Now is not the time to restrict residential growth in Tulsa

by Randy Bright

Last week I wrote about how Randal O'Toole had addressed the housing bubble in a Policy Analysis paper entitled "How Urban Planners Caused the Housing Bubble," released on October 1 of this year by the Cato Institute. O'Toole makes the argument that growth management policies were the catalyst for the housing bubble that led to the current economic crisis that we are in now.

He wrote, "Between 2000 and the bubble's peak, inflation-adjusted housing prices in California and Florida more than doubled, and since the peak they have fallen by 20 to 30 percent. In contrast, housing prices in Georgia and Texas grew by about 20 to 25 percent, and they haven't significantly declined. In other words, California and Florida housing bubbled, but Georgia and Texas did not. This is hardly because people don't want to live in Georgia and Texas: since 2000, Atlanta, Dallas-Ft. Worth, and Houston have been the nation's fastest-growing urban areas, each growing by more than 120,000 people per year. This suggests that local factors, not national policies, were a necessary condition for the housing bubbles where they took place. The most important factor that distinguishes states like California and Florida from states like Georgia and Texas is the amount of regulation imposed on landowners and developers, and in particular a regulatory system known as growth management."

Tulsa has always been relatively friendly to businesses that wanted to move here or to expand their facilities here. I use the word "relatively" because there are enough regulations here to frustrate some, but Tulsa is, in fact, an easier place to deal with in comparison with other cities. (If you still think that Tulsa is hard to deal with, read the book, The Last Harvest, which is about a developer that was forced through years of needless regulatory reviews before he was allowed to build what should have been a simple housing subdivision.)

At least since I have moved here in 1982, Tulsa has always had affordable housing, as has most cities throughout the Midwest, with some exceptions such as Chicago, Denver, and Ft. Collins. The difference is that those cities imposed growth management regulations while others like Tulsa did not.

Growth management can be done in a wide variety of ways, but they all lead to the same problem: housing bubbles.

A housing bubble is when prices of homes climb far higher than they are really worth. When there is a downturn in the economy, home values plummet, leaving homeowners with mortgages in excess of the value of their homes.

Here are some other examples of growth management from Randall O'Toole's book, The Best-Laid Plans - How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future.

In the early 70's, Boulder, Colorado chose to control growth by limiting the number of building permits so that it would not grow faster than 2 percent per year. In addition, it imposed a tax on its citizens to fund the purchase of land that would be dedicated as open space, creating a "greenbelt" that now contains several times the area of the city.

In 1972, Petaluma, California limited the number of residential permits it would issue to 500 per year.

Minneapolis-St. Paul has imposed an "urban-service boundary," preventing construction by simply refusing to extend city utilities to new projects.

Perhaps the most notorious policy is the state law in Oregon. 95 percent of the state has been zoned “rura,l” where no one can build a home unless they own at least 160 acres, farm it, and earn between $40,000 and $80,000 in two of the past three years. This was adopted to prevent “lawyers, doctors and others not really farming (from) building houses in farm zones.” This has forced more people into cities, adding to the housing demand and to higher prices.

Other cities have adopted a public-involvement process that has made it possible for almost anyone to kill any project simply by objecting to it.

The net effect of these policies, and any number of other policies that are designed to control growth, is that it affects the affordability of homes by either creating a shortage of land or a shortage of housing, each of which drives up the price of housing, thus reducing the amount of affordable housing that is available.

At a time when Tulsa says it wants to attract businesses and young professionals, it makes little sense to try to control growth.

Tulsa still has a large amount of land it can develop before it becomes landlocked by its suburbs. If the new comprehensive plan adopts growth control measures or imposes an urban boundary, land will be taken “out-of-inventory”, then property values will skyrocket.

The very thing that could attract business and industry to Tulsa, affordable housing, will be lost, and with it opportunities that would bring prosperity to Tulsa.

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