

# Urban Sprawl or Smart Growth

## Does it really matter?

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Housing affordability has been an issue for growing cities, particularly in more recent times. The main stream media has primarily focused on two competing ideologies which claim to offer the best policy to deal with this issue. The first of these is commonly known as 'urban sprawl'. This position favours unrestrictive land use policies. The second stance is known as the 'smart growth' approach. This position advocates for government regulation on land use.

The urban sprawl position has been advocated by Wendell Cox, a prominent spokesman for right wing think tanks including The Heritage Foundation and REIV. Cox argues that smart growth policies have exacerbated the recent financial crisis; "the big credit crunch we're experiencing today is the direct result of the recent inflation of housing prices that occurred in areas which implemented "smart growth" policies ..."<sup>1</sup> In contrast "urban areas with freer land use regulations were mostly spared by this housing price hike ... like Houston, Dallas Fort Worth [and] Atlanta..."<sup>2</sup> Cox mentions New York, Los Angeles and San Francisco as cities which have excessive land use policies.

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Cox's position on housing affordability will be investigated. Dallas Fort Worth, a city that has an unrestrictive land use policy, and New York, a city with stronger land use regulations, will be looked at. The main focus of this analysis will be to explore the reason or reasons why average housing prices in these two cities differ; whether it's mainly due to the particular form of land use regulations implemented, as Cox believes, or if there are other determining factors which Cox overlooks.

1 V Bernard, An interview of Wendell Cox: "smart growth policies are the main cause of subprime crisis!", Institut Hayek, March 2008, <[http://www.fahayek.org/index.php?option=com\\_content&task=view&id=1738&Itemid=54](http://www.fahayek.org/index.php?option=com_content&task=view&id=1738&Itemid=54)> viewed 15 April 2010.  
2 Ibid.



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Dallas Fort Worth includes the Texas counties Dallas, Collin, Johnson, Kaufman, Rockwall, Tarrant, Denton and Ellis. It began as an army outpost in 1849, established to protect settlers from Indian attacks; at this stage it had a population of around 450.<sup>3</sup> Dallas Fort Worth is the 5<sup>th</sup> fastest growing urban region in the US.<sup>4</sup> New York City's origins can be traced as far back as 1624, when Dutch settlers began to arrive in the area.<sup>5</sup> By 1790 it was the US's largest city and its capital until 1797. In 1898 a new charter was adopted creating the city of Greater New York, a metropolis of five boroughs (these boroughs fall within today's New York State counties of New York, Bronx, Kings, Queens and Richmond). Today, New York is the largest city in the US.<sup>6</sup>

Cox is accurate in his observation regarding the disparity in housing prices in these two cities. New York has an average median housing cost of \$550,080, higher than Dallas Fort Worth's \$149,562.<sup>7</sup> However, there are a multitude of factors which contribute to this disparity, most of which are not mentioned by Cox and which are not explained simply by the use of one of the two land use policies.

In terms of demographics; the total population of New York is greater than Dallas Fort Worth by 2,407,284 (40%), in addition its land mass is 5,760 square miles less, or only 5% of Dallas Fort Worth's land mass (Graph A).<sup>8</sup>

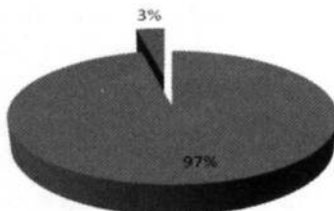


3 Dallas Historical Society, Dallas History, <[http://www.dallashistory.org/history/dallas/dallas\\_history.htm](http://www.dallashistory.org/history/dallas/dallas_history.htm)> viewed 10 June 2010.  
4 Ibid, Fast Facts section.  
5 NY.com, New York discovery and settlement, <<http://www.ny.com/histfacts/settlement.html>> viewed 10 June 2010.  
6 Hindustan Times, New York still US' largest city, 23 June 2010, <<http://www.hindustantimes.com/New-York-still-US-largest-city/Article1-561910.aspx>> viewed 24 June 2010.  
7 US Census Bureau, Fact Finder, <<http://factfinder.census.gov>> viewed 28 May 2010.  
8 US Census Bureau, County Quick Facts, <<http://quickfacts.census.gov/qfd/states/48/48001.html>> viewed 27 May 2010.

The urban density of New York City registers 27,390 residents per square mile, compared to Dallas Fort Worth's 972 (graph B).

**Population per sq mile**

■ New York City ■ Dallas Fort Worth

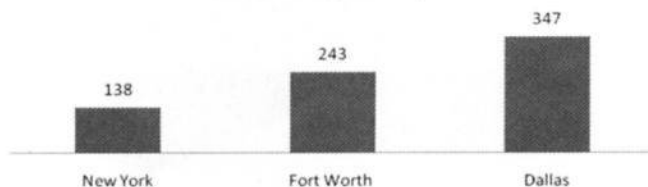


Also, New York City has 1,065,906 more housing units than Dallas Fort Worth (in an area which is 5% the land mass). That is 2,941% more housing units per square mile than Dallas Fort Worth. It is clear that New York City has far less land for far more people than Dallas Fort Worth.<sup>9</sup> This strongly suggests that comparatively, New York land is scarcer and inevitably attracts a higher value from would be buyers.

There are also social and cultural factors which assist in explaining why New York housing prices are higher than Dallas Fort Worth's. Reported data from the FBI (2008) reveals that New York City is the 138<sup>th</sup> safest city in the US. The area of Fort Worth was ranked a distant 243<sup>rd</sup> and Dallas dragged even further behind at 347<sup>th</sup> (Graph C).<sup>10</sup>

**Crime Rate Data**

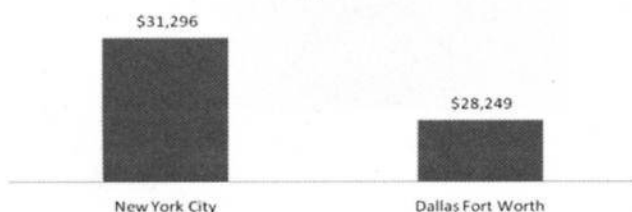
■ Position (out of 393)



The average per capita income in New York is 10% higher than Dallas Fort Worth (Graph D).<sup>11</sup> These statistics indicate that New York is a city with more desirable living conditions for residents, resulting in a higher premium on housing in the city.

**Per capita income**

■ Per capita income



**Whilst planning for sustainable growth, these policies ignore the impact of speculative investors whom manipulate the supply of land**

The two policy approach has been discussed as though it were an either or debate, with no suggestion of any other approach explaining the housing affordability issue. However, smart growth and urban sprawl policies both fail to expose and explain the fundamental factor which affects housing affordability. This includes the substantial influence of land speculators and their monopolistic approach to manipulating land availability, development and use.

Urban sprawl seems to be the more dangerous of the two main policies, as it allows free reign to predatory profit motivated developers and investors. Urban sprawl policies allow land developers to freely develop agricultural and other barren land into profitable residential estates.

The consequences of this practise were evident in the recent housing price crash in Nevada. Here, isolated desert locations were tactically made to look attractive and profitable to investors. "Almost half of Las Vegas home sales in 2005 and 2006 were to people who intended to resell quickly for a profit".<sup>12</sup> This created a housing bubble in the area, and when it burst the ordinary hard working families in the neighbourhoods suffered along with the culpable speculators.

The main lesson to take from this is the inherent dangers of developing housing estates in low service areas which lack strong infrastructure, industry and historic community ties. These are often the areas hardest hit in any economic down turn, such as the 'ongoing' financial crisis. Smart growth policies offer some protection against such unsustainable growth, by surveying the sustainability of such expansions.



<sup>12</sup> KM Howley, Las Vegas home devaluation shows residential market may drop 6%, Bloomberg, September 2007

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<sup>9</sup> US Census Bureau, Fact Finder.

<sup>10</sup> CQ Press, Crime in the United States 2008, <[http://os.cqpress.com/citycrime/2009/City-Crime2009\\_Rank\\_Rev.pdf](http://os.cqpress.com/citycrime/2009/City-Crime2009_Rank_Rev.pdf)> viewed 20 June 2010

<sup>11</sup> US Census Bureau, Fact Finder.

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However, smart growth policies also fail to address the fundamental factors of housing affordability. Whilst planning for sustainable growth, these policies ignore the impact of speculative investors whom manipulate the supply of land in order to profit in short and long term capital gains. An example of this is New York's housing vacancy rate of 8.38%.<sup>13</sup> By holding these properties vacant, the price of housing remains artificially inflated.

New York economist Michael Hudson is a leading advocate for land tax reforms. Such reforms may effectively eliminate the need for the land use debate. Hudson brings to light the positive effect that tax reforms would have on housing affordability. He calls for higher taxes on land across a given city; at a similar rate as the rent generating potential of the land. The effect would be to force landlords and other property speculators to pay an annual holding premium for properties they own, whilst reducing other taxes.

This forms a critical disincentive for property speculators to purchase and hold onto properties for the sole purpose of profiting from long or short term capital gains, a "free lunch", which is realised with tax payer funded infrastructure that props up the value of their land.<sup>14</sup> By eliminating incentives for land speculators, a flow of properties will be released back into the market, many of which will be bought for the purpose of home and business occupancy.

Naturally, as more land and homes are released back into the market, prices will fall in many areas and housing affordability will be impacted positively. The wealth generated by governments from these land taxes will be enormous. In order to offset the new land tax burden on working families, income taxes will be eliminated, freeing up additional disposable income which can be used to stimulate the real economy. The hazards urban sprawl policies reflect will not be of issue if these tax reforms are successfully implemented because speculative developers would face substantial annual premiums on land holdings, making it

less profitable to hold onto unused and underused land for long. New outer land development will be decided by the actual need for development and not by speculative, profit motivated developers and investors.

Cox's aim to ensure that families are able to afford their own home is a noble cause. However, as an affiliate of the infamous Heritage Foundation home to decades of failed neo liberal policies and the widening of the wealth gap, suggests that Cox may be sympathetic to the land speculators who serve to maximise profits at the expense of an uneducated public. In any case, Cox fails to address the negative aspects of unchecked urban sprawl policies.

Land tax reforms aim to provide ordinary people with affordable housing by removing the incentives for land speculators to operate in such detrimental ways. If this is achieved, land and housing will be restored to more natural prices and allocated efficiently towards home and business uses, and not used as profit maximising tools. As long as Cox continues to promote urban sprawl policies and make allegations against smart growth policies, the spotlight will be kept away from the real issues of land speculation and inefficient land use. The public needs to be educated on the actual status and nature of housing affordability so that truly 'free' market mechanisms may be allowed to play out, benefiting all members of society, not just the privileged few.



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<sup>13</sup> US Census Bureau, Fact Finder.

<sup>14</sup> M Hudson, Hudson to tour Australia, Progress, Sep - Oct 2009 issue, The Print Press, Oakleigh, p. 5.