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Thoughts On Today's Emily Hamilton Vs. Randal O'Toole Cato Discussion

NOVEMBER 29, 2016 BY MICHAEL LEWYN

Because of work obligations, I listened to only about a third of today's Cato Institute [discussion](#) on urban sprawl. I heard some of Randall O'Toole's talk and some of the question-and-answer period.

O'Toole said high housing prices don't correlate with "zoning" just with "growth constraints." But the cities with strict regionwide growth constraints aren't necessarily high cost cities like New York and Boston, but mid-size, moderately expensive regions like Seattle and Portland.

He says that if land use rules raise housing prices they violate the Fair Housing Act. Maybe this should be the case, but it isn't. Government can still regulate in ways that raise housing prices, but just have to show [reasonable justification](#) for those policies under "disparate impact" doctrine.

He also says cities would be less dense without zoning. Is he aware that most city regulations limit density rather than mandating density?

O'Toole says growth constraints are why American home ownership rates are lower than in Third World countries and that the natural rate of home ownership is 75 percent. But why are home ownership rates so low in sprawling Sun Belt cities? For example, metro Houston's home ownership rate is about [59 percent](#) – higher than New York or San Francisco, but lower than Philadelphia or Pittsburgh. The highest home ownership rates are in Rust Belt regions like Akron, I suspect because of low levels of mobility.

Some things he gets right: 1) public participation in land use process is harmful because it leads to more restrictions, not less; (2) the mortgage interest deduction doesn't make much difference in home ownership rates.

One Reason Why Subsidies Aren't the (Only) Solution

NOVEMBER 24, 2016 BY MICHAEL LEWYN

I was rereading the Obama Administration's surprisingly market-oriented [policy paper](#) on zoning and affordable housing, and saw one good point that I had never really thought about.

One common anti-development argument is that government should subsidize housing for the poor instead of allowing the construction of upper-class housing that might eventually filter down to the poor (or cause older middle-class housing to do so). The policy paper points out, however, that “HUD’s existing project-based and housing choice vouchers could serve more families if the per-unit cost wasn’t pushed higher and higher by rents rising in the face of barriers to new development.” In other words, high market rents make subsidies more expensive, which in turn means that government can subsidize fewer units with the same dollar.

In other words, high market rents make it harder, not easier, for government to subsidize housing.

Kotkin And The Atlantic- Spreading ‘Localism’ Nonsense Together

NOVEMBER 1, 2016 BY MICHAEL LEWYN

The Atlantic Magazine’s Citylab web page ran an [interview](#) with Joel Kotkin today. Kotkin seems to think we need more of something called “localism”, stating: “Growth of state control has become pretty extreme in California, and I think we’re going to see more of that in the country in general, where you have housing decisions that should be made at local level being made by the state and the federal level too. You have general erosion of local control.”

In fact, land use decisions are generally made by local governments—which is why it is so hard to get new housing built. This is as true in California as it is anywhere else; when Gov. Brown tried to make it easier for developers to bypass local zoning so they can build new housing, the state legislature [squashed](#) him. Local zoning has become [more restrictive](#) over time, not less. And the fact that state government has added additional layers of regulation doesn’t change that reality.

But did the Atlantic note this divergence from factual reality, or even ask him a follow-up question? No, sir. Shame on them!

Collective Action Problems Are Similar For Land Use And Schools

OCTOBER 30, 2016 BY MICHAEL LEWYN

I just read a law review article [complaining](#) that some white areas in integrated southern counties were trying to secede from integrated school systems (thus ensuring that the countywide systems become almost all-black while the seceding areas get to have white schools), and it occurred to me that there are some similarities between American school systems and American land use regulation. In both situations, localism creates gaps between what is rational for an individual suburb or neighborhood and what is rational for a region as a whole.

In particular, it is rational for each suburb to have high home prices (because that means a bigger tax base)- but I don't think San Francisco-size rents and home prices are rational for a region as a whole. Similarly, it is rational for each individual neighborhood within a city to have restrictive regulations, because if one neighborhood is less restrictive it suffers from whatever burdens might result from new housing, without the broader benefit of lower citywide housing costs.

How are school districts similar? Since the prestige of a neighborhood is related to its school district, and the prestige of school districts depends on their socio-economic makeup, it is rational for each suburb (or city neighborhood) to be part of a school district dominated by white children from affluent families, rather than to be part of a socially and racially diverse district. But if every middle-class or affluent area draws school district lines in a way that excludes lower-income children, the poor people are all concentrated in a few poor school districts (such as urban school districts in Detroit and Cleveland). Is this rational for the region as a whole? I suspect not.

Joel Kotkin's New Book Lays Out His Sprawling Vision For America

SEPTEMBER 29, 2016 BY MICHAEL LEWYN

Traditionally, defenders of suburban sprawl have been skittish about proclaiming that government should promote sprawl and halt infill development. Instead, they have taken a libertarian tack, arguing that government should allow any kind of development while asserting that a level playing field would favor automobile-dependent suburbia.

But in his new book *The Human City*, Joel Kotkin, who, among many other titles, is the executive director of a pro-sprawl organization called the [Center for Opportunity Urbanism](#), appears to take a different view. Like more libertarian defenders of the status quo, he generally opposes attempts to limit new suburban development. But he also writes that both city residents and suburbanites aggressively resist "densification"- that is, when nearby landowners want to build new housing or offices. For example, he writes that Los Angeles

neighborhood activists “have rallied against attempts to build denser buildings, which generate more congestion and erode both the area’s livability and its distinct urban identity.” Similarly, he writes that some New Yorkers opposed “Mayor Bloomberg’s attempts to further densify already congested Midtown.” But Kotkin never suggests that turning a cornfield into a subdivision creates congestion, or that doing so would erode an area’s “distinct rural identity.”



(Joel Kotkin, a Chapman University demographer, City Journal contributing editor, and executive of the Center for Opportunity Urbanism)

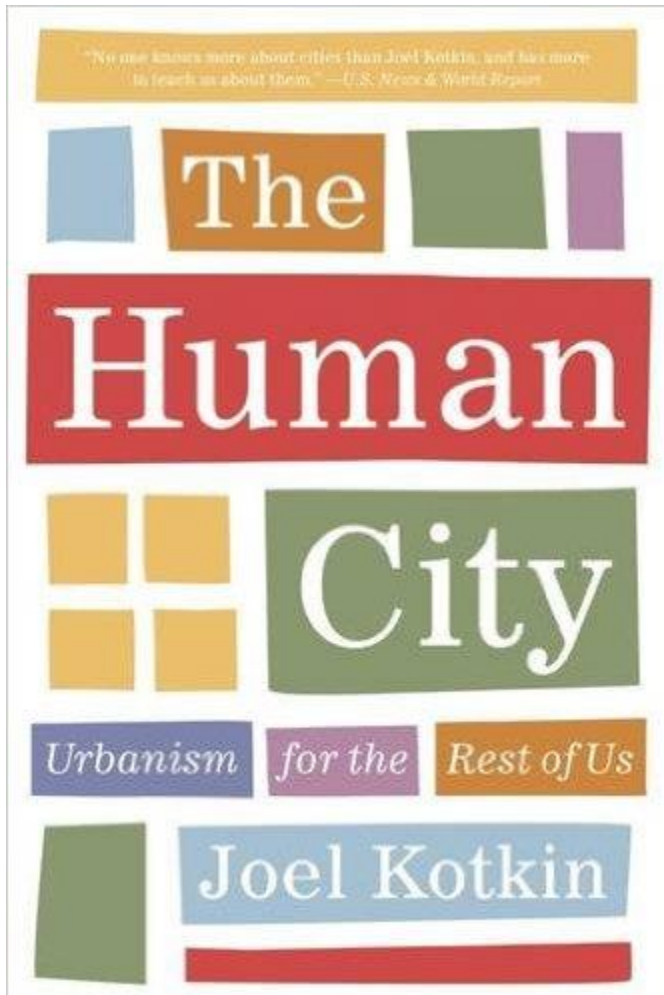
He also doesn’t seem to think that new housing belongs in existing suburbs: in describing zoning that prohibits such housing, he writes that “suburbs generally can be expected to, for the most part, resist high degrees of densification”, including “attempts by planners to impose strict regulations on construction and impose higher densities”. This language implies (erroneously) that “densification” is something imposed by a distant government, rather than by landowners who want to build places for people to live.

So if I interpret his book correctly, it seems that there is nothing libertarian about Kotkin’s views: he wants strong local governments that keep new housing out of cities but allows it in undeveloped exurbs where it belongs.

Kotkin defends this policy by emphasizing society’s need for more and larger families- indeed a real problem, because lower birthrates mean fewer workers to support retirees. He notes, correctly, that birthrates have plunged throughout the Western world (and even in non-Western countries like Iran and Morocco) and that families are more common in suburbs than cities. Therefore, he suggests, more suburbs equal bigger families.

However, his logic crashes into one of his other claims: that suburbia will continue to dominate real estate development because affluent nations (especially the United States) have become more suburban over time. If suburban sprawl has become the norm in affluent societies, and birthrates keep going down, suburban sprawl obviously has not raised birthrates, and will not raise birthrates in the future. By contrast, before the growth of suburbia,

birthrates were far higher: in 1925, there were 25 American births per 1000 people, roughly twice the current level. In other words, the United States has tried Kotkin's policies for decades, and they have failed dismally at keeping birthrates high.



Kotkin correctly points out that families are often priced out of cities. But if he really opposes new housing in cities, his book is part of the problem rather than the solution. The less housing we build, the more expensive it is- and the more expensive it is, the more city-loving families will leave. Conversely, more housing means lower prices, which means that more families will stay. Maybe Kotkin believes that families will never tolerate urban life no matter what we do- but since he discusses the large Brooklyn families of his parents' youth, I doubt that he really believes this.

Kotkin argues that urban construction is inherently more expensive because "the cost of developing a garden apartment is roughly one-third that of developing a high-rise." But he, of all people, should know that "urban" and "high-rise" are not the same thing: his own father grew up in low-rise Flatbush, a neighborhood with

65,000 people per square mile- more than fifteen times the density of suburbs such as Orange County, California (where Kotkin now lives). And because construction costs are sometimes only a small percentage of overall housing costs, mid-rises are often only slightly more expensive than walk-up apartments. I pay \$2300 for a studio in a twelve-story building in Manhattan's Murray Hill, only about 10 percent more than nearby walk-ups.

Kotkin also points out that suburbs tend to grow faster than cities, and that the overwhelming majority of building permits are for detached homes. He's not wrong. But, again, here also the policies that he favors created the status quo. Building houses in undeveloped suburbs is easy, because there are few neighbors around to object. Building any form of housing in a city is more difficult, because neighbors can often persuade the city council to refuse a rezoning and thus exercise its veto power. And building apartments in a city is even harder than building houses there, because a city's homeowners are even more likely to object to apartments than to houses- sometimes because they fear more crowding, and sometimes because apartments mean poor people and lower property values.

Kotkin is simply in denial on this issue: he writes that housing shortages have "been exacerbated by a regulatory and economic environment that has made it much tougher to build houses. Aimed at limiting suburban growth and fostering urban densities, these policies have broken the long, consistent relationship between housing costs and incomes." But while he is correct that many anti-sprawl regulations exist, American land use policy is mostly designed to limit urban density: if Kotkin had bothered to read any city's zoning code, he would have noticed a variety of anti-density regulations, including laws excluding apartments from many zones, requiring houses to gobble up large amounts of land, and requiring landowners to install government-dictated amounts of parking where housing could have been.

In addition to going on offense, Kotkin plays a superficially plausible game of defense. For example, he claims that even though city-dwellers drive far less than suburbanites, cities really produce more greenhouse gases than suburbs. He reasons that most studies of greenhouse gas emissions overlook "emissions from common-area elevators, lighting, space heating and air conditioning" but not similar emissions from single-family homes.

But here too, Kotkin relies on a false dichotomy between low-rise construction and dense urbanism. He claims that a study by EnergyAustralia (an energy company, not, as he erroneously writes, an "environmental group") found "that both townhouses and detached housing produced less GHG emissions per capita than high-density housing." Thus, Kotkin seeks to draw a distinction between "high-density" (bad) and "townhouses and detached housing" (good). But in fact, "townhouses and detached housing" exist in cities as well as suburbs, and can often be pretty dense. Philadelphia's Italian Market area, dominated by

rowhouses, has 42,000 people per square mile, ten times as many as Orange County. (Having said that, I couldn't find this alleged study online so I can't verify Kotkin's description; he links to a report by pro-sprawl commentator and Center for Opportunity Urbanism fellow Wendell Cox, who in turn links to a dead link).

Kotkin cites another study claiming that residents of downtown Halifax, Nova Scotia have carbon footprints as large as those of suburbanites. But according to the [news story](#) he cites, the author of the study admitted that "part of the reason for the higher than expected carbon footprint in the core is that Halifax is not as dense as other cities, where assumptions about people living outside of the downtown core tend to have higher carbon footprints may hold true." In other words, the study actually supports the idea that compact urban neighborhoods are more environmentally friendly.

Kotkin also claims that New York City, "despite its mass transit system and high density- was the most environmentally wasteful of the world's roughly 30 megacities, well ahead of more dispersed, car-dominated Los Angeles." In support of this view, he [cites](#) a study contained only two US regions; its abstract asserts that "the correlation between per capita electricity use and urbanized area per capita is shown to be a consequence of gross building floor area per capita, which is found to increase for lower-density cities."- in other words, that lower density means more electricity use, not less. So why does New York use more energy than Los Angeles? First, the actual study compares metropolitan areas (including New York's very [low-density suburbs](#)) not cities. Second, New York's colder and more variable climate increases energy use related to [home heating](#), while Los Angeles' temperate climate reduces such energy use.

Unlike some conservative urban commentators, Kotkin at least treats air pollution and climate change as real problems. And unlike some liberals and urbanists, he sees high housing prices and low birthrates as serious problems. But his analysis is not always well reasoned, and his apathy (if not hostility) towards infill development renders his solutions counterproductive. Even more, this hostility causes him to misinterpret the nature of modern consumer demand, and the broader future of urban America. The high returns brought by dense development—and the organized resistance against it, through regulations, by entrenched interests—suggests that there are an awful lot of people who want to access the jobs and amenities within major U.S. cities. Kotkin's apparent desire to stop this demand for urban life, and for neighborhood control over land use, is not libertarian, nor is it a particularly wise vision for society.

NIMBYism As An Argument Against Urbanism

SEPTEMBER 26, 2016 BY MICHAEL LEWYN

In his new book, Joel Kotkin tries to use NIMBYism as an argument against urbanism. He cites numerous examples of NIMBYism in wealthy city neighborhoods, and suggests that these examples rebut “the largely unsupported notion that ever more people want to move ‘back to the city’.” This argument is nonsense for two reasons.

First, the NIMBYs themselves clearly want city life and a certain level of density—otherwise they would have moved to suburbia. In cities like Los Angeles and New York, a wide range of housing choices exist for those who can afford them.

Second, the fact that some people want to prohibit new housing does not show that there is no demand for new housing. To draw an analogy: the War on Drugs prohibits many drugs. Does that mean that there is no demand for drugs? Of course not. If anything, it proves that there is lots of demand for drugs; otherwise government would not bother to prohibit it.

Home-Sharing and Housing Supply

SEPTEMBER 12, 2016 BY MICHAEL LEWYN

One common argument against Airbnb and other home-sharing companies is that they reduce housing supply by taking housing units off the long-term market.* As I have written elsewhere, I [don't think](#) home-sharing affects housing supply enough to matter. But even leaving aside the empirical question of whether this will always be true, there's a theoretical problem with the argument that if someone fails to use their land for long-term rental housing, government must step in.

It seems to me that this argument, if applied with even a minimal degree of consistency, leads to absurd results. For example, suppose that Grandma has a spare room in her house, and instead of renting it on Airbnb she allows the room to be unused. Should Grandma be forced to rent out the room? Of course not.

A home-sharing critic might argue that an unused room is different from a room that is likely to be rented out to a long-term tenant. Indeed it is - but in fact, Grandma's failure to rent the room to anyone is more socially harmful than her renting the room on Airbnb. In the latter situation, a traveler benefits (from a cheaper rate than a hotel, or at least for a different kind of experience) and Grandma benefits by getting money from the traveler. By contrast, in the former situation, no one benefits.

It could be argued that Grandma's rights should be unimpeded, but that regulation should be targeted towards the amateur hotelier who seeks to rent out an entire building all-year round, rather than using the building for more traditional tenants. Even here, the argument based on housing scarcity leads to absurd results. Suppose the evil landlord Snidely Whiplash decides, instead of renting out his building on Airbnb, to use the building for a vacation house one day a year and spend the rest of the year in Tahiti. I doubt anyone would support a government regulation forcing Whiplash to rent out the building. But if he uses the house one day a year, the impact on housing markets is worse than if he had rented out the house on Airbnb. In the former situation, no one benefits - while in the Airbnb situation, at least short-term tenants benefit.

And if turning long-term rentals into short-term rentals is socially harmful, isn't it even more harmful to prevent those long-term rentals from being built in the first place? Yet government does exactly that through zoning codes - often at the behest of neighborhood homeowners.

The “Global Buyers” Argument

SEPTEMBER 12, 2016 BY MICHAEL LEWYN

One common argument against building new market-rate housing is that there is an infinite supply of rich foreigners willing to soak up new supply. One obvious flaw in this argument is that housing prices do occasionally go down even in [expensive places](#).

But even leaving aside this reality, the “foreign buyers” argument is not logically provable, since there is no way of knowing whether there are more rich foreign buyers in San Francisco than in, say, Raleigh or Houston.

Thus, the argument rests on the following chain of logic: 1) we know that there are rich foreigners taking over Expensive City X (but not Cheap City Y) because housing prices are high; (2) therefore, the rich foreigners are what keep housing prices high in City X.

The argument makes sense only when you add the following premise: housing prices can only be high in the presence of huge numbers of rich foreigners. I really don't see any reason to take this premise seriously.

Does Home-sharing Create Negative Externalities?

AUGUST 3, 2016 BY MICHAEL LEWYN



(The Silver Lake neighborhood in Los Angeles is a popular destination for Airbnb / wikipedia)

A decade or two ago, a traveler who wished to stay in a city temporarily had no alternative to a hotel. Even if the owner of a house or condominium wished to rent out a room for a short period of time, the costs of advertising in a newspaper would have at least partially canceled out the financial benefits from renting.

But the Internet has made home-sharing much more economical, through websites like Airbnb.com. At first glance, the home-sharing industry seems highly beneficial: guests get a cheaper and/or more exotic vacation, home-sharing hosts get extra money to pay off mortgages, and their neighborhoods benefit from tourist revenue.

Nevertheless, NIMBYs have attacked home-sharing. One major argument is that home-sharing creates negative externalities. For example, a recent law review article⁽¹⁾ notes that some neighborhood activists in Silver Lake (a trendy Los Angeles neighborhood) sought to exclude home-sharing from their neighborhood on the ground that shared homes are “hotel-like room rentals” and such a “commercial use [causes] the noise and traffic levels of the area [to] increase as a result of people coming and going, and the transient nature of the establishment can increase the crime rate.” As a result of these problems, home-sharing “brings nuisances to residential areas, thereby lowering the value of all homes in the neighborhood.”

In other words, the “externalities” argument rests on the following chain of logic:

Assumption 1: Home-sharing, as a commercial use, is no different from hotels.

Assumption 2: Commercial uses bring down property values.

Conclusion: Home-sharing brings down property values.

But none of these claims has significant factual support. First, home-sharing is somewhat different from a large hotel. An individual hotel might have hundreds or thousands of guests on one block. By contrast, home-shares tend to be spread out over a much larger space, thus mitigating the impact on any individual block. For example, I found 126 Airbnb listings on Silver Lake for a random date in September. Even a cursory glance at a map shows that Silver Lake has around 200 blocks; thus, the neighborhood had one listing every block or two. Even if every single Airbnb listing was being used on any given day, the neighborhood would be subjected to no more than one guest (or guest family) per block—hardly an impact comparable to that of a chain hotel.

Second, the Silver Lake residents’ fear of mixing uses seems unwarranted. One way to measure an area’s level of mixed uses is through Walkscore.com—and high Walkscores tend to correlate with high housing values. For example, of the Los Angeles neighborhoods with the highest Walkscores (Downtown, Macarthur Park, Central Hollywood, Koreatown, Westlake, Mid-City West, Pico Union, East Hollywood, West Los Angeles, and Hollywood Studio District) all but one have median home prices above the citywide average.(2)

Similarly, neighborhoods with lots of Airbnb listings tend to have high and increasing property values. One article states that these listings are most common in Venice, Downtown, Hollywood, Mid-City, Echo Park and Silver Lake—all neighborhoods(2) where property values are increasing more rapidly than the citywide average.

Homeowners’ fear of being overrun by “transient” renters is based on an outmoded picture of urban life. In a rural area where most people are born and die in the same town, a fear of “transients” may make sense- but urban life is already highly transient. In renter-dominated blocks, people move in and out every year, so transience is already the norm. Homeowner-dominated blocks tend to be somewhat more stable—but even so, Americans constantly move from one house to another.

(1) See Tristan P. Espinosa, The Cost of Sharing and the Common Law: How to Address the Negative Externalities of Home-Sharing, 19 Chap. L. Rev. 597, 601 (2016)

(2) The neighborhoods with the most Airbnb listings are mentioned at Dayne Lee, *How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations*, 10 Harvard Law & Policy Rev. 229(2016). I have critiqued the notion that home-sharing increases rents in [this](#) blog post. ([This](#) post by Dan Bertholet also addresses the argument).

(3) Data on home prices are available at realtor.com and zillow.com.

Middle Aged NIMBYs, Young YIMBYs

JULY 5, 2016 BY MICHAEL LEWYN

Today, CNU Nextgen, a group of younger members of the [Congress for New Urbanism](#), [retweeted](#) a New York Times story about the evils of NIMBYism in Boulder.

Why did I find this noteworthy? Because on the [Pro-Urb](#) listserv, dominated by middle-aged CNUers, a very different conventional wisdom prevails. Most of the Pro-Urb posters on housing costs assume that high rents are the result of insatiable demand driven by wealthy foreigners, that government lets developers do as they please, and that housing supply is pretty much irrelevant.

Do The Rich Cause High Rents?

JUNE 27, 2016 BY MICHAEL LEWYN

One common argument against building new housing is that new construction will never reduce housing costs, because the influx of ultra-rich people into high-cost cities creates an insatiable level of demand.

I recently found a source of information that may be relevant to this argument: the [Wealth Report](#), which lists the number of high-wealth individuals in a set of world cities, including five American cities (New York, Los Angeles, Chicago, Houston and Miami). In particular, the report lists the number and percentage growth of “ultra high net worth individuals” (UHNWIs), which it defines as those with over \$30 million in wealth.

It seems to me that if UHNWI growth was related to high housing costs, then the most expensive cities in this group (New York and Los Angeles) would have the highest UNHWI growth. In fact, the number of UHNWIs grew most rapidly in Houston (63 percent) between 2005 and 2015. By contrast, UNHWI growth in the other four cities ranged between 31 and 34 percent.

In Canada, UNHWI growth was higher, but roughly equal (ranging between 65 and 70 percent) in Toronto, Vancouver and Montreal- despite the fact that these cities have radically varying housing costs. The median housing unit price in Vancouver [tops \\$1 million](#), about three times the median price in Montreal.

What about UNHWIs as a percentage of city population? New York has 5600 of them in a city of 8.1 million*- just under 700 per 1 million. Low-cost Chicago has 2030 in a city of 2.7 million- about 750 per 1 million. Houston has 1318 in a city of 2.1 million, or around 625 per million. These differences don't strike me as significant.

*I am assuming these people all live in the central city; I am not actually sure this is the case, but even if I am wrong this doesn't change my conclusions. Although NYC comes out ahead, all three cities would have between 200 and 280 UNHWIs per 1 million people.

Are High-Rises More Expensive?

JUNE 15, 2016 BY MICHAEL LEWYN [4 COMMENTS](#) [\(EDIT\)](#)

One common argument against allowing the construction of taller apartment buildings is that tall buildings cost more to build, and thus are [“overwhelmingly occupied by the wealthy.”](#) For example, tall buildings, unlike houses and walk-up buildings, require elevators.

But in fact, fairly tall buildings can be pretty cheap where demand is low and/or housing supply is high. For example, in East Cleveland, a low-income suburb of Cleveland, one 24-story building rents one bedroom apartments for [as little as](#) \$552 per month, despite the fact that the building contains extras such as a pool and a fitness center. This means that (assuming rent should be no more than a quarter of income) someone earning less than \$30,000 could afford this building. Even in nicer neighborhoods, older high-rises are not hugely expensive: for example, in midtown Atlanta, the Darlington's apartments [start at](#) just over \$700.

It could be argued that because these buildings were built decades ago, their costs are not relevant to those of newer buildings. Certainly, newer high-rises are more expensive than older ones- but the same is true for newer walk-ups. To test this proposition, I focused on the outer boroughs of New York, using Zillow.com to focus on buildings built between 2010 and 2016. The cheapest newer apartment in Brooklyn [started at](#) \$1150 (about \$350 more than the cheapest older listing); the cheapest new elevator building [started at](#) \$1600 (and included a doorman, thus inflating the rent beyond the basic amount caused by elevators). Similarly, in Queens the cheapest newer building [rented](#) for \$1450

(over \$600 more than the cheapest older listing), while the cheapest newer elevator building [rented for](#) \$1550.

In sum, it seems to me that the difference in cost between the cheapest high-rises and the cheapest low-rises, although not nonexistent, are not huge either.

Jane Jacobs And High-Rises

MAY 27, 2016 BY MICHAEL LEWYN

Since new urbanists (in my experience) tend to be very skittish of high-rise development, one might think that their ideological ancestor Jane Jacobs was one of these people who thought no building should be over [five floors](#).

But in her 1958 essay "[Downtown Is For People](#)," she hinted at a very different view, describing New York City's Lever House and Seagram Building as among the city's "extraordinary crown jewels." Similarly, she described San Francisco's Union Square (which bordered buildings of wildly varying heights) as "the city at its best."

Jacobs was not against height—but she was against monotony. She wrote, for example, that Park Avenue should "have the most commercially astute and urbanite collection possible of one- and two-story shops, terraced restaurants, bars, fountains and nooks." So I'm not sure she would have favored the common modern idea that high-rise and low-rise buildings should be segregated from each other, or that buildings of different density are "out of scale."

To Know Home-Sharing Is To Support It

MAY 19, 2016 BY MICHAEL LEWYN

If you read elite commentary on the home-sharing industry (that is, [Airbnb](#) and its competitors), especially on the Left, you might think it is quite controversial. However, a recent Pew survey suggests otherwise.

According to [Pew](#), very few people know very much about home-sharing. Only 11 percent of Americans have used home-sharing services, and 53 percent of all adults have never even heard of them. Only 9 percent of Americans claim to have heard "a lot" about the homesharing debate, and 16 percent have heard "a little." Among people who have actually used home-sharing services, these numbers rise to 19 percent and 37 percent.

But to the extent Americans are aware of home-sharing, they like the idea. Only 4 percent of Americans think home-sharing should be illegal, and only 30 percent

think it should be taxed. 52 percent think homesharing should be legal and untaxed. Even among self-described liberals, only 38 percent think homesharing should be taxed.

Are Billionaires To Blame?

MAY 12, 2016 BY MICHAEL LEWYN

One common argument I have read in various places is that the high rent of New York and other large cities is a result of globalization and inequality (English translation: rich foreigners). According to this theory, rich people have created a surge of demand so overwhelming that no amount of construction could possibly meet it.

It seems that if this argument were true, rent would be growing most rapidly in rich neighborhoods full of super-expensive skyscrapers, such as New York's [Upper East and West Sides](#).

This week, NYU's Furman Center helpfully came out with its latest [report](#) on housing in New York City. Page 6 of the report reveals that between 1990 and 2014, rent in the Upper East Side rose by 23 percent- about the same as the citywide average. Upper West Side rent rose by 38 percent- more than the citywide average, but less than ten of the city's 50-odd other neighborhood clusters, including not only hipstery Greenpoint, but also not-so-nice areas like East Harlem. So this bit of data, although not conclusive, seems inconsistent with the "rich foreigners" theory.

"Public Schools Only" Vouchers and Sprawl

APRIL 27, 2016 BY MICHAEL LEWYN

About a month ago, I [wrote](#) about the pros and cons of school vouchers as a solution for "school-based sprawl" (that is, parents moving to suburbs to avoid urban public schools). I noted that a voucher program that included private schools might be expensive, since some private schools are quite costly.

By contrast, a school choice program limited to public schools would avoid these fiscal problems: the state could simply forbid public school districts from discriminating on the basis of residence. If a school district wanted to avoid radical increases in enrollment, it would have to use a lottery to decide which students were admitted. This plan might discourage sprawl by making prestigious suburban schools available to urban parents. And if both students

from affluent families and students from poor families entered these schools, the class differences between urban and suburban schools might be erased in the long run. So such an open enrollment program might both expand student choice and be more egalitarian than the status quo.

This plan has one major cost: it would require a considerable investment (either public or private) in transportation, since students in search of good schools might wish to go all over a metropolitan area. Either government will have to buy many more school buses, or parents will have to spend a lot more time transporting their children to faraway schools. Moreover, suburbanites will be unwilling to pay property taxes for schools that other people's children will attend; thus, states might have to take over school financing.

I note that most states have in fact enacted "open enrollment" laws allowing some interdistrict transfers. However, these laws are generally toothless; suburban school districts can generally [refuse](#) to admit students from other districts on the ground that there is insufficient space for them. Moreover, open enrollment statutes do not grant students the right to be transported across district lines, which means that students will not be able to attend an out-of-district school unless parents transports them.

Supply-And-Demand Denial And Climate Change Denial

APRIL 12, 2016 BY MICHAEL LEWYN

I have criticized the idea that the law of supply and demand no longer applies to big-city housing (or, as I call it, [supply-and-demand denialism](#), or "SDD" for short). It just occurred to me that there are a few similarities between supply-and-demand denialists and those who deny climate change. To name a few:

*Rejection of science. Climate change denialists reject climate science; SDD true believers reject economics.

*Paranoid fantasies about foreigners. Some climate change denialists treat worldwide concern over climate change as a conspiracy by Europeans or [Chinese](#) to destroy the U.S. economy; SDD believers are obsessed with foreigners purchasing U.S. or Canadian real estate.

*Obsessive fear of change. Climate change denialists assume that any possible limit on fossil fuel emissions will [destroy the U.S. economy](#) (despite the fact that we already have lots of taxes and regulations and somehow maintain a more-or-less First World standard of living). I suspect (though I realize this is conjecture) that SDD believers are often NIMBYs who fear, without any obvious basis in

reality, that new housing will turn their neighborhood into a slum or into a playground for the rich.

*Self-interest generating these fears. Climate change denialists get information from politicians funded by the fossil fuel industry (and media outlets that support those politicians), which has a strong interest in limiting regulation of fossil fuel pollution. NIMBYs are sometimes homeowners who have a financial interest in limiting new housing in order to keep prices and rents high, or housing activists who can more effectively argue for government-subsidized housing if housing prices are high.

So Much For The Foreign Oligarchs

APRIL 12, 2016 BY MICHAEL LEWYN

One common argument against new housing in high-cost cities is that the rise of global capitalism makes demand for urban housing essentially unlimited: if new apartments in Manhattan or San Francisco are built, they will be taken over by foreign billionaires in quest of American real estate, who will use the apartments as banks rather than actually living in them or renting them out.

It seems to me that this argument would be more likely to be true if a huge percentage of New York's housing was used by foreign billionaires. But a recent [article](#) in Politico New York suggests otherwise. The article says that 89,000 New York apartments are owned by absentee owners (many of whom presumably rent them out). However, most of these apartments are not owned by Russian oligarchs or other global capitalists; for example, the co-op unit I rented a few years ago in Forest Hills (market value around \$300K) was owned not by a foreign oligarch, but by the building's former super.

Presumably, the condos and houses likely to be owned by wealthy foreigners are the most expensive ones. So how many of these units were worth \$5 million or more. Only 1554- a drop in the bucket in a city of 8 million people.

And how many of the units were worth over \$25 million? Only 445.

So super-rich absentee owners are few and far between, and thus probably do not affect housing supply very much.

Vouchers, Sprawl and Trade-Offs

MARCH 29, 2016 BY MICHAEL LEWYN [6 COMMENTS](#) [\(EDIT\)](#)



Currently, the American [public school system is a sprawl-generating](#) machine: urban public schools are less appealing to middle-class parents than suburban public schools, causing parents to move to suburbia.

This result arises from school assignment laws: because students must attend school in the municipality of their residence, residents of the most diverse municipalities (usually central cities) must attend diverse schools. By definition, diverse schools have lots of children from disadvantaged backgrounds. Because

children from disadvantaged backgrounds often learn less rapidly than middle-class children, these schools quickly get a reputation as “bad” schools, causing middle-class parents to flee to suburban schools that are more socially homogenous.

The common progressive answer to this problem is to fund urban schools more generously: this strategy has not, when tried, succeeded in bringing middle-class parents back to urban schools. For example, in 1990s Kansas City, federal courts forced government to fund urban schools far more generously than suburban schools: nevertheless, test scores barely budged and urban schools continued to lose middle-class and white parents. Even successful urban charter schools (such as New York’s Harlem Success Academy) have failed to bring back middle-class parents.

A more market-oriented solution to the problem of sprawl-generating school systems is to break the link between residence and schooling, so that city residents would not be limited to urban neighborhood public schools.

One possible option is some form of a voucher system. Under the purest form of a voucher system, parents who choose to avoid public schools would be given public funds to pay the cost of private schools. Under such a system, parents would have little reason to avoid city neighborhoods: they could stay in the city, and their children could attend private schools for the same amount of money that they would spend on public schools (that is, zero). Such voucher systems have occasionally been tried for low-income students or students in the worst urban schools, but have never, as far as I know, been applied to middle-class students whose parents might be tempted by suburbia.

However, such a voucher system might suffer from two practical difficulties. First, many private schools are more expensive than public schools. Most urban school systems spend roughly \$10,000 per pupil—roughly comparable to the average private school tuition. However, many private schools are far more expensive. The average secular private high school charges over \$20,000 per year.

If vouchers covered the entire cost of private school tuition, educational costs to taxpayers would increase. On the other hand, if vouchers merely covered the cost of the average public school, they would merely reduce the cost of many private schools by only about half (and presumably less in high-cost regions)—enough to do some good, but arguably not enough to deter much migration to suburbia.

A second difficulty is that (assuming that existing public schools remain open) even a limited voucher system might increase municipal costs, because government’s public school expenses would not decrease as fast as its private school expenses would increase. Imagine a voucher system in which the money

follows the child- that is, each voucher is \$10,000, and so if a public school loses a child to a private school, that school loses \$10,000. If all of the child-losing schools' costs varied with attendance, these schools would be no worse off: that is, they might have fewer children, but they would have fewer expenses.

But in fact this is not the case, because some of the public schools' costs are presumably fixed, such as the costs of buildings and maintenance. So if a public school that spends \$8000 per pupil loses 10 pupils under a voucher system, its costs will not go down by \$80,000. Instead, its costs might not decrease at all. A voucher system that fails to account for this difficulty might cause reduced spending on public schools. If this outcome is undesirable, a city has two choices: to spend more money on the school system as a whole, or to fund private schools at some level below the average per pupil expenditure, thus allowing public schools to spend as much money as they do now. Under the latter scenario, parents would be able to save less private school tuition due to vouchers, thus reducing their anti-sprawl impact.

Does this mean vouchers are not worth trying? Absolutely not. Even a weak voucher system would have some anti-sprawl impact. But vouchers are subject to a trade-off: the more choice vouchers provide to parents, the less likely they are to be cost-neutral. A **“strong” voucher system** (that is, one that fully funds education at any private school in a region) is likely to be more expensive than the current educational system, but would make cities far more competitive. A smaller, cheaper voucher system will do less for cities, but will be less costly for taxpayers.

Rent Control: A No-Win

MARCH 15, 2016 BY MICHAEL LEWYN



In an otherwise excellent [article](#) on NIMBYism and luxury housing, affordable housing consultant Rick Jacobus writes: “economist Anthony Downs reviewed the published studies and found that while ‘stringent’ rent control imposed over a very long time had reduced private apartment construction in the UK, there was ‘no persuasive evidence that temperate rent control ordinances inhibit the construction of new rental housing’.”

Since I am familiar enough with Downs’ work to know that he is not a flaming radical, I was a bit surprised to read this. So I looked at Downs’ [paper](#). Downs is generally critical of rent control, writing that while rent control transfers resources from owners to tenants, “the total net amount of benefits received by the tenants is usually smaller than the total net amount of costs imposed upon the owners; hence, rent controls are not efficient.” (p. 26).

Downs adds that “the experience of the United Kingdom strikingly confirms that stringent rent controls reduce new construction of rental units in the long run...the share of all housing in the United Kingdom provided through privately owned rental units dropped by about 85 percent from 1950 to 1986.” (p. 18).

Then he discusses the U.S. experience, contrasting New York City's stringent rent controls with the more moderate controls of Los Angeles. Downs cites a Rand Corporation study that "estimated that 1968 rents under New York City's stringent ordinance averaged 57 percent below what they would have been without controls [while] 1990 rents under Los Angeles' temperate ordinance would average only 3.5 percent below what they would have been without controls." (p. 25). This small gap "helps explain why Los Angeles has not experienced many of the adverse effects generally associated with more stringent rent control ordinances."

In other words, "temperate" rent control ordinances don't do very much to restrict housing supply- but they also don't control rents very much, so what's the point?

It therefore seems to me that pro-rent control municipalities are caught in a no-win situation: if they adopt strict rent controls, they limit housing supply by making housing a less attractive investment. But if they adopt temperate rent controls, they don't really control rents.