

Livable Communities @ Work

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Investing in a Better Future: The Fiscal and Competitive Advantages of Smarter Growth Development Patterns

This paper is the third in a new series published by the Funders' Network for Smart Growth and Livable Communities that focuses on the practical aspects of how we create smarter, more livable communities for all. The series, *Livable Communities @ Work*, highlights successful strategies, explores tensions created by competing issues, and generally helps spur informed debate on critical topics. This paper was written by Mark Muro and Robert Puentes from the Brookings Institution¹. Previous topics in the *Livable Communities @ Work* series include community organizing and the role of environmentalists in city building.

PUBLISHER'S NOTE: The Funders' Network for Smart Growth and Livable Communities² is pleased to co-publish this paper with the Brookings Institution Center on Urban and Metropolitan Policy. While those supporting efforts to encourage smarter growth and build more livable communities have long believed that smarter growth development patterns result in fiscal savings, this paper—based on thorough academic research—outlines empirical evidence in support of this belief. If you are a fiscal conservative, this paper reveals why you should care about and support efforts that will lead to smarter growth. — L. Benjamin Starrett, executive director, Funders' Network

Summary

With the collapse of the 1990s stock market bubble and several years of national economic slowdown, a tense

new climate of austerity has sharpened debates over government spending, economic development, and the physical growth of states and metropolitan areas.

Leaders in this environment are eager for fiscally prudent ways to simultaneously support their communities and stimulate their economies.

This paper makes the case that more compact development patterns and investing in projects to improve urban cores would save taxpayers' money and improve regions' overall economic performance. To that end, it relies on a review of the best academic empirical literature to weigh the extent to which a new way of thinking about growth and development can benefit governments, businesses, and regions during these fiscally stressed times.



Overall, the review finds that:

The cost of providing public infrastructure and delivering services can be reduced through thoughtful design and planning. Several studies suggest that rational use of more compact development patterns from 2000 to 2025 promise the following sorts of savings for governments nationwide: 11 percent, or \$110 billion, from 25-year road-building costs; six percent, or \$12.6 billion, from 25-year water and sewer costs; and roughly three percent, or \$4 billion, for annual operations and service delivery. School-construction savings are somewhat less.

Regional economic performance is enhanced when areas are developed with community benefits and the promotion of vital urban centers in mind. Studies show that productivity and overall economic performance may be improved to the extent compact, mixed-use development fosters dense labor markets, vibrant urban centers, efficient transportation systems, and a high “quality-of-place.” Productivity increases with county employment density. Communities that practice growth management realize improved personal income shares over time.

Suburbs also benefit from investment in healthy urban cores. Finally, studies suggest that to the extent these smarter development patterns foster equity in regions by improving center-city incomes and vitality,

Introduction

Are bad times potentially good times for smart growth?

Do tight budgets and a spotty economy make this the right time—rather than the wrong time—to look at getting the most benefit for development efforts?

On the face of it, the argument that curbing sprawl and fostering more efficient compact development can help governments economize and businesses and regions prosper appears powerful.

Efficiency has always been a core promise of smart growth. For years, the move to more compact settlements has held out the possibility of saving taxpayers

they will also enhance the economic well-being of the suburbs as well as the city. City income growth has been shown to increase suburban income, house prices, and population. Reduced city poverty rates have also been associated with metropolitan income growth.

In the end, this paper makes the case that during times of tight budgets, more efficient and beneficial growth strategies make more sense than ever.

As these strategies become more widespread, the challenge for the research community will be to move beyond the obvious fiscal savings and continue to quantify the profound effects on economic competitiveness, equity, and quality of life available through better planning and community design. In the end, this is what better development is really all about.

Advantages of Smarter Growth Development Patterns

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Suburbs also benefit from investment in healthy urban cores.

some of the cost of building infrastructure to serve new development far from traditional population centers.

And yet, this dollarwise aspect of the movement to create developments of greater benefit to the community has received little attention in recent years—a period, by no coincidence, of unprecedented economic prosperity and budget surpluses.

Instead, during the good years, smarter growth was mostly pursued as a quality-of-life agenda aimed at enhancing the livability of suburbia.

Through the 1990s boom, the smart growth agenda was

associated by turns with expensive state and local expenditures on farmland preservation, sizable open space projects, environmental protection, urban design initiatives, downtown revitalization, congestion relief, social equity discussions, and reducing school crowding. More recently an emphasis on human health and the reduction of obesity moved to the forefront. In short, while reformers continued to develop and advance fiscal and economic arguments for reducing population dispersal and revitalizing older neighborhoods, the greatest emphasis remained elsewhere.

But now this could be changing. With the collapse of the 1990s stock market bubble, the September 11th terrorist attacks, the onset of years of economic sluggishness, and state and local budget deficits, a tense new climate of austerity has sharpened debates over growth, government spending, and economic development—and changed the calculus for reform.

Most notably, the imperatives of controlling costs and jump-starting the economy have come to dominate the agendas of both governments and businesses, given that growth rates and tax collections may well remain depressed for several years or longer.

Businesses—struggling to restore pre-slump profit levels—are aggressively seeking creative ways to reduce persisting drags on economic growth and promote efficiency. For their part, states and local governments—squeezed by record budget shortfalls—are looking desperately to curb wasteful spending. Suddenly, public officials are being forced to consider not just short-term budget cuts but policy reforms that will lead to long-term efficiencies. And no wonder: the states alone face an aggregate \$100 billion in budget shortfalls in 2003 and 2004, thanks to a “perfect storm” of woes that includes a slow economy that has slammed tax revenues, soaring Medicaid expenses, and huge new security costs associated with the threat of terrorism.³ Only Arkansas, New Mexico, and Wyoming say they will face no budget problems in 2004.

In this environment, it is inevitable that opportunities to rethink how we grow, and how we invest public dollars, would get another look. And they are getting it.

Notwithstanding their mostly rhetorical justifications for action, governors and advocates alike have begun to pro-

mote ideas such as the reuse of existing buildings, compact design to reduce infrastructure costs and traffic congestion, and limits on sprawl as a fiscal and economic tonic to hard times. “No longer should taxpayers be forced to bear the burden of new roads, schools, and sewers every time a McMansion is built or a mall is erected,” declared Gov. James E. McGreevey of New Jersey last year, in the most direct gubernatorial embrace ever of smart growth as a fiscal remedy. And a month later former Maryland governor Parris Glendening, now president of the Smart Growth Leadership Institute, connected the moment and the message in a conference speech. “The infrastructure costs savings associated with smart growth are more imperative as officials are forced to make tough funding decisions,” asserted Glendening, who first popularized a fiscally oriented concept of growth in gaining passage of Maryland’s 1997 Smart Growth Areas Act. “Sprawl is fiscally irresponsible,” Glendening told a reporter.⁴

Other sitting governors have also made the connection. In South Carolina, Gov. Mark Sanford’s Quality of Life Task Force found that in order for the state to deal with its \$57 billion infrastructure deficit, state agencies and local governments will have to carefully plan and prioritize how infrastructure investments are made.⁵ In Michigan, Gov. Jennifer Granholm created a land use leadership council based in part on the premise that rapid metropolitan decentralization “is hampering the ability of this state and its local governments to finance public facilities and service improvements” and is “creating a strain on the efficient provision of public services.”⁶ Granholm recently noted that encouraging more compact development patterns would help the state save money.⁷

All of which raises the question: is it true? How much does unplanned growth cost and can governments really save money and jump-start economies by applying smarter ideas before approving the next development project? What are the facts of the case for looking at community growth needs and benefits as a budgetary and economic strategy?

This paper addresses those questions. Prompted by the growing interest in the fiscal benefits of compact development patterns (as well as the persistent obscurity of relevant information on the question), it seeks to weigh the extent to which supporting smarter growth development patterns can be considered a way to be smarter with money.

To do that, these pages survey the best academic empirical research literature probing the fiscal and economic implications of alternative land development patterns

and conclude that, yes, thinking through growth and its impact on communities can save taxpayers money and deliver important benefits to business and regions.

In This Paper:

A Definition of Smarter Growth Development Patterns

Why Compact, Mixed-use Development Holds Out Important Fiscal, Economic, and Community Benefits

Supporting Smarter Growth Development Patterns as Smart Policy for the Smart Money

Defining Smart Growth and Smarter Growth Development Patterns

Broadly defined, “smart growth” refers to a new way of thinking about how communities, cities and towns, and entire metropolitan regions grow and develop. This new thinking asserts that current patterns of growth and decline are harmful to communities, undermine urban economies and broader environmental objectives, and exacerbate deep racial, ethnic, and class divisions. Smart growth proponents argue that these growth patterns, popularly known as “sprawl,” are not inevitable but at least in part the result of major governmental policies that distort the market and facilitate the excessive decentralization of people and jobs.

Smart growth rarely means no growth; instead, it entails accommodating growth in a way that maximizes its benefits and reduces as much as possible its frequent negative side effects. More specifically, smart growth refers to an overall set of broad goals and policies designed to counteract sprawl. These usually include: (1) limiting outward expansion; (2) encouraging higher density development; (3) encouraging mixed-use zoning as distinct from fully segregating land uses; (4) reducing travel by private vehicles; (5) revitalizing older areas; and (6) preserving open space. Promoting more affordable housing may or may not be an explicit goal of smart growth programs.⁸

In investigating whether smart growth saves money, the paper narrows this definition and makes at least one crucial assumption that some may find troublesome: it deems smart growth essentially a matter of two rather crude land-use characteristics—compactness and density.

This admittedly limited definition of smart growth is

necessitated by the limited scope of the academic literature to date. So far, the economics-of-development literature has primarily focused on the fiscal implications of providing infrastructure and services under different physical patterns of development, whether spread-out or more densely clustered. Consequently, any assessment of the economic implications of smarter growth must begin with that work—and with a definition of “smart growth” that reduces the doctrine’s many dimensions to its simplest impact on the physical form of development. Clearly, this proxy definition fails to capture the full social, environmental, and design dimensions of smart growth, and leaves aside the much broader panoply of goals (such as transportation choice and social equity) and tools (such as open space preservation) that constitute the smart growth paradigm.

Nevertheless, this narrower emphasis clearly captures two fundamental tenets of smart growth. And it has the critical benefit, in lieu of abundant research on smart growth per se, of focusing on the elements of smart growth—compactness and density—that have been evaluated most thoroughly in the academic literature. In keeping with this narrower definition, the term “smarter growth development patterns” will be used here in order to more precisely describe the features of smart growth addressed by this paper.

The sections that follow, then, present the most important academic research and empirical findings on three key dollarwise contributions of what we call smarter growth development patterns. Specifically, they review research findings that contend that smarter growth development patterns can:

- Reduce the public costs of providing new infrastructure and delivering new services;
- Improve a region's economic performance; and
- Bring economic gains to suburbs as well as cities.

To be sure, this typology hardly encompasses all the benefits of smarter growth development. For example, “softer”—although theoretically quantifiable—potential benefits of smarter growth development patterns such as preserving open spaces or protecting farmland go unmentioned except to the extent that they produce budget savings for governments or amenity gains for families and businesses. Nor do potential transportation benefits receive much discussion, including individual household cost-savings.

Instead, priority has been given here to quantifiable gains in a few widely studied areas where rough consensus exists in the research literature. “Much” if not “general” agreement exists on each of the major measurable bene-

fits of smarter growth development patterns identified in these three areas. That means that policymakers, advocates, and the general public can take the following review as a reliable, if not comprehensive, survey of the likely fiscal, economic, and community gains of more compact development patterns.

Which is not to say this review ignores the contention that sprawl-style suburbanization offers certain benefits. Dispersed, low-density living clearly remains a popular preference among American households. What is more, significant evidence suggests that such development patterns bring with them lower land and housing costs—a significant factor in a nation with serious housing affordability challenges.⁹ To that extent, the several “benefits” of sprawl may offset some of the fiscal and economic benefits of concentrating development.

And yet, that does not change the importance of the economic benefits outlined here.

Broad Goals and Policies Designed to Counteract Sprawl and Embraced by Smart Growth

1. Limiting outward expansion
2. Encouraging higher density development
3. Encouraging mixed-use zoning as distinct from fully segregating land uses
4. Reducing travel by private vehicles
5. Revitalizing older areas
6. Preserving open space

Fiscal, Economic, and Regional Prosperity Benefits: Stating the Case

The claim that smarter growth development patterns hold out potential fiscal benefits to governments is at once intuitive and longstanding. The arguments for economic and regional prosperity benefits, meanwhile, are newer but not novel either.

Fundamentally geometric, both arguments turn on the recognition that it matters where and how development occurs in a region.

In this regard, 70 years have passed since planners recog-

nized that different locations, patterns, and types of growth might have different fiscal and economic implications. And it has been 30 years since a series of systematic fiscal impact studies began showing, with specific dollar values, that more compact, less sprawling development patterns can reduce the capital and operations costs governments incur from new growth. Even the recent economic work that is beginning to tease out the potential economic and regional boons of smarter growth patterns reflects economic and fiscal theories that go back decades.

But now the confluence of a generation of sprawling development, a changing national economy, and the fiscal problems of localities calls for another look at the relationship between development patterns and fiscal and economic outcomes.

Fiscal Benefits

On the fiscal side, the logic is straightforward. For 50 years planners and engineers have hypothesized two related ways urban form can affect public capital and service-delivery costs:

- Economies of scale—the marginal cost savings that result from advantages of serving a larger population over a smaller geographic area. Also referred to as “density efficiencies”; and
- Economies of geographic scope—the marginal costs of serving each additional person decrease as each person locates more closely to existing major public facilities.

Together these theories suggest that more compact and dense settlement can reduce government capital and operating costs.

For instance, in terms of capital spending, smarter, more compact growth should entail smaller outlays to extend roadways, sewers, water lines, and other infrastructure to reach each new consumer. This follows from the fact that reducing the distance between houses and businesses can be expected to reduce the necessary length of streets, sidewalks, storm drain systems, and sewer and water lines.¹⁰

Similarly, by pursuing more compact development patterns, states and localities could reduce their per capita outlays on service delivery such as maintaining their roads and providing water, solid waste, transit, and school bus services. Again, the argument is geographical and geometric. Fire departments may be able to respond to more emergencies or get to major accidents faster with less personnel if development is more compact. Better bus service can be provided to more commuters with shorter routes and fewer vehicles in a more densely populated, more compact service area.

Nor are these potential efficiencies trivial. Spending on capital and services makes up fully one-quarter of annu-

al state and local outlays, underscoring the importance of examining the savings smarter growth development patterns seem to offer.

Over the year 1999–2000, states and localities spent:

- Nearly \$140 billion on capital outlays for such infrastructure (shaped by development patterns) as elementary and secondary schools, highways, sewer lines, solid waste management, and utility systems (e.g., water, electric, gas supply)¹¹; and
- More than \$200 billion on recurring expenditures to provide such services (also influenced by development patterns) as highway maintenance, police and fire protection, trash collection, and utility service.

Considering that these outlays represent almost 20 percent of the \$1.7 trillion states and localities spent during 1999–2000, realizing even modest percentage savings from smarter growth development patterns could save taxpayers billions. And such savings grow only more attractive in light of economic stagnation, weakening federal support for states and cities, and the twin challenges many states face with shrinking revenue bases and increasing mandatory spending.

Economic Development Benefits

But this is only the fiscal side of smarter growth development. Largely overshadowed by these more penny-wise considerations has been a more positive recognition of the larger economic benefits of reorienting scatter-shot development.

To begin with, smarter growth policies and practices in many circumstances create real estate value. That is, they may be expected to enhance property values, and so provide an important economic benefit to regions and localities.

In terms of residential land and housing prices, numerous studies have illustrated that when the supply of housing is spatially contained (as in some smart growth and growth management regimes) housing prices in those areas increase.¹² Other such as Nelson (2000) contend that containment results in higher housing prices, not due to limits on the supply of housing, but rather from the creation of benefits such as heightened con-

venience, enhanced public transit, and lower costs of services as discussed above. Other studies, such as Segal and Srinivasan (1985) and Lillydahl and Singell (1987) suggest the potential for growth management policies to increase property values across the region. These effects suggest that smarter growth development may also have significant effects on land and house prices, either by limiting the supply of developable land or increasing the overall desirability of the community. In this fashion, some aspects of smarter growth development patterns such as urban containment or land conservation may raise housing costs if they are not accompanied—as true smart growth ordains—by increases in housing density and supply. But they also may enhance regions' tax bases, create wealth through housing appreciation, and boost property tax collections. In that sense, smarter growth development patterns may well create substantial value by enhancing the real estate market.

But there are other potential gains that merit even closer consideration. Most notably, a variety of new urban scholars have begun in recent years to suggest that important productivity gains accrue to economies that foster dense labor markets, vibrant centers, efficient transportation systems, and a high “quality-of-place”—all objectives of the smart growth movement.

These scholars start from the premise, foreshadowed over 100 years ago by Alfred Marshall, that density is a fundamental purpose of cities.

They also assume, with economists like Robert Lucas, Paul Romer, and Edward Glaeser, that in the “knowledge economy” clusterings of talented people, or “human capital,” represent a prime driver of aggregate economic growth.

In this view, cities play a key role in spurring growth because they facilitate companies' access to suppliers, contractors, and the regional labor pool, and because they catalyze the sort of “agglomeration” efficiencies or “knowledge spillovers” that result from the sharing of information, ideas, technology, and opportunities. So what kind of city works best in economic terms? Building on the theory that knowledge and efficiency matter most, the new urban thinkers come very close to endorsing key tenets of smarter growth development patterns as strategies for competitiveness. For example:

- The economists Antonio Ciccone and Robert Hall (1996) have shown that average labor productivity increases with the employment density of counties;
- The planner Robert Cervero (2000) demonstrates that higher productivity levels can be found in cities that are compact—and served by efficiently integrated transportation systems; and
- Arthur C. Nelson and David Peterman (2000a) have found a positive association between the presence of growth management and the improvement of a metropolitan area's market share as measured by personal income.¹³

In a more qualitative vein, the economic development expert Richard Florida (2000) argues that attributes like compact “24-7” urban scenes, subway or light rail systems, and sustainable development spur growth because they appeal to the affinity for such qualities among highly educated, highly mobile “knowledge workers” who “vote with their feet.” His econometric and focus group evidence suggests that such workers seek out smarter growth attributes and that providing them can enhance regions' “ability to attract talent and develop high technology industries.”

To be sure, this second economic argument for smarter growth development remains less well established than the fiscal contention—and relates to the spatial tenets of smart growth per se less directly. Nevertheless, the growing case for the economic benefits of the sort of focused development favored by smart growth parallels that for fiscal savings, and offers a tantalizing complement to it. Once again, how and where development occurs—those crucial preoccupations of smart growth—appear to matter. Once again, reducing sprawl, promoting urban focus, and encouraging more compact development (along with providing good transportation links) may well enhance outcomes.

Smarter growth development patterns, in short, appear to offer a promising tool for economic development as well as for fiscal management.

Regional Benefits

Finally, smarter growth development seems to offer another benefit: To the extent it fosters urban revitaliza-

tion, it may well promote the economic well-being of the suburbs as well as the city.

In this connection, the growing literature on urban-suburban “interdependence” provides evidence that policies that promote reinvestment and prosperity in the urban core have the power to enhance not just the overall competitiveness of a region but the economic health of all of its parts.

Informing this claim is the fundamental intuition of the “interdependence” literature that the fates of cities and their suburbs are linked.

To be sure, the diverging paths of cities and suburbs since World War II have seemed for decades to dramatize the separateness of urban and suburban interests in the U.S. In region after region, after all, the fast growth of seemingly successful suburbs just miles from sagging core neighborhoods tended (especially to suburban interests) to confirm the suburbs’ independence. Suburban well-being had seemed to detach from that of the centers.

Yet for all that, the recognition that cities and suburbs have become adjacent sub-units of encompassing regional economies has increasingly made clear the relatedness of city and suburban fortunes.

Neal Peirce (1993), for example, has argued that all parts of a region are “in it together” when regions compete as “citistates” in the global economy to train and mobilize the workforce, lure business relocations, and assemble amenities. Henry Cisneros (1995) has emphasized the need for suburban interests to recognize that “political borders do not seal off the problem of concentrated poverty.” And Myron Orfield (1997) has shown that problems once confined to central cities, such as crime, unemployment, and tax-base erosion, tend eventually to undercut the stability of the suburbs.

At the same time, systematic cross-sectional studies have gone farther and slowly suggested the interrelation of urban and suburban fortunes, and the likelihood of substantial spillover effects from one kind of community to another. Analyses by Richard Voith (1992), H.V. Savitch and colleagues (1993), and Larry Ledebur and William Barnes (1993), for example, have all associated central city decline and wide urban-suburban prosperity gaps with regional stagnation, as measured by slowed income growth. These assessments suggest that urban decay can undercut the attractiveness of the entire region by harming its ability to maintain the physical infrastructure, reducing the number of regionally valued amenities, weakening its agglomeration economies, and imposing other social costs manifested by high crime, poor health, and unproductive workers.

Conversely, and even more on point, rigorous empirical calculations by Voith (1998) and Pastor (2000) have shown, respectively, that boosting central city income growth and reducing core poverty each tend to improve overall metropolitan area income growth. This work demonstrates that to a measurable degree suburban welfare depends on central-city welfare.

Hence the claim about smarter growth development: to the extent smarter growth development patterns place a high priority on reinvesting in older established neighborhoods and regional centers as opposed to facilitating decentralization, they will likely tend to improve the region’s economic performance and benefit city-dwellers and suburbanites alike.

This, then, is the third and culminating contention about smarter growth development’s virtues as a fiscal and economic strategy: by focusing greater attention on the center city, smarter growth development patterns will over time generate growing economic benefits across the entire region, including the suburbs. In short, smarter growth development patterns benefit the suburbs as well as the city.

NOTE: For a full examination of what the academic research says and what impacts smarter growth development patterns have on fiscal, economic, and regional health specifically, please see the Brookings Institution Center on Urban and Metropolitan Policy’s companion paper, “Investing in a Better Future: A Review of the Fiscal and Competitive Advantages of Smarter Growth Development Patterns.” Also written by Mark Muro and Robert Puentes, this paper provides a detailed review of the academic research. It is available at www.brookings.edu/urban.

Pulling It All Together: Smarter Growth Development Patterns as Smart Money

The case can be made, then: A portfolio of provocative evidence suggests quite strongly that smarter growth development patterns have the potential to reduce governments' capital facility costs, reduce their costs of delivering services, and improve regional economic performance as well.

Using a model developed by Burchell and others (2002) which reflects a single methodology and a national scope, it appears on the fiscal side that:

- Capital facilities projects offer the largest promise for reducing the fiscal demands of development using smarter growth development patterns. By the Burchell group's calculations, shifting to a modestly more compact development pattern could yield percentage savings in the low double digits (around 11 percent) from 25-year capital outlay estimates for roads and water/sewer lines. Road building savings are key. Nationally, road building promises almost ten times the 25-year dollar savings (\$110 billion versus \$12.6 billion) and twice the percentage savings (11.8 percent versus 6.6 percent) of water and sewer link construction.
- Operations/maintenance and service delivery spending, meanwhile, hold the potential for more moderate savings of perhaps \$4 billion a year, or 2.7 percent, according to the same assessments. Over 25 years, however, these operational savings could begin to approach those to be wrung from local infrastructure costs.

Of these savings it can be said that they are solid, but not spectacular; long-term rather than immediate. That the American economy represents a \$11-trillion enterprise (rising to \$20 trillion in 2025) may help to put these meaningful but not massive savings in perspective.

At the same time, econometric work suggests potentially more potent benefits of smarter growth development patterns may accrue on the wider economic front:

- Productivity and overall economic performance may be improved to the extent smarter growth development elevates regions' employment density and improves transportation efficiency; and

- Likewise, regional and suburban prosperity may be increased to the extent smarter growth development improves the fortunes of the center city by channeling new development into urban cores.

These productivity, prosperity, and equity benefits of smarter growth development patterns will become especially tantalizing as states and regions seek to enhance their competitiveness once the economy picks up.

Suggestions for Future Research

Of course, much more work needs to be done to strengthen the fiscal and economic case for smarter growth development.

On the fiscal side, while numerous studies suggest the benefits of more compact growth, the evidence remains hard to interpret, and harder to translate.

The primary reason is that modeling dominates the literature and remains heavily determined by the parameters and definitions of the particular study. Case studies bring the models down to earth but remain strongly affected by factors specific to particular localities. Meanwhile, the absence of standardized measures of expenditure, service levels, sprawl, and "smart growth" make it hard to draw universal conclusions beyond the general conclusion that low-density-development is more expensive to support. Generalizations are therefore difficult to make.

For this reason, a crying need remains for a widely publicized, systematic, and authoritative synthesis and comparison of the best studies conducted in different states and regions. Similarly, it must be said that the prominence of modeling brings with it an air of the theoretical. In this connection, Bunnell (1997) has rightly observed that for fiscal impact research to become more meaningful and educationally useful, "greater emphasis needs to be placed on empirical studies that examine actual patterns of development, in actual geographic and fiscal contexts."

Such "reality-based" research—especially comparing differently planned neighboring communities operating

under similar fiscal, tax, and service structures—would “tell the story” in a more tangible way. Especially useful for those concerned with smarter growth development patterns would be detailed fiscal studies comparing paragon smarter growth communities with nearby traditional ones operating within similar tax, regulatory, and service structures. Clearly a shortcoming of this essay has been its reliance on studies assessing such proxy characteristics as density or compactness in lieu of the full panoply of “smart growth” characteristics, ranging from centeredness and walkability to mixed uses and transportation choice.

Similarly, the state of knowledge on aggregate economic impacts remains suggestive, but far from decisive. Complex statistical and mathematical analysis comes into play even more in this field, making its conclusions less satisfying. Some “findings” feel more like mathematical exercises than real-world empirical discoveries. And many studies—while intriguing—lack rigor.

A case in point are some of the studies asserting an association between smarter growth-type urban interven-

Conclusion

And yet, the dollarwise benefits of smarter growth development patterns can clearly be affirmed.

With governments, regions, and states under increased pressure to reduce costs and reenergize slumping economies, abundant evidence confirms that embracing smart growth can help on both scores.

Best known are the fiscal benefits. By concentrating households nearer existing infrastructure and service networks, the adoption of smarter growth development patterns by municipalities and regions can reduce the costs of providing new roads, new water lines, and fire protection to a given number of new residents. Communities should in this fashion recognize that sprawl contributes to budgetary distress and that better managing development patterns can play a role in con-

tions and enhanced economic growth on the basis of simple correlations. As Pastor and Gottlieb caution, simple correlations cannot confirm the order of events. Already noted was the possible intrusion on such correlations of outside effects like a region-wide economic boom that lifted multiple cities and their suburbs. So too might a booming suburban economy drag a sagging center out of the doldrums and improve prosperity across the region, all while it appeared that core enhancement boosted the suburbs. Clearly the possibility of a relationship between urban form and character and overall economic performance must remain a major area of concerted investigation.

The fact remains, moreover, that the fiscal and economic benefit of numerous other aspects of alternative growth patterns remains unquantified. Suffice it to say that much more work needs to be done to evaluate the real fiscal and economic value of redevelopment and reinvestment; transit investment as compared to highway construction; mixed-use versus single-use development; conservation; and historic preservation.

trolling rising costs and framing long-term solutions. At the same time, though, newer research points beyond these likely incremental cost savings to a more speculative, more exciting, benefit. Smarter growth development patterns, it seems, may also hold some power to enhance the performance of whole economies, as well as incomes across whole regions, including in the suburbs.

In this fashion, advocates of smarter growth development patterns have before them a powerful insight that well complements their longstanding fiscal claims with a more alluring vision of enhanced prosperity.

More and more, it looks they can answer the business elite’s question, “What’s in it for me?” with a confident “Plenty!”

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Endnotes

1. Mark Muro is senior policy analyst and Robert Puentes is senior research manager at the Brookings Institution Center on Urban and Metropolitan Policy.
2. This paper is published by the Funders' Network for Smart Growth and Livable Communities, whose mission is to strengthen funders' abilities to support organizations working to build more livable communities through smarter growth policies and practices. For more information, see www.fundersnetwork.org.
3. Christopher Hoene and Michael A. Pagano, "Fiscal Crisis Trickles Down as States Cut Aid to Cities" (Washington: National League of Cities, 2003).
4. Associated Press State and Local Wire, "Maryland's Ex-Governor Says Sprawl is Fiscally Irresponsible," February 26, 2003.
5. "Quality of Life Task Force Final Report," Presented to Governor Mark Sanford, February 6, 2003. Available at www.state.sc.us/governor/reports.html.
6. Jennifer Granholm, "Michigan Land Use Leadership Council / Michigan Department of Environmental Quality," Executive Order No. 2003-4, February 27, 2003.
7. Keith Schneider, "Turfism is an Anachronism: Granholm Responds to Council Report, Sets Priorities to Strengthen Cities, Lasso Sprawl," Great Lakes Bulletin News Service, November 4, 2003. Available at www.mlui.org/growthmanagement/fullarticle.asp?fileid=16589.
8. See Anthony Downs, "What Does 'Smart Growth' Really Mean?" *Planning*, April 2001.
9. It should be cautioned, however, that much of this literature fails to consider the role—and hidden costs—of public policy in facilitating such development. Transportation policies support the expansion of road capacity at the fringe of metropolitan areas and beyond, which enables people and businesses to locate miles from urban centers but still benefit from metropolitan life. Tax and regulatory policies have also given added impetus to people's tendencies to move further and further out. For example, the deductibility under federal income taxes of mortgage interest and property taxes appears spatially neutral but in practice favors suburban communities, because they have higher home-ownership rates and higher-income residents. Superfund and other environmental policies, for their part, have helped make the redevelopment of urban land prohibitively expensive and cumbersome, increasing the attraction of suburban greenfields. At the same time, costs such as increased infrastructure outlays, air pollution, or associated urban disinvestment frequently go uncalculated in discussions of the benefits of sprawl.
10. Of course, higher densities also impose greater loads on street and sewer lines, which may also impose costs.
11. These and other state and local government finance figures come from U.S. Census Bureau, "State and Local Government Finances by Level of Government and by State: 1999–2000." Available at www.census.gov/govs/estimate/00s100us.html (March 2003).
12. It is important to note that housing prices are uncertain and depend greatly on the type of regulation imposed. It is also important to note that to reduce the negative impacts on housing *affordability*, regionally-based smart growth and growth management efforts typically have inclusionary elements specifically intended to broaden choices to more housing segments (Nelson and others 2002; Nelson and Duncan 1995).
13. "Growth management" is also a term that requires some definition. We define growth management as the deliberate and integrated use of the planning, regulatory, and fiscal authority of state and local governments to influence the pattern of growth and development in order to meet projected needs. Included in this definition are such tools as comprehensive planning, zoning, subdivision regulations, property taxes and development fees, infrastructure investments, and other policy instruments that significantly influence the development of land and the construction of housing. Growth management is often distinguished from growth control. Where growth management accommodates projected development in a manner that achieves broad public goals, growth controls limit or ration development. Typical growth control tools are moratoria, permitting caps, development quotas, and the like (Nelson and others, 2002).



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