

## The commonsense, unpopular ways to ease Colorado's housing crisis

By Vincent Carroll

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Metro Denver residents who have watched buildings sprout up around them during the past decade, transforming neighborhoods and urban corridors, understandably conclude that they have witnessed a construction boom. But when it comes to housing, the opposite is closer to the truth. There's been a construction bust.

How can this be given the evidence of our own eyes? Because we see only half of the equation. We see the supply of new housing, but not the supply of new households. And new housing has not kept up with new households. Not even close. \*

Basic economics is not dead. When more and more buyers compete over an increasingly scarce product, the price rises. In fact it soars. That's the basis of the affordable housing crisis in metro Denver: lack of sufficient new housing across the board.

"We are not building enough housing in the suburbs, we are not building enough housing in our cities, we're not building enough entry-level, single-family homes, often referred to as starter homes, and we are not building enough affordable housing," declares a new study from the Common Sense Institute, a business-oriented research outfit.

A similar conclusion was reached three years ago in a study sponsored by Shift Research Lab, a program of the liberal Piton Foundation. "Colorado's housing affordability challenge is first and foremost one of supply," that study said.

"Prior to the Great Recession, there were more housing units in the seven-county Denver metro region than households.

But, since the recession, the region has added households at an annual rate that has far outstripped that of housing units."

It's safe to say this is not widely recognized by state and local officials or the public at large. To the contrary, economic development officials across the region work like beavers to attract companies with good, high-paying jobs and publicly celebrate each new catch. It's as if they were oblivious to the fact that we are not providing enough housing to offset this influx of well-paid professionals, let alone the service workers and laborers who wait on their tables, repair their appliances and drop off the latest deliveries from Amazon Prime.

Meanwhile, there is growing political support for policies that will only exacerbate the housing shortfall, such as rent control or the sort of cap on new construction that Lakewood passed a couple of years ago.

It's hard to see how the housing equation can be brought back into balance without both more density and more

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construction on currently undeveloped land. And yet not only is neither option popular, each faces serious headwinds of a practical nature. Among them, according to the Shift Lab study, is the alarming fact that "land already zoned for residential development is becoming scarcer."

The study's authors, Jennifer Newcomer and Phyllis Resnick, told me earlier this year it's unlikely the situation has improved since their study was published. "We lost lots of residential developers in the Great Recession and it's been hard to bring them back," Newcomer said, particularly given the squeeze on available land.

Nor are fiscal incentives aligned with housing creation, according to Resnick. Cities are highly dependent on sales taxes as opposed to property taxes, so residential development takes a back seat to commercial development.

Tom Ragonetti, a longtime Denver land-use attorney who teaches university classes on urban planning, argues that "part of the miracle of America after World War II is that we allowed people to live middle-class lives with a wide spectrum of incomes" because housing was plentiful and relatively affordable. Cities expanded outward onto less costly land and prospective home buyers would "drive until you qualify." But as growth management policies took hold and opposition to "sprawl" hardened, that dynamic slowed or stalled.

"Conceptually we could densify enough to meet the supply," Ragonetti told me, "but I don't think people will tolerate it" — and the grass-roots backlash against density suggests he's right.

Greater density will indeed have to play a part in meeting housing demand, and the migration to remote work offers hope that density needn't exacerbate traffic congestion to the same degree as in the past. But those who think density alone will be enough to alleviate the housing crisis are placing a big bet on the elimination of single-family zoning, which cities like Minneapolis, Portland, Berkeley, Seattle and Los Angeles either have accomplished or are considering. Yet as a recent review of those policies in reason.com (a libertarian publication that supports an end to single-family zoning) notes, the results so far are not impressive — in part because of zoning rules that remain or were imposed to shape new construction.

Both the Common Sense and Shift authors insist there is no silver bullet and a variety of policies must be tried. Those include reducing the regulatory costs of land entitlement, expanding the supply of developable land, reducing minimum parking requirements (which can be hugely expensive), and boosting greater productivity in construction through modular and prefabricated options. Astonishingly, "compared to other major sectors of the economy, construction has achieved the least in terms of productivity gains," the Shift study maintains. "This is true if productivity gains are measured over the last decade or the last seven decades; by one standard measure, the construction industry is no more productive today than it was in 1947."

"There are still a lot of people on construction sites running around banging on things," Newcomer dryly notes.

The Common Sense report also advocates the adoption of a uniform statewide building code and for cities to encourage "accessory dwelling units," or ADUs — which remain relatively rare even in Denver.

Last month a home in my southeast Denver neighborhood sold for over a million dollars — an unthinkable event not long ago. Such prices are bad news not only for first-time homebuyers and young families but also for anyone who believes that widespread homeownership has been one of this nation's civic strengths.

