

# Let the Market Determine Land Use Needs

*By Tyler Craddock  
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Bacon's Rebellion*

For Virginia to remain competitive, it is crucial that the business community be able to develop industrial and commercial sites and nearby affordable housing choices in a manner that does not impose unnecessary, burdensome regulation and taxation. In this way, we can continue to provide high paying jobs for Virginia families and make sure that those employees have homes to go to at night. It cannot be overstated that developing these sites in an efficient, cost-effective manner is a major factor in our ability to compete in the global marketplace.

Pro-business land use planning policies begin with the assumption that the free market is the best means of determining the current and future land use needs of a locality. Indeed, rather than government determining what is best and setting priorities based on that estimation, true pro-business policies should be built around meeting those needs as expressed by market demand.

Flowing from that strong commitment to the free market, pro-business land use policies do not put government in the business of picking winners and losers or, broadly speaking, favoring one type of development over another. What I mean is that local governments should refrain from the political temptation to craft a policy that seeks on one hand to foster commercial development, but at the same time, tries to push residential development into other localities. For example, Chesterfield County recently voted for a fee holiday for commercial development. That is an acceptable policy choice in and of itself, but concern arises when you couple that move with the County's earlier decision to increase the proffer tax on residential builders to the highest in the Richmond region. According to accounts of the meeting, Supervisor Dan Gecker pointed out (correctly, in my opinion) that this sends the wrong message to the housing industry.

Instead of trying to manipulate market demand, local governments should be crafting policies that allow the private sector to meet market demand with a minimum of taxation and regulation. In other words, pro-business land use policies embrace the notion of development balance. Land use planning and conservation is the product of weighing the various needs and desires across the community. The final product - the comprehensive plan, ordinance and policies - should reflect the balance of those needs and desires as expressed by market demand. Having the right balance between commercial, residential, industrial, agricultural, conservation and other uses as expressed by market demand facilitates predictability and consistency going forward.

In addition to balance, good policies also avoid falling prey to false assumptions. Public policies propped up by faulty assumptions will falter eventually. One faulty assumption underlying growth policies in Virginia right now is that growth - particularly residential growth - somehow does not pay its own way with respect to the government services that the end users of the new development will demand.

The truth is that when all revenues from growth are included, there is more than enough revenue to meet the service demands from the new development. Looking at the oft-cited example of new residential development, over the 60-plus year life of a new home, the residents of that new home will generate real property taxes, personal property taxes, sales taxes, income taxes and gas taxes among other state and local revenue resources. Moreover, the development of new residential units will lead to more demand for commercial development (a basic real estate tenet is that commercial follows residential), and in doing so, provide even more revenues to pay for the infrastructure

needed to support growth. In short, new development generates the revenues needed to provide infrastructure for its support.

In Virginia, a locality's comprehensive plan, ordinances and policies, the building blocks of land use policy, should be based on sound science and planning practices. Land use and conservation planning should not be a political issue, and it should not fall prey to the latest fad or whim. Instead, a pro-business policymaker must ask, "Based on market demand, what are our future land use and conservation needs, and how do we provide for policies that do not hinder the free market from meeting those needs?"

Beyond the foundation and assumptions underlying comprehensive plans, ordinances and policies, policy makers need to examine how each part is connected with and relates to the other. Ideally, ordinances should implement and flow from the plan, and policies should implement and flow from the ordinances. Think of it like you would a sport jacket, shirt and tie. If the three do not match, then you end up with a strange looking fellow. Likewise, when there is a pronounced disconnect between any of these parts, the result is uncertainty for the business community, and that uncertainty does not help spur investment in that locality.

Looking long-term, an important principle is predictability and consistency. Businesses need to know that the community they are investing in today is the same community that they will be doing business in tomorrow. From the regulatory perspective, that means localities should avoid radical swings and constant changes in policy, and it means that a locality should strive for consistent application of its regulations in a way that minimizes politicization of the process. Once a locality or state is tagged as unpredictable, that label becomes an albatross around the neck of those trying to recruit new businesses to the community.

Virginia's consistent ranking as one of the best places to do business is in part the result of an aggressive, unapologetic pro-business approach to public policy. That approach is just as important in land use and conservation as it is in any other policy area.

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