

Expansive Urban Growth Boundary

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ABSTRACT

Increasing the available land, which is an economic resource, should intuitively improve social welfare. However, traditional economic models show that an urban growth boundary (UGB) policy, which restricts the land availability, actually improves social welfare in an urban economy by reducing the negative externalities imposed by congestion. Nevertheless, recent studies have found that a UGB policy is not always welfare improving, even at the urban level. This paper thus examines expansive and restrictive UGB regimes using the Chicago metropolitan statistical area as an example. The simulation results presented herein show that an expansive UGB positively affects social welfare, while a restrictive UGB improves social welfare if open spaces are taken into consideration and vacant land outside the UGB registers a moderate fall in value. Further, the proportion of absentee landlords is an important determinant of welfare gains, since their gain (or loss) from a UGB policy in the real estate market drains from the urban economy. Moreover, a restrictive UGB leads to centralized land use, while an expansive UGB results in moderate suburbanization. Finally, gasoline consumption decreases under a restrictive UGB but increases under an expansive UGB because vehicle miles travelled increase as the city expands outward.