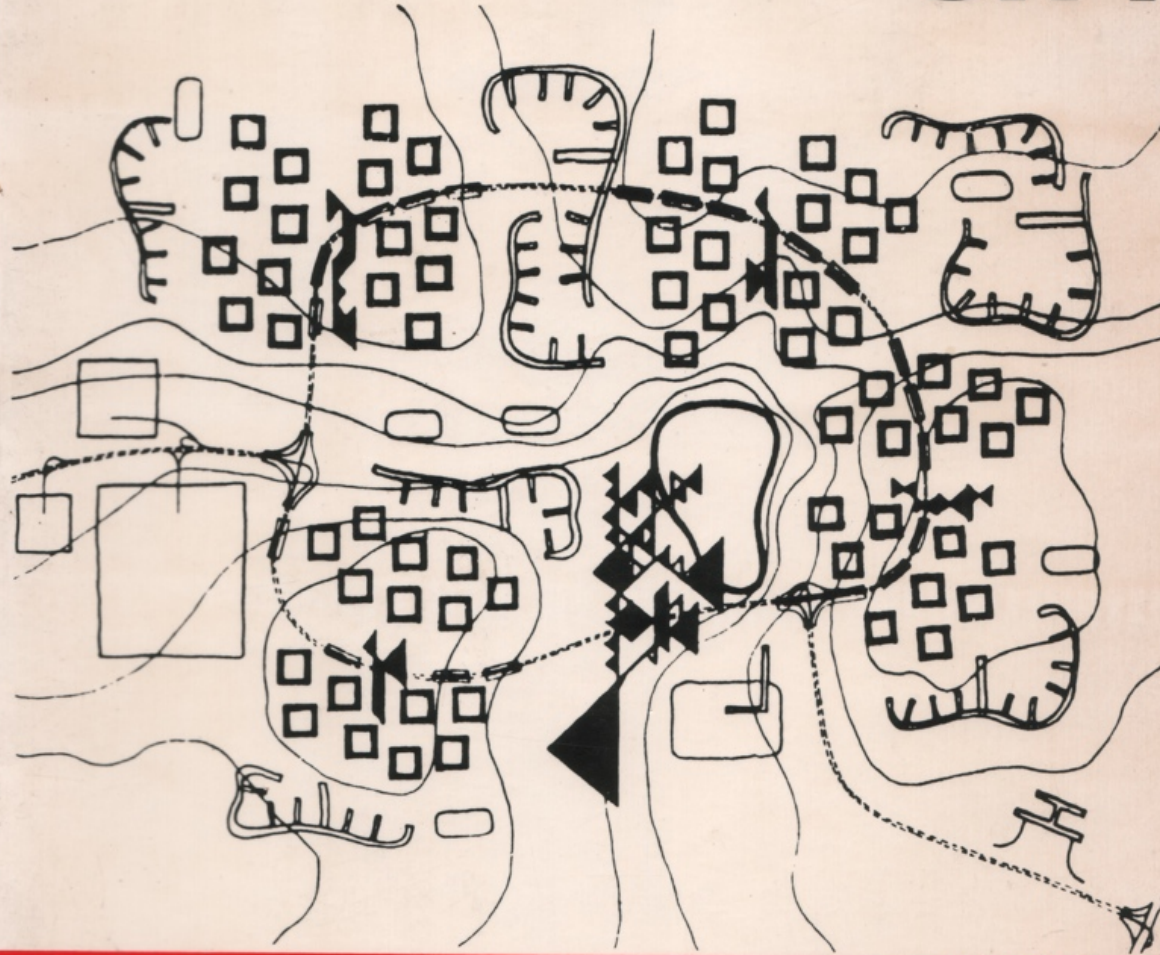


\$2.95

THE **IDEAL** COMMUNIST CITY



**baburov
djumenton
gutnov
kharitono
lezava
zadovskij**

In 1965, urban planners at the University of Moscow wrote a book called the Ideal Communist City. It was translated to English in 1971.



The book argued that people would be better off living in high-density high-rise developments



because they would be more likely to ride transit and drive less



Andersenstraße

Tolstoistraße

and because they would have a stronger sense of community.



Over the next 25 years, large blocks of high rises were built to house most of the people in Russia and eastern Europe.



But this was not just a communist idea, but a goal of urban planners throughout the world, resulting in developments like this one in western Germany



and this one in Switzerland. Western European nations built such housing after World War II for middle- and working-class families.



The United States built such housing mainly for lower-class families, including this St. Louis project designed by the same architect who later designed the World Trade Center.



This proved to be so unlivable that it was demolished just 17 years after it opened.



In Western Europe, people began to revolt against these housing policies in the 1970s, and today many if not most people in many western European nations live in single-family homes or duplexes in suburbs that are practically indistinguishable from those in the U.S.



Meanwhile, the high-density developments in many countries are mainly occupied by immigrants, not local residents.

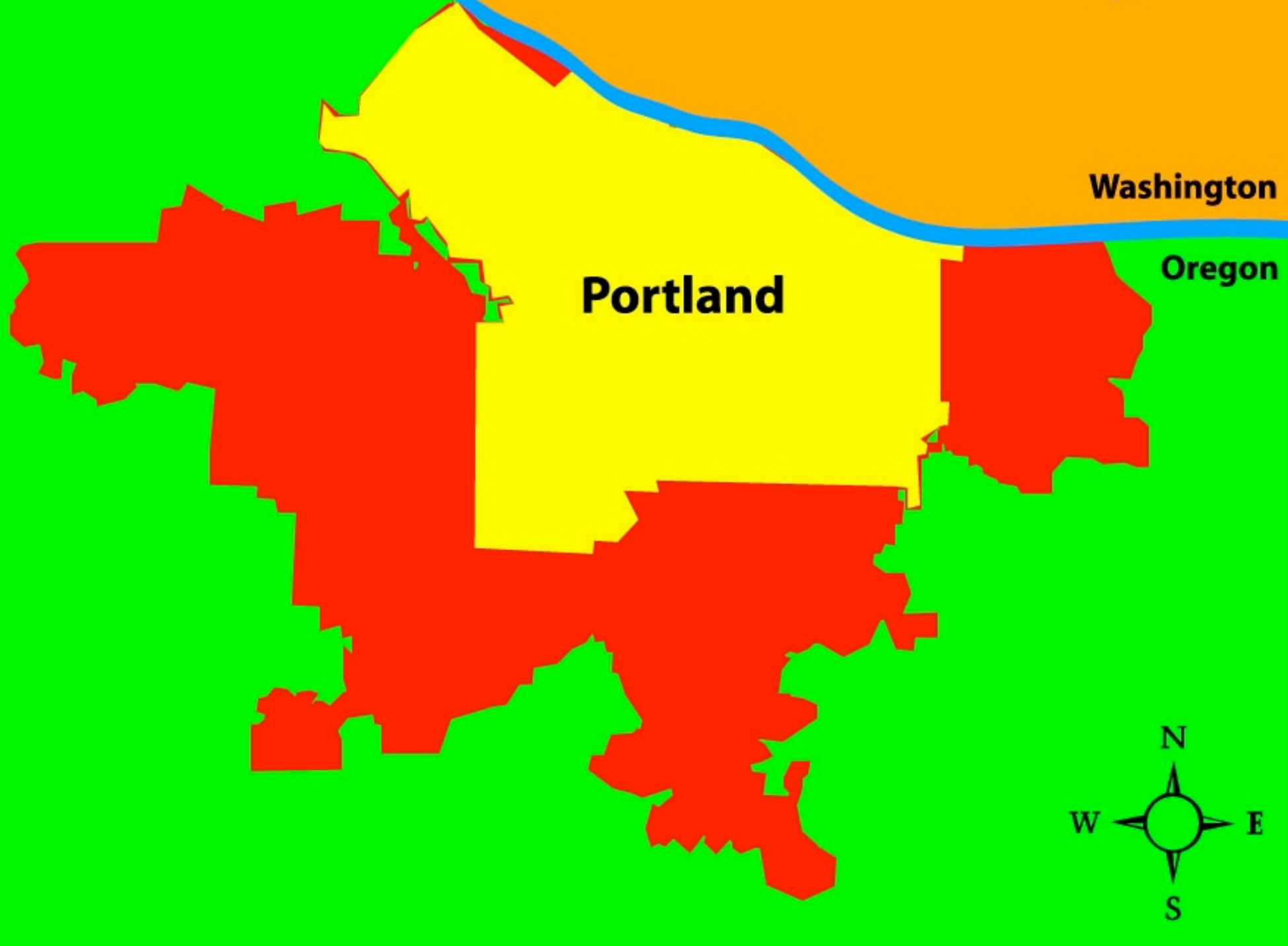


Urban planners, however, have not given up on their goal of packing more people into denser cities. Today, they have repackaged this idea using terms such as “smart growth” and “livability.” Although smart-growth often emphasizes low- and mid-rise housing instead of high rises, many planners will tell you that Vancouver BC is one of the most “livable” cities in the world.



Another so-called livable city is my former home town of Portland Oregon, which has become a mecca for urban planners, and is supposedly the model for the rest of the nation.

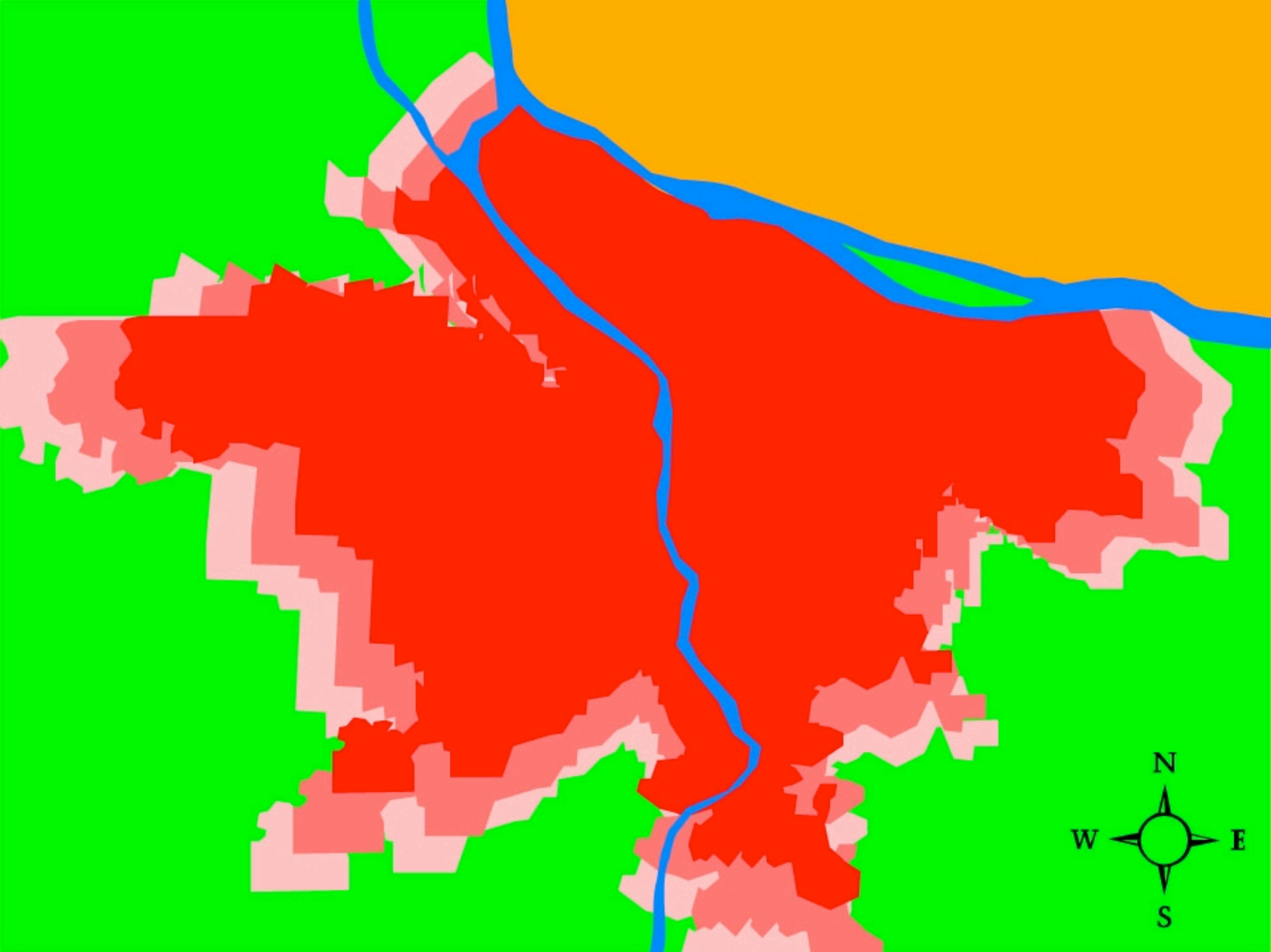
Portland Urban-Growth Boundary



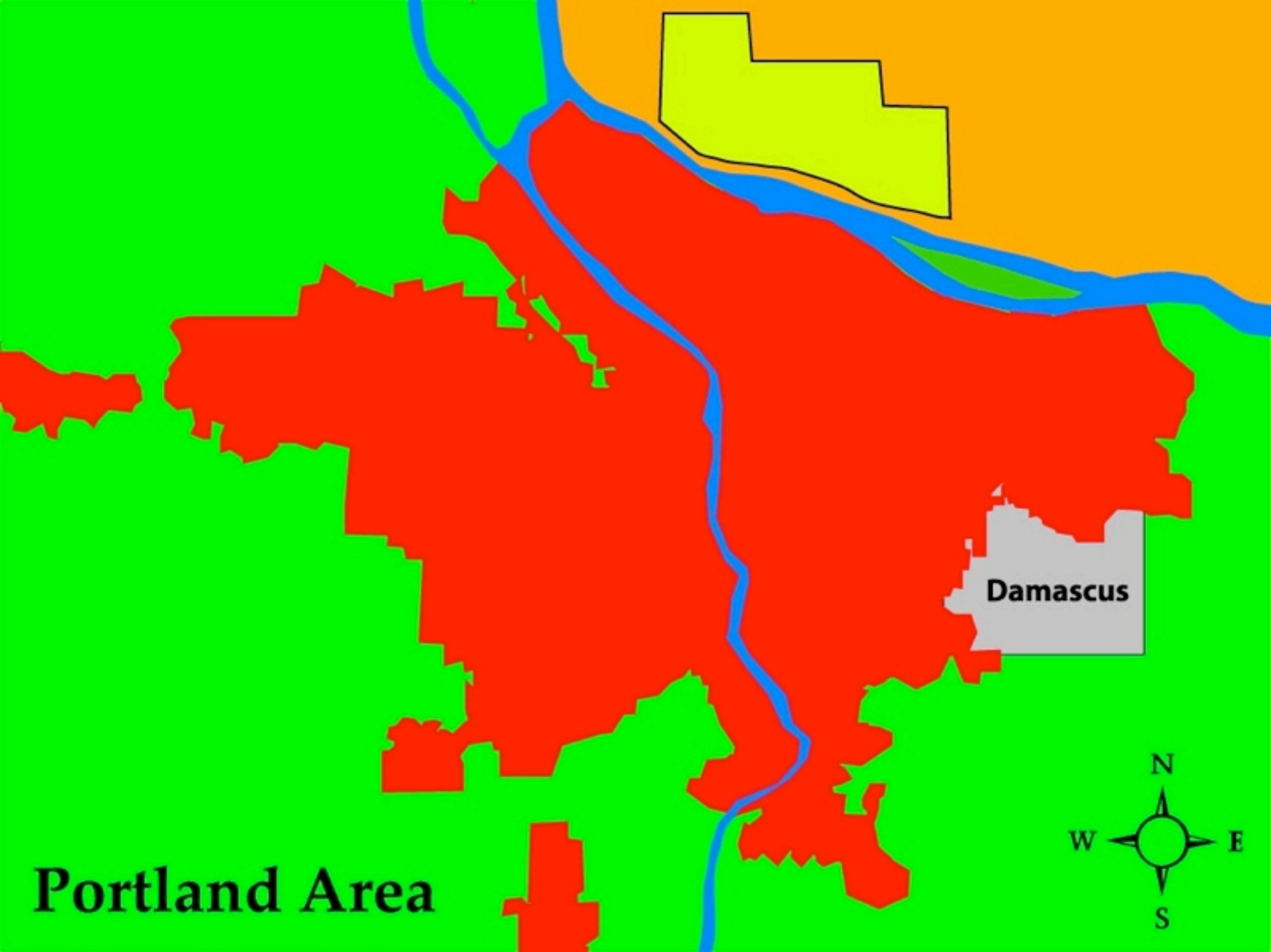
In 1979, Portland drew an urban growth boundary around itself and 23 incorporated suburbs.



Outside the boundary, 97 percent of Oregon is so strictly zoned that you can only build a house on your own land if you have at least 80 acres and you earn at least \$40,000 to \$80,000 (depending on soil productivity) a year farming it.



When planners drew the growth boundary, they promised they would expand it when needed so there would always be land available for urban development. But, as Peter Drucker pointed out, whenever government does anything, even just drawing a line, it soon becomes “moral.” This happens because the interest groups that benefit from that line lobby to keep it in place.

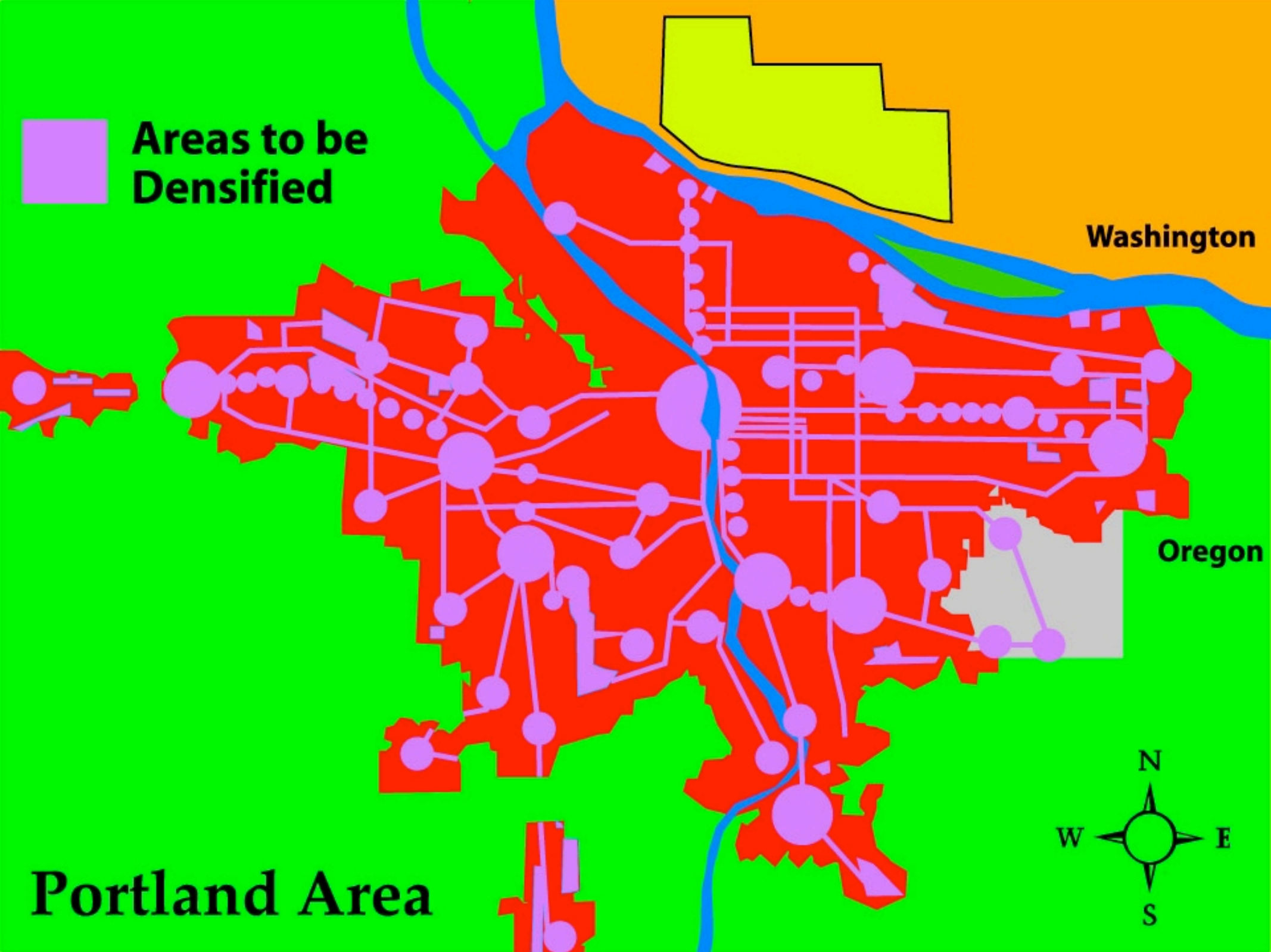


Portland Area

Damascus



Although planners made a few small additions to the boundary, mainly an area called Damascus, they put so many restrictions on construction that homebuilders have given up on ever developing the area.



For the most part, planners have decided that Portland should grow up not out, that is, get denser, so they rezoned all of the purple areas on this map for high-density developments.



This neighborhood of single-family homes has been rezoned for apartments, so it is starting to see apartment grow up in people's back yards.



The zoning is so strict that, if your house burns down, you can only replace it with a rowhouse, apartment, or some other structure that meets the minimum density of the zone.



\$160,000 in Houston

The intended consequence of these zoning rules is to make single-family housing, the kind of housing 80 percent of Americans say they prefer, unaffordable. This four-bedroom, 2-1/2 bath home in Houston recently sold for \$160,000.



\$320,000 in Portland

But in Portland it would have sold for twice that much.



Portland planners are proud that they have made land so expensive that developers will buy existing homes on quarter acre lots



tear them down



And replace them with four “skinny houses,” houses just 15 feet wide on 25-foot-wide lots.



Here is one of the high-density developments in Portland. Excuse me, this isn't in Portland, it is in the former East Germany.



Here is the one in Portland.



The difference between them is that, when East Germans got their freedom, they moved out of these apartments, which are now slated for demolition, and into



single-family homes in suburbs such as this one.



While Portlanders who lost their freedom had to move into developments like this one.



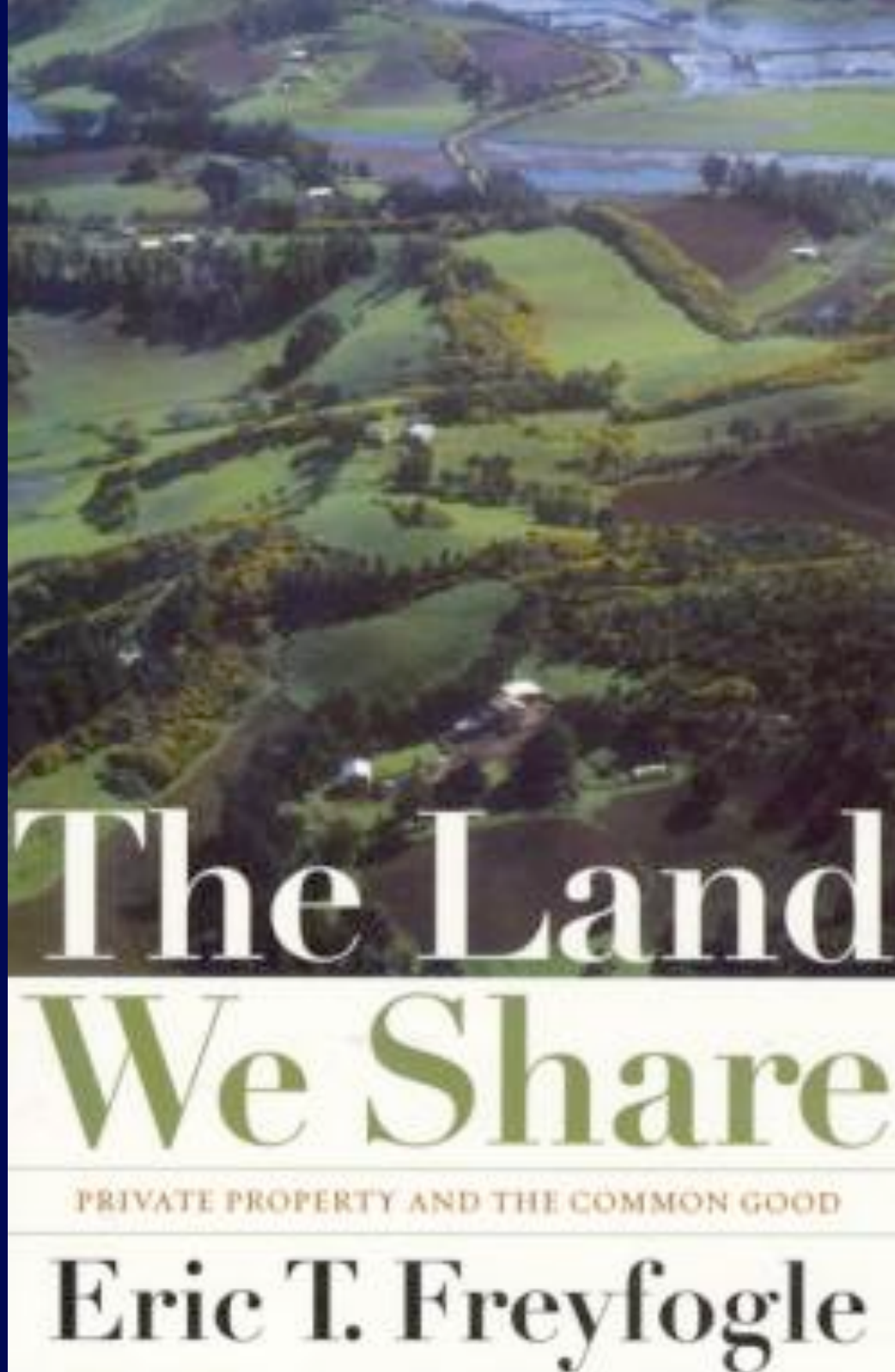
If you think such rules could never happen in Montana, think again. Secretary of Transportation Ray LaHood is directing all metropolitan areas to plan for more compact development or be denied federal transportation funding. He recently told the National Press Club that this was part of his program aimed at “coercing people out of their automobiles.”



Meanwhile, House Transportation Committee Chair James Oberstar has proposed to require that states form “rural planning organizations” that will limit development in rural areas. If LaHood and Oberstar have their way, we will effectively have a national land-use planning process.



Missoula's city government is proud to sponsor high-density low-rise developments such as this one.



The Land

We Share

PRIVATE PROPERTY AND THE COMMON GOOD

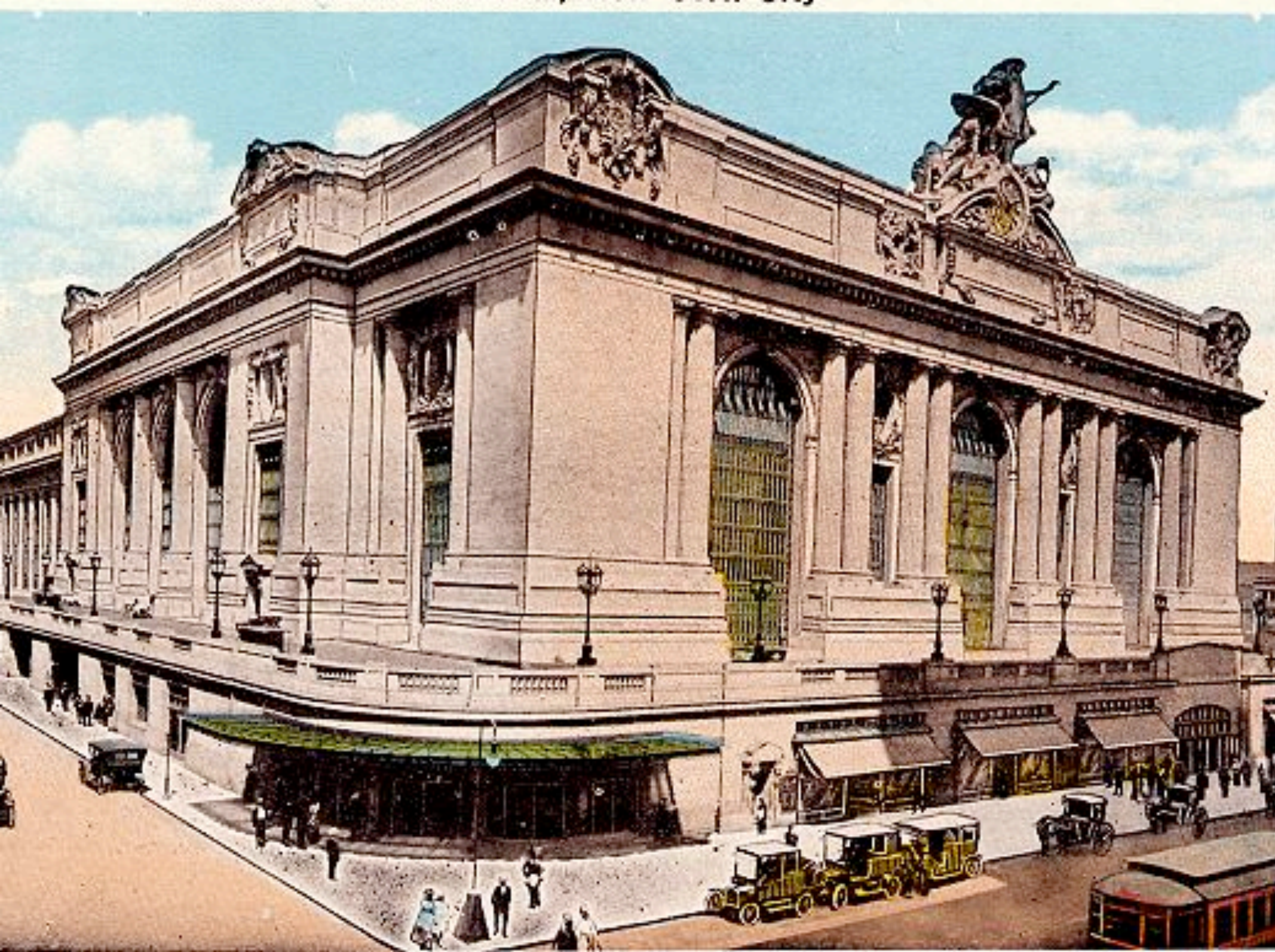
Eric T. Freyfogle

Planners don't worry about property rights because they don't believe your land belongs to you. Instead, all private land is, to them, "the land we share."

Private property is "an institution that communities reshape over time to promote evolving goals."

—*Eric Freyfogle*

The author of this book, which is promoted by the American Planning Association, thinks that property rights can be redefined by the community at any time.



Unfortunately, the Supreme Court agrees. In a 1976 case over New York City's Grand Central Station, the court ruled that cities could take away the rights of property owners to control their property without compensating the property owners.

New York City's historic preservation "law embodies a comprehensive plan to preserve structures of historic or aesthetic interest wherever they might be found in the city"

—*Justice Brennan, PennCentral*

An important part of the ruling was that such downzoning of property could be justified by writing a comprehensive plan.

"With wisdom, learning, concision, and lucid prose, Levy and Mellor go straight to the sad, central truth of the American judiciary." —P. J. O'Rourke

THE DIRTY DOZEN

How Twelve Supreme Court Cases
Radically Expanded Government
and Eroded Freedom

Robert A. Levy & William Mellor

Preface by Richard A. Epstein

Copyrighted material

A recent book from the Cato Institute included this among the twelve cases that did the most to erode freedom in the history of the Supreme Court.



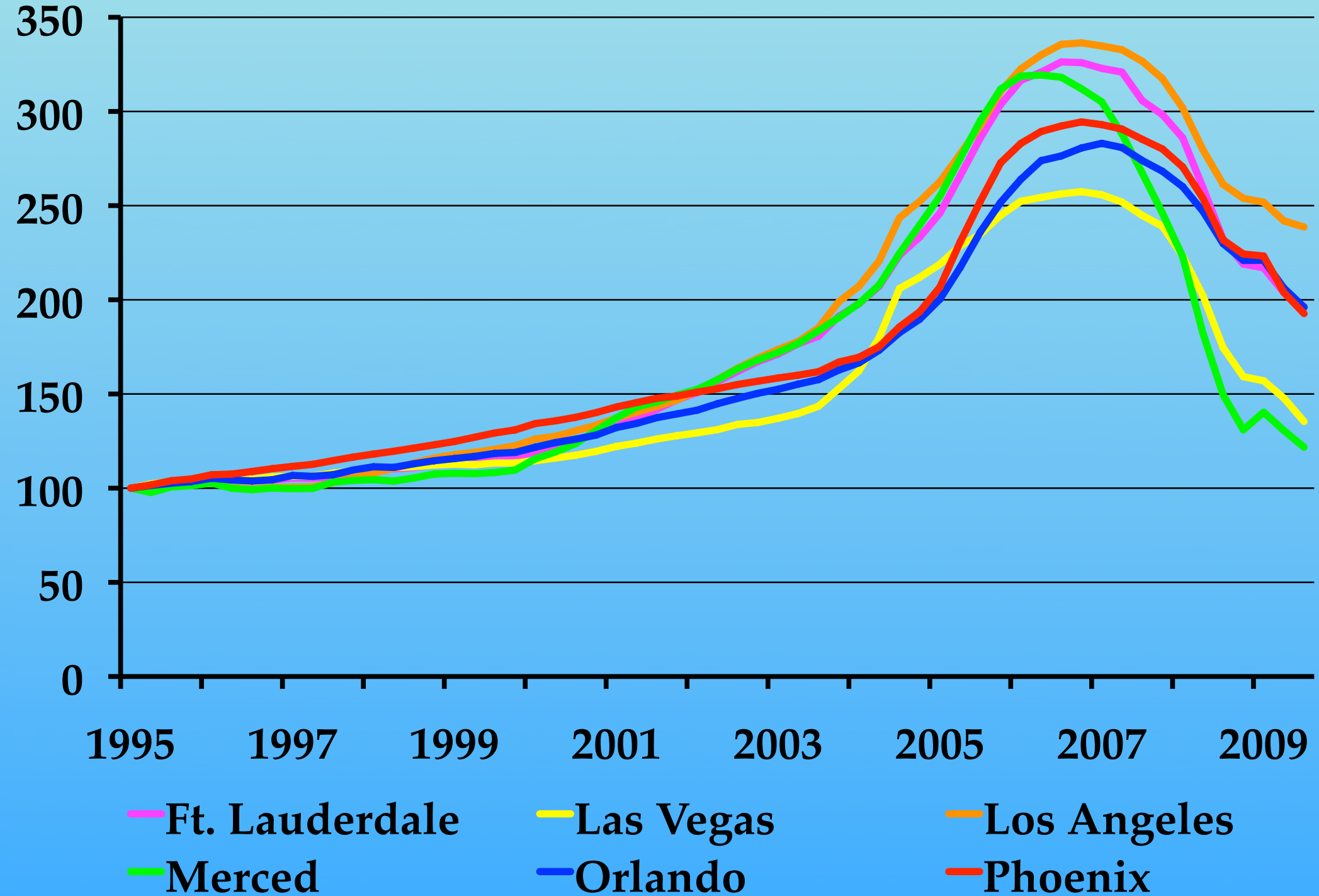
Unfortunately, the good intentions of planners trying to improve our lives are often overwhelmed by unintended consequences.



How Urban Planners Caused the Housing Crisis

The latest unintended consequences are the housing bubbles that led to the recent financial crisis.

Metro Area Housing Bubbles

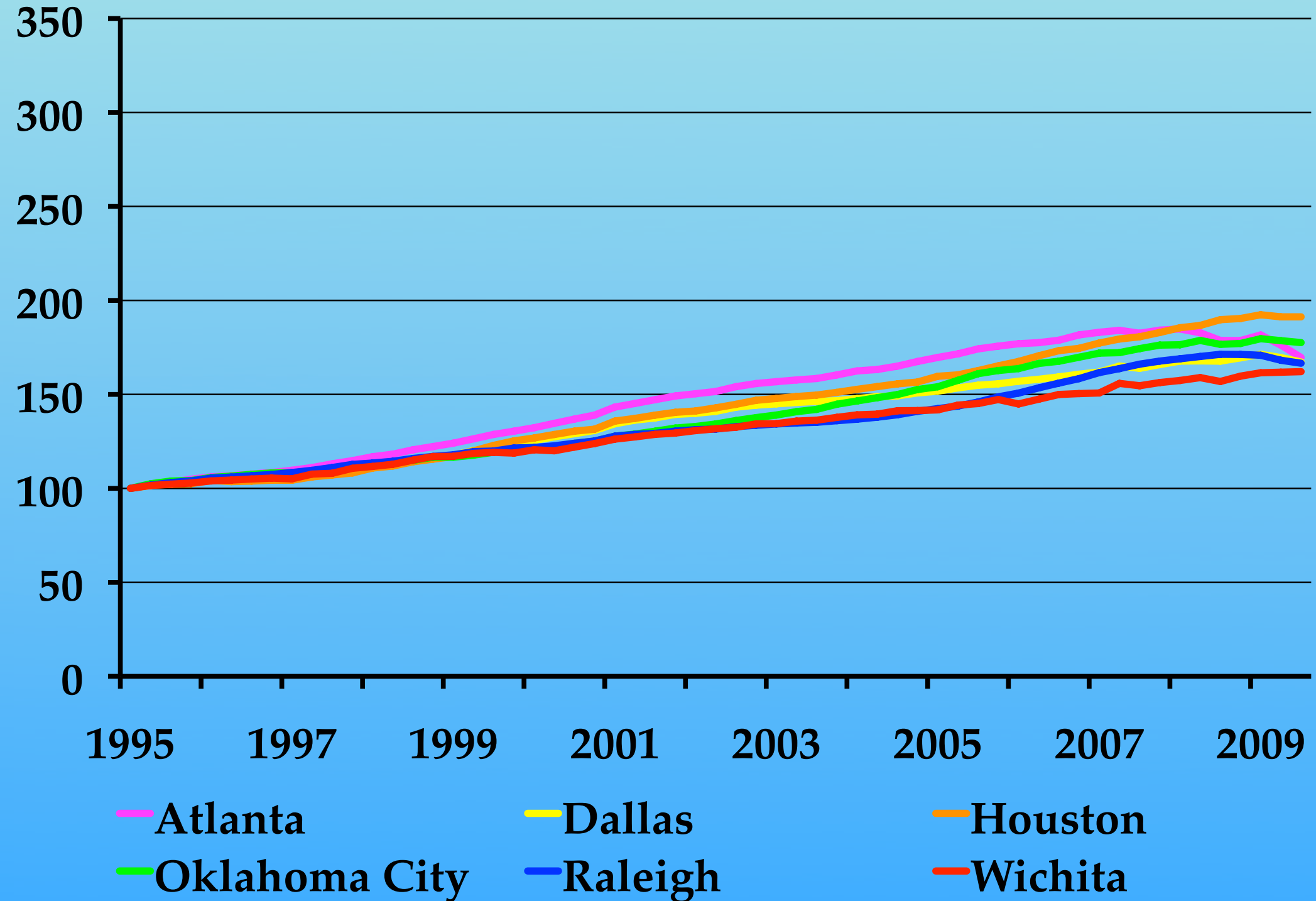


Here are some classic housing bubbles in six metro areas in four states.



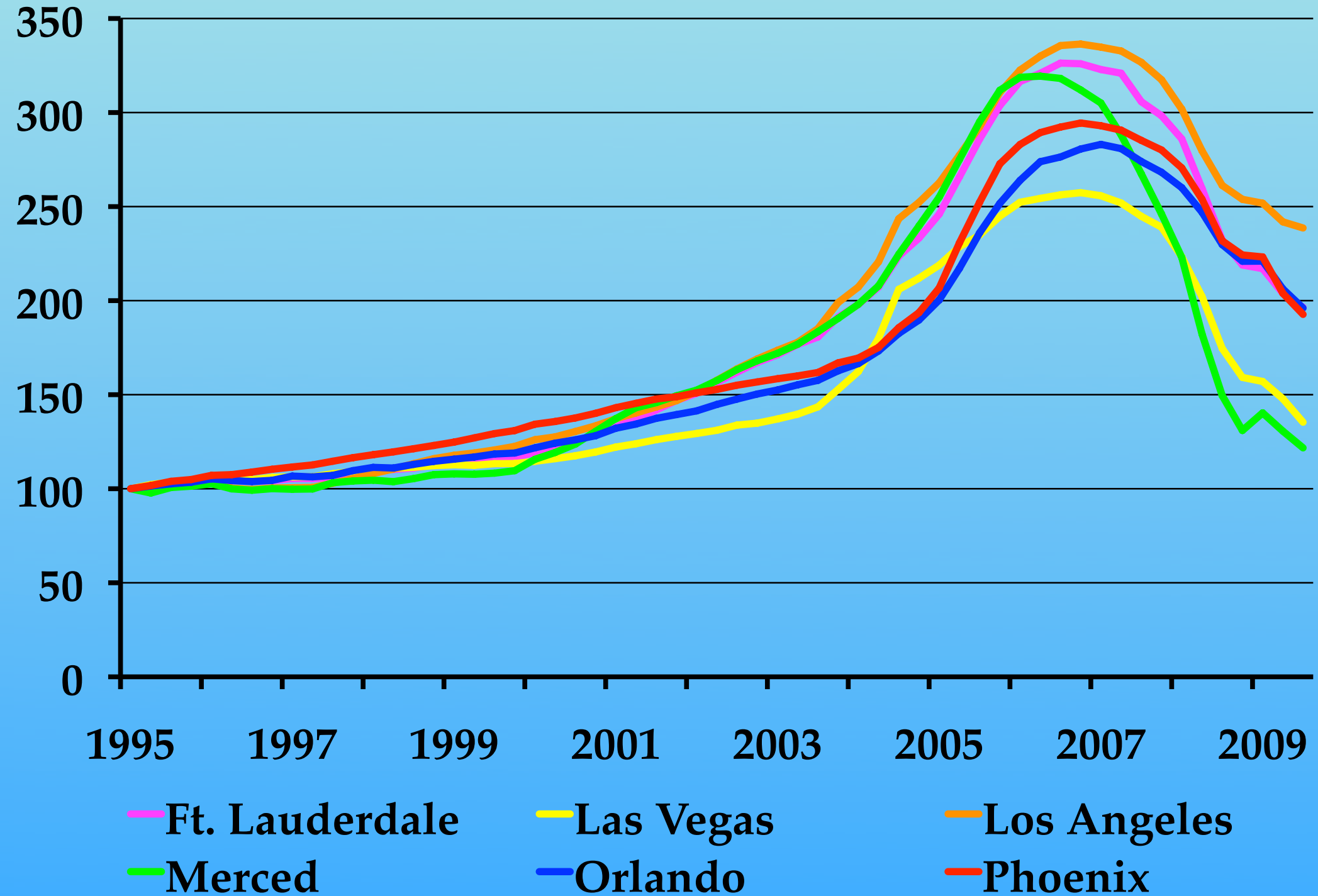
These bubbles have been blamed on the Alan Greenspan, subprime loans, unscrupulous lenders, and all sorts of other national phenomena.

No Housing Bubbles



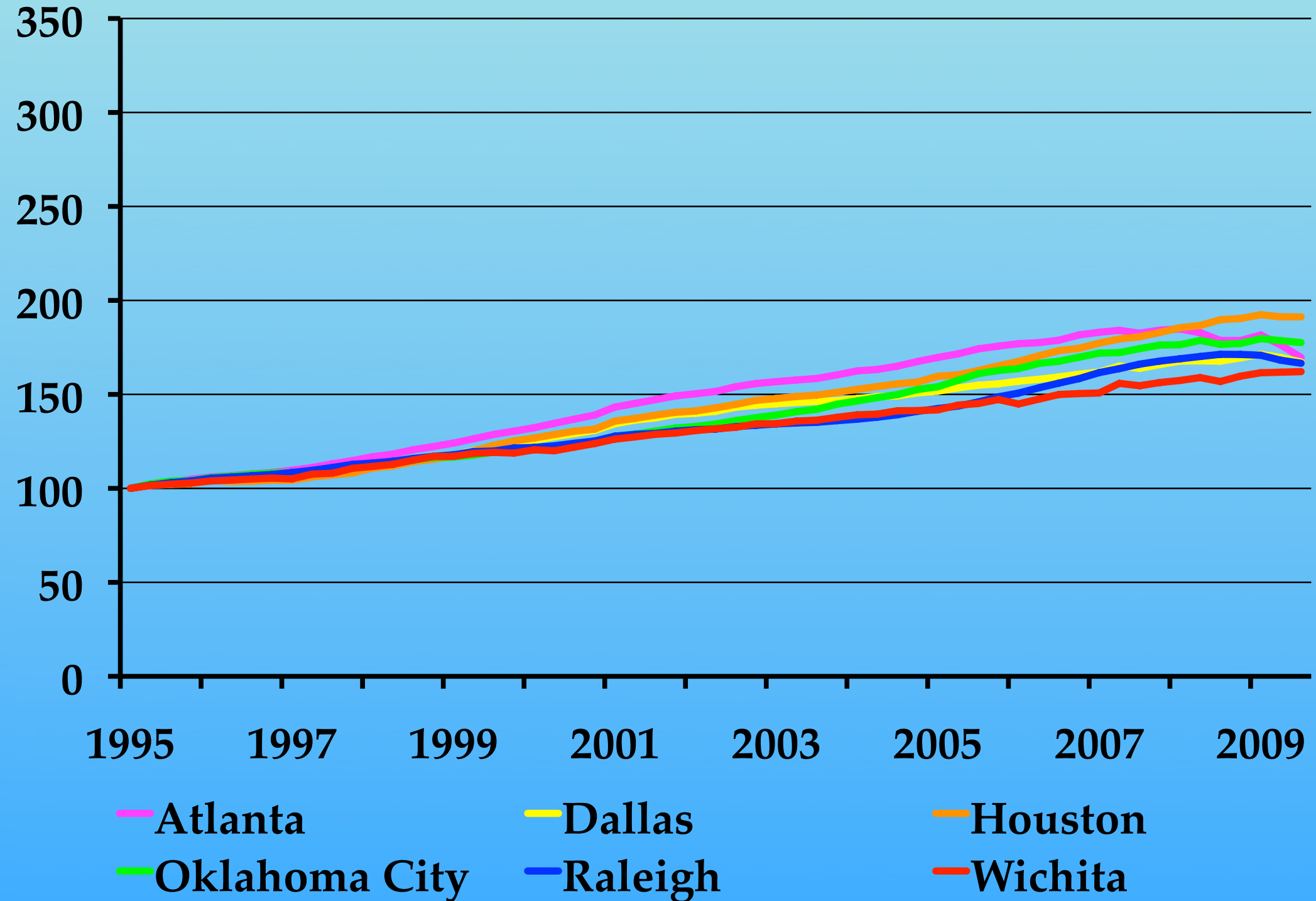
But here are housing prices in six cities in five states that had no housing bubbles.

Metro Area Housing Bubbles



National phenomena like low interest rates would not explain why prices in these cities bubbled

No Housing Bubbles



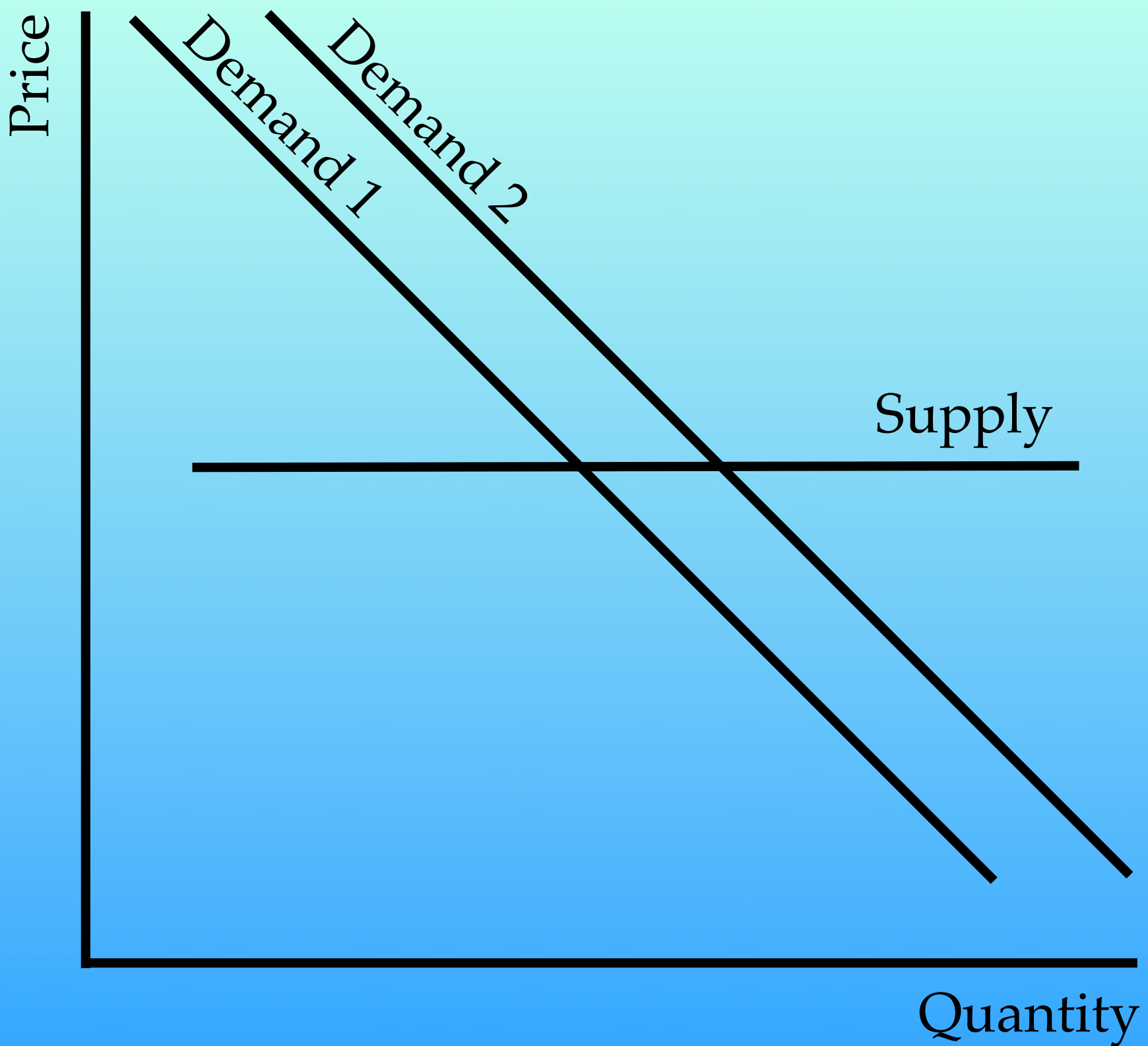
while prices in these cities did not.

**Growth-Management
Planning: *Efforts to
control the rate and/or
the location of future
growth.***

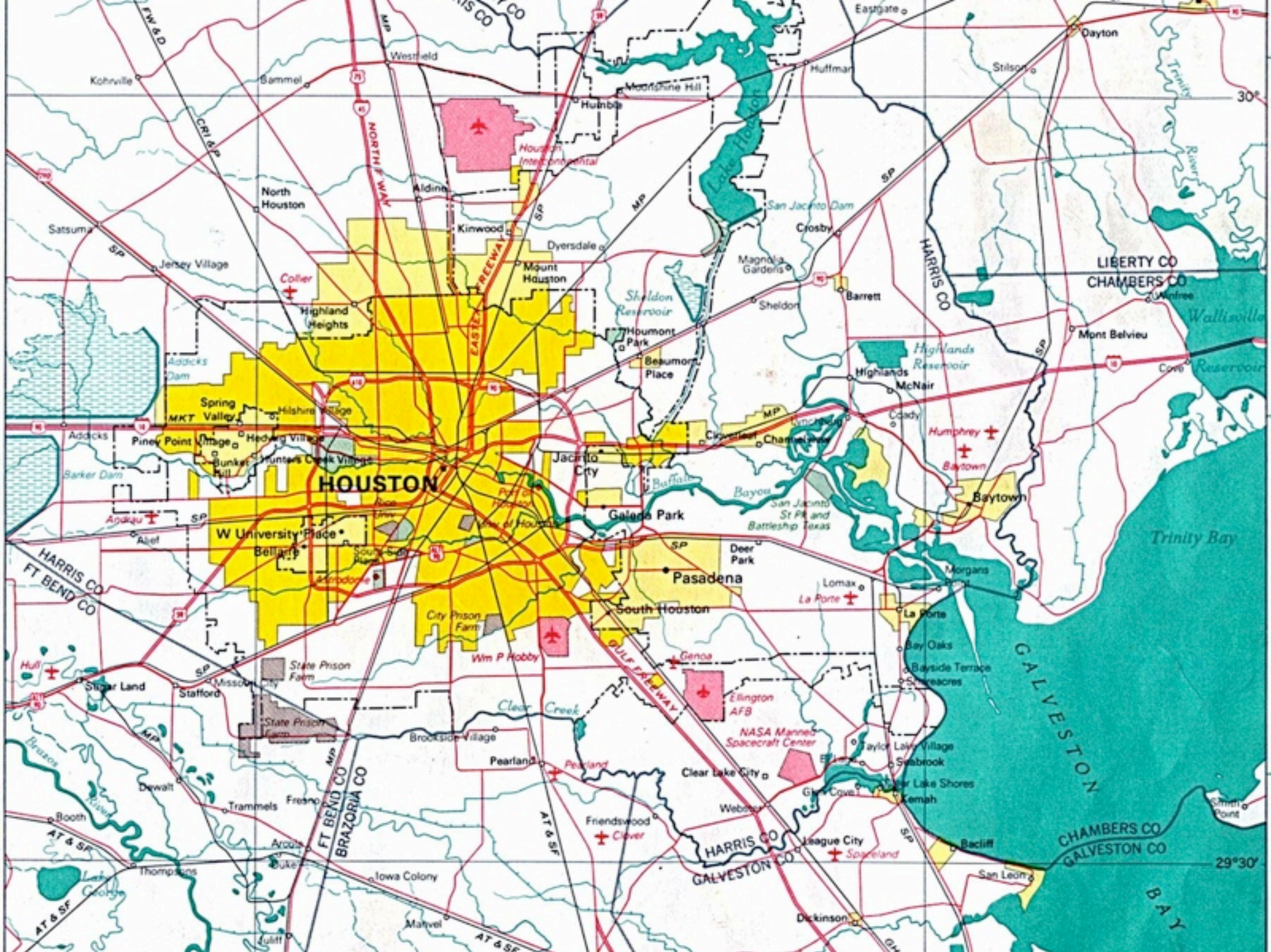
The difference is urban planning, specifically a type of planning known as growth-management planning.

Smart Growth: *Efforts*
to make urban areas
denser and more
transit-, bicycle-, and
pedestrian-friendly.

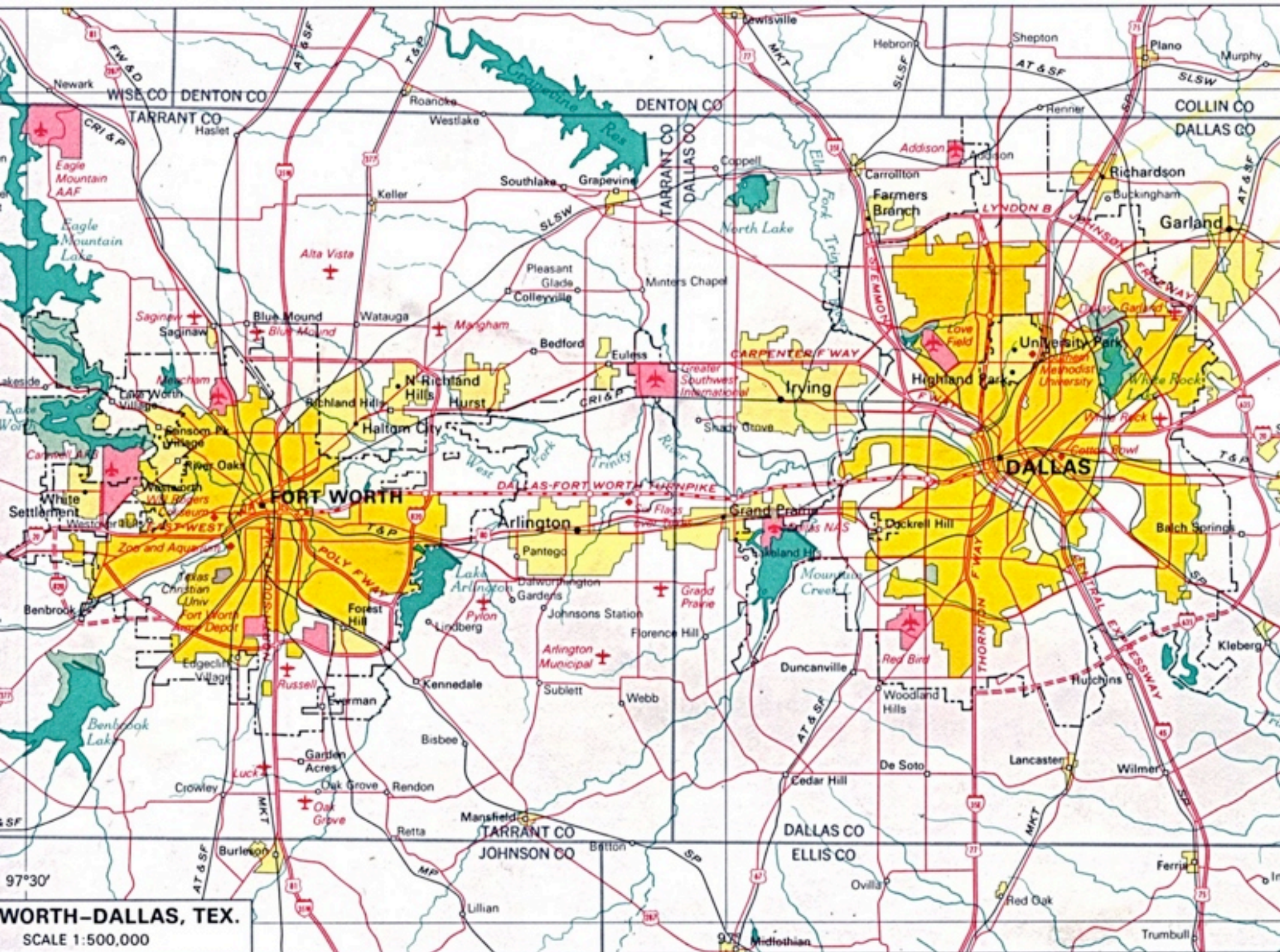
Smart growth is a special form of growth-management planning that tries to make cities more compact using urban-growth boundaries or similar intrusions on private property rights.



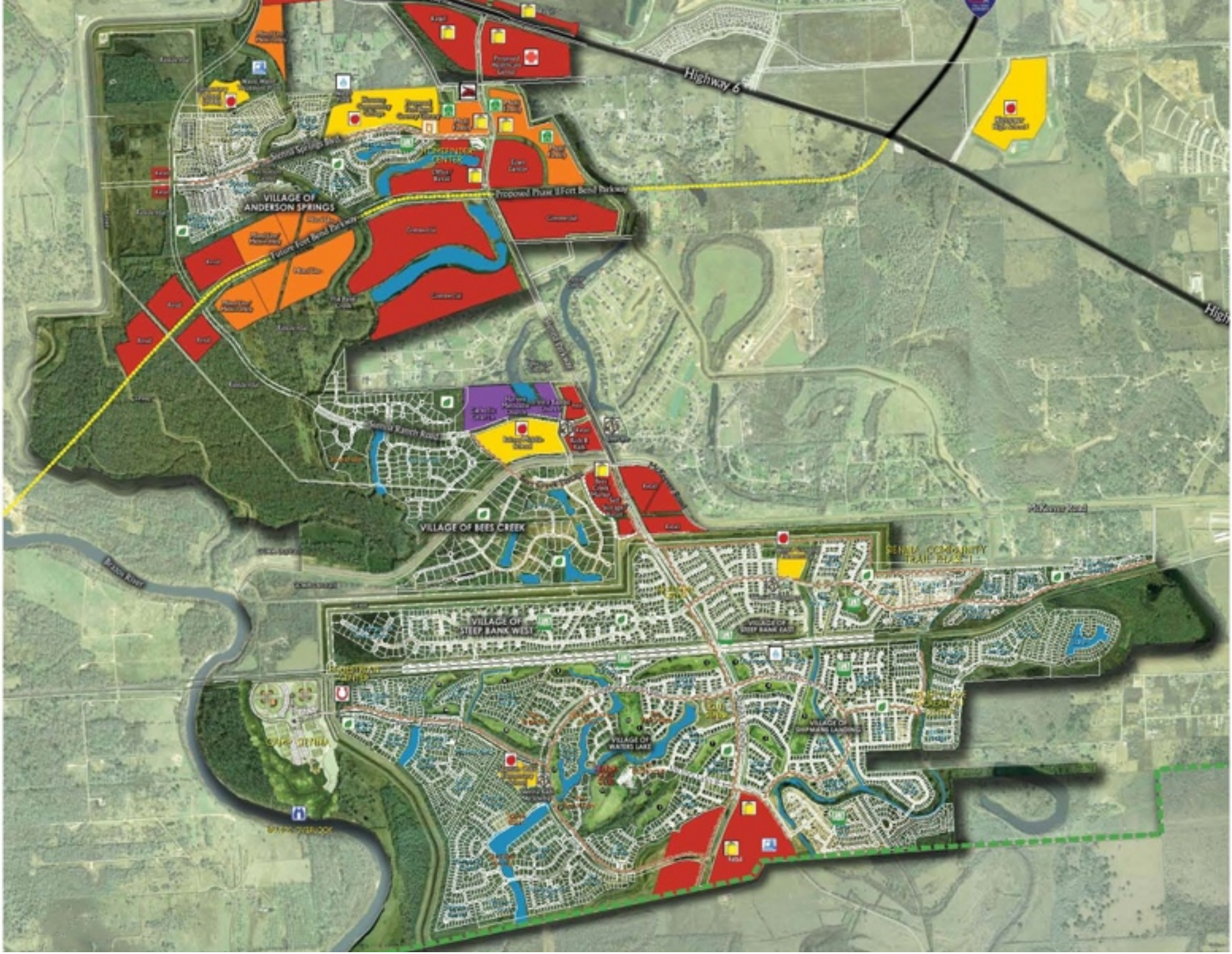
In a housing market unfettered by government regulation, the supply of housing is fairly inelastic, which means homebuilders can quickly ramp up production if there is a change in demand.



Houston, for example, has no zoning, so it is possible to buy land, get permits, and construct housing on the land in as little as 90 to 120 days.



While Dallas and Ft. Worth do have zoning, Texas law does not allow counties to zone. So the cities know that if they impose restrictions on development, developers will just cross over into the counties and build.



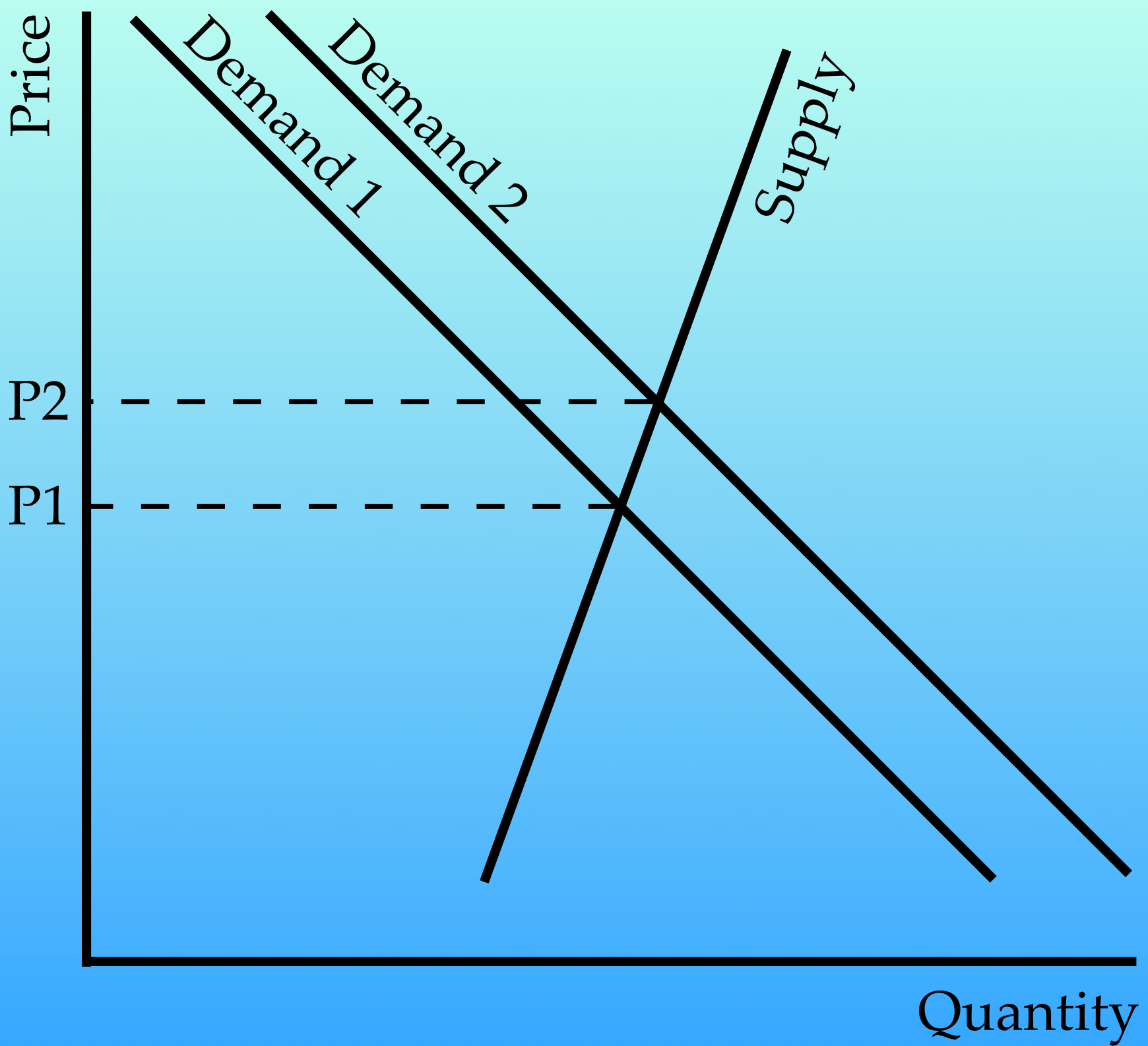
As a result, Texas has numerous master-planned developments



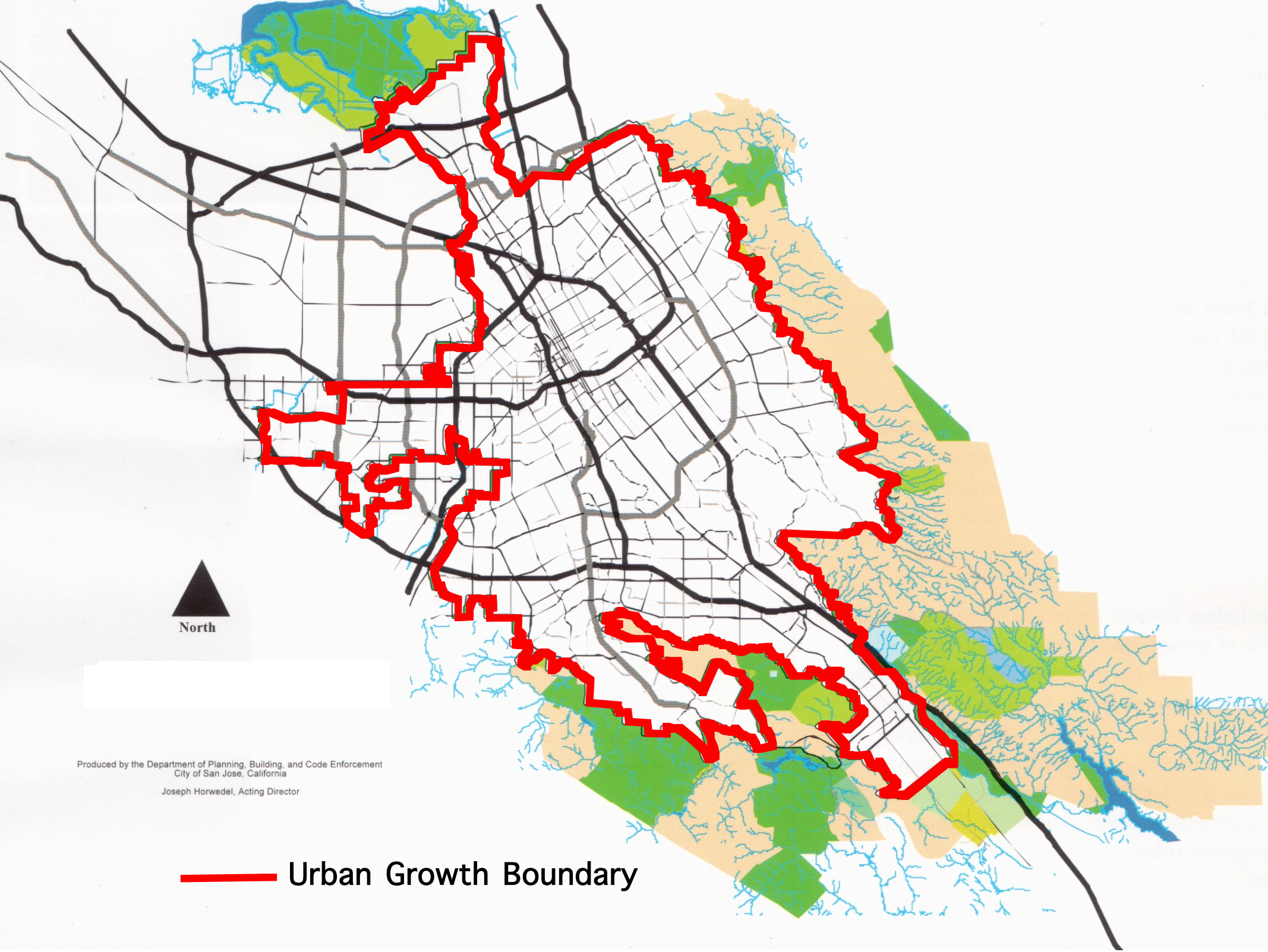
with beautiful parks and other facilities all paid for by the developers (and, ultimately, the home buyers)



allowing builders to meet any demand for housing. Instead of relying on zoning to protect neighborhood values, Houston neighborhoods rely on homeowner associations and protective covenants.



When government starts restricting land uses, the supply of housing becomes inelastic, meaning a small change in demand can lead to a large change in price.



San Jose, for example, hasn't changed its urban-growth boundary in more than 35 years. Since the city knows that developers cannot escape to county land, it can take years to get a permit to build one house, much less a subdivision.



This land, for example, is in the city limits (but outside the UGB).

**DRAFT
ENVIRONMENTAL IMPACT REPORT**

**COYOTE VALLEY
SPECIFIC PLAN**

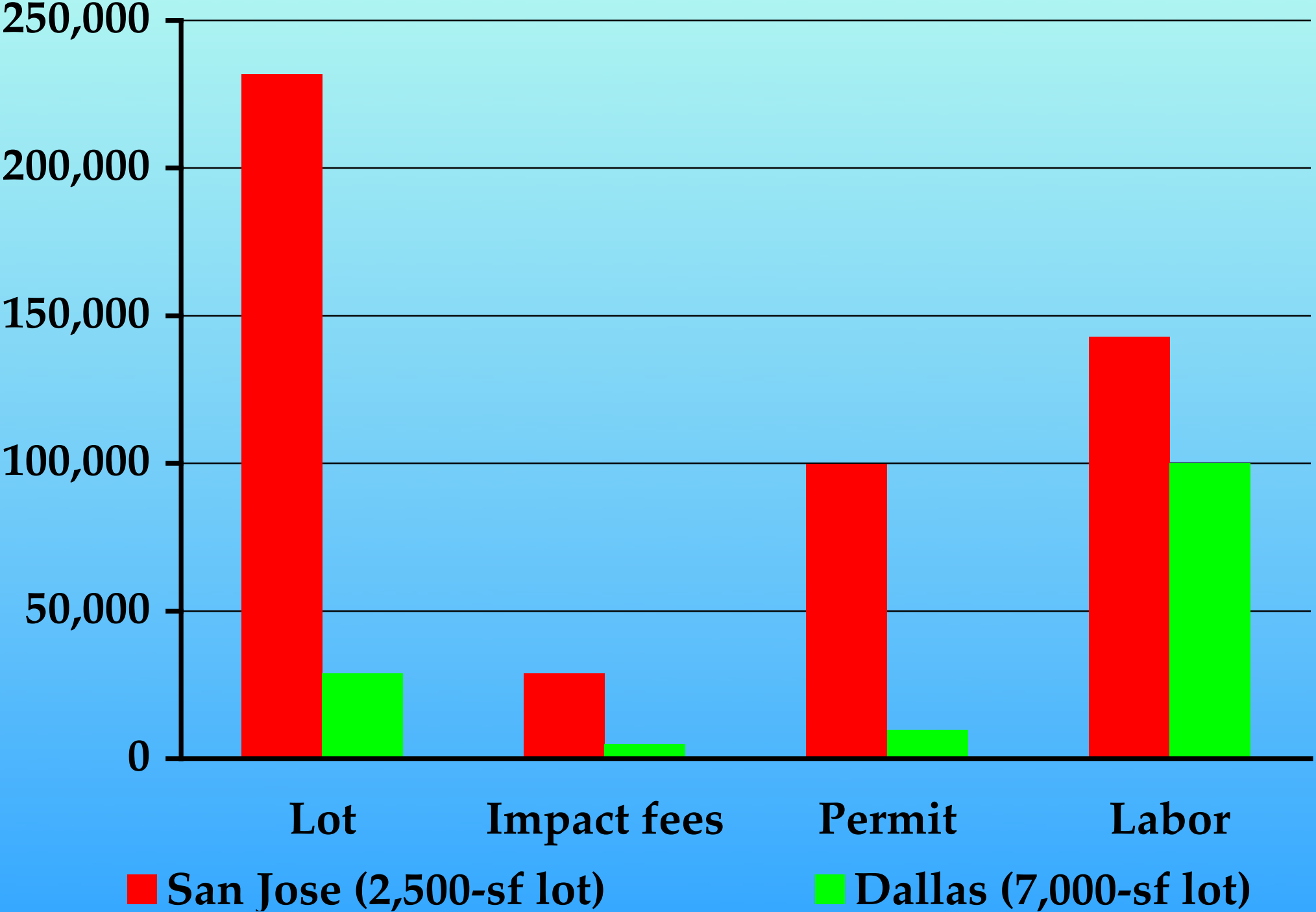


March 2007

**Volume I of III
EIR Text**

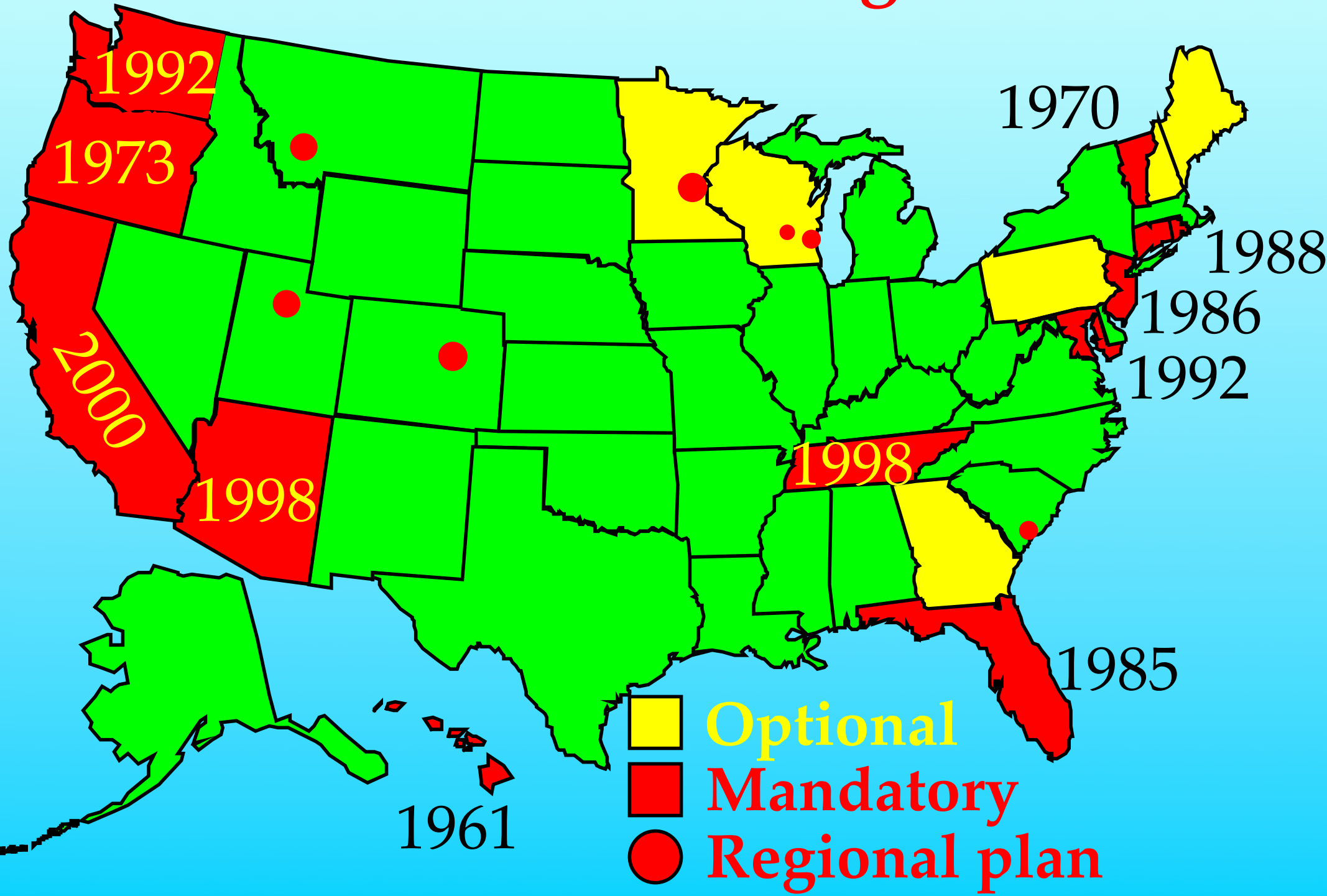
After developers spent \$15 million on environmental analyses and other parts of the city permitting process, they realized the city would not expand the UBG and so they gave up and walked away.

San Jose vs. Dallas Housing Costs



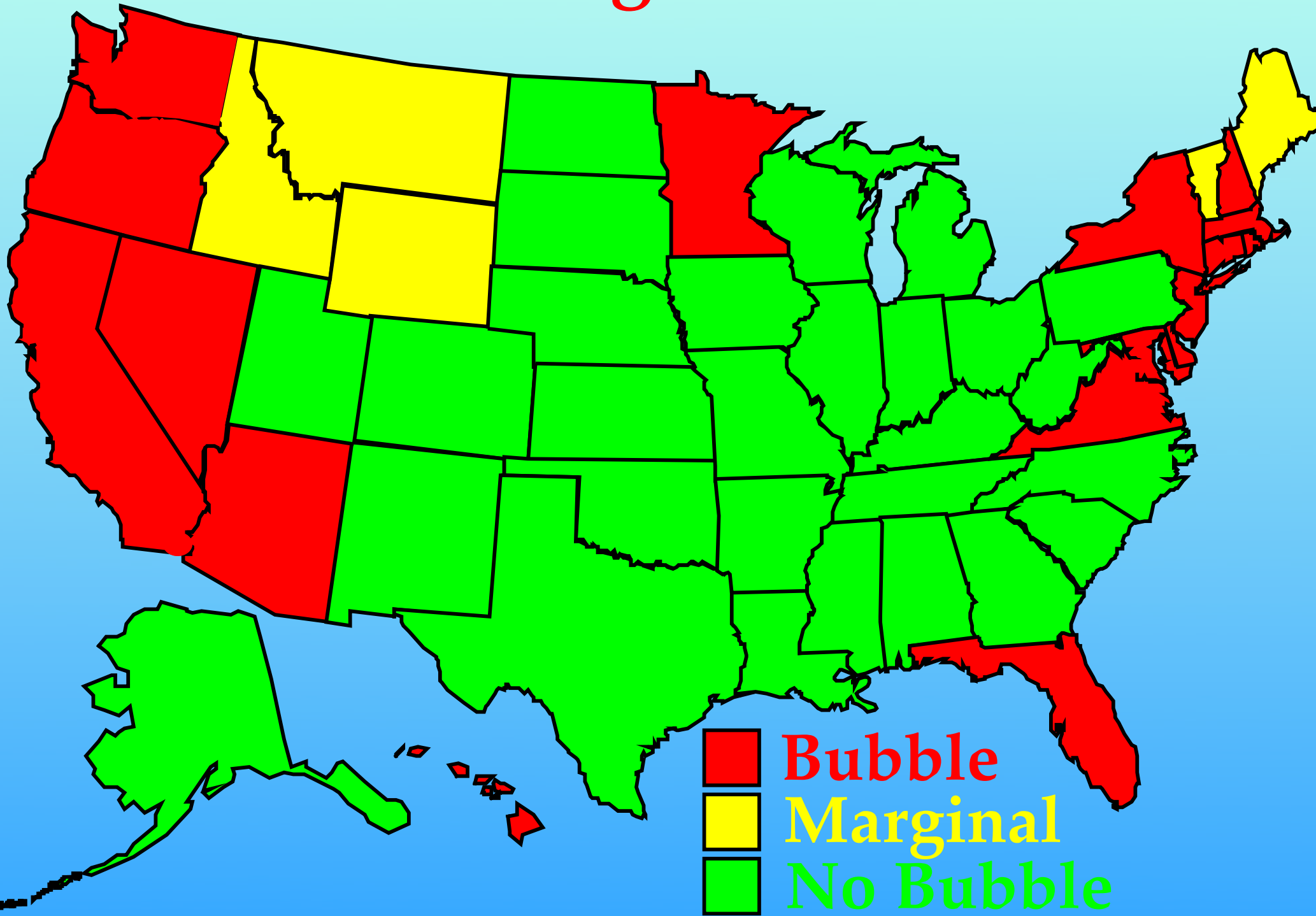
A 2002 study found that the land shortage created by the urban-growth boundary added \$200,000 to the cost of a home, while the permitting process could add another \$100,000 to the cost.

States with Growth-Management Laws



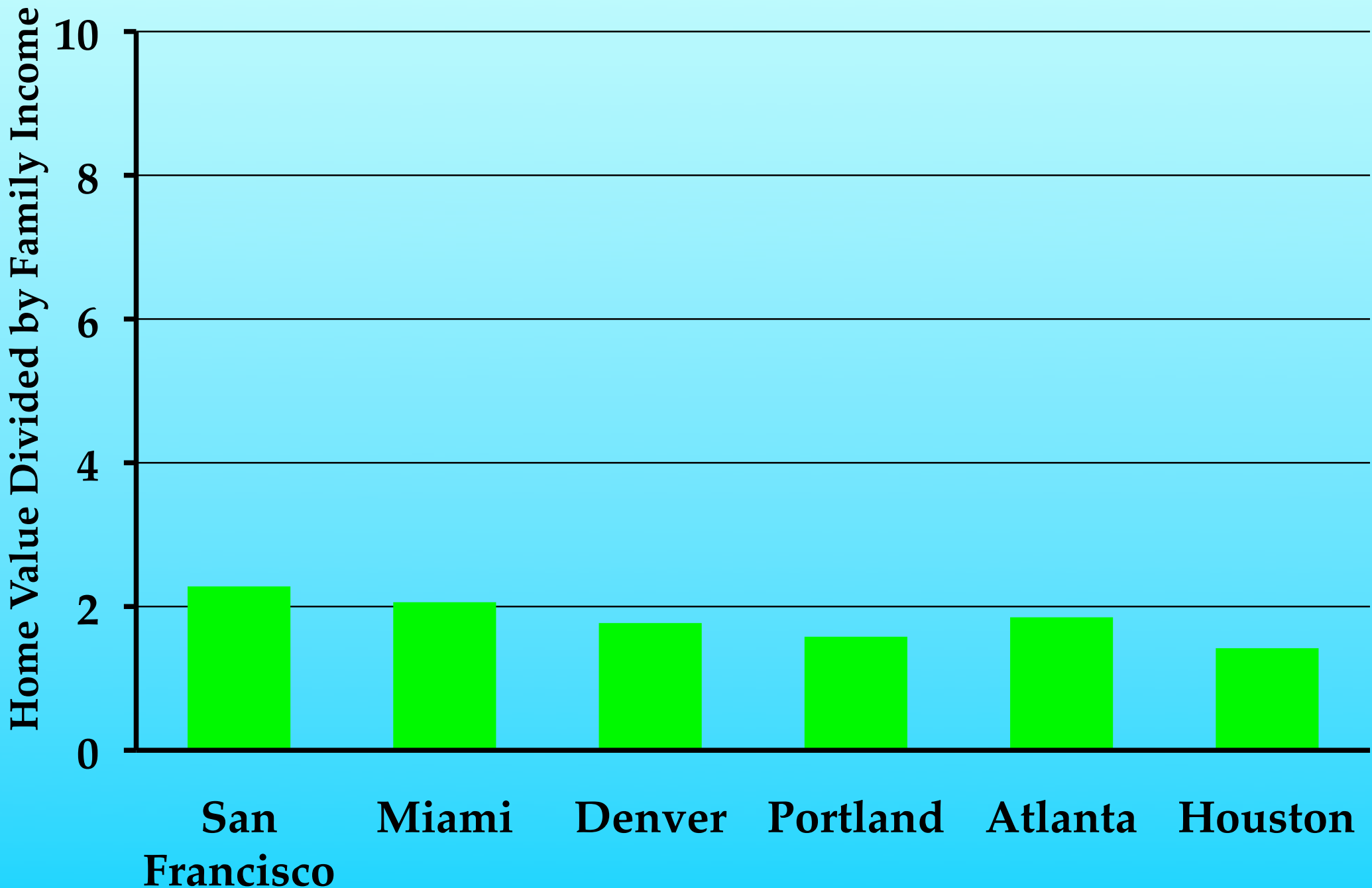
As of 2000, about a dozen states have passed laws requiring cities and counties to do growth-management planning. In a number of other states, growth-management planning has been done by metropolitan planning organizations and cities, including Denver, Minneapolis, and Missoula.

Housing Bubbles



Housing bubbles are strongly correlated with this growth-management planning.

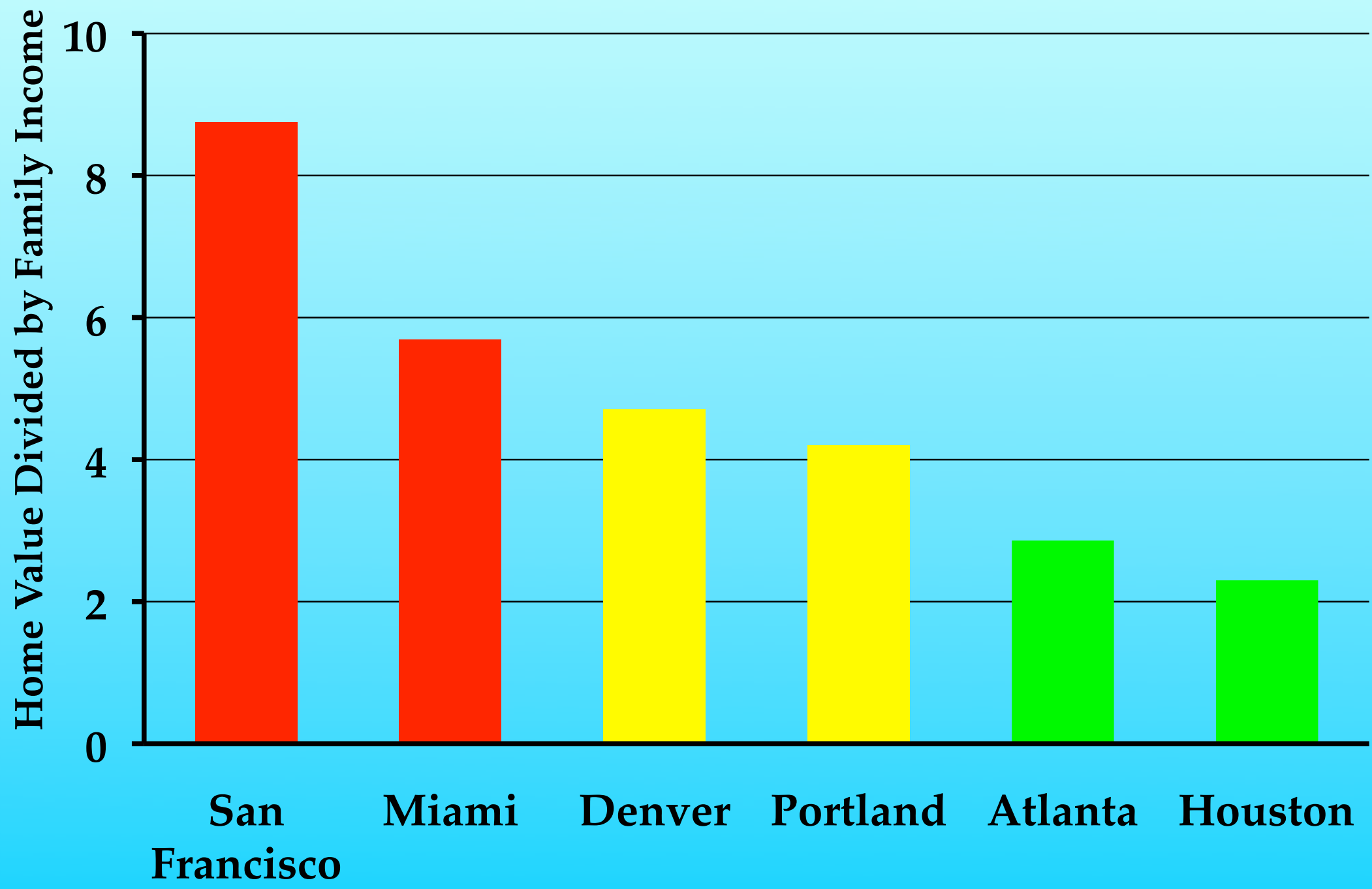
1969 Home Value to Income Ratios



Source: Census Bureau

As recently as 1969, housing throughout the nation was about equally affordable, meaning the value of a median home in various places was almost always about twice the median family incomes in those places.

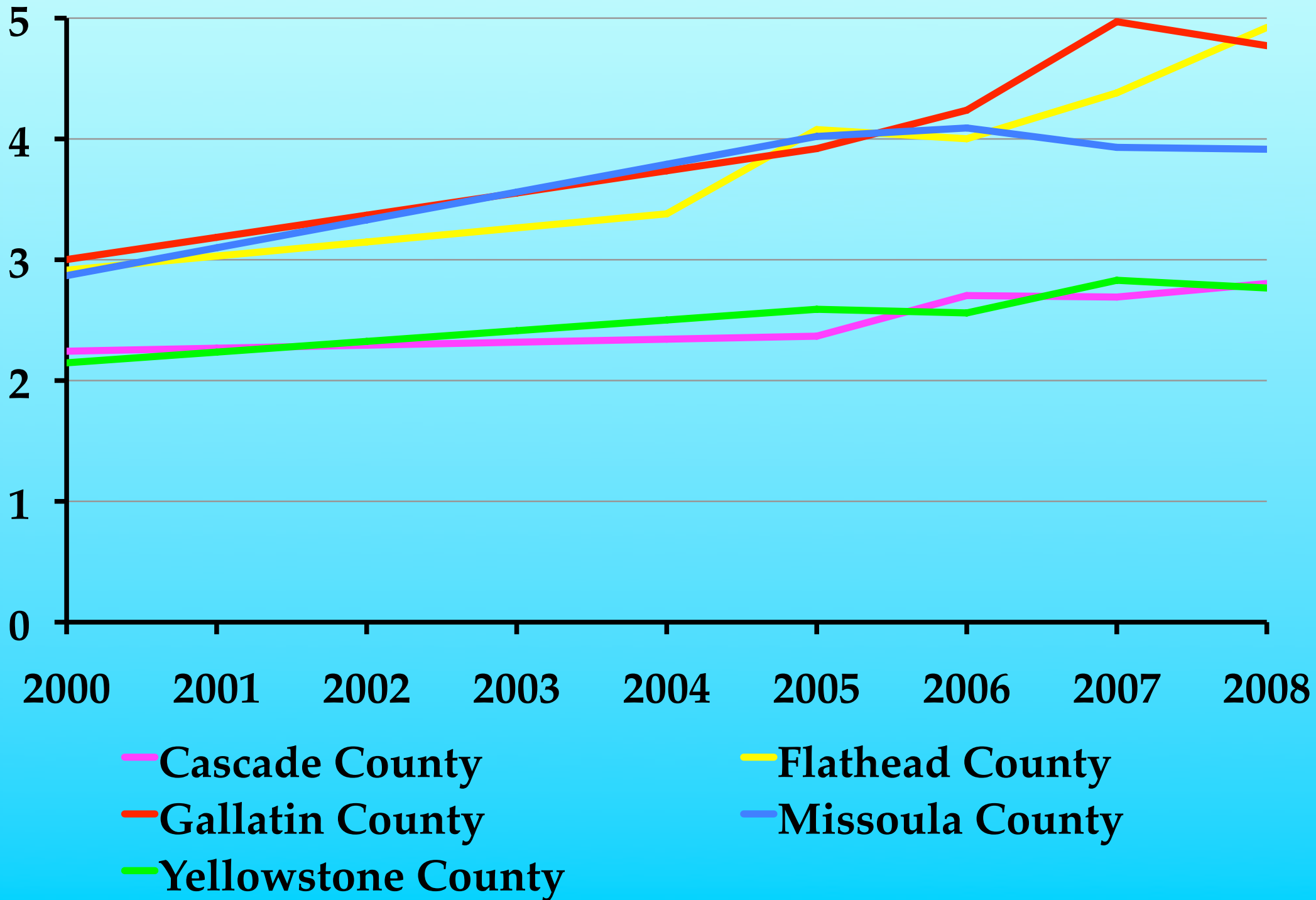
2006 Home Value to Income Ratios



Source: Census Bureau

By 2006, the peak of the housing bubble, median home prices in cities with growth-management planning was 4 to 10 times median family incomes.

Montana Value-to-Income Ratios



Available data for Montana indicate that Bozeman, Missoula, and Whitefish-Kalispell had small bubbles, while Billings and Great Falls did not.



HIER

Harvard Institute of Economic Research

Discussion Paper Number 1948

The Impact of Zoning on Housing Affordability

by

Edward L. Glaeser and Joseph Gyourko

March 2002

Harvard University
Cambridge, Massachusetts

“Government regulation is responsible for high housing costs where they exist.”

Edward Glaeser & Joseph Gyourko

Harvard University economics professor Edward Glaeser and Wharton Business School professor Joseph Gyourko agree that land-use regulation is the cause of high housing prices.

The Economic Impact of Restricting Housing Supply

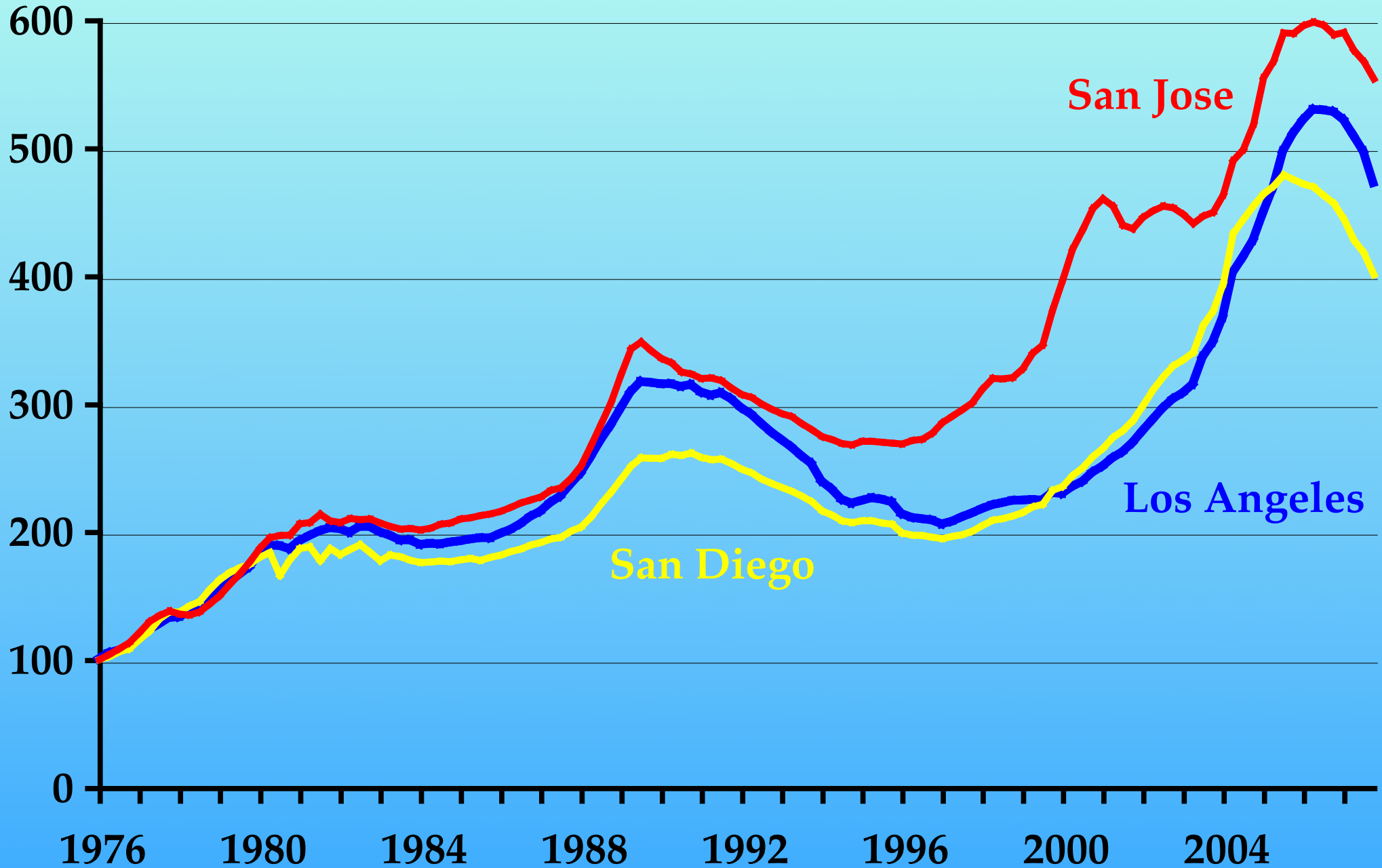
By Edward L. Glaeser, Rappaport Institute for Greater Boston, Harvard University

- More volatile prices
- Declines in employment and income
- Ensures that only affluent people can afford to live in a region
- “Boutique city catering only to elite”

They further note that regulation not only makes housing unaffordable, it makes prices more volatile.

Home Price Indices

(2nd Quarter 1976 = 100, adjusted for inflation)

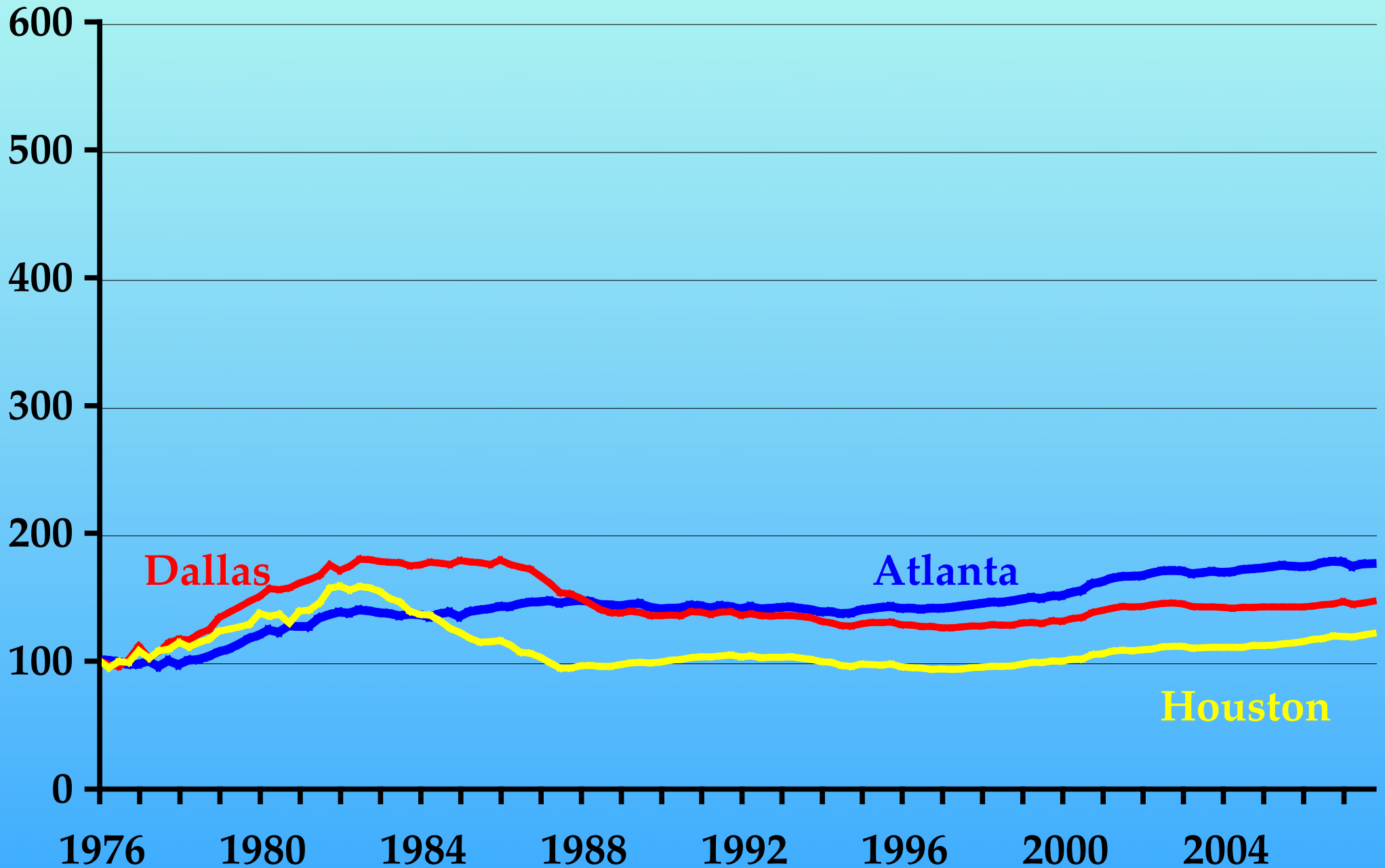


Source: Office of Federal Housing Enterprise Oversight

Since California cities began doing growth-management planning in the 1970s, they have suffered through three housing bubbles and collapses.

Home Price Indices

(2nd Quarter 1976 = 100, adjusted for inflation)



Source: Office of Federal Housing Enterprise Oversight

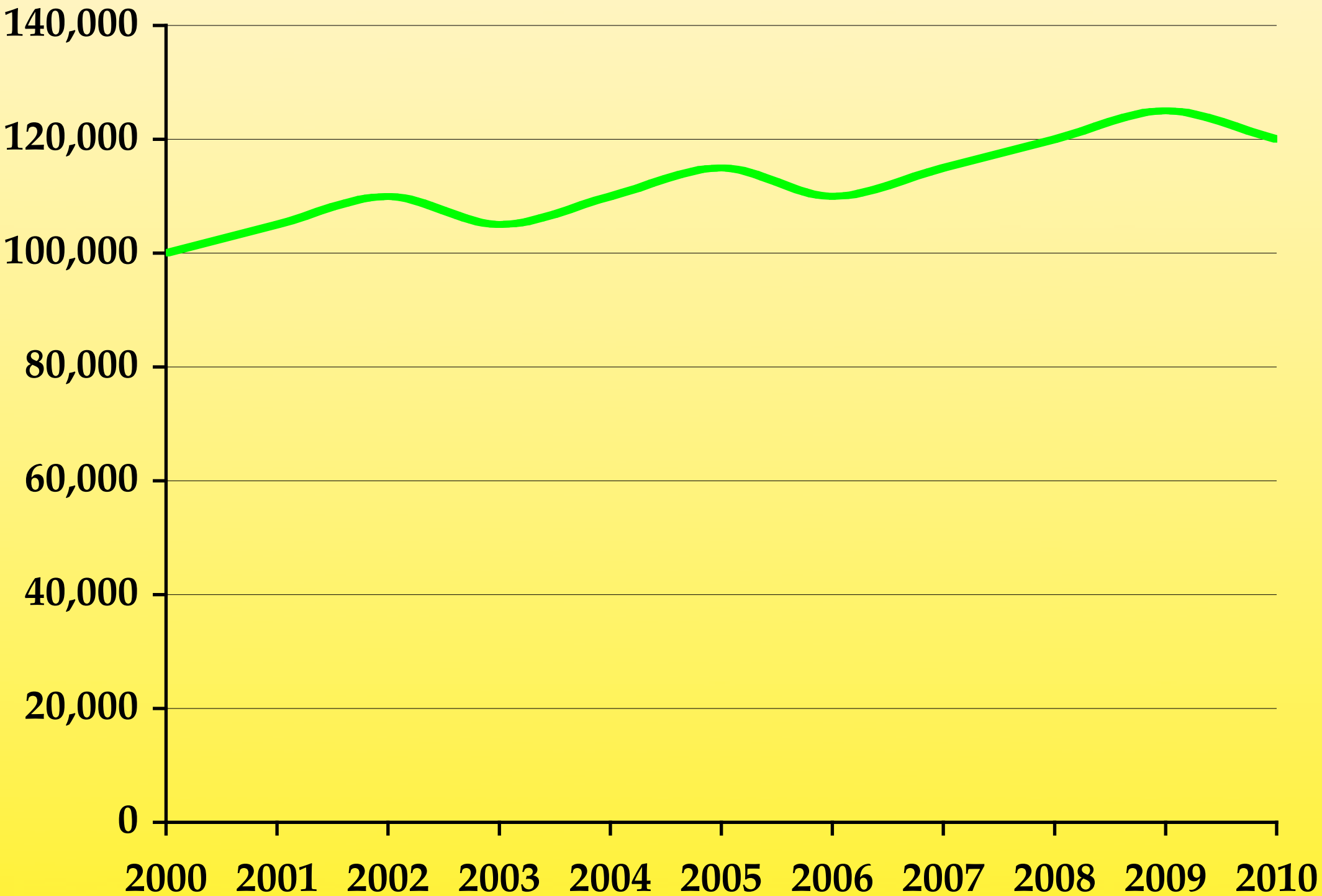
While prices in relatively unregulated areas have remained fairly flat and proportional to median family incomes.

Sequence of Events

- **1961-1998: States enact GM laws**
- **Home prices rise faster than normal**
- **1990s: Unaffordable housing leads feds to pressure Fannie/Freddie & banks to reduce loan requirements**
- **2001: Dot-com crash leads investors to put money into real estate**
- **2006: Bubbles begin to deflate**

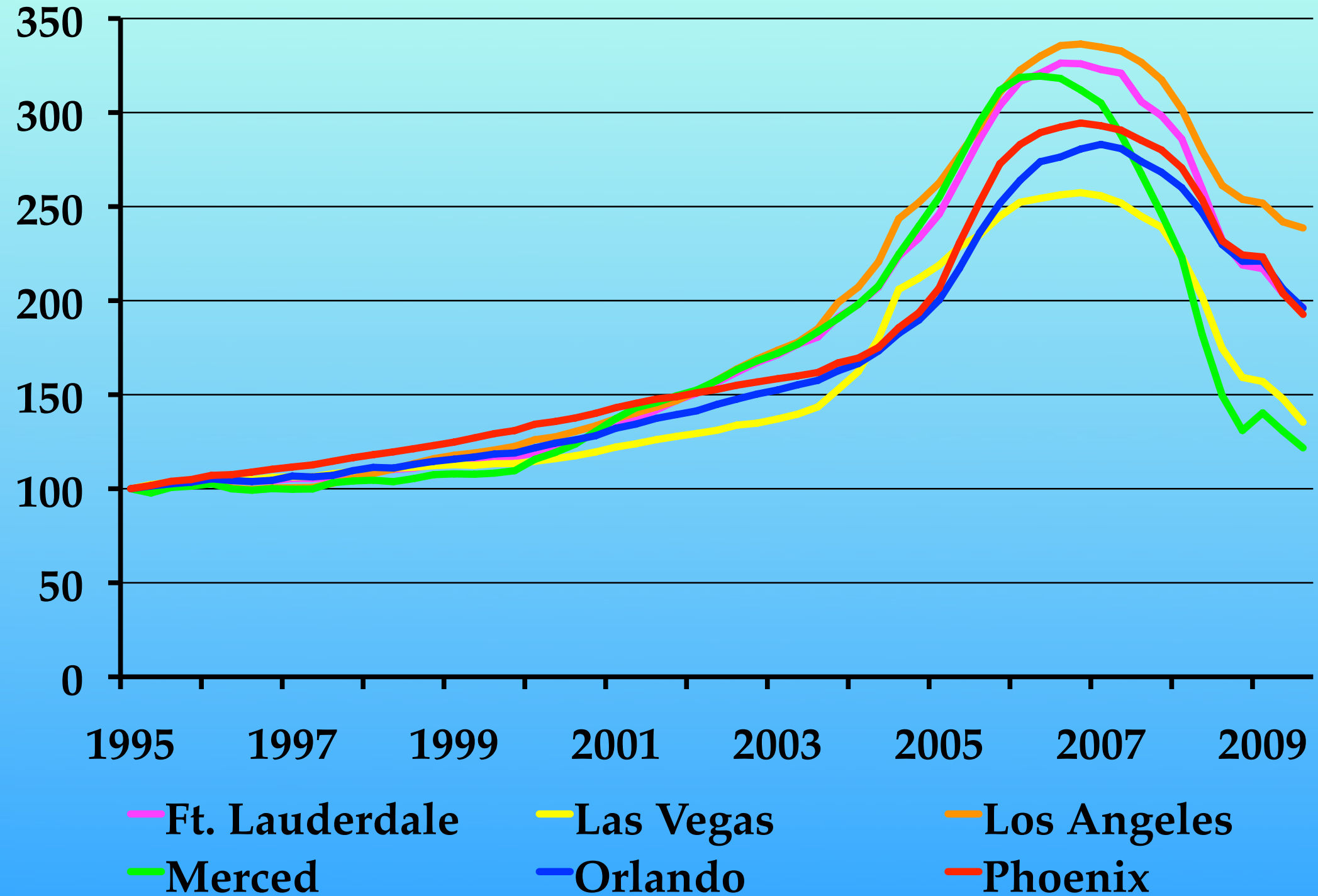
As growth-management plans made housing prices more volatile, the federal government tried to make housing more affordable by reducing down payments and other loan requirements -- which was exactly the opposite of what they should have done.

Home Prices



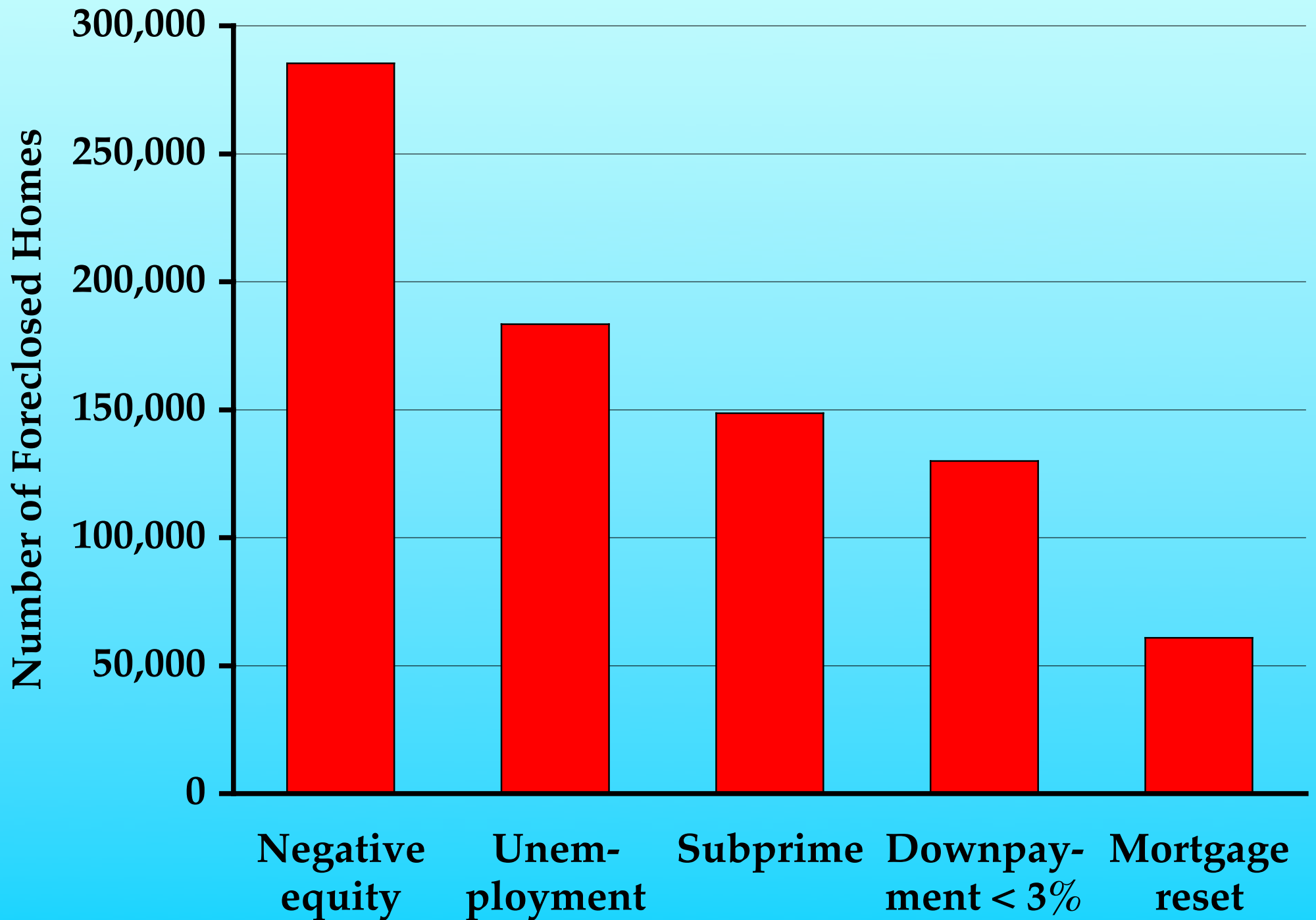
Down-payment minimums are needed to insure that, if prices fall by 5 or 10 percent, homeowners are not left "underwater," tempting them to default on the loan.

Metro Area Housing Bubbles



When planning increases volatility, down payment minimums should have been increased, not reduced.

Factors Affecting Foreclosures in 2008



Source: Stan Liebowitz, Univ. of Texas

Homeowners going underwater, not subprime mortgages, were the biggest factor in foreclosures.



If LaHood and Oberstar have their way, the next housing bubble will be nationwide and not just in a dozen or so states. This is obviously not something we want to see.



Instead, to protect property rights and housing affordability, counties should not zone land outside of city limits. This will allow developers to meet market demands and discourage cities from putting up barriers to development.



Furthermore, neighborhoods should be allowed to opt out of zoning, effectively taking control of their own futures using homeowner agreements and protective covenants.

Policy Analysis

No. 606

December 6, 2007

| |
|----------------|
| <i>Routing</i> |
| |

How Urban Planners Caused the Housing Bubble

by Randal O'Toole

Executive Summary

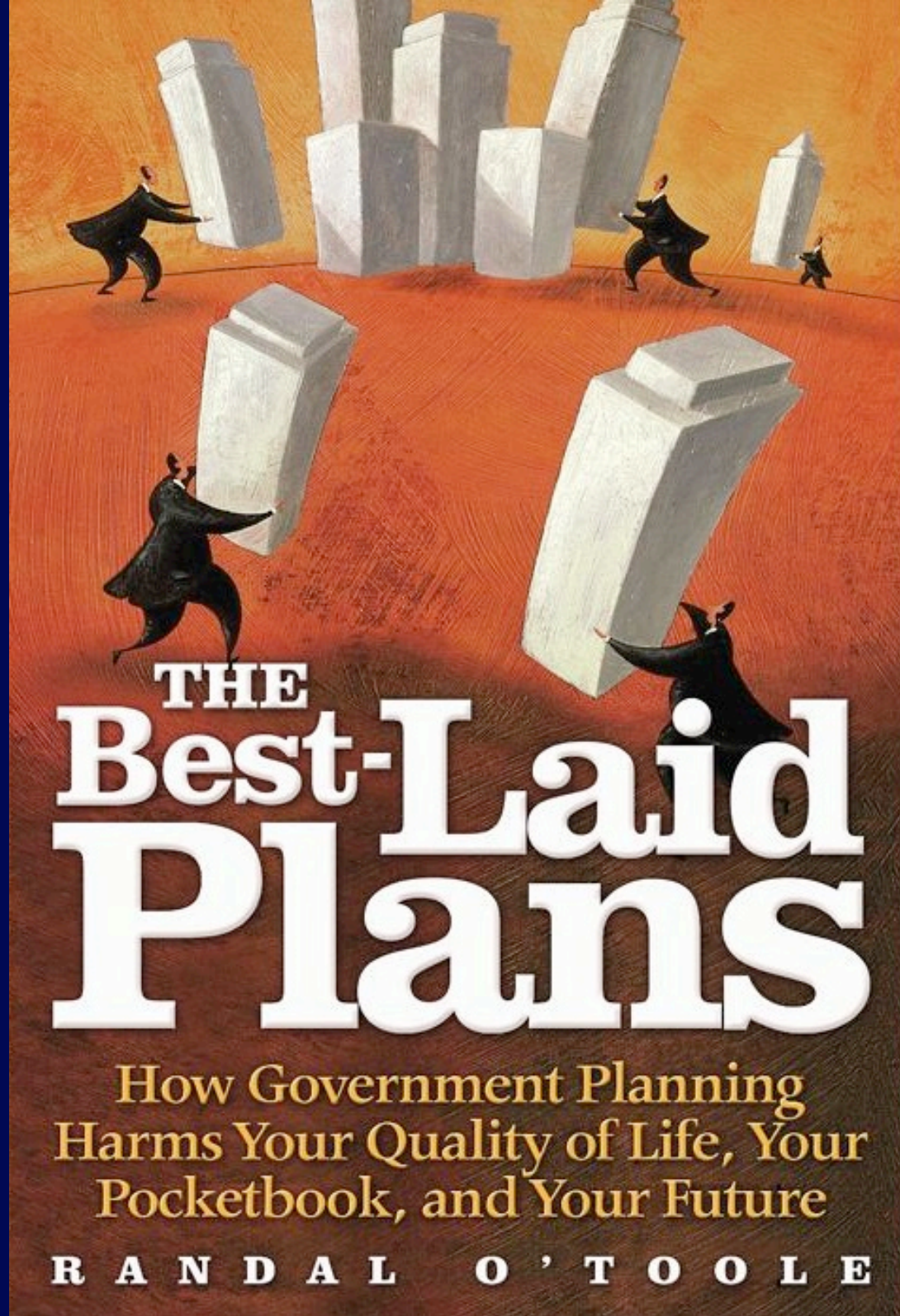
Everyone agrees the recent financial crisis started with the deflation of the housing bubble. But what caused the bubble? Answering this question is important both for identifying the best short-term policies and for fixing the credit crisis, as well as developing long-term policies aimed at preventing another crisis in the future.

Some people blame the Federal Reserve for keeping interest rates low; some blame the

In other words, California and Florida housing bubbled, but Georgia and Texas housing did not. This is hardly because people don't want to live in Georgia and Texas: since 2000, Atlanta, Dallas-Ft. Worth, and Houston have been the nation's fastest-growing urban areas, each growing by more than 120,000 people per year.

This suggests that local factors, not national policies, were a necessary condition for the hous-

For more information about land-use and transportation issues, go to the Cato Institute's web site to download my series of papers on planning.



THE
**Best-Laid
Plans**

How Government Planning
Harms Your Quality of Life, Your
Pocketbook, and Your Future

R A N D A L O ' T O O L E

Cato has also published my book, *The Best-Laid Plans*, which covers these issues in detail.



The Antiplanner

Welcome to the Antiplanner

Home

About

RSS

About the Antiplanner

The antiplanner has more than thirty years experience critiquing plans written by a wide variety of federal, state, and local government agencies.

Calendar

| December 2006 | | | | | | |
|---------------|----|----|----|----|-----------|---|
| S | M | T | W | T | F | S |
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| 11 | 12 | 13 | 14 | 15 | 16 | |
| 18 | 19 | 20 | 21 | 22 | 23 | |
| 25 | 26 | 27 | 28 | 29 | 30 | |

Welcome to the Antiplanner

posted in [Mission, Why Planning Fails](#) | [Edit](#) |

They say someone starts a new blog every second, so let me present one of the first 80,000 blogs of 2007. *The Antiplanner* is the public face of my new mission: to promote the repeal of all federal and state planning laws and the closure of all state and local planning offices.

While people often blame social problems on politicians or lawyers, I have concluded that many of our problems are due to planners and the elected officials who support them. In a nutshell, planners do two things: they create shortages of things that people want and surpluses of things that people don't want.

Of course, everybody plans. We plan our work day, our vacations, our education and careers. But these plans tend to be short term, flexible, and affect mainly ourselves and our families. To distinguish this from the planning I criticize, I prefer to call such activities *organizing*: we organize our time and resources as efficiently as we can based on what we know. If

1st
January
2007

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You can find the most up-to-date information on my blog, the Antiplanner. Just Google "antiplanner" and I am the first thing on the list.



For even more information, I invite you to Orlando this June 10-12



*Preserving the American
Dream Conference*

**Defending Mobility
and Homeownership**

June 10-12, 2010

Orlando, Florida

where the American Dream Coalition will hold its annual meeting on the future of American mobility and homeownership.

For more information:

Web sites:

ti.org

cato.org

americandreamcoalition.org

e-mail: rot@ti.org

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