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**Market-oriented Approaches to Growth: Outsmarting Sprawl's Impacts**  
by Sam Staley  
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Concern about the impacts of urban growth on communities and the environment has prompted legislatures in many states to develop new programs to protect open space, constrain land development, and initiate planning law reform.

More than a dozen states have adopted statewide growth management laws, and at least another dozen have convened task forces to address growth issues. For some cities, such as Atlanta, Georgia, and Portland, Oregon, statewide legislation was initiated to focus on regional issues. Indeed, proponents of planning law reform increasingly use urban sprawl as their springboard for sweeping reforms at the state level. The Michigan Society of Planning, for example, sponsored a day-long, statewide symposium focusing on growth-management reform through state legislation with the specific intent of supporting the Coordinated Planning Act (HB 4571)—legislation that would strongly encourage centralized land-use planning at the local level. The society promoted the event by noting that “Many people sense that we are caught in a race against time. We must regain control over the impact of growth, decline, and change on our quality of life....Statutory reform of planning laws is a serious contemporary concern that affects every citizen, community, and region in the state.”

### **Urban Sprawl, Smart Growth, and Public Policy**

A substantial academic and policy debate has emerged over the costs and benefits of suburban development, and many elected officials now feel pressure to examine and reform growth-management laws. In large part, the debate was generated by citizen concern over tangible issues that come with sprawl: rising congestion, loss of open space, deteriorating environmental quality, rising government spending. But policymakers and elected officials are often caught in a bind: Public pressure is building to control growth, but little guidance or historical evidence exists about what policies will most likely mitigate specific problems.

Policymakers, in general, have three possible options:

1. Maintain the status quo;
2. Implement centralized, “command-and-control” urban planning; or
3. Encourage market-oriented approaches to growth management.

The first option is usually not a conscious choice but often emerges as the default policy during periods of political gridlock. This is not necessarily the best alternative, because empirical and even anecdotal evidence demonstrates that policymakers need to address such issues as the loss of open space, increasing traffic congestion, rising infrastructure costs, and greater concern for environmental protection.

#### **A. Smart Growth**

The second option is the one most-often embodied in various so-called “Smart Growth” proposals. Virtually all statewide growth-management laws employ a top-down, centralized view of land-use development that varies in its individual applications. Florida and Oregon, for example, are classic examples of growth-management systems that are directed from the state level, requiring local governments to adopt plans consistent with statewide goals. Tennessee implemented a system that is more process-oriented, but state law requires cities to adopt urban-growth boundaries that must be approved by a state commission. Other states, such as South Carolina, have adopted more decentralized approaches, mandating centralized land-use planning at the county level, but not explicitly linking local comprehensive plans to the goals set out in state legislation. Despite the variations, however, the top-down approach now represents the most conventional one.

The third option, market-oriented approaches to growth management, is rarely considered at length, in large part because planners and anti-sprawl advocates have little understanding of how they work. Some are explicitly

hostile to the concept of real-estate markets. Market-oriented approaches may, however, provide the most effective set of tools in the long run for addressing growth-related issues on both the state and local level.

### ***B. Consumer-oriented Growth Management***

The market-oriented approach to growth management begins by asking one basic question about urban development: How can public policy ensure that residents end up in the houses and neighborhoods they want?

This starting point is fundamentally different from the one used in conventional planning, which starts with the presumption there is some “ideal” form of the city, whether derived from planning theory or a collective, local visioning process. By contrast, the market-oriented approach—rather than relying on abstract visions of what a community should “look like,” vague concepts of “good” urban planning, or idealized notions of the planning process—begins by recognizing that residents, both current and future, will determine whether a neighborhood or community is desirable. The consumer-oriented focus of market-oriented planning is placed at the center of any discussion of the role of public policy in growth management.

The long-term goal in a market-oriented approach is to ensure a wide range of housing choices and quality of life as defined by the people living and moving into homes and neighborhoods. Planning and growth management should accommodate this goal; the planning process should not drive the outcome. While conventional planning may be a tool for achieving this goal, the measure of success is whether residents (i.e. consumers) are satisfied with their choices. Ultimately, these choices can only be known when they are “revealed” in the housing market by the willingness of residents to move in, stay, or leave a community.

### ***Principles of Market-oriented Planning***

The current planning process unintentionally reduces innovation in the housing market and substantially increases the costs of development because of its top-down policies and the protracted time it takes to implement them. Market-oriented approaches avoid these pitfalls by:

- Limiting the political and discretionary nature of the development-approval process by focusing on tangible harms and impacts of development;
- Avoiding the inconsistencies and uncertainties inherent in the evolution of communities as needs, preferences, and wants change over time; and
- Minimizing the effects of poorly designed and implemented growth-management policies when goals are not well defined.

In a market-oriented framework, elected officials and planners do not try to determine the “best use” of land—that is a decision left to families and individuals as they buy or rent homes and land that fit their needs. Contrary to the theory underlying conventional planning, the “best use” of land continually changes, as do the needs of a community. The land-use planning process, however, rarely moves quickly or efficiently enough to accommodate these changes. In a market-oriented approach, planners and citizens use the efficiencies of the real-estate market to let land uses change and evolve with the community. Six principles underlie market-oriented growth management:

1. **Consumers are placed at the heart of growth management.** Growth-management policies are geared toward ensuring the highest priority is given to housing individuals and families in the kinds and types of homes and neighborhoods they want.
2. **Housing choice and innovation are maximized through the real-estate market.** Current planning approval processes are inherently conservative and protect the status quo, regardless of actual impacts on the community, neighborhoods, or neighbors. Policymakers should minimize the tendency of the current planning process—which is highly politicized—to prevent change and innovation. Rather than adopt zoning codes or planning ordinances that impose citywide standards and criteria, planning should be dynamic and tailored to the needs of individual neighborhoods and places. Prescriptive zoning districts should be replaced with ones that allow a wider variety of uses and types while regulation focuses on impacts.
3. **Public services should use the same pricing structure as private utilities.** Public services (e.g. water and sewer) should be tied directly to consumer demand and priced the same way that private utilities price their services (e.g. cable, telephone, electricity). This is also called “full-cost pricing,” wherein operating, maintenance, debt, and capital costs are all included in the fee consumers pay when they use the service. Impact fees should be avoided because of their highly politicized nature, and the way they tend to shift the burden of financing citywide services onto future residents. Impact fees can

- be avoided completely by incorporating capital costs directly into the user fee charged by local utilities.
4. **Nuisance-based approaches are the focus of development control.** The tangible spillover impacts of development on neighbors and the community (e.g. noise, storm-water runoff, etc.) should be mitigated directly. This is already done when developers are required to accommodate projected traffic by adding turn lanes, or expanding existing highway capacity. Similarly, landscaping is used to buffer land uses to minimize noise or address aesthetic concerns. This differs from more traditional approaches which rely on zoning to segregate uses as a crude way to regulate nuisances.
  5. **Public facilities and services should be adequately planned.** Long-run planning for facilities creates certainty for private land markets about the capacity to support future growth. This can help guide private-sector investment decisions.
  6. **Local government and urban planning should be as value neutral as possible.** Cities and elected officials should avoid incorporating subjective and value-driven criteria into the planning process, which further politicizes the development-control process. Cities, townships, counties, and other jurisdictions should also avoid the tendency to adopt blanket solutions to urban growth and development, recognizing that different types of cities and neighborhoods will fit the diverse needs of residents in different ways. Finally, local planning ordinances should avoid picking one land-use pattern over another.

## **Housing Choice and Market-oriented Growth Management**

Principle Six is particularly important. In a market-oriented framework, public policy neither encourages nor discourages specific types of housing development. Whether a family lives in a one-bedroom condominium or on 25 acres is not a decision for a local planning board; it is the family's decision based on its income and the trade-offs it makes about its particular quality of life.

To a large degree, the debate over New Urbanism is about housing choice. New Urbanism, or neotraditional planning, is an urban-design concept that emphasizes higher densities, mixed residential and commercial uses, pedestrian-friendly street design, and neighborhoods built around a common town center and public parks in the neighborhoods. This design concept is different from many traditional suburban subdivisions developed in the 1950s, 1960s, and 1970s, which strictly segregated uses, emphasized large lots, and relied on the automobile to provide accessibility to retail and other commercial uses. New Urbanism appears to offer more choices for residents and businesses, but in fact embodies just another variation of top-down management.

Neotraditional planning and traditional subdivisions also differ from yet another design concept known as “coving.” Coving was pioneered by Minneapolis-based urban designer Rick Harrison, and uses curved streets and lengthy set-backs from the road—the opposite of New Urbanist street grids and short set-backs—to create a more rural feel than conventional subdivisions. Harrison has used the concept to plan more than 40,000 housing units, and his client list includes half of the nation's top ten builders. Almost 200 projects using the coving concept have been approved in more than ten states, including Minnesota, Arizona, Florida, and Texas; the concept has also been applied successfully to wealthy subdivisions as well as to affordable housing projects.

New Urbanism, traditional subdivision, and coving “work” only if consumers are willing to live and pay for them in a reasonably free land market. By contrast, market-oriented approaches to growth management are agnostic on urban design. The key is to ensure that consumers are given as wide a range of choices as feasible, and that their decisions about the tradeoffs associated with different types of housing are fully informed (including the impacts on neighboring property owners). Thus, in a market-oriented framework, communities should have growth-management policies in place that allow for New Urbanist designs, conventional suburban development, coving, as well as any number of other innovations in the housing market.

### ***A “Toolbox” for Market-oriented Growth***

The key to a market-oriented approach, then, is its open-ended nature: It avoids choosing a specific path for development and keeps options open. Market-oriented approaches acknowledge that a community of 2,500 will have different needs than a community of 10,000, 50,000, or 100,000—and that these needs will evolve over time. These needs, in the real world, are almost impossible to predict.

A market-oriented approach does not exclude any potential housing outcome as a matter of law or statute, provided that:

- The transaction is voluntary;
- Spillover impacts are mitigated; and
- Costs of new development are fully incorporated into the market transaction.

A market-oriented approach to growth management would also include strategies, tools, and programs such as the following in its “toolbox”:

**Overlay zoning districts** to increase the number and type of development options for property owners, including Land Preservation Plats (density averaging), neotraditional planning, and coving;

**Conservation easements or tax-credit programs** to preserve large tracts of open space in strategic areas;

**Nuisance-based approaches to development control**, wherein development approvals are contingent upon addressing and mitigating the tangible impacts of development on neighbors and the community;

**Elimination of zoning** as the primary regulator of land development;

**Market-driven densities and land uses**, subject to nuisance-based development controls, so that communities can spontaneously evolve to accommodate new and more varied housing and community services as they grow;

**Performance-based zoning** that allows development projects to be approved administratively once they meet certain thresholds for design and/or policy goals (administrative review and approval of development plans can significantly reduce uncertainty and delays in the planning process while enhancing the quality of development and protecting community interests); and

**Full-cost pricing** for infrastructure where all costs—debt service operating, maintenance, construction—are incorporated into a user fee to avoid subsidization of public services for new residents by existing residents.

### ***Acknowledgements***

This policy brief is based on comments and oral testimony presented to a Joint Hearing of the House Committee on Land Use and Environment and Committee on Local Government and Urban Policy in Lansing, Michigan, May 8, 2001. The full-text of the testimony can be obtained through the Urban Futures Program Web site (<http://www.rppi.org/050801.html>).

### ***About the Author***

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### ***Related RPPi Publications***

- *The Sprawling of America: In Defense of the Dynamic City*, by Samuel R. Staley, Policy Study No. 251, [www.rppi.org/ps251.html](http://www.rppi.org/ps251.html).
- *Market-oriented Planning: Principles and Tools*, by Samuel R. Staley and Lynn Scarlett, Policy Study No. 236, [www.rppi.org/ps236.html](http://www.rppi.org/ps236.html).
- *A Line in the Land: Urban Growth Boundaries and the Future of Growth Management*, by Samuel R. Staley, Jefferson G. Edges, and Gerard C.S. Mildner, Policy Study No. 263, [www.rppi.org/urban/ps263.html](http://www.rppi.org/urban/ps263.html) .
- *Urban-growth Boundaries and Housing Affordability: Lessons from Portland*, by Samuel R. Staley and Gerard C.S. Mildner, Policy Brief No. 11, [www.rppi.org/urban/pb11.html](http://www.rppi.org/urban/pb11.html) .

- *The “Vanishing Farmland” Myth and the Smart Growth Agenda*, by Samuel R. Staley, Policy Brief No. 12, [www.rppi.org/urban/pb12.pdf](http://www.rppi.org/urban/pb12.pdf).

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