

Zoning Rules!

The Economics of Land Use Regulation

William A. Fischel

ZONING HAS A VENERABLE HISTORY but is being over-used by local communities to block new housing development in ways that exacerbate sprawl and social inequity, according to *Zoning Rules! The Economics of Land Use Regulation*, a new book published by the Lincoln Institute of Land Policy.

In a definitive economic, political, and legal account of local land use regulation, author William A. Fischel, a professor at Dartmouth College, reveals how home owners seeking to protect their investment have made development difficult and costly. “State, federal, and judicial interventions to control local zoning have done more harm than good,” Fischel says. “To help grow the economy, decrease inequality, and improve the environment, America needs to take the wind out of the sails of local land use regulation.”

For a century, zoning has been a useful and popular institution, enabling cities to chart their own course and home owners to protect their main investment. But as residential real estate prices have soared in recent years, Fischel says, concern about home values has created barriers to growth—contributing to suburban sprawl, entrenching income and racial segregation, and slowing the growth of the American economy. Once dismissed by economists as a paper tiger, municipal zoning is now regarded as a major influence on development.

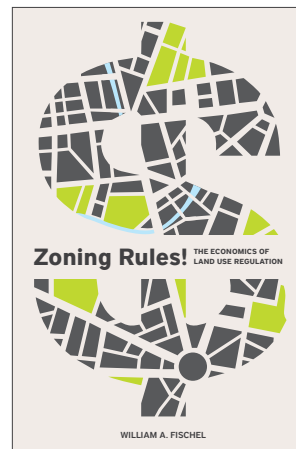
Zoning Rules! explores the behavioral basis as well as the economic effects of local government land use regulation. This requires not just an economic model of how zoning works but a deeper understanding of

the social, political, and technological factors that guided its history over the last century. Zoning’s popularity is due to its success in protecting the value of single-family homes, and anti-sprawl reforms must take this into account.

Takeaways from *Zoning Rules!* include the following recommendations:

- Curtail federal tax subsidies to owner-occupied housing, beginning with the home mortgage interest deduction.
- Re-assess concern about exactions. Courts and legislatures should be aware that new development can have public impacts that are greater than previous developments.
- Abolish rent control, which can reduce the supply of rental housing, driving more people into the owner-occupied sector and fueling more NIMBYism.
- As a remedy for exclusionary zoning, play down the threat of monetary damages.

Fischel concludes with an inversion of Daniel Burnham’s famous dictum, by suggesting that communities should “make only little plans.” Large plans are often high-profile targets for people who oppose development, he says. Modesty in scale often gets things done, not least because many reviews have thresholds that intentionally allow small players more leeway. More particularly, the megaprojects of urban renewal, like that of New London, Connecticut, create holdout situations and adverse publicity that more modest and contingent development can more easily avoid. □



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William Fischel has taught economics at Dartmouth College since 1973. He has written four books, including *The Economics of Zoning Laws* (1985) and *The Homevoter Hypothesis* (2001), and more than 50 articles with local government themes. He served on the Hanover, New Hampshire, zoning board for 10 years and was a member of the board of the Lincoln Institute of Land Policy for four years.

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