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Summer 2018

# Super Problems in Superstar Cities

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Available at: <https://works.bepress.com/lewyn/165/>

## **Zoning and Land Use Planning**

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### **SUPER PROBLEMS IN SUPERSTAR CITIES**

Richard Florida, a professor at the University of Toronto,<sup>1</sup> is perhaps most well-known for his discussion of the “creative class.”<sup>2</sup> In a 2002 book, Florida suggested that cities succeed by attracting talented workers, such as “knowledge workers, techies and other cultural creatives.”<sup>3</sup> He argued that a city could attract such talented workers by doing “things that made cities great places to live and work—things like making sure there were walkable pedestrian-friendly streets, bike lanes, parks, exciting art and music scenes, and vibrant areas where people could gather in cafes and restaurants.”<sup>4</sup> In his new book, *The New Urban Crisis*, Florida argues that the most prosperous cities are the victim of their own success: as the creative class flowed back into urban cores, housing costs have exploded and the middle class has been

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Review, *The New Urban Crisis*, by Richard Florida (Basic Books, 2017).

<sup>1</sup>About Richard, Creative Class Group, [http://www.creativeclass.com/richard\\_florida/about\\_richard](http://www.creativeclass.com/richard_florida/about_richard).

<sup>2</sup>See Holning Lau, *Human Rights And Globalization: Putting The Race To The Top In Perspective*, 102 Northwestern U. L. Rev. Colloquy, 319, 325 (describing Florida’s work on the “creative class” as “oft-cited”); David Dixon, *Will 9/11 Continue to Take its Toll on America’s Cities?* 32 Fordham Urb. L.J. 723, 731 (2005) (describing one of Florida’s books on “creative class” as “landmark”).

<sup>3</sup>Richard Florida, *The New Urban Crisis: How Our Cities Are Increasing Inequality, Deepening Segregation, and Failing the Middle Class—and What We Can Do About It*, xiv, (2017).

<sup>4</sup>*Id.* at xv.

priced out of these cities.<sup>5</sup> This review discusses this “new urban crisis,” and Florida’s remedies to the crisis.

# I. The Crisis

Florida’s story begins with the old urban crisis of the 1960s and 1970s. Industries and middle-class whites left central cities for suburbs, causing cities to become centers of poverty.<sup>6</sup> Florida admits that some cities continue to decline.<sup>7</sup>

But a few older cities are growing again. Florida ties this growth to the “creative class.” In 2001, Florida defined the “creative class” as a group of educated, affluent people who “produce new forms or designs that are readily transferable and broadly useful—such as designing a product that can be widely made, sold and used; coming up with a theorem or strategy that can be applied in many cases; or composing music that can be performed again and again.”<sup>8</sup> The core of the creative class included “scientists and engineers, university professors, poets and novelists, artists, entertainers, actors, designers, and architects, as well as the ‘thought leadership’ of modern society: nonfiction writers, editors, cultural figures, think-tank researchers, analysts, and other opinion-makers.”<sup>9</sup> The creative class also includes professionals in “high-tech sectors, financial services, the legal and healthcare professions, and business management”<sup>10</sup> who might not invent new methods of doing things, but are nevertheless “required to [regularly] think on their own.”<sup>11</sup> Florida added that these “creatives” comprised roughly 30

<sup>5</sup>*Id.* at xvi (“revitalization of our cities . . . was giving rise to rampant gentrification and unaffordability, driving deep wedges between affluent newcomers and struggling longtime residents” while “sturdy middle-class neighborhoods were disappearing right before my eyes”).

<sup>6</sup>*Id.* at 5.

<sup>7</sup>*Id.*

<sup>8</sup>Richard Florida, *Rise of the Creative Class*, Washington Monthly (May 1, 2001), <https://washingtonmonthly.com/2001/05/01/the-rise-of-the-creative-class> (“Rise”).

<sup>9</sup>*Id.*

<sup>10</sup>*Id.*

<sup>11</sup>*Id.*

percent of the U.S. population, and earned about twice as much as other classes of Americans.<sup>12</sup>

In his current book, Florida seems to define “the creative class” a bit more broadly—seemingly to include most of the upper and upper-middle classes. He defines the “creative class” as “workers in occupations spanning computer science and mathematics; architecture and engineering; the life, physical and social sciences; the arts, design, music, entertainment, sports and media; management, business and finance; and law, health care, education and training.”<sup>13</sup> He divides the rest of the American workforce into two poorer classes: a “working class consist[ing] of workers in blue-collar occupations”<sup>14</sup> and a “service class consist[ing] of workers in routine service jobs.”<sup>15</sup>

In 2001, Florida wrote that some metro areas were more appealing to creatives than others—places with “lifestyle amenities that people really want and use often”<sup>16</sup> such as bike lanes and urban parks.<sup>17</sup> In the 1990s, Florida’s thesis might have seemed irrelevant to central cities: leading high-tech companies tended to prefer suburban corporate campuses.<sup>18</sup> But in the 21<sup>st</sup> century, such companies became far more urban. For example, in 2013, 54 percent of venture capital investment was in urban zip codes.<sup>19</sup> And some of the suburban 46 percent is in dense, walkable suburbs; for example, dense Santa Monica attracted a disproportionate amount of Los Angeles-area venture capital.<sup>20</sup>

High-tech companies’ increased interest in cities is an example of a broader trend: “skilled and ambitious people cluster in cities”<sup>21</sup> and in particular, in “[s]uperstar cities [which] push together talented people from all corners of the

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<sup>12</sup>*Id.*

<sup>13</sup>*See* Florida, *supra* note 3, at 217.

<sup>14</sup>*Id.*

<sup>15</sup>*Id.*

<sup>16</sup>*See* Rise, *supra* note 8.

<sup>17</sup>*Id.*

<sup>18</sup>*See* Florida, *supra* note 3, at 42–43.

<sup>19</sup>*Id.* at 43.

<sup>20</sup>*Id.* at 45.

<sup>21</sup>*Id.* at 21.

world.”<sup>22</sup> Florida calls this trend “clustering”<sup>23</sup>—that is, the clustering of the creative class in cities generally, and in a few “[s]uperstar cities”<sup>24</sup> in particular. This “clustering . . . increases the competition for limited urban space; the more things cluster in space, the more expensive land gets; the more expensive land gets, the higher housing prices become.”<sup>25</sup>

Florida contends that this clustering and the resulting increase in housing prices has led to a fourfold “New Urban Crisis”: (1) a deep economic gap between a handful of superstar cities and the rest of the nation; (2) the explosion of housing costs in superstar cities; (3) increased inequality and economic segregation; and (4) the growth of suburban poverty.<sup>26</sup>

#### A. Superstar Cities

Florida writes that certain cities are “superstar cities” because they have the most ambitious and talented people, the most leading-edge companies, and generate the greatest levels of innovation.<sup>27</sup> The American “superstar cities” include New York, Los Angeles, Chicago, Boston, Washington, and San Francisco.<sup>28</sup> Florida claims that the gap between these cities and other cities is “enormous, and it is growing.”<sup>29</sup> Certainly, there is an enormous gap between housing costs in some superstar cities and housing costs in the rest of the United States. For example, one can buy 18 homes in Las Vegas and 20 homes in Nashville for the price of one apart-

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<sup>22</sup>*Id.* at 21.

<sup>23</sup>*Id.* at 33.

<sup>24</sup>*Id.* at 21.

<sup>25</sup>*Id.*

<sup>26</sup>*Id.* at 6–7. Florida also identifies a fifth dimension of the New Urban Crisis: destitution in the cities of the developing world. *Id.* at 8. Because this crisis is not particularly relevant to the United States, we have chosen not to discuss it in our review.

<sup>27</sup>*Id.* at 15.

<sup>28</sup>*Id.* at 16.

<sup>29</sup>*Id.* at 15.

ment in Manhattan's SoHo neighborhood.<sup>30</sup> In support of this claim, Florida notes that even after accounting for housing costs, the average worker in San Francisco and similar superstar cities earns nearly twice as much as the average worker in Orlando.<sup>31</sup>

But Florida's focus on average incomes is slightly misleading, because an "average" can be affected by a few outliers. For example, if City X has four workers, one of whom earns \$1 million per year, and three who each earn \$40,000 per year, the average wage would be \$280,000—a figure that certainly does not reflect the median standard of living. A more precise measurement would focus on median incomes.

Florida uses the term "winner-take-all urbanism"<sup>32</sup> to describe the advantages of superstar cities. This phrase implies that superstar cities are significantly wealthier than the rest of America, and that other cities are somehow "losers." But if this was so, the superstar metro areas would have far higher incomes than other regions, even after adjusting for housing costs. However, this does not seem to be the case. For example, in a 2011 blog post, Florida himself cited a study showing that New York City, one of Florida's "superstar" regions, had the second lowest median household income in the United States when the cost of living is taken into account.<sup>33</sup> Another superstar region, Los Angeles, had the eighth lowest real median income.<sup>34</sup> By contrast, his list of the ten most affluent regions included non-superstar metro areas such as Dallas, Houston, and Atlanta, as well as several other smaller regions.<sup>35</sup> If "winner-take-all" urbanism is a reality, the real winners might not be the metropolitan areas with the most talent.

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<sup>30</sup>*Id.* at 19, 29 (comparing housing prices in other superstar cities with those of other American cities).

<sup>31</sup>*Id.* at 31 (average worker in San Francisco earns \$45,200 and average worker in New York, Boston and Washington earns between \$42,000 and \$44,000, while average worker in Orlando earns \$25,774).

<sup>32</sup>*Id.* at 13.

<sup>33</sup>See Richard Florida, Where Paychecks Go the Furthest: 20 Best and Worst Cities, *The Atlantic*, (June 3, 2011), <https://www.theatlantic.com/business/archive/2011/06/where-paychecks-go-the-furthest-20-best-and-worst-cities/239885>.

<sup>34</sup>*Id.*

<sup>35</sup>*Id.* The only superstar region on this list was Washington.

### B. The Housing Cost Crisis

On the other hand, Florida's second "crisis" is quite real. As Florida points out, housing costs in superstar cities have exploded. For example, in New York City, the percentage of rent-burdened households (that is, households paying more than 30 percent of their income on rent) rose from 41 percent in 2000 to 52 percent in 2014.<sup>36</sup> This rent crisis was not limited to gentrifying neighborhoods; in fact, the share of rent-burdened households grew even more rapidly in non-gentrifying areas.<sup>37</sup> Median rent throughout the region (including its suburbs) is \$2500 per month—45 percent of median household income, the highest in the country.<sup>38</sup> Housing prices exploded as well; for example, in one Brooklyn neighborhood, housing prices increased by 269 percent between 2004 and 2014.<sup>39</sup>

Florida lists several reasons for real estate inflation in superstar cities. He suggests that land use regulations restrict the housing supply and thus increase prices, but he does not explain this finding in as much detail as we would have liked.<sup>40</sup> He might have noted, for example, that housing construction in New York has slowed down in recent decades. Between 1960 and 1976, the number of new housing units completed per year ranged from just over 14,000 to over 60,000, and exceeded 20,000 in all but four years.<sup>41</sup> By contrast, after zoning laws became more restrictive in the

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<sup>36</sup>*Id.* at 74.

<sup>37</sup>*Id.* (share grew from 46 percent of households to 60 percent in non-gentrifying areas); *Id.* at 69 (defining gentrifying neighborhoods as those that "started off in 1990 with incomes below 40 percent of the median, and experienced rent increases greater than the median neighborhood did").

<sup>38</sup>See <https://arxiv.org/ftp/arxiv/papers/1605/1605.05397.pdf>.

<sup>39</sup>See Florida, *supra* note 3, at 71. More broadly, the nation's most expensive zip codes tend to be in the New York, San Francisco and Los Angeles metro areas. *Id.* at 19. See also *infra* notes 46–48 and accompanying text (describing high housing costs in Los Angeles and San Francisco).

<sup>40</sup>*Id.* at 27 (referring to "complex thicket of zoning laws and other land use regulations that restrict the supply of housing").

<sup>41</sup>See New York City Rent Guidelines Board, 2016 Housing Supply Report, May 26, 2016, at 18 ("Guidelines Board").

1970s,<sup>42</sup> the number of new units exceeded 20,000 in only four years (2006–10) and was above 14,000 for only ten years (1989, 2002, 2004–10, 2015).<sup>43</sup> Other expensive superstar cities also have unusually restrictive zoning. For example, Los Angeles was zoned to support 10 million people in 1960.<sup>44</sup> By contrast, today the city is zoned to support only 4.3 million people—just slightly more than its current population.<sup>45</sup> Los Angeles rents, adjusted for inflation, have risen by 55 percent since 1960, while median renter income has grown by only 13 percent.<sup>46</sup> San Francisco, another expensive superstar city, outlaws buildings of over two stories almost everywhere outside downtown.<sup>47</sup> In that city, housing prices grew by 3.5

<sup>42</sup>In 1975, the city created community boards for neighborhoods; each board has the right to comment upon new development proposals, thus allowing housing opponents to delay new supply. See Sheila R. Foster and Brian Glick, *Integrative Lawyering: Navigating the Political Economy of Urban Redevelopment*, 95 Cal. L. Rev. 1999, 2033 n. 119 (2007) (describing boards, and noting that they may comment on all zoning actions); Tom Angotti, *Land Use and the New York City Charter* (New York City Charter Commission), August 10, 2010, at 4 (community boards created in 1975).

In that same year, the state legislature enacted the State Environmental Quality Review Act (SEQRA), which requires the creation of an environmental impact statement (EIS) for major zoning changes. See N.Y. Envtl. Conserv. Law 8-0101 et. seq. (McKinney 2013); See Stewart E. Sterk, *Environmental Law in the Land Use Process: New York's Experience With SEQRA*, 13 Cardozo L. Rev. 2041, 2042–43 (1992) (only New York and California require environmental review for projects that require government permits, such as zoning changes); Pace Law School Library, New York Environmental Legal Research Guide: State Environmental Quality Review Act (SEQRA), <http://libraryguides.law.pace.edu/c.php?g=319391&p=2133260>.

<sup>43</sup>See Guidelines Board, *supra* note 41, at 18.

<sup>44</sup>See Greg Morris, *The Homeowner Revolution: Democracy, Land Use and the Los Angeles Slow-Growth Movement, 1965–1992*, at 3, eScholarship, (2013), <http://escholarship.org/uc/item/6k64g20f#page-1>.

<sup>45</sup>*Id.*

<sup>46</sup>See Andrew Woo, *How Have Rents Changed Since 1960?* Apartment List (June 14, 2016), <https://www.apartmentlist.com/rentonomics/rent-growth-since-1960>.

<sup>47</sup>See Michael Lewyn, *Government Intervention and Suburban Sprawl: The Case for Market Urbanism* 74 (2017) (citations omitted).



percent per year between 1950 and 2000, which is more than double the national average for large metropolitan areas.<sup>48</sup>

Florida might have also mentioned that the cities where housing supply has grown most rapidly tend to have lower rents than other cities. For example, in Austin, Texas (where the average rent is \$1100) housing supply grew by 58 percent between 2000 and 2015, while in New York (median rent \$2500) and San Francisco (median rent \$2323) housing supply grew by seven and 10 percent respectively.<sup>49</sup> Austin is not unique; housing supply grew by 55 percent in Las Vegas, 44 percent in Orlando, and 39 percent in Houston and Phoenix—<sup>50</sup> all regions with much lower rents than those of “superstar cities.”<sup>51</sup>

Florida also discusses a variety of other possible explanations for high housing costs. He notes that wealthy people around the globe are buying up housing in Manhattan—sometimes as absentee owners.<sup>52</sup> But Florida wisely refuses to use this fact as an excuse for restrictive zoning; he points out that the city has only 116 billionaires, hardly enough to affect housing costs in a city with three million housing units.<sup>53</sup>

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<sup>48</sup>See Florida, *supra* note 3, at 21. Admittedly, the above discussion is rather anecdotal, and does not purport to be a full “all-else being equal” study. However, numerous studies support the proposition that housing supply is linked to housing costs. See, e.g., City and County of San Francisco, *Potential Effects of Limiting Market-Rate Housing in the Mission*, at [http://sfcontroller.org/sites/default/files/FileCenter/Documents/6742-mission\\_moratorium\\_final.pdf](http://sfcontroller.org/sites/default/files/FileCenter/Documents/6742-mission_moratorium_final.pdf); Legislative Analyst’s Office, *Perspectives on Helping Low-Income Californians Afford Housing*, at <http://www.lao.ca.gov/Publications/Report/3345>; Romem, *infra* note 49.

<sup>49</sup>See Issi Romem, *The Toughest Places to Build: Behind the Scenes of a Wall Street Journal Analysis*, BuildZoom (July 20, 2017) <https://www.buildzoom.com/blog/the-toughest-places-to-build-behind-the-scenes-of-a-wall-street-journal-analysis> (listing housing supply growth for numerous regions); Boeing and Waddell, *supra* note 38, at 14–15 (rents by region).

<sup>50</sup>See Romem, *supra* note 49.

<sup>51</sup>See Boeing and Waddell, *supra* note 38, at 14–15 (rents by region).

<sup>52</sup>See Florida, *supra* note 3, at 38.

<sup>53</sup>*Id.* at 42.

Florida suggests that high rents might be caused by the explosive growth of land values.<sup>54</sup> For example, in Manhattan land appreciated at a rate of less than half of one percent per year between 1950 and 1993, but by 15 percent per year between 1993 and 2014.<sup>55</sup> However, land prices have been volatile, declining in the late 2000s recession while rents continued to rise.<sup>56</sup> More importantly, land values need not affect rents: In the absence of restrictive zoning, a landowner can always make up for higher land costs by building more apartments on a single parcel of land, thus keeping housing costs down. For example, if we own a parcel previously worth \$100,000, but now worth \$200,000, we can, of course, build one \$200,000 unit on our land. Another plan, though, would be to build two \$100,000 units, or even to reduce housing prices by building multiple units costing less than \$100,000.

Finally, Florida suggests that because many cities are surrounded by water or mountains, those cities are bound to have limited housing supply even in the absence of regulations.<sup>57</sup> But just as landowners can avoid higher land prices by building more housing units on the same parcel, they can avoid geographic constraints by building more units on the same parcel. For example, suppose that metro area X has 2000 square miles, while metro area Y is surrounded by the ocean and thus only has 500 square miles of buildable land. Metro area Y can still build more housing if it builds more than four times as many homes per square mile as metro area X.

In sum, Florida fundamentally understands the relationship between restrictive zoning and the high housing costs of superstar cities; however, he could have explained this point in more detail, and he could have been more critical of some alternative explanations for this problem.

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<sup>54</sup>*Id.* at 23–24.

<sup>55</sup>*Id.* at 23.

<sup>56</sup>*Id.* at 24. *Cf.* Amy Zimmer, NYC Rents Rising Twice As Fast As Wages, Except For Wealthiest, Study Finds, DNAINFO (August 16, 2017 7:00am), <https://www.dnainfo.com/new-york/20170816/east-harlem/affordable-housing-rents-wages-streeteasy> (after 2010 rents rose twice as fast as wages).

<sup>57</sup>*See* Florida, *supra* note 3, at 30.

### C. Inequality and the New Urban Crisis

According to Florida, the third dimension of the New Urban Crisis is “the growing inequality, segregation and sorting that is taking place within virtually every city and metro area, winners and losers alike.”<sup>58</sup> He explains that since 1970, the share of American families living in middle-class neighborhoods declined from 65 to 40 percent, while the number of rich areas and poor areas have increased.<sup>59</sup>

Florida makes a convincing statistical case that Americans are more segregated by income than in the past: he writes that since 1980, the income segregation of the rich and the poor grew in twenty-seven of our nation’s thirty largest metropolitan areas, and that 85 percent of metropolitan area residents live in places that are more economically segregated than in 1970.<sup>60</sup> As a result, “the creative class clusters in its own enclaves, separate from the less advantaged service and working classes.”<sup>61</sup> Economic segregation in turn impedes social mobility; people with poor parents cannot afford to start their working lives in high-cost metros, and thus are less likely to better themselves.<sup>62</sup>

Although Florida backs up his argument with quite a bit of statistical data, we are not wholly persuaded by his attempt to link creative class clustering with segregation and inequality. If the growth and clustering of the creative class caused these problems, the superstar metros would be the most segregated and unequal. But here Florida’s own data is unclear. On the one hand, Florida notes that income inequality is more significant in superstar cities; for example, the biggest wage gaps between the top 10 percent of workers and the bottom 90 percent are in superstar cities.<sup>63</sup>

On the other hand, he ranks metro areas by income segregation—that is, the geographic separation of high- and

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<sup>58</sup>*Id.* at 7.

<sup>59</sup>*Id.*

<sup>60</sup>*Id.* at 98.

<sup>61</sup>*Id.* at 149.

<sup>62</sup>*Id.* at 114.

<sup>63</sup>*Id.* at 87.

low-income households.<sup>64</sup> The three most segregated regions are Cleveland, Detroit and Memphis; none of the superstar regions are in Florida's "top ten" for income segregation.<sup>65</sup> Similarly, the five regions where the poor are most segregated are Milwaukee, Hartford, Philadelphia, Cleveland and Detroit<sup>66</sup>—none of which are on Florida's "superstar list." If segregation of the poor impedes their opportunities, poor people growing up in these slow-growth regions are far worse off than those in superstar cities. In fact, Florida admits that "the prospects for economic mobility are greatest in New York, Los Angeles, the San Francisco Bay Area, Boston, Greater Washington DC, and Seattle, all of which rank among the top twenty places for upward mobility."<sup>67</sup> In addition, he notes that "the poor live longest in superstar cities and tech hubs . . . [and] face the shortest life expectancies in the Rustbelt metros of Detroit, Gary, Toledo and Dayton as well as Las Vegas, Tulsa and Oklahoma City."<sup>68</sup> If segregation and upward mobility are actually less harmful in superstar cities than in Rust Belt, how are they related to the clustering of the creative class in superstar cities?

Florida apparently answers this question by noting that even though the poor are better off in superstar cities, the high cost of housing may threaten their ability to move to (and stay in) those cities. He worries that they might be "forced out of the biggest, richest and educated cities by their rising housing costs,"<sup>69</sup> and be shoved into low-mobility, segregated cities. Thus, lower housing costs would mitigate the segregation of the poor and its negative side effects.

#### D. Suburban Poverty

In the 1970s, suburbs tended to be affluent, while cities were generally declining.<sup>70</sup> Florida points out that this pattern has been replaced not by the collapse of the suburbs but

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<sup>64</sup>*Id.* at 100.

<sup>65</sup>*Id.*

<sup>66</sup>*Id.* at 101.

<sup>67</sup>*Id.* at 118.

<sup>68</sup>*Id.* at 119.

<sup>69</sup>*Id.* at 119.

<sup>70</sup>*Id.* at 121.

by what he calls the “Patchwork Metropolis”:<sup>71</sup> Most metro areas have “zones of concentrated advantage and even larger areas of concentrated disadvantage that crisscross cities and suburbs alike.”<sup>72</sup> For example, in Austin, Texas, the creative class dominates both the west side of the city and its western suburbs, while the service class dominates the east side of the region.<sup>73</sup> And in Miami and its suburbs, creative class neighborhoods tend to be on the waterfront, while poorer neighborhoods tend to be inland.<sup>74</sup> Florida includes maps for over a dozen other metropolitan areas, showing which neighborhoods and suburbs are dominated by the creative class and which are dominated by the poorer service and working classes.

The growth of the Patchwork Metropolis means that suburbs as well as cities now have an ample supply of low-income neighborhoods. Table 1 shows how the percentage of poor people living in suburbia has increased, both in superstar metros and in non-superstar metros.

Table 1: Percentage of Regional Poor Living in Suburbs<sup>75</sup>

	2000	2013
Superstar metros		
New York	29	35
San Francisco	52	59
Washington	61	70
Non-superstar metros		
Philadelphia	44	50
Dallas	41	48
Seattle	61	69
St. Louis	68	77
Atlanta	76	88

This data supports Florida’s suggestion that the economic gaps between city and suburb may not be as large as they once were. However, they also suggest that the decline of

<sup>71</sup>*Id.*

<sup>72</sup>*Id.* at 122.

<sup>73</sup>*Id.* at 144.

<sup>74</sup>*Id.* at 147–48.

<sup>75</sup>*Id.* at 155 (showing statistics used above).

some suburbs may not be linked to creative-class clustering. If the decline of suburbia was a result of creative-class clustering, suburban poverty would be rising most rapidly in superstar cities, as poor people displaced from cities by high rents flooded into suburbia. But in fact, the suburbanization of poverty seems to be just as rapid, if not more so, in cheaper, less creative metropolitan areas.

Moreover, Florida's analysis overlooks the fact that suburbs are still, on balance, far richer than cities. Nationally, the poverty rate in cities is twice that of suburbs.<sup>76</sup> And even in superstar metro areas such as Washington, New York, and San Francisco, cities have higher poverty rates and lower household incomes than their suburbs.<sup>77</sup>

## II. The Solutions

Florida's last chapter, entitled "Urbanism for All" focuses on remedies for two elements of the New Urban Crisis: high urban housing costs and inequality. His remedies for the latter problem are garden-variety liberal policies: increased minimum wages,<sup>78</sup> more government spending on education in chronically poor neighborhoods,<sup>79</sup> and providing every person with a guaranteed minimum income.<sup>80</sup> Conservative readers may disagree with these policies; in any event, they are not any more relevant to urban areas than to the rest of the United States. If an increased minimum wage would rebuild the middle class in New York, it would have the same useful results in Appalachia. Conversely, if an increased minimum wage would increase unemployment in New York, it would increase unemployment in Appalachia as well.

From the perspective of people involved in land use law and urban planning, Florida's discussion of urban housing is more interesting—if not always more persuasive. Florida correctly notes that to reduce housing costs, "zoning and

<sup>76</sup>Elizabeth Kneebone & Alan Berube, *Confronting Suburban Poverty In America* 35 (2013).

<sup>77</sup>See Michael Lewyn, *How Real is Gentrification?* 43 *Real Est. L.J.* 344, 346 (2014) (citations omitted).

<sup>78</sup>See Florida, *supra* note 3, at 204–05.

<sup>79</sup>*Id.* at 208.

<sup>80</sup>*Id.* at 208–09.

building codes do need to be liberalized and modernized.”<sup>81</sup> In particular, he suggests two reforms to encourage more housing construction in high-cost areas. First, he suggests substituting a “land value tax” for the property tax. Currently, property taxes tax improvements to land, thus discouraging property owners from improving their property by adding additional housing or office space.<sup>82</sup> By contrast, the land value tax would tax the underlying value of land itself; thus, a property owner who does little to improve land would be taxed at a higher rate than the property owner who builds hundreds of housing units on a parcel of land.<sup>83</sup>

Second, he suggests that cities buy off neighborhood opposition to new housing by allowing current city residents to “share in the tax revenues that come from new development—for example, by rebating and reducing their own property taxes.”<sup>84</sup> This “tax increment local transfer” policy would encourage current residents to support new development, thus making it politically feasible for cities to permit more housing construction.

Florida also supports using public transit to expand the outward reach of metropolitan areas. For example, new high-speed rail could expand the commuting zones of today’s metro areas.<sup>85</sup> It could be argued that new roads to suburbia would achieve the same result; however, Florida writes that mass transit “helps cluster people and economic activity together,”<sup>86</sup> which in turn promotes economic growth as talented people cluster together and learn from each other.<sup>87</sup>

Finally, he supports government subsidy of low-income

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<sup>81</sup>*Id.* at 192.

<sup>82</sup>*Id.* at 194.

<sup>83</sup>*Id.* We note, however, that Florida does not explain how the value of land would be determined.

<sup>84</sup>*Id.* at 195.

<sup>85</sup>*Id.* at 197.

<sup>86</sup>*Id.* at 196.

<sup>87</sup>*Id.* at 21 (discussing economic benefits of clustering). Moreover, highway-driven expansion has a variety of negative side effects. When highways open up new suburbs for development, those suburbs often lack public transit, effectively freezing non-drivers out of suburban jobs. *See* Lewyn, *supra* note 47, at 9. Thus, people who are too poor to own and maintain cars become even more isolated than would otherwise be the



housing in superstar cities—both directly through housing subsidies, and indirectly by using redistributionist policies to increase the income of the poor.<sup>88</sup> He does not mention possible concerns about such policies; for example, a program that gives people money for rental housing might increase housing demand, thus increasing, rather than decreasing, rents.

Given Florida's support for expanded housing supply,<sup>89</sup> one might think that he favors a broad program of zoning deregulation. But what he gives in one paragraph, he takes in another, writing that "radical deregulation of land use and housing potentially runs the risk of killing off the proverbial goose that laid the golden egg."<sup>90</sup> Florida critiques market urbanists on two grounds.

First, he argues that too much deregulation (whatever that means) might lead to "extreme residential density and huge towers" which are apparently bad because "the world's most innovative places are not the skyscraper districts and vertical sprawl of Hong Kong or Singapore, but the former industrial neighborhoods of New York, San Francisco, and London, which are filled with mid-rise buildings . . . arrayed among streets that enable constant mixing and interaction to take place."<sup>91</sup> In other words, he worries that deregulation leads to high-rise buildings, and that high-rise buildings somehow do not promote clustering. But Florida's own data call this argument into question. In his list of superstar cities (which are presumably the most innovative places) Singapore and Hong Kong are no. 4 and 6 respectively—behind New York and London, but ahead of every other American city, including San Francisco and Los Angeles.<sup>92</sup>

Second, he writes that deregulation "is likely to mainly

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case. And because residents of these suburbs must drive to work, they create additional pollution and congestion wherever they go. *Id.* at 5–6.

<sup>88</sup>*Id.* at 201–02.

<sup>89</sup>*Id.* at 26–28.

<sup>90</sup>*Id.* at 193.

<sup>91</sup>*Id.* at 193.

<sup>92</sup>*Id.* at 16. Moreover, his equation of New York with mid-rise buildings and Hong Kong with skyscrapers is a bit of an oversimplification; a look at Google Street View will show any observer that Hong Kong and



add more expensive luxury towers [rather than] the kinds of affordable housing our cities really need.”<sup>93</sup> This argument contains a grain of truth: new housing will normally be more expensive than older housing, just as new automobiles are normally more expensive than used automobiles. However, opposition to expensive new housing overlooks the role of “filtering”—that is, the impact of new housing upon the cost of older housing. When there is enough new housing to accommodate the demand of affluent customers, the demand for some older buildings declines (because some well-off people now prefer the newer buildings, and are unwilling to settle for the older ones). As a result, the price of such older housing stagnates or even declines, which makes that housing affordable to people of lesser means.<sup>94</sup> So in a free market, new housing for the affluent means cheaper housing for everyone else.

But when zoning restricts housing supply, filtering fails to occur. In this situation, there is not enough new housing to satisfy all the affluent renters, so this group bids up not only the prices of the newest buildings, but the prices of older buildings as well, causing those buildings to become more expensive.

Moreover, even new apartments are limited by the law of supply and demand. If new apartments were always reserved for the rich, new apartments would be equally expensive everywhere. But in fact, new apartments are far more expensive in high-cost cities. For example, new one-bedroom apartments in San Francisco rent for at least \$2685, while equally new one-bedroom apartments in Kansas City may rent for \$1000 a month or even less.<sup>95</sup> Thus, expanded sup-

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Singapore have plenty of mid-rise buildings, and New York has plenty of skyscrapers. See Google Maps at [maps.google.com](https://maps.google.com).

<sup>93</sup>See Florida, *supra* note 3, at 192.

<sup>94</sup>See Daniel Meyler, *Is Growth Share Working for New Jersey?* 13 N.Y.U. J. Legis. & Pub. Pol’y 219, 230–31 (2010) (explaining concept).

<sup>95</sup>This information is based on easily replicated searches at Zillow.com.

ply might bring down the price not only of older apartments but of newer units as well.<sup>96</sup>

Florida also points out that Houston, one of the least heavily regulated cities in the United States,<sup>97</sup> “suffers from among the highest levels of inequality and segregation in the country.”<sup>98</sup> But Florida admits that Houston is less expensive than superstar cities such as New York or San Francisco.<sup>99</sup> So even if Houston has not solved the problems of inequality and segregation, it has made some progress in solving the problem of affordability—certainly a result worth cheering for.

Florida’s ultimate position on zoning seems unclear. He is for less regulation than the status quo, but is also for some regulation. He does not say, however, exactly what parts of current zoning law he would retain and what parts he would eliminate.

### III. Conclusion

Florida’s book is sometimes unclear and sometimes unpersuasive. Nevertheless, he correctly emphasizes that the urban affordability crisis makes superstar cities less livable. And even on other issues, he supplies interesting data to make readers more aware of what is going right (and wrong) with America’s cities and suburbs.

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<sup>96</sup> Admittedly, this price difference may be in large part due to land costs. But as noted above, in the absence of zoning, landowners can avoid the harmful impact of high land costs by building more units per parcel. See Part I-B *supra*.

<sup>97</sup> See Florida, *supra* note 3, at 192. *But cf.* Michael Lewyn, *How Overregulation Creates Sprawl (Even In A City Without Zoning)*, 50 Wayne L. Rev. 1171 (2005) (even though Houston somewhat less regulated than other cities, it does have a wide variety of land use regulations, most of which reduce population density and encourage suburban sprawl).

<sup>98</sup> See Florida, *supra* note 3, at 193.

<sup>99</sup> *Id.* at 192–93.