

The Conversation: Our new lots in life?

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Capital Village in Rancho Cordova.

Blame it on Ozzie and Harriet, or Hollywood, but California's culture seems inextricably bound up with the boundless American dream of suburbia. Judging from the glossy real estate brochures still selling spacious villas and oversize homes, it seems as though success, for many, remains the fantasy of driving down a wide, palm-tree-lined boulevard among the big lawns and mansions of [Beverly Hills](#), just like the character in Woody Allen's famous scene in "[Annie Hall](#)."

This latest burst of the [housing bubble](#), however, has exposed the dark underside of the suburban dream – with its cascading foreclosures, shuttered malls and [shopping centers](#) – on an enormous scale. In California, as well as in Arizona, Florida and Nevada, vast numbers of tract houses, with [swimming pools](#) under perpetually sunny skies, have turned, suddenly, as one Realtor put it, "into entire neighborhoods under water."

In Sacramento, look no further than Elk Grove, which Money magazine dubbed America's fastest-growing city in 2006. There I found Don Michalek, a carpenter who helped erect many of this area's sprawling subdivisions, standing in line with his wife, Joleen – and dozens of others, at the Elk Grove Food Bank. Not so long ago, the Michaleks religiously tithed a portion of their modest income to this cause; now they depend on it for their rent, not mortgage – as they don't own their home.

"I've been through at least two recessions, seeing the boom and bust," Michalek says. "In the last one, we'd be putting in houses so fast, 300 houses at a time, but they're all upside down now."

The Sun Belt has gone through mortgage meltdowns before, but none like this one. During the recessions of 2001 and the early 1990s, [housing starts](#) on average "declined by a third" nationwide, according to Christopher Leinberger, a senior fellow at the [Brookings Institution](#),

while the economy shrank by less than 2 percent. This time around, Leinberger reports, [housing starts](#) dropped 73 percent since their pre-recession peaks.

So, once the market recovers, what will housing and other development look like, in California and other states? Are big developers shifting away from building giant subdivisions in undeveloped land, catering to a growing interest in urban lifestyles? Or, as some warn, will there be a return to leapfrog, "sprawl" development as usual?

Nearly three years since the recession was pronounced officially over, U.S. [census](#) statistics suggest that the [housing market](#) is not returning to the patterns of the past.

As the [housing industry](#) recovers from the worst economy in decades, it's building rental apartments, multi-family and smaller housing in cities and denser suburbs rather than in exurban areas.

"Where the action is now," says [Mike McKeever](#), director of the [Sacramento Area Council of Governments](#), "is in building walkable neighborhoods, and in filling in vacant lands in the suburbs."

Yet pressure remains on local elected officials, both in Sacramento and elsewhere, to rezone agricultural land on the periphery into new suburbs. Banks and other investors that hold options on farmland can profit from such rezonings, even if there isn't the kind of demand for large-lot houses that existed before the bursting of the [housing bubble](#).

When the economy picks up, some analysts think that many Californians will continue to seek out single-family, detached suburban houses. And builders have long found it easier to build on "greenfields" instead of urban properties.

"You can't build infill downtown as fast as you can sell homes in the suburbs," says Greg Paquin of The Gregory Group, a Folsom-based real estate consultancy company.

Nationally, the tide has been shifting away from building single-family suburban homes, where three-quarters of all construction has been focused in recent decades. In fact, the only segment of the home building sector that's clearly recovered is multi-family housing, which rose 59 percent between 2009 and 2011.

During the last five years, the housing bust hit the most far-flung suburbs hardest, as well as metropolitan areas with weak, close-in neighborhoods, analysts say. High [gas prices](#) and job growth in cities have drawn young people primarily, as well as some [aging baby boomers](#), back downtown.

"What's hot and sells in California these days," says Susan Weaver, a planner in Ventura, "are properties in walkable neighborhoods, whether city or suburb." People want public spaces, places to walk, converse, meet up.

In Sacramento's slowly reviving neighborhood of [Oak Park](#), sixth-grade schoolteacher Chandler Crook, 30, lounges on a worn leather couch in the Old Soul coffee shop on Broadway, extolling the pleasures of city living.

"Even if I got a job in the 'burbs, I'd still live in Sacramento," she remarks. She'd love a job with the highly regarded Elk Grove School District but couldn't imagine living there – even if she had children.

Crook's views epitomize recent surveys showing young people genuinely disenchanted with suburbs. "There's just no culture like there is here, in city neighborhoods like midtown, where every house you walk past has a different flavor to it, and there's so much going on."

Today, a new set of demographics are at play, real estate analysts say. A younger generation of "millennials" is having fewer children or no children, and favoring smaller places to live in downtowns, while aging baby boomers are shedding their big houses, Leinberger says.

Americans also want to drive less: Surveys report a decline nationwide in vehicle miles traveled in recent years, particular among young people, where there's been a 23 percent drop.

As California's population grows in coming decades, demographer Arthur C. Nelson, author of the 2011 report "The New California Dream," forecasts a rise in demand for smaller lots, multi-family units and other housing types built close to transit. Since gas prices have risen by about 9.7 percent, compounded annually, or three times faster than inflation over the last decade, Nelson predicts gas prices "will exceed \$8 per gallon by 2020."

But reports of suburbia's demise may be premature, says Joel Kotkin, a professor of urban development at Chapman University in Orange and author of "The Next Hundred Million." He predicts that, in the coming population boom, Americans will still seek out conventional single-family homes in lower-cost subdivisions – and still embrace auto commuting.

"Surveys of housing preferences consistently show that if given the choice, most Americans, particularly families, will still opt for a place with a spot of land and a little breathing room," writes Kotkin, who predicts that the huge millennial generation – those born after 1980 – will eventually turn to the suburbs once they grow out of the "short-lived appeal" of living in a city as they marry and raise families. He cites surveys that 80 percent of Americans prefer suburban living.

People like their large suburban homes, and, as long as gas prices don't rise too much, they'll stay there, housing experts in the Sacramento region agree. "A lot of people enjoy the vibrancy of the downtown areas," says Paquin, "but I'm not convinced that California – and the nation – are going to abandon the suburbs. When I talk to buyers and agents, I still find a strong demand for conventional suburban homes."

When the market returns, Paquin anticipates that many master-planned communities in the Sacramento region will break ground again. When they do, he sees these subdivisions devoting some space to higher-density housing and smaller lots, serving town centers. Lot sizes have

already come down, from about 7,000 square feet to 5,000 square feet, and will continue to densify, he predicts.

The question, say some housing analysts, is whether this "metropolitan moment" will be effectively seized.

California housing analyst G.U. Krueger believes that coming demographic and economic trends will cause a booming demand for infill housing but fears that there isn't enough supply to deliver on this demand, because infill in cities is so much more expensive.

"The 'smart growth' people talk about grand visions of cityscapes," Krueger says. "But only if cities and towns get aggressively involved in this, in setting up land banks, and really being proactive, will 'smart growth' vision ever come to fruition."

Because California doesn't have the redevelopment agencies anymore, it will depend on private developers, Krueger says. Therefore, he fears, "Cities are probably going to miss this extraordinary historic opportunity to capture the demand for infill."

The result, he says, is that we're likely to see a migration to sprawling greenfields again.

That creates opportunities for designers and city planners to produce shining examples that make "walkable" work, since real estate watchers do agree on a demand for suburbs to remake their cores in the form of traditional cities and downtowns, says David Mogavero, a Sacramento architect specializing in infill projects.

Plus, if the patterns of past development were continued at the same rate, the impact on traffic, air quality and farmland "would be devastating," says SACOG's McKeever.

"People will sacrifice having a lot of private land of their own for public amenities like parks or transit, and nicely designed public space," says Paul Junker, a planning director for Rancho Cordova, citing the success of his suburban city's Capital Village, with its mix of smaller homes and condos, close to shops, built around a public park or commons.

Cities, and the New Urbanist-influenced architects developing new visions, are starting to pay more attention to design, how buildings present to the street. "People will not feel so OK about walking unless they can engage, and feel good about strolling and looking around," Junker says. "We're going to have to come up with new models."

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