

What Facilitates Population Growth?

Harvard Professor Edward Glaeser studied several factors thought to effect population growth including:

- Climate
- Environment
- Lower business taxes
- Fewer business regulations
- Right-to-work laws

- Low housing prices - both absolute and relative
- Abundant construction of new housing

Findings:

- **It's all about low housing prices.**
- Housing regulations drive up housing prices more than a shortage of land, an ideal climate/environment, or the economic performance of the area.

“The future shape of America is being driven not by quality of life or economic success but by the obscure rules regulating local land use.”

“Housing in the growth regions is inexpensive, both in absolute terms and relative to those areas’ incomes.”

“Why is housing supply so generous in Georgia and Texas? It isn't land. Harris County, Texas, which surrounds Houston, has a higher population density than Westchester County, N.Y.”

“Housing regulations, more than those that bind standard businesses, explain the Sun Belt's population growth.”

<http://economix.blogs.nytimes.com/2010/12/28/behind-the-population-shift/>

Randal O'Toole estimated how much regulations add to the cost of housing in **“The Planning Penalty”**.

<http://www.limitedgovernment.org/publications/pubs/studies/ps-06-2.pdf>

Houston is often used as the benchmark against which all other major cities are measured due to its lack of zoning and growth-management policies. As a result, it **has very affordable housing, and is one of the fastest growing cities in the country.**

O'Toole calculates the **"planning penalty"** as the approximate amount that regulations and growth-management planning have added to the cost of a median-priced home.

Coldwell Banker defines a **“middle-manager’s” home** as a very nice house with about 2,200 square feet, 4 bedrooms, 2 1/2 baths, and a 2-car garage. In 2005, this home could be purchased in cities with **no growth-management planning** for **\$150,000 to \$200,000**. In cities that have had growth-management planning for **10-15 years**, that same home costs **\$300,000 to \$400,000**, and in cities that have had it for **25 years or more**, the same house costs **\$500,000 to as much as \$1.5 million!**

Another measure of affordability is the ratio of median family income to the median price of a home which may be the most accurate, because it takes local income levels into account. The higher the ratio, the more affordable the city.

| City | Middle Manager's Home 2005 | Planning Penalty 2005 | Median Family Income/ Median Home Price 2005 |
|--------------------------|----------------------------|-----------------------|--|
| San Francisco, CA | \$1,300,000 | \$849,783 | .09 |
| Los Angeles, CA | \$920,844 | \$316,489 | .12 |
| New York, NY | \$701,000 | \$311,538 | .12 |
| Honolulu, HI | \$737,625 | \$326,793 | .13 |
| Stamford, CT | \$1,267,500 | \$465,226 | .15 |
| Boston, MA | \$1,260,000 | \$225,143 | .18 |
| Miami, FL | \$671,854 | \$124,135 | .19 |
| Seattle, WA | \$386,600 | \$132,965 | .22 |
| Bolder, CO | \$546,350 | \$117,440 | .24 |
| Chicago, IL | \$815,000 | \$66,462 | .27 |
| Portland, OR | \$304,650 | \$60,460 | .28 |
| Atlanta, GA | \$303,000 | \$0 | .39 |
| Detroit, MI | \$278,658 | \$0 | .40 |
| U.S. Average | ? | ? | .43 |
| Dallas, TX | \$261,325 | \$0 | .50 |
| Houston, TX | \$151,600 | \$0 | .53 |

[Source: The Planning Penalty](#)

What are the **restrictive land-use policies** that can produce planning penalties as high as \$849,783 per house?

- **Planning processes with extensive public oversight** and comment that can delay building indefinitely.
- Urban growth boundaries.
- Mandatory greenbelt or open space requirements.
- **Restrictive building design codes.**
- **Historic preservation.**
- Limiting the number of building permits.
- Impact fees.

- Inclusionary zoning; the requirement to include subsidized low-priced units in a development.
- Pedestrian-friendly neighborhoods.
- Tree ordinances.
- Large minimum lot sizes.
- Strict wetland rules.

The net result of these policies is less land available for building, and longer time periods and higher costs for permits; i.e. artificially higher priced homes.

Galveston Housing Affordability:

| City | Median Household Income 2009 | Median Home Price 2009 | Median Household Income/ Median Home Price 2009 |
|------------------------|------------------------------|------------------------|---|
| San Francisco, CA | \$70,770 | \$751,600 | .09 |
| Bolder, CO | \$47,967 | \$477,700 | .10 |
| Portland, OR | \$50,203 | \$296,100 | .17 |
| | | | |
| Galveston, TX | \$36,896 | \$122,112 | .30 |
| Houston, TX | \$42,945 | \$128,000 | .34 |
| State of Texas | \$48,259 | \$125,800 | .38 |
| Galveston County | \$56,562 | \$143,600 | .39 |
| Dickinson, TX | \$55,983 | \$139,392 | .40 |
| Santa Fe, TX | \$63,405 | \$141,321 | .45 |
| Texas City, TX | \$43,515 | \$96,851 | .45 |
| La Marque, TX | \$46,458 | \$101,344 | .46 |
| Friendswood, TX | \$92,819 | \$201,250 | .46 |
| League City, TX | \$86,085 | \$177,900 | .48 |

[Source: State: City-Data.com](http://City-Data.com)

[Source: Galveston County: City-Data.com](http://City-Data.com)

[Source: Cities: City-Data.com](http://City-Data.com)

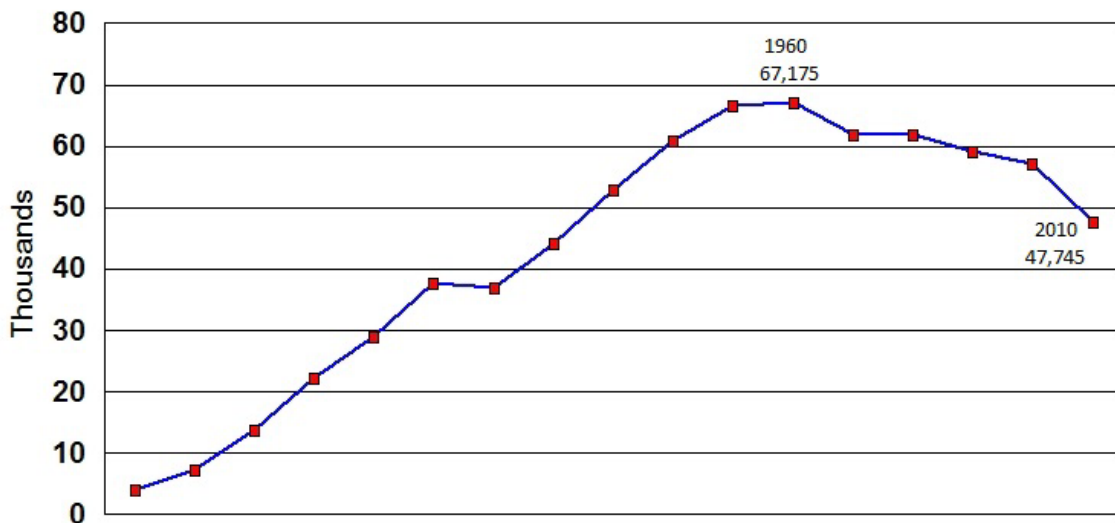
The **City of Galveston** has the dubious distinction of having the **least affordable housing in the County!** In fact, League City is **60% more affordable** than Galveston!

Unfortunately, the median price for a house in Galveston rose to \$177,500 in February 2011 **lowering the affordability ratio to .21** from the .30 shown in the table above; **a decrease of 30%!**

Has Low Affordability Effected Population Growth in Galveston?

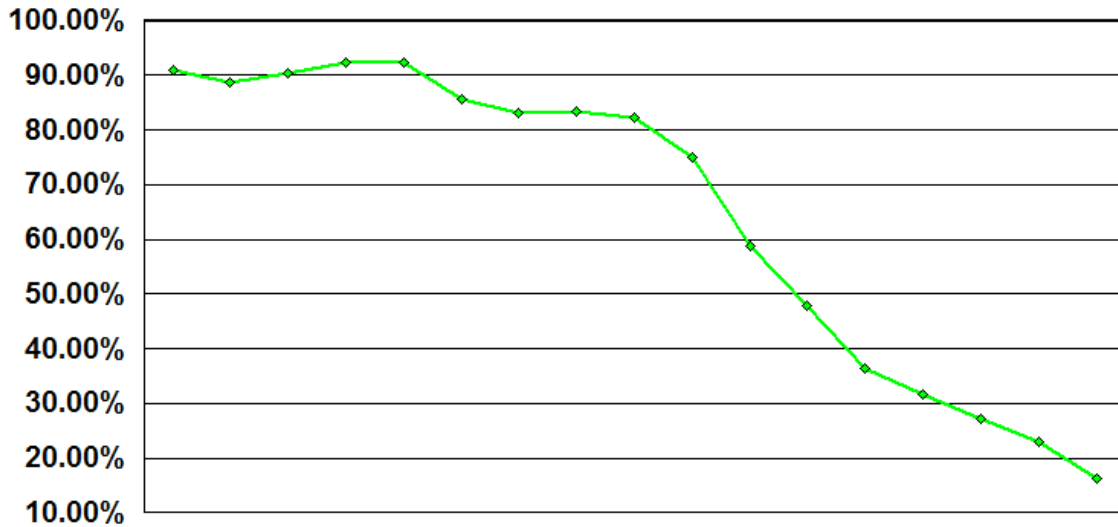
| | Population Growth 1960-2010 |
|-------------------|-----------------------------|
| State of Texas | +162.49% |
| Galveston County | +107.54% |
| City of Galveston | -28.92% |

Galveston Population 1850 to 2010



In the Nineteenth Century, the City of Galveston contained over 90% of the County's population. In 2010, the City accounted for **just 16% of the County's** population! See graph below.

Galveston/GC 1850 to 2010



Is Housing Affordability a Valid Measure of the Conditions in this City?

Some say that these factors make it inaccurate:

- Many expensive homes owned by non-residents.
- High concentration of Public Housing and Section 8.
- Large number of non-resident college students.
- Many low-paid tourist-industry jobs.

However, if low housing affordability is not an accurate measure of the conditions in this city then why are **12,425 (38%) of the housing units in the City vacant?** Why did the **number of vacant housing units more than double in the last 10 years?**

| Year | Total Housing Units (THU) | Occupied Housing Units (OHU) | Vacant Housing Units (VHU) | Change THU | Change OHU | Change VHU |
|------|---------------------------|------------------------------|----------------------------|------------|---------------|---------------|
| 1990 | 30,898 | 24,157 | 6,741 | | | |
| 2000 | 30,017 | 23,842 | 6,175 | -881 | -315 | -566 |
| 2010 | 32,368 | 19,943 | 12,425 | +2351 | -3,899 | +6,250 |

If these vacant housing units were affordable, wouldn't most of them be occupied by owners or renters?

The 2006-2008 American Community Survey by the Census Bureau showed **3,767 vacant housing units for “seasonal, recreational, or occasional use”**. Assuming that the current number in this category is about 4,000, then the current number of vacant housing units that are actually “in distress” would be about **8,425; still 26% of the total housing units!**

The **GHA** plans to **build a total of 1,527 new housings units** in mixed income and scattered site developments. If these units are not occupied by new Galveston residents, they could **create an additional 1,527 vacant housing units** increasing the number “in distress” by **as much as 18%**! Just exactly what the City does NOT need!

Trapped Capital:

Every owner of a vacant housing unit has **their capital invested in an unproductive asset**; an asset that is not **generating any income, or providing shelter for the owner**, but has **significant holding costs**: property taxes, insurance, and maintenance. **The amount of “trapped capital” in this city is staggering!** If the average value of the 8,425 units that are estimated to be “in distress” is \$40,000; the amount of trapped capital is about **\$337,000,000!**

In a city with an economy that is struggling in large part due to a shortage of capital, having \$337,000,000 tied up in residential real estate that is sitting vacant is unacceptable!

Conclusions:

- The size of the Planning Penalty must be calculated.
- Ways must be found to lower it dramatically.
- It doesn't matter if it costs more to build in Galveston, and to insure property in Galveston; **prices must reflect market demand.**

- **Policies must be developed to encourage the sale and rental of the existing housing stock at market prices; i.e. what people are willing to pay.**
- **Thousands of housing units are currently in limbo; it could take 10 years to clear this “shadow inventory”.**
- It doesn't matter if someone built or bought a house for \$200,000; if the market is only willing to pay \$100,000; that is the current value.
- Some houses must be priced at their tear-down value.
- The vacant housing levels will chill new development.

“Growing Galveston’s Population”

<http://www.galvestoneconomicreport.com/Growing-Galvestons-Population.html>

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