



## **The stranglehold on housing**

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By James Stergios

PEOPLE HAVE long suspected that local regulations are a major cause of the crisis in Massachusetts' housing affordability. In a paper recently issued by Pioneer Institute and the Rappaport Institute for Greater Boston, Harvard University economist Edward L. Glaeser demonstrates that the decline in supply is steeper and more crippling than anyone had imagined. He conclusively demonstrates how the decline in supply due to regulation is driving up housing prices across the region.

Since 1980, three regions in Eastern Massachusetts have experienced 200 percent price growth, placing them in the top four regions nationwide for price growth. In the past, high real estate prices stimulated a boom in construction, but the current price explosion has brought no increase in the issuance of building permits. In the 1960s, there were 172,459 units permitted in the Boston metropolitan area; in the 1980s, 141,347. Despite the sharp rise in prices in the 1990s, only 84,105 units were permitted.

More worrisome perhaps, regulations appear to have exacerbated impacts on the environment. Local regulations favor the most expensive type of housing development (single-family homes on large lots); discourage compact development (townhouses, multifamily, small lot single-family homes, and accessory apartments); and hamstring developers' ability to produce thoughtful designs that protect the environment. As the Massachusetts Audubon Society's "Losing Ground" report in 2003 points out, the few houses being built consume excessive amounts of land (40 acres per day).

Local regulations have brought multifamily development not constructed under Chapter 40B to a standstill. In the 1960s, single-family homes represented less than half of all housing permits. In the 1990s, this number shot up to 80 percent. Of the 187 sample communities analyzed in the paper, 10 prohibit multifamily development outright and nine others restrict it to occupants who are 55 years or older. Multifamily units may technically be allowed in the other 168 communities in Eastern and Central Massachusetts, yet the regulations are so restrictive that most multifamily development permitted in recent years has been through the state's contentious 40B process, which allows developers to bypass local zoning requirements if they create affordable housing.

Rental ("accessory") units within single-family homes could also provide more housing but are currently constricted by regulation. Nominally, 60 percent of localities in Eastern and Central Massachusetts allow accessory units. But over half limit occupancy to relatives of the homeowner and require frequent re-permitting and the restoration of the home to its original state after the in-laws move out. Loosening these restrictions would create affordable housing units virtually overnight while providing a helpful income stream to homeowners, particularly the elderly. Municipal regulations on setbacks and street frontage have turned parcel planning into a 10th-grade geometry problem, with developers adopting designs that maximize the number of buildable lots. The result is frequently oddly shaped lots that forsake aesthetic and environmentally friendly design in order to maximize development. In response, towns are issued more regulations, including complex numeric formulas and perimeter-area ratios.

In an attempt to address these land use issues and facilitate housing production, many communities in the 1970s adopted cluster zoning, which allows developers flexibility to arrange a predetermined number of units on the parcel, protect environmentally sensitive areas such as wetlands, and set aside open space. Eighty percent of Eastern and Central Massachusetts communities have adopted some form of cluster zoning. Unfortunately, cluster zoning has not resulted in widespread construction of new housing because of the fine print in the provisions -- impossibly large parcel sizes (25 acres in Lynnfield, or 10 acres in Burlington), unpredictable town meeting approval or special permits, and the ongoing presence of conventional zoning requirements on lot dimensions.

Eastern and Central Massachusetts are facing a classic problem. Individual communities fear local impacts and restrict supply, while the state as a whole struggles with housing affordability, families are priced out of the market, and local businesses suffer from a competitive disadvantage. We are past the point where we can simply hope municipalities will follow the example of Burlington and allow for accessory units, or Hopkinton and actively pursue clustering.

Recent reform efforts, such as Chapters 40R (which allows compact development near public transit and in downtown areas) and 40S (which helps mitigate the fiscal impact of 40R), are useful initial steps. But they have yet to create even a single unit of housing. If we are to address this crisis, bolder action is needed. The state should adopt stronger and wider use of financial incentives and penalties, as well as exempting cluster development, transit-oriented development, and accessory units from local zoning.

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