



Victoria Transport Policy Institute

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Where We Want To Be

Home Location Preferences And Their Implications For Smart Growth

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By

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Many people prefer living in urban villages such as this because of their accessibility and livability but cannot because current policies and planning practices constrain their development.

Abstract

This report investigates consumer housing location preferences and their relationship to smart growth. It examines claims that most households prefer sprawl-location housing and so are harmed by smart growth policies. This analysis indicates that smart growth tends to benefit consumers in numerous ways. Market research indicates that most households want improved accessibility (indicated by shorter commutes), land use mix (indicated by nearby shops and services), and diverse transport options (indicated by good walking conditions and public transit services) and will often choose small-lot and attached homes with these features. Demographic and economic trends are increasing smart growth demand, causing a shortage of such housing. Demand for sprawl housing is declining, resulting in oversupply and reduced value. The current stock of large-lot housing is adequate for the foreseeable future, but the supply of small-lot and attached housing will need to approximately double by 2025 to meet growing demand.

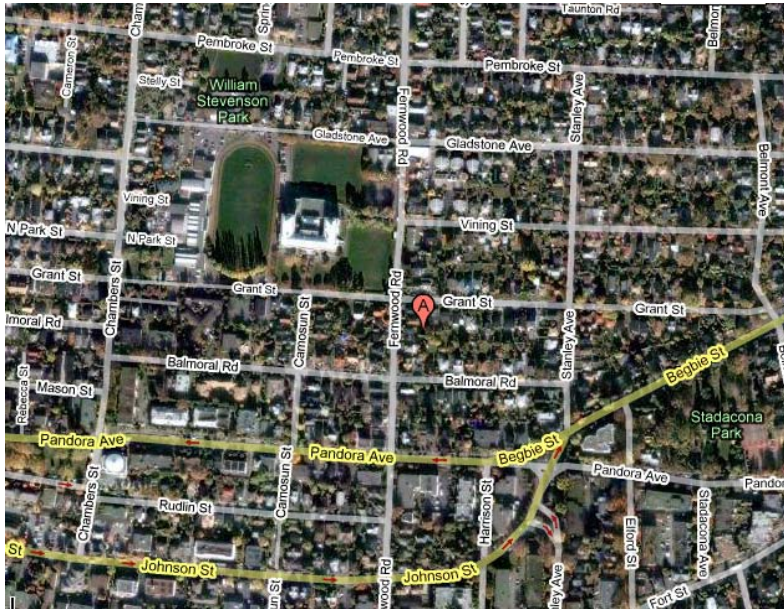
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Preface

I love my city, Victoria, British Columbia, because it embodies smart growth attributes.

It's not just me. Visitors come from around the world (tourism is our largest industry), although there are really few attractions here. Their main activity? Walking around our traditional city downtown.



My demographically average family (mom, dad, two children, dog, cat and two pet fish) lives in a small-lot (50' x 100'), single-family home in Fernwood, one of Victoria's older neighborhoods. It's a great place to live and highly accessible due to its density, land use mix, sidewalks, pocket parks, and proximity to downtown. Within a ten-minute walk or three minute bike ride we have three grocery stores, a dozen convenience stores, four pharmacies, many coffee shops and restaurants, several parks and three nice pubs.

As a result, our family is truly multi-modal: we walk, bike, ride public transport, take taxis, and occasionally drive. A year ago our car broke down, so we chose to become car free. We rent cars when we need them.

This transportation pattern keeps us healthy (including the dog) and saves a bundle of money. We live comfortably on one income, and the vehicle cost savings finance our children's education (one is currently attending a private university). We've befriended many neighbors and help keep our community clean and safe during walks.

We are not unique. According to research described in this report, lots of people want to live in such neighborhoods. Unfortunately, that drives up prices. We couldn't afford to purchase our home now. Smart growth critics assume that since virtually everybody wants to live suburban, automobile dependent lifestyles, efforts to create more smart growth communities harm consumers and contradict market forces. Our experience indicates otherwise.

In fact, there is now plenty of large-lot housing in sprawled locations available for sale or rent at a discount, thanks to the current housing bust. Some is empty due to a lack of demand. However, there is a growing shortage of smart growth housing because households increasingly prefer accessible, multi-modal communities like Fernwood. Smart growth policy reforms that allow more of this type of neighborhood can make everybody better off, including sprawl-location residents who benefit from reduced traffic generated by others in their region.

Critics assume that consumers are inflexible, helpless and lazy, and so, once accustomed to sprawl and automobile travel, cannot change. Experience, however, indicates that most people are actually quite adaptable and creative, enjoy walking, and tend to flourish in smart growth communities.

Introduction

Choosing where to live is a profound decision that affects households’ long-term financial burdens, daily activities and opportunities, social interactions, health and safety, as well as costs imposed on others. For most of the last five decades North Americans associated low-density, urban-fringe, automobile-oriented locations with positive aspirations including economic success, freedom, prestige, security, cleanliness, quiet and privacy. Moving to a suburban home is frequently portrayed as fulfillment of the American Dream. It is therefore unsurprising that efforts to shift to a more urban development pattern are often met with skepticism and criticism.

This is a timely issue. Many experts advocate *smart growth* (also called *new urbanism* and *neotraditional development*), a set of planning practices that result in more compact, accessible, multi-modal development (Ewing, et al. 2008; TRB 2009). Proponents argue that smart growth provides numerous benefits to residents and society, as summarized below. Critics claim that smart growth imposes significant costs, in particular by reducing the supply of large-lot (larger than a quarter acre), single-family homes (Cox 2001; O’Toole 2001; Pisarski 2009). They argue that, regardless of its benefits to society, smart growth deprives consumers of their preferred lifestyle and unless imposed by onerous regulations will fail because it contradicts market demands.

Table 1 Smart Growth Benefits (Burchell, et al. 2002 and 2005; Litman 2006)

Economic	Social	Environmental
Development cost savings	Improved transport options, particularly for non-drivers.	Greenspace & habitat preservation
Public service cost savings	Improved housing options.	Pollution emission reductions
Transportation cost savings	Community cohesion.	Energy conservation
Agglomeration efficiencies	Cultural resource (historic sites, older neighborhoods, etc.) preservation	Reduced “heat island” effect
Supports environmental sensitive industries (tourism, farming, etc.).	Increased physical fitness and health	

Smart Growth can provide various economic, social and environmental benefits.

This debate reflects two narratives about land use development (Litman 2004). Smart growth critics argue that sprawl reflects consumer preferences and market demands, so smart growth harms consumers, reduces economic efficiency. Smart growth advocates argue that sprawl results to a significant degree from planning distortions, and correcting these distortions can shift the market toward smarter growth development patterns that better reflect consumer preferences, which benefits consumers and society overall.

This report investigates these issues. It examines consumer housing preferences, smart growth impacts, and their implications for optimal development policies. In particular, it investigates whether smart growth policies benefit or harm consumers overall.

Defining Smart Growth

Smart growth consists of land use development patterns that emphasize accessibility and modal diversity, as opposed to dispersed, automobile dependent development, often called *sprawl*. Table 2 contrasts these two patterns.

Table 2 Comparing Smart Growth and Sprawl (Litman 2005)

	Sprawl	Smart Growth
Density	Lower-density, dispersed activities.	Higher-density, clustered activities.
Growth pattern	Urban fringe (greenfield) development.	Infill (brownfield) development.
Land use mix	Homogeneous (single-use, segregated).	Mixed land uses.
Scale	Large scale. Larger blocks and wider roads. Less detail since people experience the landscape at a distance, as motorists.	Human scale. Smaller blocks and roads. Careful detail, since people experience the landscape up close, as pedestrians.
Public services (schools, parks, etc.)	Regional, consolidated, larger. Requires automobile access.	Local, distributed, smaller. Accommodates walking access.
Transport	Automobile-oriented. Poorly suited for walking, cycling and transit.	Multi-modal. Supports walking, cycling and public transit.
Connectivity	Hierarchical road network with numerous dead-end streets, and limited, unconnected walking and cycling facilities.	Highly connected (grid or modified grid) streets and nonmotorized network (sidewalks, paths, crosswalks and shortcuts)
Street design	Streets designed to maximize motor vehicle traffic volume and speed.	Streets designed to accommodate a variety of activities. Traffic calming.
Planning process	Unplanned, with little coordination between jurisdictions and stakeholders.	Planned and coordinated between jurisdictions and stakeholders.

This table compares Smart Growth and sprawl land use patterns.

Smart growth can include diverse housing types, including detached small-lots (less than 7,000 square feet) single-family, and attached multi-family in compact, mixed, multi-modal locations (good walking and cycling conditions, nearby shops, and served by high quality public transit). It can be applied in many geographic conditions:

- **Urban:** medium- and high-density mixed-use development concentrated around transit stations, called *transit-oriented development*.
- **Suburban:** small-lot and low-rise, mixed-use, walkable neighborhoods, called *new urbanism* or *neotraditional planning*.
- **Rural:** development clustered in walkable *urban villages*, connected by ridesharing and public transit, and roads with adequate shoulders to accommodate bicycles.

Table 3 summarizes smart growth planning principles. Prior to 1950, most development reflected these principles, resulting in relatively compact, multi-modal communities. From 1950 to 1990, policies favored sprawled, automobile-dependent development. In recent years, some communities have started applying smart growth principles again, under the name *new urbanism* (which tends to reflect site and neighborhood scale planning) or *smart growth* (which tends to reflect local and regional scale planning).

Table 3 Smart Growth Planning Principles (Litman 2007)

Strategy	Description
Comprehensive community planning	Community has a planning process which identifies strategic transport and land use goals, objectives and targets
Intergovernmental coordination	Effective coordination among various levels of government
Location efficient development	Locate and design development to maximize accessibility
Location-based taxes and fees	Structure taxes and fees to reflect the costs of providing public services.
Locate and design public facilities for smart growth	Locate and design schools, parks and other public facilities for multi-modal accessibility.
Reform zoning codes	Reduce restrictions on development density and mix.
Encourage urban redevelopment	Encourage redevelopment of existing urban areas.
Growth controls	Limit urban expansion, particularly on ecologically valuable lands.
Transport planning reforms	Improve alternative modes and encourage more efficient transport.
More neutral transport funding	Reduce dedicated roadway and parking funds. Apply least-cost planning.
Mobility and parking management programs	Implement mobility and parking management as an alternative to road and parking facility expansion.
Educate decision-makers	Educate decision-makers about smart growth policies and benefits.
Land use impact evaluation tools	Develop better tools for evaluating land use impacts.

Smart growth implementation involves a variety of policy and planning reforms.

Critics argue that smart growth relies primarily on negative incentives, such as urban growth boundaries and vehicle travel restrictions, but these are only a small portion of smart growth policies. Many smart growth strategies reflect good planning practices and directly benefit residents by increasing land use accessibility (which reduces the time and money required to reach common destinations), improving housing options (more housing types, particularly affordable housing in accessible neighborhoods), improving transportation options (better walking, cycling, ridesharing, public transit and carsharing), and providing new opportunities to save money (such as unbundled parking, and lower development and utility fees in more compact locations). In most cases, with typical smart growth policies, most households can still choose single-family homes and automobile travel when they truly prefer those options.

Described differently, to a significant degree sprawl results from planning and market distortions that favor dispersed, urban expansion over more compact, mixed, development, and automobile travel over other modes, as described in the following section of this report. As a result, current planning reduces housing and access options, particularly affordable housing in accessible, multi-modal communities. Smart growth policies help correct these distortions, creating more neutral policies that expand housing and transportation options so households can choose the combination that best reflects their needs and preferences.

Sprawl-Stimulating Policies and Practices

Many current policies and practices tend to favor lower-density, automobile-oriented development (Lewyn 2005 and 2006; Levine 2006; Litman 2007; SGN 2002 and 2004; Sugrue 2009). These include:

- Generous public spending on roads and parking facilities, which often degrades urban neighborhoods and encourages sprawled development.
- Zoning codes and development policies that limit density and mix, and mandate generous parking supply.
- Taxes and utility rates that fail to reflect the savings that result from more compact, accessible development.
- Public housing and infrastructure investment that favors greenfield development over redevelopment of existing communities.
- Planning that evaluates transport system performance based on mobility (the ease of driving) rather than accessibility, which favors automobile over alternatives.
- Lending policies treat household automobile ownership as an asset, rather than a liability, and ignore the financial savings that result from location-efficient housing.
- Various policies and programs intended to support home ownership, including home mortgage interest income tax deductions, targeted housing loan programs, and home financing agencies such as Fannie Mae and Freddie Mac.

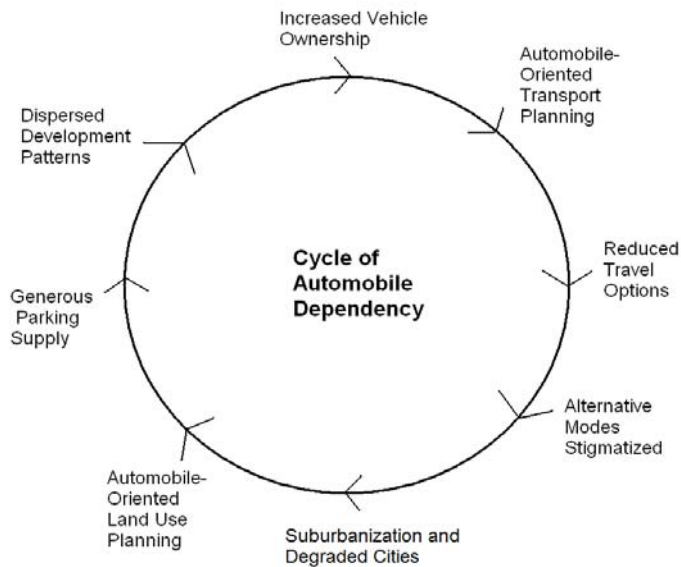
Many policies intended to increase home ownership also tended to favored suburban locations. As one historian describes,

Federal housing policies changed the whole landscape of America, creating the sprawlsapes that we now call home, and in the process, gutting inner cities, whose residents, until the civil rights legislation of 1968, were largely excluded from federally backed mortgage programs. Of new housing today, 80% is built in suburbs—the direct legacy of federal policies that favored outlying areas rather than the rehabilitation of city centers. It seemed that segregation was just the natural working of the free market, the result of the sum of countless individual choices about where to live. But the houses were single—and their residents white—because of the invisible hand of government. (Sugrue 2009)

Certain *economic traps* (situations in which people to compete in ways that waste resources) encouraged suburbanization. From many individual household's perspective, problems such as neighborhood poverty, crime and inferior schools can be addressed either by helping solve them or by moving to another location to avoid them. Solving the problems is generally much better for society overall; moving away concentrates and therefore exacerbates the problems, but once the cycle starts, to individual households, flight is easier. As Lewyn's *Fable About Sprawl* (www.planetizen.com/node/39789) illustrates, the dynamics of sprawl typically involve middle-class flight to suburbs, urban neighborhood degradation, declining urban tax revenues and declining urban service quality, which can force households that actually prefer urban environments to choose automobile-dependent sprawl home locations.

Although these policies and practices may individually seem reasonable and justified, their impacts are cumulative and synergist (total impacts are greater than the sum of individual impacts), particularly over the long-run, as they contribute to a self-reinforcing cycle of automobile dependency and sprawl, as illustrated in Figure 1.

Figure 1 Cycle of Automobile Dependency and Sprawl



Many common planning practices contributed to a cycle of automobile dependency and sprawl. These tend to reduce the supply of affordable housing in compact, mixed, walkable and transit oriented communities.

For many people, suburban housing represented a bundle of goods: home ownership and therefore household investment equity (particularly before condominiums became available in the 1970s), larger homes and yards, separation from poverty (and during the earlier years, minorities), increased safety (or at least, the perception of safety)¹, superior schools, and more status. It is therefore unsurprising that many consumers chose suburban living despite disadvantages such as social isolation and high transportation costs. Households became rationally irrational: they purchased homes in more isolated, automobile-dependent locations than optimal to obtain other desired attributes.

This is not to suggest that suburban living and automobile travel are harmful and should be eliminated. Large-lot, urban-fringe housing is appropriate for many households and automobile travel is the best mode for many trips. However, the planning biases described above reduce create more dispersed, automobile-oriented land use patterns than optimal for consumers and society. Policy and planning reforms that create more accessible, multi-modal communities with features such as attractive homes, neighborhood security and high quality schools could result in options that better reflect consumer preferences and maximize social benefits.

¹ Lucy (2002) shows that overall, urban living is generally safer than suburban living due to the much higher suburban traffic fatality rates.

Smart Growth Impacts On Housing Supply and Price

Critics claim that by constraining housing supply, smart growth drives up prices, forcing households into crowded apartments located in high density neighborhoods. This is an exaggeration. Smart growth does not require that all residents live in dense, multi-family housing. With typical smart growth programs most regional residents can continue to live in single-family homes, although multi-family housing may dominate some urban neighborhoods and multi-family may dominate *new* housing. However, these shifts largely reflect changing demands, as discussed later in this report.

Critics ignore various ways that smart growth reduces costs and increases affordability by reducing the amount of land required per housing unit, reducing infrastructure costs, and reducing transportation costs (Muro and Puentes 2004; Haas, et al. 2006; CTOD and CNT 2006; Leinberger 2008). More smart growth strategies reduce rather than increase household costs, as illustrated in Table 4. Since small-lot single-family housing typically requires less than a third as much land as typical large-lot housing, per acre land prices could double but housing would still be cheaper with smart growth. Evidence critics use to argue that smart growth increases housing costs often fails to account for confounding factors such as the higher wages and housing costs in larger cities, and the tendency of smart growth to be implemented in areas experiencing rapid population and economic growth which tends to drive up housing prices (Nelson, et al. 2002).

Table 4 Smart Growth Household Affordability Impacts (Litman 2004)

Reduces Affordability	Increases Affordability
<ul style="list-style-type: none"> • Urban growth boundaries (reduces developable land supply). • Increases building design requirements (curbs, sidewalks, sound barriers, etc.). 	<ul style="list-style-type: none"> • Higher density development (reduces land requirements per housing unit). • Reduces parking and setback requirements (reduces land requirements per housing unit). • More diverse, affordable housing options (secondary suites, apartments over shops, loft apartments). • Reduces fees and taxes for clustered and infill housing (this is a smart growth strategy). • More accessible housing reduces transport costs.

Many smart growth strategies can increase housing affordability.

If smart growth incorporates specific policies to maximize housing affordability (such as reducing restrictions on density, support for more diverse housing types, reduced parking requirements, and discounted development fees and utility rates for more accessible locations), has good accessibility (nearby shops and schools, close to jobs and public transit services), and maximizes affordable transportation options (walking and cycling improvements, high quality public transit, carsharing, inexpensive Internet service) it can increase affordability overall (Litman 2002).

Smart Growth Consumer and Economic Impacts

Critics argue that smart growth harms consumers and the economy by reducing housing options and restricting automobile travel. Table 5 evaluates the consumer and economic efficiency impacts of various smart growth strategies. Most of these strategies directly benefit the people affected by improving their housing and transport options and increasing efficiency. Many strategies correct existing market distortions that reduce housing and transportation options.

Table 5 Smart Growth Consumer Impacts (Litman 2007)

Strategy	Examples	Consumer Impacts	Economic Impacts
More integrated transport and land use planning	Better sidewalks and bikelanes around schools. Commercial development concentrated along transit routes.	Most consumers benefit from improved accessibility and transport options.	Tends to reflect good planning and increase overall efficiency.
Location-efficient development	More affordable housing located in accessible areas.	Benefits lower-income residents who choose such housing.	Responds to consumer demand and increases efficiency.
More flexible zoning codes	Allow more compact and mixed development.	Benefits consumers who prefer more compact, affordable housing options.	Responds to consumer demands and increases efficiency.
Reduced and more flexible parking requirements.	Reduced parking requirements in response to geographic, demographic and management factors (more sharing and pricing of parking)	Benefits consumers who prefer more compact, affordable housing options, particularly those who own fewer than average cars.	Responds to consumer demands and increases efficiency. Can provide significant savings and benefits.
Growth control	Urban growth boundaries that limit urban fringe development.	Harms consumers who demand large-lot housing where supply is inadequate.	Increases automobile-dependency and associated costs.
Transportation funding shifts	Reduced funding for roadway expansion and increased funding for walking and cycling facilities and public transit service improvements.	People who prefer alternative modes benefit directly. Motorists may have less capacity, but can benefit from reduced chauffeuring requirements, and reduced congestion if better alternatives cause mode shifts.	Can increase efficiency if there is demand for alternative modes and if mode shifting reduces problems such as congestion and accidents.

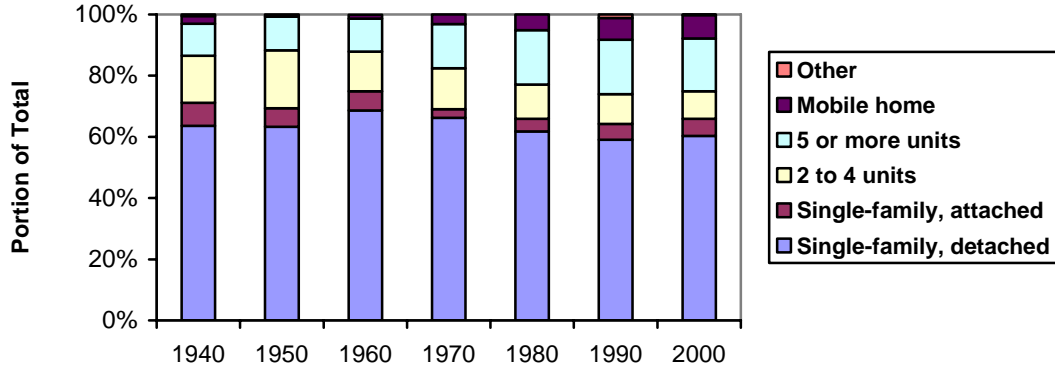
Most smart growth strategies directly benefit consumers and increase economic efficiency.

Two strategies may harm some consumers. Growth controls can prevent some consumers who want large-lot homes from obtaining the housing option they prefer, if there is a significant shorting of supply. However, there is currently an oversupply of such housing across North America and no indication that shortages will develop in the future (Leinberger 2008; ULI 2009). Similarly, shifting funding from highways to other modes can increase traffic problems, but if the investments are inefficient and so do nothing to reduce congestion or accident risk. However, if such investments attract travelers who would otherwise drive, they can reduce traffic problems and benefit motorists.

Housing Trends

Figure 2 illustrates U.S. housing by type for seven decades. The portion of single-family homes peaked in 1960 and have declined since.

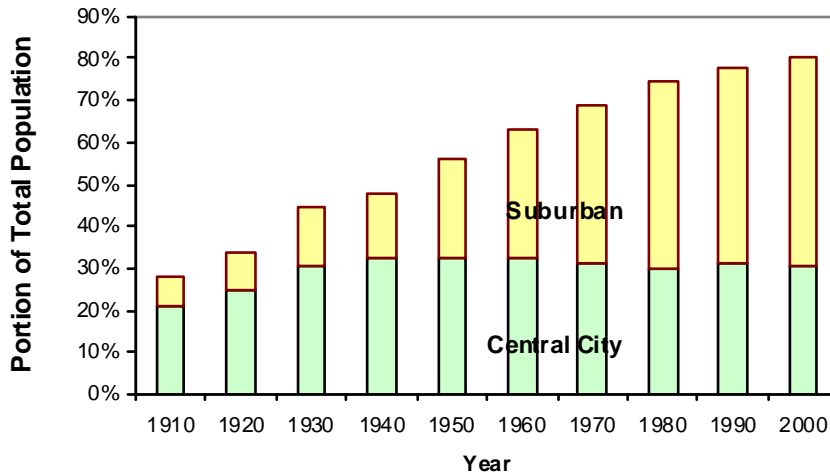
Figure 2 U.S. Housing Units By Type, 1940-2000 (Census 2001)



The portion of total single-family housing in 1960.

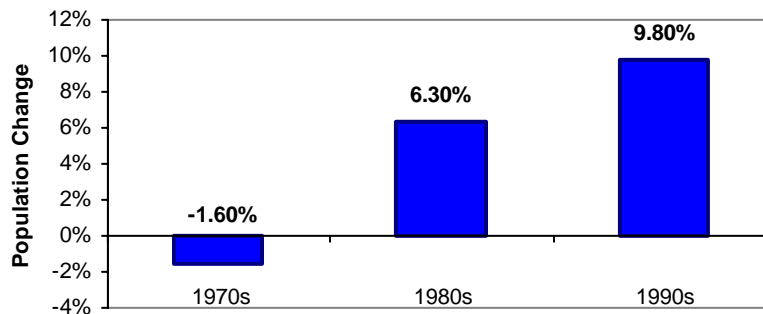
Figure 3 illustrates U.S. housing location trends. Between 1930 and 2000 the portion of total national residents living in suburban area grew steadily. That trend has ended. In recent years central city populations growth rates have converged with those of suburbs, and many suburbs are evolving from low-density, bedroom communities into more compact, mixed, multi-modal towns and cities in their own right (Frey 2009).

Figure 3 Central City and Suburban Populations (US Census 2002a, Table 1-15)



During the Twentieth Century, suburban populations grew. This trend has essentially saturated. Recently, central cities have started gaining population.

Figure 4 50 Largest U.S. Cities Growth Trends (U.S. Census Bureau)



City populations declined during the 1950s through the 1970s, but since then have grown significantly. This indicates that many consumers prefer urban living.

North American cities are experiencing economic and cultural revival based on redevelopment and repopulation by middle-income households, as illustrated in Figure 4. Housing in such communities commands a premium (Eppli and Tu 2000).

The portion of households that demand large-lot housing is projected to decline while demand for more accessible and compact housing is expected to increase during the next few decades due to various demographic and market trends (Leinberger 2008; Litman 2005; Hughes and Seneca 2004; Reconnecting America 2004; Thomas 2009; ULI 2009; Pitkin and Myers 2008):

- *Aging population.* The portion of residents over 65 years of age is projected to approximately double between 2010 and 2050, and will increase from 13.2% to 20.0% of the total population (DOC 1996). People in this age range tend to demand smaller homes and more transportation options than younger households (Myers and Gearin 2001).
- *Smaller households and fewer households with children.* Household size is projected to decline during the next few decades (Jiang and O'Neill 2007). The portion of households with children under 18 years of age declined from 50% in 1998 to 46% in 2008, and this decline is likely to continue (U.S. Census 2008, Table FM-1).
- *Rising fuel prices and financial constraints.* As fuel prices rise demand for sprawled, automobile-dependent location tends to decline (Cortright 2008; Weiss 2008). Smart growth can provide substantial financial savings (CTOD and CNT 2006).
- *Growing congestion.* As traffic and parking congestion increase, the value of more accessible, multi-modal locations and alternative modes tends to increase.
- *Changing attitudes about urban living.* Until recently cities were considered dirty, dangerous and impoverished. Increasingly, cities are considered exciting, healthy and attractive places for successful households to reside (Weiss 2008).
- *Increasing health and environmental concerns.* A considerable body of research indicates that smart growth development increases residents' health and safety (CDC 2005; Litman 2003; Lucy 2002), and can help reduce environmental impacts (Ewing, et al. 2007).
- *Shifting assumptions about suburban real estate values.* Recent devaluations in suburban housing markets have ended the assumption that suburban homes are a good investment.

Many experts predict that demand for new, large suburban homes will decline significantly. Using detailed demographic analysis Pitkin and Myers (2008) conclude

Once the large Baby Boom generation begins to decline in number and scale back its occupancy of housing (starting within 10 years) and immigration flows have leveled off (and possibly decline due to policy changes), the demographic pressure for price increases and new construction will slacken, and mismatches between housing stock supply and demand will leave substantial portions of the national housing stock subject to increased vacancy, disinvestment, and potential demolition or conversion.

The 2009 *Emerging Trends in Real Estate* report explains:

Energy prices and road congestion accelerate the move back into metropolitan-area interiors as more people crave greater convenience in their lives. They want to live closer to work and shopping without the hassle of car dependence. Higher-density residential projects with retail components will gain favor in the next round of building. Apartment and townhouse living looks more attractive, especially to singles and empty nesters—high utility bills, gasoline expenses, car payments, and rising property taxes make suburban-edge McMansion lifestyles decidedly less economical. (ULI 2009)

Consumers increasingly value smart growth features such as compact, mixed-use, multi-modal neighborhoods (Molinaro 2003; ULI 2009). Popular culture increasingly portrays urban living as desirable and feasible, particularly for young professionals. This reflects a major shift from the 1960s through the 1990s, when urban living often portrayed as unusual and dangerous. The newspaper column below illustrates these shifts.

Bright Lights, Big-City Condo Versus A Suburban House

Ellen James Martin, *Chicago Tribune*, 26 July 2007

www.chicagotribune.com/classified/realestate/advice/chi-0707240533jul26,0,4372543.story

They're the new urbanites: age 26 to 34, often recently married. In the past they might have opted for a small house in the suburbs. But the trend nowadays is to buy a condo-apartment in the city, provided the neighborhood suits their tastes. "Younger buyers are increasingly attracted to an amenity-rich lifestyle – to the dynamism of an area with pubs, restaurants, shops and city parks. This demographic doesn't identify with neighborhoods where soccer moms drive around in minivans," says real estate expert Mark Nash.

Of course, the suburbs retain a certain appeal to many young adults. Some believe a traditional house in the suburbs will gain and hold value better than an urban condo. And many like the autonomy of a detached house with its own garage and garden plot, however diminutive. "For young buyers, the struggle comes down to this: Which of the two options has the most pros and the fewest cons? This is a personal choice no one can make for you," says Nash, a real estate broker and author of *1001 Tips for Buying and Selling a Home*.

Here are pointers for young people debating between a city condo and a suburban house:

- Ponder your lifestyle preferences. If you grew up in suburbs you may be programmed to think that's the best habitat. It's likely your parents aimed for a suburban abode as soon as they could afford their initial home. But much has changed since your parents first went house shopping. Among other factors, many downtown neighborhoods have been revitalized, making them more appealing.
- The access and amenities of city living can outweigh the smaller size of the home you can afford there, and a suburban house doesn't have the same status it did before.
- Think through the commuting implications. "Living downtown could be wonderful – a huge time-saver – if you also work downtown. Maybe you can walk or take a short public transit trip. You might save an hour or two each day – time that could go to better purposes, and there's gas savings too.

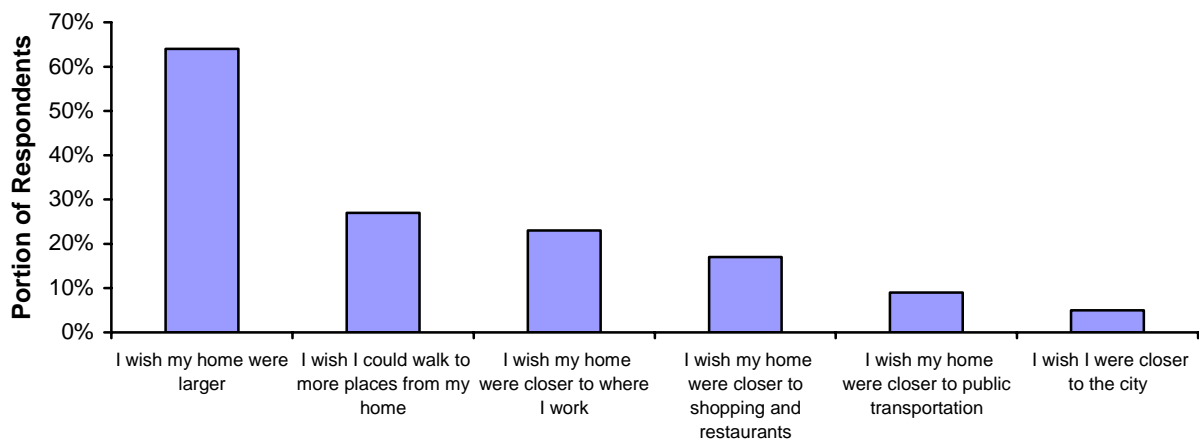
Evidence on Consumer Housing Location Preference

Smart growth critics argue that most consumers prefer large-lot suburban homes and so are harmed by smart growth policies. For example, Pisarski (2009) states, “It is clear that most people, excepting a small but often very loud minority, opt for lower density living when income permits.” Smart growth criticism rests primarily on this claim. Is it true?

Several housing market studies have investigated consumer housing preferences and the tradeoffs that households would make between various attributes such as location, size and price. This analysis is quite sensitive to how questions are worded. If you ask typical North Americans to indicate their preferred housing type, usually 85-90% choose single-family house, and about half choose suburban locations, which seems to support the contention that sprawl reflects consumer preferences. However, changing the way questions are framed can change the resulting answers and their implications.

For example, in 2002 the National Association of Realtors and the National Association of Home Builders commissioned a survey of 2,000 US households that had purchased a primary residence in the previous four years (NAR & NAHB 2002). The results indicate that most households preferred single-family detached homes in lower-density areas, but they also wanted smart growth features such as good walkability with nearby shopping and traffic minimized on neighborhood streets. Specific responses are summarized below.

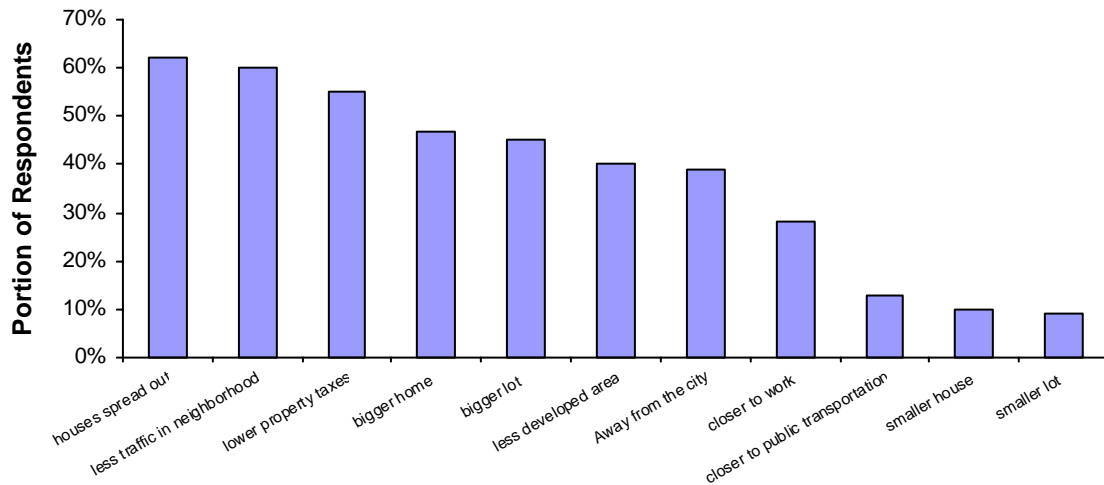
Figure 5 Responses To Specific Questions (NAR & NAHB 2002)



Many households want larger homes, but they also want improved access to services.

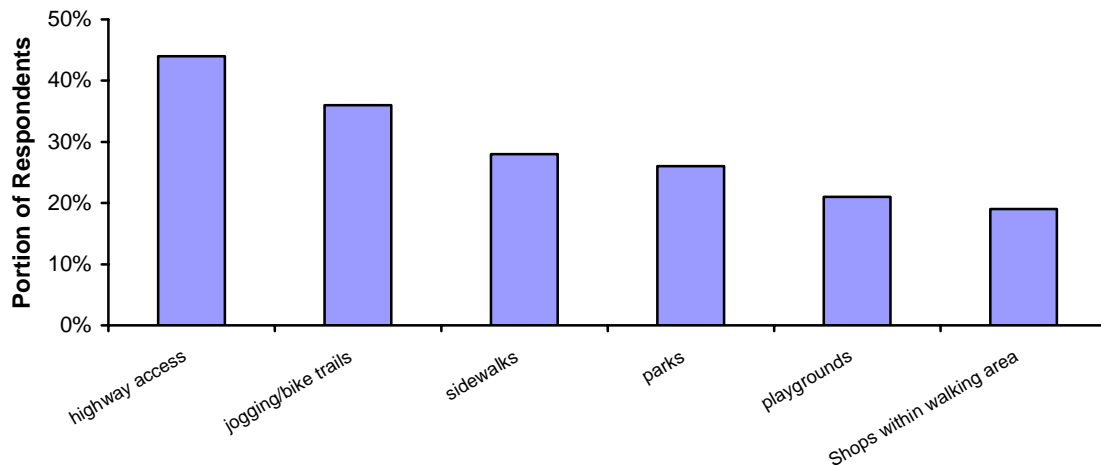
Asked where new growth should occur, 37% selected “build new homes in existing, partially developed suburban areas” as their first choice and 51% as their second choice. “Build new homes on vacant land in the central city or inner suburbs” was the preferred choice of 35% and second for 23%. “Build homes in outlying areas,” was the first choice of 29% and second choice of 26%. Asked which single factor they would change in their home or community, “taxes would be lower” led with 35%, followed by “I’d live in a bigger home” 26%; “I’d own a larger lot” 17%; “my home would be closer to where I work” 8%; “schools would be better” 5%; and “other” 9%.

Figure 6 Preferences For Various Housing Features (NAR & NAHB 2002)



Many households want dispersed locations and large lots, but they also want reduced vehicle traffic and improved access.

Figure 7 Preferences For Community Amenities (NAR & NAHB 2002)



Many households want highway access and good walking and cycling facilities.

The National Association of Realtors’s 2004 American Community Survey also found that consumers value walkable neighborhoods and shorter commutes (Belden, Russonello and Stewart 2004). Six in ten prospective homebuyers indicated a preference for neighborhoods with shorter commutes, sidewalks and amenities like shops, libraries, schools and public transport within walking distance, compared with more sprawled communities with longer commutes, poor walking conditions and larger lots. Women and minorities are particularly likely to prefer walkable neighborhood with shorter commute (59% of women, 57% of Hispanics and 78% of African-Americans). After hearing detailed descriptions of two communities, Americans favored more walkable, smart growth communities over sprawling communities with longer commutes 55% to 45%.

Many specific factors that contribute to consumer preference for single-family, suburban housing are social and economic features currently associated with suburbs, such as newer housing stock, security, better public services and more prestige, as summarized below. Although some households use large lots for gardening or pets, many choose larger lots as an investment or for prestige, and so could be equally satisfied with smaller lots in more accessible, multi-modal locations if they had these attributes. For example, some currently automobile-dependent households might choose more accessible, multi-modal locations if they were considered safer investments or more prestigious.

Table 6 Attributes Contributing To Consumer Preference for Suburbs

Social and Economic Attributes	Unique Physical Attributes
Newer housing stock Increased security (less crime) Better public services (policing and schools) Increased economic stability Prestige	Larger lots More open space Better automobile access

Many of the factors that consumers desire in suburban communities can be achieved in more accessible, multi-modal areas.

Housing preferences can be analyzed by lifecycle stage. Suburban single-family housing tends to be preferred most by families with children, which represents a minority of a total adult lifespan, as indicated in Table 7. Young adults and seniors tend to prefer smaller homes and more accessible, multi-modal locations.

Table 7 Typical Lifecycle Housing Preferences

Stage	Typical Ages (duration)	Housing Preferences	Transport Preferences
Young adult	20-30 (10 years)	Multi-family	Multi-modal
Parents with children	30-55 (25 years)	Single-family	Auto-oriented or multi-modal
Empty nesters	55-65 (10 years)	Single- or multi-family	Auto-oriented or multi-modal
Active retirees	65-75 (10 years)	Single- or multi-family	Multi-modal
Older seniors	75-85 (10 years)	Multi-family	Multi-modal

Only a minor portion of a typical adult lifecycle has a strong preference for single-family housing.

As a result, even people who aspire to own a single-family home sometime may prefer other housing types for much of their lifecycle. Of course there are exceptions, some young adults and older people prefer large-lot, single-family housing because they enjoy gardening or own large pets, and families with children who are satisfied with some type of multi-family housing (such as townhouses), so these tend to offset each other.

If you introduce tradeoffs or new combinations, preference tend to become more flexible. For example, if you ask consumers, “Would you like a large house?” many will say yes, but if you ask people to choose between a large-lot, suburban home and a small-lot house or townhouse in an accessible, multi-modal urban neighborhood with a shorter commute, nearby public services (stores, schools, parks, etc.) and high quality public transit, many will select the urban home.

For example, a market survey found that Calgary households would shift from single-family suburban homes to urban townhouses if they save an average of CA\$130 (US\$90) per month (Hunt, 2001). This premium is comparable in magnitude to the lower public service costs of more compact development (Litman 2006), indicating that many households would choose smarter growth residences if development fees and utility charges reflect location-related costs. Similarly, if smart growth developments include other user cost savings and benefits, such as improved transportation services and parking cost savings (good walking and cycling conditions, high quality public transit service, integrated carsharing services, unbundled parking), more households would choose smart growth locations.

A California survey found that, although 86% of respondents prefer single-family homes, 47% prefer a walkable, mixed use neighborhood; 49% would choose a smaller house if it provided a shorter commute; and 31% would choose a high-density neighborhood if it had convenient public transit (PPIC 2002). A Houston, Texas survey asked, “Would you personally prefer to live in a suburban setting with larger lots and houses and a longer drive to work and most other places, or in a more central urban setting with smaller homes on smaller lots, and be able to take transit or walk to work and other places?” Fifty-five percent of respondents chose the “Central urban setting” and only 37% chose the “Suburban setting” (Blueprint Houston 2003)

Table 8 Housing Preference Market Survey (PPIC 2002)

Questions	Responses
Housing Type Preference	
Want to live in a single-family, detached home.	86%
Actually live in a single-family, detached home.	65%
Housing Type Tradeoff Preference	
Would you choose to live in a small house with a small backyard, if it means you have a short commute to work?	49%
Would you choose to live in a large home with a large backyard, even if it means you would have a long commute to work?	47%
Don't know.	4%
Neighborhood Type Tradeoff Preference	
Would you choose to live in a mixed-use neighborhoods where you can walk to stores, schools, and services?	47%
Would you choose to live in a residential-only neighborhood, even if it means you have to drive a car to stores, schools and services?	50%
Don't know.	3%
Public Transit Access Tradeoff Preference	
Would you choose to live in a high-density neighborhood where it was convenient to use public transit when you travel locally?	31%
Would you choose to live in a low-density neighborhood where you would have to drive your car when you travel locally?	66%
Don't know.	3%

Although prospective California home buyers preferred single-family homes, many would choose smaller lots and higher density neighborhoods if it improved accessibility and transport options.

The Atlanta, Georgia SMARTRAQ study found that most regional neighborhoods are not walkable (Goldberg, et al. 2006). Only about 5% of homes in the region are in compact and walkable neighborhoods, and only 40% of respondents indicated that they could walk to nearby shops and services. Yet, there is considerable demand for more accessible, multi-modal neighborhoods. Between 20% and 40% of respondents expressed a very strong preference for the most compact and walkable neighborhoods (depending on which attributes were considered), 49% prefer a neighborhood where residents can walk to nearby shopping, and 55% prefer living in a community that offers shorter travel distances to work even if it meant smaller residential lots. The survey indicated frequent mismatch between residents' preferred and actual environment: About a third of automobile-dependent residents indicate they would prefer more walkable neighborhoods (examples of survey questions are illustrated below). This suggests a significant undersupply of accessible, walkable neighborhoods.

Question 1

First, we'd like you to imagine moving to a new neighborhood. Please read the two neighborhood descriptions below and then answer the four questions. Assume that anything that we do not refer to in the neighborhood choices - such as school quality, public safety, or cost - is exactly the same as where you live now.

Neighborhood "A":	Neighborhood "B":
Within a half-mile of my home there is a mix of single family detached houses, townhomes, apartments and condominiums on various sized lots .	Within a half-mile of my home there are only single family houses on 1 acre lots .
Destinations such as shopping, a restaurant, a public library, and a school are within a few blocks of my home.	Destinations such as shopping, a restaurant, a public library, and a school are within a few miles of my home.
Local destinations are close enough that I can either walk or drive . Parking there is limited .	Local destinations are too far to walk, most are driven to . Parking there is ample .
My one-way commute is 3 miles .	My one-way commute is 18 miles .
Public transit, like a bus or train, is nearby .	Public transit, like a bus or train, is distant .

1) Assuming that there are no differences between the neighborhoods apart from the ones we mentioned, which neighborhood do you think you'd rather live in?

Neighborhood "A" OR Neighborhood "B"

These are examples of questions asked in the SMARTRAQ study. The results indicate that many residents of automobile-dependent, suburban locations would prefer to live in more accessible, mixed-use, walkable neighborhoods.

Question 2

Now we'd like you to imagine moving to a different neighborhood. These questions ask you about the kind of neighborhood you'd hope to find. Please look at the following images and read their neighborhood descriptions, then circle the appropriate number to indicate your answer to the questions. Keep in mind that anything that we do not refer to in a question - such as school quality, public safety, or house cost - is exactly the same between the two choices presented.

A.

B.

If I were to move, I'd like to find a neighborhood ...

A. where the commercial areas are kept separate (over a mile) from the houses, even if this means that I can't walk to stores, libraries or restaurants.	OR	B. where I can walk to stores, libraries or restaurants, even if this means that the houses and commercial areas are within a few blocks (1/3 mile) of each other.
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5) Your neighborhood preference is:

0	1	2	3	4	5	6	7	8	9	10
strongly prefer A		somewhat prefer A		neutral		somewhat prefer B		strongly prefer B		

6) Please indicate whether your current neighborhood is more like "A" or "B":

0	1	2	3	4	5	6	7	8	9	10
more like A				equally like A & B						more like B

7) Regarding the ability to walk to nearby shops and services, the neighborhood you'd hope to find would be:

0	1	2	3	4	5	6	7	8	9	10
more like A than your current neighborhood				like your current neighborhood						more like B than your current neighborhood

A study by Handy (2008) used data from comparable housing preference surveys of nationally representative samples of American households in 2003 and 2005. The surveys described a traditionally designed community and asked respondents, "How much would you support the development of communities like this in your area?" In 2003, 44% of respondents expressed support for traditional community design, and support increased significantly to 59% in 2005. Support was strong among all groups except rural residents, and was positively related to expectations that such communities would be child-friendly and negatively related to expectations that they would have space limitations. Respondents perceived such communities as likely to allow older people to live independently and rated this characteristic as highly important.

The real estate analysis firm Robert Charles Lesser has conducted a dozen consumer preference surveys in suburban and urban locations for various builders to help them understand new market demands (RCLCO 2008). They asked respondents about the most important factors in their next home purchase using a series of sequential trade-offs between 42 factors, including: proximity to work/employment, house and neighborhood characteristics, school quality, specific features and finishes, and other factors. They found that 36.4% of potential homebuyers identify home or community features specific to health, energy savings or environmental protection as a primary decision-making factor in their next home purchase. They found that in every location examined, about one-third of respondents prefer smart growth housing products and communities. Their research indicates significant latent demand for higher-density and walkable neighborhoods nationwide, driven by demographic shifts and changing consumer preferences favoring higher-density environments. Their analysis indicates that future demand for high-density residential products—units in structures with more than five units per structure—could be 140% above the current levels of occupied stock.

The *Housing Alternatives Acceptability Study* (Stillich and Agrawal 2008) surveyed 8,000 Toronto, Canada area households about the acceptability of a variety of housing options. It indicates a strong preference for accessible, multi-modal neighborhoods and relatively high level of acceptance of compact housing forms such as townhouses and condominiums. Among the findings:

- More than two-thirds of respondents (68%) identified having daily destinations within walking distance as a 'must have' or 'very important'.
- 71% of respondents said living in a community well-served by public transit was 'very important' or 'must have', and 68% are willing to pay more to improve transit service.
- Almost a third said that rising energy prices would affect their housing choice "very much" (the survey was performed in the summer of 2007, when fuel prices were relatively low).
- About half of respondents rated a townhouse "acceptable" or "may be acceptable". Acceptability increased for townhouses with large private backyards.
- Slightly more than half of respondents would accept or may accept living in a semi-detached home.
- Only 32% of respondents considered owning a single-or semi-detached home essential.
- 51.6% of respondents would accept or could accept living in a large condominium apartment; this percentage held true for all household sizes. Acceptability was strong for both Toronto City residents and for those living in nearby suburban municipalities.
- Low-rise apartment living is preferred to high-rise living by a wide margin.
- An overwhelming majority of respondents (91%) said that a healthy natural environment is either "very important" or "must-have".

The researchers conclude that current plans will oversupply low- and medium-density housing and undersupply more compact housing in walkable neighborhoods compared with future market demands.

Levine, et al (2005) compared housing options and preferences in two metropolitan areas: Boston, which offers its residents relatively rich opportunities to live in transit and pedestrian friendly areas, and Atlanta, which offers many fewer such opportunities. The study had three major components: A clustering of neighborhoods throughout each metropolitan area according to their transit and pedestrian characteristics; an urban design analysis of selected neighborhoods in each region; and a survey of 1,600 households regarding their preferences for neighborhood environments. The study concludes that while Atlanta residents are less interested in transit- and pedestrian friendly neighborhoods than their Boston counterparts, the difference in preference is insufficient to explain the difference in the transit- and pedestrian quality of the neighborhoods the two groups inhabit. The Boston neighborhood options were therefore more sensitive to residents' transportation and land use preferences than in Atlanta.

In a survey of housing location and transportation preferences, Schwanen and Mokhtarian (2005) categorized about a quarter of residents as "dissonant," meaning that their housing location and related travel options are inconsistent with their preferences. In urban North San Francisco, 24% of residents indicated that they prefer more suburban locations and automobile transportation, while in suburban Pleasant Hill and Concord, 27% and 19% of residents respectively indicated that they prefer more urban locations and multi-modal transportation. The authors found that both location and preferences affected residents travel behavior, so urban residents who prefer suburban locations drive more than urban residents who prefer urban locations, but not as much as suburban residents.

Heart and Biringer (2000) found that 43% of homebuyers who currently choose rural and suburban locations are good candidates for higher density, traditional neighborhood developments. Similarly, a survey of the Puget Sound region housing market found that although the majority of respondents prefer a detached home, most care more about the quality of their neighborhood and owning their own home than about housing type. More than 90% would willingly trade low-density housing for a medium- or high-density home if it had other desirable features (Decisions Data 1994).

The Urban Land Institute offers the following advice to developers (ULI 2009):

- *Reorient to Mixed Use and Infill.* Energy prices and road congestion accelerate the move back into metropolitan-area interiors as more people crave greater convenience in their lives. They want to live closer to work and shopping without the hassle of car dependence. Higher-density residential projects with retail components will gain favor in the next round of building. Apartment and townhouse living looks more attractive, especially to singles and empty nesters—high utility bills, gasoline expenses, car payments, and rising property taxes make suburban-edge McMansion lifestyles decidedly less economical.
- *Plan More Transit-Oriented Development.* Metropolitan areas nationwide realize they need to build or expand mass transportation systems in order to overcome road congestion, which strangles economic growth and increases carbon footprints. Increasingly, people want to drive less and seek subway, commuter railroad, or light-rail alternatives. Developers can't miss securing project sites near rail stops and train stations.

Some urban housing is relatively higher-density but not very accessible due to poor connectivity and inadequate walking and cycling facilities. For example, Moudon and Hess (2000) found that 40% of residents in suburban areas of Puget Sound live in medium- to high-density, multi-family housing. Yet, these developments often lack pedestrian access to nearby retail and public services, forcing residents to drive rather than walk for errands. Better integration between land use and transportation can significantly reduce automobile use without changing housing type or density.

Aging-In-Place

As the Baby Boom ages there is increasing discussion about the value of *aging-in-place*. As the National Association of Home Builders explains,

In plain English, aging-in-place means remaining in one's home safely, independently, and comfortably, regardless of age, income, or ability level. It means the pleasure of living in a familiar environment throughout one's maturing years, and the ability to enjoy the familiar daily rituals and the special events that enrich all our lives. It means the reassurance of being able to call a house a "home" for a lifetime.

American Association of Retired Persons (AARP) surveys indicate that 85% of older people want to age in place. They want to enjoy familiar friends and activities, and to contribute to their community. There are many aspects of aging in place, including homes designed to accommodate people with physical disabilities (minimal stairs, low counters, easy to grasp handles and switches, etc.), and appropriate senior services within communities (see www.seniorresource.com/ageinpl.htm). But one important feature is home and community accessibility.

As people age their ability to drive declines, so they want quality transportation options, particularly walking facilities (with particular attention to accommodating people with physical disabilities and mobility devices), conventional transit, paratransit, taxi and delivery services. Safe and convenient walking facilities are particularly important to help people maintain fitness as they age. It is important that these services be affordable for elderly people with limited budgets. Appropriate land use mix, that is, having public services such as food stores and medical services within convenient walking distance of homes also helps people age in place.

Trends Affecting Consumer Housing Location Preferences

The following factors influence consumer housing location preferences:

- *Function.* Functional features include price, size, quality and accessibility. For example, larger households generally require larger homes. Some people have specific functional requirements: gardening enthusiasts and large pet owners may require large yards, lower income households require inexpensive housing, and people with disabilities may require special home design features.
- *Local economic and social conditions.* Neighborhoods differ in residents' income and social status, and therefore the quality of public services (such as schools) and security.
- *Status.* The perceived prestige and social acceptability of a neighborhood.
- *Investment value.* The expected economic stability and gains in resale value.

Table 9 summarizes trends related to these factors. This indicates that many of the factors which that encouraged households to prefer sprawl housing are declining due to demographic and economic shifts. Although most of these factors have been discussed individually in the popular media and academic literature, it is important to consider their cumulative and synergistic effects. Their total impacts are likely to be even greater than the sum of their individual impacts, since these trends tend to complement each other.

Table 9 Trends Affecting Housing Location Preferences

Factor	Past (1950-2000)	Current (2000-2010)	Future (2010+)
Function	Rising incomes, increased vehicle ownership, declining real fuel prices, and more families with children favored larger, single-family homes and reduced the cost of sprawl locations.	Incomes and vehicle ownership are stagnant, real fuel prices are starting to increase. Household sizes have declined and fewer have young children.	Incomes and vehicle ownership are likely to stay stagnant, real fuel prices will increase. Household size will change little, but fewer households will have children. Aging population will increase the number of people with disabilities.
Economic and social conditions	Middle-class flight concentrated poverty and social problems in cities. Suburbs were generally safer and had better public services.	Many cities are attracting more middle-class families. Cities tend to have equal or better services, and are safer places to live than suburbs (Lucy).	Trends favoring cities are likely to continue. Cities are inherently more resource efficient and so are usually more economically productive than sprawl.
Status	Suburban living was considered prestigious and appropriate (healthier and more responsible).	Many people consider urban living more prestigious, healthier and more responsible than suburban living.	Trends favoring cities are likely to continue.
Investment	Cities homes were considered unreliable investments.	In recent years, urban housing prices have proven more durable than sprawl housing.	The factors describe above will probably continue to increase the investment value of smart growth housing.

Most smart growth strategies directly benefit consumers and increase economic efficiency.

Smart Growth Demand

The following analysis explores the implications of current and projected consumer housing location preferences for housing demand. Table 10 categorizes households according to home location preferences and options. Two categories are satisfied: their preferred housing type is available. Two categories are dissatisfied: available housing options do not match their preferences.

Table 10 Housing Option Satisfaction Categories

		Available Options	
		Sprawl Available	Smart Growth Available
Preferences	Prefers Sprawl	Satisfied	Wants more sprawl
	Prefers Smart Growth	Wants more smart growth	Satisfied

Two categories of households are satisfied: their preferences match available housing options. Some households may want more sprawl. Others may want more smart growth housing options.

Various factors described in this paper suggest that the number of households that want more smart growth is much larger than the number wanting more sprawl.

First, consumer preference surveys indicate that a greater portion of suburban residents want more accessible, multi-modal communities than urban residents want more suburban locations. For example, the SMARTRAQ study (Goldberg, et al. 2006) found that, in 2001-2002, between 20% and 40% of residents strongly preferred walkable neighborhoods although only 5% of current housing is located in such areas.

Second, preference for smart growth is likely to increase due to demographic, economic and market trends such as aging population, rising future fuel prices, increasing traffic congestion, and increasing health and environmental concerns. Handy’s study showed a significant increase in support for smart growth between 2003 and 2005, a period that proceeded the fuel price increases and suburban housing market collapse of 2008, and when the full public health benefits of smart growth were not widely recognized (Litman 2005). These trends are durable and cumulative, and some are only beginning to have their full impact on housing demand. Over the next two decades the portion of consumers who prefer smart growth over sprawl should continue to grow.

Third, a much greater portion of current housing stock is sprawl rather than smart growth. A large number of large-lot urban fringe homes were built during the 2002-2007 housing boom, resulting in excess supply of this housing stock. Even if the portion of sprawl residents wanting smart growth was the same as the portion of urban residents anted sprawl locations, the shortage of smart growth housing would be far larger in absolute number and the percentage increase in supply needed.

For example, according to the U.S. Census (2008) the U.S. currently has about 92 million suburban and rural area homes that can be considered to sprawl and 36 million urban homes which can be considered smart growth (US Census 2008).² If 20% of each group is discontent, wanting the other housing type, there would be 7.1 million urban households that want suburban locations and 18.5 million suburban households that want urban locations. To meet this need, suburban and rural housing supply would need to increase by 7.8% while urban housing supply would need to increase by 51%. This illustration likely understates the true need to increase urban housing, due to the evidence described above of growing preference for more accessible, multi-modal home locations.

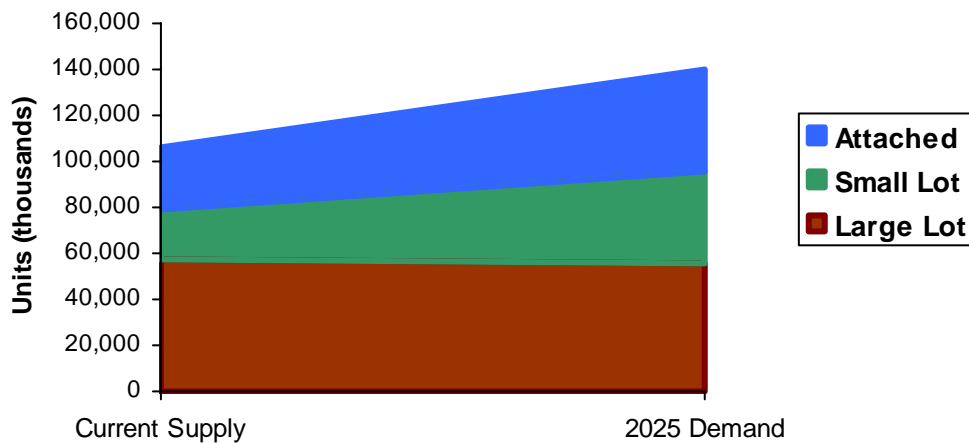
Table 11 Housing Stock Increase Needed To Meet Latent Demands

	Urban	Suburban & Rural
Totals (millions)	35.9	92.3
20% discontent (millions)	7.1	18.5
Percent increase in current stock required to meet latent demand	51%	7.8%

This illustrates why smart growth latent demand is probably much larger than sprawl latent demand.

This indicates that demand for smart growth housing currently exceeds current supply, justifying more smart growth development. This conclusion is consistent with other market studies (Belden, Russonello and Stewart 2004; Reconnecting America 2004; Thomas 2009), and recent issues of *Emerging Trends in Real Estate* reports, all of which highlight changing consumer preferences and the need more smart growth housing supply. An *American Planning Association Journal* article summarized in Figure 8 indicates that during the next two decades, existing large-lot housing supply can meet anticipated demand, but small-lot and attached housing supply will need to nearly double.

Figure 8 Demand For Housing By Type (Nelson 2006)



Housing market demand analysis based on consumer preference surveys indicates that during the next two decades demand for large-lot housing will decline slightly so current supply is sufficient to meet future needs, but demand for small lot and attached housing will approximately double.

² These categories are imperfect since some urban neighborhoods are sprawled and some suburban developments are smart growth, but adequate for illustrative purposes.

Although the exact impacts are difficult to predict and depend on how *sprawl* and *smart growth* are defined, this roughly indicates that until two decades ago (1990) more than two-thirds of households preferred sprawl and less than a third preferred smart growth housing locations, it is now about fifty-fifty, and within two more decades (2030) less than one third will prefer sprawl and more than two thirds will prefer smart growth.

This explains why smart growth locations, such as older urban neighborhoods and new transit-oriented communities are often unaffordable. Inadequate supply drives up prices. The rational response is to significantly increase the supply of smart growth housing to bring smart growth benefits within the budget of more consumers, particularly economically and physically disadvantaged households.

This is not to suggest that demand for large-lot, urban fringe housing will completely disappear, but for reasons discussed here it is a declining market segment for people with specific needs and preferences, such as gardening enthusiasts and horse lovers. Other households will increasingly prefer more accessible, multi-modal locations that offer functional benefits such as travel time and financial savings, improved fitness and health, and improved economic opportunities.

Since housing is a durable good with low annual turnover, modest shifts in total demand have large impacts on new housing demand. The bulk of North America's existing housing stock is suburban single-family. Demand for such homes will not grow, in fact, it may decline somewhat due to the trends identified in this report. Large-lot, urban fringe housing is currently in oversupply, with declining prices and high foreclosure rates (Leinberger 2008; ULI 2009). At most, only a few more large-lot, urban fringe homes should be built in the future, sufficient to replace existing large-lot house that are demolished or subdivided. The vast majority of new housing should reflect smart growth principles in response to market demands. Communities and developers that understand these trends will be at a competitive advantage over those that ignore them.

Some past studies ignored these shifts. For example, during the housing boom peak the chief economists of Fannie Mae, Freddie Mac, the Independent Community Bankers of America, the National Association of Home Builders and the National Association of Home Realtors concluded that house values would stay high, demand for new housing would be "robust," most new housing would continue to be detached single-family, and home ownership would exceed 70% (Berson, et al. 2006). These inaccurate predictions were made just prior to the housing market collapse and resulting bankruptcies of some of these organizations and their members.

It is wrong to claim that smart growth policies harm consumers by restricting their housing options. Sprawl housing is now abundantly available and relatively inexpensive (ULI 2009; Weiss 2009). Some sits empty. In the future, many consumers who purchase these discounted exurban homes may regret their inaccessibility and automobile dependency, and wish that past policies had favored more accessible, multi-modal development so their affordable housing would have lower transportation costs.

Evaluating Smart Growth Criticism

This section evaluates common criticisms of smart growth based on this analysis. For additional discussion of these issues see Litman (2004) and Lucy (2002).

Americans prefer large-lot, suburban housing and automobile travel.

Market research described in this reports indicates that Americans' housing preferences are diverse and changing. Although many families (especially those with young children) prefer single-family homes, an increasing portion will choose more compact houses in exchange for improved accessibility and financial savings, and many young people and seniors prefer dense urban environments. Similarly, although few motorists want to give up vehicle travel altogether, many would prefer to drive less and rely more on alternatives, provided they are convenient, comfortable, safe and affordable. These shifts are large and rapid, resulting from durable long-term demographic and economic trends, so older survey data (for example, surveys performed prior to 2007) cannot be used to predict future housing and travel demands.

Reduces affordability.

Some smart growth policies tend to increase, and others reduce, housing and transport costs. Urban growth boundaries can increase large-lot housing costs, but other smart growth policies provide savings by allowing smaller lot sizes, increasing housing options (townhouses, condominiums, etc.), reducing the costs of providing public services, and reducing household transportation costs (CTOD and CNT 2006; Litman 2006).

As a result, smart growth policies only reduce affordability under specific circumstances: where strong consumer demand for large-lot, automobile-dependent housing exceeds supply and there is little demand for alternatives. Shifting consumer preferences are making these circumstances unusual. Sprawl housing is now abundant and cheap, but demand is low and unlikely to return to previous levels. Increasingly, smart growth can increase overall affordability by increasing the supply of small-lot and attached housing, improving compact community livability (by improving public infrastructure and services in existing urban neighborhoods), reducing development charges and utility fees in accessible locations, and improve affordable transport options (walking, cycling, ridesharing and public transportation) which maximize potential savings.

Is intrusive (“social engineering”)

Critics portray smart growth as a set of regulations that intrude in people's lives in ways that reduce their housing and transportation options. In fact, many smart growth strategies reduce regulations (minimum parking and setback requirements, limits and density and alternative housing types), and improve accessibility options (better walking, cycling and public transit, and increased proximity to services and activities). Smart growth policies could be considered intrusive only if demand for large-lot, automobile-dependent housing significantly exceeds supply. As described above, this situation is increasingly rare due to shifting consumer preferences. On the other hand, current policies such as minimum parking requirements and limits on density and housing types restrict the supply of smart growth housing and accessibility options, and so can be considered “social engineering” that favors sprawl and automobile dependency.

Higher densities increase congestion, and therefore fuel consumption and emissions.

It is true that, all else is held constant, increased development density tends to increase traffic congestion intensity, that is, delay per peak-period vehicle-mile. However, this can be more than offset if smart growth reduces travel distances and improving travel options, which reduces total vehicle travel and therefore delay per capita. Although smart growth community traffic speeds are lower, residents usually spend fewer annual hours delayed by congestion, and their per capita fuel consumption and pollution emissions are lower, than residents of automobile-dependent suburbs (Ewing, et al., 2007; TRB 2009).

Cities are dangerous and inefficient; suburbs provide a higher quality of life.

Popular cultural often portrays cities as dangerous and inefficient, but in fact cities are generally safer and more economically productive than sprawl locations. Per capita homicide rates are now about equal, and traffic fatality rates lower, in cities than in suburbs, making urban areas safer overall (Lucy 2002). Compact, accessible, multi-modal locations are more productive than sprawl because they are more resource efficient (reduced land consumption and access costs) and enjoy agglomeration economies (Carlino, Chatterjee and Hunt 2006). Smart growth policies help increase these efficiencies by allowing more compact, mixed development, and improving accessibility options. These advantages are likely to increase in the future due to rising energy prices.

Urban social problems primarily result from concentrated poverty. Poverty is worse in sprawled locations due to greater isolation and higher transport costs (Dougherty 2009). Smart growth can help reduce poverty and social problems by increasing integration and employment opportunities. Although a particular household may experience less exposure to social problems (poverty, drugs, graffiti, etc.) by moving from a lower-income urban neighborhood to a more affluent suburb, smart growth that includes urban redevelopment (including better education, crime prevention and drug rehabilitation), are far better from society's perspective because they address causes rather than symptoms, and so reduce social and economic problems rather than simply shifting their location.

Smart growth advocates exaggerate sprawl costs and ignore its benefits.

Numerous studies have quantified the economic, social and environmental costs of sprawl and benefits of smart growth (Burchell, et al. 2002 and 2005; Litman 2006). Although some smart growth advocates may ignore sprawl benefits, most serious studies recognize the benefits of single-family housing and mobility and so recommend policies that reflect market principles that allow consumers to choose the housing and transport options that best meet their needs and maximize economic efficiency (Ewing, et al. 2007; Levine et al. 2002; Litman 2007; AASHTO 2009; TRB 2009).

Smart growth and VMT reduction strategies represent an extreme environmental agenda.

Smart growth and VMT reduction strategies are endorsed by a wide range of experts and professional organizations, including the Institute of Transportation Engineers, the Center for Disease Control, the Transportation Research Board, the American Association of State Highway and Transportation Organizations, the American Governors Association, the American Planning Association, and many other organizations and jurisdictions.

Policy Implications

This analysis indicates that a large and growing portion of consumers prefer smart growth housing. Large-lot, urban fringe housing is now readily available for sale and rent at discounted prices but there is little demand for such housing. On the other hand, there is growing demand for smart growth housing, including older urban neighborhoods, transit-oriented development, and walkable, mixed-use suburban towns, which is driving up prices and making such housing unaffordable for many consumers that need it most: economically and physically disadvantaged households.

Meeting this growing demand for smart growth housing can provide many benefits, as summarized in Table 12. Many sprawl location households would probably be better off had smart growth policies been implemented years ago; they would now enjoy benefits such as time savings, less crash risk, and increased physical fitness and health, and would be less vulnerable to higher fuel prices, job loss or illness.

Table 12 Smart Growth Benefits (Burchell, et al. 2002 and 2005; Litman 2006)

	Internal (Users)	External
Benefits	Improved housing options	Congestion reduction
	Improved accessibility options	Some infrastructure cost savings
	Transportation cost savings	Reduced road and parking subsidies
	Increased housing affordability	Reduced crash risk to other road users
	Reduced crash risk	Increased community cohesions
	Improved public fitness and health	Improved accessibility for non-drivers
	More attractive, livable community	Energy conservation
	Reduced chauffeuring responsibilities	Reduced pollution emissions Openspace preservation
Costs	Smaller lot size	Some additional infrastructure investments
	Less privacy	Increased local traffic congestion
	Reduced local traffic speeds	Higher impervious surface coverage in some areas
	More road and parking fees	
	More exposure to noise	

This summarizes various smart growth benefits and costs. Even people who live in sprawled communities and rely entirely on automobile travel can enjoy significant net benefits.

For most of the last sixty years, public policies and planning practices favored sprawl. The land use patterns of most popular urban neighborhoods (Greenwich Village, New York; Pasadena, California; Adams Morgan, Washington DC; Queen Anne Hill, Seattle; and smaller town's central business districts) could not be built with conventional zoning codes and development policies that limit density, prohibit mixed use, require generous setbacks and parking supply, and dedicate most transportation funds to roadways. These policies are unresponsive to consumer demands, and often irrational, in the literal sense that they fail to efficiently allocate resources and maximize benefits.

To satisfy smart growth consumer demands and maximize net benefits, development policies and planning practices will need to change. Current planning and market distortions that discourage compact, mixed, accessible development should be corrected (Levine 2006; Litman 2007; TRB 2009). Public infrastructure should focus more on urban redevelopment and less on urban expansion. Transportation planning will need to recognize the full benefits of a diverse and efficient transport system, and so do more to improve alternative modes, apply efficient pricing, and implement other cost-effective mobility management strategies.

These smart growth policies are justified for several reasons:

- They respond to consumer demands for more compact, accessible, multi-modal, affordable locations.
- Smart growth can help reduce external costs associated with providing public services, parking subsidies, accidents, land consumption, petroleum dependency and pollution.
- Many smart growth policy reforms reflect good planning practices and market principles (integrated land use and transport planning, least-cost investments, cost based pricing, favors more efficient modes and higher value trips).

Many smart growth criticisms are actually justifications for *more* rather than *less* smart growth policy implementation. For example, since urban growth boundaries limit land supply, it is important that they be implemented with policy reforms that allow and encourage more compact housing in order to maintain housing affordability. Since increased density can increase traffic congestion, it is important that more compact development include improvements to alternative modes (including grade-separated HOV and transit systems), land use mix, and mobility management congestion reduction strategies (such as commute trip reduction programs, and efficient road and parking pricing). Smart growth policies should also be implemented along with policies to prevent urban problems such as concentrated poverty, drug addiction and vandalism.

To their credit, some critics acknowledge that some consumers may prefer smart growth, which could justify some smart growth reforms. For example, while criticizing smart growth in general, Alan Pisarski (2009) writes, “Any public policies that inhibit a market trend toward higher densities must be addressed.” This suggests that sprawl critics may be willing to support some reforms such as reduced and more flexible parking requirements, and excessive restrictions on land use density and mix.

Conclusions

Smart growth consists of more compact, accessible, multi-modal community development. This can provide numerous benefits to residents who live in such areas and society overall. Critics claim that most consumers dislike this type of community and so are harmed by public policies that encourage it. This analysis suggests otherwise.

Although market surveys indicate that most North American households preferred single-family homes, they also indicate strong and growing consumer preference for smart growth features such as accessibility and modal options (reflected as short commutes and convenient walkability to local services). Twenty years ago less than a third of households preferred smart growth, but this is projected to increase to two thirds of households within two decades.

This reflects various demographic and economic trends, including aging population, rising fuel prices, and increased health and environmental concerns. In addition, suburban lifestyles and automobile travel have become less glamorous. An increasing portion of consumers now aspire to urban lifestyles for at least part of their lifecycle, and the housing market correction in 2008 spoiled confidence in suburban real estate investments. Households are likely to be more rational and cautious in the future.

Described differently, for a few decades consumer housing and transportation decisions seemed to defy basic rules of economics. Housing location decisions seemed insensitive to transportation cost factors such as commute distance and fuel prices, resulting in dispersed housing and automobile-dependent lifestyles. Walking, cycling and public transit were dismissed as inferior and undesirable modes, even where they are efficient and cost effective. Increasing congestion, fuel prices, health and environmental concerns causes consumers to be more rational. Some embrace this opportunity while others react with fear.

This is not to suggest that automobile travel and suburban living will end. Under even aggressive smart growth policies most North Americans will continue to live in single-family houses, although a greater portion will be small-lot, attached housing such as townhouses. However, the demand for new housing is likely to shift dramatically. The current stock of large-lot, single-family houses in exurban locations currently exceeds demand, causing prices to plummet and foreclosures to rise. At best, it will take years for such homes to regain their 2005 market value (in real, inflation-adjusted terms). More likely, consumer demand for such housing will never fully recover.

On the other hand, the market for small-lot, attached housing in accessible, multi-modal communities is strong. Such housing has maintained its value and demand is projected to increase significantly in the future due to structural demographic and economic trends. Communities and developers that respond to these market shifts can succeed. Those that continue past policies are likely to fare poorly.

This is good news overall since more compact, accessible, multi-modal housing can provide many benefits to consumers and society. It gives consumers better options and greater efficiency. Smart growth residents benefit directly from time savings, financial savings, and increased safety and health. Society benefits from infrastructure cost savings, improved opportunity for disadvantaged populations, and improved environmental quality.

Claims that smart growth deprives consumers of preferred housing options are clearly inaccurate. Sprawl housing is now abundantly available at discounted prices, while smart growth housing is scarce in many regions, which drives up prices, making it unaffordable to the lower income households that need it most. Sprawl results, in part, from planning and market distortions that favor dispersed development and automobile travel. There are many reasons to correct these distortions and support smart growth. Such reforms will result in land use development patterns that better reflect consumer preferences.

Smart growth critics are wrong to claim that sprawled development and automobile-dependent lifestyles are normal and socially desirable. These development patterns reflect unique circumstances that occurred between 1950 and 1980: growing vehicle ownership, Baby Boom generation family formation, low fuel prices, increased female employment, middle-class flight from cities, highway expansion, and the excitement and prestige that resulted from rapid technological development. Virtually all of those factors have peaked. Driving will probably never be as cheap or as exciting as it was during that period.

When smart growth critics claim that sprawl is a universal preference they probably reflect their own preferences and those of their peers. Most younger people I know prefer more urban neighborhoods, enjoy physically active transport, and care more about telecommunications technologies (mobile telephones and the Internet) than motor vehicles.

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