



Regulatory Uncertainty, Housing Supply, and Affordable Housing: Insights from California, Houston, and Florida

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2011 growth management reforms dramatically reduced state's role

- **Public resistance**
 - Large land developers
 - Local elected officials
 - Property Rights coalitions
- **Academic research showed the weaknesses of the GMA**
- **Public was less supportive of GMA**
- **Local planning was kept largely intact**



- What kind of houses do people want to live in?

Summary Table Value of Housing Characteristics

G. Stacy Sirmans and David A. Macpherson, Florida State University

Home Characteristics	Estimated % Change in Selling Price	Statistically Significant
Structural Characteristics		
<i>General Features</i>		
Square Feet	3.3%	*
Lot Size (in Acres)	1.5%	*
Bedrooms	4.1%	*
Full Bathrooms	24.1%	*
Partial Bathrooms	15.0%	*
Central Air Conditioning	12.4%	*
Cathedral Ceiling	2.4%	*
Skylight	3.0%	*
9-foot Ceilings	6.2%	*
Exposed Beams	4.6%	*
Walk-in Closet in Master Bedroom	-0.6%	
Sitting Area in Master Bedroom	8.0%	*
Den/Study	7.3%	*
Sun Room	2.7%	*
Loft	1.4%	
Bay Window	3.4%	*
In-Law Suite	-5.2%	*
Central Vacuum	3.0%	*
Air Filtering System	4.8%	*
Professional Office	-5.0%	*
Elevator	10.0%	



- What type of houses to people buy?

Table 1.1

The Twenty Characteristics Appearing Most Often in Previous Hedonic Pricing Model Studies

Variable	# of Appearances	# Times Positive	# Times Negative	# Times Not Significant
Lot Size	52	45	0	7
Ln Lot Size	12	9	0	3
Square Feet	69	62	4	3
Ln Square Feet	12	12	0	0
Brick	13	9	0	4
Age	78	7	63	8
# Stories	13	4	7	2
# Of Bathrooms	40	34	1	5
# Rooms	14	10	1	3
Bedrooms	40	21	9	10
Full Baths	37	31	1	5
Fireplace	57	43	3	11
Air Conditioning	37	34	1	2
Basement	21	15	1	5
Garage Spaces	61	48	0	13
Deck	12	10	0	2
Pool	31	27	0	4
Distance	15	5	5	5
Time On Market	18	1	8	9
Time Trend	13	2	3	8



Key elements of conventional planning

- **“Closed” system (internal to community)**
- **Urban development is presumed nonorganic**
 - **Presumption is against change**
- **Presumes rational and objective decision making in planning**
- **Process rather than outcome or performance driven**
- **Legally binding**



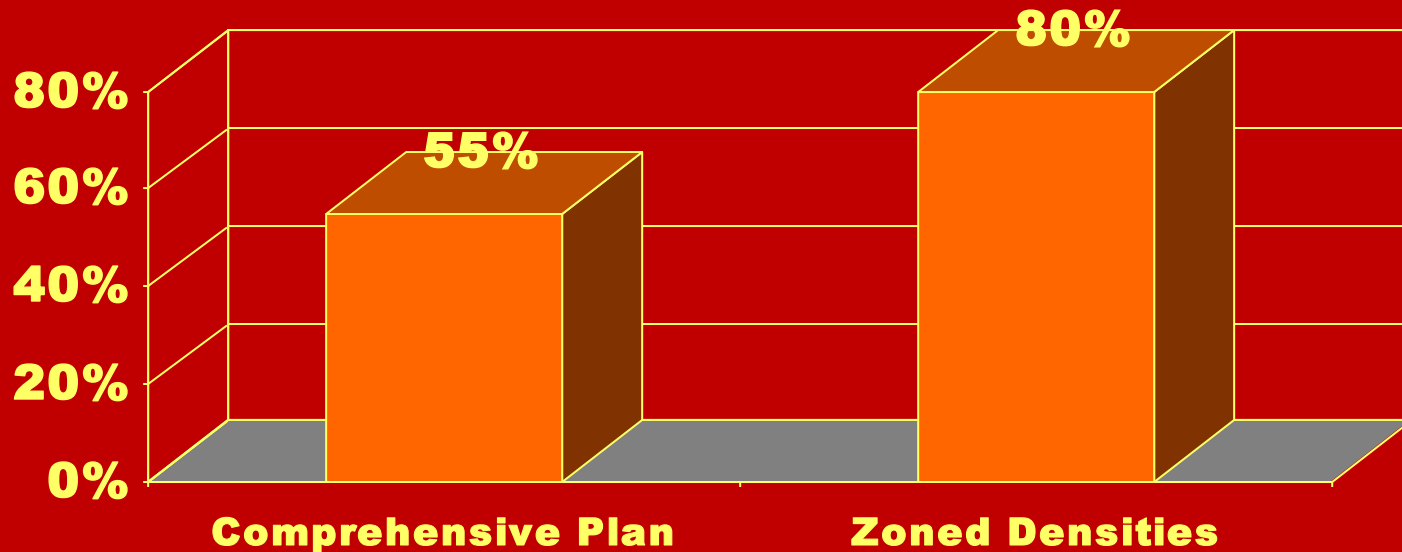
Consequences of conventional process

- **Development approval is lengthy**
- **Substantial upfront costs for entitlement and approval**
- **Housing markets are less dynamic, resilient and innovative**
- **Zoning is largely ineffective and serves to promote existing land uses**



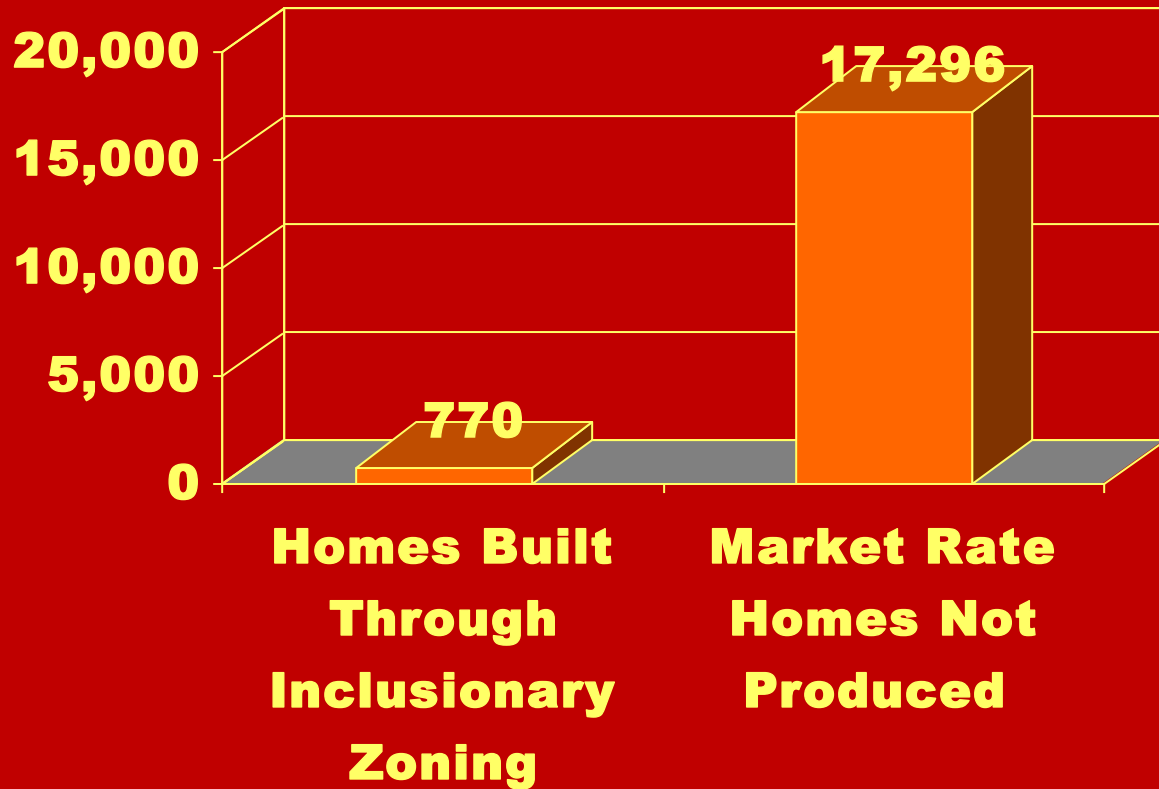
California: Approved densities are lower than planned densities

Approved Densities vs. Planned Densities: Ventura Co.





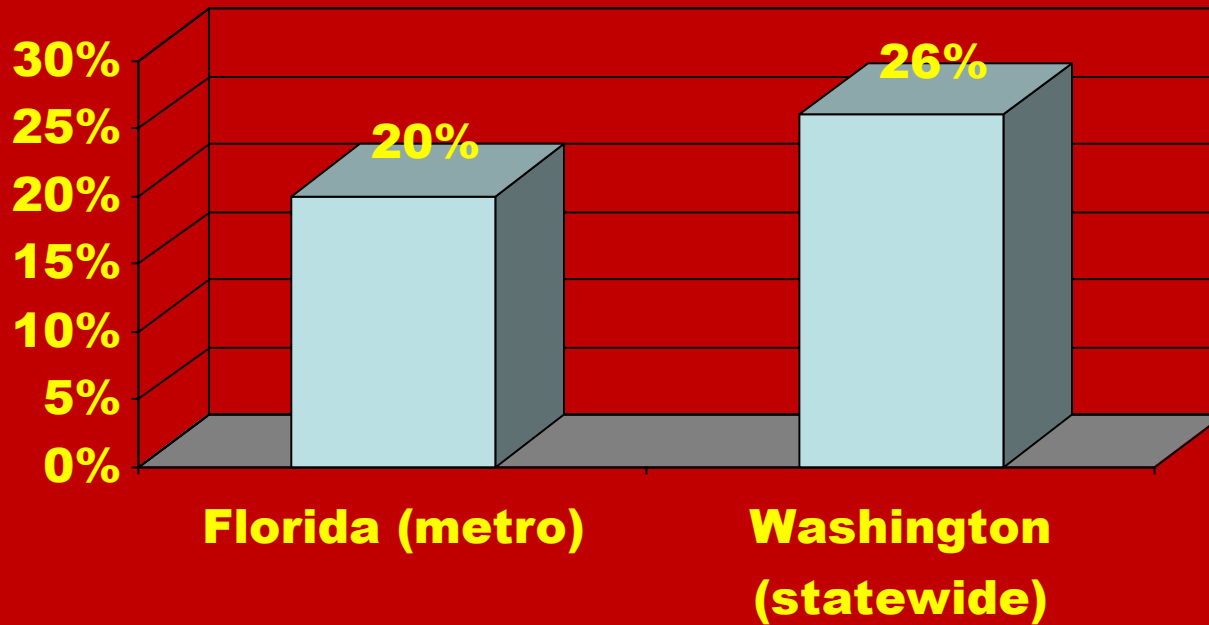
Inclusionary zoning can't meet housing demand





Uncertainty increases price of housing

Estimated Impact of Statewide Growth Management Laws on Housing Prices





Implications for state and local housing industry

- Only “big boys” can play
- Lower overall investment
- Higher costs (lower quality)
- Local firms with connections to local government officials have advantage
 - Cronyism
- Most of these shifts are hidden



Alternatives to Conventional Planning

Conventional

- Comprehensive plan/master plan
 - Zoning map approved
 - Reviewed periodically
 - Extensive public involvement
- Rezoning
 - Entitled, land purchased
 - Public hearings
- Site Plan Review
 - Public hearings
- Final Site Plan Review
 - Public hearings
- Building Permits Issued
 - Administrative

Houston

- Land platted (1 month)
 - Administrative review
 - 30 day review period
 - Cannot violate deed restrictions
 - Development entitled
- Site Work Review
 - Land
 - Structure
 - Parking garages
- Permits Issued
- Simultaneous submissions allows construction to begin on complex projects in 3-4 months



In Houston....

- **Low development costs**
 - Multifamily housing can be permitted and fully leased in 145 days
- **Neighborhoods transition organically as the city grows**
 - Change is a recognized consequence of economic growth
- **Commercial development is orderly and appropriate**



Key elements of Houston planning

- **Administrative review**
- **Focus on performance and outcomes**
 - **Does the project impact the rights of others?**
 - **Is the impact significant?**
 - **Can the impact be measured?**
 - **Can the impact be mitigated**
- **Encourages certainty**



Houston “works” if cities want to....

- Promote affordable housing
- Promote orderly neighborhood transitions concurrent with the city’s development
- Citizens are truly concerned about mitigating the community *impacts* of development



Performance driven planning

- **Are the right questions being asked?**
- **Does the proposed land use or development proposal limit the rights of others?**
 - Externalities/spillovers
 - Physical invasions
- **Is the impact tangible?**
- **Is the impact measurable?**
- **Is the impact negative?**
- **Can the impact be mitigated?**



Performance-driven planning that focuses on impacts

	<i>Does Project Limit Rights of Others?</i>	<i>Is the Impact Measurable?</i>	<i>Is the Impact Negative?</i>	<i>Should the Impact be Mitigated?</i>
Public Concerns				
Traffic congestion	yes	yes	yes	yes
Revenue neutrality	yes	yes	yes	yes
Create crime	yes	yes	no	no
Reduce property values	no	yes	no	n/ap
Local profitability	no	no	n/ap	n/ap
Community character	no	no	n/ap	n/ap



Implications for affordable housing

- **Conventional planning in Florida is closed, prescriptive and subject to uncertainties of process**
- **Higher uncertainty and development costs squeeze profit margins for workforce housing**
- **Performance driven planning would allow a wider range of housing types and price points, serving a diverse housing market**