

Barriers to Smart Growth: Facing the Reality of Land and Housing Markets

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Margaret Walls is a Senior Fellow at *Resources for the Future* (RFF), an independent nonprofit research organization in Washington, D.C. The organization's research is rooted in economics and other social sciences relating to environmental, energy, natural resource, and environmental health issues. Through the application of economics RFF's researchers critically analyze policy. Dr. Walls' research topics include urban and suburban land use problems,

At the conference, Dr. Walls shared her expertise of land and housing markets in the United States. She described how different land use policy options have been used to direct growth and development. As background, Walls defined development and land use patterns in the U.S. as well as the role that suburbs play in growth schema. For her analysis, Walls examined the policy of transferable development rights (TDR), to determine the programs effectiveness for preserving open space, a tenet for smart growth. Her findings revealed that transferable development rights do not effectively preserve space, but rather they pose a barrier to "smart growth".

In 2007, the national average of developed land in the United States was 7.5 percent according to land use data. While this statistic may seem shockingly low, it does not accurately represent the concentration of developed lands. Land use data by state depicts a more representative image of development. For example, Connecticut is 35 percent developed land and New Jersey is 40 percent developed land. Additionally, the percentage change of developed land reveals the kind of growth that is occurring across the nation. From 1982 to 2007,

development in Connecticut grew by 100 percent and in the state of Maryland grew by 140 percent. Population growth must also be taken into consideration in accounting for increased land development. Such astounding changes thus necessitate smart growth development planning for land use.

An examination of the United States shows that there are no “great” western or eastern exurbs. A few such exurbs exist outside the District of Columbia in Virginia, and outside Los Angeles, California. Rather, suburbanization of large land lots poses the largest threat to the preservation of open space. Lots that measure ten acres or more represented 57.3 percent of development in suburbs. Lots that measure between five and ten acres represented 6.2 percent of development in suburbs, and lots between one and five acres represented 13.59 percent of development in suburbs. In total large, lot development accounts for 96 percent of suburbs and such development runs counter to smart growth principles, where condensing is favored over expanding.

This begs the question, why is there such an unequal distribution towards large lot developments? The market brings about such development through both the supply side and the demand side. On the supply side, developers prefer large lot development because it is cheaper than infill development of pre-established locations. On the demand side, consumers desire homes on large lots because they get more house for their dollar. Newly developed areas have lower renting and housing prices, thus creating a gradient favoring new suburbs. From an environmental perspective, suburban development of large land lots can thus be described as a market failure because the market forces of supply and demand fail to deliver development that is environmentally sustainable.

Large lot development places additional strain on the environment, requiring additional infrastructure to provide transportation and energy services to meet the demands of the larger landscape. Local governments are constrained by tax revenue to provide public services. As a result, new development does not pay for its share of infrastructure costs. There are also benefits to open space that are not accounted for in the market or in private decisions. For example, farmland does not derive income simply from its road appeal; therefore private landowners do not have an incentive to preserve it. Such threats to open space compromise ecological health as well as the health of communities. Expansive development increases resource use and degrades air and water quality. Communities suffer because open space has psychological benefits by preserving a region's character, which can be a form of self-identification. Finally, fragmented public policy can exacerbate poor development schemes.

Yet, there are local tools for managing growth and land use. Zoning can play a critical role in determining growth by setting maximum lot sizes. Classifying agricultural and special use zones can contribute to open space preservation. Coupled with stringent zoning regulations, density bonuses, infill development, clustering requirements and impact fees can foster smart growth development. It is difficult, however to measure how well these policies have worked because there are often multiple policies at play. There can also be ancillary impacts from activity like "leapfrog development," separating suburbs from one another, or impacts on housing and land prices. These ancillary effects blur the measure of success for such policies.

Transferable development rights (TDR) is one policy strategy that relies upon the market to determine land use. TDRs allow development potential to be transferred from one property to another, whereby a sending property is put under easement, protected from development, and the receiving property is developed more intensely. These development rights are traded in a

private market of developers and landowners. TDRs are often used in rural areas, which pushes development into low-density areas, but also preserves land from development. Calvert County, Maryland was able to preserve 26,000 acres in this fashion. Yet an underlying problem that TDRs face is the lack of demand for additional density in the designated receiving areas.

Maryland is particularly progressive when it comes to development and land use allocation. In 1997, a smart growth law was passed, giving priority funding to areas designated by localities and targets. However, transferable development rights are not working. Land use patterns have not been shown to have substantially altered. On the other hand, Portland, Oregon, developed central policy guiding development that predates the smart growth movement. Portland prioritizes high-density development, small average lot sizes, increased connectivity, and making the city pedestrian-friendly. Contrasting development policies across the country serves to illuminate the differences that policy can have on future development.

Policies that disregarded the role of markets did not achieve their growth objectives because the value of open space was not properly accounted. It is therefore critical to identify the underlying problem associated with urban sprawl in order to design policy and set clear objectives from which the policy can be evaluated.

References:

Margaret Walls' publications on land use issues and transferable development rights (TDR):

<http://www.rff.org/Publications/Pages/PublicationsList.aspx?Topic=Land%20Use&Researcher=>

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