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Building the New America

Joel Kotkin • Wendell Cox • Marshall Toplansky • Tory Gattis • Mark Schill



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EXECUTIVE SUMMARY

Joel Kotkin and Wendell Cox

For generations Americans have voted with their feet—and their dollars—to achieve what has long been called “the dream,” namely, a home of their own, usually in a low- to mid-density community. This preference has existed for decades, and despite media assertions of a generational shift back to dense, urban living, the statistical evidence shows quite the opposite.

The prevailing pattern is evident in the migration of both people and jobs. There are essentially two different migrations, one within major metropolitan areas and another between them. In both cases, as we will demonstrate, growth has gone towards more suburban, and often less expensive, metropolitan areas. These trends have been evident for decades, and were increasing before the pandemic, but have accelerated since then.

Yet if people have their own aspirations, those who designate themselves as knowing best—notably urban planners, large financial institutions, tech companies, and academics—prefer another scenario for ordinary people. Rather than allow the market to reveal what people want, there has been a mounting effort, here and in most of the developed world, to shoehorn people into dense development and, in some cases, ban zoning entirely for single-family homes. These policies are supported by urban planners and core city developers who finance lobby groups to push the densification agenda. To be sure, higher density areas, particularly legendary cities like New York, will continue to appeal to the young, the childless, and the ultra-affluent. But for most people, particularly as they move into adulthood and form families, a more spacious, dispersed environment is preferred.

This sets the stage for a major long-term conflict. Many states, notably California, Washington, Hawaii, and Oregon, have imposed strict policies against “urban sprawl,” and similar policies have been implemented in metropolitan areas such as Denver and Miami. These policies are strongly associated with soaring home prices and have reduced the rate of homeownership, which is at the heart of the American dream. These policies are increasingly tied to dubious assertions about climate and environment which suggest that the Earth goddess Gaia, as it were, prefers her people packed in small spaces.



Image: Library of Congress, Carol Highsmith Archive

In reality, suburban, exurban, and small-town environments are becoming more environmentally friendly, as seen in some stunning new developments. The shift to remote work makes

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dispersion not only more feasible, but more energy efficient. Meanwhile, a harsh approach to climate mitigation or adaption threatening the basic quality of life could render climate change responses politically unsustainable.

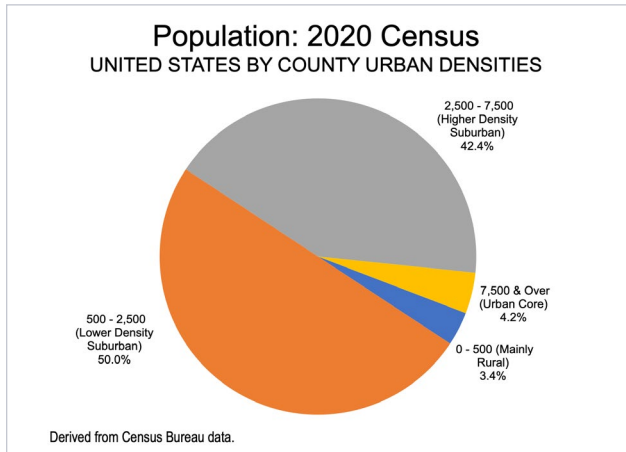
Finally, we need to confront the social downsides of housing policies that force density on a public that doesn't want it. The current planning regime works to make homeownership increasingly difficult, particularly for millennials and our increasingly diverse population. The lack of affordable, family-friendly homes is linked to low marriage and fertility rates, as people who own their homes are far more likely to have children. In a country with record low fertility, facing a shrinking workforce and an aging population, this does not bode well for America's future.

The fact is that for most people, the densification agenda means a lower standard of living. Reducing the standard of living is not an appropriate role for urban planning.

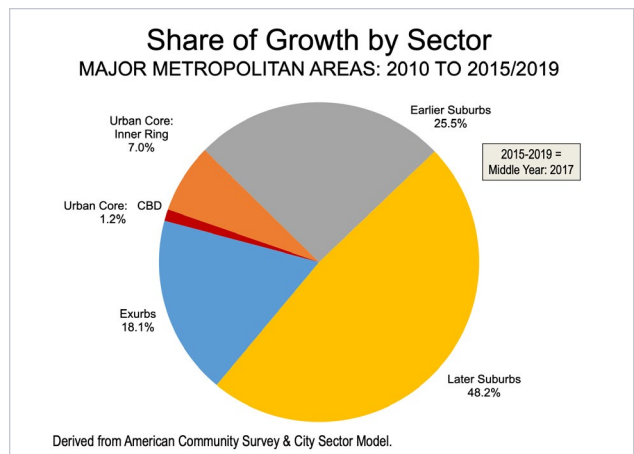
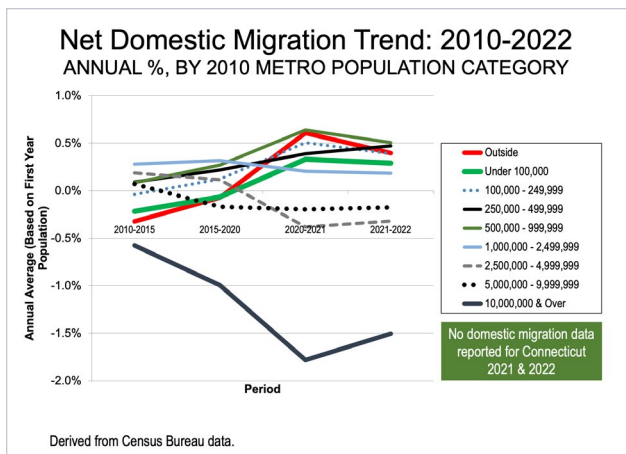
Our report suggests an alternative strategy, one that better fits the needs and aspirations of most Americans. It focuses on new technologies to make communities more sustainable and affordable, and stresses people's preferences. We are calling on Americans to do what they have always done best—create a better future for the next generation.

PLANNERS AGAINST THE PEOPLE

Over the past half-century, there has been growing pressure from planners and governments to restrict home construction, particularly on the fringes of urban areas. This trend towards dispersion has persisted since well before the pandemic, and accelerated since the mid-2010s, and even more so during and after the pandemic. Over 90% of U.S. population growth since 1945 has been in metropolitan areas.¹ In 1950, the core cities accounted for nearly 24% of the U.S. population; today the share is under 15%. Meanwhile, suburbs and exurbs grew from housing 13% of the metropolitan population in 1940 to 86% in 2017. The suburban dominance of metropolitan growth has accelerated even more in recent years.²

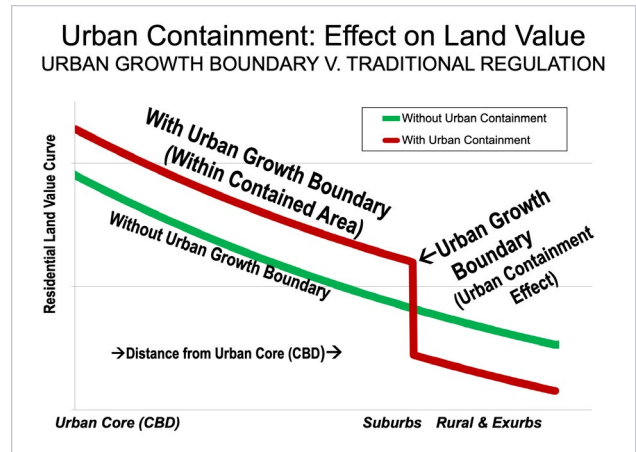
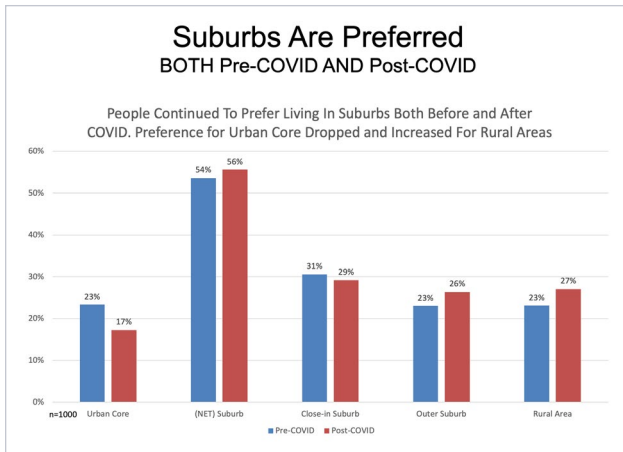


Americans continue to embrace lower density environments. (See: [“What People Want, p. 29”](#)) and this preference has, if anything, intensified after Covid, according to our own survey. Recent research by Jessica Trounstein at the University of California at Merced found that “preferences for single-family development are ubiquitous. Across every demographic subgroup analyzed, respondents preferred single-family home developments by a wide margin. Relative to single family homes, apartments are viewed as decreasing property values, increasing crime rates, lowering school quality, increasing traffic, and decreasing desirability.”³



PLANNERS AGAINST THE PEOPLE

In working against single family and lower-density housing, the planning community and political and real estate leaders are waging a war against popular aspirations. This effort is not new. Its roots lie in the post-World War Two British “Town and Country Planning Act,” which sought to rationalize development and preserve open spaces. Recently, these policies have become more draconian, seeking to densify existing communities while hindering, and even prohibiting, development on the periphery (the “urban fringe”), where costs, especially land costs, tend to be lower.⁴ This restrictiveness is based on the negativity associated with what planners pejoratively call “urban sprawl.”⁵



Urban containment policies are designed to stop, and even reverse, sprawl, principally using urban growth boundaries and greenbelts. According to prominent urban planners Arthur C. Nelson and Casey J. Dawkins: “... urban containment involves drawing a line around an urban area. Urban development is steered to the area inside the line and discouraged (if not prevented) outside it.”⁶

Calling us back to the past

The bulk of the population is being asked to reject the way of life embraced by the postwar generations and return en masse to dense, urban living. Suburbs have always elicited the wrath of intellectual elites, academics, and the media. Opposition to car-oriented suburban development, notes historian Robert Bruegmann, reminded him of the Duke of Wellington’s complaint that trains would “only encourage the common people to move around needlessly.”⁷



Image: Lower East Side, NYC, 1902, by Benjamin J. Falk, Library of Congress, in Public Domain

The call for density often reflects an assumed cultural supremacy.

Post-war urban theorist Lewis Mumford compared suburbia to ingesting “tasteless prefabricated foods,” while critics such as William Whyte saw them as places where the “intimate bonds” of friendship barely existed. For at least the last two decades the polemicist James Howard Kunstler has claimed suburbs to be an “inherently unsuitable to be the dwelling place of civilization,” and doomed to a “massive market meltdown.” The usually more rational Jane Jacobs wondered how anyone could raise children in such communities, even as, ironically, they became the nation’s nurseries.⁸

Attacks on suburbs and exurbs gained strength after the 2008 global economic crisis, when elite media like The New York Times and The Atlantic insisted that “America’s suburban dream” was “collapsing into a nightmare.”⁹ The exurbs, one prominent urbanist suggested, would become “the next slums”—the equivalent of “roadkill” doomed by changing economics and demographics. The only future for “fringe suburbs,” he wrote, would be “death.”¹⁰

Even when prices recovered and suburbs again flourished, the intelligentsia, urban developers, the mainstream media, and many political leaders have continued their jihad against suburbs—this time based largely on climate concerns, employing it as the “killer app” for the density lobby. Former Vice President Al Gore has raged against “sprawl” for over thirty years. Many view suburbs as an environmentally destructive form of urban development, popular only with lower income, lower educated obese people who “love” their cars and fast food and who work with their hands in industries in decline.¹¹

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For some environmental advocates, reducing greenhouse gases means restricting access to living space, like all other commodities, to “save the planet.”¹² Business interests with investments in urban cores have embraced the green argument for density; the Urban Land Institute, which represents many large urban developers, claims this is the most “important step for climate mitigation.”¹³ People in the English-speaking world, tuts the establishmentarian Financial Times, need to resign themselves to dense apartment living.¹⁴ As America’s core cities have struggled in recent years, media outlets like the New York Times even blame the city’s high housing prices on suburban “NIMBYs” who want to preserve their way of life.¹⁵ Other writers, including one writing in the Nation, accuse suburbs of being incubators of homophobia, misogyny, and racism, and centers of incipient fascism.¹⁶

This widening gap between popular preferences and elite opinion seems likely to grow.¹⁷

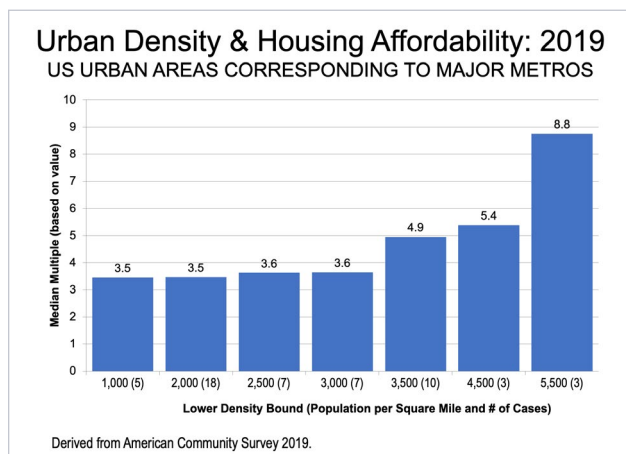
Anti-suburban policies have been widely adopted in states such as California, Oregon, Washington, Colorado, Minnesota, and elsewhere. There is growing evidence that similar ideas are being adopted at the federal level. Sadly, President Biden’s administration, picking up some initiatives from the Obama years,¹⁸ has sought, in the name of “racial equity,” to sue localities that fail to build enough subsidized housing, and to impose density on suburban areas that are already extraordinarily, and increasingly, diverse.¹⁹

Impact on housing prices

These policies have been associated with huge reductions in housing affordability, and house prices have raced ahead of incomes. House prices are now near record levels and rising interest rates have exacerbated the affordability crisis.²⁰ After all, urban containment is intended to increase land costs. According to Nelson and Dawkins, “the regional demand for urban development is shifted to the area inside the boundary. This shift should decrease the value of land outside the boundary and increase the value of land inside the boundary.”²¹

...urban containment is intended to increase land costs (inside the boundary).

Economist William Fischel contrasts growth management with “ordinary zoning, which is nominally dedicated to the good-housekeeping rule of a place for everything, but everything in its place.” In contrast, “growth-control communities attempt to reduce future residential development.” Fischel notes that California “became the leader in the “growth control”²² that has now made the state’s metro areas the most expensive on the mainland.²³ (See: “[The California Model](#), p. 32”) Similar policies have also raised prices in other key markets such as Portland, where Gerald Mildner of Portland State University found a 10-fold gap in land values across the Portland urban growth boundary (UGB).²⁴



Some suggest that urban hyper density would not only make housing cheaper, but strengthen the economy as eager workers stream to crowded places.²⁵ But in the real world, urban containment policies are associated with higher house prices, notes Shlomo Angel of New York University, a leading global housing expert, not only in the United States but also the United Kingdom, Australia, and Korea.²⁶ These policies are adopted without considering the negative impact on middle class living standards. Alain

Bertaud, former principal planner of the World Bank, suggests that urban planners have paid insufficient heed to urban economics:

“I think that, worldwide, the unfamiliarity with basic urban economic concepts by those in charge of managing cities is one of the major problems of our time...the professionals in charge of modifying market outcomes through regulations (planners) know very little about markets, and the professionals who understand markets (urban economists) are seldom involved in the design of regulations aimed at restraining these markets.”²⁷

Making Homes Unaffordable for the Middle and Working Class

However well intentioned, these restrictive policies undermine the ability of working- and middle-class people to buy housing or even pay reasonable rents. Controls on land and development have made, in many areas, the “starter house” increasingly rare.²⁸ In fact, higher urban population densities in the United States are associated with *worse housing affordability*.²⁹

PLANNERS AGAINST THE PEOPLE

The price-to-income ratios (such as the median house price divided by median household income) in the higher density urban areas that correspond to the largest metropolitan areas, averaged 8.8 in 2019, the last pre-pandemic year. In urban areas where population density was less than a relatively sparse 3,500 per square mile, the best price-to-income ratios (indicating higher affordability) averaged 3.5 and 3.6.

Density, contrary to the claims of its advocates, does not lower costs. Going from five to ten stories increases the cost of each square foot by over 50 percent, notes the Manhattan Institute's Judge Glock, in large part due to the need for more expensive materials like steel rather than wood. In terms of its carbon footprint and energy impact, steel is five times costlier than wood. Generally speaking, the most expensive housing markets—Los Angeles, San Francisco, Toronto—have high urban core densities.³⁰

Virtually all housing markets with the highest housing prices and rents relative to incomes have some form of urban containment regulation. These include Honolulu, San Jose, San Francisco, Los Angeles, San Diego, Riverside-San Bernardino, Fresno, Sacramento, Portland (Oregon), Seattle, Denver, Miami, New York, and Boston.³¹ In some areas, such as Minneapolis, Austin, and California, single family zoning has been outlawed or severely restricted.³²

The core city of Vancouver in Canada has virtually eliminated single-family zoning and massively densified—increasing its population 72 percent from 1961 to 2021³³—without material annexation of vacant land for building. The result has been a staggering increase in housing costs, notes University of British Columbia planning Professor Patrick Condon. “There is a problem beyond restrictive zoning,” explains Condon. “No amount of opening zoning or allowing for development will cause prices to go down.” The problem, according to Condon, is that upzoning as a densification strategy does not improve housing affordability.

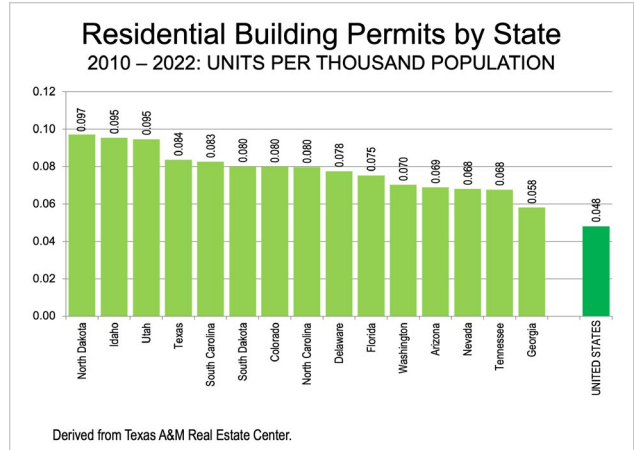
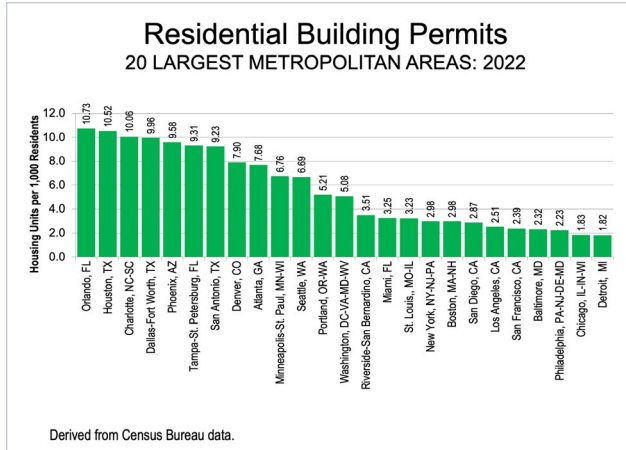
“No amount of opening zoning or allowing for development will cause prices to go down.”
Patrick Condon, University of British Columbia

Vancouver's suburbs have also densified. But despite the densification, the Vancouver housing market has become increasingly unaffordable. Metro Vancouver has the highest house prices and highest rents in Canada. Further, Vancouver is the second least affordable market in *Demographia International Housing Affordability*. Housing affordability has worsened from a 3.9 median multiple (price to income ratio) in 1970 to 12.0 in 2022.



Image: David G. Gorden, CC BY-SA 4.0 License

These policies have failed to encourage the building of more housing. Though claims that California, even as it loses population, needs as many as three million new homes in the coming decade are clearly exaggerated, the current policy agenda has disincentivized production. This is particularly evident when comparing California’s housing production to other states, notably Texas, Florida, and Nevada, which impose far fewer structures on new residential development. Between 2010 and 2022, the 15 states with the highest number of building permits per thousand population were all in the South or the Mountain states, except for Washington. California ranked 39th at 3.1, more than two thirds below the national average.



Class implications

Our current housing policy—particularly in politically “progressive” states—threatens to widen our ever-greater inequality of opportunity. In a Bank for International Settlements (Berne) paper, economist Gianni La Cava associated rising inequality in the United States with increased housing values in more severely regulated markets.³⁴ Housing costs are one key reason why, after decades of ever greater equality, our societies are becoming ever more feudalized.

These rising costs have helped reverse what had been a remarkable trend towards greater equality, marked by a sharp decline in the concentration of wealth from the 1820s to the 1970s.³⁵ Home ownership, long the cornerstone of middle class aspirations, grew substantially from the 1940s to the 2020s in most major countries.³⁶ In America, three-quarters of the population see owning a home as critical to upward mobility.³⁷ Yet, as the OECD notes, housing prices have risen in high income countries three times faster than incomes, and so middle class aspirations are collapsing.³⁸

French economist Thomas Piketty has identified property as a key factor in the widening of inequality around the world over recent decades.³⁹ Research by Matthew Rognlie, of Northwestern University, found that virtually all the inequality identified by Piketty was due to house value inflation.⁴⁰ In the United States, over the past decade, the proportion of real estate wealth held by middle and working class owners fell substantially, while that controlled by the wealthy grew from under 20 percent to over 28 percent. In the last decade, high income households enjoyed 71 percent of all housing gains while the shares of middle and lower income families declined precipitously.⁴¹

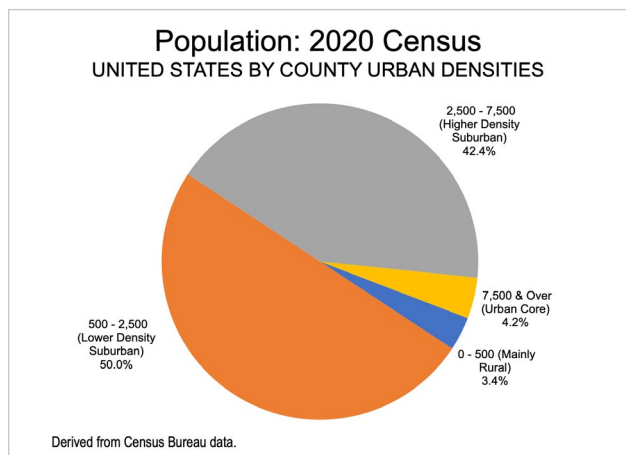
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The movement of large investment firms into single family markets has accelerated this process.⁴² Wall Street firms like Blackstone and Britain's Lloyds Bank increasingly buy homes in hot markets and turn them into rentals, which reduces the supply of housing for those seeking to purchase. This tends to boost home prices, undermining the availability of the "starter home" for younger people, nearly three in five of whom see homeownership as an essential part of the American dream.⁴³ According to U.S. Census Bureau data, the rate of homeownership among young adults at ages 25 to 34 was 45.4 percent for Generation X (born 1965 to 1980), but has dropped to 37 percent for millennials (born 1981 to 1996), the generation now entering the prime period for forming families.⁴⁴

THE DEMOGRAPHIC EVIDENCE

Suburbs have accounted for about 90% of all U.S. metropolitan growth since 2010; over that period, suburbs and exurbs of the major metropolitan areas gained 2 million net domestic migrants, while the urban core counties lost 2.7 million. This movement demonstrates more accurately than preference surveys what people in fact commit themselves to doing.⁴⁵

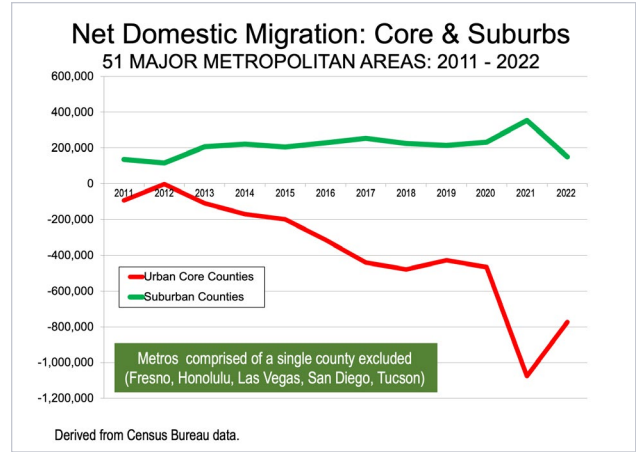
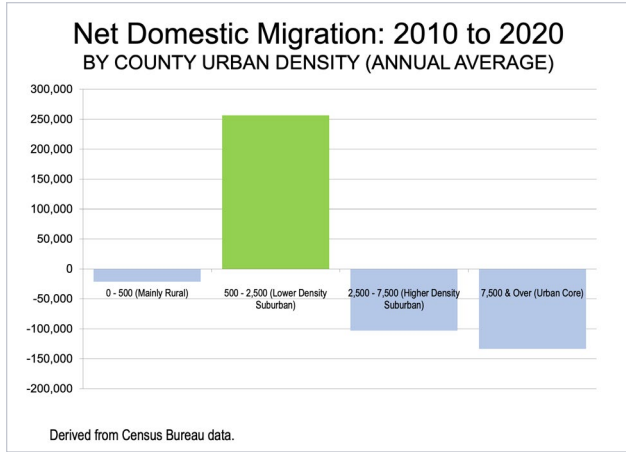
In the 2020 Census, 50% of the nation’s population lived in counties with urban population densities from 500 to 2,500 people per square mile, which is typical of lower density suburbs.⁴⁶ Another 42% of the population lived at urban densities of 2,500 to 7,500 per square mile—typical of higher density suburban development, often in the inner ring suburbs. Thus, across the entire nation, 92% of the population lived in counties with typical suburban population densities, with the balance in the lowest density and highest density categories. (Figure below). In contrast, the urban cores, with population densities of at least 7,500 per square mile, accounted for barely 4% of the population, most of them located in and around New York City.⁴⁷



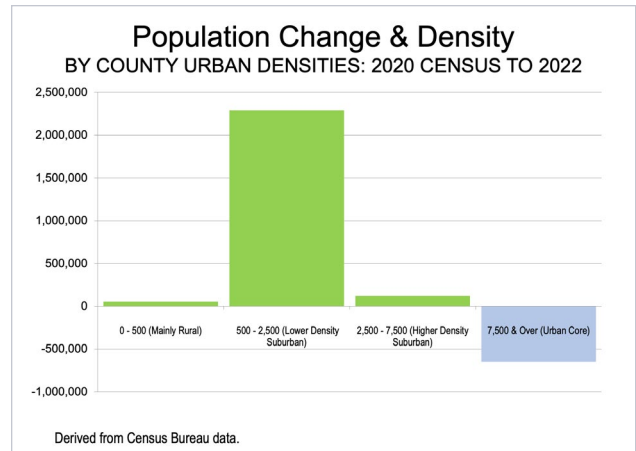
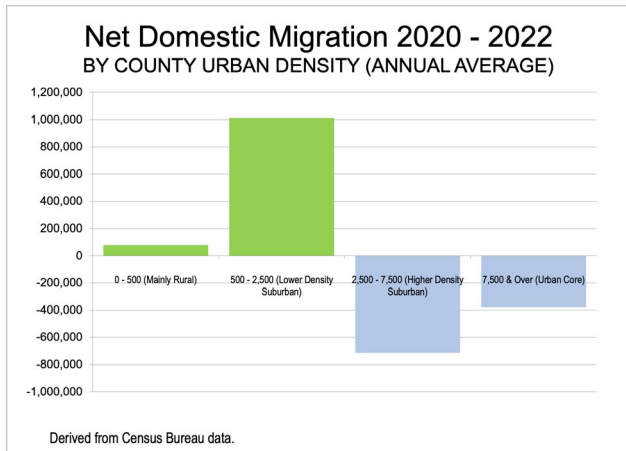
Migration pattern: The triumph of sunbelt and suburbs

Migration patterns—including moving both within and outside one’s home metro areas—tell us a great deal about people’s preferences. Since 2018, according to Redfin, the percentage of people considering moving out to another region has grown from 15% to nearly 25%. The primary destinations for movers from the largest places seeing a decline in population—San Francisco, Los Angeles, and New York—are sunbelt cities or, in the case of San Francisco, more suburban metros like Sacramento and the Inland Empire (Riverside-San Bernardino).⁴⁸

THE DEMOGRAPHIC EVIDENCE

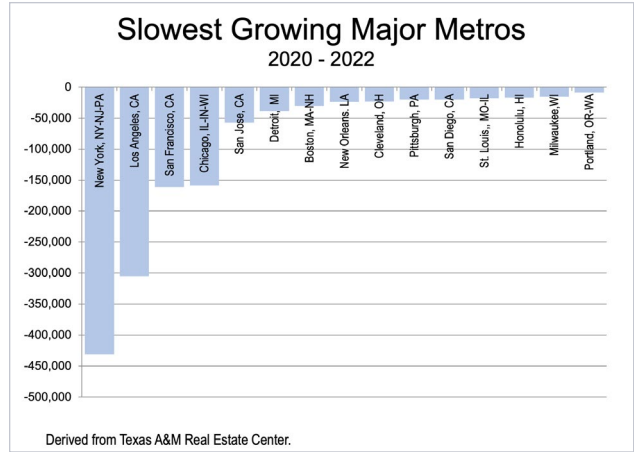
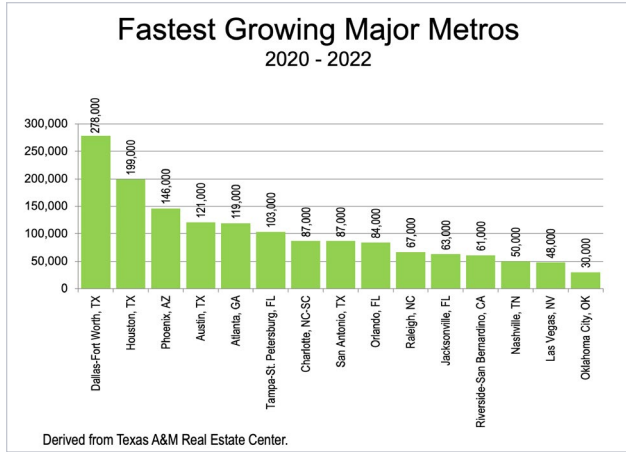


In 2019, suburban net domestic migration among the major metropolitan areas (over one million population) reached 427,000, but expanded to 1,075,000 in 2021, during the pandemic. The 2022 net domestic in-migration to the suburban counties fell to 773,000, still 45% above the pre-pandemic 2019 number (Figure above, right). Overall, between 2020 and 2022, counties with per square mile urban densities of 500 to 2,500 had an overwhelming annual 1,012,000 net domestic migration gain, while counties with per square mile urban densities of 2,500 to 7,500 had net domestic losses of 714,000. The counties with at least 7,500 per square mile densities had an annual net domestic migration loss of 379,000.⁴⁹



Much of this growth has been concentrated in the South, where housing is cheaper. Five southern states—Texas, Florida, North Carolina, Georgia, and South Carolina, along with Arizona in the West—exceeded the growth in all of the other (44) states and DC. These six states added 1.3 million residents, while the other states and DC lost more than 75,000 residents. Southern states dominated net domestic migration, gaining 1.7 million, while the other three Census regions (Northeast, Midwest, and West) all had net domestic migration losses since the 2020 census (Figure above, left). Population growth was even more concentrated in 2021, when Texas and Florida grew a combined 565,000, more than the national increase of 520,000. The fastest growing major metros in the nation were Dallas-Fort Worth and Atlanta.⁵⁰ In contrast, most outmigration is from highly regulated states like California, New York and Illinois.

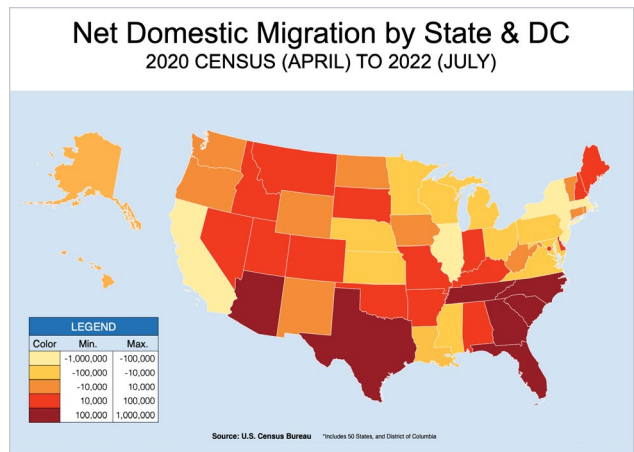
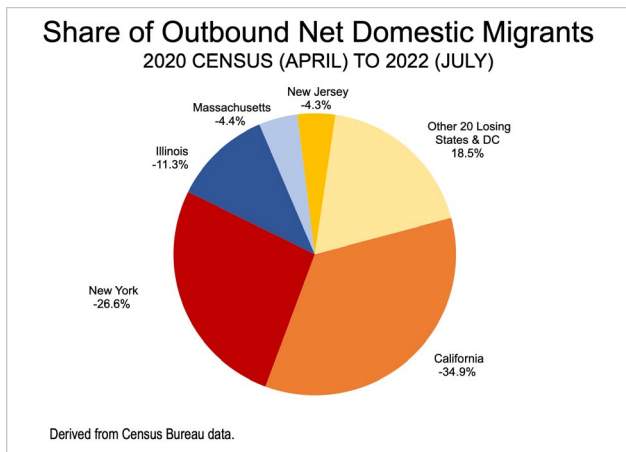
THE DEMOGRAPHIC EVIDENCE



The future shape of America is less dense than historic norms. Since 1950, notes Judge Glock:

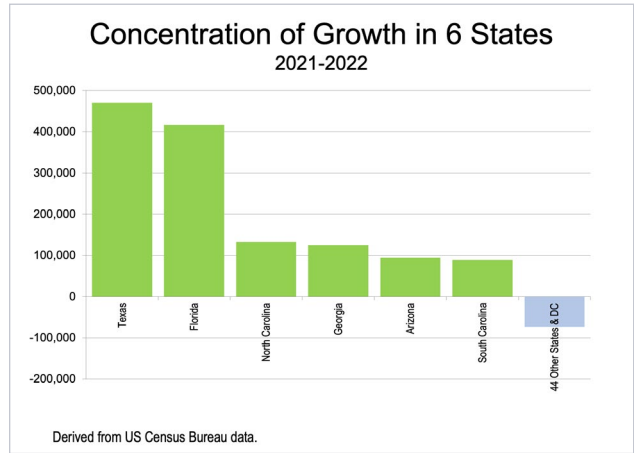
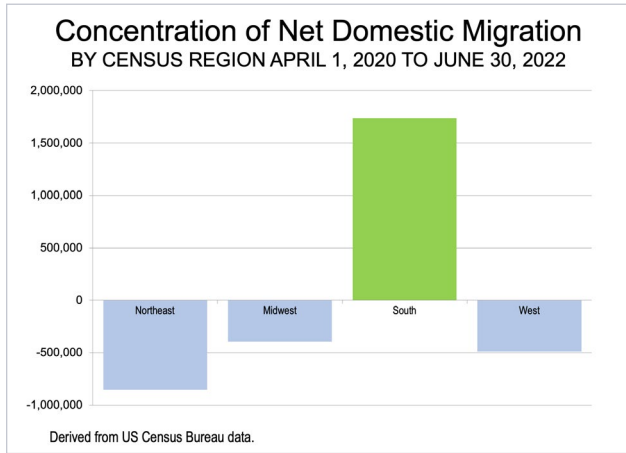
“The average density of the largest American cities (urban areas⁵¹) has dropped in half – from 6,000 people per square mile to 3,000. Lower density cities have been growing fastest. New York and San Francisco may have 50 percent more people than in 1950 but Houston, Dallas, and Jacksonville have 500 percent more. Atlanta, Phoenix, and Austin have almost 1000 percent more.”⁵²

This shift, noted by the economists Ed Glaeser and Matthew Kahn a decade ago, demonstrates how “urban growth has taken the form of sprawl.” Yet they observed no decline in either productivity or creativity as jobs and people moved out.⁵³



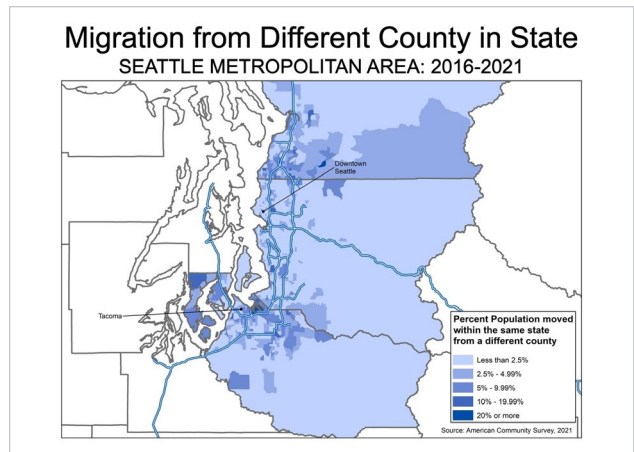
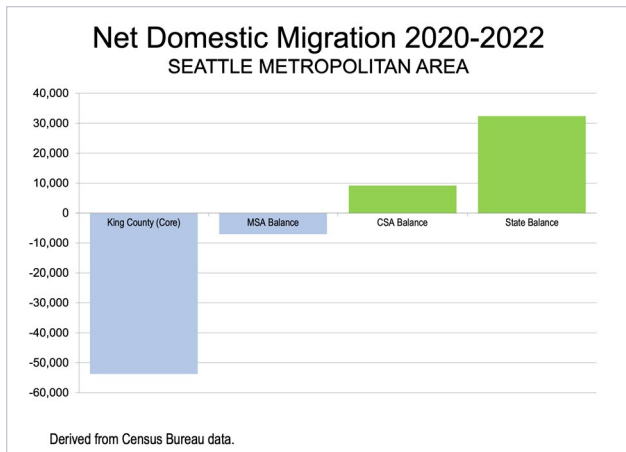
Overall, the fastest growing metro areas in America are those that reject strong urban containment policies, allowing, and even encouraging, development on the fringe. This includes large Texas metros (See: “Texas’ Approach to Housing Supply and Affordability, p. 31”) such as Dallas-Ft. Worth, Houston, San Antonio, and Austin. Other fast-growing metros without urban containment include Charlotte, Atlanta, Nashville, Raleigh, and Phoenix, which, despite water-related issues and brutal heat, has emerged as a top locale for relocating homebuyers.⁵⁴ Among the 10 fastest growing metropolitan areas between 2020 and 2022, all but one (Las Vegas) were in the South (Figure below, left). Among the 10 slowest growing metropolitan areas, all were from the Northeast, the Midwest, or the Pacific division of the

West. Only one of the slowest growing metros were in the South or the Mountain division of the West (New Orleans).



Even “Superstar cities” and some post-2000 winners now have the blues

This new pattern represents a clear shift in the geography of the American dream. Migration to major metropolitan areas started to decline as early as 2015, when an exodus to smaller locales became evident. Erstwhile magnetic cities like Los Angeles, Portland, San Francisco, and Seattle now suffer the highest per capita rates of homelessness in the country.⁵⁵

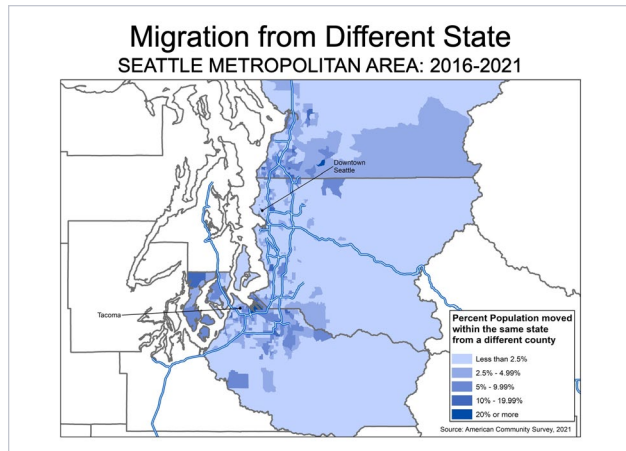


This flight from the cities has been particularly notable since the pandemic. In just two years, cities lost more than two million more residents. New York, Los Angeles, Chicago, and San Francisco all lost population. Our survey showed that, during the pandemic, most movers sought less dense locales. Even metros that thrived until 2019, such as Seattle, have grown mostly in suburban areas. Even this well-positioned metro—home to Microsoft, Amazon, and Boeing—which added 187,000 net domestic migrants between 2000 and 2020, is now experiencing net domestic out-migration.⁵⁶

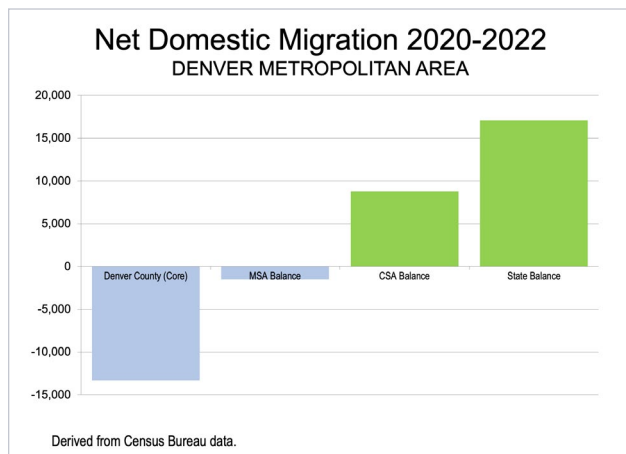
In the Seattle metropolitan area, there has been a decided shift away from the urban core King County which lost 54,000 net domestic migrants in 2021 and 2022. Although Seattle still attracts migrants from more expensive markets (especially California), its median house

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price has nearly doubled over the last quarter century relative to median household incomes. Beyond the movement from the urban core to the suburbs, there has been more recent net outmigration to small metros in the state, such as Bremerton, Spokane, and Olympia.⁵⁷ Critically, as demographer Ali Modarres demonstrates, the appeal of the periphery is particularly strong among people moving from another county or state.



Similar patterns can be seen in another recent hotspot, the Denver metro area, a formerly booming area that added 275,000 net domestic migrants between 2000 and 2020. In contrast, the urban core county (Denver) lost 13,000 net domestic migrants in 2021 and 2022 while the outer rings gained 17,000; other parts of the state added 41,000 newcomers (Figure below, left). As the metropolitan planning organization has adopted urban containment regulation in Denver, housing prices have soared. Colorado's once buoyant growth has, in the words of the Denver Post "hit a wall."⁵⁸



In contrast, Aurora, a peripheral city in the Denver metro, has been growing quickly, with plans for thousands of new homes.⁵⁹ Other nearby metros like Greeley have enjoyed even more rapid growth. Eight of the 10 fastest-growing counties in Colorado by percentage were rural, led by San Juan and Custer.⁶⁰

THE DEMOGRAPHIC EVIDENCE

Portland, a metropolitan area celebrated by advocates of urban density, has been a proud and much applauded leader in imposing an urban growth boundary.⁶¹ Despite this restrictive policy, Portland's population expanded rapidly, adding 252,000 net domestic migrants between 2000 and 2020. But in 2021 and 2022, the urban core county (Multnomah) lost 13,000 net domestic migrants, while the surrounding suburbs grew modestly. Overall, Oregon lost population between 2021 and 2022 according to Census Bureau estimates.

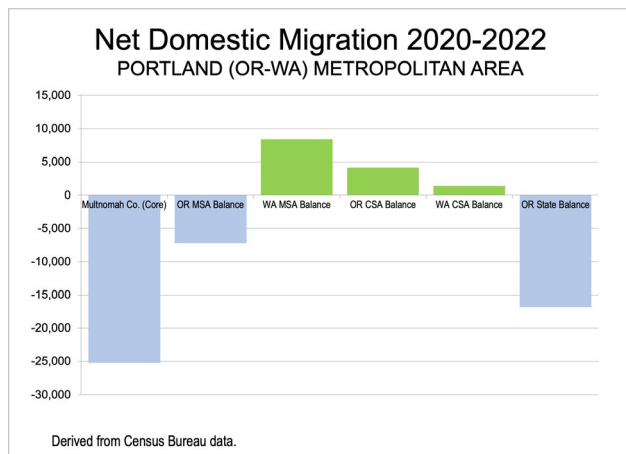


Image: Portland riots, by David Geitgey Sierralupe, CC 2.0 License

Once heralded as the “where young people go to retire,” Portland represents the apogee of urban dysfunction. Over the past three years, [the Los Angeles Times reports](#), the number of unhoused people in the metro area has jumped from about 4,000 to at least 6,600. Shootings in the city have tripled. Homicides, as well as property crime, have spiked; more than 11,000 vehicles were stolen in 2022, up from 6,500 in 2019. Some may still praise the city as “an anarchic wonderland,” but, according to [Portland's KGW-TV](#), “every 42 minutes there is a report of vandalism,” often involving broken windows, of which there more complaints last year than during 2020, when Portland faced continual months of nightly rioting.⁶²

THE ECONOMIC EVIDENCE

Economic trends have paralleled the new demographics. After decades of self-celebration and relentless media hype, the great “urban renaissance” has come to a crashing denouement. Suggestions that big city “mayors” should “rule the world,” or that economic growth will cluster in a handful of superstar cities like London, New York, Francisco, and Chicago now seem absurd and naive. Those conurbations were widely hailed as unique geographies where, as The New York Times’ Neil Irwin observed, “a small number of superstar companies choose to locate,” leaving the spaces between them as desolate flyover zones thinly populated by society’s losers. The big winners for this century were to be the “skilled city,” other dense urban centers, and college towns.⁶³

Suggestions that big city “mayors” should “rule the world,” or that economic growth will cluster in a handful of superstar cities like London, New York, Francisco, and Chicago now seem absurd and naive.

Today all but the most deluded understand this paradigm is weakening. Even some traditional big city boosters, including the New York Times, now bleakly warn of an “urban doom loop.”⁶⁴ Impressive blocks of skyscrapers that housed many of the world’s leading corporations have gone from heralds of a glorious future to something more resembling the factory towns of the Industrial Revolution. Transit systems critical to dense urbanism are in free fall; by 2023 many systems were operating between a third and two thirds below pre-pandemic levels.⁶⁵ Meanwhile, on the streets of great core cities like New York, Los Angeles or San Francisco, criminals and the homeless lurk on the streets, in the parks, and in the stores.⁶⁶

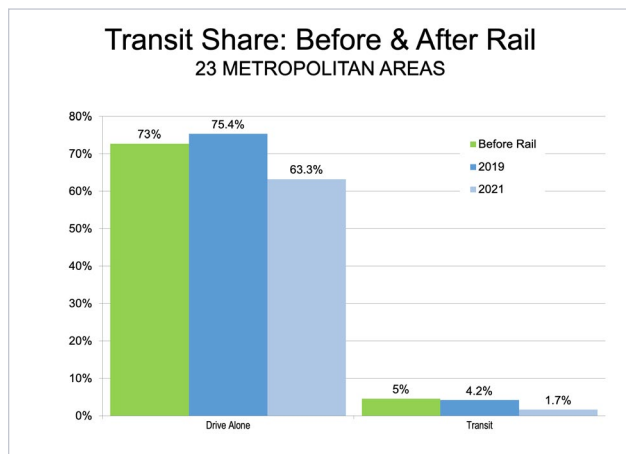
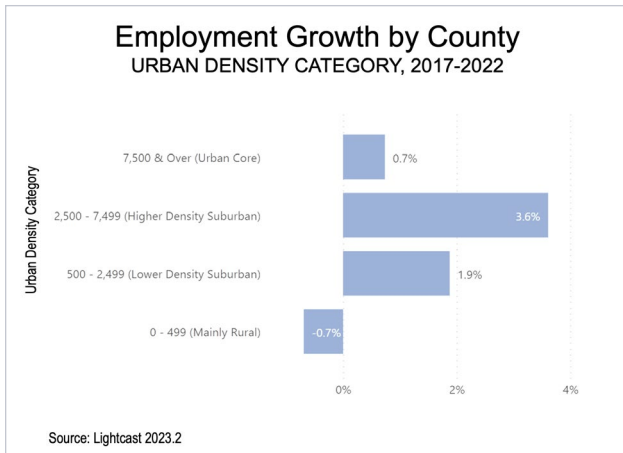


Image: Homeless in San Francisco, by P.C. Fish, CC BY-SA 4.0 License

Employment is increasingly dispersed throughout modern metropolitan areas. Among the major metropolitan areas, more than 75% of jobs have been outside downtown areas and larger commercial centers, such as “edge cities,” for at least two decades. Later data indicated that 91 percent of employment growth among major metropolitan areas was outside Central Business Districts (CBD) between 2010 and 2017.⁶⁷ Fast growth now takes predominately in lower density environments.



Yet, as with demographic migration, these trends well preceded the pandemic. Although many downtowns are losing out, some residential areas in New York, Boston and even much of San Francisco have retained streetwise vitality, though their economic centrality has declined. But the urban nexus of human capital first described by Jean Gottman in 1983 as the “transactional city,” defined by massive high-rise office buildings filled with elite professionals, is now somewhat anachronistic.⁶⁸

Indeed, jobs have been dispersing throughout metro areas since the 1950s.⁶⁹ A Brookings study in 2001 found that barely 22 percent of residents of large metro areas worked within three miles of downtown, while over a third worked more than ten miles away.⁷⁰ Office occupancy has been declining since the turn of the century, while construction of new space has also fallen. In 2019, before the pandemic, construction was one-third the rate of 1985 and half that of 2000.⁷¹

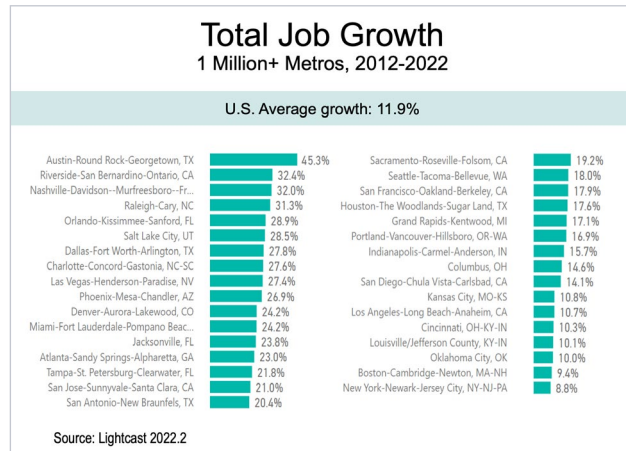
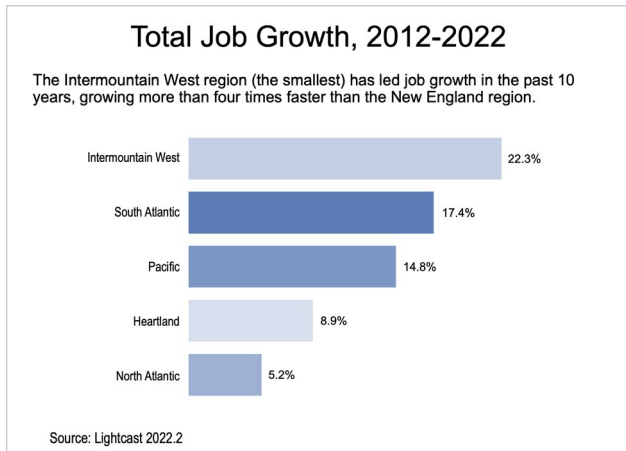
in contrast, the largest U.S. economies are increasingly in the sunbelt. Atlanta is the seventh largest economy in the U.S. based on total non-farm employment, Phoenix is number 12, and Tampa is 19. These are increasingly the prime locations for Fortune 500 companies, with Houston and Atlanta in the top three after New York.⁷² At the same time, suburb-dominated sunbelt states, including Georgia, Louisiana, Florida, and Texas, lead the country in having the most small businesses per capita.⁷³ The effect has been to alter the country’s economic geography, mostly to the benefit of the sunbelt and mountain regions.

Suburb-dominated sunbelt states, including Georgia, Louisiana, Florida, and Texas, lead the country in having the most small businesses per capita.

Impact of the pandemic and the rise of remote work

The pandemic clearly accelerated this process, particularly hurting dense transit-oriented urban centers like New York, which endured higher adjusted COVID fatalities than car-dominated suburbs. The lockdowns, and the riots after the murder of George Floyd, generated a devastating rise in crime and lawlessness in Washington, New York, Los Angeles, San Francisco, Philadelphia, and Chicago, further accelerating the move from dense urban areas. In some parts of Chicago and Philadelphia, young men now have a greater chance of

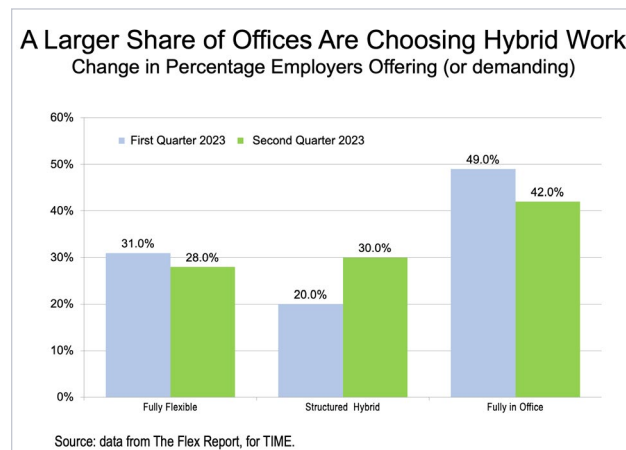
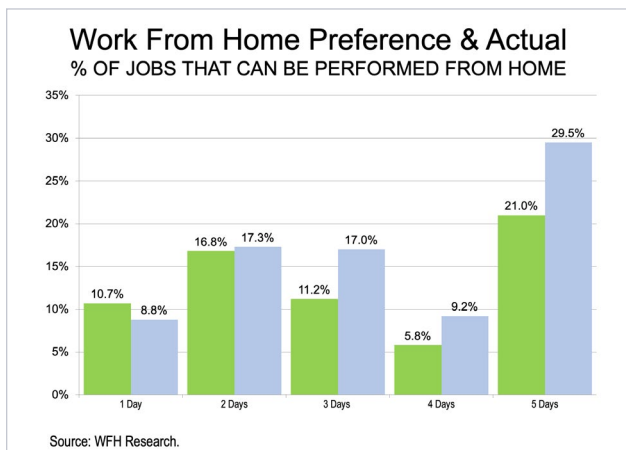
being killed by firearms than the American soldiers who served during the wars in Afghanistan and Iraq.⁷⁴



Arguably the biggest pandemic legacy has been the rise of remote work. Stanford economist Nicholas Bloom suggests that remote workers will constitute at least 20 percent of the workforce—more than three times the pre-pandemic share. A study from the University of Chicago suggests that one third of the total workforce could work online; that share rises to 50 percent when looking only at big tech. As it stands, a majority of workers could work from home, either part time (46 percent) or fulltime (19 percent).⁷⁵

Despite outbursts from elite CEOs demanding full time return to the office, American workers—particularly more seasoned employees—are refusing to comply. The shift to companies offering some remote work seems to be on the increase. Stanford’s Bloom notes that the number of job postings for remote-friendly roles is hitting record levels—and trending up.⁷⁶ In fact, according to The Flex Report (Figure below, right), the share of people in the office full time dropped from 49 percent in the first quarter of 2023 to 42 percent in the second quarter.

Big multinationals, a key part of office market for cities like New York and Chicago, are, notes the Financial Times, planning to reduce their office footprint 10 to 20 percent while investors are increasing leery of investing in the large downtowns. Municipal tax revenues are in a free-fall.⁷⁷



THE ECONOMIC EVIDENCE

This reflects a growing sense that, even as cities struggle back, their dominance of the job market seems certain to continue fading. San Francisco's chief economist Ted Egan recently explained:

“I don't know when we'll get back to the pre-pandemic asset values because I do think there's something structural and permanent about this. I don't think office workers are ever going to be spending that much time in the office and we're just going to have to figure out ways, in office centers, to accommodate more people who are there less often. I think that's kind of the future of office space.”⁷⁸

The economic fallout may just be beginning. Office buildings in the ten metros reported upon by Kastle remain roughly 50 percent occupied, and Wall Street is quickly losing interest in new projects. In the nation's top 15 downtown areas, activity⁷⁹ was down approximately 47 percent between 2019 and 2023.⁸⁰ San Francisco, once one of the nation's strongest CBDs, now has a record high office vacancy rate of almost 30 percent, and leads only Baltimore in the list of the top 25 American cities for post-pandemic economic recovery. This recently led the San Francisco Chronicle to editorialize that downtown was “on the verge of collapse.”⁸¹

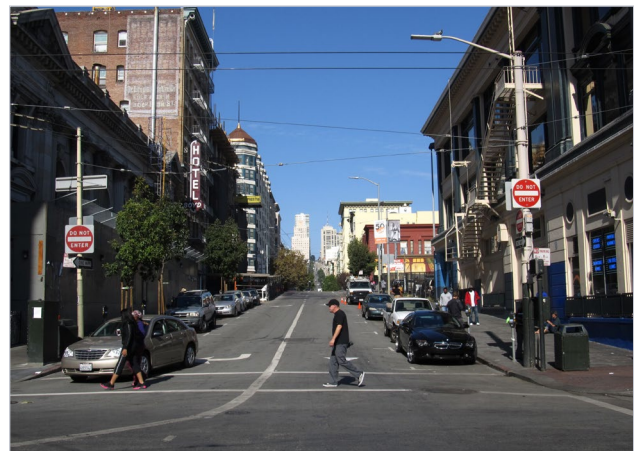
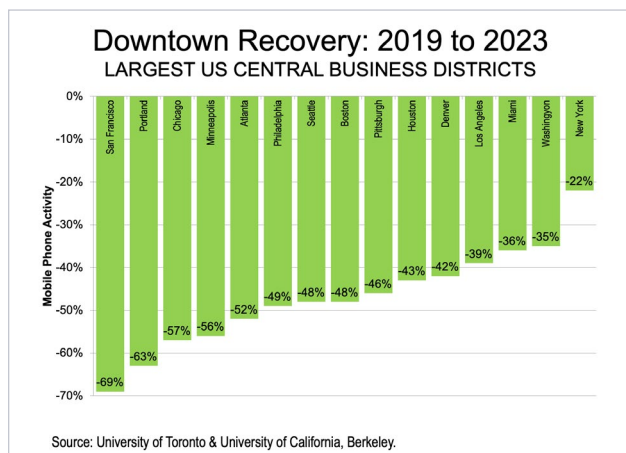


Image: San Francisco downtown, by Ken Lund, CC BY-SA 2.0 License

The meltdown of the “transactional city” also afflicts its most important outpost, New York. Today the equivalent of 26 Empire State Buildings could fit into New York City's empty office space, according to Harvard's Edward Glaeser and MIT's Carlo Ratti.⁸² Despite optimistic predictions, “zombie office space” continues to plague New York even while the deluded governor of the Empire State plans to erect a new forest of office towers around Penn Station. Meanwhile, New York City office buildings alone, according to one industry estimate, are suffering a 44 percent decline in value.⁸³

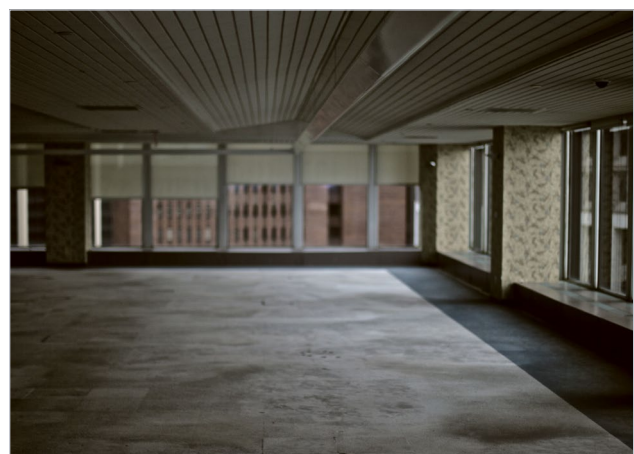


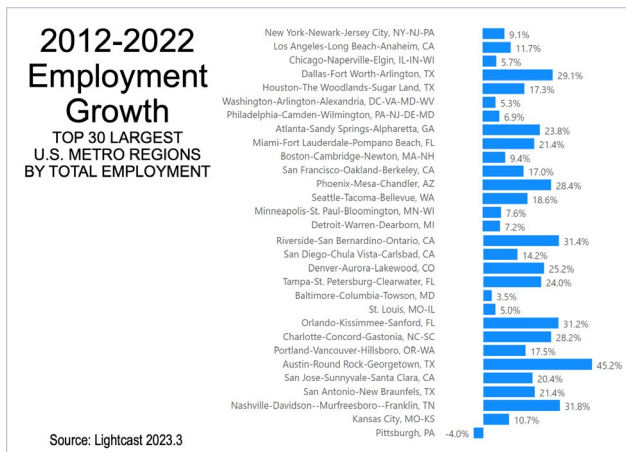
Image: Empty offices, NYC, by James Nord, CC 2.0 License

Economic growth favors less regulated, less costly regions

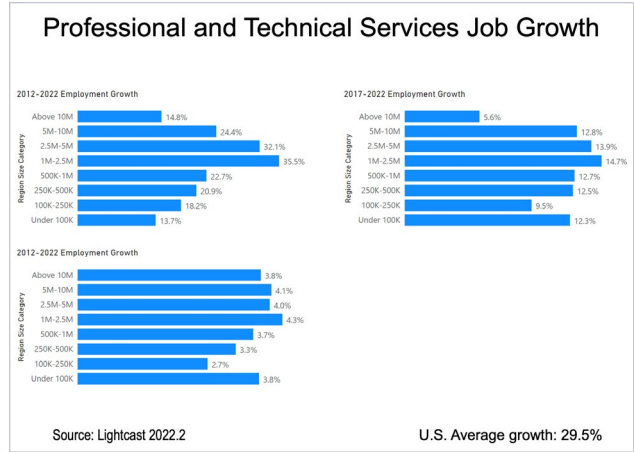
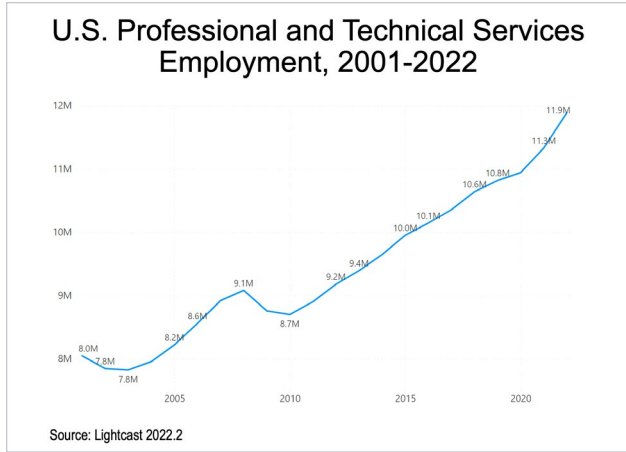
Suburbs and regions in the country’s south and vast interior have increasingly absorbed economic functions once reserved for the ballyhooed superstar cities.⁸⁴ No longer just “bedrooms,” serving as dormitories for office workers, the suburbs from 2010 to 2017 accounted for over 80 percent of all job growth. The majority of American jobs are located in lower density areas, an edge that has steadily gotten bigger.⁸⁵

The 50 highest-growth counties, mostly located on the fringes of major sunbelt metros, enjoyed an increase in employment more than 2.5 times that of other counties in 2019. Since the pandemic, suburban office space has consistently outperformed that of the CBDs while remote workers have clustered in exurbs and vacation locales. This has also provided a boost to suburban retail, attracting even urban sophisticated chefs, as more workers spend time in their local communities.⁸⁶

Over the past decade, mid-sized metropolitan areas added jobs the fastest, with each of the size categories between 1 million and 10 million population growing at roughly 15% annually. New York and Los Angeles added jobs at half the rate of places of midsized metros. The big winners have been sunbelt metros like Nashville, Austin, Jacksonville, Dallas-Fort Worth, and Raleigh; with the exception of Salt Lake City, the top ten job markets are all in the southeastern quadrant.⁸⁷



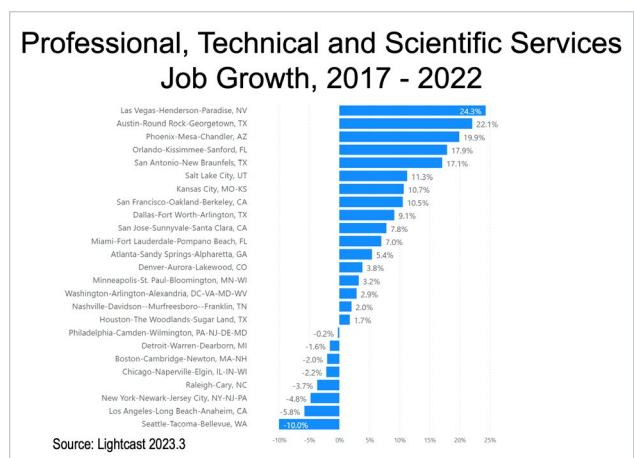
This shift extends across a broad range of economic activities, including manufacturing. Much of the more recent growth is in places that lack a strong industrial legacy, such as Las Vegas, Orlando, Phoenix, and Miami. In contrast, the nation’s largest metro areas (New York and Los Angeles) have seen a significant decline in manufacturing employment over the mid- and longer-term. Los Angeles lost nearly 50,000 manufacturing jobs in the past decade, topping losses in New York, Seattle, Houston, and Chicago (Figure above, right).



Perhaps more surprising has been the shift in professional and technical service jobs. This is a critical growth sector, rising steadily over the past 20 years. Growth accelerated after 2020, with 1.1 million new jobs since then. These new jobs include sophisticated functions such as systems design and technical consulting services.

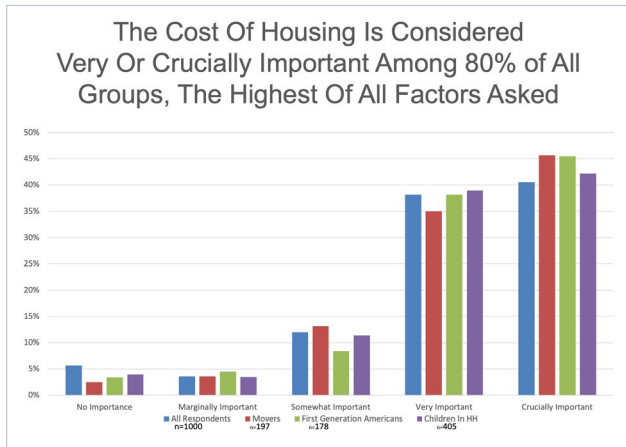
Although the expensive metros are more competitive here, growth also has trended towards smaller areas – metros of 1 million to 5 million people, a trend particularly notable over the 5-year period. Booming service industry hubs include smaller metros such as Austin, Nashville, Salt Lake City, Raleigh, and Orlando.⁸⁸

The slowest growing cities for this sector include older stalwarts and traditionally industrial cities; there has been strong expansion on business service growth, however, in areas such as Central Michigan, Ohio, Tennessee, northern Alabama and Georgia, and Central Texas. These traditional backwaters can capture this dynamic growth – especially in an era of remote work – as workers and companies move to less expensive, more family friendly areas. The shift has already sparked new life in long distressed corners of the country, notably in parts of southern Appalachia.⁸⁹



MAKING A HOME FOR THE NEW AMERICA

The future belongs to regions that can accommodate the aspirations and preferences of the majority. This has been a longstanding trend, as people tend to migrate to places with more reasonable housing prices. People are also moving primarily to places with higher rates of detached housing. The primacy of this issue was revealed in our survey as the most serious reason for moving.⁹⁰ These trends were reinforced by the pandemic, and, particularly, saw a surge of interest in more rural areas as well.

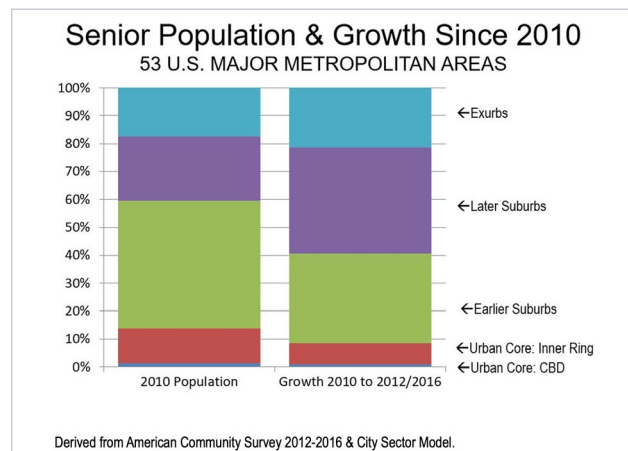
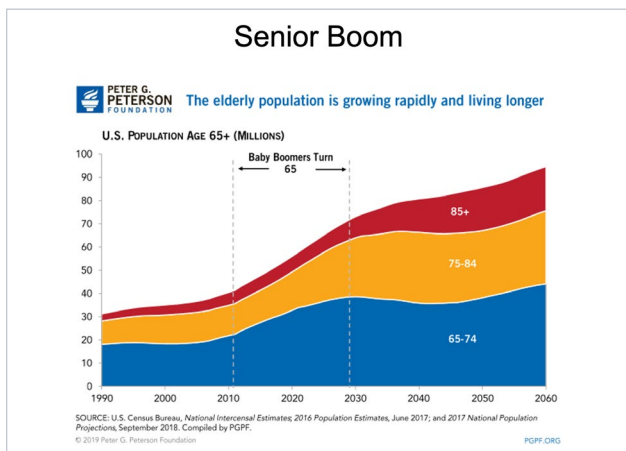


Lower housing prices attract businesses and people. Though taxes and energy prices vary, approximately 75 percent of the cost-of-living difference among metropolitan areas derives from housing costs and utilities. Cost of living is the primary determinant of where people move to, and unaffordable housing costs are a major factor in where people are from.

Canaries in the Coal Mine

The New America is likely to be dominated by seniors, millennials, minorities, and immigrants.

Over the past decade there have been flurries of “back to the city” articles about seniors, touting the easy access to cultural amenities and walkability that retirees supposedly crave.⁹¹ But in fact most seniors who move head either to sunbelt or more rustic locations, including Florida, Texas, the Carolinas, Arkansas, Tennessee, and Arizona. In fact, according to one study, seven Phoenix area cities fit into the top 100 places for retirees. At the same time, the biggest losers were all heavily regulated California, New York, Illinois, and New Jersey.⁹² Movers also tended to look for larger homes, which corresponds to lower density, peripheral areas.



Top 10 Cities Where Millennials Are Leaving

Rank	City	Moved In ¹	Moved Out ²	Net Migration in 2021
1	New York, NY	55,374	135,163	-79,789
2	Chicago, IL	23,209	36,467	-13,258
3	Washington, DC	21,776	31,626	-9,850
4	Boston, MA	12,471	19,173	-6,702
5	Los Angeles, CA	22,410	28,916	-6,506
6	San Francisco, CA	9,945	15,990	-6,045
7	Lincoln, NE	1,497	5,853	-4,356
8	Memphis, TN	3,936	6,683	-2,747
9	Fresno, CA	1,010	3,651	-2,641
10	Omaha, NE	4,216	6,759	-2,543

1. This refers to the number of people between the ages of 25 and 39 moving into the city from a different state.
 2. This refers to the number of people between the ages of 25 and 39 moving out of the city to a different state.
<https://kdyr.com/news/local/10-cities-where-millennials-are-moving-and-10-they-are-leaving/>

Source: SmartAsset 2022 Study.

Top 10 Cities Where Millennials Are Moving

Rank	City	Moved In ¹	Moved Out ²	Net Migration in 2021
1	Austin, TX	23,965	13,421	10,544
2	Denver, CO	25,504	16,288	9,216
3	Dallas, TX	15,217	8,878	6,339
4	Raleigh, NC	7,877	3,944	3,933
5	Jacksonville, FL	12,468	8,547	3,921
6	Henderson, NV	4,965	1,140	3,825
7	Salt Lake City, UT	6,336	2,779	3,557
8	Virginia Beach, VA	8,674	5,133	3,541
9	Tampa, FL	7,582	4,169	3,413
10	Nashville, TN	11,022	7,823	3,199

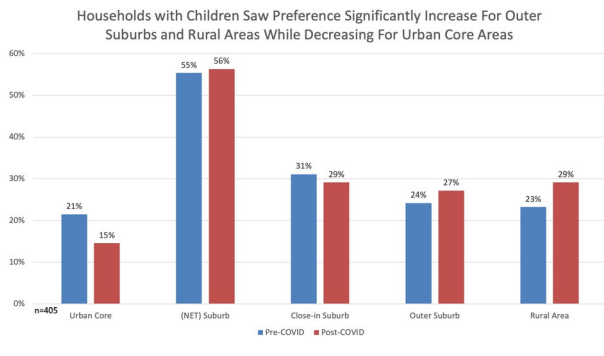
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Source: SmartAsset 2022 Study.

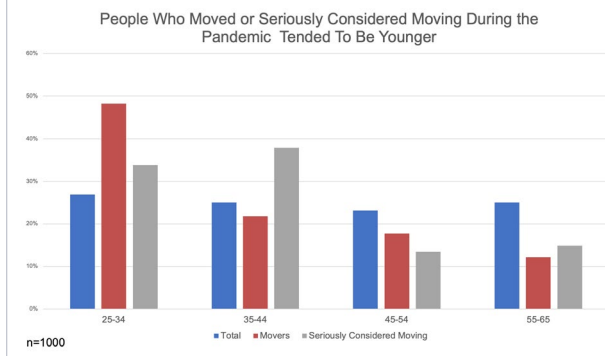
Millennials are now the largest portion of the population.⁹³ Born between 1981 and 1996, the oldest of this cohort is entering middle age.⁹⁴ Historically, many of these younger people headed for big core cities like New York, and more recently to the urban cores of Seattle and Denver. But high housing prices have made such places unaffordable, particularly for families seeking to buy a house.⁹⁵ Instead, they are moving to affordable metros like Atlanta, where millennial homeownership—roughly half of this generation owns their own home—has surged.⁹⁶

For years, conventional wisdom held that millennials would spurn ownership in favor of “sharing economy” life as permanent renters, but this is simply not what survey data and actual purchases suggest. In 2020, millennials accounted for more than half of home purchase loan applications, despite high prices.⁹⁷ Four of the top 10 core cities gaining interstate millennial migrants,⁹⁸ in the recent Smart Asset survey, are in the Lone Star and Sunshine States—Austin and Dallas in Texas, and Jacksonville and Tampa in Florida. In contrast, New York, Los Angeles, Chicago, and even Seattle have lost some of their once magnetic appeal.⁹⁹

Households with Children: Preferences Pre-COVID and Post-COVID

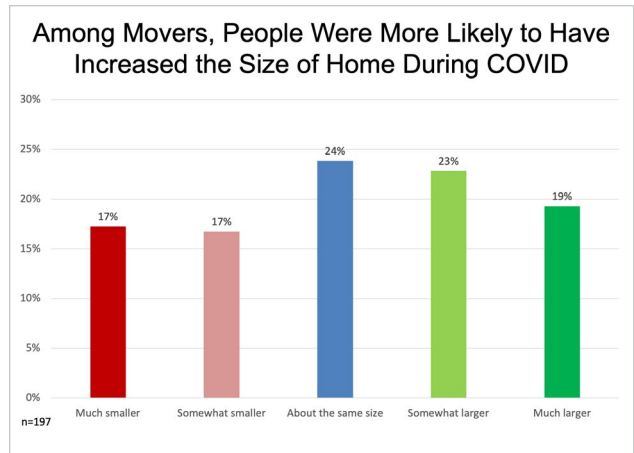
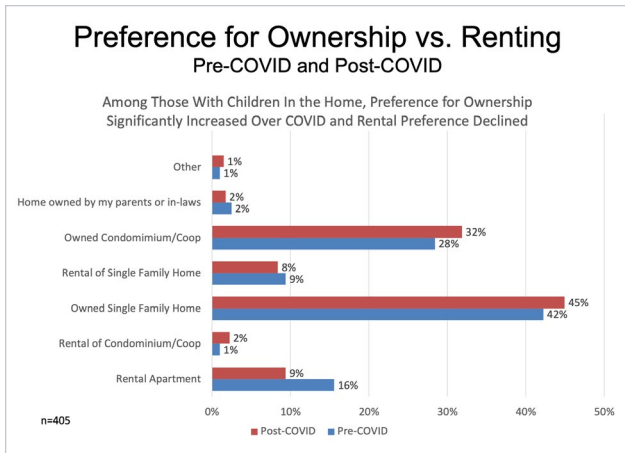


Mover Demographics During the Pandemic



Millennials, and people with children, are more likely to seek lower-density locales than other population groups, and also look for more spacious houses. As these populations move, the demand for housing, notes the Kansas City Fed, is likely to be concentrated in exurbs and smaller cities.¹⁰⁰ The pandemic accelerated this trend, with younger families the most likely

to look for lower density residences, more space and also to seek out opportunities for home ownership.

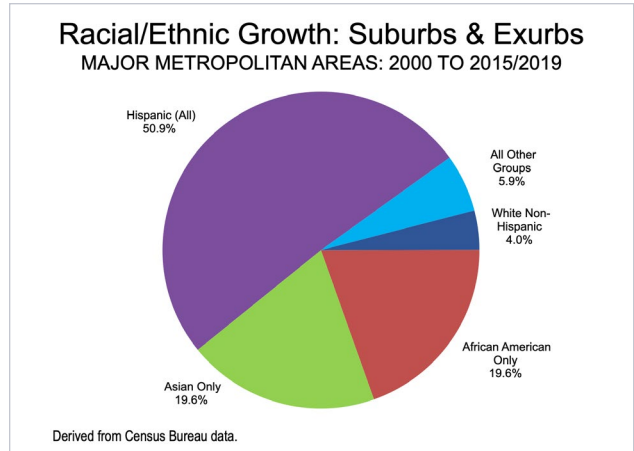
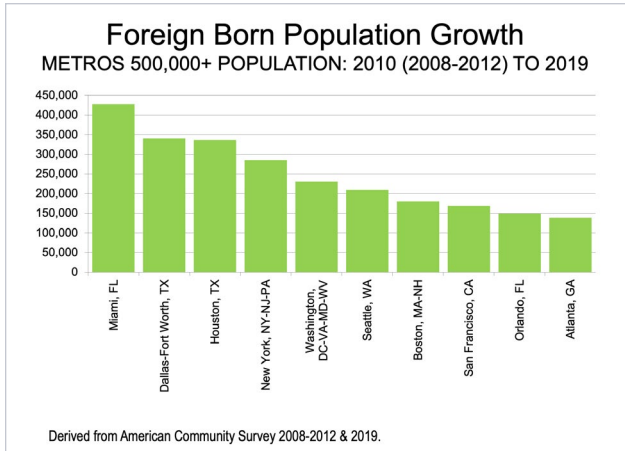


At the same time, multi-family investments—even in the luxury sector—seem increasingly stressed, as populations age and the cost of mortgages rises, even as demand stagnates. Apartment landlords face a “hydrogen-bomb scenario,” Peter Sotloff, a veteran real-estate finance executive, told the Wall Street Journal. Apartment-building values fell 14 percent for the year ended in June after rising 25 percent the previous year, according to data company CoStar.¹⁰¹

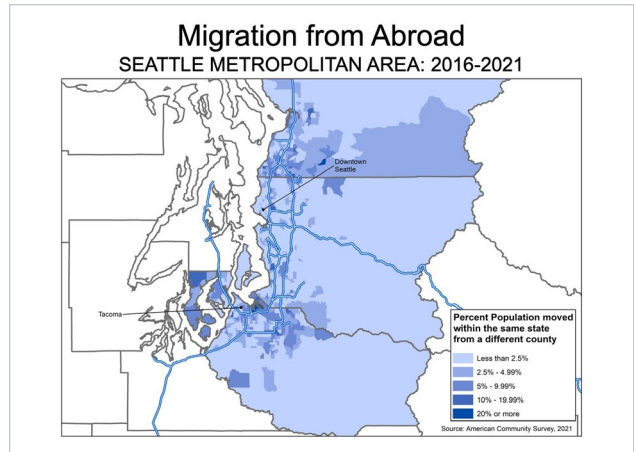
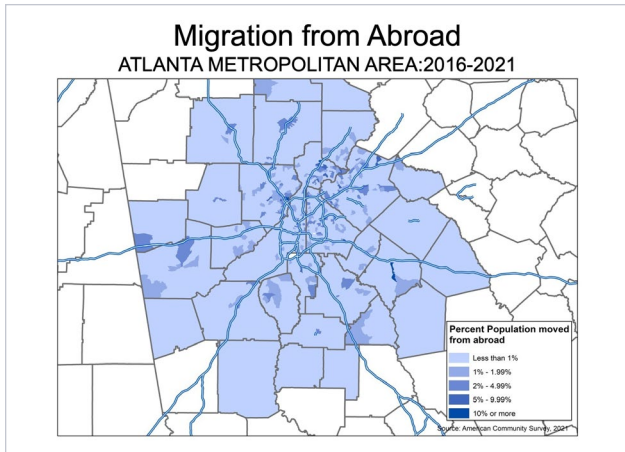
The likely geography for a new American revival will lie outside the traditional dense urban centers. The New York Times documents the recent development of net domestic migration by college graduates from the more expensive metros, like New York, Los Angeles, and Chicago, to less expensive metros. There has also been a loss of young families from urban cores.¹⁰²

Even educated millennials, the key to past urban growth, are migrating increasingly from the larger coastal metros to the suburb dominated sunbelt. Fast growing counties, home to most planned communities, significantly increased their population of people earning over \$75,000, especially those between the ages of 30 and 44.¹⁰³ This cohort is avidly seeking single family homes.

These patterns have been reinforced by a surge of minority and foreign-born domestic migrants. The places favored by the foreign born, who comprise 14 percent of the total population, include the mostly suburban sunbelt metros, such as Miami, Houston, and Dallas-Ft. Worth. Meanwhile the share of foreign born (not counting refugees since 2020) has fallen in traditional hubs such as New York and Los Angeles. Moreover, the majority of ethnic minorities live in suburbs, accounting for virtually all the suburban growth over the past decade.¹⁰⁴



These patterns are apparent in all the metropolitan areas investigated by Ali Modarres. In Philadelphia, Seattle, Atlanta, Minneapolis and Phoenix, most immigrants head not to the big core cities but to the outlying areas. The example of Atlanta, one of the fastest growing U.S. regions, shows that newcomers are headed largely to the periphery. Much the same applies to Seattle, another growth hub, at least until recently.

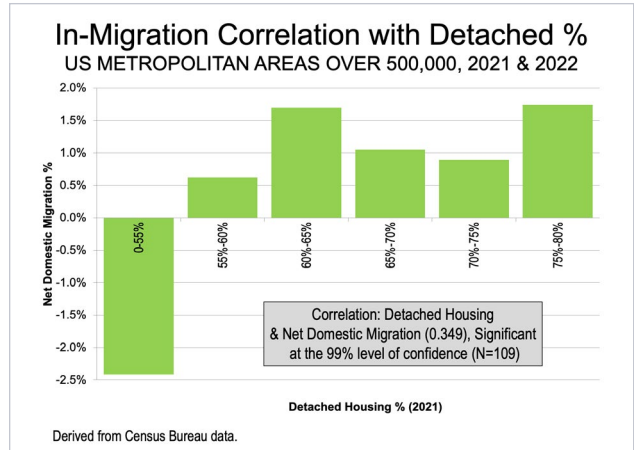
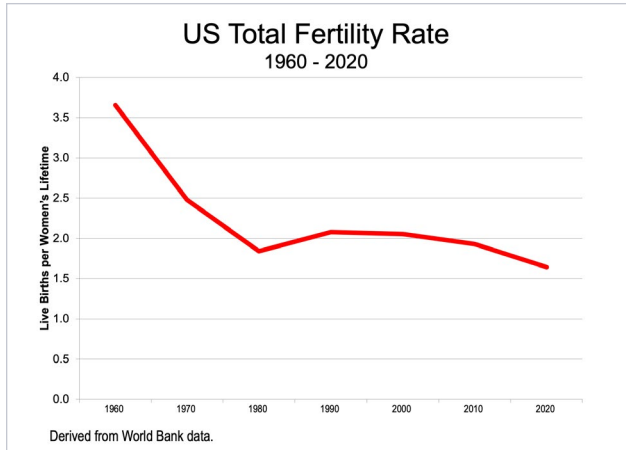


Overall, suburbs and exurbs are becoming ever more diverse. In the Denver area, for example, Aurora, and surrounding Adams County, is now the state's most diverse area, and the median age is 34.5 years old. In Aurora, one in five residents is foreign born, and school-age children speak more than 160 languages at home.¹⁰⁵

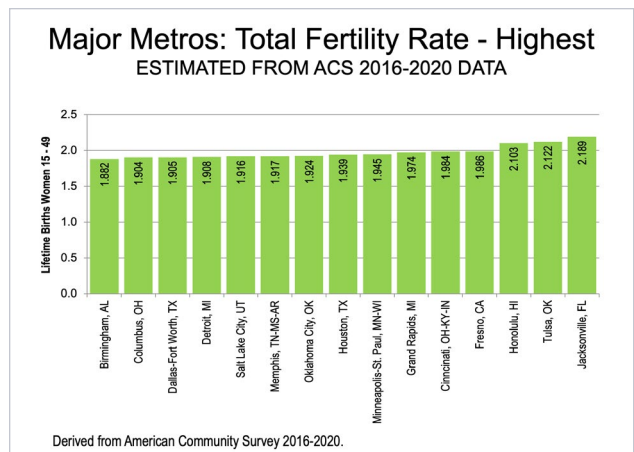
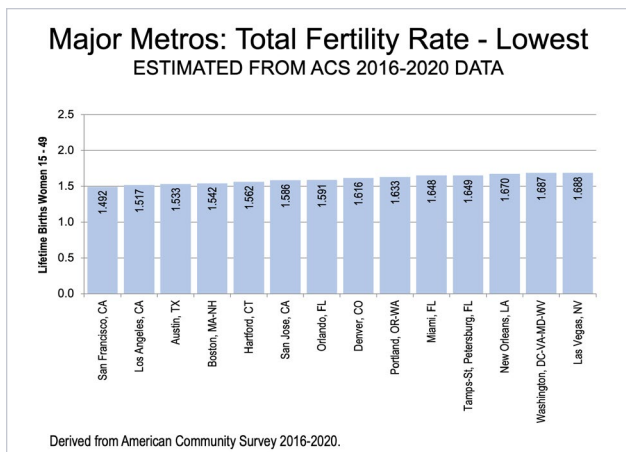
African Americans, particularly those with children, have been leaving cities like Chicago in droves, with 400,000 leaving since 1980, in large part due to economic and public safety concerns. Besides neighboring Indiana, the biggest destinations are Texas and Georgia.¹⁰⁶ Generally, speaking, African Americans and other minorities do better economically, particularly measured by cost of living, in these outposts than in adamantly "multi-cultural" metros like New York, San Francisco, Los Angeles, or Chicago.¹⁰⁷

ASSURING THE FUTURE

In the coming decades, the U.S. must choose between a shrinking future that inevitably expands existing gaps between generations and ethnic groups, or reconfiguring for a vastly different, more geographically dispersed future that will preserve opportunity for all. Given the dominance of housing in regional differences, both longer term and recent data suggest that people, given their preferences, will keep moving to less dense, more peripheral, less costly areas. And they where they move will be in part determined to where they can afford a house.

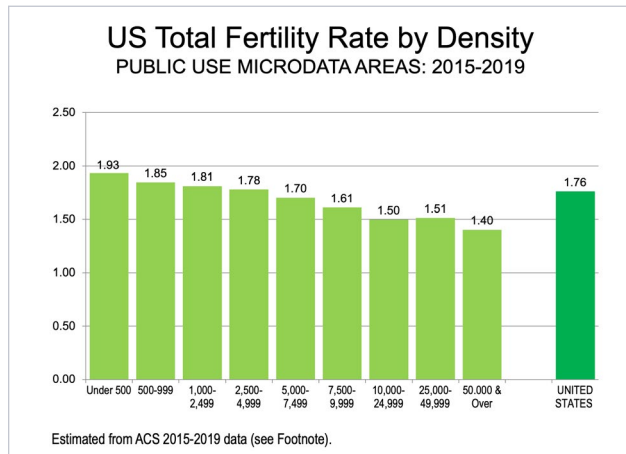


These shifts are critical for the future of the country. It has been estimated that the total fertility rate in the United States was about 7 in 1800, dropping to 5.4 in 1850 and 3.6 by 1900. It fell to above the 2.1 replacement rate in 2007, at 2.12, but has since fallen to 1.66 (Figure above, left). The U.S. population growth rate fell to 0.5% in 2019 (the last pre-pandemic year), the lowest since 1900 and the St. Louis Fed believes, since the founding of the nation. By 2021, the annual growth rate had fallen to under 0.2% according to the Census Bureau.¹⁰⁸



Slowing population growth and depressed birthrates are common almost everywhere except the poorest and principally sub-Saharan African nations.¹⁰⁹ America's great advantage lies in its vast geographic diversity, which allows some parts of the country and some parts of metropolitan areas more easily to accommodate middle- and working-class families. These

areas, which essentially have room to spread out, already show far stronger fertility rates while denser, more expensive areas have lower fertility rates.¹¹⁰



This reflects finding in Census Bureau small area data which indicate that fertility rates are lower where population density is higher (Figure left). Similarly, immigrants and non-whites are more likely to have children than native born whites, who often feel that they can't afford to raise a family even if they want kids.¹¹¹

Ultimately the question comes down to whether we, as a society, want to maintain some semblance of family orientation—albeit with far greater

emphasis on women's economic contribution. Areas with less regulation, lower prices and expanding peripheries are more likely to accommodate families than those, like San Francisco or Manhattan, that are primarily geared to single people or the ultra-rich.

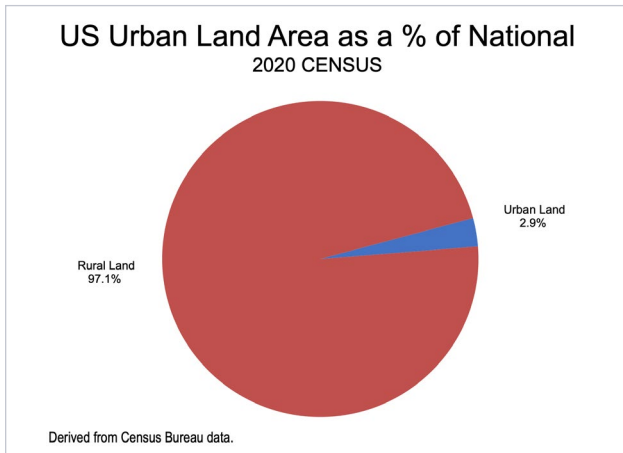
The alternative vision, adopted by many progressives, places a priority on matters such as race, gender, or sexual orientation.¹¹² This perspective often reveals a contempt for the family unit. The progressive Left, informed by "queer studies," aims to replace the nuclear family with some form of collectivized childrearing. Black Lives Matter, for instance, makes opposition to the nuclear family a part of their basic platform.¹¹³

On the other hand, there will always be some locations where family formation will be feasible, whether in lower cost metros or beyond the periphery of higher cost metros. In other areas, the future may be subsistence living for singles, and maybe two working adults, but not for a family or four, particularly in expensive places like California (See: "The California Model, p. 32") where high costs and regressive taxes make it virtually impossible for families to survive on low or even modest wages.¹¹⁴

Can we build an urban future sustainable for both the environment and families?

To be sure, as Judge Glock suggests, "sprawl isn't for everyone."¹¹⁵ But for most people, particularly families, the suburban and exurban lower densities are generally more attractive, as is evidenced by at least three quarters of a century of revealed preferences. No longer able to reasonably claim that most people crave density, some academics, planners, and developers increasingly rest their case on the notion that suburbs are bad for the planet.

Some raise concerns about urban expansion, even though urbanization covers only 2.9 percent of U.S. land, according to the 2020 Census. In reality, U.S. agricultural land use peaked in the 1950s. Technological innovations have made farming far more efficient. Marginal agricultural land was abandoned not so much to serve "sprawl" but because it no longer made economic sense to farm it. Much disused farmland was adapted for expanding forests, wildlife, and recreation.¹¹⁶



Forced densification, with its attendant congestion and heat generation, is not much of an environmental winner. Indeed, according to projections by the Turner Center at UC Berkeley, working under the assumption that housing development would be limited to infill (no greenfield development), California's greenhouse gas (GHG) savings of 1.8 million tons would contribute only one percentage point to the mandated state reduction by 2030. Entirely new communities, based in large part on dispersed work, would actually be greener.¹¹⁷

In fact, congestion and density may worsen environmental damage, much of it connected to the often ignored "heat island effect."¹¹⁸ A study released this year in *Regional Science and Urban Economics* found that "higher population density worsens local air quality."¹¹⁹ The United States Environmental Protection Agency (EPA) notes that these effects can make daytime temperatures up to 7 degrees Fahrenheit hotter in cities than in rural and suburban areas, and nighttime temperatures up to 5 degrees hotter, greater than the IPCC's estimate of global warming by 2100.¹²⁰

Remote work, although denounced by corporate chieftains like Jamie Dimon, provides an important spur both to dispersion and as a way to cut emissions. The International Energy Agency suggests that if everybody able to work from home worldwide were to do so for just one day a week, it would save around 1% of global oil consumption for road passenger transport per year, an annual decline of 24 million tons—equivalent to the bulk of Greater London's annual CO2 emissions. Some countries, notably Ireland, now support the idea of expanding remote work, in part to cut down on GHG.¹²¹ Remote work has been linked to greater fertility, as it provides parents with greater flexibility and time to raise children.¹²²

Many new suburban areas, as MIT professor Alan Berger suggests, are being consciously designed to employ sophisticated systems for controlling energy and water use, making them more environmentally sustainable. Technology could also help reduce costs if governments allow it. One promising innovation may be manufactured housing, which has the potential to speed up construction by as much as 50 percent, according to a 2019 McKinsey & Company report. An even more promising technology may be the use of 3-D printers to build new homes at far lower prices.¹²³



Image: Manufactured housing is a promising innovation to reduce construction costs, photo courtesy of Neighborhood Partnership Housing Services (NPHS)

Yet even dramatically lower construction costs or other technological breakthroughs will have limited impact if land prices remain astronomically, and artificially, high. To build affordable and attractive communities America needs substantial regulatory change that facilitates popular preferences rather than blindly kowtowing to the ideology of planners, the media or urban land speculators. The future of the country depends on fostering the American dream for future generations. To accomplish this, we need to forge an agenda aimed at restoring

opportunities that meet the aspirations of the diverse families critical to shaping a vibrant, restored new America.



Image: Exurban planned community, by Rich Lonardo.

What People Want

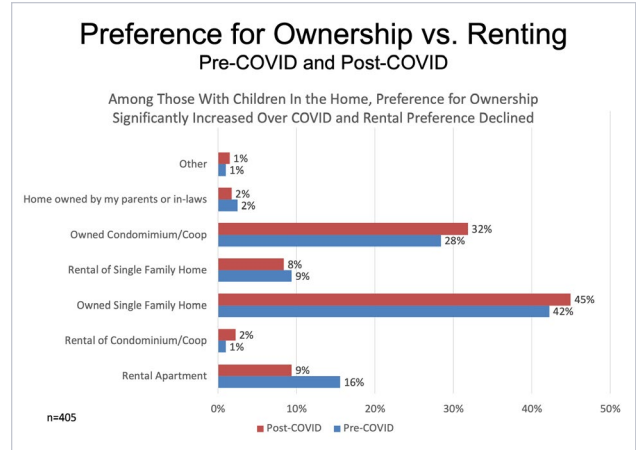
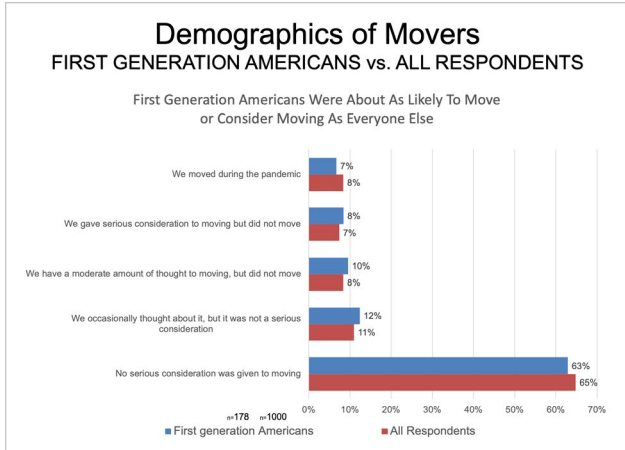
The Urban Reform Institute (URI) commissioned a national survey of working-age adults to determine their preferences for housing and community features. Between April 9 and April 14, 1,000 people provided their answers to an online questionnaire on these topics. (The text of the questionnaire is included as an appendix). The respondent base was constructed to represent the composition of the United States, as described by age and national household income in the 2020 Census.

People under the age of 25 and over the age of 65 were disqualified from answering the survey. We normalized the percentages of the sample to adjust for the disqualification. The results of the survey are projected to have a margin of error of + or – 3.04% at a 95% statistical confidence interval for those questions answered by the entire 1,000 base. For questions answered by those who moved or first-generation Americans, the margin of error is between 5.6% and 5.8% at a 95% confidence interval.

What we found correlates strongly to other research conducted in previous years. Particularly revealing was the similarity to the findings of the respected Pew Research center, which found 20% of households had moved during COVID. They moved, based on census data, predominantly to suburban, exurban, and rural locales.¹²⁴

Our findings revealed similar preferences. Regardless of whether they moved or not, people in general reported that their preferences for owning a home or condo, rather than renting, increased during the pandemic.

The groups most interested in a suburban lifestyle were first generation Americans as well as households with children. Among all respondents, whether they had moved or not, suburban living continued to be the predominant choice for people, with approximately 56% of respondents preferring the suburbs. Slightly more people said they preferred to live in a suburban location after COVID than before COVID. This finding is similar to those reported by Gallup, comparing 2018 preferences to those in 2001.



COVID seems to have accelerated the already well-established preference for suburban or exurban life. Reported preference for living in the urban core went down significantly, with only 17% of respondents saying they preferred these areas post-COVID, versus 23% pre-COVID. Reported preference for living in rural areas went up, from 23% to 27% pre- and post-COVID.

Two key groups were most amenable to these changes --- first generation Americans as well as people with children. Although considerations like walkability and school quality were important, by far the most important concern for all groups was the cost of housing. Between 80% and 90% percent of all groups considered this to be “very” or “crucially” important.

Marshall Toplansky

Texas' Approach to Housing Supply and Affordability

Texas, renowned for its vast landscapes and independent spirit, has adopted a unique approach to housing development and affordability that sets it apart from many other states. It has become a leader in creating new communities; it is, as the *Real Deal* put it, where “the sultans of sprawl” have achieved impressive results.¹²⁵ Embracing a decentralized and market-driven approach, Texas utilizes three key strategies to keep housing plentiful and affordable:

1. Texas does not grant counties restrictive zoning authority (only cities)
2. Texas enables municipal utility districts (MUDs) to finance development
3. Texas encourages the competitive growth of private master-planned communities

This distinctive approach has numerous virtues that contribute to a flourishing housing market that is significantly more affordable than that of most states.

Texas does not grant counties restrictive zoning authority

Texas stands out by not granting zoning authority to its counties, preferring a decentralized system that places greater power in the hands of property owners and developers. This approach fosters innovation, flexibility, and adaptability in housing development. Developers have the freedom to respond to market demands efficiently, resulting in a more diverse range of housing options that can cater to various income levels and preferences. Developers can build homes and apartments without the restrictions that are often imposed by local governments. This has allowed Texas to build more homes and apartments than other states, which has helped keep housing prices down.

Instead of traditional zoning, neighborhoods are protected after development by private deed restrictions attached to the land and enforced by home-owner associations (HOAs).

Texas enables municipal utility districts (MUDs) to finance development

MUDs are special governmental entities that provide essential infrastructure, such as water, sewer, and roads, to new communities. They issue tax-exempt bonds to finance these infrastructure projects, which are then repaid by homeowners through property taxes or utility fees. This financing mechanism allows developers to build necessary infrastructure up front, expediting the development process and reducing risk and financial burdens on local governments.

Like cities, MUDs build and operate water, sewer, and drainage facilities; enforce water and sewer rules; enforce deed restrictions; collect garbage; hire law enforcement officers to protect MUD property; buy and sell water rights; finance roads and firefighting facilities; use the power of eminent domain on a limited basis; and own and operate parks and recreational facilities. They have shown themselves capable of providing high levels of service for everything from wastewater and solid waste treatment to flood control and emergency services.¹²⁶

MUDs are tightly regulated by the Texas Commission on Environmental Quality, and they are subject to the same laws as cities and counties with respect to open meetings, open records, public bids, rules barring nepotism, elections, public official ethics, attorney general approval of bonds, investment of public funds, setting debt service and maintenance tax rates, limitations on expenditures of public funds, and conflicts of interest.

By leveraging MUDs, Texas promotes the timely development of new communities and the expansion of existing ones. This approach not only ensures that residents have access to essential services from day one but also encourages developers to create well-planned communities with amenities demanded by the market. The ability to finance infrastructure development independently contributes to the overall affordability of housing in Texas, as the cost burden is shared among residents over time, rather than being shouldered entirely by developers or taxpayers.

The result is a dramatic increase in housing production: in 2022, Texas permitted 265,793 homes compared to just 119,667 in much more populated California.¹²⁷

Texas encourages the competitive growth of private master-planned communities

Texas is well known for its thriving master-planned communities, which offer an enticing combination of amenities, housing options, and quality of life. These communities, developed by private entities utilizing MUDs for infrastructure financing, compete to attract homebuyers by providing well-designed neighborhoods, recreational facilities, parks, and commercial centers. By focusing on a comprehensive approach to community development, master-planned communities foster a high quality of life and a sense of belonging.

The competitive nature of these developments promotes efficiency and innovation, resulting in a wide range of housing options to suit different budgets and lifestyles. From affordable starter homes to luxury residences, master-planned communities provide diverse opportunities for individuals and families to find their ideal living arrangements. The competition between these developers has helped keep prices down and quality up.

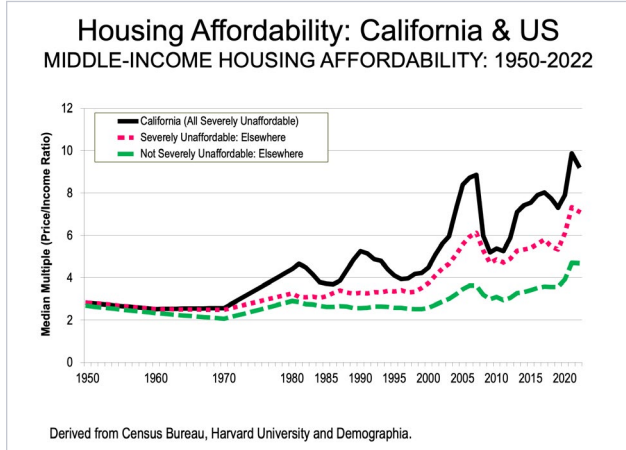
Tory Gattis

The California Model

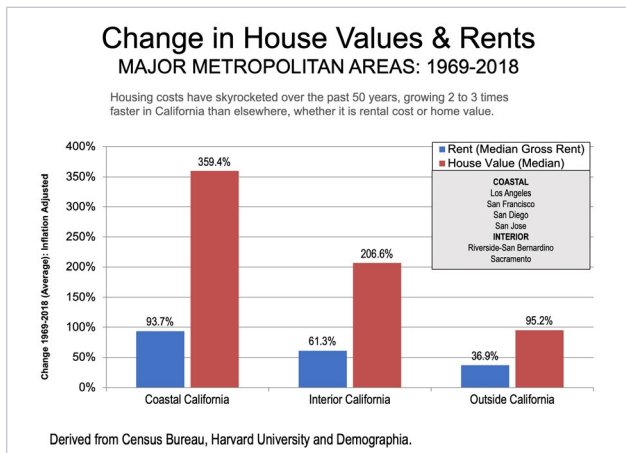
For generations, California epitomized the American dream and welcomed millions from abroad as well as from the rest of the country. But California has also adopted a regulatory regime that has succeeded in pushing housing prices ever more out of reach for most citizens. California housing prices are now among the highest in the country, and rates of homeownership near the lowest.¹²⁸ The state's largest metropolitan areas—the Bay Area, San Diego, and Los Angeles—all rank among the least affordable markets in the principally English-speaking world.¹²⁹

This increase in price is not due to a rise in population; at the peak of California's growth, the 1950s through the 1970s, home prices, compared to incomes, remained relatively on track with the rest of the country. Prominent housing economists Edward Glaeser of Harvard and

Joseph Gyourko of the University of Pennsylvania have found that land costs in the San Francisco metropolitan area are roughly ten times as high as would be expected in a less-regulated market.¹³⁰ New regulations, such as demanding inefficient and expensive heat pumps, threaten further to increase costs.¹³¹



If these prices relative to income remain at current levels, California is likely to stagnate or even shrink. The most recent Department of Finance population projections indicate that the state will lose people between 2020 and 2060. The state has lost more than 3.5 million net domestic migrants since 2000, according to annual US Census Bureau population estimates. This is nearly as many people as live in the city of Los Angeles (3.8 million).



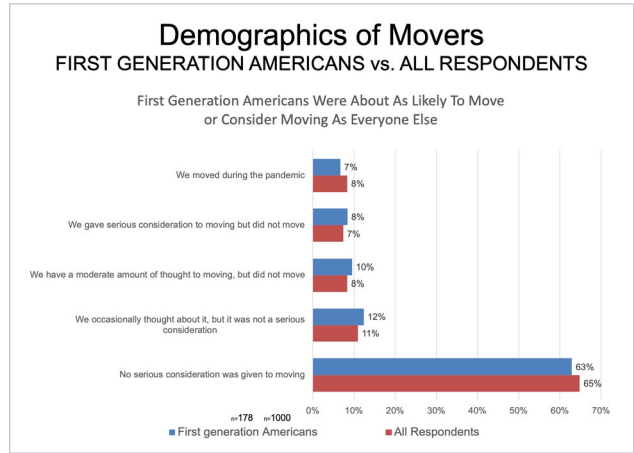
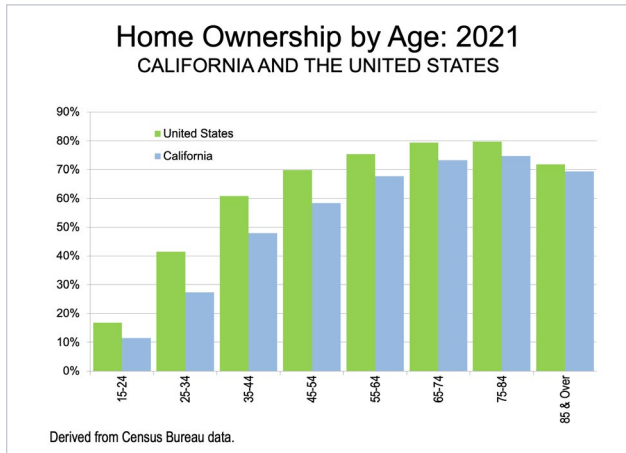
Regulatory policies, urban growth boundaries in particular, imposed over the past half century have discouraged or prohibited peripheral (urban fringe) development. Along with high impact fees, singularly restrictive environmental regulations (notably the California Environmental Quality Act) have combined to raise housing prices.¹³² Under CEQA anti-development interests routinely challenge major “greenfield”¹³³ housing projects. Some projects have been blocked, others have been delayed for decades¹³⁴ and become

far more costly through the CEQA process. Regarding its effects on greenfield development, CEQA has functioned to constrain urban development statewide. A recent study found that 60% of CEQA challenges target housing, with multi-family housing projects coming under particular attack.¹³⁵

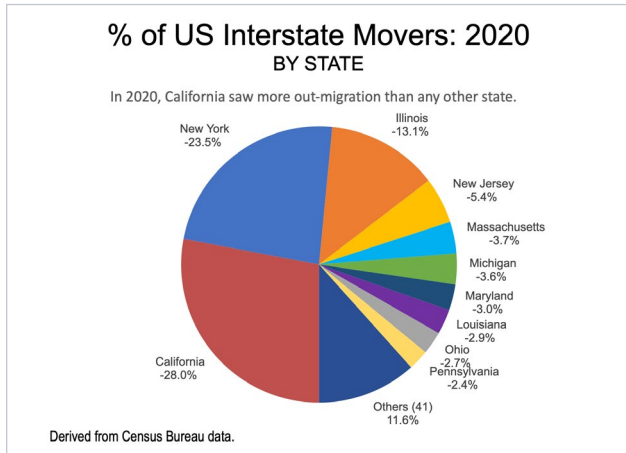
The assault on suburban housing has extended to eliminating single-family zoning, a critical means to keep neighborhoods less congested and generally family friendly. Yet such attempts have largely failed, as have incentives to allow building closer to the urban core. New efforts look to restrict all new housing to the existing urban footprints claiming, in part,

that building in suburbs increases fire risk, even though most of the areas suitable for large-scale development tend to be flat and relatively treeless. But the state continues to entertain proposals that would restrict the competitive market for land even more, such as by requiring new development to occur only in developed areas (infill), further driving up prices.¹³⁶

These policies have discouraged housing production, as mentioned earlier.¹³⁷ Los Angeles, the state’s dominant metropolitan area, ranks near the bottom.¹³⁸ These policies have helped reduce the ability to buy homes among the state’s younger residents and minorities.



All of this suggests a rapidly declining population as outmigration surges. To prevent further deterioration California’s housing policies needs to be radically rethought. The state needs an alternative that allows new housing developments, large and small, on the periphery in order to avoid continued depopulation and decay.



One promising strategy would be to establish a Housing Opportunity Area in the interior of the state where housing costs, though still high, are lower than in the coastal metropolitan areas (Los Angeles, San Francisco, San Diego, and San Jose). With their much lower land prices, this area, including the San Joaquin Valley, Riverside-San Bernardino, and the Sacramento Valley, could provide a refuge for middle-income and working-class families to afford the housing they

desire, while providing private industry more competitive locations. An important benefit would be to reduce the state’s hemorrhage of people and businesses to other states.

The situation is so dire that even the traditionally pro-density tech leaders seek to build one or more new towns in exurban Solano County (60 miles from downtown San Francisco), to address the housing shortage in the Bay Area.¹³⁹ It is reported that a consortium has purchased 55,000 acres (about twice the land area of the city of San Francisco) and invested \$900 million in this endeavor.¹⁴⁰ The new city would be virtually adjacent to the proposed

ASSURING THE FUTURE

Housing Opportunity Area. It is to be hoped that this development will include a substantial amount of housing that is affordable for middle-income and working-class families.

Given the state and Bay Area regulatory regime, even these powerful people likely will need policy changes, and luck, to deliver on their vision.¹⁴¹ If not, the status quo will continue to chase people and businesses out of the state.¹⁴²

Joel Kotkin and Wendell Cox

AUTHORS

Joel Kotkin (primary co-author) is executive director of the Urban Reform Institute and The R.C. Hobbs Presidential Fellow in Urban Futures at Chapman University. He is the author of ten books, including *The City: A Global History*, *The Human City* and, most recently, *The Coming of Neo-Feudalism: A Warning to the Global Middle Class*. He writes regularly for *Quillette*, *Tablet*, the *American Mind*, *Spiked*, *Newsweek*, the *Los Angeles Times*, the *Unherd*, *National Review*, *The Spectator* and other publications.

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Rhonda Howard (report design) is a graphic designer based in Southern California.

Endnotes

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