

Smart Growth Policies' Drawbacks Detailed

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Billions of taxpayer dollars are spent every year on various “smart growth” urban development projects around the country, raising one of the fundamental questions of politics: Does the government have the authority to tell consumers and property owners how they may act if they are not violating anyone else’s property rights?

Environmentalists and some urban planners argue population growth should be regulated with an eye toward environmental protection, sustainability, and urban compactness, through a planning method called smart growth.

Critics of smart growth, some of whom refer to it as “restricted growth,” say it infringes on the property rights of individuals while accomplishing few of its intended goals.

Makes Housing Less Affordable

Smart growth policies are fundamentally flawed and in some cases actually increase many of the problems they are meant to correct, says Wendell Cox, senior fellow for housing and transit policy at The Heartland Institute and principal of an international public policy consulting firm.

“Smart growth’s land rationing policies drive up the costs of land for development, which is behind the far-higher house prices relative to incomes in places such as California and Oregon,” said Cox. “This effect has been noted by economists across the spectrum, from Paul Krugman to Thomas Sowell. Because smart growth increases house prices, it must inevitably lead to lower levels of home ownership, rationing not only land but also the American Dream.”

The experiences of Portland, Oregon and San Francisco, California should serve as cautionary tales to any municipalities considering implementing smart growth plans, Cox said.

In Portland a \$3 billion light rail system, designed and built in the early 1980s to ease traffic congestion and encourage development within a smart growth plan, has had little success in attaining those goals, while running 50 percent over budget during construction.

Artificial Housing Shortage

Since the 1970s, San Francisco has created artificial land shortages by implementing regulatory barriers to construction, such as urban-growth boundaries, purchases of regional parks and open spaces, and various limits on building permits.

Those land shortages dramatically increased the price of Bay Area homes. In an article published in the San Francisco Chronicle, Randal O'Toole of the Thoreau Institute said planning-induced housing shortages added \$30 billion to the cost of homes purchased in the Bay Area in 2005.

Supporters of smart growth say it has multiple benefits for the community. These include a clean environment; economic development and jobs that create business opportunities and improve the local tax base; strong neighborhoods providing a range of housing options; and transportation choices allowing people the option to walk, ride a bike, take transit, or drive.

Added to Housing Crisis

But in addition to noting those benefits often aren't realized, Cox argues smart growth policies inflict great economic damage. He says the current housing crisis was caused in no small part by smart growth policies and the effect of growth restrictions that artificially raised housing prices.

“It is a well-known fact that the U.S. housing bubble was the principal cause of the Great Recession we are now living through,” Cox said. “The housing bubble was concentrated in the smart growth markets, which experienced far higher house price increases and created an intensity of losses that brought down much of the mortgage industry.”

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