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The Neighborhood Veto And Its Discontents

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When we were young and naïve, some of us might have thought urban planning involved experts applying expertise to solve zoning and planning problems. Using some sort of Divine inspiration, planners decided how much of everything goes in each zone. Right? Wrong.

What really happens is this: a landowner wants to build some stuff. Because zoning codes are so detailed that almost anything anyone would want to build violates some segment of the code, the landowner has to ask the city for a rezoning- that is, a change to some part of the zoning code. For example, if I want to build 20 apartments per acre on a site zoned for 10 apartments per acre, I have to ask the city for a rezoning.

And how does the city decide whether to grant the rezoning? Typically, the city notifies neighbors of the land being affected by the rezoning. If nobody objects, the rezoning goes through. If enough neighbors object, it doesn't. Why not? If there's a fight between one landowner and its neighbors, typically the city government will go along with the neighbors because the landowner has at most one vote, and the neighbors have more. If the landowner is a professional home builder, the landowner doesn't have any votes at all, which means its change of prevailing is even weaker. This phenomenon is what I call the "neighborhood veto"- the reality that neighborhoods and small suburbs have veto power over zoning changes within their borders, regardless of citywide or regionwide interests.

In recent decades, zoning has become more neighborhood-oriented rather than less. Rather than relying on informal neighbor-to-neighbor feedback, large cities have instituted neighborhood advisory boards that pass judgment on zoning decisions. For example, in 1972 New York City enacted the Uniform Land use Review Procedure (ULURP). Under ULURP, a zoning amendment must go to one of 59 community boards, each of which reviews the proposal and makes a recommendation. Similarly, in Washington DC, the city has established advisory neighborhood commissions to comment on zoning changes. This procedure gives neighborhood residents a forum, making it easier for them to organize against unwanted development.

So what's wrong with this? After all, "community-based" is a phrase symbolizing virtue in many situations, and nothing is more community-based than letting the community decide what gets built where. But the neighborhood veto harms citywide and regionwide interests in two ways.

First, the neighborhood veto increases housing costs by reducing housing supply, because neighbors sometimes cause the city to reject rezonings that would allow for new homes and apartments. Americans (especially homeowners) have significant incentives to afford new housing near their homes. If new housing increases the housing supply it might lower housing costs, which is bad news for the people who already bought houses. Even renters might not benefit from new housing near them, because housing markets are citywide. This means that new housing may not just reduce the rent in one neighborhood; instead, it might just reduce rent a little bit throughout the city, which means that renters get only a small benefit from housing near them. By contrast, if there are any negative externalities caused by new housing, the neighborhood gets 100 percent of those. For example, suppose an apt bldg. is targeted towards low- and moderate-income tenants. Neighborhood activists might fear that the presence of poor people might make the neighborhood less desirable to the affluent, by reducing property values or making the schools less desirable.

On the other hand, if the new housing is targeted to the affluent, neighborhood residents fear gentrification.

In turn, if there is less housing, the law of supply and demand dictates that housing prices and rents will be higher. This view is supported not just by common sense but by data: for example, cities like Austin, Las Vegas and Orlando, where the number of housing units has grown by over 40 percent since 2000, have much lower rents than slow-growth cities like NY and SF. In slow-growth cities, housing supply lags behind job growth: San Francisco added 122,847 jobs between 2011 and 2015, but added only 13,421 housing units. Similarly, New York added over 400,000 jobs but just 65,000 or so housing units.

Admittedly, correlation is not causation. Other evidence of the link between supply and housing is the gap between construction costs and housing costs. In high cost regions such as Honolulu and San Francisco the median house price is more than twice the cost of construction- evidence that some other factor (such as government regulation) is distorting the market.

It could be argued that land prices are the key factor behind high housing costs, rather than zoning. But this argument is meritless for two reasons. First, high land values don't have to lead to high housing costs if people are allowed to build more densely. For example, suppose I have a duplex on a parcel of land valued at \$200k. If the cost of land goes up to 300k and I have a duplex obviously the duplex is more expensive. But if the duplex is replaced by ten apartments, each apt only costs \$30k.

Second, if more permissive zoning increased housing costs, then cities with the most restrictive zoning would have cheaper housing. Los Angeles is an example to the contrary. In 1960, that city was zoned to support 10 million people. Today it is zoned to support about its present population. Rents have risen by inflation plus 55 percent, far more than renter income.

Another counterargument is that new housing is only built for the rich, and thus new construction will not reduce housing costs. But this claim overlooks the effect of new housing on the market for older housing. Common sense dictates that enough new housing is built, the demand for older housing will decrease, causing it to be less expensive. Now, you may think "I saw some new housing built and my rent keeps going up." But the proper response to that is: some new housing is not enough, especially when government has been artificially restricting supply for decades.

The second negative result of the neighborhood veto is to limit density: that is the number of people per square mile in a neighborhood. What's wrong with that? In low-density places fewer people can live within walking distance of anything at all. For example, imagine a neighborhood with 5 houses per block. If most people are willing to walk two blocks to a store, that means 10 households can walk to the store. If the same area has 50 apartments per block, 100 people can walk to the store. For the same reason, low density leads to low transit ridership: if only a few people live within walking distance of a bus stop few people will take the bus. Generally, public transit use is minimal unless there are at least 8-10 housing units per acre.

In turn, low density auto oriented development creates a wide variety of negative effects: more driving which means more pollution and higher greenhouse gas emissions. For example, one study showed that NYC, the most transit oriented metro area, had the lowest level of transportation-related carbon dioxide emissions among 66 metro areas surveyed.

Even if popular culture does not shape public attitudes towards cities and suburbs, it certainly reflects those attitudes. For example, 1990s television shows like *Friends* and *Seinfeld* reflected the growing popularity of urban life.

Many of this year's Oscar nominees involve urban settings as well, at least for parts of the movie. Of course, there are exceptions: one of the Best Picture nominees, *Dunkirk*, occurs on a depopulated beach where British soldiers and sailors are trying to evacuate France. Obviously, it makes no sense to describe *Dunkirk* as pro-urban or anti-urban. Similarly, *The Post* mostly takes place indoors; although it is certainly set in Washington, D.C., I cannot say that it has a strong urban or suburban emphasis. But other Best Picture nominees are more relevant to urban surroundings.

For example, in *Call Me By Your Name*, the characters all live within biking distance of a small Italian town. The town is a lovely example of pre-automobile small-town urbanism, with short buildings and streets narrower than those of any city in North America, and bicycles everywhere. I rate this movie NU, for New Urbanist.

Three Billboards Outside Ebbing, Missouri also takes place in a walkable small town. Two of the major characters are police officers working in a quaint, walkable American small town, and the female lead's curio store appeared to me to be within walking distance of downtown. But in this movie, unlike *Call Me By Your Name*, suburbia rears its head: the billboards in question are on a highway, and the police chief, an admirable character, is portrayed as living in large-lot suburbia with no visible houses or sidewalks nearby.

The Shape of Water, set in 1962, also occurs in a land of low-rise urbanism; the heroine lives in a mixed-use Baltimore neighborhood above a movie theatre, and takes the bus to work. Public transit also plays a small role in *Darkest Hour*; near the end of the movie, Winston Churchill takes the London subway to ask the opinions of the citizenry, and is heartened by the populace's fighting spirit.

In *Get Out*, the city is portrayed positively, but only by comparison to the sinister country. The male lead apparently lives in an urban apartment, but is driven to his girlfriend's family's cabin in the woods, which is clearly accessible only by automobile. In this exurban location, he meets with many horrific adventures. In *Get Out*, the exurbs are a land of villany. *Phantom Thread*, like *Get Out*, involves characters transitioning between a city (London) and a non-urban environment of country houses; however, it did not seem to me that the characters' adventures in the city are any more ominous (or less ominous) than their adventures in the suburbs. *Get Out* struck me as pro-urban, while *Phantom Thread* was neither pro- nor anti-urban.

Finally, *Lady Bird* occurred in the semisuburbia of Sacramento, California; most adult characters drive, but the title character does some walking here and there. Most of the streets seem to have sidewalks, but the downtown is somewhat invisible.

But by and large, the Oscar nominees don't appear to be particularly anti-urban or pro-suburban. They mostly are not set in conventional suburbia, and nothing in them suggests that suburbia is normal or that cities are not. In that sense, the Oscar nominees reflect the increased popularity of cities.

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