



State's foundation for housing is shaky

By Stephen J. Adams

February 2, 2003

Anyone who has taken an economics class will remember the professor's wistful introduction to markets, "Imagine a perfectly-functioning market." Well, everyone knows that markets don't work perfectly. All kinds of friction affect the way that people produce, sell and buy goods.

Housing has always been a trickier market than others products. It involves so many other parties besides just the producer, seller and buyer. Building inspectors, state regulators, even neighbors have a say in the process. This makes housing a "lumpy" commodity, less responsive to supply and demand signals than sweaters, TVs or cars.

But if housing markets encounter more friction than others, in Massachusetts the road is nearly impassible. State and local governments impose myriad requirements on housing development that make Greater Boston one of the most expensive regions in the nation to live. The implications for the economy are severe.

A recent [study](#) of Pioneer Institute for Public Policy Research and the Rappaport Institute for Greater Boston found that every phase of housing development in Massachusetts poses excessive and unnecessary barriers. The report by Charles C. Euchner found that regulations are not only many in number, but often hard to understand and arbitrary in their implementation, an array of roadblocks ready to be manipulated by opponents of new housing, and in particular, of multi-family housing. The consequence is a nearly total breakdown of the regular market response to supply and demand.

The facts of Greater Boston's housing crisis are by now well known. Consider two indicators. Since 1980, prices have risen 440 percent in Massachusetts, more than double the 181 percent national rate. You might think that high housing costs would prompt a scramble to build. But the percentage increase in housing permits in Massachusetts has been just over 3 percent since 1980, compared with 37 percent nationwide.

Why isn't housing supply responding adequately to demand in Massachusetts? The answer lies in the literally hundreds of regulations, processes, and entities that regulate the housing market.

The problems start with land acquisition. It is often said that housing is expensive and hard to build in Massachusetts because of a shortage of land. But that's only half true. In fact, the problem is not land but a willingness to make land available. State and local entities own thousands of parcels appropriate for housing development. The MBTA is the single biggest landowner in eastern Massachusetts.

But land disposition at both the state and local level is needlessly complex and time consuming. Rather than letting go of land for housing that fits with the community, state agencies impose a stupefying battery of processes that keeps property tied up for decades. Look at the state's closed hospital campuses around the region for a hint of the gummed up disposition process. Boston State Hospital closed for over 20 years ago and not a single residential unit has been built. Ditto the 500-acre Danvers State Hospital closed in 1992.

But land is also tied up by local zoning regulations. Massachusetts is rightly famous for the traditional village that clusters a mix of uses around a transit node or town square. But increasingly local regulations require large-lot development and block efforts to build small-scale housing and apartments.

A raft of environmental regulations further hamstrings the process. Massachusetts not only has more stringent regulations for wetlands and septic systems than other states, but allows local authorities to make them even more stringent.

Add to this Massachusetts, state building codes. Rather than have one consolidated code to set standards for building materials, structural standards, electricity, plumbing, elevators, lead, and access, Massachusetts operates no fewer than nine different boards—which often set contradictory standards and rarely talk to each other. At the local level, building code regulations are enforced by officials with little training and too great an inclination to expand the rules as they see fit.

It all adds up to the dramatic suspension of the laws of supply and demand. Home prices skyrocket but homes cannot be built to satisfy the demand. If the state does not build housing—twice as much as it's currently building—it will lose workers. The losers in this market failure are Massachusetts families of modest means who cannot afford to own a home, businesses that cannot attract workers and all consumers in Massachusetts for whom the cost of housing is built into everything they buy.

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