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POSITIONING YOUR COMMUNITY FOR THE FUTURE

Policy Ideas to Help Local Governments Take Advantage of the Trends Shaping the Next Few Decades

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ABOUT THIS GUIDE

HRG's community planners are committed to helping local municipalities position themselves for success and continued prosperity. This guide is designed to inform local officials of trends that may impact population and economic development, infrastructure needs, and the general welfare of their residents in the coming decades. It is also designed to provide clear, actionable steps municipal officials can take now to make sure their communities are ready to take full advantage of these trends and not be left behind.

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Welcome to the age of disruption.

Technological advances will radically transform life in the coming decades, according to many experts, and it's our job as community leaders to prepare for those changes.

To do that, we must first understand the changes taking place and the ways they may impact local communities. Then we can think about how policy can be used to position our communities to make the most of that disruption – to make sure our communities continue to move forward and not be left behind.

Are you ready for the challenge? Put your seatbelt on and join me for a trip into the future.

Autonomous Vehicles

The first thing you might notice as we set out on this journey is that there's no one behind the wheel. As companies like Google, Tesla and Uber continue to improve autonomous vehicle systems, we can imagine a day when most of our trips will be taken from the passenger seat.

Autonomous vehicles are already on the road. Prototypes are being tested in Arizona, Texas, Florida – even right here in Pennsylvania. In fact, while we might associate most things tech with Silicon Valley out west, a good argument could be made that Pittsburgh is the home base of the self-driving car industry. Self-driving cars were first developed at Carnegie Mellon University in the 1980s, and many of the industry's leading innovators have chosen to locate their business in the Steel City.

Though autonomous vehicles are already hitting the pavement in local communities, most experts agree we have some time before they replace the traditional cars we drive today. What they don't agree on is *how much* time. It could be 10 years or 20 (or 30). Either way, change is coming, so it's a good idea to think about what it might mean.

How will self-driving cars change local communities?

Autonomous vehicles are likely to impact many facets of local government policy:

> Roadway design
> Land use
> Transit
> Tax revenue

They may also present additional concerns related to safety and job loss. In March 2018, the first fatality caused by a self-driving car occurred in Arizona, when an autonomous vehicle hit a woman crossing a very busy, multi-lane intersection at night.

Roads optimized for self-driving cars may:

> Have less striping and signage
> Be narrower
> Be more multi-modal

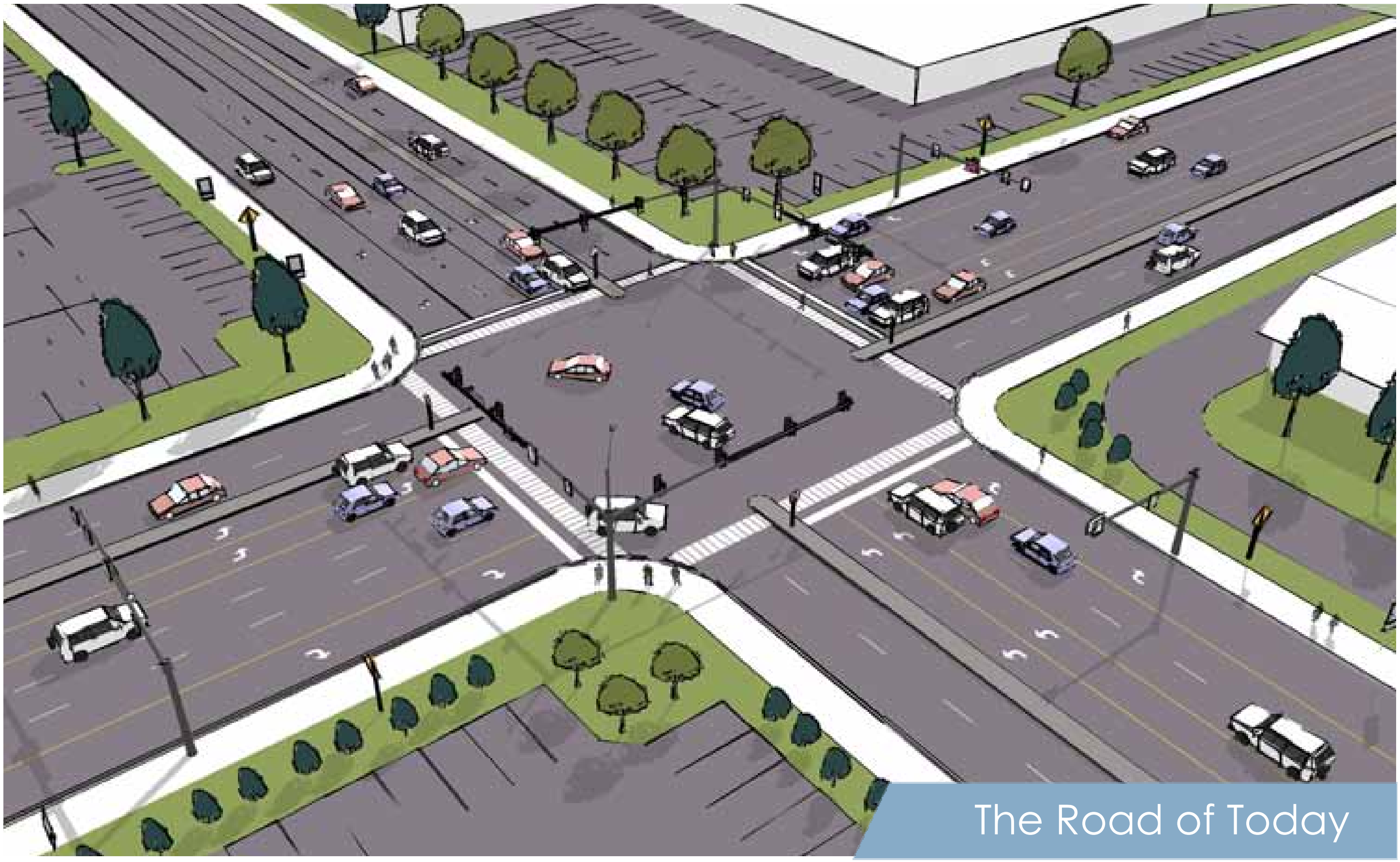
Human drivers require visual cues like striping and signage, but computers do not. It might be more efficient to embed technology in the pavement that speaks directly to the autonomous car, communicating the information we traditionally get from signs and stripes.

Human drivers are also more prone to error, like weaving to the side when glancing at a phone or changing a radio station. Cars driven by computers will not deviate from the path the way humans do, so lanes will not need to be so wide.

These narrower lanes will free up real estate for other uses, and so will the reduction of parking lots. When people can summon cars on-demand, businesses won't need so much parking on-site.

As a result, land will be available for sidewalks and bicycle lanes that are protected from vehicle traffic. There may even be room for cafés and small recreation areas.

Roads of the future will also be better lit. Autonomous vehicles rely on cameras to collect information about the environment surrounding the car. These cameras will need good lighting to see all of the detail self-driving cars need to make decisions. The government in the Netherlands is already testing glowing highway lane markers, and LED lights are increasingly replacing the dim yellow street lighting of the past with clean, white, bright illumination for the future.


The Road of Today


The Road of Tomorrow

The National Association of City Transportation Officials published a [50-page guide for transportation designers and planners on how to build roads for self-driving cars](), but the regulations that will shape roadway design in the age of autonomous vehicles will be set at the state and federal level. Local governments will not have much control over that.

One thing they can do right now is start planning for a more balanced mix of modes. With the right planning, corridors of the future will do a better job of accommodating all types of traffic: pedestrians and cyclists alongside vehicles and transit. Local planners can also start thinking about how to reform their zoning code to reduce parking requirements and ensure safe, comfortable zones for pick-up and drop-off.

The City of Chandler, Arizona, preliminarily approved a zoning ordinance in April that reduces the amount of space developers must set aside for parking if they provide loading zones and other accommodations for autonomous vehicles.

Under this ordinance, developers who can show their facility will be accessed frequently by autonomous vehicles and ride-share companies can reduce their parking requirement by 40 percent. They can reduce it even further if they include loading zones. These zones must be separate from fire lanes, be adequately shaded, and be handicap-accessible. According to the newsletter FutureStructure, this ordinance could be the first of its kind in the United States.

With less land devoted to parking, that land can be used for other purposes. As stated previously, a portion of it could be set aside for protected sidewalks and bike lanes to accommodate multi-modal travel, but a significant portion will likely be used for more buildings: more restaurants, retail, office and industrial space, etc. This change in land development density will increase the load on infrastructure. (For example, water and wastewater service will likely increase as development becomes more dense.)

It will also have a significant impact on taxes and revenue. Parking fees will be the most obvious casualty. Local governments will receive less money from parking garages, parking meters and parking tickets. For most communities, this is not a significant revenue source. (Nationwide, parking revenue represents less than 2 percent of the average city's income.) However, the loss of parking could still have a major impact on some communities – if they own a public parking garage and that parking garage was funded by a revenue bond. As parking revenue decreases, communities will be more likely to default on that debt. Communities should start planning now for how they will pay off any revenue bonds if parking revenue decreases.

While parking revenue is a minor income source for most local governments, property taxes are one of the biggest, and the decrease in parking associated with autonomous vehicles could impact property tax revenue in multiple ways.

When developers are free to use more of their land for profitable development (and allocate much less of it to parking), they are likely to increase the density of that development, and that could increase land value. (This

Right now, parking is the largest land use in most cities, comprising as much as 25 percent of developed land. Experts predict that fewer parking spaces will be needed when autonomous vehicles hit full market saturation. Communities should be thinking about reducing the parking requirements in their zoning codes and how they can control the way this newly available land will be developed. They'll need to balance the economic boost denser development could have with equally important goals like sustainability and safety improvements for pedestrians and cyclists.

would, in turn, increase property taxes. If that land is used for retail or restaurants, it could also increase sales tax revenue.)

Unfortunately, if the new supply of land made possible by reduced parking is not matched by a similar increase in development demand, the price of land could drop. Lower property values would then translate into less tax revenue.

Right now, parking is the largest land use in most cities, comprising as much as 25 percent of developed land. The need for parking could drop by as much as 90 percent when autonomous vehicles reach full market saturation. This will have a major impact on land availability.

Self-driving cars may also change the geography of winners and losers in the property tax game. Some experts predict that commuters will be willing to live farther from their jobs if they don't have to drive and can use their travel time for other pursuits (like catching up on email, reading, or streaming TV and movies). This could mean population shifts further from the urban core, depressing property values in the city and increasing them further out.

This early on, it's hard to accurately predict how living patterns and property values will respond to autonomous vehicles. Communities may find themselves with common "pick-up" gathering areas and no driveways. Communities could also see a rise in garage conversions as this space is repurposed into another bedroom or living space.

Self-driving cars will also impact public transit, but it's hard to know exactly *how* transit will be impacted. Some experts predict that ridership on subways and buses will decrease in response to self-driving cars. People who can't drive won't need to rely on subways and buses anymore to get where they're going; they can summon an autonomous vehicle to take them directly where they need to go. But this may not be the case.

Recently, a study looked at the impact of transportation network companies like Uber and Lyft on transit use, and it found that the impact was small. Generally, people still relied on subways and buses to get to and from work – when transit use is heaviest. Uber and Lyft filled in the gap by transporting people at night and on weekends, when transit service is very limited.

Therefore, autonomous vehicles –like transportation network companies – could be used by municipalities to fill in the gaps in transit service. Public sector transit companies should be thinking strategically about how to partner with autonomous vehicle providers (and transportation network companies) to better address user needs and increase revenue potential. A number of cities in Europe are already looking at integrating publicly owned autonomous vehicles into their transit systems.

Automated vehicles are on the horizon, and municipalities need to prepare for their arrival. The pace of technological change is rapid, but changes in municipal infrastructure tend to be incremental. Much experimentation will take place on the vehicle side of automation, and municipalities can experiment, too. Municipal streets, sidewalks, and land uses can serve as an important venue for testing new policies, ordinances, technologies, materials, and street types.

Autonomous vehicle technology may impact the need people have for public transit. Some cities in Europe are already looking at how to integrate the technology into their transit systems.

PREPARE FOR THE FUTURE NOW

Work toward a multi-modal future where roadways safely accomodate vehicles, pedestrians, and cyclists.

Revisit parking requirements in your zoning code. Consider reducing the number of required spots and adding requirements for adequate loading and unloading zones.

Think about how reduced parking and changing development patterns will impact your fees and tax revenue.

Look for ways autonomous vehicle technology can help you improve transit service by filling in the gaps.

2

THE SHARING ECONOMY

As autonomous vehicle technology advances, people may choose not to own cars anymore. In the future, cars may be owned in fleets by vehicle providers, and people simply summon one when they need it. That way, they don't have to pay to maintain a vehicle or allocate a large portion of their home to garage space. This shift from ownership to sharing is already taking root across the economy right now.

The internet is making it easier than ever before for people to rent or borrow goods instead of owning them. Sharing has existed in the economy in one form or another forever, but it used to be much harder to connect the people who needed goods and services with the people who had these goods and services to offer. Now a simple app on the smart phone can connect providers and users within minutes.

People are borrowing homes, cars, and bikes -- even skills. (Need someone to assemble some furniture for you? Hem a pair of curtains that are too long? Advertise it on Task Rabbit.)

Price Waterhouse Coopers estimates that the sharing economy could generate more than $335 billion in revenues by 2025.

How will the sharing economy impact local governments?

It's already producing seismic shifts in the competitiveness of certain businesses like taxis (losing customers to Uber and Lyft) and hotels (losing business to AirBNB). These traditional businesses are taxed at the local level, but the new internet-based businesses replacing them are harder to regulate. This will likely result in lower tax revenues for local governments as more and more economic transactions take place outside traditional business models subject to taxes and licensing fees.

As traditional taxi companies and hotels continue to lose money, people will lose their jobs.

Traditional jobs with steady paychecks and benefits will be replaced by independent contractors who provide services in the new sharing economy. Ride-share companies like Uber have argued that their drivers are not actually employees but independent contractors using their software. Since they are not employees, they don't get sick days or health insurance, workers compensation or retirement benefits. This will make them more vulnerable economically. When business is down (due to fluctuations in the market or an illness that forces them to take a few days off), people will lose income.

At the same time, home sharing companies like AirBNB may deepen the affordable housing crisis – particularly in areas near tourism attractions. When people can make more money off short-term rentals than long-term leases, they may buy up homes for this purpose, meaning less homes will be available for people who want to buy or rent them to live in full-time.

All of these factors – job loss, reduced income security, and lack of affordable housing – could greatly increase the need for local governments to provide social services – at a time when their revenues from hotel taxes and taxi licensing are on the decline.

Sharing economy businesses present other challenges. As homeowners increasingly rent their home out for short-term

Sharing a house, a car, or a bike is as easy as opening an app on your cell phone these days.

Short-term rentals can sometimes turn into party rentals. If residents complain about noise or trash in the yard, does your ordinance empower you to respond?

stays through sites like AirBNB, the character of a community can change. Rather than have a community of neighbors who know each other, watch out for each other, and are invested in the area, local streets will be populated by changing faces, people who come and go with little thought to the long-term needs of the neighborhood.

Residents may complain to the local government about parking problems, garbage, or noise, but, without proper policy in place, officials will be unable to act.

Some communities have adjusted their zoning rules to address these issues, and some – like Richmond, Virginia – have passed an outright ban. Questions local government officials might consider are:

Should off-street parking requirements be tightened?

Do homeowners who offer short-term rentals comply with safety regulations (particularly fire safety)?

Will home-sharing increase the use of certain utility services?

In spite of the many challenges the sharing economy presents to local government officials, many remain optimistic about the opportunities it presents. A survey by the National League of Cities found that 22 percent of its members believed the sharing economy increased economic activity and 22 percent said it served people's needs better than traditional businesses have.

Indeed, businesses in the new sharing economy allow us to more fully realize the potential of our existing assets. People invest a lot of money in their homes and cars, why not earn some money back when they're not using them?

By reusing existing resources, we can reduce our ecological footprint (instead of continuing to manufacture products that will sit unused for long periods of time).

The connectivity inherent in the sharing economy could enhance collaboration, lower the cost of services, and inspire innovation.

The trick for local government officials is to craft policies that minimize the negative impacts of the sharing economy while maximizing the benefits.

Local governments should look for ways to level the playing field between new sharing economy businesses and the traditional businesses with which they compete. In the case of the lodging industry, AirBNB is showing that travelers increasingly want to live like locals and find authentic, local experiences that aren't in the tourist guidebooks. Hotels are responding by locating themselves in the middle of the neighborhood attractions, with bars and entertainment spaces on the street level and check-in on an upper floor. Municipalities should examine their zoning to see if it allows for this sort of mixed-use development pattern.

Municipalities will also want to level the playing field regarding licensing fees and taxation. This can be difficult. Rideshare companies like Uber have argued (and courts have agreed) that they are not in the business of providing transportation like a taxi company; they are a logistics company connecting service providers with customers via software. As such, they shouldn't be subject to the same regulation as taxi companies.

Since courts have upheld this distinction, state and local governments are taking a different tack. Rather than try to apply the rules taxi companies face to Uber, the state of Virginia has passed new laws specifically regulating transportation network companies (TNCs). Under this legislation, TNCs must pay the state a licensing fee and annual service fees to operate within its borders.

Colorado was actually the first state to regulate TNCs, but 48 states have passed some sort of regulation as of last year. While some cities have tried to regulate TNCs, state lawmakers have sometimes responded by nullifying the right of local governments to do so. Therefore, local governments might find it useful to band together and lobby state government for regulation they feel is necessary.

Pennsylvania passed a law regulating TNCs in November 2016. This law imposes a 1.4 percent sales tax on rides, but only those that originate in the Philadelphia area. (This was a hard-won concession after a lengthy battle waged by Philadelphia taxi drivers that had temporarily halted rideshare service in the city.)

A sales tax on rides is easier to apply to rideshare companies than taxi licensing fees, due to the court precedents distinguishing transportation network companies from typical transportation providers like taxis. However, most states have historically exempted services – including taxi rides – from their sales tax, so these policies would need to be changed in order to tax rideshares.

It's just one more example of how government needs to change to reflect the times. Tax policy was written when manufacturing and brick and mortar retail were the backbone of the economy. The Institute on Taxation and Economic Policy estimates that state and local governments could raise $300 million per year by imposing a sales tax on the rideshare industry.

But revenue is not the only concern for government officials. Public safety is an equally important concern. Licensing requirements for taxi drivers have long assured customers that their drivers are well-vetted and the vehicles are operating properly. Rideshare customers need the same assurance.

To this end, Pennsylvania's rideshare legislation imposes requirements on the vehicles transportation network companies use. For example, the vehicles must have working seatbelts and door handles, operational windows, and a functional air conditioning system. Vehicles can be randomly selected for inspection.

Opportunities for Municipalities

The sharing economy can expose people to danger, but it can also be a force for good with the right policy in place. Some municipalities, like Washington, D.C., are using revenue generated by the sharing economy to provide social benefits. Rideshare revenue can be used to fund transportation for senior citizens. Home-share revenue can be allocated toward the provision of affordable housing. In DC, the money is used to purchase wheelchair accessible vehicles for hire, so that the disabled can also utilize rideshare services.

In times of crisis, local governments can tap into sharing platforms to enhance their emergency response capabilities. After Hurricane Sandy, locals offered housing to people displaced by the storm via AirBNB, and Waze allowed users to share info about which gas stations had fuel available. (Waze is a mapping tool where people share information about traffic and roadway conditions.) Users of GetAround.com, a car-sharing platform, could offer their vehicles free of charge during an emergency to anyone who needs access to transportation. Those who own trucks could make them available for moving emergency supplies.

Local governments can use sites like Nextdoor to deliver city alerts and crisis maps that help people find resources near them. Residents can use the site to list resources they have available and share information. San Francisco and Houston currently use the site, and other municipalities are following suit.

Since an actual emergency can stretch government personnel and resources beyond the breaking point, it's good for local officials to set up relationships like these with sharing platforms in advance and incorporate these platforms into their emergency action plans and training. This will make it easier to use them effectively when the need arises.

As stated previously, one of the underlying principles of the sharing economy is to fully realize the potential of our assets and eliminate wastefulness. Governments can cut costs by sharing resources with neighboring municipalities and other government entities. They can also raise revenue (the way homeowners raise revenue by offering their house on AirBNB). Munirent is a website that makes it easy for municipalities to charge each other for the use of equipment. Membership is free, but the site keeps a percentage of the rental fee for every transaction. In exchange, the company connects equipment owners with those who need it. They also simplify the transaction with standardized rental agreement language, invoicing, and payment processing.

In order to take advantage of sites like this, municipalities may have to change their contracting and requisition processes.

When disaster strikes, sites like AirBNB and GetAround can make it easy for neighbors to share homes and cars with those who need them. Find ways to incorporate these sites into your emergency plans

PREPARE FOR THE FUTURE NOW

Consider amending ordinances to accomodate but control short-term home rentals. Make sure your community is empowered to address noise and parking complaints. Think about how short-term rentals might impact the availability of housing for long-term residents.

Consider creative ways to replace the lost tax revenue from taxis and hotels. Work with state government to ensure new sharing economy businesses are regulated in a way that evens the playing field with existing businesses and keeps users safe.

Incorporate resources like AirBNB and NextDoor into your emergency response plans to ensure people have access to resources in a crisis.

Take advantage of sites like MuniRent that make it easier to earn revenue by sharing equipment with neighboring communities.

3

E-COMMERCE

Sharing will have a big impact on the economy: Some industries may grow (like rideshares), and others may contract (like taxis). A similar transformation in how we work and spend our money is taking place in retail.

More and more shopping occurs online (and not in the brick and mortar stores that form the backbone of our downtowns and shopping corridors).

According to the U.S. Commerce Department, e-commerce grew by 16 percent in 2017, totaling more than $450 billion. This is pretty consistent with the growth each year since 2011.

People are spending less on tangible goods and more on leisure and restaurants. Mall visits declined by half between 2010 and 2013, and that downward trend continues today. As anchor stores like Sears and Bon Ton shutter their doors, small-town malls are closing at a rapid pace.

This will change the face of industry and employment in many communities. More than 8 million people across the U.S. work as cashiers or as retail sales personnel, and retail jobs declined by 66 percent in 2017. More than 70 percent of these workers live in the suburbs, so those communities will feel the pain the most.

When people are out of work, local income tax receipts decline. As the retail segment suffers, communities will see lower sales and property tax, as well. This means the rise of e-commerce will impact municipalities' revenue significantly. State and local governments will need to do more to ensure they collect sales tax revenue on goods purchased online.

A recent Supreme Court decision will make this easier. The court ruled in June that state governments can compel retailers beyond their borders to collect sales tax revenue. The court had previously ruled in 1992 that a business must have a physical presence in the state before it could be compelled to pay local sales taxes. This new decision changes that. The justices said that technology has changed, and the old precedent is now outdated. Justice Anthony Kennedy wrote the majority opinion, estimating that states had missed out on $33 billion in annual revenue because of the 1992 ruling.

As stores close, cities and towns that relied on revenue from large malls and big box stores will want to encourage other industries to grow in their place. Sales are shifting from physical stores to websites, and jobs are shifting from retail counters to fulfillment centers.

Small town malls are having trouble keeping their doors open as anchor stores close. Communities lose jobs and tax revenue as a result.

For example, a Giant grocery store in Lancaster is being converted to a pick-up location for online grocer Peapod.

While local officials will want to encourage redevelopment, they don't necessarily want to offer big money and tax incentives to attract warehouse and distribution center development. It wasn't that long ago that cities and towns gave out millions in tax breaks and free land to attract large retailers, while expanding infrastructure to accommodate them (at a high, long-term cost). Now many of those stores are closing. Municipalities will not want to make that mistake twice. Rather than throw money at developers and online distributors, municipalities will want to make it easier for them to build. Areas that are zoned for strip malls may actually discourage non-retail uses like light industrial. Local governments should carefully examine their zoning ordinances to identify potential barriers to redevelopment and remove them. It is possible to transform the building into a logistics center, but the prospects are often unlikely when you think about the surrounding neighborhood. When making policy about distribution and logistics centers, municipalities will want to think about dimensional criteria and environmental impact (particularly in relation to stormwater, an area of growing state and federal oversight).

But warehouse and distribution centers are not the only land use communities must plan for as e-commerce changes local economies. Municipalities will also want to ease restrictions on mixed-use commercial and residential development. While malls are dying fast, stores located in the midst of housing, restaurants, and entertainment have been more resilient to the rise of e-commerce. Mixed-use development patterns keep customers in close proximity to stores, making them more likely to shop there while they're out and about. They may also reduce the congestion new development can cause on existing road infrastructure: If higher density residential uses are included in the commercial zone, customers will be on-site to walk or bike to stores, instead of driving.

Stores in a mixed-use zone are able to attract customers even more when they move parking to the rear of the building, upgrade the building facades, and provide outdoor seating, so the municipal code should be flexible enough to accommodate these choices.

Shopping centers that incorporate restaurants and entertainment -- like the kids' splash pad shown here -- tend to be more resilient against the lure of online shopping. People need more than a shopping list to motivate them to leave the house. Do your zoning ordinances allow mixed-use development like this?

Online shopping means more package deliveries. Are your local roads ready for increased truck traffic?

Today, experiences are the name of the game in retail. A recent story in the Philadelphia Inquirer illustrates how shopping centers with department store anchors are giving way to lifestyle centers with a mix of restaurants, co-working space, and gyms. The Macys in Suburban Square closed and is now occupied by a high-end fitness center, child-care facility, beauty salon, café, and co-working space. Its close proximity to the subway line makes it convenient for businesspeople, and the mall's owner is trying to create a built-in customer base by building an apartment complex next door.

The strategy works, according to research by GlobalData. In a survey released last year, they found that people visited shopping centers with a strong emphasis on restaurants, entertainment spaces, and salons more often than malls that relied mostly on traditional retail. They also spent twice as much time there during an average visit and spent twice as much money.

Local governments need to look at their zoning and land use policies to make sure they are compatible with mixed-use development and the redevelopment of existing commercial sites. Standards need to be flexible and allow for a variety of uses. If your community is not conducive to these types of development, developers will find one that is, taking crucial sales and property tax dollars with them and leaving you with underutilized building space and land.

Of course, lifestyle centers are just one way to breathe new life into an abandoned shopping space. Dying malls can be converted into retirement communities, hospitals, schools or entertainment spaces. The Mayfield Mall in Mountain View, California, is now office space occupied by Google. Malls across the country are being converted into medical centers, hockey rinks, churches, and even microloft apartments (in Providence, Rhode Island).

Taxes and land use patterns are not the only changes that communities face due to increased online shopping. Infrastructure will be impacted, too. More online shopping means more trucks delivering packages.

In 2010, the U.S. Postal Service delivered 3 billion packages nationwide. By 2017, that number was 5 billion.

Trucks currently represent about 7 percent of the urban traffic flow, but that number is likely to increase.

Roads will need to be built with that in mind because trucks produce more wear and tear on the pavement. They also need wider turning radii, and more vehicles invariably means more congestion (whether they are trucks or sedans).

Municipalities should clearly define their preferences regarding the location of parking, and pick-up lanes.

PREPARE FOR THE FUTURE NOW

Make sure you zoning ordinances are flexible enough to encourage mixed-use and redevelopment of existing commercial properties.

Examine road standards to make sure your local roads will be able to accomodate increased truck traffic from package deliveries.

Ensure you are being aggressive about collecting sales tax for online purchases.

4

HOUSING

Technology is changing the way we work as new businesses replace the old, but the way we live is also changing.

The Baby Boomer generation is retiring, and many will be looking to trade in their large suburban homes for smaller, one-level living. Some will need housing in a senior living community, but others will move in with their children to receive extra care.

Experts predict an increase in multi-generational living over the next few decades. Parents will live with their children, but adult children increasingly live with their parents much longer than in the past, too.

The economy has not been kind to people under the age of 45. Younger people have weathered two recessions since the year 2000, and one of them, the Great Recession of 2008, was the longest and deepest recession the United States has seen since the Great Depression. For most of the younger generation's prime earning years, the economy has been in recession, and job growth has been much slower during the intervening periods of stability than in the past.

Much of the job growth has occurred in low-skill, low-pay sectors of the economy or highly specialized sectors that require significant training and education. This education

Photo by Brett VA. Available via a Creative Commons License.

A zoning policy that is friendly to accessory dwelling units can be attractive to multi-generational families and younger home-buyers looking to generate rental income.

comes at a high cost. College tuition rates have risen at two to four times the rate of inflation, so it is much more expensive to get a degree today than it was for previous generations. Twenty years ago, 20 percent of household income was needed to pay for tuition; today it's 35 percent. The younger generation is graduating with fewer job prospects and higher debt.

At the same time, housing costs are increasing faster than inflation (twice as fast, in some cases). In more than half the country, housing prices are going up faster than wages are. (In other words, people have to allocate more and more of their income to the cost of housing as each year goes by.)

Many young people simply can't afford to buy a home. In 1980, more than half of Americans between the age of 25 and 34 owned their own home. Today, only 36 percent of Americans under the age of 35 own a home. But economic woes are not the only reason homeownership is down among young people. A generation coming of age as the sharing economy has developed doesn't wear ownership as a badge of pride the same way previous generations did.

Millennials that do enter the housing market don't necessarily want the "mcMansions" their parents built in the 1990s and early 2000s. Better Homes and Gardens Real Estate released a study that showed millennials prefer smaller homes with only the essentials over an expensive, luxury home. They're more interested in being close to public transportation in a walkable, mixed-use community.

This presents a problem as most municipal housing stock is associated with large-lot, single family homes. If boomers are looking to unload their large suburban homes for smaller, one-level living but millennials want to buy small homes in mixed-use communities, the seniors may be unable to find a buyer, and competition for the low stock of small, affordable homes may drive up their price beyond the reach of many buyers.

Communities may be facing a glut of mcMansions that depress home values and a shortage of the modest, affordable houses that people want.

Demographer Arthur Nelson predicts the housing market will have an overstock of 28 million conventional, large-lot homes by 2030.

The value of these homes could drop, as a result, and this could increase the vacancy rate. More vacancies mean lower property tax revenue. It can also mean more crime. The crime rate on blocks with abandoned buildings is twice as high as on blocks without them.

At the same time, buyers may flock to communities that offer the smaller, affordable homes they desire. This could mean significant population loss for municipalities that consist predominately of large-lot, suburban homes. Population loss will lower the municipalities' revenue and start a cycle of decline.

What can municipalities do about this? They can ease some of the policies that have helped push the housing market in this direction.

Zoning ordinances that prevent density have created pent up demand for homes, and this is one of the reasons home prices are rising so fast. It's also led to the construction of larger homes. Land is the most expensive part of building a home, and low-density requirements mean each home must be built on a large lot. Builders need to charge a high price to turn a profit, and they must build large, luxury homes to obtain that price from buyers.

Municipalities need to implement policies that make it easier for contractors to build the type of homes the market demands. Zoning ordinances should be flexible and permit multiple uses. Communities have to be open to increasing density or including a mix of densities, so that enough homes are available to meet the pent up demand and the homebuyer lifecycle. One of the concerns municipal leaders have about density is the increased burden on infrastructure: more cars on the road, higher water usage, etc. A skilled team of planners and engineers can help a municipality find affordable ways to improve infrastructure to meet this demand.

If the demand for large "mcMansions" is low, these lots can be repurposed into the types of housing people need – with the right policy in place. One of the easiest ways to make large lots more receptive to the changing housing market is to streamline approvals for accessory dwelling units (small housing units built inside an existing home or as a free-standing unit on the lot. Think of the Granny pod photos that have been circulating on the internet.) These units are particularly attractive to the growing number of families with multiple generations sharing the same household. An adult child living at home after college to save money for a first home can have his or her own private space. An aging parent moving in with a child because he or she can no longer live independently can maintain a little privacy.

Accessory dwelling units may also be attractive to millennials as a way to make a first home more affordable. Perhaps they could rent the accessory dwelling unit out as a source of income and put that money toward their own mortgage.

In many communities, the administrative process to approve these accessory dwelling units is cumbersome. In some communities, policies restrict the number of bedrooms a home can have altogether.

Municipalities can further encourage the construction of affordable housing with code flexibility and pre-approved building types that expedite the permitting and approval process (keeping developer costs low).

If vacancies occur, municipalities will want policies to prevent the crime and revenue loss they bring. A Vacant Property Ordinance (VPO) is a code enforcement tool that levies fines on property owners if they don't maintain or redevelop the unoccupied property. Owners must keep the building and grounds clean and presentable. They must also remove safety risks like fire hazards and hazardous substances.

Receivership policies give local officials the authority to transfer ownership of an unoccupied property to someone who will redevelop it – if the existing owner will not. They can petition the court to sell the building or tear it down for new development.

Homeowners know that vacancy can beget crime and lower the value of their own home, and they are often willing to volunteer their own time to turn that property into something useful. They just need to be empowered to do so. An Adopt-a-Lot program, like the City of Baltimore has, does just that. Area residents can apply for permits to construct temporary structures like tool sheds and gazebos, and the city provides guidance on how to plant a community garden.

These volunteer programs have a dual benefit. Obviously, the lot is put to good use, but the process also increases civic engagement and gets residents more invested in the community. A program in Chicago empowered teenage girls to transform a vacant lot into a safe place for children to play. Once these young women finished the playground, residents were motivated to clean up adjacent public spaces, too.

Vacant lots don't have to be a drain on the community, they can be an amenity that attracts population. An article by the National Association of Realtors highlights some of the creative ways communities have transformed abandoned lots into community gathering spaces. Detroit is one of the many communities profiled. Much has been written about the massive population loss in what used to be one of America's most thriving cities. A partnership between the city and the University of Michigan is turning vacant lots into miniature parks, urban farms, and stormwater retention areas. Detroit has proactively crafted zoning ordinances that encourage the conversion of commercial and residential lots into community gardens. These ordinances establish standards for setbacks, lighting, noise, and hours of operation.

A vacant property ordinance can be used to require property owners to maintain or redevelop property, rather than let it decay and adversely impact surrounding properties.

PREPARE FOR THE FUTURE NOW

Build flexibility into your zoning and building codes by:

> allowing zones with greater density

> streamlining approvals for accessory dwelling units

> incorporating pre-approved building types that expedite the permitting and approval process to keep costs low.

Empower yourself to address potential vacancies by:

> requiring owners to maintain or redevelop the property

> instituting receivership policies that enable you to transfer ownership for redevelopment if the existing owner will not.

Empower your residents to address vacancies with volunteer programs to beautify the neighborhood and repurpose abandoned lots for communal use.

In Conclusion

Change is inevitable. Technology has transformed the way we live and work throughout time, and that trend will continue in the coming decades.

Autonomous vehicles may eliminate the need for vast expanses of parking and free up land for other uses. Communities will have to balance economic growth versus sustainability and quality of life when deciding how to use that land. Using the space for more commercial and industrial building could grow the economy, but using it to provide protected lanes for other modes of travel could decrease congestion and improve safety for pedestrians and cyclists. Both are worthwhile goals.

The sharing economy presents new ways for people to earn money and monetize their assets. Older, more conventional industries like taxi services and hotels are struggling to compete. Those industries provide steady wages and benefits to a municipality's residents. They also provide valuable revenue to the municipality through licensing fees and taxes. The new businesses do not, and they are harder to regulate. Municipal officials will have to be creative and work closely with state leaders to craft policies that promote progress while protecting revenue streams and citizens' safety. Though the sharing economy presents challenges, it also presents opportunity. Websites like AirBNB and Nextdoor can be used by community members to share homes and supplies with those in need after an emergency like severe flooding or snowstorms. Services like MuniRent make it easier for municipalities to earn income by sharing their equipment with other communities.

E-commerce is taking business away from the brick and mortar stores that provide jobs and sales tax revenue to local communities. As these stores close, the land will be put to new use. Municipal leaders need to examine their comprehensive plans and zoning codes to make sure they are flexible enough to allow new uses for that land. Mixed-use developments that blend specialized, experiential shopping with office space, gyms, entertainment, and salons have been more resilient to the rise of online shopping, so communities will want to make sure their zoning codes permit that type of development.

Flexible zoning will be equally crucial to addressing the changing housing market. Retiring baby boomers and millennials alike express a preference for smaller, more affordable homes that are located near transit and amenities. Multi-generational living is on the rise as seniors who need extra care move in with adult children, and young adults stay home longer to save money for their first home.

Communities will need to consider increasing density in order to relieve pent up demand for housing and ensure that housing is affordable for young families. They'll need to reconsider lot sizes and parking requirements while streamlining approvals for accessory dwelling units. They'll also want to make it easier and less expensive for people to redevelop existing properties into the types of housing the next generation will need.

The truth is that change occurs every day, and municipal policies must adapt regularly. Municipal officials should make a habit of examining their planning and zoning ordinances on an annual basis to make sure they are keeping pace with the creation of new industries and new land uses.

Change cannot be avoided. Municipalities that don't proactively prepare for the future may be left behind with declining populations and shrinking economies. Instead of avoiding change, municipalities should embrace it and manage it. Rather than hold tight to the ways of the past, municipal leaders will find that the best way to protect their community is to help it change for the better.

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