Markets, Planning and the Politics of Smart Growth

Samuel R. Staley, Ph.D.
Managing Director, DeVoe L. Moore Center, Florida State University
Presentation at Gainesville, Florida.

e. sstaley@fsu.edu
The Goal of Smart Growth is to Expand Political Control Over Land Development

Economic

Social/Cultural

Politics
Different decisionmaking institutions work effectively under different conditions

**Market**
- Uncertainty
- Diffuse goals
- Diverse preferences
- Dynamic environment

**Legislative**
- Consensus on goals
- Clearly defined Problems
- Narrow set of issues

**Bureaucratic**
- Consensus and clear goals
- Specific tasks
- Specialized information
- Static environment

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Where do married couples want to live?
Who lives in the suburbs?

- 2 adults, 2 kids
- 2 adults, retired
- 2 adults, 2 kids
- 2 adults, 2 kids
- 2 Adults, retired
- 2 adults, retired
- 2 adults, 2 kids
- 1 adult, 1 child
- 1 adult, 1 child
- 2 adults, retired
- 1 adult, 1 child
- 2 adults, 2 kids

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• What kind of houses do people want to live in?

<table>
<thead>
<tr>
<th>Home Characteristics</th>
<th>Estimated % Change in Selling Price</th>
<th>Statistically Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Characteristics</td>
<td></td>
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<tr>
<td>General Features</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Square Feet</td>
<td>3.3%</td>
<td>*</td>
</tr>
<tr>
<td>Lot Size (in Acres)</td>
<td>1.5%</td>
<td>*</td>
</tr>
<tr>
<td>Bedrooms</td>
<td>4.1%</td>
<td>*</td>
</tr>
<tr>
<td>Full Bathrooms</td>
<td>24.1%</td>
<td>*</td>
</tr>
<tr>
<td>Partial Bathrooms</td>
<td>15.0%</td>
<td>*</td>
</tr>
<tr>
<td>Central Air Conditioning</td>
<td>12.4%</td>
<td>*</td>
</tr>
<tr>
<td>Cathedral Ceiling</td>
<td>2.4%</td>
<td>*</td>
</tr>
<tr>
<td>Skylight</td>
<td>3.0%</td>
<td>*</td>
</tr>
<tr>
<td>9-foot Ceilings</td>
<td>6.2%</td>
<td>*</td>
</tr>
<tr>
<td>Exposed Beams</td>
<td>4.6%</td>
<td>*</td>
</tr>
<tr>
<td>Walk-in Closet in Master Bedroom</td>
<td>-0.6%</td>
<td></td>
</tr>
<tr>
<td>Sitting Area in Master Bedroom</td>
<td>8.0%</td>
<td>*</td>
</tr>
<tr>
<td>Den/Study</td>
<td>7.3%</td>
<td>*</td>
</tr>
<tr>
<td>Sun Room</td>
<td>2.7%</td>
<td>*</td>
</tr>
<tr>
<td>Loft</td>
<td>1.4%</td>
<td></td>
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<tr>
<td>Bay Window</td>
<td>3.4%</td>
<td>*</td>
</tr>
<tr>
<td>In-Law Suite</td>
<td>-5.2%</td>
<td>*</td>
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<tr>
<td>Central Vacuum</td>
<td>3.0%</td>
<td>*</td>
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<tr>
<td>Air Filtering System</td>
<td>4.8%</td>
<td>*</td>
</tr>
<tr>
<td>Professional Office</td>
<td>-5.0%</td>
<td>*</td>
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<tr>
<td>Elevator</td>
<td>10.0%</td>
<td></td>
</tr>
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</table>
What type of houses do people buy?

Table 1.1
The Twenty Characteristics Appearing Most Often in Previous Hedonic Pricing Model Studies

<table>
<thead>
<tr>
<th>Variable</th>
<th># of Appearances</th>
<th># Times Positive</th>
<th># Times Negative</th>
<th># Times Not Significant</th>
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<td>Lot Size</td>
<td>52</td>
<td>45</td>
<td>0</td>
<td>7</td>
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<tr>
<td>Ln Lot Size</td>
<td>12</td>
<td>9</td>
<td>0</td>
<td>3</td>
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<tr>
<td>Square Feet</td>
<td>69</td>
<td>62</td>
<td>4</td>
<td>3</td>
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<tr>
<td>Ln Square Feet</td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Brick</td>
<td>13</td>
<td>9</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Age</td>
<td>78</td>
<td>7</td>
<td>63</td>
<td>8</td>
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<tr>
<td># Stories</td>
<td>13</td>
<td>4</td>
<td>7</td>
<td>2</td>
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<tr>
<td># Of Bathrooms</td>
<td>40</td>
<td>34</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td># Rooms</td>
<td>14</td>
<td>10</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Bedrooms</td>
<td>40</td>
<td>21</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Full Baths</td>
<td>37</td>
<td>31</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Fireplace</td>
<td>57</td>
<td>43</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Air Conditioning</td>
<td>37</td>
<td>34</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Basement</td>
<td>21</td>
<td>15</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Garage Spaces</td>
<td>61</td>
<td>48</td>
<td>0</td>
<td>13</td>
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<tr>
<td>Deck</td>
<td>12</td>
<td>10</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Pool</td>
<td>31</td>
<td>27</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Distance</td>
<td>15</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Time On Market</td>
<td>18</td>
<td>1</td>
<td>8</td>
<td>9</td>
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<tr>
<td>Time Trend</td>
<td>13</td>
<td>2</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

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Can Conventional Planning Reconcile Smart Growth and Consumer Preferences?
Key Elements of Conventional Planning

- "Closed" system
- Urban development is nonorganic
  - Presumption is against change
- Assumes rational and objective decisionmaking
  - Reality is most public involvement is not fact or evidence based
  - Multiple opportunities to manipulate the process
- Legally binding
Costs of Conventional Planning

- Development approval is lengthy
- Substantial upfront costs for entitlement and approval
- Housing markets are less dynamic, resilient and innovative
- Zoning is largely ineffective and serves to promote existing land uses
How do we know, I?

Estimated Impact of Statewide Growth Management Laws on Housing Prices

- Florida (metro): 20%
- Washington (statewide): 26%
How do we know, II?

Approved Densities vs. Planned Densities: Ventura Co.

- Comprehensive Plan: 55%
- Zoned Densities: 80%
How do we know, III?
Is There an Alternative?
Alternatives to Conventional Planning

**Conventional**

- Comprehensive plan/master plan
  - Zoning map approved
  - Reviewed periodically
  - Extensive public involvement
- Rezoning
  - Entitled, land purchased
  - Public hearings
- Site Plan Review
  - Public hearings
- Final Site Plan Review
  - Public hearings
- Building Permits Issued
  - Administrative

**Houston**

- Land platted (1 month)
  - Administrative review
  - 30 day review period
  - Cannot violate deed restrictions
  - Development entitled
- Site Work Review
  - Land
  - Structure
  - Parking garages
- Permits Issued
- Simultaneous submissions allows construction to begin on complex projects in 3-4 months
In Houston….

- Low development costs
  - Multifamily housing can be permitted and fully leased in 145 days
- Neighborhoods transition organically as the city grows
  - Change is a recognized consequence of economic growth
- Commercial development is orderly and appropriate
Key elements of Houston planning

- Administrative review
- Focus on performance and outcomes
  - Does the project impact the rights of others?
  - Is the impact significant?
  - Can the impact be measured?
  - Can the impact be mitigated
- Encourages certainty
Houston “works” if cities want to:

- Promote affordable housing
- Promote orderly neighborhood transitions concurrent with the city’s development
- Citizens are truly concerned about mitigating the community impacts of development
How to Think Differently About Planning, Land Use, and Transportation
Market-Oriented Planning: Principles & Practice

- Are the right questions being asked?
- Does the proposed land use or development proposal limit the rights of others?
  - Externalities/spillovers
  - Physical invasions
- Is the impact tangible?
- Is the impact measurable?
- Is the impact negative?
- Can the impact be mitigated?
MOP Alternative #1: Impact Planning

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Traffic congestion</td>
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<td>yes</td>
<td>yes</td>
<td>yes</td>
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<tr>
<td>Revenue neutrality</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Create crime</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
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<tr>
<td>Reduce property values</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>n/ap</td>
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<tr>
<td>Local profitability</td>
<td>no</td>
<td>no</td>
<td>n/ap</td>
<td>n/ap</td>
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<tr>
<td>Community character</td>
<td>no</td>
<td>no</td>
<td>n/ap</td>
<td>n/ap</td>
</tr>
</tbody>
</table>
Using Technology to Meet Customer Needs

- Rick Harrison Site Design
- Embrace housing desired by households
- Minimize environmental impact
- Minimize infrastructure costs
- Enhance home values
Figure 8.6 (Top): Rick Harrison’s redesigned and approved plan for the same development site.
Figure 8.7: Original design plan of Placitas de La Paz.
An Application: Creekside

- Brandon/Riverview, Florida
- 108 single family lots
- 1 home per acre
  - Avg lot 25,326 sq ft.
- 51% of site is open space
- Impervious surface area: 18%
An Application: San Marino Estates

- Melbourne, Florida
- 61.4 acres
- 80 single family homes
  - Avg lot 14,212 sq ft
- 36% open space
- Impervious surface area: 19%
MOP Alternative #2: Public Choice & Property Rights

- Bill Fischel: “The Economics of Zoning” and “The Homevoter Hypothesis”
  - Property rights were collectivized through zoning & urban planning
  - Local voters and officials are voting in their best interests
- **Advantages**: Explains current process and political support
- **Disadvantages**: Unclear policy implications
  - We get what we govern for?
  - Bad outcomes must be accepted as reflecting the Community Will

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MOP Alternative #3: Neighborhood Associations

- Planning and zoning implemented by private homeowner associations (Robert H. Nelson, Fred Foldvary, Randal O’Toole)

  - **Advantages:**
    - Voluntary
    - Promotes decentralization
    - Limits “damage”
    - Uses local knowledge
    - Solves local public good and externality problems

  - **Drawbacks:**
    - Distinction between local government and HOA is legal, not functional
    - HOAs are highly localized
    - Individual property rights are not recognized
MOP Alternative #4: Performance-based Zoning

• Implemented in several communities, most famously by Fort Collins, Colorado
• Administrative approvals based on performance system
  ▪ Applications are scored based on points that establish community guidelines
• Advantages:
  ▪ Transparent,
  ▪ Quick entitlement,
  ▪ Flexible
• Drawbacks:
  ▪ Complex,
  ▪ Politically unsustainable
  ▪ Incentive based, but not necessarily market-based
And a Few Thoughts on Transportation
Why congestion is a problem

American Businesses
Thinking about transportation and mobility

- **A Few “Rules” About Transportation success**

- **Transit, highways are mechanisms for providing transportation benefits, not ends in themselves**

- **Success depends on economic conditions**
  - Good planning enables markets to capitalize market values, but does not create the value

- **Property values increase when travel efficiencies (benefits) are tangible and measurable**
  - “generalized travel costs” fall
Which direction for Gainesville?

A Few Uncomfortable Facts
Distribution of Housing

- Single Family Detached: 60.6%
- Multifamily: 56.2%
- Single Family Attached: 3.8%
- Mobile: 18.4%
- Single Family Attached: 1.9%

[Bar chart showing distribution of housing types, with blue and light blue bars representing Gainesville and Non-City Metro respectively.]
Growth of Housing Stock

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Gainesville • Non-City Metro

Before 1939: 3.7%
1940 to 1949: 2.0%
1950 to 1959: 3.2%
1960 to 1969: 1.4%
1970 to 1979: 4.3%
1980 to 1989: 5.5%
1990 to 1999: 14.6%
After 2000: 20.0%

2000: 23.3%
2010: 19.9%
2020: 15.2%
2030: 13.4%
2040: 13.4%
2050: 29.1%
A Snapshot of Mobility

- No Vehicles: 11.4% (Gainesville), 4.2% (Non-City Metro)
- 1 Vehicle: 43.8% (Gainesville), 36.1% (Non-City Metro)
- 2+ Vehicles: 44.8% (Gainesville), 59.7% (Non-City Metro)

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Commuting and Travel to Work

Travel to Work: City of Gainesville

- Drove Alone: 64%
- Carpool: 13%
- Public transit: 5%
- Walked: 6%
- Other: 8%
- Worked at home: 4%

Travel to Work: Gainesville Metropolitan Area (Non-City)

- Drove Alone: 80%
- Carpool: 11%
- Public transit: 3%
- Walked: 1%
- Other: 2%
- Worked at home: 3%
Conclusions

• Smart Growth is inconsistent with broader American preferences

• Gainesville is of three minds
  ▪ University
  ▪ City
  ▪ Outlying metro area

• Both minds can be reconciled if policymakers and citizens focus on impacts rather than vague visions