

Housing Affordability By Design

by Richard Benner

Communities across Oregon are watching the cost of housing price their children out of the market. No single action can alleviate the market forces at work. Good community design, however, can help. It can also help make communities more affordable.

Community design begins—but does not end—with zoning. For decades, zoning has been accused of serving the interests only of the well-to-do, segregating economic classes in American cities. Richard Babcock, in *The Zoning Game*, said: “[Z]oning has provided the device for protecting the homogeneous, single-family suburb from the city.” “[Z]oning prohibited the very conditions that formerly made housing available to all income groups and integrated it into the civic fabric,” wrote James Howard Kuntzler in “Home from Nowhere” (*Atlantic Monthly*, September 1996). Exclusionary zoning led the New Jersey Supreme Court to derive a “fair share” requirement from the state constitution (each community must provide for its share of low-income housing) and to scrutinize zoning ordinances in communities that had not taken their share.

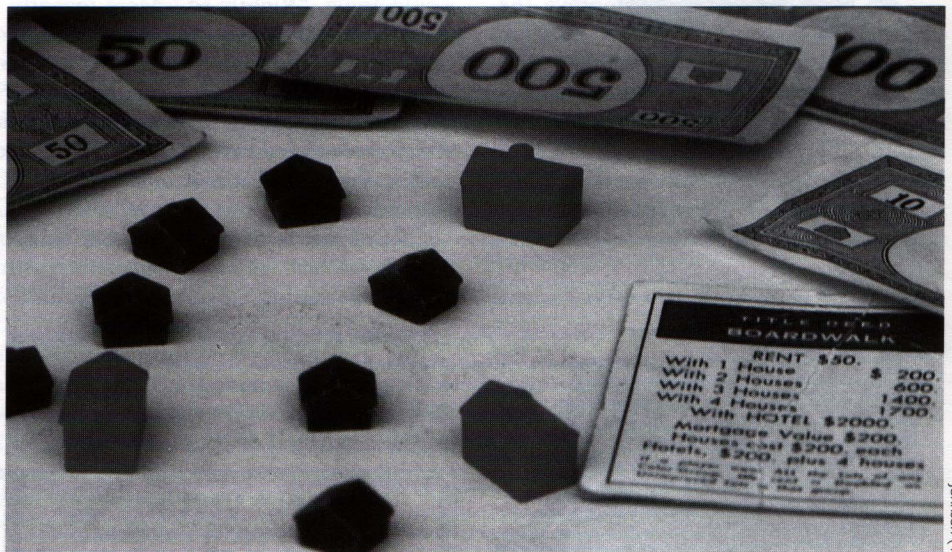
Until the 1970s, many Oregon communities used zoning to the same effect. In the Portland metropolitan area, the average *developed* lot for single-family residences was 5,600 square feet; yet the average *vacant* lot for the same use was 13,000 square feet. Intentionally or innocently, this zoning pattern favored higher

Bend to Gresham applied the tools of zoning and planning to reduce barriers to affordable housing. Communities were responding to a new policy adopted in 1975 by the state Land Conservation and Development Commission (LCDC). The new policy—Goal 10 (Housing)—calls upon communities to:

encourage the availability of adequate numbers of needed housing units at prices and rent levels which are commensurate with the financial capabilities of Oregon

exclude multi-family or assisted housing.

More important than these rulings, communities throughout Oregon examined their zoning ordinances for impediments to affordable housing and changed the ordinances accordingly. By 1982, cities in the Portland metropolitan region had revised their single-family zones such that zoning for the average vacant lot dropped from 13,000 to 8,500 square feet. Zoning to allow multi-family residences rose from 7 percent of the vacant residential land



households and allow for flexibility of housing location, type and density.

The language of the Goal has the ring of the confessional, but it yielded dramatic results shortly after its adoption. The Goal led to a series of administrative rulings that declared zoning practices that excluded affordable types of housing illegal. Based upon Goal 10, LCDC told the City of St. Helens in 1978 it could not zone to discriminate against multi-family

base to 28 percent. These changes meant that 305,000 residences could be built where only 129,000 had been allowed a year earlier.

These were not merely paper gains. Goal 10 opened the housing market to smaller lots and new housing types.

According to the Oregon Title Insurance Company, the Portland metropolitan area's market has responded with a dramatic drop in the size of newly platted lots for single-family dwellings: the average new lot in 1995 and 1996 was 6,700 square feet. Nearly 48 percent of all new homes built in the same period were multi-family dwellings

When the Metropolitan Service District (Metro) adopted the urban growth boundary (UGB) for the Portland metropolitan area in 1979, it assumed that

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income households and prevented the market from building housing affordable to more Oregonians.

During the 70s and 80s, however, without much attention from academia or the media, Oregon communities from

housing. In 1981, the commission ruled that Lake Oswego could not set a low-density ceiling in its neighborhoods. In 1983, the Land Use Board of Appeals ruled that Goal 10 prevents a city from using a voter-approved charter provision to

densities would change very little, and that all growth would occur on vacant land. Based upon this and other assumptions, Metro calculated that 79,000 acres of vacant land would be needed to accommodate a population of 1.6 million. In fact, the region passed the 1.6 million mark in

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1996 (two years earlier than expected) and 39,000 acres—nearly half—remained vacant. A substantial amount of the growth was accommodated by increasing density, infill, and redevelopment. (It is interesting to note, however, that the region is still not as dense as Portland was in 1950.)

Until recently, these efforts by Oregon communities helped keep housing relatively affordable compared to housing costs in comparable western cities.

Very recently, however, housing has become less affordable in Oregon communities. Today, 45 percent of homeowners with household incomes below the state median spend more than 30 percent of their incomes on housing. This means housing is unaffordable to seven percent more households than six years ago. In Corvallis, apartments renting for \$300 a month in 1990 are now renting for \$700 a month. The National Homebuilders Association ranks Portland and Salem among the least affordable housing markets in the country. While some analysts disagree with several assumptions in the Homebuilders' survey, the trend is indisputable.

Not solely an Oregon phenomenon, housing has become less affordable nationally. Homeownership rates declined in the 1980s for the first time since World War II. (Ownership rates rose in 1997.) Two million more households would own homes today if ownership rates had remained at their 1980s levels.

Removing zoning obstacles to more affordable housing has positioned Oregon to buck the trend. But our business is unfinished. There are doubtless more zoning obstacles to be removed. Communities should pursue and eliminate them, consistent with protection of their livability. It may be, however, that we have already removed most of the obstacles to lower housing costs.

It is time to look beyond removal of zoning obstacles—beyond the cost of housing itself—to make housing affordable. We must consider reduction of overall living costs an object of community and neighborhood design. Better community design can reduce public and private development costs and, thereby, reduce the cost of living.

Usually, a smaller lot costs less. The average new single-family lot in the Portland region last year was 6,700 square feet, one-half the average size required by zoning 20 year ago. In allowing the market to make the reduction, cities in the region dampened the growth-induced increase in the cost of housing by an estimated 10 percent. That 10 percent kept housing costs below the affordability threshold (30 percent of household income for housing) for many people who would otherwise have been priced out of the market.

A neighborhood of smaller lots generally costs less in "linear" services. If a given length of street and sewer, water, and storm drain lines can serve a larger number of homes, the capital cost is spread over a larger number of contributors. According to the developer-funded Urban Land Institute, public facility capital costs for multi-family dwellings at 15 units/acre are \$18,000 per unit. Costs are \$28,500 per unit at 5 units/acre (1989 dollars). A recent study (1996) of development patterns in the Central Valley of California showed that each new household will cost \$123 a year more in services than it contributes in taxes if growth happens in a low-density pattern of three units per acre. The compact growth pattern—six dwellings per acre—yields a different result: each new household will contribute \$27 more in tax revenue each year than it

requires in services. Lower service costs and lower property taxes can mean more money to apply to a monthly mortgage or rent payment.

A compact community is easier to police. Portland Police Chief Charles Moose recently testified to Metro in support of more compact communities because they are easier to patrol. More important, compact communities are more "walkable" and "bikeable." This means more neighbors on the street, often the best antidote to neighborhood crime.

A compact community is easier to serve with transit. Transit is not financially feasible in low-density neighborhoods. Transit is cost-effective at 8 to 10 units per acre. At 15 units/acre and above, patrons can expect frequent service. For many city dwellers, transit means accessibility. It is often the only way for older and poorer residents to get to work, medical facilities, parks, and stores.

Totals for the 11 counties of California's Central Valley

In millions of 1993 dollars (except per capita) — Annual

	Low density	Compact density	Difference
PRIVATE SECTOR AG LOSS			
Ag acreage converted	1,035,477	474,371	(561,106)
Gross sales lost	\$5,266	\$2,448	(\$2,818)
Personal income lost	\$2,661	\$1,235	(\$1,426)
Jobs lost	39,751	18,510	(21,241)
CITY REVENUE / COSTS			
Annual revenues	\$5,115	\$5,134	\$19
Annual costs	\$6,100	\$4,917	(\$1,183)
Net balance	(\$985)	\$217	\$1,202
Net / revenue %	-19.3	4.2%	23.5%
Net per capita	(\$123.14)	\$27.12	\$150.26

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A compact development pattern, particularly if it is "mixed use" and "pedestrian-friendly," can shorten commutes and non-work trips. A "mixed use" pattern is one that puts commercial and retail uses, public uses (such as parks, schools, and community centers), and jobs near residential uses. "Pedestrian-friendly" development has easy street crossings, sidewalk continuity, and connected streets. According to a study of urbanized portions of Washington, Multnomah and Clackamas counties conducted in 1993 by 1000 Friends of Oregon, households in a pedestrian-friendly environment make three times as many transit trips and nearly four times as many walking and bicycle trips as households in pedestrian-unfriendly environments. Residents of pedestrian-friendly neighborhoods drive half as many vehicle miles daily and make

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only two-thirds to three-quarters the number of vehicle trips. A Metro survey corroborates these results: in neighborhoods of residential use only, not served by transit, 89 percent of all trips are by automobile; in a mixed use neighborhood served well by transit, 40 percent of trips are by foot, bicycle, or transit. The better design in these neighborhoods can mean lower living costs and more disposable income to apply to rent or mortgage payments.

Because a mixed-use, pedestrian-friendly development pattern can reduce the number and length of trips, it can reduce the need for cars. In fact, people who live in neighborhoods of this design own fewer cars. A study in Sacramento revealed that residents of compact neighborhoods own 1.3 cars per household; residents of low-density neighborhoods own 2 cars per household. If a two-car household can get by with one in a well-designed neighborhood, the household can save \$6,465 each year, the annual cost of driving a new car 15,000 miles for the year, according to the American Automobile Association. This household can apply the savings—\$450 to \$500 a month—to a mortgage or rent payment and have enough left over to pay for a transit pass or rent an extra car when needed. More Oregon households (the households being formed by our children) can afford dwellings in mixed-use, pedestrian-friendly neighborhoods.

The American Farmland Trust study of cities in the Central Valley of California, mentioned earlier, is one in a growing body of literature showing that more compact development costs less than low-density development. The Central Valley study revealed that, for Central Valley cities, low-density development is a drain on local government finances, while compact development produces net revenues to local government. If this were to hold true for Oregon communities, then there is an important implication for social equity: low-density development requires a subsidy; compact development subsidizes sprawling development.

That is, low-density development may impose a hidden tax upon residents of compact neighborhoods. Oregon communities should develop the capability to evaluate the costs of various development patterns so they can act to remove subsidies and move closer to equitable taxation,

fee assessment, and resource allocation.

One way to address this subsidy is to reduce systems development charges (SDCs) for compact development. SDCs are fees charged against new development to cover some or all of the costs of certain service systems, such as sewers. Cities could reduce SDCs for dwellings in a compact development pattern if, as is often the case, the dwellings are less expensive to service. This could restore at least some

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measure of equity within a community.

Because housing affordability is so important to community welfare, Oregon has developed a "benchmark" to measure it and to measure the effectiveness of efforts to make housing affordable to more Oregonians. The benchmark is: "Percentage of low income households [those below state median income] spending more than 30 percent of their household income on housing." For the last three years, the Oregon Progress Board has declared this benchmark to be one of the few "urgent" benchmarks highlighted for special attention. Unfortunately, data for Oregon communities indicate housing has become less affordable, following West Coast trends.

Oregon can get its second wind in the struggle for housing affordability, but it will take a broader strategy than the one that opened the zoning door to the marketplace over the past 20 years. The new strategy must look to community design and to compact, mixed-use, pedestrian-friendly development patterns as the context within which the marketplace can operate.

Heroes of Local Knowledge

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and traditional tools and materials, accompanied by inspiration, that creativity, unique form, and innovation emerge.

This is the power, strength and ultimate hope of local knowledge. Nurturing this process and incorporating it into new technology is absolutely critical to our creativity, to our environment, to our economy. Local knowledge helps build healthy communities. If we do not use it, we lose it.

Joseph Conrad is a Northwest sculptor, second generation stone cutter, and owner of an Oregon-based stone fabrication company currently practicing his art in Portland. Mary Anne Harmer Allen is a national consultant and director of the Healthy Communities Initiative in Portland. They are currently collaborating on a book profiling outstanding heroes of local knowledge and the value of connecting traditional technology with contemporary innovations.



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