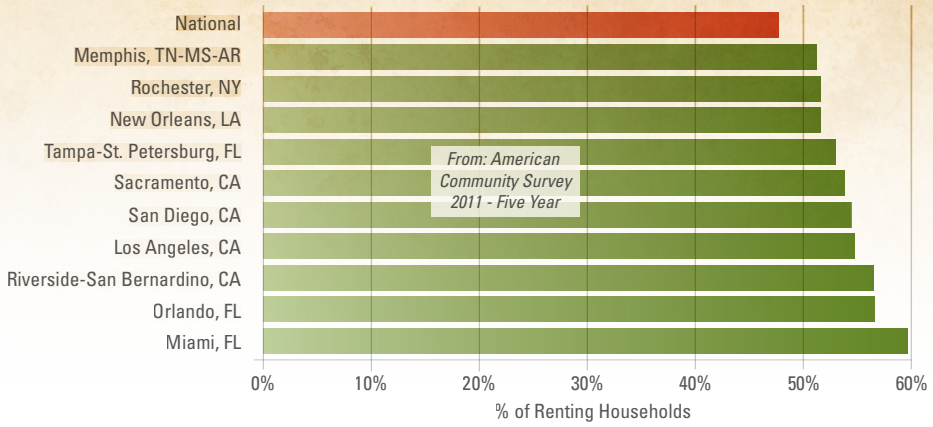
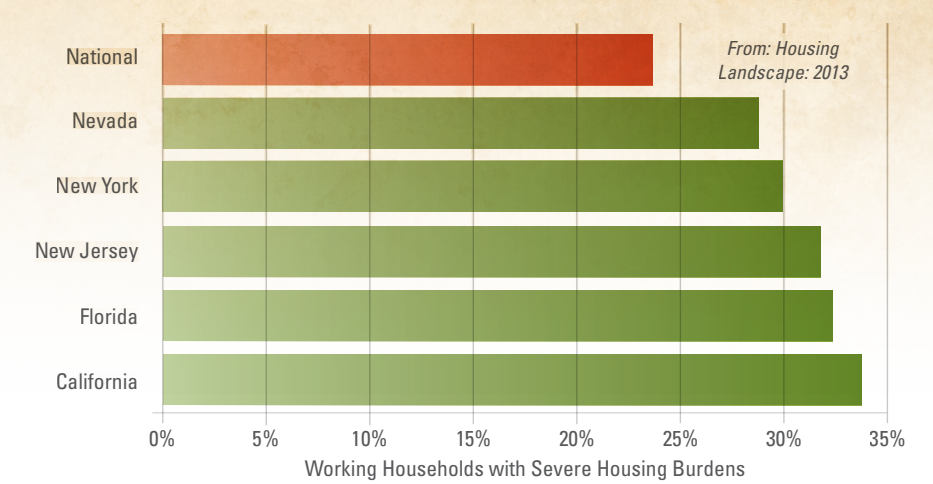


Figure 29 **Severe Housing Burden (50%+ of Income) Worst Ranking States: 2011**



California's high cost of housing also appears to be associated with a higher than average level of overcrowding. Perhaps the best measure of overcrowding is the existence of more than one family in a household, which is referred to as "doubling up."[66] The practice increased substantially between 2007 and 2011, which includes the housing bust and the Great Recession. Doubling up increased 27 percent, as approximately 800,000 additional households included more than one family. In 2007, 2.7 percent of households included families doubling up, a figure that rose to 3.3 percent in 2011.

On a percentage basis, four of California major metropolitan areas are in the nation's top 10 in households with more than one family sharing a housing unit (Figure 31). The top two are Riverside-San Bernardino and Los Angeles. San Jose is number four, while San Diego ranks ninth (Figure 32).

For California's middle- and working-classes, the housing regulatory regime serves as a kind of tax—a nearly confiscatory one—that particularly works against young families, the poor and those who come from families without sufficient assets to help purchase a house. The result is a California that is increasingly inconsistent with the dream that has attracted millions from all over the country.

Figure 30 **Poverty Rate by State & D.C. (2009-2011) Experimental Measure with Housing Cost**

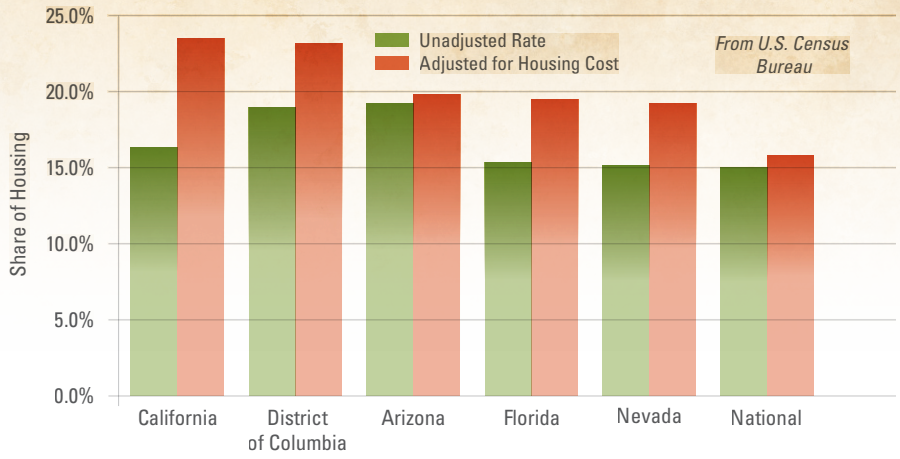


Figure 31 **MSA Families "Doubling Up" >One Family per Household (Highest MSAs)**

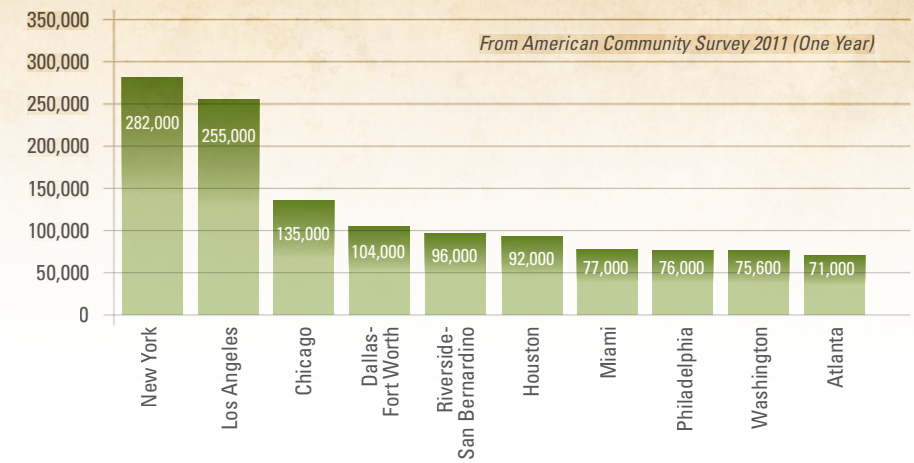
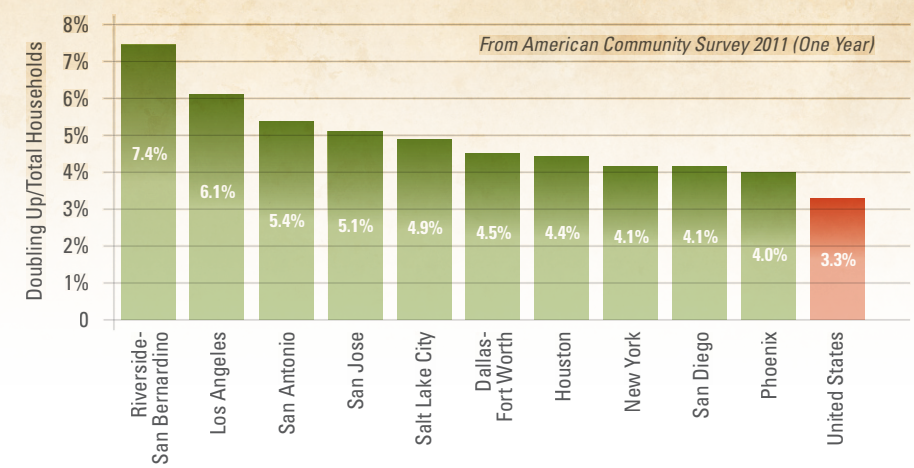
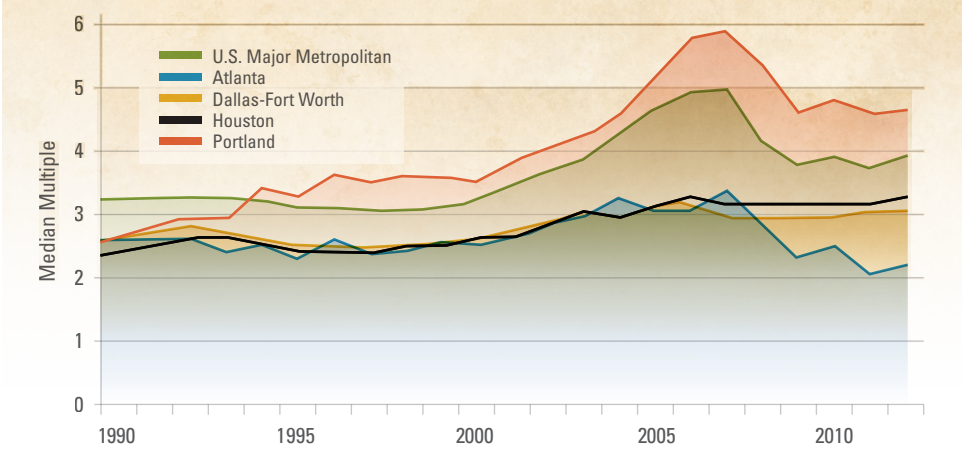


Figure 32 **MSA Families "Doubling Up" Share >One Family in a Household (Highest 10 MSAs)**



Despite the problems caused by such policies, Oregon, Washington and Maryland have all adopted similar approaches, with remarkably similar results. In the Seattle area, for example, a University of Washington study found that local regulations, notably the state's 1990 Growth Management Act, have driven prices for homes at twice the regulatory impact seen in other cities.[67]

Figure 33 **Housing Affordability: Portland in Context (1990-2012)**



Oregon adopted a statewide restrictive land use policy in the 1970s. In the early years, house-price escalation hardly occurred, as authorities provided sufficient land within the urban growth boundary to accommodate the demand for single-family dwellings. Land use regulations were strengthened in the middle 1990s, and housing affordability then declined in Portland[68] far more than the national average did, or than the state's three more liberally regulated metropolitan areas did. In 1990, housing affordability as measured by the median multiple was nearly the same in Portland, Atlanta, Dallas-Fort Worth and Houston. At that time, Portland's median house price relative to its median household income was 19 percent below the national average. By 2000, Portland was approximately 10 percent more expensive than the national average by this measure, and it was nearly 20 percent more expensive by 2012 (Figure 33). At the same time, Atlanta, Dallas-Fort Worth and Houston—which have traditional, liberal land use regulation—grew more quickly.

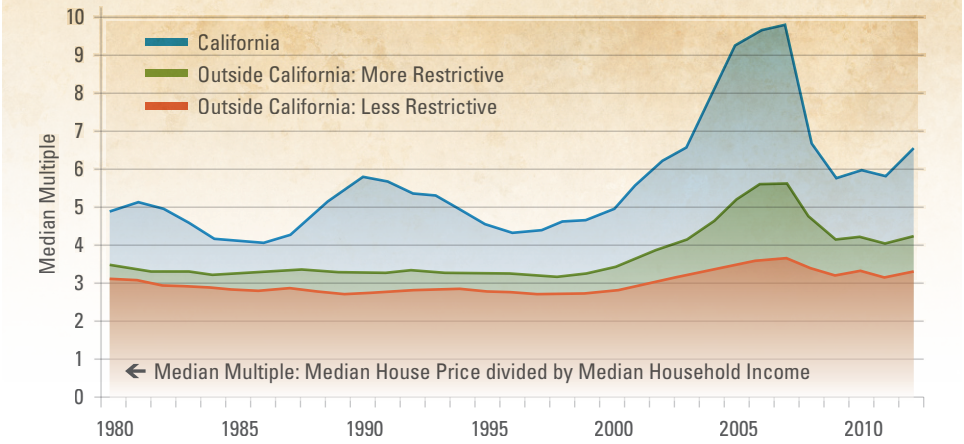
The basic truth is that restrictive land use policies drive prices up in numerous ways. This includes the cost of detailed application and permit requirements, which make it necessary for developers and home builders to hire additional consultants. That cost, of course, is passed into the home price. In addition, the slower process often increases carrying costs for builders and developers, and the result, again, is higher house prices.

The association between strong land use regulation and the loss of housing affordability is broadly supported in academic research.[69,70] This is confirmed even by proponents of restrictive land use policies, such as University of Utah scholars Chris Nelson et al, who have said,

> ***"…the housing price effects of growth management policies depend heavily on how they are designed and implemented. If the policies tend to restrict land supplies then housing price increases are expected."***[71]

Nelson notes that this has happened in California.

Figure 34 **Housing Affordability: 1980-2012 (By Regulatory System)**



The rise in finished land prices also seems likely to be a strong contributor to the cost of building multi-family and rental housing units. An analysis by Barton indicates that between 70 percent and 81 percent of the excess in the San Francisco Bay Area median rent above the national median is the result of higher land prices (2008).[72]

An analysis of states by Brookings Institution economist Anthony Downs shows that the housing affordability problem is rooted in the failure to maintain a "competitive land supply." Downs finds that policies like urban growth boundaries can award monopolistic pricing power to sellers of land if sufficient supply is not available, which, all things being equal, is likely to raise the price of land and the housing that is built on it.[73]

Downs further writes: "Higher prices then reflect a pure social cost because the efficiency of society's resource allocations has decreased." In simple terms, this means that if households have to pay more for their basic living expenses, such as for housing, they will have a lower standard of living. Of course, the greatest burden is shouldered by low-income households.

The impact of such policies extends beyond the housing industry. Research also identifies slower than expected economic growth in metropolitan areas with urban containment policies, and (Figure 34) associates the policies with higher commercial development costs[74] and higher retail prices.[75]

Indeed, Paul Cheshire of the London School of Economics concluded that urban containment is incompatible with housing affordability in his analysis and compendium of research on the association between stronger land use regulation and higher house prices.[76]

U.S. Federal Reserve Board economist Raven Saks found that employment growth is 20 percent lower than expected in those U.S. metropolitan areas with strong land use policies.[77]

This thesis was also supported in a report commissioned by Congress following the collapse of the housing market. A minority report of the U.S. Financial Crisis Inquiry Commission presented four possible causes of the U.S. housing bubble. One hypothesis involved strong land use restrictions and its impact on prices.[78] This is borne out in the comparison chart above. Even when California is excluded, it shows that places where land use controls are more restrictive, housing prices tend to be less affordable than in areas following more liberal, traditional policies.

In contrast, there is evidence that strong production of new houses also contributes to the supply for low-income housing, by making older houses available at lower prices. Scholars Stephen Malpezzi and Richard Green found that "to the extent that a city makes it easy for any type of housing to be built, it will also enhance the available stock of low-cost housing." The research also suggests that strong regulation produces the opposite effect: restrictions that reduced the amount of new housing also filtered through to reduce the supply of affordable housing for those with low incomes, and raises its price.[79]

SECTION SIX:
SEVEN PROPOSED SOLUTIONS

How do we develop the sense of urgency that is necessary to meet this problem? We need to address the issue of supply, and the impact of land regulations, fees and other impediments. Some method is needed to help the private sector create affordable "start-up" middle- and working-class housing, as occurred until 2007. Despite the current recovery, the prospect of rising housing costs could lead to a reduced standard of living. The imperative for generally affordable housing for all, including lower-income households, has never been greater.

1. Reform Land Regulation:

It is time now to moderate the policies that have created the problem and restore housing affordability. The current planning regimes in states such as California, Oregon, and Maryland, with their restrictions on land supply and regulatory and impact fees, have limited the opportunities to provide housing of all types and inflated prices.[80]

To counter the impact of restrictive land use policies, it will be necessary to restore a competitive market for land that can be developed on the urban fringe. Reforms that do not address this issue are likely to result only in marginal improvements in housing affordability. Land use regulatory reform is likely to encounter substantial opposition. However, throughout history urban areas have expanded organically in response to increased population. Strategies are needed to restore competitive land markets both inside the cities and beyond the urban fringe. This would also involve minimizing the regulatory burden—lengthy delays and the necessity for expensive consulting engagements by builders and developers—while preserving adequate environmental protection.

A variation on the strategy above would be to put in place virtually automatic mechanisms to liberalize the urban fringe land supply based upon housing affordability standards and indicators, such as the median multiple. Where housing affordability does not meet the standard, land availability would increase until a competitive market for land is restored. Once restored, former regulations could be re-imposed until the housing affordability standard was not met. Such a strategy would establish maintenance of housing affordability as a responsibility of local government.

2. Reform and Reduce Impact Fees:

For decades, Texas has permitted the establishment of Municipal Utility Districts (MUDs) by developers outside of the city limits. Establishment of the MUDs is under control of the state, which grants special district status.[81] As many as 2 million Texas residents live in MUDs.[82] The MUDs have independent boards of directors, which do not include the area's developers. The MUDs are permitted to issue tax-exempt municipal debt for the purpose of developing associated infrastructure. The bonded debt is serviced by the residents of the MUD through property tax bills, and is not guaranteed by any government jurisdiction

besides the MUD. This approach makes it possible for suburban development to proceed without burdening municipalities that might be concerned about the additional cost of serving the new development (a concern that is rife in California, evidenced by the extraordinarily high development impact fees).

The establishment of MUDs would make development impact fees virtually unnecessary, and could substantially reduce the price of new houses.

California already has similar jurisdictions, known as Mello-Roos districts. However, Mello-Roos districts must be established by cities or counties. There isn't a mechanism for them to be established by developers. California state government should investigate the potential for establishing special housing districts, so that developers could obtain competitively priced land whether within the structure of the Mello-Roos districts or under other mechanisms. The result would be an increase in affordable housing.

3. Establish Special Housing Districts:

A more modest regulatory reform would be to allow the establishment of special housing districts on or beyond the urban fringe. These could be sponsored by counties in unincorporated areas, or could be established as newly incorporated cities. A competitive market for land would be established in these areas, resulting in lower house prices.

The government of New Zealand is expected to enact legislation that would make it possible for the central government to establish special housing districts in suburban and exurban areas for the purpose of restoring a competitive land supply market and increasing housing affordability. The move is being made in response to New Zealand's intractably high housing costs (the national median multiple is 6.7, highest among the six western nations for which data is available)[83], which have resulted from urban containment policies.

In the U.S., housing affordability could be improved by allowing homeowners and multi-unit owners to pay impact fees over the life of the financial infrastructure, rather than force land developers to make upfront payments, which are inevitably included in the purchase price of housing. Impact fees should be financed by longer-term debt, with payment made through the property tax bills of the new home owners and multi-unit owners. A variation on this approach is being used in the city of Beaumont in San Bernardino County, California, which issues citywide Mello-Roos bonds to pay for new infrastructure, an approach the city credits with up to 50 percent savings.[84]

4. Re-use Vacant Commercial and Industrial Space:

Through the great recession, vacancies increased in office and retail space. Demand is now recovering, but new construction has remained anemic. Structural changes in the market are likely to be responsible. The trend toward working at home continues to increase, while the amount of office space required per employee has declined.[85]

Perhaps as important a factor may be the gradual but powerful shift towards online retailing. Although vacancy rates for retail brick-and-mortar space are at historic norms now, the long-term trend is for demand to be much flatter than in the past . The retail workforce also remains smaller than it was a decade ago.[86]

This could open up longer-term opportunities to convert commercial buildings to residential uses, especially in suburban areas.[87] The provision of additional supply could be expected to reduce both house prices and rents. In the latter case, this would begin to address a distortion that "hurts the neediest."

Perhaps the most logical step would be to enact policies that discourage fiscal zoning, which favors commercial over residential development because of its greater revenue contribution. This is particularly true in California, where municipalities receive a portion of the sales tax revenues that are generated by retail businesses within their borders. This gives construction of retail establishments priority over residential buildings, and increases the price of housing over time.[88]

5. Make Government Land Available for Development Where Appropriate:

Lower house prices and rents could result from making disused government land — outside of parks, areas with steep slopes, flood basins, and other important locations — available for residential development. For example, in the Phoenix and Las Vegas areas,

federal and local governments own much of the developable land outside the immediate urban fringe, and have been auctioning it for residential use.

To the extent that government land is not needed for other purposes, including vital open space and habitat protection, federal, state and local governments should make it available for development. It would be important to sell such land expeditiously, because the greater supply would contribute to a more competitive market for land. This was a failure of the land disposal programs near Phoenix and Las Vegas during the housing bubble. The demand for land far exceeded the auction volume. The result was price per acre increases of six times in Phoenix[89] and more than ten times in Las Vegas.[90] This land shortage fed into excessive house prices that raised the median multiple by more than 80 percent.

6. Re-Order Local Planning and Zoning Priorities:

There needs to be a renewed focus on affordability by planning agencies and local zoning and land use authorities. Housing affordability needs to be recognized as a principal purpose of planning, and should be taken into account in the same way that the environment and social factors are considered.

Jurisdictions could be required to produce and publish an annual housing affordability report. Indicators such as the median multiple for owned housing and the percentage of renters spending 30 percent or more of their gross income on housing should be examined. Affordability monitoring could increase public awareness of the housing affordability crisis and generate support for improvement strategies.

7. Meet Environmental Goals:

Sadly, environmental concerns often provide the rationale for policies that drive up housing prices. Yet re-ordering housing policy does not mean sacrificing environmental protection. Much of the contemporary thinking about "sustainability" overlooks the changing nature of work and the new possibilities opened by technological innovation. California's greenhouse gas emissions laws, for example, were enacted some time ago and fail to reflect the substantial opportunities that have already reduced future greenhouse gas emissions.

Many of the environmental justifications for restrictive land use policies have evaporated,[91] as the nation has adopted policies that will substantially reduce greenhouse gas emissions from cars, even as driving continues to increase.

The new Obama administration fuel efficiency standards, for example, have led the U.S. Department of Energy to project that greenhouse gas emissions from cars will drop substantially (24 percent), even as driving volumes are projected to increase 40 percent between 2010 and 2040 (Figure 35). The decline in greenhouse gas emissions could be even greater if driving volumes were to fall below DOE projections.[92]

The reduction is far greater than, for example, projections in the recently adopted Bay Area Plan to achieve objectives set by the California Air Resources Board.[93] Further, the restrictive land use strategies proposed in the Bay Area Plan would account for only 7 percent of the greenhouse gas emission reduction, with the balance of 93 percent resulting from the plan's fuel economy improvement assumptions. In addition, the higher densities sought by restrictive land use regulation are associated with greater traffic congestion[94] and with greater localized air pollution, with its negative health impacts.[95]

Regional and urban planning in California and elsewhere needs to take these important technological developments into account. The advances have radically improved the prospects for greenhouse gas emission reduction, and continue to reduce air pollution.

This does not mean that new housing should be built on excessively large lots, or that new suburbs should revert to their previous exclusionary and single-use forms. There needs to be thought as to how to provide housing for people to live near their workplaces, and how to encourage more people to work at home, at least part-time. Technology allows for most jobs to be performed remotely, which could provide tremendous opportunity for overall household savings. Long, linear parks—and even some smaller farms—could provide the critical link to nature and recreation that many households seek.

Finally, there is a perception that development on the fringe is materially reducing agricultural acreage, and could, therefore, threaten food supplies. In fact, in California, agricultural acreage has been declining for at least 60 years; between 2000 and 2010,

the state lost 2.6 million acres of agricultural land, while urban acreage increased by less than 0.2 million acres (Figure 36). Nationally, this is also the case. Between 1950 and 2010, agricultural land declined by approximately 25 percent, or approximately 275 million acres. This is the equivalent of the land area of the states of Texas, California, Maryland, Massachusetts and Connecticut combined.[96] Yet, due to greater agricultural productivity—up 159 percent between 1950 and 2011[97]—the US is easily able to feed a still-growing metropolitan population that has increased by 150 million.

Indeed, due to the reductions in agricultural land, the "human footprint" on American ground has actually gotten lighter. In 1950, urban development and agriculture together accounted for 54 percent of the nation's land area. It declined to 43.8 percent by 2010.

Simply put, urbanization is not consuming net agricultural land.[98] Under the Clinton administration, the U.S. Department of Agriculture asserted that "our nation's ability to produce food and fiber is not threatened" by urbanization (Economic Research Service, 2010). This is significant because the Clinton administration was largely supportive of more restrictive land use policy.[99]

Figure 35 **Light Vehicle GHGs: Projections (Department of Energy & USPIRG 2010-2040)**

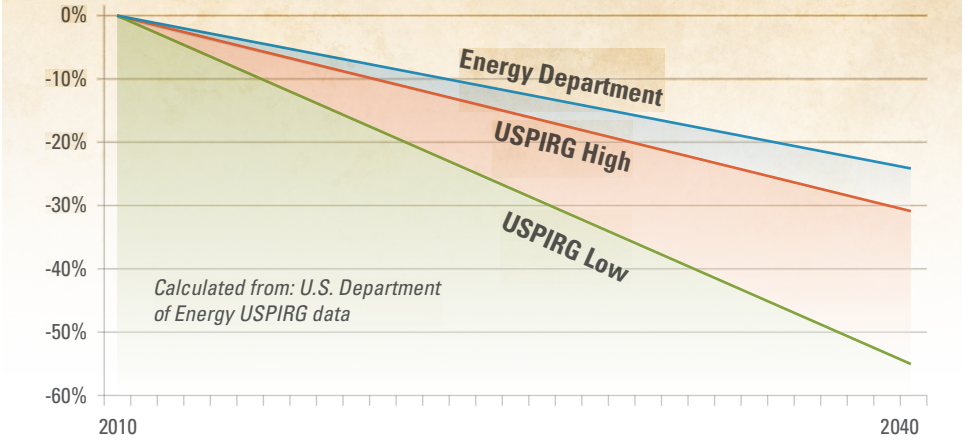
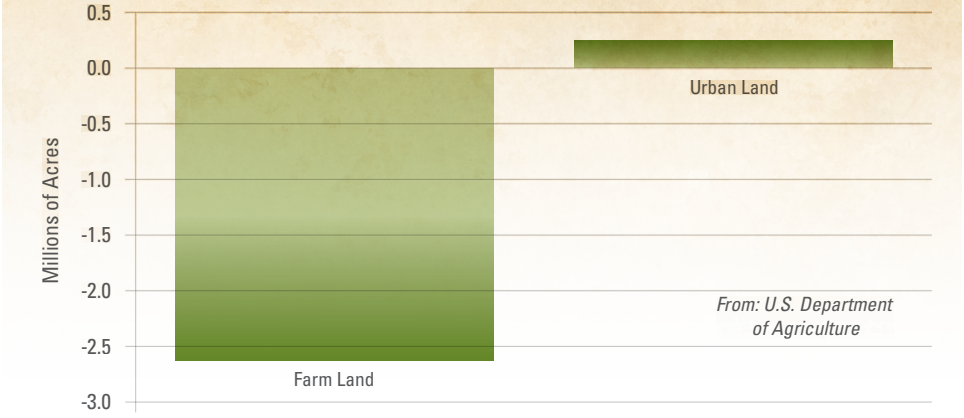


Figure 36 **Change in Urban and Farm Land: 2000-2010 (California)**



CONCLUSION

More than anything, we need to recognize that our housing crisis is just in its early stage, and if we do not address it soon, we will not create a reasonable future for the next generation. Rather than aspire to homeownership, or save money for family needs such as education, we are forcing millions of Americans to use ever more of their income to pay someone else's mortgage, that of the landlord. This is the opposite of the American dream and certainly does not reflect the future our parents sought, nor is it one we should bequeath to our children.

In places where overly restrictive policies are being applied with a vengeance—for example, in the newly adopted Plan Bay Area for San Francisco-San Jose—the emphasis is almost entirely high-density housing, with a virtual prohibition on single-family housing on the urban fringe. Without single-family homes, much higher housing prices for owners and renters are inevitable. This may appeal to some, especially those in what historian Robert Bruegmann calls "the incumbent's club": those who are already comfortably housed and benefit financially from policy-induced housing shortages. But for the majority of Americans who prefer a single-family home, including immigrants, minorities and Millennials, this is bad news indeed. According to Notre Dame professor Nicole Stelle Garnett:

> *"…there is something slightly unseemly about dramatically curtailing suburban growth at a time when racial minorities are responsible for most new suburban population gains. It is difficult to avoid concluding that changing the rules of the development game at this time is tantamount to pulling the suburban ladder out from under those who previously were excluded from suburban life by economic circumstance, exclusionary zoning, and intentional discrimination..."*[100]

It is notable that the adoption of these policies was virtually never accompanied by a serious consideration of housing affordability or the extent to which they were likely to increase the cost of living, especially for low- and middle-income households.

That discussion is long overdue. We can begin it by asserting that the prosperity and well-being of households and the minimization of poverty should be held as a principal public policy objective. This requires that household discretionary income be maximized. Public policies that reduce household discretionary incomes due to inflated home values and rents should be adopted only when there is compelling public purpose.

There are those with strong interests—from politically connected developers, to literally millions of individual home owners—who profit from higher than necessary housing costs. It will take strong political will to reset the balance in favor of middle- and low-income households, renters as well as owners. The issue is not urban form, but a matter of priorities: the economic well-being of people in an environment where there is adequate environmental protection.

Until the considerable barriers to affordable housing are tackled and removed, there can be no substantial hope of improvement. Every effort needs to be made to remove those barriers. We urgently need to provide sufficient affordable housing for the current generation of Americans and, even more so, for the next.

REFERENCES

1 http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013_chap1_executive_summary.pdf

2 Nick Timiraos, "Housing Up, but is the Foundation Sound?", Wall Street Journal, June 10, 2013; Nick Timiraos, "Housing on Mend, but Full Recovery is Far Off", Wall Street Journal, September 10, 2012

3 Nick Timiraos, "Housing Ends Slide but Faces a Long Bottom", Wall Street Journal, April 28, 2012

4 Dawn Wotapa, "Rents Increase as Vacancies Drop", Wall Street Journal, July 5, 2013

5 US Census Bureau, http://www.census.gov/housing/hvs/data/histtab16.xls

6 http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013_chap1_executive_summary.pdf

7 Edward Pinto, "Is the Fed Blowing a New Housing Bubble", Wall Street Journal, April 10, 2013

8 Bipartisan Policy Commission, http://bipartisanpolicy.org/library/report/housing-america's-future-new-directions-national-policy

9 http://nlihc.org/sites/default/files/04-03WaitingLists.pdf. The Los Angeles County data does not include the city of Los Angeles.

10 See: http://www.nhc.org/media/documents/IZ_CA_experiencet.pdf

11 Measured by the median value multiple. This is similar to the median multiple, but is based on the median house value. State data is not available for the median multiple.

12 http://www.nhc.org/media/files/Landscape2013.pdf

13 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2081216

14 http://dera.ioe.ac.uk/5073/1/138631.pdf

15 http://www.chpcny.org/wp-content/uploads/2011/02/UP_Housing_Schooling1.pdf

16 http://piketty.pse.ens.fr/files/GouxMaurin2001.pdf

17 http://www.fundersnetwork.org/files/learn/Housing_and_Child_Well_Being.pdf

18 http://www.newyorkfed.org/studentloandebt/index.html

19 http://www.pewsocialtrends.org/2012/08/22/the-lost-decade-of-the-middle-class/

20 Charles and Mary Beard, The Rise of American Civilization, Macmillan, (New York:1930),p.11

21 http://books.google.com/books?id=dqIBqiNoB9wC&pg=PA18&lpg=PA18&dq=million+acres+states+19th+century&source=bl&ots=uyFYk28M1M&sig=mubU6BA9AfLSOuLi1cQNKimmURw&hl=en&sa=X&ei=PpBkUaixCuTwigLWpYGgDw&ved=0CE4Q6AEwBQ#v=onepage&q=million%20acres%20states%2019th%20century&f=false]

22 Irving Howe, The World of Our Fathers, Harcourt Brace Jovanovich (New York:1976), pp.148-153

23 John C. Teaford, Cities of the Heartland:The Rise and Fall of the Industrial Midwest, Indiana University Press (Bloomington: 1994), pp.232-244

24 http://www.census.gov/hhes/www/housing/census/historic/owner.html; http://www.census.gov/housing/hvs/files/currenthvspress.pdf

25 http://www.census.gov/housing/census/data/owner/owner_tab.txt

26 http://www.census.gov/housing/census/data/crowding.html

27 Eric John Abrahamson, Building Home: Howard F. Ahmanson and the Politics of the American Dream, op. cit., p.5; Stephanie Coontz, The Way We Never Were, Basic Books, (New York:1991), p.77; http://www.hud.gov/offices/adm/about/admguide/history.cfm#1940

28 Benjamin Friedman, The Moral Consequences of Economic Growth, Knopf (New York:2005), p.102

29 Roger Biles, "New towns for the Great Society: a case study in politics and planning", Planning Perspectives, 13, (1998) 113-132

30 http://www.cbpp.org/files/2-24-09hous.pdf

31 http://finance.yahoo.com/news/housing-investors-fuel-market-recovery-163800071.html; http://www.realtor.org/sites/default/files/2013-profile-of-international-home-buying-activity-2013-06.pdf; http://dealbook.nytimes.com/2013/06/03/behind-the-rise-in-house-prices-wall-street-buyers/?_r=0; David Dayen, "Your New Landlord Works on Wall Street: Hedge Funds are snatching up rental homes at an alarming rate", The New Republic, Feb. 12, 2013.

[32] Andrew Haughwout, Donghoon Lee, Joseph Tracy and Wilbert van der Klaauw (2011). "Real Estate Investors, the Leverage Cycle, and the Housing Market Crisis," Federal Reserve Bank of New York, www.ny.frb.org/research/staff_reports/sr514.pdf. and Glaeser, E. L. and Joseph Gyourko, Rethinking Federal Housing Policy: How to Make Housing Plentiful and Affordable (American Enterprise Institute, 2008)

[33] http://www.chicagobusiness.com/article/20121006/ISSUE01/310069985/the-complete-guide-to-chicagos-condo-collapse

[34] http://www.newgeography.com/content/001461-the-myth-strong-center and Geographical Definitions: Comparing Central City & Suburban House Prices: 2008-2010

[35] Katie Spencer, "Manhattan Luxury-Home Supply Dwindles as High-End Demand Jumps", Businessweek, November 21, 2011

[36] Source: Federal Reserve Bank of New York, Consumer Credit Panel/Equifax. http://www.newyorkfed.org/studentloandebt/

[37] Calculated from US Bureau of the Census Current Population Survey/Housing Vacancy Survey

[38] http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w12-4_drew_herbert.pdf

[39] http://www.worldpropertychannel.com/north-america-residential-news/national-association-of-realtors-echo-boomers-housing-trends-demographic-population-shift-nar-moe-veissi-university-of-washington-millennials-baby-boomer-housing-trends-glenn-e-crenlin-5671.php; Paul Jackson, "3 or 4 Boomers Aren't Looking to Move: Report", November 26, 2008

[40] Morley Winograd and Michael D. Hais, "Opinion: The Stay-at-Home Millennial Generation is Moving Out", National Journal, December 21, 2012

[41] For example see: http://policy.rutgers.edu/cupr/people/burchell/publications1.html

[42] Such policies go by a number of names, such sas "urban containment," "growth management," "compact cities" and "smart growth."

[43] http://www.amazon.com/gp/product/0674753887?ie=UTF8&tag=newgeogrcom-20&linkCode=as2&camp=1789&creative=390957&creativeASIN=0674753887

[44] American Community Survey.

[45] Santa Clara and San Benito counties.

[46] Alameda, Marin, San Francisco and San Mateo counties

[47] San Diego County.

[48] Los Angeles and Orange counties.

[49] Major metropolitan areas referred to are the 51 with more than 1 million population, as defined in 2010. There are six major metropolitan areas in California, including (in population order): Los Angeles, San Francisco, Riverside – San Bernardino, San Diego, Sacramento, and San Jose.

[50] New York is now tied with Los Angeles for fourth most costly.

[51] The detached house price increases of the housing bubble and the house price increases now being experienced.

[52] http://www.amazon.com/gp/product/0674753887?ie=UTF8&tag=newgeogrcom-20&linkCode=as2&camp=1789&creative=390957&creativeASIN=0674753887

[53] Estimated from change in R. S. Means construction index compared to average new house sale prices (including house and land), in 2012$.

[54] http://demographia.com/db-worldua.pdf.

[55] Calculated from R.S. Means Construction Index.

[56] http://www.impactfees.com/publications%20pdf/2012_survey.pdf

[57] For example, see: http://realestate.wharton.upenn.edu/research/papers/full/419.pdf.

[58] Claude Gruen, New Urban Development: Looking Back to See Forward158, 163

[59] A developer will generally not proceed with a project unless all costs, including impact fees, can be recovered from the buyer and a competitive rate of return (profit) earned. Of course, market conditions may prevent that from happening in some cases.

[60] http://www.nahb.org/reference_list.aspx?sectionID=135

[61] Data for the median multiple is generally not available within metropolitan areas. The median value multiple is a similar and less used measure, which is the median house value divided by the median household income. It is available from the American Community Survey.

[62] Calculated from American Community Survey data.

63 Waldo Lopez-Aqueres, Joelle Skaga, and Tadeusz Kugler (2002). Housing California's Latino Population in the 21st Century: The Challenge Ahead. Los Angeles, CA: The Tomas Rivera Policy Institute. p. 23-31 (http://www.trpi.org/PDFs/housing_ca_latinos.pdf).

64 http://www.brookings.edu/research/reports/2002/02/housingaffordability

65 Calculated at the zip code level from US Census Bureau data (http://www.newgeography.com/content/003928-the-consequences-urban-containment).

66 A household is defined by the U.S. Census Bureau to include all of the people who live in a single housing unit. Thus, a household can consist of more than one family.

67 Eicher, Theo 2008a, "Municipal and Statewide Land Use Regulations and Housing Prices Across 250 Major US Cities," http://depts.washington.edu/teclass/landuse/housing_020408.pdf, Elizabeth Rhodes, "UW Study: Rules add $200,000 to Seattle house price", The Seattle Times, March 28, 2008

68 Portland is often cited as an international example of urban containment policy.

69 http://urbanpolicy.berkeley.edu/pdf/QRJEP04PB.pdf

70 Additional research is summarized at http://demographia.com/db-dhi-econ.pdf.

71 Emphasis in original

72 Land Rent and Housing Policy: A Case Study of the San Francisco Bay Area Rental Housing Market By Stephen E. Barton.

73 Anthony Downs (1994), New Visions for Metropolitan America, Brookings Institution Press and Lincoln Land Institute, p. 38. newvison.aspx, p. 38

74 P. C. Cheshire, & C.Hilber (2008), Office Space Supply Restrictions in Britain: The Political Economy of Market Revenge, London School of Economics, http://www2.lse.ac.uk/geographyandenvironment/pdf/office%20space%20supply%20restrictions%20in%20britain.pdf

75 B. Lewis, M. Ballek, C. Craig, V. Harris, B. Levi, H. Mullings, I. Osborne, S. Anthoy, D. Bugrov, J. Kondo, V. Palmade, J. Rames, S. Fidler, N. Lovegrove & M. Baily (1998), Driving productivity and growth in the UK economy, McKinsey Global Institute, http://www.mckinsey.com/insights/mgi/research/productivity_competitiveness_and_growth/driving_productivity_and_growth_in_the_uk_economy

76 Paul Cheshire (2009), "Urban Containment, Housing Affordability, Price Stability -Irreconcilable Goals," http://www.spatialeconomics.ac.uk/textonly/SERC/publications/download/sercpp004.pdf

77 R. E. Saks (2005), Job Creation and Housing Construction: Constraints on Metropolitan Area Employment Growth, Federal Reserve Board.

78 US Financial Crisis Inquiry Commission (2011) Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States, http://www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf

79 Malpezzi, Stephen, and Richard Green. "What Has Happened to the Bottom of the U.S. Housing Market?" Urban Studies 33, no. 10 (1996): 1807-1820. http://www.frpo.org/documents/Malpezzi%20%26%20Green%20-%20What%20Has%20Happend%20to%20Bottom%20of%20US%20Housing%20Market1.pdf. Also see https://www.aeaweb.org/assa/2005/0107_1430_0201.pdf

80 Sarah Portlock and Eric Morath, "Single Family Homes Drive Housting Starts", Wall Street Journal, March 23, 2013

81 http://www.gmsgroup.com/?q=Special-MUD-Bonds

82 http://westten.com/docs/texas-municipal-utility-districts-an-infrastructure-financing-system.pdf

83 http://www.demographia.com/dhi.pdf

84 http://www.ci.beaumont.ca.us/DocumentCenter/Home/View/3259

85 Eliot Brown, "Office Sector Shows Sluggish Growth", Wall Street Journal, July 2, 2012; Eliot Brown, "Businesses Stay Cautious About Renting Offices", Wall Street Journal, April 2, 2013

86 http://www.newgeography.com/content/003843-e-shopping-bubbling-while-retail-bums-along

87 There is no current database of vacant, zoned commercial land in states like California, but a review of such land in the town of Apple Valley and the city of Rancho Cucamonga indicated that the amount of vacant, zoned land for residential purposes was 3.2 and 1.8 times the total amount of zoned, vacant commercial and industrial land. Analysis by George Huang of National Community Renaissance.[88] http://urbanpolicy.berkeley.edu/pdf/QR2005.pdf

89 http://demographia.com/db-phxland.pdf

90 http://demographia.com/db-lvland.pdf

91 Indeed, other impacts, such the more intense local air pollution from the greater traffic congestion in more dense areas indicate the potential for more restrictive land use policies to retard the health of children and other people living in close proximity to heavily traveled freeways and arterials.

92 http://www.uspirg.org/news/usp/new-report-reduction-driving-likely-continue

93 The Bay Area Plan personal vehicle greenhouse gas emission reductions were considerably less, population adjusted basis, than the US Department of Energy projections.

94 See http://www.tandfonline.com/doi/pdf/10.1080/01944361003766766 and http://ltaacademy.gov.sg/doc/JOURNEYS_Nov%202012.pdf

95 Brook, R. D., B. Franklin,W. Cascio, Y. Hong, G. Howard, M. Lipsett, R. Luepker, M. Mittleman, Jonathan Samet, S.C. Smith, & I. Tager (20040, "Air Pollution and Cardiovascular Disease: A Statement of the Health Care Professionals from the Expert Panel on Population and Prevention Science of the American Heart Association," Circulation, Vol. 109, 2004, pp. 2655–2671, and http://www.epa.gov/air/nitrogenoxides/health.html

96 demographia.com/db-usag2010.pdf

97 Total factor productivity. http://www.ers.usda.gov/data-products/agricultural-productivity-in-the-us.aspx

98 http://www.demographia.com/db-1945uza.htm

99 Economic Research Service, US Department of Agriculture (2010), Land Use, Value, and Management: Urbanization and Agricultural Land, http://www.ers.usda.gov/Briefing/LandUse/urbanchapter.htm.

100 http://www.michiganlawreview.org/assets/pdfs/106/2/garnett.pdf