

c. /
LAND DEVELOPMENT IN THE 1970's

by

WILLIAM SCOTT PETERSON

B. S., UNIVERSITY OF COLORADO, 1971

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF SCIENCE

in the Department

of

COMMERCE AND BUSINESS ADMINISTRATION

We accept this thesis as conforming to the
required standard

THE UNIVERSITY OF BRITISH COLUMBIA

DECEMBER, 1973

In presenting this thesis in partial fulfilment of the requirements for an advanced degree at the University of British Columbia, I agree that the Library shall make it freely available for reference and study.

I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by the Head of my Department or by his representatives. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Department of Commerce and Business Administration
ULEC

The University of British Columbia
Vancouver 8, Canada

Date December 18, 1973

ABSTRACT

Land use control, and consequently the process of land development, have undergone major modifications within the last few years. Conventional land use controls, such as zoning by-laws and subdivision regulations, have been reformed for various "observable" and "non-observable" reasons to include such devices as comprehensive zoning, planned unit developments and land use contracts. As a result, land developers have had to adjust their operational responsibilities.

In this paper, we are primarily concerned with the possible reasons for the recent shifts evident within contemporary land use legislation; and the subsequential reactions by land developers.

A review of the literature concerned with contemporary land use controls and their impacts will be utilized. Traditional land economic theory will supplement these observations.

It is hoped that this study will encourage further examination of the land development environment observed in this present empirical analysis. The main objectives might hopefully be to stimulate thought, provoke discussion and encourage further work in the field.

TABLE OF CONTENTS

ABSTRACT	i
CHAPTER 1 Introduction	1
CHAPTER 2 Background	7
CHAPTER 3 Real Property and Land Development	14
CHAPTER 4 Land Models	20
CHAPTER 5 Conventional Land Use Controls	32
CHAPTER 6 Why Conventional Land Use Controls Changed	38
CHAPTER 7 Reformed Land Use Controls	51
CHAPTER 8 Conclusion	67
BIBLIOGRAPHY	75
APPENDIX	81
BIOGRAPHICAL INFORMATION	83

Chapter 1 - Introduction

It is the purpose of this paper to illustrate the working environment of the modern land developer. In reaching a better understanding of the forces which interreact in this environment, we, as a society, may become more efficient in establishing and maintaining these particular amenities considered essential for a satisfactory quality of life.

It is becoming increasingly important for those individuals who assemble the land and buildings for our homes, offices and factories to know why their business activities are subject to growing government control. Land developers must be aware of the risks which inhere with control and regulation. Those who dismiss such control as being indicative of a passing phase must prepare themselves to be discouraged.

1.1 Characteristics of Land

The economic characteristics of land are in part determined by its physical characteristics. Certainly the physical attributes of any commodity are factors of great weight in determining the processes of production or development, the distributional channels, and the nature of its use or consumption.

The commodity traded when dealing with land is space and area. Land primarily derives its value from use, and the shape of the space is important in determining the

uses to which it can be put. Space cannot be depleted, therefore land is indestructible, while its value may be affected by changing external conditions.

The immobility of land requires that it must be used where it is found and cannot be moved to a more favorable market. Land lies helplessly vulnerable to external social and economic forces which determine its use and influence its value.

Since no two building lots are oriented identically with respect to any other lot or to all lots (geologically or geometrically) land's heterogeneity often weighs heavily in the determination of value. This heterogeneity may be further illustrated by the scattered ownership patterns existing within the land market.

Finally, the fixed nature of servicing and the other components of the urban infrastructure may possibly hinder future changes in land use. For this reason, adaptability to new uses may be limited.

1.2 Nature of Land Market

Adam Smith, whose Wealth of Nations (1776) is a germinal book of modern economics or political economy, was thrilled by the recognition of an order in the economic system. Smith proclaimed the principle of the "Invisible Hand"; every individual, in pursuing only his own selfish good, was led, as if by an invisible hand, to achieve the best good for all. Interference with free competition by

government was almost certain to be injurious. While Smith did recognize some of the realistic limitations on this theory, it was not until later that economists discovered this truth: The virtues claimed for free enterprise are fully realized only when complete checks and balances of "perfect competition" are present.

Perfect competition in terms of the land market exists only in the case where no farmer, businessman, or laborer is a big enough part of the total market to have any personal influence on market price. Clearly this has not been the case. Because of land's unique physical qualities, namely its immobility, durability and limited supply, it has traditionally been subject to non-market constraints and other externalities.

1.3 Controls on Land

The process of creating land values has been traditionally constrained by such techniques as zoning by-laws and subdivision regulations. Hence, with such constraints, the land market has been to varying degrees imperfect (where a farmer, businessman or laborer is a big enough part of the whole land market to exert influences upon the ultimate market price). When talking about a market's imperfection, it is imperative to review some basic principles of prices.

In an exchange economy prices are established by competitive exchange. These prices perform the social

function of product and resource allocation. And they do so without the conscious personal intent of any one firm or household, any group of firms or households, or any central social agency. Within the limits set by law and custom, consumers spend their income on the things they want. Naturally, they will offer higher prices for the goods and services they desire greatly and lower prices for those they desire less. Owners of resource services are free to sell their services to the firm of their choice. They are inclined to sell where the price offered is most attractive, given certain other considerations. Entrepreneurs devote their efforts to producing things that bring the highest return. The consequent interaction of households and firms determine market prices. Considered from this point of view, prices serve two major purposes in an exchange economy: (1) They transmit information, and (2) they provide incentives for economic units to be guided by this information.

The price mechanism imparts information and provides incentives to reallocate resources according to the wants of consumers.

1.4 New Land Controls

The land developer today must consider new land controls (such as planned unit developments, land use contracts and comprehensive zoning) when he assembles a development project. These devices have been forced upon an already imperfect land market. There are countless

reasons for the advent of such "reformed" land use controls. Many of these reasons will be discussed in subsequent sections; but regardless of the reasons, land control in North America has passed a significant milestone with its new reforms. With such a shift towards more interference and control in the land development process, the land market has become more imperfect.

The new land control legislation increases land developer's costs in two ways. First, the developer may be required to provide certain public services which were not required under the conventional controls of zoning by-laws and subdivision regulations. These public services may be both on-site and off-site, depending upon the particular arrangement made between the land developer and local planning authorities. The second type of cost may be referred to as the "costs of planning". Delays inherent in a long approval process will increase the costs of development because of the time factor of capital cost. These costs of planning are borne by the land developer in the short run, and are eventually passed-off into the ultimate price to the consumer.

Reformed land use controls have substantially increased the developer's responsibilities and capital requirements, and thereby increased the costs of land development. Some land developers may be forced to exit the land market because of their inability to accumulate sufficient capital to "carry" these new costs (capital improvement of

public services and the costs of planning) throughout the development cycle. These developers who remain in the market may be segmented by their operational philosophies. Some will fight the moves of government for more land control, while others will learn how to operate under the new constraints. It is foreseeable that many developers will adopt a policy of "wait and see" by temporarily exiting the market.

1.5 Purpose

If land developers are to respond to the increasing demands of our society for land and improvements, they must confront these issues of their existence under a controlled, imperfect market. Objectives and operating procedures may be significantly altered.

Flexibility and responsibility of land developers must be founded on a basic understanding of the multiplicity of social and economic forces controlling the land development process. The purpose of this research is to both explore the ways in which land use controls have changed and how land developers must adjust to these new costs brought forth by the new land use controls.

Chapter 2 - Background

As a point of temporary departure in the study of government restrictions on land development, it seems reasonable to review some of the traditional thoughts on the individual and his relationship to the state.

The question of proper balance of power between the individual and the state is a topic preponderously complex, yet sadly misunderstood. It has undoubtedly been one of the most important factors of influence in the process of social and philosophical development. Many social and philosophical questions owe their existence, to some extent, to the basic issue of central versus individual decision-taking authority.

2.1 Real Property

Real property consists of land and those structures or qualities permanently affixed to that land (as distinguished from personal property). Because of real property's nature, i.e. immobility, durability and heterogeneity, it has become a suitable medium through which the issues of decision-taking authority (that is, the individual versus the state) have come to the attention of those not usually conversant with political philosophies. Land - its control and use - has become a testing ground in the evolution of politico-economic philosophies. Land use and control is not, however, the only medium through which politico-economic philosophies are weighed and evaluated.

Most production processes (processes involving the development of raw materials into a finished good) are controlled or regulated by the state, at various stages, in the name of the health, safety or welfare of the public.

2.2 Economic-Political Philosophy

There appears to be a strong relationship between the ideologies of an economic system and political philosophy. Economic systems could be characterized by degree of competitiveness, ranging from perfect competition (many price-taking buyers and sellers of a homogeneous product or service) to monopolies (a single buyer and seller who have the power to set price and output). Likewise, political philosophies may be characterized by the balance of decision-taking authority that exists between the individual and the state. The polar cases - laissez faire and totalitarian dictatorship of production - dramatize economic principles. "Laissez faire" as a policy, however, has never implied no state intervention. Given the propensity to act monopolistically, government must always act positively to preserve competition.

The prime reason for the strong semblance between economic systems and political philosophies consists in the manner in which decisions are made. It seems that if decisions are made on an individual or decentralized basis, a competitive market economy (laissez faire) based on rules of law and coupled with government development in areas where there is no alternative to collective choice, is perfectly

feasible. Conversely, the conditions and effects of centralized decision-taking promote and strengthen positions of monopoly advantage in the economy.

Under a competitive or market economy, prices, not the state, are responsible for the allocation of the scarce resources of the country among its various uses. Some feel a system of this nature may reflect human needs in relation to natural forces and resources more adequately or efficiently than a state allocation system.¹

A state controlled or central decision-taking economy is often contrasted with the shortcomings of the price mechanism (as a resource allocating or income-distributing device) in a competitive economy. It is believed that unfortunate distortions or misallocations of resources or incomes may occur because prices - the allocative tool of the competitive market economy - may not adequately reflect full social costs and benefits attaching to decisions and resource use.² If individuals were unfettered in their decision-taking, instances could occur where the social net product of a decision was negative even though its private net product was positive.³ Despite the costs and effects of government intervention, public action in such circumstances may improve the social product.

But public intervention cannot always be regarded as yielding a net benefit in this way. It may itself generate spillover costs; moreover, state action may raise problems

concerning the allocational or distributional phases of any state sponsored economic activity.⁴ In other words, how can the state fairly allocate among the people costs and benefits generated by its programs? High costs of administering state sponsored programs, losses of overall efficiency and inability of production to reflect the preferences of individuals may be fair observations of an economy dominated by centralized decision-taking.⁵

2.3 Dual Economic System

The contemporary "dual economic system", visible in the United States and Canada, is one in which the state is allowed by law to function within the market economy. The degree to which the state becomes involved in economic matters varies among the states and provinces, according to the particular needs of the people.

The precise nature of state participation within the economy is a topic of constant debate and legislation. However, it is generally held that the state should be involved in economic matters only in such cases and at such times as the competitive market economy has been unable to produce desirable net social benefits. Guidelines as to where the state should operate include: Areas in which "inadequate" expenditures may be undertaken by the private sector (e.g. education and national defense); areas in which in which the state could purchase goods or services at a cheaper cost to society as a whole; and, finally, areas in

which an expenditure by the public sector would be of "great importance to the genral interest and welfare."⁶ This criterion is suspect as an operational rule because what is "of great importance to the generalliinterest and welfare" varies not only among individuals, but may vary in one person's mind from time to time.

2.4 Safeguards

In order to insure the high operational quality of a dual-economic system, two primary safeguards must be protected.

First of all, elections must remain a viable tool in upholding the will of the populace. If society is to be serious about having a state body responsible and accountable for its activities, individuals must press for valid elections and then must vote for the candidate (or referendum) of their choice - at all levels of government.

Secondly, the judicial branch of government must be protected and encouraged. Laws must be both fair and expedient in preserving the competitive nature of the market economy. The courts must uphold the basic "dual-economic" principle that planning (and other state activities in the economy) and competition can be combined only by planning for competition, but not planning against competition.⁷

If society, as we know it today in North America, is to function with a minimum of negative net social product,

the dual economic system must be preserved. The system must be allowed to react to changes in social needs promptly and in sequence. Namely, after the state recognizes a significant change in social needs, its duty should be to help shift (or create) effective demand. By altering demand, the market economy should be encouraged to satisfy that need with available resources.⁸

Now, with a basic understanding of the present "dual economic" system, we may direct our attention to the land market and its behavior within that system.

CHAPTER 2 FOOTNOTES

- 1 John Jewkes, Public and Private Enterprise
(London: Routledge and Kegan Paul, 1965),
p.88-89.
- 2 Philip H. White, "Urban Redevelopment Policies"
(London: The Chartered Surveyors Annual
Conference, 1961),p.7.
- 3 Paul C. Johnson, "The Changing Rural Community
and Need for Modern Land Policy," Modern
Land Policy (University of Illinois, Land
Economics Institute, 1960), p.167.
- 4 K. H. Parsons, "The Place of Land Reform in a
Developmental Agriculture Policy," ibid,
p.302.
- 5 Jewkes, op cit, p.8-26.
- 6 Jewkes, op cit, p.27-28.
- 7 F. A. Hayek, The Road to Surfdom (Chicago:
University of Chicago Press, 1944),p.42.
- 8 N. Jacoby and F. G. Pennance, "The Polluters: Industry
or Government?," (London: Institute of
Economic Affairs, 1972),p.28.

CHAPTER 3 REAL PROPERTY AND LAND DEVELOPMENT

Land and the structures built upon it differ very little from other consumer goods. But, as mentioned previously, real property is somewhat alien to other consumer goods.

3.1 Immobility and Durability

The immobility of real property implies that the services rendered by the existing stock (of real property) must be consumed on site. It follows that the capital value of any structure vis-a-vis others will be determined by its particular character and location. Because of lands' immobility, property values reflect, to a large degree, the externalities of that area. Hence, improvements, whether public or private, reflect in the value of any given site.

Because structures are durable, the standing stock of real property is very large in relation to any flow of additional new supply coming on the market in any one year. What this means is that at any given time, the average price of structures will be determined by the extent of demand for, and the quantity and quality of, the standing stock. In contrast for most other consumer goods, existing stocks are of minor importance: for price determination, what is essential is the cost of new supplies and therefore the rate at which they are flowing on to the market relative to the rate at which demand and consumption is taking them off.

Important consequences follow from this simple distinction which deserve attention in light of land development.

3.2 Consequences

First, neither builders' costs nor the price or availability of building land can materially affect the current average level of real property values. Land developers look to the existing level of real property prices and in light of current construction and development costs simply decide whether they can profitably develop at the land price they must pay for building sites in a particular location. Only slowly over time, as new buildings gradually changes the size of the standing stock in relation to demand, will the level of real property values be affected.

Second, although individual developers may be checked by particular land prices they think are too high to support profitable development at the going level of real property prices, it is none the less the collective bids of developers that sets the tone of the market for undeveloped lands and influence land owners expectations. Land prices are determined by house prices rather than the other way around. Hence, the costs of land are a function of new building values, which in turn are determined, in the main, by the price of existing buildings. To carry the analogy one step back, the price of unserviced land becomes a function of the price of finished lots. Only in the long run, after the

stock has changed relative to demand, will prices change, Changing consumer preferences are apt to negate any possible price declines to be achieved through increased production.¹

A refusal by some landowners to part with land at the going level of prices offered by developers doesn't invalidate this analogy. Owners expectations of future real property values may be such that they expect to gain by holding back now and selling at a later date. If the costs of withholding (opportunity costs and out-of-pocket costs) are less than the expected increase in land price, land owners will continue to withhold. And so, land owners encourage a transfer of building operations from the present to the future when demand pressure is expected to be even stronger than now.²

3.3 Stock-Flow

The theory of resource pricing (land input), like the theory of finished product pricing (land and improvements) has focused upon the price of a flow variable. For instance, a wage rate is the price of a flow of labor services (dollars per hour of labor services employed). A raw material price is quoted by existing land owners as dollars per quantity (dollars per acre of a fee simple sale).

A related question centers upon the value of a stock.

What is the value of a lot itself in contrast to the services per time period rendered by that lot? These services can be viewed conveniently as a stock embodied in the land and

released in the form of flow as the lot is used (in production). Therefore stock-flow analysis of land is the value of land itself versus the value of its use (the monthly or annual rental price).

The decision of a firm to invest in a new development project is a profit maximization decision. It hinges in the return expected from the project. But this return has two aspects. First, since real property will have a useful life stretching over many years, it is an expected return accruing to the land developer over several years in the future. Second, investment decisions entail a choice among alternatives. Thus return is a comparative return, considering alternative uses to which funds can be allocated.

3.5 Summary

All "economic" profits and rents (that is, "surplus" profits and rents, or profits and rents earned above "normal" economic returns) that can be competed away - will be.² Competing away economic profits and rents may occur by either market entry of new firms or capacity expansion of existing firms. Likewise, when firms operate at an economic loss, either negative economic profits or rents, there will be a tendency to limit production or exit the market and seek alternative investments.

If economic profits can accrue to a land developer, the present value of the flow (expected income stream) is

substantially greater than the cost of the stock and costs of production, additional stocks of real property will be brought onto the market. The economic profits will act as an incentive for market entry by profit minded land development firms. As the stock increases relative income flows, economic profits that can be will be competed away and the incentive for market entry will diminish. If the stock, relative to flow, produces economic profits lower than those that could be earned in alternative investments, firms will be encouraged to exit the land market.

CHAPTER 3 FOOTNOTES

- 1 S. W. Hamilton, "Public Land Banking-Real or Illusionary Benefits" (Vancouver, The University of British Columbia, October 1973), p.6-8.
- 2 First, rents are the profits earned on capital. Second, "Can be" infers to instances of mergers of competing firms, cooperative agreements or collusion, governments by fiat "fair price" legislation, etc.

CHAPTER 4 LAND MODELS

It is the function of land developers to convert underutilized or unused land to a higher use, hopefully the highest and best use. Maximum residual land value (market value of finished product less development costs and profit) denotes highest and best use. The process of conversion, however, unlike other production processes because of the unique nature of real property and the length of time required for the development, is very costly in terms of the finished product.

4.1 Model Number One

In order to explicate this production process, we may illustrate what happens to a piece of real property in its conversion to its highest use.

The market for undeveloped land is a derived market dependent upon the market for shelter. The return from ownership of undeveloped land is not primarily income but rather capital appreciation. Essentially the market for undeveloped land is a storage or holding market. The land, if it is productive, produces less than optimal output since the owners foresee a change in land use and are reluctant to commit capital to the existing agricultural use.¹

Undeveloped land is subject to three sets of buyers. One set, whose buyers for agricultural use establish a minimum price. The other two sets of buyers may be loosely defined as developers and investors.

A developer will purchase undeveloped land providing he can develop the property and resell at a profit. Due to the nature of the land market, the developer acts as a price-taker for both the land and the final development.

The third set of purchasers operating in the undeveloped land market are investors and land speculators. Their role is to withhold land from development pending resale at a higher price.

Assume a land developer decides that the optimal structure to be built is a house, selling for \$40,000.² Before the process of conversion is initiated, the developer estimates building costs at \$30,000, while the developer expects a profit (or wage) of \$1000. Therefore the developer can afford to bid up to \$9,000 for the acreage lot, which is assumed to be sufficient to acquire the quantity of lots desired. Even if the developer managed to acquire the lots for less than \$9,000, he would have no incentive to sell the house for less than its current market value (\$40,000). The savings on the acquisition price of the lots would merely increase developer's profit.

Assume that by the second year the prices of homes have increased by 10 percent to \$44,000, while building costs have increased by 5 percent to \$32,500. In this year the developer can afford to pay \$11,500 maximum bid price for the lot, but this represents a 28 percent increase in raw land values.

	<u>Yr. 1</u>	<u>Yr. 2</u>	<u>% Change</u>
Sales price	\$40,000	\$44,000	+ 10%
Development cost and profit	<u>(\$31,000)</u>	<u>(\$32,500)</u>	+ <u>5%</u>
Max. lot bid price	<u>\$ 9,000</u>	<u>\$11,500</u>	+ <u>28%</u>

As may be seen from the above illustration, land prices do change proportionately more than the sales price of the house, given the leverage created by a smaller change in development costs. Only in the case when development costs increased at the same rate as the sales prices of the homes, all factors assumed constant, would land prices increase by the same amount.³

4.2 Model Number Two

In this market process, individual land owners may alter their expectations as to future changes in house prices and elect to withdraw more land from the market. The decision to withhold factor inputs (such as raw land in this case) will depend, in part, on the land owner's opportunity costs of alternative investments and his personal "out-of-pocket" costs.

It should be pointed out that a decrease in house prices, or stable house prices and an increase in development costs

will combine to collectively decrease the bid prices for land by all developers.

	<u>Yr. 1</u>	<u>Yr. 2</u>	<u>% Change</u>
Sales Price	\$40,000	\$40,000	- 0 -
Development costs and profit	(\$31,000)	(\$32,500)	+ 5%
Max. lot bid price	<u>\$ 9,000</u>	<u>\$ 7,500</u>	<u>-17%</u>

The results of increasing development costs under a stable market of house prices may also be illustrated by stock analysis.

Figure 1 exemplifies in graphic terms the interaction of housing stock supply and demand as seen by the land development industry. House prices are set in the industry at P_1 at a quantity of Q_1 . With increases in development costs, the supply of lots will be reduced from S_1 to S_2 - as firms find it more difficult to cover costs in a stable market.⁴ With this stable price level of P_1 , a decrease in the supply of building lots will reduce the quantity of lots demanded, from Q_1 to Q_2 in Figure 2. As a final step, the decrease in the quantity of building lots demanded by all developers will reduce the bid price by the individual firm from P_1 to P_2 in Figure 3.

Fig. 1

"Industry
Stock"

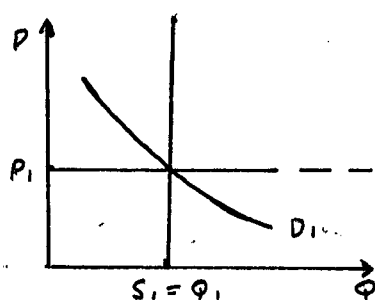


Fig. 2

"Decrease in S ,
due to increased
development costs
as seen by all
firms."

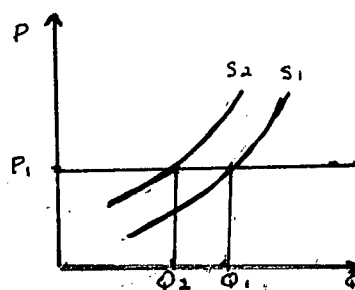
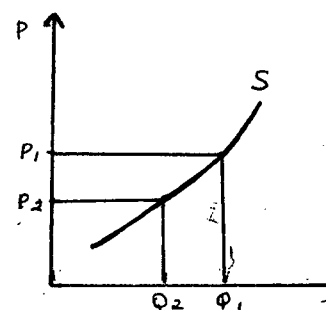


Fig. 3

"Building lots
as seen by
a firm."



4.3 Model Summary

To summarize the two basic models mentioned, we must remember that land prices are determined by house prices rather than the other way around. Therefore, neither development cost nor the price or availability of building land can materially affect the current general level of house prices but they do affect supply of New Houses. Increasing development costs can only be accounted by decreasing bid prices for usable raw land or by sacrificing developer's profit.

Sales Price	(Fixed by Market)
- <u>Development Costs</u>	(Fixed)
Gross Revenue	(Fixed)
- "Costs of Planning"	(Variable)
- <u>Profit</u>	(Variable)
Maximum Land Bid Price	(Variable)

4.4 Development Obstacles

A very critical phase of the development process occurs between the time the land is purchased by the speculating land developer and the time it is eventually sold as residential lots. This production process consists in finding the right combinations of land, labor, capital and managerial ability.¹ However, imposed obstacles of government control and regulation and their costs in terms of the value of the finished product increases with increases in such controls.⁵ Before the developer gets too concerned with these imposed obstacles, he must establish whether expected demand sufficiently warrants his production. He should acquaint himself with marketing feasibility studies, analyses of vacancy rates or trends in building permits within the general area of his site in ascertaining housing demand.

4.5 Site Selection

Site selection is the first step signifying commitment in the conversion process. The developer should study existing zoning requirements, lot access possibilities and available public services, while investigating any possible use restriction peculiar to the site. Enquiry into the title, possible easements, restrictions or covenants can usually be made at the local government office.

The acquisition of the desired site will occur if the floor price of the land owner differs from (is less than) the developer's ceiling price by a margin sufficient to

compensate for the risks inherent in the development process.

In an attempt to make these risks explicit to the vendor rather than leave them implicit in an offer price, an offer to purchase or an option to purchase are the most popular means of land transaction.

In an offer to purchase, the developer may enter subjective clauses of conditional precedence in the drafting of the purchase offer. Common conditions would include a purchase subject to zoning approvals or variation, acquisition of all parcels within a development, or attainment of access and building permits.

Alternatively, the land developer may desire to utilize an option to purchase, if he would like an exclusive right to purchase within a specified length of time and is willing to pay sufficient consideration for such a right. The option would then be registered against the title, including such items as the amount of consideration paid, the term dates of the option, and extension or assignment clauses.⁶

4.6 Financing

Financing of the development is primarily dependent upon the favoured technique of the particular developer. In any case, many developers require a mortgage commitment by a financial institution before the land acquisition.

Techniques of financing development projects, which

are largely beyond the scope of this paper, are usually contingent upon the developing company's history, size, assets and preferences. It appears as if a rational land developer will strive to minimize exposure of his own capital to the risks of an uncertain market. This objective may be accomplished to some degree by utilizing the principles of leverage (high loan to value ratio) in a conventional debt instrument such as a mortgage. Sale-lease-backs may also minimize risks, but can seriously curtail return on the investment. In this case, the developer sells the ownership rights of the land and improvements to the vendee in return for a long term lease, in which the original equity and investment proceeds are returned to the developer. A joint venture is another popular financial vehicle which groups the particular parties together in a prearranged contract. It appears that in many cases developers can minimize risks by exposing only the costs of their own expertise, while the other partners usually contribute various combinations of both debt and equity capital.

These aforementioned techniques are not meant to be all inclusive; but only meant to present some of the basic flexibilities of modern developmental financing. These tools are relevant for this discussion in that they can provide room for significant erosion of developmental return to occur from increased development costs without affecting proportionately the amount of development. The flexibility afforded by the various mixtures of debt financing and equity participation

appear to fulfill some important, if unintended or latent, functions within developmental economy. This flexibility or "slack" (surplus over sufficiency required to finance a project in a stable market) permits firms to "ride-out" adverse market conditions or other similar developments.⁷

4.7 Costs

The different costs involved in the development project constitute a critical area of control. These developmental costs may include mortgage interest, legal fees, servicing, professional-technical fees (e.g. for architects or engineers), real property taxes, labour and materials (if development includes construction of buildings), construction or interim loan interest, and any leasing or letting fees.

The land developer, like any other producer of economic goods in the private sector, is motivated by profit. He will produce projects if the market value of the finished product, less development costs are sufficient to pay for the raw land and yield a reasonable profit. He will operate under government constraints and market demands.⁵ However, government constraints and market demands are perpetually in a state of uncertainty and change. The developer may be unsuccessful on occasion if he appraises the current state of the market incorrectly (over-estimates final demand) or underestimates development costs. Risks are abundant in the land development

process; however, the infusion on governmental constraints and controls affects risks in an amusing manner.

4.8 Uncertainty

In theory zoning and other explicit land use controls would reduce uncertainty in the long run. Certain developers learn how to operate under a controlled market and are able to raise sufficient capital to finance those expenditures inherent in providing required public services, as well as financing the social costs of planning (costs accruing upon the developer because of delays within the approving process). For these developers who are capable of attracting sufficient capital, non-market constraints, such as zoning by-laws and subdivision regulations, have effectively minimized uncertainty by eliminating those competing developers who either are not capable of attracting sufficient capital necessary under a controlled market or who became illiquid after purchasing raw land at an excessive price.⁸ An excessive price in this regard means that the developer unsuccessfully speculated, i.e. either market values had not reached anticipated high levels or developmental costs unexpectedly increased to a level which made the acquisition price too expensive in light of existing or future market values. Generally speaking, then, a controlled market can be quite beneficial for those firms willing and capable of providing the necessary financial resources. Those firms not willing or able to do the same will be forced to exit the market, either temporarily or permanently (depending, of course,

upon their desire to stay in competition).

4.9 Resource Risks

A relatively new area of risk in the land development process, which has become apparent in most regions of the United States, is attributable to shortages of natural resources. With these shortages, the element of resource risk compounds the risks prevalent in the market. Developers can easily be forced from a profitable job by shortages in steel, lumber, cement and especially petroleum.

As prices of limited supplies are bidden upward, it is hoped that comparable substitutes will be permitted to enter the market. If this happens, building authorities must be flexible and practical in accepting innovations and substitutes - referring to the form of building regulations (i.e. "Performance Standards" versus "Absolute Standards"). If such regulations remain insensitive to change in the market, the price of final products must rise.

CHAPTER 4 FOOTNOTES

- 1 This market of "undeveloped" land is considered a "latent" land use in Chapter Three of "Price Movements in Undeveloped Land Facing Urbanization: A Micro Study," Dissertation, by S.W. Hamilton (Berkeley, Center of Real Estate and Urban Development, 1969), p.44-76.
- 2 The absolute figures used in these exemplary models are not intended to reflect any particular situation.
- 3 Market models were abstracted from S.W. Hamilton, "Public Land Banking - Real or Illusionary Benefits," op cit, p.8,9.
- 4 But, suppliers of undeveloped land may see the shift as temporary; hence, supply curves may shift.
- 5 John J. Gunther, "The Federal-Local Partnership in Urban Renewal," Real Property in the Urban Society - A Compilation (University of Virginia; Virginia Law Weekly, 1965-1966), p.117.
- 6 David E. Gillanders, Barrister and Solicitor, "The Real Estate Development Process," (University of B.C.: Executive Programmes, April 16, 1973).
- 7 Albert O. Hirschman, Exit, Voice and Loyalty (Cambridge, Mass.: Harvard University Press, 1970), p.14.
8. This analysis assumes a rigid system of zoning controls. However, under a weaker system where control may perhaps be less systematically applied, a positive change (more controls) may in effect increase uncertainty.

CHAPTER 5 CONVENTIONAL LAND USE CONTROLS

Land use controls will be classed as "conventional" or "reformed" for the purposes of this paper. Discussion of "conventional" land use controls will be limited to zoning by-laws and subdivision regulations. The two particular land use techniques are in wide usage in most areas of North America today, but they were conceived and put into practice before the Depression in some major urban areas.

5.1 History

The first zoning ordinances were a direct extension of the police powers of local government to protect the citizens' health, safety and welfare. These original by-laws were controls upon the use of property, as opposed to controls upon the development of real property (changes in zoning, building "specs"). By 1920, local governments were authorized to draw up districts on a city map to separate residential areas from "noxious" non-residential areas. Local authorities extended the original powers of zoning to limit building heights and densities.¹

The objectives of these by-laws and regulations were to protect property values by requiring uniformity within each zoning district. Homogeneity of uses was essential in order to exclude undesirable operations or land uses which could potentially ruin the values of nearby properties. Building

heights and density limitations were an attempt to prevent over-exploitation. Moreover, it was felt that if the major development activities of the city were controlled, public services could be planned and operated more efficiently than they could if left to uncontrolled development.

5.2 Authority

The zoning powers vested in local governments came typically from state and provincial enabling regulations. Therefore, these powers were delegated and were subject to review by the state or provincial government. It was felt that zoning could give city planners the force to implement their plans. Local planning administrators legally had limited discretionary powers and were subject to judicial review if they exceeded the boundaries of their power (possibly utilizing common remedies such as an appeal to a tribunal, mandamus, and writs of prohibition or certiorari).

The extent to which land development can be controlled by the state is dependent, quite generally, in part on what the public will accept, in part on its delegated authority, and in part on what the courts will uphold as a reasonable exercise of that delegated authority.²

Within the three-tiered system of government in both the United States and Canada, local government has had the primary responsibility in land control. Local zoning

administrators have created, over the years, an assortment of zoning ordinances and by-laws, subdivision regulations, master plans and special districts. The state or provincial intervened only to alter local control powers, to establish special commissions, to raise funds for particular programs, or to condemn property for the municipality under its eminent domain or confiscatory authority.³

Until the adoption of the National Land Use Legislation in 1973, the only role the United States federal government had in land control was through its various housing programs. Guaranteed and insured mortgage loans and housing grants offered by federal agencies (Veterans Administration and Federal Housing Administration) were traditionally only mechanisms of land use policy of the federal government.

5.3 Market Intervention

The history of land use controls has been a history of government intervention in the land market. There are varying degrees of intervention. Market manipulation or direction and outright public ownership may be forms of implementation of government control.⁴ The "carrot approach" (as opposed to "stick" approaches such as building and subdivision regulations) of inducement and incentive may involve offering loans, tax exemptions, aids in land acquisition, direct subsidy payments and loss guarantees to land developers, in

return for production.⁵

Conventional land use controls are written, statute laws enacted to limit the "bundle of rights" of land ownership and use. Land control legislation is not founded upon Common Law principles of land use because it seemed that community conveniences were ignored when it was the prerogative of every individual to build upon his land as he saw fit.⁶ Conventional land use controls evolved from a realization that the value and usefulness of each parcel, not only to the owner but to the community, is vitally affected by the use made of the adjoining parcel.

If Common Law principles upheld a system in which the rights of the individual were unlimited, there would be no rights remaining to be required.¹² In order that corrective measures such as land use controls do not produce more harm than good, there must be a proper balance between government interference and individual rights.⁷

As a rule for many years, conventional land use controls and land developers co-existed and operated "hand in hand." Many developers were able to operate profitably because they learned how to operate within the limitations of land use control. Those entrepreneurs who remained in the controlled market of land development, needed nothing more than operational experience and the ability to raise required capital. Under a strict and rigid system of zoning controls, costs of zoning

(costs of variances, approvals and delays) are evenly distributed among all development projects, including the marginal lot brought into use. It appears, however, that zoning controls, not so rigidly enforced, may create advantages in market value for those who receive "favorable" treatment. Thus, zoning can create value for those who know the control system's weaknesses.

Over time it appeared as many problems arose within the urban environment concerning urban growth. A national movement to improve the quality of land, air and water began to spread across the land in the late 1960's. Land development, as it was known then, became a likely target for increased government control.

CHAPTER 7 FOOTNOTES

- 1 William J. Doebele, "Key Issues In Land Use Controls,"
Urban Land Use Policy: The Central City,
ed. Richard B. Andrews (New York: The Free Press,
1972), p.1-9.
- 2 H. W. Hannah and N.G.P. Krause, "The Role of Law in
the Development of Land Resources,"
Modern Land Policy, op cit, p.326.
- 3 Marshal Kaplan, Urban Planning in the 1960's - A Design
for Irrelevancy (New York: Praeger Publishers, 1973)
p.87-89.
- 4 White, op cit, p.5.
- 5 John W. Reps, "Pomeroy Memorial Lecture: Requiem for
Zoning," Urban Land Use Policy: The Central City,
op cit, p.10,11.
- 6 cf. Toronto King ('23) 54 O.L.R. 100 at 102.
- 7 R. H. Coase, "The Problem of Social Cost, " The Journal
of Law and Economics, ed. Claron Director (Chicago:
The University of Chicago School of Law, 1960), p.43,44.

CHAPTER 6 WHY CONVENTIONAL LAND USE CONTROLS CHANGED

"Conventional" zoning before 1920 attempted to frustrate the use of automobiles by placing housing districts near public transportation facilities. Commercially zoned districts evolved near the city centers as well as along arterial roadways. These examples illustrate how conventional zoning followed the market, and the market then being dependent on public transportation facilities.

6.1 Mobility

The original concepts of controlling districts and their suitability to existing public transportation facilities was considered worthwhile at that time. But the citizens, with their increasing incomes, chose to own automobiles in ever-increasing numbers. This new "mobility" frustrated these early objectives, aimed at controlling urban movements.

Old zoning ordinances, created to control mobility, were observed to be

. . . replete with illegible maps,
preposterously small scales,
incomprehensive texts, contradictory
definitions and provisions, chaotic
organization and jungle growths of
amendments and bad administration . . . ¹

By creating zoning districts within an urban region, conventional zoning by-laws had significant adverse affects upon the structure and nature of the city. These adverse affects appeared to have been due to the inherent weaknesses of zoning rather than its application. In some cases, people

were separated by great distances from their places of employment. Of those people who desired to live in single-family dwelling units in the suburbs, commuting to the central business district often overburdened the transportation system. Baumol suggests that the transportation facilities were also overburdened by those lower income workers who lived near the city centers and had to commute to surrounding, urban fringe areas to their jobs.²

612 Urban Design

Conventional subdivision regulations showed their ill effects primarily in the monotonous lay-out and design of housing subdivisions. Minimum building requirements, forced lower income, single-detached housing structures to be of a "minimum standard". When minimum standards of building and lot requirements were established, many members of society were, in effect, excluded from the new housing market.

Aside from this exclusionary nature, conventional land use controls became highly inflexible in that continuing change of individual preferences and market (business) patterns may often contradict existing zoning by-laws.³ After time, however, it has been shown that zoning adjusts to changes in the market via zoning variations. However, this inflexibility is further compounded by the negative nature of setting a code of minimum building standards or by limiting height and density. In either case, some suggest that innovation and imagination may be discouraged when development is constrained by inflexible and negative conventional land use controls.⁴

6.3 Urban Finance

Within such guidelines, zoning lent itself to the creation of positions of advantage and profit, for either the landowners or developers or both. "Profits and doing good" became synonymous. The developer and the planner spoke the same language."⁵ Capital gains accrued if a landowner or developer could get a zoning variance that would permit his land to be put to a higher valued use. Since land is essentially a function of what is allowed to be constructed on the land, zoning decisions, in effect, became "the power to create money."⁶

There is evidence to suggest that revenue considerations have tempered the use of zoning controls:

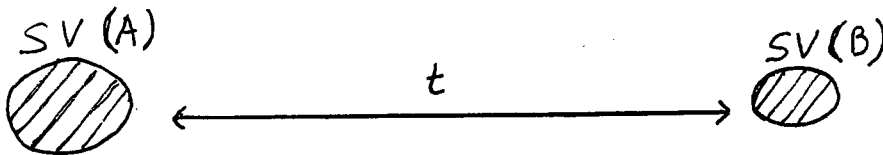
. . . it is quite clear that fiscal considerations frequently discourage good planning and encourage a self-centered autonomous development of local communities . . .⁷

Thus, zoning has been applied to exclude from an area people of less substantial economic means. This exclusionary effect was based, it seemed, on the premise that municipal revenues could be better enhanced by large industrial-estate assessments.⁸ However, with the experience of hindsight, some municipalities have begun to realize that zoning, with all its political influences and implications, represents an inefficient financial tool.

As a negative device, zoning has curtailed development, construction activity, business, and employment, and has thereby served to reduce real estate and other tax collections. When local governments erect exclusionary walls, they do not only exclude people and things, they also exclude tax receipts. 9

As the demand for more and better public services increased with increasing populations and incomes, tax revenues had to keep in pace. If, under conventional zoning trends, density, building heights and land use are all controlled, this means that the ability of municipalities to raise additional taxing revenues is reduced, assuming no increases in the mill rate; and the availability of funds needed to pay for increasing public services is reduced rather than enhanced by conventional land controls. As long as property taxes are a direct function of the market value of the land and improvements, a decrease in land density and use, on an aggregate level, will cause a decrease in the amount of taxes forthcoming. We can illustrate this with an example of highest and best use sites which have been subjected to density controls (and lowered values), and where the loss in value is not offset by the increase in value elsewhere where zoning is more loosely applied or not at all.

A transportation model would reveal:



Where $SV(A)$ = site value of A where controls were enacted

t = transportation distance (cost)

$SV(B)$ = site value of B, were controls were less stringent

Therefore, $SV(A) > SV(B)$ by t

If, $SV(A)$ is decreased by control restrictions will $SV(B)$ increase *pari passu*?

If so, municipal revenues do not suffer.
(Unless $SV(B)$ is in another municipality)

But, $SV(B)$ increases less than the amount $SV(A)$ decreases because B sites are less desirable than A sites.

So, unless none of B sites are developed, the aggregate of all site values must decline.

6.4 The Changing City

Some authorities note the city of today differs quite substantially from the city of years back when the conventional land use controls were first enacted.

Doebele suggests that today's central city is no longer an integral public unit capable of annexing or incorporating other surrounding areas at its pleasure. Metropolitan areas may now be symbolized as conglomerates of individual cities,

each acting within the guidelines of the metropolitan framework of local government. Each individual city must consider the ramifications of its land controls upon neighboring municipalities. Secondly, whereas cities of old were considered "melting pots", where individuals of different backgrounds could live, work, and compete harmoniously, urban populations appear fragmented today, more than ever before, into different social and economic groups. For this fact, land use controls have taken on a strong political backing by those various groups. Finally, there has been a general trend over the years toward more state and federal government intervention in the affairs of the city, which was not so at the time when conventional land use controls were first put into effect.¹⁰ From Doebele's suggestions, however, it is difficult to ascertain if controls were the cause or the effect of these changing urban characteristics.

Conventional land use controls have been forced to change, not only because of the changing nature of the city's structure (and size) and the financial inability of local governments to provide public services, but now also because of the attitudes of homeowners in the face of changing tax, price and quality of public services. Increasing demands by some homeowners for public services are matched by attempts by those homeowners who can do so to move to other tax jurisdictions where either the quality or quantity of benefits per tax dollar is higher or the tax bill is lower. Shifts of this

kind has generated much talk of the impending "bankruptcy" of some local municipalities. One effect of this realization that current tax dollars are not sufficient to meet current demands for more or improved public services (having the cake and eating it too?) has been to propel the conventional land developer into an acceptance of new responsibilities. Contemporary local governments, with their power to control land development and their apparent reluctance to increase taxes, have transferred many of their own social functions and responsibilities to the land developments process. Land development, under some new "reformed" land use controls (which will be analyzed in a subsequent section), is not only a process of creating and producing shelter, but has also become the entity responsible for providing essential public services.

There appears to be some subliminal implications for this shift in the responsibility for providing the essential public services. Why should buyers of new developments have to meet the costs of public services (included, in most cases in the purchase price of the finished unit) which were previously borne by the community as a whole? Is there a reason why communities are having a more difficult time in passing capital improvement bonds by a popular vote? The economic impacts of increasing the responsibilities of land developers to provide these basic public services appear to be shifted back onto the price of the land input. Landowners, it appears, will be offered lower bid prices by land developers,

especially if the market prices of homes is stable or advancing very slowly. However, as discussed later, in the long run, all increased development costs will be borne by the ultimate user of the stock. Of course, the faster the market values of the existing stock increases, the faster new stock purchasers (newcomers) pay for the full costs resulting from the land developers being required to provide public services.

6.5 Politics of Land Use Controls

Land planning consists in the intervention of the public sector into the process of land tenure and use. Conventional land use controls represent land planning with all its side effects. Weaknesses in prevailing land controls, states Marc Regan, from their limited coverage and from flaws and inconsistencies in certain component parts. Instead of a definite and unified land program, we have an uncoordinated assortment of selected activities.¹¹ It is likely that some of these "inconsistencies" may perhaps be some of the consequences of land use control. In practice, the operation of land use controls becomes open to political manipulation. Zoning control, in this context, effects little more than the exclusion of those people not considered financially or socially desirable from a Municipal point of view. In this way, some believe that conventional land use control becomes a simple legal ratification of the

savage and complex political struggles, involving pressures from large numbers of organized interest groups, the needs and electoral fortunes of city legislators and the increasingly cynical delaying tactics of the city planners.

12

Conflicts of interest among the planning bureaucracy itself make conventional land use controls very difficult to administer. It becomes almost impossible to develop administrative procedures to reconcile these conflicts of interest and bring about a mutually acceptable solution. Along the same lines, conventional land planning becomes subject to conditions of inertia. Procedures and politics, once established, often become frozen, temporarily if not permanently.¹³

Conventional land use controls, being exclusionary and political by nature, has had various repercussions in the land market as a whole.

A typical "chain reaction" to conventional zoning might be initiated when the supply of land to be produced for urban use is restricted. Given a restricted supply of land, and given normal increases in income and population, existing real estate prices are competed upward. Our previously discussed analysis stated increasing stock demand causes an upward push on prices of existing stock, which leads to higher bid prices for building land. Land use controls, however, increase developer's direct costs, and other things being equal, will lower bid prices for development land. Therefore, unless

lower bid prices for development land so affects expectations of landowners that bid prices for that land rises faster than otherwise, we may have to conclude that decreased bid prices for raw land is a likely result.¹⁴

Additionally, with increasing real estate values under such a strong market, mortgages would have to increase for both the land developer (acquisition of raw land, construction and other development costs) and the ultimate user (purchase mortgage and any seconds). Some suggest that higher mortgages would therefore incur higher interest charges and thereby would expand the need for casualty insurance. Under this type of chain reaction, it is felt inflation (cost push) becomes inevitable,¹⁵ even though others may argue to the contrary.¹⁶ Regardless of the inflationary or deflationary consequences of this chain reaction attributable to land use controls, Broadway notes that a modern economy such as ours is an immensely complicated mechanism and interference at any one point can cause a chain of reaction far beyond those anticipated. Intervention, such as conventional land use controls, can similarly bring not only the effects expected, but a host of side effects which may or may not be welcome. Economic matters are further complicated by the fact that they produce psychological and emotional reactions.¹⁷

Another possible reason for the downfall of conventional land use controls might be, as Makielski offers, a basic lack of understanding of these effects. Realtors, for example,

may be unsure if zoning actually helps them in their business, while homeowners may be unsure what upzoning in the neighborhood would mean in terms of congestion and residential land values. Business-men desiring general growth and expansion may not be sure if zoning is an aid or a hindrance. This author concludes that civic interests know very little about the consequences of land use controls as they apply on a local level.¹⁸

6.6 Reform

Because of this basic misunderstanding and the counter-productive chain reactional effects of conventional land use control, society, as a voting interest, demanded reform.

"Reform" became a catchword as an Ecology Movement swept the country. Land use control was engulfed in the tide for reform. Citizens became more aware of their surroundings, and consequently demanded laws to protect those natural amenities. The causes of increased environmental awareness are difficult to assess, but the fact remains that land use became prey to "protection-minded" citizens.

This reform movement appears to have gained momentum all across North America. The alleged failures of conventional land use controls, along with the observed failure of some municipalities to provide public services under sluggishly increasing tax revenues, have all primed the pump of reform.

CHAPTER 6 FOOTNOTES

- 1 Stephen Sussna, Land Control - More Effective Approaches Washington: The Urban Land Institute, 1970), p.20.
- 2 William Baumol, "Macroeconomics of Unbalanced Growth " (American Economic Review, 1967), p.415-417.
- 3 Bernard H. Siegan, Land Use Without Zoning (Lexington, Mass.: Lexington Books, 1972), p.78-79.
- 4 Arthur G. Foster, "Design of the Urban Landscape," Real Property in Urban Society - A Compilation, op cit, p.13.
- 5 S. J. Makielski, "Zoning and Politics," Real Property in Urban Society - A Compilation, opcit, p.18.
- 6 Hall Leiren, "How Zoning Makes Millions for a Fortunate Few," Vancouver Sun (Jan.25,1973) p.6.
- 7 Jerome P. Pickard, "Property Taxes - Their Relation to Land Uses," Real Property in Urban Society - A Compilation, op cit, p.41,42.
- 8 Siegan, op cit, p.124 and The Columbian (Thurs, Feb.1,1973) p. 11.: Municipal District of Surrey is considering the relocation of 640 households in "Bridgeview" for conversion to light-industrial estates for the purposes of generating additional taxing revenues.
- 9 This is presumably a "cost of planning." Quoted from Siegan, op cit, p.127.
- 10 Doebele, op cit, p.4.
- 11 Marc Regan, "Implementing Land Resources," Modern Land Policy, op cit, p.270.
- 12 "Drive to Curb Growth in the U.S. - Its Impact," U.S. News and World Report (January 15th, 1973).p.32.
- 13 Charles M. Hardin, "Political Planning: Possibilities, Limitations," Modern Land Policy, op cit, p.261.

- 14 Further discussion of this topic is enclosed in the Appendix - Chapter 6.
- 15 "Home, Sweet Home' - Price Is Going Out of Sight," U. S. News and World Report (July 30, 1973), p.55-56.
- 16 Professor F. G. Pennance of the University of B. C. feels increases in real property prices perhaps have the effect of being deflationary because both savings and consumption are decreased by such a large outlay for real property acquisitions.
- 17 F. Broadway, State Intervention in British Industry - 1964 to 1968 (London: Kaye and Ward, 1969), p.12,13.
- 18 Makielski, op cit, p.16-20

CHAPTER 7 REFORMED LAND USE CONTROLS

Reformed land use controls are apparently founded upon many of the principles that lay beneath the inception of conventional land use controls of the 1930's. In fact, many proponents of government control in the land market today argue for even more conventional zoning. Regan, for example, agrees that the potentials of zoning as a direct measure or tool of public land use policy are promising. Further,

Zoning can encourage the conservation of resources, promote the orderly development of urban expansion, protect various major agricultural uses against encroachment against other uses, preserve wilderness and scenic areas, and reduce flood and drought hazards.

1

Jacoby further encourages the continuance of such a "cure-all" philosophy vested in conventional land planning, zoning and building regulations. He feels these traditional tools are

. . . powerful instruments for improving the amenities of space, privacy, recreation, housing, transport and beauty in our cities. If cities are to offer ample amenities for living, much stronger government . . . will be necessary.

2

In light of the doubtful achievements of conventional land use controls, it is not apparent why further series of the same controls should be considered desirable. Although

reformed land use controls will proudly bear new names and titles, it is possible that their effects will match, or even surpass some of the undesirable consequences of their precursors. Alternatively, some have concluded that it is conceivable that there is no way of controlling the development of cities. However,

It is clear . . . that this is a possibility that we are so far unwilling to face. The costs are too great to allow evolution to take its course without some effort at control and direction.

3

This basic fear of leaving the city without government controls means that although the social costs of earlier controls may have far exceeded social benefits, we are presently beginning a new stage in the evolution of cities by the support for reformed land use controls. The popular theory seems to be that "public regulation of our land, despite its present shortcomings, is an important part of our system of government. It must be saved, regenerated and reformed." 4

7.1 Examples

The reformed land use controls may include such devices as Land Use Contracts, Planned Unit Developments, Spot Zoning and Comprehensive. The various devices are grouped together as "reformed land use controls" for illustrative simplicity, and are not meant to be all inclusive of reformed controls.

As a group, the intention seems to be that these devices will unify control within each development project. In this way, control is "ongoing" in that it will pertain to individual projects only.⁵ Each development project will not be bound by uniform requirements and regulations as had been the case with traditional controls.

For our analysis, we shall limit our description of this group of reformed controls to Land Use Contracts. The devices appear to illustrate in the most positive manner the nature and meaning of these reformed land use controls.

Prior to 1968 it had become apparent to local governments here in British Columbia that the restrictive nature of zoning controls did not allow municipalities enough flexibility. Mr. Lane, Chairman of the B. C. Land Commission, suggests that conventional land use controls could not foresee all the likely demands of land users (applicants for building approvals). He suggests that planning in advance, being the restrictive nature of conventional controls, was fine until design limitations (such as water fronts, hillside lots and set-backs) made conventional controls practically inoperable. Land Use Contracts and other reformed, more flexible control devices, gave local municipalities the authority to tailor controls to a particular site by a process of negotiations⁶ and concessions.

Besides this new flexibility inherent in Land Use contracts, they became a viable means of attracting municipal

revenues. Municipalities utilized the Land Use Control as a tool to get concessions and donations for public works (both on-site and off-site) and the general treasury account (by impost charges).⁷

One local developer feels the original objectives of Land Use Contracts (flexibility and being legitimate source of municipal revenue for smaller municipalities) have changed over its short life. Now, it is felt, Land Use Contracts can be used as an effective device to limit growth within a region.⁷

The particular legislation giving the local governments such authority rests in the "Municipal Act" of the Province of British Columbia. Under "Community Planning" (Part XXI), Section 702 ("Development Areas"), the Council:

702 (A) (2) . . . may, by by-law, amend the zoning by-law to designate areas of land within a zone as development areas . . .

702 (A) (3) . . . Upon application of an owner of land within the development area . . . may . . . enter into a land use contract containing such terms and conditions for the use and development of the land as may be mutually agreed upon . . .

and 702 (A) (1) . . . shall have due regard to the following considerations in addition to those referred to in 702 (A) (2):

- (a) The development of areas to promote greater efficiency and quality:
- (b) The impact of development on present and future public costs:
- (c) The betterment of the environment:
- (d) The fulfillment of community goals: and
- (e) The provision of necessary public space.

With such an array of control weapons, municipalities can dictate the ways in which land assembly and development proceeds. If the developer's work does not meet the standards agreed upon in the control device, the developer may forfeit his right to complete the project.⁸

The standards agreed upon between the developer and the municipality of course varies among the municipalities according to their needs, but the general trend has been to require the developer to include within the development project such items as:

1. donations of land or equivalent amounts in cash for parks, school sites, public space, playgrounds or other recreational facilities,
2. off-street parking and loading spaces,
3. all landscaping, surface treatments, fences and screens,
4. all utilities, including water, sewer, gas, telephone and electricity (both on and off site provisions),
5. all highways, bridges, culverts, lanes and walkways, including drainage, surfacing curbs, gutters, storm sewers, sidewalks, street lighting, boulevards and street signs,
6. performance, guarantee and security bonds (without interest),
7. certain other ownership conditions, indemnification of the municipality, and payment of all accrued taxes and inspection fees.

If such conditions as these, contracted within the Land Use Contract, are not met as specified, the developer will fail

to obtain the necessary "occupancy permit" needed for project finalization before sale.

7.2 Bargaining

It is apparent to some that these "saved, regenerated and reformed" land use controls are no more than an extension of earlier controls. The only apparently significant difference concerns land developers and the new responsibilities required of them.

Land developers currently operating under reformed land use controls become legally bound to a development project. Some developers are, in effect, "scared away" from such a controlled market because they feel uneasy in being so strongly tied to a project.¹⁰ The standards of performance are not automatically fixed by the municipality. There is room for bargaining before the Land Use Contract is consummated. It is true that these reformed land use controls, are, if nothing else, more flexible than conventional controls. It is quite possible, under these new controls, for a land developer to negotiate the amount of land he must donate for schools in return for a density concession (dwelling units per acre). As a result of the implementation of these new devices, "bargaining between government and property owners is now a valid and acceptable zoning practice."¹¹

Some developers, however, question the social merit of these reformed controls. Does society benefit from these new

flexible controls? In other words, are the social costs less under these new, reformed land use controls? The benefits of increased flexibility and efficiency in supplementing municipal tax revenues are questioned in light of the costs of such new controls. These costs are referred to by others as society's "costs of planning."¹² These costs specifically refer to the time it takes to conclude pre-contract negotiations and the time it takes to get municipal approvals. These time elements can delay a well-conceived project many months.

Siegan summarizes this point when he states that land developers must recognize in his negotiations that all these controlling devices give the city authority over almost all aspects of a particular land use except that out of which they can be talked or bargained. The local government, as a result, is now in a position to control elements of construction, architecture, and planning concepts over which it would have no power if the property were zoned for the use intended.¹³

7.3 Motives

In discussing the purposes or motives involved in the development of reformed land use controls, we shall examine both "observable" and "non-observable" motives.

The observable motives for reformed land use controls were primarily reviewed in the previous chapter, "Why Conventional Land Use Controls Changes."

The non-observable causes for the changing nature of land use controls refer to those causes which are rarely specified but are none the less important. They are difficult to ascertain, but an understanding of them is important to the land developer.

If the land developer can "have a feel" for those non-observable attitudes of localities in terms of land use controls, he will benefit in several respects. If the developer has a reasonable estimate of the attitudes of local governments and their constituencies, he can better prepare his negotiations with the municipality for the provisions in the land control device. Similarly, the land developer may be able to assess risks due to local neighborhood opposition to new land development schemes. Cognizance of public attitudes and dispositions is imperative for successful project development.¹⁴

Observable motives for the move to reformed land use controls relate primarily to the fears of the undesirable side effects and chain reactions resulting from conventional land use controls, fears of inadequate municipal taxing revenues, and perhaps fears of overpopulation. In 1972, over 3 million acres of land were converted to "human" uses within the continental United States. "Human" uses include such items as urban spread, vacation land development, and the construction of highways and open pit mines. Time magazine reports that citizens have finally rebelled against the growing despoilation of the countryside, and the social and economic ills that it creates. "They have launched what amounts to an inchoate,

national crusade to get better ways of using land no matter what the cost."¹⁵ Because increasing populations have exerted a greater demand upon a fixed supply of usable urban land, says Paul Gross, citizens have emerged in an almost patriotic sense to protect their local amenities.¹⁶ Another popular news magazine, U.S. News and World Report, relates the development of a "strong, often relentless opposition to any kind of growth - whether it be new houses, new industry or even new people."¹⁷

These "non-observable" motives for continuing control of the land development process are apparently deeply rooted in the heart of voting residents. These motives may be based on fear - fear of the market, fear of income loss and fear of profits, speculators and land developers. Land use legislation, such as the Land Use Contract example, is created by politicians who represent the sentiments of their local citizens. Growing public awareness of the problems existing within the land market forces local governments to enact laws to control what are considered undesirable activities. These laws are an extension it seems of the basic fear of an uncontrolled market. Land use controls protract an existing system of land uses much longer than the price mechanism would have allowed.¹⁸ Everywhere in society, we see an effort to guard against "the bite of the market." Control has made what might otherwise have been an uneconomic activity (of traditional single-family homeownership) supportable for

many people by treating them kindly.¹⁹

7.4 Wealth Distributions

A second general area of "non-observable" motives behind the development of reformed land use controls involves the distribution and protection of wealth. Let us assume, for the sake of simplicity, that any given population is composed of three socio-economic groups: upper, middle and lower. Further, with the United States in mind, let us assume that the upper class may be characterized as conservative and the lower class as liberal.²⁰ With these assumptions in mind, it seems appropriate to explore some of the motives and means of class differences.

Paul Ylirsaker, a professor of urban studies at Harvard, suggests in a recent Time article that it used to be the liberals were for land control and the conservatives against it. He states now the situation has reversed itself causing almost a conspiracy to use land control against the poor and the blacks (liberals).²¹

Since poor people, minorities and new home buyers are seldom represented on city councils, we find that land developers are perhaps the only group representing the rights of these people to equal housing opportunities. Those groups which are able to organize themselves (in most cases, the privileged white), "can, in fact, build a wall around their cultural standards and social class mores by utilizing economic barriers of building costs, occupancy standards,

tax rates and commuting costs."²² It appears if our local governments accelerate control of land development, we may end up improving the environment for those people in the high income brackets.²³ Some social planners and observers agree that the non-observable motives behind all the desires to reform land use controls, "however deeply hidden", are to keep the unwanted low income people out of the "community."²⁴

Responsibility for the growth of reformed land use controls does not lie entirely within the apparent discrimination against lower socio-economic classes and newcomers to a community. There have been few, if any, complaints about these "excessively" exclusive land controls from anyone other than land developers.²⁵ The fact is, however, that those groups being excluded because of increasing costs of housing, not only lack internal representation at the local government level, but also tend to feel that they are being benefited by the newer, more restrictive controls.

The ways in which lower socio-economic groups apparently feel they are being benefited by the new controls are based upon their ideas of the wealth distribution within their society. Their argument - an argument less well-organized than the arguments by upper class groups to protect the status quo - stems from the idea of expanding populations within a fixed urban area. The increasing demands for urban space by an expanding population are represented in economic terms as increasing land rents. In other words, with the increasing pressures of

population growth, land and property rents are enhanced. With a given amount of wealth in an area, increasing land values and rents can only reduce real wages. The people generally excluded by land controls, states K.H. Parsons, believe that these controls only serve to eliminate profits from land developers and land owners. In this sense, those excluded feel that the real incomes of their labor are being protected. Consequently, it is believed that government, in developing reforms within the land market, are essentially redistributing incomes toward labor and away from rents.²⁶

7.5 Summary

Social attitudes are changing and laws are being constructed as reflections of these changes. Profits, big business and environmental despoilation are now objects of public criticism and reform. Land developers, to be sure, have not escaped this criticism.

M. C. Paulson in his book The Great Land Hustle (1972) heavily criticises major land developers for "premature subdivision" (leap frog development) and urban spread.²⁷ The criticism is stiff, but it is hardly imaginable that one group of businessmen in society can be blamed for urban spread.

Changing social attitudes have fostered reform in the land development industry. The primary reasons for this movement lie within the framework of our political system. As long as the system accepts change, society will have to

adjust to failures of past land use controls, accept socio-economic power struggles, and accept the profit motives of business entities (and individuals).

CHAPTER 7 FOOTNOTES

- 1 Regan, op cit, p.275.
- 2 Jacoby, op cit, p.26.
- 3 Makielski, op cit, p.18.
- 4 Sussna, op cit, p.20.
- 5 Sussna, op cit, p.20.
- 6 Land Use Contracts permits detail planning on site, versus zoning which is more generally applied. A problem appears to exist when a marginal or small development project must bear the full servicing costs (streets surrounding the site or sewer trunk lines, for example) while a much larger project contributes proportionately less toward the payment of public services. Interview with W. T. Lane, Chairman of the British Columbia Land Commission, Vancouver, (December 3, 1973).
- 7 In the District of Surrey, B. C., developers are required not only to provide on-site and off-site public services (waters, sewers, streets, schools and parks) but are required in most cases to donate a per suite or per unit "Impost Charge" (ranging from \$1,300 to \$2,300 per suite). Interviews with Alvin Poettcker, Laing Development Vancouver (December 3, 1973) and Paul Preston, Tonnison Development, Burnaby (December 5, 1973)
- 8 See Section 8 (A), 15, 16 (C) - concerning performance and guarantee bond provisions.
- 9 See Land Use Contract, The District of Surrey, B. C.
- 10 A. Poettcker feels that one of the first results of the wide use of Land Use Contracts was to "scare away" developers who were not sure of the consequences and cost required under such a device.
- 11 Siegan, op cit, p.154.

- 12 The social costs may be even more dear in light of local governments non-accountability of these social costs of planning. For example, if a local planner wants pink windows in a particular project under a Land Use Contract, society does not hold him accountable for such trivial nonsense. See S.W. Hamilton, "Public Land Banking. . .," op cit, p.11,18,19.
- 13 Siegan, op cit, p.155.
- 14 One author suggests that builders are willing to pay a premium for land which will not arouse local resistance for its development. See Marshal Kaplan, op cit, p.87.
- 15 "The New American Land Rush," Time (Oct. 1, 1973), p.72. ". . . no matter what the cost. . ." is an adequate estimate of that attitude. It is however, unreasonable to assume that society will pay whatever the cost for planning in terms of the benefit received.
- 16 Paul Gross, "Changing the Ground Rules in the Raw Land Game," Real Estate Review (Winter, 1972), p.30.
- 17 "Drive to Curb Growth in the U. S. - Its Impact," op cit, p.30.
- 18 White, op cit, p.3.
- 19 Hardin, op cit, p. 265. This recalls the story of the man who chose to cut off his dog's tail an inch at a time because he could not bear to do it all at once.
- 20 This distinction has been noted to be opposite in Canada.
- 21 "The New American Land Rush," op cit, p.72.
- 22 John W. Dyckman, "Control of Land Development and Urbanization in California," Housing in California (San Francisco, Governor's Advisory Commission), p.310.
- 23 Control with these exclusionary and cost effects can be justified from a social standpoint, it seems, only if incomes and wealth are redistributed downward by an equal amount.
- 24 Parsons, op cit, p.303.

- 25 Those developers who either were unable to attract additional capital to finance the additional costs required under most reformed land use devices; or were unable to "pass off" those additional costs onto the maximum bid price for raw land (caught speculating); or were unable to pass the new costs off onto the price of the finished product because of weak market conditions.
- 26 Parsons, op cit, p.303. This view is false because the additional costs inherent in reformed land use controls are borne by the consumer in the long run.
- 27 M. C. Paulson, The Great Land Hustle (Chicago: H. Regnery Co., 1972), Chp.1.

CHAPTER 8 CONCLUSIONS

North America appears recently to have passed a milestone in land use control.¹ By supporting a program of reformed land use controls, urban society has elected to impose upon an already naturally constrained market of land development additional controls in the name of public health, safety and welfare. By doing so, it has essentially deprived the price-allocation market economy of the opportunity to alleviate some of the problems of urban life.

Probably the greatest defender of the market mechanism, F. A. Hayek, says:

We must not overlook the fact that the market has, on the whole, guided the evolution of the city more successfully, though imperfectly, than is commonly realized and that most of the proposals to improve upon this, not by making it work better, but by superimposing a system of central direction, show little awareness of what such a system would have to accomplish even to equal the market in effectiveness.²

Hayek's defense of the market economy can be substantiated by the argument that production is not automatic. Proponents of market controls, such as land use controls, often act as though the problems of production have all been solved. Perhaps they feel that if profits were removed, prices would fall and supply would be sufficient. Profits, rents, prices and interest rates are set by consumer demand, and when they

are controlled, it is the consumer who finds himself at the end of the line of restricted activities. Production is distorted, in a sense, because the outcome is inferior so far as net social product is concerned, to what was achieved under less controlled conditions.

By imposing more reformed land use controls, we have precluded the opportunity to allow the market mechanism to function. With properly enforced anti-trust and restraint-of-trade legislation, the market mechanism may have been our only viable social alternative.

8.1 Re-evaluation?

In Houston, Texas, the market has been permitted to generate land uses. The only controls on land are restrictive covenants initiated and upheld by individuals within their neighborhoods.

Siegan asserts that the effect on the land market in Houston has been threefold. First, production by all land developers is at a maximum. Second, as the supply of real property has increased without government controls, prices to consumers have decreased (or risen less than they otherwise would have). Third, as competition among land developers stiffen, some less efficient producers are forced from the market. The immediate effect will be prices increases;³ but as profits mount, incentives for market entry will become attractive. With increasing market "re-entry" prices will

be competed downward.⁴ These results may suggest that land development, without government control, may indeed produce more positive social new benefits than development constrained by controls.

Some authorities on land control have expressed the opinion that conventional land use controls should have been replaced, not by more reformed land use controls, but rather by fewer controls. In the case of the city of Houston, Siegan calls for an all-out abandonment of land controls. Others call for the establishment of a common market of land, where traditional land use controls would be scrapped in a series of evolutionary steps.⁵ If, as suggested, the government gradually or "all at once" abandoned its land market controls it should be responsible to the market by providing information (education and price news services) and using inducements, and incentives (tax credits and exemptions, loans, guarantees, subsidies, etc.) to direct the market into deficient market areas.

Contrary to these views, local governments have instead enacted more reformed land use controls in the belief that for reasons generally unstated, these new controls are better or more efficient than conventional land use controls. It is difficult to see how these new reformed land use controls can be more efficient than their predecessors when both are "cut from the same cloth"? The advent of reformed land use controls represents a classic example of the triumph of hope over

experience. We seem to have entered a phase of social development in which the dogma persists that if zoning doesn't work, try more of it! Doebele adds that zoning and all the police powers based on controls, no matter how refined with "new gadgets and accessories," cannot come to grips with these problems (municipal fragmentation and bankruptcy, exclusionary nature of zoning and minority pressures); and indeed, sometimes operate to aggravate rather than assuage them.⁶

Land use controls cannot help to alleviate the "serious" problems of our modern cities: ignorance, poverty and social injustice. Rather, as Banfield admits, land control laws and similar public programs (urban renewal and transportation) serve only to enhance the personal comfort, convenience, business advantage and amenities for the privileged groups within an urban area.⁷

It becomes clear that our politico-socio-economic systems in North America condone the doctrine of laissez-faire only in so far as the passage of laws controlling land use is concerned. Siegan concludes that the proposals for major reform at the local level are analogous to buying expensive new tires for a racing car instead of replacing its faulty engine. "The objectives and motivations at the local levels of government are inconsistent with the needs and requirements of society and any meaningful reform requires removal of their zoning powers."⁸

8.2 Effects

Reformed land use controls, such as the Land Use Contract, increase the costs of development. These additional costs may be viewed either as additional business expenses or as a tax on the economic activity in the creation of real estate. Costs development are increased because land developers are required to perform many new functions.

Not only must the land developer assume the responsibility of providing public services, he must confront a lengthy and complex process of approvals in the course of development. The approval process in many areas is unidirectional and "all checks and no balances."⁹ Delays occasioned by checking decisions of this nature have added special dimensions to cost. In normal business operations, a wrong decision may often be rectified at little cost as soon as the error becomes evident. However, whatever the social benefit (if any) the private cost of a delayed decision - of the men and capital that stand idle awaiting the decision - cannot be retrieved.

8.3 The Impacts of Reformed Land Use Controls on the Land Developer

The increasing costs of development will be borne by the developer. In the short run, however, under a stable market, the increasing costs of development will produce lower bid prices for raw land. If the developer is holding a large stock of raw land and the costs of development increase during

this holding period, then developer's profits will suffer by an amount equal to the increased development costs. As the market for finished products advances with increases in populations and incomes, prices of the finished product will increase. Therefore, in the long run, all increases in development costs will be borne by the ultimate consumer in the form of increased prices.

It appears that firms who are either "caught" speculating (holding land for profit but are instead faced by increasing development costs) or unable to raise additional capital to finance the new development requirements will be unable to operate within such a constrained market. Significant barriers to market entry have been, in effect, erected by the growth of development controls.

The condition of the market will be of an oligopolistic nature. Some charge that such a market will produce undesirable social products (tacit or explicit attempts by those oligopolistic firms to agree on a price for a standard unit of shelter). Developers capable of market entry and operation will be able to charge higher prices, offer poorer services or avoid completely the undertaking of improvements or rehabilitation.¹⁰ And so, it appears when competition is eliminated, the undesirable effects which ensue may well be worse than the problems which existed before controls were reformed.

Land developers must establish their position in light of recent trends towards more land use controls. The first and easiest alternative available is to exit the land development process, either temporarily or permanently. Secondly, some will remain in the land development business as long as possible and will resist to the best of their ability the onset of more land use controls. Controls can be resisted by legislative lobbying; although true change can only be brought about if citizens understand the social costs and consequences and thereby desire change. Finally, some land developers will simply enjoy their oligopolistic powers and thereby support legislation for stricter land use control.

CHAPTER 8 FOOTNOTES

- 1 The trends toward more reformed land use controls
 & appear to be strong not only in British
 Columbia but in the rest of the states and
 provinces. See Paul Gross, "Changing the
 Ground Rules in the Raw Land Game," Real
 Estate Review (Winter, 1972).
- 2 F. A. Hayek, The Constitution of Liberty (Chicago:
 University of Chicago Press; 1960), p.342.
- 3 As competition decreases, some firms will
 attain the power to fix prices and output
 and thereby enhance profits.
- 4 Siegman, op cit, p.136.
- 5 Doebele, op cit, p.8,9.
- 6 Doebele, op cit, p.8.
- 7 E. C. Banfield, The Unheavenly City: The Nature
 of our Urban Crisis (Boston: Little, Brown
 and Co., 1968), p.10,11.
- 8 Siegman, op cit, p.152,158.
- 9 Which raises the question of local government's "non-
 accountability" to the public as far as these
 "costs of planning" are concerned.
- 10 Siegman, op cit, p.135.

BIBLIOGRAPHY

- Banfield, E. C., The Unheavenly City: The Nature and Future of an Urban Crisis, Little, Brown and Co., Boston, 1968.
- Batten, C. R., "Boulder's Muddle," The Gazette Telegraph, Colorado Springs, Colo., June 25, 1973.
- Brennan, Michael J., Theory of Economic Statics, Prentice-Hall, Inc., Englewood Cliffs, N.Y., 2nd ed., 1970.
- "Bridgeview Report," The Columbian, Thurs. Feb. 1973, p.11.
- Broadway, Frank, State Intervention in British Industry 1964-1968, Kaye and Ward, London, 1969.
- "Buying a Home? What You Face Now," U.S. News and World Report, Jan. 1, 1973, p.24-25.
- Coase, R.H., "The Problem of Social Cost," The Journal of Law and Economics, ed. Claron Director, University of Chicago Law School, Vol. III, 1960.
- "Crowding of Houses a 'must'," Canadian Press, Vancouver Province, October 15, 1973.
- de Leeuw, Frank, "The Housing Allowance Approach," The Urban Institute, Washington, D.C. Draft 2100-3, 1971.
- Derkowski, A., "Residential Land Development in Ontario," Urban Development Institute, Nov. 1972.
- Doxiadis, C.A., Urban Renewal and the American City, National Association of Housing and Redevelopment Officials, Chicago, 1966.
- "Drive to Curb Growth in the U.S. - Its Impact," U.S. News and World Report, Jan. 15, 1973.
- Dyckman, John W., "Control of Land Development and Urbanization in California," Housing in California, Governor's Advisory Commission on Housing Problems, San Francisco, 1973.

- Enzer, Selwyn., Some Housing Prospects for Residential Housing by 1985, Institute for the Future, Middletown, Conn., Jan. 1971, Report R-13.
- "Florida's Superboom - People, Prosperity, and Problems," U.S. News and World Report, June 11, 1973.
- Frankel, Sara A., "Rising Land Costs Are Burying the Home Builder," Real Estate Review, Winter, 1972.
- Gauss, Gordon, and Carl Hilliard, Associated Press Writers, "Land Bill Dies, Assembly Quits," The Denver Post, June 30, 1973.
- Gibbons, James E., President Jackman Gilliland Corp., "Investment Potentials, Pitfalls," National Real Estate Investor, March, 1973.
- Gillanders, David E., Barrister and Solicitor, "The Real Estate Development Process," Executive Programmes, University of British Columbia, April 16, 1973.
- Grenby, Mike., Sun Business Writer, The Vancouver Sun, November 14, 1973 p.36.
- Gross, Paul, "Changing the Ground Rules in the Raw Land Game," Real Estate Review, Winter, 1972.
- Hamilton, S. W., "Price Movements in Undeveloped Land Facing Urbanization: A Micro Study," Dissertation, Berkeley, Center of Real Estate and Urban Development, 1969.
- Hamilton, S.W., "Public Land Banking - Real or Illusionary Benefits," "Research Report Prepared for the Urban Development Institute of Ontario, Oct., 1973.
- Hanford, Lloyd D., CPM, "Environmental Life or Death," Journal of Property Management, March-April 1970.
- Harris, Senator Fred, and John Lindsay, The State of the Cities, Report of the Commission on Cities in the 1970's, Praeger Publishers, New York City, 1972.

Hayek, F. A., The Constitution of Liberty, University of Chicago Press, 1960.

Hayek, F. A., The Road to Surfdom, University of Chicago Press, Chicago, 1944.

"'Home, Sweet Home' - Price is Going Out of Sight," U.S. News and World Report, July 30, 1973.

"Home Building Boom Hits Snags in Suburbs," U.S. News and World Report, Oct. 16, 1972.

Hirschman, Albert O., Exit, Voice and Loyalty, Harvard University Press, Cambridge, Mass, 1970.

Inner City Housing and Private Enterprise, ed. Frederick Case, University of California, Los Angeles Housing, Real Estate and Urban Land Studies Program Series, Praeger Publishers, New York City, 1972.

Jacoby, Neil, and F. G. Pennance, "The Polluters: Industry or Government?" Occasional Paper 36, Institute of Economic Affairs, London, 1972.

Jewkes, John, Public and Private Enterprise, Routledge and Kegan Paul, University of Keele, London, 1965.

Kaplan, Marshal, Urban Planning in the 1960's - A Design for Irrelevancy, A Praeger Special Studies in the U. S. Economics, Social and Political Issues, Praeger Publishers, New York City, 1973.

"Land Use Contract," The Corporation of the District of Surrey, 1972

Lane, W. T., Chairman, B. C. Land Commission, Dec. 3, 1973.

Leiren, Hall, "How Zoning Makes Millions For A Fortunate Few," Vancouver Sun, Jan. 25, 1973.

Milgram, Grace, The City Expands, Institute for Environmental Studies, University of Pennsylvania, Philadelphia, 1971.

Modern Land Policy, Papers of the Land Economics
Institute University of Illinois, University of
Illinois Press, Urbana, 1960.

Muth, Richard F., Cities and Housing, University
of Chicago Press, 1964.

"National Land Use Planning Bill Approved by Senate
64-21, Washington Post, Associated Press,
June 21, 1973.

Paulson, M. C., The Great Land Hustle, H. Regnery Co.,
Chicago, 1972.

Pennance, F. G., "Supply, demand, and homes,"
The Daily Telegraph, (December 7, 1972.)

Pickard, Jerome P. "Property Taxes - Their
Relation to Land Uses," Real Property
in Urban Society - A Compilation, Published
by the Virginia Law Weekly, University of Virginia
Law School, 1965-66.

Poettcker, Alvin, Lang Development, Interview,
(Dec. 3, 1973)

"Population Slowdown - What It Means to the U. S.,"
U. S. News and World Report, Dec. 25, 1972.

Preston, Paul, Tonnison Development, Interview,
(Dec. 5, 1973)

"Procedure for Subdividing Land Within Municipalities,"
W. T. Lane, Solicitor General of the Municipality
of Richmond, 1973.

"Proper Land Planning - Will We Learn at Last?"
Better Homes and Gardens, September, 1969.

Province of British Columbia, "Municipal Act,"
July 1, 1971.

Ratcliff, Richard U., Urban Land Economics,
Analysis, McGraw Hill Book Co., N. Y.
7 ed, 1967.

Real Property in the Urban Society - A

Compilation, Published by the Virginia Law Weekly, University of Virginia Law School, 1965-66.

Samuelson, Paul A., Economics - An Introductory Analysis, McGraw Hill Book Co., N.Y.
7 ed, 1967.

Schmid, A. Allan., Converting Land From Rural to Urban Uses, Resources for the Future, Inc., John Hopkins Press, Washington, 1968.

"School, Park Land Dedication Meet Set," The Gazette Telegraph, Colorado Springs, Colo., July 15, 1973.

Siegan, Bernard H., Land Use Without Zoning, Lexington Books, Lexington, Mass, 1972.

"Six Men Who Share Our Concern About The Problems in Housing Today," Better Homes and Gardens, September, 1969

Smith, W. F., Principles of Urban Development, University of British Columbia, draft manuscript, 1972.

"Staff Comments on the Land Commission Bill," Greater Vancouver Regional District Planning Committee, Feb. 28, 1973

Stupich, David D., Hon. Minister of Agriculture, Bill Number 42, The "Land Commission Act," The Province of British Columbia, 1973.

Sussna, Stephen, Land Use Control - More Effective Approaches, Research Monograph 17, The Urban Land Institute, Washington, D. C. 1970

Sverdlik, Jerome S., "How to Buy Raw Land," Real Estate Review, Winter, 1972.

"Ten Problems, The Building Industry Must Face up to," Better Homes and Gardens, Sept. 1969.

"The Mayors' Story: Money Still No. 1 Headache," U. S. News & World Report, July 2, 1973.

"The New American Land Rush," Special Section Time, Oct. 1, 1973.

Urban Land Use Policy: The Central City, ed. Richard B. Andrews, The Free Press, New York - City, 1972.

Vilander, Kathleen, "Outer City: Suburbia Seeks New Solutions," Real Estate Review, Winter, 1972

Ways, Max., "Land: The Boom that Really Hurts," Fortune, July 1973.

"What Can Be Done to Save Big Cities," Interview with James T. Lynn, Secretary of H.U.D., U. S. News and World Report, June 18, 1973

White, Phillip H., "Urban Redevelopment Policies," The Chartered Surveyors Annual Conference, London, 1961.

"Will the Housing Boom Fizzle," The International Operating Engineer, A.F.L. -C.I.O., April 1973.

Wynkoop, Steve, "Vail Area Facing Urbanized Future," Denver Post Staff Report, July 15, 1973

APPENDIX

CHAPTER 6

The "chain reaction", however, may go beyond the type of reasoning advanced in chapter six. To achieve uniformity of assessment in the Province of British Columbia, the government passed in 1953 the "Assessment Equilization Act," which came into effect in 1955. The purpose of this Act was to establish a relationship between assessed value and actual value (later defined as market value). The latest ammendment is the rule of the 5 and 10 percent increase limit for school assessment purpose. Broadly speaking, the total assessed value of all property in a school district should not exceed by more than 5 percent the total assessed value of the previous year in the school district. Each property of an individual owner in a school district should not exceed by more than 10 percent the assessed value of the previous year (except for instances of land improvement). These 5 and 10 percent rates apply only to the school assessment rules and not to the general tax provisions.

What we have here appears to be a unique taxing situation which again emphasizes the discriminatory nature of land controls. Under strong market conditions where the market values of existing stocks increase, let us assume, more than 10 percent per year, this "5 and 10 percent" rule appears to generate inequities in the share of assessments between new and existing

stocks. New Houses are priced, sold and assessed at the current market rate, while existing structures are protected from assessment increases over 5 and 10 percent. This inequity will remain as long as the demand for existing stocks (which sets the price, so to speak, for new stocks) increase faster than 10 percent per year.