

JULY 2008

Land Lines

LINCOLN INSTITUTE OF LAND POLICY



Land Lines

JULY 2008 • VOLUME 20, NUMBER 3

EDITOR

Ann LeRoyer

PRESIDENT & CEO

Gregory K. Ingram

CHAIRMAN OF THE BOARD

Kathryn J. Lincoln

PUBLICATIONS ASSISTANT

Robyn F. Salbo

DESIGN & PRODUCTION

David Gerratt & Amanda Wait
www.NonprofitDesign.com

The Lincoln Institute of Land Policy is a private operating foundation whose mission is to improve the quality of public debate and decisions in the areas of land policy and land-related taxation in the United States and around the world. The Institute's goals are to integrate theory and practice to better shape land policy and to provide a nonpartisan forum for discussion of the multidisciplinary forces that influence public policy. The work of the Institute is organized in four departments: Valuation and Taxation, Planning and Urban Form, Economic and Community Development, and International Studies.

We seek to inform decision making through education, research, demonstration projects, and the dissemination of information through publications, our Web site, and other media. Our programs bring together scholars, practitioners, public officials, policy advisers, and involved citizens in a collegial learning environment. The Lincoln Institute of Land Policy is an equal opportunity institution.

Land Lines is published quarterly in January, April, July, and October to report on Institute-sponsored programs.

For More Information

The Lincoln Institute Web site (www.lincolnst.edu) provides a variety of features that make it easy for users to quickly obtain information on land and tax policy issues and on specific education programs, research, and publications. The e-commerce function permits users to order publications and multimedia products and to register for courses.

You can create your own "My Profile" to download current and past issues of *Land Lines*, more than 400 Working Papers, and other materials posted on the Web site. After you have completed your profile, you can "Log In" at any time by entering only your username and password. To create a profile, go to <http://www.lincolnst.edu/login/createprofile.asp>.

Copyright © 2008

Lincoln Institute of Land Policy

113 Brattle Street
Cambridge, MA 02138-3400 USA

Tel: 617-661-3016 or 1-800-526-3873

Fax: 617-661-7235 or 1-800-526-3944

E-mail: annleroyer@lincolnst.edu (editorial content)
help@lincolnst.edu (information services)

Web: www.lincolnst.edu

L LINCOLN INSTITUTE
OF LAND POLICY



PRINTED ON RECYCLED PAPER USING SOY-BASED INKS

CONTENTS



FEATURES

2 People or Place? Revisiting the Who Versus the Where of Urban Development

RANDALL CRANE AND MICHAEL MANVILLE

One of the longest standing debates in community economic development is between "place-based" and "people-based" approaches. Should help go to distressed places or distressed people?

8 After Sprawl: The Humane Metropolis

RUTHERFORD H. PLATT

The failure to control sprawl is widely blamed on the usual suspects, but a more constructive response is to take a deep breath and ask "What next?"

14 Urban Housing Informality: Does Building and Land Use Regulation Matter?

CIRO BIDERMAN, MARTIM SMOLKA, AND ANNA SANT'ANNA

New evidence from Brazil indicates that the regulation of land use and building standards can reinforce other factors that contribute to informal and irregular urban land occupation.

20 A Model for Sustainable Development in Arizona's Sun Corridor

LUTHER PROPST

The response to emerging concerns about climate change impacts will require significantly changing prevalent land use planning and development patterns in the region.

DEPARTMENTS

1 Report from the President

24 Faculty Profile: Andrew Reschovsky

26 New Policy Focus Reports

The City-CLT Partnership: Municipal Support for Community Land Trusts

Property Tax Assessment Limits: Lessons from Thirty Years of Experience

28 Program Calendar



North Shore Trail in the Allegheny River Park, Pittsburgh, Pennsylvania
© Alamy.com

Property Rights

Property rights, the topic of the Lincoln Institute's annual land policy conference in June 2008, are an important feature in the global political economy. In the United States many see the lack of compensation for reduced property values caused by regulations as weakening property rights, and the Supreme Court's 2005 *Kelo* decision—supporting the use of eminent domain for economic development—put this issue on the front page of U.S. newspapers. Internationally, property rights received new impetus from Hernando de Soto's 2000 book, *The Mystery of Capital*, which argues that clarifying property rights would stimulate economic growth in developing countries.

Property rights defined. Leading off the conference, Harvey Jacobs reviewed the historical debates among Adams, Franklin, Jefferson, and Madison about the nature of property in the United States. Elinor Ostrom then assessed how well a set of principles underlying property rights, advanced in her seminal book, *Governing the Commons* (1990), have stood the test of time in empirical work.

Public compensation for takings. In the United States compensation is required when property is acquired by the state through eminent domain, and some feel that compensation should be paid when less than full rights are taken—for example, when areas are classified as unbuildable wetlands or protected for endangered species. Abraham Bell addressed the merits of compensation when such regulations decrease property values, and also explored the complementary question: Should owners pay for “givings” when property values rise because of state actions such as infrastructure investments?

Jerold Kayden's paper, motivated by the *Kelo* case, presents evidence suggesting that eminent domain was rarely used in U.S. cities to take private property for economic development from 2000 through 2004. Antonio Azuela reported on experiences with eminent domain in three Latin American cities—Bogotá, Mexico City, and São Paulo—where practices differ greatly. Both Mexico City and São Paulo had extended periods when judges, unversed in property valuation methods, set values for property compensation well above market values. Vincent Renard reviewed regulatory trends in the use of property rights in Western Europe, and



Gregory K. Ingram

found a wide variety of evolving practices with strong differences between northern and southern countries.

Enhancing security of ownership. Making urban and rural property rights more secure is thought to increase investment in fixed facilities and to improve property owners' access to credit markets. Klaus Deininger and Gershon Feder reviewed experience with land titling projects in developing

countries, finding a mixed record especially when titling ignored local practices. Edesio Fernandes reviewed the evidence on the link between land titling and credit access, finding little support for the hypothesized relationship.

Environmental applications. Assigning property rights has been posited by economists as a way of incorporating environmental issues in market transactions. Dallas Burtraw and Rich Sweeney reviewed the income distributional consequences of the cap and trade systems being proposed for carbon emissions because of the large financial sums involved—ranging from one to three percent of GDP annually. Gerald Korngold then reviewed experience with private conservation easements and outlined the benefits and drawbacks of current practice.

Affordable housing. Inclusionary zoning approaches give developers greater powers to build affordable units in municipalities. Keri-Nicole Dillman and Lynn Fisher reported on the success of this property rights-based regulatory approach in terms of providing affordable housing units. Robert Ellickson then returned to first principles, exploring the efficiency and equity of supply-side versus demand-side subsidies in terms of their efficacy in promoting affordable housing.

Transitional economies. Property rights are playing a key role in the emergence of housing and land markets in urban and rural areas in transitional economies. Stephen Butler reviewed the case of Viet Nam, where long-term and stable land use rights have been developed along with land use right certificates. Dwight Perkins discussed the case of China, describing the evolution of urban and rural land use regulations and practices in essentially a dual system. Finally, Bertrand Renaud, Joe Eckert, and Jerome Anderson explored property rights and real estate privatization in Russia in comparison with other Eastern European economies. **L**

People or Place?

REVISITING THE WHO VERSUS THE WHERE OF URBAN DEVELOPMENT



© Ann LeRoy

The Dudley Street Neighborhood Initiative in Boston works with various partners to convert former vacant lots into affordable housing.

Randall Crane and Michael Manville

One of the longest standing debates in community economic development is between “place-based” and “people-based” approaches to combating poverty, housing affordability, chronic unemployment, and community decline. Should help go to distressed places or distressed people?

The question is not an easy one to answer. Poverty and unemployment are often spatially concentrated—whether in the large declining areas of a Detroit or a Buffalo, or a few blocks of small underperforming neighborhoods in otherwise economically healthy metropolitan econo-

mies. Marked by low incomes, high social service demands, deteriorating housing stock, and high unemployment rates, these places often have inadequate infrastructure and public services, failing schools, and few jobs matching the skills of residents.

The most direct step toward helping their residents would seem to be by rescuing these places, and indeed that is the focus of most economic development programs. Consider the popularity of enterprise zones, redevelopment projects, and tax increment finance districts, which target investments, job training subsidies, and tax breaks to residents and employers who locate in specific neighborhoods.

Education, safety, health, and inclusionary zoning programs also often restrict eligibility to families living in certain places. Public money frequently underwrites sports stadiums, convention centers, or large commercial districts in struggling neighborhoods (or cities), in the hope they will spur job growth and revitalization. When elected leaders and redevelopment agency staff talk of rebuilding New Orleans, resurrecting Detroit, or revitalizing downtown Buffalo, they have place-based strategies in mind.

Yet despite their prevalence and appeal, many researchers consider place-based programs wasteful and counterproductive. They argue that such strategies are too blunt and indirect at best, and at worst can be seen as ill-conceived bribes to force the poor to stay in poor places. By contrast, these scholars believe that so-called people-based aid—which is not limited to particular places, but rather is based on other personal circumstances—is less wasteful and better targeted, and allows residents of disadvantaged areas to move, if they prefer, to better opportunities without losing program eligibility. Instead of requiring people to stay in distressed areas to get help, these critics ask, why not just help them directly?

Reframing the Debate

That version of the people versus place debate is both incomplete and misleading (see Crane and Manville 2008). In particular, it plays down the dual nature of community economic development. One development challenge, concerned mainly with labor and housing market failures, is fundamentally redistributive in nature; another, less well articulated in the literature, concerns the provision of common community goods.

Problem 1 = Individual Poverty

In one set of community development problems, individuals lack adequate private resources such as food, job skills, jobs, inexpensive transportation, affordable housing, or adequate income. The most direct remedy in these instances is to provide resources through transfer payments. The design of these transfers to account for incentive problems—on both the supply and demand sides—is clearly essential. But another key question is whether transfer design should have a geographic component: Should we simply give poor people money or housing vouchers, or should we also, for example, locate

new facilities in their neighborhoods, or try to induce more development where poor people live?

Among academics, and especially among economists, the usual answer is to avoid place-based strategies. Place conditions may have a role in locating and identifying concentrated poverty or unemployment, but they too often add more costs than benefits, especially if the intended purpose of a policy is to increase the incomes of the disadvantaged. Perhaps most obviously, the benefits of place-specific investments accrue primarily to landowners. If landowners are not the intended recipients—and often they are not, since they frequently are not poor—then the place-based program is an inaccurate instrument for redistribution.

In addition, place strategies define beneficiaries spatially, often arbitrarily so, and they discourage movement out of distressed areas by people who might be well served by moving to a different place. Properly designed and implemented, people-based programs—such as vouchers or income tax breaks—simply give more bang for the buck.

Problem 2 = Spatial Externalities + Community Goods

Lack of resources may be the main problem of low-income persons, but it is not their only problem. Their neighborhoods also tend to lack resources, as evidenced by neglected infrastructure, underperforming schools, and insufficient police protection.

Thus a second broad category of community development challenges is characterized by spatial market failures, where specific places experience underinvestment and inadequate provision of spatial public goods, including safety, education, transit, community identity, political networks, and the spatial externalities of geographically linked housing and labor markets. Such failures are quite common and rarely treatable by transfers alone. Indeed, they are hard to treat at all since they represent classic public goods dilemmas, where measuring demand, determining supply, and financing are all extremely problematic.

Evaluating the Problems Together

Another way to view this debate, then, is as an evaluation of two distinct though not wholly separate problems. One is reducing individual poverty, best accomplished with direct transfers to individuals.

The other is providing, coordinating, and financing community-based shared goods, such as local education and public safety. In one sense, direct transfers to individuals can help resolve the public goods problem if the individual recipients simply move to places with better public services. But not all individuals will want or be able to do this.

When these two problems are conflated, policy can lose focus. The remainder of this article recaps the critique of place conditions in development aid, then discusses the place-based public goods problems of community development.

The Case Against Place

Winnick (1966) may have been the first scholar to analytically contrast the means and ends of place-based with people-based policies. He rejected place-based policies for several reasons that have been revisited and expanded recently by Edward Glaeser, whose widely read and provocatively titled essays include “Should the Government Rebuild New Orleans, Or Just Give Residents Checks?” (2005) and “Can Buffalo Ever Come Back?” (2007). (Short answers: checks, and probably not.) This critique of place-based aid has three main elements: targeting, coverage, and mobility incentives.

Targeting refers to the success (or failure) of identifying and truly helping intended beneficiaries. While place-oriented strategies invest resources into distressed places, there is no guarantee that the resources actually reach distressed people. New jobs in poor areas often go to nonpoor residents, or to newly attracted in-migrants. When tax dollars from wealthy areas flow to poorer areas, invariably some poorer people in richer areas pay to help some richer people in poorer areas. This satisfies neither the equity-minded nor the efficiency-minded critic.

Coverage is a related metric, referring to the share of the intended beneficiary base reached. What proportion of the poor or unemployed is helped by the intervention? If assistance is targeted to a neighborhood with concentrated poverty, who is left out? A place-based policy that dedicates housing assistance to one poor neighborhood may ignore many individuals in other neighborhoods, both poor and nonpoor, who also cannot afford housing. A more equitable program would condition the program on income, housing costs, or some ratio of the two, rather than on location alone.

Mobility: The third critique is that place-based conditions send incorrect signals, especially about where to live and work. As a general matter, it is well known that transfers that do not distort decisions—that is, do not change the choice between any two options—are known as “first best” or the most efficient means of shifting resources. To the extent that place conditions increase the attractiveness of specific locations to individuals, they distort the location decision and are thus not first best.

Put another way, if a place lacks good jobs or schools or housing, then conditioning assistance on living or working there effectively both rewards and punishes recipients. The reward, of course, is the aid. The punishment is the requirement that the individual remain in an area that does not serve his or her interests. At its worst, a place-based policy encourages people to stay when they might be better off going. Enterprise zones and some affordable housing programs illustrate this dilemma.

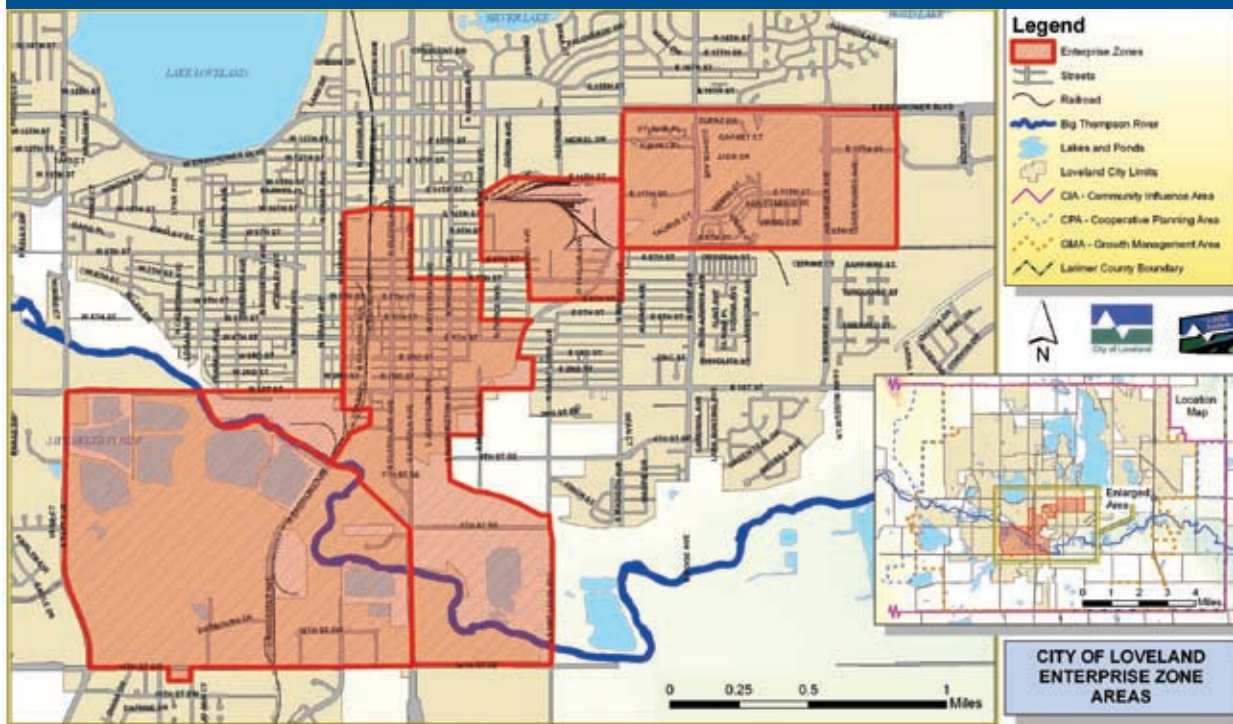
Enterprise Zones

Economic development officials may choose to fight unemployment or poverty in a disadvantaged area by implementing a so-called enterprise zone, which attracts a new firm to the zone via the associated subsidies (see figure 1). Who benefits?

The firm benefits, because its operating costs are reduced. Local landowners benefit, because increased investment will also increase property values. If the increased property values and the new business activity generate tax revenue that exceeds the size of the incentives, then state and local governments might also benefit—although this is true only if the zone’s tax breaks were the decisive factor in the firm’s location and expansion decisions. If the firm builds a new plant or office, then developers and local trade unions benefit. And the local appointed and elected officials who created the enterprise zone benefit, because the arrival of the firm is visible evidence of their commitment to, and success in, fighting economic distress.

Do the unemployed and underemployed residents benefit? They may, if the new firm hires them. But the new firm might be capital intensive and hire relatively few people, or it might hire skilled workers from outside the distressed area, or it might hire nonpoor workers from the area. Moreover, whatever wage gains accrue to those who are

FIGURE 1
Enterprise Zones Identify Specific Areas for Economic Development



Used with the permission of the City of Loveland, Colorado.

both local and newly employed will need to exceed the costs imposed by the higher rents and higher prices that will accompany rising land values. For that matter, other local workers may suffer as a result of the enterprise zone, if property values and prices rise, but their wages do not.

So the enterprise zone definitely benefits the subsidized firm, potentially benefits the state and local governments, might benefit the local unemployed, and might benefit (or harm) other local workers. The most certain gains accrue to those least in need, while the least certain gains accrue to those most in need.

Mixed-income Housing

Do project-based affordable housing programs, such as inclusionary zoning, offer advantages that people-based programs do not? Ellickson (2008) concludes that the Low Income Housing Tax Credit (LIHTC), which has financed 1.6 million units since the mid-1990s, is a superior program to traditional public housing, but he finds vouchers to be even better than project-based inclusionary zoning requirements, essentially for all the reasons reviewed above. If the goal is to improve access to low-income housing, a people-based program of vouchers is less wasteful and more targeted, and interferes less with individual mobility.

The Case for Place

The standard arguments against place-based programs upset many observers, especially to the extent they appear callous and defeatist, and imply that some cities or neighborhoods will inevitably decline. Our objection to this view is that the critique unnecessarily oversimplifies the goals, mechanisms, and tradeoffs of community economic development. This is particularly true of local public goods problems, but there are some potential respects in which place can be useful for addressing redistribution as well.

Poverty

If the policy goal is simply to increase individual resources, then the standard critique asserts that place conditions are only second best. However, there may be instances where second best is the best available.

The first area is targeting. Since poverty is often spatially concentrated and imperfectly documented, place conditions can sometimes reduce targeting costs. Location might help policy makers identify the intended beneficiaries of poverty reduction strategies, especially where concentrations are particularly pronounced (e.g., the urban core) or where data are especially incomplete (e.g., areas with a large and continuing inflow of immigrants,

not all of whom are documented). Of course, whether the benefits of improved targeting outweigh the costs imposed by any distortions is a crucial empirical question, varying from case to case.

Place-based programs may also offer advantages in project finance, if the land value benefits



Photodisc

Place-based strategies can enhance the provision of public goods such as better educational opportunities.

of a place-based program can be recaptured and redistributed, as in the case of some Community Benefit Agreements. CBAs are side contracts between developers and community groups that include agreements to raise wages, set aside affordable housing, or make other labor, housing, and social service arrangements. Perhaps the best known CBA is associated with the development of the Staples Center in Los Angeles, but others have been negotiated with various terms and differing degrees of legal and economic success.

Are such programs superior to direct transfer payments? In ideal circumstances, probably not. But in political climates where federal redistribution levels are small or volatile and other transfers are unavailable, these agreements might be both self-financing and feasible.

Public Goods

The most important role for place-based strategies lies in the provision of public goods. A large body of research investigates the idea that places can have an independent influence on material well-being (Fainstein and Markusen 1992–1993). Residents of areas with concentrated poverty often suffer from more than limited individual resources; they also send their children to inadequate schools, and are more likely to be victims of crime, or to commit crimes.

Social networks have spatial features, as places can provide (or fail to provide) good role models and peer pressure for children to succeed in school and avoid criminal activity. Other local networks help people find jobs, mind children, and cope with the challenges of everyday life (Bolton 1992). Transfer payments alone are unlikely to improve these conditions. The production of public goods involves cooperation, coordination, and often a certain level of property wealth. When one or all of these is lacking, necessary public services are underprovided, and the problems of poor places are compounded.

Poor schools are an affront to equality of opportunity, and crime can rapidly turn a marginal area into a bad one. Social researchers have long believed that urban crime was a direct result of urban poverty, but more recent evidence suggests the opposite may be true: unsafe places become poor. Cities or neighborhoods burdened by high crime rates are unattractive to visitors and investors, and unsafe streets and parks stifle the spontaneous interactions that sustain a community’s social and economic life (Wilson 1987; Cook 2008).

Reducing crime rates, and especially violent crimes, can dramatically alter the fortunes of a neighborhood. Yet in most of the United States, both education and police protection are provided geographically, through place-based financing mechanisms. There is little reason to believe that this should not be the case in low-income areas.

Resolving the breakdown in public goods provision by moving distressed people into nonpoor neighborhoods forgets that the provision of public goods in nonpoor neighborhoods is often predicated on the exclusion of low-income households. Affluent communities use the place-based power of zoning to prevent low-income people from moving into those communities, and the class homogeneity that results is what facilitates the willingness to pay for public services (Fischel 2001).

For this reason, programs designed to facilitate the mobility of low-income households, such as Section 8 vouchers, rarely transfer people from high-poverty neighborhoods to high-income ones, in part because high-income neighborhoods have little affordable rental housing. So Section 8 recipients tend instead to move from high-poverty neighborhoods into areas of moderate poverty, and in these areas public goods provision is still a concern (Galster 2005).

If we assume that poverty is unlikely to deconcentrate to a large degree in the near future, then we can also see a role for place-based investment. If people are living in distressed areas and either cannot leave (because zoning in more affluent areas prevents their migration) or choose not to leave (because they have networks and attachments in their current neighborhoods), even a generous transfer program does not exempt government from providing basic levels of education and public safety.

Community Land Trusts

This kind of problem thus rationalizes the appropriate use of a wide range of place-based investments, programs, and planning strategies. One example is the community land trust (CLT), a place-based nonprofit organization formed to hold title to land in a way that preserves its long-term availability for affordable housing and other community uses (Davis and Jacobus 2008). Residents usually continue to own their homes as individuals, but the land is owned separately by the CLT. Land is normally leased, and resale prices are controlled to permit equity on the investment, but not windfalls, in order to keep homes affordable to future members of the community.

There are more than 200 CLTs nationally. In the heart of affluent Orange County, California, the City of Irvine created an ambitious program after it realized it had lost hundreds of affordable ownership units and millions of dollars of public subsidy to market speculation. The Irvine Land Trust projects that 10,000 units of housing—roughly 10 percent of the city’s housing stock—will be preserved for the long term (Abromowitz and Greenstein 2008).

People and Their Places

The debate over place-based development encompasses two distinct problems, often blurred together. One concerns targeting individuals for labor market, housing market, and/or social service assistance. In this case, place conditions are second best in principle to more direct, or people-based, development instruments, though they may have value in specific instances in identifying problems and intended beneficiaries.

But second, even in a world of generous transfer payments, many low-income households are clustered in areas characterized by low levels of property wealth and high numbers of renters. In many such circumstances, vital local public goods

ABOUT THE AUTHORS

RANDALL CRANE is professor of urban planning at the University of California, Los Angeles, visiting scholar at the Harvard University Graduate School of Design, and visiting fellow at the Lincoln Institute of Land Policy. Contact: crane@ucla.edu

MICHAEL MANVILLE is a Ph.D. candidate in urban planning at UCLA. Contact: mmanvill@ucla.edu

REFERENCES

Abromowitz, D., and R. Greenstein. 2008. A foreclosure-free option. *The Boston Globe*, January 23.

Bolton, R. 1992. “Place prosperity” vs. “people prosperity” revisited: An old issue with a new angle. *Urban Studies* 29, 185-203.

Cook, P. 2008. Assessing urban crime and its control: An overview. NBER Working Papers 13781. Cambridge, MA: National Bureau of Economic Research.

Crane, R., and M. Manville. 2008. People or place? Revisiting the who versus the where in community economic development. Working Paper. Cambridge, MA: Lincoln Institute of Land Policy.

Davis, J., and R. Jacobus. 2008. *The city-CLT partnership: Municipal support for community land trusts*. Cambridge, MA: Lincoln Institute of Land Policy.

Ellickson, R. 2008. The mediocrity of government subsidies to mixed-income housing projects. Paper prepared for the Conference on Land Policies and Property Rights, Lincoln Institute of Land Policy, June.

Fainstein, S., and A. Markusen. 1992–1993. The urban policy challenge: Integrating across social and economic development policy. *North Carolina Law Review*.

Fischel, W. 2001. *The homevoter hypothesis: How home values influence local government taxation, school finance, and land-use policies*. Cambridge, MA: Harvard University Press.

Galster, G. 2005. Consequences from the redistribution of urban poverty during the 1990s: A cautionary tale. *Economic Development Quarterly* 19(2):119–125.

Glaeser, E. 2005. Should the government rebuild New Orleans, or just give residents checks? *The Economists’ Voice* 2.

———. 2007. Can Buffalo ever come back? *City Journal*, Autumn.

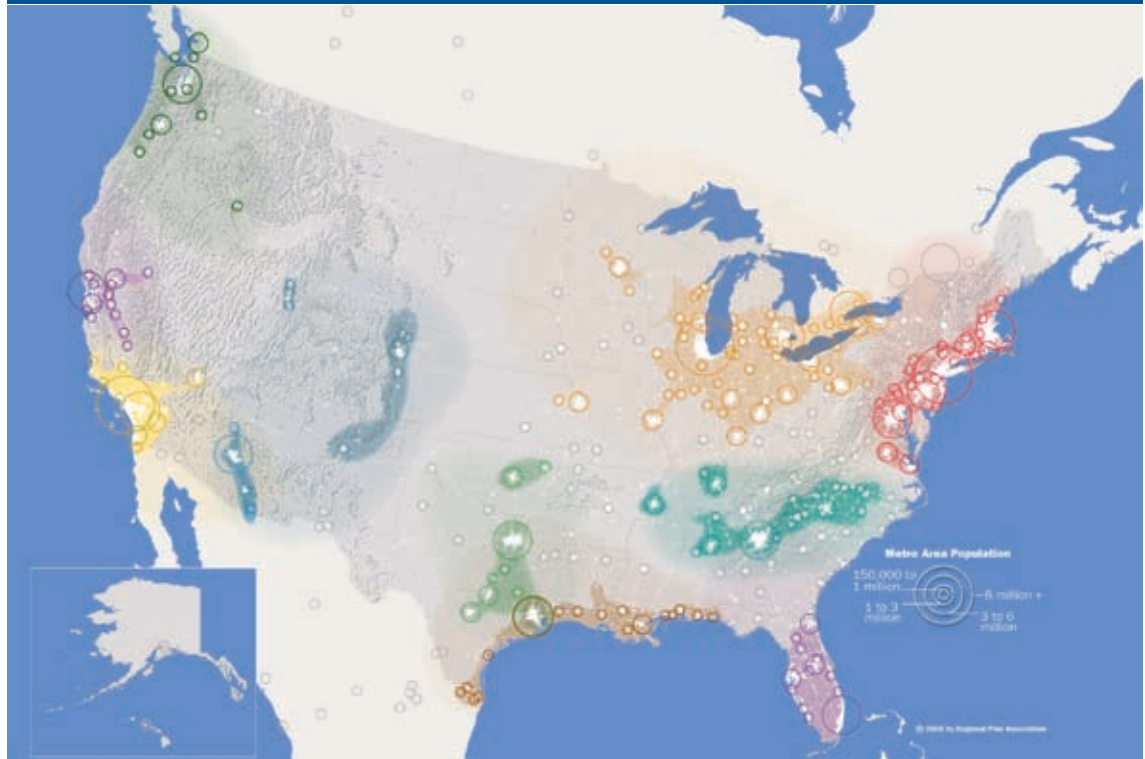
Wilson, W. 1987. *The truly disadvantaged: The inner city, the underclass, and public policy*. Chicago: University of Chicago Press.

Winnick, L. 1966. Place prosperity vs. people prosperity: Welfare considerations in the geographic redistribution of economic activity. *Real Estate Research Program, UCLA, Essays in Urban Land Economics in Honor of the Sixty-Fifth Birthday of Leo Grebler*, 273–283.

are likely to be underprovided, and it is appropriate for policy makers to channel money to those places for schools, policing, and infrastructure. Even if our ultimate goal is the complete deconcentration of poverty (a goal toward which America has made real progress in the last twenty years), we should acknowledge that in the meantime much poverty is likely to remain spatially bounded. And so long as that is so, there will be a place for place-based economic development strategies. ■

After Sprawl: THE

FIGURE 1
Megaregions Are Growing Across the United States



Source: America 2050 Program, Regional Plan Association, New York

Rutherford H. Platt

Fifty years ago, a heretical little book turned the smug assumptions of city planning of the 1950s upside down. Aggressively titled *The Exploding Metropolis: A Study of the Assault on Urbanism and How Our Cities Can Resist It* (Editors of *Fortune* 1958), the book comprises essays by five journalists self-described as “people who like cities.” Two of the writers, William H. Whyte, Jr. and Jane Jacobs, would become renowned for their perspectives, first expressed in this book, that challenged post-war urban policies on two fronts—at the fringe (“Urban Sprawl” by Whyte) and at the core (“Downtown is for People” by Jacobs and “Are Cities Un-American?” by Whyte).

Witnessing the loss of treasured rural landscapes to bulldozers in his home region of Chester

County, Pennsylvania, and elsewhere, Whyte may have been the first writer to name the process of “urban sprawl” and deplore its consequences in practical terms:

Sprawl is bad aesthetics; it is bad economics. Five acres are being made to do the work of one, and do it very poorly. . . . And it is unnecessary. . . . it is not too late to lay down sensible guidelines for the communities of the future. . . . It is not too late to reserve open space while there is still some left—land for parks, for landscaped industrial districts, and for just plain scenery and breathing space. (Whyte 1958, 117)

The Exploding Metropolis helped to trigger a reaction against the prevailing view that sprawl was inevitable and desirable, as in Jean Gottmann’s *Megalopolis*, in which he described the chain of

HUMANE METROPOLIS

cities along the U.S. northeastern seaboard as “a stupendous monument erected by titanic efforts” (1961, 23). But in the same year, the prescient Lewis Mumford demurred: “The ultimate effect of the suburban escape in our time is, ironically, a low-grade uniform environment from which escape is impossible” (1961, 465).

Landscape architects gradually joined the fray—Kevin Lynch (1960) in *The Image of the City* deplored the depressing spread of highway and suburban landscapes. Ian McHarg (1968) urged urban professionals to “design with nature” and Anne Whiston Spirn (1985, 5) famously added: “The city, suburbs, and the countryside must be viewed as a single, evolving system. . . . Nature in the city must be cultivated, like a garden, rather than ignored or subdued.”

Harmful impacts of sprawl in terms of air and water pollution, waste of energy and time, traffic congestion and highway accidents, lack of affordable housing, increased flooding, and loss of biodiversity have been widely documented (Platt 2004, ch. 6). Also, the fiscal impacts of sprawl on local communities have been evaluated by researchers at the Brookings Institution, the Lincoln Institute of Land Policy, and elsewhere.

Slaying the “beast of sprawl” has been the Holy Grail of planners and land use lawyers for decades, stimulating the development of new tools like planned unit development (PUD), cluster zoning, subdivision exactions, preferential taxation of farm and forest land, transfer of development rights (TDR), state land use planning, and growth management. Reflecting the antisprawl fervor of the 1970s, a prominent policy report titled *The Use of Land* euphorically declared:

There is a new mood in America. Increasingly, citizens are asking what urban growth will add to the quality of their lives. They are questioning the way relatively unconstrained, piecemeal urbanization is changing their communities and are rebelling against the traditional processes of government and the marketplace. (Rockefeller Brothers Fund 1973, 33)

A “new mood” notwithstanding, sprawl has continued relentlessly with the encouragement of government policies and programs, including home loan subsidies, federal tax deductions for mortgage interest and property taxes, interstate highways, sewer and water grants, and low-density zoning laws. In 2008, 50 years since *The Exploding Metropolis* and 35 years since *The Use of Land*, it is difficult to claim victory in the war on sprawl. Certainly there have been regional and local successes in land conservation, such as the Cape Cod National Seashore, the Indiana Dunes National Lakeshore, the protection of Sterling Forest as a water source for northern New Jersey, and the hundreds of patches of woods, farmland, wetland, prairie, desert, alpine meadow, or rainforest which have been protected by government, land trusts, and grassroots advocacy.

The overall picture, however, is one of unremitting sprawl beyond the wildest imaginings of *The Exploding Metropolis* authors. Gottmann’s *Megalopolis* of 1961 has since expanded into New Hampshire and southern Maine, west to the Berkshires in Massachusetts, to the Poconos in eastern Pennsylvania, and south at least to Richmond, Virginia—embracing parts of 13 states and containing nearly 50 million people (Platt 2006, 314). Figure 1 shows nine other “megaregions” that have similarly “exploded” (Carbonell and Yaro 2005; Lang and Dhavale 2005).

Defining the Humane Metropolis

The failure to control sprawl is widely blamed on the usual suspects—the private market, the property rights movement, conservative politicians and courts, zoning, and tax laws—but a more constructive response is to take a deep breath and ask “What next?” The vast regions already covered by sprawl comprise our present and future homes, for better or worse. An appropriate answer to “What next?” is to evaluate what needs to be done to make our metropolitan areas more habitable and sustainable, and how to meet those needs from here on.

This line of thinking led to the concept of “The Humane Metropolis,” which is more than a semantic

Community activist Will Allen, a former professional basketball player, established and now directs Growing Power, Inc., which operates a network of urban gardening and youth training programs in Milwaukee and Chicago.



© Rutherford H. Platt

counterpoint to *The Exploding Metropolis* (Platt 2003; 2006). It represents a paradigm shift in thinking about urbanism and its possible outcomes. Bemoaning the state of our cities and suburbs, as many popular writers have done, is not constructive in itself. More useful, to paraphrase the optimistic Whyte, is to recognize that it is “not too late” to make incremental repairs and improvements in the urban fabric we have collectively woven.

The Humane Metropolis perspective embraces various strategies and initiatives now in progress that seek to make urban communities from neighborhoods to regions more:

- *green*—to protect and restore urban biodiversity and ecological services;
- *healthy and safe*—to encourage outdoor exercise and fitness, find relief from noise and stress; reduce risk of floods, fire, and crime.
- *efficient*—to promote better use of water, energy, materials, time, funding, and other resources;
- *equitable*—to improve environmental and social justice and provide both affordable housing and access to jobs; and
- *neighborly*—to enjoy encountering each other in shared urban spaces and activities (e.g., tree planting) that reflect pride of place and a sense of belonging to a larger community.

The Humane Metropolis was launched as the focus of a 2002 symposium in New York City supported by the Lincoln Institute, Laurance S. Rockefeller, and others (Platt 2003) and documented in the book *The Humane Metropolis: People and Nature in*

the 21st Century City (Platt 2006). The volume’s 27 contributors began to map the terrain of more humane cities and suburbs in terms of the following widely used initiatives.

- Rehabilitation and adaptation of older city parks and green spaces
- Protection and restoration of urban wetlands and other sensitive habitat
- Preservation of old growth trees and forest tracts
- Development of greenways and rail trails
- Urban gardening and markets
- Green buildings
- Brownfield remediation and reuse
- Urban watershed management
- Urban environmental education
- Environmental justice

Spreading the Word

The Humane Metropolis perspective is gaining wider attention through its Web site and writings by the author and other observers (see Peirce 2007), and through a series of regional public workshops sponsored by the Lincoln Institute in collaboration with the Ecological Cities Project.

Pittsburgh was selected for the first workshop site in March 2007 as a Rustbelt city and region facing many economic, social, and environmental challenges, but with a remarkable array of community and watershed initiatives in progress. Located where the Allegheny and Monongahela Rivers meet to form the Ohio River, Pittsburgh’s twentieth-century history was a chronicle of the rise and

fall of the steel industry, coal mining, and railroads.

Between 1970 and 2000, Pittsburgh's population declined by 35.7 percent, from 520,000 to about 334,000. Its metropolitan area population also declined during the 1970s, but has since increased and stabilized at more than 2.3 million. Reflecting its changing economic functions in the national and global context, Pittsburgh's residents are like a diminished "family" inhabiting an aging but still elegant "mansion" constructed for a larger household in more prosperous times.

But the city is energetic! The Allegheny Conference on Community Development, a coalition of major corporations, universities, foundations, and NGOs has attacked the economic malaise of the region, building on its strengths in medical research, education, high technology, and tourism. Concurrently, an array of environmental and community improvements are being pursued by regional organizations including Sustainable Pittsburgh, Pittsburgh Parks Conservancy, Southwestern Pennsylvania Commission, Pennsylvania Environmental Council, and the Riverlife Task Force, which is creating a ten-mile system of waterfront parks along Pittsburgh's three rivers.

In many respects, Pittsburgh is reinventing itself as a post-industrial metropolis based on new appreciation of its history, architecture, social diversity, cultural vitality, and environmental amenities. New energy is reflected in innovative partnerships involving government at all levels, private compa-

nies, nongovernmental organizations, foundations, and citizen groups of all kinds.

The workshop explored some of the pathways by which Pittsburgh and other cities are becoming more humane. Speakers and panelists from the city and region addressed urban stream and wetland restoration, urban gardens on vacant lots and school sites, healthful outdoor activities (e.g., rail trails), brownfield reuse, environmental education, and people-friendly parks and public spaces.

The second regional workshop was held in January 2008 in Riverside, California, the demographic antithesis of Pittsburgh. With more than 4 million residents in Riverside and San Bernardino counties, this area, known locally as the Inland Empire, ranks fourteenth in population among U.S. metropolitan areas and is one of the five fastest growing regions in the nation. In 2005 alone, Riverside County experienced the second highest county growth rate in California. Much of the Inland Empire's extraordinary population growth is due to households moving from coastal counties in search of more affordable housing, but often with the tradeoff of lengthy commutes to jobs elsewhere. This migration has caused worsening traffic congestion, degradation of air quality, and reduced time for personal and family life. And currently, the Inland Empire housing market is experiencing a high rate of adjustable mortgage foreclosures.

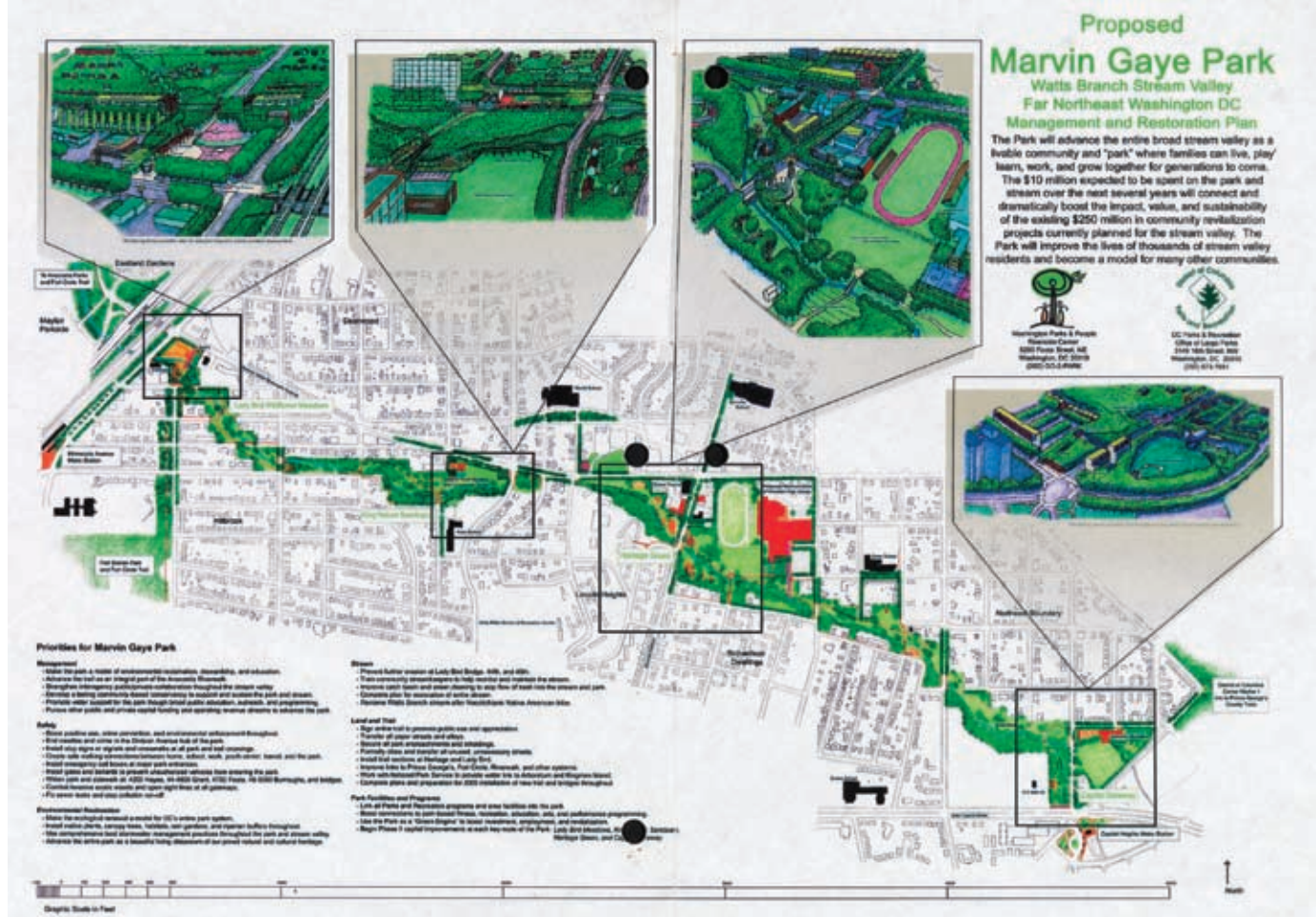
Known for its spectacular scenery, outdoor recreation opportunities, and diverse natural habitats



Enhancing the lower West Side of Manhattan, the Highline Greenway Park is being constructed on an abandoned elevated rail viaduct. This community project is managed by Friends of the Highline with many public and private partners.

© Rutherford H. Platt

FIGURE 2
The Proposed Marvin Gaye Park in Washington, DC, Is a Community-based Project



Created by Mary Belcher for Washington Parks & People. Reprinted with permission of the artist.

Watts Branch, a tributary to the Anacostia River in Washington, DC, is the focus of neighborhood clean-up and revitalization efforts. It has been designated the Marvin Gaye Park after the musician whose career began in the neighborhood.

and wildlife, the Inland Empire is also vulnerable to various natural hazards and environmental constraints. Development on forested mountain slopes has heightened the risk of wildfires during dry periods. The region experiences alternating cycles of drought and flash floods, and is at risk from earthquakes and landslides due to widespread seismic faults. In the face of population growth and climate change, water supply is a growing concern. And the extraordinary biological diversity and sensitive habitats of the region are threatened by expanding development.

This Lincoln Institute workshop was planned in collaboration with the Riverside Land Conservancy, the Blakely Center on Sustainable Suburban Development at the University of California at Riverside, and the Green Valley Initiative. Session topics focused on such topics as environmental and social challenges to the Inland Empire, greening the urban infrastructure, environmental justice, and urban watershed management.

Taking an Ecological Approach

Clearly we have come a long way from the top-down, macro plans that prevailed from the City Beautiful Movement in the early 1900s through the urban renewal era of the 1960s. Unlike architect- and developer-driven concepts of urban design, the Humane Metropolis has few aesthetic preconceptions, and it eschews grand plans, textbook designs, and megadevelopment that breeds gentrification.

Instead, efforts to make existing urban places more humane are typically home-grown and bottom-up. They are often scattered, uneven, and underfunded. But like ecological organisms they thrive on diversity—of goals, means, participants, disciplines, and (one hopes) viewpoints. They are opportunistic, as with Manhattan’s High Line Greenway Park, and they depend upon community catalysts like Will Allen, the founder of Milwaukee’s Growing Power urban farming program, Majora Carter of Sustainable South Bronx, Jane Block of the Riverside (California) Land Conser-

vancy, and Mike Houck, an urban eco-activist in Portland, Oregon.

Some initiatives are related to larger national movements focused on social and environmental justice, affordable housing, physical fitness, public health, natural disaster mitigation, reduction of global and local climate change. Most involve public-private partnerships, which sometimes evolve into regional alliances like Chicago Wilderness. Many foster social interaction among diverse populations sharing a common resource like a watershed, thus promoting what ethicist Andrew Light (2006) terms “ecological citizenship.”

Concerning urban water resources, for instance, many local streams are today being rehabilitated through coordinated efforts to improve water quality, restore habitat and fisheries, alleviate flooding, and promote recreation under the guidance of progressive groups like the Charles River Watershed Association in the Boston area or the Nine Mile Run Watershed Association in Pittsburgh. Stream-based initiatives in turn must be coordinated with, and contribute to, parallel efforts to promote sustainable economic development, affordable housing, environmental education, public health, and environmental justice.

Above all, the Humane Metropolis perspective is synergistic. Society tends to divide its attention and resources among competing needs, e.g. jobs, housing, education, health, and environment, and then address each one separately, if at all. But at the scale of urban communities (however defined), all immediate needs must be confronted simultaneously or progress in one area will be undermined by failure in others.

Ecology is “messy,” however, and so are older communities like Brooklyn’s Red Hook and Williamsburg, Boston’s Dudley Street, Pittsburgh’s Hill District, the vicinity of Cleveland Ecovillage, and Watts Branch in Washington, DC. But these and many other distressed neighborhoods are struggling to reinvent themselves—to plant vacant lots, clean up stream corridors, create new recreation spaces, and improve affordable housing and access to jobs.

Since 1985 in Boston, for example, the Dudley Street Neighborhood Initiative, which serves a mixed population of white, black, Latino, and Cape Verdean residents, has converted hundreds of vacant lots from illegal dumps to building sites for more than 600 units of affordable housing. Associated projects have improved local parks and schools, created urban gardens, and enhanced so-

▶ ABOUT THE AUTHOR

RUTHERFORD H. PLATT is professor of geography emeritus at the University of Massachusetts Amherst and a senior fellow at the Institute for Sustainable Cities, City University of New York. He founded the Ecological Cities Project in 2000 as a program of research, teaching, and outreach on urban sustainability. The Humane Metropolis™ has been registered by the author. Contact: platt@geo.umass.edu

▶ REFERENCES

- Carbonell, Armando, and Robert D. Yaro. 2005. American spatial development and the new megalopolis. *Land Lines* 17(2): 1–4.
- Editors of *Fortune*. 1958. *The exploding metropolis: A study of the assault on urbanism and how our cities can resist it*. Garden City, NJ: Doubleday Anchor Books.
- Gottman, Jean. 1961. *Megalopolis*. Cambridge, MA: MIT Press.
- Lang, Robert E. and Dawn Dhavale. 2005. America’s megapolitan areas. *Land Lines* 17(3): 1–4.
- Light, Andrew. 2006. Ecological citizenship: The democratic promise of restoration, in Platt, 2006.
- Lynch, Kevin. 1960. *The image of the city*. Cambridge, MA: MIT Press.
- McHarg, Ian. 1968. *Design with nature*. Garden City, NY: Natural History Press.
- Mumford, Lewis. 1961. *The city in history*. New York: Harcourt, Brace, and World.
- Peirce, Neal. 2007. The humane metropolis: Are we ready? www.humane-metropolis.org.
- Platt, Rutherford H. 2003. Holly Whyte: Visionary for a humane metropolis. *Land Lines* 15(1): 1–3.
- _____. 2004. *Land use and society: Geography, law, and public policy*, rev. ed. Washington, DC: Island Press.
- _____, ed. 2006. *The Humane metropolis: People and nature in the 21st century city*. Amherst and Boston: University of Massachusetts Press in association with the Lincoln Institute of Land Policy.
- Rockefeller Brothers Fund. 1973. *The use of land: A citizens guide to urban growth* (William K. Reilly, ed.). New York: Thomas Y. Crowell Co.
- Spirn, Anne Whiston. 1985. *The granite garden*. Cambridge, MA: MIT Press.
- Whyte, William H., Jr. 1958. Urban sprawl. In *The exploding metropolis: A study of the assault on urbanism and how our cities can resist it*, Editors of *Fortune*. Garden City, NJ: Doubleday Anchor Books.

cial services. Watts Branch, a small tributary to the Anacostia River in Northeast Washington, DC, is the focus of community-based efforts to remove trash, plant trees and restore native vegetation, and promote outdoor exercise (see figure 2).

The Humane Metropolis ultimately evolves from informal communication, prompted by local leadership, leading to alliances that help to bridge the divides among efforts to meet disparate social priorities. It is a process and perspective, not an end state. It reflects the acceptance that we are a metropolitan nation, and we might as well make the best of it. **L**

Urban Housing Informality: Does Building and Land Use Regulation Matter?

*Ciro Biderman, Martim Smolka,
and Anna Sant'Anna*

New evidence from Brazil indicates that the regulation of land use and building standards can reinforce other factors that contribute to informal and irregular urban land occupation.

The magnitude and persistence of informality in Latin American cities cannot be fully explained by poverty rates (which are declining), insufficient public investment in social housing or urban infrastructure (which is expanding), or even government tolerance of certain opportunistic practices on the part of informal developers and occupants (*The Economist* 2007). While these factors are undoubtedly important, inappropriate land use and building regulation also seems to play a role in the resilience of the problem. It can be argued as a corollary that an alternative regulatory framework may help to alleviate informality in urban land markets.

The connection between informality and excessive housing standards is not really new in the literature (Turner 1972); and the economic connection between land use regulation and the elasticity of housing supply was proposed by Ellickson (1977). What is new is applying to developing countries the same framework used to understand the housing price dynamics in the United States. The few empirical papers in economics attempting to connect regulation and land use have not formally modeled the substitution between formal and informal markets. Consequently they did not use the differences in the two markets as their main variables.

The Scope of the Problem

Informality and precarious housing are major concerns in developing countries. According to United Nations estimates there are more than one billion slum dwellers worldwide, accounting for 32 percent of the global urban population (UN Habitat 2006).

In Latin America, the percentage of irregular housing measured by observable indicators such as land tenure or sewer connections is declining in some countries, albeit at uneven rates. Disregarding the prevalent dispute around the proper measure of informality, in most Latin American cities the problem is still sizeable, and a better understanding of its dynamics is necessary to inform sound housing policy.

In practice, measurable indicators of informality based on lack of land title or access to infrastructure and services are easier to obtain than those based on noncompliance with land use regulations and building standards. Poverty (in all dimensions) and insufficient public investment (in social housing, infrastructure, and services) are the common explanations for the persistence of informality. But there is also increasing awareness that urban land markets in general and urban norms and regulations in particular are relevant contributing factors.

High transactions costs in urban land markets accrue from red tape, lack or obfuscation of information, and discriminatory practices, as well as from other market dysfunctions derived from land ownership structure, monopolistic and speculative practices, and land use and building regulation that hinder compliance by low-income families. These factors increase market inefficiency and sustain informality.

In this article we argue that land use and building regulation managed by urban planners and officials at the local level may actually contribute to the incidence of informality. Among the 20 percent of Brazilian municipalities that reduced poverty the most over the past nine years, 23 percent also reduced untitled housing drastically, but 24 percent increased informality by more than 3.2 percent, the fastest pace observed in the country (IBGE 1991; 2000). Such differences in the performance of the low-income housing market cannot be explained only by the incidence of poverty, the



The favela Jardim Fontalis clings to a hillside adjacent to a highway in São Paulo.

© Eduardo Krapp

© Martin Smolka



In spite of crowded and insecure conditions, many people enjoy the social networks of their informal settlements.

pace of urbanization and population growth, or other commonly used macro-level measures.

The Pros and Cons of Urban Regulation

Urban regulation benefits housing policy because it solves a property rights problem. Regulating the distance between houses, for instance, helps preserve the privacy rights of others. Regulations also help solve externality problems. For example, not regulating house set-backs might lead to public health problems due to increased humidity, the lack of light, or serious safety issues. In this case, the regulation eliminates negative externalities and increases the overall welfare of the residents.

Regulations can also have a beneficial impact by reducing the information gap in the market. If there are no predefined building standards, developers may take advantage of inexperienced buyers and overcharge them for a house that is unsafe, or sell them a plot in a new development that does not provide for adequate services, as so often is the case.

But there are potentially negative aspects to regulation as well. One consequence is the obstacle of cumbersome procedures that can lead to corruption. It is not uncommon for a subdivision license to take more than four years to be issued, for example. In their classic study, Mayo and Angel (1993) associate the complicated regulatory framework of Malaysia with corrupt officials attempting to capture rent from the population in exchange for relaxing norms, expediting licensing, and otherwise making regulatory exceptions.

Second, some regulations such as zoning ordinances can result in income segregation in certain

neighborhoods by establishing minimum standards that raise prices and effectively deter lower-income households from competing in the formal market. High house prices may be due to higher demand, but also to the lower elasticity of supply caused by such exclusionary regulations and restrictions. Malpezzi (1996) has emphasized the exclusionary aspect of land use regulation in the United States that limits integration of low- and high-income residents with the specific intention of avoiding subsidies for schools and other local public services.

Biderman (2008) furnishes evidence from Brazil to support the proposition that poor households often choose informal (untitled) houses over formal (titled) houses in response to regulations that require additional costs or “credentials” to enter the formal market and/or reduce design flexibility for house construction. This exclusionary aspect of urban regulation holds true in Brazil for infrastructure and other public services because they are seldom provided in the slums in any case. In fact, until 1988 municipalities were officially prevented by law from servicing irregularly occupied land, even though some did so in practice.

The political economy behind the exclusionary aspects of regulation has a long-standing precedent in Brazilian history. The *Sesmarias* system of land tenure rights, instituted by King Ferdinand I of Portugal in 1375, provided tenure through either royal concession (for the elite) or proof of productive use of the land (for those with the means to produce). Brazilian municipalities continue to enforce urban regulations in some areas of the city, but not in others (Rolnik 1997). The removal rather than upgrading of slums in high-income, inner-city neighborhoods is a case in point. This double standard allows for the accommodation of the poor in certain areas without investing in infrastructure and service provision.

Other reasons for the presence of unreasonable regulations in Brazilian cities today include the rent-seeking behavior of officials that results in their resistance to regulatory reform, and the regulator’s response to pressure from developers to keep low-income families out of certain areas. There are many illustrations in the urban planning literature of such corruption and collusion in Brazil.

Regulators also tend to ignore the unintended effects of land use and building ordinances. It is not uncommon for one municipality to simply adopt the urban norms and regulations of another municipality in order to comply with federal man-

dates regarding master plans, for example. This practice only increases the likelihood of negative impacts in the housing market because it perpetuates inappropriate regulatory policies.

An example of the impact of urban regulations on the cost of housing and potentially on informality in Brazil is the Social Urbanizer, a public initiative to entice informal developers to comply with land use regulations. In the first successful case in São Leopoldo in 2008, the developer requested that the municipality reduce the minimum lot size from 300m² to 160m² (984 sq. ft. to 525 sq. ft.) in order to provide more affordable housing options. In return the developer accepted some impositions from the municipality in the form of direct investment in urban infrastructure and services (Damasio et al. forthcoming).

Impacts of Regulation on Informality

In the 1990s Brazilian municipalities enacted several land use and building regulations that can be clustered in four main types: parceling norms, zoning, urban growth boundaries, and building codes. Some municipalities enacted a few such regulations in the 1980s or even earlier, others did so during the first half of the 2000s, and many others have not yet enacted all or even one of these regulations. These differences in the timing of enactment offer a unique analytical opportunity to isolate the role of regulation from other events affecting the housing market.

Ideally the impact of regulation on the housing market should be evaluated by comparing municipalities that are identical except that one enacts a certain regulation while the other does not. Finding identical municipalities is not always feasible, however. A standard procedure to partially overcome this problem is to use the outcomes of non-

enacting municipalities to estimate what enacting ones would have experienced had they not introduced a regulation. The difference between outcomes of enacting and not enacting a regulation would suggest a gross estimation of the regulation impact on the size of the variation in the share of informality.

Our study took advantage of the opportunities offered by the Brazilian case. First, the timing difference in the enactment of regulations among municipalities permits comparisons among them. Second, the information available from the census and other national surveys is extensive, covering the enactment date of the regulation, tenure status declared by homeowners, and a generous number of control variables including population, income, and poverty level. Third, data are available for more than 2,000 municipalities, allowing for meaningful statistical analysis. Such an opportunity for research on informal settlements is rare, and is one of the main reasons that robust evidence on the determinants of informality is so hard to find in the literature.

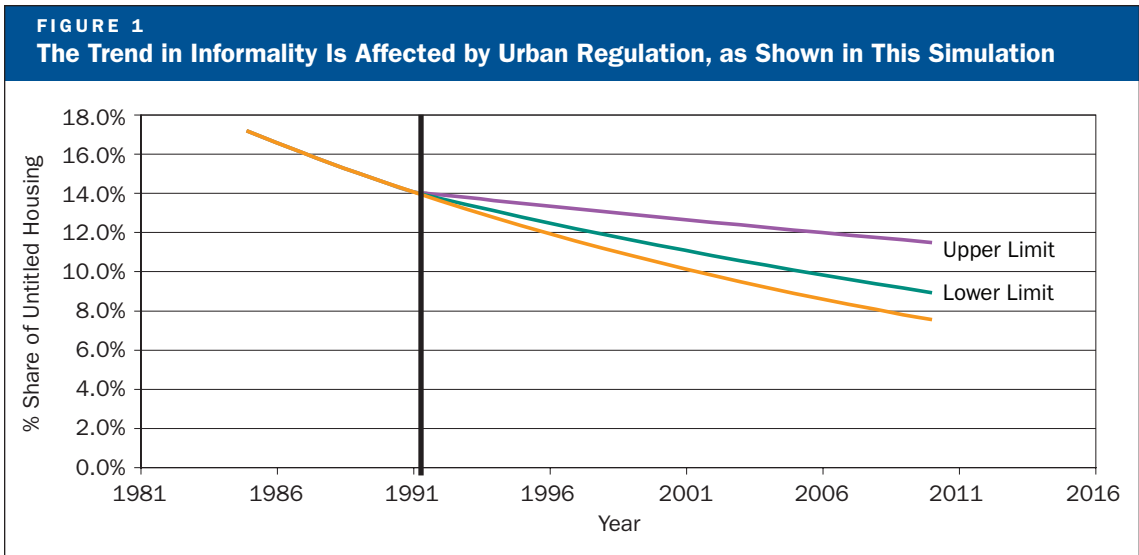
Given the long-lasting nature of a house, both formal and informal housing is measured as a share of all housing, rather than as a stock number of houses. The measure of informality used in this study is the share of untitled housing, which is defined as untitled land occupation as declared by homeowners who responded to a census survey question about whether or not they own the land on which their home is located.

Thus defined, the proportion of untitled housing in Brazilian cities decreased in the 1990s, due in part to institutional changes associated with the 1988 Constitution, which reduced the time required to legitimize the right of adverse possession of uncontested urban land occupation from

Lack of land use and building regulations can create health and safety problems for residents.



© Martin Smolka



25 to 5 years. Landowners became less complacent about tolerating land occupation, as indicated by the reduction of land invasions and the rise of market acquisition (albeit through informal means) as the predominant form used by the poor to acquire land. The declining trend in informality is also associated with economic stabilization, the strengthening of local municipal finances, the revival of the mortgage market, and the slow reduction in poverty rates observed during the decade. The impact of regularization programs, even in their limited scope, is another factor in reducing informal settlements.

Figure 1 presents projections using estimated parameters that compare the decrease in the rate of untitled housing, starting at 17.5 percent in 1985, with an upper and lower limit based on one standard deviation. The long orange line in the figure represents the exponential trend for municipalities that have not enacted land use or building regulations. The other lines represent upper (more regulation) and lower (less regulation) limits for municipalities that enacted regulations in 1991, when the proportion of untitled houses reached 14 percent.

One way to interpret these results is to fix a goal in terms of the proportion of untitled housing desired, and then evaluate how long it takes to achieve this goal given changes in regulation among municipalities. If the goal is to reduce the share of untitled houses from 14 percent to 12 percent, then a city that did not enact regulations affecting the formal housing market would have achieved this goal by 1996, while an otherwise identical city that enacted regulations in 1991 would have taken an additional two to ten years on average to reach

the same goal. In other words, the timeframe will be longer in the more regulated municipalities.

The results clearly show a significant impact of regulation on informality and refute the notion that the formal and informal housing markets are independent. It is apparent that informality can be induced by the same regulations that apply to formal markets, which means that it is incorrect to design policies circumscribed to informal areas. Although the results are not always very precisely estimated, the measures of regulation always have expected signs and their confidence levels are always above 81 percent. Furthermore, when we compare municipalities that enacted urban regulations closer to 2000, the estimated impact on informality declines as expected, showing consistency in the results (Biderman 2008).

Looking Forward

The argument and evidence presented here suggest that inadequate regulation in developing countries may reduce residential alternatives for households, inducing or pushing them into informal arrangements. Subsidies could provide adequate compensation to mitigate the exclusionary effects or the unintended consequences of certain necessary regulations, making them applicable to every citizen. But in the absence of subsidies, unduly high urbanization standards and land use restrictions could exclude a sizeable group. For instance, a very high parceling standard (e.g., minimum lot size of 300m² [984 sq. ft.] when plots smaller than 50m² [164 sq. ft.] are not uncommon) may result in one group living on larger lots and another on much smaller lots. Instead of guaran-

teeing minimum standards for all, such a norm could exacerbate inequality.

Clearly one cannot conclude that land use and building regulations should be abolished. Regulations have an important role in creating a better urban environment. However, the undesirable consequences of inducing informality through increasing house prices need to be faced. Sound housing policy should take these indirect effects into consideration. The challenge is how to preserve the positive externalities of the urban norms and also stimulate the production of affordable housing. The issue of how much positive externality can actually be extracted from a given regulation should also be taken into account.

For example, the social value of the externality generated by a density restriction may not necessarily be larger than the value lost in welfare associated with a restriction in the supply of urbanized land. A case can certainly be made regarding the extent to which certain regulations currently enforced in Brazilian municipalities in fact provide more exclusionary privileges to certain groups or outright red tape and procedural obstacles which push house prices up without creating positive externalities for the city as a whole (Henderson 2007).

As far back as the late 1980s urban planners in Brazil recognized that urban norms and regulations were increasing development costs and affecting social housing. In spite of the lack of statistical evidence, practitioners became aware that minimum lot sizes, mandatory parking lots, impediments to mixed uses (commercial and residential), and similar urban land use regulations were not conducive to increasing the supply of affordable housing.

A pragmatic approach was taken to minimize such constraints through the ZEIS (Special Social Interest Zone), where cost-increasing regulations would be relaxed so that affordable housing could be promoted. Most ZEIS are defined to coincide with the boundaries of existing squatter settlements and are used as a tool for municipalities to regularize previous irregular land occupations by simply stating that the settlement does not need to comply with the norms generally applicable to urban areas in the municipality. The drawback of this palliative measure is that a municipality is no longer compelled to intervene in the area since, by definition, the ZEIS is already in compliance. In other words, the double standard opens the door for the municipality to ignore the problem beyond issuing a zoning ordinance.

▶ ABOUT THE AUTHORS

CIRO BIDERMAN is a visiting fellow of the Lincoln Institute of Land Policy and affiliated researcher in the Department of Urban Studies and Planning at Massachusetts Institute of Technology. He is also associate professor at the Getulio Vargas Foundation and associated researcher at the Center for the Study of the Politics and Economics of the Public Sector (CEPESP/FGV) in São Paulo, Brazil (on leave). Contact: biderman@mit.edu

MARTIM SMOLKA is senior fellow and director of the Program on Latin America and the Caribbean at the Lincoln Institute. Contact: msmolka@lincolninst.edu

ANNA SANT'ANNA is senior research associate in the Program on Latin America and the Caribbean at the Lincoln Institute. Contact: asantanna@lincolninst.edu

▶ REFERENCES

- Biderman, C. 2008. Informality in Brazil: Does urban land use and building regulation matter? Working Paper. Cambridge, MA: Lincoln Institute of Land Policy.
- Damasio, Claudia, Claudio Gutierrez, Gevaci Perfroni, and Jacqueline Menegassi. Forthcoming. Estudo de caso de urbanização social no município de São Leopoldo. Working Paper. Cambridge, MA: Lincoln Institute of Land Policy.
- Ellickson, R. 1977. Suburban growth controls: An economic and legal analysis. *Yale Law Journal* 86 (3).
- Henderson, J.V. 2007. The effect of residential land market regulations on urban welfare. *Urban Research Symposium 2007*. The World Bank, May 14–16.
- IBGE (Instituto Brasileiro de Geografia e Estatística / Brazilian Institute of Geography and Statistics). 1991 and 2000. <http://www.ibge.gov.br/home/>
- Malpezzi, S. 1996. Housing prices, externalities, and regulation in U.S. metropolitan areas. *Journal of Housing Research* 7(2): 209–241.
- Mayo, S. and S. Angel. 1993. Housing: Enabling markets to work. A World Bank Policy Paper.
- Rolnik, R. 1997. A cidade e a lei: Legislação, política urbana e territórios na cidade de São Paulo. São Paulo: Studio Nobel: Fapesp.
- The Economist*. 2007. Adios to poverty, hola to consumption. August 16. http://www.economist.com/world/la/displaystory.cfm?story_id=9645142&CFID=8338952&CFTOKEN=92529416
- Turner, J.F.C., and R. Fichter. 1972. *Freedom to build: Dweller control of the housing process*. New York: The Macmillan Company.
- UN Habitat. 2006. *State of the world's cities 2006*. London: Earthscan and UN Habitat.

In sum, housing policy reform in Brazil today requires a broader approach that articulates financing, technology, and urban management elements, and moves away from the paternalistic supply of shelter or the narrow focus on informal settlements. We have argued that the role of land use and building regulation is an indispensable factor to be reckoned with in any attempt to seriously address the challenge posed by informality in Brazilian and other third world cities. **L**



A MODEL FOR Sustainable Development in Arizona's Sun Corridor

© Victoria Collier

© Victoria Collier

Luther Propst

Emerging concerns about climate change impacts along with changing preferences for housing options are shaping the debate over growth patterns and sustainability. Climate modeling experts expect Arizona's Sun Corridor to become hotter, drier, and more prone to extreme weather events. In a region where summer temperatures top 110°, annual precipitation is only 9 to 10 inches, and flood events already can be extreme, adaptation to and mitigation of climate change impacts will be of paramount importance. The response will require significantly changing prevalent land use planning and development patterns in the region.

Developing a Plan for Superstition Vistas

A 275-square-mile swath of undeveloped land just east of the Phoenix metropolitan area presents one of the most extraordinary opportunities in the United States, if not the world, to create a model for sustainable community development (see figure 1). This land, known as Superstition Vistas, could

become home to nearly one million people over the next 50 years. Seldom has there been an opportunity to comprehensively envision and plan the future of a parcel this large, under single ownership, and in the path of one of the nation's fastest-growing cities.

Another unique feature of Superstition Vistas is its status as state trust land, a little-understood classification granted to states upon entry into the Union to generate revenues for the trust beneficiaries—primarily public schools (Culp, Laurenzi, and Tuell 2006). With this mandate, the Arizona State Land Department is in an ideal position to holistically plan the Superstition Vistas parcel and to exercise patience and prudence in selecting development opportunities that best generate value for the beneficiaries—and also for the greater public interest.

Superstition Vistas is in Pinal County, one of the nation's fastest-growing counties, and is near existing rail lines, a major transportation corridor, and an airport. It adjoins the Superstition Mountains, one of Arizona's iconic landscapes. It is also located prominently within the emerging mega-

region linking Phoenix and Tucson, often called the Sun Corridor, which is comprised of multiple jurisdictions that have an interdependent economic and planning future.

As these jurisdictions grapple with challenges brought by growth pressures and the increasing connectedness of the region, Superstition Vistas has the potential to play an important role in regional infrastructure, transportation policy and open space networks. Its strategic location makes the area a potential linchpin in shaping development patterns and shifting the *laissez faire*, business-as-usual model for new communities in the region.

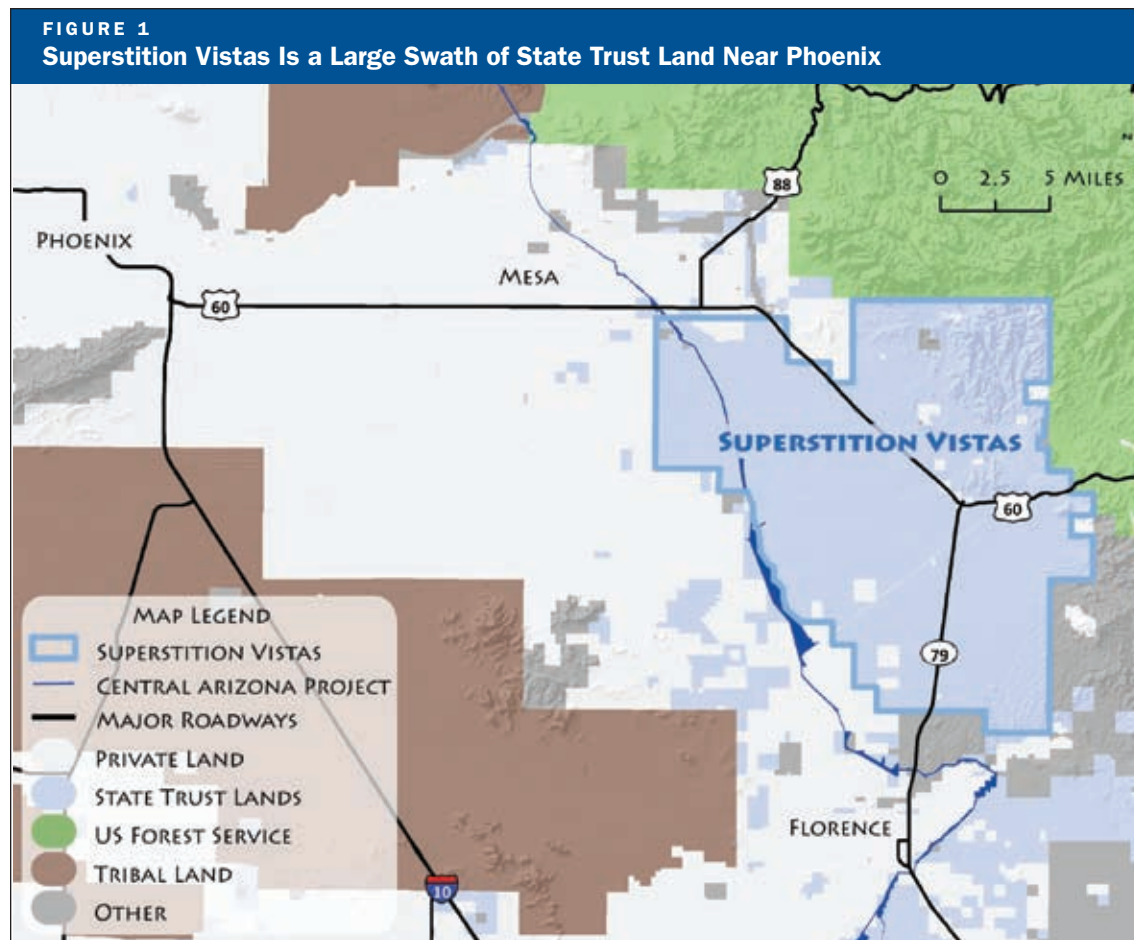
This unique land's potential has captured the imagination of business and civic leaders, planning professionals, smart growth advocates, academic institutions and nonprofit think tanks. These stakeholders have formed the Superstition Vistas Steering Committee, a voluntary partnership dedicated to exploring how the land could become a global model for sustainable development in the twenty-first century. The committee has raised nearly \$2 million and has hired Robert Grow, the chief architect of Envision Utah, to lead a visioning

and scenario-planning process that considers land use, infrastructure, transportation, sustainability, economic prosperity, and the financial return for the state trust.

As a member of the Steering Committee, the Lincoln Institute-Sonoran Institute Joint Venture is advancing the environmental sustainability components of the scenario planning effort with Grow and his consulting team, which includes prominent organizations such as Fregonese & Associates, ED&A/AECOM, Robert Charles Lesser Co., and the Rocky Mountain Institute. The resulting model—addressing key environmental indicators such as greenhouse gases, air pollution, water use, energy use, landfill waste, stormwater runoff, and heat-island effects—will help decision makers understand the relationship between urban form and environmental sustainability.

Changing Expectations about Housing and Urban Form

Land in the Phoenix area is being consumed faster than the population is growing, and a significant amount of this land consumption is due to the



Source: Sonoran Institute (www.Sonoran.org)

prevalence of auto-dependent, large-lot subdivisions. However, changing demographics are shrinking the market for large homes on the urban fringe. As retiring baby-boomers seek new housing options, demand is increasing for walkable, transit-oriented, mixed-use developments closer to urban cores. Growing recognition of climate change impacts is also increasing interest in sustainable developments that incorporate green building principles.

Most of the housing needed to support the projected population growth in the Phoenix area has not yet been built. While infill and redevelopment can and should accommodate much of this growth, it is likely that development will continue at the urban fringe—in areas like the Superstition Vistas. For Arizona and the Sun Corridor communities to limit greenhouse gas emissions, boost resiliency to future climate conditions, and meet the changing needs of residents, current development patterns must be altered soon and significantly.

Fundamental challenges exist in using the Superstition Vistas as a model for reinventing the pattern and form of development in the Sun Corridor. As a public agency with an intergenerational mandate to raise money for public schools, the Arizona State Land Department is required by law to maximize the value of its assets for the beneficiaries. Despite pressure to auction state trust land

parcels piecemeal to the highest bidder, there is a growing understanding that, given a 50-year planning horizon and real estate market trends, incorporating strong sustainability elements could prove highly marketable over the long term.

Sun Corridor developers generally are not yet building housing that responds to changing market conditions and rising interest in smart growth styles. This is especially true of the national homebuilding corporations that dominate residential construction in the Phoenix market. With a few notable exceptions, industry leaders in Arizona remain resistant to new business models. Furthermore, planning and zoning policies in the region still favor single-use development patterns that mandate automobile dependency, strict segregation of residential and commercial uses, and low density residential building.

Regional planning efforts are also limited. Apart from transportation planning in Maricopa County, planning and cooperation around land use, multimodal transportation, and other infrastructure at the regional scale is in its infancy. To fully realize the Superstition Vistas potential, the planning and visioning process must be sensitive to the traditional Western culture of local control and attentive to local interests, as well as to the roles of the counties and the state.

Yet there is reason to be optimistic about meeting the goals for Superstition Vistas. New leadership is promoting a fresh path for community development in the Sun Corridor. Arizona Governor Janet Napolitano convened a Growth Cabinet in 2006 to coordinate agency actions and to collaborate with cities, towns, and tribal communities to create a smart growth and development process that integrates land and water planning, and coordinates state infrastructure planning and development. Now the governor is spearheading a statewide initiative for the November 2008 ballot that will, if passed, provide funding for a commuter rail line between Tucson and Phoenix along a proposed route through the heart of Superstition Vistas.

Diverse interests are also promoting a constitutional amendment to reform the management of state trust lands by requiring more cooperative planning between the State Land Department and local governments, allowing the department to capture revenues to fund its planning, and permitting nonmonetary considerations when appraising the value of trust land. The latter provision will give the department more flexibility in planning

Focus on Climate Change

As part of its expanding focus on the interrelationships between climate change and land use, the Lincoln Institute is engaged in a variety of educational and research projects that address these issues. In April the Institute convened nearly 50 journalists for a professional development forum on cities and climate change in partnership with Harvard University's Nieman Foundation for Journalism and the Graduate School of Design.

The Superstition Vistas project was presented to this group as a key element of the Lincoln Institute-Sonoran Institute Joint Venture, which was created in 2003 to pursue projects that advance their shared interests related to land conservation and urban form in the West. The Lincoln Institute's Department of Planning and Urban Form and the Sonoran Institute's Growth Policy Program offer education and training programs to promote land use and development practices in the West that conserve land, minimize impacts to the natural environment, and use best practices in community planning and design.



Photo © Victoria Collier

The desert landscape of the Superstition Vistas offers an opportunity for sustainable development to accommodate Arizona's rapidly growing population.

and developing state trust lands and in considering open space, infrastructure investment, and other forms of contributory value.

As the climate and demographic patterns continue to change, automobile-dependent developments with large carbon footprints, which are the norm throughout the Sun Corridor, will not be as desirable as other options. The State Land Department can take advantage of “patient capital” in evaluating proposals and development patterns, choosing those that will be successful over time as conditions and market needs change. The agency can capitalize on the great potential of the Superstition Vistas to generate revenues for trust beneficiaries, while enriching the greater Sun Corridor community by creating a model for sustainable smart growth.

A grand vision for the Superstition Vistas is well within reach. It embodies one of the best opportunities on the planet to demonstrate that planning and developing energy efficient, sustainable communities is possible, profitable, and marketable. Such sustainable developments can counter the negative impacts of climate change, create vibrant, resilient, and safe communities, and offer residents a high quality of life. Achieving these goals at the Superstition Vistas project will give the world a model for a better future. **L**



Photo © Victoria Collier

▶ ABOUT THE AUTHOR

LUTHER PROPST is the executive director of the Sonoran Institute based in Tucson, Arizona. He earned his law degree and masters of regional planning degree from the University of North Carolina at Chapel Hill. Contact: luther@sonoran.org

▶ REFERENCE

Culp, Peter, Andy Laurenzi, and Cynthia C. Tuell. 2006. *State trust lands in the West: Fiduciary duty in a changing landscape*. Cambridge, MA: Lincoln Institute of Land Policy.



Andrew Reschovsky is a visiting fellow at the Lincoln Institute of Land Policy and a professor of public affairs and applied economics at the Robert M. La Follette School of Public Affairs at the University of Wisconsin-Madison. Earlier in his career, Reschovsky was a member of the faculty at Rutgers University and Tufts University. He has also worked in the Office of Tax Analysis at the U.S. Treasury and at the Organisation for Economic Co-operation and Development in Paris. He received his Ph.D. in economics from the University of Pennsylvania.

Most of Reschovsky's research is on state and local government public finance with a focus on tax policy and intergovernmental fiscal relations. In addition to research on the property tax, he is working with Lincoln Institute research assistant Adam Langley on a multi-year simulation model of the school funding system in Wisconsin. Other current research projects include the design and evaluation of tax policies to increase the rate of home ownership for low-income and minority households, and the measurement of fiscal disparities in selected U.S. metropolitan areas.

His most recent articles have appeared in such academic journals as *Public Finance Review*, *Public Budgeting and Finance*, *National Tax Journal*, *Comparative Education Review*, and *Education Finance and Policy*. Contact: reschovsky@lafollette.wisc.edu

Andrew Reschovsky

LAND LINES: *What has been the major focus of your work as a visiting fellow at the Lincoln Institute?*

ANDREW RESCHOVSKY: I have been working on several projects related to the funding of local governments. In particular, I am interested in the role played by the property tax as the major source of tax revenue for both municipal governments and school districts in the United States. In one project conducted with Richard Dye, another visiting fellow at Lincoln, we set out to see whether the property tax plays a major role in providing stability in local government finance by substituting tax revenues for cuts in state aid that tend to occur during economic slowdowns. In a second project, I am collaborating with two economists in the Wisconsin Department of Revenue on a project to trace changes over time in the property tax bills and tax burdens faced by Wisconsin's homeowners.

LAND LINES: *In the first project, did you find that the property tax increased as a result of cuts in state aid?*

ANDREW RESCHOVSKY: Following the relatively mild recession in late 2001, most states faced several years of large budget deficits. To help balance their budgets many states reduced the amount of fiscal assistance that they provided to their municipal governments and to their school districts. In some earlier research, I calculated that, after accounting for the rising cost of education, 37 states reduced state education aid between fiscal years 2002 and 2004. Using a statistical model to explain the observed difference across states in changes in per capita property tax revenue over this two-year period, we found that on average school districts increased property taxes by 23 cents for each dollar cut in state aid. I believe that these results highlight the important role that the property tax plays in maintaining the stability of the state and local sector.

LAND LINES: *With respect to your study with the Wisconsin Department of Revenue, why are you interested in changes in individuals' property tax bills?*

ANDREW RESCHOVSKY: In recent years a number of states have imposed limits on the growth of local government property tax revenues, or on annual increases in the assessed value of property. One reason for implementing these limitations is the widespread belief that most taxpayers are facing large annual increases in their property tax bills. The reality, however, is that in most states almost nothing is known about the rate of change in property taxes faced by homeowners.

Without knowledge of which taxpayers are facing rapid changes in property tax liabilities, or which taxpayers' taxes are particularly high relative to their incomes, it is difficult to design policies to target property tax relief to those taxpayers for whom the property tax is truly creating economic hardships. We are also interested in learning how homeowners respond to changes in their property tax bills. For example, is it true, as is often claimed, that elderly taxpayers decide to move in response to high property tax burdens (that is, high relative to their annual income)? We are also interested in exploring whether homeowners take advantage of existing state policies, such as circuit breakers, designed to reduce high tax burdens.

LAND LINES: *What data are you using to answer these questions about the property taxes paid by individual homeowners?*

ANDREW RESCHOVSKY: To facilitate its tax compliance efforts, the Wisconsin Department of Revenue has created a data warehouse that contains state and federal income tax return data for all Wisconsin taxpayers for every year since 2000. Because Wisconsin provides its residents with an annual school property tax credit, homeowners are required to list their property tax payments on their income tax returns. To document the annual changes in property taxes paid by individual homeowners, we used data from this warehouse to create a panel dataset that traces the annual income and property tax payments of all Wisconsin homeowners since 2000. To isolate as well as we can the impact of public policy on changes in homeowners' property tax payments, our initial analysis is

restricted to those homeowners who have been in the same house since 2000.

LAND LINES: *What have you learned from looking at the Wisconsin data?*

ANDREW RESCHOVSKY: We learned that while the average annual rate of increase in property taxes was 3.6 percent between 2000 and 2005, the rate of change varied tremendously among homeowners. Property tax bills actually decreased for 11.8 percent of homeowners and increased by less than 2 percent a year for another 21.1 percent of homeowners. On the other hand, for 18.3 percent of Wisconsin's homeowners property taxes grew by more than 6 percent per year over this period. We are currently in the process of determining the characteristics of the homeowners who experienced tax reductions and those who faced particularly rapid tax increases.

LAND LINES: *Will you be able to use your Wisconsin data to explain the reasons why there is so much variation among homeowners in the growth rate in property tax liabilities?*

ANDREW RESCHOVSKY: Yes. Our next step will be to attach to the data on individual homeowners new information about the municipality and school district in which they live. Then we will be able to determine whether changes in property taxes were attributable to changes in property tax rates, or to other changes in public policy.

LAND LINES: *Over the past several years the property tax has been under attack in many states. Why do you think this is occurring?*

ANDREW RESCHOVSKY: The property tax has never been a popular tax, and with growing economic uncertainty about the future many taxpayers see the property tax as one of the few major annual expenses that they may be able to influence through the political process. Thus, taxpayers are putting pressure on elected officials to take actions to reduce property taxes in one way or another. Also, the rapid increase in home prices between 2000 and 2005 led to substantial tax increases for some taxpayers, and those taxpayers

tend to complain loudly to their political representatives.

LAND LINES: *State governments have been adopting policies to limit local governments' ability to levy property taxes. Are there some property tax relief policies that states should avoid?*

ANDREW RESCHOVSKY: In my view any policy designed to provide property tax relief should meet three criteria. First, relief measures should do nothing to limit or distort the essence of the property tax as a tax on the market value of property. Second, no tax relief measure should interfere with the freedom of elected local governments to determine the level of property taxation within their community. And third, property tax relief should be targeted to taxpayers for whom the property tax causes substantial economic hardship.

Meeting these criteria means that limits on assessment increases should be avoided, even though these policies tend to be popular and have been adopted in nearly 20 states (Haveman and Sexton 2008). These assessment limits are particularly troublesome when they are designed to permanently destroy the link between the level of property taxes and the market value of property. Limits placed by state governments on the annual percentage increases in property tax levies of local governments also should be avoided because they eliminate the ability of local residents, through their locally elected officials, to control their level of taxation.

When property tax limitations restrict property tax revenue growth to rates below the annual growth in the costs of providing public services, local governments are forced to make cuts in services. Both assessment limits and levy limits also fail to target property tax relief to those taxpayers facing the heaviest property tax burdens.

LAND LINES: *What property tax relief measures would you recommend?*

ANDREW RESCHOVSKY: A number of states are using circuit breakers. These policies target property tax relief to those taxpayers whose property tax bill exceeds

a specified percentage of their income. Most circuit breakers provide taxpayers with a state-financed payment, sometimes in the form of an income tax credit, intended to reduce high property tax burdens.

The advantage of circuit breakers is that they can target property tax relief to those facing the highest tax burdens (relative to their annual income). In practice, however, many states limit their circuit breakers to taxpayers with very low incomes, and some limit the size of the circuit breaker any taxpayer may receive, thereby reducing substantially the degree of tax relief provided. Another problem with circuit breakers is that they can provide an incentive for eligible taxpayers to support higher local government spending and property tax rate increases. This incentive is created by the fact that because the circuit breaker effectively places a ceiling on the amount a recipient pays in property taxes, she bears none of the cost of the extra spending or higher taxes.

Along with many economists, I would prefer the use of property tax deferrals. Under a state-financed deferral program, taxpayers could borrow money from the state to pay their property tax bill. The borrowed money plus interest would be paid back when the homeowner sold her house or by the homeowner's estate. States could choose to subsidize the interest rate for some set of homeowners, such as those with low incomes. Deferral programs do exist in a number of states, but they are not used widely. Steps could be taken to increase their use by advertising their availability, simplifying the application procedures, and expanding eligibility. **L**

▶ REFERENCE

Haveman, Mark, and Terri A. Sexton. 2008. *Property tax assessment limits: Lessons from thirty years of experience*. Cambridge, MA: Lincoln Institute of Land Policy.

The City–CLT Partnership: Municipal Support for Community Land Trusts

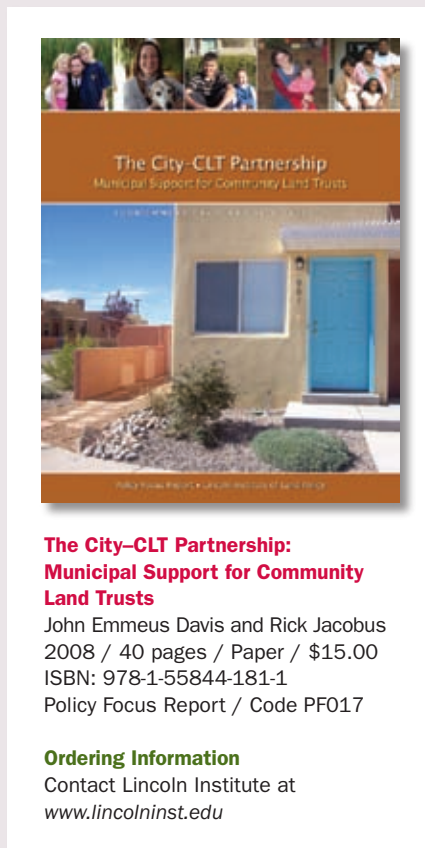
The community land trust movement is young but expanding rapidly. Nearly 20 CLTs are started every year as either new nonprofits or as programs or subsidiaries of existing organizations. Fueling this proliferation is a dramatic increase in local government investment and involvement. Over the past decade, a growing number of cities and counties have chosen not only to support existing CLTs, but also to start new ones, actively guiding their development and sponsoring their affordable housing initiatives.

Two key policy needs are driving this new interest in CLTs, particularly in jurisdictions that put a social priority on homeownership for low-income families and a fiscal priority on protecting the public's investment in affordable housing.

Long-term preservation of subsidies. With local governments now assuming greater responsibility for creating affordable housing, policy makers must find ways to ensure that their investments have a sustained impact. CLT ownership of the land, along with durable affordability controls over the resale of any housing built on that land, ensures that municipally subsidized homes remain available for low-income homebuyers for generations.

Long-term stewardship of housing. Preserving affordability requires long-term monitoring and enforcement, an administrative burden that local governments are neither equipped for nor generally interested in taking on. CLTs are well positioned to play this stewardship role by administering the municipality's eligibility, affordability, and occupancy controls, while also "backstopping" lower-income owners to protect subsidized homes against loss through deferred maintenance or mortgage foreclosure.

Municipal support comes in a variety of forms. For example, local governments may offer administrative or financial support during the planning and startup phase, followed by donations of city-owned land and grants or low-interest loans for developing and financing projects. They may



The City–CLT Partnership: Municipal Support for Community Land Trusts

John Emmeus Davis and Rick Jacobus
2008 / 40 pages / Paper / \$15.00
ISBN: 978-1-55844-181-1
Policy Focus Report / Code PF017

Ordering Information

Contact Lincoln Institute at
www.lincolninst.edu

help a CLT acquire and preserve housing provided by private developers to comply with inclusionary zoning, density bonuses, and other mandates or concessions. As the CLT builds its portfolio, municipalities may provide capacity grants to help support its operations. Finally, local jurisdictions may assist CLTs by revising their tax assessment practices to ensure fair treatment of resale-restricted homes built on their lands.

As welcome as their support has been, local governments may inadvertently structure CLT funding and oversight in ways that undermine the effectiveness of the very model they are attempting to support. The challenge lies in finding the most constructive ways of putting municipal resources to work in pursuit of common objectives.

Based on a review of three dozen municipal programs and in-depth interviews with local officials and CLT practitioners,

this report describes the mechanisms and methods that cities across the country are using to structure their investment in CLT startups, projects, and operations. In addition to describing the full range of options for providing municipal support, the report highlights specific model practices for rendering that assistance. These practices have the most potential to balance the interests of all parties by:

- protecting the public's investment in affordable housing;
- expanding and preserving access to homeownership for households excluded from the market;
- stabilizing neighborhoods buffeted by cycles of disinvestment or reinvestment; and
- ensuring accountability to funders, taxpayers, and the communities served by the CLT.

This report ends with a discussion of three emerging trends: shifts in the city's role from supporter to instigator, and from participant to governor; and a deepening of the CLT's primary role as a steward of affordable housing created with municipal assistance. While posing new challenges, these changes also present new opportunities for tomorrow's city–CLT partnerships.

ABOUT THE AUTHORS

John Emmeus Davis is a partner in Burlington Associates in Community Development, which he cofounded in 1993. He previously served as the housing director and enterprise community coordinator for the City of Burlington, Vermont. He is a visiting fellow at the Lincoln Institute of Land Policy. Contact: BurlAssoc@aol.com

Rick Jacobus has 15 years of experience in housing and community development. He joined Burlington Associates in Community Development as a partner in 2004, assisting in community land trusts and inclusionary housing programs on the West Coast. He is also a visiting fellow of the Lincoln Institute. Contact: rick@rjacobus.com

Property Tax Assessment Limits: Lessons from Thirty Years of Experience

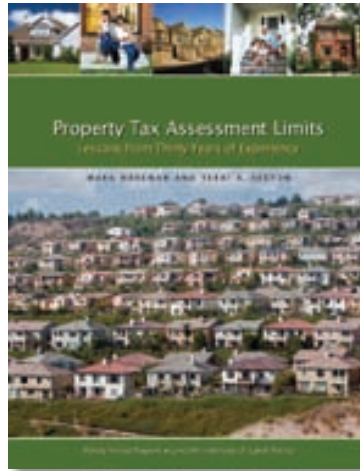
During the 30 years since California adopted the groundbreaking tax limitation measure known as Proposition 13 in 1978, pressure has persisted for states to adopt various forms of property tax relief. These pressures often intensify during times of extremely rapid housing price inflation such as many states experienced between 1998 and 2006, but they remain a constant feature of the fiscal landscape in periods of both rising and declining values. The anniversary year of Proposition 13 in 2008 provides an opportunity to evaluate various states' experiences with a limitation on assessed property values, which has become one of the most popular instruments for tax reduction.

The evidence shows, however, that limits on assessed values, while favored by many homeowners, are a deeply flawed remedy to counter rising property taxes. They are offered in hope of reducing tax bills and slowing the shift in tax burdens to residential property, but in fact they can result in higher taxes on the very homeowners they are intended to assist and can cause unpredictable new shifts in tax liabilities.

By severing the connection between property values and property taxes, assessment limits impose widely differing tax obligations on owners of identical property, reduce economic growth by distorting taxpayer decision making, and greatly reduce the transparency and accountability of the property tax system as a whole.

Better alternatives exist for timely and efficient aid to needy taxpayers.

- Circuit breaker programs reduce taxes that rise above a given level of income, thus targeting assistance to those whose tax liabilities are out of proportion to their ability to pay.
- Truth in taxation measures lower the likelihood of invisible tax increases when property values rise but nominal tax rates stay the same.



Property Tax Assessment Limits: Lessons from Thirty Years of Experience

Mark Haveman and Terri A. Sexton
2008 / 40 pages / Paper / \$15.00
ISBN: 978-1-55844-167-5
Policy Focus Report / Code PF018

Ordering Information

Contact Lincoln Institute at
www.lincolninst.edu

- Deferral options allow qualified taxpayers to delay property tax payments and remain in their homes.
- Partial exemptions on owner-occupied or homestead properties and classified tax rates benefit residential taxpayers without distorting the market value tax base.

Fashioning timely and targeted relief for those facing difficulty in meeting their property tax obligations is an ever-present challenge to state legislators. As economic conditions, demographic trends, and housing values change, so will the appropriate instruments for extending such aid. This report is designed to inform this process by identifying the lessons offered by three decades of experience with assessment limits as a vehicle for tax relief.

Contents

1. **The Roots of Taxpayer Discontent**
Causes of Discontent
Property Tax Relief in Declining Markets
2. **Assessment Limits: Basic Elements**
Setting the Limit
Determining Eligibility
Acquisition Value and Alternatives
Coverage and Legal Authority
3. **Impacts on Local Governments**
Erosion of the Property Tax Base
Effects on Government Revenues
Reductions in Local Government Autonomy
4. **Equity and Efficiency**
Redistributing the Tax Burden
Horizontal Inequities
Efficiency (Mobility) Effects
5. **Alternative Relief Measures**
Levy Limits
Homestead Exemptions and Credits
Classified Tax Rates
Circuit Breakers
Tax Deferral
Truth in Taxation
6. **Conclusions and Recommendations**

ABOUT THE AUTHORS

Mark Haveman is executive director of the Minnesota Taxpayers Association. He joined the organization in 2002 to help revitalize its research and education arm, the Minnesota Center for Public Finance Research. Contact: policy@mntax.org

Terri A. Sexton is professor of economics at California State University at Sacramento, and associate director of the Center for State and Local Taxation at the University of California at Davis. Her research on the economic and fiscal impacts of state and local taxes includes a comprehensive study of Proposition 13. Contact: taseyton@ucdavis.edu

Courses and Conferences

The education programs listed here are among those offered for diverse audiences of elected and appointed officials, policy advisers and analysts, taxation and assessing officers, planning and development practitioners, business and community leaders, scholars and advanced students, and concerned citizens. For more information about the agenda, faculty, accommodations, tuition, fees, and registration procedures, visit the Lincoln Institute Web site at www.lincolninst.edu/education/courses.asp.

For information about other programs offered by the Program on Latin America and the Caribbean, visit www.lincolninst.edu/aboutlincoln/lac.asp, and for information about the Program on the People's Republic of China, visit www.lincolninst.edu/aboutlincoln/prc.asp.

Programs in the United States

THURSDAY, JULY 24

Madison, Wisconsin

Introduction to Community Land Trusts

John Davis, Partner, Burlington Associates in Community Development, Vermont and Visiting Fellow, Lincoln Institute of Land Policy; and Greg Rosenberg, Executive Director, Madison Community Land Trust

Community land trusts (CLTs) are place-based nonprofit organizations formed to hold title to parcels of land to preserve its long-term availability for affordably priced housing or other community uses. This course includes comprehensive sessions on the nuts and bolts of the CLT model. Participants learn how local CLTs seek to balance the seemingly competing goals of providing limited-income homeowners with a fair return on their housing investment while seeking to ensure that housing is kept affordable for future occupants of limited means. They develop a fundamental understanding of the value of shared equity homeownership and the merits of permanent housing affordability.

FALL 2008

Leominster, Massachusetts

Resolving Land Use Disputes

Ona Ferguson and Patrick Field, Consensus Building Institute, Cambridge, Massachusetts

This introductory course presents practical experience and insights into negotiating and mediating solutions to conflicts over

land use and community development. Through lectures, interactive exercises, and simulations, participants discuss and work with cases involving land development and community growth, designing and adopting land use plans, and evaluating development proposals. Questions of when and how to apply mediation to resolve land use disputes are also explored. This course may qualify for AICP credits.

Programs in Latin America

TUESDAY–WEDNESDAY, JULY 29–30

Brasilia, Brazil

Cadastral Issues: Discussion, Analysis, and Identification of Alternatives

Martim Smolka, Lincoln Institute of Land Policy; Claudia De Cesare, independent researcher and consultant; Maria Cristina MacDowell, School of Fiscal Studies (ESAF), Brazil; and, Egláisa Micheline Pontes Cunha, Ministry of Cities, Brazil

Under the umbrella of the program on Capacity Building to Improve the Property Tax in Brazil, developed in partnership with ESAF, and the Ministry of the Cities, this workshop focuses on discussing, analyzing, and identifying alternatives to solve practical matters and cases on cadastral issues. The debate covers key questions formulated previously by the participants of the workshop on their current concerns for implementing and updating their cadastral system. The workshop provides an independent forum to support and orient actions at the municipal level.

THURSDAY–FRIDAY, JULY 31–AUGUST 1

Brasilia, Brazil

Valuation for Taxation Purposes

Martim Smolka, Lincoln Institute of Land Policy; Claudia De Cesare, independent researcher and consultant, Maria Cristina MacDowell, School of Fiscal Studies (ESAF), Brazil; and Egláisa Micheline Pontes Cunha, Ministry of Cities, Brazil.

Under the umbrella of the program on Capacity Building to Improve the Property Tax in Brazil, developed in partnership with ESAF, and the Ministry of the Cities, this workshop focuses on discussing, analyzing and identifying alternatives to solve practical matters and cases on assessment issues and mass appraisal. The debate covers key questions formulated previously by the participants of the workshop on their current concerns for undertaking and updating valuations for taxation

purposes. The workshop provides a neutral forum to support and orient actions to improve the degree of equity of the valuations developed at the municipal level.

SEPTEMBER 2008

Santiago, Chile

Urban Social Integration and Real Estate: A Viable Partnership?

Martim Smolka, Lincoln Institute of Land Policy; Carlos Montes, National Congress of Chile; and Francisco Sabatini, Catholic University of Chile

The objective of this international seminar is to debate public policies designed to promote social integration in the housing and land markets. Topics to be considered include alternative tools and mechanisms such as urbanistic norms and regulations (such as inclusionary and /or “anti-snob” zoning) and other economic incentives such as community land trusts and direct public investments in urban infrastructure and services in deteriorated areas. This seminar is cosponsored with the Chilean National Congress, and is geared to members of the parliament, public officials at the national and local level, academicians, private sector real estate agents, representatives of NGOs, and other professionals.

OCTOBER 2008

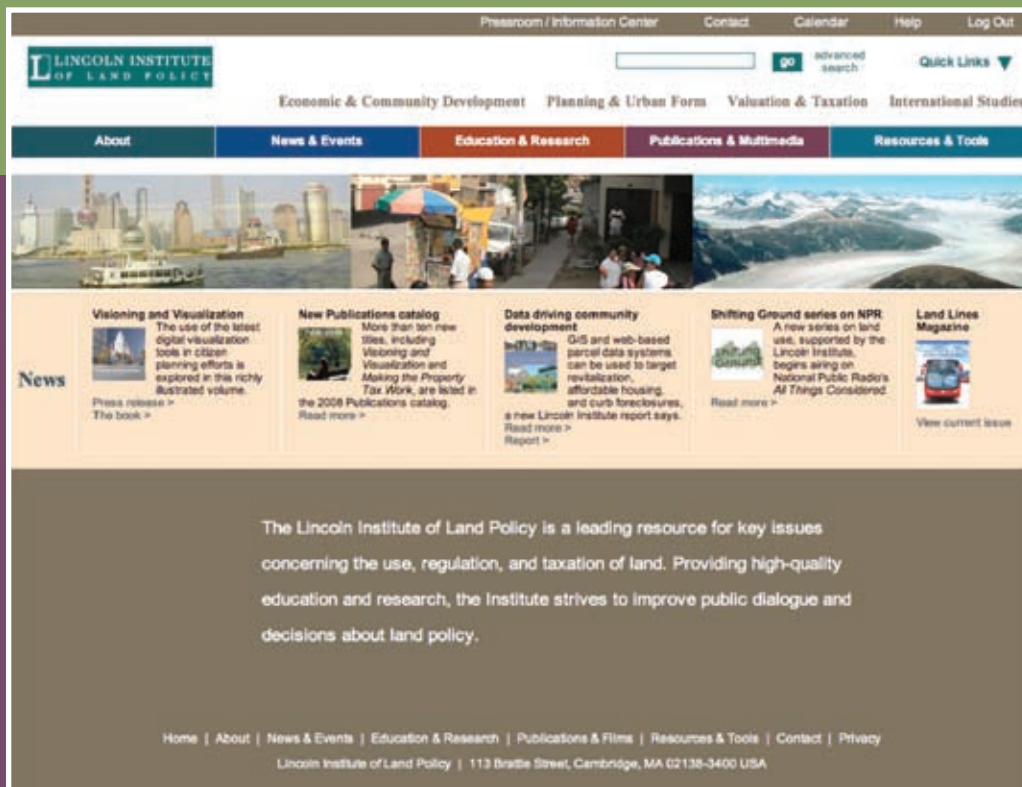
Buenos Aires, Argentina

Urban Reform in Argentina: Legislative and Policy Challenges for Land Management

Martim Smolka, Lincoln Institute of Land Policy; and José María Zingoni, Senator, Province of Buenos Aires, Argentina

This conference, organized with the National Congress of Argentina, the Senate of the Province of Buenos Aires, and the National University of General Sarmiento, targets members of legislative bodies at different levels, including members of the parliament, mayors and their staff, and other authorities and specialists in the area of urban development. The event aims to disseminate knowledge and stimulate discussion on land use regulation, property rights, value capture, regularization programs, access to basic services, and related urban public policies. Conference panels will bring together international experts and representatives of legislative and other entities in Argentina.

What's New on the Web?

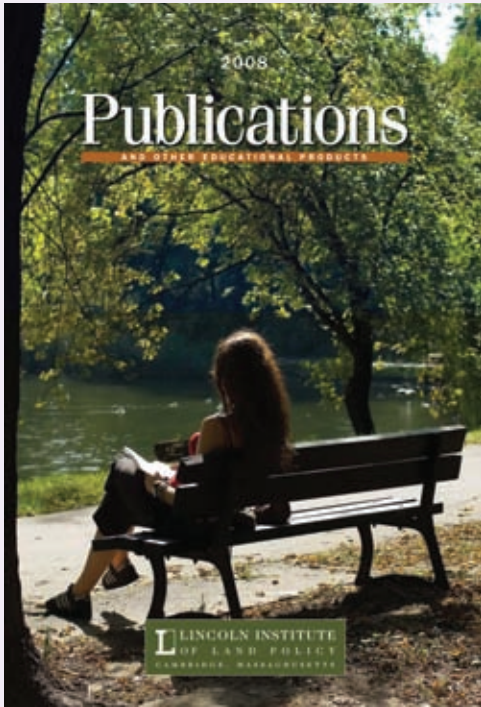


Users of the Lincoln Institute of Land Policy Web site have been viewing a fresh look and streamlined navigation, thanks to a major redesign that appeared live in April.

Major areas of enhancement include:

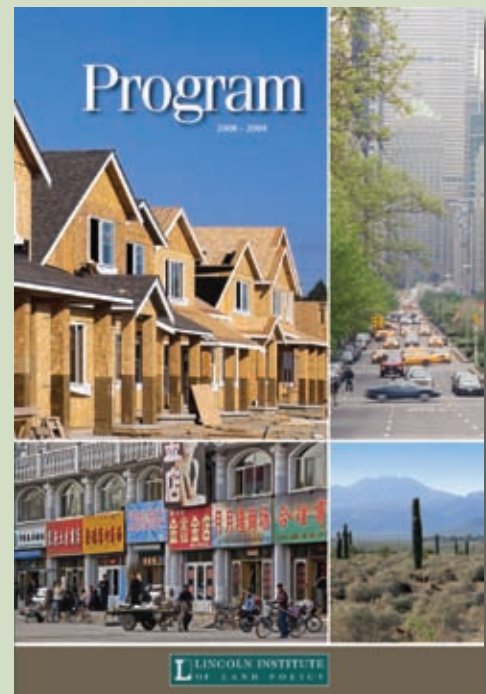
- **A new design** with more rapid response and loading times;
- **Upgraded search functionality**, powered by Google, allowing easier access to the site's extensive content;
- **An improved Pressroom/Information Center** where users can find current information, experts on a wide range of topics, press releases, and highlighted books, films, and working papers;
- **The At Lincoln House blog**, based on the established monthly online column of the same name, with more frequent postings and reader interactivity through the comments function;
- **Topical navigation and better organization**, including homepages for the Institute's departments: Planning and Urban Form, Economic and Community Development, Valuation and Taxation, and International Studies, including China and Latin America;
- **Access to nearly 1,300 publications** (books, policy focus reports, working papers, *Land Lines* magazine issues and articles) and multimedia resources (CDs, DVDs, radio programs), many of which are available for free downloading;
- **Information about Lincoln-sponsored courses and conferences** and direct links to 15 online courses (9 in English and 6 in Spanish and/or Portuguese); and
- **An expanded and reorganized Resources and Tools section** featuring the categories community development, planning and management, tax tools, and visualization.

www.lincolninst.edu



The **Lincoln Institute's 2008 Publications Catalog** features more than 100 books, policy focus reports, and multimedia resources. These products represent the work of Institute faculty, fellows, and associates who are researching and reporting on a wide range of topics in valuation and taxation, planning and urban form, and economic and community development in the United States, Latin America, Europe, China, South Africa, and other areas. The complete publications catalog is posted on our Web site. To request a printed copy, contact help@lincolninst.edu.

The **Lincoln Institute's annual Program for 2008–2009** presents a comprehensive overview of the Institute's mission and its expanding diversity of programs for the new academic year. It includes department descriptions; courses, seminars, conferences, and online education programs; research, demonstration, and evaluation projects; fellows and faculty; publications and multimedia products; and Web-based resources and tools. The complete Program catalog will be posted on the Lincoln Web site in early September. To request a printed copy, contact help@lincolninst.edu.



www.lincolninst.edu



113 Brattle Street
Cambridge, MA 02138-3400
USA

RETURN SERVICE REQUESTED

Non-Profit Org.
U.S. Postage
PAID
Boston, MA
Permit No. 57852

Land Lines
JULY 2008