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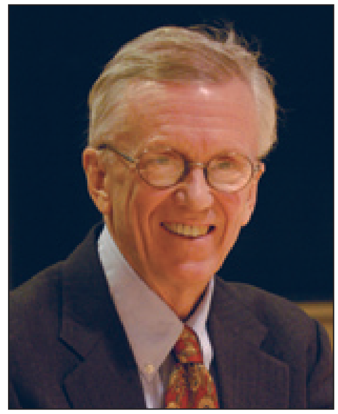
Smart-Growth Zoning Initiatives Are Exceeding Expectations

By Ted Carman and Angus Jennings

CHAPTERS 40R AND 40S OF THE MASSACHUSETTS General Laws – which together address smart-growth zoning – have been in place for only a few months, but a dramatic change is evident in communities across the commonwealth. Zoning for higher-density housing, in the past highly adversarial, is now proceeding in a far more cooperative fashion. Our conversations with developers and local officials indicate that this new approach to housing development has begun to change the dynamics on the ground.

When the Legislature adopted Chapter 40R in June 2004 and Chapter 40S this past November, it offered a new strategy to spur housing production and economic development. The combined incentives were targeted to locations already served by infrastructure. The policy was intended to create a surplus of land zoned for higher densities and to enable site selection, permitting and market production to keep pace with demand. A surplus of zoned land – virtually inconceivable prior to smart-growth zoning – would eliminate the root cause of the persistent and compounding lag in housing production.

How much is happening? More than is immediately evident. Based on our research, over 30 communities are actively considering smart-growth zoning. These local initiatives represent the potential for over 7,000 housing units to be built in smart-growth locations. Not all of these units will be built, of course. But it is reasonable to expect that many more units - thousands, in fact - will be proposed in the coming months, and many eventually will be built. The incremental new housing this represents – over and above what the market would have produced absent smart-growth zoning – should help insulate our economy against price spikes in single-family homes during the next economic expansion.



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Development Dynamics

Many factors in recent years have influenced development dynamics. Low interest rates meant that anyone who could afford to buy did so, resulting in surging demand for modestly priced housing. Supply lagged, prices skyrocketed and the new production that did occur primarily served the top of the home-buying market. Large-lot zoning drove up the cost of land and froze out the first-time homebuyer. Employers struggled to provide wages in keeping with housing costs. Rents remained constant for a number of years due to increased rental production and the loss of 160,000 jobs statewide, but the additional rental units and the weakened economy did little to moderate the price spike in single-family homes.

As these problems mounted, it became apparent that the challenges of housing affordability and the loss of open space were closely linked. Yet this recognition of shared interests rarely resulted in real solutions. Aging infrastructure and a school funding system based on local property taxes led to a gridlocked zoning environment. Developers and town officials found themselves at loggerheads within a statutory framework that unintentionally – yet unmistakably – placed their objectives in opposition.

In 2003, the Commonwealth Housing Task Force, a broad-based coalition of business and community leaders facilitated by The Boston Foundation and working through Northeastern University's Center for Urban and Regional Policy, identified the central reason for the lag in housing production relative to demand: A shortage of land zoned for higher densities.

The task force also confirmed that much local opposition to density was justified by concerns about the economic impacts of residential development on local infrastructure, especially the school system. Its analysis and recommendations led to the smart-growth zoning legislation – all aimed at resolving these conflicts.

Transforming the Dialogue

Now there is encouraging news. Our travels across the state indicate that in many communities smart-growth zoning is transforming the dialogue regarding higher-density housing. The self-interest of these communities has become more closely aligned with the self-interest of developers, along with the need for more housing to be built throughout the region.

Incentive payments to the localities

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(roughly $4,000 per unit built) are a welcome enticement, and priority consideration for state infrastructure funding can result in additional money to manage the impacts of growth.

The most critical incentive, however, is the school funding component. Under Chapter 40S, the commonwealth will serve as a partner to ensure that local education costs won't exceed property tax revenues. The formula provides that half of the property tax revenues remain available for local non-school spending, and it ensures that state costs are generated only when local deficits are demonstrated. Cost projections indicate that the state can make good on this commitment – and dramatically affect local development dynamics – with only a modest investment.

These incentives for cooperation can provide the impetus for the political support needed to achieve approval of a city council or the two-thirds vote required at a town meeting. In several cases, these new incentives have already moved the consideration of specific sites from stalemate to cooperation. Landowners and local leaders are focusing their attention on how best to move a project forward. Resources are being invested in architects and other experts with a focus on shared challenges rather than confrontation and dispute.

Communities embracing smart-growth zoning recognize that the required densities mirror existing development patterns in precisely those neighborhoods that are cherished for their historical character and sense of place. The opportunity to once again embrace these traditional neighborhood features – narrow, tree-lined streets, handsome single-family homes on small lots, well-maintained parks and commons – has captured the imagination of both planners and developers.

We expect that over time, as nearby communities and others observe the construction of exceptional neighborhoods – in a form not widely seen in Massachusetts in over 50 years – there will be a ripple effect. The perceived value – economic and otherwise – of these "traditional neighborhood developments" will channel an increasing share of development investment toward smart-growth locations.

A significant market opportunity exists in the demand for downtown living near public transportation and town centers. Smart-growth zoning offers a developer the ability to meet that demand by investing in vacant and underutilized sites in a way that are sound from a profitability standpoint and beneficial to the community. According to one town planner, smart-growth zoning "may be just what the doctor ordered."

Promise for the Future

The Commonwealth Housing Task Force has predicted a substantial increase in housing production due to smart-growth zoning. Some may be skeptical, particularly when looking back on past years of adversarial public hearings and town meetings across the commonwealth. Of course, time and results on the ground eventually will provide the proof. But it is not too early to predict that the current activity, in over 30 rural, suburban and urban communities all across the state bodes well for substantial new production.

Looking ahead, the key to avoiding a surge in housing prices when the economy heats up again is to create a surplus of zoned land adequate to accommodate the housing needs of the next production cycle. Smart-growth zoning has the potential to achieve just that. If it's successful, land costs will moderate and developers will bring quality homes to market at modest prices while enjoying the economies of scale resulting from increased density. Further, as oppositional dynamics wane, Massachusetts can expect to benefit from a productive pursuit of common goals for housing, economic development and our collective quality of life. ■