INSTITUTE BRIEF

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Zoning, Smart Growth, and Regulatory Taxation

by Steven B. Garrison

In a new book available from Public Interest Institute titled *POLITICS, TAXATION, AND THE RULE OF LAW,* Samuel R. Staley of the Reason Public Policy Institute, writes in the eleventh chapter about proper zoning practices.

The debate over urban sprawl and Smart-Growth has thrust land-use planning to the forefront of public debate in the United States. State Legislatures throughout the nation are considering sweeping new laws that could radically change the nature of land development. In some states, such as Florida and Oregon, these laws are explicitly top-down — the state sets goals and objectives and local governments are expected to toe the line. More recently, Wisconsin enacted Smart-Growth legislation that included the design of a model zoning ordinance that all large cities would be required to adopt as a way to combat urban sprawl.

Staley examines Smart-Growth planning reforms at the state and local level through the lens of public finance and economics. He uses an economic perspective of taxation to understand both the political motivations behind support for Smart-Growth initiatives and the potential impacts of imposing some of the new wave of growth controls. Smart-Growth has emerged as a regulatory mechanism local and regional governments use to redistribute wealth within cities and regions. Indeed, the growth-management movement is, in many respects, distinctly 21st century in its character and impacts, a product of an affluent society well versed in the use of government to accomplish objectives and maximize personal gain.

Zoning, not surprisingly, has become the tool of choice for executing this redistribution of wealth. As the most pervasive planning tool in the United States, zoning has the benefit of widespread acceptance and familiarity in state and local politics. In fact, despite its inherently centralized approach to using land and regulating markets, zoning receives bipartisan support. Conservatives and liberals use it when they believe it serves their interests, whether preventing development of a neighbor's property or attempting to script a centrally planned vision of their community. Ironically, zoning and planning have received some of their strongest support on the national level during Republican Presidencies:

? The Standard City Planning Enabling Act was published in 1928 under the auspices of U.S. Department of Commerce Secretary and future President Herbert Hoover.

? During the Eisenhower Administration, the Housing Act of 1954 created the basic features of the urban-renewal program and required these projects to be part of a comprehensive city plan. Title 1, Section 701 provided federal funding for planning and creating "vast employment opportunities for planners" as well as seeding "a major private urban development consulting industry in America."

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? Significant expansions of programs in the U.S. Department of Housing and Urban Development, including the full implementation of the Model Cities program and large-scale public-housing subsidies, occurred during the Nixon Administration. In fact, more public housing units were funded or subsidized between 1968 and 1973 than in the previous two decades.

On the local level, property owners use zoning to protect themselves from nuisances or changing market conditions in their communities. Zoning has also evolved into a cumbersome and unwieldy mechanism for regulating the spillover impacts of land development and has codified centralized land-use control as the cornerstone of development regulation in the United States.

The current Smart Growth movement uses zoning and land-use regulation to impose a utopian vision of the future. This may be best illustrated by the Coordinated Planning Act (CPA), a planning-reform proposal introduced in the Michigan Legislature in 2001. The Act, using public concern about urban sprawl as its lightening rod, would require cities and towns to adopt comprehensive plans that conform to a 20-year vision of what the community should look like, how it should function, and what kinds of housing and businesses would locate there. In this respect, the CPA follows the model pioneered by states such as California, Hawaii, Oregon, Florida, and Washington.

Advocates, however, have completely ignored the redistributional consequences of Smart Growth. In Michigan, as well as other states, additional political controls over land development are likely to create new incentives to use regulation as a mechanism for redistributing wealth from less-favored to more-favored groups through the legislative policymaking process. Most often the redistribution is away from future and low-income residents and toward existing homeowners and wealthy interest groups. Understanding how this process works is not easy, but a better grounding in the economics of taxation, regulation, and wealth distribution helps illuminate the issues and improves our understanding of growth management's impacts on the policy process.

This Institute Brief is one in a series on the chapters of a recently published book, POLITICS, TAXATION, AND THE RULE OF LAW*, edited by Dr. Don Racheter, President of Public Interest Institute, and Dr. Richard Wagner, Economics Professor at George Mason University and Chairman of the Institute's Academic Advisory Board.* POLITICS, TAXATION, AND THE RULE OF LAW *looks at the balance between providing government with the power to operate while preserving and protecting our rights of person and property.*

The author of this chapter of POLITICS, TAXATION, AND THE RULE OF LAW *is Samuel R. Staley of the Reason Public Policy Institute.*

This summary of Samuel R. Staley's chapter was written by Steven B. Garrison, a former Research Analyst with Public Interest Institute.