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HOUSING MATTERS

Addressing Elevator Issues

Elevator Code Reform Will Help Lift Missing Middle Housing Production

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SPECIAL TO BANKER & TRADESMAN

Roadways and transit allow cities to expand out, but elevators are the infrastructure that allows them to expand upward. More than 18 billion elevator trips are taken in the U.S. each year; more than planes, trains and buses combined.

Unfortunately, the country has a serious elevator shortage, and it's an impediment to developing the amount and types of housing we need to meet demand and improve affordability.

Compared to those in other places, elevators in the U.S. are three to four times as expensive to install and up to 10 times as expensive to operate and repair. It's a problem for high rises, but even more problematic for smaller-scale multifamily or "missing middle" housing. The result is that this housing doesn't get built or is built without an elevator, which eliminates it as a viable housing option for a lot of people.

The source of the problem is building codes and standards. The U.S. and Canada use one elevator code, while almost the entire rest of the world – making up over 80 percent of the market – use another.

One big difference between the codes is cabin size. The U.S. and Canadian codes require cabins that are about twice as large as in the rest of the world to accommodate a stretcher lying flat and so people in wheelchairs can make a three-point turn and enter and exit facing forward. The rest of the world assumes that those in wheelchairs can back out of elevators and that paramedics can carry people in and out via the stairs in smaller buildings.

The ripple effects from these code choices are immense, and the problem isn't just because of cabin size – or not directly anyway.

Limited Competition Pushes Prices

Since the U.S. and Canada account for less than 5 percent of elevator installations globally, only the largest companies find it cost-effective to manufacture elevators and parts to serve that market. The big four elevator companies – Otis, Schindler, TKElevator and Kone – make up most of the market here, compared to less than half in Asia.

"Companies that aren't huge can't afford to spend a lot of money to capture a relatively small amount of additional business," said Stephen Smith, founder and executive director of the Center for Building in North America, who authored a groundbreaking study on the elevator issue.

Limited competition pushes installation prices higher, but has an even greater impact on inspection, maintenance and repair costs, which make up about 70 percent of elevator industry revenues. Companies routinely require exclusive service contracts. Even if they didn't require customers to use only their parts, choices would be constrained because so few companies manufacture parts for the North American market.

And competition appears to be decreasing further; TKElevator and Kone have announced plans to merge.

Reform Efforts Under Way

Basic economics teaches that the high cost of elevators in North America translates to fewer of them. The U.S. has the fewest elevators per capita in the developed world, followed closely by Canada.

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The current market compels developers to move in the wrong direction, as evidenced by a Toronto high rise that was recently proposed with ratio of one elevator for every 161 units. In Europe, one elevator usually serves about 30 housing units; in the U.S., an elevator serves double and often triple that number of units.

North American elevator costs are even more prohibitive for four- to six-story buildings. As a result, these dwellings are often constructed without them.

That's especially bad in densely populated areas like eastern Massachusetts. Meeting housing demand requires small multifamily buildings that can be sited in areas where single-family homes dominate. But without elevators, those units are likely to be far less appealing to potential residents, particularly those who are older and/or have mobility challenges.

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There are hopeful signs. This year, Washington state passed legislation to allow smaller elevators in small multifamily buildings after the bill failed by a narrow margin last year.

Efforts to address the elevator problem are also underway in Maine and in Virginia, where AARP came out in support of reforms similar to those in the new Washington law. Elevator size is also a topic for a new building code task force in New York City.

Unfortunately, no single policy change will solve the housing shortage in Massachusetts or across the country. But elevator reform is one of the many fixes that together can make homes more abundant, accessible and affordable. ◀

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