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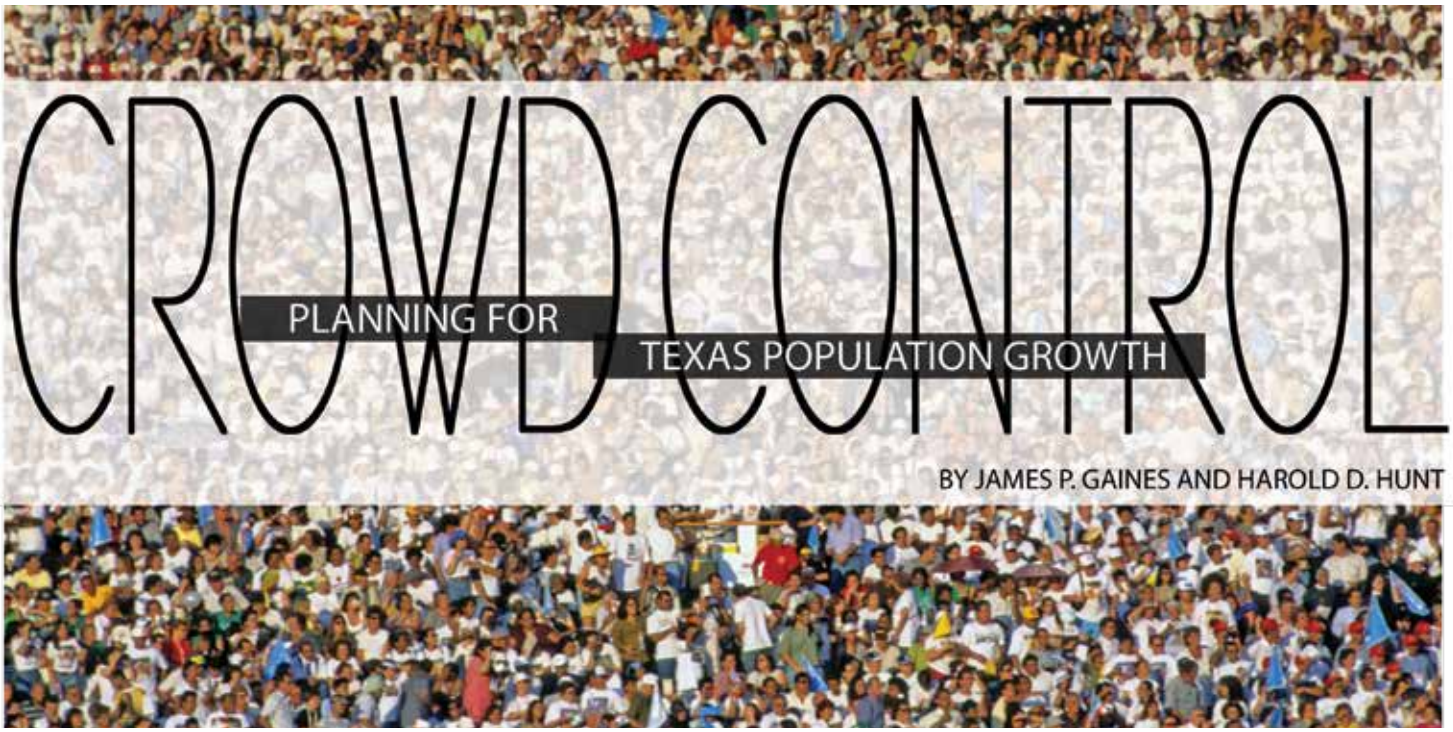

Rapid population growth and urbanization are nothing new to Texas. It is the fastest growing state in the country by numbers and the fifth fastest by percentage. Between 1940 and 2010, Texas averaged an astounding 21.6 percent rate of growth per decade, compared with only 13.3 percent for the country.

During the first decade of the new millennium, Texas added more than four million new residents, more than any other state. And projections are for growth to continue just as strong during the next several decades. This growth will be fueled by economic success, relatively low-cost housing, comparatively lower tax structure, a favorable climate and transportation network.

Texas is also growing in urbanization. The lure of jobs, entertainment, sports and social networks and the desire to be "where the action is" attracts residents to the principal urban areas of the state. Today, nearly two out of every three Texans live in the metropolitan areas of Dallas-Fort Worth, Houston, Austin or San Antonio. Nine out of ten Texans live in one of the state's 25 Metropolitan Statistical Areas (MSAs). The concentration of population into smaller geographical areas creates disproportionate demands for public goods and services, especially infrastructure and essential utilities as well as for mass transit, education and other social needs.

Growth Planning Objectives

Texas added approximately 14 million people in the four decades between 1970 and 2010. The strain on public services such as education, transportation, utilities and drainage was immense. It is expected to grow by roughly another 14 million in the coming two decades, from a population of roughly 25.5 million to more than 39 million by 2030.

In a world of instant gratification and short-term outlooks, few leaders in either the public or private arena exhibit the capacity or the will to make hard, long-term decisions. But today's decisions and actions will dictate quality of life over the next several decades.

The principal objectives of effective growth planning for Texas' future may be summarized in four essential goals:

1. Balance growth and private land development needs and objectives with individual communities' ability to absorb new growth and provide local infrastructure and public services (for example, schools and water supplies);
2. Protect local health, safety and the environment with flexible, sensible requirements and performance standards for development;
3. Optimize local public resources allocation: land, capital, tax revenues and public expenditures; and
4. Encourage and accommodate quality housing development including affordable housing for low-income households.

Planning for growth is a daunting but essential function covering many different future needs. The various public and private requirements typically include the following interconnected needs:

- allocate rational land uses optimally;
- coordinate land and infrastructure development timing, especially roads and water and sewer service delivery;

- fund public capital improvements;
- distribute public service costs equitably;
- preserve and enhance neighborhood quality and ambiance;
- provide parks, open space and other public amenity land uses;
- protect and improve the environmental quality of communities;
- promote the health, safety and general welfare of each community; and
- create affordable housing for working-income-level households.

Private sector planning is as essential as public sector planning. Private developers know that new projects must fit within the larger guidelines of public needs while also providing acceptable risk-return parameters to attract private capital. Truly effective growth planning demands the balance between the private sector necessities and the public needs.

Growth Planning Approaches

Over the years, several distinct styles of growth planning have evolved based on local needs, objectives and attitudes about change. The dominant general style of growth planning incorporates a growth management approach. Growth management broadly includes a rational accommodation of growth and development without purposefully limiting or preventing growth. This approach recognizes that growth may be not only inevitable but quite often sought and encouraged through local economic development efforts. A growth management methodology attempts to anticipate the timing, needs and likely results of growth to minimize adverse impacts, to provide necessary public services and to support and plan for requisite public funding or other actions.

A second, less accommodating style of growth planning employed in some communities around the country is termed growth control. This approach tries to discourage growth by deliberately slowing, restricting or even stopping it from occurring.

During the peak of high population growth in California and Florida during the 1970s and 1980s, many communities enacted local ordinances limiting building permits, stopped infrastructure expansions, charged excessively high impact fees, enacted severe subdivision requirements or restricted selected land uses through exclusionary zoning ordinances. The objective of this approach is to slow or control the pace of growth to fit the community's ability (or willingness) to absorb it. The end result in almost all cases was that land prices increased explosively, resulting in some of the highest-priced housing markets in the country.

The third technique is the so-called smart growth approach, which consists of enacting policies, regulations and practices to counteract or prevent suburban sprawl. The approach features a form of growth control that encourages or directly requires growth into higher-density, mixed-use developments concentrated in urban centers. It is not focused on preventing or stopping development but rather is a tactic to foster more concentrated urban spatial development instead of suburban sprawl.

The primary difference in the three growth planning approaches lies in the intent of the authority implementing the approach. If a jurisdiction's intent is to stop or retard growth, then a rigorous growth control approach is developed. If the intent is to embrace growth and to try to cope with it as well as possible, then a growth management approach is appropriate. But even the most accommodating management approach will still contain some elements of control. Smart growth has become a popular, stylized approach during the past two decades, and many major metropolitan areas have embraced some aspect of it.

Limitations, Local Planning Problems

Regardless of the approach to planning and application, the process may possess inherent limitations, often with conflicting specific results. Land use and development regulations are aimed at protecting existing property values, providing funding for public infrastructure construction, or achieving specific local public goals such as parks, open space and transportation modes.

Texas added approximately 14 million people between 1970 and 2010, a four-decade period. It is expected to grow by roughly another 14 million people in the coming two decades.

There is no common standard for growth planning among or between jurisdictions. Each jurisdiction may employ different practices and enact its own overlapping codes and regulations. These regulatory controls often influence areas beyond the political boundaries of the local community.

For example, a smart-growth initiative within a city may well encourage urban sprawl into a surrounding county not subject to the same regulations. Differences in regulations and controls also create competitive local advantages and disadvantages between metropolitan areas that encourage local developers to gravitate toward one community in preference to another.

Further problems arise in providing uniform enforcement for local growth controls. Developers and planners spend significant time and resources negotiating local land use codes — zoning codes, building codes, environmental codes — resulting in numerous variances and exceptions.

Effects On Housing

Public growth planning affects housing in different ways, but typically it results in higher land and development costs, which translate into higher housing costs. For some, this alone would be an argument to limit or eliminate public planning and land use controls. But the reality is that effective planning can facilitate timely development and more efficient land uses as well as plans for public financial requirements and accommodation of other changes that growth inevitably creates. The marginal cost-benefit of planning and land use regulation is a never-ending debate.

Housing cost increases caused by local land use regulations and ordinances typically come from three sources:

1. Direct restrictions on housing supply through zoning, density controls, land set-asides, open space requirements and similar regulations. These regulatory controls effectively ration the supply of developable land, increasing land costs or forcing development to move beyond the boundaries of the regulatory enforcement.
2. Direct costs or impact fees, permitting and platting fees, or building- and energy-code requirements or special assessments. Direct costs are typically constant per housing unit (or lot) regardless of the value of the unit. They affect low-priced housing far more severely than higher-priced properties.
3. Indirect costs caused by uncertain time and compliance requirements such as lengthy permit and plan review processes with unpredictable outcomes. These costs simply manifest the old adage that time is money. For the developer financing the project, the interest clock never stops ticking.

Extensive research over decades suggests that growth planning and land use regulatory practices increase land and housing costs from 10 percent to 40 percent.

Other problems derive from the ongoing conflict between fluctuating public wants and needs — open space, transportation and congestion relief and tax revenues, for example — and a private developer's need to cover costs and make a profit. In some cases, there is little or no incentive for efficiency in regulatory processes and procedures for government enforcement. Multiple agencies or departments may become involved before any final development project authorization is granted. On top of the time delay problem is the uncertainty of the review process result, which creates additional risk and cost to development.

All developers attempt to pass through as much of the regulatory costs as possible to buyers. The land developer passes the costs through to the builder in the form of a higher land (lot) price, and the builder passes the costs through to the homebuyer either as higher rent or a higher sales price. How much of the regulatory costs can be passed through is limited by the strength of market demand within the final price point.

Many developers follow the path of least resistance, preferring to develop property outside the jurisdictional boundaries of regulatory control — typically in the county outside of a municipality. Developing land subject to fewer regulatory controls avoids the extra direct and indirect costs, leading to lower-cost housing products. Of course, this often results in the urban sprawl that some of the regulations attempted to forestall.

Some developers, however, intentionally look to develop new housing in highly controlled areas to minimize competition and achieve monopoly pricing. As the sole or limited provider of new product, they can pass through the extra costs through higher-priced final units, especially where demand for new units is strong. These developers become accustomed to dealing with the various regulatory agencies and simply plan for the delays and extra costs that arise.

Affordable Housing and Growth Planning

By increasing the per-unit land cost, the effect of land use controls and growth planning on local affordable housing is fairly obvious. Affordable housing may not be a high priority or even a growth-planning objective. Even if affordable housing is a stated objective, the consequences of land use controls still increase land and housing costs, working at odds with producing affordable products. In the past couple of decades, the regulatory trend has been toward "inclusionary" zoning that mandates a predetermined number of affordable housing units in new major urban residential developments.

Affordable housing broadly refers to decent-quality housing that low- and moderate-income households can afford without paying more than 30 percent of their income for total housing costs. Roughly defined, low-income households earn 50 percent or less of the local area median household income — an amount at or very near poverty level. Moderate-income, "workforce" households generally earn between 50 percent and 80 percent of the local median income.

At the state level, Texas' 2011 median household income was $49,392. Thus, low-income Texas households (by definition 25 percent of all Texas households) earn $24,696 or less per year. Moderate-income Texas households earn between $24,696 and $39,514 (80 percent of median). About 40 percent of Texas households fall into this category. Assuming households can get a 30-year, fixed-rate 4 percent mortgage with a 5 percent down payment and taxes, insurance and utilities run about 5.8 percent of the property value per year, with a 30 percent debt-to-income ratio, the median income household could afford a home priced no more than $131,799. A moderate-income household (at 80 percent of median) could afford a home priced no more than $105,440; and a low-income household could afford no more than $65,900.

As local growth planning leads to higher-cost housing it becomes increasingly difficult to produce new housing units in the price ranges needed to satisfy the demand for housing by low- and moderate-income households.

Planning Efficiency, Effectiveness

Growth planning is not standardized and lacks common methodology, application and intent across jurisdictions. Consequently, evaluating the efficacy of an individual planning effort is difficult, and differences between and among jurisdictions often create unbalanced competition between areas for new development. Changing market conditions in specific areas further render growth-planning impacts less predictable.

Nevertheless, extensive research over decades suggests that growth planning and land use regulatory practices increase land and housing costs from 10 percent to 40 percent.

The relative cost-benefits of local planning are blurred by unanticipated speed-up or slow-down in growth and market demand. Local planners trying to implement policies and practices to protect public interests while fostering orderly, sustainable growth in the community find themselves at odds with pro-growth advocates. Affordable housing mandates, for example, may face stiff "not-in-my-backyard" and local political objections.

Texas' growth continues at a rapid pace. Efficient, effective growth planning is paramount to address statewide issues such as interurban transportation systems, water supply and education as well as local issues including road congestion, signage and aesthetics, and drainage.

In broad terms, planners and policy makers may want to incorporate the following concepts in formulating and enacting future growth plans:

- standardize local practices, policies and forms of land use growth planning (for example, maximum fees for specific regulations);
- regionalize planning to avoid major disparities among or between competing local communities as well as surrounding, nonregulated areas for new growth and development;
- simplify review and regulatory processes and procedures to avoid excessive delays and to facilitate better understanding of planning intent and objectives; and
- establish uniform oversight and enforcement that leads to fewer variances and exceptions.

Texas' long-term development may be well served if such simple planning fundamentals are incorporated into future state and local growth planning efforts.

Dr. Gaines (jpgaines@tamu.edu) and Dr. Hunt (hhunt@tamu.edu) are research economists with the Real Estate Center at Texas A&M University.

THE TAKEAWAY

Texas' population is growing rapidly. Government and the private sector alike should plan, anticipate and prepare for this growth. While there is a cost for growth planning, that cost is generally acceptable considering the chaos that could prevail without planning.

TEXAS A&M UNIVERSITY
REAL ESTATE CENTER

MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

http://recenter.tamu.edu
979-845-2031

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