Is Smart Growth Regressive?

Georgina A. MORENO∗
Scripps College, Claremont

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Abstract

This paper investigates the distributional impacts of Smart Growth policies using a unique 8-year panel of demographics and housing costs for the Portland, Oregon area. Restrictive land-use controls, such as land-use planning and zoning laws, are often used by local governments to exclude undesirable land uses and improve quality of life in neighborhoods. However, these policies have been shown to also exclude low-income households and minorities from obtaining housing in good neighborhoods. Smart growth policies are often viewed as more equitable alternatives to traditional land-use controls. Because Smart Growth policies focus on containing urban growth within a city, the expected result is to keep development resources within the urban area, thus improving neighborhood quality without exclusion.

Assessments of Smart Growth’s impact on exclusion and segregation by race and income have been mixed. Many of these studies are also unsatisfactory because the simultaneous relationship between housing costs and demographic distribution has not been fully addressed. Smart Growth affects the cost of housing directly by restricting the supply of developable land. In turn, increased housing costs exclude the poor and minorities. However, Smart

∗Assistant Professor, Scripps College, Department of Economics, 1030 Columbia Ave., Claremont, California. (909)607-3368, gmoreno@scrippscollge.edu.
Growth may also have a direct effect on demographic distribution, which can be either positive or negative.

This paper attempts to disentangle the direct distributional impact of Smart Growth regulation and the indirect effect due to the impact on the cost of housing. This paper estimates demographic distribution jointly with housing cost as a function of Smart Growth policies. In particular, this paper explores whether the Urban Growth Boundary (UGB) in the Portland area has had a positive or negative effect on socioeconomic segregation and on the opportunities for the poor and minorities to obtain housing in desirable neighborhoods.

To address the question posed in this paper, I construct an 8-year panel of demographics and housing costs for the years 1996-2004 for the Portland, Oregon area. Portland’s UGB is an ideal policy to test the question in this paper because the UGB is a clearly defined policy and it has been expanded several times since its inception. Using data at the Census block level for an 8-year period, I compare changes in demographics and housing costs to changes in the UGB over time and across blocks inside and outside the UGB.

I use an annual survey of school-age children to measure demographic changes. The surveys provide annual measures of the proportion of Black, Hispanic, Asian, Native American and poor children in the Portland area. These data are not used frequently in economic analysis, however, it is reasonable to assume that demographic characteristics of children closely reflect demographic characteristics of the population. In addition, these data are strongly correlated with Census data. For example, the correlation coefficient between the children’s survey measure of proportion Black and the Census measure of proportion Black in 1990 and 2000 is approximately 0.95. The correlation coefficient for proportion Hispanic is approximately 0.85 in 1990 and 2000. I use annual sale prices for residential parcels (aggregated to the Census block) to estimate the cost of housing.