Jan-Feb. 2017 Market Urbanism posts

Michael Lewyn
Matthew Yglesias has a group of tweets that begin with this:

Someone needs to give me an Oscar one of these years so I can subject America to a tedious discussion of land use regulation.

"In the movies, there is no minimum lot size or maximum lot occupancy; we fill provide as much or as little parking as we want."

"It's not about whether you conform to the existing scale of the neighborhood, it's about providing abundant affordable housing for all."

"Fences is a powerful reminder that single-family zoning is not enough to make the American dream a reality."
My New Book On Market Urbanism

FEBRUARY 8, 2017 BY MICHAEL LEWYN

I am happy to announce that my new book “Government Intervention and Suburban Sprawl: The Case for Market Urbanism” is now available at Amazon. There is a “look inside the book” feature at the book’s Amazon webpage for those who would like to know more.

I would like to thank not just the readers of this blog who commented on drafts, but also on those of you who helped me refine my thinking by commenting on blog posts.

The Land Value Argument Against New Housing

FEBRUARY 2, 2017 BY MICHAEL LEWYN

One common argument against new housing is that permitting it causes land to become more valuable, thus leading to higher rather than lower rents. It seems to me that this argument is unpersuasive for a few reasons.

First, if it was true, places with permissive zoning would have higher rents rather than lower rents, as the possibility of building would cause land values to explode. Obviously this is not the case.

Second, the argument leads to absurd results. If downzoning reduces land values, obviously the best way to ensure low rents is to prohibit as much housing as possible. Perhaps we could prohibit all housing not on five-acre lots. But suburbs with large-lot zoning tend to be pretty expensive, suggesting that such policies are more likely to increase property prices than to lower them.

Third, the argument suggests that land costs are the primary determinant of rents. But in fact, land values are much more volatile. The Lincoln Institute has created a database of land value data, and shows huge swings in land prices. For example, in the New York City metro area, the land price (apparently per house) swung from $99,000 in 1996 to just over $433,000 in 2006, down to under $225,000 in 2012, and up to about $250,000 today. It goes without saying that rents and housing prices follow very different patterns.
Recently, I met someone who was trapped in a terrible apartment. Why “trapped”? For months (if not years) she had been in an adversarial relationship with both her landlord and her neighbors, but she can’t quite bring herself to leave. Why not?

First, she is in a rent-stabilized apartment, and is afraid to give that up because such units are hard to find. Second, because of rent stabilization, she had made the sort of capital investments in her apartment—such as repairs—that are normally made by landlords, but neglected when they are overseeing these price-controlled units.

By contrast, in a normal city, my friend’s dysfunctional relationship with her apartment would have ended long ago: either the landlord would have evicted her (something very difficult in New York), or she would have moved to someplace less atrocious.