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Urban Growth Boundary Policies: A Balancing Act Between New Development and the Preservation of Agricultural Land and Open Space

Part 2 of a Series that examines urban growth boundaries



Source: MSU Extension, photo by Sheron Curry

Montana is currently grappling with the best way to balance [new housing construction](#) for a rapidly growing population, while at the same time, preserving the undeveloped beauty of the state. Urban Growth Boundaries (UGB) are a type of local land use regulation that seeks to help strike this balance. UGBs encourage denser development near existing urban areas and restrict development in locations farther away from cities and towns.

Dr. Daniel Bigelow at Oregon State University and I are leading a multi-year research initiative on UGBs. This is the second post summarizing our ongoing work examining the impact of UGBs ([1st post](#)). Our research seeks to better understand how UGBs impact the short- and long-term geography of development. In this post, I highlight key institutional features of Oregon's UGB policy and introduce our modeling framework.

Oregon provides a real-world laboratory to measure the impact of UGBs. Oregon's UGB policy is a defining feature of the state's approach to urban planning and development. The Land Conservation and Development Commission established the state's planning goals in 1976. [These goals](#) cover a variety of overlapping issues, including urban growth, housing supply, and forest and agricultural protection. Oregon's UGB policy is motivated by Goal 14: *"To provide for an orderly and efficient transition from rural to urban land use, to accommodate urban population and urban employment inside urban growth boundaries, to ensure efficient use of land, and to provide for livable communities."*

Oregon's UGB legislation came into effect in 1980 and applies to all incorporated cities and towns. Each UGB includes the entire city, as well as additional unincorporated county land. The UGB itself does not establish specific zoning or land use restrictions. Rather, it formally specifies the land available for development at urban densities. Oregon's legislation stipulates that UGBs should expand over time to satisfy housing, and infrastructure needs due to population growth.

We chose Oregon as our study area for several reasons. Oregon is a Western state with a fast-growing population and similar demographics to Montana. The 45 post-policy years provide the opportunity to examine both immediate and longer-run impacts. Moreover, since all cities and towns in Oregon enacted the UGB policy at the same time, we can examine how the effects of the policy differ based on characteristics such as city size and local economic trends prior to the policy. Finally, there are data and statistical modeling advantages of using Oregon as a laboratory to examine the causal development effects of UGBs.

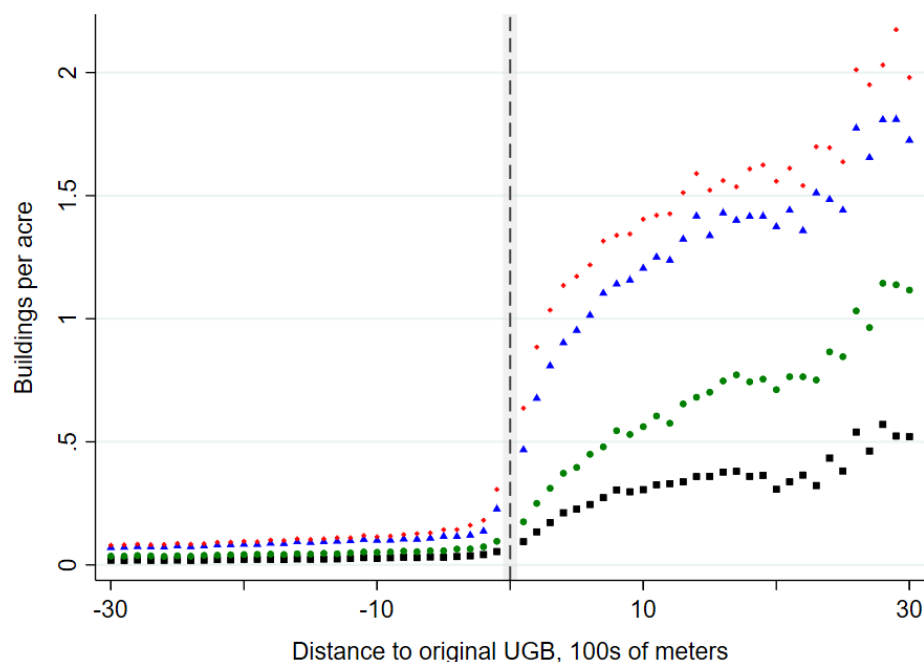
A well-known challenge in studying regional economic development is how best to draw policy conclusions from observational data. Unlike the natural sciences, researchers typically do not have the advantage of implementing scientific experiments with carefully designed treatment and control groups. In recent decades, economists and statisticians have made great strides in establishing new statistical models to work with observational data. The [2021 Nobel Prize in Economic Sciences](#) was awarded to three researchers who pioneered many of these models. In particular, the Nobel Prize highlights advances in causal analysis using observational data.

We use the exact placement of the UGB as a type of localized experiment and zoom in on how development changes very close to either side of the boundary. (This type of statistical model is more formally described [here](#).) Our analysis requires detailed, comprehensive development data on both sides of each city's UGB boundary (see [1st post](#)), and confidence that there are no other factors related to development that diverge right at the boundary. For example, if the UGB boundary coincides with a river, then this modeling approach would not isolate the causal effect of the policy. The fact that all cities and towns were compelled to adopt a UGB policy by a specified date, and that the Land Conservation and Development Commission approves the boundary locations based on policy criteria, make it less-likely that the UGB boundaries are manipulated by local officials in ways that undermine the applicability of the statistical model. Our large spatial

database allows us to confirm that geographic land features such as slope, elevation, and soil quality are similar on both sides of the boundary.

This post concludes by showing motivating evidence that the Oregon UGB policy leads to both a reallocation of where new development occurs and denser development inside the UGB boundary.

Figure 1 plots the number of buildings per acre in relation to the location of UGB boundary (vertical dashed line). The data are aggregated over all the cities and towns in Oregon. Distance on the x-axis is relative to the UGB. Farther to the right is closer to the city center. The figure plots the development densities for four different time periods: two pre-policy years (1950, 1970) and two post-policy years (2000, 2020).



As predicted by [economic theory](#) and conformed by causal observation, the density of land development is higher closer to the city center and lower farther away from the city. This is true both before and after the introduction of the UGB policy. Land development is also higher in later years.

The key insight from the figure is that prior to the UGB policy, there are very similar levels of development just to the left and to the right of the boundary, while after implementing the policy, a development gap emerges at the boundary. This development gap provides initial evidence that the UGB policy changed the geography of development. In 2000 and 2020, development is greater closer to the city center (inside the boundary) and lower farther from the city center (outside the boundary) than would be the case in the absence of the policy.

The next post in this series will provide further details on our model estimates and provide context for how we interpret the economic significance of these findings.

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