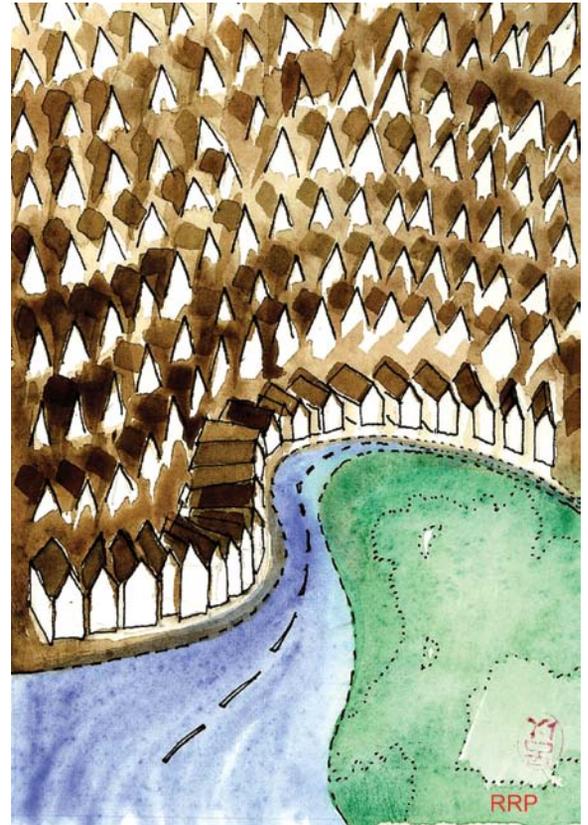




Retrofitting land use policies

Is nationalizing the building industry next?

ROY R. PACHECANO



As we slip into the pre-summer season of a mixed, but improving economy, the housing slowdown these past eight quarters should provide us with an opportunity to reflect upon how our country redevelops itself. Existing land use policy, and subsequent practice, in the United States appears to have reached a tipping point. For more than a half-century, land use policies have encouraged our addiction to foreign oil and our continued largesse to political deal-making absent of sound development principles. Do we have to nationalize our arena of industry in order to save it?

Am I suggesting we nationalize our land use policy as we have come very close to doing with our financial markets?

No—but if we continue our current path of development patterns, the privilege we hold sacred as Americans to control our own destiny will be sharply and abruptly curtailed. If not careful, we will see increased regulation—not decreased regulation—forced upon our building industry by outsiders who know little about the business of building.

Applying nationalization-type regulations to land use policies may do more harm than good.

Last year, the readership who was taken in by this column's chronicling of news events swirling on Wall Street learned that a near-total state control of our lending industry threatened the very core of our building business, potentially weakening our industry.

The debate that raged in Washington was about the government takeover (guised as a bailout) of the banking industry—or the nationalization of banks. While those media-soaked headlines have simmered down considerably this year, it was the

disappearance of stand-alone investment banks that [would have] left a sizable vacancy in proprietary trading—the type of trading an

investment bank uses with its own money, or borrowings, instead of clients' cash to complete trades. These transactions, in volume, drive the financial markets, which in turn, spur lending, which allows us to build. No lending—no building.

Can you imagine a state-controlled building industry? Can you imagine an

industry that is targeted to be reformed by outside intentions? Recently, we have witnessed the reformation of our health care industry as predicted in my December 2009 "Prediction" column. We have also witnessed a changing financial sector. While our industry desperately needs change, it should come from within—not a regulatory body. Many of you who read this column may already be fretting at your local municipality's seemingly overt reach into restricting the degree of development your company seeks to implement. You've done nothing wrong, only regulation and control have dampened your investment-backed expectations.

Looking at the problem from another angle, the arguments I hear about retooling vs. productivity should be dismissed. The housing slowdown has little to do with our ability to produce. It has much more to do with retooling and obtaining the right balance of reform, political will and sheer courage. We are a remarkable country that still produces a great quantity of products. The financial tools we use as builders have been pulled out beneath us, triggering an awkward imbalance. We still have one of the highest production rates per capita in the world—why would we want to continue down the path of last



century's self-created hardships? Don't blame China for our unemployment woes—our CEOs outsourced those jobs to foreign-based labor markets to serve the "interests of their shareholders" (us).

Surely, markets need correcting. We are hopefully coming to an end of a long recession. The very nature of overreaching lending practices whose underlying assumptions were flawed has forced the banking and financial system to reorganize itself. This reorganization has been escorted by a familiar triumvirate: Treasury Secretary Timothy Geithner, Federal Reserve Chairman Ben Bernanke, and our Chief Executive, Barack Obama. Such re-engineering was not hastened soon enough by their predecessors. The financial sector's re-engineering has been wrought by a necessity to ease the elements that regulatory bodies have much more difficulty controlling, Fear and Trust, both of which have been eroding over time to such a degree that regulation, re-engineering and reorganizing have had to step in as if

replacement parts for a complex engine no one person understands.

Applying nationalization-type regulations to land use policies may do more harm than good to our building system and how it functions. For reasons explained in our Constitution, it is not a function of the federal government to dictate land use policy. Rather, our forefathers intentionally left this question to the individual states, which in turn left these powers to the local municipality. We could never really have an overarching nationalistic regulating body dictating land use. What the feds can do is make sure our building and development patterns do not discriminate against sex, religion, gender, race and ethnicity, color or creed—and there has emerged, mostly from the 20th century, real estate development patterns that violated civil rights. U.S. Supreme Court cases have affirmed it is unconstitutional to build developments that impede or violate civil rights (Mount Laurel I, II).

The building industry's reorganization

should take the form of self-imposed restrictions. Better we control and limit the degree of our building practices than it is forced upon us by an outside entity. Let us use this downtime to revamp and rethink our development patterns. Pre-emptive measures in lieu of dreadful marches. We must convert stern alarms into merry meetings so that all the clouds that lour upon our house will lie in the deep bottom of the ocean—buried. 



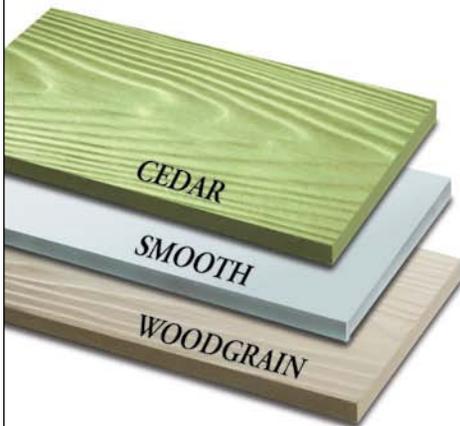
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