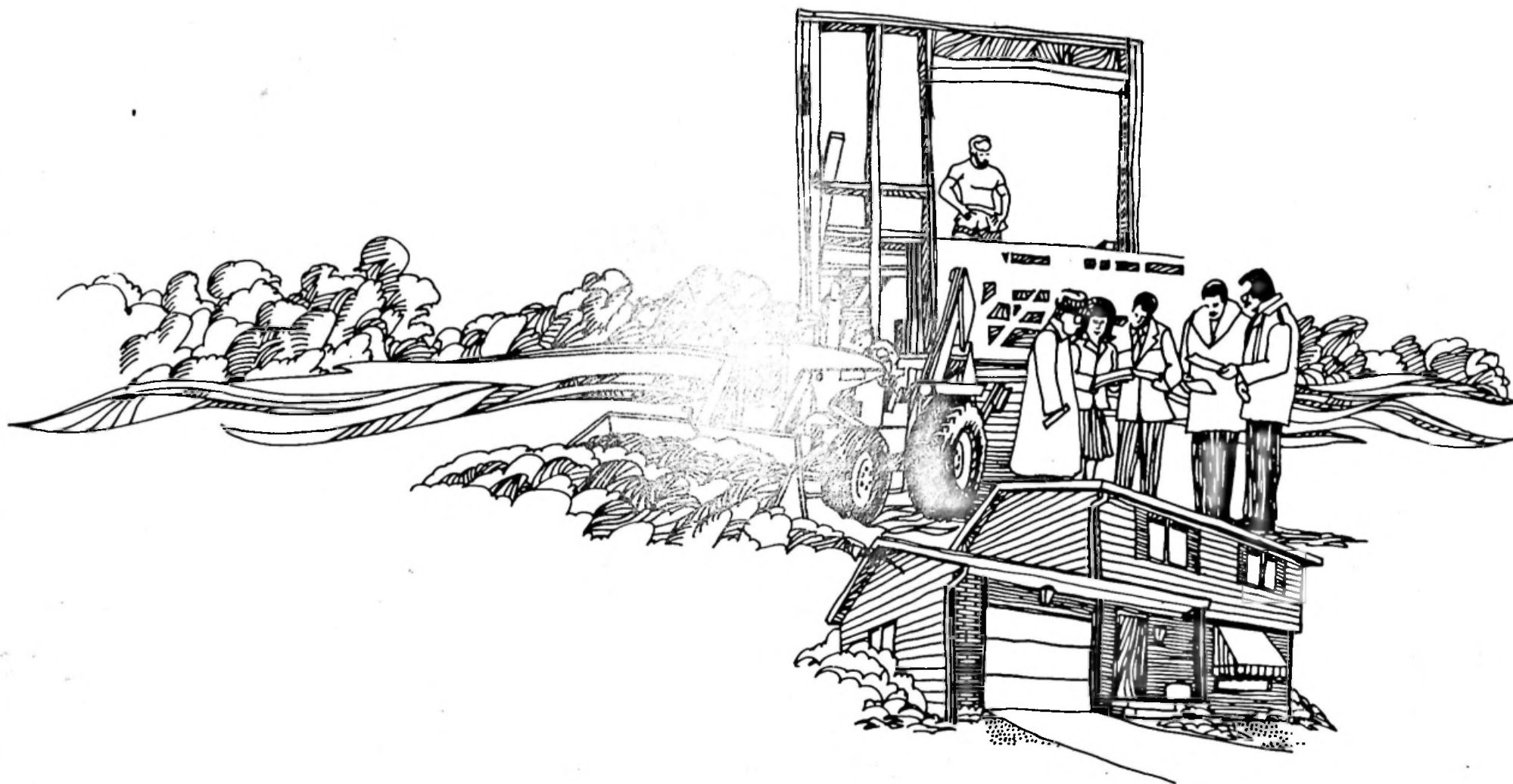




Proceedings of the
HUD National Conference
on Housing Costs

Reducing the Development Costs of Housing: Actions for State and Local Governments



The contents of this report do not necessarily reflect the views or policies of the Department of Housing and Urban Development or the United States Government.

Proceedings of the
HUD National Conference
on Housing Costs

Reducing the Development Costs of Housing: Actions for State and Local Governments

Conference Management : Urban Land Institute

Proceeding Editors : Larry Keating
Leon S. Eplan

FOREWORD

The publication of the Proceedings of the HUD National Conference on Housing Cost represents the fulfillment of a commitment which I made when the Task Force on Housing Costs presented its final report to me last year. It organizes under one cover a comprehensive discussion of both the issues and opportunities relating to land development costs, which must be controlled if we are to deal successfully with rising housing costs.

The Housing Costs Conference is equally important because it brought together a diverse group of public and private sector decision-makers for two days of intensive discussion and achieved a high degree of consensus. That alone, I believe, is a significant accomplishment. I hope that the Conference will be responsible for stimulating a continuing dialogue on the subject.

How can we best continue to make progress on this issue? The answer lies with each of us. From the beginning, the Department has chosen to act as a catalyst in promoting discussion on housing and land costs. As I stated in my opening remarks to the Conference participants, "We at HUD recognize that questions about the supply of developable land, site development costs, and regulatory procedures are uniquely the direct responsibility of State and local governments." We want to assist State and local governments in providing the leadership and momentum necessary to bring the Conference recommendations to fruition.

Please take the time to read this document thoroughly. For some of you, the proceedings will reinforce your prior knowledge and thinking on these issues. Others should gain new insights into the complexity of the problems as well as specific ideas for local action.

Change does not occur unless individuals are willing to involve themselves in an issue. We need each of you to make housing and land costs a priority at the State and local level.

In closing, I would like to thank those organizations and individuals that made this Conference a success. They include the many co-sponsoring organizations which are listed separately in the Proceedings; the Urban Land Institute; Leon S. Eplan and Associates; and the Georgia Institute of Technology, all of which ably assisted us in planning and managing this effort. I would also like to thank Under Secretary Jay Janis, Assistant Secretary Donna E. Shalala and William J. White, Chairman of the Task Force on Housing Costs; it was only through their efforts and that of their staffs that we were able to organize this Conference in such a timely and effective fashion.

August 2, 1979

Patricia Roberts Harris

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HUD NATIONAL CONFERENCE ON HOUSING COSTS
CO-SPONSORING ORGANIZATIONS

AFL-CIO
American Bankers Association
American Bar Association
The American Institute of Architects
American Planning Association
American Society of Civil Engineers
The American Society of Landscape Architects
The Associated General Contractors of America
Center for Community Change
Chamber of Commerce of the United States of America
Common Cause
The Conservation Foundation
Council of State Community Affairs Agencies
The Council of State Governments
International City Management Association
Joint Center for Political Studies
League of Women Voters of the United States
Manufactured Housing Institute
Metropolitan Washington Council of Governments
Mortgage Bankers Association of America
NAACP National Housing Corporation
National Association of Counties
National Association of Home Builders
National Association of Housing & Redevelopment Officials
National Association of Mutual Savings Banks
National Association of Realtors
National Association of Regional Councils
National Conference of State Legislatures
National Council for Urban Economic Development
National Governors Association
National Hispanic Coalition for Better Housing
National Housing Conference
National League of Cities
National Society of Professional Engineers
National Urban Coalition
National Urban League, Inc.
People United to Save Humanity
United States Conference of Mayors
United States League of Savings Associations

CONFERENCE SCHEDULE

Sunday, February 25

6:00-7:30 p.m. Reception in Exhibit Area

Monday, February 26

8:00-9:00 a.m. Conference Introduction
Secretary Patricia Roberts Harris
Introduction: Assistant Secretary Donna Shalala

9:15-9:30 a.m. Summary of the Task Force on Housing Costs
William J. White, Chairman, Housing Costs Task Force, HUD

9:30-9:45 a.m. Conference Overview: Objectives and Structure
Leon S. Eplan, Conference Director and Moderator

9:45-11:00 a.m. "Blending Public and Private Interests"
Speakers: Councilman Francis B. Francois, Prince Georges County, Maryland

Mayor Maynard Jackson, Atlanta, Georgia

Harold S. Jensen, President, Urban Land Institute

Introduction: Senator Lawton Chiles, Florida

11:00-12:00 p.m. Workshops: Organizational Sessions

12:15-1:45 p.m. Lunch and Address: "The Public Costs of Development: A Local Experience"
Speaker: Clifford W. Graves, Chief Administrative Officer, San Diego County, California
Introduction: Leon S. Eplan

2:00-3:30 p.m. Concurrent Workshops

3:30-3:45 p.m. Break (Optional: Working Break)

6:00-7:30 p.m. Reception

Tuesday, February 27

8:30-9:00 a.m. Coffee and Pastry

9:00-10:00 a.m. "Housing Costs: A National Economic Issue"
Speaker: James T. McIntyre, Jr., Director, Office of Management and Budget

"Focusing State Resources on the Housing Cost Issue"

Speaker: Robert Graham, Governor, State of Florida

Introduction: Under Secretary Jay Janis

10:00-11:15 a.m. Concurrent Workshops

11:15-11:30 a.m. Break (Optional: Working Break)

11:30-1:00 p.m. Development of Workshop Recommendations

1:00-2:30 p.m. Lunch and HUD Panel: Discussion of Development Cost Issues
Panel: Assistant Secretaries Donna Shalala, Robert C. Embry, Lawrence B. Simons, and Sterling Tucker
Moderator: Leon S. Eplan

2:30-3:30 p.m. Presentation of Workshop Recommendations by Workshop Moderators

3:30-4:00 p.m. Closing Statement: Under Secretary Jay Janis and representative of cities counties, and states.

4:00 p.m. Adjournment

EXECUTIVE SUMMARY

BACKGROUND

The HUD National Conference on Housing Costs was held in Washington, February 25-27, 1979. The Conference grew out of HUD's concern over the rapidly rising costs of housing which has now placed home-ownership and the rental of living space beyond the reach of a significant number of citizens.

In May, 1978, HUD issued its Final Report of the Task Force on Housing Costs. The Task Force, established by Secretary Patricia Harris Roberts a year earlier, had sought to analyze and understand the "extent to which costs truly have risen for reasons other than general inflation, and to develop specific solutions to the problems which HUD and other institutions can act upon."

The Task Force dealt with the identified problems within three categories: Land Supply and Development; Building and Technology; and Financing, Money Markets and Marketing. Of these, problems associated with inadequate amounts of land and the costs related to development were considered particularly acute. Three factors were identified as the main causes for the rise in the cost of the serviced site: constraints in the supply of the developable land, high site development costs, and procedural delays. The timing of public facilities has often increased costs. Sometimes it has been zoning and subdivision approval delays. In other cases, it has been the cost of responding to higher government standards. Regardless of the causes, the Task Force declared that solutions rested primarily in the public sector and can be dealt with if governments begin to provide leadership and commitment.

In issuing the Report of the Task Force, Secretary Harris proposed that a national Conference be held to deal more forcefully with the costs associated with creating land for the development of housing. The Conference would invite to Washington a broad range of practitioners from the public and private sectors to deliberate on housing cost issues and to recommend courses for action. While the Task Force report

was aimed towards HUD activities, the focus of the national Conference would be primarily on actions which could be taken by States, local governments and regional bodies to stabilize or possibly reduce housing development costs.

STRUCTURE OF THE CONFERENCE

The national Conference brought together, at the invitation of Mrs. Harris, approximately 400 persons--State and local officials, developers, planners and managers of land use and development policy, bankers, environmentalists, manufacturers, labor and citizen representatives, and other public officials--to discuss the relevant issues and set forth recommendations for realizing the Conference objectives.

Thirty-nine national organizations co-sponsored the Conference. These organizations, whose constituents represented the major interests affected by rising housing costs, nominated most of those who were asked to attend. The Conference was managed by ULI--The Urban Land Institute, a Washington-based independent non-profit research and educational organization. They were assisted by Leon S. Eplan of Atlanta, who also coordinated and moderated the Conference.

Four specific objectives were sought, and the Conference agenda and other activities were directed towards realizing these objectives:

- The Conference, primarily through its Workshops, sought to develop a series of specific recommendations upon which States and local governments could build cost-controlling programs.
- The Conference endeavored to devise an action agenda for public interest groups representing State and local elected officials which would aid their constituents in cost-reduction efforts.
- The Conference undertook to discuss specific ways in which other organizations in the field concerned with the issue, many of which were co-sponsors of the Conference (manufacturers, environmental groups, labor organiza-

tions, professional societies, lending institutions, minority interest groups, etc.), might help their constituents deal with this issue.

- Finally, the Conference sought to provide a means, primarily through the publication by HUD of the Conference Proceedings, by which the research, the flow of ideas and the Workshop recommendations could reach and influence a national constituency.

THE MAJOR SPEAKERS

The Conference fashioned a program designed to achieve the objectives, first, by means of speeches and plenary discussions by prominent officials and practitioners; and second, through a series of Workshop discussions. The speakers selected were representatives of public officials and developers operating at different levels of government. Each described the kinds of impacts which rising costs have had on their constituencies, powers which they had (or did not have) to deal with the effects, and techniques which might be employed to contend with the problem. Each asked the Conference to pursue certain recommended State and local government actions.

- Secretary of HUD Patricia Roberts Harris, in opening the Conference, noted the concern of the Federal government regarding rising housing costs. She stated that Federal intervention is neither a desirable nor efficient manner of dealing with many of the questions related to the issue. Activity by government units, she emphasized, must be collaborative, and that the role of the Federal government must primarily entail assistance and support, research, and the formulation of policy which would not conflict with State and local efforts to reduce housing costs.
- William J. White, Chairman of HUD's Housing Cost Committee (in a paper delivered by Assistant Secretary Donna Shalala), reviewed HUD's recent efforts to cut housing costs: by better coordination of programs, by research, and particularly by implementing many of the recommendations of the Task Force on Housing Costs, a

process now underway.

Senator Lawton Chiles of Florida placed the housing cost issue in the context of an inflationary economy. He argued that housing is both a cause of inflation and one of its victims. To address inflation each sector of the economy must be dealt with separately. Some steps that he has helped implement in the housing area include the commissioning of studies by the Senate Budget Committee and the Congressional Budget Office to determine the causes and extent of increased costs and the holding of hearings and the establishment of committees in Florida to bring interested parties together to seek pragmatic solutions. Some of the solutions that he now advocates include elimination of specific regulatory duplication and the granting of more responsibility by Federal agencies to State and local authorities.

- Francis Francois, County Councilman in Prince George's County, listed the factors which have driven costs up in suburban areas, including, most recently, new environmental legislation and increasing property taxes. He felt that new attitudes have also appeared ("letting new development pay its way up front"), and elected officials are responding to these attitudes. Our first job, he stated, is to educate present home-owners. The second is to open up additional tax options. He emphasized the need to re-examine our high development standards, as well as unravel "the complex matrix of regulations".
- Harold Jensen, a Chicago developer and President of ULI, presented the private sector view. He cited unnecessary development standards, limitations on the supply of developable land, unclear local development policies, and inefficiencies in permitting procedures among those conditions pushing up costs. Most of all, government policies have changed from encouraging development to discouraging it. He asked the Conference to consider the recommendations which would encourage good administrative practices, re-establish fairness in controls, rationalize procedures, and help build "the collective will to reduce housing costs".

- Mayor Maynard Jackson of Atlanta, looked at the factors which have pushed housing costs in central cities to their high levels, including inflation, tax digest re-evaluation, the practice of using housing as an investment, increasing housing quality, and losses in the stock of lower price housing. Much of the burden of higher costs have fallen on lower- and moderate-income people. He concluded that the public and private sectors, if they work together, can make a difference. We must re-examine our development controls and standards (zoning, building and housing codes), he stated, and eliminate those which are unnecessary. We must preserve inexpensive and moderately priced housing and avoid premature demolition. The Mayor noted that cities need also to use their bonding powers to construct lower cost housing.
- Clifford Graves, Chief Administrative Officer of San Diego County, cited the problems of the nation's third highest priced housing market and how the County attempts to deal with its rapid growth. The County and its major cities all have growth management plans that attempt to accommodate the exceptional growth rate and reduce the cost of extending public services. The County is also considering density bonuses for development providing low- and moderate-income housing, incentives for mobile home and manufactured housing, encouragement to infilling practices, and incentives for the use of solar energy. He called on the Federal and State governments to provide the leadership which would increase housing supply (increasing supply, he felt, cannot be accomplished by local governments), through the use of tax credits, review of unnecessarily restrictive environmental regulations, a more careful policy of enlarging or reducing the size of military bases, elimination of overly restrictive planning and code requirements, and the like. "The most appropriate source of programs that can really address the underlying issues is the Federal government," he concluded.
- James McIntyre, Director of the Office of Management and Budget, sought to place the housing cost problem within a national perspective of concern over an infla-

tionary economy. He reviewed the present administration's efforts to improve housing conditions, citing new and expanded HUD programs, money market instruments, and tax expenditures, deductions and deferrals. He traced both the impressive gains in housing quality during the 1970's and the causes of rising housing costs, stressing increased demand and land costs as well as changes in personal preferences. He called for careful planning for meeting changing demand to insure that our present public policy decisions are not myopic in order to avoid an oversupply at some point in the future.

- Governor Graham of Florida has confronted the problems of the cost of housing both as a developer and State Senator, where he authored major environmental legislation. He indicated that rising costs of housing have impacted Florida citizens in several ways: It has increased reliance on mobile homes, diminished home-ownership as an investment opportunity and reduced the quality of housing for the elderly. He outlined some important roles which States can play in addressing the problems of increased costs, including helping to make more land available for housing, facilitating housing financing, and reducing unnecessary regulations to that level"...necessary to protect the public interest...which is least oppressive... and (where) maximum use is increasingly made of the practitioners professional responsibility."

RESEARCH PAPERS

Much of the Conference was focussed on five Workshops, the means by which the participants sought to develop a set of recommended actions for State and local governments. Participants chose to join one of these Workshops on the basis of their interest in the Workshop theme. Each Workshop was led by a Moderator who, at the final session, presented the recommendations of the Workshop.

The five Workshop themes were as follows:

Workshop I: Improving Development Standards in
 Fringe Areas.

- Workshop II: Increasing the Supply of Land in Fringe Areas
- Workshop III: Improving Central City Development Standards and Increasing the Supply of Land and Buildings
- Workshop IV: Allocation of Development Costs
- Workshop V: Improving Permitting Procedures

A research paper was commissioned around each theme, a copy of which was forwarded in advance to the Workshop participants. Major elements of the research papers were as follows:

- Robert Burchell and David Listokin of Rutgers University analyzed for Workshop One participants zoning design requirements currently in force in fringe or developing communities, as a prelude to governmental policy which may simultaneously ensure both adequate community design and minimum price of inclusive shelter. They set forth a "blueprint" of necessary State, regional and local actions, supporting these with illustrations of design mitigation program initiatives which exist nationally.
- Robert Einsweiler, an urban planning consultant from Minneapolis, addressed for Workshop Two the question of land cost and its major influence, land supply. He traced nine causes of the land supply problem and suggested solutions which States and localities might wish to adopt to increase supply or reduce the problems associated with shortages. He then set forth overall suggestions for dealing with shortages in terms of increasing levels of intervention in the private sector development decision-making process.
- George Sternlieb, James Hughes and Carl Horowitz of Rutgers University presented Workshop Three with three specific dimensions of the central city housing cost problem. They explored the dynamics of the central city market showing changing characteristics of the inventory

during the 1970's. They described the development process and the barriers to development in the central city. Finally, they dealt with strictures in securing title to property and suggested mechanisms for taking advantage of potentials associated with under-used or abandoned real property.

- George Peterson and Tom Muller of the Urban Institute discussed for Workshop Four several major issues revolving around the allocation of costs question. Among the issues analyzed were public facility fees and subdivision capital investment requirements (frequency and level of fees, effects of Proposition 13 on fees, and economic effect of fees); alternative approaches to financing improvements (utility districts, community-wide financing, concentration of development and reduction in standards); and tax exempt financing of housing.
- Charles Thurow and John Vranicar of the American Planning Association presented to Workshop Five a number of ideas for procedural reform of local land use regulations. They reviewed the debate over procedural reform and the major benefits being promoted by regulatory reform. They then described some of the most promising techniques in use by local governments and what States can be doing to facilitate procedural reform. While the focus of reform may be efficiency, they cited other important goals, such as effectiveness, fairness, consistency, predictability, and equitability.

Each participant was also sent an annotated bibliography of the major recent research on housing cost issues, prepared by Larry Keating of Georgia Tech.

CONFERENCE RECOMMENDATIONS

In all, 105 recommendations were produced by the five Workshops' deliberations. These were presented by the moderators to the full Conference without debate. To receive the opinions of the entire Conference, all of the recommendations were sent to the attendees one month

following the Conference in the form of a questionnaire. Each participant was asked the degree to which they approved or disapproved each recommendation. Provision was made for a No Opinion position.

Of the 350 questionnaires mailed, 158 forms, or 44 percent, were returned (one-third from State and local officials, slightly more than one-third from private sector attendees, and slightly under one-third from the remainder, mostly academic and public and private interest group representatives). The respondents as a whole endorsed all of the Conference recommendations, many of which received greater than 75 percent approval.

Among the general conclusions of the survey are the following:

- Strong support was given to recommendations concerning the most basic techniques that can be used by local governments to moderate the adverse impact of policy on housing costs:
 - Development standards should generally not exceed basic environmental, health, safety and welfare requirements. Communities should always consider housing costs implications of standards designed to meet "quality of life" objectives in excess of those basic requirements.
 - Land use plans and public improvement programs should reflect consideration of the impact of development constraints on land supply and housing costs.
 - The costs of development should be allocated among persons and firms in the community according to the degree by which they would benefit from the service or facility.
 - Permitting procedures should be simplified and accelerated through consolidation and standardization.
 - In addition, respondents also gave recognition to some

of the special problems of central cities by calling for more concerted public participation in the development process.

All of the strongly supported techniques reflected the almost unanimous opinion that public policy-makers should always ask: What is, or will be, the effect of local public policy on housing costs? This position is highly significant in view of the fact that many local policy-makers have not asked this question in recent years.

- While there was strong agreement on the types of techniques local governments could use to abate cost problems, there was less agreement among respondents on techniques that would ensure action by local governments. The low level of agreement was especially noticeable with regard to the use of State powers to ensure local response to cost problems. (Federal policies were not a major subject of the recommendations.) Respondents strongly supported State involvement to help resolve some fiscal disparity problems and to provide technical information. However, techniques that involved the preparation of guidelines or standards by States, or the provision of financial incentives or other active State intervention techniques received significant opposition.
- A finer breakout of the responses revealed a number of interesting results. For the most part, the voting patterns of the total Conference, with a single exception, paralleled those of the Workshop members. The exception was in Workshop Three (on central city issues), where those who participated in the Workshop more strongly endorsed the recommendations than did the Conference as a whole.

Furthermore, the closer analysis indicates that the private sector participants appear to have been highly supportive of the Workshop recommendations, more so, for the most part, than the government staff participants. This was especially evident in Workshop Four (on the allocation of costs) and in Workshop Five (on streamlining of procedures).

The recommendations and expressions of participant opinion show that (a) the relevance of local policy to the housing cost problem is clearly perceived, and (b) there is strong agreement on the types of basic measures that local governments can take to deal with the problem. In view of the relative degree of support given to the various types of recommendations, three conclusions can be drawn:

- Local governments now have sufficient powers necessary to help reduce housing costs. Through more creative use of their regulatory controls, more sensitivity to the activities impacting housing costs, and more emphasis on and streamlining procedural requirements, a positive effect on costs can be realized.
- Priority should be given to a follow-up program that emphasizes voluntary action by local governments to deal with the housing cost issue. Support for such efforts could be provided by vigorous programs of information dissemination by public interest groups and technical and research assistance from the States and the Federal government.
- Although greater State involvement was endorsed by the majority of the respondents, the role of the State in dealing with the housing cost issue needs more careful and detailed study. While State laws do not appear to be a major constraint to local action, it is clear that the States could act in a number of positive ways to assist local governments. States already have considerable powers in this area, including the delegation of land use authority to local governments. The additional exercise of this and other powers apparently needs more clarification and exposure to debate and discussion before they may be acceptable to the local public and private sectors. In the meantime, States should be encouraged to aid local governments through techniques that appear to receive wide acceptance (such as fiscal disparity action).

ANALYSIS OF WORKSHOP RESPONSES

Below are the main conclusions of each Workshop and a summary of the 105 recommendations made by the Conference.

WORKSHOP ONE

The recommendations of Workshop One were constructed around several development standards issues, especially the restrictive nature of zoning ordinances and other local regulations controlling the design and development of housing. Responses by the Conference indicate strong agreement with the positions taken by the Workshop. Also, the questions seemed to be more readily understood; fewer participants registered a "no opinion" position than in other Workshop questions. On fully half of the questions, over 80 percent of the responses to each question were in agreement (either strongly agreed or agreed).

- Eighty-eight percent favored the recommendation that Federal, State and local agencies should periodically review their off-site and on-site standards, as well as their methods and procedures as to zoning, subdivision controls and environmental standards to insure that they reflect the state-of-the-art and do not exceed minimum standards.
- Almost as large a proportion agreed that States and localities should, prior to implementing land use regulations, analyze their potential impact on housing costs.
- Other recommendations gaining overwhelming support dealt with providing incentives for creative development projects, land use plans based upon demographic and marketing trends, and the greater use of capital improvement programs to provide the necessary infrastructure to support growth.
- Respondents strongly favored the recommendations that subdivision control measures should be reviewed against standards which assure that overdesign is not required.

- Also, the respondents endorsed the idea that monies should be granted from States and Federal agencies for research and information dissemination. Finally, strong support was given to the recommendation for metropolitan environmental reviews.

In two areas at least one-fourth of the respondents disagreed with the Workshop recommendations. Twenty-nine percent were not in favor of permitting manufactured housing in all single-family zones to be taxed the same as all other real property. Also, one out of four were opposed to giving bonus grants by States and regional public bodies to local governments to assist in servicing raw land with infrastructure. Related to this question was another which was also opposed by several (15 percent) of the respondents (see Recommendations chapter for complete tabulation): that State and regional governments provide direct or indirect financial incentives to local governments to provide cost-effective zoning, subdivision and environmental regulations.

WORKSHOP TWO

Responses by the Conference participants were uniformly supportive of Workshop Two's recommendations. With few exceptions, the Conference favored a more aggressive role by local governments to use its powers and resources to assure an adequate amount of developable land on a timely basis.

- The recommendations that local plans and land inventories include estimates and projections of present and future housing needs was agreed to by 85 percent of those responding to the questionnaire. This proposal was one of only three of the 105 recommendations to receive no negative votes.
- The proposition that capital improvement programs should accommodate anticipated planned growth and that such programs should consider the implications of its rate of extending services on reducing housing costs were ratified by over 80 percent of the respondents.

- A similar level of support backed the recommendation that "sunset" provisions be applied to regulatory legislation.
- Well over three-fourths of the respondents favored the recommendations that Federal standards for programs necessary for growth (such as water and sewer funding) be sensitive to local growth conditions.

Few recommendations evoked significant negative responses. Interestingly, the two recommendations which found the highest level of disagreement both involved State actions. A few of the respondents (15 percent) did not want States to develop guidelines for areas of development opportunity (where growth should be encouraged and facilitated), nor to develop policies and explicit standards for critical areas, or to review new local plans for consistency with these policies and standards. The only other important negative reaction, from 16 percent of the respondents, was over the use of the hearing examiner process by local governments.

WORKSHOP THREE

The recommendations of Workshop Three were consistently supported by respondents, but there were few recommendations that were overwhelmingly endorsed. The most popular recommendations were supported by three out of four respondents, but the general level of consensus averaged somewhat lower.

- Strong support was found for recommendations for increasing Federal, State and local programs which seek to expand access to mortgage credit pools, or which would facilitate adaptive re-use housing projects.
- Respondents were also highly supportive of State efforts to apply tax assessments uniformly. There was considerable agreement that the revitalization and "gentrification" of central city neighborhoods should, if possible,

avoid displacement, but that if displacement was necessary, assistance be planned and phased as part of the redevelopment process. Over three-fourths of the respondents agreed that comprehensive planning and development should take into consideration travel and energy expenditures.

Although all of the Workshop recommendations were endorsed by respondents, three were objected to by over 20 percent of those returning their questionnaires. An important number of respondents--26 percent--felt that, even as a long-term option, a general policy of public land ownership, particularly for commercial properties, should be discouraged. In addition, many disagreed with the recommendation that financial assistance by governments and developers should be made available for anyone required to be displaced. Finally, 23 percent were opposed to the proposition calling for the reduction of housing standards to minimum levels consistent with health and safety in order to halt rising housing costs.

WORKSHOP FOUR

The cost allocation issue was divided by Workshop Four into three parts: the allocation of capital infrastructure investments for new developments, reductions in the costs which have to be allocated, and issues which focus on compensating actions outside the more direct cost allocation decisions.

- The most consistent consensus centered on this first issue: who pays for what infrastructure costs? Most respondents--over three-fourths--agreed that on-site improvements exclusively benefiting the home buyer should be properly included as part of development costs; that on-site improvements benefiting a population larger than the development should be shared between the developer and the community; and that off-site improvements benefiting a population larger than the development should be shared between the developer and the community.
- The other area of substantial agreement was in the reduction of costs themselves, where three-fourths of the respondents favored the recommendations that States

take a larger share of the education costs from the local community.

A few recommendations received several negative responses. Most of these recommendations sought to ascribe a larger role for the States in the allocation issue. Twenty-three percent of the respondents were opposed to States establishing allocation standards or rules as to what is equitable, and almost that large a proportion opposed the establishment by States of minimum performance standards to be used to set design criteria for site improvements. Fourteen percent did not favor the position that States should establish vested rights for development plans so as to assure that standards and requirements will not be changed after the initial application for development approval, nor that States should adopt a housing policy with implementation features for local governments to follow.

WORKSHOP FIVE

Most of the recommendations from Workshop Five focused on ways to overcome perceived flaws in the permitting process which cause delays. Grouping the recommendations into three categories--procedural, political, and professional--the Workshop suggested actions--28 in all, the largest number of any Workshop--which States and local governments might take to streamline the permitting process. While the respondents as a whole endorsed all of the recommendations, they gave particularly strong approval to three.

- Eighty-three percent of the respondents supported the recommendation that individual units of government should prepare registries describing requirements, procedures and regulations, consolidate and/or standardize application forms, and establish criteria for determining application completeness. There were no dissents to this recommendation.
- Strong support was also given to the recommendation calling for the holding of preliminary conferences by local and State governments to make sure that requirements, procedures, and regulations are clearly understood.

- The third strongly endorsed recommendation called for the number of permits required to be reduced through consolidation of overlapping regulations. A parallel recommendation sought assurances that opportunities for public involvement not be diminished by consolidated procedures.

In addition, measures to increase public understanding of land use regulations through education and work with the media also received strong support.

A recommendation calling for the creation of a national organization made up of representatives of the elderly, minorities, tenants and developers to represent non-resident and future resident interest in the reform of current procedures was approved, but by a narrow margin. (While a majority of all respondents supported this idea, it should be noted that Workshop Five participants voted narrowly, 15 to 14, with two 'No Opinions', for this recommendation.) Four other recommendations received some opposition (16 percent or more): a recommendation whereby States would override local inaction which was inconsistent with State goals and standards; a recommendation whereby States could override local decisions where it was established that local standards and decisions were exclusionary, a recommendation that States should develop performance standards and incentives for local permit approval processes, and a recommendation encouraging States to institute programs to provide technical assistance, when requested, to developers in completing permit applications.



INTRODUCTION TO THE CONFERENCE

INTRODUCTION

Secretary Patricia Roberts Harris

Patricia Roberts Harris is Secretary of the U.S. Department of Housing and Urban Development.

We have been looking forward to this meeting for some time. For all of our distinguished guests, Senator Chiles, Mayor Jackson, Councilman Francois, Messrs. Jensen and Eplan and the other distinguished guests, I am pleased to welcome you to this important Conference. For those of you from out of town, I also welcome you to what's left of the Blizzard of '79.

And before you complain about the rain falling on these plains, I assure you that it is better than the snow that fell exactly a week ago. We thank you for bringing the rain instead of the snow, though I am told this morning that we



may have some floods, so watch where you drive and watch where you walk because the new tides that will come as a result of the eclipse of the sun, the melting of the snow and the rain. Although we are not building Noah's Ark at HUD, we realize that some of the same conditions may obtain.

Over the past week, we Washingtonians have learned to live with mountains of snow and slush-filled streets. I hope that our guests from warmer climates are managing to cope with the inconveniences of this once Southern City. Now it is clear to all that we are part of the snowbelt.

We are meeting to discuss housing costs at a time when inflation has become a real problem for those of us concerned with providing shelter. To show you the importance that we attach to this Conference, I have decided to perform a very rare act: to keep the President of the United States waiting in order to be with you. At this moment, the President and my colleagues are convening the cabinet meeting scheduled for this morning. I am sure the President would agree that my time is better spent indicating to you how important we think the task before you is.

Housing cost inflation has been even more acute than the overall rate of increase in consumer prices.

While family incomes kept pace with the prices of new houses throughout the 1960's, such has not been the case in this decade. Between 1972 and 1976, for example, incomes rose at an average annual rate of 7.7 percent. During the same period, the price of new, single-family homes rose annually approximately 12.5 percent, and the costs of homeownership increased an average of 8.2 percent annually.

The resale prices of existing homes show a similar pattern. While rents have not increased as rapidly as income, since 1972, they have been rising twice as fast as in the preceding decade. More recent data show these trends to be continuing, and just a few days ago we learned that during 1978, the cost of new, single-family homes rose nearly 14 percent. This is the largest yearly gain reported since the government began keeping these records in 1963.

Much of this increase can be traced to the costs of land development. A survey of developers in seven metropolitan areas showed an average increase of 100 percent in urban land prices between 1970 and the Spring of 1974. This represents an annual increase of 20 to 30 percent for that period, compared to eight to ten percent annually between 1958 and 1970. Nationally, the cost of a developed lot is now about 20 percent of the cost of a single-family FHA insured home, compared to 15 percent in 1960.

These facts were documented by the Department's Task Force on Housing Costs, which presented its final report last May. Some of you were members of that Task Force. The careful analysis by the Task Force and the accompanying recommendations led to this national Conference involving State and local government representatives, members of major public interest groups, and representatives of private trade associations. It was clear from the Task Force report that all these groups must together consider the nature, impact and solutions to the housing inflation issue.

We at HUD recognize that questions about the supply of developable land, site development costs, and regulatory procedures are uniquely the direct responsibility of State and local governments. The Carter administration has no intention of instituting nationally mandated standards for land development. These are essentially local issues which should be resolved at State and local levels.

However, it is appropriate for the Federal government, through HUD, to give leadership in finding ways to reduce costs resulting from irrational and unnecessary differences in development costs at the local level. In bringing together the major actors in the determination of land development costs, we hope to promote discussion of this subject and to generate substantive recommendations for State and local actions from those who are the leaders at the State and local levels.

The Department of Housing and Urban Development will assume a leadership role in those areas in which the Federal government should legitimately assume the initiative. In a few minutes, on behalf of William White, General Manager of

the New Community Development Corporation and the able Chairman of the HUD Task Force on Housing Costs, who I regret to say has the flu this morning, Donna Shalala will describe the various initiatives which we have taken to date in addressing certain aspects of the housing costs problem.

HUD will work closely with all levels of government and with the private sector to lower costs and thereby maximize housing options for all Americans. We all have a responsibility to insure that homeownership does not become the privilege of only the affluent. We also have a responsibility to make certain that families are not required to court financial disaster by over-extending their resources as they seek shelter in the present, highly speculative housing market.

All of the participants in this Conference are here by invitation. The Conference includes Congressional staff members, developers, bankers, State and local elected officials, academicians, public interest groups and housing consumers--virtually all the participants in the task of providing housing for the people of this country.

Collectively, you can have major influence upon the actions of State and local government and on private sector development practices. I am pleased that you accepted our invitation, and I hope that you will use this opportunity to develop recommendations to all levels of government and the private sector which provide us with a new sense of direction in controlling the land development costs associated with housing construction.

I particularly want to acknowledge the fact that a number of public and private interest groups have helped to make this event possible. While there are too many organizations to name individually, I extend my sincere appreciation to each of you for your support and cooperation.

In closing, I would note that there is always the danger that Conferences can be used as weak substitutes for action. I believe that such a danger can be avoided, and I hope that this group of decision-makers can arrive at the consensus

necessary to make housing cost inflation an issue of concern at all levels of government and the private sector. I am depending upon you to assist us in attacking this problem by taking a hard look at land regulation practices and by adopting recommendations for stabilizing and even reducing land development costs. This is not an easy task, but given the unacceptable consequences of continuing inaction, we have no alternative. Certainly this is the group that has both the knowledge and power to deal with this problem, and if you do so, there is no doubt that it will have an effect on those that have a right to expect shelter at a reasonable cost in our society. I welcome you, I will be watching your activity in the next few days and I hope that you will feel, in a period when there are so many demands on your time, that this Conference has been worth the expenditure of effort and time that you are giving to it. Thank you very much.

SUMMARY OF THE HUD TASK FORCE ON HOUSING COSTS*

William J. White

William White serves as Chairman of the Department of Housing and Urban Development's Housing Costs Committee. He is also General Manager of the Department's New Community development Corporation.

I. INTRODUCTION

We are assembled to discuss a more pervasive problem than even the farmer's return on investment or the intractability of the weather. It is clear that millions of Americans now face serious problems in obtaining affordable housing. Younger persons, large families, those on fixed incomes and many others with special needs find it difficult, if not often impossible, to afford habitable housing.

In the eight months since our Task Force on Housing Costs delivered our final report to Secretary Harris the housing cost situation has worsened. The costs of land, building and financing all have risen to the highest levels of history. The problem of high housing costs will not solve itself. Unless positive concerted action is taken by the housing, finance and land development industries, and by all levels of government, today's housing cost problem may become tomorrow's national housing crisis.

We have evidence that people everywhere are spending more now for shelter than ever before. Even those fortunate homeowners who bought several years ago usually confront higher costs in the form of utilities, local property taxes, and hazard insurance.

I want to discuss with you some of the recent actions we at HUD have taken to deal with the housing cost problem.

*This paper was delivered by Assistant Secretary Donna Shalala for Mr. White, who was absent due to illness.

Since early 1977, Departmental staff from around the country have been engaged in studies, research and task forces devoted to analyzing and developing solutions for high housing costs. The Task Force on Housing Costs involved 51 distinguished people, including some of you here today, in a detailed review of more than 250 specific cost-cutting suggestions generated by the general public. Departmental technicians and the Task Force members themselves. At 14 public meetings from October, 1977 through May, 1978 the Task Force members debated issued cutting across the whole spectrum of housing activity.

During the summer of 1978, the Task Force's 150 recommendations were evaluated further, and the Department's principal staff determined that 60 percent of these initiatives could be pursued immediately. On November 22, 1978, Secretary Harris announced the creation of HUD's Housing Costs Committee, charging the eight members with the implementation over the next few months of 87 Task Force recommendations.

We at HUD are determined to help cut housing costs. We believe that all Americans are entitled to enjoy habitable and affordable housing. As our initial step towards the creation of a nationwide housing cost program, we are devising additional ways to coordinate our many activities at HUD. I am pleased to note that we are receiving support and encouragement from the rank-and-file in HUD's Civil Service as well as strong leadership from Secretary Harris and Under Secretary Janis.

Serving with me in this effort are the Assistant Secretaries for: housing; community planning and development; fair housing and equal opportunity; neighborhoods, voluntary associations, consumer protection; and policy development and research. The committee also includes HUD's General Counsel and the President of the Government National Mortgage Association.

In addition to coordinating our own activities--with respect to such diverse areas as mortgage credit processing, environmental reviews, building techniques, code policies, consumer

or neighborhood concerns and specialized research -- we want to work in a constructive and flexible spirit with other agencies of Federal, State and local government, and with business, industry, labor and the general public, to try to make America's housing affordable. We will try to work you and others in leadership positions to prevent inflation from depriving Americans of their right to affordable housing.

Many of our planned activities will require a long time before their effects can be measured. Some require action at the highest levels of government and industry if they are to be effective. As the Department's Special Coordinator for Housing Costs, I am participating in discussions within the administration which we hope will lead to a national effort under the President's anti-inflation program to deal with rising housing costs. As the Task Force recommended, we are now reviewing aspects of national monetary and tax policies which affect the stability of the housing sector, and are focusing especially upon the cost impact of various regulatory processes--Federal, as well as State and local reviews.

Our time constraints do not permit a lengthy and exhaustive discussion of each of the 87 recommendations we are now implementing. For this reason, we have made copies of the Secretary's November, 1978 press release available to you. You will note that it contains a capsule description of each housing cost initiative we are pursuing. I would like to focus on the Task Force's treatment of the costs of land supply, planning reviews and land development--the subject of this Conference.

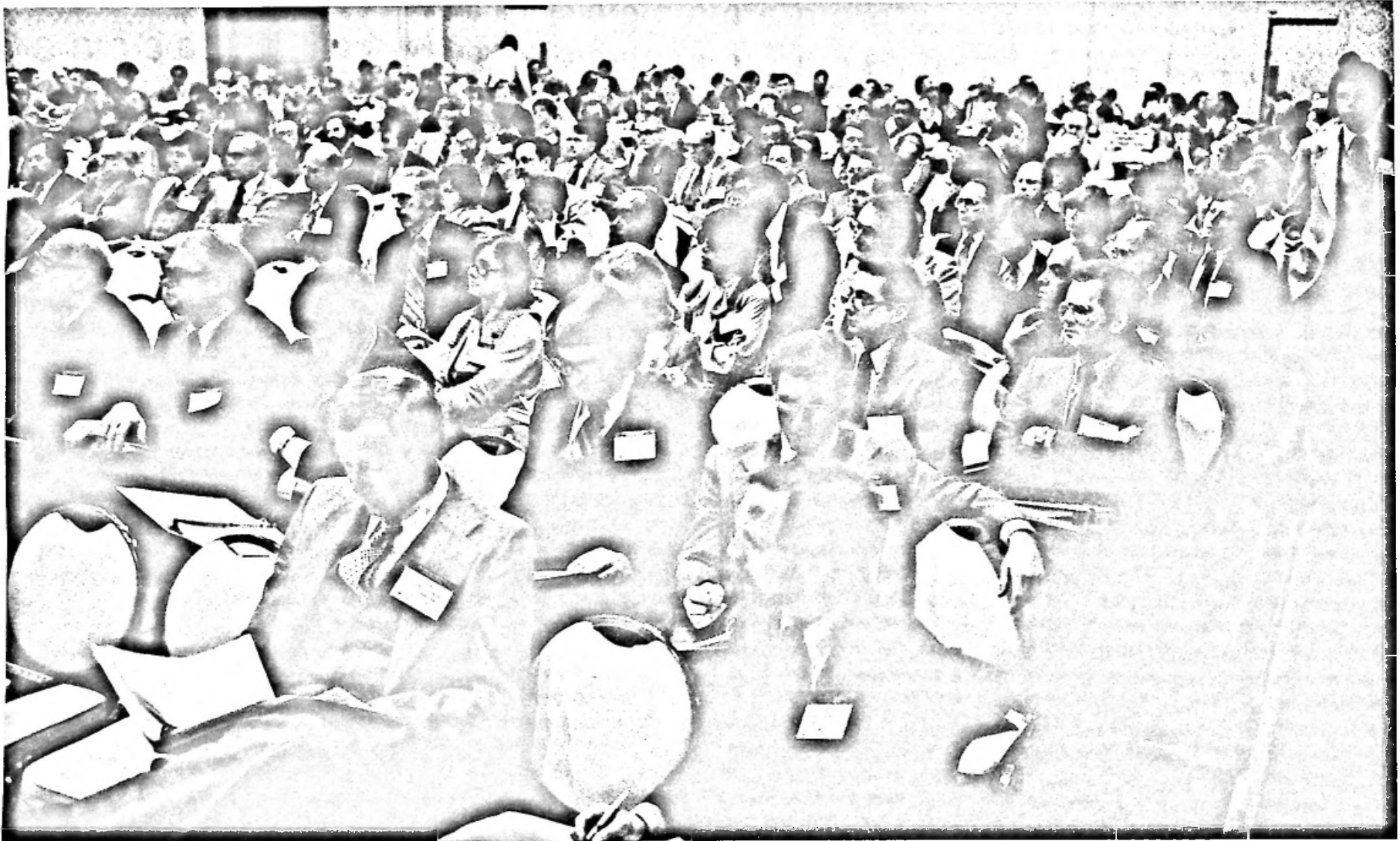
The Task Force identified three major ways government actions can increase the costs of land and site development: (a) By constraining the supply of developable land, through limiting the capacity of water, sewer, and transportation facilities and through zoning and other controls on land use; (b) by requiring developers to adhere to very expensive site-development standards and requirements, ranging in scope from street widths to grading and open burning controls; and (c) by controlling the requirements, duration and predictability of the governmental review and approval process. These three aspects of the issue--land supply, site-devel-

opment requirements, and regulatory procedures--structured the deliberations of the Task Force in the land area. They are also reflected in the titles of the Workshops for this Conference.

The greatest difficulty the Task Force had in formulating practical recommendations for Federal action to reduce land costs was, of course, that these are intensely local concerns. Only in the area of streamlining environmental reviews and subdivision analyses by HUD, the Veterans Administration and the Farmers Home Administration was the Task Force able to focus effectively on a land-oriented function which is predominantly a Federal responsibility; and, even here, many of the recommendations called for increased intergovernmental cooperation.

Almost all the other recommendations were shaped essentially to try to encourage local, regional, and State action through the vehicles of Federal incentives, research, technical assistance, special funding, and grant requirements. Secretary Harris has ordered implementation of most of those recommendations involving research or modest modifications to existing program regulations and procedures. But the strongest and most controversial recommendations in the land area have been deferred for further discussion. These call for much greater HUD involvement in the development and application of cost-conscious guidelines for predominantly local land use policies, regulations and procedures.

The details of these recommendations are not as important as the concepts on which they were based. Essentially what the Task Force found was that State and local officials who are concerned about cost reasonableness in Government requirements have very little solid technical material to guide them in the area of land use. Most of the model zoning and subdivision ordinances, for example, have not been prepared with a strong cost consciousness. Thus, there is a need for guidelines in this area. The Task Force also said, implicitly, that there has been inadequate interest by State and local government and regional councils in the cost effects of land use regulations and policies. Environmental and fiscal considerations have dominated. There is a need for more

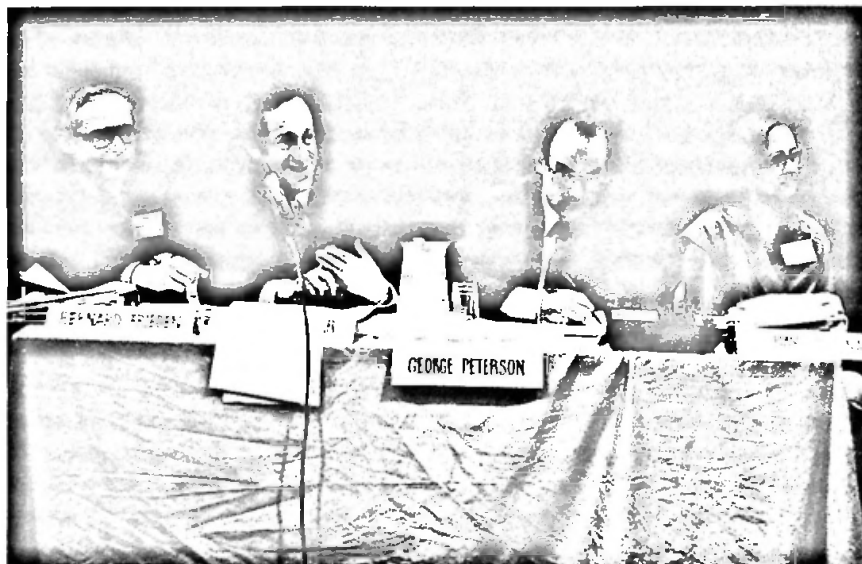


incentives for either local staff or elected officials to represent the interests of the housing consumer in terms other than environmental tax benefits.

In my judgement, this Conference is precisely the right forum

for discussion of what should be done in response to this condition, and who should do it.

Without you, we might fail in this task, and the country as a whole and millions of Americans would suffer. With your assistance, we have a chance to succeed.



BACKGROUND ON THE ISSUES

INTRODUCTION

The range of housing cost issues is far too wide to be dealt with adequately in a two-day gathering. The variables are many and they react on each other with such unpredictability that a large audience discussing the issues would hardly move beyond definitions in so limited an amount of time. Certainly, without narrowing and focusing the theme, the intent of the Conference--to agree upon remedial actions--would not have been realized. Thus, the Conference confined its attention to issues related to increased development costs only. It further narrowed its focus to recommend those actions which States and local governments could take which might stabilize, or perhaps reduce, housing costs.

Even with this sharpened focus, the subject remains complex. Central city development and housing cost problems are substantially different from suburban development and housing cost problems. Proposals for reform are more advanced in two sub-areas: permitting procedures, and planning and design standards. In a third sub-area, the allocation of development costs between new and existing residents, proposals for reform are not as advanced and there is substantial disagreement regarding who should pay for what.

To contend with this complexity and to provide the Conference with the strongest possible technical support, six papers were commissioned, prepared and delivered to participants prior to the beginning of the Conference. These are reproduced in this section of the Proceedings.

- . Robert W. Burchell and David Listokin adapted a previously completed survey of local government regulatory practices to produce original research on the question of planning and design standards.
- . Robert Einsweiler discussed land supply problems in fringe and developing suburban areas and identified a range of actions, from information to public ownership, that can attack the problem simultaneously.
- . George E. Peterson and Tom Muller examined practices in the allocation of development costs between new home purchasers and existing residents. Peterson and Muller then turned to an analysis of the increasingly popular indirect subsidy for new home buyers: State and local tax-exempt bond-backed mortgages.
- . Reporting on research in progress, Charles Thurow and James Vranicar considered what can be gained from reform of permitting procedures before discussing the form those reformed procedures should take.
- . Finally, Larry Keating prepared an annotated bibliography organized around prominent issues and hypotheses in each of the five subdivisions of the general housing cost and development problem.

IMPROVING DESIGN STANDARDS IN FRINGE COMMUNITIES: LOCAL AND STATE INITIATIVES

Robert W. Burchell
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INTRODUCTION

The purpose of the following paper is to analyze zoning design requirements currently in force in fringe or developing communities, as a prelude to developing governmental policy which may simultaneously ensure both adequate community design and minimum price of inclusive shelter. The paper will concentrate exclusively on zoning, subdivision and environmental design standards. It will not address the various permitting or processing requirements associated with these particular land use controls, nor will it deal with other land or structure controls, such as building codes or the various timing measures subsumed under the general rubric of growth Control. These are topics of other papers which will be presented elsewhere in this Conference.

The paper is divided into five sections:

- I. Statement of the Issues Surrounding Design Requirements
- II. The Severity of the Design-Imposed Problem by Type of Land Use Control.
- III. Potential Policy Measures to Meliorate Design-Related Housing Cost Increases

IV. Illustrations of Design Mitigation Program Initiatives Which Exist Nationally

V. Annotated Bibliography Focusing on Design Requirements and Housing Costs

The first section will briefly overview popular hypotheses regarding land use standards and their impact on housing costs. Questions on the magnitude of the problem, by type of land use control and by subsets of specific controls, will be posed here.

Section II, in presenting the results of a national field survey of municipal land use controls, will attempt to answer the questions developed in Section I as well as provide comparisons between existing local ordinance requirements and design standards recommended by various trade associations, professional groups and/or housing support agencies. The objects of this section are to provide understanding as to how severe community overdesign is, and to measure the specific concentration of overdesign in zoning versus subdivision controls.

Section III presents a formula for combined State and local action to combat overrestrictive design requirements. It alerts communities to the magnitude of their own problem with a checklist of potentially severe zoning, subdivision and environmental design requirements. This portion of the paper further provides a structure for meliorative governmental policy at both the State and local levels.

Section IV provides examples of the program measures discussed above as they exist, for the most part in isolation, in a few specific States and localities. The point of this section is to demonstrate that corrective measures are already being attempted in the field and that the bulk of recommended policy is indeed capable of being implemented.

The final section of the paper summarizes the literature surrounding the impact of design requirements on housing costs. The literature annotations are presented both by particular land use control and by whether they deal with

specific costs or are just an overview of the issues related to this control.

I. STATEMENT OF THE ISSUES

Few issues have dominated the housing/land use planning literature to the degree of exclusionary zoning. National commissions have reported results of their investigations to the field on several occasions (1); recent zoning treatises have devoted entire sections to permutations of this issue (2); professional organizations have studied and restudied its origins and historical evolution (3); research institutes have repeatedly sought its causative agents as a prelude to developing corrective policy (4). This concept, over its more recent history, has been defined as land use controls (zoning ordinances, subdivision regulations, environmental controls, growth control systems) which interfere with the provision of reduced-cost housing, typically at the outer reaches of the metropolitan area where adequate land is available for this housing.

A flurry of case law initially zeroed in on local zoning practices, i.e., minimum lot size, minimum frontages, minimum building size, mandatory bedroom ratios and limitations on multi-family development as "the exclusionary zoning problem" (5). A second generation of decisions challenged overrestrictive subdivision regulations, growth control measures and environmental controls as also contributing to "the problem" (6). More recently, an attack has been waged on excessively complicated permitting procedures, development submission requirements and required participation in off-site capital improvements as yet another manifestation of exclusionary land use procedures (7).

At issue, is the denial of lower cost housing due to recurring instances of communities increasing development standards and procedures beyond what is necessary for the minimum protection of the health, safety and welfare of housing occupants.

It is further claimed that these are purposeful acts to restrict entrance to communities to all but higher income groups and

to additionally assure current residents that they will not bear the municipal servicing costs of future residents (8).

Within the bevy of literature, however, the specific effects of various exclusionary measures on housing costs are not cleanly presented. For instance, one does not get a feeling for the following: 1) the validity of the argument of fringe communities' across the board up-zoning; 2) whether this up-zoning holds true for subdivision and environmental (if any) design requirements; and 3) if unnecessary upgrading pertains only to design standards or to required off-site improvements or municipal capital facility initiations/expansions as well.

Obviously, to construct meliorative policy it is critical to be able to make the distinctions noted above. Is there in developing communities a noticeable skew to larger lot sizes/widths, nonzoning for multi-family development/mobile homes? Does this also apply to more frequent requirement for dual sidewalks, street lighting, shade trees, larger rights-of-way/pavement widths, and so forth? Are design requirements overspecified or are there excessive requirements relating to the provision of off-site streets, sewers, land dedication for schools, and so forth?

Finally, how do these requirements compare to what is believed necessary to achieve a guaranteed level of acceptable development?

II. THE SEVERITY OF THE DESIGN-IMPOSED PROBLEM BY TYPE OF LAND USE CONTROL

BASIC DEFINITIONS AND THE SAMPLE OF COMMUNITIES

Subsequent analyses will attempt to view the degree to which previously stated hypotheses, related to required design criteria in fringe communities, are applicable to this class of communities.

The analyses will compare zoning and subdivision criteria in both developing and developed communities. In addition, they will briefly discuss local environmental compliance proce-

dures in the form of required environmental impact statements (EIS) and critical area legislation, primarily that relating to the coastal zone.

To begin, it is necessary to define what is meant by a "developing" versus "mostly developed" communities. The literature surrounding the New Jersey Mount Laurel decision is helpful in this instance. It notes, in its three-part classification of communities (developed, developing and rural) that a developing community should exhibit evidence of most or all of six basic characteristics (9):

- (1) sizable land area,
- (2) sizable portion as yet undeveloped,
- (3) location outside central city,
- (4) location in path of inevitable development,
- (5) significant population growth in immediate past,
- (6) loss of rural nature of community.

Developed communities are defined as central cities or older build-up suburbs; rural areas are defined as undeveloped and likely to continue as such for some time into the future.

While it is beyond the confines of this analysis to apply the Mount Laurel criteria to city selection, cities selected for analysis are classified into "developing" and "mostly developed"* due to the amount of land left for development, size, location within the metropolitan area and population growth over the period 1970-1975. A developing community is one which is a non-central city of a standard metropolitan statistical area (SMSA), of more than five square miles in size, that has grown in population by more than 15 percent over the period 1970-1975, and has more than 35 percent of its land yet to be developed. A mostly developed municipality is a central city/older suburb of an SMSA, whose

*The term "developed" will be used to describe a "mostly" developed community for the remainder of this paper

physical size is in excess of one square mile, of positive population growth (less than 5 percent) over the period 1970 to 1975, and finally, one wherein no more than 10 percent of the municipal land area is currently available for development.

These selection criteria, applied randomly in the largest SMSAs of the four Census defined regions (Northeast, North Central, South, West), yielded two sets of approximately 40 communities each. Both zoning and subdivision regulations were obtained from the bulk of these communities; a questionnaire was administered to the local administrator or planning board director in each community. Information obtained from the ordinances and interviews, in 1976, augmented with callbacks, in 1978, form the basis of the following analyses.

ZONING DESIGN STANDARDS

Table I summarizes design standards found in municipal zoning ordinances throughout the country. According to definitions stated previously, standards are partitioned to those found in developing versus developed communities.

The standards chosen are those which most frequently appear in zoning ordinances as design requirements and also those reported throughout the exclusionary zoning literature as "part and parcel" of the housing unavailability problem. They are as follows: (1) minimum lot size/width, (2) minimum floor areas/building size, and (3) permissible housing types.

MINIMUM LOT SIZE AND WIDTH

Minimum lot size specification is quite different in developed versus developing communities. Close to two-thirds (62.5 percent) of the ordinances surveyed in developed communities had developable land in zoning categories of one-fourth acre or less. The same potential to build on this size lot in developing communities was only found in approximately two-fifths (39.0 percent) of the cases. This is due to the fact that minimum lot sizes four times the one-fourth acre size were found in developing communities more than three times as

TABLE 1

ZONING DESIGN STANDARDS IN MUNICIPAL ZONING ORDINANCES

	Developed (n=41)*	Developing (n=42)
<u>MINIMUM LOT SIZE</u>		
Percent having available land with minimum lot size of:		
Less than 1/4 acre	62.5%	39.0%
Greater than 1 acre	7.5%	25.6%
(Percent having explicit provisions)		98.0/92.9
<u>MINIMUM LOT WIDTH</u>		
Percent having available land with minimum lot width of:		
Less than 70 feet	51.2%	23.7%
More than 150 feet	9.8%	26.4%
(Percent having explicit provisions)		98.0/90.5
<u>MINIMUM FLOOR AREA</u>		
Percent specifying floor areas of size:		
Less than 1,000 ft.	90.0%	33.3%
More than 1,400 ft.	5.0%	26.7%
(Percent having explicit provisions)		25.4/35.7
<u>PERMISSIBLE HOUSING TYPES</u>		
For residential zones:		
Permit as of right other than single family detached (Does not include PUD/cluster zones)	14.6%	5.1%
Allow as a special exception or permitted use:		
Explicit multi-family development	7.2%	2.6%
PUD or cluster development	36.6%	33.3%
Mobile homes	10.0%	30.0%
(Percent having explicit provisions)		47.7/51.4

Source: Rutgers University, Center for Urban Policy Research
Zoning and Subdivision Ordinance Survey - Fall, 1976.

frequently as they were in developed communities. Thus, there is an inherent skew towards the mandating of larger lot sizes in the zoning ordinances of developing versus developed communities.

Essentially, the same scenario applies to lot widths. The shorter frontages associated with smaller lots are permitted far less often in developing than they are in developed communities. On the other hand, excessive frontages, twice what are normally found with one-fourth acre lots, are well represented in the developing class of communities.

MINIMUM BUILDING SIZE

Minimum building size or, synonymously, floor area requirements are much less often specified in both developed and developing municipal zoning ordinances than is the case for lot size and lot width. Whereas virtually all communities, both developed and developing, had ordinance requirements which specified minimum lot size and lot width, only 25-to-35 percent of these same communities impose a minimum building size requirement. It is interesting to note however, that, when specified, there are striking differences between developed and developing communities. Of those communities which imposed a minimum building size requirement in developed communities, 90 percent had categories which permitted development of housing units of 1,000 square feet or less; the same was true for only 33 percent of the ordinances of developing communities. In this latter category of community, fully 26 percent required housing units of floor area greater than 1,400 square feet.

PERMISSIBLE HOUSING TYPES

Probably the most interesting statistics of all are those dealing with permissible housing types. What is very clear from this survey is that, even in developed communities, zoning ordinances specify single-family, detached housing almost to the exclusion of all other housing types. Only one-in-twenty developing communities provide for other than single-family homes as of right. This is one-third the figure for developed communities. Thus, the garden apartment/low-

rise "zone" is virtually nonexistent in areas which are characterized by having sufficient available land to support this kind of development. Even as an explicitly stated special exception or permitted use, multi-family development permissions lag similar authorizations for both PUD's and mobile homes.

What is encouraging to see, however, is the growth of PUD and cluster provisions as special exceptions/permitted uses in the zoning ordinances of both developed and developing communities. Although developing communities lag developed communities by about 10 percent, one-third of the former have the potentially innovative PUD and cluster provisions.

ZONING DESIGN STANDARDS HYPOTHESES: A SECOND LOOK

In terms of the key hypotheses to be tested here, it is clear that developing or fringe areas impose much more severe zoning standards than is the case for non-fringe, developed areas. There also appears to be no rationale for the imposition of these standards relating to protection of health, safety and welfare of community residents or to the prevention of general environmental degradation. In a question unrelated to this specific analysis, when local zoning officials were asked to respond as to why limited growth control measures were imposed, they rejected reasons such as loss of environmental quality or straining capital infrastructures already at capacity, and instead, chose the phrase "to maintain the community as it is" as their most pertinent response.

Two other of the proposed hypotheses also bear scrutiny at this point. The first is that developing areas' zoning ordinances frequently do not include potentially innovative design measures and standard supplanters such as PUD, cluster provisions, and the like. This does not appear to be the case.

As noted previously, a significant proportion of both developing and developed communities' zoning ordinances contain

TABLE 2

INDICATIONS OF HOW DEVELOPMENT IS TAKING PLACE

I. For those communities with PUD/Cluster Zones or PUD/Cluster developments allowed as special exception/permitted use, what percentage have had more than two developments processed through this vehicle?			
	<u>Developed</u>		<u>Developing</u>
More than two developments processed	27.8%		37.0%
(Percent having explicit provisions)		43.9/64.3	
II. During the course of a year, what percent of requests for building permits simultaneously involved filing for rezoning, special exception, permitted use, etc.?			
	<u>Developed</u>		<u>Developing</u>
Median	9.0%		10.1%
	(mostly rezoning to multi-family)		(mostly special exception, permitting use)
(Percent responding)		92.7/85.7	
III. On average, how often was relief granted?			
	<u>Developed</u>		<u>Developing</u>
Median	62.5%		31.5%

Source: Rutgers University, Center for Urban Policy Research,
Fall, 1976.

provisions for PUD. Yet PUD development has paled nationally, lagging considerably behind conventional development. What has happened is evidenced by local community responses shown in Table 2. Less than 40 percent of those communities which have the PUD alternative as a legitimate development vehicle have had more than two developments processed through their associated approval stages. Moving away from the rule of law in conventional zoning to the increased administrative discretion available via PUD or other innovative mechanisms carries with it a much more involved, and thus longer, approval process. These types of developments, often larger than conventional subdivision, further flag the attention of the general public to a greater degree, thereby contributing to rejection, delay or noncompletion.

The second hypothesis is that the zoning ordinances of developing communities usually do not permit, as of right, residential development of other than single-family homes. This is appallingly evident. There is an inherent bias, reflected in zoning ordinance exclusion, of multi-family development in the suburbs, particularly emerging suburbs. In terms of potential cost savings, the continued absence of multi-family zones in developing communities far outweighs any potential savings available through the reduction of minimum development standards associated with traditional single-family homes.

Suburban rental housing occupancy costs are less than two-thirds those associated with ownership of a detached single-family home in comparable communities. With the reduction in household size that has taken place over the last decade, the space typically found in rental facilities is more appropriate to the needs of a vast market of both youthful and elderly, childless families. These families are currently forced to occupy more space at significantly higher costs, due to the unavailability of multi-family accommodations in peripheral, developing areas.

SUBDIVISION DESIGN STANDARDS

Table 3 summarizes design standards found in subdivision ordinances of both developing and developed communities. Standards dealing with major hardware (streets, sidewalks, curbs) items are presented by mode of specific design requirement; those which deal with the smaller development appurtenances (street signs, shade trees, and the like) are presented by a tabulation of how often a requirement exists. Design standards are grouped into the following categories: Streets; Streetscape; Street Hardware; Sewerage Facilities; Drainage/Storm Sewers; Water Facilities and Public Utilities.

Scrutinizing this table it is obvious that, except for capital system upgrading, the same kind of overspecification found in the zoning ordinances of developing versus developed communities generally does not hold true for subdivision requirements.

STREETS, STREETSCAPES AND STREET HARDWARE

For streets--rights-of-way, pavement widths, and cul-de-sacs'--mandated subdivision standards are essentially the same for developing and developed communities. In fact, in developing communities, a larger cul-de-sac length is permitted--thus contributing to potential reduction in costs. Pavement width requirements are 10 percent larger for both collector and local streets in developing communities. One glaring difference between developed and developing communities is the frequency in the latter of the developer having to provide off-site streets and improvements. This requirement was found twice as often in developing communities than it was in developed communities.

In terms of the streetscape (signs, lighting, trees, off-street parking) the ordinances of developing communities less often mandate these appurtenances than the ordinances of developed communities. The most significant difference is in street lighting, which is required in developing communities only two-thirds as often as it is in developed communities.

In the case of street hardware (blocks, curbs, gutters,

TABLE 3

SUBDIVISION DESIGN STANDARDS IN MUNICIPAL SUBDIVISION REGULATIONS

	<u>Developed</u>	<u>Developing</u>
<u>STREETS</u>		
Right of way		
Collector (mode)	60'	60'
Local (mode)	50'	50'
Pavement width		
Collector (mode)	30-35'	36'
Local (mode)	30'	31-39'
Cul-de-sac		
Radius	50'	50'
Length	500'	500-600'
Off-site streets/improvements (required)	34.3%	68.3%
<u>STREETSCAPE</u>		
Street signs (required)	75.8%	69.0%
Street lighting (required)	73.5%	51.4%
Shade trees (required)	63.6%	54.1%
Off street parking (required)	100.0%	94.9%
<u>STREET HARDWARE</u>		
Curbs and gutters (required)	67.6%	55.0%
Sidewalks (required both sides of street)	81.8%	57.1%
Sidewalk width (mode)	5'	4'
Block length (mode)	400-500'	500-600'
<u>SEWERAGE FACILITIES</u>		
Sanitary sewage (septic tanks permitted)	35.3%	69.0%
Minimum diameter (mode)	8"	8"
Overdesign for sewage capacity (for "foreseeable" future)	65.6%	87.8%
Tap-in fee (median)	\$50	\$250
Off-site sewerage facilities (developer responsibility for)	39.4%	67.5%
Manhole spacing	200-400'	200-400'
<u>DRAINAGE/STORM SEWERS</u>		
Storm drainage facilities (developer responsibility for)	97.1%	97.6%
Off-site storm drainage improvements (developer responsibility for)	38.2%	52.5%

(Continued)

TABLE 3 (Continued)

	<u>Developed</u>	<u>Developing</u>
<u>WATER FACILITIES</u>		
Percent of new subdivisions which had preexisting water mains	87.0%	25.0%
Water mains (developer responsibility for)	91.4%	100.0%
Water main diameter	6"	6"
Water laterals (developer responsibility for)	94.3%	88.1%
Fire hydrants (developer responsibility for)	97.1%	92.9%
Fire hydrant interval	500'	500'
Off-site water facilities (water main extensions, water treatment plants)	44.1%	61.5%
<u>PUBLIC UTILITIES</u>		
Underground installations (mandatory in more than 50% of instances)	62.9%	71.4%
<u>LAND DEDICATION</u>		
For open space/recreation (mandatory requirement)	17.6%	14.3%
For schools (mandatory requirement)	0.0%	35.9%
For government facilities (mandatory requirement)	9.7%	9.1%
<u>IMPROVEMENT GUARANTEES</u>		
Surety bonds (percent required as principal mode of improvement security)	82.9%	92.9%
Escrow account (percent required as principal mode)	68.8%	71.4%

Source: Rutgers University, Center for Urban Policy Research, Fall, 1976.

sidewalks) again, developing communities less frequently require these items across-the-board than is the case for developed communities. Curbs/gutters and sidewalks are mandated 20-to-30 percent less often in fringe communities; further, sidewalks are narrower and block lengths are longer. Each of these differences indicate positive sensitivity to less stringent design requirements for less developed communities.

SEWERAGE FACILITIES/DRAINAGE - STORM SEWERS

Sewerage facilities reflect peripheral areas' concern for system upgrading. The direct result of this concern is expressed in developing communities: overdesign for sewage capacity, more frequent requirement for developer provision of off-site sewer facilities, and significantly larger sewer tap-in fees. As is evident in Table 3, tap-in fees in developing communities average five times the levy that is found in developed communities (with no indication that this reflects increased costs peculiar to this type of community). Over-design for future expectation regarding end-state holding capacity takes place in developing communities one-third more frequently than it does in developed communities; finally, the requirement that the developer provide off-site sewer facilities/improvements takes place twice as often in developing communities. The only potential countervailing trend is the much greater frequency of ordinances in developing communities to allow septic tanks (twice as frequently in developed communities), yet this permission is usually associated with lot sizes of one-half acre or more.

The development standard requirements for drainage/storm sewers and for water facilities also reflect the general observation of subdivision controls as they apply to developing versus developed communities. Basic development hardware is required to the same or a lower level in developing communities; major systems are charged out at a significantly higher rate for developing communities. For instance, the provision of storm drainage facilities are required of developers almost uniformly and to the same level in both classes of communities. However, off-site storm drainage improvements are required in developing communities one-third more

frequently than they are in developed communities.

WATER FACILITIES--PUBLIC UTILITIES

For water facilities--the necessity to provide water mains, water laterals, and fire hydrants as well as regulations for water main diameters and fire hydrant intervals--requirements are essentially the same for both developing and developed communities. The requirement to provide off-site water facilities appears one-third more frequently in developing versus developed communities. Mandatory underground installation (in more than 50 percent of approvals granted) of public utilities (electricity, telephone, etc.) is required 15 percent more often in developing communities. This latter requirement, reflecting primarily aesthetic considerations, is certainly excessive, given the limited development of these communities and the initial costs and recurring maintenance requirements of such an installation.

LAND DEDICATION/IMPROVEMENT GUARANTEES

Improvement guarantees of one form or another (surety bonds, escrow accounts, etc.) are now an almost across-the-board requirement (85-to-90 percent) of communities (both developed and developing) nationally. In developing communities they are required slightly more often (10 percent) than they are in developed communities.

Land dedication for open space/recreation or for government facilities does not appear to be as frequent a subdivision requirement as one would be led to believe. Only in 10 percent of the ordinances surveyed is there a dedication requirement for municipal government facilities - police outpost, rescue station, municipal administration building, etc. Roughly twice this percentage of communities require land to be dedicated for local (development-oriented) recreation purposes or for on-site open space. Essentially equal dedication requirements exist for both developing and developed communities in these instances.

Land dedication for schools, however, is sharply increased and definitely skewed to developing communities. Not only is it a

frequent requirement--over one-third of the ordinances surveyed in developing communities--it is almost totally absent as a development requirement in ordinances of developed communities. Again, the excess requirement for "system upgrading" is vividly apparent in developing communities.

SUBDIVISION DESIGN STANDARDS HYPOTHESES--A SECOND LOOK

The idea that developing or fringe area communities impose severe subdivision design standards on new development seems not to be true in all cases. Compared to development standards required by developed communities for most major and minor subdivision hardware items, fringe area communities impose equal or less stringent subdivision requirements.

This is not true in the case of major capital facility development, however. Developing municipalities require developer participation in major system initiation, significantly more often than is the case for developed communities. This is demonstrated overtly in far higher required participation in off-site street, sewer, drainage and water improvements, and in land dedication requirements for schools. It is a much more covert activity in their requirement of more frequent participation in the installation of underground utilities and in the payment of much higher sewer tap-in fees. Further, currently developed communities are not now in the position of having imposed these provisions in the past and once matured to full development, having rescinded them. Rather, for the most part, when currently developed communities were developing, today's rather than tomorrow's residents bore the cost of community capital infrastructure expansions. Today's currently developing communities have a different philosophy--tomorrow's residents bear an up-front share of current and future capital expansion.

Developers converting raw land in fringe areas are thus not necessarily plagued with the following: severe requirements

for right-of-way/pavement widths, street sign/lighting or shade tree requirements, excessive requirements for curbs/-gutters and sidewalks, or manhole/fire-hydrant spacing, water main/sewer diameters, and the like. Instead, they are faced with very heavy participatory requirements in municipal capital facility initiation or upgrading.

DEVELOPING COMMUNITIES AND INDUSTRY-WIDE STANDARDS

A further question to be asked in terms of zoning and subdivision standards in developing communities is, how does field practice compare with standards which have been developed by professional organizations, housing support agencies and trade associations?

Table 4 presents selected zoning and subdivision standards from the American Society of Civil Engineers (ASCE), U.S. Department of Housing and Urban Development (HUD), American Planning Association (formerly ASPO), American Public Health Association (APHA), Urban Land Institute (ULI), International City Managers Association (ICMA), Twin Cities Metro Council and others (10). It should presently be noted that there is presently a reasonable amount of disagreement as to level of specificity of and the level of "standards" themselves in the several alternative sources. For instance, for local streets, curbs and gutters may be required or optional, replaced by grassed drainage swales or by asphalt surfaces with graded edges. Further, there is an increasing tendency to move away from explicit specification of standards in favor of ranges of standards (depending upon desired density, location or geographic area) or more general statements of the type "what is deemed appropriate by the municipal engineer" or "in accordance with good design practices." Finally, the level of generality frequently increases when one moves from engineering to planning design criteria, i.e., from specification of sidewalk width to whether sidewalks should be part of the neighborhood fabric at all.

TABLE 4
ZONING AND SUBDIVISION CONTROL DESIGN STANDARDS
TABULATIONS OF PROFESSIONAL GROUPS, TRADE ASSOCIATIONS, HOUSING SUPPORT AGENCIES

ZONING	ICMA ¹	ULI ²	APHA ³	KOPPELMAN/ DECHIRA ⁴	METRO COUNCIL ⁵	SUBURBAN ACTION ⁶	HUD ⁷
A. <u>Minimum Lot Size</u> (Single-Family) 3 Person, 3 BR.	7500 FT ²	1-5 Units/Acre	5-7 Units/Acre	5000-40,000 FT ²	6000 FT ²	5-7 Units/Acre	7500 FT ²
B. <u>Minimum Lot Width</u> (Single-Family) 3 Person, 3 BR.	60 FT						60 FT
	ICBD ⁸	BOCA ⁹	APHA	SOUTHERN ¹⁰	METRO COUNCIL	WISCONSIN ¹¹ REGIONAL PLAN	HUD
C. <u>Minimum Floor Area</u> (Single-Family) 3 Person, 3 BR.	330 FT ²	450 FT ²	450 FT ²	450 FT ²	700 FT ²	700 FT ²	640 FT ²
		ULI	APHA	KOPPELMAN/ DECHIRA	METRO COUNCIL	SUBURBAN ACTION	HUD
D. <u>Permissible Housing Types - Densities</u>	Row Houses	6-14 Units/Acre	16-19 Units/Acre	1000-2000 FT ²	-	8-12 Units/Acre	
	Garden Apts.	15-20 Units/Acre	25-30 Units/Acre	500-8000 FT ²	Up to 20/Acre	20-45 Units/Acre	
<u>SUBDIVISION CONTROL</u>		ASCE ¹²	APA (ASPO) ¹³		METRO COUNCIL		HUD
A. <u>Streets</u>							
<u>Rights of Way</u>							
Collector		-	60'		60'		
Local		-	50'		50'		
<u>Pavement Width</u>							
Collector		-	32'		36'		
Local		26'	50'		30'		
							Present & Future Road Widening

TABLE 4 (Continued)

<u>SUBDIVISION CONTROL</u>	<u>ASCE</u> ¹²	<u>APA (ASPO)</u> ¹³	<u>METRO COUNCIL</u>	<u>HUD</u>
Cul-de-sac Diameter	80'	25' (Radius)	50'	80'
Length		Not 7500'	-	Not 7500'
B. <u>Streetscape</u>				
Signs	-	\$50/Sign	-	-
Lighting	-	Req. (Local Eng.)	-	-
C. <u>Street Hardware</u>				
Curbs/Gutters	Grass Drainage Swales	-	No	Grass Drainage Swales
Sidewalks	None (80' Lot Width)	-	No	If Pedestrian Safety Requires
Sidewalk Width	4'	-	-	4'
Block Length	-	-	-	-
D. <u>Sewerage</u>				
Septic Tanks Permitted	-	-	-	No Statement
Sanitary Sewer Pipe (Min. Diam.)	-	6"	6"	-
E. <u>Drainage</u>				
Manhole Spacing	500'	-	400'+	At Optimum Intervals
Storm Sewer Pipe (Min. Diam.)	12"	-	-	Not less than 15"
F. <u>Water Facilities</u>				
Water Main (Min. Diam.)	6'	6"	6"	-
Fire Hydrant Interval	-	-	-	-

Notes: 1-14, see footnote 10.

Source: Rutgers University, Center for Urban Policy Research, Spring 1979.

ZONING

Recommended field standards for zoning (minimum lot size/frontage) and minimum building sizes may be found in a variety of sources: HUD's Minimum Property Standards, ULI's Community Builder's Handbook, ICMA's Principles and Practices of Urban Planning (11), publications from Twin Cities Metro Council, and so on.

While there are a great number of partitions by which the information is presented (attached or detached dwelling, number of persons occupying unit, etc.) for a single family home, recommended minimum lot size frequently falls between 6,000 and 8,000 square feet, frontages between 50-70 feet and minimum building size from 500 to 700 square feet. For single-family attached and multi-family dwellings, recommended densities for townhouses range between 12 and 20 units per acre, and for garden apartments between 16 and 30 units per acre.

Viewing these ranges of standards, it is clear that the zoning ordinances of both developed and developing communities specify minimum lot and building dimensions far in excess of the trade associations tabulated in Table 4. The better suburban zoning ordinances lag recommended minimums by at least a factor of two. This is true for both lot and building sizes. Further, in the few cases where these zoning ordinances allow row houses or multi-family development, permitted densities again are about one-half what is recommended by the trade associations, professional groups or housing support agencies.

An apparently glaring omission from any of the sources of standards is guidelines to communities on the types of residential zones that should be included in ordinances given the community's size, development pace, etc. While there is great detail on densities for types of zones, if present locally, there is almost no listing of what residential zones should be present. Thus, the high potential for the exclusion of multi-family zones from suburban communities remains unchallenged.

SUBDIVISION CONTROL

What is apparent from the comparison of subdivision standards is that on most major and minor hardware items practice is in step with professional groups' industry-wide, minimum specifications. For instance, developing communities' required minimums for rights-of-way, pavement width, cul-de-sac radius/length are similar to APA's (ASPO) Model Subdivision Regulations, HUD's Minimum Property Standards (12) and the Metro Council's recommended minimums. Sewer diameters, water main diameters, sidewalk widths, manhole spacing, and fire hydrant intervals again, for the most part, are on a par with what is suggested as reasonable by ASCE, APA or the Metro Council.

For neighborhood design requirements (i.e., whether to require sidewalks, curbs/gutters, shade trees, etc.) the ASCE-/HUD and APA (ASPO) seem to span what is found in the field. ASCE/HUD's minimum requirements are somewhat less than what is present in the average developing community's zoning and subdivision ordinances. While APA (ASPO) require standards which are generally equivalent or slightly higher than standards in developing communities. Little mention is made at all in any of the industry-wide publications as to who should bear the responsibility of off-site improvements or local capital facility expansions. Neither ASCE, HUD, nor APA address this issue directly. As a matter of fact, HUD's Minimum Property Standards fail to address the issue of minimum sanitary sewer requirements at all, i.e., whether septic tanks should be permitted or if new development must tie into the existing sewer system. Inferences are made in HUD's Manual of Acceptance Practices that sewerage will be "to the level of what is currently in force locally"--flimsy guidance at best.

ENVIRONMENTAL CONTROLS

The environmental "requirements" that will be touched on in this section are those controls that directly affect the local development process, such as: local/State environmental impact requirements (little, mini-NEPA's); State Coastal Zone Programs; Critical Area Legislation (Wetlands and

Floodplain Acts) (13); Clean Air Act (as amended, 1977) and the Federal Water Pollution Control Act Amendments of 1972.

The presence of these programs in developing or fringe areas versus mostly developed areas varies considerably by program. Developing areas tend to be confronted with development requirements associated with critical area or Coastal Zone Programs and developed areas with those emanating from local compliance with Clean Air or Water Pollution Control Acts. There is also significant regional variation in the imposition of environmental controls, as is evidenced by the percentage of developments being impacted in the Southern part of the country at only one-half the rate of those impacted in Western regions.

The impact of environmental control programs on local development is seen primarily in four areas: (a) impact statement costs; (b) permitting costs; (c) increased land costs due to reduced supply; and (d) development delay and/or denial associated with procedural compliance. In the few empirical analyses that have been undertaken to date, by far the largest segments of the cost of environmental regulation are those associated with the delay/denial of development. For the most part, these costs are the subject of other papers to be presented at this Conference. Even so, aggregate costs associated with most of environmental controls have been found to affect the cost of a single-family home by only one-to-four percent nationally (14).

A common thread of many of the environmental programs is a requirement to file an environmental impact statement. A derivative of the original NEPA format, environmental impact statements are required for State, public and publicly-permitted, private development acts in approximately 40 states. To varying degrees, this requirement has filtered down and now affects local public and publicly-permitted, private development acts (15). In the sample of communities, developing or fringe communities imposed a local environmental impact statement requirement or mandated environmental review in two-thirds of the cases--three times the rate of developed communities. In most instances, the

requirement called for only general descriptive information concerning native wildlife and vegetation as well as site specific information on potential environmental degradation, if the project was to be implemented.

Another frequent byproduct of environmental controls is development alteration consistent with conservation goals of a protected area. Local developers responding to a survey by the Center for Urban Policy Research in 1976 (16), indicated that the two most frequent effects of critical area controls were density reductions (in many cases linked to the inclusion of more recreation and open space), and to structure siting alterations.

In the latter case, if a sketch plat was required and agreement could be reached on siting requirements at this point, the necessity for major siting changes was greatly reduced. In the former case, in many instances, it was unclear whether the required density alteration was from an explicit standard or from a negotiable range which the developer had initially interpreted to his own advantage.

ENVIRONMENTAL CONTROLS IN TODAY'S POLITICAL ENVIRONMENT

Since the beginning of the energy crisis, the environment, as an issue, has been in retreat. A general consciousness on the part of the public to the reality of limited resources has caused a backlash against any force delaying or denying a consumer material goods. Reduced price housing, denied to a potential consumer by excessive environmental requirements is causing these requirements to be viewed with a caustic eye.

This situation and other reasons have caused the Council on Environmental Quality to significantly revise the environmental impact format (17). Revisions call for an EIS of significantly reduced size, one which presents major alternatives up-front and allocates to each adequate coverage, and finally, one which is heavily analytical and geared to environmental issues which have been agreed upon beforehand

as the most important local concerns. Thus, the new "standard" of the field is a "no-nonsense," streamlined EIS, sensitive to the potential cost-inducing aspects of impact analysis.

The scope of the action to be viewed by the EIS is also changing. HUD's EIS requirements are moving away from project-by-project assessments, to areawide (neighborhood) analysis, and to comprehensive plan (entire community) EIS's. Further, the idea that the project EIS should present only site-specific information not on hand as a result of a community-wide Natural Resource Inventory (NRI) is finally emerging in the form of formal governmental policy changes. The burden appears to be shifting from the developer to both the community and the developer. The community must environmentally plan through area-wide EIS's or Natural Resource Inventories; the developer must augment this general information with specific detail for the particular site that is being developed. This change in philosophy should also carry with it accompanying cost reductions.

A new cost-conscious standard is also affecting critical area and Coastal Zone environmental requirements. A study, completed by the Real Estate Research Corporation for the Office of Coastal Zone Management, acknowledged the necessity, within the Coastal Zone, to insure that housing potential of inclusive land is not indiscriminantly eliminated.

Innovative zoning measures, such as cluster provisions, PUD and TDR, are proposed for use in the Coastal Zone to maintain density levels which contribute to the potential for reduced-cost housing. Thus, where feasible, Coastal Zone environmental controls' impact on housing will be to provide guidelines on where housing is permitted and how it should be sited, rather than to reduce the quantity of housing or eliminate it entirely.

In sum, the design requirements of environmental controls are not sufficiently extensive or abusive to cause great concern. Further, in-house (agency) evaluations have produced, for the most part, a new generation of controls sensitive to housing cost reduction.

The design standard "problem" of fringe communities is not uniform across the major subsets of land use regulation. Fringe or developing communities have more severe zoning design standards (minimum lot and structure dimensions) than developed communities and both developing and developed communities have more severe requirements than the various professional or trade associations indicate as adequate.

By far, the most acute problem is not lot/structure dimensions or lack of innovative development alternatives (PUD, cluster provisions, etc.), but rather the exclusion within the zoning plans of developing communities of multi-family development as of right. Few suburban zoning ordinances provide for zones of developable land to be converted to multi-family use. An additional problem area is the existing density maximums in the few communities whose ordinances permit multi-family development. For both row house and low-rise multi-family development existing communities (developing and developed) typically allow only 50 percent of what is specified as reasonable by the various trade standards. Similarly, very few sources of standards explicitly recommend the inclusion of multi-family zones in the zoning regulations of developing communities. This is the area in which there lies the greatest potential for housing cost savings--yet one which remains virtually untouched by public policy initiatives.

Subdivision design regulations of developing communities, especially those which relate to major/minor engineering-type hardware, do not seem to be as restrictive as the zoning ordinances of these communities. Standards for developing communities for rights-of-way/pavement widths, sidewalk widths, water main/sewer pipe diameters, and so forth, are generally on a par with those of developed communities when the ruralness of the community clearly dictates reduced need for an extensive development infrastructure.

Yet, in subdivision control, there is also an acute problem which again is not addressed within the confines of most recommended standards. This is the issue of required off-site

improvements or contributions to municipal capital facility expansion. Developing communities are characterized by imposing extensive off-site road, water, sewer, and drainage requirements on the developer as well as land dedication mandates for public school construction. Thus, for the most part, a developer can anticipate relatively reasonable on-site subdivision requirements in the suburbs--what he must deal with in terms of uncertainty and additional costs are the required off-site improvements and/or capital infrastructure contributions.

Environmental controls seem to be more of a delay/denial development problem than one of excessive standards. While fringe communities impose more environmental controls than developed areas, new federal standards show significant potential for cost reduction.

III. A BLUEPRINT FOR STATE AND LOCAL ACTION

The previous section of this paper attempted to order and prioritize what is loosely called the suburban, land use control design problem. The purpose of this section is to use these results in molding a framework for meliorative governmental action--both State/regional and local.

The two levels of governmental action may be looked upon not only as broader and narrower substantive focus but also as a procedural partitioning--i.e., (a) encouraging to do or providing guidance on how to do (State) and (b) actually doing it (local).

NECESSARY STATE/REGIONAL ACTIONS

In theory, State government is sovereign with respect to land use control. Local jurisdictions are creatures of the state and land regulate at its pleasure. In practice, most states have allowed localities considerable latitude in formulating land use policy. They have enacted enabling legislation authorizing local units of government to control development through such means as zoning and subdivision regulations. While states nominally had the authority and obligation to review whether the local controls conformed with enabling

legislation, and indeed served the public welfare, in practice they assumed a hands-off attitude. Local regulations were imbued with the classic statutory and administrative presumption of validity.

Regional agencies, such as Councils of Government (COG's), have also generally been passive with respect to local land use controls. The 1960's and 1970's saw a proliferation of regional planning entities and a general strengthening of County planning boards. These two levels of planning grew in power as they assumed or were assigned development review obligations, most prominently as designated A-95 clearing-houses. While regional agencies have the right, and in certain instances the obligation, to review local land use ordinances, this became an essentially perfunctory task.

Stronger State and regional agency intervention is needed to induce similarity of objectives between various governmental levels' development plans. The keynote of such a strategy is the preparation of a State/regional agency development plan.

BACKGROUND STUDIES TO AND THE PREPARATION OF A STATE/REGIONAL AGENCY DEVELOPMENT PLAN

The Standard Zoning Enabling Act requires that zoning should be "in accordance with a comprehensive plan." In practice, the "rational" sequence of ordering objectives, then summarizing the results of these objectives into a comprehensive plan to guide the formulation of local land use controls, has not been followed. The disjointed planning-zoning relationship is aptly portrayed by overrestrictive local zoning and subdivision regulations which ultimately forbid entrance to the community to population groups for which the master plan is attempting to provide. Communities may not allow multi-family development and may require excessive minimum building size--two areas of price increasing government regulation--yet a goal of the master plan is to provide for the housing needs of the community's young and old populations.

States should require that: (a) communities engage in planning and, (b) local land use regulations flow from and attempt to implement the objectives of their comprehensive

plans. To ensure that this requirement does not merely result in a paper exercise, States should attempt to guide the local planning/land use control process by preparing a state development plan, or at least the land use element of such a plan. The development plan would be based on empirical analyses. States should prepare extensive background studies considering future population and employment growth, environmental constraints for critical areas and socio-economic factors, such as reducing the journey-to-work, providing lower cost housing proximate to employment, maximizing existing capital facility infrastructures, and so forth.

The recommendation that a State development plan be prepared is not meant to add a new overlay of regulations which would further complicate the development process, nor is it designed to unrealistically increase the workload of State planning agencies. The state development framework is viewed as a broad set of guidelines recommending corridors of short-, medium-, and long-range growth as well as areas to remain in their natural state in perpetuity. It would provide development density ranges for specific growth centers depending upon local employment growth, their location, holding capacity, and the like. States are currently required by HUD Section 701 Comprehensive Planning Grants to prepare a land use element of the comprehensive plan, albeit many have only begun to satisfy this provision. The land use plan can serve as the "hard product" of a State development framework. Local units of government would be required to consider the State framework in their own planning activities and derivative land use controls.

ESTABLISH STATE/REGIONAL POSITION ON: (1) RECOMMENDED INCLUSIVE HOUSING TYPES TO ACHIEVE DENSITY GOALS; (2) WHO SHOULD PAY FOR WHAT CAPITAL IMPROVEMENTS, AND WHEN; (3) REDUCED DEVELOPMENT DESIGN STANDARDS TO ACHIEVE LOWER COST HOUSING.

(1) Recommended Inclusive Housing Types to Achieve Density Goals

What was obvious from the foregoing analyses was an absence

of multi-family housing from the bulk of developing communities' zoning ordinances. Multi-family units are critical elements in the production of reduced cost housing. They are ideal for occupancy by young and old, childless households, groups which currently exhibit the greatest housing needs in terms of number of households to be satisfied. Yet, suburban communities inherently shy away from this type of housing development. They must be shown by some upper level agency responsible for coordinating development of greater scope than that which is taking place in a single community, what their specific role is in achieving regional and State housing needs and what housing types must be included in their ordinances to fulfill this role.

(2) Who Should Pay for What Capital Improvements, and When?

The question of who bears the costs of local capital infrastructure development/improvement is also an integral element of any program to provide for reduced cost housing. In subdivision regulation, the developer is not being "hurt" by overdesign in requirements for a community's basic hardware items rather his pain is evident in reaction to mandated capital facility contributions. These costs are passed on directly to the new housing consumer both initially, in the form of sales price and later in recurring monthly housing costs. The State, within overall objectives for capital facilities planning must assign responsibility to various echelons of government including procedures which will be used to finance these major additions.

(3) Residential Development design Standards to Assist in Achieving Lower Cost Housing

The State should review various trade and professional group design standards and develop a set of zoning, subdivision and environmental design standards that reflect the most current ideas which simultaneously provide for reduced cost housing while ensuring acceptable standards of community development. Potential sources to be reviewed are: HUD's Minimum Property Standards (Single-family and Multi-family), APA's Model Subdivision Regulations, Twin Cities Metropolitan

TABLE 5

COMMUNITY GUIDE TO POTENTIAL OVERDESIGN IN LOCAL LAND USE CONTROLS
 (Numerous "No" Responses Indicate Probable Local Overdesign)

Yes	No
_____	_____
(Check)	

I. ZONING ORDINANCE

Does your community permit/acknowledge:

Lot size/width - building size

- A. Lot sizes of less than 7500 ft.?
 B. Frontages of less than 60 ft.?
 C. Single family building size of less than 700 ft.?

_____	_____
_____	_____
_____	_____

Permissible housing types

- A. Multi-family development as of right?
 B. Garden apartment densities of 20-40 units per acre?
 C. Cluster or PUD development as special exceptions or permitted uses?

_____	_____
_____	_____
_____	_____

II. SUBDIVISION REGULATIONS

Does your community permit/acknowledge:

Streets

- A. Local road rights of way of less than 50 ft.?
 B. Local road pavement widths of less than 30 ft.?
 C. Cul-de-sac minimum diameters of larger than 80 ft.?
 D. Municipal responsibility for provisions of off-site road improvements?

_____	_____
_____	_____
_____	_____
_____	_____

Streetscape

- A. Municipal responsibility for provisions of street signs, street lighting and shade trees?

_____	_____
-------	-------

Street Hardware

- A. Grass drainage swales or asphalt w/raised edges in place of curbs and gutters for local roads?
 B. No sidewalks or sidewalks on only one side of the street?
 C. Sidewalk widths of 4 ft. or less?
 D. Block lengths longer than 800 ft.?

_____	_____
_____	_____
_____	_____
_____	_____

(Continued)

TABLE 5 (Continued)

	Yes	No
	(Check)	
<u>Sewerage</u>		
A. Septic tanks where sanitary sewer connections are costly or not feasible?	_____	_____
B. Sewer connection pipes of less than 8"?	_____	_____
C. Sewer tap-in-fees of less than \$50?	_____	_____
D. Municipal responsibility for provision of off-site sewerage facilities?	_____	_____
<u>Drainage/Storm Sewers</u>		
A. Municipal responsibility for provision of off-site storm/drainage improvements?	_____	_____
B. Manhole spacing of greater than 500 ft.?	_____	_____
<u>Water Facilities</u>		
A. Water main diameters of 6' or less?	_____	_____
B. Fire hydrant intervals of greater than 500 ft.?	_____	_____
C. Municipal responsibility for provision of off-site water facilities?	_____	_____
<u>Public Utilities</u>		
A. Above-ground utility installation?	_____	_____
<u>Land Dedication</u>		
A. Municipal responsibility for provision of land for open space/recreation purposes?	_____	_____
B. Municipal responsibility for provision of land for government (non-school) facilities?	_____	_____
C. Municipal responsibility for provision of land for schools?	_____	_____
<u>III. ENVIRONMENTAL CONTROLS</u>		
Does your community permit/acknowledge:		
A. Analytic EIS's of less than 50 pages on mutually agreed-upon environmental issues?	_____	_____
B. EIS's which satisfy local as well as regional or state EIS requirements?	_____	_____
C. Density increases in segments of the coastal zone immediately peripheral to designated critical areas?	_____	_____
D. Transfer of development rights to outside of the coastal zone?	_____	_____

Council's Modest Cost Housing Standards, ASCE's Development Standards, and similar documents.

A simple list of the type included in Table 5 should be promulgated and distributed to communities in zones of designated short-, and medium-range growth. This list will alert developing communities to existing overdesign, and to the degree that overdesign exists, provide them with a shopping list of necessary areas of ordinance review.

REDUCE FISCAL INCENTIVES FOR COMMUNITY OVERDESIGN; ESTABLISH FAIR SHARE MEASURES TO PROVIDE PRESSURE FOR DESIGN STANDARD CHANGES

States and regions must look to revenue sources other than the local real property tax to finance public servicing obligations. In the absence of such revenue shifts, tax base sharing must be implemented to more evenly distribute property tax rewards. These types of measures remove fiscal zoning as a rationale for the imposition of severe local design standards.

Most suburban communities would willingly leave the underhoused in central cities. It has been pointed out, however, that to achieve real capital gains in owned housing, moderate income families must participate in the preferred suburban housing market. Fair Share and other allocation and redistribution strategies serve this end. They should be implemented to establish a push force to local communities to provide an adequate share of lower-cost housing within their geographic bounds.

REQUIRE STATE AND LOCAL ENVIRONMENTAL IMPACT STATEMENTS TO CONFORM TO NEW CEQ GUIDELINES FOR FEDERAL AGENCIES; ENCOURAGE COMMUNITY-WIDE NRI's AND SITE SPECIFIC EIS's; REQUIRE CRITICAL AREA IMPLEMENTATION EFFORTS TO BE SENSITIVE TO HOUSING NEEDS WITHIN THEIR AREA OF CONCERN

Streamlined CEQ guidelines now affecting federal EIS submissions should be adopted at state and local levels. The new abbreviated, analytical EIS, dealing with only important local

environmental issues, should be used for project level impact evaluations. In addition, states should encourage both areawide EIS's and community wide NRI's. This will reduce the number of EIS's submitted and allow the EIS to contribute site specific information to a community in which environmental planning already exists.

National Coastal Zone initiatives to simultaneously house people and maintain sensitivity to critical environmental areas should be encouraged. Innovative development modes (PUD, Cluster, etc.) which do not impact severely on fragile lands yet maintain the density of development should be emphasized.

NECESSARY LOCAL ACTIONS

The following is a laundry list for local communities desiring to ensure against overspecification of local development regulations:

1. Review local ordinances to ensure that they include housing types which support both regional and State housing goals.
2. Eliminate developer contributions to capital infrastructure if other than development residents will benefit from required improvements.
3. Compare local development regulation standards with state or professional group guidelines for modest-cost housing.
4. Provide incentives (such as increased density) to developers willing to build modest cost housing.
5. Undertake community-wide NRI's or comprehensive plan EIS's to minimize the scope of project level EIS's.
6. Attempt to link planning, environmental and fiscal objectives via integrated land use controls, such as those in impact zoning.

7. Consider national demographic changes which suggest revisions in local housing/land use policy.
8. Periodically review recommendations stated above.

IV. ILLUSTRATIONS OF DESIGN MITIGATION PROGRAM INITIATIVES WHICH EXIST NATIONALLY

STATE/REGIONAL ACTIVITIES

STATE DEVELOPMENT PLAN BACKGROUND STUDIES RELATING TO DESIGN ISSUES

The last decade has witnessed a new range and intensity of State planning. This blossoming has been discussed in such recent publications as State Planning: Intergovernmental Policy Coordination, Land Use and the States, State Land Use Activity, and Land--State Alternatives for Planning and Management (18). These reports reveal that most States are already engaging in economic, population, environmental and social analyses which can serve as key empirical base documents in considering design issues. Maryland, for example, has formulated mathematical models showing the relationship between employment opportunities and change in population. These models have been used to project the magnitude and distribution of population in five year increments to the year 2000. Maryland has also established an automated geographic information system indicating key environmental features, existing land uses and the extant transportation and utility infrastructure.

New Jersey has a long history of preparing background studies to its 20 year State Housing Plan. Since the early 1970's it has developed and refined economic-population models and has made long range economic-demographic projections in such publications, as New Jersey 1980 and New Jersey Toward the Year 2000 (19). The State Department of Community Affairs (DCA) conducted one of the first state-wide inventories of existing land use controls, e.g., lot size-frontage and minimum house requirements, extent of multi-family zones, and the like. DCA has also repeatedly

projected housing needs for all 576 municipalities in the State. These allocations incorporated such factors as extant local housing deterioration and the goal of providing housing proximate to employment centers. DCA, with the State Department of Environmental Protection and Office of Coastal Zone Management has mapped environmentally precarious areas, e.g., wetlands and floodplains. All these analyses were considered in the formulation of the New Jersey Comprehensive Guide Plan.

Most often States already conduct many of the socio-economic and environmental background studies discussed above.

PLANNING-ZONING CONSISTENCY

Numerous jurisdictions require local planning and mandate that the land use regulations which are adopted be consistent with locally-derived and upper-level planning objectives. To illustrate, California requires that cities and counties prepare a plan which includes housing, land use and open space considerations (20). Zoning must be consistent with the goals of the adopted local plan. The California Land Use Law mandates that the "various land uses authorized by the (zoning) ordinance be compatible with the objectives, policies, general land uses and programs specified in such a plan."

Other States have similar legislation. The Local Government Comprehensive Planning Act (21) requires Florida communities to plan and to consider both mandatory and optional state objectives (provision of low-and moderate-income housing is a mandatory state objective). The Act also requires that development by government agencies and local land use regulations "be consistent with the adopted plan." The New Jersey Municipal Land Use Law (22) requires the preparation of a master plan. The plan is not merely a referral document but is supposed to be a current basis for local zoning and planning regulations. It must be periodically updated every six years and must contain a policy statement indicating its relationship to: (a) the land uses of contiguous municipalities; (b) the master plan of the county in which the municipality is located and; (c) the State Comprehensive

Guide Plan—a document recommending various growth strategies for different regions of the State.

Some of these reforms have been inspired by the ALI's Model Land Development Code (23). The code emphasizes planning. In Fred Bosselman's view the new proposals are consistent with the growing dissatisfaction with the "traditional concept of the plan as an advising document with no legal effect" (24). It is important to note, however, that the ALI code does not require municipalities to base land use controls on local land development plans. The code offers certain incentives to communities that do, but the bonuses offered (e.g., the power to allow PUD's, to develop "precise plans" and to acquire land for such precise plans) are not very alluring. Moreover, as pointed out by George Raymond (25), the code might discourage localities from adopting a plan, for once they undertake such an action, all of their land use policies are subject to State review. Not accepting a plan would limit State adjudication only to "critical areas".

FORMULATING A STATE DEVELOPMENT PLAN

Requiring planning-zoning consistency offers the advantage of more "rational" and orderly land use controls, but numerous states have felt it necessary to additionally influence the pace and direction of development by adopting State development plans. Most common are State plans which are not binding but serve as a device to communicate where the State believes different types and intensities of development should occur (termed by Healy as "guider plan" approaches) (26). Connecticut's State Plan for Conservation and Development is one such example. It specifies areas deemed most suitable for open space, limited development, or more intense urban development, taking into consideration such restraints as the water and sewer infrastructure and desired future land use relationships. The plan is directed at State agencies, local units of government and private developers. Connecticut attempts to use "moral suasion and wide publicity" to induce compliance. The recently published New Jersey Comprehensive Guide Plan identifies corridors of development and areas recommended for light or non-use such as the State's environmentally fragile Pinelands. As

noted, communities are required to consider the Guide Plan in formulating their own master plan.

In a few cases the State development plan, or framework, is more than just an advisory document. Oregon's Land Use Law (27) requires that cities and counties prepare a comprehensive plan and that local/county zoning, subdivision and other regulations be designed to implement the plan. A State Land Conservation and Development Commission is also authorized. The Commission established state-wide planning goals and guidelines, taking into consideration such factors as the location of public facilities, and critical environmental areas, e.g., wetlands or flood plains (28). The Commission then reviews State, City, County, and special district comprehensive plans and land use controls to see if they comply with the State criteria. If they do not, the Commission may prescribe and modify such plans and controls.

Some regional agencies have also formulated development plans. The Twin Cities Metropolitan Council is mandated by Minnesota Law to prepare comprehensive guides which "consist of a compilation of policy statements, goals, standards, programs and maps prescribing guides for an orderly economic development, public or private, of the metropolitan area" (29). The Metropolitan Council has responded to this charge by preparing and refining the Metropolitan Development Guide (30). The Guide delineates a Metropolitan Urban Service Area (MUSA) as the region within which residential development is actively encouraged. All communities within MUSA are given the responsibility for providing housing to satisfy both local need and the needs of "persons of a range of incomes". The Guide additionally specifies different development strategies for the sub-areas within MUSA (e.g., center cities, fully developed suburbs, areas of planned urbanization, freestanding growth centers, etc.) in terms of what type of housing and land use policies should be emphasized.

The Development Guide has served as a working document. The Council's housing strategies, such as fair share, have been incorporated into the plan and the Guide is used for reviewing applications under the A-95 procedure. The Guide even serves as the framework which the Metropolitan Council

uses to review local and County comprehensive plans as required by Minnesota's 1976 Metropolitan Land Planning Act.

STATE DEVELOPMENT PLANS AND DESIGN STANDARDS

While State development plans have not formally specified specific local design standards, some States have recommended less stringent but still reasonable regulations. Florida, for example, recently published Reduced Housing Costs which suggested (31): (a) allowing higher density zoning, e.g., PUD's and accepting smaller houses with fewer amenities; (b) reducing subdivision standards for roads, utility line installation, curbs/gutters and sidewalks; and (c) encouraging cluster development with cul-de-sacs and loop streets which reduce lot costs.

New Jersey has published A Guide for Residential Design Review (32). While this document focuses on specifying appropriate local procedural review of subdivision applications, it does suggest less stringent regulations. To illustrate, it indicates that single-family homes be permitted at densities as high as eight units per acre, townhouses at densities of 12 units per acre, garden apartments at up to 30 units per acre, and high-rise construction at 50 units per acre.

The Metropolitan Council has published recommended design standards to encourage "modest cost" housing. Its Advisory Standards (33) publication recommends that local ordinances should not: (a) require garages; (b) require lot sizes for single-family detached homes any larger than 6,000- to 8,000-square feet or a density of five to seven units per acre in all or portions of sewered communities; nor (c) include a house size requirement at all, since minimum house sizes are adequately provided for in the state building code (600- to 700- square feet for two- and three-bedroom single-family homes).

IMPLEMENTATION MEASURES: FAIR SHARE

In recent years, several States and regional planning bodies have enacted fair share plans. Fair share has been fostered by numerous influences such as: (a) advocacy for, and growth

of, regional responses to housing-land use problems; (b) attendant growing Federal support for regional planning agencies, e.g., Councils of Government; and (c) support by courts in New Jersey, Pennsylvania, New York and other States for a "fair share" solution to eliminating exclusionary zoning (34). Since 1974, fair share has been further encouraged by HUD's Housing Opportunity Plan (HOP) which authorizes the allocation of bonus Section 8 and Section 701 funds to jurisdictions with a HUD approved Housing Opportunity Plan--in effect, a fair share system.

Two States, Massachusetts and New Jersey, have the most extensive fair share plans. Massachusetts' "anti-snob" zoning law was enacted in 1969 (35). While it did not allocate exact counts of housing for each local unit of government, it did establish minimum and maximum goals. The program operated through an appeals process. Sponsors of low- and moderate-housing income would file a single comprehensive permit request with the local board. It was hoped that consolidation of the approval process would expedite construction of lower-cost housing. In the event that the local board rejects the housing applications, the developer could appeal to the State board, the Housing Appeals Committee of the Department of Community Affairs. This committee reviews proposals and comes to a decision by balancing local planning objectives against regional need for low- and moderate-income housing. The Massachusetts statute requires the committee to uphold a local board's rejection of a permit if the locality has met a statutory minimum production of low- and moderate-income housing.

New Jersey has the most extensive state fair share program. The state has allocated a total of 520,000 housing units to be built over a 12-year period. All 576 local jurisdictions are assigned a housing production goal. The local fair share is determined by taking into account such factors as local housing deterioration and population-employment growth.

The New Jersey courts have recognized fair share as an appropriate housing strategy and the State has attempted to foster implementation by issuing Executive Order 35 (36) which links State aid to the level of local implementation of

the housing allocation.

Numerous regional planning agencies have also enacted fair share strategies. Prominent examples include allocation plans developed by the Miami Valley Regional Planning Commission ("Dayton Plan"), the Metropolitan Twin Cities Council, The Washington Council of Governments (COG), and Puget Sound COG (37).

How have the allocation plans fared? Only a few (e.g., the Dayton Plan and the Metropolitan Council's effort) have achieved any notable success, albeit far from "opening up the suburbs". The limited success is due to several factors. The plans' allocation of specific numbers of units to local jurisdictions has troubled both the initiators of the strategies and those charged with enforcement (e.g., the courts) as being arbitrary. The focus of the fair share plans is another limiting trait. Most strategies allocate subsidized units only. This narrow purview limits the effectiveness of fair share, especially during periods of Federal retrenchment of housing assistance. The enforcement of the fair share allocation is an often undefined or unaccepted obligation. Legislative and executive bodies have usually been hesitant to press for local adherence because of the plan's controversy and conflict with "home rule" sentiments. The courts have also clearly been uncomfortable in "legislating" or enforcing specific fair share plans.

IMPLEMENTATION MEASURES--FISCAL CHANGES

Since the 1960's, many states have substantially increased their intergovernmental assistance to municipalities and school districts, thereby lessening the local tax burden for support of public services. In some cases this change has been prompted by court decisions declaring the financing of schools from the local property tax to be unconstitutional. The Serrano decision in California and Robinson (38) decision in New Jersey forced both states to substantially increase their allocations to local schools. Other States (e.g., Connecticut and New York) are currently under court order to implement similar reforms.

There are more limited instances of regional tax base sharing, a strategy which would similarly reduce the local fiscal pressures resulting from growth. A prominent example is Minnesota's Fiscal Disparities Bill (39). Enacted in 1971, the bill guarantees every unit of government in the Twin Cities area a share of the total commercial-industrial tax base regardless of where future commercial and industrial growth occurs in the Twin Cities region. Under this plan, each community receives a share of the region's commercial-industrial ratables according to a prescribed formula. Wealthier communities with comparatively high property valuations receive smaller shares than their less affluent counterparts, and larger communities receive more aid than their smaller neighbors. In sum, the formula attempts to allocate to those areas with the most need.

These financing changes would reduce the fiscal pressures which have led communities to require large lot zoning and mandate that developers provide many utility and infrastructure improvements. The financial reform should also make localities more amenable to regional land use schemes, (e.g., fair share, adhering to a State regional land use plan), because regionalism no longer threatens a precarious local tax base. The existing fair share track record lends credence to the argument that allocation is more palatable when it does not cause a severe local fiscal hardship. Fair share's comparatively easy acceptance in Minneapolis-St. Paul and in the Greater Washington, D.C. area may be attributed, in part, to the fact that, in both areas, most school costs are paid by extra-local bodies, such as Counties. In contrast, one reason for vociferous opposition to regional allocation in New Jersey stems from that State's financing system, which places virtually the full school funding burden on localities.

It is important to realize, however, that increased state funding of local public services would not always eliminate the fiscal reasoning of exclusionary land use policies. For example, under many State school aid programs, affluent districts receive only a token flat grant per pupil. Moreover, the revised programs in States such as California and New Jersey actually reduce the assistance to many wealthy communities. These jurisdictions would have no incentive to

allow less stringent land use controls and even might be tempted to require additional developer improvements to reduce the public servicing cost. A more fundamental drawback is that fiscal concerns are only one motivation for existing land use controls. Other contributing forces include hostility to multi-family housing and a desire to retain a "rural" atmosphere by allowing only low-density housing. Public financing reform does not address these influences on local design standards.

Other fiscal "stick and carrot" strategies, such as reducing State aid to communities who retain restrictive controls or offering additional assistance to cooperating localities perhaps offer greater potential. Yet few jurisdictions have enacted or have forcefully implemented such measures. To illustrate, New Jersey's Executive Order 35 was not enforced and, in fact, led to resolutions for state constitutional changes to prohibit such executive actions.

The most potent fiscal stick strategy is offered by the A-95 review program. States and many regional planning agencies are A-95 clearinghouses and, as such, review local applications for Federal aid. A negative comment by a clearinghouse does not automatically invalidate the grant proposal but may hinder or delay its acceptance. Some clearinghouses, such as the Metropolitan Council and MVRPC, have effectively used their A-95 power to force local compliance with fair share and other land use reform efforts. Most clearinghouses, however, have declined to take what is clearly a controversial action.

LOCAL ACTIVITIES

REVIEW LAND USE REGULATIONS AND PROVIDE FOR A RATIONAL BASIS FOR ZONING

There are some outstanding examples of communities attempting to determine how they will control growth and to search for an empirical, often environmental, basis for local controls. Medford Township (New Jersey) for example, prepared a natural resource inventory and a local capability analysis (40). This "carrying capacity" study then served to

guide preparation of a development control ordinance, a growth management plan and performance design standards.

Duxbury, Massachusetts has adopted the land use control strategy of "impact zoning". The technique relates land use demands to land use capacities, assesses the consequence of proposed land use changes, and provides a legislative and administrative framework for land use management.

Before adopting impact zoning, Duxbury had a minimum of one-acre zoning and a set of conventionally specified subdivision regulations. The community now allows a range of higher-density housing (e.g., multi-family and attached single-family at densities of up to six units per acre), and also has adopted performance subdivision regulations. Developers have the right to negotiate with Duxbury concerning which improvements are needed in a specific project (e.g., street width, should sidewalks be provided?) and also how improvement standards can best be met.

It is important to note, however, that while impact and carrying capacity zoning allows flexible standards, it also sometimes increases developer "front-end" costs in terms of the time land must be held. Additional town-developer negotiations are often the norm, and there is greater uncertainty concerning how and what types of development will be allowed. In sum, there is some question whether the potential savings from adopting "empirically based" standards is not offset from added expenditures arising from the more flexible, but often less specific, land use system.

To encourage less stringent local design standards, some States and regional planning agencies have suggested guidelines for local self-review of land use regulations. The Metropolitan Council has published the following guidelines (41):

1. Have the cost impacts of the land use regulations been examined? Have the local requirements been compared to national model codes and to the advisory standards recommended in this report? (Advisory Standards for

Land Use Regulations)*.

2. Do the zoning and subdivision requirements exceed the lot size, house size and garage standards recommended in this report? In all single-family zoning classifications?
3. If lot size and density exceed the standards, is the need for the local requirements identified as part of specific policy and planning determinations for the community? Are there unique soil, environmental, or planning considerations which require the higher standards?
4. Does the zoning ordinance require a minimum house or dwelling unit floor area? If so, has the community identified why a local requirement is necessary in view of the house size requirements in the Minnesota Uniform Building Code?
5. Does the zoning ordinance require garages for single-family homes? If so, why is this necessary to protect health, safety and welfare or carry out other intents of the community's zoning ordinance?
6. Are housing developers planning and building dwellings according to the minimum standards? Has interest been expressed by developers in building units on smaller lots or smaller homes than are permitted under the current requirements?
7. Are there a significant number of requests made for variances for these zoning and subdivision standards? Are such variances regularly granted for smaller lots, smaller homes or reduction in garage requirements?
8. Does the comprehensive plan contain policy relative to housing needs, costs, types and densities?
9. Does the comprehensive plan call for a review or reaffirmation at specific intervals?

* See bibliography for full description

IMPLEMENT MINIMUM DESIGN STANDARDS

Numerous communities have followed this strategy. As an example, Oshawa, Ontario has adopted lower standards for lot areas and setbacks and increased lot coverage in residential areas (42). House size requirements were reduced from approximately 1,100 to 750 square feet. Lot size standards were also modified, e.g., townhouses could be built at densities of up to 20 units per acre, as opposed to a previous density ceiling of about 10- to 15-per acre.

The revised controls are an outgrowth of a study entitled, Density, Liveability and Cost in Single-Family Detached Housing (43). This analysis evaluated the functional need and relationship between existing different design standards and recommended less stringent, but still satisfactory, zoning and subdivision criteria (44).

Several communities in New Jersey have revised their land use controls in response to the Mt. Laurel (1973) and Oakwood at Madison vs. Township of Madison (1977) decisions (45). Mt. Laurel emphasized the municipal obligation to provide for a fair share of regional housing need. Madison stressed the obligation of developing municipalities to adjust their zoning regulations so as to not preclude the construction of "least cost" housing consistent with health and safety standards.

The "least cost" concept establishes an obligation by communities to withdraw or modify stringent land use controls which unnecessarily increase the cost of housing. Such controls might include large lot size and house size requirements, prohibition or limitation of higher-density or multi-family housing and unnecessary subdivision regulations.

There has been a cautious local reaction to Mt. Laurel and Madison; many communities are waiting for further clarification by the courts. The changes in local design requirements have usually taken the form of (a) allowing Planned Unit Development as a special exception or permitted use; (b) permitting construction of single-family attached or condominium units; and (c) downzoning to allow limited construction of smaller single-family homes on reduced-size lots.

V. DESIGN STANDARDS: BIBLIOGRAPHY

INTRODUCTION

- A. Zoning and Subdivision Regulations: Housing Cost and Other Impacts
- B. Zoning and Subdivision Regulations: Background, Standards and Current Practice
- C. Environmental Controls: Housing Cost and Other Impacts
- D. Environmental Controls: Background and Current Practice
- E. Innovative Strategies: The Search for a More Effective and Equitable Land Use System

Part A annotates selected significant studies focusing on how zoning and subdivision regulations influence the cost of housing and the housing delivery process. Part B supplements this discussion by listing important reports considering the evolution and interrelationship of current design standards or recommending model zoning and subdivision criteria.

The bibliography on environmental controls is organized in an analogous fashion. Part C annotates significant studies considering how environmental impact statement, coastal zone and other environmental requirements affect housing cost. Part D cites reports and studies, which summarize the history, evolution and interrelationship of the various environmental controls.

Part E concludes the bibliography by providing citations of selected studies dealing with specific innovative land use strategies, such as impact, performance and inclusionary zoning, density bonuses and State and regional agency review of local land use controls.

A. ZONING AND SUBDIVISION REGULATIONS: HOUSING COSTS AND OTHER IMPACTS

Boeck, Graydon R. Residential Land Development, Planning, Utilities and Streets. Report prepared for the Government Regulations Subcommittee, Modest Cost Housing Advisory Committee. Minneapolis: Metropolitan Council, October 6, 1979.

Boeck examines existing zoning and subdivision regulations in the Twin Cities region and recommends less stringent but still satisfactory standards. For example, instead of requiring a minimum one-quarter-acre lot for single-family houses and such subdivision requirements as 80' street right-of-way, and 44' street collector width, Boeck suggests that 7,500 square foot lots, 60' street right-of-way, and 36' collector width standards be allowed. The revised criteria would reduce land and improvement costs from approximately \$6,400 to \$4,000 per lot.

This analysis is an "engineering" approach to examining zoning and subdivision regulations. The less stringent standards which are recommended are justified as being accepted by national regulatory bodies, e.g., professional engineers association, or by "proven" field experience. While limited in applicability to the Twin Cities area, Boeck's study is thorough and clearly attempts to specify what are excess land use control requirements and to what extent they inflate the cost of housing.

Lincoln, James R. Jr., Coddington, Dean C. and John R. An Analysis of the Impact of State and Local Government Intervention in the Homebuilding Process in Colorado. Denver, Colorado. Bickert, Browne, Coddington and Associates, April, 1976.

Study examines regulatory cost impact in Colorado by considering nine case studies of housing development. The analysis concludes that between 1970-1975, new or more stringent government regulations increased the costs of a single-family home from six- to eight percent. Over half

of the cost increase results from added site development expenditures, water sewer permit fees and land dedication fees. The remainder is the consequence of unnecessary construction standards and procedures, e.g., requiring smoke detectors and furnace air intake ducts as a consequence of overrestrictive building codes.

Metropolitan Council. Advisory Standards for Land Use Regulation. Minneapolis, Metropolitan Council of the Twin Cities; Advisory Land Use Standards for Multi-family Housing. Minneapolis Metropolitan Council of the Twin Cities, December, 1978.

Both reports discuss the factors contributing to the high cost of housing and recommend less stringent local land use regulations. For single-family construction, the analyses suggest allowing a density of five to seven units per acre and eliminating garage requirements. For multi-family construction, the reports recommend (a) allowing densities of up to 20 units per acre (where suitable); (b) not requiring the construction of garages; and (c) not requiring an excess of 1.5 off-street parking spaces per unit.

Both documents are designed to help convince and guide localities to revise their land use regulations to permit less expensive housing. They are the outgrowth of previous empirical investigations such as the Modest-Cost Housing in the Twin Cities Metropolitan Area.

Metropolitan Council, Modest-Cost Private Housing Advisory Committee. Modest Cost Housing in the Twin Cities Metropolitan Area. Minneapolis: January 15, 1977.

The Council considers the escalating cost of housing in the Twin Cities region and evaluates how government regulations can be modified to reduce housing costs. The main recommendations are to: (a) reduce zoning requirements to allow single-family homes on 7,500 square foot lots; (b) eliminate local building size requirements (building size would be regulated by the Minnesota Building Code - approximately 600 square feet for two-bedroom houses

and 700 square feet for three-bedroom houses); and (c) eliminate local requirements for garages. The report estimates that allowing smaller lots could reduce costs by about \$2,500, while eliminating garage requirements could save between \$3,500 (one-car garage) to \$4,750 (two-car garage). The cost saving potential of eliminating local house size requirements is not specified.

The Twin Cities report makes other recommendations to reduce costs including: (a) allowing more innovative building codes; (b) modifying public improvements and design specifications; (c) coordinating government regulations; (d) charging more reasonable fees; (e) providing incentives (e.g., additional State aid) to communities enacting cost sensitive land use regulations; and (f) having government units (State, County, and local) absorb the costs for public improvements when the benefits are areawide.

This analysis is one of the most extensive discussions of strategies to reduce housing costs through less stringent government regulations. It also contains a comprehensive appendix of minimum zoning standards recommended by several different national organizations.

Minnesota Housing Institute. The Multiplicity of Factors that Contribute to the Cost of Housing. Minneapolis: April 1974.

The Institute considers a hypothetical subdivision development and examines the cost impact of building codes, municipal charges and fees, land development costs, structural requirements, and financing and real estate costs. State and local requirements are often determined to be excessive--not yielding benefits commensurate with the added costs.

The Institute also explores alternative regulatory modification models which offer potential cost savings. The models include variations of lot and house size, setback and frontage standards, ground preparation requirements and the presence or absence of a garage. The monograph

concludes that structure size is the most significant cost component, followed by land development standards and the presence or absence of a garage requirement. It recommends adoption of less stringent public requirements (e.g., allowing higher-density single-family construction).

Real Estate Research Corporation. Home Construction Cost Increase: St. Louis County, Mo. Chicago: Real Estate Research Corporation, September, 1975.

Study considers the 1970-75 increase in lot development and building costs in St. Louis County as a result of more stringent government regulations. It estimates that new requirements for street lighting, greater collector street widths, higher permit and inspection fees, upgraded electrical systems, etc., inflated typical tract single-family housing costs by \$1,600 to \$2,500. The analysis does not, however, differentiate between "reasonable" and "excess" government regulations.

Regional Planning Council (Area Housing Council). Development Regulations and Housing Costs. Baltimore: September, 1975.

The Area Housing Council, an advisory group to the Baltimore Regional Planning Council, examines procedural and substantive housing development requirements in the Baltimore region. This study, an update of the 1973 Public Improvements Costs Analysis by the Planning Council, expands the earlier report by considering local review and approval procedures, e.g., permitting, sewer and EIS clearance requirements, in addition to subdivision standards. The report recommends simplifying and clarifying government regulations and eliminating repetitive activities.

Regional Planning Council. Public Improvement Costs for Residential Land Development: A Comparison of Five Counties in the Baltimore Region. Baltimore: Regional Planning Council, December 1973.

Report utilizes case studies and a "hypothetical building block approach" to detail varying land development requirements and cost for four housing types: low-density single-family (one unit per acre); higher-density single-family (four units per acre); townhouses (eight units per acre); and garden apartments (sixteen units per acre). Land development costs include street, storm drain, water, sewer, and street-scape improvements.

Land development costs in the five Baltimore Counties range from \$4,100 to \$5,000 per unit for low-density single-family construction; between \$3,400 and \$4,600 for higher-density single-family projects; between \$1,900 and \$2,500 for townhouses, and between \$660 to \$1,100 for garden apartments.

The Area Council study is descriptive, specifying development expenditures resulting from all government regulations. It notes, however, frequent instances of higher standards which do not "bear any relationship to efficiency and safety considerations." The report recommends more uniform and reasonable public land development regulations.

Sternlieb, George and Sagalyn, Lynne. Zoning and Housing Costs. New Brunswick, N.J.: Center for Urban Policy Research, Rutgers University, 1972.

Monograph examines the impact of various exclusionary land use controls upon housing costs. It concludes the public policy decisions pertaining to minimum zoning requirements are significant factors in explaining market value. The size of the house, directly affected by the minimum size regulations and indirectly conditioned by minimum lot size requirements, is the single most important factor explaining selling price variation. Lot size and lot frontage specifications are also highly significant. Subdivision regulations are not statistically significant in explaining price variation, but the analysis notes that subdivision requirements decrease with increased local zoning standards, which themselves inflate housing costs.

Sternlieb and Sagalyn also consider the impact of allowing less stringent land use regulations. Reducing minimum single-family lot size from one acre to one-quarter acre, permitting 100 foot frontage (instead of 200 feet) and reducing minimum house size from 1,600 to 1,200 square feet would reduce the predicted selling price of a \$45,000 single-family home to about \$38,000--a saving of approximately 15 percent.

The Sternlieb-Sagalyn study is one of the first empirical investigations of the cost consequences of local zoning and subdivision regulations. It does not focus on "excess" regulations, but rather illustrates the considerable effect of the full set of local controls on aggregate selling price.

Seidel, Stephen R. Housing Costs and Government Regulations New Brunswick, N.J.: Rutgers University Center for Urban Policy Research, 1977.

See General Purpose Articles for overall description.

Chapters Seven, Eight, Ten and the Afterword of this study consider the housing cost impacts of excess zoning, subdivision and environmental controls. Seidel cites numerous cases of local design standards which are in excess of basic but acceptable criteria, e.g., one-quarter-acre lot size, sidewalks on one side of the street, and so forth. The influence of EIS, coastal zone and other environmental requirements are also traced.

Monograph estimates that excess zoning standards can increase single-family home cost by about 6.4 percent (\$3,200 in additional costs) and excess environmental requirements by .05 percent (\$250 additional cost).

This analysis is one of the few attempts to define what is meant by the "excess costs of government regulations." These costs are divided into three categories: direct costs, the costs of delay and uncertainty, and the costs of unnecessary or overrestrictive requirements. Seidel also summarizes most of the extant literature examining the costs and other implications of public land use controls.

U.S. General Accounting Office. Why Are New House Prices So High, How are They Influenced by Government Regulations, And Can Prices be Reduced. Washington, D. C.: Government Printing Office, 1978.

See General Purpose Articles for overall description.

Report considers subdivision and zoning requirements in 87 communities and compares these to less expensive alternative criteria approved or recommended by HUD and other government agencies, or professional organizations. It identifies numerous excessive and cost-increasing requirements for site improvements, lot size, land dedication, municipal fees, subdivision review, and approval processes. The most restrictive communities required standards which raised street and site improvement costs by as much as \$2,700, required land dedications amounting to \$850 per single-family home, imposed municipal fees as high as \$3,300 per home, and local reviews and approval processes that took up to 21 months. Housing construction standards (as specified by building codes) were judged much less restrictive though still a factor inflating housing prices. There is little discussion of the rationale used to assign cost increases or to identify restrictive standards, however.

The analysis also notes that housing costs have increased as a result of: (a) market demand by buyers designing larger homes with greater amenities; (b) the belief by builders that more expensive lots necessitate larger, more profitable homes; and (c) continued builder reliance on traditional construction materials and techniques because of preference, familiarity, or consumer demand. The hypotheses are given only minimal empirical documentation, however.

The Comptroller General recommends that housing prices could be reduced by (a) initiating research to determine what type/size less-expensive homes could be marketed; (b) offering tax incentives and other financial credits to builders offering less expensive homes; (c) exploring changes in capital gain tax treatment which might

encourage purchase of such housing units; (d) establishing HUD approved land development standards; and (e) providing technical assistance

U.S. Department of Housing and Urban Development. Final Report of the Task Force on Housing Costs, Washington, D.C.: Government Printing Office, 1970.

A general, policy-oriented report detailing potential corrective measures to mitigate increases in housing costs. The analysis first considers the macro forces affecting housing construction: housing industry cycles, national monetary policy, national tax policy, increasing government regulations, unstable money supply, constrained labor markets, resistance to innovation, special housing needs, utility charges, taxes, and hazard insurance, and inadequate basic research. It then focuses on three substantive areas: (a) land supply and development; (b) building and technology; and (c) financing money markets and marketing.

The Task Force did not conduct original research but cites relevant current analyses. For example, in considering availability, reference is made to a report by the American Bar Association noting that 99 percent of the undeveloped land in the New York Metropolitan Area is restricted to single-family housing and that more than one-half of Connecticut's vacant land zoned for residential use is for minimum lots of one- to two-acres.

Extensive policy recommendations are made both to address the identified national macro problems (e.,g. to review national monetary and tax policies affecting housing) and to meliorate the substantive deficiencies of land supply and development, building and technology, and financing. For instance, the Task Force recommends that more land could be made available through such actions as: (a) developing minimum standards for use by HUD in evaluating local land use controls; (b) developing technical information and advisory guidelines for local regional and state bodies; (c) encouraging substate regional councils to develop regional standards in land supply and land-use

relationships; and (d) supporting these compliance efforts through the disbursement of federal funds.

Weidenbaum, Murray L. "Government Regulations and the Cost of Housing" Urban Land Vol. 37, No. 2, (February, 1978) pp. 4-5.

Article summarizes different studies specifying increasing housing costs as a result of government regulations. It recommends that (a) government use regulatory controls sparingly and with discretion; (b) developers should voluntarily respond with an improved building package; (c) interest groups must increase their sensitivity to economic factors; and (d) academic research should pursue the specific effects of the broad array of government controls.

B. ZONING AND SUBDIVISION REGULATIONS: BACKGROUND, STANDARDS AND CURRENT PRACTICE

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Williams, Norman, Jr., and Norman, Thomas. "Exclusionary Land-Use Controls: The Case of Northeastern New Jersey," Land-Use Controls Quarterly, No. 4, p.1 (Fall, 1970).

C. ENVIRONMENTAL CONTROLS: HOUSING COST AND OTHER IMPACTS

Brooks, Mary E. Housing Equity and Environmental Protection. Washington, D.C.: American Institute of Planners, 1976.

The main thesis of the monograph is that there is no irreconcilable conflict between environmentalists and groups espousing lower cost housing for the poor and minorities, but rather that housing rights and environ-

mental protection are interconnected. Part of the analysis considers case studies detailing the residential costs of environmental protection. Brooks concludes that the direct costs (e.g. preparation of an EIS) of environmental reviews are negligible but that environmental protection programs, by causing delays and other uncertainties, add to the vulnerability of the development process.

The Brooks study is one of the first to stress the need for environmentalists to be sensitive to the cost implications of environmental controls and to argue that there are many common goals shared by both environmentalists and developers. (See also Healy, "Environmentalists and Developers: Can They Agree on Anything" in this bibliography.)

California Environmental Studies

California has been a leader in promulgating State environmental review procedures. Many studies have been conducted in the State to compare the benefits versus costs of the environmental impact statements, coastal zone requirements and other environmental regulations. The most prominent California analyses are cited below as discussed by the National Association of Home Builders.

Construction Industry Research Board. Cost of Delay Prior to Construction, (March, 1975).

The California Environmental Quality Act of 1970 demands impact reports for both public and private projects. Costs caused by this review are identified in this report to be balanced against the environmental benefits of the review process. Three cost components of time delay between acquisition and construction are identified: holding costs, inflation and overhead costs. The average delay cost is estimated to equal 20 percent of residential single-family project prices.

Construction Industry Research Board.

Economic Analysis of the California Coastal Zone Conservation Act, (May, 1976).

Evaluation of the effect of regulatory commissions charged with the responsibility to implement coastal zone management controls on building activity. During the three years of their operation (1973-1975), the 15 commissions have denied 488 permits at a total value of \$439,541,600. Additionally, it is assumed that some unknown percentage of 618 permits voided during this time were withdrawn due to factors associated with compliance with coastal zone regulations.

Real Estate Research Corp. Business Prospects Under Coastal Zone Management. (March, 1976).

Focusing on the economic impact of public investment, this study explores the influence of Coastal Zone Management on public expenditures, land values, investment opportunities and business profitability. The information is presented in three sets of matrices.

The study concludes that:

"The economic benefits of CZM in California will, at a minimum, offset non-compensated losses in land value or business opportunity. The positive effects of a more attractive, secure physical environment, combined with greater efficiency attained by the elimination of urban sprawl, will outweigh these losses overall."

Comptroller General of the United States. Environmental Assessment Efforts for Proposed Projects Have Been Ineffective. Washington, D.C.: Government Printing Office, 1975.

Critical report of HUD's environmental impact statement (EIS) procedures. Comptroller evaluates HUD preparation/review of environmental impact statements for selected Federally insured/guaranteed projects and notes numerous deficiencies including: (a) inadequate consider-

ation of alternatives to the proposed projects and environmental consequences; (b) ambiguity concerning appropriate level of environmental clearance process and/or not preparing a statement where required; (c) inadequate independent environmental assessments; and (d) the failure of environmental impact statements to serve as input for effective policy and decision making. The Comptroller recommends policy improvements, including establishing better review procedures and criteria, using outside experts where needed, and creating a formal training program for HUD clearance personnel.

The Comptroller analysis does not specify the cost of EIS preparation and review, but stresses the need to streamline the environmental review procedure, eliminate unnecessary "bulk", and make EIS more meaningful and policy orientated.

Healy, Robert G.

Environmentalists and Developers: Can They Agree on Anything. Washington, D.C.: The Conservation Foundation, 1977.

Healy argues that there are numerous emerging bases for agreement between environmentalists and developers such as the latter, for economic reasons, tending to construct smaller projects which pose less of an environmental impact. The report recommends joint action by the two groups to encourage non-prescriptive planning and more flexible zoning; to reduce unnecessary infrastructure requirements; and to take other measures to encourage affordable, environmentally sound projects.

James, Franklin J., and Muller, Thomas. "Environmental Impact Evaluation, Land Use Planning and the Housing Consumer," Journal of the American Real Estate and Urban Economics Association. (Fall, 1977), Vol. 5 No. 33 pp. 279-341.

See General Purpose Articles for overall description.

After describing environmental impact review (EIR) re-

quirements, the article considers EIR cost impact. Expenditures amount to \$192 per housing unit in Florida (about 0.5 percent of the cost of the single-family homes examined) and \$115 in California (0.3 percent of the cost of a home in this location). Approximately 17 percent of the EIR expense is attributed to the direct cost of preparing the environmental review (e.g. consultants' fees). The remaining expenditure (outside of a negligible amount for public sector review), results from the added delays imposed by the EIR process. Delays are costly in that they increase carrying charge costs for interest payments, property taxes, and general overhead expenses.

As an outgrowth of the EIR evaluation described above, the Urban Land Institute published, State Mandated Impact Evaluation: A Preliminary Assessment (1976) considers the cost and effectiveness of State-mandated environmental impact reviews in California, Florida, Montana, and Wisconsin.

These analyses and the Richardson study, The Cost of Environmental Protection, are the most detailed empirical investigations of the cost implications of environmental procedures. All reach similar conclusions--the requirements inflate costs by less than one percent of the housing unit selling price, primarily due to processing associated delays.

Richardson, Dan K. The Cost of Environmental Protection--Regulating Housing Development in the Coastal Zone. New Brunswick, N.J.: Rutgers University Center for Urban Policy Research, 1976.

One of the first analyses to empirically document the costs of complying with coastal zone management procedures/reviews. It examines 21 residential developments in New Jersey and monitors the cost impact of the New Jersey's Coastal Area Facility Review Act (CAFRA).

The study concludes that the expenditures incurred by a developer as a result of the standard regulatory process in New Jersey amount to \$4,584 per single-family unit and

\$2,185 per multi-family housing unit. As a result of New Jersey Coastal Zone Program compliances, these costs increase to \$4,720 for single-family units and \$2,310 for multi-family units--an added expense of \$136 and \$125 respectively.

The Richardson study essentially confirms Muller and James' findings as to the relatively small impact on housing costs of non-permitting related environmental controls. It is further useful in that it provides several alternative models of where and when the state may enter the local review process and the costs of delay associated with these various entry points.

U.S. Commission on Federal Paperwork, Report on Environmental Impact Statements. Washington, D.C.: Government Printing Office, 1977.

Report considers the time and "paperwork" consequences of Federal environmental impact statement (EIS) requirements. The analysis examines various housing related EIS issues, such as the variations between HUD, FMHA and VA in their specification of project size thresholds when an impact statement must be prepared. Policy recommendations for improving the EIS process are given, including (1) preparing an areawide EIS; (2) establishing interagency agreements for determining lead/joint agency EIS responsibility; (3) incorporating the draft EIS into initial project planning documents; (4) developing environmental resource inventories; and (5) allowing/encouraging, where appropriate, a summary document instead of a largely descriptive EIS.

U.S. Council on Environmental Quality Environmental Impact Statements: An analysis of Six Years Experience by Seventy Federal Agencies. Washington, D.C.: Council on Environmental Quality, 1976.

CEQ evaluation of the 1970-1976 experience of Federal agency EIS preparation and review. The report concludes that the EIS process has, in general, been successful in improving decisions affecting the environment but has not

always been consistent nor as effective as possible. Recommendations are given for improving: (a) EIS triggering--when a statement must be filed; (b) EIS focus--the optimal statement emphasis and format; (c) EIS relevancy--how needless bulk and narrative can be eliminated; (d) EIS timing--what strategies can streamline the procedure; (e) communication of the EIS findings; and (f) interagency cooperation.

D. ENVIRONMENTAL CONTROLS: BACKGROUND AND CURRENT PRACTICE

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E. INNOVATIVE STRATEGIES: THE SEARCH FOR A MORE EFFECTIVE AND EQUITABLE LAND USE SYSTEM

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 27. Ore. Rev. Stat. 197.015 (1973).
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 31. Florida Department of Community Affairs, Reducing Housing Costs (Tallahassee, Department of Community Affairs, 1977).
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INCREASING THE SUPPLY OF LAND IN THE FRINGE AREA

Robert C. Einsweiler

Robert Einsweiler's work at the University of Minnesota and with local, State, Federal, and international clients deals with planning processes, development management systems and government organization and structure.

I. APPROACH TO THE PAPER

The Conference focus is on actions to hold down rising costs of housing. Land cost is a key and rising component of housing costs; land supply is a major component of land cost. Further, land supply is affected by three other Workshop topics--development standards, permitting procedures, and allocating costs. This interrelated nature increases the importance of keeping the focus on supply in this Workshop. Ties across to the other topics will be identified, but rarely pursued in depth in this paper. Workshop discussions will doubtless extend these lines further.

Adequate empirical studies of cause and effect related to land supply are non-existent. Therefore, suggestions are sometimes made that move in the right direction even though the potential magnitude of effect is not known. At other times the analyses are based solely on logic. Workshop members will have to verify or amend these proposals based on their own experiences or knowledge of studies. The position taken is that State and local governments should act, insofar as technically possible and politically feasible, to ensure an adequate supply of land at reasonable cost, even though parts of the task are beyond their grasp.

Since this paper is intended to facilitate discussion, the final three sections are organized to promote moving from the problem through causes to solutions as follows:

Part II: Defining the Problem. Trims the scope and presents a

view of planning and development that structures the remaining discussion.

Part III: Problem Causes and Current Attempts to Overcome Them. Explores what is being done and discusses the strength and weaknesses of some of these partial solutions.

Part IV: More Fundamental Solutions. Identifies a range of actions from information to public ownership that can attack a number of the causes simultaneously.

The examples given are illustrative. The Twin Cities Metropolitan Council is referred to at various points throughout because it has addressed many of the issues raised and done so with the participation of developers, elected officials and citizens. The recommendations are choices for discussion. The Workshop agenda will be to move from these preliminary suggestions to a specific set of actions for state and local governments.

II. DEFINING THE PROBLEM

A. IS THERE A SHORTAGE OF LAND FOR HOUSING?

A recent report by Advance Mortgage Corporation predicted that one-third of the major metropolitan markets in the United States would suffer a severe shortage of developable lots in 1978. The report went on to predict that the shortage in the Chicago area would raise the price of developable sites by 20 percent in 1978 alone (1). There are few such studies. The more common approach is to infer a shortage when a land price rise is accompanied by public constriction of developable land, as in San Jose (2).

Since there are no long-term national statistics on land supply for housing, how do we know that the current shortage will persist? While our knowledge is limited, we do know that it could continue for some time. Much of the shortage can be traced to actions of State and local governments, individuals and institutions. And those actions, in turn, are based on persistent considerations, such as inflation, pressure on public budgets, campaigns to save agricultural land, environmental

protection and others.

To further understand the problem of land supply, it is useful to examine three key aspects: (a) supply versus demand, (b) developable versus vacant land, and (c) the role of government.

B. SUPPLY VERSUS DEMAND

Supply is only of interest when related to demand. There is a shortage only when demand exceeds supply. Demand can be reliably forecast for a complete market, say, a metropolitan area. It is more difficult to forecast demand for a single suburb. And it is much more difficult to forecast supply for that one suburb within the metropolitan fringe owing to problems described next.

C. DEVELOPABLE VERSUS VACANT LAND

Developable land is what the homebuilder seeks. It is not the same as the vacant land one sees while driving through the urban fringe. Often developers and planning agencies disagree on what developable land is and how much is needed to enable the market to function without scarcity induced price rises. The Twin Cities provides an illustration.

In 1973, the Twin Cities Metropolitan Council began preparation of a development strategy for its region (3). In a 1970 quality of life study of 18 major American Metropolitan areas, the Twin Cities ranked first. The Metropolitan Council wanted to keep it that way. At the same time, the region was facing problems--serious shortages of reasonably priced housing, spiraling public facility costs, an energy shortage, pollution, increasing crime, and neighborhood deterioration. Many of the problems were deemed related to the region's growth rate and pattern of development (4). One measure of Twin Cities sprawl is in the census. Before the count in 1970, the SMSA was 5 counties. After it was over, the region was extended to 10 counties, although the population increased less than one-third from 1960 to 1970. The Metropolitan Council covers only seven of the 10 counties.

After two years of intensive effort, countless hearings, and many revisions, the Council produced its Development Framework. In brief, it established an urban service area and a rural service area. The urban service area contained the central mass with an urban service line for 1975, 1980, and 1990, and designated outlying, freestanding growth centers, primarily farm service centers and county seat towns with a full range of urban services. The rural service area contained a general, rural-use region (non-urban or subdivision density growth), a commercial agriculture area, and rural service centers, the communities that lacked adequate services for urban growth.

To establish the urban service area, the Council divided the region into sectors. Each sector was to contain enough developable land to accommodate forecasted demand plus an additional five years supply. It was felt that two years was too tight a supply, while 10 years was so long that too much advance infrastructure would have to be built and might have gone unused. Years of study of growth and migration patterns had shown that the urban line did not move out in a continuous wave. Rather, it thrust south for a few years, then northwest, then in another direction.

To calculate developable land from total land, the Council removed existing uses, wetlands, areas with shallow soil over bedrock, areas of high water table, floodplains, and slopes over 12 percent. (There is no commercial agriculture within this area.) The remainder was calculated as developable. Then demand forecasts, by sector, were made for residential, commercial, industrial, public, streets and alleys, and recreational lands. A service area line was drawn.

The homebuilders had participated in the discussions and policy work. But, in 1975, they questioned the Council's calculations of developable land and hired their own consultant for a separate study (5). Although the sum of the two calculations on one test sector varied by only 10 percent, there were some significant differences that derive from the two positions. On environmental lands, the developers thought the Council had taken out too little land; one suburb thought it took too much.

The Council did not remove all commercial and industrial zoned land because it was so much in excess of demand that rezoning was expected. An old arsenal site (in private hands) was a particular point in question. For the developer, the land was not available today. For the Council, it was estimated to come on the market within the forecast period. (It reportedly will develop shortly.) The homebuilders also removed land in utility easements, land that had very unsatisfactory aesthetic vistas, and platted but not computed subdivisions. A final point of difference was depth to water table. The developers used some national standards; the Council used previous practice in the area which involved lowering the table by dewatering.

Neither group tried to estimate the amount of land unavailable owing to speculation, large institutional or estate holdings, or land in process of development permission. As we shall see in a moment, the latter item can become quite large.

The 10 percent gap was not closed. The two agreed to let the matter stand until the local plans come in, in 1980. Those plans are to fix the urban service line more precisely and to incorporate capital improvement programs to service the region. It should be noted that the central cities felt the urban service boundary should be drawn more tightly to help induce redevelopment of the center city.

The Council monitors development change every other year through comparative aerial photo interpretation. It also monitors housing price and land price changes regularly. Therefore, it is less crucial to ensure that the estimates of supply and demand are perfect. Some adjustments have been made already to the lines set three years ago, based on different growth rates than originally expected (6).

In conclusion, developable land is that open land where housing is allowed, which is available, and which has or can have urban services. Some of the factors that prevent land being available are discussed in Part III. The planning agency may be more liberal in its view of whether land will be available than the developer. If it is now allocated to another use, the

developer wants it ignored. However, if monitoring of space use and land price is performed regularly, precision in forecasts of either supply or demand is less critical.

D. ROLE OF GOVERNMENT

The traditional public agency plan is oriented to a two-dimensional map describing how the future city ought to look and where developable land is or ought to be. The standard zoning map is a two-dimensional display of the legal uses allowed of the land. Both are static, spatial concepts. Both tend to foster the view of "land supply" as a two-dimensional or spatial concept. It is not.

When we say there is no supply except in relation to demand, we are describing a dynamic, economic process, the market. It has spatial, fiscal, legal, and other aspects or effects. Thus, whether the government's role is concerned with publishing information, regulating with spatial techniques, actively managing with every technique in its possession, or substituting public ownership of land for private ownership, the government is managing a market, not implementing a physical design.

Even with public acquisition and public construction of housing, occupancy would still be a private choice or a market function. This means that the development process must be understood by those regulating it; that rarely occurs today. Unfortunately, all too few elected officials, planning commission members or planners understand the various steps and decision criteria in a private sector project. With incomplete understanding of the process being managed, it is not surprising that the interventions often produce undesired results.

That we truly are managing markets should be clear from the unanticipated effects in Boca Raton and Boulder (7). The Boca Raton system set a total limit on housing units in the community. In effect, it created an artificial shortage and, thus, gave real but speculative value to the remaining development rights. The resultant rush which increased the growth rate should have been surprising only to those who

think in static terms. In Boulder, the price of housing increased 25 percent in the four months after the placement of a numerical annual limit on building permits.

The processing task often is so complicated that developers retain consultants to perform what I prefer to call "political feasibility" studies. That is, the consultant analyzes a decision-making process, advises on the likely time required to complete it, notes points that may cause hang-ups, and lists specific requirements to be met. That has to be viewed as a symptom of a development control system in failure mode.

With the growing complexity of the process, developers may allocate more time to obtaining a permit to build than to competing in the marketplace. When that occurs we will be at the point of a Heilbroner correction, a correction requiring more market-sensitive planning.

"Looking back over the last 50 years, it is clear that all western societies have moved in the direction of economic planning. It is also clear that planning is more cumbersome, infuriating, inefficient and bureaucratic than most planners had anticipated. It is not surprising, then, that we now hear a clamor to remedy the problems of planning by returning to the mechanism of the market with its self-firing stimulus of betterment and its winnowing force of competition.

"What the enthusiasts of market 'solutions' overlook is that the market brings its own difficulties. Unemployment, economic instability, social neglect, the exercise of intolerable private power are all by-products of the market process. They are why planning arose in the first place and why it will arise again if the scope of the market is broadened. Thus, planning creates a need for the market and the market generates a need for planning. Between this Scylla and Charbydis all western economies must make their way" (8).

III. PROBLEM CAUSES AND CURRENT ATTEMPTS TO OVERCOME THEM

Probably the most important reason for concern about the land supply problem is that the sum of independent actions has increasingly resulted in price increases at a time when housing prices are already rising for a variety of other reasons. As increasingly complex social and environmental issues exacerbate normal growth problems, officials reach for whatever might help the pain. Frequently the solution only triggers other problems. In Part IV, more comprehensive and fundamental solutions are discussed.

In this section some of the most commonly identified causes of the land supply problem are addressed individually. In addition, some of the solutions currently being used will be examined. Frequently these solutions are partial, rather than complete, attack symptoms rather than causes, or in some other way are less than they might be. Alternatives are identified.

Nine causes of land supply problems are identified. They are not presented in a priority order, because the importance of the various items will change with each community. But there is an order to the list. Excessive standards (A) multiply the space needs of each unit of demand, and thus shrink the number of people that can be served by any finite stock of land. Support services (B) are a necessary precondition to land being used and serve as a gatekeeper to supply. The next four items--processing time (C), environmental lands (D), agricultural lands (E) and large lot residential and non-residential zoning (F)--are publicly set extractions from the supply available at any point in time. Property tax practices (G) make it less costly to hold land out of development, while speculation (H) makes it more profitable to do so. Imperfections in land information (I) make transfers at appropriate prices more difficult. An additional factor frequently cited is concentration of ownership. How prevalent or how much of a factor this is in current problems, is not known.

A. EXCESSIVE STANDARDS

Standards usually focus on lot size, floor area, and garage requirements as the basic set. Affluent suburbs frequently set these so high as to preclude all but higher-priced, space-consuming dwellings.

All large space eaters are not necessarily the product of public regulation. The Twin Cities, the 15th largest metropolitan area in population, is 23rd out of the largest 25 areas in density. For years, the average suburban lot was twice as large as that in Los Angeles, another sprawl city. But the Los Angeles lot had a traditional walled rear yard for privacy. In the Twin Cities, physical separation was used. A change in custom could halve the space need. Some of the space upgrading is a consequence of upgrading the housing product to absorb increased site development costs. For example, allocating all support system costs to the site can increase the total package price to the point that it falls into a higher-income market segment. That segment may require more amenities, thus requiring a still larger site. This can lead to under-estimation by the planning agency that calculates land needs based on its own size allowance.

Some of the current space standard is by demand (9). Two-income couples are demanding something other than the minimum, and they can pay for it.

SOLUTIONS

States and localities should adopt a minimum standard to be applied to a fair share of housing in the community. That is, the minimum should be allowed in an area equivalent to a fair share of the "natural" growth of the community. Enough land should be regulated at minimum standard to accommodate the persons who would live there if not screened out by higher standards. The Twin Cities Metropolitan Council co-sponsored recommended low standards with the Metropolitan League of Cities.

Where space consumption by custom is concerned, State or metropolitan governments could underwrite pilot, experi-

mental designs that would respond to locally preferred privacy and socialization considerations with new spatial configurations.

B. FEDERAL/STATE/LOCAL RESTRAINT THROUGH SUPPORT SYSTEMS

Some of the most severe land supply problems have occurred in areas of high growth (as in the Washington D.C. area), where hookups to sewage collection and treatment systems were blocked at the Federal or State level owing to inadequate treatment facilities. In other cases, local governments have withheld extensions of services to discourage development with similar resultant impacts.

In a sense, many of these situations represent a failure or breakdown of government. Local governments have the political clout to prevent higher-level implementation of solutions, but lack the will or means to solve the problem themselves. While there are fiscal problems in providing high quality sewage treatment plants in smaller communities, that is not true in metropolitan areas. For example, the total metropolitan sanitary system cost in the Twin Cities Metropolitan Area is \$30-to-\$34 per person per year without any financial assistance from other governments. In many cases, communities are failing to invest themselves when Federal aid is not available, and they are getting away with it. Thus, solutions are not easy.

SOLUTIONS

While this session is primarily aimed towards State and local actions, the Federal role is still important in large sewage system matters. Consideration should be given to the following items:

- 1) Reinstate in the Federal Water Pollution Control Act the sanctions that were originally proposed, a cut-off or reduction of other major physical development grant funds from States or metropolitan areas that fail to act to solve their own problem.

C. PROCESSING TIME

- 2) Adjust the grant formulas to give more aid to those who are working on the problem themselves.

If the above are unpalatable to State and local governments, shift the focus to the State capital:

- 1) Create a State-aid fund to metropolitan agencies and local governments to meet the standards set by the States under the Federal law.
- 2) Incorporate the same incentive/disincentive system to local institutions identified above.

If neither of the above is workable, consider appropriate legislation to enable private developers to proceed with interim facilities that meet minimum standards when government inaction has prevented more desirable solutions.

The local problem of adequate and timely extensions may be met through one of a series of State-enabled program devices: coordinated capital improvement programming, orderly annexation or the urban-rural service area concept. Orderly annexation provides for staged inclusion of unincorporated land into an adjacent incorporated place based on the availability of urban services to the new area. The urban-rural service area performs the same function within an incorporated place so urban and rural service levels and related taxes are compatible. The line must be re-examined or redrawn each year based on growth and provision of services. The concern is that adequate space is included within the serviced boundaries to keep land prices in hand.

To keep fiscal impact down many localities choose to place the cost on the developer. That issue is part of the cost allocation Workshop. However, for those communities that may be fiscally strapped, States should consider establishing a metropolitan public service fund. Such a fund should be designed with deferred payments to enable a community to build up more tax base before repayment. If complemented by tax base sharing and local matching, the fund could be held to a reasonable scale. The fund should be accessible to developed areas for rebuilding, otherwise, it could become an incentive to new growth.

Processing time has spatial implications rarely measured. In a recent California study, processing time from the first planning commission meeting on the EIR and zoning change to approval of the tract map was 69 weeks. In the Twin Cities, the estimated minimum and maximum times from the first planning commission meeting to obtaining permit to build were 38 and 86 weeks, respectively (10). This is the large critical factor not included in the Twin Cities study nor any other study known to the author. The reason is that, although planners work spatially, they tend to work with what is on the ground now and what will be at a future date. This is a static, end-state concept. What is needed is a spatial representation of a dynamic process, the development process.

Based on knowledge of selected development management systems, it is possible that high rates of growth produce the synergistic effect shown in Figure 1. The increasing number of housing units demanded each year increases the demand/-supply gap unless planners and developers/builders are prescient and capable of moving fast. However, the same increasing number submitted for public review leads to longer review times which, first, increase the housing gap further by adding lag to the system and, second, put more land in the pool of land in the processing pipeline. This land, which still appears vacant on the maps, may become great enough to create an unanticipated shortage that then feeds directly to price. Obviously systems can be designed to avoid this effect.

If land is out of the market for two to two-and-one-half years (i.e., from when the developer options to when he receives permission to build), and the total land reserve is five years, there may be no land available for purchase. Even if all the non-developable items were excluded--agricultural land, environmentally sensitive land, non-residential use, etc.--processing time would cut the developable land as seen on a map of built space to one-half. Put another way, drastic cutting of processing time can release more land to active development than most combinations of cutting standards of

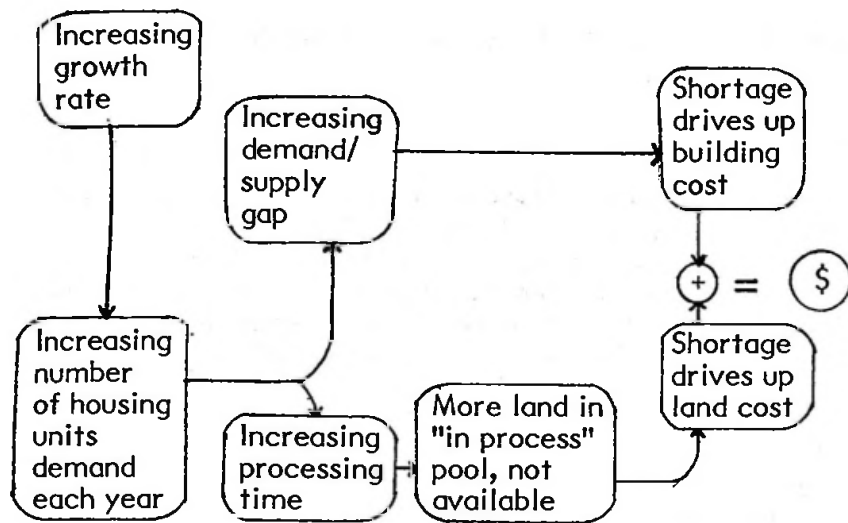


Figure 1 Relation of Growth Rate, Processing Time, Land Supply, Cost

space per housing unit. Some of the newer performance systems have very short formal processing lines. Breckenridge is 10 days to 40 days, depending on type of project (11). However, it is not known how much informal time occurs in advance.

There are three main reasons for processing time increases: (a) multiple permits that grew out of new environmental and social legislation, (b) citizen participation requirements that have increased hearing times, and (c) insensitivity of public employees to the impact of allowing longer processing times.

SOLUTIONS

Solutions are discussed in the paper by Charles Thurow and John Vranicar.

D. FEDERAL/STATE/LOCAL/ENVIRONMENTAL LANDS

A specification-type land control contributes to the land supply problem by prohibiting all development on steep slopes, in floodplains, around wetlands, and in similar environ-

mentally sensitive areas. This approach is taken in order to increase open space without compensation and because it is easy to administer.

The protection of these lands is one measure in the shifting views about land. Bosselman and Callies spoke of it as "The Quiet Revolution in Land Use," the shift from viewing land as a commodity to viewing it as a resource (12). Babcock stated it somewhat differently as land affected with a public interest and proposed a new way of balancing these views and rights (13). Raup, an economist, saw it as a shift from the pre-eminence of production values in land to consumption values (14). The common point of all these differing perspectives is that non-owners of a parcel of land are declaring "rights" in that land for which they will not pay.

If the social agenda were clear there would be no problem, but it is not. Often the haggling over site approvals is a debate over these non-specified or poorly specified claims of society on the land--protecting aquifer recharge areas, providing equal opportunity housing, creating buildings that blend into an environment. To the forester's owner, the stand of pines is lumber; to many village residents it is a beautiful view. It is the total difference of expectations and values these days that makes environmental land regulation difficult for developers.

SOLUTIONS

The main solution is for local governments to shift from a specification approach to a performance approach in their land use controls (15). The performance approach begins by stating concerns to be protected and the degree of care necessary to protect that concern. The developer can design a project to meet the market and public desires about the environment. Frequently, the protected environmental areas can be so designed into a project that they enhance the remaining site values by the amenity they impart. The likelihood of acceptable projects and ease of review will depend on the care taken in drafting the guidelines.

Public purchase is another alternative to achieving the

protection purpose, but it contributes nothing to the land supply problem.

E. FEDERAL/STATE/LOCAL AGRICULTURAL LANDS

The conflict between land for housing and land for agriculture is real and growing. In some areas agricultural land poses a real pinch on land for housing. The nation could be fed with one-half the land now in use. But the contribution to the balance of payments from agricultural exports is substantial and valuable.

The conflict has a number of aspects that lead to heated exchanges. For example, urban land and agricultural land both turn over in private markets, but at different value levels. Almost any urban use can outbid agriculture. Thus the market, unchecked, says urbanization is more valuable than farming. The changing view of public interests in all lands noted above argues against that allocation method.

A second consideration, derived from the first, is treatment of both by standard land use controls. The traditional land use map plots only urban uses, leaving agriculture as left over white space or low-density residential. This fails to recognize that agriculture as an enterprise is sensitive to intrusions--urban traffic on farm roads impedes slow moving farm equipment, farmers become cut off from support systems such as supply stores and markets--and that farming produces noises, smells and other side effects that cause suburban neighbors to object.

Another thrust has been to use preservation of agriculture as a means to contain urban sprawl, particularly the random and scattered location of homes along rural roads. These developments soon lead to calls for urban services at great cost.

The consequence of these stresses has been such actions as blocking of urbanization in farmlands through agricultural districts (16), delay of conversion through exclusive agriculture zoning, combined with tax deferral mechanisms (17), and environmental challenges supported by an EPA guideline

evaluating the impact of extension of services into prime agricultural lands (18).

SOLUTIONS

Solutions fall in two classes: (a) Those providing orderly transfer from agriculture to urban, and (b) those that balance the two uses as neighbors. The first consideration in any solution is recognition that these are two legitimate competing uses of the same land and that the general public will no longer tolerate the market, unfettered, as the means for choice. The second consideration is recognition that the transfer from rural to urban can mean great value increase to a farmer--his retirement nest egg--or to the speculator or developer. Therefore, any public decision substituting for the market will be very political, particularly if it is not perceived to be even-handed and equitable.

One solution would be programmatic and tied to services. The urban edge would be extended outward on a regular basis through use of State-enabled orderly annexation or an urban-rural service district explained in (B) above. The agricultural land is protected until planned inclusion in the urban service area. This is the approach of the Twin Cities Metropolitan Council (19). The critical problem here and in all such schemes is in the monitoring of land supply and land price to ensure that the urban reservoir is adequate.

A variant of this pattern is used by Sacramento County (20). There, the agricultural land categories are gradations from pure commercial agriculture, through agriculture with residential estates in the middle, to agriculture and residential mixed by special permission in the areas closest to the land of active urbanization. This is combined with a rezoning process that looks at large areas on a periodic basis rather than respond to each proposal as it arises. Williamson Act contracts, by which the County and farmer jointly agree to keep the land in agriculture from 10-to-15 years in exchange for reduced taxes, are part of the package. As a pure public allocations system, good criteria for conversion are required to prevent inequities and establish a reasonable legal defense.

Another form of fine-grained fitting by local governments is to allow residential development in pockets of rural land not well suited to agriculture owing to terrain or other attributes. Density transfer or a limited form of development rights transfer is combined with this idea in several States. The development is restricted in a large part of the agricultural area but allowed in a small planned area of residential that can be served. Taxes are adjusted to rights remaining.

A more limited spatial approach would be the restricted use of tax deferral or tax preference to those areas designated for agriculture in the plan. A tax recapture provision could be used to extend services when transfer occurred. The land for agriculture could be zoned exclusively for agriculture and planned to protect the farming function in the manner of industrial parks or neighborhood precincts. The transfer could occur at the farmer's discretion with a regular tax deferral, through a public-private contract, as in California's Williamson Act, or permanently through New York State-type agricultural districts. This strategy definitely would require land supply and land price monitoring to ensure that the land reservoir was adequate.

State authorized land banking, as in Saskatoon or the Netherlands, would be a means in which the land allocation decision is placed almost totally in public hands. The land would be publicly purchased and publicly released according to plan. The Netherlands' law requires all agricultural land to be publicly acquired at its use value, not market value, so there is no differential treatment of those selling and those remaining in agriculture. Even though this involves public decisions, forecasts of market demand are essential to keep prices from rising precipitously.

One agriculture preservation program that appears to lack merit is the New York and New Jersey public acquisition of development rights in agriculture. This is very costly. The experience is now three times the anticipated costs. Since nothing is done to address urban growth pressure, urban land prices are bound to escalate. Urbanization will pay twice. The price may be far too dear.

All of these solutions would benefit from specific State enabling legislation that adjusts the planning and land regulation systems to treat the issues and strike the balances between needs for housing and needs for agriculture. Separate legislation on agriculture alone can lead to greater conflict.

F. LARGE LOT RESIDENTIAL AND UNREALISTIC NON-RESIDENTIAL ZONING

Before the advent of development management systems, communities felt they had few alternatives to control the timing and location of development and protect their revenues except through distortions of the zoning process.

Large lot zoning was and is used to keep land from urbanizing, or to encourage low-density of school children and school tax demand, or to encourage high-value housing and high tax per household. Unrealistically, large non-residential areas are zoned for similar purposes--to maintain the tax base and budget. Both devices also have been used to exclude the poor from a community.

Society cannot accept exclusion for social reasons, and it need not accept fiscal irresponsibility as the courts, particularly in Pennsylvania, New Jersey and New York, have said (21). However, a newly urbanizing government does have fiscal pressures that stem from large initial outlays pressed on a very small tax base.

SOLUTIONS

The State should prohibit use of large lot zoning categories when no development is intended. Instead, the local government should stage development through service extensions and achieve the same end. This also prevents scattered residential locations in agricultural areas. These can be allowed by special permit in the agricultural zone, if needed. Such staging can protect agricultural land and municipal budgets.

Large lot residential zoning (for high income) combined with

non-residential zoning should not be allowed. The American Law Institute Model Land Development Code proposes to get at this issue in two ways, although it does not directly link the two. Housing for low-income is a Development of Regional Impact by definition and would have automatic State-level overview. On the other end, new employment facilities with over 100 employees would have to show that adequate housing now exists or plans exist to make it available within a reasonable time (22).

There is a better solution to fiscal shortages occasioned by the early growth years of a community when the tax base is predominantly residential.

A State legislated tax-base sharing system, as in Minnesota, can transfer a portion of the commercial-industrial base occurring elsewhere in any urban region to a newly developing community until it achieves its own balanced base (23).

If court cases are any measure, the solutions to this topic will be even more controversial than solutions to agricultural land problems. However, there are positive means to respond to all local concerns except social exclusion, and that should not be aided by government in any event. Courts are quite clear on the need to meet natural growth responsibilities although the sentiment is not yet universal.

G. PROPERTY TAX PRACTICES

The tax issue tends to be the other side of both saving agricultural land and speculation. The concern is four-fold. First, land value assessments, property taxes based thereon, and special tax assessments for public facilities frequently are understated in the urban fringe. Second, if the assessments and taxes are properly set, collection is not enforced. Third, it is common to set tax deferral mechanisms to help save current production uses, such as agriculture. Fourth, assessments for services are frequently converted to hook-up fees. All these adjustments make it easier to hold land off the market until a higher price can be obtained. Many of these adjustments enable landowners to withhold payment until the increased value is achieved through

sale. Obviously this is politically easier to manage; but it works to the detriment of an adequate land supply.

SOLUTIONS

The most obvious solution, the one most proponents of reduced housing costs call for, is to do what the law says—levy and collect all taxes based on market value and services available. The difficulty is the politics. Those receiving the taxes will scream. Those taxed because the fringe is not paying its true share, do not know it. And those future residents who may pay more for a home owing to the higher land value of the subsidized holding may be nowhere near the scene of action. Therefore, this strategy must be accompanied with an information program to build support for equal assessment and taxing.

A practical alternative is the programmed increase in taxes by establishing an orderly annexation process or an urban-rural service district. Both these methods achieve protection to the farmer by an abrupt line rather than a gradual gradient of increasing taxes. There is a specific point at which both sides, governmental and landowner, have to decide if agricultural use will continue. Owing to the sharp line, the amount of underdeveloped land subject to heavy tax can be larger than through regular taxation, while at the same time more agricultural land is protected from urban tax. The difficult task is annual resetting of the line which most laws require. Variants of orderly annexation exist in Minnesota, Illinois, Oregon, California, and Washington. The urban-rural service area is even more common (both are explained in (B) above).

H. SPECULATION (24)

The Final Report of the Task Force on Housing Costs identifies this as a partial cause of land shortage, but dismisses study of it. It declares that many consider speculation a normal part of market activity.

In rural-to-urban land conversion, there are several tasks to be performed to link a farmer wanting to sell his land to a

homebuilder looking for improved sites. These include (a) assembling the right size of parcel in the right location, (b) obtaining necessary rezoning, (c) platting, and (d) possibly installing required infrastructure. These are useful and necessary. The speculator traditionally did the first one-to-three items. The builder used to do the fourth and sometimes still does. More commonly, the functions are performed today by land dealers, brokers, developers or what is coming to be called the "packager".

What speculators do today is non-productive: to buy cheap and sell dear, bidding up prices and turning over land at rates that price it out of the development stream. San Jose, Orange County, California and Fairfax County, Virginia are prime examples. The speculator has always functioned on uncertainty. Earlier it was the uncertainty of knowledge about potential buyers or what was needed to sell. Now, we add uncertainty by complex regulation. Whether speculators have enough staying power to hold on at high interest rates during long processing times, is unknown. One author suggests that today's signs in the land market are signs of the bubble about to burst (25).

The ability to make a buck speculating has been enhanced by actions to save farm land and open space--the so-called Green Acres, or tax deferral, approaches that reduce carrying costs and create a speculator's haven.

SOLUTIONS

Vermont imposes a tax that decreases with length of time. Property is held to penalize speculation but not investment. It is relatively mild in effect. This is a negative approach to induce a change of behavior. It does nothing to change the weakness in market operation that encourages speculation.

An alternative positive program is to make the market work better by reducing uncertainty as to the sale price of similar land and as to public intent regarding urban use of the land. This author knows of no such urban information system in place nor studies of their effect. However, the Twin Cities Metropolitan Area has a metropolitan development manage-

ment system that makes public intent as to urbanization clear. Local governments have plans, now being revised by law to fit the metropolitan one. The Metropolitan Council also prepared five-year population, employment and housing data for all communities. This system monitors changes in land use, housing prices and land prices. And the State of Minnesota has a State-wide annual report on agricultural land values that reaches into the edges of the metropolitan area. Its data stops where the urban overlay of agriculture value becomes pronounced. This study has been prepared annually for two decades and is well known. The Twin Cities came out at the bottom of the list of a recent Urban Land Institute seven-city study of land price inflation (26). The Twin Cities also had the lowest growth rate. How much of the low price rate change is due to the low growth rate, the development management system, or the space and price monitoring, is not known.

Other means of reducing uncertainty in the urban fringe are for local governments to use orderly annexation procedures where the non-urban land is unincorporated and urban-rural service areas where it is in a municipality.

There is a market value difference between raw farm land and urban land. Someone will reap that value. It used to be the speculator. In the Twin Cities it now tends to be shared by the farmer and the developer with the former probably getting the larger share. Other proposals to handle this value shift are Donald Hagman's Windfalls and Wipeouts (27), which taxes the gain of one to compensate others for governmentally prevented gains. The alternate step of Saskatoon and some European nations is public land banking or ownership (28). In this way society captures the value increment which is the result of urbanization and investment.

I. INFORMATION RELATED MARKET IMPERFECTIONS

Often in high growth settings, information lags allow situations of near monopolistic pricing. The private information source for existing housing units is multiple listing. An extension of that concept to land sales is not acceptable to land dealers or brokers. Thus, a public solution is needed.

One is described in Part IV.

IV. MORE FUNDAMENTAL SOLUTIONS

This section reorganizes some of the problem-related topics of Part III to get them set in the larger context of Part II. It should be obvious by now that solving the specific items above one by one may produce conflicts among the solutions, and local governments may see optimum solutions differently than private developers.

The following suggestions for dealing with the problems of adequate land supply identified above are organized in terms of increasing levels of intervention in the private-sector-development-decision-making process. As one moves down through the list, each section generally contains all of the items higher up on the list. The exception is at the end of the list, when decision-making shifts from a private sector function to the public sector through land banking.

A. FACILITATE OPERATION OF THE MARKET WITH INFORMATION

Speculation occurs because of uncertainty, and that in turn may be due to inadequate information in and about the development process. Thus, government created shortages may be inadvertent. There are two areas of considerable importance to land supply. The first is information on the supply of developable land and demand for land, the factors having the greatest effect on its price. The second is to make governmental proposals more specific as to intent.

The standard mode of land use planning specifies a physical development objective to be achieved, but it rarely makes explicit the concerns of the government that caused each specific land use to be so designated. Therefore, the true intent of the government is always a question for the developer and citizens. Policy statements, such as in the Breckenridge code, identify what the community hopes to achieve at different locations. This makes it easier for developers to prepare proposals that have a chance of succeeding, easier for those who own land to obtain a fair

appraisal of its value prior to sale, and harder for speculators to hold land based on uncertainty.

Recording and plotting land sales information and plotting the location of land out of the market and in process of development also would facilitate the operation of the market. There will always be land in process which is unknown because the developer is still privately working out his own proposal. But once the first public meeting has been held, the land could be plotted on a metro-scale or full urban market map and made available to the community. The aerial photo approach of the Metropolitan Council is next best, but it only catches land once in use rather than when committed to use.

If development control systems are operating which have space shrinking and price inducing effects on land or housing, monitoring the above factors should inform system operation. It is important in designing and monitoring development regulations to insure that one is adequately recording all the land out of the market. As stated earlier, land in process is frequently ignored and could be substantial if processing time is long.

B. FACILITATE RURAL TO URBAN CONVERSION

This section covers five different areas of activity which might be pursued separately or together to aid supply of land.

I. DEVELOPMENT REGULATION

The prime difficulty with standard zoning is that the drawing of the zoning map must out guess both the demand for uses by the market and the desires of a specific owner in a specific place for the use of his land. A perfect solution would be one in which the public's notion as to how the land should be organized was compatible with the concept of all the individual owners and that the amount of land allocated for the various uses was compatible with the demands for that land. That rarely ever happens. As a consequence the game which Babcock so ably described occurs (29) and people become recipients of Hagman's 'windfalls or wipeouts.'

The quantitative and locational problem is further complicated by the shift in public "rights" in private land, described earlier, the public's imposition of its values about the environment and social responsiveness through land regulation. The owner no longer has a clear view of his rights in the use of his land when the control system is explicit only about economic use. When the nation believed in "economic man" as a model for decision-making in government and private affairs, this standard zoning method was adequate. As concerns with the environment and social equity arose, these were layered-on or left unstated and subject to negotiation.

For both of the above reasons, it is absolutely crucial that we move away from specifying a two- or three-dimensional view of what future physical development must be like. Rather, we must express the concerns we expect the landowner and developer to take into account. To the extent those concerns are made explicit, a development proposal can be prepared compatible with society's wishes. Or the developer can challenge specific points and an effective debate can occur. Lacking such specification by the community, meetings are endless and people talk past each other with very little capacity for the elected official or anyone else to resolve the dispute. And the land remains out of the market, out of urban use.

The regulatory process initially was a hidden political one. The Model Land Development Code would make it quasi-judicial, offering an opportunity to be heard, making a record, and deciding based on the record. The Breckenridge and Vermont approaches, using performance standards, introduce bargaining with open statements of the public interest. This may be preferable to the added time and expense of the administrative hearing, which is certainly superior to the original political model. These improvements in both process and intent would lead to more land in the market.

2. SUPPORT SERVICES

Interest in programming support services is rising. Support services are used as a control technique by municipalities, such as Ramapo, New York, Counties, such as Montgomery

and Prince Georges in the Washington D.C. area, and metro areas, such as the Twin Cities Metropolitan Council. It is an effective way of managing the public budget in growth areas. It also is an effective way of allocating land for development. When the extensions of services are closely-coupled to tax-producing development, the fiscal impact is diminished.

3. ORDERLY ANNEXATION

Rural/urban conversion produces either the unwarranted imposition of costs on undeveloped land for which no benefits are received or the protection of that land from its share of legitimate taxes based on market value. The view depends on where one sits. Orderly annexation works toward this problem in the sense that it converts land from township or unincorporated status into an incorporated setting as the corporate government can and does deliver service to the growth area. This facilitates bringing land into the market.

4. URBAN-RURAL SERVICE AREA

This is a corollary to orderly annexation and provides the same dividing line within an incorporated place that orderly annexation does in converting unincorporated to incorporated territory. When a place is incorporated, the rural service area is taxed for those services that are rural in nature and not for the full panoply of urban services. Taxes in the rural service area may run about 30 percent of the urban area, a reflection of township to municipal taxes. Once each year the government must redraw this service boundary.

5. PLANNING

The most significant improvement that can be made to planning in the interest of increasing the land supply is to get away from the "end-state" approach of describing how things should be once they are completed, and instead focus on rules or policies for the decisions made about development. The first land planning step should not be an inventory of existing development, which is the product of previous decisions. Rather, it should be an inventory of the decisions about land development that are made by the government and the rules

used in making them. This would include decisions on public capital investments, services and fees, taxes, zoning, subdivision regulations, and the like. One should record whether these are published or unpublished rules. Following this inventory, one could identify those aspects of existing and recent development that are unacceptable and try to determine which decision rules are causing the unacceptable development. The cause may be a gap in the decision rule process and not erroneous rules.

What is called for is a type of planning that provides the rationale for making decisions, whether on capital investments, regulation, taxation, or other actions of government. Such a plan must be dynamic and programmatic because that is what land development decisions are.

C. MANAGE PUBLIC AND PRIVATE DEVELOPMENT

When a community shifts from a reactive mode to an initiating mode of land use decision-making, it crosses the line from traditional development controls to development management systems. Simply put, a development management system is the conscious integration of the various aspects of public control—tax, regulation, and the like—into a system with set policy purposes. Obviously, such systems being more complex than individual controls, means that they can be used with greater malice. They also can be used for greater good.

The American Law Institute in its Model Land Development Code has argued against mandatory planning. This author, along with Marion Clawson and the American Bar Association, argue for mandatory planning (30). What should be clear, however, is that we do not wish to mandate traditional static, "end-state" type land use planning. Rather, what States should incorporate into their enabling legislation is a requirement that, before any government can adopt a regulation, it must adopt a public set of policy guidelines to be used in operating the regulation. If the regulation is simple, the guidelines should be simple. The State of Vermont did it in ten items in a State law. If a community is unwilling to make the effort to reach consensus on policies

for the operation of regulations, it should be prevented from regulating. Further, since development management systems are more complicated, and since all of the potential adverse side affects cannot be specified in advance, it should be a condition for the use of a development management system to have stated policy for the operation of the system and monitoring of the effects of system operation. At this time knowledge of exactly how to monitor is still somewhat sparse, but there are some guidelines. The two key things that can and must be monitored are change in developable land and change in land price. It would be helpful to monitor the type and amount of development by location as it occurs, that is, the amount of single- and multi-family housing, rental or owned, and the same for commerce and industry. For example, what is the pattern in the condominium industry and in the market for office space?

What is recognized here is that the community is managing an economic process, not just physical design. In conjunction with the monitoring, it would be fruitful to employ an economic model which could show anticipated effects of system operation. There are a number of impact type models available today that can fulfill this requirement.

D. PUBLIC OWNERSHIP

Public ownership of land is generally referred to as land banking. There are different degrees of ownership, but all constitute a partial substitution of public administrative decision-making for private market decision-making. There could be a complete substitution in which the public would own the land, make the decision on use, and construct the infrastructure and buildings, as is done in some Socialist nations.

More likely, the approach in the U.S. would be limited to the land assembly problem in order to deal with speculation, land assembly and resource protection issues. In a public substitution, such as in Sweden, all urbanized land would be public land. In a partial solution, such as in Canada, the land acquired would serve as a lever on the market. This is tricky because public entry in the market could increase land values

at least in the short run owing to the shortage created. It also could have the effect of reducing housing costs by the price at which it releases the land or increasing housing costs if a shortage is created. One author notes that experience shows about 80 per cent of the land under development should be in public hands if the system is to be effective.

It is well to remember that the public interest is not necessarily served best through public ownership, witness the damage to resources that has occurred on Bureau of Land Management properties and the national parks. Those who operate the system can operate according to a different set of values than those who urge ownership.

The option for using land banking should be established. It is likely that even if authorized widely, it would be used only after some of the above techniques had failed.

FOOTNOTES

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ENHANCING THE SUPPLY OF LAND
AND BUILDINGS IN CENTRAL CITIES:
THE LOCAL AND STATE GOVERNMENTAL ROLE

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I. INTRODUCTION

The issues of central city housing costs have not received the kinds of detailed analysis and attention which they deserve. In the brief paper which follows, three of the more salient dimensions of the situation are approached:

Part II. The Dynamics of the Central City Housing Market. What are the realities of central city housing costs? What are the dynamics of the inventory? And how do they impact the consumer?

Part III. Facilitating the Development Process. Highlights from a survey of some 17 communities in terms of specific issues which relate to housing costs and deliveries. Included in this section is a short analysis of some of the issues of operating and management change over time.

Part IV. Strictures in Securing Title to Property. An analysis of some of the strictures imposed upon public bodies in securing clear title to both land and structures which have been rejected by the private market.

II. DYNAMICS OF CENTRAL CITY HOUSING MARKETS

The central city housing inventory is nearly 100 times larger than the net annual additions to it. Any analysis of central city housing costs, therefore, which focuses strictly on new construction barely scratches the surface of the primary issues. As the material presented below will indicate, this housing inventory can be viewed as a train, with the last cars (the worst of the inventory) being deleted at a scarcely noted but very important and substantial rate, while their replacements are added to the head of the train in terms of price and quality. This process has permitted a very substantial physical upgrading of the stock, but only at the price of substantial cost increments--and heavy levels of Federal subsidy.

CENTRAL CITY HOUSING INVENTORY:
1970 to 1976 (Table I)

We cannot design central city housing policy in a vacuum. Optimizing the resources with which to deliver a better living environment requires much more comprehension of the market dynamics that are at work, dynamics which are much more potent in structuring housing costs than is generally comprehended. In Table I are shown the broad characteristics of the central city housing inventory for three time periods: 1970, 1973, 1976.

GENERAL CHARACTERISTICS

Essentially the picture is one of a consistent expansion of the total housing stock, with the number of year-round housing units increasing from 22.6 million in 1970, to 24.5 million in 1976, a gain of almost 2.0 million units, or 8.7 percent. There were more than twice as many owner-occupied units added to the stock than was the case for rental equivalents.

It is striking to note in this context that the single largest

percentage change (36.0 percent) was in the number of vacant units, which increased from 1.2 million in 1970, to more than 1.6 million by 1976, a growth of more than 400,000 units. As a consequence the 5.3 percent vacancy rate of 1970 had increased to 6.6 percent by 1976. Although more recent data (not shown here) indicates some shrinkage of the latter figure, clearly this reflects, from the tenant's point of view, a greater range of choice. From the owner/operator's point of view, however, it may involve a decline in demand--and with it greater competitive stress. These forces could lead to lagging rents, reduced maintenance and, ultimately, abandonment. This alternative will be reviewed later in this paper.

CONDITION OF UNIT: PLUMBING FACILITIES

We have very few benchmarks for adequately gauging the condition of housing, and those that are extant are much more reflective of physical characteristics rather than adequately describing the shelter environment as a whole. Within the former parameters, however, there is evidence of substantial upgrading of the inventory. The number of owner-occupied housing units lacking all or some plumbing facilities, for example, declined by more than 75 percent from 1970 to 1976, while renter-occupied facilities improved at slower but still striking 33.8 percent. Again, at a later stage of this paper, the question of whether this represents an upgrading of existing units or their disappearance and replacement with newer facilities will be considered in detail.

UNIT SIZE

The median size of housing units for both owners and renters changed very little over the 1970 to 1976 period. But the medians conceal a substantial redistribution which has occurred within the universe as a whole. In the owner occupied supply, for example, there was a substantial reduction in small-scale dwelling units. In the renter-occupied equivalent, there was a bimodal distribution, with very small units--one and two rooms--suffering an attrition of 7.8 percent; similarly, the very large rental facilities--those with seven rooms or more--declined by 6.0 percent.

HOUSEHOLD SIZE

America's households are shrinking--and the central city is an participant in the national trend. As shown in Table 1, the median size of household in owner-occupied units shrank by 7.1 percent; among renters the decline was nearly 10 percent.

Much of the historical problem in the provision and cost of central city housing facilities has been related to large-scale households. It is significant in this context to see the substantial shrinkage in the larger household configurations.

Indeed, among renter households, only one and two person configurations increased in number. The decline is most striking (-42.3 percent) in households comprising seven persons or more, and secondarily (-19.9 percent) in the six person configurations. Thus, the great pressure for provision of rental facilities for large-scale families--which in general have been most scarce and most costly--has substantially abated.

However, the pressure and demand for total number of housing units has increased much more than the total population growth increment in central cities would indicate.

The number of people has increased just slightly; the number of housing units required per thousand inhabitants has increased much more substantially. Smaller households mean more households, even within a population constant in absolute numbers; in turn this means increased pressure over and above the gross demographics of the housing market.

OVERCROWDING: PERSONS PER ROOM

Traditional investigations of absolute housing deprivation in central cities have focused upon the overcrowded household--the vision of large families living in inappropriately small facilities. As shown in Table 1, this phenomenon is much less significant than historically as been the case. The number of owner-occupied housing units with 1.51 persons or more per room has shrunk by more than one half (-59.0 percent) in six years--the renter equivalent by -45.9 percent. If we isolate the 1.01 to 1.50 persons per room category, there has been a

TABLE 1
CHARACTERISTICS OF THE CENTRAL CITY HOUSING INVENTORY, 1970, 1973, 1976
 (Numbers in Thousands)¹

	<u>1970</u>	<u>1973</u>	<u>1976</u>	<u>Change: 1970 to 1976</u>	
				<u>Number</u>	<u>Percent</u>
<u>GENERAL CHARACTERISTICS</u>					
All year-round housing units	22,584	24,099	24,547	1,963	8.7
Occupied	21,395	22,493	22,930	1,534	7.2
Owner occupied	10,300	11,087	11,349	1,049	10.2
Renter occupied	11,095	11,406	11,581	486	4.4
Vacant	1,189	1,605	1,617	428	36.0
<u>PLUMBING FACILITIES</u>					
Owner occupied	10,300	11,087	11,349	1,049	10.2
With all	10,177	11,013	11,319	1,143	11.2
Lacking all or some	123	74	30	-93	-75.6
Renter occupied	11,095	11,406	11,581	486	4.4
With all	10,601	11,036	11,254	653	6.2
Lacking all or some	494	370	327	-167	-33.8
<u>MEDIAN UNIT SIZE (Rooms per unit)</u>					
Owner occupied	5.6	5.7	5.7	0.1	1.8
Renter occupied	3.8	3.8	3.8	0.0	0.0
<u>UNIT SIZE DISTRIBUTION</u>					
Owner occupied	10,300	11,087	11,349	1,049	10.2
1 and 2 rooms	81	66	40	-41	-50.6
3 rooms	326	315	258	-68	-20.9
4 rooms	1,382	1,352	1,362	-20	-1.4
5 rooms	3,062	3,150	3,142	80	2.6
6 rooms	3,034	3,399	3,497	463	15.3
7 rooms or more	2,416	2,805	3,049	633	26.2

(Continued)

TABLE 1 (Continued)

	1970	1973	1976	Change: 1970 to 1976	
				Number	Percent
Renter occupied	11,095	11,406	11,581	486	4.4
1 and 2 rooms	1,659	1,639	1,529	-130	-7.8
3 rooms	2,919	3,070	3,172	253	8.7
4 rooms	3,213	3,423	3,482	269	8.4
5 rooms	2,004	1,961	2,091	87	4.3
6 rooms	931	965	961	30	3.2
7 rooms or more	369	348	347	-22	-6.0
<u>MEDIAN HOUSEHOLD SIZE (Persons per unit)</u>					
Owner occupied	2.8	2.7	2.6	-0.2	-7.1
Renter occupied	2.1	1.0	1.9	-0.2	-9.5
<u>HOUSEHOLD SIZE DISTRIBUTION</u>					
Owner occupied	10,300	11,087	11,349	1,049	10.2
1 person	1,372	1,771	1,743	371	27.0
2 persons	3,152	3,398	3,601	449	14.2
3 persons	1,832	2,045	2,120	288	15.7
4 persons	1,699	1,726	1,821	122	7.2
5 persons	1,085	1,093	1,111	26	2.4
6 persons	594	585	549	-45	-7.6
7 persons or more	566	469	404	-162	-28.6
Renter occupied	11,095	11,406	11,581	486	4.4
1 person	3,544	4,140	4,274	730	20.6
2 persons	3,229	3,311	3,441	212	6.6
3 persons	1,716	1,697	1,617	-99	-5.8
4 persons	1,180	1,095	1,124	-56	-4.7
5 persons	655	567	599	-56	-8.5
6 persons	361	294	289	-72	-19.9
7 persons or more	411	304	237	-174	-42.3

(Continued)

TABLE 1 (Continued)

	<u>1970</u>	<u>1973</u>	<u>1976</u>	<u>Change: 1970 to 1976</u>	
				<u>Number</u>	<u>Percent</u>
<u>PERSONS PER ROOM</u>					
Owner occupied					
0.50 or less	10,300	11,087	11,349	1,049	10.2
0.51 to 1.00	5,650	6,495	6,917	1,267	22.4
1.01 to 1.50	4,015	4,092	4,019	4	0.0
1.51 or more	518	422	364	-154	-29.7
	117	78	48	-69	-59.0
Renter occupied	11,095	11,406	11,581	486	4.4
0.50 or less	5,119	5,895	6,173	1,054	20.6
0.51 to 1.00	4,849	4,699	4,667	-182	-3.8
1.01 to 1.50	785	567	556	-229	-29.2
1.51 or more	342	246	185	-157	-45.9
<u>MEDIAN INCOME</u>					
Owner occupied	10,100	11,700	14,200	4,100	40.6
Renter occupied	6,100	6,900	7,500	1,400	23.0
<u>GROSS RENT</u>					
Specified renter occupied ²	11,033	11,405	11,581	548	5.0
Less than \$80	2,619	1,680	1,126	-1,493	-57.0
\$80 to \$99	2,099	1,448	759	-1,340	-63.8
\$100 to \$149	3,812	3,881	2,790	-1,022	-26.8
\$150 to \$199	1,525	2,658	3,235	1,710	112.1
\$200 to \$299	547	1,203	2,697	2,150	393.1
\$300 or more	145	266	693	548	377.9
No cash rent	284	269	282	-2	0.7
Median	107	130	165	58	54.2

¹ Numbers and percentages may not add due to rounding.

² Excludes single-family homes on 10 acres or more.

Source: U.S. Department of Commerce, U.S. Bureau of the Census, Current Housing Reports, Series H-150-76, General Housing Characteristics for the United States and Regions: 1976, Annual Housing Survey: 1976, Part A. U.S. Government Printing Office, Washington, D.C., 1978.

shrinkage or more than 29 percent in both the renter-and owner-occupied sectors.

MEDIAN INCOME

The enormous increase in the quality of the housing inventory has been achieved in the face of relatively lethargic increases in the incomes of central city inhabitants over the 1970 to 1976 period. While owner-occupied units had household incomes that increased by 40.6 percent to the \$14,200 mark, the corresponding gain for renter households was 23.0 percent. Indeed, in 1976, central city renters as a group had median household incomes of \$7,500. The national median household income at the same time stood at \$12,686.

GROSS RENT

The income data for central city households is particularly noteworthy in the context of the changes that have taken place in rent levels. In 1970, the median gross rent was \$107; by 1976, it increased by \$58 to \$165, a percentage gain of 54.1 percent. In sum, while incomes of renter households increased 23 percent in the six years under consideration, gross rents moved up 54.2 percent.

The changes in rent distributions are harshly evident: The number of units renting for under \$100 decreased by over 60 percent, while the number of units in the \$100 to \$149 category showed an attrition of more than one in four (-26.8 percent). At the same time, the number of units renting for \$200 to \$299 increased by 393.1 percent, and those for \$300 or more by 377.9 percent.

SUMMARY: THE BASIC INVENTORY CHANGE

The central city housing inventory has experienced a marked change in profile over the first six years of the decade of the 1970's.

1. Virtually 2.0 million net additions were added to a 1970 base of 22.6 million units. Roughly nine out of every ten units in 1976 were part of the pre-existing 1970 inventory.

- a) The net growth of renter-occupied units (486,000) was less than half that of owner-occupied units (1,049,000). The total number of occupied units in 1976 was partitioned into owner and renter sectors of virtually identical size.

- b) The total number of vacant units increased by 428,000, or 36.0 percent. The vacancy rate in 1976, 6.6 percent, was considerably greater than that of 1970, 5.3 percent.

2. The condition of the overall supply improved markedly. Over three-quarters (75.6 percent) of the owner-occupied units lacking all or some plumbing facilities were removed from the 1970 inventory, as were one-third (33.8 percent) of the renter-occupied facilities.
3. Although the overall median number of rooms per unit changed only marginally, there was a net shrinkage in the number of smaller (four rooms and under) owner-occupied units, and a net decline in both very small (one and two rooms) and very large (seven rooms or more) renter occupied units.
4. The contraction of household sizes, a prominent national phenomenon, was clearly evidenced in central city housing markets.
 - a) In the rental sector, only one and two person households showed absolute gains.
 - b) There was a large scale attrition in the number of larger households (six persons or more) in both the renter-and owner-occupied sectors, with renter households showing more pronounced declines.
5. As a consequence, it appears that household and housing unit configurations have achieved an increasingly satisfactory match--a considerable reduction in overcrowding. The number of units characterized by more than 1.01 persons per room has experienced significant erosion.

6. Increases in median gross rent (54.2 percent) have far outpaced the income gains attached to either renters (23.0 percent) or owners (40.6 percent). While the number of units with monthly gross rents under \$100 declined by 60 percent—a loss of 2.8 million such units--the increases in the number over \$200 monthly totaled 2.7 million units--over four times that extant in 1970.
7. Therefore, the overall improvements in the housing inventory, as well as the reduction in overcrowding, have taken place not only in the context of lagging income gains, but also have been associated with the reduction in the supply of low-cost rental housing.

THE REMOVAL OF LOW-RENT HOUSING FROM THE INVENTORY

The process of upgrading the housing stock described in the previous section is very largely the result of demolition rather than rehabilitation.

In Table 2, the 1973 characteristics are shown for those housing units which were extant in central cities as of 1973, but which were removed by 1976. The materials presented here, as in the previous exhibit, depend upon the Annual Housing Survey. While this is a most substantial effort, it is open to some level of error. The basic trends and the phenomena they depict can be assumed to be reasonably dependable, however.

GENERAL CHARACTERISTICS

In the brief three years from 1973 to 1976, three percent of the 1973 housing stock in central cities was removed from the inventory. The causes range from demolition, the consolidation of small-scale units into larger ones, and the utilization of hitherto residential facilities for non-residential purposes. However, regardless of the cause from the viewpoint of a person searching for housing accommodation, there was a physical removal of 725,000 units. The bulk of them were facilities that had been renter occupied--470,000 units, or 4.1 percent of the 1973 base. Nearly one in ten of the units which

were vacant in 1973, had been removed from the inventory by 1976.

CONDITION OF UNIT: PLUMBING FACILITIES

In general, this attrition focused most heavily (proportionally) on deficient units. More than one in six of all the renter-occupied dwelling units lacking all or some of their plumbing facilities in 1973, were removed from the stock by 1976.

UNIT SIZE

The size distribution of the units removed from the inventory tended to impact the smaller units of the owner-occupied sector. In the renter-occupied sector, it was at the two extremes, with one and two room facilities reduced by over six percent, accompanied by the seven room or more units with an equivalent percentage loss.

HOUSEHOLD SIZE

This in turn was paralleled by the size of the households occupying the removed facilities; the renter housing distribution was most heavily impacted in the one person and five person or more categories. Indeed, in this latter category, nearly one in 14 of the renter occupied housing units with five persons or more in 1973, had disappeared by 1976.

OVERCROWDING: PERSONS PER ROOM

In general, it has been the most overcrowded units which experienced the most substantial losses. For example, one in twelve of the renter-occupied facilities with more than one person per room disappeared from the stock in the brief period under consideration.

MEDIAN INCOME AND GROSS RENT

In general, the units that disappeared were occupied by the poor. For the total set of owner-occupied facilities, for example, the median household income in 1973 was \$11,700; the units removed from this base were occupied by owners

TABLE 2

1973 CHARACTERISTICS OF HOUSING UNITS REMOVED FROM THECENTRAL CITY INVENTORY: 1973 TO 1976(Numbers in Thousands)¹Removals:
Percent of
1973 TotalRemovals
1973-1976Total
1973GENERAL CHARACTERISTICSAll year-round housing units

Occupied	24,099	725	3.0
Owner occupied	22,493	582	2.6
Renter occupied	11,087	111	1.0
Vacant	11,406	470	4.1
	1,605	144	9.0

PLUMBING FACILITIES

Owner occupied	11,087	111	1.0
With all	11,013	108	1.0
Lacking all or some	74	3	4.1
Renter occupied	11,406	470	4.1
With all	11,036	406	3.8
Lacking all or some	370	64	17.3

MEDIAN UNIT SIZE (Rooms per unit)

Owner occupied	5.7	4.9	-
Renter occupied	3.8	3.8	-

UNIT SIZE DISTRIBUTION

Owner occupied	11,087	111	1.0
1 and 2 rooms	66	2	3.0
3 rooms	315	19	6.0
4 rooms	1,352	27	2.0
5 rooms	3,150	20	0.6
6 rooms	3,399	19	0.6
7 rooms or more	2,805	25	0.9
Renter occupied	11,406	470	4.1
1 and 2 rooms	1,639	100	6.1
3 rooms	3,070	95	3.1
4 rooms	3,423	126	3.7
5 rooms	1,961	95	4.8
6 rooms	965	31	3.2
7 rooms or more	348	23	6.6

TABLE 2 (Continued)

<u>MEDIAN HOUSEHOLD SIZE (Persons per unit)</u>		<u>Total</u>	<u>Removals:</u>	<u>Removals:</u>
		<u>1973</u>	<u>1973-1976</u>	<u>Percent of</u>
				<u>1973 Total</u>
Owner occupied		2.7	2.4	
Renter occupied		2.0	2.0	
<u>HOUSEHOLD SIZE DISTRIBUTION</u>				
Owner occupied		11,087	111	1.0
1 person		1,771	34	1.9
2 persons		3,398	25	0.7
3 persons		2,045	17	0.8
4 persons		1,726	10	0.6
5 persons		1,093	8	0.7
6 persons or more		1,054	18	1.7
Renter occupied		11,406	470	4.1
1 person		4,140	187	4.5
2 persons		3,311	91	2.7
3 persons		1,697	59	3.5
4 persons		1,095	41	3.7
5 persons		567	39	6.9
6 persons or more		598	52	8.7
<u>PERSONS PER ROOM</u>				
Owner occupied		11,087	111	1.0
0.50 or less		6,495	69	1.1
0.51 to 1.00		4,092	30	0.7
1.01 to 1.50		422	10	2.4
1.51 or more		78	3	3.8
Renter occupied		11,406	470	4.1
0.50 or less		5,895	205	3.5
0.51 to 1.00		4,699	199	4.2
1.01 to 1.50		567	46	8.1
1.51 or more		246	21	8.5
<u>MEDIAN INCOME</u>				
Owner occupied		11,700	8,100	
Renter occupied		6,900	4,800	
<u>GROSS RENT</u>				
Specified renter occupied ²		11,405	469	4.1
Less than \$80		1,680	124	7.4
\$80 to \$99		1,448	78	5.4
\$100 to \$149		3,881	138	3.6
\$150 to \$199		2,658	78	2.9
\$200 to \$299		1,203	28	2.3

TABLE 2 (Continued)

	Total 1973	Removals 1973-1976	Removals: Percent of 1973 Total
\$300 or more	266	6	2.3
No cash rent	269	17	6.3
Median	130	108	-

¹ Numbers and percentages may not add due to rounding.

² Excludes single-family homes on 10 acres or more.

Source: U.S. Department of Commerce, U.S. Bureau of the Census, Current Housing Reports, Series H-150-76, General Housing Characteristics for the United States and Regions: 1976, Annual Housing Survey: 1976, Part A. U.S. Government Printing Office, Washington, 1978.

with incomes of \$8,100. This was paralleled in the case of renter-occupied facilities, with the units which were removed from the inventory occupied by households with a median income of \$4,800 in 1973, barely two-thirds of the 1973 income levels for all renter-occupied facilities (\$6,900).

In the three years from 1973 to 1976, one in 14 of all the units which rented for less than \$80 in the base year were removed from the stock. More than one in 20 of the units renting for between \$80 and \$99 were similarly taken out of residential use, as were a significant one in 30 of the units at the \$100 to \$149 rent level. Much of the decline in low-rent facilities for the total rental housing stock, therefore, represents not so much an escalation in basic rent levels, but the actual physical disappearance of the housing units. It is attrition of the inexpensive housing stock as well as inflation, which accounts for the increases in central city housing costs.

NEW CONSTRUCTION IN CENTRAL CITIES

GENERAL CHARACTERISTICS

In the six year period detailed in Table 3, 2.6 million year-round housing units were constructed, a total equivalent to 10.6 percent of the 1976 residential base. Newly-built renter-occupied facilities, 1.4 million units, exceeded their owner-occupied counterparts (984,000 units). Significantly, new construction accounts for 13.7 percent of the total vacancies in 1976.

PLUMBING FACILITIES AND UNIT SIZE

Practically all of the newly constructed units met the test of adequate plumbing facilities. In general they matched the extant size distribution for owner-occupied facilities, but were weighted toward the large configurations. Similarly, there was a skew towards three and four room units in terms of the rental units which were constructed.

HOUSEHOLD SIZE AND PERSONS PER ROOM

The differences in the profiles between the occupants of newly



constructed housing units and the total inventory parallel the variations in the size of the newly constructed and existing stock. Owners were skewed towards three to five person households, leading to a larger median household size (3.3 persons per unit) in newly constructed units, as compared to the overall owner-occupied inventory (2.6 persons per unit). Among renters, the skew was toward smaller household configurations. Generally, in turn, this yielded relatively uncrowded facilities.

MEDIAN INCOME AND GROSS RENT

There is a very substantial variation, however, when the income of occupants who utilize this new construction is analyzed. Among owner occupants of new central city housing, for example, median incomes stood at \$18,300. For renter-occupied facilities, it was \$9,800. Both income levels are substantially higher than their equivalents for the total 1976 inventory (\$14,200 and \$7,500, respectively).

It is striking to compare the median incomes (presented earlier) for the households who occupied 1973 housing units which had been demolished (owners: \$8,100; renters: \$4,800) with the 1976 incomes for occupants of new housing (owners: \$18,300; renters: \$9,800). Even allowing for the three year time lag in the data does not measurably reduce the gap between the two.

TABLE 3

1976 CHARACTERISTICS OF NEW CONSTRUCTION IN
CENTRAL CITIES: 1970 TO 1976
 (Numbers in Thousands)¹

<u>GENERAL CHARACTERISTICS</u>	<u>New</u>		
	<u>Total</u> <u>1976</u>	<u>Construction:</u> <u>1970 to 1976</u>	<u>tion: Percent</u> <u>of 1976 Total</u>
<u>ALL year-round housing units</u>	24,547	2,599	10.4
Occupied	22,930	2,378	10.4
Owner occupied	11,349	984	8.7
Renter occupied	11,581	1,394	12.0
Vacant	1,617	221	13.7
<u>PLUMBING FACILITIES</u>			
Owner occupied	11,349	984	8.7
With all	11,319	982	8.7
Lacking all or some	30	2	6.6
Renter occupied	11,581	1,394	12.0
With all	11,254	2,394	12.4
Lacking all or some	327	--	--
<u>MEDIAN UNIT SIZE (Rooms per unit)</u>			
Owner occupied	5.7	5.9	--
Renter occupied	3.8	3.7	--
<u>UNIT SIZE DISTRIBUTION</u>			
Owner occupied	11,349	984	8.7
1 and 2 rooms	40	4	10.0
3 rooms	258	20	7.8
4 rooms	1,362	124	9.1
5 rooms	3,142	243	7.7
6 rooms	3,497	262	7.4
7 rooms or more	3,049	332	10.9
Renter occupied	11,581	1,394	12.0
1 and 2 rooms	1,529	147	9.6
3 rooms	3,172	441	13.9
4 rooms	3,482	479	13.8
5 rooms	2,091	232	11.1
6 rooms	961	77	8.0
7 rooms or more	347	20	5.8
<u>MEDIAN HOUSEHOLD SIZE (Persons</u> <u>per unit)</u>			
Owner occupied	2.6	3.3	--
Renter occupied	1.9	1.9	--

(Continued)

TABLE 3 (Continued)

<u>HOUSEHOLD SIZE DISTRIBUTION</u>		<u>Total 1976</u>	<u>New Construction: 1970 to 1976</u>	<u>New Construc- tion: Percent of 1976 Total</u>
Owner occupied				
1 person		11,349	984	8.7
2 persons		1,743	102	5.9
3 persons		3,601	210	5.8
4 persons		2,120	224	10.6
5 persons		1,821	239	13.1
6 persons		1,111	126	11.3
7 persons or more		549	46	8.4
		404	36	8.9
Renter occupied				
1 person		11,581	1,349	12.0
2 persons		4,274	499	11.7
3 persons		3,441	509	14.8
4 persons		1,617	184	11.4
5 persons		1,124	120	10.7
6 persons		599	48	8.0
7 persons or more		289	20	6.9
		237	14	5.9
<u>PERSONS PER ROOM</u>				
Owner occupied				
0.50 or less		11,349	984	8.7
0.51 to 1.00		6,917	491	7.1
1.00 to 1.50		4,019	459	11.4
1.51 or more		364	28	7.7
		48	6	12.5
Renter occupied				
0.50 or less		11,581	1,394	12.0
0.51 to 1.00		6,173	809	13.1
1.00 to 1.50		4,667	548	11.7
1.51 or more		556	33	5.9
		185	5	2.7
<u>MEDIAN INCOME</u>				
Owner occupied		14,200	18,300	-
Renter occupied		7,500	9,800	-

(Continued)

TABLE 3 (Continued)

<u>GROSS RENT</u>	<u>Total 1976</u>	<u>New Construction: 1970 to 1976</u>	<u>New Construc- tion: Percent of 1976 Total</u>
Specified renter occupied ²	11,581	1,394	12.0
Less than \$80	1,126	122	10.8
\$80 to \$99	759	45	5.9
\$100 to \$149	2,790	105	3.8
\$150 to \$199	3,235	400	12.4
\$200 to \$299	2,697	539	20.0
\$300 or more	693	170	24.5
No cash rent	282	13	4.6
Median	165	202	--

¹ Numbers and percentages may not add due to rounding.

² Excludes single-family homes on 10 acres or more.

Source: U.S. Department of Commerce, U.S. Bureau of the Census, Current Housing Reports, Series H-150-76, General Housing Characteristics for the United States and Regions: 1976, Annual Housing Survey: 1976, Part A. U.S. Government Printing Office, Washington, D.C., 1978.

Essentially the housing which was demolished was occupied by the poor. The new housing which has been added to the stock is occupied by the much more affluent.

The median rent of the newly constructed units by the terminal year (1976) exceeded the \$200 level. This stands in marked contrast to the median gross rent of the total inventory (\$165). Once again, a comparison with the vanishing stock is fruitful.

There was greater level of demolition of units renting for \$150 or less in the three years 1973 to 1976, than was erected at equivalent prices for 1970 to 1976. The rate of attrition of low rent facilities is double the level of new construction.

SUMMARY—NEW CONSTRUCTION

The 1976 profile of units constructed from 1970 to 1976 in central cities is marked by the following tendencies:

1. Newly constructed units constituted 12.0 percent of the total renter-occupied stock in 1976, 8.7 percent of the owner-occupied sector, and 13.7 percent of all vacancies.
2. The units generally possess all plumbing facilities and are heavily concentrated in high-rent categories. Owner-occupied units are larger in size than the overall base, while newly constructed rental units are concentrated in the middle-size (three and four rooms) sectors.
3. Newly constructed units have proportionally less overcrowding, and are occupied by households substantially more affluent, than those occupying the total inventory.

CHANGES IN THE HOUSING INVENTORY OF THE LARGER CITIES

The housing characteristics for the nation's central cities in total do not reveal the great variation which occurs in specific cities. In Table 4, a group of major central cities for which data is available from the Annual Housing Survey has been isolated.

There are two basic phenomena that dominate the housing shifts. The first and most positive is the enormous level of improvement in housing equality as measured by the criteria of plumbing, kitchen facilities, and crowding. The second and far less positive from the viewpoint of housing costs, is the absolute level of attrition in total housing inventory.

Four of the cities shown here lost five or more percent of their total housing stock after allowance of new construction. While Houston has had an increase of 18.9 percent in the total supply of year round housing units, or 80,000 units in the six years from 1970 to 1976, Cleveland lost 13,000 units; Buffalo, 9,000; and Baltimore nearly 20,000.

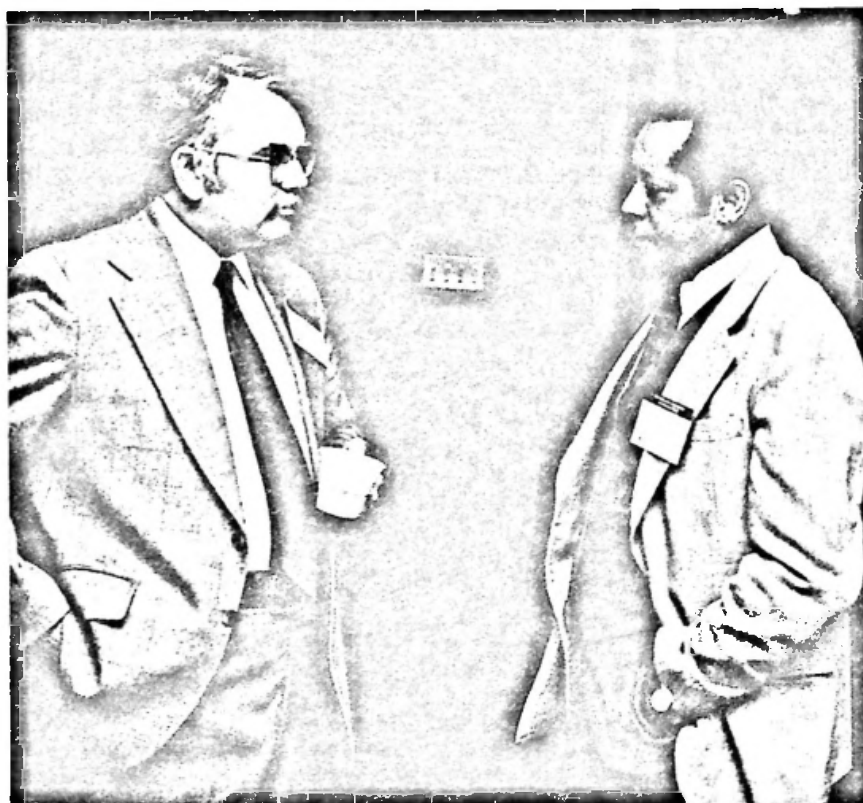


TABLE 4
INDICATORS OF HOUSING QUALITY (SELECTED U.S. CITIES - 1970-1976)

<u>IN CENTRAL CITY</u>					
<u>City and Years</u>	<u>Lacking Some or All Plumbing</u>	<u>No or Shared Bathroom</u>	<u>No or Shared Kitchen Facilities</u>	<u>More Than 1.0 Per- sons/Room</u>	<u>Total No. of Year-Round Housing Units</u>
Boston					224,800
1974	8,000	11,300	6,400	10,500	232,400
1970	12,900	16,700	8,000	15,700	-3.3
Percent Change	-38.0	-32.3	-20.0	-33.1	
Detroit					507,700
1974	11,300	14,300	14,400	22,300	529,000
1970	14,500	18,200	15,400	36,300	-4.0
Percent Change	-22.1	-21.4	-6.5	-38.6	
Washington, D.C.					272,400
1974	4,300	6,600	5,400	16,500	278,400
1970	4,600	5,800	5,200	31,400	-2.2
Percent Change	-6.5	+13.8	+3.8	-47.5	
Los Angeles- Long Beach					1,277,400
1974	13,300	19,700	31,200	75,500	1,277,200
1970	20,200	27,700	36,200	93,600	4.1
Percent Change	-34.2	-28.9	-13.8	-19.3	
Philadelphia					651,700
1975	13,100	17,600	12,400	26,100	673,400
1970	13,700	26,600	12,600	38,100	-3.2
Percent Change	-4.4	-33.8	-1.6	-31.5	
Chicago					1,144,300
1975	29,900	40,800	31,600	75,700	1,206,900
1970	47,300	61,900	37,900	108,200	-5.2
Percent Change	-36.8	-34.1	-16.6	-30.0	

(Continued)

TABLE 4 (Continued)

<u>City and Years</u>	<u>Lacking Some or All Plumbing</u>	<u>No or Shared Bathroom</u>	<u>No or Shared Kitchen Facilities</u>	<u>More Than 1.0 Per- sons/Room</u>	<u>Total No. of Year-Round Housing Units</u>
Atlanta					
1975	2,700	3,700	4,800	9,000	169,400
1970	3,400	4,600	3,000	17,100	170,900
Percent Change	-20.6	-19.6	+60.0	-47.4	-0.9
San Francisco- Oakland					
1975	21,200	40,300	30,400	18,800	463,000
1970	27,900	32,200	32,900	29,900	457,000
Percent Change	-24.0	+25.2	-7.6	-37.1	1.3
Houston					
1976	4,300	5,300	7,100	30,900	508,200
1970	8,700	11,600	8,100	39,400	427,500
Percent Change	-50.6	-54.3	-12.3	-21.6	18.9
Baltimore					
1976	3,300	4,700	4,700	6,800	287,900
1970	4,800	8,200	5,000	6,400	305,200
Percent Change	-31.3	-42.7	-6.0	6.3	-5.7
Buffalo					
1976	2,200	2,500	3,500	3,000	157,700
1970	4,800	6,400	5,300	7,300	166,100
Percent Change	-54.2	-60.9	-34.0	-58.9	-5.1
Cleveland					
1976	5,600	6,900	8,000	9,100	251,000
1970	6,700	9,400	5,200	17,700	264,200
Percent Change	-16.4	-26.6	-55.8	-48.6	-5.0

Source: Annual Housing Survey, Select Metropolitan Area Reports.

The attrition in the extant housing stock has reduced the number of substandard units, but at a price. What can City and State governments do to manage their inventories in such a fashion as to continue the upgrading without reducing the supply?

The classic approach to reducing costs in America's market-oriented society is to increase supply. This process is highly imperfect when we deal with rental facilities in central cities. The reduction in price through competition may lead to a short-run reduction or stabilization of rents. But, in the longer run, it also leads to an erosion of stock as owners no longer find it profitable to care for and maintain their buildings. Thus, increased competition through new construction and/or reduction in demand through declining population and household formation, in the long run under present procedures, may lead to increased shelter costs as the low end of the market literally goes out of business.

This is exemplified by the increasing levels of housing abandonment which are beginning to characterize many of our older cities, as well as municipalities which find themselves literally, by default, the owners and operators of last resort.

While this may permit the hiding of the subsidy mechanism through the absorption of subsidies by the cities in question, clearly what is required is a complete rethinking of municipal policies in terms of code enforcement, rent controls, both defacto and dejure, of relationships with welfare department housing procedures, and the whole issue, most strikingly, of the future of low income private rental housing facilities.

CHANGING VALUE OF OWNER-OCCUPIED FACILITIES IN CENTRAL CITY VERSUS SUBURBS

There is a very real dilemma of central city housing policy which revolves around the issues of housing as shelter versus housing as investment. If we wish to optimize shelter, clearly we want to foster a market in which prices remain level. On the other hand, as housing increasingly becomes the major vehicle for the working class in America to accumulate

capital and to combat the impacts of inflation, it becomes increasingly important that investment in housing, whether in central city or suburbia, be a good investment--and increase in price. If we are concerned, only with the very poor, for whom capital accumulation may be a luxury beyond current means, we have one set of procedures to follow. We must be concerned, however, also with people who want to invest in central city housing--whether blue-collar workers or the more affluent--and this involves another set of considerations. In the exhibits which follow, data which illustrate the problem are presented.

The value of central city owner occupied housing has moved from a 1970 median of \$16,400, to \$22,300 in 1973, and to \$29,400 by 1976--a six year increment of 79.3 percent or \$13,000. There has been an enormous shrinkage in the number of units valued at under \$25,000 in the period under consideration. While such units made up 80 percent of the 1970 central city inventory, by 1976, they comprised less than one-half. Increments, both in absolute values and proportions, have been even more striking outside of central cities, increasing in nominal value by 81.4 percent. Again, the attrition at below the \$25,000 mark--in 1976 dollars--is most striking.

In general, central city owner occupied housing, in terms of owner specified value, has not increased as rapidly as the non-central city counterparts. The value of central city units, as of 1976, was barely three-quarters that of owner-occupied facilities outside central cities. In addition, a portion of the upward shift in central city values for owner-occupied facilities has been the result of demolition. As shown in the last sections of Table 5, a number of lower priced facilities were lost.

The removals that took place from 1973 to 1976 had a median value in the base year of \$16,200--more than 20 percent less than that of the universe of owner occupied central city facilities of 1973.

TABLE 5

VALUE OF CENTRAL CITY AND NON-CENTRAL CITY (WITHIN SMSA) HOUSING INVENTORY:
1970, 1973, AND 1976; AND 1973 VALUE OF CENTRAL CITY HOUSING
UNITS REMOVED FOR THE INVENTORY: 1973 TO 1976
(Numbers in thousands)¹

IN CENTRAL CITIES	1970		1973		1976		Change: 1970-1976	
	Number		Percent		Number		Percent	
Specified owner occupied ²	8,543		9,240		9,453		910	
Less than \$5,000	239		133		78		-161	
\$5,000 to \$9,999	1,350		619		402		-948	
\$10,000 to \$14,999	2,102		1,371		759		-1,343	
\$15,000 to \$19,999	1,916		1,793		1,278		-638	
\$20,000 to \$24,999	1,214		2,499		2,076		-138	
\$25,000 to \$34,999	1,044		2,091		2,389		1,345	
\$35,000 to \$49,999	444		1,184		1,983		1,539	
\$50,000 or more	234		549		1,488		1,254	
Median	16,400		22,300		29,400		13,000	
NOT IN CENTRAL CITIES	13,516		15,135		16,431		2,915	
Specified owner occupied ²	312		131		78		-234	
Less than \$5,000	1,097		476		247		-850	
\$5,000 to \$9,999	2,069		996		555		1,514	
\$10,000 to \$14,999	2,880		1,792		938		-1,942	
\$15,000 to \$19,999	2,526		2,241		1,331		-1,195	
\$20,000 to \$24,999	2,665		4,279		3,755		1,090	
\$25,000 to \$34,999	1,316		3,313		4,886		3,570	
\$35,000 to \$49,999	653		1,907		4,642		3,989	
\$50,000 or more	20,800		29,500		38,300		17,500	
Median								
IN CENTRAL CITIES	1973		Removals 1973-1976		Removals: Percent of 1973 Total			
Specified Owner Occupied ²	9,240		65		0.7			
Less than \$5,000	133		10		7.5			
\$5,000 to \$9,999	619		11		1.8			
\$10,000 to \$14,999	1,371		11		0.8			
\$15,000 to \$19,999	1,793		6		0.3			
\$20,000 to \$24,999	1,499		9		0.6			
\$25,000 to \$34,999	2,091		6		0.3			
\$35,000 to \$49,999	1,184		11		0.9			
\$50,000 or more	549		2		0.4			
Median	22,300		16,200		-			

¹ Numbers and percentages may not add due to rounding.

² Limited to single-family homes on less than 10 acres and no business property

Source: U.S. Department of Commerce, U.S. Bureau of the Census, Current Housing Reports, Series H-150-76, General Housing Characteristics for the United States and Regions: 1976, Annual Housing Survey: 1976, Part A. U.S. Government Printing Office, Washington, D. C. 1978.

TABLE 6

1976 VALUE OF CENTRAL CITY AND NON-CENTRAL CITY
NEW CONSTRUCTION: 1970 TO 1976
(Numbers in Thousands)¹

	<u>Total 1976</u>	<u>New Construction: 1970 to 1976</u>	<u>New Construc- tion: Percent of 1976 Total</u>
<u>IN CENTRAL CITIES</u>			
Specified owner occupied ²	9,453	733	7.8
Less than \$5,000	78	-	-
\$5,000 to \$9,999	402	3	0.7
\$10,000 to \$14,999	759	5	0.7
\$15,000 to \$19,999	1,278	14	1.1
\$20,000 to \$24,999	1,076	37	3.4
\$25,000 to \$34,999	2,389	164	6.9
\$35,000 to \$49,999	1,983	266	13.4
\$50,000 to \$74,999	1,049	171	16.3
\$75,000 or more	439	76	17.3
Median	29,400	43,000	
<u>NOT IN CENTRAL CITIES</u>			
Specified owner occupied ²	16,431	2,509	15.3
Less than \$5,000	78	4	5.1
\$5,000 to \$9,999	247	8	3.2
\$10,000 to \$14,999	555	19	3.4
\$15,000 to \$19,999	938	40	4.3
\$20,000 to \$24,999	1,331	98	7.4
\$25,000 to \$34,999	3,755	399	10.6
\$35,000 to \$49,999	4,886	844	17.3
\$50,000 to \$74,999	3,247	730	22.5
\$75,000 or more	1,395	368	26.4
Median	38,300	47,200	

¹ Numbers and percentages may not add due to rounding.

² Excludes single-family homes on 10 acres or more.

Source: U.S. Department of Commerce, U.S. Bureau of the Census, Current Housing Reports, Series H-150-76, General Housing Characteristics for the United States and Regions: 1976, Annual Housing Survey: 1976, Part A. U.S. Government Printing Office, Washington, D. C., 2978.

NEW CONSTRUCTION

In the place of deletions, the value of new construction, in a sad tribute to inflation, was at much higher levels than that of pre-existing housing. As pointed out earlier, the extant stock in central cities in 1976 had a median value of barely three-quarters of that of non-central cities. The value of new construction which took place in the six years preceeding that date was within 10 percent of the level of non-central city units.

This tends to indicate that new construction simply cannot or has not been provided within a cost framework comparable to the values which central cities once could provide versus non-central cities areas.

The new central city construction which occurred from 1970 to 1976 had a median value of \$43,000 in the final year. Again, the contrast with the removals becomes most striking--the latter, as of 1973, had a median value of \$16,200. Very little of the new central city construction--barely one in 20 units--was valued under \$25,000.

CHANGE IN SALES PRICE: CENTRAL CITIES VERSUS SUBURBS

The actual cost of housing ownership in America must have factored into it the level of inflation in housing value. If, for example, one owns a house which increases in value by 12 percent a year, the real carrying costs of the house in terms of financing--even with a ten percent mortgage--are negative. All that is occurring is a substitution of a stream of monthly payments into a form of capital accumulation. This has sustained the American homebuying boom despite the rigors of cost structures. In turn, at least according to a good many observers, it has made ownership of housing relatively inexpensive.

Once again this presents a significant problem of public policy. If we want to make housing inexpensive for the present central city owners, or owner aspirants, it must go up

in price! If it does not go up in price proportionately to suburbia, the real cost may be higher than in an affluent suburb--through the nominal cost may have appearance opposed to this reality.

In Table 7, for example, are shown changes in housing prices for all houses which had bona-fide transfers, in the years indicted, for two classic central cities of New Jersey as contrasted with two older, but affluent, suburbs.

There are several prominent elements presented here. The first is indicated by changes in mean selling price. For the older cities of Newark and Jersey City, the increase in mean sales prices, between 1970 and 1977, stands at 52.4 percent and 35.6 percent, respectively. For the suburbs, the increases are close to the 70 percent level. Perhaps even more significant is the level of irregularity across the price spectrum. Practically all of the suburban housing, even that of relatively modest price (the 10th and 25th percentiles), secured very substantial increments. In the central cities, the pattern was significantly different with the low end (10th percentile) of the housing stock stagnating in the seven year period under consideration. However, the 90th percentile increased in price much more rapidly.

This latter situation portrays a basic fact of life in many of our older cities, one part of the city literally going out of business, the more desirable flourishing. In addition, the two central cities under discussion have had significant abandonment which has not been reflected in the tables, but which would cause a deflation of the level of price increases. There is more risk in the pattern of investment here as contrasted with the affluent suburbs. In the latter, practically all the levels of housing shown have significant price gains. Housing investment in risk situations should be more profitable than holds true for suburbia. That simply is a function of the uncertainty of gain illustrated in the table. The reality is the reverse of this case.

Owner-occupied housing as a shelter in central cities is available at much lower absolute costs than in affluent suburbia. The real costs, after allowing for the effects of

TABLE 7
SALES PRICES FOR SELECTED NEW JERSEY MUNICIPALITIES 1970 AND 1977

OLDER SUBURB: SUMMIT				OLDER SUBURB: PRINCETON BOROUGH		
	1970	1977	Percent Change 1970 to 1977	1970	1977	Percent Change 1970 to 1977
Mean	51,011		68.9	52,834	89,682	69.7
Percentiles						
10	27,400	50,000	85.4	16,505	43,300	162.3
25	35,000	62,000	77.1	32,750	62,125	89.7
50	44,500	75,000	68.5	46,500	83,375	79.3
75	65,000	101,250	55.8	72,500	97,500	34.5
90	83,800	136,600	63.0	86,560	154,400	78.4
CENTRAL CITY: NEWARK				CENTRAL CITY: JERSEY CITY		
Mean	18,286	27,860	52.4	20,640	27,984	35.6
Percentiles						
10	8,900	8,980	0.9	11,000	12,000	9.1
25	13,500	17,771	31.6	15,650	19,500	25.6
50	18,000	27,000	50.0	20,500	28,000	36.6
75	22,700	36,500	60.8	25,000	35,000	40.0
90	27,000	45,500	68.5	29,000	43,460	49.9

Source: Unpublished sales files, State of New Jersey.

inflation--and the risks of wipe-out through abandonment and neighborhood change--may be much more comparable, if not higher in the core.

SUMMARY: HOUSING VALUES, CENTRAL CITIES AND SUBURBS

The evolution of the value and selling price of central city and suburban housing is characterized by the following tendencies:

1. The median value of central city owner occupied housing increased by \$13,000, or 79.3 percent over the 1970 to 1976 period; the suburban equivalent was \$17,500 or 84.1 percent. The median central city value (\$29,400) in 1976 was but three-quarters (76.8) percent of that in non-central cities (\$38,300).
2. Within both areas, there was an enormous shrinkage in the number of units valued under \$25,000. This was not only the result of inflation, but also the result of the physical removal of lower-valued properties from the inventory. The median 1973 value of central city removals from 1973 to 1976 was \$16,200. The 1973 median value of all central city owner-occupied units was \$22,300.
3. Units constructed over the 1970 to 1976 period have a median value of \$43,000 in central cities. This stands in sharp contrast to median value (\$29,400) of the total inventory.
4. The value of new constructed central city units (\$43,000)-did not differ markedly from the non-central city counterparts (\$47,000). Very few low value units were constructed.
5. Actual property transactions in selected New Jersey cities and suburbs over the 1970 to 1977 period reveal the following patterns of change in sales prices:
 - a. The increase in mean value of central city sales (owner-occupied units) ranged between 35.6 and 52.4 percent.

The suburban equivalent approached 70 percent.

- b. Only the upper end of the central city market demonstrated strong increases in value. The lower end showed virtual stagnation.
 - c. The strong increase in suburban selling prices was characteristic of the entire value spectrum.
6. A basic fact of life in older central cities is portrayed: One part of the city is going out of business while the more desirable not only survives, but flourishes.

III. FACILITATING THE DEVELOPMENT PROCESS

The broader contours of the central city housing market, which we have attempted to discern from the preceding aggregate data, describe the surface features of the urban housing landscape. Are the realities of a housing market whose low end has been eroding markedly subject to modification or intervention by local public officials? Do identifiable strictures exist which have caused the additions to central city housing inventories to be as costly in price as their suburban counterparts? Do leverage points exist to help deflect the forces in motion?

In order to secure a basic grasp of the barriers to the development process within cities, a brief telephone survey was conducted in 17 central cities. While far from definitive, the results provide insights into the resources presently available, the potential for securing additional elements, and the problems in making use of them in providing housing at minimum prices.

LAND AVAILABILITY

Practically all of the respondents indicated the presence of significant amounts of vacant, never-used land, as well as nearly equal amounts of vacant, previously utilized terrain. The two, however, vary quite significantly in terms of their potential. The reasons for lack of utilization of the unused land illustrate some of the problems. First, a significant

proportion—more than one-half of the communities—indicated that the bulk of such land involved unsuitable physical aspects, such as soil instability, flooding problems, marshland, drainage limitation and rock outcroppings. While these may be too costly to rectify, much more amenable to public effort was the second most frequently cited cause, indicated by a one-third of the respondents, the deleterious effects of proximate uses. These include, but are not limited to, mixed-use industrial sites and noxious facilities of one kind or another.

Are communities properly planning for their future? Is there a possibility of relocating environmentally degrading facilities? Is there a payoff that communities are overlooking through failure to optimize the utility of vacant land by clearing it of such man-made impediments?

Over and above these issues were those of lack of demand. Again, more than one-half of the communities indicated a set of problems stemming from the market realities attached to unused land. The background of the situations varied. In some cases it was literally too far removed for current development, i.e., with too weak a job/transport link. This is the case in some of the southwestern communities who have annexed very substantial tracts, which by the definition of most municipalities, would be in exurbia. But also there are a number of communities that indicated the issue of small lots, of 25 foot width, for example, by-passed by new outer development, of older subdivision filings which had aborted or which had left in their wake varying small tracts of land. Clearly, parcels of this size do not lend themselves to conventional, large scale development. Are there facilitating mechanisms, however, that communities could bring into being in order to insure their utility? Is a substantial write-down or local tax incentive feasible? Without new initiatives we have an asset of only dubious value.

ZONING

Only a few communities indicated zoning as being a significant issue. Practically all of the communities who responded to the survey indicated that they had in the recent past

updated their zoning ordinances in order to optimize potential. No less than 15 out of the 17 indicated that the issue of restrictive local zoning or subdivision codes limiting the supply of developable land was essentially moot. The comments were made frequently that agencies are flexible, variances were easy to secure and, as stated by several respondents, "We'll bend over backwards for any kind of legitimate development."

While the issue of scatteration of vacant sites was a dominant one, four of 17 indicated that they had large central business district blocks available for development—their availability was simply due to a lack of demand. And yet demand is really a function of shaping a product to meet the market. Is community tax policy, particularly local real estate taxation, constructively shaped to secure development?

HOUSING STANDARDS AND REHABILITATION

Most of our respondents indicated that this area was not a significant problem. A number of them pointed to the fact that, while there were nominal standards of rather considerable vigor, these were simply not applied in core areas where rehabilitation was taking place. The never-never land, however, of being in violation of the law and perhaps fearful of its implementation may serve as a barrier. Is it time for communities to initiate flexible variation from traditional housing codes? In New York City, for example, the vast bulk of the 30,000 loft conversions to residential facilities—which have enabled a whole population to be housed in relatively inexpensive, attractive facilities—have only been made feasible through illegal occupancy, i.e., in violation of the current building code. As the process of loft conversion continues and matures, the issue of transfer and mortgagability and of the security of the tenantry, become very significant.

Is it time to adapt the realities of the market and the judicial-administrative housing structures to one another?

The complaint that was made in terms of rehabilitation codes referred more specifically to State requirements rather than local or municipal ones. In studies conducted at the Center

for Urban Policy Research in Newark, for example, some \$3,000 per unit of modifications had to be made in a publicly funded housing rehabilitation project which previously met municipal standards, but was found to be in violation of a newly enacted State tenement code. Can we afford his kind of conflict, either present or potential?

Have State building/rehabilitation occupancy codes been suitably modified for the world as it is rather than the world that we would like?

This is not to indicate that all of the communities found little problem with their own local codes. At least two communities in our survey, both of which desperately need new housing facilities, had municipal officials responding that this was a significant issue.

OTHER PROBLEMS

TIME-LAGS

Again, while there is an increasing level of flexibility in administering codes, their ambiguity--The no man's land between nominal codes and the increasingly realistic interpretations of them--causes uncertainty. This in turn is reflected by 40 percent of the respondents indicating a significant problem in term of administrative time lags. While part of these referred to the problems in securing financial subsidies (as in Section 8 or 312), frequent references were made to environmental review as well as the issue of relocation.

BUILDER CAPABILITY

The comment was made quite frequently that these were problems much more common for the inexperienced builder--and those unfamiliar with the local review process--than held true for the seasoned practitioner. In the act, however, of making urban development an obstacle course which was easy for the practiced--but more difficult for the newcomer--we limit the number of developers, and increase costs.

Have communities fully thought through the possibilities of positive construction entitlement as against informal loosening of barriers?

COST REDUCTION FACTORS

When local housing officials were asked how could new construction be made to cost less, the answers were as diverse as the communities in question. The unifying element was the issue of environmental review, both in terms of Federally enforced statutes as well as local requirements. While some of this may stem from inexperience, clearly the issue of efficient environmental review is still with us.

The most important single reference was the slightly more than one-half of the respondents who pointed to the issues of neighborhood control and review.

While clearly the viability of municipalities depends upon strong neighborhoods, there must be room and flexibility for new construction for the overall good of the community. Our respondents, citing specific cases had statements such as, "... (they) don't merely delay projects, they kill them," and "...any density increase faces great opposition."

How can communities assure positive neighborhood insights into the development process--while making room for the future?

LOCAL GOVERNMENT AND OPERATING COSTS

It may not be enough to make land available; it may not even be sufficient merely to facilitate new construction or rehabilitation. Ultimately, we are faced with the issue of rent and homeownership costs, which have been surging at unprecedented levels. When they are combined with the selective migration from the central cities of the more affluent--a process which is continuing--the results are ominous. As shown in Table 8, gross rents as a percentage of income in metropolitan areas have been soaring, both in central cities, as well as outside of them. The rate of growth in the former, however, is most severe. By 1976, nearly one-

TABLE 8
GROSS RENT AS A PERCENTAGE OF INCOME: 1970 AND 1976
IN CENTRAL CITIES AND NOT IN CENTRAL CITIES
(Numbers in Thousands)¹

	<u>1970</u>	<u>1976</u>	<u>Change: Number</u>	<u>1970 to 1976 Percent</u>	<u>Percent Distribution</u>	
					<u>1970</u>	<u>1976</u>
<u>IN CENTRAL CITIES</u>						
Specified renter occupied ²	11,033	11,581	548	5.0	100.0	100.0
Less than 10 percent	977	657	-320	-32.8	9.3	5.9
10 to 14	1,939	1,542	-397	-20.5	18.5	13.8
15 to 19	1,848	1,839	-9	-0.5	17.6	16.4
20 to 24	1,333	1,599	266	20.0	12.7	14.3
25 to 34	1,520	2,043	523	34.4	14.5	18.2
35 percent or more	2,854	3,530	676	23.7	27.3	31.5
Not computed	561	371	--	--	--	--
Median	21%	25%	4	19.0		
<u>NOT IN CENTRAL CITIES</u>						
Specified renter occupied ²	6,401	7,858	1,457	22.8	100.0	100.0
Less than 10 percent	488	407	-81	-16.6	8.3	5.4
10 to 14	1,156	1,103	-53	-4.6	19.6	14.8
15 to 19	1,195	1,415	220	18.4	20.3	18.9
20 to 24	836	1,218	382	45.7	14.2	16.3
25 to 34	866	1,348	482	55.7	14.7	18.0
35 percent or more	1,359	1,982	623	45.8	23.0	26.5
Not computed	500	385	--	--	--	--
Median	20	23	3	15.0	--	--

¹ Numbers and percentages may not add due to roundings.

² Excludes single-family homes on 10 acres or more.

Source: U.S. Department of Commerce, U.S. Bureau of the Census, Current Housing Reports, Series H-150-76, General Housing Characteristics for the U.S. and Regions: 1976, Annual Housing Survey: 1976, Part A. U.S. Government Printing Office, Washington, D. C., 1978.

TABLE 9

CONSUMER PRICE INDEXES: 1960 to 1977

ABSOLUTE VALUE (1967=100)

	<u>1960</u>	<u>1970</u>	<u>1975</u>	<u>1977</u>
<u>ALL ITEMS (Overall CPI)</u>	88.7	116.3	161.2	181.5
Homeownership	86.3	128.5	181.7	204.9
Rent	91.7	110.1	137.3	153.5
Fuel oil and coal	89.2	110.1	235.3	283.4
Gas and electricity	98.6	107.3	169.6	213.4

PERCENTAGE CHANGE

	1960 to <u>1970</u>	1970 to <u>1977</u>	1970 to <u>1975</u>	1975 to <u>1977</u>
<u>ALL ITEMS</u>	31.1	64.2	38.6	12.6
Homeownership	48.9	59.5	41.4	12.8
Rent	20.1	39.4	24.7	11.8
Fuel oil and coal	23.4	157.4	113.7	20.4
Gas and electricity	8.8	98.9	58.1	25.8

Source: U.S. Department of Commerce, Bureau of Economic Analysis,
Survey of Current Business, Select Monthly Issues.

TABLE 10
NEW YORK CITY: PRICE INDEX OF OPERATING COSTS FOR RENT STABILIZED
APARTMENT HOUSES COMPONENT CHANGES: 1970 TO 1977

	INDEX			PERCENT CHANGE		
	<u>1970</u>	<u>1975</u>	<u>1977</u>	<u>1970</u> to <u>1977</u>	<u>1970</u> to <u>1975</u>	<u>1975</u> to <u>1977</u>
<u>ALL ITEMS</u>	116.6	191.3	219.5	88.3	64.1	14.7
Taxes, fees and permits	113.9	153.6	179.3	57.4	34.9	16.7
Labor	124.6	208.4	230.9	85.3	67.3	10.8
Fuel and utilities	107.1	345.1	395.4	269.2	222.2	14.6
Contractor services	124.6	180.3	198.3	59.1	44.7	10.0
Administrative costs	112.3	142.5	162.4	44.6	26.9	14.0
Insurance costs	157.1	206.8	285.0	81.4	31.6	37.8
Parts and supplies	109.2	181.7	202.1	85.1	66.4	11.2
Replacement costs	109.3	148.0	171.8	57.2	35.4	16.1

Note: 1967 = base 100

Source: U.S. Department of Labor, Bureau of Labor Statistics, Middle Atlantic Regional Office, "1977 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City," Regional Report 54, July 1977.

half of all center city renters were paying more than a quarter of their incomes for rent. By the current definition of rent paying capacity embodied in the trigger mechanisms for a variety of support programs, such households were in a position in which rent payments took up an excessive part of their incomes.

While median rents as a percentage of income in central cities in 1970 were 21 percent, by 1976 they had reached 25 percent. The equivalent figure for non-central city renters at the latter date was 23 percent. While there is no definitive data for current periods, there is some indication that, these ratios have become more onerous in the last two years.

As shown in Table 9, the increase in rent-income ratios took place while rents have lagged the overall consumer price index--and certainly the price index for homeownership. This is in the face of very significant increases in energy costs.

There is a dearth of definitive data for urban housing by region of the country. By default, we have included materials developed by the Bureau of Labor Statistics for the operating costs of multi-family housing in New York City, shown in Table 10. While certainly on the local and State level little can be done about the increases in fuel and utility charges (though individual analyses might well be undertaken of the impact of local taxes upon them), this does not hold true for two of the fastest growing elements--taxes, fees and permits, and insurance costs. It is the latter of these two elements which shows the most striking increases in the past two years.

Are there possibilities of local communities and states providing co-insurance or re-insurance to mitigate this burden? The issue of local property taxes, fees and permits is an obvious one.

Have local governments reviewed their current tax approaches on residential housing? Is there a potential for reshaping the burdens of the municipal fisc to minimize the impact on the needs for shelter.

These are compelling questions whose answers may not come easily. What may be more amenable to immediate local action is the first element isolated in this section--the supply of available and abandoned properties. How can local systems effectively utilize this potential?

IV. STRICTURES IN SECURING TITLE TO PROPERTY

The population losses and the shifting economic bases of central cities have often combined to leave in their wake a wide variety of underused or abandoned real property. While this has a deleterious impact upon both the tax base and quality of the living environment, given constructive local policies, it can provide a reservoir of potentially buildable land. All too frequently, however, there is a substantial incongruity between the existence of these physical entities, and their immediate usability. Much of the difficulty revolves around the issue of securing clear title. There are many communities and States which still have, as remnants of the Depression era, policies which make it very difficult to obtain clear title upon tax foreclosure. Following is a simple tabulation of mechanisms which are basic if communities are to adequately mine this potential.

- A. Does your community have a formal property inventory procedure to account for tax delinquent and/or abandoned real property? Does it review municipal land holdings regularly?

There are a significant number of communities, based on a abandonment survey presently in process under HUD's aegis by the Center for Urban Policy Research, which have not institutionalized procedures for inventorying land and/or buildings which are laying fallow and re-establishing their status. While increasingly formal procedures are being developed (sometimes as part of the HAP requirements), this is far from consistently the case. In the absence of such procedures, communities may be unaware of what is, or could be made available.

- B. Does your community have a separate property management bureau or corporation to maintain and/or dispose of

surplus real property?

The scattered jurisdictions which sometimes fall heir to real property within a community may inhibit a successful and realistic appraisal of what is available and where it is physically as well as jurisdictionally. The lack of a centralized system may also inhibit the maximum value of the ultimate dispositions.

- C. Has your community reviewed its tax sale procedures? Most communities—even those which have suffered drastic population losses and in which there are very substantial amounts of abandoned land and buildings—still view the latter as temporary aberrants to be turned around as rapidly as possible through conventional tax sale procedures. This may end up with the property in question entering a legal never-land. Not only is there a capacity for obscuring transfer of title through nominal payments, but also there is clear evidence, in some of the hardest hit communities, of tax sales which are functionally nominal at best. In these communities the bulk of the sales end up generating trivial or no tax payments. The land in question once again falls into the cities' hands only to go through a similar paper disposal mechanism. What should be a resource in these circumstances simply becomes a victim of unfunctional, legal fictions. The properties are not disposed; they are not assessed; they are not resourced, they are rather aimlessly churned through the legal mills.

The failure to have these several mechanisms, to accept the city's role as a vigorous participant in the land market, results in a large amount of land and dubious improvements being permitted to lie unused while "buildable" land commands very substantial premiums—and thus tends to inflate the costs of central city construction.

The thinning out of our central cities can be made a positive virtue and yield inexpensive development. What is required are operating procedures and legal mechanisms to secure the land, to free its title, and to make it available for appropriate redevelopment.

A great many communities have developed these mechanisms; all too many, however, are still without them—and the operating elements to implement them. In a study being undertaken for HUD we have attempted to develop estimates for the amount of both abandoned structures and cleared land which is available in a number of major cities. These data, which, it should be noted, are rough approximations secured from municipal officials, are shown in Table II. Undoubtedly there are substantial limitations to the measurements. But the scale of magnitude indicates the potential which is available.

There is no magic panacea for the containment of urban housing costs. What is required is a step-by-step analysis of the contributing factors and pruning out of the cost impacting elements which are within the preview of local government.

TABLE 11
NATIONAL SURVEY OF RESIDENTIAL AND NONRESIDENTIAL ABANDONMENT
(DECLINING U.S. CITIES - 1978)

City, State	POPULATION AND HOUSING CHARACTERISTICS				CHARACTERISTICS OF ABANDONED STRUCTURES								
	Population Change		Population		Total Dwelling Units 1978	Abandoned Dwelling Units 1978	Percent Abandoned Units 1978	Single Family Units 1978	Multi-Family Units 1978	Multi-Family Structures 1978	Commercial Structures 1978	Industrial Structures 1978	Areas of Vacant Land 1978
	1960-1970	1970-1975	1970	1975									
Bridgeport, CT	0	-9	156,542	51,057	51,057	456	.9	15	450	175	10	5	10
Hartford, CT	-3	-13	158,017	155,152	49,340	530	1.0	0	500	30	5	6	40
New Haven, CT	-9	-8	137,715	125,845	43,302	710	1.7	35	675	225	30	1	0
New London, CT	-3	-4	31,636	30,456	16,877	70	.5	40	30	0	2	0	0
New Britain, CT	8	-6	83,441	78,556	28,056	70	.3	0	70	0	0	0	36
Portland, ME	-10	-8	65,116	59,857	21,378	60	.3	0	60	20	0	0	0
Chelsea, MA	-9	-19	30,525	24,718	8,827	90	1.0	0	90	32	0	0	0
Fitchburg, MA	1	-10	45,546	38,975	13,920	164	1.2	0	164	50	0	0	0
Holyoke, MA	-5	-7	50,112	46,435	28,584	200	1.2	0	200	35	0	2	2
Lynn, MA	-4	-12	90,294	79,327	38,331	130	.5	10	130	30	6	1	4
Somerville, MA	-6	-9	88,732	80,793	28,856	230	.8	48	175	40	50	25	0
Watertown, MA	1	-9	39,367	35,743	12,765	150	1.2	0	150	7	0	7	14
Worcester, MA	-5	-5	176,572	171,566	61,274	200	.3	0	200	79	0	0	75
Boston, MA	-8	-1	641,971	636,725	227,402	4,100	1.8	100	4,000	1,500	50	20	140
Atlantic City, NJ	-20	-8	47,859	43,969	15,702	305	1.9	5	300	80	15	0	0
Camden, NJ	-13	-13	102,551	89,214	34,529	4,500	13.1	3,500	1,000	200	300	200	500
Elizabeth, NJ	5	-7	112,654	104,405	37,288	34	.1	9	25	12	5	0	15
Hoboken, NJ	-6	-14	45,380	39,124	15,469	2,500	16.2	0	2,500	75	0	20	8
Jersey City, NJ	-6	-6	260,550	247,758	87,056	3,108	3.6	622	2,486	600	0	0	100
Newark, NJ	-6	-11	331,930	339,568	121,274	4,612	2.8	50	4,562	1,825	100	25	650
Orange, NJ	-9	7	30,452	32,566	11,631	170	1.5	70	100	45	40	12	1
Passaic, NJ	2	-9	55,124	49,900	17,821	33	.2	0	33	5	0	0	15
Perth Amboy, NJ	2	-7	38,798	35,933	12,833	20	.3	20	0	0	0	0	3
Trenton, NJ	-8	-3	104,786	101,265	35,186	2,200	6.3	200	2,000	500	0	0	0
Paterson, NJ	1	-6	144,824	126,098	48,606	213	.4	13	200	60	15	10	83
Albany, NJ	-11	-5	115,731	110,311	39,397	864	2.2	34	830	250	39	60	550
Bronx, NY	3	-8	1,471,701	1,355,482	484,101	18,927	3.9	72	18,855	1,423	225	69	1,000
Brooklyn, NY	-1	-7	2,602,012	2,408,234	660,054	20,683	2.4	504	20,179	4,325	1,891	349	270
Buffalo, NY	-13	-12	462,768	407,160	145,414	950	.7	650	300	25	45	16	120
Elmira, NY	-14	-7	39,945	37,320	9,138	70	.8	5	65	20	2	3	5
Lackawanna, NY	-3	-11	23,857	25,374	9,062	325	3.6	250	75	5	50	0	25
Manhattan, NY	-9	-7	1,589,235	1,429,033	510,369	15,044	2.9	14	15,030	801	424	95	100
Mt. Vernon, NY	-4	-7	72,788	67,687	24,174	50	.3	10	50	10	0	0	6
Niagara Falls, NY	-16	-8	85,815	80,773	28,848	183	.6	8	175	40	7	5	6
Ossing Village, NY	16	-7	21,659	20,041	7,158	144	1.6	14	100	2	12	1	6
Rochester, NY	-7	-9	295,111	267,175	95,419	1,730	1.8	630	1,100	470	70	8	137
Syracuse, NY	-9	-7	197,297	182,543	65,194	1,075	1.7	75	1,000	400	200	200	0
Utica, NY	-9	-10	91,611	82,443	29,444	212	.7	12	200	85	6	1	10
Troy, NY	-7	-4	62,918	60,512	21,640	155	.7	5	150	63	2	1	0
Schenectady, NY	-5	-4	77,058	74,995	26,784	270	1.0	20	250	75	32	3	3
Poughkeepsie, NY	-16	-1	32,029	31,608	11,289	55	.5	25	30	15	6	0	0
Hempstead, NY	14	-2	801,592	785,574	280,562	210	.1	90	120	60	0	0	0
Amsterdam, NY	-11	-4	25,524	24,430	8,725	150	1.7	0	150	80	0	0	10
Chester, PA	-12	-14	56,331	48,529	17,332	600	3.5	30	300	100	10	0	0
Harrisburg, PA	-15	-14	68,061	58,274	27,945	3,761	13.5	1,300	2,461	1,000	300	346	80
Johnston, PA	-21	-6	42,476	40,044	14,301	400	2.8	0	400	150	100	15	0
McKeesport, PA	-16	-11	37,977	33,802	12,072	460	3.8	360	100	40	0	0	100
New Castle, PA	-14	-6	38,669	36,359	12,985	65	.5	45	20	7	12	1	10
Philadelphia, PA	-3	-7	1,949,996	1,815,508	648,503	33,161	5.1	15,151	18,000	6,000	1,089	241	0
Pittsburgh, PA	-14	-12	520,689	468,651	163,804	5,500	3.4	1,000	4,500	2,000	300	55	0
Reading, PA	-11	-7	87,643	81,592	29,140	300	1.1	200	100	50	0	0	0
Scranton, PA	-7	-7	102,698	95,664	34,244	100	.3	100	0	0	0	3	200
Wilkesburg, PA	-11	-9	26,780	24,458	8,735	48	.6	18	30	2	0	0	0
Work, PA	-8	-3	50,535	48,587	17,353	500	2.9	0	500	260	12	0	1,400
Wilkes Barre, PA	-7	-3	58,856	57,040	20,371	90	.4	90	0	0	0	0	0

TABLE 11 (Continued)

City, State	POPULATION AND HOUSING CHARACTERISTICS				CHARACTERISTICS OF ABANDONED STRUCTURES								
	Population Change		Population		Total Dwelling Units	Abandoned Dwelling Units	Percent Abandoned Units	Single Family Units	Multi-Family Units	Multi-Family Structures	Commercial Structures	Industrial Structures	Areas of Vacant Land
	1960-1970	1970-1975	1970	1975	1975	1978	1978	1978	1978	1978	1978	1978	1978
Lower Merion, PA	-3	-5	63,594	60,099	21,464	44	.2	10	34	17	0	0	0
Providence, RI	-14	-6	17,223	167,724	59,901	865	1.4	15	850	54	24	2	12
Alton Twp., IL	-8	-10	39,760	35,624	12,794	305	2.4	140	165	25	20	0	0
Carbondale, IL	56	-16	26,940	22,633	8,083	20	.3	20	0	0	4	0	20
Chicago, IL	-5	-8	3,369,357	3,099,391	1,106,925	24,000	2.2	4,000	20,000	2,000	100	200	1,500
East St. Louis, IL	-14	-17	70,169	67,929	20,689	3,750	18.1	1,250	2,500	250	85	90	1,100
Joilet, IL	18	-6	79,316	74,401	26,572	400	1.5	100	300	60	60	30	0
North Chicago, IL	106	-10	47,276	42,639	15,228	24	.2	12	12	3	2	1	40
Rawtoul, IL	16	-16	25,562	21,533	7,690	23	.3	13	10	4	7	0	0
Springfield, IL	10	-5	91,753	87,418	31,221	300	1.0	300	0	0	73	0	200
Evanston, IL	1	-4	80,115	76,685	27,380	12	0	12	0	0	6	2	1
East Chicago, IN	-19	-6	46,982	44,188	15,781	20	.2	20	0	0	10	0	5
Gary, IN	-2	-11	188,398	167,546	59,838	1,161	1.9	711	450	98	121	0	0
Harrison, IN	-4	-9	69,677	63,209	22,575	95	.4	20	75	30	10	10	0
Pigeon-Evansville, IN	-14	0	53,899	53,899	19,250	42	.2	30	12	5	10	4	50
Portage-South Bend, IN	-5	-7	256,601	237,549	8,439	1,000	1.2	750	250	100	58	8	30
Terre Haute, IN	-3	-9	70,535	63,998	22,856	200	.9	200	0	0	0	0	0
Richmond, IN	-1	0	43,902	43,898	15,678	15	.1	15	0	0	0	0	8
Indianapolis, IN	54	-2	729,668	714,878	255,314	5,204	2.0	1,750	3,454	1,000	100	0	500
Ottuma, IA	-13	-10	29,618	26,601	9,500	25	.3	25	0	0	0	0	0
Des Moines, IA	-4	-4	201,404	194,168	69,346	425	.6	200	225	75	25	3	3
Topeka, KA	5	-5	125,011	119,203	42,573	215	.5	0	0	0	0	0	3
Kansas City, KA	38	-6	178,689	168,152	60,055	75	.1	75	0	0	0	0	0
Detroit, MI	-9	-12	1,514,063	1,335,085	529,012	30,000	5.7	10,000	20,000	5,000	200	100	1,600
Flint, MI	-2	-10	193,317	174,218	52,221	2,856	4.6	2,586	250	50	610	200	260
Hamtramck, MI	-20	-15	26,783	22,673	8,109	54	.7	50	4	5	4	3	6
Highland Park, MI	-7	-17	35,444	29,473	10,526	320	5.0	120	200	175	35	0	4
Kalamazoo	5	-7	85,555	79,542	28,408	28	.1	20	8	3	0	0	3
Pontiac, MI	4	-11	85,279	76,027	27,154	1,188	4.4	768	400	120	230	0	460
Royal Oak, MI	7	-8	86,238	79,027	28,283	46	.2	30	16	8	2	0	0
Saginaw, MI	-7	-6	91,649	79,191	29,763	3,800	12.8	800	3,000	100	75	100	15
Ypsilanti, MI	41	-9	29,558	28,745	9,552	28	.3	28	0	0	12	0	0
Warren, MI	100	-4	179,260	172,755	61,698	150	.2	150	0	0	0	0	0
Lansing, MI	22	-4	131,638	126,805	45,286	210	.5	160	50	40	0	0	48
Bay City, MI	-8	-5	49,449	47,215	16,863	28	.2	10	18	6	5	0	0
Brooklyn Center, MN	44	-10	35,173	31,791	11,354	30	.3	30	0	0	0	0	0
Duluth, MI	-6	-7	100,578	93,971	33,561	240	.7	168	72	5	20	10	30
Mankato, MN	30	-6	30,895	28,951	10,340	47	.5	47	0	0	0	0	5
Minneapolis, MN	-10	-13	434,400	376,112	135,040	1,000	.7	950	50	12	0	0	75
Richfield, MN	11	-9	47,231	43,168	15,424	20	.1	20	0	0	0	0	0
St. Paul, MN	-1	-10	309,868	279,535	99,834	675	.7	95	581	12	3	0	70
Bloomington, MN	62	-3	81,970	79,210	28,289	27	.1	27	0	0	0	0	0
Kansas City, MO	7	-6	507,330	475,629	189,832	2,000	1.2	1,000	1,000	350	5	0	45
St. Louis, MO	-17	-16	622,236	524,964	187,487	3,500	1.8	1,450	1,300	275	500	25	1,500
University City, MO	-7	5	46,061	47,627	16,974	11	.1	11	0	0	0	0	5
Akron, OH	-5	-9	275,425	251,747	89,910	640	.7	400	250	100	8	20	60
Canton, OH	-3	-7	110,055	101,852	36,376	225	.6	160	65	24	25	5	0
Cincinnati, OH	-10	-9	453,514	412,564	147,344	4,500	3.1	500	4,000	500	1,000	200	225
Cleveland, OH	-14	-15	750,879	638,793	228,140	2,675	1.2	425	2,250	425	125	25	500
Dayton, OH	-7	-16	244,564	205,986	85,349	5,350	6.3	4,000	1,350	450	850	150	10
Youngstown, OH	-16	-6	140,909	132,203	47,215	40	.1	20	20	12	20	3	0
Hamilton, OH	-6	-2	67,865	66,469	23,739	80	.3	30	50	15	0	0	4
Springfield, OH	-1	-6	81,850	77,317	27,613	46	.2	40	6	3	4	2	0
Milwaukee, WI	-3	-7	717,372	665,796	237,784	590	.3	350	240	120	0	0	0
Superior, WI	-4	-7	32,237	30,038	10,728	43	.4	43	0	0	0	0	3
Bessmer, AL	2	-6	53,663	51,531	11,261	90	.8	40	50	25	0	0	0
Gadsden, AL	-7	-7	53,928	50,357	17,985	100	.6	70	30	10	60	5	0
Prichard, AL	-12	-5	41,578	39,317	14,043	45	.3	45	0	0	20	0	0
Anniston, AL	-6	-3	31,553	30,622	10,936	145	1.3	100	45	20	5	3	0

TABLE 11 (Continued)

City, State	POPULATION AND HOUSING CHARACTERISTICS		CHARACTERISTICS OF ABANDONED STRUCTURES										
	Population Change		Population		Total Dwelling Units	Abandoned Dwelling Units	Percent Abandoned Units	Single Family Units	Multi-Family Units	Multi-Family Structures	Commercial Structures	Industrial Structures	Areas of Vacant Land
	1960-1970	1970-1975	1970	1975	1978	1978	1978	1978	1978	1978	1978	1978	1978
Atlanta, GA	2	-12	495,039	438,057	155,735	3,925	2.5	325	3,600	300	25	12	20
Columbus, GA	33	-10	59,864	54,019	19,293	242	1.3	170	72	20	15	0	20
Ashland, KY	-7	-10	30,586	27,456	9,806	209	2.2	209	0	0	10	0	3
Covington, KY	-13	-15	52,535	44,467	15,851	155	1.0	95	60	18	18	0	0
Louisville, KY	-7	-7	361,453	335,954	119,984	4,400	3.7	2,000	2,400	1,200	100	0	12
Paducah, KY	-8	-3	31,627	30,674	10,955	62	.6	35	27	10	12	0	8
Cumberland, MD	-11	-8	29,820	27,449	9,803	55	.6	30	25	10	10	10	0
Charleston, SC	2	-14	66,945	57,470	20,525	160	.8	32	128	48	100	5	3
Greenville, SC	-7	-5	61,456	58,518	20,899	147	.7	67	60	30	70	0	2
Port Arthur, TX	-14	-7	57,371	33,557	19,123	270	1.4	150	120	30	48	2	3
Sherman, TX	16	-10	29,061	26,049	9,303	20	.2	20	0	0	6	0	5
Gavlestone, TX	-8	-3	61,809	60,126	21,473	500	2.4	400	100	50	15	0	45
Dallas, TX	24	-4	844,303	812,797	290,285	700	.2	500	200	50	15	0	10
Norfolk, VA	1	-7	307,951	286,694	102,391	145	.1	85	60	25	0	5	10
Richmond, VA	13	-7	249,431	232,652	83,090	440	.6	380	60	25	0	5	10
Alexandria, VA	22	-5	110,927	105,220	44,401	2,146	4.6	40	2,108	201	20	0	0
Huntington, WV	-11	-7	74,515	68,811	24,575	75	.3	75	0	0	0	0	0
El Cerrito, CA	-1	-9	25,190	22,846	8,159	10	.1	10	0	0	5	3	0
Long Beach, CA	4	-7	361,427	335,602	119,358	250	.2	150	100	20	20	0	0
Bell Gardens, CA	--	-10	29,368	26,307	9,395	0	0	0	0	0	0	0	20
Oakland, CA	-2	-9	361,561	330,651	118,090	900	.8	700	200	10	63	0	0
Paramount, CA	28	-10	34,734	31,176	11,132	265	2.4	250	15	4	0	0	0
Richmond, CA	10	-12	79,043	69,713	24,898	245	1.0	80	165	50	0	0	0
San Bernardino, CA	16	-7	109,203	102,078	36,456	510	1.4	510	0	0	60	0	25
Los Angeles, CA	13	-3	2,811,801	2,727,899	974,071	2,750	.3	950	1,800	25	0	0	0
Downey, CA	7	-4	89,012	85,812	30,647	501	1.7	450	51	10	10	0	0
Berkeley, CA	5	-3	114,091	110,465	39,452	62	.2	50	12	3	4	1	0
Portland, OR	2	-7	382,352	356,732	127,404	2,400	1.9	2,000	400	50	0	200	0
Seattle, WA	-5	-8	530,831	487,091	173,961	500	.3	400	100	20	30	0	75
Wilmington, DE	-16	-5	80,386	76,152	27,197	1,950	7.2	750	1,200	500	80	25	60
New Orleans, LA	-5	-6	593,471	559,770	208,007	3,750	1.7	250	3,000	162	100	30	100
High Point, NC	2	-3	63,229	61,330	21,904	50	.2	50	0	0	0	0	46
Ashville, NC	-4	-3	61,458	59,591	31,283	15	.1	15	0	0	0	0	0
Chattanooga, TN	-8	-3	166,947	161,978	57,849	638	1.1	618	20	2	20	10	15
Salt Lake City, UT	-7	-3	175,865	169,917	60,684	75	.1	15	60	6	50	25	0
Denver, CO	-4	-6	514,678	484,531	173,047	1,245	.7	235	1,010	30	10	5	45

ALLOCATION OF DEVELOPMENT COSTS BETWEEN HOMEBUYERS AND TAXPAYERS

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1. INTRODUCTION

Although inflation has upset virtually all parts of the American economy, two of the sectors most severely afflicted by cost increases have been housing and State-local government. The rapid escalation in housing prices is documented throughout the papers prepared for this Conference. Until very recently, the costs of State-local government has climbed even more rapidly--rising by no less than 144 percent per capita, between 1969 and 1978, or about twice the rate of general inflation.

The capital markets that finance housing construction and State-local capital formation also have important characteristics in common. Historically, both have exhibited great sensitivity to credit cycles. In the past, State and local governments, like homebuyers, have had difficulty securing financing during periods of credit tightness. Borrowing to support investment in these sectors has tended to be squeezed out by borrowing for commercial and industrial investment. Although great progress has been registered in the most recent cycle in stabilizing the supply of credit to housing markets, this goal has been achieved at the cost of sharp increases in mortgage interest rates.

Housing and State-local government, in short, share a basic vulnerability to inflation and to credit cycles. There is irony, therefore, in the fact that each sector has tried to combat recent cost increases, in large part, by shifting costs to the other. Especially at the local level, the pressures of inflation

have thrown into conflict efforts to restrain housing prices and efforts to restrain tax burdens.

In seeking to control their costs, local governments have thrust upon developers many of the responsibilities for capital infrastructure investment traditionally borne by the public sector. Fees levied on new housing construction have become an important part of the general revenue picture for many local governments. This shift in financing burdens has helped to contain local general tax rates, but it has done so by increasing the cost of housing.

At the same time, housing suppliers have begun to look to the tax exempt bond market to lower housing prices. Many States permit developers to finance a variety of capital facilities through tax exempt borrowing. One of the most controversial events of the past year has been the expansion of this principle to the financing of housing itself. Local programs have been established to pass through the interest savings obtainable from public, tax exempt bonds to the purchasers or developers of housing. Such programs have been able to lower interest costs on housing mortgages by two percentage points or more. They probably go farther to lower the costs of housing to consumers than any other measure at local command.

Widespread use of the tax exempt market to finance housing investment, however, raises difficult policy questions. Borrowing for this purpose already has had a discernible impact on tax exempt interest rates paid for traditional municipal investment in public capital facilities. Should future tax exempt borrowing for housing grow at the rate that presently seems possible, it would add further to the costs of State and local government, while cutting into Federal tax revenues.

The issues discussed in this paper differ in kind from those considered in most of the other sessions of this Conference. With a few exceptions, the government regulations involved do not add to the real resource costs of constructing housing. Rather, they affect the way development costs are divided between the homebuyer and the general taxpayer. Actions taken to reduce the costs of housing are likely to inflict new

costs on the tax-paying public, and actions to limit local tax burdens may show up as higher housing prices. This trade-off adds greatly to the difficulty of designing public policy, but it must be faced directly in trying to restrain housing costs.

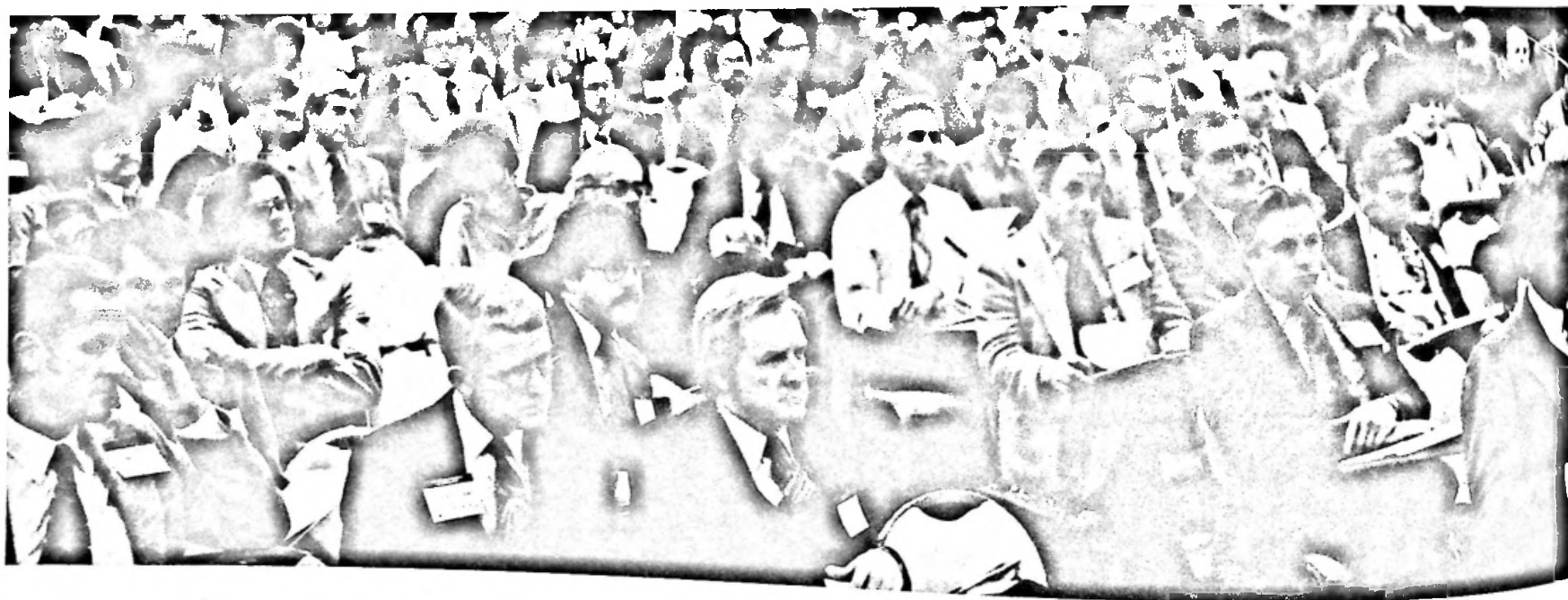
II. PUBLIC FACILITY FEES AND SUBDIVISION CAPITAL INVESTMENT REQUIREMENTS

Some decades ago, the price that a buyer paid for a new home reflected the cost of housing construction alone. For many years, however, most communities have required that subdivision developers install the basic on-site public facilities needed to complement the private home. These public facilities include local streets, sidewalks, lighting, the subdivision sewer and water systems, and other items of neighborhood public use. Such facilities typically are put in place by the private developer, then turned over to the local government for ownership and operation. Their cost forms an important part of the total cost of housing.

In recent years, the charges levied on developers in some

States have been expanded to cover the financing of off-site capital facilities. If construction of a new subdivision development will require expansion of the local school system, or an addition to community firefighting facilities, a special fee may be imposed on new subdivision homes, even though the public facilities in question will not be located in the subdivision or used exclusively by its residents. Indeed, special charges now are sometimes imposed on new homes to defray the general operating costs of providing public services to future residents.

The basic rationale for imposing one-time charges or in-kind fees on new housing is that housing purchasers otherwise would create a fiscal drain on the community. If homebuyers pay less in property or other taxes than the cost of providing them with public services, the deficit will have to be absorbed by existing residents in the form of higher taxes. In theory, an initial impact fee could be established that would simply balance the recurring annual gap between the tax revenues generated by a housing development and the public service costs it creates. In practice, no jurisdiction attempts



to make this fine a calculation. Most localities seek only to recover the capital costs attributable to new development in their fee schedules. In States where the courts have upheld legislative efforts to levy taxes (rather than regulatory fees) on new housing, the match between development tax burdens and capital costs is much less exacting. The tax is then seen as a revenue raising vehicle, whose rate structure need be only loosely tied to incremental capital costs (1). Taxes on new housing may then become a simple device for shifting government costs from present community residents to new homebuyers.

FREQUENCY AND LEVEL OF FEES

How widespread is the use of development fees and subdivision improvement requirements? How much do these regulations contribute to the total cost of housing?

Developer installation of basic capital infrastructure is now regarded as necessary to good subdivision design and nearly universal in practice. The magnitude of the capital investment which has been shifted in this manner to the private sector should not be minimized. Table 1 summarizes the public development costs estimated by Real Estate Research Corporation for a "typical" single-family subdivision in 1973. These costs were estimated after examination of a large number of development projects around the country. The items listed in Table 1 are typical of those that communities now require developers to install at their own expense. In the standard case chosen by Real Estate Research Corporation, these accounted for 10.2 percent of the new single-family selling price.

The significance to local governments of developer installation of capital facilities is further illustrated by a 25-year development plan drawn up by the local governments in the Tucson, Arizona metropolitan area. The development plan estimates that, if the present pattern of development continues over the period 1974-2000, some \$2.56 billion (1973 dollars) of capital investment will be required to furnish the area's population growth with streets, roads, schools, and other public capital facilities. Of this total, \$1.03 billion, or

some 40 percent, would be supplied by private developers, pursuant to existing subdivision regulations (2).

A second category of costs imposed on developers consists of mandatory land dedication for parks and schools. Although there are no fully comprehensive data on the use of these arrangements, they are rapidly spreading in application. A broad based national survey conducted by the International City Management Association in 1968, indicated that 24 percent of all municipal governments required dedication of open space as a prerequisite to issuing building permits (3). A smaller but more recent survey (1976) indicated that 63 percent of all municipalities required either land dedication or in lieu fees for parks and schools (4). Taken together, the two studies suggest a substantial rise in the number of jurisdictions requiring land dedication. As a general rule, however, mandatory land dedication adds only modestly to the total costs of development. The cost of developer land dedication in California communities in 1972 (based on the purchase price of raw land by the developer), lay between \$86 and \$431 per housing unit, with an average cost of \$317 (5). Although land costs have risen dramatically since that date, there is no indication that the importance of land dedication to total housing costs has climbed. Table 2 shows that land dedication also has been a small fraction of developer costs in Colorado communities.

The most controversial category of development charges consists of fees levied to finance off-site improvements or general public expenses. These frequently are classified by the courts as taxes, rather than regulatory fees. They require special State authorizing legislation before they can be imposed by local communities. California communities have assumed the lead in using charges on new home construction to support general revenues. The so-called "bedroom tax" on new homes, for example, is used to finance community-wide school or other construction. Sewer and water fees are levied to support future system expansion not specifically related to the subdivision in question. These levies may be justified in principle by the capital financing requirements created by growth, but functionally they are nearly equivalent to an unrestricted tax.

TABLE 1
COST OF PUBLIC CAPITAL FACILITIES TYPICALLY
 INSTALLED BY DEVELOPERS (1973)

<u>Item</u>	<u>Cost Per Housing Unit</u>
Minor subdivision roads	\$ 671
Sanitary services collection system	604
Storm drainage collection system	1,068
Water distribution system	1,619
	<hr/>
Total	\$3,962
Percent of total housing cost	10.2%

Source: Real Estate Research Corporation, The Costs of Sprawl
 (Washington, D. C.: U.S. Government Printing Office,
 1974).

It is difficult to estimate the overall magnitude of development fees and taxes. For one thing, their use varies greatly from locality to locality--being most important in the South and West, where the volume of new housing construction has created the greatest concern for growth-related capital investment. Complete data on local fee structures tend to be limited to case studies. Most of these studies date from the 1974-75 period, when the housing industry was vigorously opposing the growth in development fees.

Two examples of the case studies in question are provided in Tables 2 and 3. Table 2 lists the costs of capital improvements or fees required of developers in several Colorado communities. The total costs can be seen to vary from 6.9 to 14.2 percent of the average 1976 selling price for single-family homes in these areas (6). Table 3 summarizes similar costs for new development in Santa Clara County, California. As in the Colorado example, the bulk of the costs are accounted for by traditional capital investment requirements rather than by new taxing arrangements. The Real Estate Research prototype, the Colorado and California studies cited, as well as numerous other studies, all indicate that in the States where reliance on developer improvements and fees is greatest, these costs amounted to roughly 10 percent of total single-family construction costs in the period 1974-75.

PROPOSITION 13 AND FUTURE DEVELOPMENT FEES

Perhaps of more pressing concern to housing developers than the current level of development fees is the prospect that Proposition 13, and similar tax limitation measures in other States, will generate new demand for levies on housing construction. Tax limit initiatives typically restrict the general taxes that can be collected from local taxpayers, but do not restrict the fees that can be charged on new development. They have inspired the fear among developers that fees and charges on new housing will be forced to play a larger role in the overall financing of the local public sector.

Although it is too early to determine the ultimate effects of Proposition 13 on local revenue structures, some preliminary

data from California suggest that many communities have indeed either adopted new fees and charges on development or increased existing fees. Sample information from 53 California communities collected by the building industry indicates that in 28 of these jurisdictions, at least one facility fee was added or an existing fee increased between early 1978 and July, 1978. Although these fees have been modest contributors to the housing price inflation experienced in California, their magnitude is not insignificant. The average new fee imposed was \$846, while the average increase in existing fees was \$400 or 92 percent. In the balance of jurisdictions where data were available, capital facility fees were unchanged, but fees and charges for a variety of development-related permits, inspections, and other services often were increased (see Table 4).

Most of the new fees are earmarked for school construction costs or for general capital needs, and based on type of housing unit or number of bedrooms. However, several communities have recently added fees based on property value. For example, San Jose now levies a fee equal to 2.75 percent of new residential property value, as estimated from a standard cost per square foot of space. At current rates, this levy amounts to \$1,400 on a typical single-family unit. Several jurisdictions have recently enacted a "potential pupil" fee based on 1977 state enabling legislation. This fee is designed to provide funding to build temporary classrooms in school districts where facilities are overcrowded. The average fee varies by school district, since only particular grades may be overcrowded and different districts face different construction costs. The fee per new single-family unit in one community is \$1,964.

A number of jurisdictions also have provided for automatic annual upward adjustments in development fees, of 7.5 percent to 10 percent annually, to compensate for rising public construction costs.

Discussions with local officials indicate that, while recent water and sewerage fee increases were at least partially attributable to inflationary cost increases, the new school-related fees are linked directly to Proposition 13. In several

TABLE 2

IMPROVEMENTS PAID BY DEVELOPER
IN SELECTED COLORADO JURISDICTIONS 1974-1975

<u>Community Improvement</u>	<u>Arapahoe C.</u>	<u>Arvada</u>	<u>Aurora</u>	<u>Fort Collins</u>
Water and sewer fees	\$ 1,963	\$ 1,125	\$ 1,137	\$ 2,794
Schools, parks (other than land)	371	431	--	195
Streets	1,035	--	--	--
Sidewalks, gutters	742	3,500	628	546
Storm sewers	--	133	--	--
Subtotal	4,111	5,189	2,315	3,956
Percent land area dedicated	10%	15%	8%	0%
Cost based on purchase price	170	255	136	0
Total	4,281	5,444	2,451	3,956
Selling price of detached unit	47,660	38,339	35,625	35,625
Percent improvement cost of selling price	9.0%	14.2%	6.9%	11.1%

From 1977 Census of Government

Source: Colorado Association of Housing and Building, An Analysis of the Impact of State and Local Government Intervention on the Housing Building Programs in Colorado 1970-1975 (Denver, Colorado: 1976).

TABLE 3

PUBLIC IMPROVEMENT COSTS AND DEVELOPMENT FEES,
CUPERTINO, SANTA CLARA COUNTY, CALIFORNIA (1973)

<u>Item</u>	<u>Cost Per Housing Unit</u>
<u>IMPROVEMENTS</u>	
Street improvements	\$ 1,912
Water system	548
Sanitary sewer system	432
<u>FEES</u>	
Water connection fees	330
Sanitary sewer connection fees	202
Storm sewer connection fees	193
Total	\$ 3,617
As percent of housing cost	11.1%

Source: County of Santa Clara Planning Department, Cost and Revenues
Associated with New Housing Developments on Selected Sites in
Santa Clara County (1974).

TABLE 4
NEW OR INCREASED FEES IN CALIFORNIA FOLLOWING PROPOSITION 13

Fee Category	Total No. Fees	Fee Status			Average New Fee Level Per Resi- dential Unit	Average Increase Per Unit	Percent Change Pre-Post Proposition 13
		No Change	a/ New	Increase			
Facility Fees:							
Sewer	53	42	1	10	\$ 300	\$322	92%
Water	53	50	0	3	--	\$441	118%
Park/Recr.	53	49	0	4	--	\$337	107%
General Capital	53	40	12	1	\$1,093	\$800	400%
Bedroom/School	53	43	7	2	\$ 539	\$850	85%
Non-Facility Fees <u>c/</u>	53	25	7	21	-- <u>d/</u>	-- <u>e/</u>	--

a/ It is assumed that respondents did not report fee unless it was added or increased since early 1978.

b/ Based on three bedroom detached unit.

c/ Excludes one fee for "potential pupils."

d/ Includes various development permits.

e/ Cannot be computed per unit, since many fees are for total developments, which vary in the number of dwelling units constructed. The average fee more than doubled for jurisdictions reporting change.

Source: Unpublished data collected by California Construction Industry Research Board.
Data compiled by authors.

jurisdictions which had at least one fee increase in the first half of 1978, additional increases have taken place since that time. Thus, while the sample, which includes about 15 percent of the State's population, was probably not random (it being a voluntary response to an association appeal for information), there is little doubt based on comments by public officials that development fees have been increased significantly as a result of Proposition 13.

The political appeal of shifting public development costs to private developers and homebuyers is obvious. For most political leaders, existing community residents are far more important constituents to please than prospective homebuyers. Given the current desire to limit general tax burdens and restrict public debt issuance, the prospect is for new housing development to be asked to bear a larger share of the public financing burden.

ECONOMIC EFFECTS OF DEVELOPMENT FEES

The basic effect of development fees and mandatory developer improvements is to shift some of the costs of public sector operations, previously borne by taxpayers at large, onto the shoulders of new homebuyers. Nonetheless, some qualifying complexities have to be acknowledged in tracing the full effects of development fees.

A Portion of the Development Fee Represents the Substitution of a One-Time Capital Charge for Annual Housing Costs.

The annual cost of housing includes the property taxes that must be paid. To the extent that developer fees succeed in lightening the property tax burden, they will also reduce future annual housing costs for new homebuyers. In the limiting case of an entirely new community, all buyers would eventually recoup the development fee passed on to them in the form of higher housing prices, through reduced annual property taxes (subject to the difference in public and private borrowing costs, noted in the next section). Otherwise, replacement of a general tax by a development fee always will shift a share of cost burdens away from taxpayers at large to new home purchasers. The more modest is the rate of new construction relative to the existing housing stock, the

more pure redistribution is involved in any increased reliance on development fees.

If Development Fees Remove the Fiscal Drain Created by New Housing Construction, they also Remove the Incentive for Fiscal Zoning. As long as new housing fails to pay its own way fiscally, there will be an incentive for existing residents to restrict new development. In the past, these restrictions have primarily taken the form of zoning laws, which exclude low valued housing altogether from a community. The impact of zoning restrictions on land and housing prices is examined in other papers prepared for this Conference. As a general economic proposition, it is more efficient to overcome the fiscal disincentive to development through pricing measures--by making developers or homebuyers pay a one-time fee to compensate for the fiscal drain they create--than by exclusionary zoning rules (7). Since there are numerous other incentives for zoning restrictions, beyond the fiscal inducement, this point may be of greater theoretical than practical significance.

Heavy Reliance on Developer Installation of Community Capital Facilities May Result in Lower Quality, Less Durable Infrastructure. In all capital facilities, there is a trade-off between the initial cost of equipment and its expected length of service and cost of operation. Where private developers must reflect the cost of public facilities in the prices of the homes they sell, there is a natural incentive to install as inexpensive facilities as possible. The optimal capital choice for the developer, intent on selling his interest in the property as soon as possible, may not coincide with the optimal capital choice for the community, which must operate that capital for generations into the future. This fact argues for direct public installation of capital facilities or close supervision of privately installed capital facilities that will pass into public ownership. Sometimes, in the case of quasi-private, loosely regulated municipal utility districts (discussed below), communities have found themselves taking over public capital facilities that were inefficiently designed or already in a state of deterioration.

Cost Plus Pricing. Many builders price new homes, especially

the asking price on the first units in a subdivision, on the basis of cost plus profit. Depending on the demand shown for the first units offered for sale, this price may be adjusted. In determining the cost of a unit, the costs of public capital facilities are not distinguished from other costs. If, for example, the cost of mandated improvements is \$5,000 and profit is 20 percent of total cost, the consumer is charged \$6,000 built into the price of the house (8). This suggests that the same capital facilities, constructed at the same real cost, may be more expensive to the housing buyer when supplied by the private sector than when supplied by the public sector, because of private developers' expectations of earning a percentage profit on all construction costs.

III. ALTERNATIVE APPROACHES TO FINANCING IMPROVEMENTS

While development charges and fees may be both economically efficient and politically acceptable, the increases in new home prices which result can have adverse effects. The strongest argument against current fee practices is that capitalizing public sector costs into the price of new housing can exclude from a community households who otherwise could afford to live there. The subsequent discussion briefly notes four alternative approaches which could reduce "up front" capital costs, with emphasis on the formation of special utility districts.

FORMATION OF UTILITY DISTRICTS

The formation of special districts to provide capital facilities for utilities and other purposes dates back several decades, but has intensified in recent years. Between 1972 and 1977, the number of sewerage districts in the nation increased from 1,411 to 1,610, or at an annual rate of almost three percent. The growth of utility districts has been particularly rapid in States which account for a substantial number of housing starts, such as California, Texas and Colorado.

In most states, utility districts are created following petitions by landowners to the board of county supervisors, followed by approval of district voters and by an election of commis-

sioners, who may levy assessments and are authorized to issue tax exempt bonds. However, the specific process varies by State. The advantages of special districts are rather obvious, particularly from the perspective of developers: once a special district is formed, developers can borrow funds at tax exempt interest rates, usually no "up front" cash payments are required from the developer, and there may be an opportunity to sell the system at a profit if a jurisdiction annexes the newly developed area.

The potential homebuyer can also benefit, since the reduced costs of community capital facilities are presumably passed on by the developer to the consumer. This, in turn, increases the number of potential buyers eligible for mortgages and reduces somewhat minimum down payments. The ease with which special districts have been formed in some states has, however, led to abuses. A number of utility systems, including some in Texas, have produced inefficient utility networks as a result of small treatment plans, installation of excess capacity for other facilities, or overgenerous construction contracts (9). Moreover, the true costs of capital facilities may be hidden from the buyer when they are not reflected in the initial housing price. The obligation to pay back the indebtedness used in finance capital construction leads to special annual assessments or tax burdens within the district. Where facilities have been inefficiently constructed, the high average public debt repayments falling on the homeowner may more than offset his lower monthly principal and interest mortgage payments. During the economic downturn of 1974-1975, some utility districts in Texas and elsewhere came close to insolvency.

The tendency to build oversized facilities can also cause the developer to try to construct and sell quickly additional units in order to spread capital and operating costs among more users. This can lead to poor construction quality and other questionable practices. In response to some of the difficulties noted above, the Texas Water Rights Commission in 1974, adopted rules which allow a subdivision developer to issue bonds to cover no more than 70 percent of the costs of water, wastewater and drainage facilities.

COMMUNITY-WIDE FINANCING

The community in which a new development is located can build all capital improvements (including internal streets, sidewalks, gutters) and finance these improvements through the issuance of long term general obligation or revenue bonds to be repaid from ad valorem taxes.

This approach has two major advantages over private developer installation. As with special utility districts, the community can borrow through the tax exempt bond market at considerably lower interest rates than the typical builder. More importantly, regardless of interest costs, new housing prices can be reduced if the community at large, rather than the developer, absorbs the cost of infrastructure installation.

This approach, however, also has drawbacks. The community may be unable to issue bonds due to statutory limits. More recently, Proposition 13-type limitations may constrain communities from incurring more debt or levying the property tax burdens to repay it.

A still more significant obstacle is to be found in the political resistance of current residents who typically oppose providing new facilities to growing neighborhoods, at what they perceive to be their expense. Examples of this resistance can be observed in communities as distant as Fairfax County, Virginia and Kitsap County on the Olympic peninsula of the State of Washington, where State law requires that almost all bond issues be approved by the local electorate. The majority of voters in these jurisdictions cannot be persuaded to vote for revenue bonds which do not benefit them directly.

CONCENTRATING DEVELOPMENT NEAR UNDER-UTILIZED FACILITIES

One option, favored by some jurisdictions, is to guide development to already serviced areas by "in-filling" vacant land. In many communities, schools and other facilities in already developed areas are under-utilized, while in the outer fringes of the same jurisdiction, growth requires construction

of new facilities. Locating development in already serviced areas can result in facility savings to the developer, and potentially lower user charges or taxes to both new and existing residents. Thus, from the public sector perspective, this approach can be both efficient and equitable, though it clearly involves more regulation of builders' location decisions. It is also unclear as to whether channeling development into authorized service districts lowers the full costs of housing. Restrictions on the volume of developable land drive up land prices in the authorized areas, and it may become difficult to assemble large tracts of land. These land-price increases may well offset the savings in public capital costs.

REDUCING STANDARDS

Existing subdivision standards for open space, roads, sidewalks and drainage are considered by some to be excessive--luxuries that many communities can no longer afford without shifting an unfair cost burden to new residents. Some potential new residents no doubt would prefer to buy homes at cheaper prices and have these facilities added or improved after their financial status improves. A selective lowering of development standards, however, would substitute for the present dual level of tax burdens, a dual standard of public service quality--one higher level for existing residents, and lower service quality for new homebuyers. Across-the-board relaxation of development standards may be appropriate for isolated cases, but the savings realizable from such modifications are unlikely to be substantial.

CONCLUSION

This section has shown that development fees and required subdivision improvements add more than 10 percent to the cost of single-family housing in several States. There are indications that new housing may be asked to bear a greater share of public sector costs, as tax limitations take fuller effect. Fees levied on new construction are one easy way for communities to generate revenue in the face of tax restrictions.

Unfortunately, there are no objective rules for deciding how

public development and capital costs "should" be financed. From the homebuyer's perspective, it is unfair to ask new housing to recover the full costs of the public infrastructure associated with it, especially when earlier homebuyers have not done so. From the existing resident's perspective, it is unfair to ask him to pay, through general tax burdens, the costs of capital facilities made necessary by new entrants into the community. This conflict of interest between present and prospective homeowners is fundamental to the debate over allocating public development costs.

IV. TAX EXEMPT FINANCING OF HOUSING CONSTRUCTION AND HOME PURCHASE (10)

The housing cost savings potentially realizable from tax exempt borrowing have been alluded to in the discussion of community capital facilities. It is logical to ask, if tax exempt financing is so effective at reducing this portion of housing costs, why not apply it to homebuilding itself? Tax exempt financing of home mortgages could be used to lower the costs of acquiring existing homes, while relending tax exempt bond proceeds to housing developers could lower the costs of home construction.

Reasoning of this type has produced the most controversial State and local effort to lower home costs: the introduction of pass-through tax exempt mortgages. Under these plans, a local government or other agency will issue tax exempt bonds. Because of the tax exempt future, such bonds can be sold at substantially lower interest rates than taxable debt. The public authority relends its bond proceeds, at below market interest rates, to homebuilders, homebuyers or private financial institutions that make loans to the housing sector. The housing cost reductions achieved in this manner are substantial. Most tax exempt mortgage programs have been able to cut buyers' mortgage interest rates by at least two percentage points--say, from ten percent to eight percent. This reduction in housing costs exceeds that achievable by other types of local initiatives. Although the local government or other public authority lends its name to the bond issue to secure the advantages of tax exemption, no general obligation liability is incurred by the public issuer.

The only security offered to bondholders is the underlying mortgage loan and associated capital reserves. The programs thus achieve lower-cost housing without direct risk on the part of government.

In its origins, tax exempt financing of housing was limited to support of multi-family housing for moderate-income households, built primarily in conjunction with federal subsidy programs. Four changes have now made tax exempt financing more important to the middle-income housing market and more important still to future housing market operations.

INCREASES IN VOLUME

Tax exempt financing arrangements of all types have exploded in volume. Table 5 summarizes the great variety of tax exempt programs presently used to lower private housing costs. These range from the borrowing and relending operations of State housing finance agencies (amounting to \$4.5 billion in 1978) to the Veterans Housing programs operated by three States, and the new local mortgage-backed bonds. The \$600 million of activity in this latter category all occurred in the second half of 1978, most of it in the last quarter of the year. Overall, tax exempt financing of housing investment doubled in volume in 1978 and shows no signs of slowing its growth in 1979. With a potential market in excess of \$150 billion per year in single-family mortgages alone, the potential expansion of housing finance into the tax exempt market is virtually unlimited.

SHIFTS IN TENURE

Within each type of tax exempt program there has been a market shift away from support for multi-family housing toward support of owner-occupied, single-family housing. This shift has brought tax exempt programs into the mainstream of the private housing market. Table 6 summarizes the rapid change in the mix of housing supported by State housing finance agencies through the tax exempt market. Single-family homes now account for more than three-fifths of the activity supported by these institutions. If to this total are added the units supported by State Veterans Housing

TABLE 5
TAX EXEMPT BORROWING FOR HOUSING FINANCE
 (Millions of Dollars)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
State housing finance agencies	1,073.5	782.1	2,034.7	2,463.9	4,550.2
Local public programs	NA	NA	NA	NA	--
Section 3 subsidized housing	NA	NA	NA	NA	925 ^{a/}
New York City--Mitchel-Lama	375.0	27.5	10.2	31.7	310.8
Veterans housing	NA	NA	NA	NA	1,150.0 ^{b/}
Local mortgage-backed bonds	0	0	0	0	622
Total					<u>7,558</u>

Estimated from partial surveys.
 Three states only: Oregon, California, Wisconsin

Source: 1974-77 Urban Institute Survey of State and Local Housing Finance Agencies;
 1978, Moody's Municipal and Government News Reports; Bond Prospectuses from
Issuing Governments, Weekly Bond Buyer.

programs and local mortgage backed bonds, both of which are restricted solely to owner-occupied units, one can discern a basic transformation in the type of housing benefiting from below market interest loans made possible by tax exempt financing. The shift in the mix of housing has been accompanied by the change in its geographical location. Housing finance operations have spread throughout the nation, with the most rapid growth occurring in the Southern and Western States. As might be expected, suburban locations dominate the pattern of single-family starts.

TABLE 6

SINGLE-FAMILY SHARE OF FINANCING THROUGH
STATE HOUSING FINANCE AGENCIES a/

<u>Year</u>	<u>Percent</u>
1975	26%
1976	29%
1977	34%
1978	62%

a/Includes owner-occupant purchase of two to four unit dwellings in some States.

REDUCED GOVERNMENTAL ROLE

A new class of local mortgage bonds has been established, which supports private housing with very little intervention by public authorities. The well publicized Chicago Plan is the prototype for this new generation of tax exempt operations. Under the Chicago Plan, the City serves as a simple pass-through agency to secure the cost savings of tax exempt borrowing for local financial institutions that make housing

loans. The program is then administered by the private institutions (usually one or more savings and loan associations), according to their standard criteria for extending mortgage loans. The City maintains no active role in the operation of the loan program. Only the most general guidelines on mortgage eligibility are established by the public sector. In effect, this low profile by the public sector means that below-market interest loans are passed through to ordinary private market housing buyers. Any City adopting such a program would seem to be able to secure mortgage interest rate reductions of two percent or more for buyers of housing within its boundaries.

INCREASED ELIGIBILITY LIMITS

Income eligibility limits have been relaxed, making the savings from tax exempt borrowing available to a broad spectrum of middle-income and upper-middle-income homebuyers. Most State housing finance agency single-family programs are targeted to households with incomes up to approximately 120 percent of local median income, with adjustments for family size (see Table 7). However, these income ceilings have been moved steadily upward. Locally operated programs have still more lenient income limitations. The majority of programs established in Illinois communities, for example, have set \$40,000 as the maximum eligible household income, not counting various categories of income exclusion, and \$80,000 as the maximum mortgage. The California local programs involve no income limitation of any kind, though there are requirements that the housing purchased be located in designated redevelopment areas.

POLICY CHOICES AND CONCLUSIONS

Housing bonds pose the trade-off between home costs and public sector costs in another guise. Although use of the tax exempt market to finance home borrowing can significantly lower the cost of housing to the consumer, it creates other costs that must be borne by taxpayers at large.

One of these costs is higher interest rates for traditional municipal borrowing. The issuance of tax exempt bonds for

TABLE 7

INCOME LIMITS AND MAXIMUM HOME VALUE AND
MORTGAGE AMOUNTS ON SINGLE FAMILY HOME LOANS

State Programs

California

Income limit 120 percent of local median income, with adjustment for family size, maximum mortgage \$45,000

Connecticut

Conventional program establishes income limits of \$13,600 to \$16,400 for single individuals, up to \$24,200 to \$27,500 for families of 7 or more. \$60,000 maximum mortgage. No income limit under urban area program; maximum mortgage, \$80,000

Indiana

Income limit 120 percent of local median income

Kentucky

Income limit of \$15,000, plus adjustments for family size

Minnesota

Income limit of \$16,000, plus adjustments for family size

New Jersey

\$45,000 maximum mortgage loan on one unit for Neighborhood Loan program. Loans to Lenders program maximum loan \$36,000. No income limit for Neighborhood Loan program

New Hampshire

Average income of participants, first half of 1978 \$21,000

New Mexico

\$17,000 family of 4, plus adjustments

Nevada

\$17,000 family of 4, plus adjustments

South Dakota

\$13,350 family of 4, plus adjustments

Virginia

\$14,000-\$16,000, maximum mortgage, \$32,500

West Virginia

\$15,000 plus adjustments for family size: maximum \$21,000. Maximum mortgage, \$38,000

Wisconsin

Uses maximum income and mortgage standards of Veterans Administration

Local Programs

Chicago, Pekin
Bellville, Ill.

\$40,000 income limit; Chicago and Pekin, \$80,000 mortgage limit

Pueblo, Colorado

\$20,500 family of 4, plus adjustments

San Bernardino,
California and
other California
cities

No income or mortgage limitation; must be within designated redevelopment areas

Minneapolis, Minn.

\$26,000 family of 4 with 2 earners

housing purposes places pressure on the entire tax exempt market. To absorb the additional bonds, tax exempt interest rates must rise relative to taxable rates. We have estimated elsewhere that under current market conditions, each billion dollars of new housing bonds raises general tax exempt interest rates by some four to seven basis points (that is, .04 to .07 of one percentage point). Although this may seem to be a slight effect, it implies that the volume of housing bonds issued in 1978, raised general tax exempt rates in the vicinity of four-tenths of one percentage point. Should housing bond issuance continue to nearly double each year, as seems possible if local communities seize upon the advantages to them of tax exempt financing of local housing, the impact would be great on the structure of the tax exempt market and the costs of borrowing for traditional public purposes.

The second major public sector cost is borne by the Treasury in the form of Federal tax revenues foregone, when tax exempt housing debt replaces taxable debt. We have estimated that, after taking account of offsetting secondary effects (such as reduced mortgage interest deductions of Federal income tax returns), each billion dollars of new housing bond issuance, at current market rates, gives rise to a continuing loss of Federal income tax revenue of roughly \$33 million per year over the lifetime of a term bond. The 1978 volume of housing bond issuance would trigger a recurring revenue loss of some \$250 million per year. At greatly expanded levels of activity, housing bonds would become a serious source of revenue drain for the Federal Treasury.

These considerations argue for making sure that tax exempt housing bonds are used as a targeted vehicle of support for the housing market, not as a replacement for ordinary mortgage financing. If the costs to the taxpaying public are to be kept within reasonable bounds, local governments will have to establish eligibility limits for participation in the tax exempt financing. These limits would apply to the income level of qualifying households and/or maximum mortgage values that could be financed under the programs. Most State programs and many local programs already carry such limitations. Income ceilings could be expressed either as a percentage of local median income or in relation to the

income profile of local homebuyers (e.g., the income level that includes the lowest quartile of local new homebuyers).

Even in a targeted program, income restrictions might be relaxed for special development objectives. Several State housing finance agencies currently operate programs intended to attract middle-income households into the central cities or designated redevelopment areas. The usual income and mortgage restrictions on tax exempt financing are lifted for homes in these areas, in order to confer upon them a competitive advantage in attracting middle-income buyers.

A significant degree of self-restraint will be required on the part of communities if tax exempt financing of home mortgages and home construction is to remain one of the tools of housing market support. A headlong rush to convert as much mortgage financing as possible to tax exempt statutes, without regard to the income levels of beneficiaries, is likely to produce a strong reaction that will shut down the tax exempt option altogether.

FOOTNOTES

1. See, for example, the leading California court case, Associated Home Builders of Greater East Bay, Inc. v. City of Newark (1971), where the courts held that the size of a bedroom tax did not have to be precisely related to the incremental capital costs imposed by residential development.
2. Four Alternative Plans for Growth (Comprehensive Planning Process, City of Tucson, 1974).
3. International City Management Association, Municipal Yearbook (1969).
4. Stephen R. Seidel, Housing Costs and Government Regulations (Urban Policy Center, Rutgers University, New Brunswick, N.J.: 1978).
5. League of California Cities, Dedication of Park Land in Subdivisions (Sacramento: 1972).
6. These prices refer to all homes sold in the respective communities. New homes probably sell for moderately higher prices; the fees shown in Table 2 then would account for somewhat lower percentages of the selling price.
7. See Werner Z. Hirsch, "The Efficiency of Restrictive Land Use Instruments," Land Economics (May, 1977), and Peter Miezkowski, "Notes on the Economic Effects of Land Use Regulation," Issues in Urban Public Finance (Institute International de Finances Publiques: 1973).
8. This point is emphasized by Jay Janis, "Impact Taxes: Unfair," in Randall Scott (ed.), Management and Control of Growth, Vol. I, (Washington, D.C.: The Urban Land Institute, 1975).
9. Rice Center for Community Design, The Public Costs and Benefits of the 30 Percent Developer Contribution Rule (Houston: 1978).
10. The material in this section is taken from George Peterson, Tax Exempt Financing of Housing Investment (Washington, D.C.: The Urban Institute, 1979).

PROCEDURAL REFORM OF LOCAL LAND USE REGULATION

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1. INTRODUCTION

As long as there are regulations, basic tensions will exist between the regulated and the regulators. The proliferation of government regulation in the past decade, however, has even the government worried. Planners, developers, public officials and concerned citizens are dissatisfied with the current "system" of land-use regulation, a system which straddles local, regional, State, and Federal jurisdictions. Not only do the overlapping and frequently conflicting controls operate inefficiently, they also do not guarantee that resulting land use is of high quality. Although residential development has not been subject to the same proliferation of permits that other forms of development, such as energy facilities, have experienced, housing, like other development, is subject to greater regulation now than it was in the past. This increased regulation has been held to be at least partially responsible by some critics for increases in housing costs. Critics point to both the requirements in the regulations themselves--the substantive issues--and the way in which they are administered--the procedural aspects.

In this paper we will focus on the procedural aspects of regulation at the local level, summarizing what we feel are some central issues, and then take a look at the most promising techniques available to local practitioners to reform their systems. We will also consider some ways in which the States can enhance, encourage, or even direct local regulatory reforms and improve intergovernmental coordination.

By the way of introduction, we would like to refer to the HUD-funded study we are currently undertaking with the assistance of the Urban Land Institute. This project will examine techniques available to local governments to improve the efficiency and effectiveness of their regulatory systems. We will begin intensive field work shortly in selected communities that have undertaken what appear to be promising innovations. In preparation for this task, we have conducted telephone interviews with over 50 of the 200 local planning agencies which we located through published material and through a survey of the APA membership. These initial conversations confirm some long-held assumptions about local practice, and in some cases have suggested intriguing patterns. We should like to share some initial impressions.

First, the good news: We think there may be more potential than has been generally believed for unilateral action at the local level in regulatory reform. The literature on regulatory efficiency tends to frame local efforts in the context of a heavy overlay of regulations at the regional or State levels. We would suggest that for housing, in many States, "vertical" integration is not a particularly pressing problem. Response to our survey was predictably strong from such States as Florida, California, Washington and Colorado. What pleasantly surprised us, however, was the high level of response from communities in states with very low regulatory profiles. This is both encouraging and instructive because it suggests that initiative at the local level in many, many States need not be ineffective for lack of State involvement. At the same time, we hurry to emphasize that, in those States where State regulation is heavy, State involvement in streamlining is essential. And, in virtually every State the opportunity

exists to aid and abet local governments, especially through legal reforms in enabling legislation.

More good news: There may be stronger interest and support for local regulatory reform than is often assumed. The rather cynical view that the main goal of local governments is to maximize property values was simply not upheld by many of the public administrators with whom we spoke. The response to a November survey of roughly 1,300 Planning Advisory Service subscribers was very strong. By the end of January we had received well over 160 written responses from 42 States. We sense a trend: evidently the message on regulatory efficiency is getting through. Local authorities--at least on the staff level--appear eager to streamline. There may be room for more optimism here than was expected.

Another observation--whether this is good news or bad depends on your point of view--is that we did not hear from any community interested in sweeping changes. Incremental reform seems to be the preferred remedy. None of the planners we spoke to thought their system should be junked, or even overhauled. They felt that what is needed is to fine tune a basically sound process.

Now for the bad news: Although many local planners appear interested in improving efficiency, a number of them are pretty much in the dark as to how to go about it. We sensed a tentative groping on the part of many administrators, some overly cautious and others looking for a panacea. As is often the case in professional literature, a good idea tried in one place gets written up and soon achieves the status of a fad. One-stop permitting, for example, seems to have many local planners intrigued, although they do not quite know how it would actually work in their situation. On the other hand, we encountered administrators who were amused to read about so-called "innovations" hailed elsewhere that had been in local use for 10 or 20 years. To our mind, the lack of sound, critical information on local techniques underlines the need for the kind of project HUD has commissioned APA and ULI to undertake.

Another pessimistic finding: In virtually every community with which we spoke, public practitioners were dubious about reducing housing costs through improved efficiency at the local level. Many were familiar with claims that regulation could add as much as 10 to 15 percent to the cost of a new single-family home, but they simply could not believe that local procedural reform would do much to reduce that figure. The best they could come up with was that, if they could not be part of the solution, at least they were not adding to the problem.

Not to end on an overly pessimistic note, we did hear several other solid motivations for reform from our respondents, including the following:

- 1) Increasing the volume of development or redevelopment in those communities which are encouraging it.
- 2) Encouraging more innovative projects, such as PUDs.
- 3) Reducing administrative costs in the public sector.
- 4) Reducing the opportunities for dishonest acts by public employees.
- 5) Introducing more effective, constructive public participation in decision making.
- 6) Introducing more equitable sharing of costs and benefits of new development.
- 7) Establishing better working relationships and enhanced communication between developers and government regulators.

It would be a narrow view, indeed, to ignore the connections these motives have to overall housing quality and availability. Although its impact on housing prices may not be documented, local regulatory reform should still be an integral part of any strategy to address housing problems.



II. THE DEBATE OVER PROCEDURAL REFORM

Land use controls are one of many cases where it is difficult to distinguish between the regulated and the regulator--industry and government. The development community and related industries which supply it have played a central role in the evolution of land regulations, both through frequent representation on planning commissions and boards and in strong leadership in promoting new styles of regulation. This has been particularly true for residential development.

Government is obviously not the monolithic entity that editorials rail against, but a loosely-connected collection of agencies from the local to the Federal level. This ad hoc "system" has little or no vertical or horizontal integration. Land-use controls are extremely decentralized, and by no means uniformly practiced. While the regulation of any single jurisdiction may impose only moderate processing requirements, the cumulative effect may be a true problem.

There are two ways to tackle this: the first is for each level to clean up its own act; the second is for the State and local governments and special districts to cooperate to integrate their procedures. The first is a relatively easy task, but the results may be somewhat disappointing. The city or county that eliminates a public hearing and cuts two months from its review process may find to its dismay that the developer is still cooling his heels six months later, waiting for a State permit or review by another agency. This is a classic case of "hurry-lack of local expertise and parochial politics, convinced that the real bottlenecks are at the county or municipal level. Buck-passing results in standoffs. Someone needs to take the initiative, and it is the State that seems to be the logical choice. Serious questions remain, however, as to the extent and effectiveness of State action.

When we turn our attention to the housing industry, we encounter an anomaly in this age of conglomerates and mass production. Highly competitive and decentralized, subject to cycles, at the mercy of labor and material shortages, dependent upon a fickle consumer, and always mindful of the weather, residential development is a high-risk business. The typical contractor builds on a small scale, for a highly localized market. Just as the responses of local governments vary depending on size, rate of growth, and economic resources, so too do the demands of developers upon governments differ. Depending on relative market position, some developers may want to beef up regulations at the expenses of speed to protect projects from surrounding developments. Some may want more discretion while others are asking for less.

The developer is acutely aware that the meter is ticking while the regulatory process chugs on. Carrying costs include such items as interest on loans, insurance, property taxes, inflation, office overhead, and capital tie-up. Wasted time means higher housing prices without increased quality of product. It is not delay, however, as much as it is unexpected delay that presents problems for homebuilders. The more basic problem is uncertainty. Uncertainty translates into risk, and risk is reflected in price. Also of serious concern is

how the perception of risk may influence industry behavior in choosing "safe" styles of housing and subdivisions, searching out fringe areas with more relaxed standards, instead of attempting innovations that could lead to cost savings.

The relationship between public decision-makers and developers is symbiotic. Each is highly dependent upon the other in shaping the future environment. But the fundamental differences between the two create many inherent tensions. Perhaps the most central of these--and the one which can never be satisfactorily resolved--is the tension arising from a desire to lay down rational and dependable rules in advance of land development, on the one hand, and the need for leeway to respond to changing demands or to maximize potential of individual sites, on the other. This have-your-cake-and-eat-it-too wish is expressed by both industry and government. Although traditional land regulations were intended to be self-administering, clearly they cannot possibly cover all cases, or be designed to anticipate economic and social changes. In this respect, land use regulation does not seem to be much different than any other aspect of the American democratic process, from the Constitution down to traffic court. As one more political arena where conflicting interests hammer out compromises, the local land regulatory system, ad hoc and decentralized as it is, may still be our best bet. It represents a balancing of the conflicting desires for certainty and flexibility, differently weighted in each community, and thus, inherently messy.

III. CHALLENGES TO THE REGULATORY SYSTEM

Since understanding problems in local land use regulation is essential in working towards solutions, we will briefly review the major charges that have been leveled at regulatory administration. We should make it clear that these criticisms do not, in our opinion, characterize most communities. At the same time, they have been raised so persistently over the years that they must be taken seriously. No one knows how frequently these charges are accurate, but as long as the system holds the potential for them, the system should be re-examined when criticisms recur.

OVERLY COMPLICATED ORDINANCES

Regulations tend to be overly complicated, outmoded, and in some cases, unnecessary. Zoning and subdivision regulations are often unintelligible, a jumble of conflicting standards and procedures that do not mesh with community development practices. Many ordinances have been put together by committee, cutting and pasting from model ordinances or examples from other communities. Once drafted, even the cleanest and best conceived ordinance goes through revisions during the process of adoption that may muddy its original purity. Likewise, amendment and subsequent changes after adoption can add to the problem.

INNOVATION INCREASES RISK

Flexible development regulations are too risky for the developer and the local government. Innovative land controls, particularly PUD ordinances, were instituted, in part, to find new ways to lower housing costs. Inherent in them, however, is greater administrative complexity. While procedures and criteria are established by ordinance, the techniques still require a case-by-case review. There are disputes about how much extra time it takes to process these types of developments, but there is no argument that they tend to front-load costs, making the project more risky. The local government also takes a risk on future maintenance of the project when traditional standards are departed from. Consequently, the municipal departments which provide basic services act cautiously and conservatively during the review process.

RED TAPE

Land use regulations are plagued by red tape which leads to unnecessary, prolonged delay or inaction. Chief offenders are as follows: mechanical adherence to regulations; needless duplication of reports and publications; lack of coordination among various reviewing bodies; timing problems when one agency may wait for another to sign off before it acts; and the requiring of excessive amounts of extraneous information.

ADMINISTRATIVE INCOMPETENCY

Administration suffers from governmental incompetency and is often designed to mask it. While government may be competitive in hiring at the entry level, the experienced technician knows he or she can almost always be hired away by the private sector. Most public promotion ladders move technical staff into managerial positions for which they are often untrained and unsuited. Thus, it is not surprising to hear charges that the planning departments are staffed with bright but green young planners and older "lifers" who could not make it in private practice. Developers complain that one of the bigger problems is a basic lack of understanding on the part of public planners as to what goes into a private venture in terms of risk management and the overall development process.

UNQUALIFIED LAY REVIEWERS

Lay review of technical issues is of dubious value. Perhaps one of the most serious charges against the regulatory system is that lay boards and commissions are not qualified to review development proposals. This is actually two separate charges. On the one hand, boards are accused of being controlled by the development community, through heavy member representation by architects, builders, real estate brokers, and planning consultants. Serious conflicts of interest may be present. On the other hand, critics charge that boards are filled with "housewives and ministers" who know little about land use regulations and even less about construction and development practices. Further study would probably find that both situations frequently co-exist.

CORRUPTION

The present system offers opportunities for cronyism and corruption. Accusations that zoning and subdivision approvals are bought and sold have been made since the system's inception. The outright criminal acts of bribery or extortion are less central to this discussion than is the large, grey area of personal influence in zoning and subdivision administration. Having merely one friend—or enemy—on a board can make or

break a developer in a particular community. Another weakness in the system is its susceptibility to community groups that have packed public meetings.

These problems are generally laid at the feet of discretionary powers, or, to put it another way, to the lack of due process and accountability in the system. In fact, the real problem is probably not discretion, per se, but rather how it is exercised. Rezoning, for example, are particularly troublesome; one reason is that the distinction between the proper legislative and administrative roles is blurred. The processing of applications frequently has no standards for record keeping. Just as frequently, there are no rules for the admission of evidence, the accessibility of documents consulted by decision-makers, or for the "findings of fact."

HIDDEN AGENDAS

Land use administration is used to implement hidden agendas or mask illegal acts. Of the many techniques communities have used to keep out new residents, and one of the more underhanded, is to make the development process so impossibly fraught with difficulties that no developer would attempt to use it. When the intent is to keep out low- and moderate-income households, it is a clear-cut case of exclusionary practice. Less clear-cut is the concern about whether a community can handle the level of services new developments will require. In either case, procedural foot dragging can be an extra obstacle to growth. Multiple public hearings offer opportunities for no-growth advocates to block developments by raising environmental issues, spurious or otherwise. Finally, negotiation can be used by local officials to shift the entire costs of expansion onto the newcomers through the developer, even when the community as a whole benefits from the growth. Not only does this keep property taxes low for the current residents, it can raise housing costs to the point where "undesirables" are priced out.

IV. REFORM TECHNIQUES IN LOCAL REGULATION

We feel that the best response to the criticisms leveled at local land use regulation is not to mount defenses or make

counter-charges, but to take a good look at the systems and go to work cutting out unnecessary delay, uncertainty, dishonesty, or incompetence. With this in mind, we offer a list of the most promising techniques in use by local governments, and what we believe States can be doing to facilitate these efforts. This is not by any means an all-inclusive catalogue. We expect the results of our field work will lead us to revise our opinions on some of these measures. What follows represents our best thinking on the subject to date.

We will consider what can be done at the local level first. For the purposes of this discussion, we have broken down the regulatory process into four steps: (a) Application phase; (b) Staff review phase; (c) Public review phase; and (d) Official action. We have done this in an attempt to find some commonality in the bewildering variety of local processes.

Two other observations: First, we are stressing measures directly connected to land use controls. The wise administrator is already aware of basic techniques in effective personnel supervision and office management. Secondly, with a couple of exceptions, these techniques cannot achieve their full potential standing by themselves. Most are mutually reinforcing and work best when combined for a cumulative effect.

APPLICATION PHASE

The initial point of contact between the applicant and the local government should realistically describe the process, including submission requirements, give a reasonably accurate estimate of time lines, clarify the applicant's legal rights, and suggest how to avoid common pitfalls. In short, it should address the applicant's reasonable expectations about public action so that he or she can assess the risk and determine whether or not to go ahead with the project. The following techniques have been used to remove some uncertainty or delay in the application phase:

PERMIT REGISTER

This may consist of a directory of all permits required, information about departments and regulations and/or a manual or instruction sheet(s) on steps for obtaining approvals. The idea is to demystify the permitting process. This is a baseline service, one which no community can justifiably lack.

CLEAR, CONCISE REGULATIONS

As we discussed, many communities are due for some major overhauling of old, over-amended ordinances, not only to remove conflicts and ambiguities, but to cut down on time-consuming variances and rezonings amending obsolete provisions.

PRELIMINARY INFORMAL CONFERENCES

This practice is already an element in many subdivision regulations, either as an option or as a requirement. Pre-application meetings provide an opportunity to iron out difficulties with the planning or other staffs before the developer has prepared expensive technical materials. The developer and staff are alerted to potential obstacles ahead. Early problem identification makes public hearings and commission meetings more productive, and may reduce the need for continuances.

CONSOLIDATION OR STANDARDIZATION OF FORMS

Despite the fact that everyone complains about them, good forms are tools for increasing efficiency. They settle questions of format and content and may even help guide decision-making. For example, in the variance procedure, forms could be designed to focus attention on the requirements, with space for the applicant to enter the nature of the hardship, why the applicant believes it is unique, and the basis for asserting that the variance, if granted, will not alter the character of the neighborhood. Since any information other than this is, strictly speaking, irrelevant, the form would not provide space for it. The form on which the board records its

decision could require a statement of the findings under the same three headings.

DUAL TRACK SYSTEM

Found in many subdivision regulations, a dual track separates projects with very minor impacts and processes them through an abbreviated approval process. In the past "minor" has been rather narrowly defined, but there is no reason why it cannot be expanded to include a variety of noncontroversial, routine applications of limited size--within the bounds of the State enabling legislation.

ASSISTANCE IN PREPARATION OF DEVELOPMENT PLANS

Some communities see their role as enabling rather than prohibiting. A service-oriented staff works with the developer in modifying his plans to conform to standards rather than simply rejecting them as not in compliance. This service can be expensive, and end by doing the developer's work for him. At the same time, it is one of the few opportunities a community has to act positively to shape development. It may be particularly effective in communities welcoming a certain kind of growth or redevelopment. One specific application of this approach is in States with stringent environmental regulations. Local governments can help developers in three ways:

- a. Offer technical assistance at the preapplication stage in modifying the proposal so as to obtain a negative declaration, thus sidestepping preparation of a full environmental impact report;
- b. Generate an areawide impact statement applicable to most proposals of a given type, eliminating the need for individual reports to go over duplicative material. This exercise may also help communities better assess the cumulative impact of several developments, rather than being forced to consider impacts in piecemeal way; and,
- c. Create an area-wide data base from which developers may freely draw in the preparation of environmental impact

reports.

ONE-STOP PERMITTING

This concept, so appealing in theory, has generated a great deal of attention and has come to refer to several different approaches. However, one-stop is no panacea, and may promise much more than it can deliver. Many communities that snapped up the idea at first have now abandoned it as a disappointing gimmick. They claim it is either needless counter-shuffling or adding another layer to the process. Others have found that it turned out to be a convenience, but did little to really make a dent in delay or uncertainty--an expensive accommodation to the client. Common problems include: insulating customers from personnel who review applications; interruptions in staff tasks; access to records; and simply finding floor space.

Of course, there are some sound ideas contained in the concept of one-stop permitting. The more promising applications of which we are aware:

- a. A centralized department or office which actually accepts and processes applications and maintains central files. Personnel coordinate and track applications through the departmental reviews, schedule hearing dates and meetings, and act as a single contact for the applicant.
- b. Public information center. This can be a glorified reception desk where applicants could obtain materials explaining procedures, or be referred to appropriate departments. If detailed questions are to be fielded by personnel at the information center, then specialized staff must be assigned to the work space. Otherwise generalists can be cross-trained to deal with most questions.
- c. Reorganizing floor plans to put all permitting on one floor.

One last thought on one-stop: It may be that some ambitious agencies have carried the concept one logical step too far in attempting a single centralized office. Perhaps "two-stop" or

"three-stop" is a more sensible alternative and certainly one which is preferable to "eight-stop" or "ten-stop."

PERMIT EXPEDITOR

This idea relates very closely to one-stop permitting in that it makes one individual accountable for an application as it moves through the system. The assignment of an expeditor may be especially useful if a community is anxious to encourage a particular development. Because this can be an expensive measure, it might be used selectively.

STAFF REVIEW PHASE

The staff review phase entails checking for conformity with regulations along with review of less concrete qualitative factors which are apt to be elements in final approval. Technical aspects require review by specialized staff; therefore, several individuals generally participate. In some instances staff review may end in official action; more commonly, staff review ends in recommendations to decision-makers.



JOINT REVIEW COMMITTEE

Typically, applications are routed through departments separately, with individual sign-offs or comments assembled at the end by the planning department or another lead agency. A commonly used alternative is to institute a project review committee to meet regularly to discuss proposals. The many advantages to this practice stem from the fact that decisions are not made in departmental vacuums, but can be modified in light of the total context of the application. Because group meetings are no substitute for careful study beforehand, this practice may not reduce time as much as it opens the door for constructive input by staff, and provide a group dynamic for working out problems before they are brought before the planning commission or the public.

SIMULTANEOUS PERMIT PROCESSING

When one permit is a prerequisite for the rest, reviews must follow sequentially. In many cases this is logical and efficient for both developer and agency staff, but there are areas that lend themselves to simultaneous consideration. One example might be applications for rezoning and plat approval.

DEADLINES

Many phases of the approval process are legislatively mandated, some at the State level. However, overruns are common. One widespread practice, frequently an abuse, is for communities to "ask" developers to waive adherence to deadlines. On the positive side, deadlines should be assigned to procedures which lack them. One approach is for staff to estimate a realistic processing schedule for each project; the estimate becomes a set of nonbinding milestones against which staff can measure performance. The developer, of course, benefits from a solid projection of time required.

STAFF TRAINING

This includes (a) continuing education for professional staff; (b) courses to upgrade skills of paraprofessional or clerical

staff to increase their scope of responsibility; (c) simple information sessions among department staffs; and (d) more formal cross-training of staffs. Improved education would certainly help alleviate some of the criticisms regarding the competence of public employees.

REVAMPED RECORDKEEPING

This can run the gamut from computerized on-line terminals which track application through the approval process to simple centralization of files. Solutions will depend on local problems.

USE OF CONSULTANTS

Some planning departments have begun to make a practice of bringing in consultants to help regular staff review applications when a backlog occurs. This can be expensive, of course, and is probably more effective in large, high-volume planning departments.

PUBLIC REVIEW AND PARTICIPATION PHASE

Due process considerations make some degree of public involvement both necessary and desirable. But local practice often makes public hearings frustrating and unproductive exercises for developers, citizens and staff. Not only is public opinion unpredictable and volatile, the notification process is time-consuming. When more than one hearing is held, the developer may be justified in wondering what legitimate purpose is being served. Some things can be done to make the process not only less painful, but even constructive.

TIMING OF PUBLIC HEARINGS

In general, the earlier in the process the public can be involved, the better. Citizen groups resent being put in the position of reacting to already completed plans and feel input is more meaningful at the concept stage. Developers, too, prefer knowing what kinds of changes will be required before time and money have been spent in detailed plans. At the

same time, if final plans differ too greatly from those commented upon by the public, then the purpose of early review is defeated. Another possible drawback is that citizen groups feel that they are unofficial consultants and continue to tinker with plans throughout the process. Some balance must be achieved here. Generally this can be achieved through a hearing at the preliminary plat stage.

INFORMAL PUBLIC MEETINGS

Public meetings--as differentiated from formal hearings--can help the developer to identify problems early and calm suspicions of neighbors. It makes sense for local government to encourage informal neighborhood meetings, and even to assist the developer in setting them up. This type of meeting is not a reliable vehicle for eliciting binding promises from the developer, but it can serve to focus issues for the formal hearing and eliminate surprises.

ELIMINATE OR CONSOLIDATE MULTIPLE PUBLIC HEARINGS

Unless required by State law or dictated by major revisions in development plans, in general, one public hearing per project should suffice. This is especially true if the other measures we are suggesting are followed.

STANDARDIZED NOTIFICATION PROCEDURES

Frequently overamended ordinances have incorporated two or even three different methods for public notification, depending on the type of action involved. This adds needless confusion to the system for the developer, the administrator, and the public. Where possible under state legislation, notification procedures should be standardized.

PUBLIC EDUCATION

It may be difficult, if not impossible, to change basic public attitudes about growth and about making provisions for low- and moderate-income housing. However, it may be possible over time to alleviate some suspicions about innovative types

of development or higher density housing with presentations, slide shows, etc., at club luncheons and other public forums. Pamphlets which explain the development process and public hearing procedures may aid in guiding public input along constructive channels--e.g., complaints and criticism should be expressed as specific recommendations for changes in the plans.

OFFICIAL ACTION

The issuance of permits can be administrative (quasi-judicial) or legislative--requiring a vote by elected officials. The typical application may encounter several varieties of official action. We have already covered what we view as the major issues in official action. Here we are suggesting some measures to improve the process.

CONSOLIDATE OR ELIMINATE COMMISSION REVIEWS

Frequently, planning commissions spend a disproportionate amount of their time on day-to-day details at the expense of larger policy issues. One way to free time for policy making is to eliminate redundant reviews of pending proposals. If the staff has done its homework, usually one review at the preliminary plat state should suffice. More radically, commission review of some applications can be eliminated altogether. Simple variances or minor subdivisions, among others, may fit this category.

CONSOLIDATE OR ELIMINATE CITY COUNCIL OR COUNTY BOARD REVIEWS

As is the case with commissions, many decisions now made by elected officials are not truly legislative in nature, but administrative. Thus, review by these bodies may add more steps to the approval process without substantially improving its effectiveness or accountability.

DUAL PLANNING COMMISSION

In order to free up time for consideration of policy-related issues, in a few places commissions have set up committees to

review all specific land use applications. An even more progressive version of this idea is to institute two separate commissions, one for policy and one for projects.

APPLICATIONS ON AGENDAS

Infrequent board meetings in communities with a high volume of development mean that sometimes it takes two or three months simply to get onto the agenda. The obvious solution is to hold more frequent meetings. This may be the most straightforward suggestion offered in this paper, and the most difficult to put into effect, given the fact that commissioners volunteer their time.

IMPROVE THE CALIBER OF COMMISSIONERS

This measure relates to our earlier discussion on the role of lay decision-makers. Commissioners have too great an impact on the quality of the future environment for their selection to be taken lightly. Communities should set policies on qualifications for individual membership and on the occupational make-up of the board. Another way to improve the judgment of lay decision-makers is to provide on-the-job training during their tenure.

STRENGTHEN OR INSTITUTE AN APPEALS PROCESS

Far too many local decisions finally end up in the courtroom; often this is the only recourse for a developer. Other developers have discovered that a reputation for using the courts routinely improves their chances of initial approval by the local board. In any case, the judge who renders the final decisions frequently lacks the requisite expertise or sensitivity to local land use disputes. The courts are slow and expensive, and ultimately remove decision-making from the local arena. A good local appeal procedure could cut down on use of the courts and contribute to fairer procedures by building up a body of precedent, establishing consistent standards and directing the attention to the commission to issues, inconsistencies or problems that may have been overlooked earlier.

ZONING ADMINISTRATOR OR HEARING EXAMINER

Of the many techniques discussed here, the hearing examiner goes the farthest towards tackling directly the problem of lay review and the problems arising from the lack of due process. A hearing examiner is an appointed official who conducts quasi-judicial hearing on applications for one or more flexible devices--parcel rezoning, special use permits, or variances--and enters written findings based on the record established at the hearing. The outcome may be a recommendation to the city council or county board, or, in some cases, the hearing examiner decides upon the application himself. This means that some of the review functions traditionally performed by the board of adjustment, city council, or planning commission shift to the hearing examiner. Generally, however, parcel and major rezonings and frequently PUDs are considered to be legislative decisions and continue to undergo a final vote by the council or board. Instituting a hearing examiner may not reduce the actual time required in reviewing an application. But it impacts directly on the fairness, consistency and predictability of the decisions rendered.

OTHER TECHNIQUES

Two other measures which do not lend themselves to cataloging in the four-phase process are worth consideration.

THE DEVELOPMENT PERMIT SYSTEM

This approach is a departure from traditional zoning, in that it consolidates all permits into a single permit, which is issued if an application satisfies a point system. The point system quantifies trade-offs in policies regarding such items as densities, public amenities and environmental quality. Its advocates claim that it is simple, straightforward, and relatively easy to administer; and that it decreases delay and uncertainty for the homebuilder.

MEDIATION

Although utilized only rarely at this time, and for very large projects, the use of an official arbitrator to resolve stand-

offs appears to hold promise. There are several studies underway to evaluate the potential of this technique.

V. ROLE OF STATE GOVERNMENT IN AIDING LOCAL REFORM

We have been focusing on what local governments can do unilaterally to improve efficiency. Turning now to the States, we see ways in which they, too can undertake reforms. The relatively plentiful literature on State regulatory procedures has covered innovative legislation in such States as Vermont, California, Florida, Washington, Hawaii, and Oregon. Other basic materials on State reform include the American Law Institute's Model Land Development Code, Bosselman's The Permit Explosion, and a soon-to-be-published collection of papers presented at an Urban Land Institute Seminar on Regulatory Simplification, held in South Carolina, in February, 1978.

Here we will limit our discussion to some specific suggestions on what States can be doing to enhance, encourage, and even require local streamlining. We borrow heavily from Bosselman, the ALI, and especially from an article by Burchell and Listokin in ULI Research Report No. 29 entitled, "The Impact of Local Governmental Regulations on Housing Costs and Potential Avenues for State Meliorative Measures."

States can modify their enabling legislation to allow more latitude in local streamlining. In some cases State enabling legislation may present obstacles to one or more of the techniques we have suggested. In others, where State legislation is simply silent on a given point, local governments may be unwilling to go out on a legal limb. Revised enabling legislation is admittedly a passive form of State involvement, but is a necessary first step.

States can provide technical assistance, proposing model ordinances and procedures, or act as a clearinghouse for information. Information dissemination is an important function, as our preliminary study has indicated; and one which cannot be accomplished satisfactorily on a national basis, since local practice may depend on the peculiarities of

State legislation.

There are a number of initiatives available to State government that have imposed a heavy overlay of regulation on top of local or regional controls. The Permit Explosion summarizes several of these. One suggestion is to provide the option for representatives from local governments to sit on State agency review panels at public hearings on local projects, as is done in Washington under the Environmental Coordination Procedures Act (ECPA). Duplicative permit requirements can be addressed in several ways. One is to establish the functional equivalence of environmental impact reports required at different levels. Another is for the State or region to surrender its authority to issue permits to the local government under certain special conditions. A third related idea is to statutorily authorize an agency to presume, on the basis of an approval acquired from another agency, that certain conditions will be met by the development. A permit at one level could serve as a rebuttable presumption that criteria for a given permit are being met at the other level.

An often overlooked opportunity to encourage local reform is for States to use their A-95 review function to report negatively on Federal funding proposals from communities that do not meet minimum standards for efficiency. But first, such standards must be developed by the States.

The strongest avenue for State action is in the form of legislation which requires local procedural reform. Traditionally this has been done in areas of substance rather than procedure, a good example being uniform State-wide building codes. Another much discussed strategy is to require local regulations and developments to conform to comprehensive plans, thus tying land control more effectively to planning.

Additional legislation could address directly problems of delay and uncertainty. A "grandfather clause" statute could remedy the problem of developers being forced to comply with regulations that were not in effect at the time of the initial application. Deadlines can also be legislatively mandated. A third suggestion is to provide statutory

assurance to the developer that third party appeals will not be heard in the courts after a specific time period, thus mitigating the risk of a retracted approval.

The State which has gone farthest in mandating procedural reform is California in its recent legislation, AB 884, as amended by AB 2825. Briefly, the law is designed to simplify and speed up permitting by both State and local agencies. While it substantially modifies the California Environmental Quality Act (CEQA) and procedures for State agencies, what is particularly remarkable about AB 884 is that it reaches deep into local agency practice. It requires that local agencies:

- 1) Determine the completeness of an application within set time limits;
- 2) Develop lists and criteria for determining the completeness of application;
- 3) Require no subsequent information after an application has been accepted as complete;
- 4) Complete all decisions within set time limits or the proposal will be deemed automatically approved.

AB 884 also set up an Office of Permit Assistance for ensuring compliance with the law and to give assistance to developers.

It is too soon to measure the success of AB 884; early returns are mixed, and as usual, depend on the perspective of the reviewer. On the local level, the intrusion of the State is meeting some resentment. Some local administrators are claiming that the Office of Permit Assistance simply adds another layer to the process. Others observe that the provisions are forcing them to require more information early in the process than had been their practice, since subsequent requests were no longer allowed. This has the effect of adding to the developer's front-end costs. How major or minor these problems are is not known, but they serve to suggest that troubleshooting is still necessary to make AB 884

successful.

We would suggest that legislation of this kind is only passed in response to what is perceived as a serious problem. If local communities in other States are concerned about similar legislation at home, their best defense is to take the initiative themselves in streamlining their systems, thus eliminating the need for State intervention.

VI. CONCLUSION

The purpose of this paper has been to provide an overview of the problems and possibilities in procedural reform in land use regulation at the local level. Based on our exposure to local public practitioners, we believe that they are concerned about their systems and ready and willing to make changes. We are also aware that in some communities, land use regulations are always the subject of controversy. Poorly conceived reforms, enacted for the wrong reasons, may waste time in random tinkering or do far more harm. It is essential that the local regulatory system be carefully evaluated before changes are made.

A major part of our research will entail examining local efforts to evaluate regulatory systems in the communities we select for study. In the course of our preliminary investigation, we have encountered several different approaches to troubleshooting. Some of these are informal and ongoing; others employ consultants or set up formal task forces. The "right" approach depends first of all on the resources available and the political context; these factors probably dictate from the outset what elements of the system can be evaluated and which may be off-limits. Because certain reform measures may involve major changes, official action on the part of the city council--or at least the planning commission--may be required. A very visible evaluation effort may declare "open season" on the regulatory system. It is extremely important that some input is obtained from public interest groups, private citizens and developers. Formalizing the evaluation process can help structure the debate to work towards constructive compromises.

The focus of reform may be efficiency, but other equally important goals of the regulatory system must be considered. First, and most important, is whether the system is effective; that is, whether the process guides development to conform to policies regarding land use. Secondly, the process must be fair, consistent, and predictable. Lastly, the system should be equitable—public costs should be born proportionately by those who benefit from new development.

At some points these goals may be mutually reinforcing; at others they will conflict. Minimum standards must be established which are not open to compromise, and opportunities for trade-offs should be made explicit. In the last analysis, there may be no final "product," but rather the beginning of an on-going process where the land use regulatory system is continually monitored for its responsiveness to changing local needs.

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Wright, Laurie K. "Streamlining the Permit Process," OPR Journal, Vol. 1, No. 2. State of California, Office of Planning and Research. October, 1978.

ANNOTATED BIBLIOGRAPHY:
REDUCING THE DEVELOPMENT COSTS
OF HOUSING

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GENERAL PURPOSE ARTICLES:
PERSPECTIVES OF THE PROBLEM AND OF SOLUTIONS

American Society of Planning Officials. Local Capital Improvements and Development Management: Literature Synthesis. Washington, D.C.: Department of Housing and Urban Development, Office of Policy Development and Research, 1977.

Examines eight types of relationships between local community development objectives and local capital improvements programs: (1) Capital improvements programs tied to development priorities systems or to comprehensive plans; (2) Urban service areas to which the provision of public facilities is restricted; (3) Annexation policies; (4) Requirements of adequate facilities ordinances; (5) Limits on access to previously constructed facilities; (6) Pricing policies; (7) Public land acquisition; (8) Negotiated agreements.

Concluding observations based on the premise that municipally owned utilities are subject to private utility law discuss the prospect and need for State intervention in municipality-landowner disputes.

American Standard, Inc. Study of Single-Family Home Ownership. New York: American Standard, Inc., 1977.

Unique arguments presented are that low- and middle-income families are more susceptible economic fluctuations, that this susceptibility translated into a lack of low- and moderate-income buyer confidence relative to housing during the 70's, and finally, that the absence of low- and moderate-income home buyers from the market contributed to a higher median sales price.

Einsweiler, Robert C.; Freilich, Robert H.; Gleeson, Michael E.; and Leitner, Martin. "The Design of State, Regional and Local Development Management Systems." National Science Foundation Project on Monitoring Growth Management Systems, Volume II. Minneapolis, Minnesota: University of Minnesota, 1978.

Descriptions and case study analyses of the growth management systems in operation in Lexington, Kentucky; Ramapo, New York; Petaluma, California; Minneapolis - St. Paul, Minnesota and San Diego, California. Central conclusions are that the Lexington system is "... more of a patchwork of regulations than it is a coordinated growth management system;" that the Ramapo system required an unrealized commitment to service expansion and that the exclusionary equity criticisms directed at the system ought to, instead, be directed at balkanized government structures; that the control number of 500 annual permits in the Petaluma system is unsupported by either planning arguments or a capital improvements program; that the Twin Cities' management system is an evolving arrangement of locally and regionally shared powers and responsibilities with more clarity regarding the division of planning responsibilities than implementation powers; and that the lack of coordinated controls between San Diego and peripheral unincorporated areas could subvert the growth management plan. These case studies were silent on the regulation-housing cost question.

Ferri, Michael G. "An Application of Hedonic Indexing Methods to Monthly Changes in Housing Prices: 1965-1975." American Real Estate and Urban Economics Association Journal 5 (Winter, 1977): 455-462.

Using regression techniques and multiple listing service data, concludes that a "large portion" of the non-inflationary increase in new housing prices results from quality increases.

Frieden, Bernard J.; Solomon, Arthur P.; Birch, David L. and Pitkin, John. The Nation's Housing Needs, 1975 to 1985 Cambridge, Mass: Joint Center for Urban Studies, 1977.

Using 1970 and 1976 data, the study concluded that new home price increases had outpaced increases in median incomes by over 2.0:1.0, and that increases in the price of existing homes had led median-income increases by 1.5:1.0.

Other conclusions bearing on the housing cost problem were that lower-middle-income households had been forced from the market, that households with two wage earners were strengthening demand, that monthly housing costs to income ratios were increasing, that first time home buyers fared worse than repurchasers and that rehabilitation of existing housing was becoming an alternative to new housing for some.

Frieden, Bernard J. and Solomon, Arthur P. "The Controversy Over Home-ownership Affordability." American Real Estate and Urban Economics Association Journal 5 (Fall, 1977): 355-360.

A response to John Weicher's article which argued that the ratio of increases in new home prices to increases in family income had been relatively stable from 1949 to 1975, except for the early 1970's, when a high volume of subsidized housing atypically distorted the ratio.

Using the Bureau of the Census's "Price Index of New One-Family Homes Sold" Frieden and Solomon measure a greater increase in prices of constant quality housing than in median family income. Housing prices outpaced income by 1.34 over the 1970-76 period according to this measure.

Frieden and Solomon argue that sales prices, mortgage interest rates and operating costs explain reductions in affordability, opposing this three element explanation to Weicher's emphasis on mortgage interest rates.

Further arguments advanced include the observations that prices of other necessities have increased faster than income, that median income masks significant differences in affordability for different sub-groups in the population, that the cyclical expansion of housing production in 1976 was in response to pent-up demand, that an NAHB survey revealed shifts in the effective demand for new housing from first-time to second- or third-time home buyers, and that the effect of inflation reduces after tax income as much as it does housing costs.

General Accounting Office. "Why Are New House Prices So High, How Are They Influenced by Government Regulations and Can Prices Be Reduced?" Washington, D.C.: General Accounting Office, 1978.

New houses are less affordable for middle-income families and first time home buyers, because the new house market is responding to the preferences of second- and third-time buyers who can afford larger down payments and who prefer larger homes with more amenities. The effect of government regulations on higher prices was found to have a sporadic impact, depending upon the locality. New house prices in some communities could be significantly higher because of (1) excessive specifications or standards for site improvements, such as streets, sidewalks and sewers, (2) large lot width requirements, (3) requirements for dedication of land for parks and schools, (4) expensive municipal fees, and (5) lengthy subdivision review and approval processes. In the area of house construction, restrictive government regulations were not found to be a major factor contributing to rising housing prices. However, it was found that builders prefer to use conventional or traditional materials and methods even though less expensive items are allowed by local building codes. The report cites a 1973 survey of 1600 builders by the NAHB which showed that many builders were not using less expensive construction methods and materials.

Healy, Robert G. Environmentalists and Developers: Can They Agree on Anything? Washington, D.C.: The Conservation Foundation, 1977.

A proposal for a search for common ground between environmentalists and developers on the housing cost issue. Healy proposes more definitiveness by planners in encouraging growth in specific areas, clear, location-specific guidelines derived from environmental constraints, improved permitting, developer-environmental consensus on cost reducing infrastructure schemes, encouragement of higher density by environmentalists and disassociation with exclusionary practices by environmentalists.

Lockwood, Rodney M. "What Has Happened to the American Family's Ability to Buy New Homes?" Urban Land 35 (June 1976) 3-6.

Lockwood argues that the most significant factor affecting housing markets is the increasing monthly cost of housing. The monthly expenses required to buy a new single-family home increased 305 percent between 1955 and 1975. In 1955, 67 cents of each dollar of monthly payment went to interest; in 1965, it was 79 cents, and in 1976, it was 92 cents. In addition to increases in mortgage amounts and higher interest rates, real estate taxes, hazard insurance costs, repair and utilities, utility costs have risen dramatically. All of this combines to produce a decline in real house-buying power. Lockwood predicts an increased demand for condominiums, fewer children, a revival of the extended family and the end of low rents.

Muller, Thomas. "Fiscal Impact" in Randall W. Scott, ed. Management and Control of Growth, Volume II. (Washington, D.C.: The Urban Land Institute, 1975): 534-542.

A summary of an Urban Institute report which evaluated various forms of fiscal impact analyses. Central conclusions were that the state of the art is still primitive, that many studies simply reflect the interests of their sponsors, and that each situation is unique and requires an approach which takes into account local conditions.

Past, George. "A Flexible Zoning Policy for Housing." Real Estate Review 5 (Fall, 1975): 62-67.

Based on net municipal operating costs, per pupil operating costs, household size and number of school children by type of unit, and the local property tax rate, this article presents a formula for determining the fiscal impact of multi-family and single-family housing developments. The central argument contained within the formula is that, due primarily to lower numbers of school children per unit, multi-family developments exert fiscal impacts which are comparable to single-family developments.

Priest, Donald E. "The Uncharted Trend: Toward Increased Public-Private Cooperation in Housing Development." American Real Estate and Urban Economics Association Journal 5 (Summer, 1977): 242-253.

Cooperation between developers and local public officials to limit the impact of regulations on housing costs is forecast. The primary motive force is seen to be a common desire to hold housing prices down to a point affordable by the middle classes. Secondary forces leading to the same conclusion are energy-derivative consumer sensitivity to transportation costs which forces developers into jurisdictions with regulations, consumer preferences for urban and suburban locations, the long-term nature of developer-public official relationships, and the evolution of "packagers" who specialize in negotiated compromises.

Pritchett, Clayton P. "The Effect of Regional Growth Characteristics on Regional Housing Prices" American Real Estate and Urban Economics Association Journal 5 (Summer, 1977): 189-208.

Based on regional statistics, Pritchett argues that increases in both lot and housing prices are most characteristic of the West, where a speculative bubble may burst; are significant in the Northeast, where economic stabilization will retard further increases, and are less characteristic of the South and North Central regions.

Scott, Randall; Brower, David; and Miner, Dallas D. Management and Control of Growth. 3 Vols. Washington, D.C.: The Urban Land Institute, 1975, also Schnidman, Frank; Silverman, Jane A.; and Young, Rufus C. Jr. Management and Control of Growth, Volume IV. Washington, D.C.: The Urban Land Institute, 1978.

This four volume series continues to report on and analyze the evolution of growth controls and their impact on development. Volume I documents the shifting attitudes and values of the early 70's as they were manifested in the non-growth and/or slow-growth movements. Criticisms of

non-growth strategies, examinations of early attempts to control growth and analyses of social and economic equity of controlled growth complete this volume.

The second volume examines both Ramapo and Petaluma in detail, with pieces by attorneys for each of the parties as well as the judicial decisions. Volume II also includes descriptions and analyses of an extensive variety of growth management techniques, approaches to both environmental and fiscal impact analyses, and a summary of the Costs of Sprawl.

The last of the 1975 volumes continues the presentation and analysis of growth management techniques, examines recent and proposed actions and policies for land use and growth at both the State and Federal level, presents private sector responses to growth management programs and concludes with an argument for new public and private partnerships.

Volume IV, published in 1978, examines growth management techniques as they evolved from the early 70's and as they were implemented. In addition, this volume includes chapters on State planning, public participation and balancing the frequently conflicting goals of housing and growth management.

Seidel, Stephen R. Housing Costs and Government Regulations: Confronting the Regulatory Maze. New Brunswick: Center for Urban Policy Research, 1978.

An ambitious book which undertakes the Heraclean tasks of putting the context of the current regulations - costs debate in historical perspective, of summarizing the State of knowledge relative to costs of each of seven areas of regulation, (building codes, energy conservation regulations, zoning, subdivision regulations, growth controls, environmental regulations, settlement and financing regulations) and of conducting original research across the full range of government regulations and their relationships to housing costs.

The historical perspectives are necessarily brief and, consequently, sketchy. For those to whom the subjects are unfamiliar, they provide a satisfactory introduction.

The summaries of previous research present findings in a journalistic fashion: significant and selected conclusions unburdened by extended definitions of terms, limiting qualifications, methodological approaches or prior assumptions. The result is an overview of the major research.

The original research is based on four surveys undertaken by CUPR: (1) A national mail survey of builders and developers which yielded a 10 percent response rate and 2400 respondents; (2) A more detailed telephone survey of builders and developers which yielded an unreported response rate and 400 respondents; (3) An analysis of zoning ordinances and subdivision regulations followed by a telephone survey of 86 randomly selected municipalities; and (4) A building codes survey of 100 randomly selected municipalities.

In addition, four case studies of the processing of specific development proposals were conducted: one in California, two in North Carolina and one in New Jersey.

Despite a bias against government regulation in the builder-developers questionnaire, the data provides useful insights into how builders and developers perceive the impact of government regulations on their activities. The surveys of municipalities provide for similar insights into how local officials perceive the impact of regulations on builders and developers (not surprisingly, the differences are substantial) and basic descriptions of the extent to which specific ordinances and provisions are being enforced.

Significant conclusions were as follows: (1) The model codes are increasingly the basis for local codes; (2) Energy codes are cost effective; (3) Subdivision regulations allocate increasing proportions of the costs of facilities provision to developers. Governments with the highest

income have the most stringent requirements; (4) Length of time for preliminary subdivision approval, street width, minimum lot size, and land dedication requirements or fees in lieu of all correlate positively with median family income; (5) Mobile homes are prohibited in nearly two-fifths of American municipalities and allowed only with restrictions in most of the rest; (6) Most growth control schemes have cost impacts beyond the jurisdiction of the controlling municipality; and (7) The analysis of the distribution of land among different residential zoning classifications was weakened by a failure to distinguish between developed and undeveloped land.

Sprogue, Willard F. "The Case for Regional Land Use Planning." Real Estate Review 5 (Summer 1975): 40-45.

Following a description of the various actions taken by San Francisco Bay Area localities to limit and/or prevent development, the author argues that the real estate industry, in alliance with organized labor, the central city population, the planning fraternity and open housing advocates, promote the elevation of land use planning power and responsibility to the regional level.

Sternleib, George; Beaton, W. Patrick; Burchell, Robert W.; Hughes, James W.; James, Franklin J.; Listokin, David; Windsor, Duane. Housing Development and Municipal Costs. New Brunswick, New Jersey: Center for Urban Policy Research, 1974.

Based on interviews with over 4,100 New Jersey households, this basic text in fiscal impact analysis estimated the municipal costs associated with each of four types of housing developments: high-rise apartments, garden apartments, townhouses and single-family dwellings. Central findings confirmed the utility of bedroom multipliers for estimating numbers of school age children and produced two occasionally significant second-level indices (race and rent or value).

Michael Sumichrast. Long Term Relationship of Land, On-Site Labor, and Materials in Single-Family Housing. National Association of Homebuilders, 1973.

This 1973 report notes that land cost as a proportion of final sales price was the same as it was in 1925: 22 percent. During the intervening period, land dropped to a low proportion of 11.6 percent in 1946 before beginning a rise back to 1925 levels.

Urban Land Institute Research Division. Large-Scale Development: Benefits, Constraints, and State and Local Policy Incentives. Washington, D.C.: The Urban Land Institute, 1977.

Intended as a guide for State and local government officials for legislative and administrative improvements which would encourage large-scale developments. A survey of the literature revealed the benefits of large-scale developments to be: reduced public service and infrastructure costs, increased environmental protection, higher quality physical environment, design innovations, better balanced revenue-expenditure, equations for local governments, and the potential of voluntary racial and economic integration. Present constraints include difficulties in land assembly, high and frequently indefinite risks, uncertain availability of financing and a generally unfavorable governmental environment.

Legislative and administrative adjustments which would enable localities to capture the benefits of large-scale developments were coordinated permitting, PUD ordinance improvements, planned development area designations, incorporation of developments, annexation of developments, and multi-functional special districts.

U.S. Congress, Senate. Committee on the Budget. Hearings before the Committee on the Budget. Congressional Budget Office. "Home-ownership: The Changing Relationships of Costs and Incomes, and Possible Federal Roles." 95th Cong. 1st sess., 1977, pp 111-178.

Detailed analyses of changes in housing costs, components of housing costs, incomes and incomes of various categories of housing purchasers during the period 1970-1975. Central conclusions were that increases in the costs of

new housing had outpaced increases in the incomes of first-time home purchasers by a factor of 2.0, that increases in the costs of existing housing had outpaced increases in the incomes of first-time home purchasers by a factor of 1.5, and that first-time home purchasers were in a substantially worse position than either second time home buyers or non-moving home-owners.

United States League of Savings and Loan Associations. Home-ownership: Realizing the American Dream. Chicago: U.S. League of Savings and Loan Associations, 1978.

Based on data derived from 8,500 conventional mortgage loan applications, the report presents a demographic profile of home buyers, subdivided by geographic region and city size. Significant findings were that 45 percent of all home buyers have more than one wage earner, that both new homes and homes built since 1970 were more likely to be purchased by repurchasers, that singles constituted one-quarter of first time home buyers and one-eighth of repurchasers, and that price varied by region and city size.

Weicher, John C. "The Affordability of New Homes." American Real Estate and Urban Economics Association Journal 5 (Summer 1977): 209-228.

Concludes, using median new home sales prices and median family income, over the period 1949-1975, that recent increases in housing prices have not outpaced increases in income. Argues that studies concluding that prices have advanced more rapidly than income used a base year, 1970, in which the volume of subsidized housing atypically depressed the median sales price. Further concludes that recent increases in interest rates have reduced the proportion of households able to purchase new homes through their effects on monthly carrying charges.

Weicher, John C. "Reply by John C. Weicher." American Real Estate and Urban Economics Association Journal 5 (Fall, 1977): 360-65.

In responding to Freiden and Solomon, (American Real Estate and Urban Economics Association Journal Fall, 1977), Weicher argues that the shift in the Census Bureau's index of prices of constant quality new homes relative to income all occurred during the economically extra-ordinary years of 1974 and 1975, that data was not available for a 1976 comparison, that the housing price versus incomes debate has been a popular topic for 30 years, and that younger families have not been priced out of the market, but have expanded their proportion of new homes purchased.

IMPROVING DEVELOPMENT STANDARDS IN FRINGE AREAS

- I. Issue: Recent increases in zoning, subdivision regulation and environmental standards have led to higher costs for developers in fringe areas.

Case, Fred E. "The Impact of Land Use and Environmental Controls on Housing Costs" in Federal Home Loan Bank of San Francisco, Proceedings on the Third Annual Conference: The Cost of Housing San Francisco: Federal Home Loan Bank Board, 1978.

Current review of the literature. Proposes a three category, 48 item cost-benefit format for viewing the impact of controls on housing costs. One of few authors to identify erosion of market planning as a consequence of indefinite and variable approval periods.

Muth, Richard F. and Wetzler, Elliot. "The Effect of Constraints on Housing Costs." Journal of Urban Economics 3 (January, 1976): 57-67.

An empirical analysis of the effect of building codes and other supply constraints on housing costs. Concludes building codes add, at the most, 2 percent to housing costs.

Hypotheses:

- A. Recent increases in zoning, subdivision regulation and environmental standards have been instituted to protect the public health, safety and welfare from poor quality developments and environmental degradation. Viewed over the long run, these increases are cost effective because they extend a development's useful life while minimizing damage to the environment.
- B. Zoning ordinances and subdivision regulations enforce a standard of quality which is in excess of that required by the public health, safety and welfare. Particularly onerous requirements are those for minimum lot size, minimum floor area, side yards, road width, grade and paving quality, sidewalks, street lights, cul-de-sac lengths, oversized storm and sanitary sewers, minimum setbacks, mandatory sewer hookups in place of septic tanks, land dedications or fees in lieu of, and local impact statements. Each of these excessive requirements leads to higher housing costs.

Adams, F. Gerald; Milgram, Grace; Green, Edward W.; and Mansfield, Christine. "Undeveloped Land Prices During Urbanization: A Micro-Empirical Study Over Time." Review of Economics and Statistics. 50 (May, 1968): 248-258.

Based on an analysis of sales of undeveloped land in Northeast Philadelphia and attempting to control for other influential variables, the study found that land zoned exclusively for single-family housing was worth approximately 60 percent less than other residential land, that land zoned for single-family and duplex housing was worth 60 percent more than land zoned for single-family housing, and that land zoned for row houses was worth between 25 and 85 percent more than land zoned only for single-family housing.

American Society of Civil Engineers, National Association of Home Builders and the Urban Land

Institute. Residential Streets: Objectives, Principles and Design Considerations. Washington, D.C.: American Society of Civil Engineers, National Association of Home Builders and the Urban Land Institute, 1974.

In this and the other two volumes in the series (Residential Storm Water Management and Erosion and Sediment Control), a performance-standard oriented set of objectives, principles and illustrative standards is presented. The basis for these standards is as follows:

"To the degree that conservation is consistent with utility, safety and convenience, it is intended herein to reflect a conservation bias."

Together, the three volumes are referred to as Cost Effective Residential Development Standards (CERDS).

Bergman, Edward M. A Policy Guide to Evaluations of Policy Related Research on Development Controls and Housing Costs. Springfield, Virginia: National Technical Information Service, 1974. See also Bergman, Edward M. Evaluation of Policy Related Research on Development Controls and Housing Costs. 3 Vols. Chapel Hill, North Carolina: The Center for Urban and Regional Studies, 1974, and Bergman, Edward M. "Development Controls and Housing Costs: A Policy Guide to Research" in Scott, Randall W. Management and Control of Growth. Vol 5. Washington, D.C.: The Urban Land Institute, 1975. 527-536.

Bergman reached four conclusions after an exhaustive survey of the literature: (1) There was, in 1974, a paucity of empirical research on the subject; (2) The available research on zoning and housing costs showed housing costs increasing at a decreasing rate as density decreased, or as lot size increased; (3) None of the research measured the relationship between lot size and zoning classification; (4) Research on building codes showed 5

percent (or less) lower costs in jurisdictions using a code based on one of the major codes (BOCA, ICBO, NBC, SBC, UBC, BBC). Communities with a building code not based on a major code provided the comparison.

Speculating on the results, Bergman argued that the decreasing rate of increase for housing costs relative to lot size could well be a function of zoning. Excess supplies of large lots, which is a widely recognized practice, would weaken prices for these lots; while insufficient supplies of small lots would exert an upward price pressure on these lots.

Bickert, Browne, Coddington & Associates, Inc. An Analysis of the Impact of State and Local Government Intervention on the Home Building Process in Colorado, 1970-1975. Denver, Colorado Association of Housing and Building, 1976.

In a study prepared for the Colorado Association of Housing and Building, the authors conclude that higher tap fees, added land dedications or fees in lieu of, higher permit fees, wider and thicker pavements and underground storm sewer systems have added between 6.0 and 7.9 percent to the cost of a "representative" house (1050 square feet lot in a 500 unit subdivision).

California Construction Industry Research Board. Cost of Delay Prior to Construction. Los Angeles: Construction Industry Research Board, 1975.

Estimates that delay costs, i.e. holding costs, inflation and overhead equals 20 percent of single-family project prices.

Crecine, John P.; Davis, Otto A.; and Jackson, John E. "Urban Property Markets: Some Empirical Results and Their Implications for Municipal Zoning." Journal of Law and Economics 10 (October, 1967): 79-99.

Using Pittsburgh as a case study, the research concludes that neighborhood externalities (conflicting land uses in land use planning jargon) had no significant or measurable impact on residential property values. The results contradict the conventional rationale for zoning—protection of residential property values.

Derkowski, Andrzej. Costs in the Land Development Process. Housing and Urban Development Association of Canada. Toronto, 1975.

A notable study in that it recognized the large number of variables, in addition to the extent and severity of government regulations, which affect the price of land. Plausible descriptions of unquantified factors such as geographic limits to growth, local demand and supply relationships, and motivations of regulatory agencies were blended with measurable changes in land prices to convincingly argue that increased standards, administrative insensitivity to land prices, and intentionally exclusionary zoning led to higher land prices.

Hamilton, Bruce W. "Zoning and the Exercise of Monopoly Power" Journal of Urban Economics 5 (January, 1978): 116-130.

Argues theoretically that some municipalities force the price of housing above its long run equilibrium point through zoning. The contention has some limited empirical support.

Hirsch, Werner Z. "The Efficiency of Restrictive Land Use Instruments." Land Economics 53 (May, 1977): 145-156.

A theoretical comparison of large lot zoning, population ceilings, and quotas and permit fees with the standard economic rationale for land use controls: efficient resource allocation. Large lot zoning is held to be inefficient in three respects:

(1) Generating more local units of government than are necessary to provide a given number of public goods; (2) Assignment of inefficient mixes of lot sizes to some communities; (3) Inefficient scale of local government operation. Population ceilings and quotas are held to generate only the first type of inefficiency, while permit fees are free of any distorting effect.

James, Franklin J. and Muller, Thomas. "Environmental Impact Evaluation, Land Use Planning, and the Housing Consumer." American Real Estate and Urban Economics Association Journal 5 (Fall 1977):279-301.

Based on analyses of Florida and California State Environmental Impact Review programs, the research found that housing costs were increased by less than 2 percent in both States. Factors which contributed to increased costs were impact statement preparation, impact statement review, carrying costs attributable to the increased average delay of six months in Florida and two months in California, property taxes over the same periods, design changes, increased exactions and reduced densities. A necessarily crude analysis of benefits showed improved environmental conditions (reduced traffic congestion; reduced air, water and noise pollution; and limited aesthetic degradations) in California and shifting of responsibility for public improvements from local governments to developers in Florida, expanded public participation in both States, and strengthening of regional planning in Florida. The effect of density reductions was to eliminate or reduce the amount of moderately priced housing.

Lafferty, Ronald H. and Frech, H.E., III. "Community Environment and the Market Value of Single-Family Homes: The Effect of the Dispersion of Land Uses" The Journal of Law and Economics 21 (October, 1978): 381-394.

Expanding the definition of neighborhood to a two part scheme which incorporates local and city-wide characteristics, this analysis of the land use externalities debate concludes that externalities with price effects do exist. The authors stop short of using the results to endorse zoning, however.

Land Design/Research, Inc. Cost Effective Site Planning: Single-Family Development. Washington, D.C.: National Association of Home Builders, 1976.

Intended as a site development design guide for increased density for small developments. Twenty-five alternative site plans, ranging in density from 2.5 to 10 units per acre are presented. Development costs are estimated for each plan. Design types range from single-family detached through single-family attached, duplexes, quadplexes to townhouses.

Maser, Steven M.; Riker, William H.; and Rosett, Richard N. "The Effects of Zoning and Externalities on the Price of Land: An Empirical Analysis of Monroe County, New York." Journal of Law and Economics 20 (April, 1977): 111-132.

Concludes that externalities exert no effect on property values, consequently, the political motive for zoning is without foundation.

Moss, William G. "Large Lot Zoning, Property Taxes and Metropolitan Area." Journal of Urban Economics 4 (October, 1977): 408-427.

A theoretical analysis of the zoning-property values question which concludes that large-lot zoning increases land prices and housing costs.

"NAHB Multi-State Survey of Development Costs: Regulation Price Tag Varies From \$2961 to \$6841 per lot." Professional Builder 43 (March, 1978).

A preliminary report from 16 builder/developers on estimates of a hypothetical 10 acre subdivision. The basis for comparison was NAHB's Cost Effective Residential Design Standards. Density, under which CERD's allows 6.9 units per acre accounted for a substantial portion of the differences.

National Association of Home Builders. Fighting Excessive Government Regulation. Washington, D.C.: National Association of Home Builders, 1978.

Bibliographies, summaries of housing cost researches, guidelines for local housing cost conferences and Hammer, Greene, Siler and George's "An Economic Analysis of the Development Impact Tax in Oregon" prepared for NAHB. Assuming that the tax is passed on in its entirety to consumers, it is argued that the tax is administratively efficient, inequitable, inefficient, and regressive. The lack of equity is based on the argument that a proportion of new home purchasers are former local home-owners who have already paid substantial taxes for infrastructure. The inefficiency argument contends that needless trunk sewers are being built. The regressivity argument derives from the fact that the tax is not tied to income.

National Association of Home Builders. The Report of the Housing Cost Conference. Washington, D.C.: National Association of Home Builders, 1977.

Reports on a Conference of housing suppliers, government officials, and researchers' discussions of housing cost problems. Solutions examined included procedural improvements for development permitting, infill development, reductions in standards, model codes and subsidies.

National Association of Home Builders Research Foundation, Reducing Home Building Costs with Optimum Value Engineered Design and Construction.

Washington, D.C.: Department of Housing and Urban Development, 1977.

A derivative of the Operation Breakthrough program, the manual presents cost reducing techniques from planning and design through construction and construction scheduling. Overall cost savings were estimated at 12 percent.

Ohls, James C.; Weisberg, Richard C.; White, Michelle J. "The Effect of Zoning on Property Values" Journal of Urban Economics 1 (October, 1974): 428-444.

A theoretical treatment of the zoning-property value question. Two types of zoning were distinguished: (1) Externality zoning in which the objective is the reduction of negative externalities (conflicting land uses); (2) Fiscal zoning, in which the objective is other than economic efficiency. The central conclusion is that fiscal zoning, as practiced, probably reduces aggregate land values.

Orange County Cost of Housing Committee, The Cost of Housing in Orange County. Orange County, California: Orange County Cost of Housing Committee, 1975.

Empirical analyses of increases in housing costs due to increased government fees, building materials cost increases, increases in wages, increases in financing costs and increases in land costs. Central conclusions were that between 2.6 and 4.0 percent of housing prices were composed of government fees, that single-family land prices increased between 7.0 and 9.0 percent annually since 1969, and that multi-family land prices increased between 13.5 and 20 percent annually over the same period.

Major recommendations included reduced processing time for zoning changes and permit applications, improvement of housing data sources, expansion

of community development block grant funding, and support for the State Housing Finance Corporation.

Sagalyn, Lynne B., and Sternlieb, George. Zoning and Housing Costs: The Impact of Land Use Controls on Housing Price. New Brunswick, New Jersey: Center for Urban Policy Research, 1972.

Using several regression analysis techniques, the study attempted to determine the impact of variations in New Jersey zoning subdivision regulations and building codes on housing prices. The central finding was that floor area, which was assumed to be directly affected by regulation, explained the largest proportion of variations in price.

The second and third most significant variables were minimum lot size and minimum frontage requirements.

Stall, William J. "Community Environment, Zoning, and the Market Value of Single-Family Homes." The Journal of Law and Economics 18 (October, 1975): 535-37.

Empirically attacking the question of zoning's impact on property values and using Boston as a case study, the research concludes that neighborhood externalities do affect property values; therefore, the conventional rationale for zoning--protection of single-family property values--is rational.

Tagge, Carol Elese. "The Effects of Public Regulation on the Cost of New Single-Family Units, Austin Texas." (unpublished Master of Science Thesis, University of Texas at Austin, 1976).

Based on a case study approach, it was concluded that new regulations added between 2 and 7 percent to sales price. Delay, increased sewer and water tap fees, and land dedication were determining factors.

Witte, Ann Dryden. "The Determination of Inter-urban Residential Site Price Differences: A Derived Demand Model with Empirical Testing." Journal of Regional Science 15 (December, 1975): 351-364.

The two variables most significantly related to variations in prices of residential sites were current annual family income (positive) and average size of residential sites (negative). It is hypothesized that overzoning of low-density sites at least partially explains the negative relationship.

Policy suggestions recommend zoning which reflects market demand for various lot sizes.

Urban Land Institute, and Gruen Gruen + Associates. Effects of Regulation on Housing Costs: Two Case Studies. Washington, D.C.: Urban Land Institute, (1977).

Case study analyses of regulation induced housing price increases in San Jose California from 1967-1976 and Jacksonville, Florida during the period 1970-1976. The San Jose findings showed housing prices outpacing inflation by 6 and 30 percent. The Jacksonville findings, using a tighter methodology, disclosed that housing prices had increased at the same rate as inflation generally, but that increased regulatory standards were directly responsible for a 4.4 percent increase in prices. Hypothetical explanations posited price in elastic demand in San Jose and price elastic demand in Jacksonville.

- C. Local environmental controls enforce a standard of quality which is in excess of that required by the public health, safety and welfare. Onerous requirements here are sediment and erosion controls, seeding requirements, burning restrictions, circuit interrupters and smoke detectors.

"High Price of Government in Housing." Professional Builder (May, 1977): 136-138.

Report on a NAHB survey of 1200 randomly selected builders which yielded a 21 percent response rate. The object of the survey was to determine the "10 Most Unwanted Regulations." They were, in rank order, as follows:

1. Burning restrictions
2. Ground fault circuit interrupters on outdoor receptacles
3. Ground fault circuit interrupters in bathrooms
4. Ground fault circuit interrupters on construction sites for temporary wiring
5. Required oversize egress windows in bedrooms
6. More than one smoke detector per house
7. Mandatory dedication of land for parks and recreation
8. Excessively wide streets
9. Sidewalks required
10. Minimum lot size (6000 square feet used as reference).

- D. The standards set by zoning, subdivision regulations and local environmental controls are irrelevant. Demand dictates that developers provide housing at quality levels which are higher than legislated minimums.

The Modest Cost Private Housing Advisory Committee, Metropolitan Council. Modest-Cost Housing in the Twin Cities Metropolitan Area. Saint Paul, Minnesota: Metropolitan Council, 1976.

An extremely thorough regional analysis and report to the Minnesota legislature on the problem of privately produced modest-cost single-family housing in Minneapolis - Saint Paul. Central findings

which formed the basis for policy recommendations were first, that minimum house and lot size requirements did not mandate the lot and unit sizes which were platted and constructed. Demand for units of higher than minimum quality determined what was built. Nevertheless, it was recommended that standards be lowered to permit new demand and supply relationships to evolve.

Secondly, it was concluded that the review and approval procedures associated with expanded government regulation had lengthened the approval process from three months to nearly two years. Streamlined and shortened procedures were recommended.

- II. Issue: Some fringe area zoning ordinances do not include provisions for the cost saving design innovations permissible under planned unit development ordinances.

Rahenkamp, Sachs, Wells and Associates; American Society of Planning Officials; Stoloff, David. Innovative Zoning: A Local Officials Guidebook. Washington, D.C.: U. S. Department of Housing and Urban Development, Office of Policy Development and Research, 1978.

Presents and discusses three alternatives to conventional zoning: Planned Unit Development Ordinances; Incentive Zoning and Impact Zoning. Suggests steps to be followed in improving existing ordinances.

Real Estate Research Corporation. The Costs of Sprawl. 3 Vols. Washington, D.C.: U. S. Government Printing Office, 1974.

The Costs of Sprawl is the most well documented attack on urban sprawl. The basic study method was to make detailed estimates of the costs associated with six hypothetical new communities, each containing 10,000 dwelling units, each housing

an "average" urban fringe population mix, and each constructed in a "typical" environmental setting. For purposes of simplification the two extreme communities will be discussed. Their average densities are 19.0 and 3.5 dwelling units per acre respectively. They were intended to represent an optimally planned high-density development and a "typical" low-density sprawling development.

The central conclusions are as follows:

1. The high-density planned community would be optimal with reference to all four key indicators examined: energy cost, environmental impact, capital cost, and operating cost;
2. The high-density planned community would require 44 percent less energy than the low-density sprawl community. The high-density plan would generate 45 percent less air pollution.
4. The high-density plan would require a combined public and private capital investment 44 percent less than the low-density community; the largest proportionate saving would be in road and utility construction (55 percent), but the largest absolute saving would be in the cost of residential construction.
5. The operating cost of community services would be about 11 percent lower in the high-density community.

The estimated savings in residential capital costs are mainly a function of the differently sized dwelling units. Two-thirds of the savings in construction costs is attributable to the fact that the high-density community has 34 percent less floor area. Most of the remaining advantage in dwelling unit construction cost is attributable to the walkup apartment and townhouse elements of the high-density community rather than to its high rise apartments. Walkup apartments were found to cost 40 percent less per square foot than single-

family homes, townhouses cost 32 percent less, and high rise apartments cost 12 percent less.

INCREASING THE SUPPLY OF LAND IN THE FRINGE AREA

- I. Issue: Variations in the volume of developable land increase the price of land when demand exceeds supply and strain the fiscal capacity of local governments to provide public facility extensions when supply meets demand.

Hypotheses:

- A. The supply of developable residential land has been severely constricted by some restrictive types of growth management schemes. These constrictions have either reduced total land supply or shifted the location of permissible development. In the first case, the consequence has been substantial price increases. In the second, price effects have varied, but quite often prices have increased.

Gleeson, Michael E. "The Effects of an Urban Growth Management System on Public Services and Public Service Costs." Working Paper Number 3. National Science Foundation Project on Monitoring Growth Management Systems. Minneapolis, Minnesota: University of Minnesota, 1978.

An empirical examination of the effects of a growth management system instituted in 1963 in Brooklyn Park, Minnesota, a second-tier suburb of Minneapolis - St. Paul. Major conclusions were that the system, which required available off-site storm drainage facilities from 1963 to 1968 and connection to the unextended water and sanitary sewer systems thereafter, produced developments which were concentrated, and that the savings to the government in capital costs were in the range of 40 per cent (compared to the dispersed pattern of comparable suburbs) and that service levels were not reduced.

- B. Efficient development of fringe areas requires that local governments institute growth management schemes in order to control the level of local government expenditures, to prevent leapfrogging and to prevent environmental degradation.

Burchell, Robert W. and Listokin, David. The Environmental Impact Handbook. New Brunswick, New Jersey: Center for Urban Policy Research, 1975.

In addition to general discussions of Environmental Impact Analyses, includes descriptions of the current State of local environmental impact legislation and reviews of recent significant court decisions.

Council on Environmental Quality. Environmental Quality: The Eighth Annual Report of the Council on Environmental Quality. Washington, D.C.: U.S. Government Printing Office, 1977.

Summarizes current State of environmental quality and lists State and local impact statement legislation, administrative action and requirements.

Freilich, Robert H. "Land Use Controls and Growth Management: The Need for a Comprehensive View" Urban Lawyer 9 (Summer, 1977): v-xiii.

A critical analysis of Robert C. Ellickson's "Suburban Growth Controls" (Yale Law Journal, January, 1977). Central points are that Ellickson's economic analysis is an untested theory, that the three goal typology advanced by Ellickson reduces to fiscal efficiency, that the legal arguments are not cognizant of the current scope of the police power, and that Ellickson's vantage point is, in reality, that of the landowner.

Gladstone Associates. Growth Management Programs and Private Sector Impacts: Working Papers Nos. 1-4 for Anne Arundel County, Maryland. Washington, D.C.: Gladstone Associates, 1977.

Two case study investigations of changes in housing costs due to changes in government regulation. The first estimated typical cost increases between 1968 and 1977 due to 21 specific regulatory changes. Those which contributed significantly to cost were processing time under subdivision regulations; recreational land dedication; impact statement preparation; water and sewer tap fees; prohibitions against burning; increased standards for streets, sidewalks, street lights, signs, sewer and water lines; off-site highway improvements; and storm water management. Total cost increases were estimated to be between \$2,650 and \$4,300 depending on the specific development proposal.

The second, less detailed method estimated that regulation was responsible for 14 percent of increases in housing costs over the same period. A notable feature of the study was an attempt to measure undeveloped land and recommend land supply strategies for the County.

Gleeson, Michael E. "The Effects of an Urban Growth Management System on Land Values." Working Paper Number 4. National Science Foundation Project on Monitoring Growth Management Systems. Minneapolis, Minnesota: University of Minnesota, 1978.

An empirical examination of the effects on land values of a 15 year old growth management system in Brooklyn Park, Minnesota, a second-tier suburb of Minneapolis - St. Paul. The hypothesis that growth management systems segment land values into a higher priced developable submarket and a lower priced deferred development submarket was confirmed.

Rick, William B. "Growth Management in San Francisco" Urban Land 37 (April, 1978): 3-6.

An analysis and description of San Diego's Growth

Management Program. Unique observations were that growth management programs could exert a leveling effect on volatile building cycles and that an inadvertent beneficial effect of the San Diego program was preventing developments that would have come to the market in mid-recession.

Zumbrun, Ronald A., and Hookano, Thomas E. "No-Growth and Related Land Use Legal Problems: An Overview." Urban Lawyer 9 (Winter, 1977): 122-156.

An accurately titled article which concludes that regulations designed to prevent nuisances, to relate to strong public health policies, to effect architectural controls, for planning only, or to be temporary only will likely be upheld. Regulations which attempt to devalue property in advance of public acquisition, which attempt excess exactions, which cause severe damage in attempting to preserve governmental resources or regulations which interfere with vested property rights are more likely to be invalidated.

C. The development industry was unprepared for the expansion in demand which occurred in the early seventies. Not having sufficient lots available for development forced land prices up.

Downs, Anthony. "Public Policy and the Rising Cost of Housing." Real Estate Review 8 (Spring, 1978): 27-38. See also Downs, Anthony "Public Policy and the Rising Costs of Housing." Washington, D.C.: Brookings Institution General Series Reprint No. 344, 1978.

An extensive review of the current housing cost problem and hypothesized causes. After surveying demand pull arguments (deeply imbedded American preferences for home-ownership, increases in household formation and inflation hedging) and cost push arguments (component cost increases, govern-

ment regulations, cyclical production periods), Downs concludes that demand pull hypotheses explain increases in capital costs and cost push hypotheses explain operating expense increases.

Policy recommendations include income strategies rather than intervention in housing markets, procedural improvements in development permitting, graduated payment mortgages and prevention of neighborhood decline.

Genstar Homes "Observations on Housing and Land Development" Appraisal Institute (of Canada) Magazine (November, 1978): 24-37.

A collection of articles which focuses on the increase in both housing prices and land prices since 1970. Increases in demand, as represented by the 25-34 age group is held to be the primary cause of price increases.

The argument that general inflation has contributed to perceptions that "now is a better time to buy than later" is examined and endorsed.

Municipal and higher level governments are encouraged to work with the housing industry to develop policies which moderate price increases over the next 10 year period during which demand will continue to expand.

Working within this 10 year framework, alternative government policies directed at influencing land prices are examined. The central argument here is that expansion of the number of serviced sites could increase competition for lots and moderate prices less expensively and faster than land banking programs.

The point that developer's who maintain an inventory of developable land must earn enough on the sale of their current inventory to re-invest in their

future inventory was offered as an explanation for the fact that land prices have outpaced housing prices.

Grebler, Leo. "Comments" in Federal Home Loan Bank of San Francisco. Proceedings of the Third Annual Conference: The Cost of Housing. San Francisco: Federal Home Loan Bank Board, 1978.

Argues that the size of the existing housing inventory relative to new construction dictates that prices are set in the existing inventory and not by new construction. The inference is that changes in demand have been the dominant factor in recent housing price increases. Inflationary expectations are cited as the primary cause of increased demand.

Heinly, David. "Aucoin Cost Study Seeks Supply/Demand Solution." Professional Builder 43 (September, 1978): 41.

Discusses study orientation of House Ad Hoc Task Force led by Rep Les Aucoin. Central points of view are the group's focus on demand as the explanation for increased housing costs and concern for the long range social-equity consequences of the first time home buyer's eroded purchasing power.

MacNaughton Plan Consultants, Ltd. Down to Earth: The Report of the Federal/Provincial Task Force on the Supply of Serviced Residential Land, Vol. 1, Kitchner, Ontario: 1978.

Analyses of the short-run price increases and the increasing long run price levels of serviced lots in Canada. As in the U.S., recent price increases have run well ahead of both inflation and other components of housing costs. Also as in the U.S., current price levels are viewed with alarm.

The central conclusion is that changes in demand were primarily responsible for short-run price increases. Changes in demand were a reduced set of investment alternatives due to the decline in the stock market; the arrival of the 40's and 50's baby-boom as the young families boom of the 70's; general inflation, coupled with the belief that housing was a secure investment which provides a hedge against inflation; a reduction in downpayment requirements, a reduction in mortgage interest rates (adjusted for inflation), and an expansion of the supply of mortgage money.

Two supply restriction hypotheses were informally tested and found wanting: (1) Bureaucratic red tape, coupled with exclusionary municipalities and taxpayers unwilling to finance service extensions caused supply restrictions which forced prices up; (2) Monopoly developers manipulated markets to produce price increases. The basic argument against both of these hypotheses is the short-run price dominance of the existing supply of housing units (see Grebler, Leo. "Comments" in Federal Home Loan Bank of San Francisco. Proceedings of the Third Annual Conference: The Cost of Housing. San Francisco: Federal Home Loan Bank Board, 1978.

Corollary arguments were the ubiquity of price increases despite the presence or absence of either exclusionary municipalities, irate taxpayers, or monopoly developers.

Regarding long term price levels, supply restrictions were acknowledged to have an inflationary role. Recommendations here were for local and provincial governments to move positively to ease supply restrictions, particularly in high demand periods.

Markusen, J.R. and Scheffman, D. T. Speculation and Monopoly in Urban Development: Analytical Foun-

dations with Evidence for Toronto. Toronto, Ontario: Ontario Economic Council, 1977.

Arguing against the monopoly control theory of land price increases, the authors advance the theory that expansion in demand for housing (and lots) was not foreseen by the development industry, that subsequent attempts to meet demand were inhibited by first, a shortage of serviced lots and second, unwillingness on the part of some municipal officials to approve new subdivisions. Recommendations flowing from this theory are expansion of the number of serviced lots and expediting subdivision approvals.

Mylod, Robert J. "Housing Boom Threatens to Outpace Supply of Lots" Mortgage Banker 38 (February, 1978): 76-78.

Based on an Advance Mortgage Corporation survey, the author concludes that demand for lots will exceed supply in one-third of the major markets. Principal causes are seen to be demand and lack of builder preparedness followed by lengthy lead times, environmental restrictions, growth-management ordinances, anti-growth attitudes in affluent suburbs and panic buying.

- D. Land banking to provide an adequate supply of suitably located developable residential land can assure an excess of supply over demand with a consequent reduction in prices.

Roberts, Neal, ed. The Government Land Developers: Studies of Public Land-Ownership Policy in Seven Countries. Lexington, Mass.: Lexington Books, 1977.

A review of an extensive number of government land development schemes and programs in Great Britain, Sweden, France, West Germany, Australia, Canada and the U.S. Notes the diversity of objec-

tives for which programs are instituted: (1) To control or influence land prices; (2) To promote or accomplish "better" planning; (3) To capture increases in value due to urbanization and public investment; (4) To accomplish specific programmatic objectives (dispersal of low income housing, environmental preservation, etc.). Summarizes research to date.

IMPROVING CENTRAL CITY DEVELOPMENT STANDARDS AND INCREASING THE SUPPLY OF LAND AND BUILDINGS

- I. Issue: A substantial amount of potentially developable land exists within central cities. This land represents a valuable untapped resource in that most sites are fully served by existing public facilities and could thereby be developed less expensively than raw land.

"Big Profit in Small-Lot City Townhomes" Professional Builder and Apartment Business (May 1978): 94-95.

Outlines the construction and marketing scheme of a small Cambridge, Mass. firm which specializes in building townhouses in town. Most of the lots range from only 1200-1500 square feet, yet include off-street parking and a small backyard. The multi-level townhouses are generally less than 1600 square feet. The units are not conventionally stick-built. Instead, crews frame and finish building sections on the ground. Then a 20 ton crane hoists the sections into place. Using this system, crews have been able to erect as many as nine units in seven days. Prices for the townhouses range from \$28,000. to \$92,500.

Manvel, Allen D.; Gustafson, Robert H.; and Welch, Ronald B. Three Land Research Studies Washington, D.C.: U.S. Government Printing Office, 1968.

One of two relatively recent surveys of vacant land

in cities of over 100,000 population. The findings that over one-fifth of the land area in these cities was vacant are comparable to the later study by Northam (Land Economics. November, 1971).

Northam, Ray M. "Vacant Land in the American City." Land Economics 47 (November, 1971): 345-355.

Based upon background studies for the National Commission on Urban Problems, correspondence with local officials and personal research, Northam estimates that between one-fifth and one-fourth of the land area of cities of over 100,000 population is vacant. Of the vacant land, between three-fourths and four-fifths is buildable. Substantial variation between cities is noted, with over twenty cities having no vacant buildable land and three cities having over one-half their total land area vacant and buildable.

"Six Ways to Build on Very Steep Slopes." Professional Builder and Apartment Business (May 1978): 114-116.

Presents six examples of residential construction on grades of greater than 30 percent.

Urban Land Institute. New Opportunities for Residential Development in Central Cities. Washington, D.C.: The Urban Land Institute, 1976.

Based on three Workshops and reconnaissance field studies in St. Louis, Dayton and Philadelphia, the authors conclude that middle-income housing development opportunities in central cities are substantial, but that both public and private support activities should be expanded. Selected recommendations were that (1) consideration should be given to a new Federal middle-income housing rehabilitation finance program, (2) local financial institutions need to recognize improving prospects, (3) local

governments need to provide supporting service and public works improvements, (4) local governments need to recognize the need for aids for low-income residents to retain their residences, and (5) relocation assistance should be provided by both public and private sectors.

Hypotheses:

- A. Land which was bypassed by previous development was not developed because it was not suitable for development. Either proximate land uses exerted a deleterious effect, slopes were too great, or soils were unsuitable. This land remains unsuitable for development.

Schenk, Robert E. "A Theory of Vacant Urban Land" American Real Estate and Urban Economics Association Journal 6 (Summer, 1978): 153-163.

Following a brief review of the four estimates of the volume of vacant urban land, Schenk adapts labor unemployment theory in an attempt to explain the existence of vacant land. Results are the concepts of structurally unemployed land (development cost exceeds present value), frictionally unemployed land (markets have an equilibrium level of vacant land) (i.e., "between uses") and land reserved for future use.

- B. Potentially developable central city land is overzoned, that is, zoned for densities which are in excess of what local housing markets will support. This practice effectively either removes available land from development or prohibitively increases the cost by the expense of lengthy rezoning applications.

Cooper, Alexander. "Zoning: A Neglected Tool for Preservation." in National Trust for Historic Preservation. Economic Benefits of Preserving Old Buildings, Washington, D.C.: The Preservation Press, 1975.

A discussion of down zoning and special district zoning for the purposes of fostering rehabilitation and preserving historic and other types of urban areas.

- C. Central city zoning ordinances are frequently antiquated and do not reflect contemporary standards. These archaic ordinances prevent many new types of development, such as mixed use, zero lot line and planned unit developments.
- D. Existing zoning ordinances and subdivision regulations restrict the variety and type of housing which can be developed in areas which were platted prior to the adoption of these codes.
- E. Vacant and available central city land is on sites which are too scattered for economic development.

- II. Issue: The existing stock of central city housing represents a valuable resource from which many units are lost annually. Retention and rehabilitation of these units could substantially expand the supply of adequate housing and thereby reduce upward pressures on housing prices.

Ahlbrandt, Roger S., Jr. "Public Policies for the Preservation of Capital in Older Areas." American Real Estate and Urban Economics Association Journal 5 (Spring, 1977): 68-84.

An extensive argument for comprehensive policies for preservation of older neighborhoods. Essential actors are local governments, private citizens, and the private sector.

Hypotheses:

- A. Housing units which are abandoned or withdrawn from the supply have either reached the end of their useful life or are in areas about which the surrounding land uses have changed sufficiently to render the sites

unsuitable for residential development.

- B. There are inadequate standards to guide rehabilitation of central city housing. Building codes, which are directed at new construction, require too high a standard for rehabilitation and, thereby, inhibit the volume of rehabilitation. This process operates in two ways:

1. Individuals are prevented from performing their own rehabilitation by the technical complexity of the high standards.
2. The costs required by the high standards prevents private entrepreneurs from rehabilitating housing.

U. S. Congress, Senate. Committee on Banking, Housing and Urban Affairs, The Impact of Building Codes, Minimum Property Standards and Other Building Regulations on Housing Rehabilitation. 95th Cong. 2nd sess., 1978.

The hearings posited three questions:

1. Do building codes and other regulations obstruct or discourage rehabilitation, particularly Federally assisted rehabilitation?
2. Should a model rehabilitation code be developed for use by States and communities in regulating rehabilitation? If so, by whom?
3. What is the appropriate role of the Federal Government in developing and implementing a model code?

Testimony was virtually unanimous in agreeing that the new construction standards embodied in building codes impeded, prevented or, at a minimum, added costs to rehabilitation projects. The Guideline for Residential Rehabilitation, published by the Building Officials and Code Administrators, International, Inc. in 1975 and developed with the assistance of all four

model code organizations, was found to be in use in only one State and 12 cities.

- C. Existing zoning ordinances and subdivision regulations effectively prohibit redevelopment housing in areas which were platted prior to their adoption.
- D. Substantial private rehabilitation of the existing housing stock is already occurring in most cities. These efforts should be encouraged and expanded.

Alstyne, Peter J. "Redlining - The Cure Worse Than the Illness." Journal Contemporary Law 3 (Spring, 1977): 264-277.

Argues that redlining is only one aspect of the broader problem of urban decay, that the Home Mortgage Disclosure Act underestimates the impact of other contributing factors, and that a more promising approach to credit expansion is cooperation between local governments, property owners, residents, and financial institutions.

Bekymer, George W. "Cincinnati Service Corporation is Right at Home." Urban Land 36 (June, 1977): 9-12.

Success story of a small savings and loan involved in residential rehab directly as a property owner, rehab contractor and mortgage lender.

Bierbaum, Martin. "A New Tool to Fight Urban Decay" Shelterforce 4 (Fall, 1978): 4,5.

A community action perspective on the Community Reinvestment Act of 1977 which expresses concern on the following issues:

1. Periodic audits or evaluations of lender performance instead of evaluations only under applications for regulatory approvals.

2. Compliance or non-compliance with the Act is not specified in the regulations.
3. Regulations do not specify how lenders shall provide a periodic accounting to community groups.
4. The definition of "community" is unclear, as is the definition of "community needs."
5. The regulations do not emphasize neighborhood loans.
6. Dislocation problems are not addressed.

Black, J. Thomas. "Private-Market Housing Renovation in Central Cities." Urban Land 34 (November, 1975): 3-9.

Reports on the results of a 1975 national survey of housing renovation. Significant findings were that the presence or absence of renovation was a function of city size, with larger cities showing a higher incidence; that regions showed substantially different incidences of renovation, with the South being the highest, followed by the Northeast, North Central and West; that necessarily rough estimates of volume indicated that approximately 55,000 units were renovated between 1968 and 1975; and, finally, that the renovators were predominately composed of small households, headed by young, middle- to upper-middle class professional or business owner-occupants.

Eager, Robert C. and Hyatt, Wayne S. "Neighborhood Revival Through Community Associations." Urban Land 37 (October, 1978): 4-11.

Advocates mandatory owners associations as devices for assisting neighborhood rehabilitation efforts to maintain common areas, build community organizations, and achieve distribution of incomes.

Galbreath, Carol. "Conservation: The New Word for Old Neighborhoods." Connecticut Law Review 8 (Winter, 1975-76): 312-333.

Discusses public and private neighborhood conservation techniques as practiced in Norfolk, Pittsburgh, Seattle, San Francisco, Dallas, Detroit, St. Louis, Cincinnati and Los Gatos, California. Techniques examined include improving local government services, down zoning, rezoning, subsidized loans, direct grants, revolving loan funds, property tax abatements and deferred reassessments.

Hutchinson, Peter M. "A Survey and Comparison of Redlining Influences in Urban Mortgage Lending Markets." American Real Estate and Urban Economics Association Journal. 5 (Winter, 1977): 463-472.

Tests three forms of redlining: (1) Racial composition; (2) Annual change in racial composition; (3) Age of residential structures. The findings indicate that neighborhoods characterized by older residential structures seem to receive fewer residential loans, that racial composition of neighborhoods has a significant effect on the flow of loans, and that redlining patterns and practices stem from risk aversion on the part of lenders.

Jones, William S. and McConnell, Dennis. "Reinvestment in Atlanta." Urban Land (June, 1977): 22-25.

A description of the formation of a consortium of banks which committed \$60 million for mortgage loans to in-town neighborhoods. Describes roles of neighborhood associations, local government, banks and central city businesses.

The National Urban Coalition. Displacement: City Neighborhoods in Transition. Washington, D.C.: The Urban Coalition, 1978.

Based on a survey of 44 cities, the authors conclude that displacement of elderly, poor, minority, and renters from neighborhoods attracting white middle-class in-migration is a serious problem requiring new government policies.

Oelschlager, Franklin R.; Hyder, Arthur F. and Masterson, William F. "HUD Changes Its Disposition: Bulk Sale Technique Works in Philadelphia." Urban Land 36 (June, 1977): 3-8.

An empirical analysis of the early success of a concentrated rehabilitation project in Philadelphia using HUD repossessions.

Oldham, Sarah G. and Jandl, H. Ward. "Rehabilitation and the Tax Reform Act" Urban Land 36 (December, 1977): 4-10.

An extended discussion of the provisions of the Tax Reform Act of 1976 which liberalized amortization and depreciation schedules and reduced financial incentives for the destruction of historic structures. Includes eligibility criteria, standards which must be met and a description of procedures.

O'Mara, W. Paul. "Fannie Mae Experiments in St. Louis." Urban Land 36 (June, 1977): 13-18.

Reports on a FNMA demonstration project designed to promote the profitability of inner-city mortgage lending. Criteria for selection as a project site were a large number of neighborhoods with a housing stock having rehabilitation potential, active citizen interest, active local government involvement, and a healthy local

economy.

Phillips, Kenneth F. and Teitz, Michael B. Housing Conservation in Older Urban Areas: A Mortgage Insurance Approach. Berkeley: Institute for Governmental Studies, 1978.

An analysis of the feasibility in older urban areas of utilization of the HUD 223(f) mortgage insurance program which was designed to ensure financing for existing, older multi-family projects. The authors conclude that skillful use of the program in combination with other programs can overcome or avoid the substantial risks involved in investing in older portions of the housing stock. Phillips and Teitz catalogue the risks as being (1) Demographic shifts which have undercut center city sub-markets; (2) Extensive physical deterioration (too extensive in some instances); (3) Unavailability of major maintenance and rehabilitation financing; (4) A mixed record of past attempts at public sector stimulated rehabilitation; (5) Absence of managerial and technical skills.

Rogg, Nathaniel H. Urban Housing Rehabilitation in the United States. Chicago: U.S. League of Savings Associations, 1977. See also Rogg, Nathaniel H. "Urban Housing Rehabilitation in the United States." Urban Land 37 (January, 1978): 10-18.

A U.S. League of Savings Associations funded study to investigate the level of housing rehabilitation activity in U.S. cities and to recommend how a rehabilitation industry could be expanded. Based on visits to 11 cities, and previous research, Rogg estimates that nearly all cities of over 50,000 population have some private, concentrated, owner-occupied single-family rehabilitation in process.

Citing a study by Marshall Kaplan in Dallas, the present rehabilitation industry was characterized as embryonic and subject to a broad array of constraints. Prominent among these were residual anti-urban attitudes, lack of knowledge problems in both the public and private sectors, construction standards, building codes, income taxes, and property taxes.

An extensive list of recommendations included improvement of data sources, declaration of an urban policy by the national government, expansion of Federal funding with retention of local discretion, development of warranty program, permit simplification, relocation program development, fire and home owner insurance provision, development of a secondary mortgage market for rehabilitation loans, property tax abatement, local code improvement, and service coordination.

Stanfield, Rochell S. "Savings and Loan Associations Are Starting to Bank on City Neighborhoods." National Journal 9 (December 17, 1977): 1962-66.

A favorable review of regulations drafted by the Federal Home Loan Bank Board to implement the Community Reinvestment Act of 1977.

Urban Land Institute. Private Market Housing Renovation in Older Urban Areas. Washington, D.C.: The Urban Land Institute, 1977.

Case studies of five private-market renovation examples: the South End in Boston, Inman Park in Atlanta, Munger Place in Dallas, the Hill District in Saint Paul, and Victorian areas of San Francisco. Central conclusions were that reasons for expanded rehabilitation efforts were increasing suburban housing costs, expanded

demand in the form of an increase in household formation in the 20-34 age cohorts, increasing professional and managerial employment opportunities in central cities, and the availability of an historically and architecturally significant housing stock.

Previously cited constraints, particularly the availability of financing, were observed to be beginning to ease.

- III. Issue: Adaptive re-use or conversion of non-residential structures can substantially expand the central city housing supply, thereby reducing upward price pressure.

Fairbridge, Kingsley C. and Kowal, Harvey-Jane. Loft Living: New York: Saturday Review Press/E. P. Dutton and Co., Inc., 1976.

Describes the process of turning a loft into a residence.

Fracchia, Charles A., and Bragstad, Jeremiah O. Converted into Houses. New York: The Viking Press, 1976.

Illustrated examples of the conversion of chicken coops, barns, fire stations, garages, creameries, ice houses, water towers, small factories, bakeries, lumberyards, boats, railroad cars, banks, schools and churches into residences.

Cantocuzino, Sherban. New Uses for Older Buildings. New York: Watson Guptill Publications, 1975.

U. S. and foreign re-use projects are described.

Gamzon, Melvin A.; Griffin, Nathaniel M.; Martin, Thomas J.; O'Mara, W. Paul; Spink, Frank H., Jr.; Steller, Joseph D.; Thomas, Margaret A. Adaptive Use: Development Economics, Process, and Profiles. Washington, D.C.: Urban Land Institute, 1978.

Describes development economics from project initiation, through project feasibility analyses and financing to implementation for adaptive use projects. Includes 15 case studies and 180 project descriptions. Includes projects whose final land use was residential.

Thompson, Elisabeth Kendall, editor. Recycling Buildings. New York: McGraw-Hill, 1977

Describes a number of residential renovation and adaptive use projects.

Hypotheses:

- A. The number of non-residential structures which can be economically converted to residential use is too small to have any impact on price.
- B. Central city housing codes, building codes and zoning ordinances substantially limit adaptive re-use conversions.

IV. Issue: Current tax assessment practices effectively prohibit development and redevelopment.

Harrison, David C. "Housing Rehabilitation and the Pittsburgh Graded Property Tax." in Andrews, Richard B. Urban Land Use Policy: The Central City. New York: The Free Press, 1972.

An extended discussion of Pittsburgh practice of taxing land at twice the rate of buildings. The central conclusion is that the effect of the tax in stimulating rehabilitation and renewal is indeterminate. Arguments in support of this conclusion are that the rate differential was not maintained, that the tax was only one of two major property taxes, and that a myriad of economic forces blur the impact of the tax.

Hypotheses:

- A. The prospect of increased tax assessments on rehabilitated residences deters rehabilitation.
- B. Under assessment of developable and redevelopable sites result in these sites being withheld from the market.

ALLOCATING THE COST OF DEVELOPMENT BETWEEN THE PUBLIC AND PRIVATE SECTORS

- I. Issue: Many fringe area communities have used their regulatory powers to require developers to provide facilities in excess of those which are necessary to protect the public health, safety, welfare and property of future residents of the site. Excess sanitary and storm sewers, and water capacity, excess land dedications or fees in lieu of all have acted to unnecessarily increase housing costs.

Ellickson, Robert C. "Suburban Growth Controls: An Economic and Legal Analysis." The Yale Law Journal 86 (January, 1977): 385-511.

An extensive review of both legal and economic arguments surrounding growth controls. Concludes that the dichotomous choices which are evolving in case law between exclusion (Petaluma, etc.) and inclusion (Mount Laurel) miss the preferable economic remedy of awarding damages to landowners and consumers.

Hagman, Donald and Misczynski, Dean J., editors. Windfalls for Wipeouts. Chicago: American Society of Planning Officials, 1978. See also: Hagman, Donald G. "A New Deal: Trading Windfalls for Wipeouts" Planning 40 (September, 1974): 9-13 and also see: "Windfalls for Wipeouts: A Preliminary Report" in Randall W. Scott, ed. Management and Control of Growth, Vol. I, Washington, D.C.: The Urban Land Institute, 1975: 275-289.

An extensive survey of American and foreign techniques and taxes designed to distribute increases or decreases in the value of private property caused by societal actions.

Proposes the establishment of a State level "Windfalls and Wipeouts Agency" to mitigate windfalls and wipeouts. Recommends incremental improvements in traditional techniques.

On the question of incidence of development exactions, the conventional wisdom that increased exactions are inevitably passed on to home purchasers is questioned. Acknowledging that it may be passed on under some circumstances, Mischynski argues that under different circumstances lower land purchase prices, lower developer profits, a new housing price even higher than the exaction, or even a totally different type of house are each equally plausible consequences of increased exactions.

Johnston, John D., Jr. "Constitutionality of Subdivision Control Exactions: The Quest for a Rationale." Cornell Law Quarterly 52 (Summer, 1967): 871-924.

An extensive review of the rationales for subdivision exactions which concludes that the police power is the legitimate rationale and that the burden of proof for justification of exactions in terms of public needs rests with municipal officials.

Hypotheses:

- A. Rational planning requires that new fringe area developments be provided with full complement of infrastructural services, and not, as was previously the case, have these facilities added haphazardly as incomes and financial capacity increased.
- B. Increasing housing costs through insistence that each

new development pay all of its own infrastructure cost and a share of the community's costs insures that subsequent residents will be of at least as high an income as present residents.

IMPROVING PERMITTING PROCEDURES FOR DEVELOPING HOUSING

- I. Issue: The number of separate permits required, the extensive analyses required by permits, and the time required for permit approval add substantially to housing costs.

California Construction Industry Research Board. Cost of Delay Prior to Construction. Los Angeles: Construction Industry Research Board, 1975.

Estimates that delay costs, i.e. holding costs, inflation and overhead equals 20 percent of single-family project prices.

James, Franklin J. and Muller, Thomas. "Environmental Impact Evaluation, Land Use Planning, and the Housing Consumer." American Real Estate and Urban Economics Association Journal 5 (Fall, 1977): 279-301.

Based on analyses of Florida and California State Environmental Impact Review programs, the research found that housing costs were increased by less than 2 percent in both States. Factors which contributed to increased costs were impact statement preparation, impact statement review, carrying costs attributable to the increased average delay of six months in Florida and two months in California, property taxes over the same periods, design changes, increased exactions and reduced densities. A necessarily crude analysis of benefits showed improved environmental conditions (reduced traffic congestion; reduced air, water and noise pollution; and limited aesthetic degradations)

in California and shifting of responsibility for public improvements from local governments to developers in Florida, expanded public participation in both States, and strengthening of regional planning in Florida. The effect of density reductions was to eliminate or reduce the amount of moderately priced housing.

Rice Center for Community Design & Research. Technical Report: The Delay Costs of Government Regulation in the Houston Housing Market. Houston: Rice Center for Community Design & Research, 1978.

Combining estimated monthly costs for overhead, land interest, property tax, construction loan interest, inflation, and capital-tie up derived from Houston developers; and a survey of regulation induced delays from 1967 to 1976, the Rice Center estimated that housing prices increased by between 0.9 and 1.3 percent due to regulation delays. A two month decrease in the average length of delay from 1971-73 to 1974-77 was observed.

Hypotheses:

- A. Administrative simplification can substantially reduce the time required, coordinate the requisite analyses and, thereby, reduce the upward pressure of permit approvals on housing prices.

The American Law Institute. A Model Land Development Code. Philadelphia: The American Law Institute, 1976.

Proposes revisions in land use law, including replacing zoning and subdivision regulations with a single development ordinance, state-wide regulatory procedures for granting consolidated development permits, and joint hearings at the request of the developer for projects requiring multiple permits. While the discretionary power of each

permitting agency is only slightly modified, the code does provide for State land development planning, regulation land banking.

Bosselman, Fred; Feurer, Duan A.; Sieman, Charles L. The Permit Explosion: Coordination of the Proliferation. Washington, D.C.: The Urban Land Institute, 1976.

Based on examinations of statutes, regulations and administrative procedures in five SMSA's (Philadelphia-Camden, Minneapolis-St. Paul, San Antonio, Salinas-Seaside-Monterey and Honolulu) analyses of both proposed and operating coordination schemes, the Conservation Foundation's investigations of foreign land use and environmental controls, and tests of the potential receptivity of coordination mechanisms, the study made recommendations in six areas. First, regional agencies should be strengthened, possibly to the point of being able to overrule local decisions which were inconsistent with regional plans. Second, coordination of permitting procedures is achievable through State permitting programs. The recommended procedure posited the submission of a single, comprehensive application to a State coordinating agency which would circulate the application to all agencies having jurisdiction prior to a joint hearing. Deadlines for individual agency decisions would be established at the conclusion of the joint hearing, and the complete hearing record would be circulated to the agencies. Additional features of the proposed system were provisions for individual agency hearings prior to the joint hearing and the submission and circulation of a draft environmental impact statement, if required, prior to the joint hearing.

Third, local governments were encouraged to consider inter-agency panels as a coordinating device prior to legislative action. Fourth, in cases involving developments whose impact would be

limited to a single local government jurisdiction, and where that government had both coordinated permitting procedures and demonstrated technical expertise, and where the development was not being undertaken by that government, local governments should be authorized to issue permits currently under State agency jurisdiction. Fifth, for developments involving extensive multi-jurisdictional impact, such as new town and power plants, a State review was recommended. Finally, State governments were asked to consider implementing both special purpose judicial and administrative appellate review processes.

Longhini, Greg. "How Three Cities Fared in One-Stop Permitting." Planning 44 (October, 1978):31.

Describes the experiences of Fort Worth, Texas; Salem, Oregon; and Fairfax County, Virginia with one-stop permitting. Fort Worth changes for building permits consisted of a phone/charge card system. Salem established a permit application center, a permit and license catalog and a consolidated application format. Staff was reduced by one-half while applications processed increased. A courier service instituted by Fairfax raised expectations of broader reform and subsequent criticism while slowing the application process down.

Mandelker, Daniel; Bosselman, Fred; Sloane, Martin; Einsweiler, Robert; Hartzel, Timothy. "The American Law Institute Land Development Code: A Critique." Land Use Law and Zoning Digest 29 (January, 1977): 6-11.

A correctly titled article in which the major observations were that developers should be pleased with the administrative simplicity, that development may have been defined too narrowly, that the contributions to open housing were not sufficiently strong, and that public participation mechanisms require further study.

So, Frank S. "Tips on Cutting the Delays of Regulation." Planning 44 (October, 1978): 26-30.

Discussion of permitting improvements: (1) Consolidated development application form; (2) Permit registers providing authoritative information; (3) One-stop shopping; (4) Joint public hearings; (5) Competent planning staffs; (6) Better preparation by planning commissioners; (7) Limits on continuances; (8) Firm time limits for decisions; (9) Coherency between regulations, plans and capital improvements programs; (10) More definitive, less discretionary planning; and (11) Professionalization.

- II. Issue: Complicated permitting procedures and proposals for permit simplification miss the real issues which are the incompetency of local government officials, corruption and the covert objective of using permitting to either prevent development or practice racial and economic exclusion.

Frieden, Bernard J. "'Environmental' Politics." Urban Land 36 (March, 1977): 3-8.

Reports on three case studies of proposed housing developments in the San Francisco Bay Area. In the first, an in-fill development, original plans for 1100 single-family units and 1100 multi-family units on 700 acres were reduced to between 250 and 300 substantially higher priced single-family units. Opposition was by contiguous neighborhood residents.

In the second, an original development of 9,000 units proposed to sell at \$21,000 to \$37,000 was revised to 3,000 units at three times the original price through local opposition.

In the third, 11,000 units were proposed for another in-fill site. Project size was reduced to the point of economic infeasibility.

Frieden concludes that environmental review processes are used for other, less public interest based objectives, that developers have only one potential political ally, organized labor; that housing consumers have neither advocates nor an organized constituency in development controversies; and, finally, that the usual consequence of opposition to development proposals which survive opposition is density reductions and price increases.

- III. Issue: Reform of the existing configuration of land development controls will only perpetuate the archaic irrationality of the present patchwork system. Replacement by a more rational system is the only way to improve development regulation.

Clawson, Marion. "Why Not Sell Zoning and Rezoning? (Legally, That Is)." Cry California 2 (Winter, 1966-67): 9, 39.

Using Federal policy in the selling of timber and mineral leases as an analogy, Clawson proposes selling zoning and rezoning to (usually) the highest bidder in order to partially capture value created by public action.

Mazanec, "Let's Put the Plan Back intoning." Urban Land 36 (May, 1977): 12-19.

An argument that vague and indefinite planning is responsible for the proliferation of permitting requirements. The Twin-Cities planner-author argues for precise, definite and specific land use plans and policies as the means to achieve public goals and minimize multiple permitting problems.

Roberts, Neal A. "Alternatives to Zoning" Land Use Law and Zoning Digest 28 (June, 1976): 5-10.

A review of a range of alternatives to zoning which stretches from nearly total reliance on private markets through the ALI Code to public land

ownership.

Wickersham, Kirk, Jr. "A Lot More Than Just An Ordinance: The Breckenridge Development Code." Urban Land 38 (January, 1979): 9-13.

A description of the 1978 American Institute of Planners Meritorius Planning Program Award winning development code. The central feature of the code is its reliance on approximately 250 prescribed development policies to determine a development's acceptability. Policies are categorized as being either absolute (no exceptions except hardship) relative (varying in importance from 1 to 5 and in performance evaluation from +2 to -2) and density policies. Higher than required performance on relative policies yields an increase in density permitted.

The second major feature of the code is its provision for administrative or legislative decisions within specified time periods: 5 days for minor projects and 40 days for major developments. An increase in pre-application negotiation has been one consequence of the specific time provision.



BLENDING
THE INTERESTS

BLENDING PUBLIC AND PRIVATE INTERESTS: INTRODUCTION

Honorable Lawton Chiles

Lawton Chiles is U.S. Senator from Florida

I am pleased to introduce this panel discussion on "Blending Public and Private Interests," and to talk a bit about our efforts in Congress and the State of Florida to reduce housing costs. HUD and the Urban Land Institute also deserve congratulations for moving ahead to start working with State and local officials to tackle the difficult problems involved.

Inflation has become our number one problem over the last year or so. For those of us concerned with housing, however, the problem has been critical for several years. In the present situation, inflation is pervasive, and wages and prices go up together in a spiral. But, when the inflationary spiral is beginning, you can see it build piece by piece.

Over the last few years we have watched housing costs go up in response to higher interest rates, increased land costs, government regulations, fuel costs, and the price of wood, cement and other materials. At the same time, the average American spends about 30 percent of his after-tax income for housing, more than for any other item. If you look just at the first-time home buyer, the average goes up to 40 percent of disposable income. With so much of his family budget going up, the housing consumer has to try to recoup by pressing for higher wages, and the spiral builds.

If we are going to reduce inflation, we are going to have to find ways to back the spiral down in the same way, piece by piece. We have learned that in our economy, housing is both a cause of inflation and a victim of inflation. High interest rates add costs for the builder and the purchaser. The consumer price index would have gone up by almost one percent less over the last year if mortgage rates had not gone up. When interest rates get high enough, they cause a reduction in total starts. Even that downturn is inflationary. If we lose a quarter or half million starts in 1979, then the

demand will be that much greater than supply in 1980. The result--higher prices.

High interest rates are only partially a reflection of monetary policy. Mostly they are a measure of inflation, since lenders will always worry what money will be worth when it is returned to them. The point is that we can't simply reduce interest rates by printing more money. We have to work them down through a general economic restraint that reduces inflation.

Most of the recent economic analyses of inflation which I have seen bemoan our past mistakes, running from the Vietnam war to wage-price controls, to the fuel crisis and grain sales. Last year's mistakes were keeping the Federal deficit too big, increasing the minimum wage and increasing payroll taxes. Those mistakes are past and cannot be undone. But we must do more than avoid making more mistakes.

We must look for ways to pull unnecessary costs out of the economy. Fiscal restraint is a necessity for reducing inflation, but it cannot do the job itself. We are going to have to look for creative ways to turn the inflation spiral back down in the same way it built up, piece by piece. The major problem areas are readily identified--housing, food, energy and medical costs show up on everyone's list. I believe we should make a start with housing, since it is the largest single item in the average family's budget.

At the Senate Budget Committee I have commissioned studies and held hearings to explore the complex net of problems with building supplies, governmental regulations, monetary policy and financing mechanisms which have affected housing costs. We have found that the problems involve many different public and private groups operating at the State, local and Federal levels. Back in the Spring of 1976, I asked the Congressional Budget Office to analyze the sources of increased costs, and they did some pioneer work in pulling together purchase prices with operating costs, and of separating out the problems of first-time purchasers from existing homeowners. They found that from 1970 to 1974, 25 percent of the increased selling price for a new home was due to

materials costs, 23 percent due to land, 18 percent due to financing, and 13 percent due to labor. The study convinced me that current Federal housing policies, which focus on mortgage markets, are inadequate to deal with the cost problem. We need a new and broader approach.

The Senate Budget Committee is in a unique position to stimulate this kind of new approach, because we can look at economic problems that cross the jurisdictions of multiple committees. For example, we may find that land costs go up because HUD, the Veterans Administration, the Environmental Protection Agency and the Corps of Engineers all require separate environmental reviews on the same development. That does not protect the environment, it just increases costs. But the other committees overseeing those separate agencies are not likely to notice the overlap.

In a similar way, the Budget Committee is always watching monetary policy and its effect on the economy. High interest rates not only dampen the rate of housing starts, they also drive up costs, since virtually all housing is built with borrowed money. But if government regulations slow the process of development and construction, then costs go up: whatever the interest rate, it costs more to borrow money for a longer time. Of course, as the Budget Committee finds duplicative or wasteful policies in the various agencies, we will have to convince the rest of the Congress and the country that the problem is worth correcting. It will take the interest and support of people like you at this Conference to produce action.

While our major role in Congress is to watch over the Federal agencies, we also keep an eye out for what State and local governments are doing. The same kind of overlap that exists among Federal agencies also exists at the State and local level. And overlap and duplication occur among the different levels of government as well. I am, therefore, convinced that we need to set a process going that will involve private citizens with State, local and Federal agencies to start untying the knots of regulation that increase housing costs.

Let me say a bit about what we have gotten underway in

Florida. Florida has always been a leading State in the development of land use controls, from the introduction of zoning in the beginning of the century to our more recent Environmental Protection Policies. These controls were necessary and valuable, but they also carry an economic price tag. My hope is that Florida can also become a model State in its efforts to streamline the regulatory process in ways that will reduce the costs of land and housing without degrading the environment.

Momentum for action on housing costs has been building steadily for several years. In 1976, I commissioned the Congressional Budget Office Study, and in 1977, the Budget Committee held hearings on their findings. HUD next appointed a National Task Force to investigate the problem, and they issued their report last Spring, and the Budget Committee held hearings on the report. Last fall I convened a Conference in Tampa, Florida to consider the HUD Task Force recommendations.

The importance of the problem is indicated by the overwhelming response. We sent out invitations expecting 250 people to accept: 500 people showed up. Builders, bankers, contractors, environmentalists and government officials from all over the State paid their own way to come take part in the discussions. The commitment to action was evident in the spirited debates that occurred.

In addition to making specific policy recommendations, the Workshops at the Tampa Conference asked me to create Advisory Committees to continue the process. What is important is that these committees were not just created to consider detailed legislative recommendations; they were also intended as a vehicle for bringing the interested parties together to work on pragmatic solutions. We have gotten the cooperation and attendance not just of builders, developers, bankers, consumer representatives and environmentalists, but also of city managers, county commissioners, local and regional planning officials, local housing authority directors, and State officials representing environmental regulation, housing and community affairs, and the Governor's Office. Regional officials of all the Federal Agencies: HUD, the

Corps of Engineers, the Veterans Administration, the Farmers' Home Administration, and the Environmental Protection Agency are all participating. The Committees have already met once and will make their initial recommendations in April or May.

I am citing all these participants' labels just to show you the diversity of groups that must be brought together to change the way we currently do business. There has to be a lead in this kind of process, and I applaud HUD for taking the lead and bringing you all together. But to make the process effective, you are all going to have to undertake broad consultative efforts in your own area. I was asked to create Committees because people in Florida do not want HUD to get into the game of overseeing local zoning and building codes. But they do want some of the unnecessary costs of those ordinances reduced.

Governor Graham of Florida will be addressing this Conference tomorrow, and he is also very interested in the problem of housing costs. He has convened a conference next month to advise him on housing costs. I expect that with the completion of these Conferences and Committees, we will move to a concrete plan of action.

From the national legislative side, I intend to introduce legislation that will both eliminate some of the specific regulatory duplication affecting housing and also reform the overall regulatory process. We need better mechanisms to match up the regulations coming out of the various agencies to see that their impacts on paperwork, on the economy and on State and local costs are adequately documented and considered. We need to be sure that two agencies are not requiring the same information or action at different times or in different ways. In particular, I think the Federal agencies have to entrust more responsibility to you at the State and local level. If you can show that your environmental reviews provide the same level of protection as Federal reviews, then there is no sense in making a developer do a second impact statement. Eliminating those kinds of costs will meet our goal of reducing inflation without undermining health and safety.

BLENDING PUBLIC AND PRIVATE INTERESTS: THE LOCAL LEGISLATIVE VIEW

Honorable Francis B. Francois

Frances B. Francois is a County Councilman in Prince George's County, Maryland and is First Vice-President of the National Association of Counties.

Let me begin by commending Secretary Harris, first for her commitment to the goal of reducing the cost of housing through her appointment of a Task Force on Housing Costs, and second, for calling the National Conference on Housing Costs. I hope that in the next two days the people at this Conference will match the effort of those who worked on the Housing Cost Task Force, and that the report of this meeting will be as challenging as the report of the Task Force.

That the cost of housing is high has been well established in every metropolitan area across this nation. In city and suburb alike, all across America, those seeking to buy a home are finding the house they want is beyond their ability to pay. Men and women who are saving for the down payment on a house are seeing the price climb faster than their savings accumulate. Clearly, there is a crisis in the land.

At this Conference, we are to concentrate on how State and local governments, working with private industry, can attack the escalating cost of housing. As a long-time local elected official in a large urban county, and as a representative of the nation's over 3,100 county governments, it falls to me to give you the viewpoints and ideas of the suburbs. Mayor Jackson will take care of the other side of the local scene. So let me begin.

I well know the fact that the price of housing has been escalating in recent years; so are most, if not all, local elected officials aware of this fact. We are also aware that housing cost increases are leading many other elements of our inflationary economy, and that the actions of our local

governments have, in many instances, helped cause this cost escalation.

Many local elected officials in the suburbs are concerned that more and more persons of limited and modest means--often including our own children--are being priced out of the housing market. I am one such official, and I want to do something about the problem.

But at the same time, it must also be recognized that there are other local elected officials in the suburbs who are fully aware of the cost escalation in housing, and who are cheering them on. They are often backed by a majority of the people in their jurisdiction, or at least a majority of those who vote. This is the reality of suburban America, and we must recognize it.

There are also other local elected officials who want lower housing costs, but who cannot or will not give their backing to programs to reduce costs right now because they know it will hurt their collection of real property taxes. I'll come back to this point later.

In short, the view in the suburbs today is mixed. The same is true with many of our cities, and in many of our metropolitan areas.

The Task Force report suggests many reasons for the high cost of housing. I would like to look behind those reasons as they exist in the suburbs, and talk about why we have exclusionary zoning, growth management plans, water and sewer facility plans, capital improvement plans (and the premature development regulations that are based on them), requirements for paved streets and gutters, grading controls, minimum floor areas, and all those regulations that help make today's home cost several times what a home built 20 years ago cost.

There is no one reason, no master conspiracy, why the forces that have driven up housing costs exist in so many suburban areas. In any given suburb, the cause of what I call exclusionary development--for we have now moved far

beyond exclusionary zoning—is usually a many faceted thing, flowing from a mixture of motives. Among the driving forces are the following:

1. The desire of many residents in the suburbs to keep their areas basically rural, as it was when they first moved in. They have a dream of a wooded lot surrounded by fields, just outside the city. Woe to those who attack that dream.
2. The desire of many residents to associate with their economic and social peers—and only with them—across the entire area of their suburban city or county.
3. The desire to segregate on the basis of race, or in some cases, religion or national origin. Since the old restrictive covenant and similar direct approaches to segregation are no longer legal, subtle new techniques based on economics have been invented, centered on the fact that those regarded as being undesirable residents to have move in are also, very frequently, poor.
4. The desire of many residents who are concerned about ecology to clean up current environmental problems, and to prevent others in new developments.
5. The desire to avoid traffic congestion, crowded parks and schools.

This list is not complete, nor is it new. For many decades, people in the suburbs have been motivated in setting their public policies by one or a mixture of these forces. But in recent years, two new factors have appeared which have resulted in effective efforts to protect suburban areas from what is often regarded as the "low-quality" development of the past.

One of these new factors was the action of Congress in enacting environmental legislation, and the regulations that go with it, along with similar regulatory schemes in state and local governments. These actions made available new tools, in addition to our zoning laws, to control, manage, or even

stop the kind of growth a jurisdiction does not want.

The second factor was the sharp rise in real property taxes over the past several years. Taxes have risen to levels that are no longer considered acceptable. Home-owners have become increasingly upset by the high property taxes needed to finance local government; and, rightly or wrongly, they have come to associate the need for high taxes with the development of housing at normal urban densities. As a result, suburban home-owners have organized to stop further development that will bring in more people who won't "pay their way," sometimes masking their motives with appeals to preserving the environment.

In case after case in recent years, people in our suburbs have elected local governments with a mandate to control or even stop development, and with the further mandate to cut the local property tax. We must remember that in most of the suburbs, local politics are essentially home-owner politics, and the elected officials are drawn from and are primarily responsive to the home-owners.

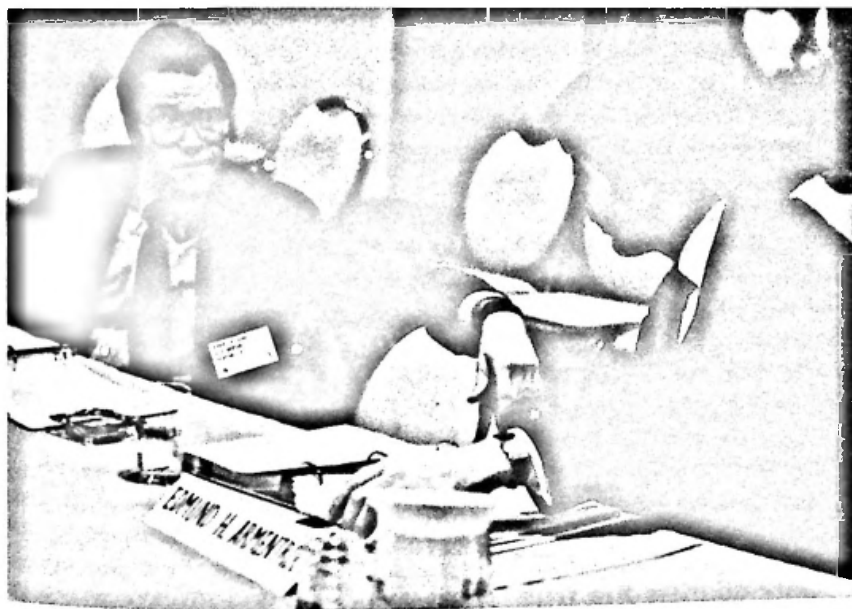
Elected with a mandate to control, manage or stop growth, worried about high taxes, convinced that dense urban development projects are the cause of high taxes, and armed with the new regulatory tools; many local governments have set about their job with a vengeance. And they have been effective. Thousands of acres have been placed in large-lot zoning classifications, the allowed densities for apartments and townhouses have been lowered (if these types of housing are allowed at all), and staged development plans have been drafted and adopted. This has severely shrunked the amount of land available to development, driven up land prices, and mandated the building of little other than expensive single-family homes.

The concept of letting new development pay its way "up front" came into vogue and today is very common. Older residents objected to paying the high cost of new streets and sewers for new residents. Elected officials sided with the present home-owners, and these charges were, instead, placed on the "newcomers."

As these actions tended to drive up the cost of housing, the average assessment for a new home climbed. This spurred some local elected officials to do even more, in a deliberate effort to further build up their tax base, and to keep out the poor, who we all know have droves of children who must be educated, given health care, recreational facilities, and the like.

The result of all of this activity is part of the reason why we are here this morning. It has happened for many reasons; and, in most cases, the citizens and their local elected officials have acted in good faith. Many times, in fact, new regulations and growth management plans have been adopted innocently, because "everyone is doing it," and with no conscious decision to increase development costs. Today, there are many people in the suburbs who do not comprehend that a problem exists, or that the actions of their local governments have helped to create it.

I have been involved for over 12 years in Prince George's County, and in that time have made literally thousands of zoning decisions and helped create a comprehensive growth



management system. I have seen and heard, firsthand, many of the things I have been describing. I also know we now have a crisis in my County and in similar jurisdictions across America, and that we must somehow effect a change. But it will not be easy.

There must first be agreement among the people in the suburbs that the cost of housing is indeed too high. Then, there must be a willingness to do something about it. Absent these two things, meetings like this can do little more than write yet another interesting report.

Frankly, speaking for myself, I am receiving few comments from my citizens complaining that housing costs are too much in Prince George's County. I received more comments asking that I stop any low- or moderate-income housing from being built in the County, and praising our efforts to build more expensive homes. Why is this?

First of all, I am hearing primarily from present homeowners. They are not in need of housing, at least not right now. Nor do many of them yet comprehend that their children may not be able to afford a house, or that over the long run the viability of their jurisdiction and their own personal economics may be adversely affected by continuing housing cost increases. Second, many people are simply not convinced that the further mixing of low- and moderate-cost housing with expensive housing is desirable. I have found these same sentiments to exist in many suburban areas across the country.

Our first job, then, is to educate present home-owners as to what the problem is. Only then will many of them, and their local elected officials become involved in trying to solve it.

Once over this hurdle, we have many more to face. The most dominant is the real property tax.

If I had to single out the one most important culprit in why local governments have often engaged in exclusionary development, it would be the real property tax. For, so long as this is the primary source of revenue for local governments,

and suburban jurisdictions remain essentially bedroom communities with no other tax ratables, the desire for even higher priced housing will be present.

In order to meet the costs of education and other local services, we must open up the income tax and the sales tax for use by local governments; either directly, or indirectly through far better State equalization formulas than we have at present. We must also preserve, if not expand, Federal revenue sharing for cities and counties. If all of this can be done, then much of the real pressure against low- and moderate-income housing in the suburbs will be relieved.

Cities often look toward suburbs as a place of wealth. This may be true regarding personal incomes. But we in the suburbs look longingly at the commercial and industrial tax bases of the cities, which for a property tax-funded local government is their most valuable resource. Factories and department stores do not put children into our schools. They produce tax dollars to pay for children that homes put into schools. Action on the real property tax within the States could greatly lessen city-suburban tensions, and help solve our housing crisis.

We also need to enter into meaningful debates about who should bear the public costs of development. It must be recognized that older residents often have a point when they object to paying these costs. When their homes were built, street standards were usually less; indeed, many homes in the suburbs were built years ago with no paved streets. Yesterday's sewage disposal system was far less expensive than today's advanced sewage plant, and our older communities usually had no park land. Now, just as our older residents are getting their homes paid for, they are faced with new taxes to support developments which often include parks and other amenities they have never enjoyed. They believe it is simply unfair that they should pay to build these things for new residents when they have lived a lifetime without them.

One of the problems is that in America we have now adopted very high housing standards for new development and an accompanying expensive life style. Our homes are bigger than

those of our parents, the lots on which they sit are much bigger and our streets are wider and lined with curbs. The streets, schools, parks and fire stations must be available the day we move in--or at the end of the first week, at the latest. In short, we now want instant communities, rather than starting small and building a community over a number of years, as our parents did.

We need to review our standards for construction and our life styles to see if we really need and can afford the instant community. Following this, we need to look at how what we do need can be better financed.

On the environmental front, we have also set very high standards. Regardless of what level of government puts up the money for a sewage treatment plant, it is ultimately paid for by the taxpayers. The cost is very high. We need to examine our water and air quality standards, to see if they are really necessary. We also need to open our minds, and especially the minds of our state and local public health officials, to new techniques for waste treatment.

There is the further problem of unraveling the complex matrix of regulations we have woven over the past few years. Many cities and counties were in the land development control and environmental regulation fields before the Federal and State governments. When State and Federal regulations came along, they were often added onto the old, local ones. The result is a maze of regulations. We need to sort this out, but it will not be easy.

There are, then, several ways in which local governments, given the desire, can help to reduce the cost of housing:

1. We can simplify permitting processes, thereby cutting out costs and making it possible to lower fees. Often, action by the State legislature will be needed to allow this to occur.
2. We can re-write our housing and building codes, to lower square footage requirements, and ensure that the codes only address the true issues of health and safety.

3. We can explore new techniques for financing the public costs of development. But, I repeat my belief is that we must also deal with the real property tax issue. And above all, we must convince the present home-owners and the elected officials in the suburbs that there is indeed a crisis that must be solved, and that, in solving it, we and our children will all benefit, and the result will be a better America. Absent the support of the people in the suburbs for change, it will be difficult, if not impossible, to accomplish much to lower housing costs.

I am convinced that if we work with each other we will ultimately solve the housing cost problem. The future of our nation demands we do so, and I pledge the help and cooperation of county officials from across America.

In closing, as a local elected county official, let me comment briefly on two other elements of the Report of the Task Force on Housing Costs.

One of the recommendations of the Task Force was that our sub-state regional councils should be used to develop regional standards on land supply and land use regulations. As one who has long been active in the regionalism movement, and who helped create the concept of "fair share" housing here in Metropolitan Washington, I support this concept. Our regional councils are effective, voluntary organizations that can do the job, if their local elected officials will turn to them. At the regional table, issues can be debated, and decisions can be made which can help solve many of our housing cost problems.

The second matter is the repeated statement in the Task Force report urging that the cooperation of local governments be obtained by threatening them with the cut-off of Federal housing and other funds. I would urge this approach be used very carefully, if at all.

The Federal grant no longer has the golden glow of several years ago, either in terms of money or desirability. And, in this time of tightened Federal spending, the money available is becoming less and less. A strong effort in this direction

might prove more damaging than helpful, causing many suburban governments to simply do nothing.

Good luck to you in this Conference, and I hope I have helped you to think a little bit about the issue, and above all, about solutions. I look forward to reading the Proceedings.



BLENDING PUBLIC AND PRIVATE INTERESTS: THE PRIVATE SECTOR VIEW

Harold S. Jensen

Harold S. Jensen is a partner in Metropolitan Structures and is a past-President, The Urban Land Institute.

The Urban Land Institute is pleased to be involved. I think most of you are familiar with us. For the past three years we have been working hard to get a better understanding of housing cost escalation. Ever since we published The Effects of Regulation on Housing Cost, we have found that two or three members of our staff have been busy with various groups--government, local and private sector groups--attempting to get a better handle on increases in housing costs.

My role is to present the private development industry's perspective and position on the issues that we face. Those of you who work with developers know that we do not speak with one voice. There are hundreds of positions. But I think it is fair to say that we are all concerned. Even though, in recent years, profits have been good, they are good only if you know how to play the game in line with new public policies. The most serious problem is that there is a large, untapped market. We simply cannot reach it, with costs being what they are today. And being profit motivated, we are frustrated by the inability to get to that market. So we have an interest, a selfish interest, a business interest, in attempting to reduce housing costs.

I would also like to think that we also have a social interest in reducing housing costs. I am amazed at the similarity of interest and the possibility for consensus when we focus on areas of relief at the State and local level. We are not looking at the Federal level issues here.

I think that there are four areas where we can exert high leverage at the State and local levels to reduce housing costs:

1. Development Standards. I think it abundantly clear that

some are unnecessary and many are excessive; and we are recognizing that the builder is not absorbing the costs, he is passing them on.

2. Land Supply. There are too many limitations on the supply of developable land. Clearly, I think this is the most critical issue and, while there are Federal policies impacting this, I do not think there is any question that the primary responsibility stands at the local and State levels. Zoning and capital improvements restrictions both generate less land at higher costs.
3. Local Policies. When we say "policies", I think we are giving them the benefit of the doubt. We ought to call them "ad hoc" positions, because zoning and land planning have become a highly subjective science. You wonder why large scale projects have been discouraged. It is because project planning time exceeds the term of the political administration. Who has the courage to embark on a project whose bottom line will be contingent upon the interpretation of the next administration? These decisions, once again, only pass on increased costs to the buyer or the user.
4. Permitting Procedures. The fourth area of leverage is awkward or inefficient permitting procedures. The delays and uncertainty are disgusting and inexcusable. And if you say, "It is obvious that there are delays and uncertainty," I think you should recognize that, as you prolong the approval process in land planning, you absorb land. The pipeline fills up with land. The land in the pipeline is not on the market. You have created an artificial scarcity. Obviously, these problems vary with local jurisdictions, and they are most severe in areas of high growth. But clearly, they are widespread.

To deflect any charge of prejudice or lack of perspective, I would like to say that I recognize that a lot of things have changed in recent years. We went from governmental policies, as recently as 10 years ago, that encouraged development; to policies that now discourage it or preclude it. Now we have new standards: environmental, social and

fiscal--that will generate some very hard trade-offs as we attempt to reduce housing costs.

I also recognize that developers have added costs to housing. Many times we are inefficient. Frequently we have refused to adjust to the new world. We figure that if we "stonewall" it, if we are inflexible, if we are contentious, the problems will go away. I'm sure we could have accomplished more at less cost if we had been a little more flexible and a little more cooperative. But I think that there have been some unfair criticisms of developer profits. I am not referring to the profits home-owners make on the sale of their homes. I am talking about the profits developers are alleged to be making. I would say, first of all, that it is a very risky business, and we do not have to think back beyond 1974-75 to remember that. I will also admit that there probably have been excess profits, but I would like to suggest that the delicious irony is that those excess profits are the result of public policy. The developers who have done very well are those who find themselves in a monopoly position because their competition has been stifled. You must realize that, when you impose development controls, you are doing more than establishing a formula for the built environment. In reality, you are managing an economic system. And when you change the rules, there are economic repercussions. I would suggest that, if you don't like the results (which are high prices and high profits), you should change the rules to generate more competition.

Your workshop sessions will be dealing with specific recommendations, and I would hope that your recommendations would seek to satisfy three objectives:

1. That they would encourage good administrative practice, especially in permitting. Your recommendations should encourage the efficient use of public staff and applicant time. Eliminate duplication, hassle and delay. Let us face it--we must clean up our act. I can assure you that developers will cooperate, if, by cooperating, there will be greater certainty to the permitting process.
2. Re-establish some fairness in development controls. I

think the abuses are obvious, especially in cost allocation and permitting. It is probably a national sin that the burdens that are being imposed fall on newcomers to a community, whether they are buyers or renters. Developers are consistently being made to run the gauntlet. I think that these actions bear little relevance to the quality or utility of the product which results, and frequently they prevent the product from ever being built. If that is the purpose, I would suggest that there are better methods for accomplishing it. But if preventing development is not the purpose, regulations should reflect established, adopted, public policy in a community.

3. Move toward the institutionalization or rationalization of procedures that will cause us to take a more balanced view of our objectives. For example, in formulating broad general public policies, we need to consider what their impacts are on housing costs. Our techniques for this cost-benefit analysis are very primitive, so I say that it is important to continue the dialogue between public and private sectors, until we better know how to quantify these trade-offs. We need to form the habit of asking ourselves, "What will this do to housing costs?"

The Workshops are going to consider these specific proposals, but it is incumbent on the Conference at large to address a single overriding question which lies behind everything we do for the next two days: Do we have the collective will to reduce housing costs?

For three years the ULI has been watching; ever since the national press began to publicize escalating housing costs. We have heard from the elderly, the young, and low- and moderate-income groups. We are even beginning to hear some whimpers now from the middle-income groups. The question was and continues to be--how do we alleviate housing costs? But, ironically, there is no overwhelming public response, no call to action, no one is sounding the trumpet, and the reasons are obvious. Our attitudes have changed. Housing is no longer shelter, it is an investment. It is a hedge. The vast majority of the population is well housed. We are becoming intimately acquainted with

inflation and protecting our own hide.

It may be in the public interest to protect this investment. Municipalities see benefits in rising tax bases, though Proposition 13 shows that it can be carried too far. Inflation has produced some positive signs, however. I think that there are new attitudes towards housing which may be beneficial to cities. Higher prices are encouraging a new interest in the older housing stock, which lies primarily in our cities, and they are encouraging more interest in preservation. High prices are making us very sensitive to the assets that we hold, not only privately, but publicly. Maximum utilization of community infrastructure and facilities is, interestingly, consistent with the administration's urban policy.

But let us recognize that there is a certain ambivalence to higher housing costs. But, whatever the ambivalence, I do not think it offsets the ill effects, the adverse impact on many, many members of our society. Clearly, something must be done. The private sector will cooperate in trying to find solutions. Why? Perhaps we are socially motivated, but there is no debate that we would like to expand our markets. We can do that if we can produce lower cost housing. We could satisfy a large segment of the moderate-income market. I do not think we can satisfy the low-income market without subsidies; but if we can satisfy some portion of the moderate-income market, there will be units of existing inventory available, to lower income households. Greed is predictable, and we can depend on the private sector to respond positively to policies which will reduce housing costs.

I am not sure what is going to motivate State and local officials. Most communities seem to prefer the status quo. Investing in community futures or sharing amenities with strangers is not a favorite pastime. Will local and State officials have the courage to buck these sentiments? I hope so. I think we have to find solutions for the disenfranchised, because, if we do not, they will seek other remedies, and I think that would be unfortunate. I hope that housing and land use can continue to be local issues, and if they are responsibly managed, I am convinced they will continue to be. Shall we go to work?



BLENDING PUBLIC AND PRIVATE INTERESTS: THE LOCAL EXECUTIVE VIEW

Honorable Maynard Jackson

Maynard Jackson is Mayor, City of Atlanta and serves on the Boards of the Conference of Mayors and the National League of Cities.

I am very pleased to rise to say "amen" to many of the things just said by Mr. Jensen and most of the things said by the distinguished Councilman Francois, and to bring greetings from the greatest City in this country--with possible exception of your home towns. I'm very pleased also to join the former Commissioner of Budget and Planning, Leon Eplan, of the City of Atlanta, whose departure meant a tremendous loss to City government. Clearly, he is one of the most creative urban thinkers in the country. I'm very pleased to join him and commend Secretary Patricia Roberts Harris for this desperately needed Conference.

Although I serve on the Boards of the Conference of Mayors and the National League of Cities, I don't come today to officially speak for those organizations. However, I am confident that most of my views are reflected by officially adopted policies of the National League of Cities and the U.S. Conference of Mayors.

Atlanta is a City which reflects the problem of people getting priced out of decent, safe and sanitary housing. We are a great city in so many other ways. We had two reviving neighborhoods in 1974, when I became Mayor; now we have 17 identifiable, reviving neighborhoods. We are a City whose economic base needs encouragement, even though we just have adopted our forty-first consecutive balanced budget. Our bonds are rated AA high grade by Standard and Poor's and Moody's. We own and run the second busiest airport in the world. I'm sure that all of you know that. Those who have had to walk to the gate near Macon will remember that experience. But next fall you will be coming into and going out of the largest airport terminal building in the world. Our

midfield construction project, precisely one-half mile south of the present terminal building, is a \$450 million project which doubles the number of gates. This project, which by 1985 will become the busiest airport in the world, is ahead of schedule and within budget. And reflective, we hope, of the Atlanta style: our airport alone represents 89.5 percent of this nation's affirmative action efforts in airports! The significance of that litany, in addition to getting a plug in for the grand old City, is that, even in successful American cities, the problem of people getting priced out of decent, safe and sanitary housing afflicts our nation to a degree that probably could not have been imagined even six or seven years ago.

The cost of housing these days is absurd! Just ask any resident of Washington. The average new house in the U.S. today costs over \$50,000. Recent increases in the average rents or mortgage payments made by Americans have outstripped average gains in income. The so-called "rule of thumb" used to be that a family pay no more than 25 percent of its disposable income for shelter. The "rule of thumb" is no more. Recent reports have told of families putting what they could into down-payments and monthly payments for housing, then using orange crates--literally--for furniture. I don't mean low-income families, but middle-income families.

Several factors have led to the high cost of housing. I don't presume to provide an exhaustive list, but here are a few:

1. The general inflation rate has taken a tremendous toll on our individual family budget. Our money buys less.
2. Tax digest re-evaluation means higher taxes, and that means higher housing costs.
3. An apparently increasing interest in housing as an investment, as Mr. Jensen appropriately observed by families has created additional demand. The growth of the two-income family has expanded demand and sustained the rise in costs. The interaction of supply and demand has resulted in a "back-to-the-city movement." Coming back to the city where it is more convenient to live, by far,



more energy efficient, and clearly, more intellectually stimulating, more culturally creative, is resulting in a demand for housing which has contributed to driving the costs even higher.

Those who did move to the suburbs now look up and see the neighbors they left. They long for the open spaces they never had and they long often, too often, for plastic America at its worst.

4. Increasing the quality of housing demanded (larger houses, better and more expensive facilities and equipment, etc.) has added to costs.
5. And, finally, the actual loss of lower priced housing has diminished significantly our overall housing stock. Lower

priced units are being removed at a rate twice as fast as they are being replaced.

I have just come out of a medium-sized City in a mid-western State where there is an urban renewal plan that effectively is going to remove hundreds of housing units, which, to the best of my knowledge and belief, are structurally sound and easily rehabilitatable. The unfortunate sociological result of this, combined with the concurrent return to the City by the middle-class is what is called displacement. Usually affected are Afro-Americans, Hispanics and other minorities. The return of the gentry results in the new term--"gentrification". The problem has to be addressed carefully. In Atlanta it is not a substantial problem, but in some Cities it is a hazardous problem.

In many Cities costs are rising for low-income and moderate-income people, because previously affordable houses are either being destroyed or upgraded out of their price range.

And so, we have a situation in which the housing stock is becoming even more limited and inaccessible to low-income and moderate-income families. Housing affordable to those who are least able to afford anything is being removed at an alarming rate from the inventory and market, either through demolition or upgrading, throughout the Cities of our nation. Don't misunderstand me, improving housing is important. Upgrading out of the reach of large numbers of persons, who, because they are poor or have moderate-incomes, but who still want decent safe and sanitary housing, must be a matter of great concern to us. Families characterized as middle-income are paying well above 25 percent of their disposable income for shelter. This is not a matter of choice; this is not present sacrifice for future return. This is not investment or a plan for capital accumulation. In fact, many of these people are renters, not owners, again, not necessarily as a matter of choice.

The sacrifices that have been dictated to the economically oppressed urban America because of rising shelter costs include:

1. Less money for an adequate diet.
2. Less money for medical care.
3. Less money for adequate clothing.
4. Less money for savings (if there were any savings in the first place).
5. Less money for their own and their children's education.

These kinds of choices are, for low- and moderate-income people in the Cities, due in large part to the rapidly rising cost of housing. They are, in fact, not a matter of choice; they are sacrifices, and they are far more intense and fundamental sacrifices than those of us in this room have to

face; in spite of increasing costs at the upper end of the housing market. The choice that poor and moderate-income Americans face is often between how to survive and how to survive but, how can people improve their own and their families' lives if they cannot afford savings or adequate nutrition, medical care or education? This is the core of the problem that this Conference needs to address, I respectfully suggest. As the Conference moves forward, we must remember that it is not the costs themselves alone, but what they mean to those least able to bear the burden, those most deeply affected, which is the important issue.

The problem severely affects center City poor and minority communities. It takes from us what little economic flexibility and freedom we might have, and the problem is not tomorrow, or next week, or next month, the problem is right now. As we consider the costs of housing, we need to understand that, contrary to the rude, uncomfortable and absolutely untrue myth that Afro-America is improving dramatically economically, Afro-America is falling behind. Between 1970 and 1977, while the median, white family-income increased by more than \$700, the median Afro-American family-income decreased by more than \$200. Therefore, both relatively and absolutely, Afro-America is in a worsening condition. We also find that in the last year, in a year when America created more new jobs than any year in history, Afro-American unemployment hit an all-time high in our country. It reminds me of what Langston Hughes said: "I swear to the Lord, I just can't see where democracy means everybody but me."

What can municipal government do? The things Mr. Jensen suggested are needed. Many of the things Mr. Francois suggested are needed. Many of the papers developed for this Conference, and probably many of the presentations, will focus on new construction and lowering the cost of new housing. Obviously, this must be done to lower pressures in all segments of the housing market. A municipal government has several corrective actions or policy directions which it may pursue. Individually, these corrections or policy directions may not have much impact, but taken together with other possible steps by State and Federal governments

and the private sector, we can make a difference. We must identify and use all our tools, not just some. A more intense cooperation between public sector and private sector is clearly called for. Just as a single carpenter cannot build a house only with a hammer, one level of government alone cannot build an effective housing policy with only one program. However, some actions are within the scope of municipal government, and they include, among other actions, the need for zoning and subdivision regulations to be restudied. The basic purposes of zoning probably are as follows:

1. Protection against inappropriate land use.
2. Provision of light and air.
3. Prevention of "overloaded" streets, water systems, schools, and the like.

In many cases we have gone well beyond these basic concerns with both the structure of regulations and the placement of sometimes unnecessary restrictions on the land. In Atlanta, for example, one of our zoning ordinances has had the effect of severely limiting duplex construction. We, therefore, have had very few duplexes--fewer than 100--built since 1954 (when the ordinance first was enacted). But, the duplex is becoming a very popular form of housing. It clearly was more popular in the north than the south, but I think it has a place today.

Zoning ordinances may be revised to permit, encourage or, in some cases, even require, mixed uses, including commercial/residential uses (apartments above stores downtown and neighborhood shopping areas, for example). Years ago, development of this type was common; now it is not permitted in many Cities. Who is hurt by it? Who might be helped? The Conference, I hope, will address those questions.

Subdivision regulations must be examined closely also. Private developers are telling Cities that our standards are unnecessarily high. There is nothing wrong, in fact, everything is right with having high standards. There is

everything wrong with having unnecessarily high standards. The cost of meeting these standards, the developers say, is adding significantly to the cost of a home. Is a 32 foot wide, four inch thick paved, curbed and guttered street really necessary in a small ten-house subdivision served exclusively by a 400 foot cul-de-sac? Maybe not, but it is required.

Our building codes, too, are adding costly required items which may not be absolutely necessary. All of these things add up. Atlanta's building officials estimate that, throughout the country, Cities are adding as much as ten percent to the cost of a new home through unnecessary, but required, items in subdivision regulations and building codes.

Also, as some of the Conference papers discuss, Cities can speed up project review and permitting procedures (time, more than ever, is money). In Atlanta, as only one response to this challenge, we are experimenting with the permit expediter idea.

But, easing and lowering the cost of new housing construction alone does not address the core problem, at least as I believe it has been identified. Not enough new low-income and moderate-income housing is being built to satisfy our Cities' needs. And I believe, as I think Mr. Jensen suggested, that there is a powerful, big profit-making market out there. I would like for people to be more altruistically motivated, but if getting this job done requires that there be a reasonable profit picture for the incentive factor, I have no objection whatsoever. We need better and lower cost housing. We municipal governments, with our limited powers, must do everything we can do to preserve the inexpensive and moderately priced housing we now have. There can be no more throw-away Cities in America.

There is a song by Jimmy Cliff of Jamaica which goes, "We have got to use what we have to get what we want." What can a municipal government do? First we can start with our codes, particularly our property maintenance codes. Too often, the effect of housing code enforcement is to demolish the housing we need the most. The main purpose of such codes is protection of life and limb. In this case, too, Cities

have gone beyond the basic purpose. In Atlanta, we are working with our citizens to examine specific code provisions and to provide more flexibility in code administration. The most significant single step we have taken is to change the criteria which previously led to premature demolition. In the past, if a house was found to be 50 percent dilapidated, demolition procedures were begun. Now, a house must be 75 percent dilapidated. Our present efforts emphasize repair and rehabilitation. Once we have saved a house from demolition due to code enforcement, we must find ways to get it repaired and returned to the market. Community Development Block Grant money may be used creatively for rehabilitation.

There are some very real difficulties with the population figures on which CDBG allocations are made, however. We are about to spend almost a billion dollars to miscount this nation's population next year. The Census Bureau, in 1970, undercounted Afro-Americans, Hispanic-Americans and other minorities to an incredible degree. In 1975 they admitted an undercount of 1.9 percent for white Americans and 7.7 percent undercount for black Americans; and for black men aged 34-40, the undercount was around 17.8 percent. The undercount of black men averaged over 15 percent in this country. Why is that important? Because we are going to have almost 40 billion dollars coming down the pipeline, most of which comes from nearly 100 Federal aid programs that rely in whole or in part on census of population figures for allocation. Atlanta is 55 percent Afro-American, so when the census undercounts in my City, we lose money. In the UTA program alone, Atlanta lost 11.7 million dollars in five and one-half years; that is 1,500 jobs we did not have the money to create.

High local property taxes often are a major disincentive to the repair of low-income and moderate-income housing, especially for large, visible, rental properties. When repair and rehabilitation take place, property values and taxes go up. In many cases, rent goes up, raising the cost of housing for everybody. Too often, on the other hand, increased taxes can mean to the owner that marginal economic difference which leads to demolition rather than repair. The states must

help their Cities in this effort, not only, as we would like to see in Georgia, by giving us the power to abate property taxes, but also by allowing, as Councilman Francois correctly said, a greater diversity of local revenue sources, so that our Cities may relieve the property tax burden (I have a two-hour speech on point-of-earnings income tax, if anybody wants to hear it.)

Chicago recently acted to structure and float mortgage backed housing revenue bonds. Atlanta hopes to issue \$75-to-\$100 million in similar mortgage bonds this year, but with a broad income range that emphasizes the low-income to middle-income market. This is a tremendously exciting concept which will make available mortgage money below the market interest rate for inner-city loans. It will be useful as a tool in the arsenal of the Cities in this country for directly fighting the rising costs of housing, especially, but not exclusively, at the "lower end" of the market.

At this time, the Georgia General Assembly is considering legislation, which the City of Atlanta recommended and continues to support, which would allow municipalities to issue mortgage revenue bonds.

In addition, last November the General Employees Pension Fund of the City of Atlanta purchased \$4 million of Government National Mortgage Association Certificates with the agreement that the proceeds of the certificate sale would be used for the financing of homes inside the City of Atlanta, at below-market interest rates (usually one-half percent below). As a result, the City of Atlanta's General Employees Pension Fund \$4 million investment has provided, in about three months, 135 home mortgages at below market rates for our citizens.

An interesting and encouraging development directly resulting from this program is that local private lending institutions and mortgage bankers are becoming interested in participating in similar programs. The possibilities are most encouraging.

Unfortunately, there are some indications that the Federal

government may move to remove tax exempt status from this type of bond because of the effect it allegedly could have on the Federal Treasury. I can think of a lot of other things that are more negative to the Treasury than that. I am very sympathetic to the Federal government, but their Treasury is much larger than that of our Cities. Lowering the cost of housing is a Federal purpose and the tax-exempt mortgage bond is a much cheaper and more positive method for them and for us. Without the cooperation of the Federal Government, we, the Cities, soon could have almost no capacity in this area. We at this Conference must join together and make our voices heard.

Rising housing costs are a serious problem for all our citizens, but particularly for low-income and moderate-income families. Since our urban centers have a greater proportion of these families, the cities of America are vitally concerned with this issue. We must find new ways to bring together the public and the private sectors to address and resolve these important questions which directly affect the quality of life for all Americans. Change now, clearly, is the moral and political imperative, whether or not there is a public outcry for that change--change which, in the words of Guthrie and Diller, represents "an obstinate, daily revolt against the ordinariness of our lives." The answer lies in public policy, and the only people in America who set public policy are elected officials. The Urban Land Institute, the NAACP, the KKK, the American Nazi Party and the Association of Tire Recapers all try to influence public policy but the people who set it are elected officials. If we are dissatisfied we must look to those who set the public policy.

BLENDING PUBLIC AND PRIVATE INTERESTS:
THE PUBLIC COSTS OF DEVELOPMENT:
A LOCAL EXPERIENCE

Clifford W. Graves

Clifford W. Graves is Chief Administrative Officer, County of San Diego, California.

I. INTRODUCTION

These Proceedings deal with a problem which we know very well in San Diego--the rising cost of housing. The 1978 Federal Home Loan Bank Board figures indicate that San Diego ranked third nationally (behind San Francisco and Los Angeles) in the price of new, conventionally-financed single-family homes with an average price of \$82,075. Table I shows the trend over the past few years.

This is surprising considering the relatively small population of San Diego (1,694,800 persons compared to 3,182,000 for the San Francisco area, and 8,940,800 for the Los Angeles area), our 6.4 percent unemployment rate and an estimated median household income of \$15,500. Of course, the housing market is cyclical and subject to boom and bust periods, but this trend has held for the past five years. Some analysts predict that the situation will only get worse.

At this point we are not sure there is a solution to the County's housing cost problem. We're working on it, but we are sure that our local governments and building industry cannot solve it alone. I'd like to discuss the approach we are taking in San Diego--the philosophy behind it, some of the programs and policies we are trying and some of the pitfalls we have encountered along the way.

THE SAN DIEGO SETTING

First, let me tell you a little about San Diego County. It is large and diverse, covering 4,255 square miles of deserts,

mountains and beaches. There are 14 incorporated cities, 45 school districts and 134 special districts (i.e., providers of specific services such as fire protection, water, sewer and parks) in the County. Seventy-seven percent of the County's population lives in our cities. The largest of these is the City of San Diego.

The type of development varies widely, too. Besides cities, the area contains national forests and State parks, Indian reservations, agriculture, country towns, unincorporated urban communities, and military bases. Our size and diversity are challenges as well as opportunities for those attempting to make adequate, affordable housing available to all residents. For example, the needs and interests of the agricultural industry differ from those of the residents of urbanized areas and the country towns. Programs appropriate to one are often inappropriate to others. Realistically, too much of the County's land is not available or suitable for development; 53 percent is publicly owned and directed to such uses as national forests, State parks, and military reservations. Much of the remaining vacant land is subject to environmental constraints--most notably a very limited ground water supply.

The County's unique and sensitive natural setting is a two-edged sword. It's very attractive to those of us who live there, but it is also attractive to people from other parts of the country and world. As a result, we have a healthy tourist industry and a high growth rate (3.3 percent or 50,000 people per year for the past five years). The area is a valuable national agricultural resource, particularly for specialty crops. The County produces 35 percent of the national avocado crop, 16 percent of the fresh market tomatoes, and 16 percent of the carnations, but rapid development is putting pressure on agricultural land (particularly in the coastal zone) and the growers have to compete with residential users for a limited supply of imported water.

We have found it very easy to destroy our natural amenities with haphazard development. The increase in recent years in air pollution, siltation in the lagoons, and the growing number of plants and animals listed as rare and endangered are

TABLE I
AVERAGE SINGLE-FAMILY HOME PRICES
SOUTHERN CALIFORNIA, UNITED STATES, SAN DIEGO

<u>Year</u>	<u>Month</u>	<u>Home Prices San Diego</u>	<u>Home Prices So. Cal.</u>	<u>Home Prices United States</u>
1970	April	\$26,000	\$30,000	\$28,700
	October	26,800	30,600	29,200
1971	April	27,800	31,200	29,800
	October	29,000	31,900	31,100
1972	April	30,200	32,600	31,900
	October	31,400	33,400	32,700
1973	April	33,000	34,700	34,000
	October	35,200	36,000	36,900
1974	April	38,000	38,000	37,800
	October	40,600	41,000	39,500
1975	April	43,400	43,800	41,800
	October	45,600	47,200	43,000
1976	April	49,200	51,600	44,800
	October	52,600	57,500	47,000
1977	April	58,400	65,400	49,800
	October	68,000	75,100	NA

Source: Real Estate Research Council of Southern California

warning signals.

The San Diego topography and climate also increase the cost of extending services and preparing sites for development. As mentioned above, virtually all development must rely on imported water. There are also constraints on where septic tanks can be used and, as a result, development usually must be linked to sewage systems. Developers and builders must also contend with earthquake hazards and erosion of the coastal bluffs and canyon walls.

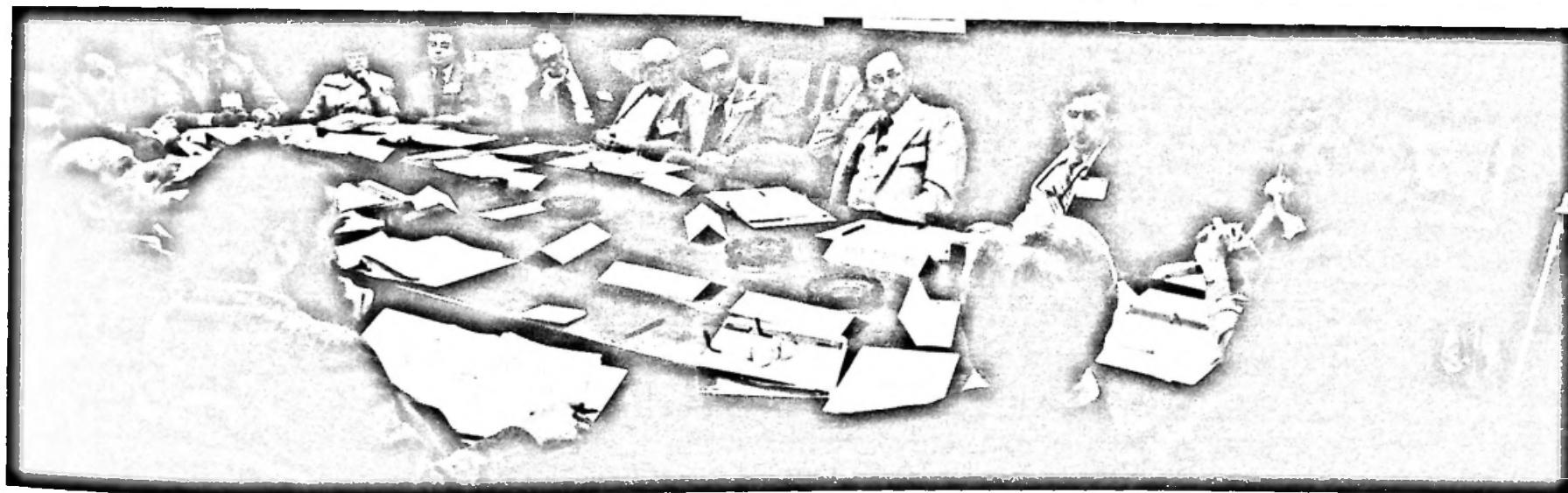
Nonetheless, home construction continues at a rapid pace, as Table 2 indicates. With conditions like these, San Diego is a perfect setting for the growth vs. no growth debate. The County and several of its cities have growth management plans that attempt to accommodate the growth in ways which reduce the cost of extending public services. They emphasize the phasing of growth with facilities and increasing densities in urban development areas which have an adequate infrastructure.

TABLE 2

Number of Dwelling Units by Types

	<u>1970</u>	<u>1975</u>	<u>1978</u>
Single Family	305,470	347,240	372,272
Multi-Family	123,691	195,096	220,242
Mobile Homes	<u>21,372</u>	<u>36,518</u>	<u>37,007</u>
TOTAL	450,533	578,854	629,521

Source: 1970 U.S. Census, 1975 Special Census, and County of San Diego Integrated Planning Office Population and Housing Estimate, 1 January 1978



We believe these plans will reduce the cost of providing services, but public facilities are only one factor affecting the cost of housing. Other programs are needed which more directly address this issue. In fact, unless County growth management is carefully implemented in concert with the cities in the region, the beneficial impacts on facilities' costs may be nullified by the restraints it places on land use. For this reason the County, as a part of the implementation of growth management, is considering companion policies and programs which can affect growth and housing costs. These include:

1. Density bonuses for developments providing low- and moderate-income housing;
2. Incentives for low-cost mobile home or manufactured housing development;
3. Increased allowable densities to encourage in-filling in developed areas;
4. Incentives for the use of solar energy.

PHILOSOPHY: LOCAL GOVERNMENTS AT THE MARGIN

This Conference is intended to focus on actions that local jurisdictions can take to reduce the costs of housing. However, my experience forces me to conclude that the national and international nature of the real estate market and industry puts the primary opportunities for affecting housing costs at the national and State level.

FEDERAL MATTERS

For example, foreign investment in San Diego real estate has increased dramatically. Robert Ellis and the American Institute of Real Estate Appraisers reported that between 1973 and 1975, the percentage of real estate investment dollar volume represented by identified foreign buyers increased from five percent of total to 35 percent of the total. This is probably a conservative estimate; many transactions involving foreign nationals are never identified as such. In

addition, the United States' position in international money markets has declined since 1975.

Some of the investment is speculative; in some cases it is a way to use up surplus dollars which are declining in value; and in other cases it is a secure investment for people whose home countries are politically unstable. Whatever the reason, local realtors and investment firms who are surveyed by the County report that foreign investors are bidding up the price of real estate because they have the dollars to spend and are willing to pay the asking price for large blocks of prime property. There is little that we at the local level can do about it.

Policies to increase the supply of housing will not solve the housing cost problem by themselves. Neither local governments nor the housing industry can substantially reduce costs. Even if we could, the equity and accessibility issues would remain. In the San Diego region, as elsewhere, low-income, minority, and fixed-income households suffer the most, and they suffer more when housing costs rise so rapidly.

However, programs to affect the demand side of the housing equation are outside the scope of local governments. For example, if the County unilaterally offered a program of housing assistance payments, it would aggravate our growth problem. Such programs must be national in scope.

Local jurisdictions also have little control over national and international decisions to invest in the San Diego economy. Although we are interested in creating jobs in our region, jobs which bring employees from elsewhere exacerbate our housing problem. More work needs to be done at the Federal level on the components of housing demand, and programs should be developed to address these issues.

One program which the Federal government could offer easily would be tax credits for renters similar to the tax benefits home-owners receive. Since renter households are predominantly low- and moderate-income households, this would begin to address the equity issues on the demand side of the housing equation. Those of us at the local level like this type

of program because it would benefit persons needing help without adding to the bureaucracies which administer housing programs.

The Federal government controls many actions by the States and local governments and operates programs affecting local housing markets. A clear example in San Diego is an Environmental Protection Agency decision to restrict the expansion of sewage treatment facilities until the County Air Pollution Control Board can demonstrate the ability to meet Federal air quality standards. This is a laudable environmental objective, but it limits the amount of developable land, thus driving up the cost of housing.

The military is the third largest sector of the San Diego economy. Federal decisions to increase or reduce the strength of the forces stationed in the region affect the number of households looking for housing. If the decisions to increase troop strength come at a time when other factors are pushing the growth rate in the region, the effect can be to increase the demand for the limited housing supply. Similarly, decisions to expand or shut down military facilities affect our housing land supply.

The action of Federal Reserve Board and other Federal policies (such as FHA and VA loan program regulations) affect the financing of home purchases throughout the country. High interest rates work to increase the cost of housing to the consumer. (An increase of two percentage points from nine percent to 11 percent on a 30-year loan of \$75,000 will increase the monthly payment 18 percent, or by \$111.00 a month.)

The regulations on some State and Federal programs limit their usefulness to us. For example, loans under the Cal Vet program have a limit of \$42,500--unrealistic in Southern California. The Section 8 Fair Market Rents are low for Southern California, too--even with a 20 percent bonus. The costs to the County of administering the "312" loan programs are very high and the California Housing Finance Agency restrictions on site qualifications are not flexible enough to deal with the Southern California development situation.

Consequently, these programs are underutilized.

THE STATE

The major tools available to cities and counties in California (other than administration of Federal and State housing programs) are the following: Regulations of the supply of land; Regulation of the condition of structures; Phasing the provision of infrastructure facilities. Even here, however, our actions are circumscribed. For example, the State of California regulates our land use practices by specifying that local governments must have an adopted General Plan consisting of at least nine elements (land use, circulation, open space, conservation, safety, seismic safety, noise, scenic highways, and housing). These are all reviewed by the State. State regulations also specify what each element must contain, the processes for changing them, and the number of times plans can be amended. In addition, State legislation dealing with land use (for example, the Coastal Zone legislation and the California Environmental Quality Act) pre-empt local discretion in key areas. While these programs are beneficial, they nevertheless reduce the County's ability to respond rapidly and flexibly to the growth occurring in our area.

The State also has the lead role in establishing building codes and minimum standards for the construction of public facilities (water, sewer and roads). We can only suggest changes and note situations where waivers might be in order (as in the case of rehabilitation program requirements to bring old structures up to current codes).

Local governments rely on State funding for construction of major infrastructure items, notably roads, freeways and aqueducts. These items largely control the land supply.

PROPOSITION 13

The passage of Proposition 13 in California (a State action of sorts) severely limits the ability of local jurisdictions to respond to the housing crunch. The local water, sewer and fire protection districts, which were dependent on property

tax revenues, were the most hard-hit. Drastic cuts in their budgets have limited their ability to operate, let alone expand their facilities. Many jurisdictions have adopted or are considering increased hookup and user fees to make up some of the deficit. These increases will be passed on to consumers in the form of increased housing costs.

Proposition 13 may also directly affect housing sales and production. Since properties can only be reassessed and property taxes increased when they change hands, there is an incentive for property owners to hold on to what they have rather than trading-up. Some analysts believe this will have the following effects:

1. Decrease demand for new housing with attendant impacts on the construction industry.
2. Decrease the supply of lower-cost housing as the most dilapidated units are demolished with fewer replacements.

Proposition 13 eliminated most incentives for cities to annex growing areas because the taxes collected will usually be lower than the costs of services. Our County's policy is to discourage development outside incorporated areas, but we may be faced with the responsibility of providing urban-level services to many areas without the attendant powers of charter cities.

Finally, the cities and County have suffered budget cuts as a result of Proposition 13. As a result, we are even more dependent on State and Federal funding for social services, including housing programs. The local funds that are available will be spent to maintain the basic services for which we are legally responsible, and housing is not one of these services.

ON THE MARGIN: LOCAL PROGRAMS AND POLICIES

My skepticism about local government's ability to significantly affect housing costs does not mean we can wash our hands of the problem. The cost of housing is a major issue in

our region and we are doing what we can. We recognize that we are nibbling away at the margin, but every little bit helps.

A number of ideas and proposals have surfaced in our local jurisdictions reflecting their diverse needs. Regional approaches are just beginning to emerge. We need regional housing strategies that concentrate on maintaining existing stock (in the older neighborhoods) and on new construction of lower-cost housing (largely in the suburban areas). So far, local jurisdictions have had informal ties at best, but I do not see how this can continue in the future. For example, the City of San Diego operates a large rehabilitation loan program and the County has a small one; however, deteriorating housing is not a major problem in most of the County. Los Angeles and a few cities in San Diego County are looking at rent controls and/or controls on condominium conversions. These programs are most effective when implemented on a regional basis, but they, thus far, lack region-wide acceptance.

It is also essential for local governments to work in concert with developers and bankers to find solutions to the housing cost problem. The resources available to local governments for investment in housing can only be effective with private sector cooperation and assistance. Recognizing this, and taking advantage of the impetus provided by the Community Reinvestment Act, the City and County of San Diego have set up a Task Force, which includes representatives of community groups, the construction industry, local banks and savings and loans. Their recommendations have been presented to the City Council and Board of Supervisors, and they are monitoring City and County Action on their suggestions.

The County is attempting to make the most effective use of regulatory powers and limited funds to promote the supply of lower-cost housing. In California, our land use regulatory system is a very effective process for protecting the public interest and the environment. However, permit processing can be time consuming, particularly for major projects. We are working on ways to reduce the time required for all projects to get the necessary permits, and on a system to give priority to developments which include low-and moderate-

cost housing.

Since developers must pay carrying costs during the permit processing time, and since these costs are passed on to the consumer, the hope is that, by reducing the time required for processing permits, the cost of housing will be reduced. Realistically, these minor savings will be effective only in conjunction with other programs.

We are revising our land use plans to increase the amount of land designated and zoned for higher densities. This approach is emphasized for three reasons:

1. Some families who cannot afford a single-family home can afford a condominium. The goal is to get them on the equity ladder.
2. Rental housing is attractive to low-income families because it is cheaper than owning, given the current interest rates for home loans.
3. Higher-density zoning for mobile home and manufactured housing appears to be the best available way to achieve low-cost housing.

In addition to increasing the supply of land designated and zoned for higher-densities, we are also developing density bonuses and proposing to allow the transfer of development rights for certain developments which include low- and moderate-cost housing. In this way, we hope to encourage the provision of lower-cost housing directly by the private sector.

There is resistance to this approach. In past years, our County Board of Supervisors established community planning groups to oversee development of land use plans in the unincorporated area. Not surprisingly, most of these groups stressed limited growth and large-lot development. Our more regionally-oriented growth management program, on the other hand, now advocates higher-densities and more compact development. Community groups often fear that zoning for higher densities will adversely alter the character of their

neighborhoods. The challenge we now face is to strike a new balance between local desires and regional needs.

The County is looking at innovative ways to decrease the cost of all housing or increase the supply of low-cost housing. As mentioned above, mobile homes and manufactured housing constitute the least expensive new housing available. Traditionally, the County has placed major design and landscaping restrictions on such developments. We believe that some of these restrictions can be lifted without compromising our major objectives.

A County-convened blue ribbon Mobile Home Task Force consisting of developers, tenants and community leaders recently recommended the following:

1. Changing State law to treat mobile homes as real property subject to ad valorem taxes rather than as motor vehicles subject to sales taxes.
2. Altering the County's Zoning Ordinance to allow the location of mobile homes on a wider range of sites.

We are also considering general plan and zoning ordinance changes to allow and encourage infilling on existing single-family lots and conversion of single- to multi-family housing. These changes should be useful in the older areas of the County, and particularly in the coastal zone, which needs to be higher density but low-rise buildings. The intent is that the second units will not be for sale but for rent--again, in order to increase the supply of lower-cost units.

The County has recently adopted an ordinance--possibly, the first in the nation--requiring the use of solar water heaters on all new construction in the unincorporated area after 1980. This is aimed at reducing one of the hidden costs of housing--utilities. In San Diego County most home heating needs can be met by solar power; the Board of Supervisors is committed to encouraging the development of solar energy.

Because of our rapid growth in the County, there are many areas whose water and sewer system capacity is strained. As

a part of our growth management plan, we are considering giving priority in allocating the limited capacity to projects which provide low-and moderate-income housing.

Creative or innovative mechanisms for financing low-and moderate-income housing are harder to come by. The City of San Diego has considered issuing revenue bonds backed by home mortgages in order to reduce the costs of financing a home in order to reach those who might not ordinarily be considered bankable. At this time, there is some question as to whether charter Counties in California have the same authority. If that tool is available, San Diego County will probably take advantage of it. The program will have to be carefully designed, however, to ensure that its benefits reach those who need it most. We cannot rely on the trickle-down process.

We hope in the future to more effectively leverage our Community Development Block Grant monies. For example we have not used the section 108 provisions which would allow us to borrow against it. Our block grant is so small, relative to the cost of land and construction, that we are going to have to leverage it in some way. The current costs of land in designated urban development areas which have the services necessary (including public transit) range from \$50,000 to \$200,000 an acre. However, one effect of Proposition 13 is increased pressure to use Block Grant funds for public works. These projects, although necessary and located in lower-income areas, have little impact on housing costs.

II. PROBLEMS AND PITFALLS

Local governments are not builders. Although the County can regulate the supply of developable land and the density of development, we have no control over the timing of that development or over the type of development. Speculators who decide to delay development and wait for the price to increase can frustrate our efforts, as can developers who opt to construct luxury condominiums rather than moderate priced units or apartments.

The remaining problems that we have fall into two broad groups: legal restrictions or unreasonable regulations, and political problems.

LEGAL RESTRICTIONS

Legal restrictions have made it difficult for us to affect the major cost item of development--land. At present, for projects that qualify for CDBG assistance, we have to let the developer assemble the land and then write down part of the cost. That gives us less maneuverability in locating low-cost housing. Directly purchasing land is difficult since the County cannot obligate itself beyond the three years that block grant monies are guaranteed. Few landowners are willing to pay all the capital gains tax from a "cash-on-the-barrel-head" sale. We could get around this problem by "friendly condemnation", but neither we nor HUD like using powers of eminent domain to acquire land for housing. We are seeking to change the regulations governing the financing powers and obligations of local government.

Land banking would be ideal--particularly in the suburban areas--but we do not have the money. My advice to all jurisdictions is to identify all publicly owned land and give up none of it without considering its potential for housing. We have encountered a problem, however, in carrying out this idea--getting information on surplus land owned by other jurisdictions. All Federal, State and local agencies should share their surplus property information.

A major stumbling block to construction of low-income housing in California is a State constitutional requirement that local jurisdictions submit to a referendum any proposal to build or operate public housing. Referenda are time consuming and public housing is politically unpopular. It is not clear, but it appears that referenda are also required for housing built and operated by non-profit corporations or local jurisdictions. This requirement delays and often prevents local governments from getting low-income housing built.

POLITICAL PROBLEMS

This brings us to the political problems which face any local jurisdiction attempting to deal with the housing cost problem. It is unfortunate, but true, that the least-cost solutions and the most needy people are politically unpopular. Few communities want mobile homes in their area. Some San Diego County communities have even tried to include prohibitions against them in their land use plans. As mentioned above, most communities are reluctant to accept high-density housing. And no one wants family public housing located on their block. These issues are always going to involve political negotiation on a case-by-case basis to reach an acceptable solution. It should be public policy to make lower-cost housing available throughout the region, but achieving this is difficult.

III. CONCLUSION

In summary, I would like to reiterate two points. First, given the magnitude and complexity of the housing cost problem, the most appropriate source of programs that can really address the underlying issues is the Federal government. No State or local jurisdiction can solve the problem on its own.

This does not mean, however, that local governments can do nothing. Our efforts should focus on cooperation with other governments and the finance and construction industries in our area to address regional housing issues. This means recognizing that, while the needs of each jurisdiction are different, taken together, they compose the regional housing market.



BLENDING PUBLIC AND PRIVATE INTERESTS:
HOUSING COSTS:
A NATIONAL ECONOMIC ISSUE

James T. McIntyre, Jr.

James T. McIntyre Jr., is Director, Office of Management and Budget.

I am very pleased to be asked to be here today. To speak to State and local officials who have housing as a basic responsibility is an opportunity not granted to many budget directors. I have had some experience in planning, and I notice that there are a number of you whom I know from my days in planning. One of the points I want to leave with you today is the need to look to the future and do some real planning to meet the housing needs of our country. I will come back to that point in a minute.

Under Secretary Janis has observed that one of the greatest concerns facing the Federal government is the serious problem of rising inflation. Housing is one of the most significant areas that we have to deal with if we are going to get a handle on inflation.

The Under Secretary mentioned that we are looking at both Federal programs and regulations that cause the cost of housing to increase. In addition to these analyses, the administration is moving on other fronts. Dr. Alfred Kahn, Chairman of the Council on Wage and Price Stability, coordinated a meeting last week with State and local officials to explore ways in which they could help out in the battle against inflation. We were not saying State and local officials must do these things. We suggested some ideas that State and local officials might want to look at in trying to deal with the question of inflation. Some of the things that we suggested they look at were zoning ordinances; building, housing and other types of construction-related codes; property settlements and closings; and an extensive list of regulatory areas in which costs, particularly building costs, could be cut. I say this simply to indicate that we are aware

that there are some things that the Federal government can do to cut down housing costs, and that there are areas and regulations that State and local officials should also examine.

The present effort to discuss the ways of holding down housing costs is part of the administration's commitment to support continued improvement in housing conditions. Despite our need to restrain the Federal budget, the 1980 budget strongly reflects this commitment. In the budget we reflected four housing priorities: (a) To seek continued improvement in housing conditions for the poor; (b) To insure an adequate supply of mortgage funds in order to sustain high levels of housing production; (c) To support the development



of new mortgage instruments which make housing more affordable for new entrants into the housing market; (d) To seek a new and better way, in partnership with State and local governments, to contain rising costs.

I would like to very briefly review the way in which the budget reflects these priorities before explicitly addressing the question of housing costs. In support of the poor, we have proposed an additional \$26.5 billion in budget authority for the Department of Housing and Urban Development's subsidized housing programs in 1980. We estimate that more than 3.2 million lower-income families will be receiving Federal housing subsidies. This is up from the 2.8 million families served in 1978 and represents an increase of more than 14 percent. The 1980 budget provides another two billion dollars in Government National Mortgage Association (GNMA) mort-

gage purchase authority for subsidized housing and for middle-to-moderate-income, multi-family housing. Our efforts also include expanding the use of GNMA mortgage-backed securities to broaden the financial market for housing.

The administration supports continued use of new money market instruments to avoid the problem of disintermediation and continued efforts to experiment with alternative mortgage instruments, in an effort to make home buying more affordable to families seeking to purchase their first homes. Finally, 1980 housing tax expenditures will be excess of seven billion dollars and will encourage investment in housing through mortgage interest and property tax deductions, capital gains deferrals and accelerated depreciation. Our efforts are directed at achieving the basic Federal housing objective of a decent home in a suitable environment for every American family. At the same time, we want to ameliorate the disproportionate cyclical impacts that, in the past, have seriously disrupted housing credit and market activities.

However, tax expenditures is an area of the budget which requires very careful scrutiny and closer integration with budgetary decisions regarding direct expenditures. A recent article notes that tax expenditures have grown considerably faster than spending, although much less attention has been paid to them as a source of Federal deficits. At the Office of Management and Budget we will be undertaking a joint effort with the Treasury Department to coordinate decisions on direct spending and tax expenditures more closely than they have been in the past. This effort will begin this spring and will be a pilot effort which includes several areas, one of the most important being housing. The purpose will be to examine the procedures for folding tax expenditures into the budget process. I think that it is very important to understand the effect of tax expenditures on the budget and how these expenditures complement spending decisions which help accomplish Federal objectives. But the most important point is that for the first time, we are going to seriously examine tax expenditures to see whether they are appropriate and whether they are accomplishing their purpose; that is, whether they are achieving the benefits they were designed

to accomplish.

These efforts cannot achieve the goals we have set forth without the wholehearted cooperation of State and local governments. Part of their support involves a joint Federal, State and local effort to hold down increases in housing costs, and it is to an explicit consideration of the housing cost issue to which I would now like to direct your attention.

From 1971 to the present we have seen the price of homes more than double, while the consumer price index has increased by about one-half that rate. Clearly, the rising cost of housing and its possible continuation into the future, has the potential to weaken the nation's efforts to reduce inflation. In addition, rising costs place severe financial burdens on youthful, new entrants to the housing market. Rising housing costs also hinder our social commitment to the poor and provide them with adequate, decent and suitable housing. If we are to successfully address the housing cost issue, we must have a clear understanding of both why the cost of housing has risen, and where it has risen.

To put the housing cost issue in perspective, it is important to note that, despite housing cost increases, the nation has made impressive strides in upgrading the quality of housing and increasing home-ownership. The quality of the nation's housing has improved immensely. Between 1940 and 1976, the number of households lacking some or all plumbing facilities was reduced from 45 percent of the nation's housing stock to only 2.6 percent. Analyses within the Office of Management and Budget indicate that the number of households living in housing with one or more defects and earning \$15,000 or less represented less than six percent of the nation's households. Households in the same income category and having two or more defects represented less than two percent. Similarly, overcrowding in the nation's housing has decreased dramatically over the last seven years. Also on the positive side, home-ownership is increasingly becoming a reality. In 1940 less than 44 percent of all housing units were owner-occupied. By 1976, home-ownership had increased to 65 percent of all households. Home-ownership is not the exclusive domain of the middle-class and the rich. More than

50 percent of all families earning less than \$10,000 per year are homeowners. Rising real family incomes, coupled with favorable tax treatment, stimulated an unprecedented level of housing production during the present economic recovery. Despite impressive gains, we still confront the serious problem of housing affordability for the poor and for the first-time home buyer who does not have capital gains from the sale of a previous home to meet the initial cash requirements of home-ownership.

Housing cost problems vary in their severity in different parts of the nation, because housing prices have not risen uniformly throughout the country. In the growing West, and particularly in California, the average sales price of all houses, new and existing, increased 99 percent over the last five years. These price increases are a reflection of regional growth which is due to shifts in the nation's population. In the South, housing prices increased by 68 percent during the same period, while in the Northeast, housing prices increased the least in any region, 53 percent. Our current and future policies must explicitly take into account the dynamic changes occurring in different areas of our country.

Why have the costs of housing increased so rapidly? Part of the recent increase is attributable to changes in the personal preferences of the American consumer. More simply, housing costs more, in part, because we are buying bigger houses and putting more amenities into them. New house floor space has increased over 70 percent between 1950 and 1970. Lot sizes have increased from an average 6,000 square feet in 1950 to 11,000 square feet in 1976. While only about one-third of the new homes constructed in 1950 had three or more bedrooms, 91 percent of newly constructed homes have three or more bedrooms today. Consumer demand for amenities has been substantial. In 1950, less than one-half of the new homes had garages or carports. By 1970, over 80 percent did. Central air conditioning and dishwashers are more and more considered part of a basic home. Clearly, consumer preferences for larger homes and additional features have increased housing costs by thousands of dollars.

However, we should not let the very strong demand for

housing obscure some longer term trends which bear heavily on the way in which we will plan for the future. We have seen tremendous demand for housing in the last 20 years, and housing demand is one of the greatest underlying factors in the strong economy that we are still experiencing. The very rapid rate of family formation which we are now experiencing and which will be with us for the next few years will decline quite sharply when the demographic effects of the baby-boom are reversed. At that time we will experience a decline in housing demand relative to what we are now experiencing. We need to be doing some careful thinking and planning to insure that our present public policy decisions are not myopic in order to avoid an oversupply at some point in the future.

If some of you are interested in this issue, I would highly recommend the portion of the Federal budget that analyzes the "graying" of the American population. I think it is an excellent piece of analytical work, and it points out some of the problems we are going to have in the future.

Another reason why housing costs have risen so rapidly is the role that housing has played as an investment and savings vehicle. There is a clear consensus that during the past 15 years the rates of return on housing have far exceeded the rates of return available in financial markets. This has been reinforced by tax legislation, such as that enacted in 1978, which permit the elderly an exemption from capital gains on profits of up to \$100,000 on the sale of a primary residence. This provides a pool of savings to help defray the expenses of our senior citizens.

The elements of housing costs have not risen uniformly. The largest single components of housing costs are labor and materials, which together comprise nearly 47 percent of the cost of producing a single-family home. Between 1969 and 1977 labor and material costs have increased over 66 percent, but this increase is dwarfed by the increase in the cost of land. Land costs rose by 127 percent, financing increased by 200 percent, and overhead, marketing and profit increased by 100 percent. Some of these cost increases reflect increases in consumer preferences, while others are subject to modification through adherence to the wage and price guidelines

and more efficient methods of housing production, marketing and financing. We look forward at OMB and HUD to your suggestions on how these modifications can be achieved.

In conclusion, let me briefly summarize my major points.

Housing costs have risen rapidly, but despite this, we are better housed than ever before. The number of our citizens who have achieved the goal of home-ownership is increasing. The Federal government seeks to strengthen these trends. Second, the rise in housing costs has varied widely across the country and efforts to hold down housing costs must recognize this diversity. Third, part of the rise in housing costs is accounted for by the fact that consumers are choosing bigger houses with many amenities. Fourth, housing continues to be an excellent investment opportunity and is no longer seen as just a means of shelter. Finally, labor and materials costs, which account for about one-half the cost of a house, have risen far less than the other major components of housing costs.

I hope this overview of the housing cost issue will provide a sound back-drop for your discussions. I appreciate this opportunity to give you some observations from the Federal level, and I look forward to reviewing the results of your Conference.



BLENDING PUBLIC AND PRIVATE INTERESTS:
FOCUSING STATE RESOURCES
ON THE HOUSING COST ISSUE

Honorable Robert Graham

Robert Graham is Governor of Florida.

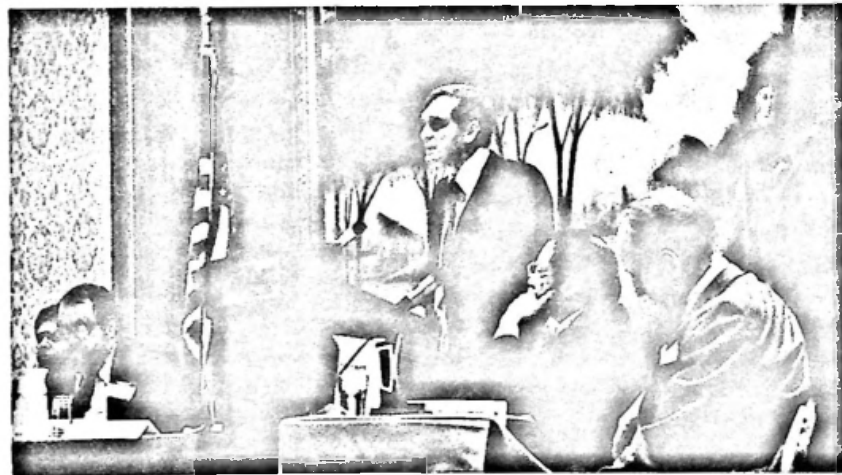
I appreciate the opportunity to talk with you briefly today about a subject with which I have had a fortunate experience to deal on both sides of the equation: I have confronted the problems of housing costs both as a developer and home builder (and I might add, from time to time as a competitor of the company that Under Secretary Janis and his brother used to lead), and, for the past 12 years, as a State legislator and now as Governor of a State which is as impacted by the kinds of issues which Mr. McIntyre just outlined as any State in the nation. I am going to be drawing particularly on our experience in Florida, but I hope that it will have sufficient general interest to be valuable to all of you.

The issue of rising housing costs is one which permeates many aspects of public policy. Dr. Alfred Kahn, Chairman of the Council on Wage and Price Stability, has identified four target areas for national attention in the fight against inflation. Those four areas are energy, food, health care and housing. So housing costs are one of the national targets in our efforts to voluntarily contain inflation.

The cost of housing is a very important issue in terms of the psychology of our people. In our State, one out of five families live in a mobile home. Consider the contrast between the young family of 1979 and their counterpart of 1949 and 1959. That family of 1949 and 1959, typically, had married in their early twenties, lived with their parents or in rental property for the first years of their marriage (or until they could accumulate the downpayment for a VA or FHA mortgage), purchased their first home, and then started making mortgage payments. Twenty years later, when they were at the height of their family's expenses, because their children were now in college, they had built up, not only a substantial financial equity, which for most couples was the

largest single savings account that they were ever to accumulate; but even more importantly, a substantial amount of psychological self-confidence and a feeling of independence. Now contrast that couple with the 1979 couple who is not buying a home because, in the early years of their marriage, they are not able to raise a sufficient down payment or to afford the monthly payments. They buy a mobile home, and when they reach the most expensive part of their family life, what do they have? They have neither the financial investment and savings which a home represents, nor do they have the psychological sense of assurance which a home represented to their predecessors. I think that this is a very serious issue in terms of the willingness of our people to meet a whole range of other issues relating to family decisions and the willingness to defer gratification for their future well-being.

We have a third issue, and that is the impact of rising housing costs on the elderly. In 1960 Florida had about the national average of persons above the age of 65. In 1968 the national average was eight or nine percent; Florida had between nine and ten percent. Today, Florida has one out of six of its citizens over the age of 65, the highest percentage of any State in the nation. By the year 2000 we will have one out of four over the age of 65. I happen to have a personal stake in that, because I will be 65 in the year 2000. In the year 2025,



one out of three of the citizens in our State will be over the age of 65. This group has been particularly hard hit by rising housing costs. One of the indirect ways derives from the fact that the counties in Florida which have the highest percentage of persons over the age of 65 are the counties which pay the highest percentage of their total personal income in school taxes. It sounds as if it is inconsistent for the county with the oldest population to pay the highest school taxes, but the reason is that older people tend to put a higher proportion of their total resources into shelter. They are not putting money into sending children to school, or second homes, or boats or other kinds of leisure expenses which are more typical of the middle-aged population; therefore, the typical school property tax system, which equates real property wealth with personal wealth, discriminates against the elderly. The problem has been exacerbated by overall inflation and rising housing costs and has seriously eroded the ability of the older population to pay their property taxes. One of the most personally meaningful experiences that I had in the year and one-half during which I was campaigning for Governor occurred in Key West last January. I was going through a large office building and met a lady who told me that, that week, she and her aged mother were having to sell the home that they had lived in for over a century, because they could no longer afford to pay the property taxes. That is not an isolated situation; that is a typical situation. Older people are caught in the vise of the rising costs of housing being reflected in rising assessments of their homes, and they are unable to respond to it.

What are some of the roles that State can play in dealing with this question? I would like to focus on three. First, the State is in a unique position to provide strategic leadership in making sufficient land available for new housing. As Mr. McIntyre indicated, the most significant element of the increased cost of housing has not been materials or labor, it has been land. The States have control over transportation patterns, which can be used to facilitate opening land up for development. It has substantial control over water and sewer financing, either through programs such as we have in Florida, where the State participates with local governments in infrastructure financing, or through the distribution of

Federal funds. It also has the potential to participate in major land use decisions. Under Secretary Janis alluded to the 1972 Florida Land and Water Management Act, which has unfortunately been used essentially defensively, but which has the capability of being an affirmative tool. This Act can be used to develop a rational land use pattern with one of the goals of that rational pattern being sensitivity to land costs. The State has the ability to override local zoning decisions under certain circumstances. The State has the ability to designate areas for concentrated development. Under the program of critical State concern, if the State were to embark on a program of new community development, it has the capability to provide strategic leadership by identifying areas that would be encouraged as centers of intensive development.

The State is unique in our Federal system in its ability to provide strategic leadership. It has the power to set the standards by which local governments operate and to override local decisions, neither of which is available to the Federal government.

The second area in which the State can play a role is in the field of financing. I am personally disappointed that Florida is not one of the 36 States which have adopted a housing finance agency as a means of facilitating housing financing. This is one of the objectives that I hope we can soon achieve. The State clearly has a role to play in seeing that housing costs are moderated, particularly for low- and middle-income families.

The third area that I want to concentrate on is the vexing issue of regulation. In the discussions of inflation, there have probably been few subjects that have received the kind of attention regulation has. Most of the attention focuses on the elimination of regulation, and that is a position which I share regarding regulations which have the effect of restraining the free market place.

I believe that the best allocator of resources is through the process of economic democracy known as free enterprise. Allowing the people to make their decisions as to where they will allocate their own personal resources will, over time,

result in the greatest benefit to the society at large. I also recognize that there are important aspects of our lives which do not respond to traditional economic measures; areas in the fields of environmental protection, health and safety require that there be a governmental involvement which transcends the operation of the marketplace. However, I believe that regulations need to be examined in terms of how they can be implemented to have the least negative impact in terms of the cost structure of housing and other aspects of market functioning.

Let me suggest three approaches to regulation: First, regulation should be the minimum scope necessary to protect legitimate public interests. There are probably few areas of regulation which transgress this standard more than building codes, which have too often been the place where special interests were able to insulate their particular economic gains, their particular mode of operation, or their particular status of technology in a way that went well beyond what was necessary for the public interest. In Florida we have tried, I might say without great success, establishing a system of State uniform codes with the requirement that, if a local government wants to vary from that uniform code, it would have to meet two tests. The first test is that the particular variation responds to a legitimate and peculiar local concern that is not of a general, regional and State-wide interest. Second, it is required that the method that is being suggested to respond to that peculiar, local concern is not of an anti-competitive nature. That is, it does not unduly restrict the range of economic choice. We passed that bill several years ago. The legislation then required a regulatory process for it to be implemented. It would not be surprising if I were to tell you that the regulatory process ran into a machine gun of opposition from various groups that had some interest other than seeing that building codes represented the minimum necessary to achieve the legitimate public interest. However, I think that it is a goal of sufficient significance and interest to our people that it needs to be pursued. I happen to think that one of the benefits of the current, very difficult economic times, which we are in, will be to build a constituency for changes that are in the broad public interest and which will overcome the strength of a multiplicity of

individual, special interests which have been able to avoid issues such as reform of building codes.

The second approach to regulation derives from the premise that, when we decide to regulate, we need to concentrate on the least restrictive method of regulation.

I would like to share another Florida experience. Some of you Floridians may be surprised to know that elevators are regulated by two separate agencies in two different ways. If you come to Florida you will be safe and secure in the knowledge that all of our elevators are under State regulation. I am certain that this puts to ease those of you who have been concerned as to the safety of going up and down in buildings in Florida.

If you happen to be in an elevator which is in a hotel or restaurant, that elevator has been determined to be safe because the State hires elevator inspectors who periodically go into the shaft, ride up and down in the elevators, wiggle the chassis and inspect the machinery, making an on-site determination that that elevator is safe.

If, however, you happen to go next door to a general purpose office building and ride up and down in an elevator, your safety has been assured because the owner of that office building was required to have a maintenance contract with one of the dozen or so State-approved elevator maintenance companies, and that maintenance company has a contractual obligation to the owner to insure that the elevator is in good working order. Their license to be an elevator maintenance company in Florida is predicated on their ability to fulfill their obligation to those office building owners. I can tell you that we have had those two separate systems in Florida, and there is no pattern of greater safety in hotels or restaurants than in general purpose office buildings. It is not surprising that the second system, the system of working through intermediary maintenance companies, is a much less oppressive and expensive system than having the State send out inspectors to ride up and down on the elevators.

This example seems to me to be one which has a great deal

of exportability to other areas. For instance, last February 15, I submitted a budget to the legislature, and we put a considerable amount of attention on the issue of air quality monitoring. The Department of Environmental Regulation had a proposal for a very substantial increase in the number of air quality inspectors. These would be people who would climb up the stacks and measure smoke stack emissions. Why do we not consider using some companies which will be air quality maintenance companies, and we will then require every source pollutant company to have a contract with one of these air quality maintenance companies? We would then be in the position of monitoring the intermediary, and the intermediary will be the one who is actually on top of the stack. I think that would be a system which would be dramatically less costly to the State and substantially more efficient in achieving our goal of having air quality regularly monitored. In addition, it has the effect of shifting the cost of the inspection system directly to the people who are being inspected. I think that, that approach to regulation is one which we ought to try to adapt in other areas.

Let me give you one other example of what we are going to try to do. We have, as part of the 1972 Land and Water Management Act, a requirement that every project (whether it is an airport, shopping center, a housing development, or an athletic stadium), which will have an impact beyond the county in which it is located has to be reviewed by a regional planning agency. That regional planning agency makes its report to the unit of local government which has jurisdiction over the land on which that particular project is going to be built. The report is taken into account in the local government's determination of whether to permit that project. One of the concerns with this process is that it has been very expensive and often required an extensive amount of time to complete. In working with a resource management Task Force appointed earlier this month, we are going to be looking at some alternative ways in which that Development of Regional Impact process might function.

One alternative is to set up, within each region, zones of intensity of concern. Obviously an intensive development which takes place in an area of the region that is already

fully committed to urbanization does not raise the kind of regional issues, particularly environmental issues, that the same project would if it were located in an area that is relatively pristine.

Issues of regional interest, such as the relationship between the number of vehicles and air quality, or size of project in relation to water retention, are issues for which regional standards ought to be developed. We should not require each individual project to be handled as if it were the "Mona Lisa." Those are some relatively practical and straight-forward reforms in the regulatory system which would make it much more effective, and I think, acceptable, while maintaining the legitimate public interest.

The third approach to regulation is concerned with whether we regulate the practice or the practitioner. One of my legislative interests has been in the field of health care. It has interested me that in health care we do not have a code book delineating how open-heart surgery is to be performed; rather, we concentrate on the licensing of the practitioner; and, once the practitioner has been determined to be competent, we then place a substantial amount of professional responsibility on the practitioner to see that the operation is carried out in a proper manner. In the field of community development and housing, we have tended to rely almost exclusively on a duplicative system. We require that architects, engineers, landscape architects, and the other professionals who are involved, as well as the contractors and all the subcontractors, be licensed. Then we hand them the book which tells them, with great specificity, how they are to conduct all the details of the individual project.

I believe that we need to give substantially greater credence to the professionalism of those people which we go to such great lengths to license. As an example, we are recommending in our budget the elimination of the current practice of having the State review the plans of hotels and restaurants prior to their being constructed. We are going to take the position that we will rely upon the plan review conducted by virtually every local government in Florida, and we are going to rely on the signature of the architect or engineer on those

plans, and we will hold that professional responsible for compliance with health and safety and other standards. We do not feel that it serves a legitimate public purpose for us to be overriding and reviewing those plans which a professional has already indicated meet the standards. State review is unnecessary for the additional reason that, in most instances, those plans are going to be reviewed by a local government.

These are some of the directions in which Florida has tried to deal with regulatory processes. Regulations are sometimes necessary adjuncts to free marketplaces, but we want to have an assurance that our regulations meet the minimum standard necessary to protect the public interest; that the method selected is the one which is the least oppressive, but will still achieve its public purpose, and that maximum use is increasingly made of the practitioner's professional responsibility. We think that these steps will have particular value as State initiatives to reduce the cost of community development and housing.





RECOMMENDATIONS

RECOMMENDATIONS FOR STATE AND LOCAL ACTIONS

Leon S. Eplan, Donald E. Priest, and Larry Keating

Leon S. Eplan is a Principal in ERLA, an urban planning consultant firm in Atlanta. He served as Coordinator of the Conference, as well as its Moderator.

Donald E. Priest is Director of Research for ULI-The Urban Land Institute, the prime contractor for the Conference.

Larry Keating teaches housing and planning theory at the Georgia Institute of Technology and researches, writes and consults in housing and planning.

I. INTRODUCTION

PROCESS FOR DECISION-MAKING

The core of the Conference activities took place in five Workshops, out of which came a set of recommended actions for State and local governments. These recommendations--105 in all--are reported on in this chapter, together with the level of support given each by a survey of the Conference attendees.

Each of the Workshops dealt with themes relevant to the overall Conference subject, and attendees were assigned (based, within limits of practicality, on their preferences) to one of the Workshops. Each Workshop was led by a Moderator, a reporter and several subgroup Facilitators. At the end of the Conference, each Moderator presented to the full assembly the recommendations of his or her Workshop. The recommendations were received by HUD Under Secretary, Jay Janis, and representatives of State and local governments.

The five Workshop themes and typical topics discussed are as follows:

- I. Improving Development Standards in Fringe Areas (flexible zoning and environmental standards, innovative subdivision designs, etc.);
- II. Increasing the Supply of Land in Fringe Areas (comprehensive planning, growth management, public facilities service planning etc.);
- III. Improving Central City Development Standards and Increasing the Supply of Land and Buildings (flexible development standards, mixed land use, adaptive uses, rehabilitation of older areas, infilling, etc.);
- IV. Allocation of Development Costs (assignment of public facilities costs: who pays for what?, etc.);
- V. Improving Permitting Procedures (review processes used by State and local governments, expediting permitting processes).

A research paper was commissioned around each of these themes to facilitate discussion. Each participant was sent a copy of his related Workshop paper in advance of the Conference. The papers, which are reproduced in Chapter Two, generally covered four points: definition of the issues, some experiences in the country, recommendations for alternative actions, and major bibliographic materials. Each participant also received a fuller bibliography on all themes prepared by Dr. Larry Keating of Georgia Tech.

A process was designed to assure maximum participation by the Workshop members of the themes. Each Workshop, either in full session or in subgroups (called Discussion Groups, which were led by Facilitators), met five times, for a total of seven hours. Before the Conference began, each Moderator and Facilitator was given a manual--the Discussion Guide--which instructed them as to the purposes of the Conference, procedures to be followed, schedules for decision-making, the nature of the issues, final products sought, and roles of the Moderators and Facilitators in the discussion. A pre-Conference meeting was held to review these considerations. A Reporter was appointed to each Workshop to record the

main issues and recommendations. (In the Discussion groups, a Recorder was selected by each group to take notes.) Throughout the course of the Workshop sessions, the author of the Workshop's commissioned paper was present at the head table of the Workshop to report on his findings and to act as a resource person. All sessions were taped and the tapes were reviewed, together with the Reporter's and the Moderator's notes, to obtain the exact sentiments of the Workshops.

Depending on its size, each Workshop consisted of three or four Discussion Groups. It was in these meetings that the recommendations took shape. The Discussion Groups were held to no more than 25 persons in size; the average was approximately 20 persons, which helped to facilitate and encourage full discussions. Attempts were made to assure a variety of occupational and representational backgrounds in each Discussion Group. At the end of the morning of the second complete day, the Discussion Groups returned to their full Workshop session to report and seek agreement on the recommendations. The final Workshop recommendations were then compiled by the Moderator, Reporter, Authors and Facilitators, and their report went to the entire Conference on the afternoon of the second day.

SUMMARY OF THE QUESTIONNAIRE RESULTS

While the Workshop recommendations were approved by the Workshop members, either by formal vote or by gaining a consensus, no balloting on the recommendations took place by the entire assembly at the Conference itself. Rather, a mail questionnaire was sent to all Conference participants on March 27, approximately one month following the Conference. Each participant was asked the degree to which they approved or disapproved with each recommendation. Provision was also made for a No Opinion option. Of the 350 participants of the Conference who were mailed questionnaires, 158 participants, or 44 percent, replied.

As indicated below, the questionnaires returned represented the broad mixture of backgrounds. Approximately one-third of the respondents were State and local officials, 38 percent from the private sector and the remainder, almost 30

percent, were academics, interest group representatives and Federal officials.

BACKGROUND OF RESPONDENTS TO THE QUESTIONNAIRE

<u>Occupation</u>	<u>Number</u>	<u>Percent</u>
State and Local Officials:		
Elected Public Officials	6	3.8%
Local and Regional Government Officials	35	22.1
State Government Officials	<u>11</u>	<u>7.0</u>
Subtotal	(52)	(32.9)
Federal Government Officials	3	1.9
Public Interest Group	9	5.7
Academic	12	7.6
Private Interest Group	22	13.9
Private Sector	<u>60</u>	<u>38.0</u>
Total	158	100.0%

In terms of the degree to which the Workshop members themselves responded, the following indicates the response to the survey, by Workshops.

WORKSHOP MEMBER'S RESPONSE TO THE QUESTIONNAIRE

Workshop	Number of Responses	Response Rate
One	33	50%
Two	35	50%
Three	31	38%
Four	27	39%
Five	31	53%
Speaker	<u>1</u>	=
Total	158	44%

GENERAL FINDINGS AND CONCLUSIONS

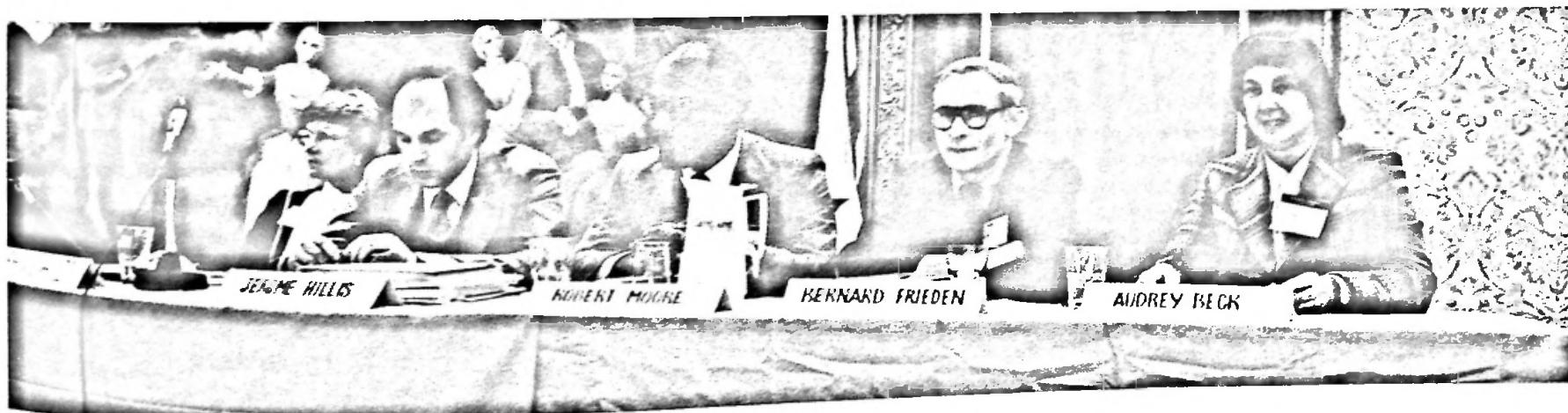
Findings

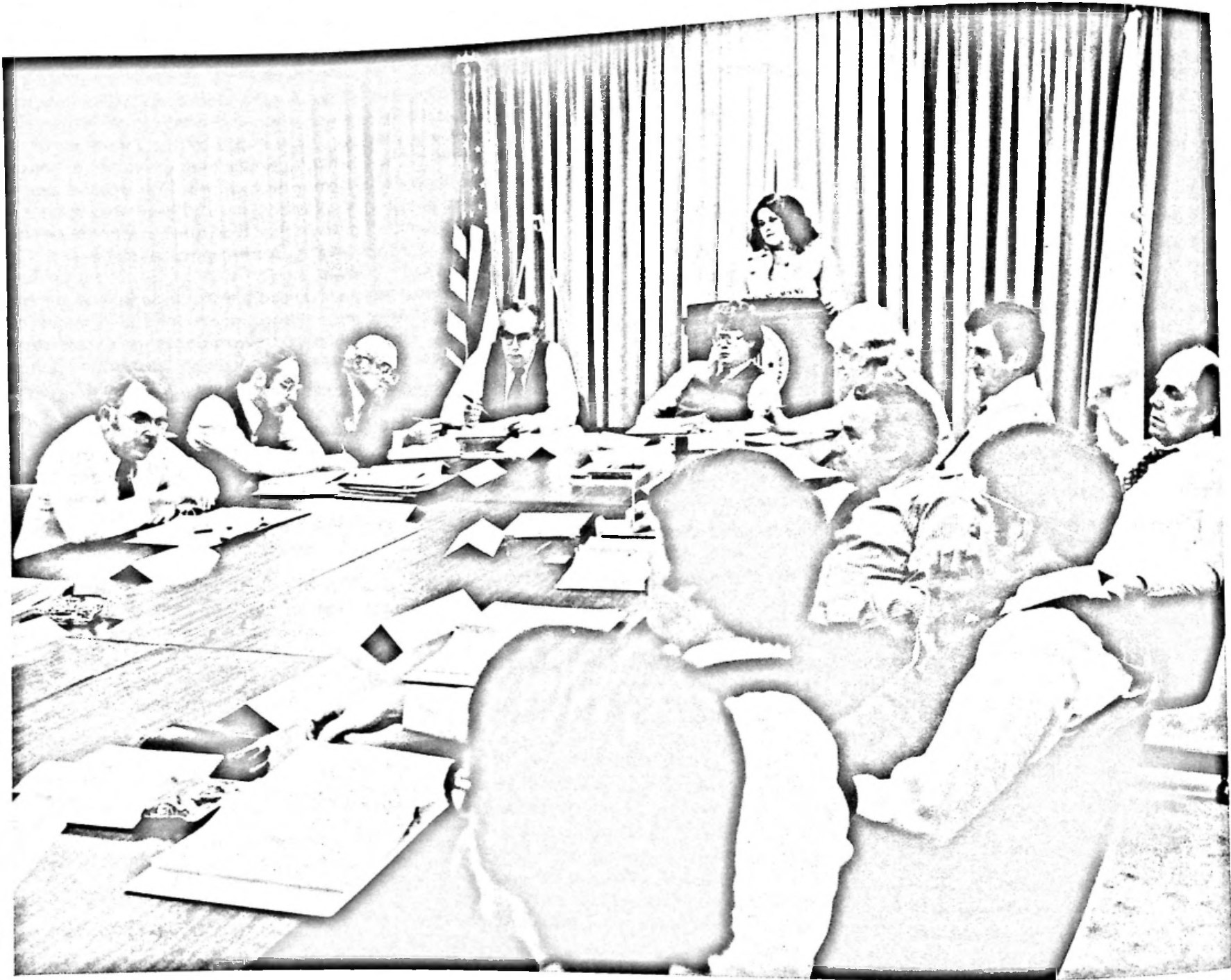
An analysis of the responses suggests four key findings:

1. The respondents as a whole endorsed all the Conference recommendations. In many cases support (i.e., those who "agreed" or "strongly agreed") exceeded 75 percent of the

responses to each recommendation. The same situation holds for the opinion of Workshop members regarding the recommendations of their own Workshop. (One responded was especially close. A recommendation of Workshop V was accepted only by a single vote by the members of that Workshop.) Given the reasonably high level of response to the questionnaire (44 percent of all Conference participants) and the board distribution of types of respondents, it can be concluded that the Workshop recommendations reflect the opinions of the Conference as a whole.

2. The strongest level of respondent support was given to recommendations concerning the most basic techniques that can be used by local governments to moderate the adverse impact of policy on housing costs. In general, these techniques reflect the following positions:
 - Development Standards should generally not exceed basic environmental, health, safety and welfare requirements. Communities should always consider housing costs implications of standards designed to meet "quality of life" objectives in excess of those basic requirements.
 - Land use plans and public improvement programs should reflect consideration of the impact of development constraints on land supply and housing costs.





- The costs of development should be allocated among persons and firms in the community according to the degree by which they would benefit from the service or facility.
- Permitting procedures should be simplified and accelerated through consolidation and standardization.

Respondents also gave recognition to some of the special problems of central cities by calling for more concerted public participation in the development process.

All of the strongly supported techniques reflected the almost unanimous opinion that public policy-makers should always ask: What is or will be the effect of local public policy on housing costs? This position is highly significant in view of the fact that many local policy-makers have not asked this question in recent years.

3. While there was strong agreement on the types of techniques local governments could use to abate cost problems, there was less agreement among respondents on techniques that would ensure action by local governments. The low level of agreement was especially noticeable with regard to the use of State powers to ensure local response to cost problems. (Federal policies were not a major subject of the recommendations.) Respondents strongly supported State involvement to help resolve some fiscal disparity problems and to provide technical information; however, techniques that involved the preparation of guidelines or standards by States, or the provision of financial incentives or other active State intervention techniques received significant opposition (between 15 and 25 percent of respondents indicating "disagree" or "strongly disagree"). Several other types of recommendations also received significant opposition; however, they are few in number (six in all), and showed no other pattern of concern other than a desire to minimize governmental intervention.

4. A finer breakout of the responses revealed a number of interesting results. For the most part, the voting patterns

of the total Conference, with a single exception, paralleled those of the Workshop members. The exception was in Workshop Three (on central City issues), where those who participated in the Workshop more strongly endorsed the recommendations than did the Conference as a whole.

Furthermore, the closer analysis indicates that the private sector participants appear to have been highly supportive of the Workshop recommendations, more so, for the most part, than the government staff participants. Not surprisingly, this was especially evident in Workshop Four (on the allocation of costs) and in Workshop Five (on streamlining of procedures).



General Conclusions

While the Conference attendees and questionnaire responses cannot be taken as a statistically valid cross-section of key participants in the State and local policy-making process, they nevertheless have provided the best evidence to date of opinions in that sector. The questionnaire results and Conference recommendations should be given considerable weight by persons concerned with local government policy.

The recommendations and expressions of participant opinion show that a) the relevance of local policy to the housing cost problem is clearly perceived, and b) there is strong agreement on the types of basic measures that local governments can take to deal with the problem. In view of the relative degree of support given to the various types of recommendations, three conclusions can be drawn:

1. Local governments now have sufficient powers necessary to help reduce housing costs. Through more creative use of their regulatory controls, more sensitivity to their activities direction, land use, and more emphasis and streamlining procedural requirements, a positive effect on costs can be realized.
2. Priority should be given to a follow-up program that emphasizes voluntary action by local governments to deal with the housing costs issue. Support for such efforts could be provided by vigorous programs of information dissemination by public interest groups and technical and research assistance from the States and the Federal government.
3. Although greater State involvement was endorsed by the majority of the respondents, the role of the States in dealing with the housing cost issue needs more careful and detailed study. While State laws do not appear to be a major constraint to local action, it is clear that the States could act in a number of positive ways to assist local governments. States already have considerable powers in this area, including the delegation of land use authority to local governments. Additional exercise of this and other

powers apparently needs more clarification and exposure to debate and discussion before they may be acceptable. In the meantime, States should be encouraged to aid local governments through techniques that appear to receive wide acceptance (such as fiscal disparity action).

ANALYSIS OF WORKSHOP RESPONSES

Below, are the main conclusions of each Workshop, while a full listing of all 105 recommendations and a tabulation of the responses follows.

Workshop One

The recommendations of Workshop One were constructed around several development standards issues, especially the restrictive nature of zoning ordinances and other local regulations controlling the design and development of housing. Responses by the Conference indicate strong agreement with the positions taken by the Workshop. Also, the questions seemed to be more readily understood; fewer participants registered a "no opinion" position than in other Workshop questions. On fully half of the questions, over 80 percent of the respondents to each question were in agreement (either strongly agreed or agreed).

- Eighty-eight percent favored the recommendation that Federal, State and local agencies should periodically review their off-site and on-site standards, as well as their methods and procedures as to zoning, subdivision controls and environmental standards to insure that they reflect the state-of-the-art and do not exceed minimum standards (II-A).
- Almost as large a proportion agreed that States and localities should, prior to implementing land use regulations, analyze their potential impact on housing costs (III-B).
- Other recommendations gaining overwhelming support dealt with providing incentives for creative development projects (III-A), land use plans based upon demographic

and marketing trends (I-B), and the greater use of capital improvement programs to provide the necessary infrastructure to support growth (I-C).

- Respondents strongly favored the recommendations that subdivision control measures should be reviewed against standards which assure that overdesign is not required (II-C).

- Also, the respondents endorsed the idea that monies should be granted from States and Federal agencies for research and information dissemination (II-D). Finally, strong support was given to the recommendation for metropolitan environmental reviews (VIII-A).

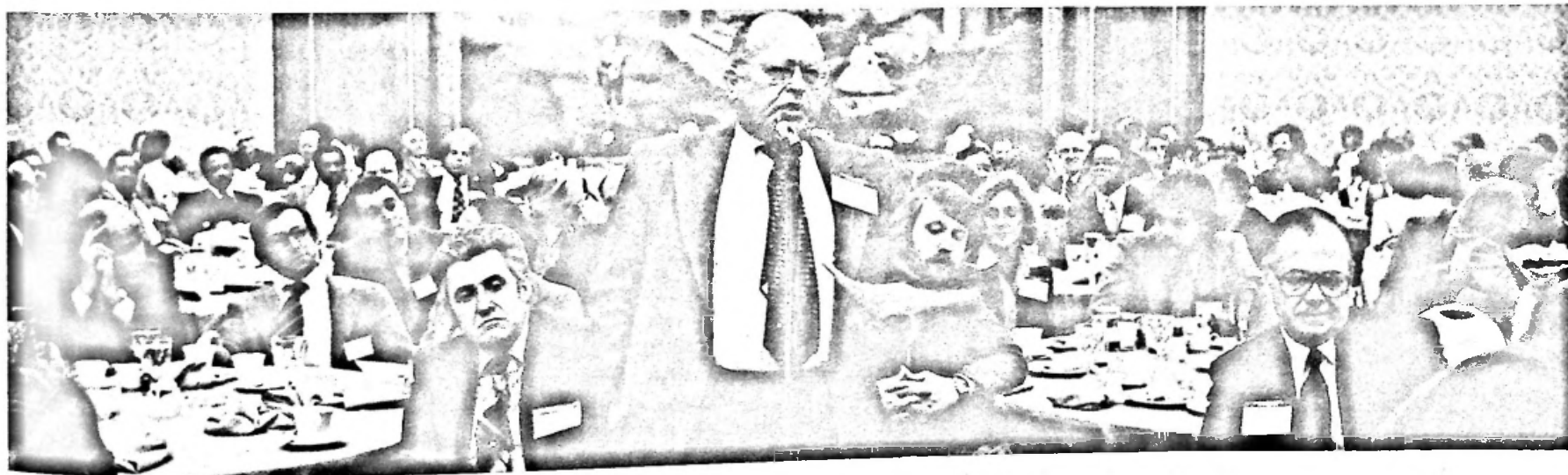
In two areas at least a fourth of the respondents disagreed with the Workshop recommendations. Twenty-nine percent were not in favor of permitting manufactured housing in all single-family zones to be taxed the same as all other real property (I-D). Also, one out of four were opposed to giving bonus grants by States and regional public bodies to local governments to assist in servicing raw land with infrastructure (VI-A). Related to this question was another which was also opposed by several (15 percent) of the respondents: that

State and regional governments provide direct or indirect financial incentives to local governments to provide cost effective zoning, subdivision and environmental regulations (IV-A).

Workshop Two

Responses by the Conference participants were uniformly supportive of Workshop Two's recommendations. With few exceptions, the Conference favored a more aggressive role by local governments to use its powers and resources to assure an adequate amount of developable land on a timely basis.

- The recommendations that local plans and land inventories include estimates and projections of present and future housing needs was agreed to by 85 percent of those responding to the questionnaire (I-B). This proposal was one of only three of the 105 recommendations to receive no negative votes.
- The proposition that capital improvement programs should accommodate anticipated planned growth and that such programs should consider the implications of its rate of extending services on reducing housing costs, were rati-



fied by over 80 percent of the respondents (I-C).

- A similar level of support backed the recommendation that "sunset" provisions be applied to regulatory legislation (I-K).
- Well over three-fourths of the respondents favored the recommendations that Federal standards for programs necessary for growth (such as water and sewer funding) be sensitive to local growth conditions (I-I).

Few recommendations evoked significant negative responses. Interestingly, the two recommendations which found the highest level of disagreement both involved State actions. A few respondents (15 percent) did not want States to develop guidelines for areas of development opportunity (where growth should be encouraged and facilitated) (I-E), nor to develop policies and explicit standards for critical areas, or to review new local plans for consistency with these policies and standards (I-F). The only other important negative reaction, from 16 percent of the respondents, was over the use of the hearing examiner process by local governments (I-M).

Workshop Three

The recommendations of Workshop Three were consistently supported by respondents, but there were few recommendations that were overwhelmingly endorsed. The most popular recommendations were supported by three out of four respondents, but the general level of consensus averaged somewhat lower.

- Strong support was found for recommendations for increasing Federal, State and local programs which seek to expand access to mortgage credit pools (I-A), or which would facilitate adaptive re-use housing projects (I-B).
- Respondents were also highly supportive of State efforts to apply tax assessments uniformly (I-F). There was considerable agreement that the revitalization and "gentrification" of central city neighborhoods should, if

possible, avoid displacement, but that if displacement was necessary, assistance be planned and phased as part of the redevelopment process (IV-A). Over three-fourths of the respondents agreed that comprehensive planning and development should take into consideration travel and energy expenditures (VI-D).

Although all of the Workshop recommendations were endorsed by respondents, three were objected to by over 20 percent of those returning their questionnaires. An important number of respondents--26 percent--felt that, even as a long-term option, a general policy of public land ownership, particularly for commercial properties, should be discouraged (III-D). In addition, many disagreed with the recommendation that financial assistance by governments and developers should be made available for anyone required to be displaced (IV-B). Finally, 23 percent were opposed to the proposition calling for the reduction of housing standards to minimum levels consistent with health and safety in order to halt rising housing costs (I-D).

Workshop Four

The cost allocation issue was divided by Workshop Four into three parts: the allocation of capital infrastructure investments for new developments, reductions in the costs which have to be allocated, and issues which focus on compensating actions outside the more direct cost allocation decisions.

- The most consistent consensus centered on this first issue: who pays for what infrastructure costs? Most respondents--over three-fourths--agreed that on-site improvements exclusively benefiting the homebuyer should be properly included as part of development costs (I-A); that on-site improvements benefiting a population larger than the development should be shared between the developer and the community (I-B); and that off-site improvements benefiting a population larger than the development should be shared between the developer and the community ((I-C).

- The other area of substantial agreement was in the reduction of costs themselves, where three-fourths of the respondents favored the recommendations that States take a larger share of the education costs from the local community (II-D).

A few recommendations received several negative responses. Most of these recommendations sought to ascribe a larger role for the States in the allocation issue. Twenty-three percent of the respondents were opposed to states establishing allocation standards or rules as to what is equitable (I-D), and almost that large a proportion opposed the establishment by States of minimum performance standards to be used to set design criteria for site improvements (II-F). Fourteen percent did not favor the position that States should establish vested rights for development plans so as to assure that standards and requirements will not be changed after the initial application for development approval (III-D), nor that States should adopt a housing policy with implementation features for local governments to follow (II-G).

Workshop Five

Most of the recommendations from Workshop Five focused on ways to overcome perceived flaws in the permitting process which cause delays. Grouping the recommendations into three categories--procedural, political, and professional--the Workshop suggested actions--28 in all, the largest number of any Workshop--which States and local governments might take to streamline the permitting process. While the respondents as a whole endorsed all of the recommendations, they gave particularly strong approval to three.

- Eighty-three percent of the respondents supported the recommendation that individual units of government should prepare registries describing requirements, procedures and regulations, consolidate and/or standardize application forms, and establish criteria for determining application completeness (I-A1). There were no dissents to this recommendation.

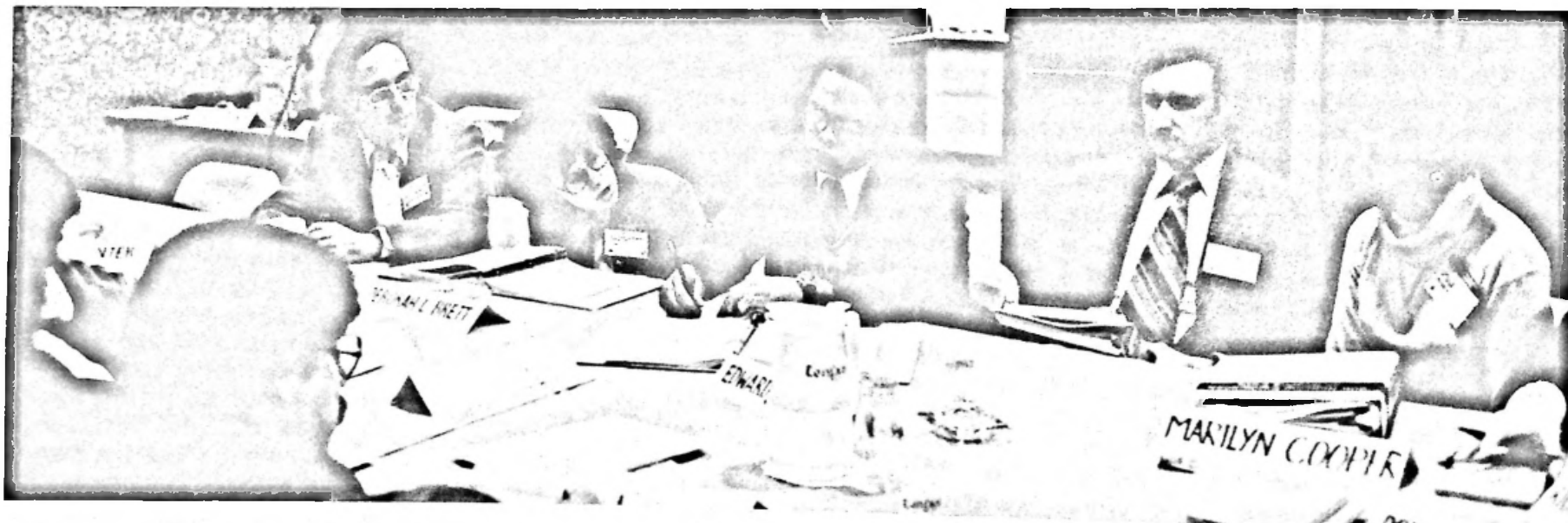
- Strong support was also given to the recommendation calling for the holding of preliminary conferences by local and State governments to make sure that requirements, procedures, and regulations are clearly understood (I-A2).
- The third strongly endorsed recommendation called for the number of permits required to be reduced through consolidation of overlapping regulations (I-B1). A parallel recommendation sought assurances that opportunities for public involvement not be diminished by consolidated procedures (I-B2).

In addition, measures to increase public understanding of land use regulations through education and work with the media also received strong support (II-C, A and B).

Recommendation II D-1, calling for the creation of a national organization made up of representatives of the elderly, minorities, tenants and developers to represent non-resident



and future resident interest in the reform of current procedures was approved, but by a narrow margin. (While a majority of all respondents supported this idea, it should be noted that Workshop Five participants voted narrowly, 15 to 14, with two 'No Opinions,' for this recommendation.) Four other recommendations received some opposition (16 percent or more): a recommendation whereby States would override local inaction which was inconsistent with State goals and standards (II-B-2); a recommendation whereby States could override local decisions where it was established that local standards and decisions were exclusionary (I-D-1); a recommendation that States should develop performance standards and incentives for local permit approval processes (I-A-6); and a recommendation encouraging States to institute programs to provide technical assistance, when requested, to developers in completing permit applications (III-C-1).



WORKSHOP I
IMPROVING DEVELOPMENT STANDARDS

IN FRINGE AREAS

Mrs. Fran Davin, Moderator

PERSPECTIVE OF THE PROBLEM

The task of improving development standards in fringe areas was analyzed with respect to three components: zoning ordinances, subdivision regulations, and environmental controls.

With regard to zoning, the research performed for this Conference showed that in most cases developing communities impose more severe design standards than do developed communities, that fewer than six percent of developing communities permit multi-family housing as a matter of right, and that developing communities do not encourage sufficient innovative development alternatives.

The significant housing cost problem deriving from the standards imposed by subdivision regulations was disclosed by the research to be stringent requirements for off-site improvements. Developing communities were not found to impose unreasonably restrictive requirements for on-site facilities.

The two major conclusions regarding environmental controls and their impact on housing costs were: (1) the extreme costliness associated with the preparation of environmental impact statements which require the compilation and reorganization of previously collected, non-site-specific data; and (2) the unnecessary prohibition of housing in environmentally critical areas. These prohibitions apparently derive from the insensitivity of the legislation to local conditions.

ISSUES AND RECOMMENDATIONS

1. There is an absence of development forms other than single-family homes in local zoning ordinances.

PER CENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
A. State and local governments should re- view zoning ordinances to permit a wider variety of housing types, including higher density units and manufactured housing. These reviews should be re- lated to local and area-wide estimates of need and demand and should provide incentives to encourage lower cost hous- ing. Recommended incentives include the following:	44%	34	13	8	1	100%
1. Density bonuses for lower cost housing.						
2. Waiver of exactions (fees for parks, etc.) where appropriate.						
3. Revenue bonds to offset cost of capital infrastructure.						
B. Local governments should be more con- scious of demographic and marketing trends and try to develop land use plans based upon these trends. Sufficient high-density housing should be included in zoning ordinances and maps, by right, to meet market trends and demands.	43%	39	12	5	1	100%
C. Both long- and short-range capital im- provements programs need to be im- proved so that community infrastructure capacity is provided to meet projected growth.	45%	38	15	1	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

- D. Manufactured housing should be permitted in all single-family zones and taxed in the same manner as all other real property.
- II. There is an absence of zoning, subdivision controls and environmental design standards to reduce the cost of housing.
- A. Local, State and Federal agencies should periodically review their off-site and on-site standards, and their methods and procedures as to zoning, subdivision controls, and environmental standards to insure that they reflect the state-of-the-art and are not onerous or do not exceed the minimum standards commensurate with the public health, safety and welfare.
- B. Zoning should provide an opportunity for selection by the public of a wide variety of housing types and include the latest planning and land use methods, particularly those which contribute to the reduction of housing cost. Least-cost single family housing regulations should not include minimum floor area requirements, nor should they include requirements for such amenities as garages and carports.

Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
22%	29	20	23	6	100%

51%	37	9	1	2	100%
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44%	33	15	8	0	100%
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PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
C. Subdivision control measures should be reviewed against the standard that design specifications for the various required improvements should not constitute an overdesign that does not contribute to the utility of the improvement or its economic life.	39%	43	16	2	0	100%
D. State and Federal agencies should make available to local governments existing research and funds for studies which provide a flow of information and technology relating minimum standards for land use controls.	34%	44	17	4	1	100%
III. There is an absence of creative development solutions in local zoning ordinances (planned unit developments, cluster zoning, impact zoning and transfer of development rights).						
A. Local governments should provide incentives for developers for creative development projects. These may take the form of density bonuses, priority processing or performance regulations.	44%	41	13	2	0	100%
B. State and local governments should, prior to implementing future land use regulations, analyze their potential impact on housing costs.	50%	35	13	1	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

Stongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
23%	23	40	10	4	100%

C. States have a responsibility to provide leadership in reducing housing costs. States should encourage and, where possible, require multi-state, State, or substate regional councils to develop regional standards on land supply and land use regulations and to make findings of local compliance or non-compliance with such standards.

IV. There is an absence of incentives for local governments to permit and promote housing of reduced cost.

33	36	16	12	3	100%
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A. State and regional governments should provide direct and indirect financial incentives to local governments to provide for cost effective zoning, subdivision, and environmental regulations. Examples of incentives are assistance with sewer, water, highway and transportation funds.

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Stongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
V. In many places, there is an absence of local fiscal resources other than property taxes to support local public services.						
A. State governments should adopt local re-distribution formulas for State-levied taxes or charges which will support the financing of community services based on economic need and severity of local impact. Local governments should look to revenue-raising mechanisms other than property taxes to support local services. These should include, but need not be limited to, user charges, fees and permit charges, and local sales taxes.	29%	42	18	10	1	100%
VI. Off-site improvement costs in developing communities tend to be excessive and often do not directly benefit consumers of the specific housing which is being developed.						
A. Local governments should be given bonus grants by State and regional public bodies to assist in servicing raw land with infrastructure. These grants should be contingent on the adoption of minimum development standards to insure the construction of a full range of housing types.	22%	34	20	19	5	100%
VII. Federal "critical area" environmental and other standards and guides need to recognize varying local conditions.						

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
38%	32	20	8	2	100%

A. Federal agencies should avoid promulgation of uniform national standards and should consider local and regional characteristics when preparing environmental and other regulations. Examples of such "national" regulations which may need revision are:

1. Department of Housing and Urban Development Minimum Property Standards
2. Department of Housing and Urban Development Energy Conservation Standards
3. Environmental Protection Agency Flood Plain Legislation
4. Environmental Protection Agency Section 208 Water Quality Requirements

VIII. Community- wide environmental impact statements are preferable to project-level environmental impact statements which tend to be duplicative and excessively costly. In addition, requiring environmental impact statements on a project-by-project basis does not accurately assess the real impact of development on a region.

- A. Environmental impact statements should be undertaken on a metropolitan area basis to identify hazardous areas where no development can take place, areas of critical concern where limited development could occur, and areas where no environmental impediment to development exists. Having completed a natural resource inventory, project-level EIS's should be short and site- specific.

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

Stongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
45%	34	17	3	1	100%

WORKSHOP II

INCREASING THE SUPPLY OF LAND IN FRINGE AREAS

Mr. Jerome Hillis, Moderator

PERSPECTIVE OF THE PROBLEM

The central issue is how local and State governments can provide the amount of developable land that should and will be available for various kinds of housing. Land cost is an increasingly critical component of housing cost, and land supply is a major determinant of land cost.

Developable land was defined as that open land where housing is allowed, which is available, and which has or can have urban services. The supply of developable land exists only in relation to demand. Supply-demand interactions describe a dynamic, economic process, namely, the market. The market has spatial, fiscal, legal, institutional and other characteristics. Whether the government's role is concerned with publishing information, regulating with spatial techniques, actively managing with every technique in its possession, or substituting public ownership of land for private ownership, the government is managing a market and not implementing a physical design.

A source of controversy in the Workshop deliberations was the synthesis of discussion into solution-oriented recommendations capable of implementation by State and local governments. One such issue is the widespread desire in developing communities to exclude low-and moderate-income housing. While recognized as a serious problem, this attitude is also recognized as not easily solved by State and local governments. Similar problems, solutions to which are probably beyond the scope of State and local governments, were land market imperfections, a shift of investments to land as a hedge against inflation, and increased foreign investment in land.

Bearing in mind these difficulties, consensus recommendations were rendered in each of three issue areas.

ISSUES AND RECOMMENDATIONS

PER CENT DISTRIBUTION OF CONFERENCE RESPONDENTS

- I. Despite the presence of competing interests and values, local, regional, and State government decision-making and processes need to be improved to increase the supply of available land.

- A. Local growth management policies should be explicitly related to a land inventory and to programs to extend services.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
32%	41	20	4	3	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
B. Local plans and land inventories should include estimates and projections of present and future housing needs (preferably as part of regional market and need analyses), taking into account land zoned for different types of lot sizes, types of housing, and different income levels.	40%	45	15	0	0	100%
C. The capital improvements program should accommodate anticipated planned growth and consider the implications of its rate of extending services on reducing housing costs.	37%	44	16	2	1	100%
D. Local governments should use performance standards in zoning and subdivision regulations instead of specification standards.	32%	34	26	7	1	100%
E. States should develop guidelines for areas of development opportunity, where growth is encouraged and facilitated.	22%	41	22	12	3	100%
F. States should develop policies and explicit standards for critical areas, and review local plans at a State or regional levels, as appropriate, for consistency with these policies and standards. This review should be done in consultation with local governments.	22%	44	19	12	3	100%
G. Federal environmental standards should be clearer in their language and firmer in their enforcement.	18%	39	32	10	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Stongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
H. Federal regulations affecting land supply or housing costs should be subjected to cost-benefit analysis.	23%	43	27	6	1	100%
I. Federal standards for programs necessary for growth (such as water and sewer funding) should be based on the regional growth needs of each area, instead of standards which are insensitive to local conditions.	37%	40	20	2	1	100%
J. The Federal government should provide financial incentives to governments to which it provides grants to include land for low- and moderate-income housing.	35%	39	16	10	0	100%
K. Legislation enacted to implement these recommendations and the specific regulations which derive from such legislation should be reviewed regularly under "sunset" provisions:	35%	43	20	1	1	100%
1. For consistency						
2. To reduce duplication						
3. To achieve simplicity and clarity						
4. To reduce delay						
L. Proposed regulations should be subjected to cost-benefit analyses, including analyses of impact on land supply and housing costs.	24%	48	20	6	2	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
M. To reduce unfairness, delay, and arbitrariness in rezoning, local governments should establish a hearing examiner process, retaining a final review by or appeal of decisions to the governing body.	23%	32	29	12	4	100%
II. Local, regional, and State agencies should provide affordable support services to increase the supply of developable land.						
A. Accountability and incentives should be provided at the State level for local and regional planning bodies to consider all housing needs in housing market areas.	22%	46	24	8	0	100%
B. States need to take a more active role to reduce fiscal disparity among local governments in housing market areas. State fiscal policies should be reviewed to relieve local reliance on the property tax, and to clarify fiscal responsibilities of State, local and Federal governments for servicing growth.	28%	43	20	8	1	100%
III. Actions are needed at the local, regional, and State levels to decrease market imperfections that limit the supply of developable land.						
A. At the national level, the Federal government is cautioned against the excessive use of monetary supply measures as a primary anti-inflation tool without sufficient regard for the impact on the housing industry.	24%	43	27	5	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
26%	44	21	5	4	100%

B. It is recommended that a broad study be undertaken by the Department of Housing and Urban Development as to the influence of taxation and tax base policies on land availability. Specific taxes and tax policies which should be analyzed are the following:

1. Inheritance and income taxes.
2. Local assessment procedures.
3. Regional allocation of property taxes.
4. User-based taxation.
5. Tax base shifting away from property tax for residential services.
6. "Circuit breaking" tax allocation.
7. Implications of "proposition 13."

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

C. States should improve the dissemination of information on land matters to localities. This effort should be pointed toward the reduction of "unknowns" in the land market and as a hedge against speculative activities. It should include data on the following:

1. Mortgage rates and availability.
2. Land supply information, including subdivision activity, land price and land-in-process.
3. Demographic trends.
4. Ecological characteristics as inventoried from previous environmental impact reviews and environmental studies.

D. Local governments should realistically account for the local impact of key land parcel "speculation" or "hold-outs" as impediments to the logical extensions of development to available fringe land and a cause of price escalation.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
19%	52	23	5	1	100%

16%	41	38	4	1	100%
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WORKSHOP III
ENHANCING THE SUPPLY OF LAND AND
BUILDINGS IN CENTRAL CITIES

Mr. Robert Moore, Moderator

PERSPECTIVE OF THE PROBLEM

Much of the debate over the cost of newly constructed housing has focused on suburban, or fringe area, development practices. This is because the bulk of new construction takes place outside of central cities and built-up areas, where land is more readily available in large quantities.

Nevertheless, central cities are faced with their own manifestations of the housing cost problem. Prices for the existing stock of central city housing have risen dramatically, although at a somewhat slower rate than in suburban areas. The problems engendered by this price rise are nevertheless severe, for they fall on a population with less economic capability to absorb them.

In addition, central cities must contend with the final stage of the filtering process. Units which have reached the end of their useful lives and must be removed from the inventory are almost all located within central cities.

While housing cost problems of central cities differ from their fringe area counterparts, many of the solutions are similar to those sought by suburban governments. An expansion of new construction in suburban areas can usually ease upward price pressure in central cities. More directly, central cities need to make many of the same improvements in their governmental structures which are urged for suburban governments: more efficient and equitable permitting procedures; expansions of the supply of available, developable land; reductions in excessive and inefficient standards; and the fostering of competitive housing markets.

In addition, perhaps more than fringe areas, central city governments need to fashion solutions to their own unique manifestations of the housing cost problem. Therefore, the following recommendations have concentrated on those aspects of the problem which are peculiar to central cities. But the full range of Conference recommendations should be given consideration by central city governments.

ISSUES AND RECOMMENDATIONS

PER CENT DISTRIBUTION OF CONFERENCE RESPONDENTS

- I. The incentives for central city rehabilitation and new construction need to be strengthened. Impediments to development need to be removed or ameliorated.

- A. Federal, State and local governments should institute new and continue successful programs which seek to expand access to mortgage credit pools for both new and rehabilitated central city housing.

- B. Federal, State and local governments should institute programs which seek to make conventional mortgage credit and private and Federal mortgage insurance programs available to adaptive re-use housing projects. In addition, adaptive re-use housing projects should be eligible for Urban Development Action Grants and grants made for historical preservation purposes.

1. Localities should develop area-specific goals and objectives prior to individual project funding or approval decisions.

2. A regional pool of architects, planners, engineers and builders who have the experience and/or capability to undertake adaptive re-use projects should be identified.

Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
33%	45	20	1	1	100%
28%	48	22	1	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

C. Central city governments should encourage the use of all forms of subsidized housing, i.e. the full range of Federal and State subsidy programs. In addition, cities should explore the full range of local techniques to lower housing costs, i.e. tax-increment financing for land write-downs, and lowered mortgage interest rates for both rental and ownership units; expanded use of Community Development Block Grants and Urban Development Action Grants for housing cost reductions; density bonuses; permitting and promoting mixed use developments; and the specific recommendations which follow.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
32%	39	23	5	1	100%

D. Standards which bear on all types of central city housing should be reduced to the minimum level consistent with health and safety.

22%	34	21	20	3	100%
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PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

- E. Central city housing should be guided by three different types of codes, each having applicability under different conditions. Some States should consider enacting one or all of these codes.
1. Existing housing should be subject to a housing code whose objective is minimum safety.
 2. Housing undergoing rehabilitation should be subject to a rehabilitation code.
 3. New housing construction should be subject to a State or local derivative of one of the model building codes.
- F. State governments should seek uniformity in tax assessment practices. Assessment practices should be the object of studies to determine their relationship to reduced housing costs.
- G. Favorable Federal tax treatment comparable to that currently accorded historic preservation and solar energy projects should be extended to both in-fill and rehabilitation projects in central cities.

Stongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
26%	42	23	8	1	100%

27%	49	20	4	0	100%
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24%	42	24	9	1	100%
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- H. Labor unions are urged to cooperate with attempts to stimulate central city housing by relaxing work rules and by considering extensions of modified wage rates to central cities outside the north-east.
- I. Educational programs should be instituted in schools which train development professionals. These programs should have as their objective developing competency in in-fill and rehabilitation development. A secondary objective should be improving rehabilitation and in-fill technology.
- II. Residential development in central cities is retarded by insufficient data regarding available sites, complicated and overlapping permitting procedures, and unpredictable local government capital improvements schedules.
- A. Central city governments should institute a local development center or office to stimulate, assist and remove impediments to the local development process. The components of such an office could include the following:

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
28%	43	26	3	0	100%

23%	45	29	3	0	100%
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30%	43	24	2	1	100%
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1. The development center should maintain a data bank or information system which would contain a current inventory of vacant, distressed and potentially available properties.
2. The development center should expedite development applications utilizing separate processes and modes of technical assistance for large-scale and small-scale developers, utilizing private as well as public resources. More extensive technical assistance should be provided by cities for small developers.
3. The development center should inaugurate a system of coordination among the various city departments whose actions impact the development process. Knowledge of city plans and development programs should be current and accurate.
4. The development center should produce a "how to do it" development handbook describing the procedures which a developer must follow and the permits which must be obtained in order to build.
5. The development center should provide a catalog of available financing mechanisms and sources of financing. Technical assistance in securing financing should be provided to small developers.

6. The development center should issue a clear statement of the procedures under which commitments made by the city in relationship to private development (such as street easements, public development of adjacent facilities, etc.) can be made predictable and firm.
 7. The development center should have the capability to negotiate alternatives to property taxes. The following alternatives are recommended:
 - a. Acceptance of a percentage of gross rent in lieu of property taxes.
 - b. Exemption of rehabilitated housing from increases in property taxes on the increase in value deriving from rehabilitation for a fixed time period.
 8. The development center should have the capability to become equity investors in some types of projects.
 9. The development center should market development opportunities to both large and small developers.
- III. Central city government land management and distressed properties disposition functions are frequently fragmented among multiple line agencies.

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

- A. A local public agency should assume the function of aggregating larger land parcels and buildings for future city development and redevelopment. This function can be most efficiently carried out by consolidated departments of housing and community development, but it also can be coordinated among individual local agencies.
- B. Most local tax laws now provide for sheriff's sale of individual properties which are tax delinquent. However, properties which remain unsold after this first sale should be assembled by a city agency, for sale to private developers or owners, or for development by the city. Revisions of tax laws to permit creative development and redevelopment should be sought.
- C. A special opportunity exists for cities to sell or otherwise assist in the re-use of distressed properties, particularly Federal Housing Administration distressed properties.
- D. As a long-term option, consideration should be given to a general policy of public land ownership, particularly for commercial properties, with long-term leasing to private firms.

Stongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
16%	49	25	8	2	100%
23%	43	27	6	1	100%
19%	46	31	3	1	100%
12%	32	30	18	8	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

IV. Revitalization and "gentrification" of central city neighborhoods can involve displacement of lower-income households.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
27%	48	21	3	1	100%
19%	30	29	18	4	100%
20%	50	22	6	2	100%
21%	44	27	7	1	100%

A. If possible, displacement should be avoided. If displacement is deemed necessary, relocation assistance should be planned and phased as part of the redevelopment process.

B. Financial assistance should be made available for anyone required to be displaced. Financial assistance should be provided by the developer and the Federal, State and local governments.

C. Displaced tenants should have the right of first refusal on rehabilitated units. This right should apply to rehabilitated rental units as well as condominium conversions.

D. Alternative housing should be made available to displaced households. Local, State and Federal agencies should insure that it is.

V. Many forms of insurance are either unavailable or available only at exceptionally high rates in some sections of central cities. The absence of insurance contributes to the further decline of valuable portions of the existing stock of housing.

A. Basic security systems should be expanded to the point that they elicit broader coverage at reduced rates in distressed areas.

14%	47	37	2	0	100%
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PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
B. States and local governments should explore insurance risk pooling to obtain reasonable rates in distressed areas.	18%	48	29	5	0	100%
C. Insurance companies are urged to offer premium discounts where there have been no claims over an established period of time.	24%	43	33	0	0	100%
VI. Increases in operating costs have been one of the major factors in the recent increases in monthly carrying charges.						
A. Residential building design should be based on life-cycle accounting systems (building costing that accounts for long-term operating costs as well as first, or construction costs). To assist designers, builders, and developers in the transition from current practice, the Department of Housing and Urban Development should oversee, with State and local government assistance, the collection and codification of major life-cycle accounting studies by industry trade associations, consultants and academic institutions. This material should be published as a resource bibliography and be made available to designer-builders. Lending institutions and insurance companies are urged to take life-cycle design systems into account in setting their rates and charges.	17%	43	35	4	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
B. The Department of Housing and Urban Development should establish consistent regulations relating to solar energy for both single- and multi-family housing.	12%	49	30	7	2	100%
C. States and localities should examine utility fee structures to determine the feasibility of rewarding economical users. Assessments should be made to determine under what circumstances individual metering of utilities would cause a reduction in housing operating costs. When cost savings are established, regulations ought to be enacted to require individual metering of gas, water, and electricity.	20%	47	26	6	1	100%
D. Comprehensive planning and development should take into consideration travel and energy expenditures. Locations proximate to transportation can significantly reduce travel and energy expenditures associated with housing development.	21%	56	22	3	0	100%
VII. Property management of housing occupied by low-income persons is characterized by inexperienced managers and management problems which would tax the capabilities of the most knowledgeable and talented of managers.						

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

A. Education programs on property management must be expanded on national basis. Programs should be initiated in secondary schools and community college systems, and in addition to the traditional constituencies of these schools, should involve low-income residents and community organizations. Education programs should be supported by State and local governments' preparation of manuals regarding various types of paints and their upkeep requirements, preventing pipe freezing, maintenance of ice dams on structures, care of site drainage, performing interior maintenance and site maintenance, cleaning and care of ventilation systems

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
25%	47	24	3	1	100%

WORKSHOP IV
ALLOCATION OF DEVELOPMENT COSTS
BETWEEN HOMEBUYERS AND TAXPAYERS

Dr. Bernard Frieden, Moderator

PERSPECTIVE OF THE PROBLEM

There is a trend toward shifting public service costs from the community to the homebuyer. This trend includes shifting the cost of off-site services, such as schools, parks and trunk sewers. It is one of the most significant ways in which local governments affect housing costs. While there are substantial difficulties in measuring the impacts of these shifts, it is clear that in some communities the off-site costs can amount to several thousand dollars per new house.

One problem area demanding immediate attention is the methods used to estimate service costs resulting from new development. These estimates are currently biased by two factors: the state-of-the-art is weak, and local government's central concern is the protection of resident taxpayers.

The bias is in the direction of exaggerating service costs. There is a steady trend in fiscal impact analyses to overestimate the costs of new development. Even the most sophisticated analyses are using 1970 school attendance data per house as the basis for projecting future school costs. This is done in the face of the knowledge that the number of school-age children in the U. S. has declined by 11 per cent since 1970, and a further decline of 10 per cent is anticipated. In addition, the State share of school costs has been steadily increasing. Supreme Courts in about one-half dozen States have already found the present system of financing school costs out of local property taxes unconstitutional. About a dozen more States have similar suits working through their court systems. Using 1970 data and the old cost allocations for school enrollments is one clear way of exaggerating the public service costs of new development. More accurate methods of estimating the costs of new development are sorely needed.

Localism of building reviews tend to block more balanced solutions. At the extreme, some communities use cost allocation techniques as growth management devices. Even in more moderate situations, homebuyers are not represented in the communities that handle these reviews. Resident taxpayers are well represented and their interests dominate. This local setting necessitates broader constituencies in order to "open up" local systems. But at the same time there is hesitation here. Although many people would like to see the local system opened up, and they see some State, County, or possibly Federal action, toward this end, there is a real concern about substantial involvement of these higher levels of government in the development of new processes. The fear is that what might be gained in bringing a broader perspective might be negated by making development procedures even more complicated than they are today. What is sought is some way of tapping the powers, the resources, and the leverage of higher levels of government through a limited involvement. This involvement should not add further complexity to what is already a complicated system. Standard setting is an example of what may be an acceptable level of involvement.

Permitting procedures have substantially altered the institutional character of local housing markets. The terms of competition used to be that home builders would compete against each other for the consumer's dollar, and that was good for keeping prices down. Under new-style competition, home builders compete against each other to get building permits, but whoever gets the permit faces very little competition in the market-place. One of the central goals of the Workshop recommendations is restoration of competition in housing markets.

An important question is, if improvements were made and the development charges levied on the developer were in fact reduced, would consumers benefit, or would it lead to a windfall for the developer? From our deliberations it seemed clear that consumers would benefit only if markets are competitive.

The unpredictability of the system is a serious problem. Many of the charges and fees are not known in advance; they result from negotiations. Negotiations are inherently unpredictable. A more livable, more movable system would result if there was more standardization in setting these charges.

ISSUES AND RECOMMENDATIONS

PER CENT DISTRIBUTION OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
I. Because both housing construction and local government expenditures are extremely vulnerable to inflation and credit cycles, and because both inflation and credit cycles have undergone substantial recent fluctuations, there have been substantial differences of opinion regarding the allocation of the responsibilities for paying for capital infrastructure investments required by new development.						
A. On-site improvements exclusively benefiting the homebuyer should be properly included as a part of development costs.	41%	44	12	2	1	100%
B. On-site improvements benefiting a population larger than the development should be shared between the developer and the community.	28%	51	13	7	1	100%
C. Off-site improvements benefiting a population larger than the development should be shared between the developer and the community.	29%	51	12	7	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
D. States could establish allocation standards or rules as to what is equitable for allocating development costs off-site between the developer and the community at-large or other landowners. These objective standards could then be mandated to be followed at the local level. The State should stay out of the process of zoning and the process of approvals "per se" (i.e., no new State agencies or boards).	15%	41	21	21	2	100%
E. Federal, State and local governments should fund investigations and demonstrations aimed at improving the methods used by local government to estimate public improvement costs and the allocation of costs.	12%	57	23	6	2	100%
II. An integral part of the cost allocation debate is the issue of reducing the costs which have to be allocated.						
A. Improvements should be paid for in the least costly way. Financing improvements through home mortgages, which is the consequence of directly shifting capital costs to developers, should be avoided because it is not the least costly method.	18%	37	32	13	0	100%
B. Builders normally can provide improvements at substantially lower costs than local public agencies. The recommended approach would permit localities to contract back with the developer to perform off-site work as well as on-site work.	14%	47	28	11	0	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
C. States should provide alternative means to finance improvements through such devices as tax exempt bonds, especially where there are restrictions on the use of special authority approaches. For example, States could provide the possibility for the use of revenue bonds without local referenda by having a State agency issue bonds in which there was a contractual agreement with local governments. Alternatively, States could provide guarantees to make local revenue bond approaches more feasible and marketable.	18%	42	29	11	0	100%
D. States should expand their responsibilities for educational costs and educational facilities. Education is a public purpose and should be funded by means other than the property tax.	31%	45	18	4	2	100%
E. Demonstrations of joint developer-community efforts to reduce development cost are recommended. Examples are cost-sharing concepts where the local government waives its standards in exchange for sharing the savings with the developer. The role of the State or Federal government demonstration agency should be to provide long-term guarantees in case these cost-saving methods did not work or resulted in long-term costs.	13%	43	32	10	2	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
F. States should establish minimum performance standards to be used to guide localities in setting design criteria for site improvements.	11%	46	22	19	2	100%
G. States should adopt a housing policy with implementation features for local governments to follow. Examples of such features are minimum design standards. States should produce a growth statement within their housing policies. This growth statement would provide goals and guidelines that local government could use.	15%	42	29	10	4	100%
III. Compensating actions outside of cost-allocation decisions can ameliorate the effects of those decisions.						
A. Local governments should provide mechanisms for the use of user fee financing through special districts or special authorities, where State constitutions allow these approaches.	9%	49	31	11	0	100%
B. Local governments should guarantee equitable treatment of all landowners benefiting from improvements in a given area, instead of placing the burden on large landowners or those who initially seek development. This can be accomplished through provision of approaches for developers to recapture off-site costs from subsequent developers utilizing these facilities or allocation of off-site costs to all properties served.	18%	53	25	3	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
C. Local governments should extend permission for developers to put up fees and off-site contribution requirements in the form of bonds to be replaced with cash as expenses are incurred.	11%	50	35	3	1	100%
D. State governments should consider the establishment of vested rights for development plans to assure that standards and requirements will not be changed after the initial application for development approval.	23%	41	22	11	3	100%

WORKSHOP V

PROCEDURAL REFORM OF LOCAL LAND USE REGULATION

Mrs. Audrey Beck, Moderator

PERSPECTIVE OF THE PROBLEM

The Workshop members recognized that procedures used to develop housing are only one aspect of the pervasive and serious problem of escalating housing costs. But there was also recognition that local government processing problems and costs have unnecessarily interfered with the previously competitive nature of local housing markets. The small developer was characterized as being particularly vulnerable to the increased risks and altered competition engendered by expanded and lengthened permitting requirements.

The Workshop acknowledged that in a strong, or demand-dominated, housing market, cost savings resulting from reform of permitting procedures would not necessarily be passed on to the home buyers. In the long term, more comprehensive reform efforts and increased local administrative awareness of the cumulative impact of their decisions might help restore competitive housing markets.

Reducing the delay generated by longer and more cumbersome permitting procedures was considered inherently valuable because reduced delay would avoid a waste of resources. Further benefits which procedural reform can obtain are elimination of "leap-frog" development, avoidance of backlashes against ineffective planning, enhancement of local government credibility, eventual restoration of competitive housing markets and reduction of administrative costs.

There will have to be trade-offs between competing goals. Developers seek the elimination of uncertainty. Virtually all of the Workshop participants held minimizing administrative discretion to be a worthwhile goal. Benefits sought here were reductions in cronyism, corruption and unpredictability. At the same time, there was endorsement of the legitimacy of the social and environmental goals for which regulations were initially established. In the end, what is needed is reform which would eliminate the negative side-effects of current procedures without diverting the intent of the legislation and regulations.

The major issues were classified as procedural, political and professional.

I. PROCEDURAL ISSUES AND RECOMMENDATIONS

PER CENT DISTRIBUTION OF CONFERENCE RESPONDENTS

A. The permit review process is fragmented, decentralized and unclear. Authority, requirements, procedures and deadlines are often vague and conflicting. Extensive delay is one inevitable consequence of this confusion.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
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1. Individual units of government should prepare permit registries which describe requirements, procedures and regulations in specific terms. Application forms should be consolidated and/or standardized. Criteria for determination of application completeness should be developed and published.

44%	39	17	0	0	100%
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2. Individual units of government should hold preliminary conferences designed to assure that requirements, procedures and regulations are clearly understood. It is particularly important that the small or inexperienced developer receive assistance at this stage. A determination of application completeness should occur early.

39%	43	16	2	0	100%
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3. Individual units of government should consider hiring a permit expediter.

22%	35	31	10	2	100%
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PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
4. Separate ("dual track") permit processing systems should be instituted for projects which differ in size and potential impact or in their relation to areas of critical concern. The objective is to treat different projects in the separate fashion which their relative importance merits. Low impact projects should not be subject to unnecessary reviews.	26%	49	20	5	0	100%
5. Individual units of government should establish realistic and binding processing times for each stage in the process.	30%	48	19	3	0	100%
6. States should develop performance standards and incentives for local permit approval processes.	18%	40	26	13	3	100%
B. Permit reviews are sequential and linear instead of concurrent and interchangeable.						
1. The number of permits required should be reduced through consolidation of overlapping regulations.	42%	42	15	1	0	100%
2. Both intergovernmental and intra-governmental consolidation of hearings can reduce delay. Opportunities for public involvement should not be diminished by consolidated procedures.	32%	52	15	1	0	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
3. Intergovernmental interchangeability of approvals should be sought. Short of reciprocal approvals, interchangeability of information requirements should be sought.	33%	44	22	1	0	100%
C. There is no means for auditing permitting systems to insure that they are working. The lack of auditing systems prohibits the application of standards. (See also recommendation I-A-6)						
1. Larger units of government need to develop automatic tracking systems to insure that both developers and planners know the current status of permit applications. (Also see recommendation I-A-6 regarding standards.)	29%	44	23	3	1	100%
D. Non-resident and future resident interests are not represented in review procedures.						
1. State overrides of local decisions should be instituted when it can be established that local standards and decisions are exclusionary. (It was recognized that this option will not be politically acceptable in all states.)	24%	30	25	15	6	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

E. The vested rights of developers and property owners are not clearly specified.

1. Local plans should be precise and explicit enough to render zoning appeals routine.
2. Appeals processes need to be strengthened and made consistent.
3. Where permitted under State constitutions, State legislatures should set time limits for judicial review of legislative and administrative approvals.
4. Individual units of government should adopt one of the principal model building codes and keep it up to date. There should be limitations on local modifications.

Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
23%	48	23	5	1	100%
21%	57	20	1	1	100%
20%	43	27	10	0	100%
24%	47	22	6	1	100%

II. POLITICAL ISSUES AND RECOMMENDATIONS

A. Lay boards, some of which are poorly informed, can often slow the permitting process.

1. Planning, zoning and other bodies should contain qualified, knowledgeable persons who represent a broad range of community interests.

32%	47	19	2	0	100%
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PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
B. There is a need for explicit, legislatively mandated goals and standards. The lack of specific standards and goals leads to "hidden agendas" or policies developed by administrators.						
1. Legislatures need to accept the responsibility for setting explicit goals and standards. When this is done, the review process will become ministerial.	25%	40	25	9	1	100%
2. State overrides in cases of local inaction or action which was inconsistent with State goals and standards was considered an option where politically feasible.	18%	31	30	18	3	100%
C. Current attempts at education and public involvement are insufficient.						
1. Greater attempts should be made to educate, involve and inform the public.	22%	55	20	3	0	100%
2. Special attempts should be made to insure that the communication media understands the issues involved in land use regulation.	27%	55	18	0	0	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

D. Non-resident and future resident interests are not represented in the review process.

- I. Creation of a national organization having a broad-based constituency at the State and local level. Representatives of the elderly, minorities, tenants and developers would have reform of current procedures as their objective.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
7%	32	36	17	8	100%

III. PROFESSIONAL ISSUES AND RECOMMENDATIONS

A. The knowledge bases and value assumptions of planners and developers are in dramatically different universes. There is a need for a far better base of mutual understanding. Conferences involving the major public interest groups should promote cross training of planning staffs and developers.

3%	5	92	0	0	100%
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B. Administration suffers from governmental incompetency and is often designed to mask it.

- I. Programs aimed at continuing education for planning staffs should be expanded.
2. Information regarding development trends and successful procedural reforms should be widely disseminated by Federal agencies.

26%	54	18	2	0	100%
27%	53	17	2	1	100%

PERCENT DISTRIBUTION
OF CONFERENCE RESPONDENTS

	Strongly Agree	Agree	No. Opinion	Disagree	Strongly Disagree	Total
3. Code administrators, inspectors, and technicians should be cer- tified.	23%	40	32	5	0	100%
C. Smaller developers and new firms are excessively burdened by administrative complexity.						
1. States should institute programs to provide technical assistance, when requested, to developers in completing permit applications.	15%	41	27	13	4	100%
D. Information required by permit applica- tions is frequently unavailable.						
1. Data requirements should conform to data that is currently available.	25%	48	21	5	1	100%
2. Centralized information clearing- houses should be established to standardize available data, insure its quality, and confirm its accuracy in representing critical environmental and social concerns.	26%	47	23	3	1	100%



EPILOGUE

EPILOGUE

Jay Janis, Under Secretary
U.S. Department of Housing and Urban Development

The HUD National Conference on Housing Costs was just a beginning. Unless we are prepared to act upon the mandate which the Conference has provided, the results will rapidly fade and leave us with very little that is useful. As you know, most of the recommendations relate to action which State and particularly local governments can take to stem land costs associated with the development of housing. I believe that HUD can play a significant role in working with State and local governments, as well as with the various interest groups in creating an acute awareness of the issues and providing the kind of information and technical support necessary to help change regulations and procedures which contribute to spiraling housing costs.

Generally speaking, Departmental support of this effort will fall into three areas:

1. Research: The Department will continue to undertake significant research relating to land development and housing costs. At the present time, we are supporting the preparation of a number of studies which relate directly to this issue. To cite a number of examples, HUD has commissioned the Urban Institute to undertake a study on the costs of development regulations. Research is currently underway to develop appropriate methodology for conducting metropolitan-wide environmental impact statements and will be available in 1981. This Fall, the Department will be issuing reports on local government management through improved coordination of capital improvement programming. HUD also has commissioned a major study of opportunities for urban infill which will include methodology guides. Also, we recently published The Fiscal Impact Guidebook which guides local officials in evaluating the impact of proposed development. The Department is supporting the American Planning Association's preparation of a handbook on strategies for simplifying the local land use regulatory process. This compen-

dium will be available early in 1980.

In addition, the Department will continue to initiate new research regarding land development and housing costs. We are making significant strides in increasing our knowledge and understanding of the issues; however, much remains to be examined. The Department is committed to stay in the forefront of this issue.

2. Dissemination: Making sure that appropriate information reaches the right people is one of the major challenges facing the Department. In many instances, expert and key decision-makers are not aware that research and information already exist to assist them in developing and implementing cost-effective land use strategies. The information explosion which has characterized the past few decades is a very real one. We must work constantly to facilitate this communication.

The distribution of the Conference's proceedings illustrate our attempts. Initially, copies are being sent to groups and individuals representing the public and private sectors. Additionally, we will distribute large numbers of an Executive Summary of the proceedings, designed to inform those who might not otherwise review the full Proceedings. The Department also is reviewing other dissemination activities which include: the sponsorship of a series of regional housing costs conferences; establishment of a HUD clearinghouse for information on land development and housing costs issues for both government and the private sector; a national awards program for innovation in cost controlling techniques; and the preparation of additional publications documenting successful housing costs strategies and techniques.

3. Coalition Building: Our ability to disseminate this information effectively is contingent upon the cooperation of the many affected public and private organizations.

The Department has already begun a long term effort to enlist the support of many public and private interest groups and professional associations in dealing with the

land use and housing costs issue. The Housing Costs Conference was co-sponsored by 39 national organizations representing public and private groups involved in the provision, regulation or consumption of housing. (This list of co-sponsors can be found at the beginning of these Proceedings.)

Shortly after the Conference was held, the Department convened the co-sponsors for advice on how to proceed. As a result of that meeting, HUD staff have begun to meet with various organizations individually to encourage their active participation. This participation hopefully will take a number of different forms:

1. Distributing Proceedings and summary materials to their membership;
2. Publishing short articles regarding housing costs in organization newsletters and other publications;
3. Hosting workshops and seminars at national and regional membership meetings;
4. Approving policy committing the organization to work towards reducing housing costs; and
5. Committing financial and staff resources to the membership on the issue.

The issue of housing costs is real to millions of Americans. We are all housing consumers. We must work together to understand the scope and nature of the problem and to take appropriate action to correct the problems identified, if we are to ensure that our children will be able to realize the dream of a decent home and suitable living environment.



APPENDIX

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WORKSHOP II: INCREASING THE SUPPLY OF LAND IN FRINGE AREAS

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WORKSHOP III: IMPROVING CENTRAL CITY DEVELOPMENT STANDARDS AND INCREASING THE SUPPLY OF LAND AND BUILDINGS

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