

BAY AREA

# home builder™

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Volume 29, No.5

## The housing bubble is **not** a bubble, new study finds



Respected economists  
dispel the housing  
bubble myth

Also Inside:

UC report concludes  
infill can handle a  
part—but only a part—  
of state housing need

Hall of Fame honorees,  
MAME XXIX winners

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# Infill can handle a sizeable part—but only a part—of state housing need, UC report reveals

## It's not a panacea for meeting housing demand

There is far less potential for infill housing in the Bay Area than in Southern California. New policies are needed to overcome constraints that limit densities, make it tough to secure entitlements, correct zoning that bans residential use, reduce construction defect litigation and overcome old, inadequate infrastructure.

Infill housing, once a panacea for many smart growth advocates, can satisfy roughly 25 percent of California housing needs in the next 20 years given current constraints, according to a landmark study co-authored by respected University of California, Berkeley city and regional planning professor John D. Landis. However, if state policies are changed and home builders keep enjoying success in developing infill sites, such projects could meet 33 percent or more of state housing need, Landis emphasizes.

“The Future of Infill Housing in California: Opportunities, Potential, Feasibility and Demand,” was commissioned by the state Business, Transportation and Housing Agency and prepared by the Institute of Urban and Regional Development at UC Berkeley.

The report “offers a statewide perspective on strategies to address a portion of California’s housing needs within existing communities,” offers Judy Nevis, acting director of the state Department of Housing and Community Development, which helped support the report’s authors.

Landis’ research helps “dispel a myth under which some active in the Bay Area housing debate have operated—that infill alone can meet the housing needs of the region’s growing population,” states HBANC President & CEO Joseph Perkins. “Yes, we need infill housing and should encourage it. But we will continue needing suburban development as well.”



John D. Landis

According to the study, it is also intended to:

- Analyze potential “opportunities and limitations” of expanding infill housing.
- Offer “a theoretical estimate of potential infill development parcels, acreage and housing development capacity” both statewide in different parts of California.
- Recommend “policy initiatives to increase infill housing development potential.”

## ▶ New tool gauges infill possibilities

Landis employed a new tool to prepare the report. The California Infill Parcel Locator ([www.infill.org](http://www.infill.org)) is “a web-based, searchable geo-coded parcel inventory that brings up street maps to find vacant and underutilized parcels” by tapping data from county assessors’ files, he says. It is “targeted for builders looking for parcels, planners putting together housing elements and property owners wondering how their parcels stack up.”

There are almost 500,000 possible infill parcels covering roughly 220,000 acres in the state’s cities and urban areas.

“If developed to their fullest potential with housing, the maximum identified infill sites could accommodate between two and four million additional housing units,” the report states. The higher range encompasses potential infill sites within an incorporated city or unincorporated land. The lower range reflects infill locations in what the study describes as “walkable urban neighborhoods.”

“California’s infill housing potential is estimated in the range of one to one-and-a-half million additional housing units given current site availability and market constraints,” says state Business, Transportation and Housing Agency Secretary Sunne Wright McPeak, who Landis credits with initiating his statewide review. The study concludes that “more realistic estimate of California’s infill potential” means approximately 25 percent of the state’s projected housing need could be met on infill locations within the next two decades.

“Because of the constraints faced by infill builders, we are currently limited in our ability to reach infill potential,” Landis observes. “Given appropriate state policies and continued builder success, over the long run I don’t see any inherent reason why infill couldn’t do more to meet state housing need, on the order of 33 percent or even higher.”

In the Bay Area, the potential for infill housing “is far less than that of Southern California,” the study reveals. In this nine-county region, an estimated 360,000 infill housing units could be accommodated within walkable urban communities and 752,000 could possibly go up inside incorporated cities or unincorporated neighborhoods.

By contrast, “three-quarters of California’s infill housing potential is in five of the state’s seven southernmost counties: Los Angeles, Orange, Riverside, San Diego and San Bernardino,” according to the study.

Why? Aside from the fact most of the state’s population is in the Southland, “there are a lot of old, now abandoned industrial and commercial sites from the ’20s to the ’40s in Los Angeles County,” Landis explains. “There are also old housing sites from the ’30s and ’40s potentially available for upgrade and reuse”

Even though “we can find these [infill] sites, that doesn’t mean multi-family or condominium builders can make a lot of money from them,”

- John Landis



there, the study points out.

“The Bay Area is developed a lot more compactly than Southern California,” Landis adds. Not as many infill parcels occupy the Bay Area “because of geographic constraints. Historically, any flat parcel near a city that could be used has been used. With some exceptions, there aren’t as many excess old industrial sites as in L.A.”

Landis relates a “surprise” after examining the data: There are seven or eight refill or underutilized parcels for every vacant lot. “There are not a lot of vacant parcels” in the state, Landis concludes.

“Most of the potential infill sites identified in this study are refill sites,” the paper reports, meaning “they are currently developed.” Such locations comprise 71 percent of all infill acreage in the state. “Vacant sites account for 29 percent of the state’s infill acreage,” it notes.

## ▶ Constraints on infill potential

Just because an infill site has been identified as potential for

development doesn't mean it will be. The study discusses a number of constraints.

To produce a project, a site "has to be fiscally, economically and politically feasible," comments Landis. "Those are the tests. By far the most stringent is economic feasibility." Even though "we can find these [infill] sites, that doesn't mean multi-family or condominium builders can make a lot of money from them," he relates.

Among the reasons Landis cites are high land costs and suburban jurisdictions limiting densities through zoning ordinances or general plans that "make it hard to build four- or five-story buildings necessary to justify the land costs. In other places it's difficulty obtaining entitlements; whenever it's an infill parcel there are a lot more neighbors expressing an opinion."

Infill could accommodate 50 or 60 percent of state housing needs if all theoretically potential sites are added together, Landis says. "When you factor in economics and regulatory considerations, you're back to about 25 percent." That figure could go higher if constraints on infill housing are relaxed.

"There is a need for public policy changes and industry innovations so the potential of infill can be better realized, just as there is a need for changes in how we entitle suburban housing," Landis argues.

#### The study discusses other limitations on infill:

- Zoning designations in some jurisdictions ban residential use. Landis believes local government, as part of the planning process, should "look at infill potential on a site-by-site basis. With 500-plus cities and counties in California, there are some that have done a good job examining commercial and industrial re-use potential, and others still have that job before them."
- Construction defect litigation makes "for-sale" product too risky for many builders.
- Some infill champions in the past have touted an abundance of existing infrastructure in built-out communities. But capacity is actually "a lot older, much smaller and with much greater maintenance problems, particularly with urban schools, parks and local roads that are already overburdened," Landis says.

He adds that, "large, publicly-owned home builders haven't found a workable business model for infill housing in California." Landis lauds KB Home for "trying to find the right business model replicable across cities and project types, but it's hard. Every site and project is different with infill."

"We will continue to need lots of suburban housing, but we also need more infill," Landis says. "We need to work together to find infill development policies and a business model that works."

Among 10 recommendations Landis' study makes to

encourage infill housing is "streamlin[ing] the development entitlement process," especially the California Environmental Quality Act. "There is an incredible disconnect between local government [housing] plans and the permitting process," he acknowledges. Landis favors "some form of as-of-right development," under which cities should have the ability to identify infill locations and certain densities and types of housing that are developed "as of right" if they are consistent with general or specific plans and environmental reports are completed.

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*John D. Landis teaches courses in planning history, housing, project development, land use planning and computer mapping at UC Berkeley. He is former chair of city and regional planning at the university. Landis earned his B.S. in civil engineering at Massachusetts Institute of Technology and a Ph.D. in city and regional planning at UC Berkeley.*

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*To view the complete Landis report, visit [http://infill.gisc.berkeley.edu/report\\_vol-1.pdf](http://infill.gisc.berkeley.edu/report_vol-1.pdf). Additional information is available at [www.infill.org](http://www.infill.org).*

