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Did local government structure kill small town America?

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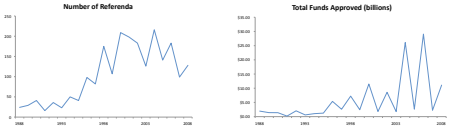
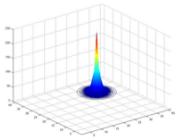
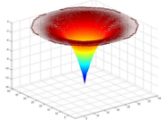
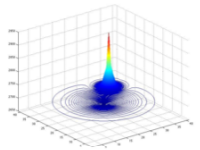
Can **local referenda** for public goods save downtowns?

The key to survival for downtowns is maintaining a critical flow of people – to shop at stores, eat at restaurants. The closure of one business can hurt others, and while communities encourage private businesses to locate downtown, they continue to build large projects (e.g., parks) on the edge of town, drawing people from town centers and hurting chances of survival.



Rise in public referenda for open space. Source: The Trust for Public Land, LandVote

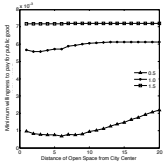
assumptions

People prefer to be near amenities	+	People do not like to pay taxes	=	Tradeoff between location and tax burden
A. Utility rises with proximity to good 		Tax burden: land more expensive near CBD 		Net change in welfare depends on location of public good 

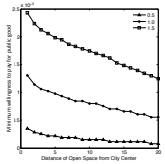
Example for household located at (30,30) and CBD at (20,20): A. Welfare increases with proximity to the household. B. Welfare decreases due to tax burden, which increases the nearer the CBD. C. Tradeoff between location and taxes

Where should/would a public good be located?

Assuming a monocentric city, simulations were run for an example problem of where to locate a public park or large open space project. Enjoyment of the open space is assumed to decline with distance, with representative rates of decline based on the hedonic pricing literature. Willingness to pay is measured as the percentage change in price of land with percentage change in distance from the open space. The graphs below show the minimum willingness to pay that would be acceptable when the decision is made by either public referendum or a government agency. Results are shown for three different rates of decline. 1.5 indicates a rapid decline in willingness to pay, representative of a small park for which benefits accrue very locally. 0.5 indicates a slow rate of decline, representative of a large public park or greenbelt accessed primarily by car.



Public Referendum / Majority Rules Voting:
Dense population & political power near CBD
→ projects can be *smaller* near CBD



Government maximizes sum of net welfare: Cheap land near edge
→ projects must be *larger* near CBD

Conclusions: The two criteria lead to conflicts in location and size.

Referenda require projects to be larger than those decided on by a government agency. Small projects that would increase overall welfare are rarely funded by referenda. Political pressure, however, keeps projects that are funded downtown. Government agencies are more likely to locate projects away from the city center. As cities develop, large projects on the edge of town encourage growth away from the city center, often encouraging sprawl and endangering downtowns. Local referenda may limit sprawl in a dynamic setting.

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Related papers with complete model and results are available on the author's website: www.warziniack.com/research or www.eco.uni-heidelberg.de/juniorprofessur.html

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