

## Zoning

Are laws separating conflicting land uses good policy?

### Nuisance Issues

- Civil law and courts may see conflicting uses as harm caused by an aggressor.
  - Hockey league in quiet neighborhoods.
  - McDonalds restaurant, filling station in residential area.
  - Machine shop disturbing my cello lessons.
- How much power should property owners be given to protect property?
- Which is the most fair solution...or most welfare enhancing?

### Economists' general approach

- Not 'who was first?'.
  - Interests of current users is only one value.
  - Adaptability to possible alternative uses – another value.
  - Avoid categorical, either/or judgments.
  - Marginalism is better – don't ban all restaurants, etc..

### Multiple uses

- Primary use (fishing)
- Competing use (hydroelectric)
- Allowing a single or fixed use policy doesn't allocate resources toward MHVU
- Better: Coaseian bargaining:
  - Partial sacrifice of primary use

### Zoning (land use regulation) laws and ordinances

- Meant to improve civil law and nuisance law.
- Segregate incompatible uses from one another.
- Clustering similar uses.
- Eliminate eyesores, preserve the neighborhood and property values, privacy.
- Controlled by local gov't

### Examples

- Minimum parking space.
- Intensity: sq ft per acre, min side lots, etc.
- Min. lot size, no commercial signs or use.
- Min sq. footage houses, max no. of bedrooms (no schoolchildren please!).
- No basement apartments.
- Building height, setbacks, landscaped vs. paved areas.

### Politics of Zoning

- Municipal or local gov't.
- Community-based and democratic.
- Permit-based developments.
- Problems of corruption.
- Government failure.

#### Why zoning is controversial

- Suburban zoning:
  - Bad transport.
  - Smog and pollution.
  - Expensive infrastructure.
  - Inflated housing costs.

#### Planning paradoxes

- Community wants zoning for good planning.
- Pre-zoned land is expensive.
- Developer seeks un-zoned land.
- Hence, communities won't pre-zone land.
- Development is haphazard, subject to corruption and bribery.
- Bribery: Like Coaseian bargaining (but wrong party is being paid).

#### Undermines Market

- Prevents change.
- No discrimination between good and bad change.
- Even market will create clusters of similar use (w/o frustrating change).

#### Inefficiencies

- Increased commuting costs (due to segregated uses) and pollution.
- Raises land costs (bigger lots).
- Raises cost of multi-family dwellings.
- Remember macrodecoupling.
- All or nothing usage rules.
- Eliminating all nuisance costs → aggregate costs are higher (commuting, etc.)

#### Cont'd

- Zoning blockages and breakthroughs
  - Creates floods of development rather than incrementalism.
  - Developer uncertainty, ad hoc development.
- Also: increases infrastructure costs, wage costs, etc.

### Suburbs, Cities and Zoning

- Homogeneous communities enact zoning laws. (voice)
- Cities are more diverse → people less able to act with one voice.
  - Hence more room for corruption. (Bish and Nourse)

### Fiscal and Exclusionary zoning

- Prevents new and poorer entrants from accessing decent housing.
- NIMBY behavior.
- Keep out 'low-lives' and 'riff-raff.'
- Segregation of wealthy and poor.
- upgrades neighborhoods, boosts property values
- keep out cheap superstores, floor space minimums for houses, maximums for retailers.

### Impact of Fiscal and Exclusionary Zoning

- Avoiding state redistribution and escaping high service-demand.
- Prevents support for poor (non-payers, "freeloaders")
- Advantageous sorting for homogeneous groups with 'voice'.

### Zoning a bad alternative to Coasian bargaining

- Econ's prefer liability rules to zoning.
- Allows incentive to bargain with potential developers.
- Avoids bribes to politicians (instead: to residents).

### What's good about Zoning (see Karkkainen)

- Econ's: zoning as inefficient, exclusionary or both.
- Karkkainen:
  - What about distinctive, unique character of neighborhoods?
  - Intangible qualities of 'home' 'community'
  - Consumer surplus or neighborhood 'commons' not reducible to monetary equivalents.

### Cont'd

- Econ's assume that we can either ignore or price these intangibles.
- K: Non-transferable value of one's neighborhood.
- Zoning protects neighborhood's uniqueness.
- If community-specific resources are protected:
  - Incentive to invest, identify, care.
  - Incommensurate values recognized: (good restaurants vs. proximity to transit)

#### Other advantages of zoning

- Clarity of rules (unlike nuisance law, etc..)
- No need to bargain with homeowners.
- Representative democracy: single bargaining agent for community.
- Community deliberating as collective.

Assumes:

- Democracy works
- No corruption.