

## APPENDIX A

# The Impact of Smart Growth on Housing Affordability

ANALYSIS OF 8 METROPOLITAN MARKETS BY  
LAND USE PLANNING SYSTEM



DEMOGRAPHIA

Slide Presentation

Slide 1

# Housing Affordability: A Tale of Two Nations

Kansas City



Portland



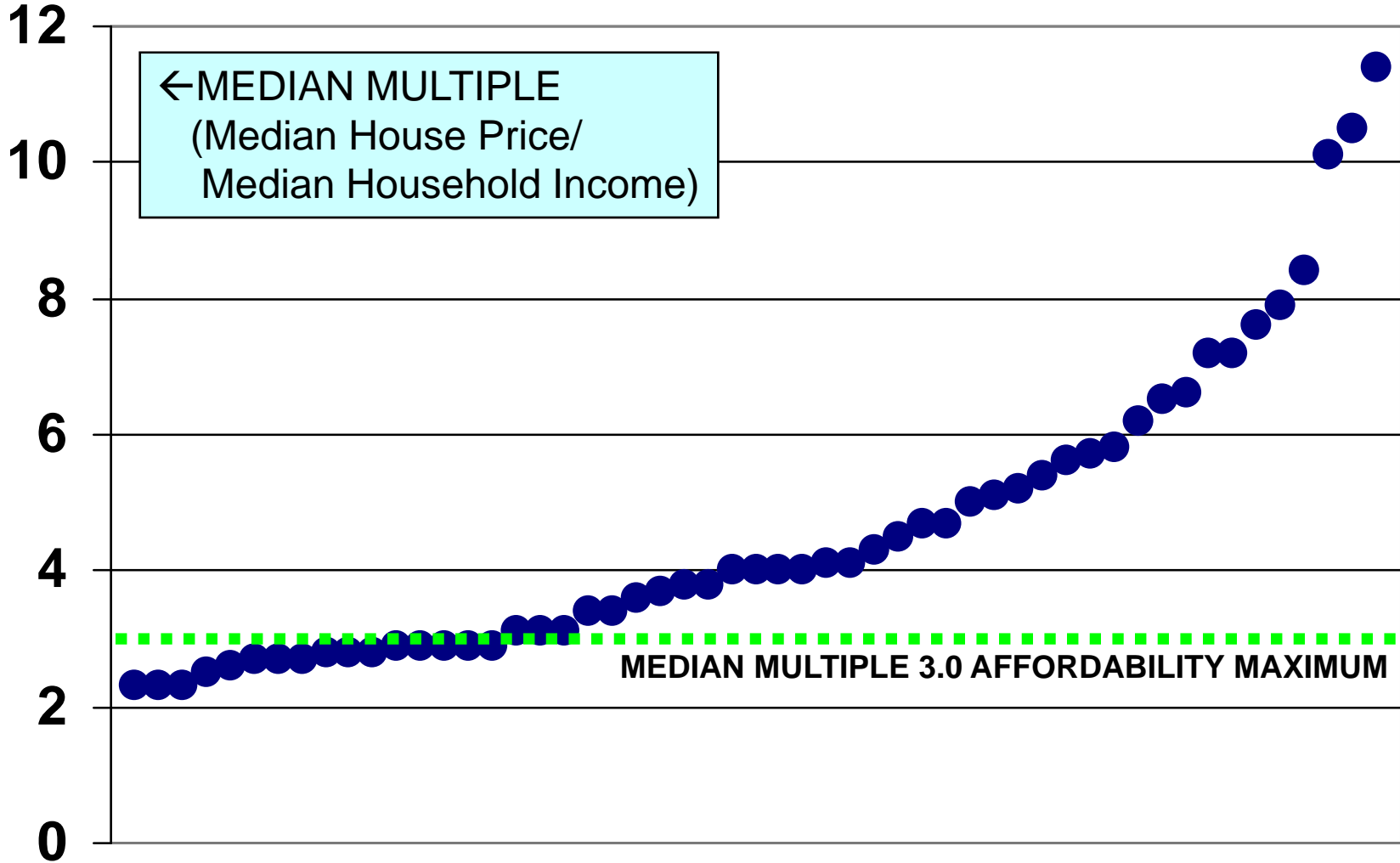
# Summary of Research

## SMART GROWTH & HOUSING AFFORDABILITY

*There has been considerable debate about whether the newer, prescriptive urban planning policies (“smart growth”) materially raise house prices in relation to the more traditional, responsive planning systems. This inquiry reviews house price experience and trends in 8 markets, 4 with prescriptive planning and 4 with responsive planning. An attempt is made to estimate market prices in the absence of smart growth, by developing a “market upper limit” that is applied to all markets. Prices and trends in responsive and prescriptive markets are then evaluated based upon this standard.*

# Housing Affordability Distribution: 2006

## MAJOR METROPOLITAN MARKETS





# The Issue

**Does smart growth lead to materially higher housing costs than occur in non-smart growth markets?**

# Land Use Planning Systems and Metropolitan Markets

Kansas City



Portland



# Planning Types & Markets

RESPONSIVE  
PLANNING  
(Liberal)

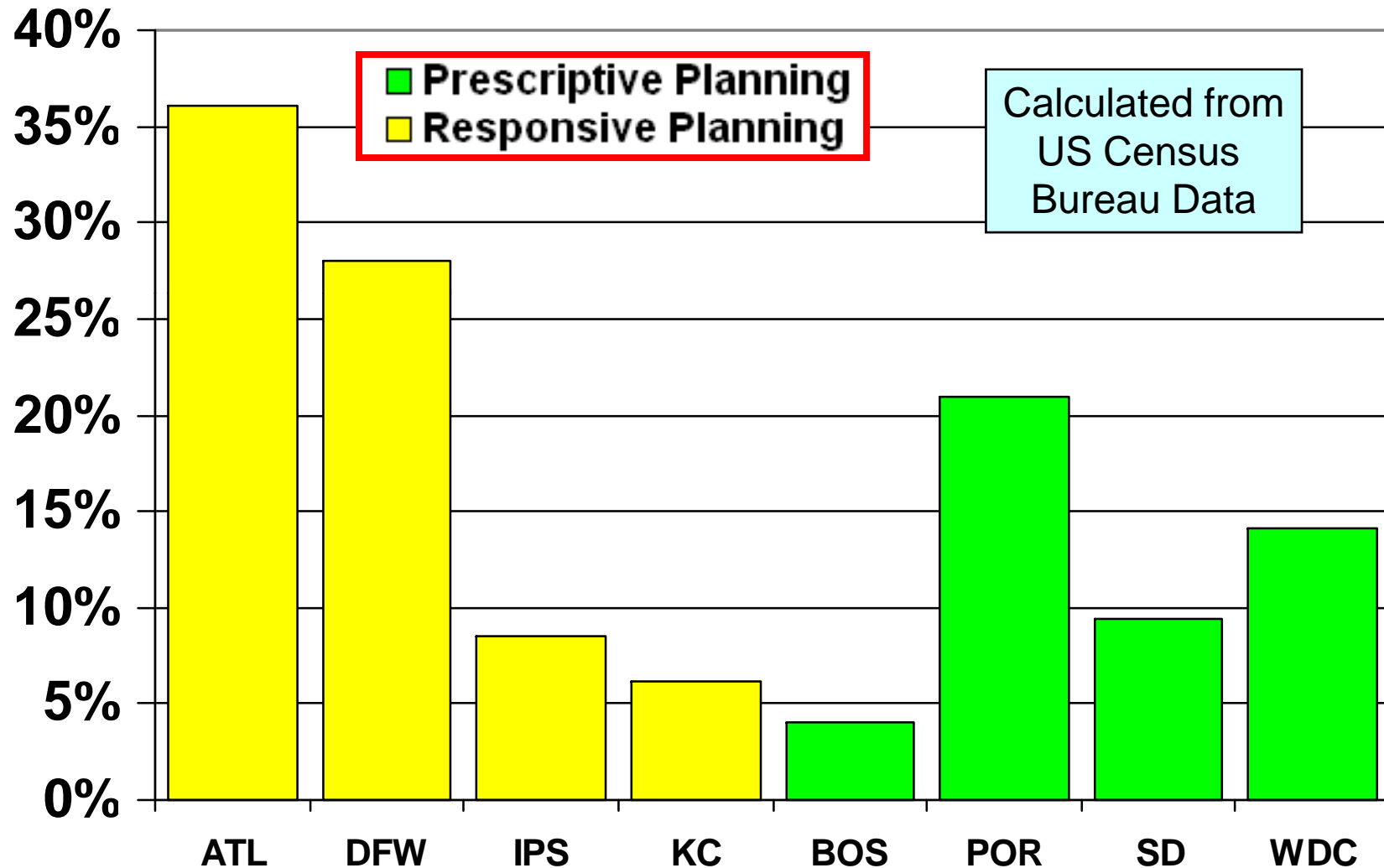
Atlanta  
Dallas-Fort Worth  
Indianapolis  
Kansas City

PRESCRIPTIVE  
PLANNING  
(Smart Growth)

Boston  
Portland (Oregon)  
San Diego  
Washington (DC)

# Population Growth: 1996-2006

## METROPOLITAN MARKETS



# Existing House Analysis: Median Prices

Kansas City

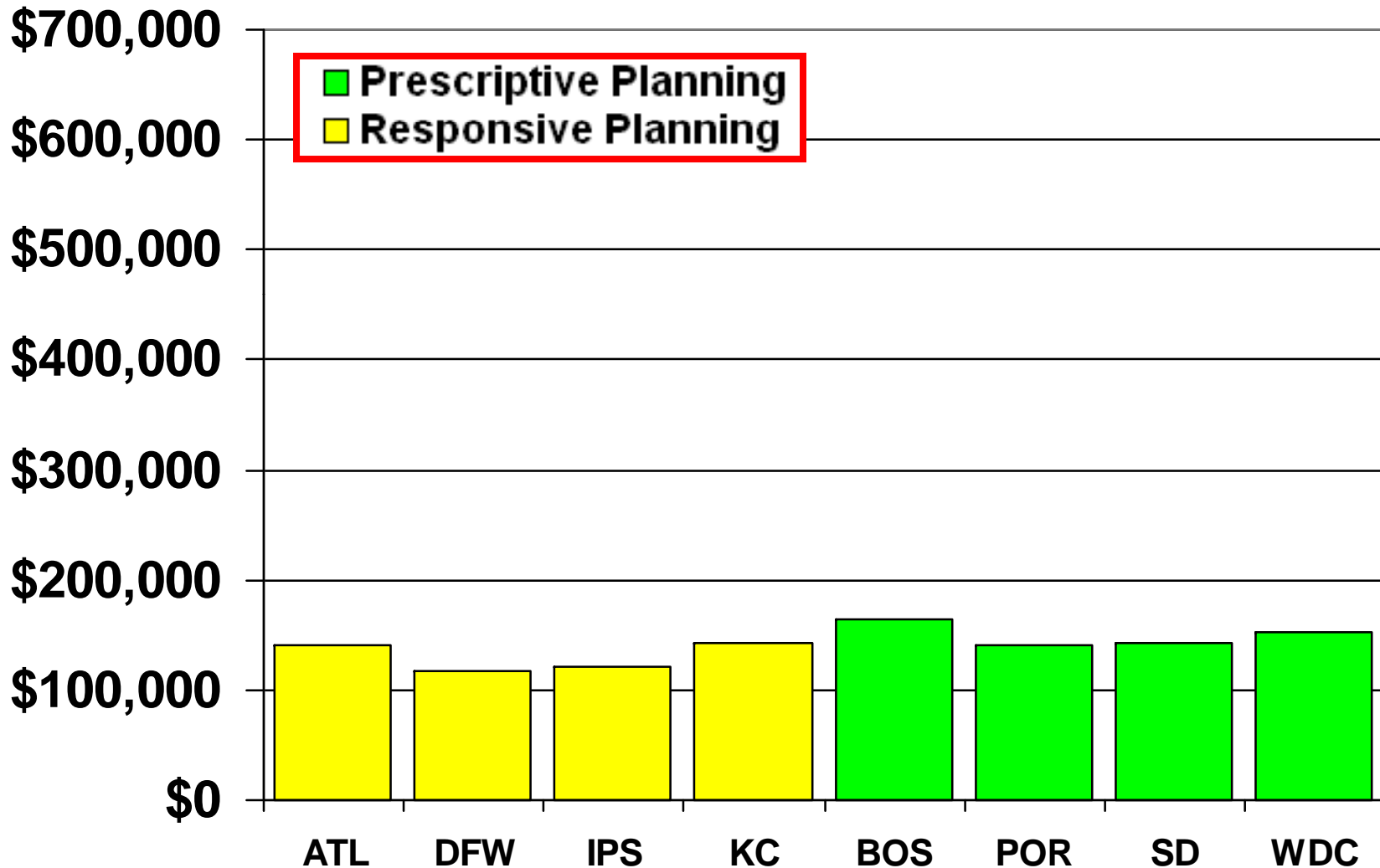


Portland



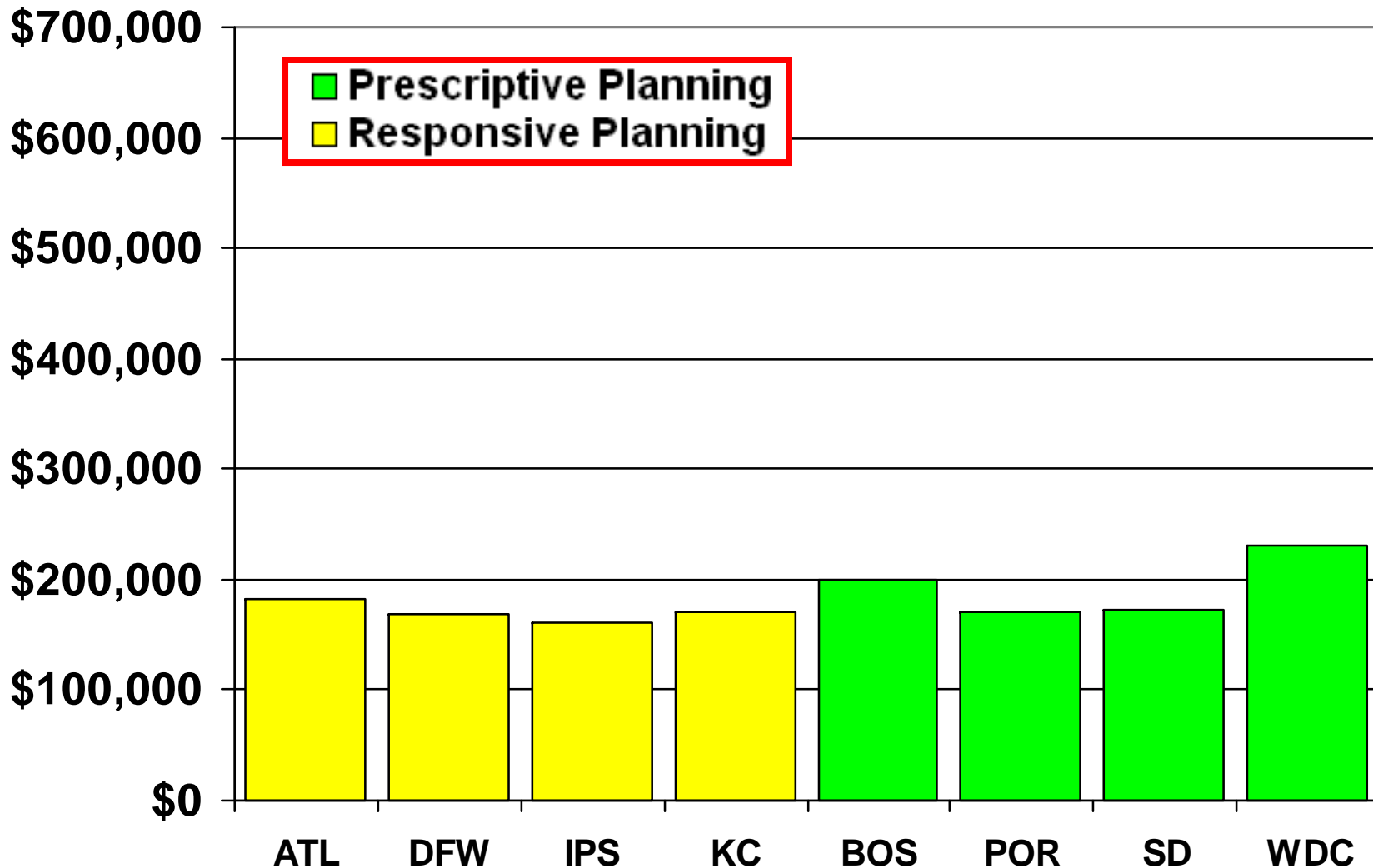
# Existing House: Structure Replacement

METROPOLITAN MARKETS: 2006



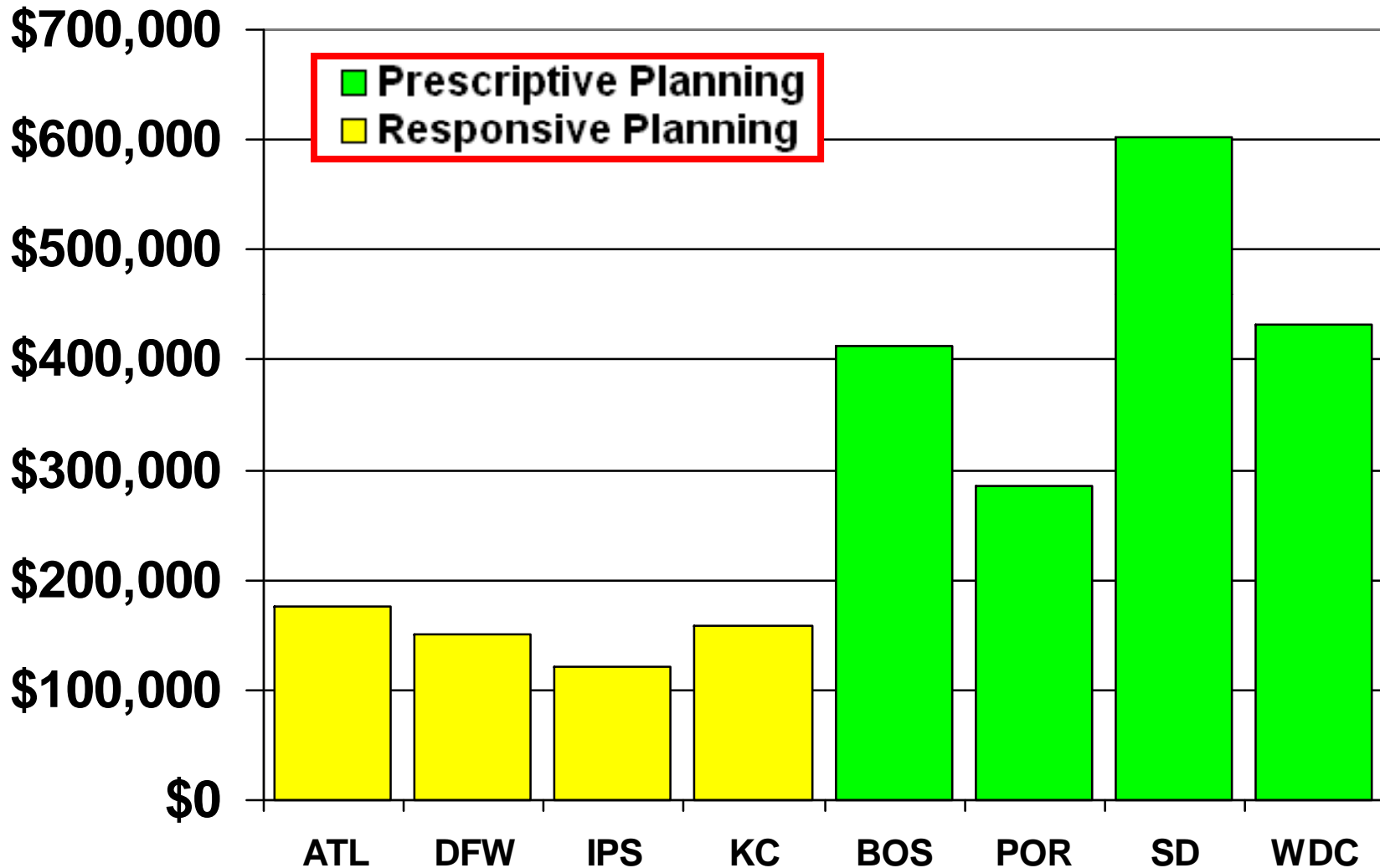
# Existing House: Market Upper Limit

METROPOLITAN MARKETS: 2006



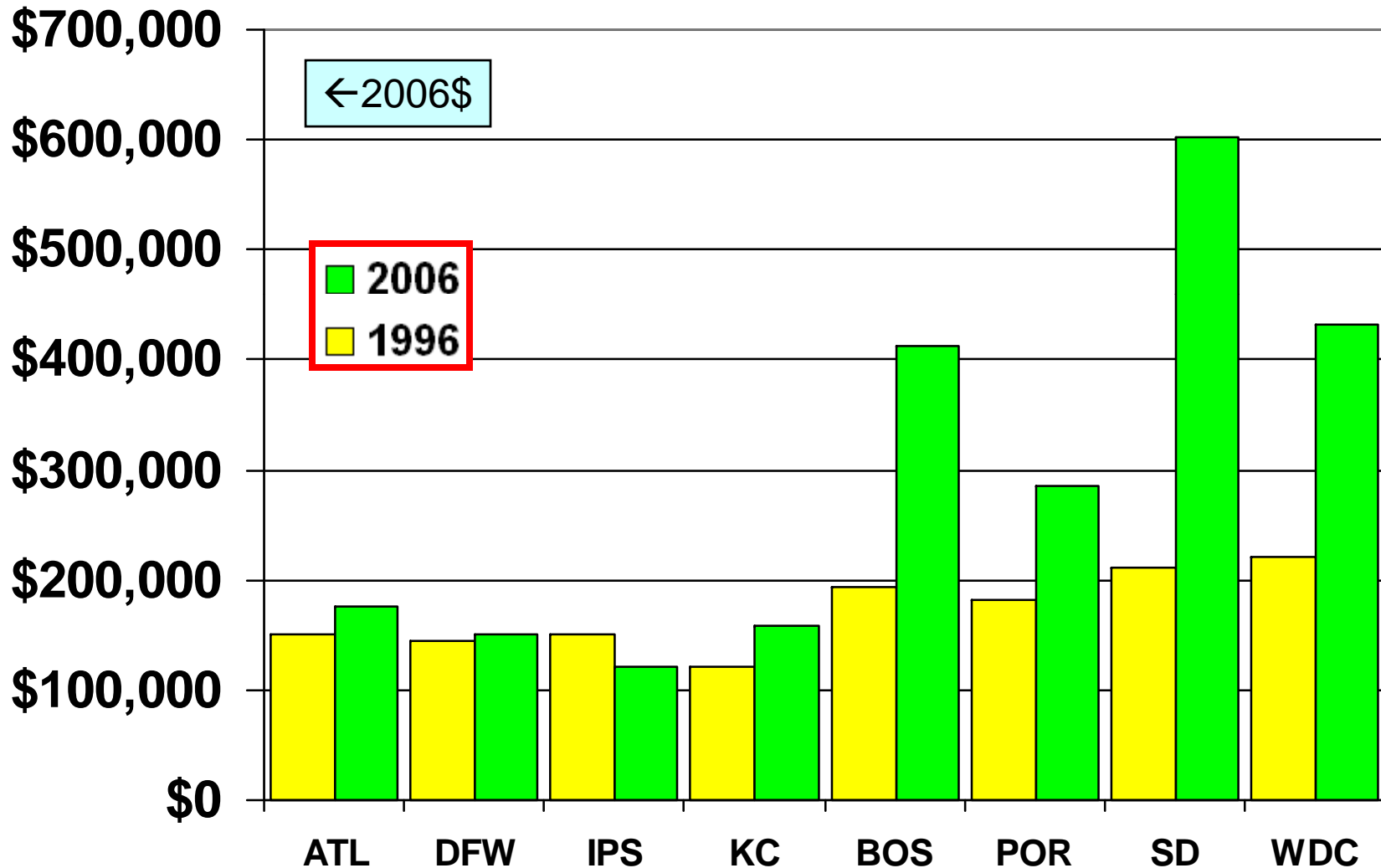
# Existing House: Median Price

METROPOLITAN MARKETS: 2006



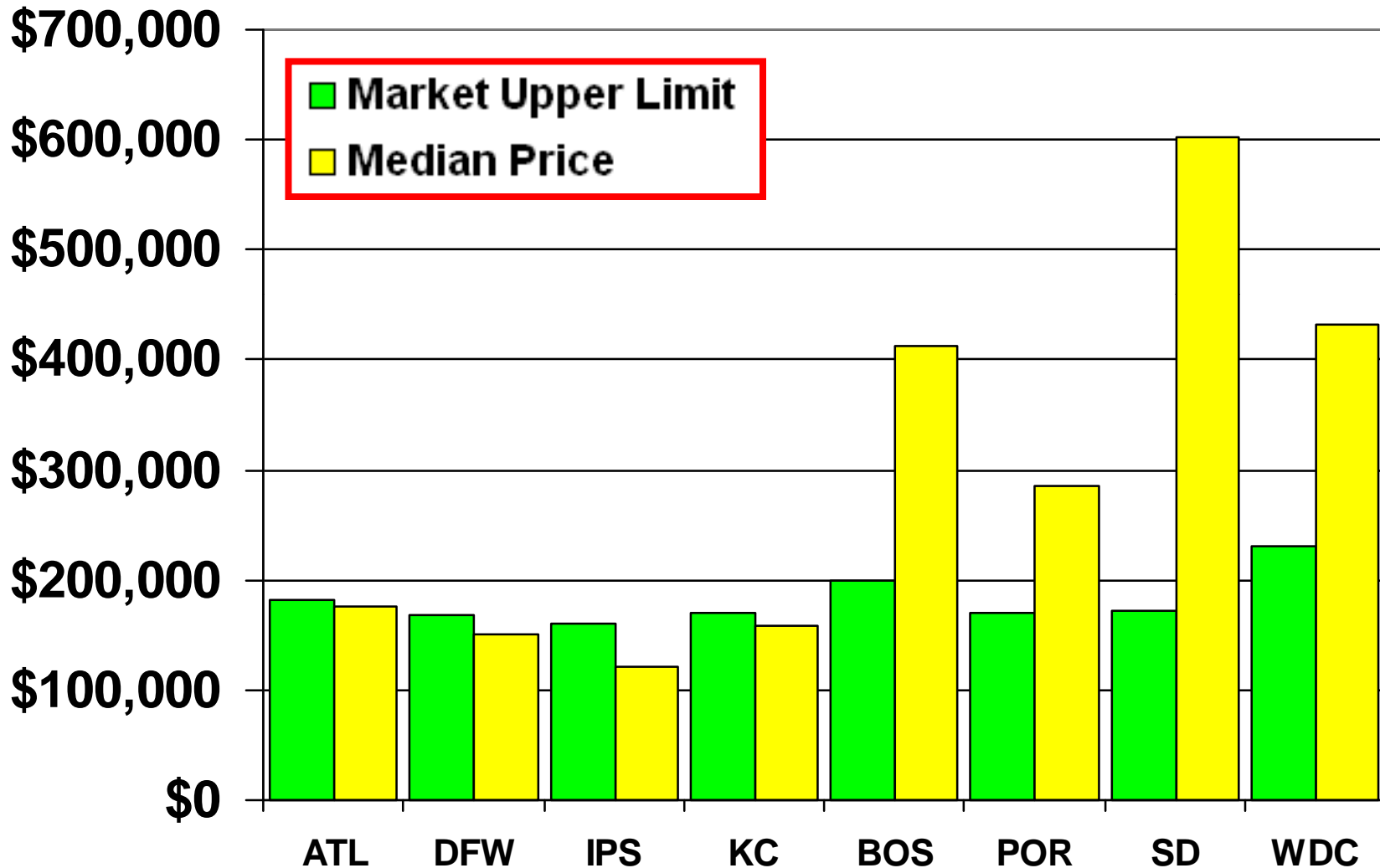
# Existing House: Median Price Trend

METROPOLITAN MARKETS: 1996 & 2006



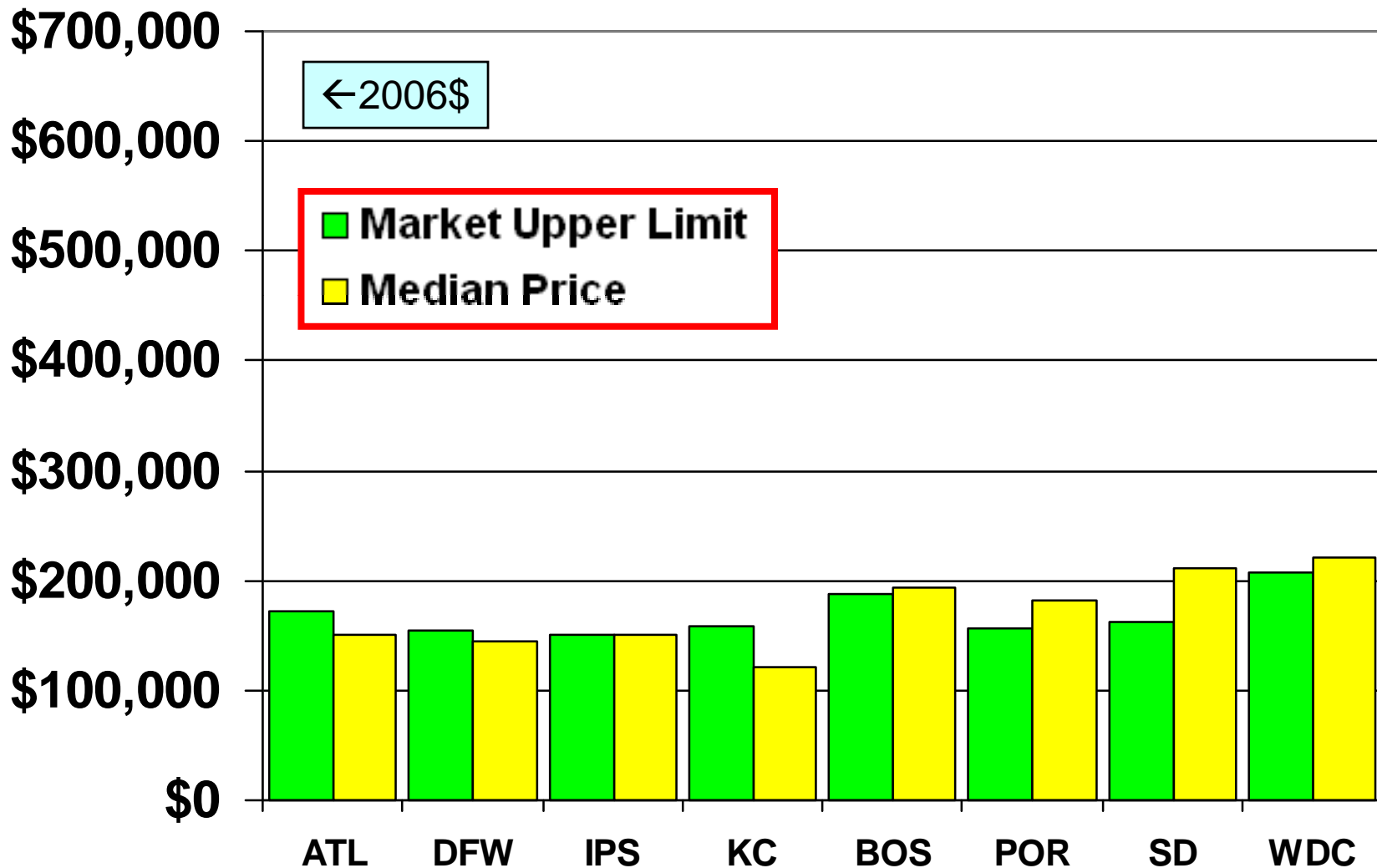
# Median Price & Market Upper Limit

METROPOLITAN MARKETS: 2006



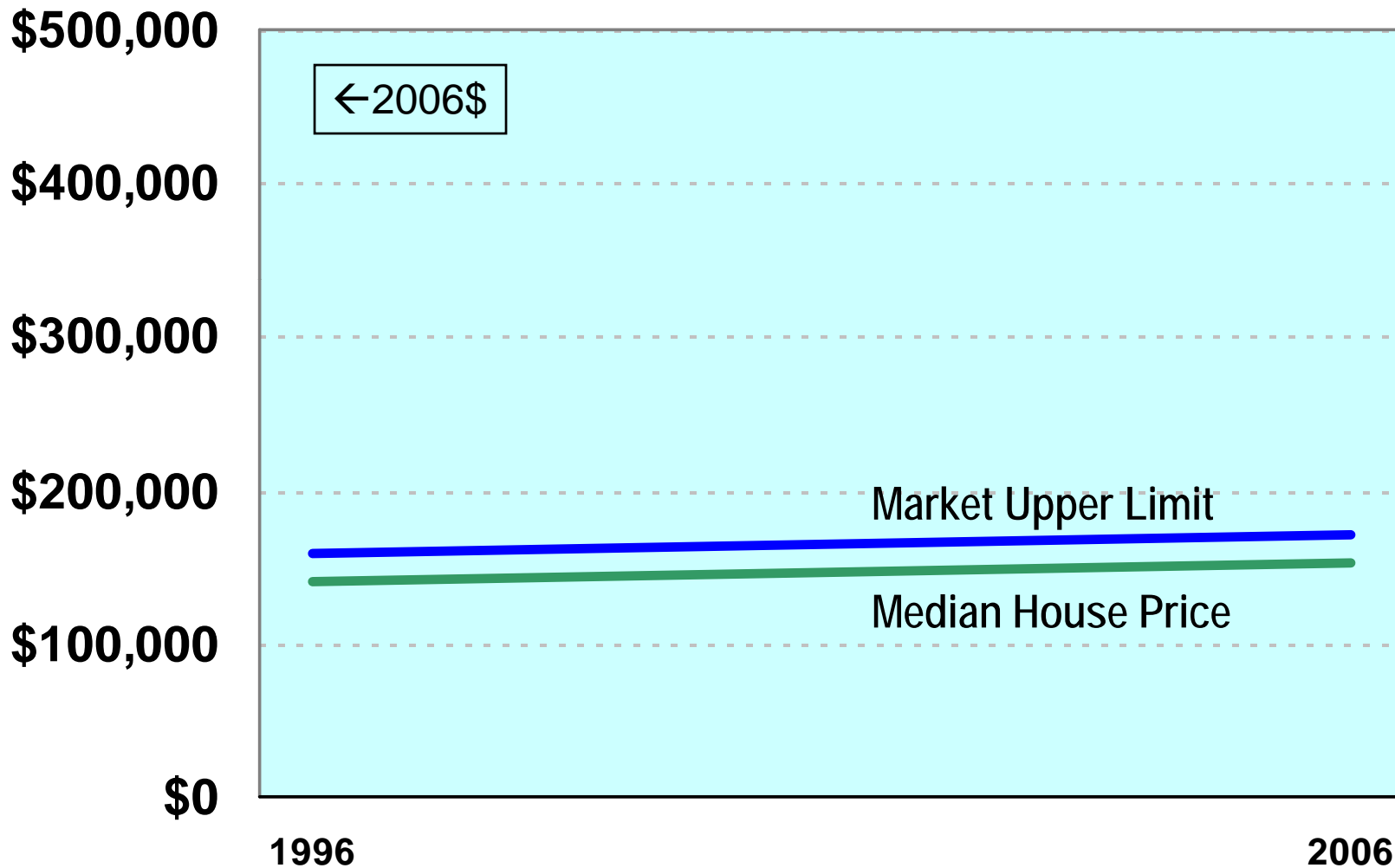
# Median Price & Market Upper Limit

METROPOLITAN MARKETS: 1996



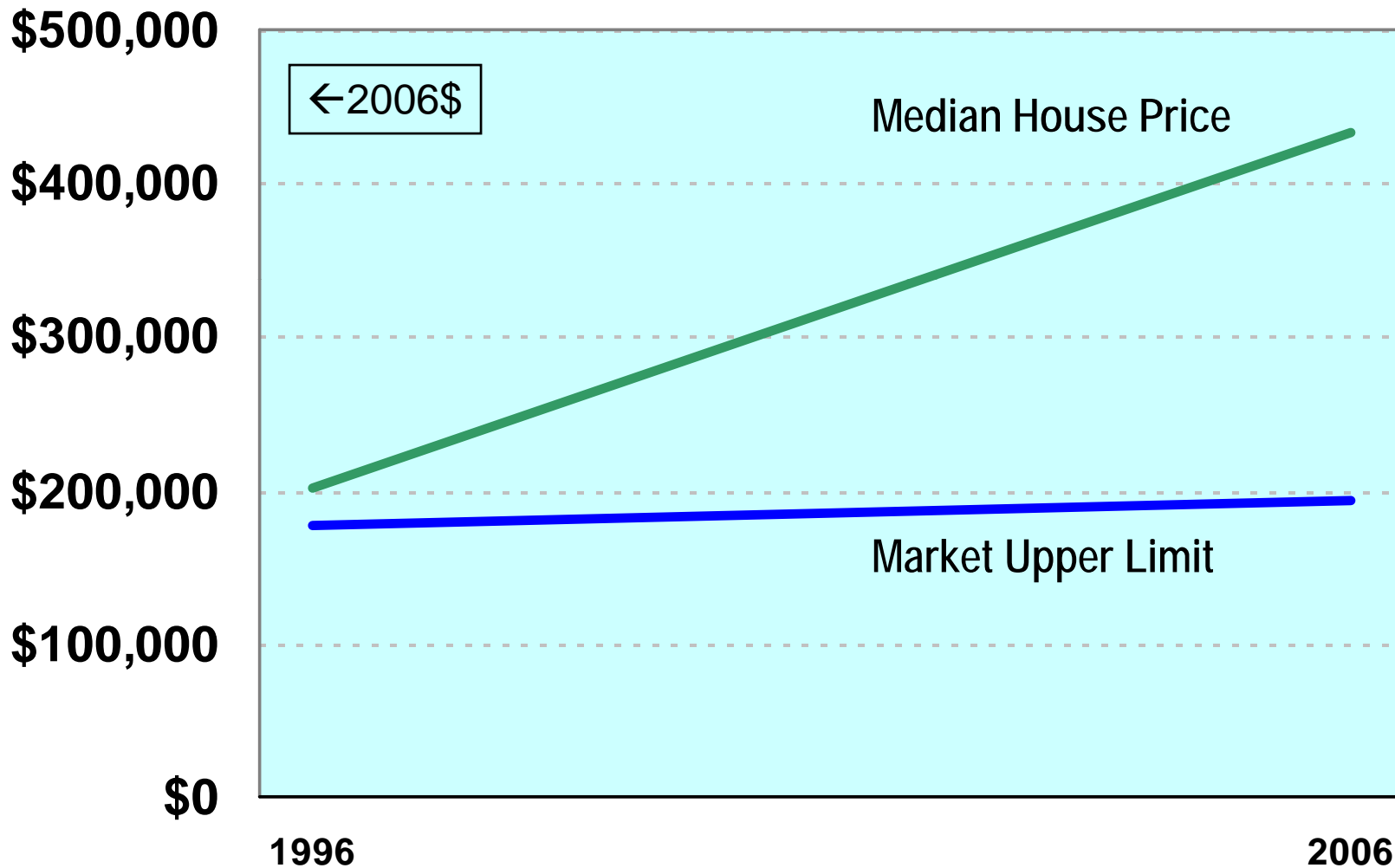
# Median Price & Market Upper Limit Trend

RESPONSIVE MARKET AVERAGE: 1996-2006 (2006\$)



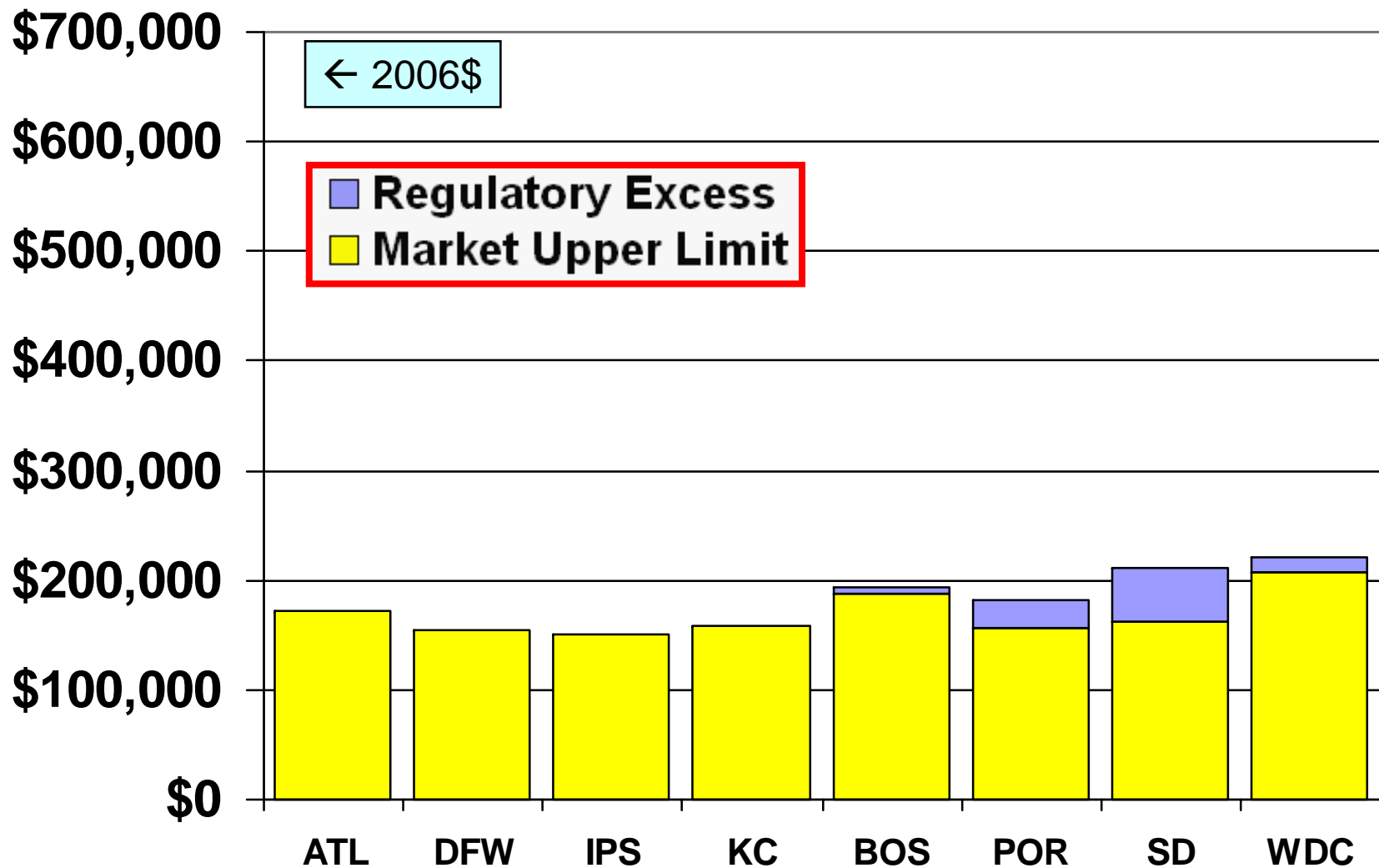
# Median Price & Market Upper Limit Trend

PRESCRIPTIVE MARKETS AVERAGE: 1996-2006 (2006\$)



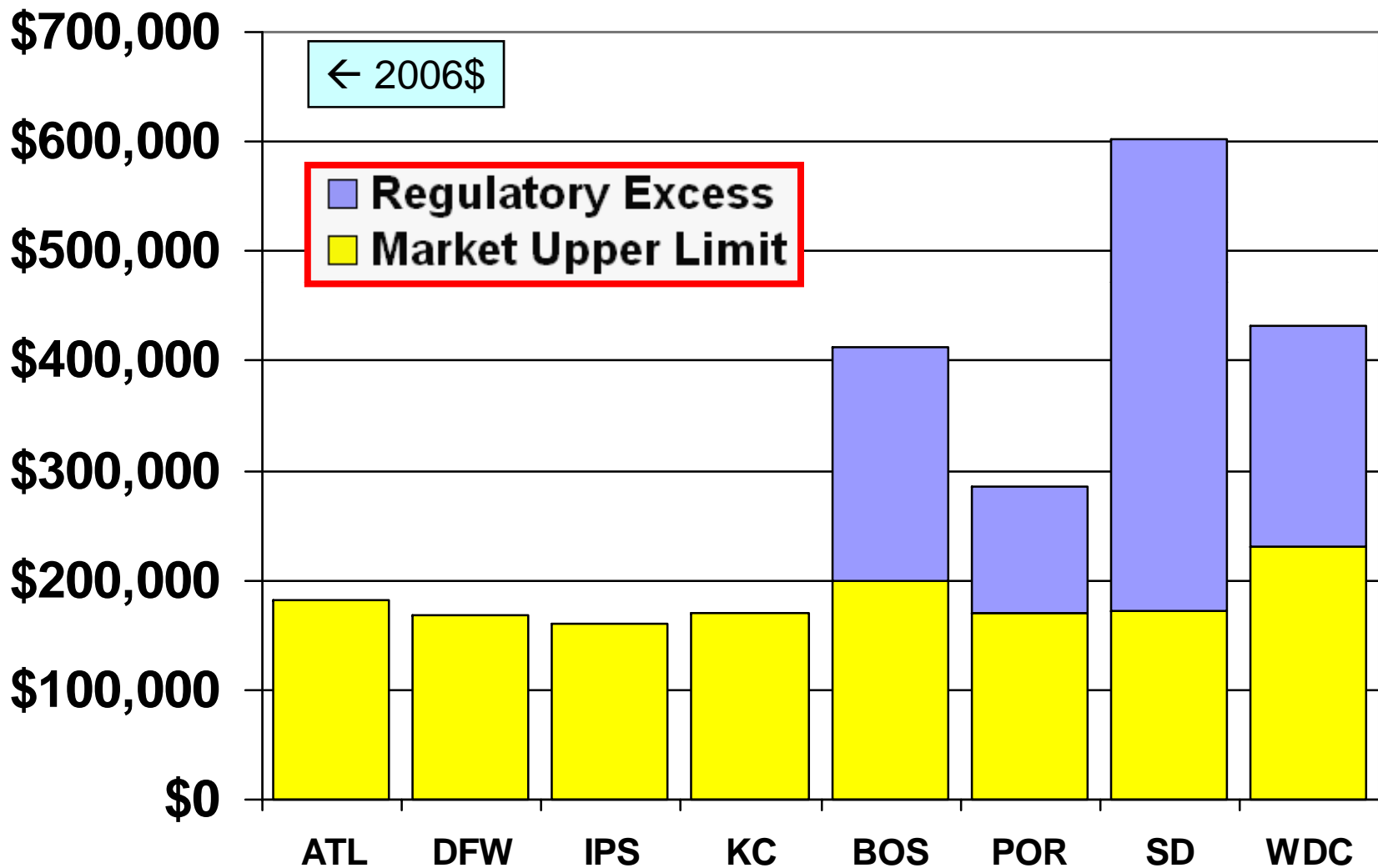
# Market Upper Limit & Regulatory Excess

EXISTING HOUSE: METROPOLITAN MARKETS: 1996



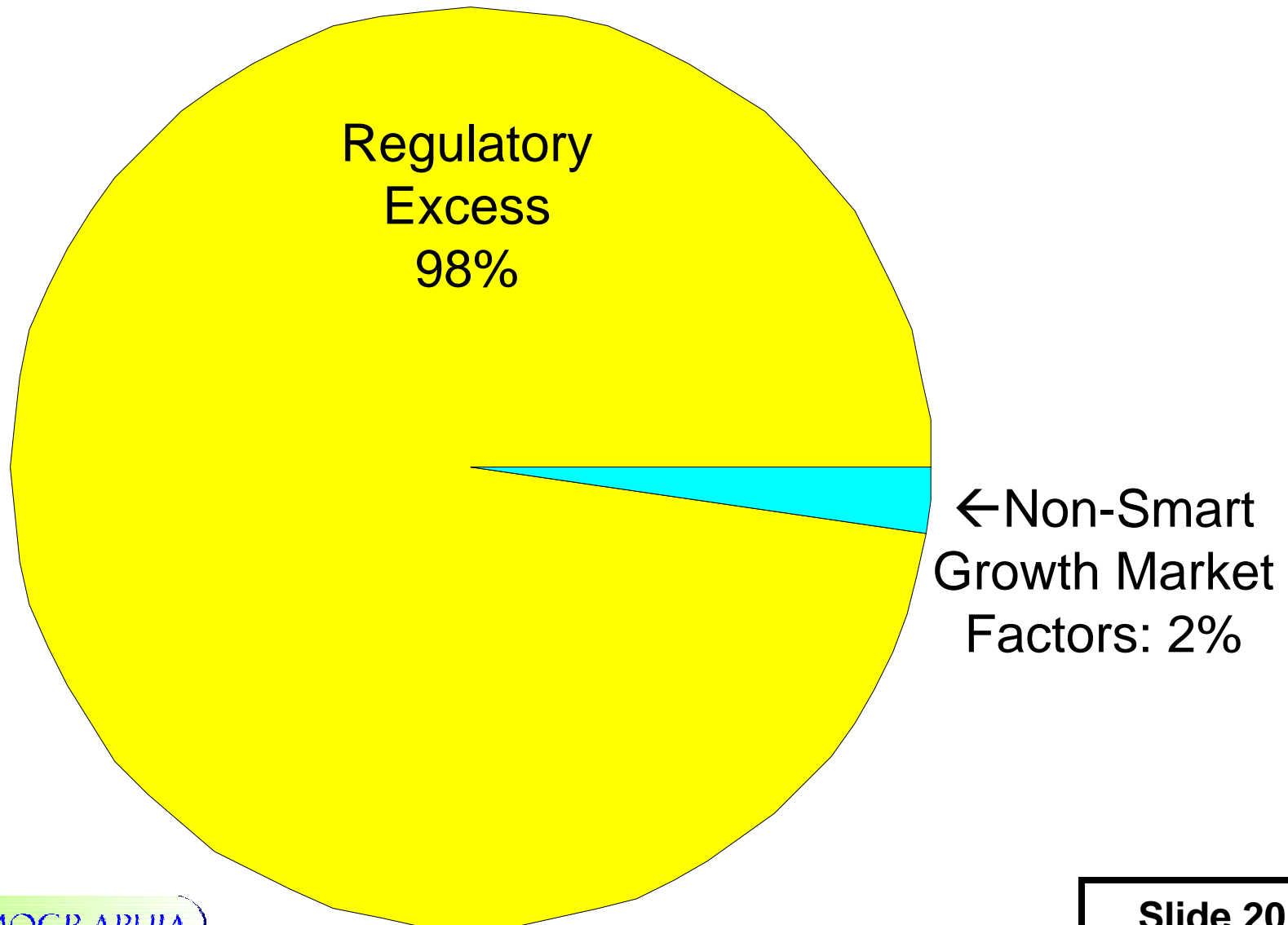
# Market Upper Limit & Regulatory Excess

EXISTING HOUSE: METROPOLITAN MARKETS: 1996



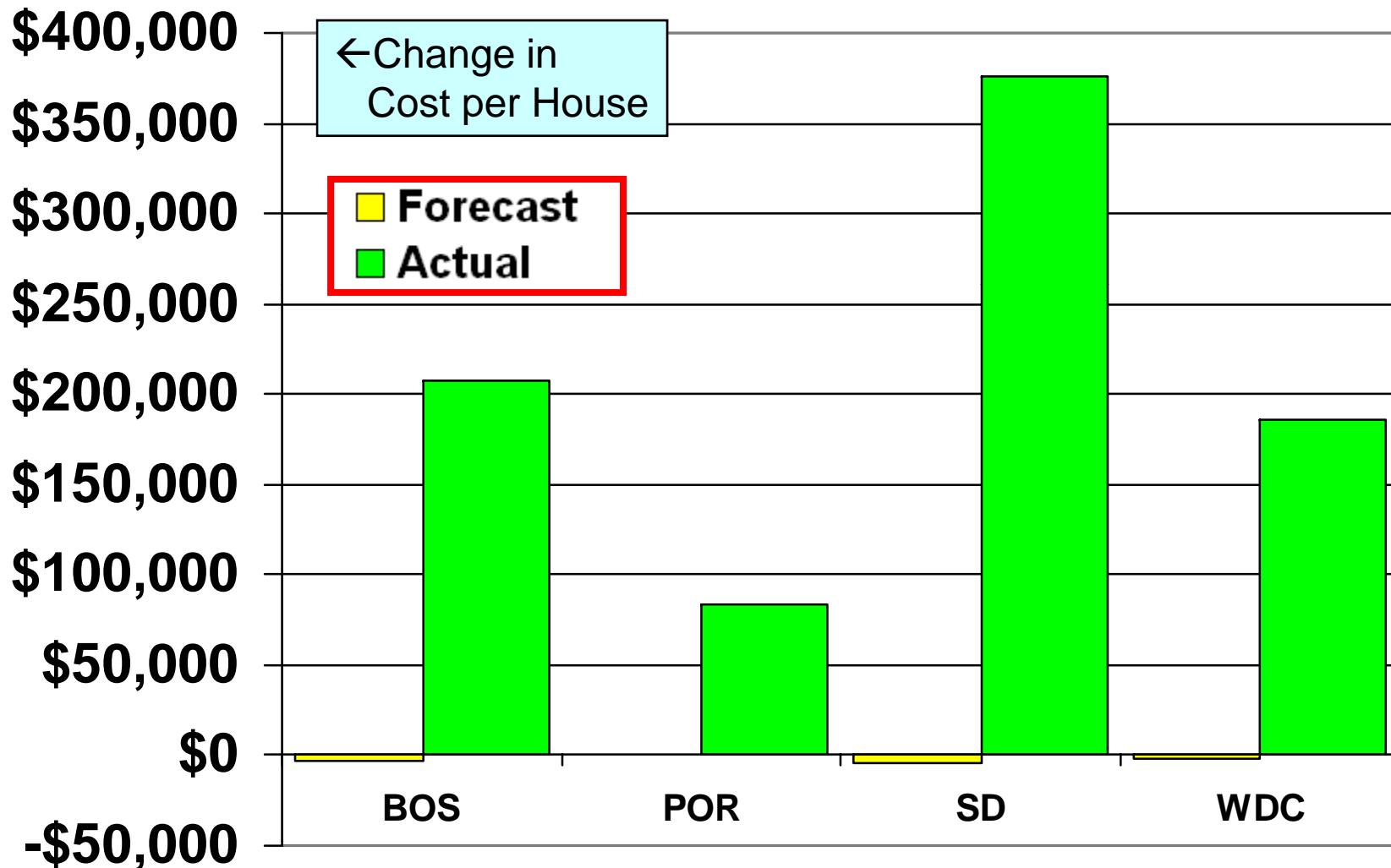
# Share of Difference in Price Increases

BY PLANNING SYSTEM TYPE: 1996-2006



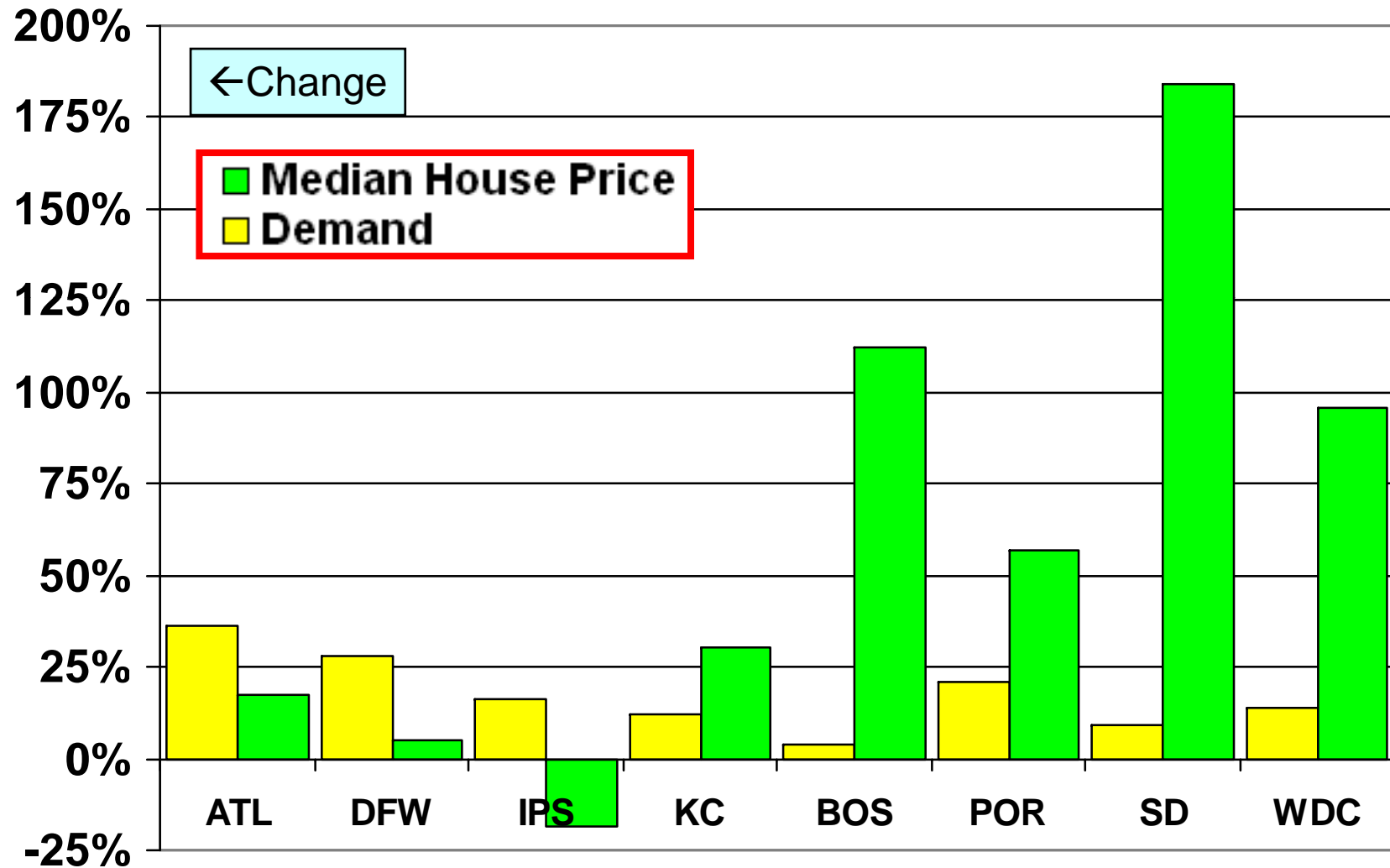
# Predicted & Actual Smart Growth Impact

“COSTS OF SPRAWL-2000” V. ACTUAL: 2000-2006



# Demand & Median Prices: 1996-2006

## METROPOLITAN MARKETS



# New House Analysis

Kansas City

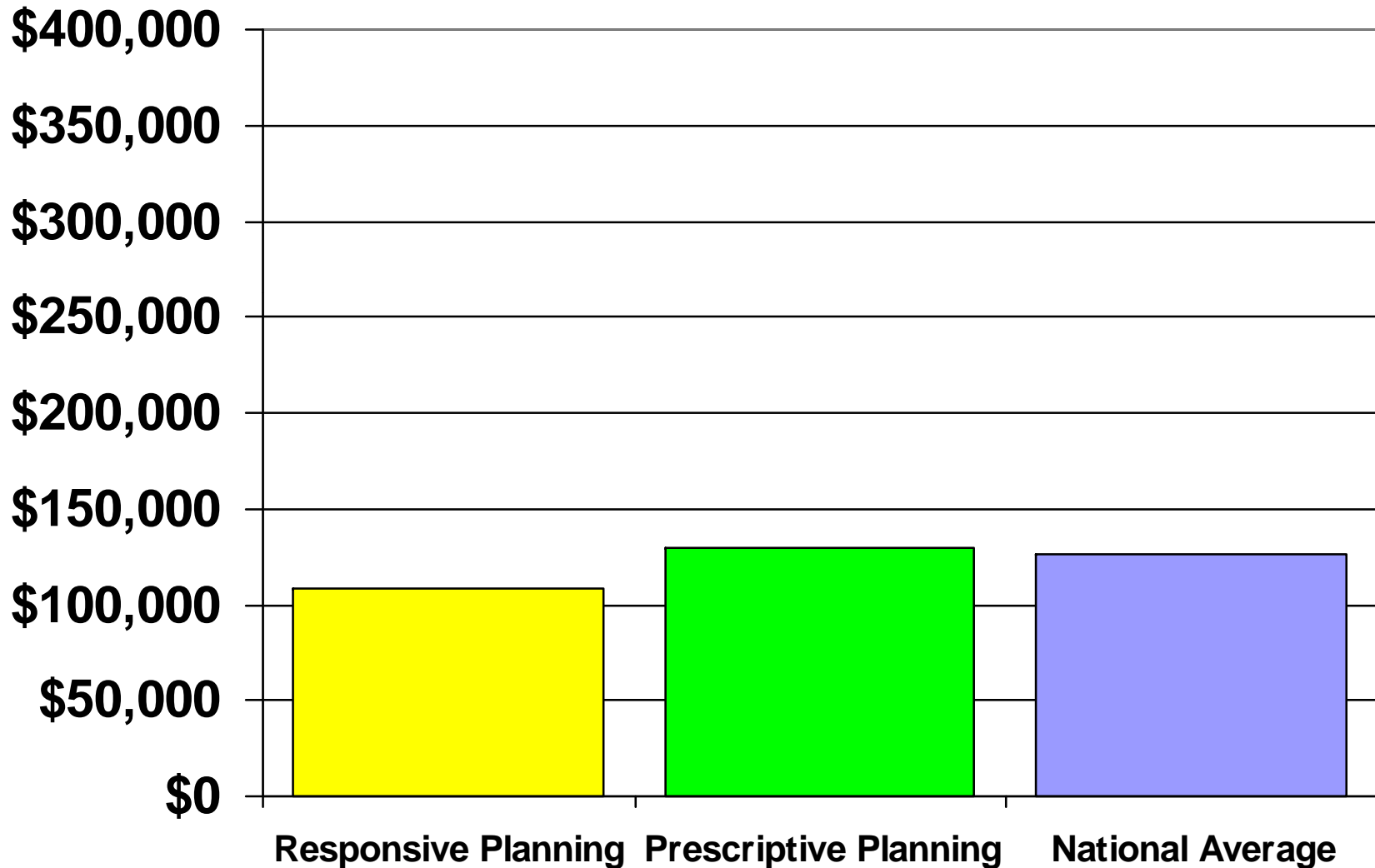


Portland



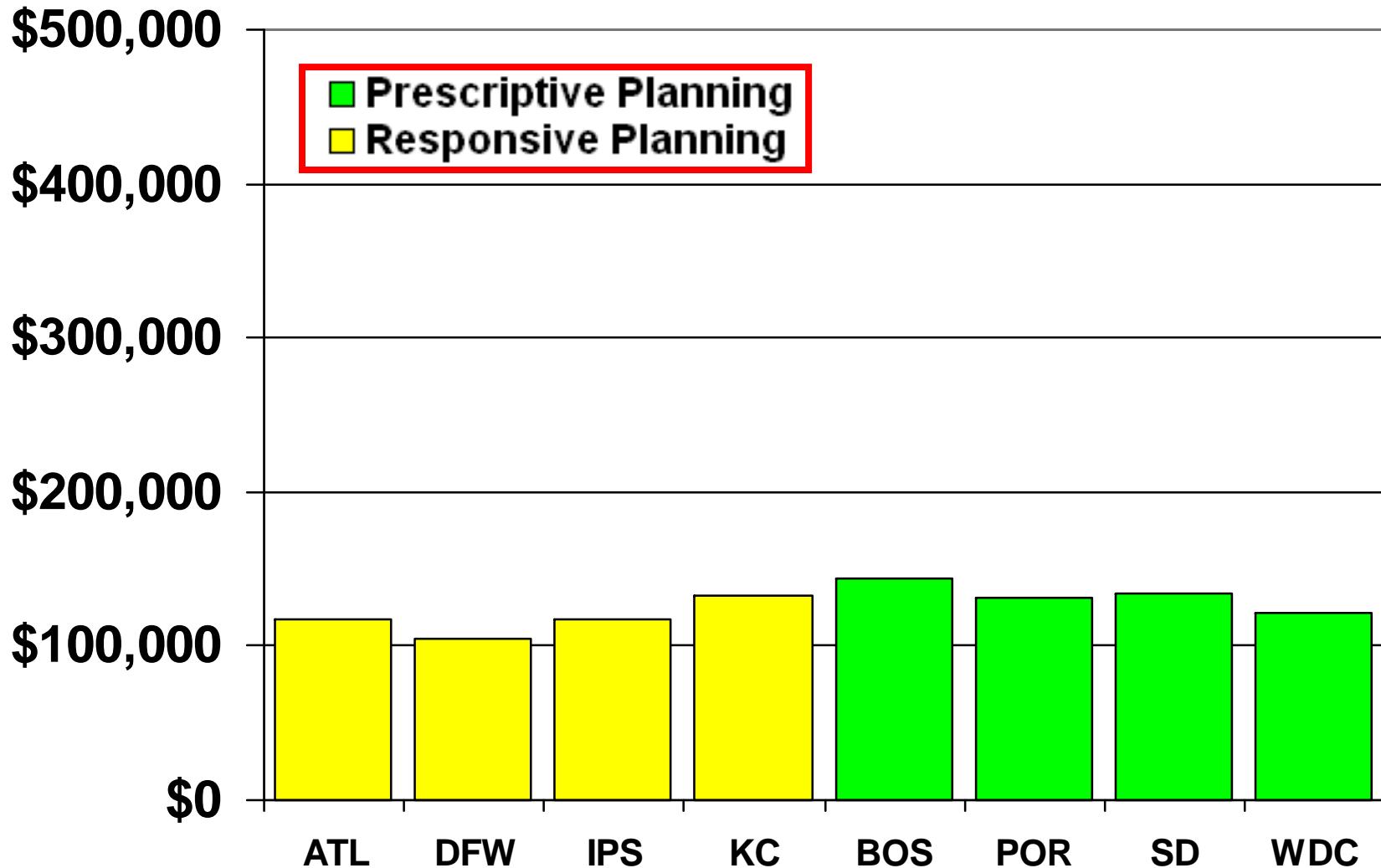
# New House: Structure Cost

## NATIONAL & BY PLANNING TYPE



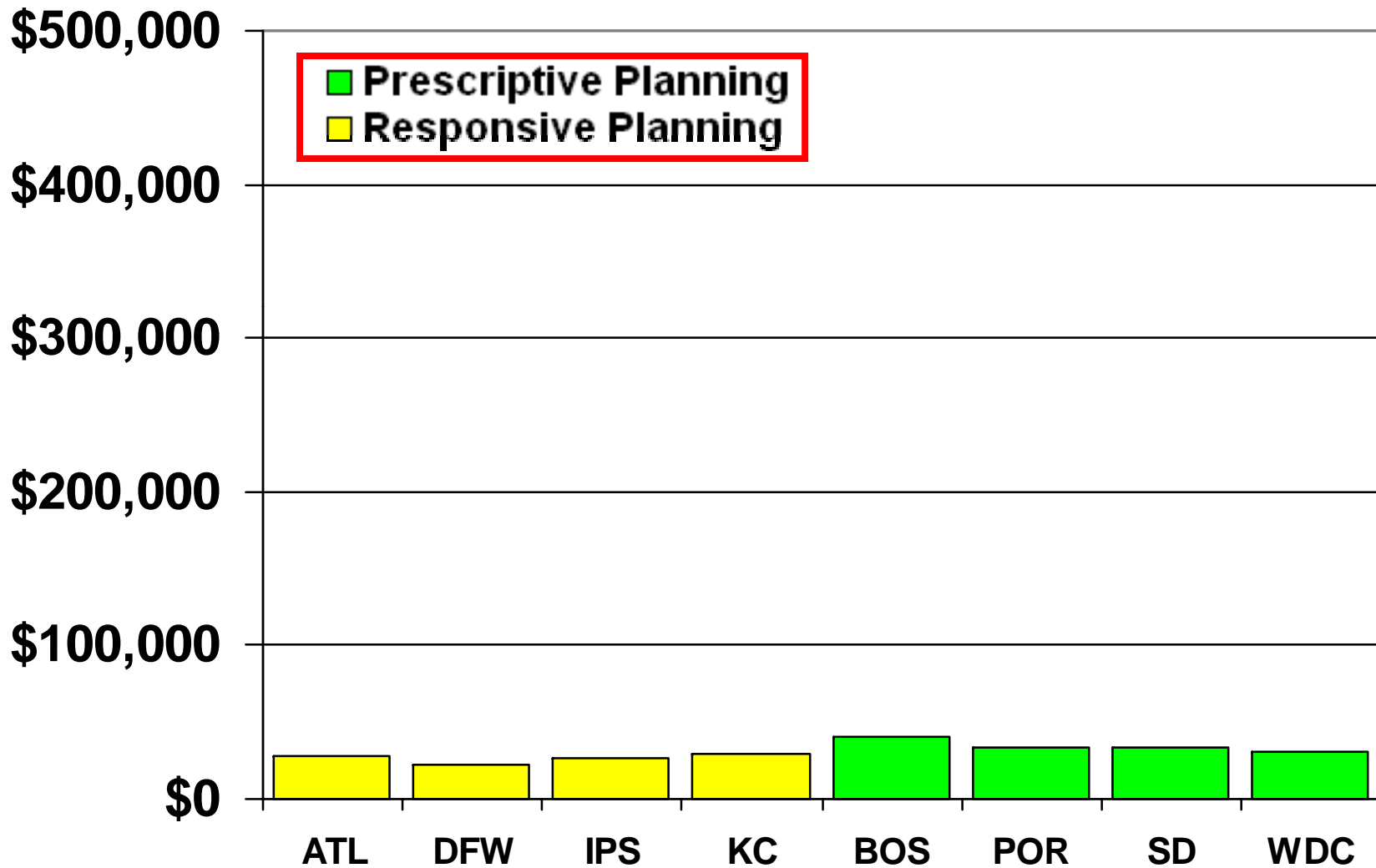
# New House: Structure Cost

## METROPOLITAN MARKETS



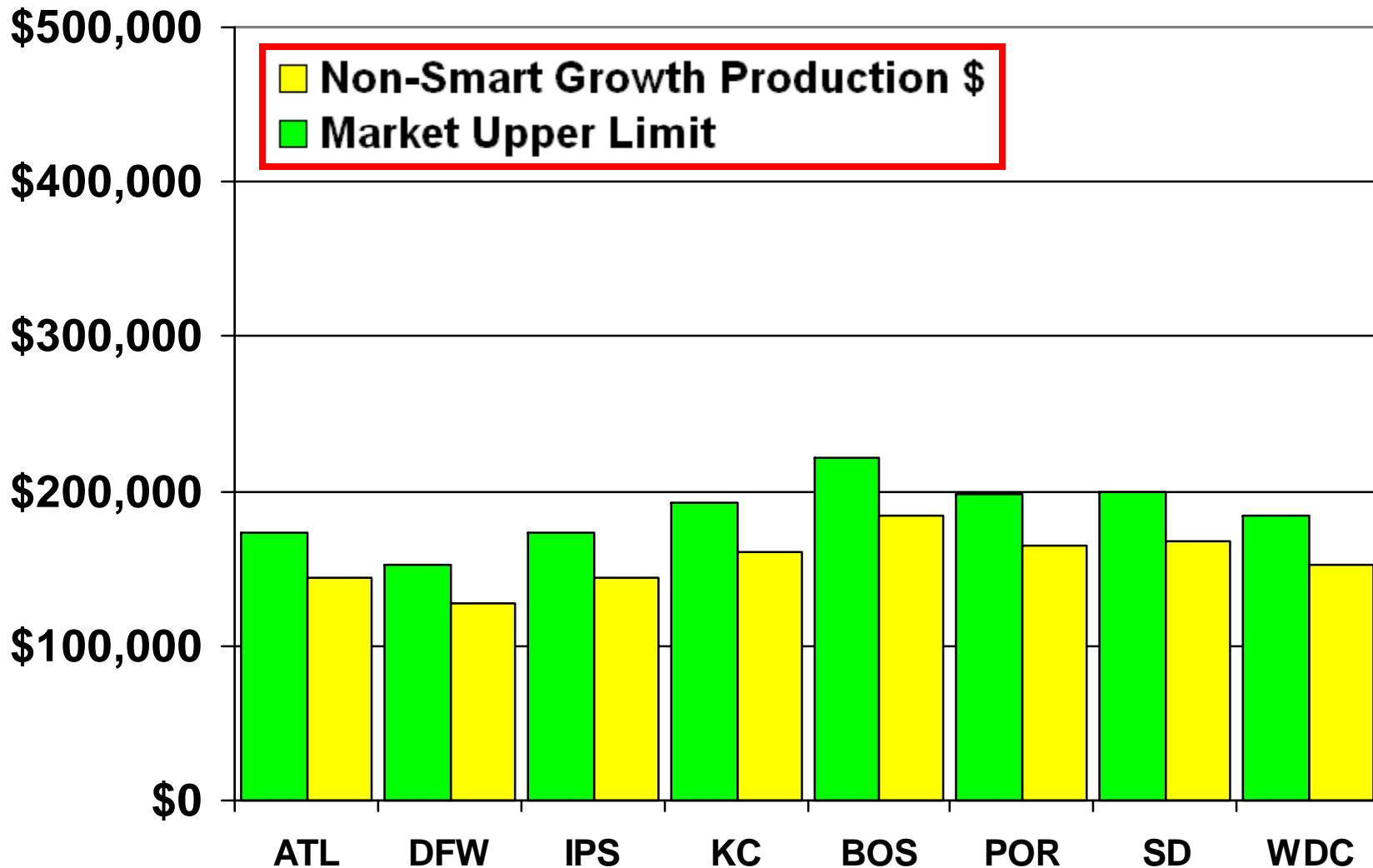
# New House: Finished Lot Cost

## METROPOLITAN MARKETS



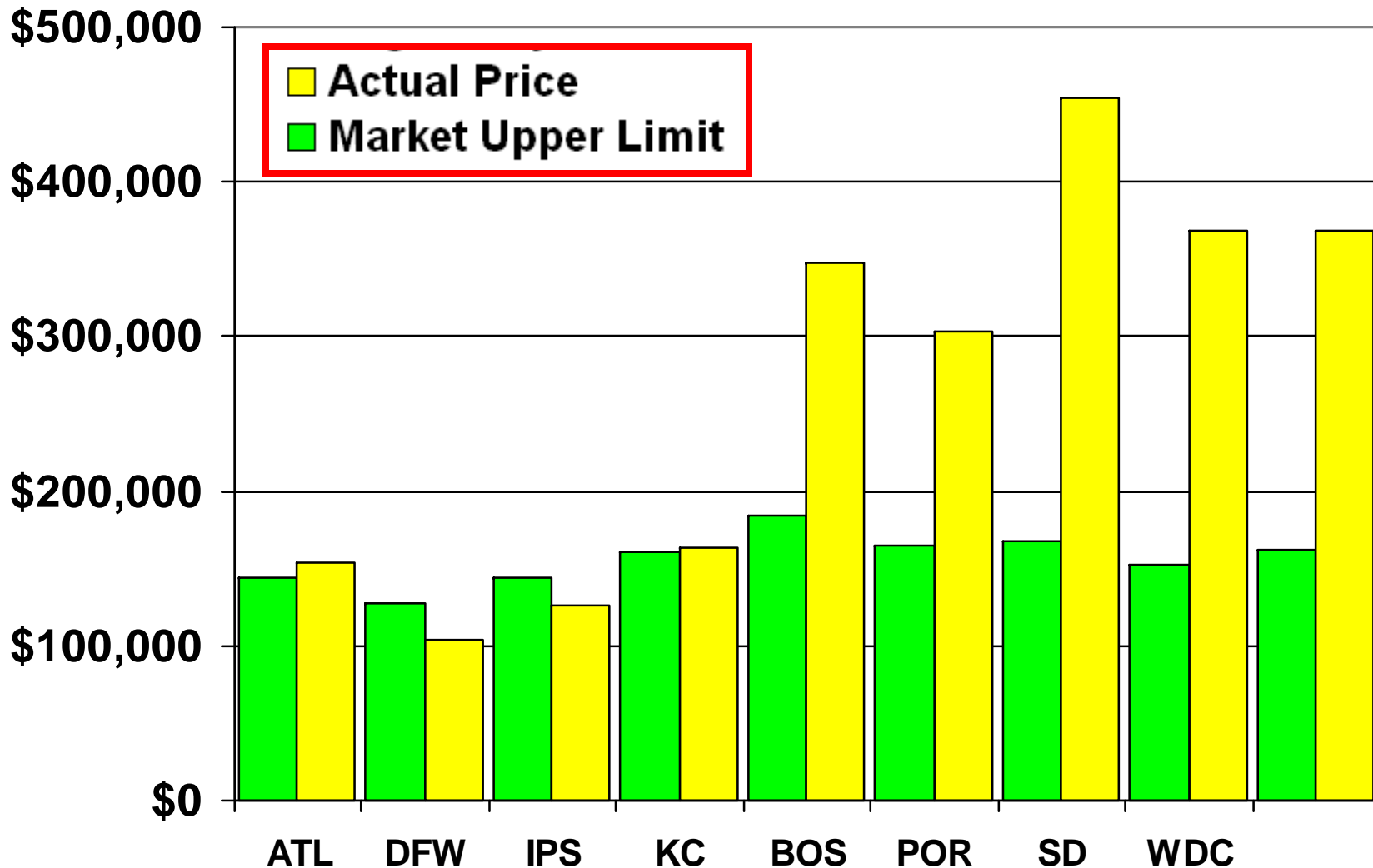
# Market Upper Limit & Production Price

## METROPOLITAN MARKETS



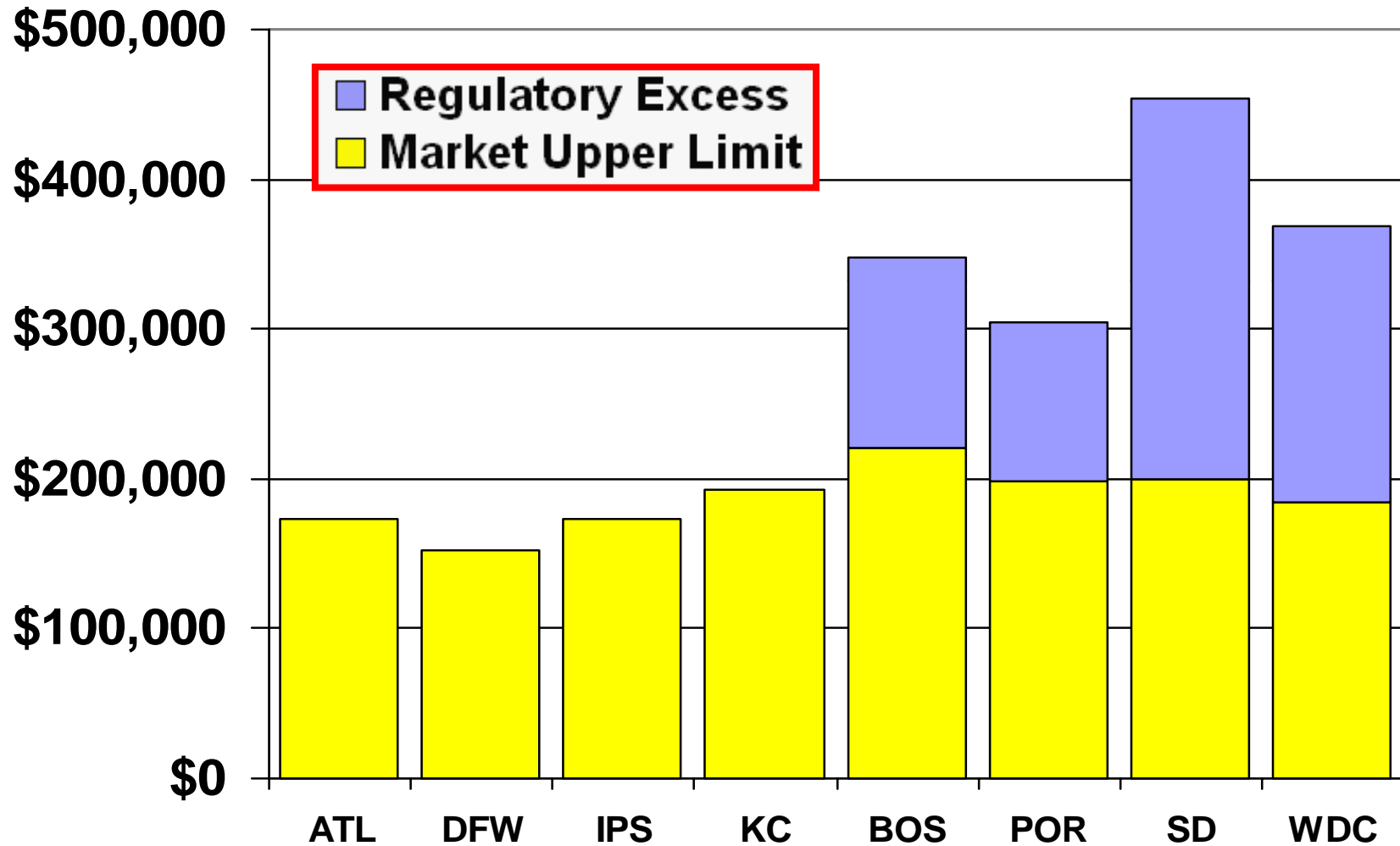
# Actual Price & Market Upper Limit

## NEW HOUSE: METROPOLITAN MARKETS



# Market Upper Limit & Regulatory Excess

## NEW HOUSE: METROPOLITAN MARKETS



# The Negative Externalities of Smart Growth

Kansas City

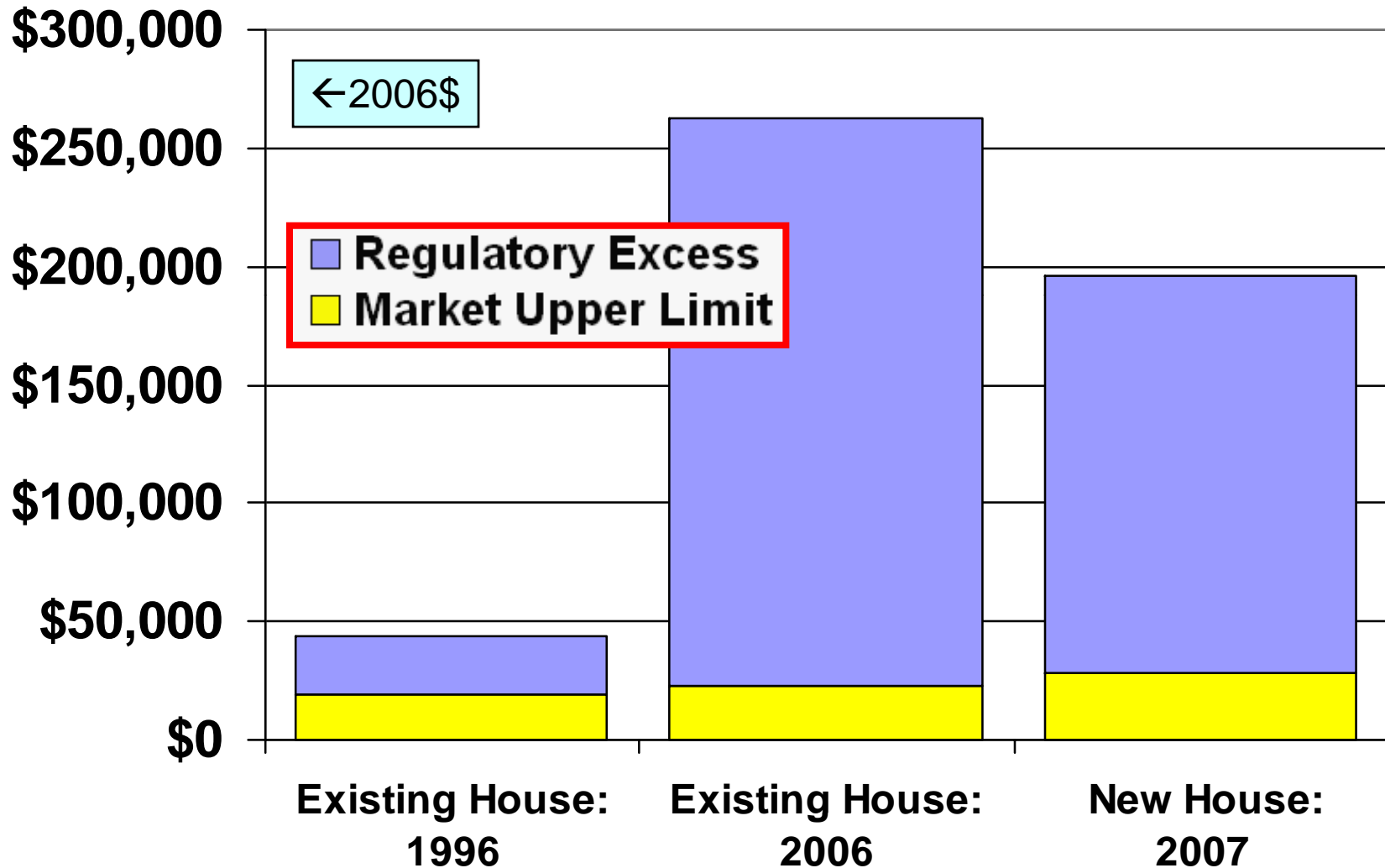


Portland



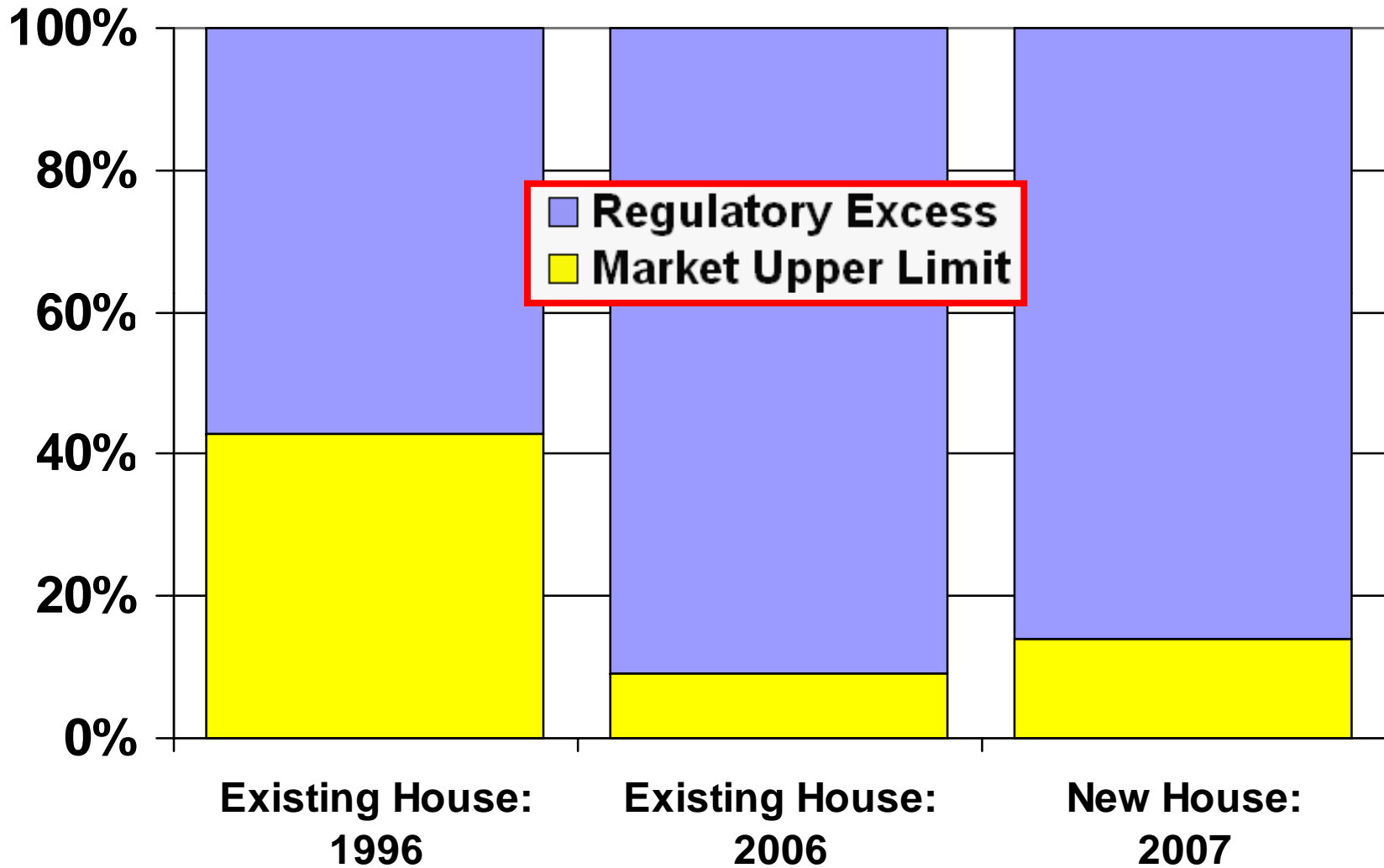
# Price Difference Components

## PRESCRIPTIVE V. RESPONSIVE MARKET PRICES



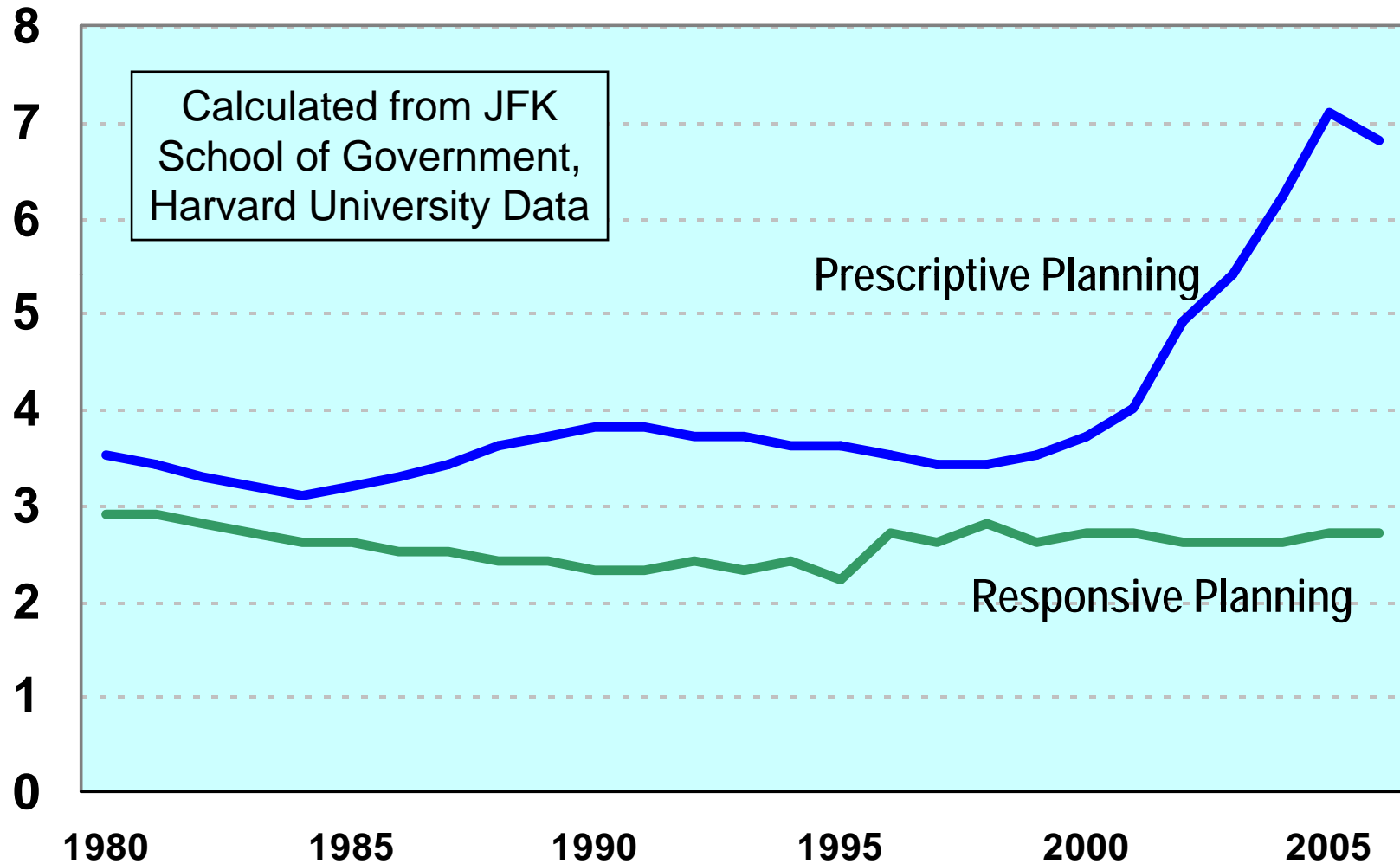
# Share of Price Difference

PRESCRIPTIVE V. RESPONSIVE MARKET PRICES



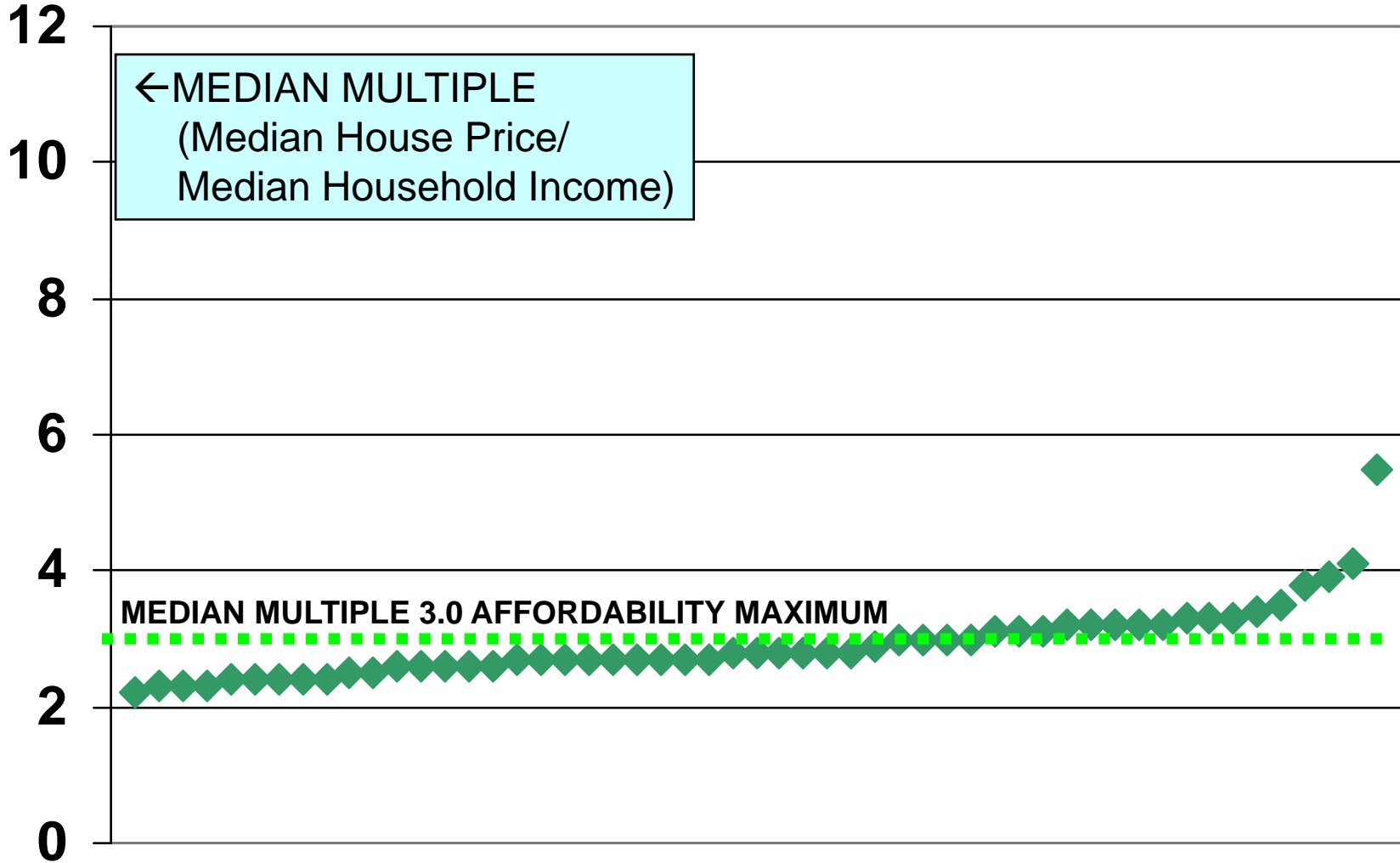
# Median Multiple: 1980-2006

## MAJOR METROPOLITAN MARKETS BY PLANNING TYPE



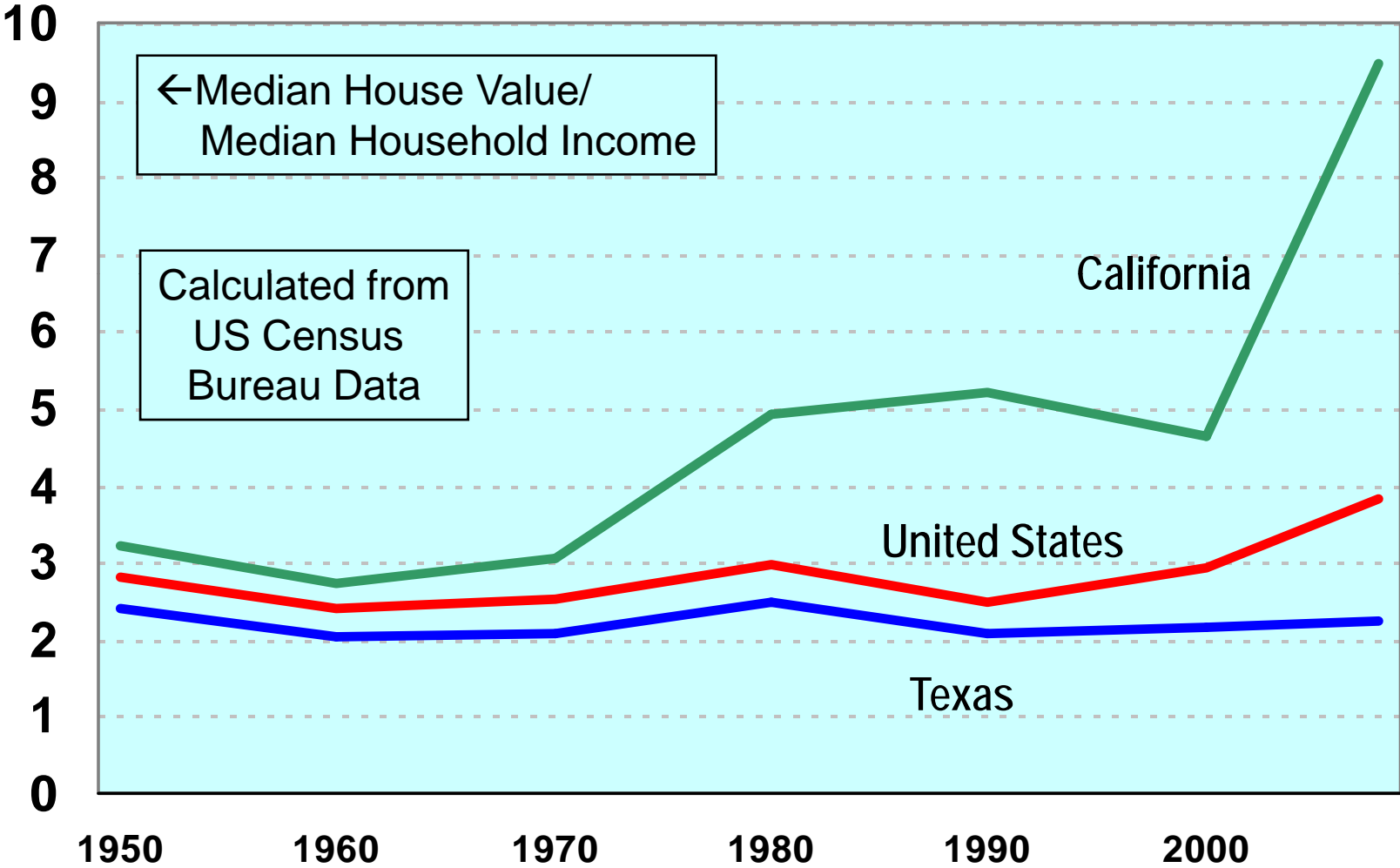
# Housing Affordability Distribution: 1996

## MAJOR METROPOLITAN MARKETS



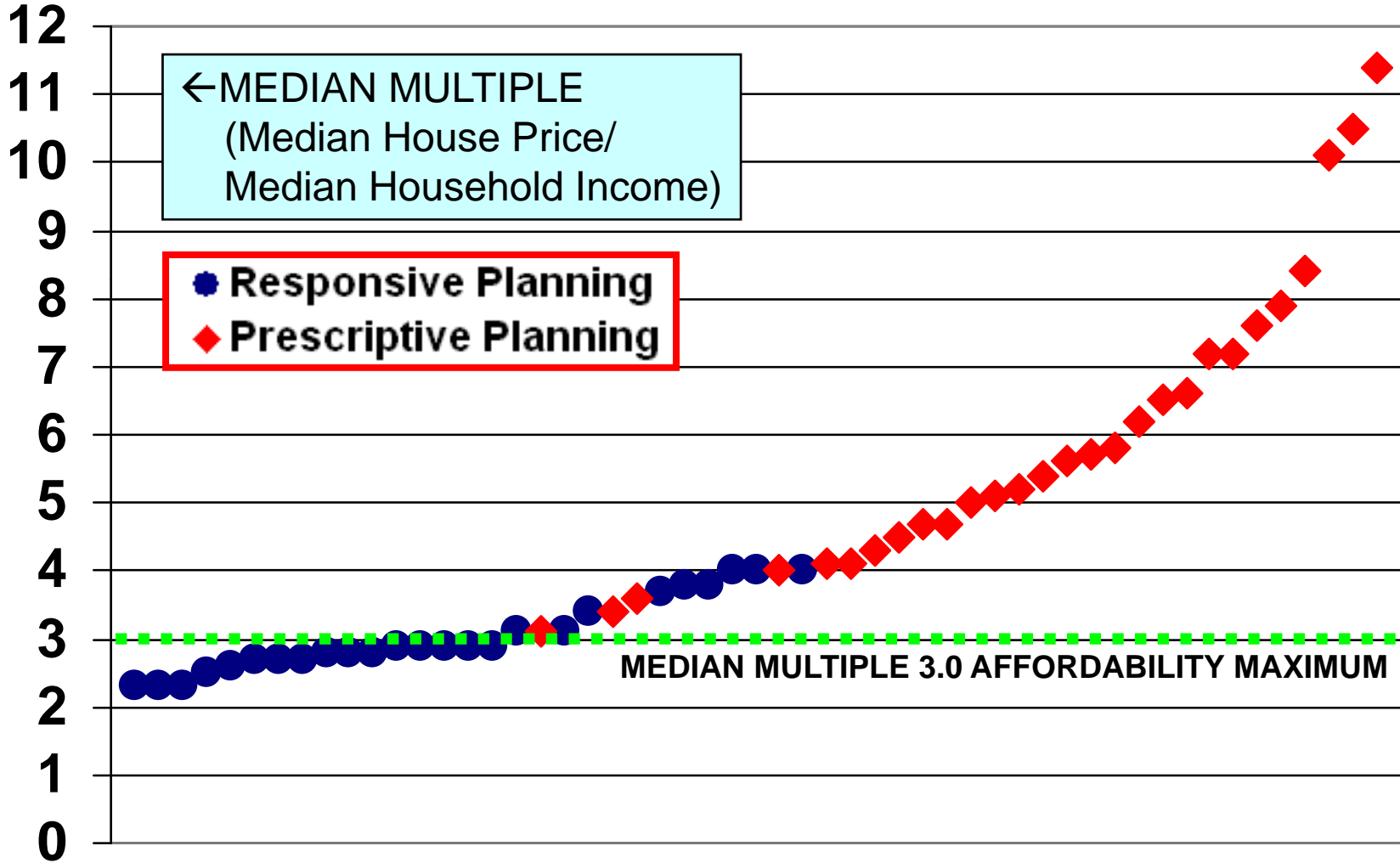
# House Value:Income Ratio: 1950-2006

## CALIFORNIA, TEXAS & UNITED STATES



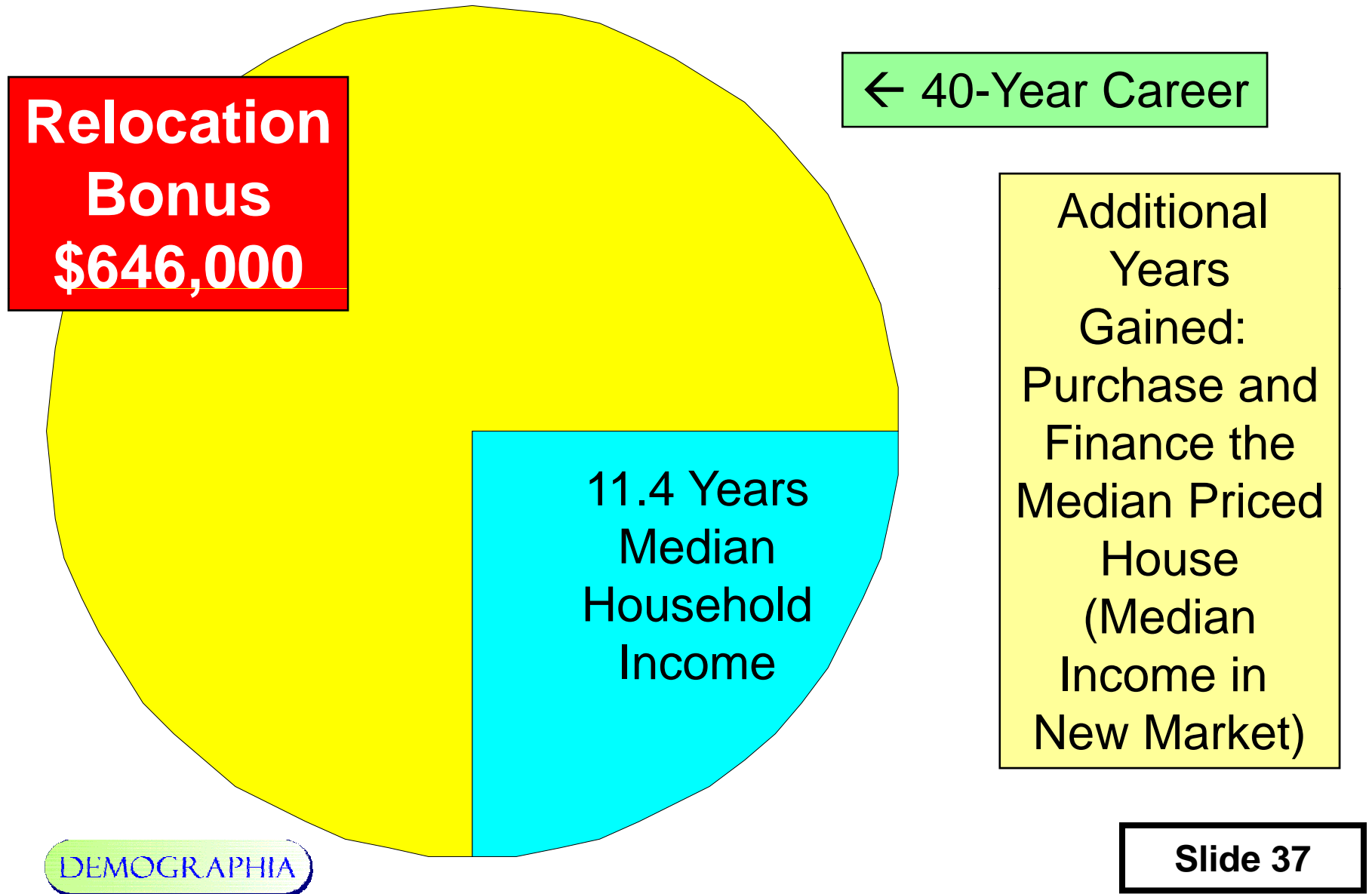
# Housing Affordability Distribution: 2006

## MAJOR METROPOLITAN MARKETS



# Relocation Bonus: From Smart Growth

MOVE TO RESPONSIVE MARKET (AVERAGE)

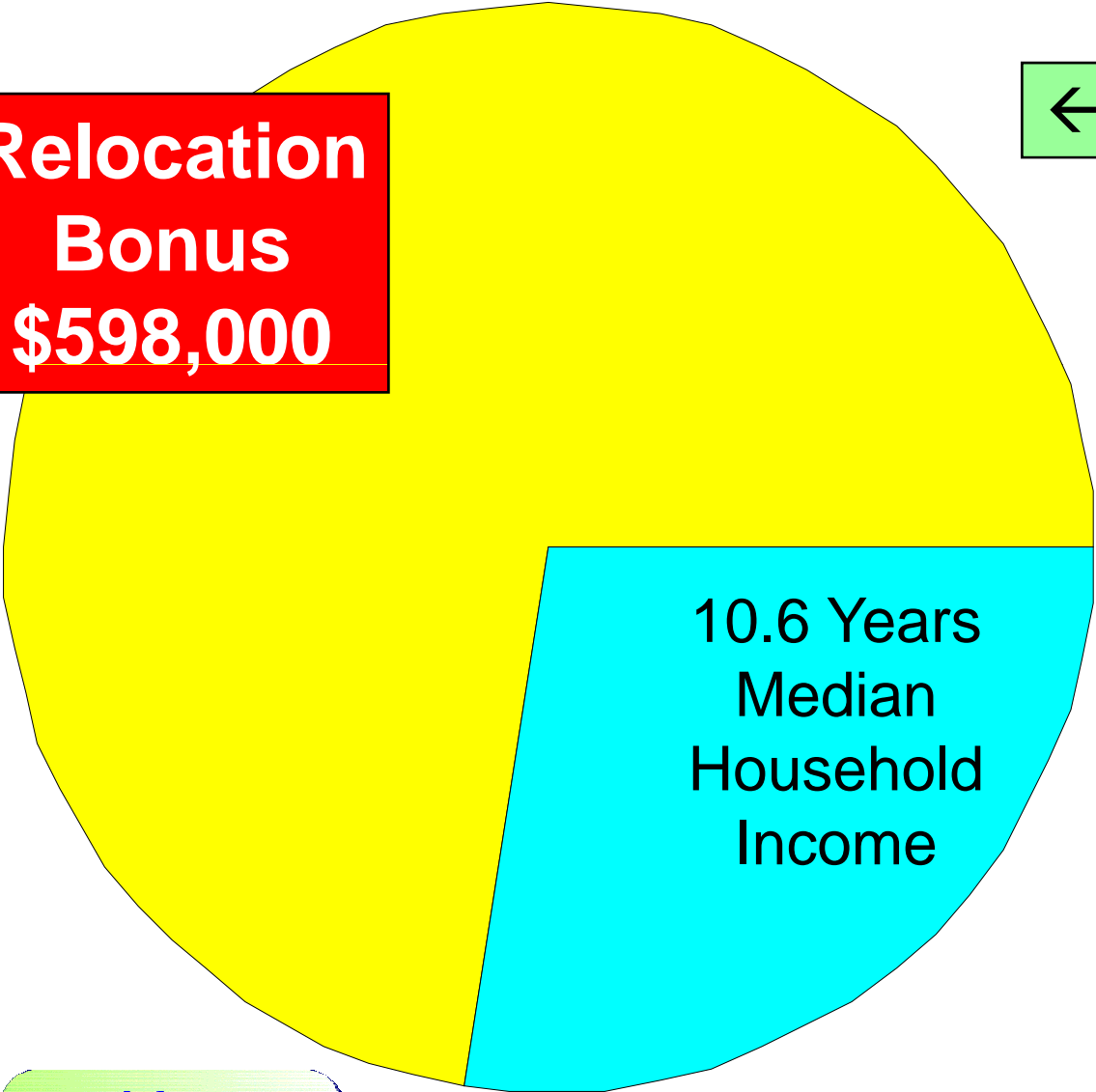


# Relocation Bonus: Move from Boston

MOVE TO RESPONSIVE MARKET (AVERAGE)

**Relocation  
Bonus  
\$598,000**

← 40-Year Career



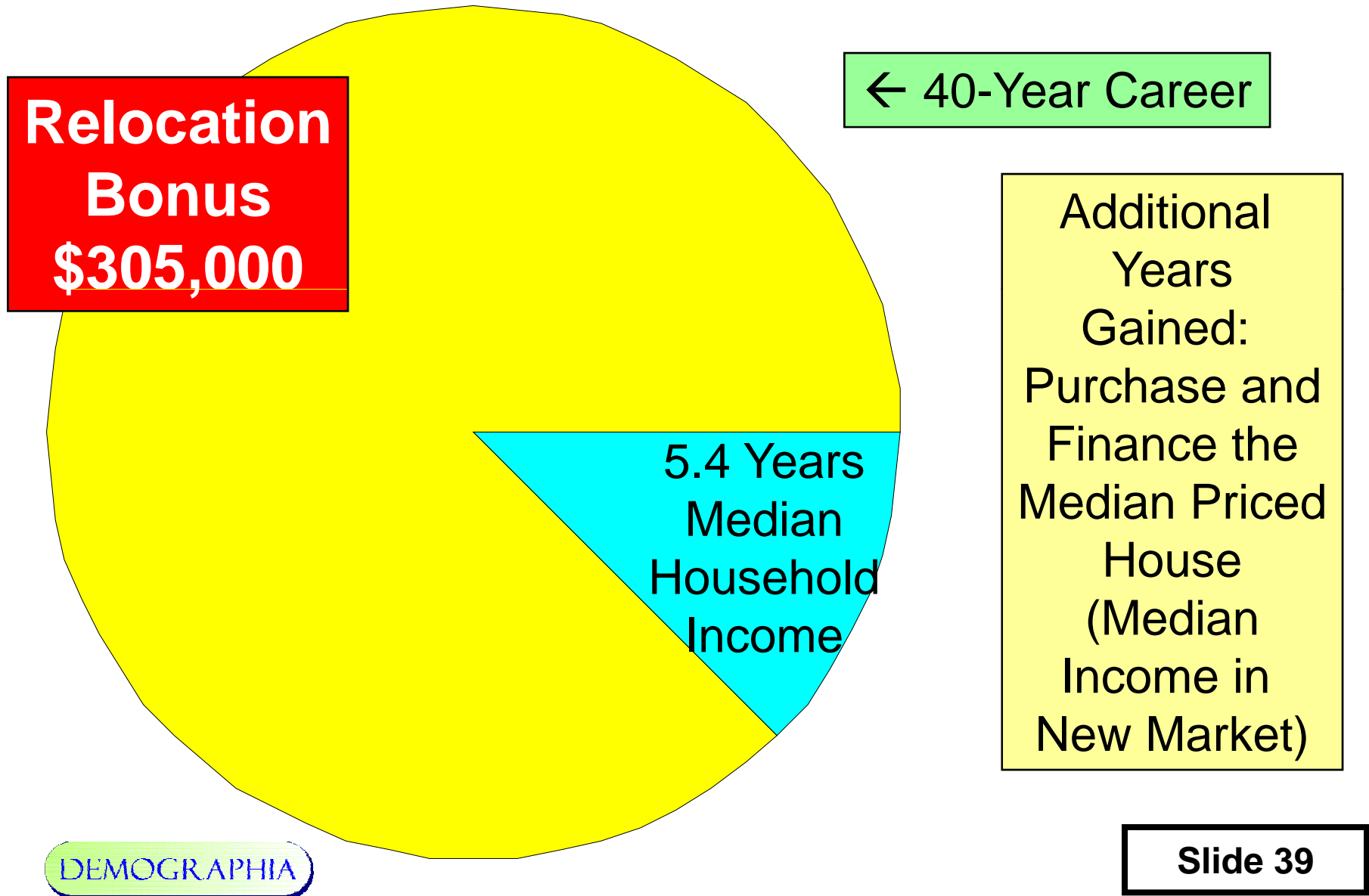
Additional  
Years  
Gained:  
Purchase and  
Finance the  
Median Priced  
House  
(Median  
Income in  
New Market)

DEMOGRAPHIA

Slide 38

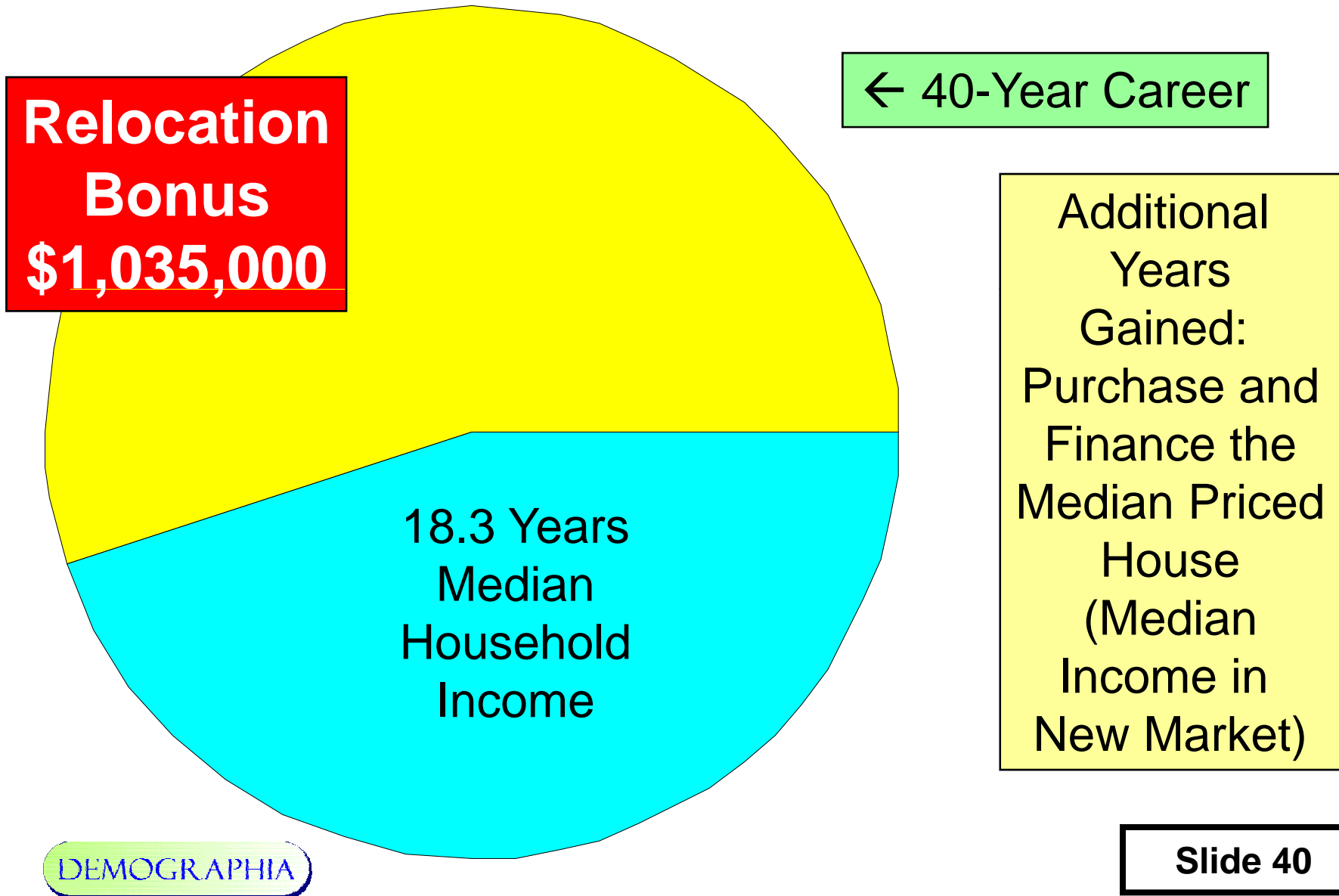
# Relocation Bonus: Move from Portland

MOVE TO RESPONSIVE MARKET (AVERAGE)



# Relocation Bonus: Move from San Diego

MOVE TO RESPONSIVE MARKET (AVERAGE)

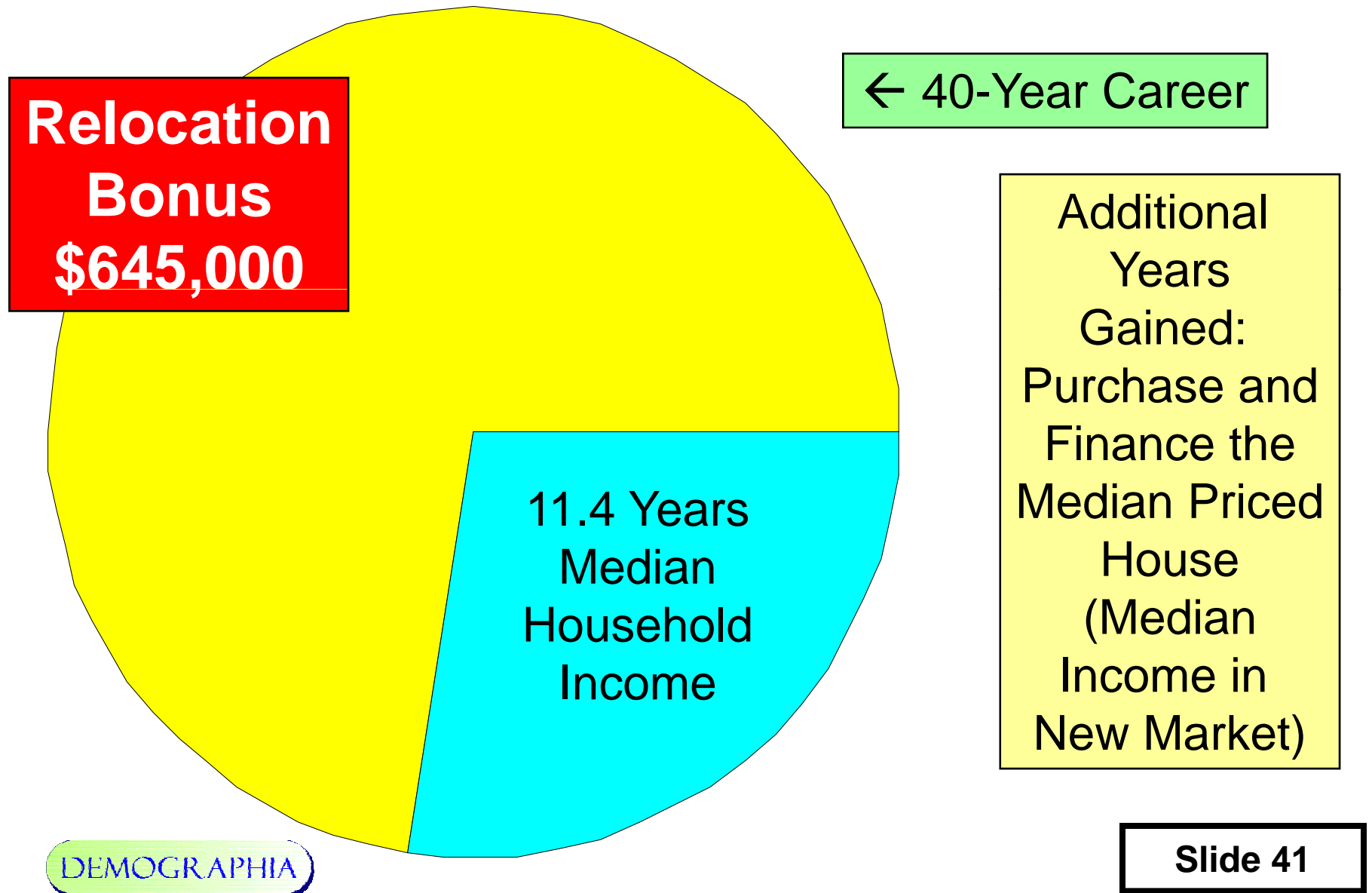


← 40-Year Career

Additional Years Gained:  
Purchase and Finance the Median Priced House (Median Income in New Market)

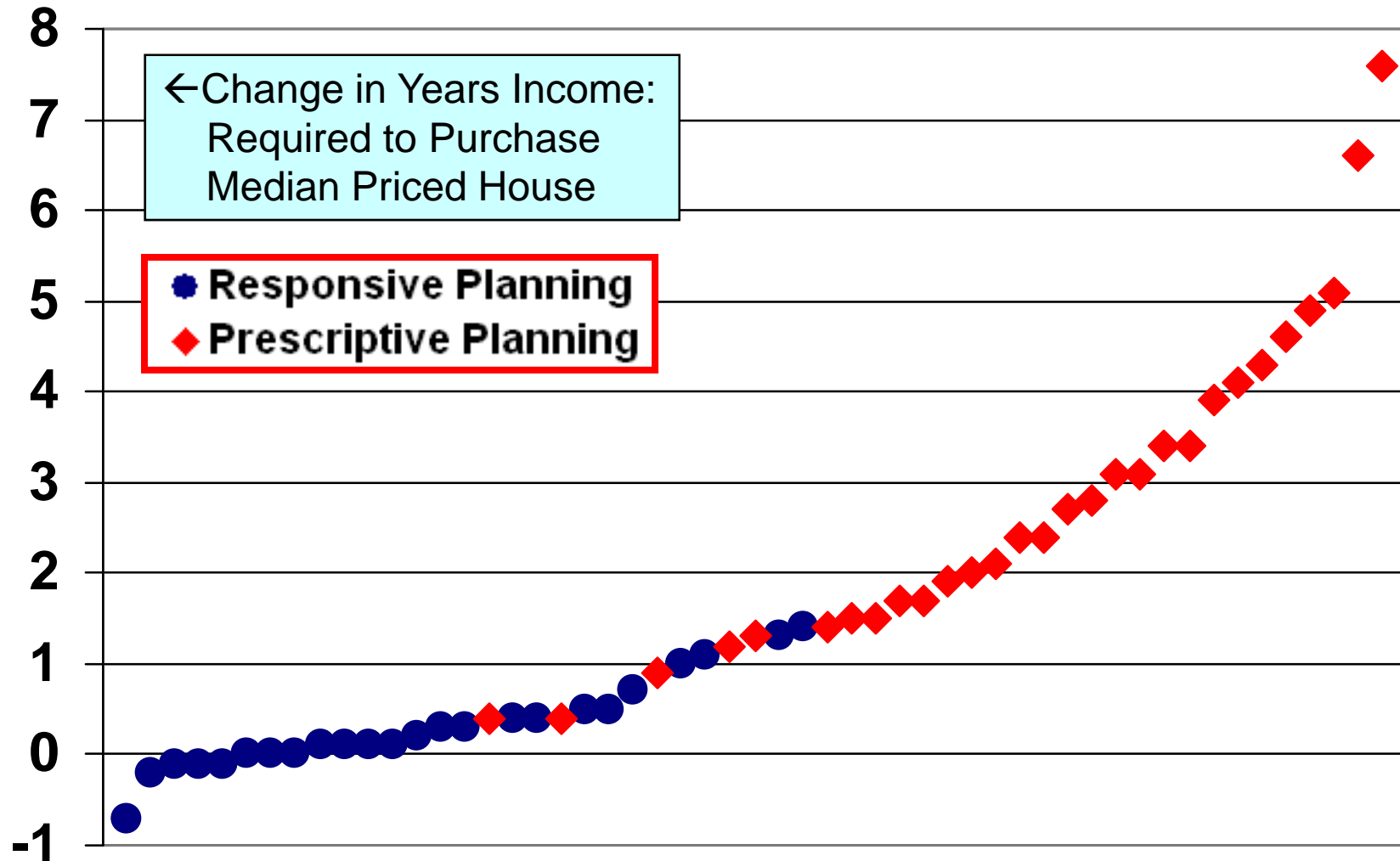
# Relocation Bonus: Move from Washington

MOVE TO RESPONSIVE MARKET (AVERAGE)



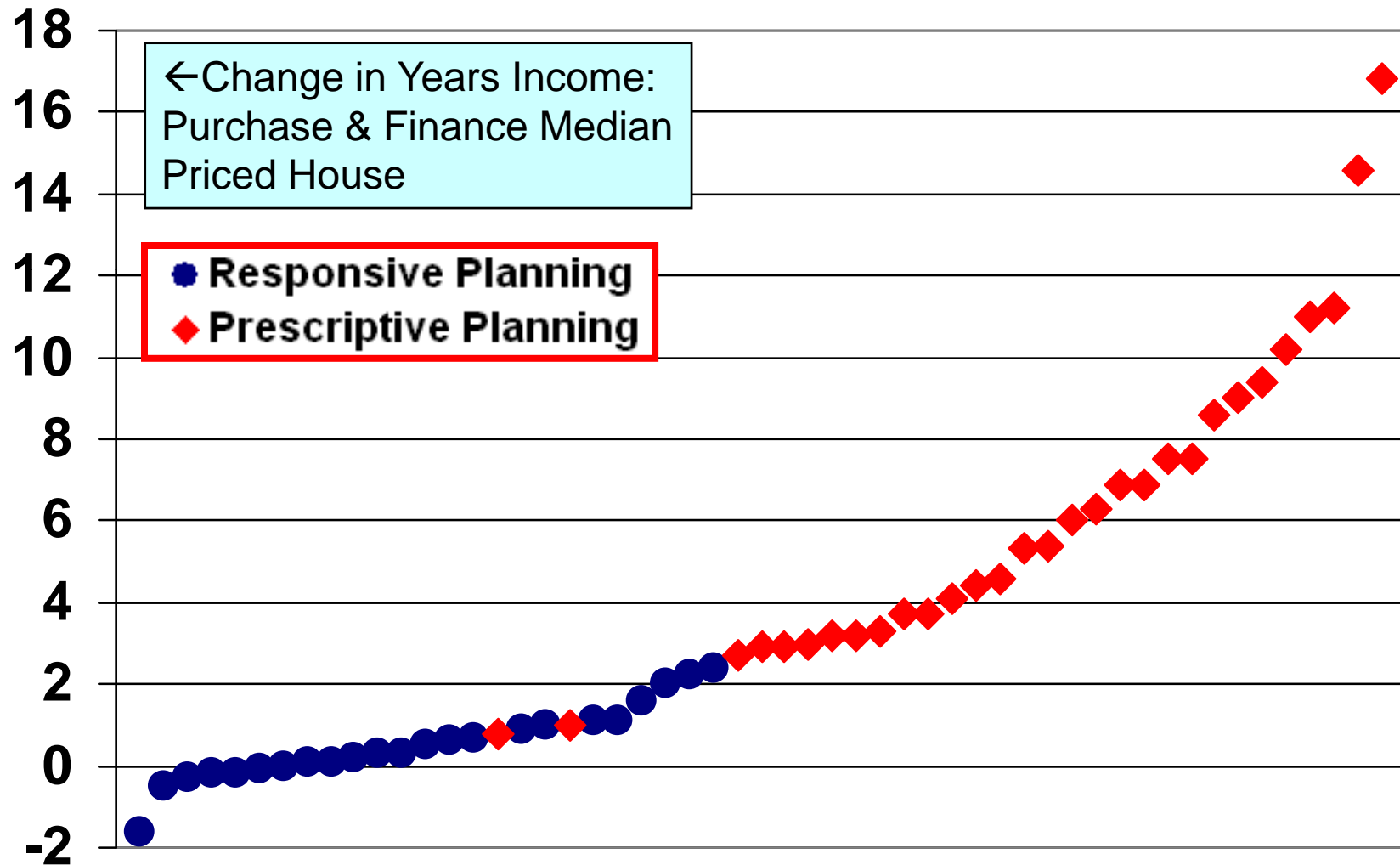
# House Prices & Income Required

MAJOR METROPOLITAN MARKETS: 1996-2006



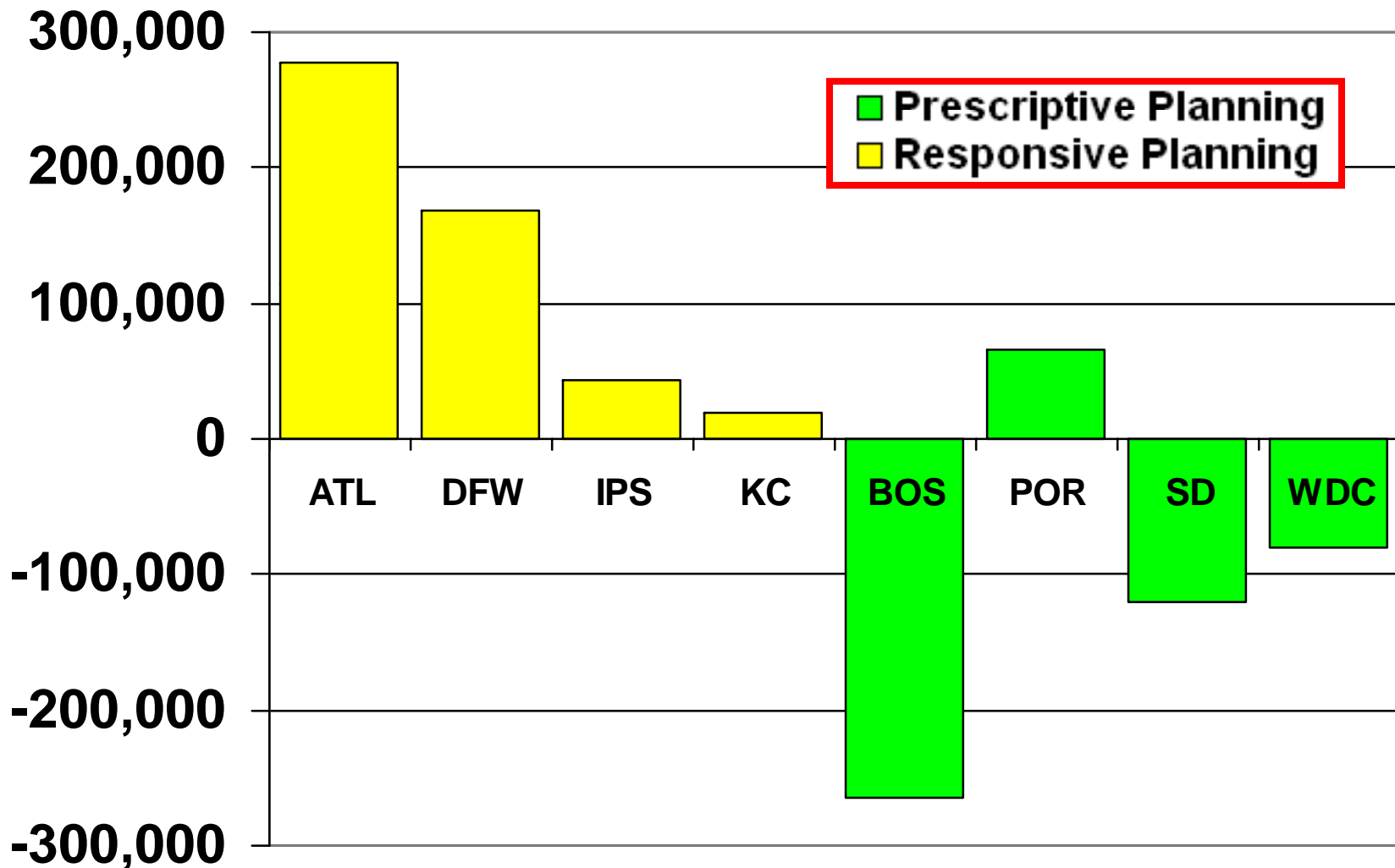
# House Financing & Income Required

MAJOR METROPOLITAN MARKETS: 1996-2006



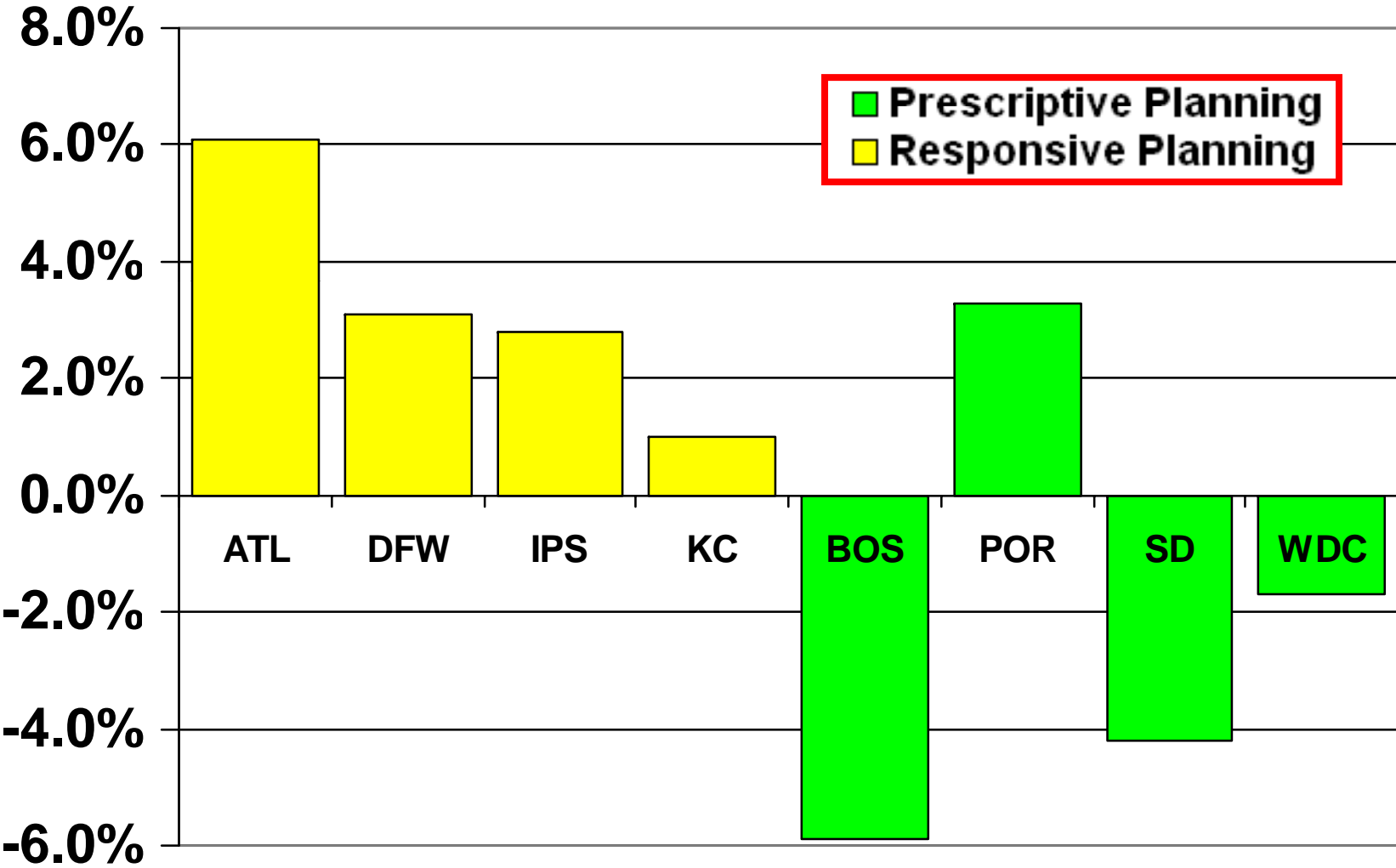
# Domestic Migration: 2006-2006

## METROPOLITAN MARKETS BY PLANNING TYPE



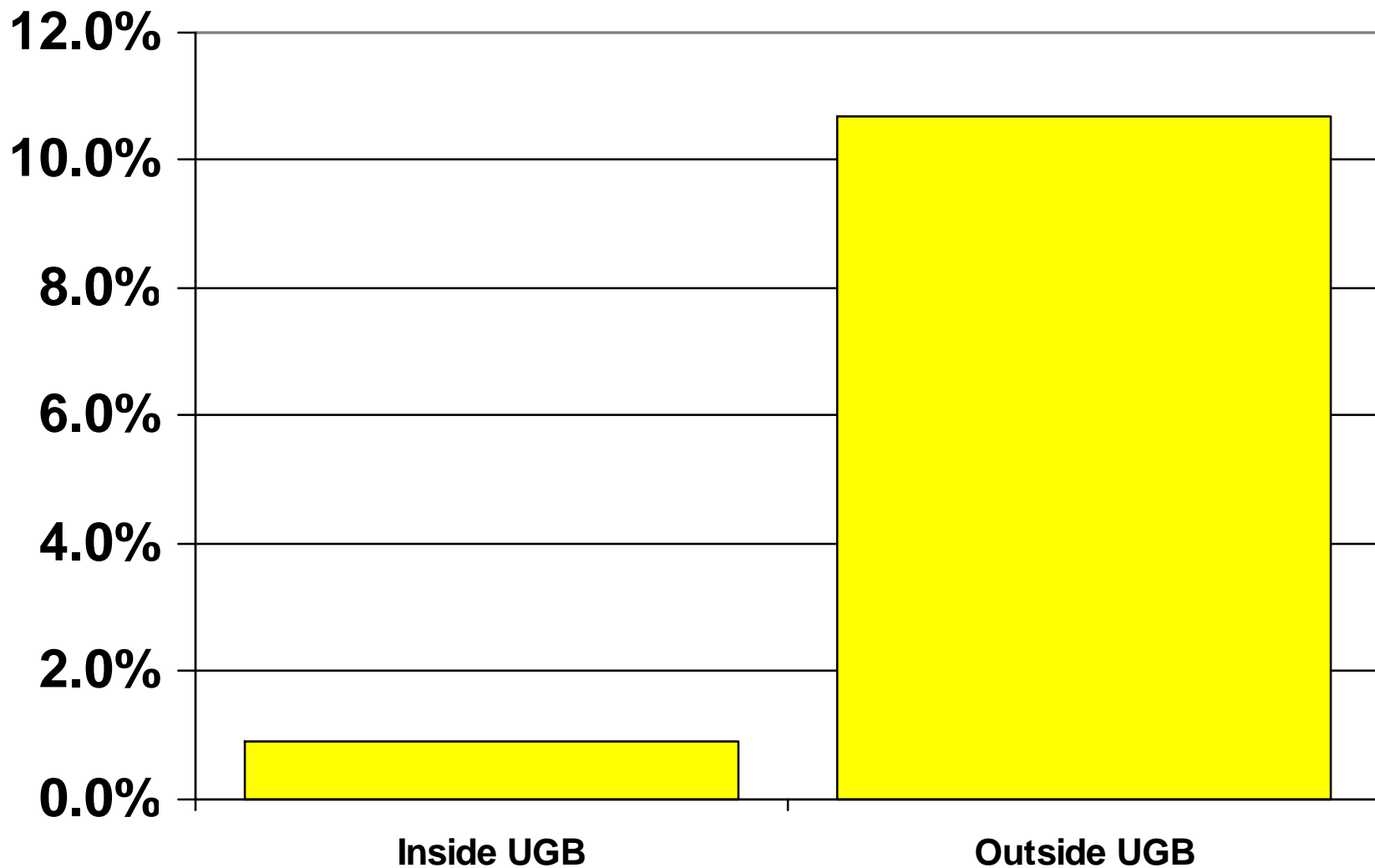
# Domestic Migration Rate: 2006-2006

## METROPOLITAN MARKETS



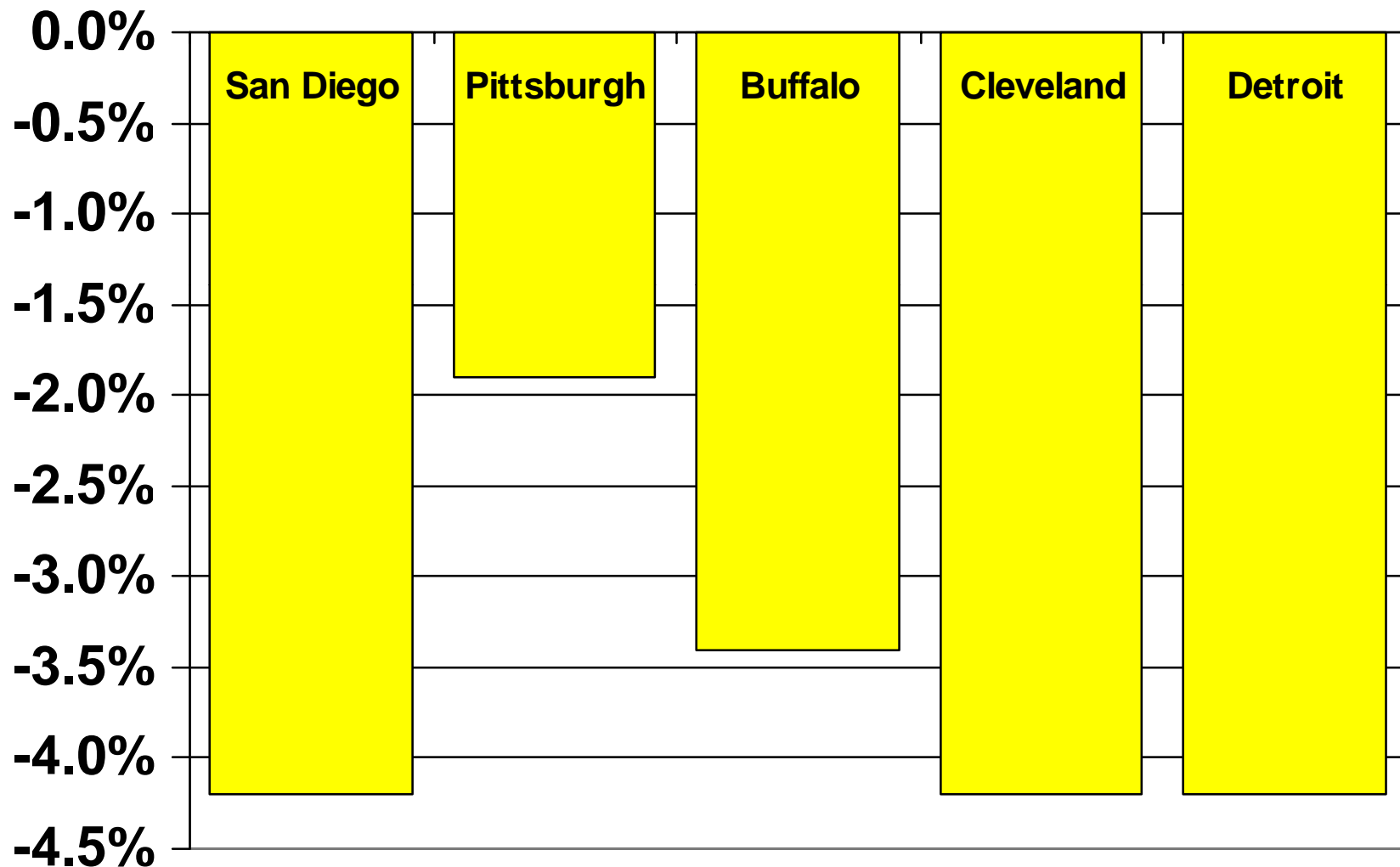
# Domestic Migration: Portland: 2000-2006

## INSIDE & OUTSIDE URBAN GROWTH BOUNDARY



# Migration: San Diego & Rust Belt

NET DOMESTIC MIGRATION: 2000 TO 2006





## Conclusion

**After accounting for non-regulatory (non-smart growth) differences, it is concluded that *smart growth* materially increases housing prices.**