

<http://sourceable.net/sprawl-development-simply-unaffordable/#sthash.kXlgDGW1.dpuf>

Is Sprawl Development Simply Unaffordable?

Urban sprawl brings about countless costs, both to cities and to the people who live there.

Sprawl is a development pattern that prioritizes and thus nearly requires automobile use thanks to low density buildings built on previously undeveloped agricultural or “greenfield” sites. Sprawl often leaves gaps between projects due to “leapfrogging” past existing development and separation of different uses, such as housing and retail.

Sustainable Prosperity, a think tank at the University of Ottawa, published a report about sprawl in 2013. The report, *Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations*, offers a number of observations and conclusions regarding sprawl.

According to the report, sprawl development doesn’t cover its costs, leaving municipalities to make up the difference. For road spending, Canadian governments combined spent \$29 billion in 2010-11. Only \$16.5 billion of that was paid for by fuel taxes, licenses, vehicle permits, and other fees, leaving \$13.5 billion that had to be paid from general taxes.

Historically, municipalities charged the same fees for both dense urban development and sprawling suburban developments, resulting in huge funding shortfalls. For 17 of 40 developments now planned or underway in Edmonton, the report states, “net costs have been projected to exceed revenues by nearly \$4 billion over 60 years.”

Those funding shortfalls are one reason why suburban housing is cheaper and therefore popular. Suburbs are growing 160 per cent faster than urban areas, and many residents of sprawl areas cite housing cost as a major factor in their choice.

Those residents will incur other costs, however. Suburban residents drive three times more than urban dwellers, leading to obesity, more auto accidents, and a more sedentary lifestyle.

A Ponzi Scheme?

Chuck Marohn co-founded a nonprofit called Strong Towns in 2009. An engineer and urban planner by training, Marohn worked for years on civil and transportation projects that he now decries as unaffordable.

Strong Towns examines the financial arrangements that cities, counties, departments of transportation, developers, and other entities use to fund development. According to their web site, “we are most interested in understanding the intersection between local finance and land use. How does the design of our places impact their financial success or failure?”

He calls the suburban development model a “Ponzi Scheme” because the long-term return on investment is lower than the ongoing liabilities of maintenance. Therefore, over time municipalities must generate ever-greater growth from new development just to cover the ongoing maintenance obligations. That’s the definition of a Ponzi Scheme.

“The reason we have this gap is because the public yield from the suburban development pattern—the amount of tax revenue obtained per increment of liability assumed—is ridiculously low,” he said. “Over a life cycle, a city frequently receives just a dime or two of revenue for each dollar of liability.”

The sprawl financing issue is not unique to Canada and America. The Chinese city of Wuhan took on a debt burden of \$33 billion and was forced to stop work on a major highway project after banks cut funding for the project. The city’s debt was simply too high compared to its economic output.

In Australia, as well, sprawl is a well-established development pattern, aided by strong urban property values. Australia is one of the world’s most urbanized countries, with more than 85 per cent of residents living in urban areas.

Perth, for example, with about 15 persons per hectare, is projected to double in population by 2050 to about 4 million. Sydney, already the most densely populated city with 30 persons per hectare, is projected to grow from 4.6 million to 7 million residents around 2056.

The population density varies greatly amongst the major cities. However, all major metropolitan areas show higher density over the last 20 years, with Sydney, Melbourne, and Brisbane recording the greatest increases. This suggests that overall population growth is driving both sprawl development and infill development. Furthermore, as population growth is projected to continue strongly, the cost of housing will also increase, which makes suburbs a relatively cheaper option. In the last year, dwelling values in Sydney increased by 13.4 per cent, while in Perth values increased by 6.9 per cent.

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