

## **Smarter Growth Policy Statement: Building Better Places to Live, Work and Play**

The concept of “Smart Growth” exploded onto the national consciousness in the 1990s. Since that time it has been embraced by NAHB and other organizations and individuals as it touches on choices we Americans hold close to our hearts – where and how we live, work and play, the education of our children, access to jobs, and the economic and employment opportunities created by new growth in our communities. It is a concept that addresses the questions of how best to plan for and manage growth, when and where new residential and commercial development, as well as schools and transportation systems, should be built and located, and how to pay for the infrastructure required to serve a growing population.

Much has changed since NAHB’s Smart Growth Policy Statement was originally adopted in 1999. After ten years, the time is now ripe for a reformulated and enhanced view of Smart Growth in order to ensure that it continues to be relevant to the nation’s dynamic housing market.

In its broadest sense, Smarter Growth means meeting the underlying demand for housing created by a growing population by building a political consensus and employing market-sensitive and innovative land-use planning concepts. It means understanding that decentralized patterns of job growth, diverse housing needs and consumer preferences will continue to encourage growth in a wide range of locations. Smarter Growth also means meeting housing demand in “smarter” ways by planning for growth, building more compactly and creatively, preserving meaningful open space, and protecting environmentally sensitive areas.

The key elements of NAHB’s Smarter Growth strategy include:

- Anticipating and planning for economic development and growth in a timely, orderly and predictable manner;
- Establishing a long-term comprehensive plan in each local jurisdiction that makes available an ample supply of land for residential, commercial, recreational and industrial uses and sets aside meaningful open space. These plans should also protect environmentally sensitive areas and maintain a balance between the environment and growth.
- Removing barriers and avoiding creating new barriers that impeded innovative land-use planning techniques to be used;
- Ensuring that the actions of all levels of government address the affordability of all housing;
- Ensuring that policies enhance rather than limit consumer choice and that these policies provide solutions that meet the needs of consumers and the concerns of neighborhoods.

- Planning and constructing new schools, roads, transit systems, water and sewer treatment facilities and other public infrastructure in a timely manner to anticipate and keep pace with the demand for jobs and housing, and finding fair and broad-based ways to underwrite the costs of infrastructure investment that benefit the entire community;
- Ensuring that the process for reviewing site-specific land development applications is reasonable, predictable and fair for applicants. Developments that comply with the policies and regulations established by the community should be allowed to proceed without unreasonable oversight from the relevant planning agencies.
- Ensuring that policies enacted to achieve sound growth and environmental principles are supported by sound science, including field-tested, empirical and peer-reviewed data.

Most importantly, Smarter Growth reflects the aspirations of Americans—the very people comprehensive growth plans are intended to serve—while protecting the environment and quality of life for all Americans. Where do people want to live? What type of homes do they want for themselves and their children? What can they afford? What types of jobs and economic opportunities do they seek and expect?

Smarter Growth policies cannot ignore the need for state and local governments to foster housing affordability and consumer choice. To that end, state and local jurisdictions must create an environment that preserves and produces housing that is affordable for all residents at all income levels and meets a variety of lifestyle needs. Every step in the policy-making process should include an assessment of the financial impacts of the regulation on housing affordability.

When creating such policies, all levels of government should be mindful of the financial environment. One cannot advance policies if there is not appropriate support from the lending community. If the financing cannot be obtained then the projects cannot happen the way that the policy makers envision.

The availability of all forms of credit (AD&C) significantly influences what can be built, by whom, and where. Banks and other financial institutions exert considerable influence over the future form of growth and housing by their lending decisions. At the same time, the country's mortgage environment influences the type of consumer financing available. Limitations on the types of mortgages that are offered, funding limits, and regulatory or procedural constraints can seriously constrain how a community is marketed and to whom. The bottom line is that without the appropriate credit and financing vehicles, the building industry will find it impossible to advance the full array of development and housing opportunities.

## **Housing's Role in a Healthy Economy**

In 1949, Congress first set forth the national goal of “providing a decent home in a suitable living environment for every American family.” Since then, the housing industry has played a key role in sustaining the nation’s economy and raising the standard of living for American families. Over the past six decades, home builders have built well over 75 million new single-family and multifamily housing units. Millions more have been remodeled and rehabilitated. This activity supports millions of jobs in the housing industry.

The benefits of home building are broad-based, however, and extend far beyond the construction sector. In a typical year, housing investment and consumption account for at least 14 percent of Gross Domestic Product (GDP). Moreover, homeownership also can contribute significantly to household wealth, and the nation’s millions of home owners have accumulated trillions of dollars in home equity.

There is often a strong correlation between investment in housing and growth of the overall U.S. economy. Each new single-family home built generates, on average, enough work to keep more than three workers employed full time for a year. This includes not just construction workers, but people in a broad range of manufacturing and service industries. Likewise, construction of every new multifamily unit generates enough work to keep more than one worker employed for a year. Given that housing starts averaged 1.5 million a year over four decades, home building clearly supports millions of jobs in the U.S. economy under normal conditions. When conditions are not normal and production of new housing falls below sustainable levels, these jobs are lost.

Looking to the future, it will be necessary to build significantly more than a million housing units each year to meet the underlying needs of the nation’s population. Over the next decade, the rate of new household formations is expected to average at least 1.4 million a year. Moreover, the stock of housing in the U.S. consists of more than 125 million housing units—more than 40 million built before 1960, and more than 18 million built before World War II. It will be both necessary and desirable to replace some of these older units with housing that is more energy efficient and otherwise built to modern standards. In the long run, NAHB estimates that meeting the needs of a growing population and sustaining a minimal replacement rate requires the construction of 1.8 to 1.9 million new single-family and multifamily housing units per year.

In order to meet the needs of a growing population, federal, state, and local policies that accommodate an orderly and sustainable rate of housing production are a necessity.

## **The Role of Planning**

How well we plan for projected increases in households, changing demographics and lifestyles and an expanding economy will have a major impact on the quality of life in years ahead. When used properly as a planning tool, Smarter Growth can help expand homeownership opportunities and allow Americans to live in the homes and communities of their dreams. There are some, however, who want to turn Smarter Growth into a tool to stop or slow growth. Such a move would penalize and put at greatest risk those living at the edge of housing affordability—the young, minorities, immigrants and moderate-income families.

It is also worthwhile to note that residential and commercial growth is fluid – meaning that when it is stopped in one place, it will inevitably occur somewhere else. The forces of “no growth” are, in part, responsible for the leapfrog development patterns of the past. Attacking past development patterns and blaming builders does not recognize the fact that public policy dictates where development occurs. Such political rhetoric is not only wrong and counterproductive but it polarizes the very people who should sit down together and work out solutions on Smarter Growth.

Understanding where and how people want to live and the types of homes they want is the first step in mapping the patterns of growth for America in the decade ahead. Finding common ground and building a political consensus must follow. This discussion should start in each local jurisdiction—city, county or township—because the politics of growth are uniquely local and because the authority to determine land use is vested in local government. While general planning principles are useful, the actual planning tools and strategies selected will vary according to local market conditions.

## **The Role of Government**

Perhaps the most important role of government at every level is achieving a balance between competing and often conflicting public priorities. All levels of government have an obligation to advance the goal of providing safe, decent, and affordable housing for all Americans. Governments also have an interest in promoting economic development and protecting the environment, but these goals must be balanced with meeting the nation’s housing needs. Governments must also recognize that different planning goals and priorities will lead to different planning solutions.

To avoid unintended consequences such as solutions that are not economically viable or that inadvertently deflect growth to other areas, public policy also must be supported by sound science and empirical data. And as solutions are developed for a community, it is important to acknowledge the role and power of the market and consumer choice.

Planning, development and housing activity are uniquely local. They reflect the desire and aspirations of specific communities and the complex interaction of market forces at the local level. Locally elected governments are therefore best suited to balance competing interests and to communicate and cooperate with neighboring jurisdictions. Local policy makers are most closely involved in the communities they serve and represent. Their decisions, based on direct citizen input, best reflect the needs, desires and priorities of their communities. Thus, land use planning should be primarily the province of local units of government.

A federal mandate which dictates the location, place and form of development does not respect local circumstances and is not appropriate. Policies that work in one region may have serious unintended consequences in another. The United States is far too diverse demographically, historically, geographically, and economically to successfully implement a “one-size-fits-all” program. The federal government’s role should be to encourage and coordinate with, and not prescribe to, local communities to adopt long-term comprehensive plans that will meet the demand for new housing, economic development, and public infrastructure. The federal government should work to eliminate redundant and contradictory regulations that impede economic development and prevent the housing industry from meeting the demand for new housing.

Equally important, federal programs intended to address growth-related challenges should not limit housing choice or drive up the cost of housing. And resources provided by the federal government to state or local governments should not limit local authority or dictate particular growth patterns or planning mechanisms.

### **“Smarter Growth” Principles**

The National Association of Home Builders endorses the concept of Smarter Growth as outlined in this statement. When used appropriately and in concert with market forces, Smarter Growth can serve as a blueprint for planning and building an even better America in the years ahead. To assist local communities in developing Smarter Growth plans, NAHB supports and encourages implementation of the following concepts:

**Meeting the Nation’s Housing Needs:** As a fundamental part of any “Smarter Growth” plan, a community must plan for and accommodate its anticipated growth in economic activity, population and housing demand as well as ongoing changes in demographics and lifestyles. The Harvard Joint Center for Housing Studies reports that nearly 18 million U.S. households spend more than half of their incomes on housing, and that one in ten households in the bottom income quartile live in housing that is physically inadequate. Statistics such as these demonstrate a substantial need for new housing that is both of good quality and affordable. Meeting this demand for shelter and increasing homeownership opportunities are compelling national goals that must be addressed in every community’s comprehensive growth plan. It is the responsibility of every community to plan for and embrace the growth that is naturally triggered by economic prosperity.

**Providing a Wide Range of Housing Choices:** NAHB recognizes the basic right of every American to have a free choice in deciding where and in what kind of home to live. NAHB surveys consistently show that two-thirds of prospective home buyers prefer single-family detached housing over other structure types and in a variety of settings. The surveys show that the majority of buyers are split roughly evenly in their preferences among a close-in suburb, an outlying suburb, and a rural location rather than a central city. Communities should recognize these basic preferences as part of any comprehensive planning process. Policy makers should understand that market preferences are fluid over time, and that their policies and regulations should be flexible enough to respond adequately to this fluidity.

NAHB supports planning for growth that allows for a wide range of housing types to suit the needs and income levels of a community's diverse population, while recognizing "smart ways" to manage growth by permitting higher densities, preserving open space and protecting environmentally sensitive areas where appropriate. Finding decent, affordable housing is an ongoing struggle for millions of American families any Smarter Growth planning process should provide for housing affordability at all income levels.

**A Comprehensive Process for Planning Growth:** NAHB supports comprehensive land-use planning that clearly identifies land to be made available for residential, commercial, recreational and industrial uses as well as land to be set aside as meaningful open space. This planning should also respect environmentally sensitive areas and take into account a regional transportation system that implements appropriate modes of transportation including roads that are based on current and proposed land use patterns. Such plans should take into account a community's projected economic growth rate, job location, demand for new housing and expanded infrastructure required to serve a growing population. Builders, land developers and other industry members should be encouraged to lend their expertise and participate in the design and periodic review of a community's comprehensive planning process. It is important to note that there is no one-size-fits-all approach to public policy and NAHB shall continue to stress the appropriate role of the federal government in supporting local government in advancing land use planning decisions.

**Planning and Funding Infrastructure Improvements:** Ensuring that the construction of schools, roads and other infrastructure keeps pace with the anticipated growth in population and economic activity is essential to any "Smarter Growth" plan. Appropriate bodies of government should adopt capital improvement plans that fund and provide the infrastructure necessary to support new development. Planning major infrastructure improvements—particularly transportation—requires cooperation across governmental boundaries to resolve issues.

Ensuring that infrastructure is funded equitably and that the cost is shared equitably among all segments of the community—current residents as well as newcomers—is an even greater challenge. NAHB encourages local communities to rely on an array of balanced, reliable, and equitable tools to finance and pay for the construction and expansion of roads, schools, water and sewer facilities and other infrastructure required to serve a vibrant community.

Infrastructure investment carries with it long term benefits to a community and it is vital to long-term economic competitiveness. Because of this, it is important that local government prioritizes where and how this investment happens in its area. The public and private sectors should create partnerships with each other to plan and select the modes of transportation that work best for that region.

**Using Land More Efficiently:** The housing market is characterized by a diversity of interests, including a strong consumer preference for single family homes on individual lots in a variety of densities and settings. Planning therefore should serve the public interest and its many diverse aspirations.

NAHB supports innovative land-use policies to encourage more sustainable, compact, mixed-use, and pedestrian-friendly developments with access to open space and various transportation options. NAHB also recognizes that revitalizing older suburban and inner city markets and encouraging infill development is universally accepted as good public policy in terms of using land more efficiently. However, even under the best of conditions, urban and infill development will satisfy only a small percentage of a community's demand for new housing.

Generating greater public support for these types of more efficient development will require local governments to remove regulatory barriers to such development and educate citizen groups who are opposed to change in their communities and to any new growth. The federal government and the nation's cities will have to work closely with the housing industry to overcome other major impediments, such as aging infrastructure, high land costs, lending complexities that make redevelopment costly and difficult, and federal liability laws that increase risks for builders involved in the redevelopment of "brownfield" sites. Making cities safe from crime, improving the quality of schools and creating employment opportunities are prerequisites for rebuilding the nation's inner cities and for encouraging people to return to them.

Our nation faces many challenges. One of the most significant is ensuring that, as our population grows, growth and development occur in a sensible, orderly and predictable fashion. The nation's home builders and the members of the National Association of Home Builders are committed to pursuing reasonable and market-driven "Smarter Growth" strategies that will meet the nation's housing needs, expand homeownership opportunities, help revitalize the nation's cities and inner suburbs, and build attractive and livable neighborhoods and communities and an even more prosperous America in the 21<sup>st</sup> century.