“Markets, urban planning and local democracy”

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Markets and urban planning have a complementary role

• **Markets**
  – Markets are efficient in allocating land between competing users
  – Markets are efficient in adjusting supply to demand
  – But markets have to rely on government planning to provide primary infrastructure, which in turn control land supply

• **Urban Planning**
  – Planning is indispensable to draw a boundary between private and public land
  – Planning is alone able to reserve arterial roads right of ways
  – Land use regulations have to be designed to avoid negative externalities
  – The financing and design of primary infrastructure depends on government planning
Land markets allocate land consumption between users in different locations.
Auckland population density profile

AUCKLAND 2013 - POPULATION DENSITY IN BUILT-UP AREA

Average built-up density: 28.27 p/ha

\[ y = 53.943x^{-0.259} \]

\[ R^2 = 0.6042 \]
Urban Planning traditional role: insuring a steady supply of buildable land

Chang’an during the Tang Dynasty

New York Commissioners’ plan 1811
Traditional plans had simple objectives

• separating in advance of development roads’ right of ways and public parks from private lots
• Increasing the supply of buildable land
• Increasing the speed of transport between different parts of the city
Urban planning mission creep

Using planning to achieve other objectives:
• Reducing commuting distances
• Reducing CO2 emissions
• Preserving agricultural land
• Reducing obesity !!!

These objectives are better achieved by using market tools: toll roads, gasoline or carbon tax, etc...
New dogmatic vaguely formulated fads often dominate urban planning

This is not new, here is what Jane Jacobs was writing in the 1960s:

“... in the pseudoscience of city rebuilding and planning, [...] a plethora of subtle and complicated dogma have arisen on a foundation of nonsense.”
“Smart growth”, “sustainable cities”, “livable cities”

• Pretend to become “new and better” urban development guiding principles
• very vague non quantifiable objectives
• Sound benign or even quite desirable
• Substitute legitimate constraints (save energy) for real objectives (mobility, affordability)
• All of these “doctrines” favor containment and as a consequence an increase in densities and land prices
Planners have an important responsibility in maintaining mobility and housing affordability.

• They should use indicators to monitor changing mobility and affordability

• They should take action when indicators show a deterioration of mobility or/and affordability:
  – Manage congestion,
  – Plan new investments in infrastructure to increase commuting speed
  – Increase land supply (regulations and infrastructure investments)
  – Review land use regulations
  – Shorten time required to process land development and building permits
Planners are not the only ones trying to restrict the supply of urban land
The origin of the increasing complexity of regulatory restrictions are not only found in planners’ hubris but have support among important segments of the voting population

• NIMBY (not in my backyard),
• BANANA (build absolutely nothing anywhere near anyone) and
• CAVE (citizens against virtually everything)

The proliferation of these acronyms reflects a deep crisis in the ability of local democracy to implement anything
San Francisco has one of the most expensive real estate in the world but:

• Voters last month (June 2014) approved a ballot initiative that means any development seeking to go beyond existing height limits (40ft to 84ft) will require the backing of voters, not just city officials.

• The move follows a vote last year that overturned a ruling by city planners and rejected a proposed high-end condo building that would have exceeded the standard waterfront height limit.
We need to redefine property rights
a new balance between the rights of citizen to protest
and appeal government decisions and ability to
implement civil works within a reasonable time
framework

• Redefining property rights to lower
transaction costs, while preserving the right to
appeal

• A new definition of Property rights (William A. Fischel: The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls, 1987)
The challenge is to be able to implement public works while protecting individual liberties and individual property rights. If we can't, we will lose our liberties anyway.
Auckland densities profile
Auckland topography constrains land supply
Profile of population built-up densities by distance to the city center in Auckland and Stockholm