



# Pricing Growth



**Tim Trohimovich, AICP  
Danielle Hursh  
Rich Thorsten**



November 2001

## Acknowledgements

Thanks to the King County Planning Directors Group, Shane Hope, State of Washington Office of Community Development, and Pete Butkus, formerly with the State of Washington Public Works Board, for their helpful ideas and suggestions. Thanks also to Mieke Bowmann for her editing help.

*Pricing and Financing Smart Growth* was made possible by generous grants from the Bullitt Foundation, the Hewlett Foundation, the Henry M. Jackson Foundation, and the Konsgaard-Goldman Foundation.

### 1000 Friends of Washington

1000 Friends of Washington is the only statewide organization in Washington that brings citizens together to manage growth and stop sprawl. 1000 Friends promotes vital communities by encouraging compact, transit-friendly, and walkable neighborhoods. Through grassroots organizing and advocacy, we work to protect Washington's open spaces, farms, forests, and watersheds while making our towns and cities better places to live. We work to enhance the quality of life in Washington's communities and to conserve natural resources while supporting a healthy and sustainable economy.

Incorporated in 1990 as a non-profit 501(c)(3) organization, 1000 Friends of Washington is governed by a statewide Board of Directors and depends on the support of members and charitable foundations for its continuing operation. We encourage you to support the work of 1000 Friends of Washington. Basic membership begins at \$30 for individuals and \$50 for families.

### To Obtain a Copy of this Report or Other Reports from 1000 Friends of Washington

Copies of this report and other reports from 1000 Friends of Washington may be downloaded from the 1000 Friends of Washington website: [www.1000friends.org](http://www.1000friends.org)

A limited number of copies may also be obtained from:

1000 Friends of Washington  
776 Thomas Street  
Seattle, Washington 98109  
(until 12-01-2001)

1000 Friends of Washington  
1617 Boylston Ave, Suite 200  
Seattle, Washington 98122  
(after 12-01-2001)

(206) 343-0681 phone  
(206) 343-0683 fax

[friends@1000friends.org](mailto:friends@1000friends.org)

The most effective plans are implemented by both carrots and sticks. This is especially true for smart growth, which relies on encouraging the right kind of growth in the right location as well as discouraging poorly planned sprawl

on wetlands, forests, and farmlands.

This report describes the carrots that can be used to encourage smart growth. They include incentives and measures to price growth. Incentives encourage growth in smart growth locations. Pricing measures use

taxes and fees to signal to the market the best locations for growth. Using incentives and sending price signals will encourage smart growth, and the community will achieve the highest return from its investments, both public and private.

## Introduction and Summary

### This report consists of six parts:

#### ❖ Introduction and Executive Summary.

This introduction sets out the purpose of the report and its organization. It is followed by a summary of the tools and reforms identified in this report.

#### ❖ Chapter One:

##### What is Smart

**Growth.** Chapter One briefly summarizes the key principles of smart growth. They are (1) the efficient use of land resources, (2) full use of our current urban services, (3) mixed-use neighborhoods, (4) transportation options, and (5) human-scale design.

#### ❖ Chapter Two:

##### Costs of Sprawl in Washington State.

Chapter Two briefly summarizes the economic, social, and environmental costs of sprawl. There is an extensive literature on these costs and this chapter notes the key findings. The chapter concludes that sprawl has more costs than the compact development that smart growth encourages.

#### ❖ Chapter Three:

##### Local Smart Growth

**Finance Tools.** These are the measures that Washington local govern-

ments can use today to encourage smart growth and to price growth. The tools include investing existing city and county revenues to encourage smart growth, using impact fees and connection charges to price growth outside smart growth areas, and using community revitalization financing to encourage redevelopment in smart growth locations. All of these tools are workable, effective, and can be used today. Their use will make public and private investments more efficient and productive. They will also help reduce the economic, social, and environmental impacts of sprawl. These tools generally help accomplish most of the smart growth principles described in Chapter One. The table at the end of the Introduction and Executive Summary includes a brief description each of the eight existing tools and refers to the page where the discussion of the tool can be found.

#### ❖ Chapter Four:

**State Reforms to Price Growth & Encourage Smart Growth.** These tools require the Govern-

nor and the Washington State Legislature to amend Washington state law. In the case of tax reform and street utilities, constitutional amendments may be required. These legislative actions would improve the prospects for smart growth in Washington State and help to make public and private investments more efficient and effective. They would also reduce the costs of sprawl. These reforms generally help accomplish most of the smart growth principles described in Chapter One. The table at the end of the Introduction and Executive Summary summarizes each of the 14 reforms and refers to the page where the discussion of the reform can be found.

❖ **Bibliography.** The bibliography lists sources of additional information on the tools and reforms identified in this report. It includes sources of additional information so local and state governments can put these tools to work in their communities and Washington State.

**Summary of Tools and Reforms**

**Local Government Smart Growth Finance Tools**

(See Chapter Three)

<b>Financing and Pricing Tools and Description</b>	<b>Page Number of Description</b>
<p><b>1. Target Public Investments for Smart Growth &amp; Adopt Focused Public Investment Plans</b></p> <p>Use public facility and amenity investments to encourage smart growth. An additional and beneficial step would be to adopt a focused public investment plan that identifies the parts of the urban growth area where public funding for public facilities will be focused.</p>	<b>13</b>
<p><b>2. Impact Fees and SEPA Mitigation Should Reflect the Costs of Development and Encourage Growth in Smart Growth Locations</b></p> <p>Impact fees are payments made by new developments to fund the capital facilities needed to accommodate growth. They can be charged for transportation, parks and recreation, school, and fire facilities. Impact fees should be set to reflect the often higher costs of serving the urban fringe and the targeting of public funds to centers and other smart growth locations.</p>	<b>15</b>
<p><b>3. Utility Connection Charges Should Reflect the Capital Facilities Needed to Serve an Area</b></p> <p>Utility connection charges pay a development’s fair share in the existing water, sewer, and storm water systems and the new utility facilities needed to accommodate growth. Connection charges should be set to reflect the often higher costs of serving the urban fringe and the targeting of public funds to centers and other smart growth locations.</p>	<b>16</b>
<p><b>4. Cost Based Utility Rates</b></p> <p>Cities, special districts, public utility districts (PUDs), and, in some cases counties, have service charges to fund the operation of water systems, sewer systems, and other utilities. These charges should reflect the higher costs of serving more remote locations due to longer pipe runs and other costs.</p>	<b>17</b>
<p><b>5. Use Local Improvement Districts (LIDs) and Utility Local Improvement Districts (ULIDs) to Help Fund Public Facilities in Smart Growth Locations</b></p> <p>LIDs and ULIDs are a method of financing public facilities and paying for them over time. LIDs and ULIDs are complicated to setup and administer, but properly used LIDs and ULIDs can help finance public improvements in smart growth locations.</p>	<b>18</b>

<b>Financing and Pricing Tools and Description</b>	<b>Page Number of Description</b>
<p><b>6. Adopt Real Estate Excise Taxes to Help Fund Public Facilities and Conservation Areas</b></p> <p>Real estate excise taxes are paid when real estate is sold. Cities and counties may levy two real estate excise taxes of up to 0.25 percent each for capital facilities. In addition, a county can levy a real estate excise tax of up to one percent for the acquisition and maintenance of conservation areas. One of the 0.25 percent taxes and the one percent tax require voter approval.</p>	<p><b>19</b></p>
<p><b>7. Interlocal Agreements and Joint Planning Areas</b></p> <p>Interlocal agreements are agreements between cities, counties, or water and sewer districts that identify who will provide public services in certain areas, annex lands, or share tax revenues. Joint planning areas are areas where local governments, and in some cases state and federal agencies, agree to cooperatively plan. These measures can reduce service costs and reduce competition between jurisdictions that may result in deteriorating centers and sprawl. They can also result in better plans and better communities.</p>	<p><b>19</b></p>
<p><b>8. Use and Monitor Community Revitalization Financing to Encourage Redevelopment</b></p> <p>Community Revitalization Financing uses public investments to encourage development in an underused part of the community where growth is wanted. This encourages private investment and increases property tax revenues. Seventy-five percent of this increase in property tax revenues is used to repay the bonds that funded the public improvements. Washington State's Community Revitalization Financing laws should be monitored and reformed if necessary to make them more effective.</p>	<p><b>21</b></p>

**Local Government Smart Growth Finance Tools**

(continued)

## Reforms to Price Growth & Encourage Smart Growth

(See Chapter Four)

Financing and Pricing Reforms and Description	Page Number of Description
<p><b>1. Adopt a Washington Smart Growth Investment Strategy</b> Target state grants, loans, facilities, and spending to existing down-towns, town centers, urban growth areas, industrial areas and other locally determined smart growth sites.</p>	<b>23</b>
<p><b>2. Require GMA and SMA Compliance for Grants and Loans</b> The Growth Management Act (GMA) requires cities and counties to adopt comprehensive plans and development regulations and periodically update them. GMA compliance is now required for two funding programs. Compliance with GMA and Shoreline Management Act (SMA) planning and updating requirements should be a requirement for state and federal grants and loans to encourage smart planning.</p>	<b>24</b>
<p><b>3. MPOs and RTPOs Should Target Federal Transportation Capacity Funding to Smart Growth Locations</b> Metropolitan Planning Organizations (MPOs) and Rural Transportation Planning Organizations (RTPOs) already identify transportation needs and help distribute federal funding. They should target federal transportation capacity funding to priority smart growth locations, especially those having difficulty attracting private investments to encourage their development.</p>	<b>25</b>
<p><b>4. Build Smart Schools to Encourage Smart Growth</b> State school policies and funding should encourage the construction of new schools within existing communities and, where feasible, the modernization, rehabilitation, and expansion of existing well-built schools.</p>	<b>25</b>
<p><b>5. Reform State Laws on Development Mitigation</b> The state laws that authorize development mitigation should be updated and made more flexible and effective.</p>	<b>26</b>
<p><b>6. Reform Impact Fee Authorities</b> Impact fees are payments made by new developments to fund the capital facilities needed to accommodate growth. They can be charged for transportation, parks and recreation, school, and fire facilities. The state laws authorizing these fees should be updated to make their administration and use more effective.</p>	<b>26</b>
<p><b>7. Authorize Street Utilities</b> A utility charge is a payment to fund the maintenance of a public facility, in this case streets. Due to a state supreme court decision, street utilities are not allowed in Washington State. The street utility laws and, if needed, the state constitution should be amended to allow local governments to adopt a street utility and use the additional revenues to help reduce general taxes such as property or sales taxes.</p>	<b>27</b>
<p><b>8. Extend the Ten-Year Property Tax Exemption for New or Rehabilitated Multifamily Housing to All GMA Cities and to Transit Stations and High Frequency Transit Routes</b> Washington currently exempts new or rehabilitated multi-family housing in centers for cities of 50,000 or more residents to encourage residential construction in these areas. This exemption should be expanded to all cities that plan under the GMA and to transit centers and high frequency transit routes.</p>	<b>28</b>

Financing and Pricing Reforms and Description	Page Number of Description
<p><b>9. Authorize Fiscal Home Rule</b></p> <p>Fiscal home rule refers to allowing local governments to enact the taxes of their choice within the requirements of the Washington State and U.S. Constitutions. Currently in Washington State, local governments can only adopt taxes and charges authorized by state law and this gives local governments little flexibility in raising revenues. Fiscal home rule will allow a community to plan for the future it wants and design a tax system to fit that community, rather than to design the community to fit Washington’s current tax system.</p>	<p><b>29</b></p>
<p><b>10. Continue Tax Equalization Funding and Authorize Tax Base Sharing</b></p> <p>Allow, and under the right circumstances legislatively require, local governments to share tax revenues to reduce fiscal competition between local governments. Help counties fund regional services as cities annex unincorporated urban areas.</p>	<p><b>29</b></p>
<p><b>11. Transportation Pricing Strategies</b></p> <p>Transportation pricing strategies either charge for the use of transportation facilities, such as new toll lanes, or encourage reductions in the number of single-occupancy vehicle trips. These strategies, individually or together, have a significant potential to fund new facilities and reduce demand. This would result in increased mobility. Local, regional, and state agencies should consider using these valuable tools.</p>	<p><b>30</b></p>
<p><b>12. Adopt or Authorize a Development Excise Tax to Fund Growth Management Planning or a Fee for Community- or Neighborhood-wide Environmental Review</b></p> <p>High quality and effective planning can lead both to smart growth and more efficient permitting, reducing development costs. Community- or neighborhood-wide environmental review can be more effective and cheaper than the predominate project-by-project approach. A development excise tax, a tax paid during the development process, will allow local governments to effectively do this work. Alternatively, the legislature should authorize local governments to charge a fee to pay for this work.</p>	<p><b>33</b></p>
<p><b>13. Adopt a Sprawl Conversion Tax</b></p> <p>A sprawl conversion tax would apply to the conversion of forest and agricultural lands to residential, commercial, and non-natural resource industrial uses. The tax proceeds will be used to purchase conservation easements from voluntary sellers to permanently protect forest and farm lands statewide.</p>	<p><b>34</b></p>
<p><b>14. Comprehensive Tax Reform</b></p> <p>A variety of property and other tax reforms have been suggested. The legislature should comprehensively consider these ideas.</p>	<p><b>35</b></p>

**Reforms to Price Growth & Encourage Smart Growth**

(continued)

# Chapter One: What is Smart Growth

## An Introduction to Smart Growth

Washington State has been growing at a rapid pace, yet, like the rest of America, we are developing more land than our population requires with developed land increasing faster than the population. For example the National Resource Inventory reports that the average annual rate of the conversion of rural resource lands to developed lands almost doubled in 1992 through 1997 compared to 1982 through 1992. The conversion rates are shown in the table below.

### Average Annual Conversion to Rate of Rural Resource Lands to Developed Lands for Washington State

Resource Lands	1982 through 1992 (Acres Per Year)	1992 through 1997 (Acres Per Year)
Cropland	7,270	20,300
Pastureland	5,700	13,480
Rangeland	3,810	6,100
Forestland	18,550	25,400
All Resource Lands	35,330	65,280

Source: 1997 National Resource Inventory, Washington State Web Page (Revised December 2000).

Current growth practices envelop rural communities, threaten urban cores, destroy our open spaces and natural areas, and threaten our small communities. Smart growth offers a different approach to land use planning. Smart growth promotes a sustainable way to develop our land resources through the efficient use of land resources, maximizing our current urban services, developing mixed-use

neighborhoods, providing transportation options, and incorporating human-scale design to make our communities more livable. It also encourages the development of communities we all want to live in, communities that have a sense of place, that meet our needs, and that give us choices.

### A Comparison of Smart Growth and Unmanaged Sprawl

Smart growth refers to planning techniques that seek to build communities that are more livable and that consume less land and fewer natural resources. Smart growth is an alternative to sprawl. The major characteristics of the two land use patterns are summarized in the table below.

### Five Smart Growth Principles

Smart growth has five key principles. They were taken from *The Principles of Smart Development*.<sup>\*</sup> Each principle is summarized below.

### Efficient Use of Land Resources

Smart growth promotes the efficient use of land, providing for the uses we need while maintaining the green spaces that make the northwest so special. Regionally, the efficient use of land can protect wetlands, forests, fields, and open spaces. Locally, the efficient use of land allows the protection of stream corridors as greenways and maintains land for parks. Efficient use of land can also allow uses to be closer together, reducing travel

#### Smart Growth

- Higher-density, compact development.
- Human-scale design.
- Development focuses on already built-up areas (infill or brownfield redevelopment).
- Mixed land uses.
- Multi-modal transportation and land use patterns that support walking, biking, and public transit.
- Streets designed to accommodate a variety of activities. Traffic calming.
- Planned and coordinated with other jurisdictions and stakeholders.

#### Unmanaged Sprawl

- Low-density development.
- Large-scale, auto-oriented design.
- Urban periphery (greenfield) development.
- Large areas of homogeneous land use.
- Automobile-oriented transportation and land use patterns, poorly suited for walking, biking, and transit.
- Streets designed to maximize traffic volume and speed.
- Unplanned, with little coordination between stakeholders.

Source: Victoria Transport Policy Institute, Online TDM Encyclopedia (March 2001). Modified by 1000 Friends of Washington.

<sup>\*</sup>Oregon Transportation and Growth Management Program. The Principles of Smart Development 7-9 (Planning Advisory Service Report Number 479, September 1998).

times and making walking, biking, and transit better travel options.

Efficient use of our land resources need not include the destruction of viable neighborhoods for higher density development. Efficient use of our land does include: building compactly on vacant lots, encouraging infill that is scaled to the neighborhood, encouraging brownfield redevelopment where economically and ecologically possible, and considering the best use of the land when planning for vacant land on the edges of our communities. Brownfield redevelopment refers to cleaning up sites that are underused and may contain contamination and reusing these sites for new homes, businesses, and parks.

### Full Use of Our Current Urban Services

By using our land efficiently, we can absorb significant amounts of growth into neighborhoods and business centers that are served by existing public facilities and public services. Developing outlying areas, or greenfields, requires huge investments in public facilities and services including sewer lines, water lines, streets, roads, highways, and storm drains. These facilities are costly to maintain and service. In many cases urban areas that have existing public facilities also have enough unused capacity to support denser growth

within those areas. Even if some public facilities need to be upgraded, those upgrades are often needed whether new development locates in these areas or not. By efficiently using our land resources, the capacities of our current urban services can be maximized, reducing service costs.

### Mixed-Use Neighborhoods

Balanced communities and balanced neighborhoods result in a variety of benefits. Mixed-use development integrates appropriately scaled retail uses and offices with residential areas, schools, and recreation spaces in order to provide access to a variety of services. The benefits of mixed-use neighborhoods include independence of movement for individuals who do not or cannot drive such as children, a safer neighborhood because people are active in the community around-the-clock, reduced automobile reliance and use (which reduces traffic, saves individuals money, and creates less pollution), local support for people who work at home, a variety of housing choices creating a more diverse neighborhood, and opportunities for increased social contact and community

involvement. The Victoria Transport Policy Institute estimates that residential mixed-use developments reduce vehicle travel by five percent, seven to 15 percent if they are located along a transit line or near a transit center. For commercial mixed-use developments, the institute estimates the vehicle travel reductions are seven to 20 percent depending on the proximity to transit.

### Transportation Options

Increasingly, America is becoming gridlocked. Washington is no exception.

Transportation solutions need to include a variety travel modes. These options need to be convenient, safe, reliable, and interesting. In compact, mixed use neighborhoods, walking, biking, and transit can be efficient choices. A convenient street network begins with a con-

## Five Smart Growth Principles:

**Efficient Use of Land Resources**

**Full Use of Our Current Urban Services**

**Mixed-Use Neighborhoods**

**Transportation Options**

**Human-Scale Design**



## Five Smart Growth Principles... continued

nected street system that provides a variety of routes for walking, biking, driving, and transit. The streets must include safe sidewalks, street crossings, and bikeways. A well-designed street system increases safety by channeling heavy traffic



around the neighborhood. The street network also increases reliability by providing alternative travel routes and travel modes. Having the jobs and services we need close to home also reduces the need to travel long distances during the day. Well-designed buildings and attractive streetscapes are also important because they encourage walking. Studies have shown that people will walk farther if they have an attractive, interesting route.

Encouraging neighborhoods to become more pedestrian and bicycle friendly has many benefits. The need for fami-

lies to own many vehicles is reduced, saving money. Walking, biking and visiting neighborhood shops, services, and parks encourage interactions with neighbors and builds a sense of community. Walking and biking on safe streets is healthier than driving. It also allows people who cannot or do not drive to be independent. Walking and biking can reduce congestion, air pollution, and the production of greenhouse gases.

### Human-Scale Design

The automobile has driven American scale and design since the 1950's with the adoption of the interstate highway system and the development of the American suburb. Such large-scale design has left people stranded at home, required them to traverse immense parking lots, forced them to travel busy streetscapes, and made them struggle to remain connected to their neighbors and communities.

Human-scale design helps reduce these traumas by preserving a neighborhood's character, building pedestrian friendly connections, encouraging the use of transit, developing buildings sized to a pedestrian's scale, and encouraging people to participate in their neighborhoods rather than isolate themselves in an automobile. Overall, human-scale design is the attention to detail needed to make all the other tools of smart growth possible, an important tool to accomplish attractive, comfortable, and livable communities. The kind of communities that we would choose to live in if we are given the choice.

In sum, these five principles build on each other to create communities that leave room for open spaces, efficiently use our public investments in streets and utilities, meet the needs of our families, give us the options we need to travel during the day and week, and are attractive. This is the promise of smart growth.



### Costs of Sprawl in Washington State

Chapter One described the five key principles of smart growth. This chapter summarizes the costs of sprawl. The chapter leads off with a listing of the adverse impacts of sprawl. As we will see, these costs include increased costs for capital facilities, higher transportation and travel costs, environmental costs, quality of life impacts, and social costs.\*\* The chapter then quantifies these costs for various public facilities.

### The Adverse Impacts of Sprawl

#### Public-Private Capital and Operating Costs

Low-density development leads to higher public facility capital costs. Public facilities include streets, water systems, sewer systems, storm drainage systems, parks, schools, public works facilities, administrative facilities, fire stations and trucks, police stations, jails, and vehicles. A comparison of the higher costs is shown in the table, above right. This table uses percentages to compare the costs of sprawl development with more compact development. Typical sprawl development costs are 100 percent. So percentages less than 100 represent savings compared to sprawl.

Studies in Washington State have reached similar conclusions.

**King County:** In 1994, as the county was evaluating the countywide planning policies adopted under the state's Growth Management Act, Tischler & Associates prepared an analysis for the King County Growth Management Planning Council that highlighted options for future development. Analyzing five separate alternatives, the study concluded that the scenarios featuring more compact urban center development cost less money to serve, generated more funds for utility districts, and significantly reduced environmental impacts in rural and agricultural areas.

The first alternative was a Current Patterns approach that continued Spokane's recent trend of development sprawling outward. The other two alternatives, Centers & Corridors and Downtown Redevelopment, focused growth more compactly within designated neighborhood centers and downtown. This study included only operating costs, and did not address the capital costs of new development. The study concluded that the more focused alternatives were cheaper to serve than the Current Patterns Alternative. However, the differences were not large, mostly because the

## Chapter Two: Costs of Sprawl in Washington State The Adverse Impacts of Sprawl

### Compact Development Costs as a Percentage of Sprawl Development Costs: Findings from Three Major Studies

Infrastructure Category	Sprawl Development	Duncan Study (1989)	Frank Study (1992)	Burchell Studies (1992-97)	Synthesis Percentage
Roads (local)	100%	40%	73%	74-88%	≈75%
Schools	100%	93%	99%	97%	≈95%
Utilities	100%	60%	66%	86-93%	≈80%

Source: Robert W. Burchell, Naveed A. Shad, David Listokin, Hilary Phillips, Anthony Downs, Samuel Seskin, Judy S. Davis, Terry Moore, David Helton, Michelle Gall. The Costs of Sprawl—Revisited 49 (Transit Cooperative Research Program Report 39, Transportation Research Board, National Research Council 1998). Cited herein as The Costs of Sprawl—Revisited.

**City of Spokane:** The city recently analyzed three separate alternatives in preparing their comprehensive plan. change in growth locations between the alternatives were small and only operating costs were considered. The table

### Sprawl vs. Compact Development: Comparing the Fiscal Costs & Benefits in the City of Spokane for a Typical Year After the Growth Forecast Has Occurred (Revenues & Expenditures)

Category	Current Patterns	Centers & Corridors	Downtown Focus
Revenues	\$55,335,000	\$50,739,000	\$50,615,000
Expenditures	\$60,780,000	\$49,630,000	\$48,809,000
<b>Surplus/(Deficit)</b>	<b>\$(5,444,000)</b>	<b>\$1,110,000</b>	<b>\$1,806,000</b>

Source: Huckell/Weinman Associates, Inc. Fiscal Analysis for the Draft Comprehensive Plan 10 (August 2000).

\*\*Unless otherwise noted, the source of the adverse impacts is Robert W. Burchell, Naveed A. Shad, David Listokin, Hilary Phillips, Anthony Downs, Samuel Seskin, Judy S. Davis, Terry Moore, David Helton, Michelle Gall. The Costs of Sprawl—Revisited 49 (Transit Cooperative Research Program Report 39, Transportation Research Board, National Research Council 1998).

# The Adverse Impacts of Sprawl

continued

above compares the alternatives for a typical year after the growth forecast in the comprehensive plan is achieved.

■ Sprawl also increases public utility operating and maintenance

costs. A study of ten waste water systems in the Chicago and Cleveland metropolitan areas for the Natural Resources Defense Council found that the density of development was the primary factor in per housing unit operating and maintenance costs for sewer conveyance. In low-density areas, operating and maintenance costs were twice as high per housing unit served as in higher density areas.

■ There is some agreement among the studies that sprawl has adverse fiscal impacts on governments compared to compact development because operating costs are higher. Local governments also tend to compete for the most fiscally advantageous uses. There is some agreement that these impacts are associated with sprawl.

■ There is also some agreement in that the total public and private land costs are higher for sprawl than for more compact forms of development. While land prices tend to be lower for sprawl development types, the densities are lower too. More compact forms do have higher land prices, but spread these higher costs over more residents and more jobs, reducing total land costs. There is also evidence that where residential growth is limited rather than managed, housing prices are higher than in comparable communities that focus on managing growth.

## Transportation and Travel Costs

■ *The Costs of Sprawl—Revisited* concluded that the studies show that “[s]prawl generates more total miles of vehicle travel than more compact forms of development.”

■ *The Costs of Sprawl—Revisited* also concluded that the studies demonstrate that “[a] greater share of trips are made by car and a lesser share by transit, walking, and bicycling in sprawl development than in more compact development.”

■ Transit service is less efficient and effective in sprawl development compared to compact development because trip origins and destinations are more dispersed.

■ Studies of the full cost of travel have shown that single-occupancy vehicles, the dominant travel mode in poorly planned sprawl, have the highest social costs. The social costs include air and water pollution, noise pollution, parking costs, road construction and maintenance costs not paid by automobile users, and losses due to accidents not paid by drivers.

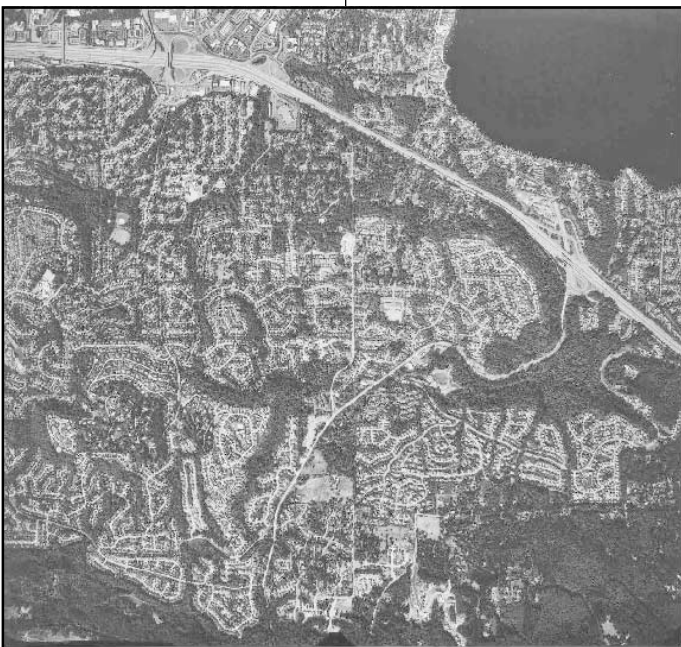
## Environment and Natural Habitat Preservation Costs

■ Sprawl converts more prime agricultural land from farming to urban uses than more compact forms of development.

■ Sprawl destroys more critical areas and



Above: I-90 area southwest of Lake Sammamish 1982



Below: I-90 area southwest of Lake Sammamish 2000

other environmentally sensitive areas than more compact development.

■ In *Our Built and Natural Environments*, the United States Environmental Protection Agency concluded that sprawl resulted in fish and wildlife habitat losses and habitat fragmentation, the separation of habitats by development. Habitat fragmentation reduces the value of the habitat, reduces breeding choices, and increases the risk that the plants, animals, and fish that live in the habitat may be wiped out by fires or other natural catastrophes.

■ *Our Built and Natural Environments* also concluded that sprawl's dispersed development pattern has significant water quality impacts. "The construction of impervious surfaces such as roads and rooftops leads to the degradation of water quality by increasing runoff volume, altering regular stream flow and watershed hydrology, reducing groundwater recharge, and increasing stream sedimentation and water acidity."

■ In the Puget Sound lowlands, the point at which these adverse impacts occur has been quantified. Scientists at the University of Washington have concluded that although impacts on salmon habitat from urbanization occur in a linear fashion, changes to the physical and biological factors necessary for high quality salmon habitat occurs most rapidly

when five to ten percent of a river basin is covered by impervious surfaces (roads, buildings, and parking lots).

■ There is some agreement that sprawl consumes more energy, especially more oil, than more compact forms of development.

■ In *City Limits: Putting the Brakes on Sprawl*, the Worldwatch Institute concluded that sprawl and its reliance on cars for transportation generates more greenhouse gases than more compact cities. Greenhouse gases are the gases that retain the sun's heat in the atmosphere and contribute to global climate change.

### Quality of Life Impacts

■ There is some agreement that sprawl results in less of a sense of community than more compact development patterns.

■ The literature indicates that commuting leads to stress and that sprawling communities require longer commutes.

### Social Issues

■ Sprawl contributes to the migration of high income taxpayers and firms from central cities to suburbs. This weakens the tax base of the central city, often resulting in increased taxes and further out-migration. While there are many causes of this syndrome, sprawl contributes to central city fiscal deterioration.

■ In addition to weakening the tax base of cit-

ies, the out-migration sprawl contributes to results in deteriorating physical conditions and building abandonment.

■ In *Seattle Metropolitica*, Myron Orfield noted that these adverse effects are not confined to central cities. They can also affect suburbs as growth shifts to the fringe of the metropolitan area.

The focus of this section is on the adverse impacts of poorly planned sprawl. The literature does point to some advantages, mainly that sprawl produces the single-family homes on individual lots preferred by many Americans and that sprawl gives people choices in where to live. Given the high costs of sprawl identified in the literature, the challenge is to provide single-family homes, along with other housing choices, in a manner that promotes more compact development. However, this has been done before. Many of the grand old neighborhoods in our state that are valued for their attractive homes and tree lined streets have many smart growth features, including compact development, walkable streets, and parks.

### The Costs of Growth

The focus of this report is on using public financing tools to price growth and to encourage smart growth. In considering these questions, it is helpful to understand the magnitude of the cost of

## The Costs of Growth

## The Costs of Growth continued

growth. The following table provides a sample of estimates from studies in Washington State and elsewhere.

As can be seen from this table, sprawl development costs more than compact infill development. Professor Frank's study shows that close in

sampled a "full cost" transportation figure of \$56,000 from the City of Sammamish and a "low cost" figure of \$5,200 from the City of Spokane, and went with the higher figure in the allocation. Going with the lower cost figure would yield a total of \$32,416 from the Fodor

Study using year 2000 data. Others may be due to the costs identified. Given the high cost of transportation facilities, especially in a situation such as the Sammamish Plateau that has significant transportation needs, the higher Fodor estimate will be accurate for many Washington communities.

It is important to note that these costs do not take into account what growth pays towards streets, utilities, schools and other costs. This varies widely throughout the state. Development contributions to public facilities have two components. The first is on-site facilities. This includes the streets, pipes, and other facilities constructed on the property being developed. In nearly all jurisdictions, the developer will pay for these facilities. The second is the offsite improvements needed to accommodate the development. Examples include new water storage tanks, school classrooms, and arterial street improvements. These are paid through impact fees, conditions placed on the development in the permitting process, or other payments or construction under the Washington State Environmental Policy Act.

The proportion of the costs paid by new development varies with the jurisdiction and typically only represent part of the offsite public facility costs. The balance is

### The Capital Facility Costs of One New Single-Family Home:

#### Findings from Four Studies

Category	Conder (1)	Frank (2)		Burchell (3)	Fodor (4)
		Single-family homes at 1 unit per acre	Single-family homes at 5 units per acre clustered		
Streets	\$4,480	\$12,308	\$6,121	\$5,162	\$56,000
Utilities	\$8,834	\$19,789	\$7,574	\$15,923	\$8,127
Schools	\$4,313	\$12,313	\$12,313	\$11,886	\$9,815
Other	\$5,384	\$7,300 to \$14,600	\$2,684 to \$17,284	\$0	\$9,274
<b>Total</b>	<b>\$23,011</b>	<b>\$51,710 to \$59,010</b>	<b>\$28,692 to \$43,292</b>	<b>\$32,971</b>	<b>\$83,216</b>

Sources:

- (1) Sonny Conder. Growth Driven Capital Costs Estimates (Portland, Oregon: METRO, March 1997).
- (2) James Frank. Costs of Alternative Development Patterns 40 (Urban Land Institute, 1989). The "other" includes costs for distances to employment, sewage plants, water plants, and receiving waters of five and ten miles. For both one dwelling unit per acre and five units per acre those costs are \$7,300 per housing unit at five miles and \$14,600 per housing unit at ten miles. Close in development would avoid these costs.
- (3) Robert Burchell. Fiscal Impacts of Alternative Land Development Patterns in Michigan: The Cost of Current Development Versus Compact Growth. (Southeast Michigan Council of Governments, March 1997).
- (4) Eben Fodor. The Cost of Growth in Washington State 53 (Bellevue, Washington: The Columbia Public Interest Policy Institute, October 2000).

single-family homes at five housing units per acre have capital facility costs that are half that of a low density subdivision ten miles from an employment center and sewage treatment plant.

Apart from the \$56,000 transportation figure quoted in the Fodor study, the range of costs are similar. Fodor's study

study. As this difference suggests, there is considerable debate over how to accurately estimate the costs of growth in the housing sector and who actually pays for the growth that occurs. Some of the cost differences are also due to the year of the study, with Professor Frank's study using 1987 numbers and Fodor's

made up from taxes, some of which are contributed by the new development and some of which are paid by existing residents and businesses.

Despite the many fiscal and environmental impacts of misguided sprawl development, there are still many policies, regulations, and hidden subsidies that

fuel its continued expansion. Chapters Four and Five of the report discusses how to use pricing and incentives to encourage smart growth and discourage sprawl.

## Local Smart Growth Finance Tools

Unmanaged sprawl is costly as Chapter Two documented. These costs include higher capital costs, higher operating costs, higher total land costs, lost wildlife habitat, and increased water pollution. The high costs that sprawl exacts from our tax revenues and environment can be reduced. This chapter includes eight tools our cities, towns, and counties can use today to encourage and help fund smart growth in Washington State. These tools are summarized in the Introduction and Executive Summary on pages 2 through 3.

These tools can help achieve the five smart growth principles in the following ways.

■ **Efficiently use land resources** by using public investments and pricing to encourage the redevelopment of underused neighborhoods and communities.

■ **Maximize our current urban services** by using public investments and pricing to encourage the redevelopment of underused neighborhoods and communities that are already served by existing public facilities

and services.

■ Encourage **mixed-use neighborhoods** by focusing public investment in areas where the community would like to encourage a mix of residential, retail commercial, service, and employment uses. The tools also use pricing to discourage development in other areas.

■ Encourage **transportation options** by making public investments that encourage walking, biking, carpools, vanpools, and transit use.

■ Encourage **human-scale design** by making public investments in amenities, in well-designed public buildings, and in planning for underused areas.

### Tool 1: Target Public Investments for Smart Growth & Adopt Focused Public Investment Plans

#### Solutions

Cities and counties can encourage smart growth by earmarking public funds for investments that carryout smart growth principles and encourage development in smart growth locations. This can include investments in downtowns, affordable housing, transit

and transportation choices, and the purchase of open space. These investments can increase livability by building neighborhood parks, libraries, schools, and better connections to mass transit. These projects can also encourage diversity in our communities by allowing for affordable housing, childcare, and community centers.

An example of such financial support of smart growth is The Village at Overlake Station in Redmond, Washington. The Village pioneers bus-based transit-oriented development, incorporating affordable housing and childcare atop an existing park and ride lot. It is located within walking distance of Group Health Cooperative's East Side Hospital, the Overlake business and shopping district, Microsoft Corporation offices, a Sears store, a Safeway supermarket, and a Fred Meyer shopping center.

The project was funded by a public-private partnership including \$21.5 million in tax-exempt bonds issued by King County Housing Authority and underwritten by Bank of America, \$13.5 million in equity invest-

## The Costs of Growth continued

## Chapter Three:

## Local Smart Growth Finance Tools

## Tool 1: Target Public Investments for Smart Growth & Adopt Focused Public Investment Plans

## Tool 1: continued

ment by Columbia House and Fannie Mae, a property tax exemption, and a waiver of \$1.7 million in application and impact fees by the City of Redmond. This affordable housing project is aimed at renters whose annual income falls below 60% of the area's median income of \$65,800 (about \$40,000 for a family of four, and \$25,000 for a single person household). Some of the units will be reserved for families with incomes of less than 50 percent of the King County median family income.

This project and others like it carry out smart growth principles, such as creating mixed use neighborhoods that give people the opportunity to live near where they work. Financial benefits to the residents include lower transportation costs. Emotional benefits including more quality time with their families, increased leisure time, a greater sense of community, and more involvement in the community.

Targeting public investments into smart growth locations can be made more effective through a focused public investment plan. These plans identify specific geographical areas where local governments and other service providers plan to build public facilities and a schedule for the construction of those facilities. Local governments typically use a combination of funding to provide public facilities



DRAWING COURTESY OF KING COUNTY

and services. These sources often include development charges, such as impact fees and connection charges, and public funds. A focused public investment plan shows where public investments will be made. Developers will still be responsible for paying for onsite public facilities and their fair share of the needed public facilities through connection charges and impact fees. Outside of the focused public investment areas, the developer must pay the entire cost of all public facilities or wait until the community is ready to begin investing in that area. These costs can be shared with other developers building in the area through impact fees, connection charges, and latecomer agreements. Latecomer agreements provide that future developers contribute their fair share to improvements built by an earlier developer. So focused public investment plans can help phase development as funding and facilities become available. Salem Oregon has used this tool to concentrate city funds in the “already developed

area” since 1978.

A focused public investment plan also coordinates providers of public facilities and services to assure all the needed public facilities and services available. For example, part of an urban growth area may have an arterial street system and a water distribution system, but lack sewers, a fire station, and a school. A focused public investment plan would identify how to provide the full range of services to the area in cooperation with the sewer provider, fire service provider, and school district.

The advantages of this technique are that existing public facilities and services are efficiently used, the expansion of public facilities is coordinated with other needed facilities, the location and schedule of these improvements is clearly identified, scarce public funding is coordinated and most efficiently spent, and leapfrog development is reduced. A disadvantage is that public facilities will not reach properties outside of the focused public in-

**For more information please see the Focused Public Investment Plans section of the bibliography on page 38.**

vestment areas unless they are fully funded by a developer.

A smart growth investment strategy is most effective if, like a focused public investment plan, public capacity investments are not made in sprawl locations. Development in those areas should pay the full costs of the public facilities and services needed to accommodate growth. This will ensure that the public gets the greatest return from its investments, reduce the environmental and social costs of sprawl, encourage development in smart growth locations and discourage sprawl.

The Washington State Smart Growth Investment Strategy, a similar strategy applied statewide, is discussed in Chapter Four: State Reforms to Price Growth & Encourage Smart Growth. The Washington State Smart Growth Investment Strategy is discussed on page 23.

## **Tool 2: Impact Fees and SEPA Mitigation Should Reflect the Costs of Development and Encourage Development in Smart Growth Locations**

### **Solutions**

Cities and counties planning under the Growth Management Act (GMA) may adopt transportation, fire, school, and park and recreation impact fees. Non-GMA jurisdictions can adopt

transportation impact fees. In either case impact fees can only be charged for part of the cost of the public facilities needed to mitigate the development's impacts.

The Washington State Environmental Policy Act (SEPA) authorizes local governments to require the construction of improvements or the payment of funds necessary to reduce the impacts of a development on the built or natural environment. Some local governments use SEPA rather than impact fees. Others use SEPA as a supplement to impact fees.

### **Pricing Growth.**

Whatever the mechanism, cities and counties often collect far less than the full cost of providing public facilities and services to a new development. Local governments facing significant growth pressures should consider adopting impact fees and setting the fees so that development contributes most of the cost of the capital facilities needed to accommodate that growth — taking into account the taxes the new development will pay and the other contributions from new development. This will help prevent local taxes from increasing substantially to fund the facilities needed for growth or for existing levels of service to significantly decline.

**Higher Cost Fringe Areas Should Pay Higher Fees.** Impact fees and SEPA mitigation payments should reflect

the often-higher costs of serving fringe areas and should encourage development in smart growth locations. Smart Growth locations often already have some public facilities. Many cities and counties charge the same impact fees regardless of the cost of providing the needed facilities. This effectively subsidizes sprawling development by insulating it from the true cost of providing public facilities and services. That same fee may also *overcharge* smart growth development occurring where public facilities and services already exist.

Impact fees should also reflect the targeting of city, county, and state funds to smart growth locations. Where local governments have capital funding available, these investments should be used to provide public facilities in smart growth locations, such as downtowns. This will tend to reduce the long-term costs of providing capital improvements and will encourage development in preferred locations. Impact fees and SEPA payments should also take into account that the entire community may benefit from new facilities located in city and town centers and should also contribute to those facilities.

**Developments that Generate Lower Trips should Pay Lower Fees.** Finally, impact fees and SEPA mitigation

## **Tool 2: Impact Fees and SEPA Mitigation Should Reflect the Costs of Development and Encourage Development in Smart Growth Locations**

**For more information please see the Impact Fees section of the bibliography on page 38.**

**Tool 2:  
continued**

payments should give credits for measures that new developments use to reduce single-occupancy vehicle trips and to encourage the use of walking, biking, carpools, vanpools, and transit. Some of these measures,

funding to urban areas.

Another example is the City of Lancaster, California. The City of Lancaster's Urban Structure Program uses a computer simulation to calculate three forms of development fees: an infrastructure fee that includes streets, signs, and flood and drainage control; a facilities fee for new police, fire, parks, libraries, and administrative facilities; and an operations fee. The operations fee includes the following services: police and fire safety, public works, recreation, and community development. Based on adopted performance standards, the operations fee is distance-

they can use this principle in setting their impact fees, connection fees, and service charges. Reforms to Washington's impact fee authorities are also discussed in Chapter Four on page 26.

Impact fees have many advantages. They are predictable and easy to administer. They are consistent with the principle that growth should pay for growth. They are flexible in that they can include credits and they also include the option of having a custom impact fee calculated for a specific development. Finally, fiscally stressed local governments need the money to prevent public facilities from deteriorating below acceptable standards and to maintain funding for maintenance and safety improvements.

Disadvantages include concerns that it is unfair for development to pay for the facilities that serve the entire population and that fees may increase housing costs. These concerns can be addressed by fairly apportioning costs and giving impact fee exemptions to affordable housing.

**Tool 3: Utility Connection Charges Should Reflect the Capital Facilities Needed to Serve an Area**

**Solutions**

Municipal utilities are publicly owned and operated agencies that provide services such as water, sewage collection and



such as the reduced need to drive due to a mix of uses and a high quality pedestrian environment, are inherent in smart growth. Others may be used by the development to further reduce travel demand. All of these measures can reduce congestion and the pollution it causes.

King County has adopted transportation impact fees that are based on the different costs of providing transportation facilities throughout the county. The impact fees also reflect the policy to target transportation capacity

operations fee is distance-based: the farther away from the city center the development is located, the higher the fee. Since the program was instituted, Lancaster's population has increased by 26 percent but little growth has occurred outside the urban core. Developers in the community reportedly prefer this system to general regulations because they can predict the exact costs they will need to pay.

While Washington cities and counties cannot adopt all of the impact fees California cities can,

**Tool 3: Utility Connection Charges Should Reflect the Capital Facilities Needed to Serve an Area**

treatment, and storm water collection and treatment. Cities typically operate water, wastewater, and storm water utilities. In some areas, Public Utility Districts operate water or wastewater utilities in addition to electric utilities. Special districts, often called water or sewer districts, may operate water systems, sewer systems and storm water systems, typically in unincorporated areas or smaller cities. Special districts are limited purpose local governments that have responsible for specific kinds of utilities. Counties often operate storm water utilities in unincorporated areas. The customers pay the utility operating expenses based on their rate of use.

Municipal utilities and special districts often charge new customers a one-time connection charge. Connection charges cover the cost of connecting to the system and also include a contribution to the capital improvements built by other users. This contribution is typically used to replace pipes, storage facilities, and treatment facilities as the need arises.

A report prepared for the Natural Resources Defense Council found that the costs of serving customers in low-density sprawl is higher than serving customers in compact development because of sprawl's lower densities. Like impact fees, connection charges should reflect these dif-

ferences in the costs of serving different locations. This will provide an incentive to locate in smart growth locations.

Some local governments may want to use incentives to encourage growth in smart growth locations, such as a downtown. Those local governments may want to reduce connection charges, giving an incentive to locate in these areas by reducing upfront development costs. The difference could then be made up through utility rates. The same principle could be used for affordable housing. The connection charges could be eliminated for affordable housing with rates used to raise the needed capital funds.

#### **Tool 4: Cost-Based Utility Rates**

##### **Solutions**

Tool 2 discussed basing impact fees and SEPA mitigation on the actual cost of development. Tool 3 applied this principle to utility connection charges. These tools are used to finance the construction of new public facilities.

This tool applies the same principles to maintenance and operation funding. Utility charges offer the most straightforward opportunities to varying charges within a community based on the actual cost of service. In Washington State, utility charges are commonly used for water, sewer,

storm water, electricity, telephone, and cable services. As the Natural Resources Defense Council study found, lower density increases sewer operating costs.

As was described in Tool 2, the City of Lancaster's Urban Structure Program uses a computer simulation to calculate an operations fee that is distance based to reflect the true cost of providing those services. This system of charges seems to be reducing sprawl and promoting development in more cost-effective locations.

Local governments could discourage sprawl and save taxpayers money by charging residents and businesses for the actual cost of utility service. In Washington State an operations fee like the City of Lancaster is not explicitly authorized. As will be discussed under Reforms 6, 7, and 9, Washington should explicitly allow operations fees. These fees could replace increases in property taxes and other local taxes that all taxpayers must shoulder in a growing community.

A disadvantage to this approach is that many low-density neighborhoods already exist and could experience significant rates changes. Adverse effects can be reduced by lifeline rates, which discount enough utility service to meet a family's basic needs, and phase-in periods.

### **Tool 3: continued**

### **Tool 4: Cost-Based Utility Rates**

## Tool 5: Use Local Improvement Districts (LIDs) or Utility Local Improvement Districts (ULIDs) to Help Fund Public Facilities in Smart Growth Locations

For more information please see the **Local Improvement Districts (LIDs)/Utility Local Improvement Districts (ULIDs)** section of the **bibliography on page 38**.

### Tool 5: Use Local Improvement Districts (LIDs) or Utility Local Improvement Districts (ULIDs) to Help Fund Public Facilities in Smart Growth Locations

#### Solutions

Local improvement districts (LIDs) are a traditional method of helping property owners finance the public facilities needed to accommodate growth. They can also be used in already developed areas that need to replace streets, water lines, and sewer lines or to build missing facilities. LIDs can be used for any type of public facility including streets, sidewalks, storm water facilities, water facilities, and sewer facilities. LIDs are sometimes referred to special assessments. LIDs are a type of incentive in that they can help to reduce the costs of developing in a smart growth location, encouraging development where the community wants it.

LIDs are formed by a city or county. The property owners in the area or the city or county can initiate them. Property owners agree to tax themselves to repay bonds that finance capital improvements. As part of the formation process, property owners have 30 days to protest the LID formation. The city or county cannot form the LID if property owners

representing 60 percent of the assessed value of the real property within the LID district file written protests.

The difference between a Utility Local Improvement District (ULID) and a LID is that utility revenues are pledged to repay the ULID bonds, in addition to assessments on the benefited properties. An LID can be converted into a ULID during the formation process.

LIDs, while useful, have some important limitations. One is that the assessment, a property's share of the total cost of the public facilities not including interest, cannot exceed the special benefit that the property receives from the improvement. The benefit is defined as the difference between the fair market value of the property before and after the public facilities are constructed. The assessments must also be proportionate to one another. A wide variety of assessment methods can be used, including charges based on the number of lots, the lot area, traffic volumes generated by each property, or appraisals of the benefit.

To assist those with lower incomes, LID or ULID assessments are deferred for senior citizens and economically disadvantaged property owners. For qualified senior citizens, the assessment is deferred until the property

changes hands. For economically disadvantaged property owners, the assessment is deferred for up to four years. Some local governments have also used federal Community Development Block Grant (CDBG) funds to pay the assessments of low-income families when using LIDs to improve public facilities in already built-up areas.

The disadvantages of LIDs and ULIDs are that they are costly and time consuming to form, although these costs are reimbursed by the benefited properties. Also, if used for bare land they must be carefully examined to ensure they are financially feasible. If an LID is used to finance the improvements for a speculative development and the development fails, the local government may be left to make good on the bonds. While the local government can foreclose on the property, other liens or a lack of land value may limit the recovery. The advantages are that property owners can join together to build major public facilities that serve an area and pay for the improvements over time. It also allows property owners to use the city or county's lower cost of borrowing and the local government's expertise in designing and building public facilities. Finally the assessment deferrals help make the improvements affordable to those with limited means.

## Tool 6: Adopt Real Estate Excise Taxes to Help Fund Public Facilities and Conservation Areas

### Solutions

Public investment in public buildings, public facility improvements, and community amenities can provide powerful incentives to encourage the type of growth a community wants in locations where the community wants it. The trick is paying for these investments.

Cities and counties may levy two real estate excise taxes of up to 0.25 percent each for capital facilities. Most cities and counties have adopted the 0.25 percent excise tax authorized by RCW § 82.46.010(2).

About 100 cities and counties have adopted the second excise tax authorized by RCW § 82.46.035. Only those cities and counties that plan under the Growth Management Act can adopt this excise tax. The voters within the city or county must also approve the excise tax authorized by RCW § 82.46.035 before it takes effect.

The seller pays these two real estate excise taxes. These taxes can be used for most public improvements including streets, water lines, sewers, transit facilities, public buildings, and park improvements.

Counties can levy a real estate excise tax of up to one percent for the acquisition and maintenance

of conservation areas. An election must be held and the tax must be approved by a majority of the county's voters.

The vote on the tax can be initiated either by the county commission or county council or by a petition. Authorized by RCW § 82.46.070, only San Juan County has adopted this tax. It applies countywide, that is in both incorporated and unincorporated areas, and has helped to fund an impressive program of open space acquisition and management in San Juan County. More counties should consider adopting this excise tax.

Since many new residents and businesses moving into a community buy real estate when they arrive or when a business expands, excise taxes are considered a good source of funding for the facilities needed to accommodate growth. The disadvantage is if excise taxes become too high, they may interfere the operation of the real estate market.

The excise tax for open space has a special advantage. Open space preservation can save money for the community over the long term. A Community Cost of Service Study done by the American Farmland Trust in Skagit County shows that farms, forests, and open spaces require



only 51 cents in public services for every dollar of revenue they generate. In contrast residential uses require \$1.25 in services for every dollar of revenue they generate. This is consistent with similar studies done in 58 communities through the United States.

## Tool 7: Interlocal Agreements and Joint Planning Areas

### Background

Washington's local government financing system is highly dependant on retail sales taxes and property taxes. This dependence leads to "fiscal zoning" and it is a powerful force shaping our communities. The fiscal stress placed upon local governments by recent initiatives limiting taxes has aggravated the tendency to engage in fiscal zoning and results in the following adverse impacts:

- Local governments compete for retail sales

## Tool 6: Adopt Real Estate Excise Taxes to Help Fund Public Facilities and Conservation Areas

## Tool 7: Interlocal Agreements and Joint Planning Areas

## Tool 7: continued

tax dollars by over-zoning for retail uses and trying to lure large retailers to their community. In some cases, retail developments are subsidized in the hope that the retail sales taxes will eventually result in revenues that exceed the subsidies and the high public service demands of retailers.

■ Retailers may abandon downtowns for newly zoned malls, either in the same city for fear that another city will allow a mall, or in other communities. This results in distressed downtowns and may result in an auto dependant land use pattern, increasing traffic, air pollution, and water pollution.

■ The loss of major retailers to other communities results in decreased revenues. The local government may need to address this loss by reducing services, increasing taxes, or both. These strategies may make the community less attractive for investment and as a home. This can lead to the loss of businesses and population. Over time, these effects build on and reinforce each other, leading to community decay.

■ This competition harms cities and leads to sprawl. Professor Rob Wassmer of California State University Sacramento studied retail sales in California. The data showed that the competition for sales tax revenues caused central cities to have less retail sales than their incomes, populations, and demographics

warranted. Suburban cities had more retail sales than their populations, income, and demographics warranted. He noted that if central city residents tired of driving to the suburbs to do their shopping, they may move to the suburbs and generate even more sprawl.

■ Retail relocation, business loss, and population loss can lead to sprawl, increased traffic and increased air and water pollution as businesses and residents move from one community to another and another.

■ Low- and moderate-income housing is discouraged because it is perceived to cost more in services than it generates in taxes since housing only directly generates property taxes and not sales taxes. This can result in shortages of affordable housing and, because retail sales workers have incomes in this category, increased traffic as retail workers commute to their jobs from communities where they can afford to live. It can also lead to a concentration of the poor in certain communities, making them less desirable places to live and locate businesses.

Another issue is that counties lack the funds needed for pay for important regional services. The GMA also designates counties as the providers of regional services, the historic role of counties. This lack of funding has many causes, but one is related to fiscal zoning.

The GMA wisely designates cities as the providers of urban services and directs urban growth to cities. This is a good policy since only cities have the ability to provide the local government services that urban areas need. However, as urban areas are annexed to cities and new cities incorporate, this reduces the revenues available to counties to provide for regional services, such as courts and jails. Rapidly rising criminal justice costs have made this problem more acute.

### Solutions

These tools reduce incentives for destructive competition between local governments for high tax generating uses and the sprawl this competition can generate. They provide incentives for cooperation and good regional planning.

Local governments can enter into agreements under the Washington State Interlocal Cooperation Act (Title 39.34 RCW) to share revenues, to more efficiently provide services so as reduce fiscal stress on counties, to not compete for high value uses, and to jointly plan. An interlocal agreement is simply a contract between government agencies. Cities and counties can also designate joint planning areas that give both the city and county a voice in planning for the future of the area. The joint plan can include common standards for development, jointly administered development

regulations, and agreements to share the costs of needed streets and other public facilities.

While annexation and tax base fights still loom in many Washington counties, many local governments have developed interlocal agreements to address planning responsibilities, revenue sharing, and the provision of urban services. Examples include:

■ **Thurston County:**

The county and its three largest cities (Lacey, Olympia, Tumwater) have a long tradition of cooperation. They have developed a mechanism for implementing development regulations in areas where future annexations will occur. They have also developed annexation agreements that include financial reimbursement to the county when a city annexes land.

■ **Skagit County:** The county has designed agreements with the Cities of Anacortes and Mount Vernon that cover joint zoning, design and subdivision standards, and revenue sharing programs for sales taxes generated by commercial and industrial businesses. The county reports that while there have been some problems, overall these agreements have been successful.

■ **Clark County:** The county and the City of Vancouver have developed a transportation capital transition agreement that requires Vancouver to pay for some of the transporta-

tion facilities in the county's six-year transportation program, particularly in areas that the city plans to annex. Both local governments have adopted similar impact fee systems that provides predictability to developers making an investment and to the local governments to mitigate the impacts of growth. To reduce costs, Clark County and the City of Vancouver have also combined their Parks and Recreation Departments. This has worked well and reduced costs. They are currently working to make the funding agreement more explicit to make the combined department work better.

Reform 10, Continue Tax Equalization and Authorize Tax Base Sharing, in Chapter Four, contains four important steps the State Legislature can take to further reduce county fiscal stress and tax base competition along with the sprawl and urban deterioration to which they contribute. *Please see page 29.*

### **Tool 8: Use and Monitor Community Revitalization Financing to Encourage Redevelopment**

#### **Background**

Many communities have underused areas where they would like additional growth. Examples include deteriorating downtown neighborhoods, industrial areas with a high number of vacancies due to mill clo-

sures or other factors, or neighborhoods that have fallen on hard times that the community would like to revitalize by encouraging a new mix of complementary uses. Some areas of the state have also experienced high levels of unemployment or income stagnation. Often, these areas need upgraded public facilities to attract new investment and jobs.

#### **Solutions**

In 2001, the Washington State Legislature passed a new law authorizing "Community Revitalization Financing," also known as tax increment financing. Under the new law, local governments that wish to use Community Revitalization Financing must hold a hearing and target an area for public and private investment. This is known as the increment area. The local government then constructs public improvements to encourage development within the target area. The improvements can include streets, sidewalks, park and ride facilities, sewer lines, water lines, parks, and docks. The money can also be used to conduct environmental review of the planned development to reduce potential adverse impacts and to streamline permitting. These public investments act as a catalyst, or incentive, for private investments.

Community Revitalization Financing uses 75 percent of the increase in most local government

## **Tool 7: continued**

## **Tool 8: Use and Monitor Community Revitalization Financing to Encourage Redevelopment**

**For more information please see the Community Revitalization Financing section of the bibliography on page 38.**

## Tool 8: continued

property tax revenues generated in the increment area after the public and private investments to repay the bonds that financed the public improvements. After the bonds are repaid, the increase in property tax revenues is distributed to the school district, city, and county in the usual manner. Under the new law, the taxing districts that receive 75 percent of the property tax revenues must agree to allow the increased property tax revenues to be used in this way.

Local governments in many states, including Oregon, Idaho, and California, have successfully used this technique. Portland, Eugene, Salem, and smaller communities have successfully used

tax increment financing to help revitalize downtowns, industrial areas, and other neighborhoods.

Community Revitalization Financing has one major disadvantage. During the period during which the bonds are being repaid, the increased property tax revenues are not available to fund general government expenses, including school costs. However, absent the public investment made possible by Community Revitalization Financing, the property tax increase may not have occurred.

Washington's new Community Revitalization Financing law would benefit from modification of the consent requirements. Requiring the

consent of other governments and special districts that receive the property taxes makes the program difficult to use and should be eliminated. The law should also be closely monitored to see how well it is working. To address legal concerns, the state share of the increased property tax revenues is not used to repay the bonds that financed the public improvements. Some are concerned that this may result in insufficient funds for the public investments in the target areas. It should also be monitored to ensure that it is used to revitalize distressed areas and not to encourage businesses to move from central cities to other areas.

## Chapter Four: Reforms to Price Growth & Encourage Smart Growth

### Reforms to Price Growth & Encourage Smart Growth

**T**he eight existing tools in Chapter Three are a good first step to reduce unmanaged sprawl and its high costs to taxpayers and the environment. However, we need to do more. This chapter contains reforms that the Washington State Legislature should enact to reduce sprawl and its adverse impacts on the State of Washington. These reforms are summarized in the Introduction and Summary on pages 4 and 5.

These reforms can help achieve the five smart

growth principles in the following ways.

■ **Efficiently use land resources** by using public investments and pricing to encourage redevelopment of underused neighborhoods and communities.

■ **Maximize our current urban services** by using public investments and pricing to encourage the redevelopment of underused neighborhoods and communities that are already served by existing public facilities and services.

■ **Encourage mixed-use neighborhoods** by focusing public investment in areas where our communities want to en-

courage a mix of residential, retail commercial, service, and employment uses. The reforms would also use pricing to discourage development in other areas where it is not desired.

■ **Encourage transportation options** by making public investments that encourage walking, biking, carpools, vanpools, and transit use. The reforms also use pricing to encourage these modes.

■ **Encourage human-scale design** by making public investments in amenities, in well-designed public buildings, and in planning for underused areas.

## Reform 1: Adopt a Washington State Smart Growth Investment Strategy

### Background

Unfortunately, local and state spending can have the effect of encouraging sprawl. Extending arterials and highways into rural areas encourages the development of these areas. Local and state agencies often do not charge the full costs of extending urban services to serve new development, subsidizing development on the fringe. Taxpayers including those who live in existing neighborhoods far away from the fringe, pay for these subsidies.

### Solutions

The location of billions of dollars of state and federal investments in public facilities, public buildings, and public services play a critical role in discouraging sprawl and encouraging smart growth. While investments need to be made to address safety issues wherever they are found, the state should adopt a Smart Growth Investment Strategy that targets grants, loans, and public buildings to smart growth locations. The strategy should have the following features:

- State and federal spending should be targeted to existing downtowns, town centers, industrial areas and other smart growth sites throughout the state. Transportation capacity

spending, in particular, should be focused on encouraging smart growth. State offices should locate in downtowns. They are excellent locations for these facilities because they are already developed and well served by public facilities.

- The state should develop additional incentives to encourage development in distressed downtowns. Downtowns are key smart growth sites. The incentives could be patterned after the current ten-year property tax exemption for new or rehabilitated housing granted in designated parts of large cities. State economic development programs should also make locating new businesses in downtowns throughout the state a high priority.

- Economic development programs and incentives should encourage development in smart growth locations. The state should continue to prohibit using economic development programs and incentives to relocate firms and sprawl from central cities to suburban and exurban locations. The state should continue to focus on good jobs. Smart economic growth provides for long-term economic sustainability.

A Smart Growth Investment Strategy would have statewide benefits. They include the following:

- Using land more efficiently.

- Using existing public facilities more efficiently. Because public

facilities are already available, state and local development costs will be reduced.

- Promoting and building growth where state policy says it should be located, protecting resource lands, rural areas, open spaces, and critical areas.

- Revitalizing existing town centers and residential neighborhoods in rural areas of the state that are deteriorating due to a lack of investment.

- Reducing traffic by locating public buildings in places that are more convenient to state residents and state employees. Smart growth locations are often well served by transit, allowing both workers and customers easy, cheap access. They are also near other services, allowing customers to combine trips and state employees to walk or drive shorter distances to do errands, visit their children's day care centers during the day, and to conduct state business.

The State of Maryland's "Priority Funding Areas" legislation could be used as a starting place. This law limits most state public facility, economic development, housing and other funding programs to smart growth areas that local governments designate for growth consistent with state criteria. The criteria include incorporated cities and towns, existing industrial areas in unincorporated areas, and areas designated for new development that

## Reform 1: Adopt a Washington State Smart Growth Investment Strategy

**For more information please see the Smart Growth Investment Strategy section of the bibliography on page 39.**

## Reform 1: continued

## Reform 2: Require Growth Management Act (GMA) and Shoreline Management Act (SMA) Compliance for all State and Federal Grant and Loan Programs

For more information  
please see the Smart  
Schools section of the  
bibliography on page 39.

meet criteria for use, density, and location.

Washington has made an important step in this direction. The Washington State Public Works Trust Fund adopted a policy that awards additional points to Public Works Trust Fund loan applications if the public facilities to be financed by the loan will encourage infill development.

A perceived disadvantage of targeted funding is that all of the money will go to Seattle or a few favored centers. That is not the case. Local governments designate the smart growth locations consistent with state criteria and similar areas throughout the state have equal priority. Another perceived disadvantage is that unincorporated areas that have health and safety problems will not receive funding. Again, Smart Growth Investment Strategies fund health and safety problems throughout the state, but funding for new capacity and most new state facilities are targeted to locally designated smart growth areas, including rural county city centers and existing residential neighborhoods throughout Washington State.

### Reform 2: Require Growth Management Act (GMA) and Shoreline Management Act (SMA) Compliance for all State and Federal Grant and Loan Programs

#### Background

A Washington Smart



Growth Investment Strategy will encourage growth in smart growth locations. For the strategy to work effectively local government plans and development regulations should reinforce these incentives and the pricing signals of the other tools and reforms.

Washington's Growth Management Act (GMA) is the best vehicle for local governments to undertake the needed planning for smart growth and most local governments have done this work. The Shoreline Management Act (SMA) provides important opportunities to protect salmon habitats and to reserve sites for industries that require shoreline locations. Unfortunately, some local governments have not met the deadlines for completing this important work. The GMA and SMA also require cities and counties to periodically update their plans and regulations.

#### Solutions

Incentives are needed to encourage timely completion of the crucial GMA and SMA planning. State law already requires compliance with the GMA requirements for the Public Works Trust Fund and the Centennial Clean Water Fund. These requirements should be expanded to other state and federal grant and loan programs. The requirement should be kept simple and merely require that comprehensive plans and development regulations be adopted and updated by the deadlines set by the GMA and the SMA before a local government can apply for state and federal grants and loans.

Even those cities and counties that have not complied with the GMA and SMA requirements, should be eligible for state and federal planning funding to help local governments conduct the required work. This

report also proposes a new funding source to help local government do their GMA and SMA work. Please see Reform 12, Adopt or Authorize a Development Excise Tax to fund Growth Management Planning or a Fee for Community- or Neighborhood-wide Environmental Review, on page 33. The currently available Community Reinvestment Financing, discussed on page 21, may also be used for neighborhood environmental review.

A perceived disadvantage of this proposal is that cities or counties with serious health and safety problems will not receive funding. That has not been the case for the existing programs, the cities and counties that need the funding simply do the planning required by law. For those counties that are not planning under the GMA, they only need to comply with the SMA and not the GMA.

### **Reform 3: Metropolitan Planning Organizations (MPOs) and Rural Transportation Planning Organizations (RTPOs) Should Target Transportation Capacity Funding to Smart Growth Locations**

#### **Solutions**

Metropolitan Planning Organizations (MPOs) and Rural Transportation Planning Organizations (RTPOs) constitute an existing statewide network of organizations that identify transporta-

tion needs, analyze transportation alternatives, identify transportation solutions, and help distribute federal transportation funding. They should target federal transportation capacity funding to priority smart growth locations, especially those having difficulty attracting private investment to encourage their development. This will be a powerful incentive to encourage smart growth and to discourage development in the urban fringe and other locations that do not support smart growth, since development in these areas will cost more because federal transportation capacity funding is being channeled to areas better suited to development.

A perceived disadvantage of targeted funding is that all of the money will go to Seattle or a few favored centers. That is not the case. Federal transportation capacity funding will continue to be allocated throughout the state, but preference will be given to smart growth locations statewide, including city and town centers and employment areas in rural counties. Another perceived disadvantage is that locations with safety problems will not receive funding. The criteria will address safety problems anywhere, but funding for facilities that provide new transportation capacity funding will be targeted to smart growth locations throughout Washington State.

### **Reform 4: Build Smart Schools to Encourage Smart Growth**

#### **Background**

In *Historic Neighborhood Schools in an Age of Sprawl: Why Johnny Cannot Walk to School*, the National Trust for Historic Preservation documents the negative impacts of mega schools built in rural areas: increased sprawl because people want to live near the newest schools so their children get what is perceived to be the best education, increased traffic because school children have to be driven long distances to school, a loss of landmarks in our cities and towns since the schools are no longer located within them, an alienation of school children from the community because they are located way from the centers of the community, and less personal attention as small schools are replaced by mega schools.

#### **Solutions**

Schools in rural and exurban locations subsidize sprawl. To address this issue, state school funding practices should be reviewed to ensure school renovation is on an equal footing with new school construction. The regulations should also be reviewed to ensure that new schools are not driven to the urban fringe where large building sites are easily found. School funding regulations should also encourage schools to locate in smart

### **Reform 3: Metropolitan Planning Organizations (MPOs) and Rural Transportation Planning Organizations (RTPOs) Should Target Transportation Capacity Funding to Smart Growth Locations**

### **Reform 4: Build Smart Schools to Encourage Smart Growth**

## Reform 4: continued

## Reform 5: Reform State Laws on Development Mitigation (RCW § 82.02.020)

## Reform 6: Reform Impact Fee Authorities

**For more information please see the Impact Fees section of the bibliography on page 39 and the discussion of impact fees in Tool 2 on page 15.**

growth locations when they are close to student populations and meet the educational mission of the school. The construction of urban serving schools within the rural area should be prohibited to discourage the urbanization of rural areas. Unneeded barriers to the construction of compact schools should be eliminated and incentives given to encourage high quality, compact schools designs that fit into the context of the neighborhood in which they will be located.

Washington State has nationally recognized successes in the renovation of schools. The Spokane School District renovated Wilson Elementary School, in the heart of one of the city's older neighborhoods, to meet current codes and incorporate the latest technology. People love this beautiful brick school with its high educational standards. It is small, so students receive individual attention and children can walk to school on sidewalks along tree-lined streets. Other Washington school districts have renovated beautiful historic schools or rebuilt schools within our existing towns and cities.

Some may be concerned that these reforms put the mission of the school, education, in a secondary position. That is not the case. Locating schools in existing communities can reduce transportation costs since the number of students

bused can be reduced along with the distances students must be bused. Placing schools within the community can reduce alienation and increase community involvement in schools, all of which will benefit their educational mission.

### Reform 5: Reform State Laws on Development Mitigation (RCW § 82.02.020)

#### Background

RCW § 82.02.020 sets standards for development dedications and the payment of mitigation fees. Unfortunately, these standards have been inflexible in their application. For example, many municipal attorneys interpret RCW § 82.02.020 as prohibiting the pooling of contributions from a development meant to pay for part of several street improvements to make an immediate transportation improvement on one of those streets. This requires local governments to delay making any of the street improvements until enough partial contributions accumulate from many developments to fully fund any of the transportation facilities. This delays needed improvements and, for some local governments, means that they cannot make the improvements during the five year limit set by RCW § 82.02.020 and so must return the unspent funding.

#### Solutions

Update RCW § 82.02.020. For example, the section should be amended to allow local governments to apply the mitigation payments either to one of the street improvements needed to help mitigate the adverse impact of a development or to spread it out over several improvements if that better funds the needed facilities. Both local communities and the developers will benefit from changes that allow local governments to be more effective in providing the public facilities needed to accommodate growth.

### Reform 6: Reform Impact Fee Authorities

#### Background

The Washington State Legislature, along with the 1990 Growth Management Act, authorized the use of impact fees to give cities and counties tools to mitigate the impacts of new development. An impact fee is a fee imposed on a new development to help finance the cost of public facilities or services needed to accommodate growth.

Washington has been using these fees for over a decade now and the impact fee laws should be updated to reflect Washington's experience. In addition, impact fees can only be used for schools, parks and recreational facilities, transportation facilities, and fire protection facilities. They can-

not be used for police stations, libraries, or other important public facilities or services. The laws authorizing impact fees prohibit cities and counties from charging new development the full cost of the public facilities needed to accommodate growth, requiring local taxpayers to subsidize growth.

### Solutions

Impact fees are a valuable tool for local governments use to meet the demands of growth. The Washington State Legislature should undertake a comprehensive review of the impact fee laws. The review should:

- Update the laws.

- Extend impact fees to other public facilities and services for which connection charges are not allowed. For example, the California impact fee laws authorize them for all public facilities and services. Washington's cities and counties need this flexibility.

- Transportation impact fees should be allowed to fund transit capital facilities and trip reduction programs. Currently, impact fees can only be used for public streets and roads. This has led to concerns that impact fees cannot fund transit facilities. Transit is an effective means of meeting transportation needs for employees. Trip reduction programs can also be an effective method of encouraging mobility. In some cases it is cheaper to correct ad-

verse transportation impacts through transit or trip reduction programs rather than building a new street or intersection. The impact fee laws currently require the wasteful construction of new public streets and roads even when both the developer and the community agree a transit facility or trip reduction program would work better and at a lower cost.

- Require transportation impact fee credits for developments that result in greater than normal trip reduction.

- Allow local governments to charge growth the full cost of necessary public facilities and services. This is allowed by other states. Cities and counties are already required to take the taxes generated by the new development into account when setting impact fees. This and the requirement that the improvements for which the fees are charged must be reasonably related to the impacts of the development will prevent overcharging.

### Reform 7: Authorize Street Utilities

#### Background

Local governments have significant unfunded street maintenance and repair needs. Many cities, such as Seattle, must concentrate their limited maintenance funds on arterials. Even on the arterials, the Puget Sound Regional Council reports that 51 percent of

Seattle's arterials are in poor or fair condition. This lack of funding means streets deteriorate until costly major reconstruction is needed. Voters are disenchanted with increases in general taxes, such as the property and sales taxes. A street utility would help maintain streets and transportation facilities and shift these costs from general taxes, such as the property tax, to a user-based charge.

In 1990, the Washington State Legislature authorized street utilities. In 1995, the Washington State Supreme Court held that Seattle's street use utility was an unconstitutional property tax.



#### Solutions

Utility charges allow those who use a facility to pay for its maintenance and operation. Street utilities operate like other public utilities such as water and sewer systems. The cost of operating, maintaining, and replacing streets, sidewalks,

### Reform 6: continued

### Reform 7: Authorize Street Utilities

## Reform 7: continued

## Reform 8: Extend the Ten- Year Property Tax Exemption for New or Rehabilitated Multifamily Housing to All GMA Cities and to Transit Stations and High Frequency Transit Routes

**For more information please see the Property Tax Exemptions for New or Rehabilitated Multifamily Housing Near Transit Stations and High Frequency Routes section of the bibliography on page 39.**

and street lighting is divided up among the residents and businesses in the area and billed based on the use of the street, (i.e. the number of trips generated by residential, commercial, employment, and other uses).

The existing street utility laws should be amended so the charges are based on street use, the number of trips generated, rather than the flat charges now required by the legislation. These and other reforms may address the Washington State Supreme Court's concerns. If these efforts are insufficient, a constitutional amendment may be needed to authorize street utilities.

In either case, trip generation based charges should be used to encourage reduced single-occupancy automobile trip generation and the use of travel modes with fewer social and environmental impacts. The charge should take into account the trip reductions that occur as a result of smart growth measures such as mixed-use developments and transportation options.

These changes would allow a reduction in general taxes and give incentives for reducing trips. Medford, Oregon currently uses a street utility that raises \$1.3 million dollars a year to maintain its streets.

Some may be concerned about the complexity of administering such a system, but most of the data needed for the

system is already gathered for property tax administration.

## Reform 8: Extend the Ten-Year Property Tax Exemption for New or Rehabilitated Multifamily Housing to All GMA Cities and to Transit Stations and High Frequency Transit Routes

### Solutions

Encouraging multifamily construction in centers, at transit centers, and along high frequency transit routes within cities throughout the state has many benefits. It promotes growth in existing centers, provides housing near jobs, increases transit ridership, and reduces traffic. The City of Tacoma has had great success using the ten-year property tax deferral for multi-family housing to encourage housing construction in its urban centers. Between 1996 and July 2001, 1,604 housing units were built or rehabilitated leveraging \$14.9 million in private investment. As you can see by these numbers, this tool is an effective incentive that encourages growth in good locations. Centers, transit stations, and high frequency transit routes are excellent areas to concentrate jobs, housing, and retail services.

The City of Tacoma lead adoption of the ten-year property tax exemption that originally applied only to large cities. Last year, Washington

State extended the exemption to cities with populations of 50,000 or more. In 2001, King County proposed extending the exemption to transit centers regardless of the city's population. The areas would have to be zoned for multifamily housing at a minimum of 20 dwelling units per acre and be required to include pedestrian connections within a one half mile radius of the transit center. This would provide a powerful incentive to create transit-oriented residential developments near all community-designated transit centers.

Unfortunately the Legislature did not pass the bill this year, but it remains an important option for encouraging compact, transit and pedestrian friendly development.

A concern related to property tax exemptions is the potential loss of revenue. This concern is ameliorated in three ways. First, the exemption only covers the residential part of the building. The land is still taxed and retail or other non-residential building space is also taxed. Second, cities must designate the area to which the exemption applies and they can only include centers that lack adequate housing opportunities. The expansion of eligibility to transit centers and high capacity transit corridors within cities should not over extend the exemption. Third, it is likely that much of the housing

would not have been feasible without the exemption; so much of the forgone property tax revenues would not have been generated anyway.

## Reform 9: Authorize Fiscal Home Rule

### Background

Washington's tax system, like that of many states, encourages local governments to plan and zone for what brings in the most tax revenue, rather than to plan to carry out the community's vision for the future. These distortions can result in dumb growth, the antithesis of smart growth, as local governments each scramble for a larger slice of the tax revenue pie.

### Solutions

Fiscal home rule will allow a community to plan for the future it wants and design a tax system to fit that community, rather than to design the community to fit Washington's current tax system. Fiscal home rule refers to allowing local governments to enact their taxes within the requirements set by the Washington State and U.S. constitutions. Currently in Washington State, local governments can only adopt taxes and charges authorized by state law. This gives local governments little flexibility in raising revenues.

The key advantage of fiscal home rule is that local governments can tailor their taxes and charges to their local situ-

ation. If a community is experiencing rapid growth, they may choose to impose fees on new development to finance needed facilities and services. A slowly growing community may choose more stable forms of funding.

The key disadvantage of fiscal home rule is that local taxes may differ significantly from community to community. The effects of this disadvantage can be lessened by a state requirement that taxes be equitably apportioned. Model ordinances can be prepared for local governments to use, much like the current model business and occupation tax ordinance that local governments are encouraged to use. This will also make the administration of the taxes local governments choose more uniform.

Washington State allows home rule for cities in most fields through the Optional Municipal Code. It is time for the state to include fiscal home rule as well. Washington State should let those closest to the voters, city and county elected officials, decide how to meet their community's revenue needs in a way that best fits that community and its preferred future.

## Reform 10: Continue Tax Equalization Funding and Authorize Tax Base Sharing

### Background

Tool 7, Interlocal Agreements and Joint

Planning Areas, on page 19 described the problems of fiscal zoning and tax base competition. They can result in a loss of businesses and residents, revenue loss, community deterioration, sprawl, and environmental impacts due to the movement of businesses and residents from one community to another.

Tool 7, also described the funding problems facing counties as urban areas are annexed to cities. While this process is inevitable because cities are the only level of government capable of efficiently providing urban services, the need to adequately fund the regional services provided by the counties must be addressed by counties, cities, and the state legislature.

### Solutions

These incentives discourage destructive competition for high tax generators among local governments and encourage cooperative planning for smart growth.

### Sales Tax Equalization

Washington State had a limited form of tax base sharing, the sales tax equalization payments funded by the motor vehicle excise tax repealed after the voters approved I-695. The legislature should continue to fund sales tax equalization, now referred to as local government financial assistance. This will prevent increased competition for retail sales tax generators and assist

## Reform 9: Authorize Fiscal Home Rule

## Reform 10: Continue Tax Equalization Funding and Authorize Tax Base Sharing

**For more information please see the Tax Base Sharing section of the bibliography on page 39.**

## Reform 10: continued

small towns and counties, which often lack strong retail sales tax bases.

### Regional Tax Base Sharing

Through regional tax base sharing, the local governments in a region share property taxes, sales taxes, and other revenues. The shared funds could be part of an increase in revenues or part of the total revenues collected. Regional tax base sharing works best where there is widespread agreement among the local governments in a region that they need to work together to improve the region's land use pattern and reduce revenue differences. In preparation for the next round of comprehensive plan updates, cities and counties will be working together on countywide planning policies. This is an opportunity for the local governments to consider if the time is ripe for regional tax base sharing in their area.

If there is regional support, the legislature could adopt a state law requiring tax base sharing for the region. This will reduce pressures for fiscal zoning. It also recognizes that sales tax revenues are generated by the purchases of residents and businesses located throughout the region, not by major retailers located in a few favored communities. Regional tax base sharing will reduce the potential for blight and will help counties fund regional services. Regional tax base

sharing has been used successfully in the Twin Cities of Minnesota and the Hackensack Meadowlands of New Jersey. The *Growing Smart Legislative Guidebook*, listed in the bibliography and available on the Web, includes a model regional tax base sharing law. Please see page 39.

### Interlocal Revenue-Sharing Agreements

Another approach is for the legislature to explicitly authorize interlocal revenue-sharing agreements. Research has shown that interlocal revenue sharing agreements work best when local government representing part of a region wish to share revenue, but want the flexibility to negotiate specific conditions customized for their situation. While Washington's broad Interlocal Cooperation Act (Title 39.34 RCW) allows local governments to share revenue, specific legislation authorizing the use of interlocal revenue-sharing agreements would increase the likelihood they would be used. Skagit County, Anacortes and Mount Vernon are an example of local governments using the Interlocal Cooperation Act to share sales tax revenue.

### Provide Counties with Funding for Regional Services

Either through an expansion of community assistance funding or through new or reallocated taxes, the legisla-

ture should provide adequate funding for county provided regional services so annexations do not starve counties for the revenues needed to support the criminal justice system (which is largely staffed and funded by counties) and other important regional services. This will allow cities, the level of government best equipped to provide urban services (such as police, fire, and sewer services), to annex urban areas without depriving counties of the revenues they need to provide the regional services they do best.

Tool 7, Interlocal Agreements and Joint Planning Areas, in Chapter Three, explains how local governments can use interlocal agreements to reduce county fiscal stress and tax base competition along with the sprawl and urban deterioration they contribute to. *Please see page 19.*

## Reform 11: Transportation Pricing Strategies

### What is the problem?

Many parts of our state are experiencing a high level of congestion. The Texas Transportation Institute rated the Seattle-Everett metropolitan area as having the second highest per capita transportation delay in the country despite having increased lane miles by nearly 22 percent since 1990. Other areas of the state are experiencing congestion as well.

## Reform 11: Transportation Pricing Strategies

Transportation has an important effect on land use. Our dependency on the automobile has contributed to sprawl and community and building designs hostile to people.

The state's existing financing system does not generate sufficient funds to maintain and operate the existing transportation system including streets, ferries, and transit. It also does not generate sufficient revenues to fund needed safety and capacity improvements. It does not include all costs, such as some of the costs associated with air, water, and noise pollution. Washington State's current transportation funding system has few incentives to reduce trips and travel off-peak. The cost of driving for any one trip is generally extremely low. All of these deficiencies contribute to congestion.

### Solutions

A full evaluation of transportation pricing strategies and alternatives is beyond the scope of this report. However, the literature is clear: transportation pricing strategies are an important part of the solution to congestion. Transportation pricing measures seek to address the three deficiencies of the existing transportation funding system: lack of funding, a failure to include all of the costs in the prices associated with travel, and a lack of incentives to reduce or modify trips.

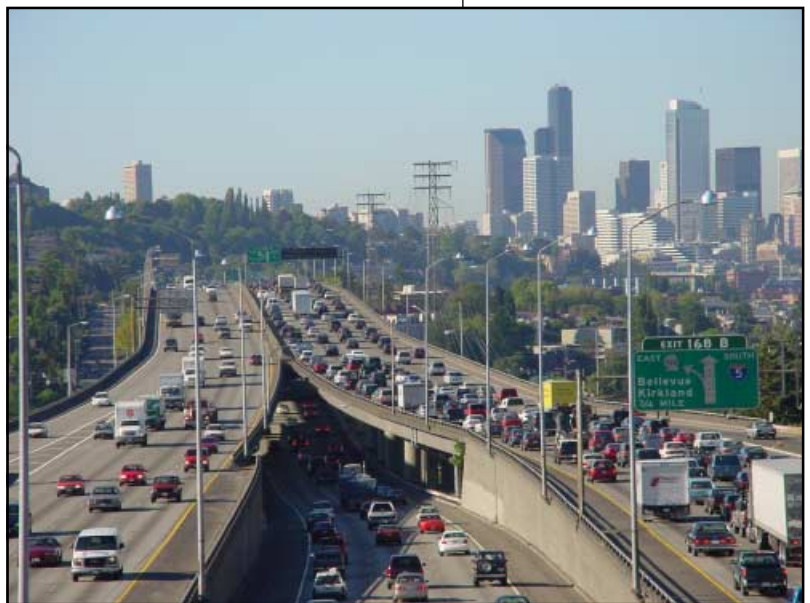
To address the first deficiency, transportation pricing strategies have a long been used to raise needed funds. In Washington, tolls for bridges and the gas tax are common examples. Toll highways are increasingly common throughout the United States to fund transportation facility improvements.

The second deficiency is the failure to include all of the costs in the prices for various travel modes. When a driver takes a trip in an automobile, the driver pays only part of the costs of the trip. These include gasoline, insurance, the car's purchase price, and car repairs.

Another set of costs is not paid directly by the driver. These costs include street, road, and highway repair and maintenance; safety improvements; the construction of new streets and highways; air, water and noise pollution; the loss of views; the loss of habitats and other costs. Pollution and congestion costs were \$1.2 billion in 1998 alone. Charging a larger share of the costs of travel provides funds to lessen the impacts and for system maintenance and improvements. It also helps users more accurately compare the costs of al-

ternatives. Many view the "external" costs the driver does not pay as a subsidy that encourages driving.

The third deficiency is the lack of incentives to reduce trips and travel off peak. Much of the direct transportation costs are spent on car and insurance payments that are commonly paid monthly and do not vary significantly with the miles driven after they are paid. These high fixed



costs and low variable costs do not provide incentives to reduce trips or to travel during off peak periods.

Transportation pricing can help reduce sprawl by accounting for the impacts of long distance single-occupancy motor vehicle travel compared to other modes of travel. They would encourage people to live closer to the places where they work, shop, and recreate.

## Reform 11: continued

**For more information please see the Transportation Pricing Strategies section of the bibliography on page 39.**

## Reform 11: continued

And they may discourage the large-scale development of rural areas. Examples of transportation pricing measures that address the three deficiencies include:

- **Toll Lanes or High Occupancy Toll (HOT) Lanes.** Drivers pay to use toll lanes. HOT Lanes allow buses, carpools, and vanpools to use a lane for free while single-occupancy vehicles pay a toll. Toll lanes and HOT lanes are most commonly used to fund new highway lanes or bridges. In California, Texas, and other areas, electronic transponders are used to bill drivers every month for their use of toll or HOT lanes.

- **Variable Roadway Fees or Congestion Pricing.** These fees are charges to use a highway or bridge. They are higher during high use periods and are lower, often free, during low use periods. They can be used like tolls to help fund new facilities or they can be applied to existing congested facilities to reduce the demand for new lanes because some users will shift trips to other modes, routes, or times. Revenues are dedicated to road maintenance and reducing the negative air and water quality impacts of driving.

- **Cordon or Area Tolls.** Those who drive in a certain area, such as a central business district, are charged a fee. Area tolls are designed to encourage shifts to other travel

modes such as transit. This measure has been used in Norway and Singapore.

- **Mileage-Based Use Fees or Licensing Fees.** These measures charge each vehicle owner a per mile charge rather than a flat licensing fee. Some have proposed that the charge only apply after a certain number of miles have been driven to reduce adverse effects on low-income families.

- **Mileage-Based Insurance.** Like a mileage-based use fee, insurance would be charged on a per mile basis. So a \$600 a year insurance premium would become a five cent a mile fee. Under this system vehicle owners who drive the average number of miles would pay the same insurance premium as they currently pay. Those drivers who reduce the miles they drive would pay less.

- **Pricing Parking.** Parking is often subsidized for drivers. Some employers have adopted parking cash-out programs where they pay their employees to use alternative forms of transportation (and charge them when they use a parking space). Other employers charge employees to park on site, again to encourage carpools, vanpools, and transit. Parking pricing should be applied so that does not just shift trips from one area to another.

- **Commute Trip Reduction.** While not strictly pricing measures, commute trip reduction

programs can effectively reduce work trips. They often include services, such as ride matching, that help drivers find others who live nearby and who can join with them in carpools and vanpools.

These programs can include incentives, such as reduced cost bus passes or free parking for carpools. They can also include charges, such as parking charges, to encourage walking, biking, carpooling, and transit use.

- **Location Efficient Mortgages.** Again, this program is not strictly a pricing measure. Rather the program recognizes that families who live in areas well served by transit and who live close to employment, shopping, and services will spend less money on automobiles and so can afford to qualify for a higher priced home. Seattle is currently a test market for a national location efficient mortgage program.

A concern commonly raised by pricing strategies is that they adversely affect lower income families who cannot afford to pay tolls or other charges. If other alternatives are provided, such as transit, the adverse effects of tolls can be reduced or eliminated. Some of these mechanisms, such as mileage based insurance and location efficient mortgages, can actually benefit lower income families since they pay as they go for insurance and they could qualify for a larger mort-

gage if they live in neighborhoods with good transit service. To the extent that pricing strategies shift costs from general taxation to pricing, lower income families may be better off since their taxes may be reduced and they would have choices on how to travel. This is especially true in Washington because while taxes on families are low overall, the system tends to tax a higher percentage of the income for lower income families compared to higher income families. The impacts of transportation pricing on lower income families can also be reduced by providing life-line discounts, discounts or payments that allow lower income families to take enough trips to meet basic needs.

### **Reform 12: Adopt a State-Wide Development Excise Tax to Fund Growth Management Act Planning or Authorize a Local Option Excise Tax to Fund Growth Management Act Planning or a Fee for Community- or Neighborhood-wide Environmental Review**

#### **Background**

Many of Washington's cities and counties lack funding for effective planning. Without adequate resources, they cannot do the important work needed to fully implement the Growth Management Act (GMA), the Shoreline Management Act (SMA),

and to encourage smart growth.

While local governments are generally able to fund the planning to meet the minimum requirements of the GMA, they have not been able to undertake the optional, but important, planning required to achieve the GMA's full promise.

#### **Solutions**

High quality and effective planning can lead both to smart growth and to more efficient permitting. Some features of the GMA and the State Environmental Policy Act (SEPA), such as planned actions or phased review, increase both certainty and the speed of permitting. A planned action is a proposed development that has been identified in a community or neighborhood plan and whose environmental impacts have been analyzed in an environmental impact statement (EIS) and mitigated. Phased review means that the environmental impacts of a proposal are generally analyzed in a broader environmental document, such as a programmatic EIS on a comprehensive plan, and more specific issues addressed later in a narrower environmental document that focuses on issues specific to the later analysis.

While some local governments, such as the City of Shoreline for part of its city center and Redmond for its Overlake Neighborhood, have been able to adopt

planned actions for neighborhoods, a lack of funding has limited the broader application of these techniques. The benefits of this work include better consideration of cumulative impacts, better decisions since the needed environmental analysis is conducted earlier in the planning and development review process, and more effective implementation of smart growth principles. The development community benefits as well since permit-processing times can be reduced.

A statewide development excise tax could fund this work. A development excise tax is imposed on the activity of developing land. It should be proportionate to the density or intensity of the development and would be paid by the developer as part of the process of recording a subdivision or binding site plan, or obtaining site plan approval. Since development benefits from effective planning, development should contribute to it. A statewide tax would be more stable and would allow relatively slow growing communities to undertake both required planning, such five-year comprehensive plan updates and shoreline master program updates, and optional work such as planned actions.

If the legislature did not want to adopt a statewide tax, it could authorize a local option tax. Local governments that

## **Reform 12: Adopt a State-Wide Development Excise Tax to Fund Growth Management Act Planning or Authorize a Local Option Excise Tax to Fund Growth Management Act Planning or a Fee for Community- or Neighborhood-wide Environmental Review**

## Reform 12: continued

need additional funding for planning would have the option of adopting the excise tax.

The primary disadvantage of a development excise tax is that it will likely be passed on to the buyers of the buildings being developed. However, effective planning, especially phased review and planned actions, have the potential to recoup some or all of the excise tax paid by the development through faster permit processing times and reduced environmental review costs.

A scaled back alternative to the development excise tax would be to allow local governments to impose a fee to fund community-wide or neighborhood-wide environmental review. However this more limited fee would have more limited benefits since funding would not be provided for

improving permitting processes and updating comprehensive plans and development regulations as would be the case through the development excise tax.

The primary disadvantage of the fee is that it will likely be passed on to the buyers of the buildings being developed. However, early environmental review has the potential to allow recovery of these costs through faster permit processing times and reduced environmental review costs due to economics of scale.

## Reform 13: Adopt a Sprawl Conversion Tax

### What is the problem?

Rapid growth in Washington State encourages the conversion of farmland and forestland to other uses. In the five years between 1992 and 1997, 45,800 acres of

prime farmland was converted to developed land. Prime farmland is a national classification that identifies the highest quality farmland based on soil productivity and climate. During the same period, non-federal forestland declined by 89,900 acres in Washington State. These trends are

aggravated by the current farm recession caused by declining prices for crops.

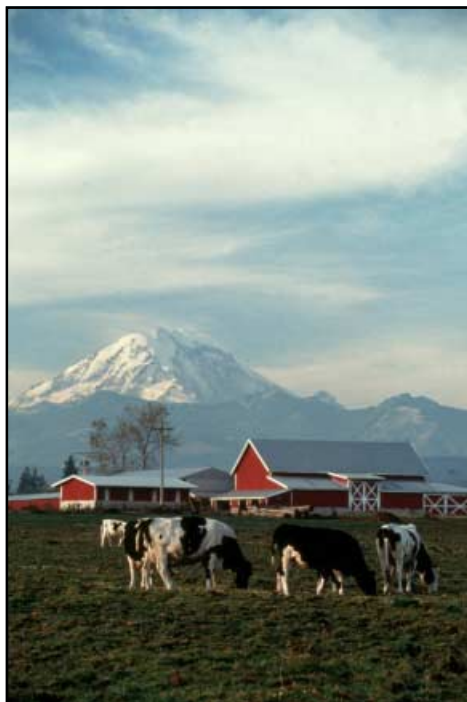
### Solutions

A sprawl conversion tax would be levied on the conversion of forestlands, farmlands, and open spaces to residential, commercial, and other uses that preclude farming and forestry. The tax proceeds will be used to compensate farmland, forestland, and open space owners who voluntarily agree to never develop their land, other than for agriculture and forestry. This compensation is often referred to as the purchase of conservation easements or the purchase of development rights. These programs use contracts to permanently protect forestlands, farmlands, and open spaces.

This would help encourage the protection of these important lands. Preserving these lands has important community and environmental benefits. Forestland and farmland provide habitat for fish and wildlife. They provide for ground water recharge, flood storage, and help maintain the functions of the hydrological system. They also provide for economic diversity in the state and help to maintain the economic base of many counties in Washington State. Funding the purchase of conservation easements from voluntary sellers gives economically stressed land owners an opportunity to

## Reform 13: Adopt a Sprawl Conversion Tax

For more information please see the Sprawl Tax section of the bibliography on page 39.



obtain money from their land without selling it and without losing its economic potential as farmland or forestland.

Thirteen states have statewide farmland conservation easements purchase programs. Maryland's is perhaps the most successful, having purchased conservation easements for 128,031 acres of farmland. The Maryland program is funded by an agricultural land transfer tax (not dissimilar to the proposed sprawl tax), part of a real estate transfer tax, and Federal Farmland Protection Program Funding. In Washington State, King County has had a successful purchase of conservation easement program. King County's program acquired conservation easements to 12,800 acres at a total cost of \$56.5 million. It was funded by countywide voter-approved bonds repaid by a property tax levy, local funding, and some federal funding.

The sprawl conversion tax would affect those who must convert their land for reasons out of their control. However, these conversions often realize significant profits and so the tax would not be a burden.

### **Reform 14: Comprehensive Tax Reform**

#### **What is the problem?**

As the discussion of fiscal competition and

other reforms has shown, tax policy can significantly affect sprawl and the livability of our cities, towns, and rural areas. Tax policy can also help price growth to channel it into the best locations. This section focuses on the two Washington State taxes that arguably have the greatest impact on our communities: the sales tax and property tax.

Washington does not really have a tax system. It is a collection of taxes enacted and amended at various times and for various purposes, often based on tradition. A comprehensive review and reform of the tax system is long overdue. An important consideration in that review should be whether our tax system encourages the kinds of communities we want to live in, in other words does it promote smart growth.

Washington is heavily dependant on retail sales taxes and gross receipts taxes. The gross receipts tax is referred to as the Business and Occupation or B & O tax. The sales and B & O taxes account for 46 percent of Washington's state and local taxes, nearly twice the national average. Washington's per capita sales tax burden, \$1,732 in 1997, is the second highest in the country.

The high sales tax and Washington's heavy dependence on it encourages local governments to overzone for retail commercial uses and to actively com-

pete for these uses, with the detrimental impacts discussed in Tool 7 on page 19. Washington's high sales taxes encourage residents to shop in other states, from catalogs, and on the Internet. This reduces tax collections and reduces local business activity.

The revenue generated by the sales tax tends to be highly dependent on the economy, rising during good economic times and declining during economic downturns. The sales tax is also highly regressive in that lower income families pay a higher proportion of their incomes on sales taxes than the wealthy. The high sales taxes increase construction costs, including housing costs, and may inhibit new business development.

The advantages of sales taxes are they are easy and cheap to administer and are relatively popular since they are paid in relatively small amounts over the entire year rather than in an annual payment. Some also believe that sales taxes are beneficial in that they discourage consumption and encourage savings and investments since neither of these activities is taxed in Washington State.

In contrast to Washington's high sales tax rates, the property tax rates are more moderate. Based on 1997 data, Washington ranks 15<sup>th</sup> nationally in per capita property taxes and 16<sup>th</sup> in terms of property taxes

### **Reform 13: continued**

### **Reform 14: Comprehensive Tax Reform**

## Reform 14: continued

collected per \$1,000 of per capita income. Property taxes make up almost 32 percent of state and local revenues in Washington State compared to the national average of 30 percent.

Both the Washington Constitution and state law limit property tax rates and increases in property tax revenues. For example, total property tax revenues may not increase by more than six percent a year or the rate of inflation, whichever is less. A city or county's legislative body can raise the inflation limit to the six percent maximum with a supermajority vote. Revenues from new construction are not covered by these limits. Exemptions and tax deferrals are also provided for lower income senior citizens and disabled property owners. Another initiative with stricter limits on property tax increases will be on the November 2001 ballot.

Rapid growth in population and incomes in the 1990s significantly increased housing values in the Central Puget Sound, Clark County, and other areas. These increases have increased concerns about the adverse effects of the property tax. Like the sales tax, the property tax tends to be regressive, with the greatest burden, as a percentage of income, falling on low- and moderate-income families. Rising property values, particularly in areas that lack

significant commercial and employment tax bases, have raised concerns that low- and moderate-income families may be priced out of certain communities due to high property values and increases and shifts in the property tax. The property tax is also expensive to administer because it relies on the periodic assessment of individual properties.

Because the same property tax rate applies to properties and buildings, the property tax tends to favor keeping land vacant or underdeveloped. This effect is amplified by two characteristics that make land different than other investments. First, land can increase in value without any improvements or productive use. Second, development is costly to undo since the owner must demolish the existing buildings, forgo the income during construction, and then pay for the construction of the new buildings. These characteristics tend to encourage development on vacant land rather than the redevelopment of under-used sites.

The property tax's advantages are that it is stable; property values tend to be less volatile than the consumer spending on which the sales tax is based. The property tax is also the state's oldest tax, it is imposed by all other states, and many people expect it. It can also be deducted from federal income taxes, re-

ducing the effective tax rate for moderate- and high-income homeowners and businesses.

In assessing tax policy, it is important to understand that for individuals Washington is a low tax state. For 2000, *Bloomberg Personal Finance* magazine rated Washington State as having the fourth lowest total taxes on families of the fifty states.

### Solutions

Comprehensively review our tax system. The following reforms should be considered:

■ **Consider a Split-Rate Property Tax** as a replacement for the property tax in urban areas. A higher rate would be applied to land and a lower rate would be applied to buildings. The goals would be to encourage compact development, reduce land consumption, encourage more investment in buildings including redevelopment within existing cities, and discourage excessive land speculation since higher tax rates on land would reduce returns from merely holding land. Pittsburgh, Pennsylvania has levied a split-rate tax. This has resulted in more building activity in Pittsburgh than other cities in its region. It has also lowered taxes for 85 percent of the city's homeowners. Farms and forests should be taxed based on their economic return, as they are now, to provide an incentive to maintain

For more information please see the Tax Reform section of the bibliography on page 39.

these uses. A split-rate property tax would require a state constitutional amendment.

■ **Consider a Land and Structure Tax** as a replacement for the property tax in urban areas. This taxes the amount of land consumed and the gross square footage of buildings. The land and structure tax would encourage more compact development by basing the tax on the amount of land and building area consumed. It would also encourage more investment in buildings including redevelopment within existing cities and discourage excessive land speculation since higher tax rates on land would reduce returns from merely holding land. It would also provide a simpler, more predictable

way of allocating property taxes. One problem is that higher-value homes and lower-value homes of similar sizes would pay the same taxes, creating equity issues. For example a large single-family home in Bellevue would pay the same taxes as, say, the same sized home in Montesano, Grays Harbor County, despite large differences in value. A circuit breaker system targeted toward lower-income families may reduce this effect. Farms and forests should be taxed based on their economic return, as they are now, to provide an incentive to maintain these uses.

■ **Consider adopting environment taxes** and reducing sales and property taxes. These could include pollution and car-

bon taxes that tax air emissions and discharges into streams, rivers, and lakes; taxes on traffic, discussed in Reform 11, Transportation Pricing Strategies; and natural resources taxes. These taxes would be designed to reduce pollution, reduce the consumption of natural resources, and encourage recycling.

Taxes are complex and changes to taxes can have many unintended consequences if they are not carefully analyzed. An evaluation of these alternatives is beyond the scope of this report. However, these alternatives warrant further analysis as a part of a comprehensive update of the Washington tax system.

## Reform 14: continued

## Bibliography

### Chapter One: What is Smart Growth

Oregon Transportation and Growth Management Program. *The Principles of Smart Development* (Planning Advisory Service Report Number 479, September 1998).

Victoria Transport Policy Institute. *Online TDM Encyclopedia* (Victoria, British Columbia, Canada: March 2001). Available from the Institute's Web site: <http://www.vtppi.org/tdm/>

### Chapter Two: Costs of Sprawl in Washington State

Robert W. Burchell, Naveed A. Shad, David Listokin, Hilary Phillips, Anthony Downs, Samuel Seskin, Judy S. Davis, Terry Moore, David Helton, Michelle Gall. *The Costs of Sprawl—Revisited* (Transit Cooperative Research Program Report 39, Transportation Research Board, National Research Council 1998). Available at the National Academy Press Web site: [http://www4.nationalacademies.org/trb/onlinepubs/nsf/web/TCRP\\_Reports](http://www4.nationalacademies.org/trb/onlinepubs/nsf/web/TCRP_Reports)

United States Environmental Protection Agency. *Our Built and Natural Environments: A Technical Review of the Interactions between Land Use, Transportation, and Environmental Quality* (EPA 231-R-01-002 January 2001).

Molly O'Meara Sheehan. *City Limits:*

*Putting the Brakes on Sprawl* (Washington DC: Worldwatch Institute, Worldwatch Paper 156, June 2001). <http://www.worldwatch.org>

Eben Fodor. *The Cost of Growth in Washington State* (Bellevue, Washington: The Columbia Public Interest Policy Institute, October 2000).

[www.columbiapolicy.org](http://www.columbiapolicy.org)  
Myron Orfield. *Seattle Metropolitica: A Regional Agenda for Community and Stability in the Puget Sound Region* (Renton, Washington: Institute for Washington's Future, May 1999).

American Farmland Trust. *Cost of Community Services: Skagit County, Washington* (Northampton, Mass.: 1999).

### Chapter Three: Local Smart Growth Finance Tools

#### Focused Public Investment Plans

ECO Northwest, Pacific Rim Resources, J. Richard Forester. *Oregon TGM Tools of the Trade* (Salem, Oregon: Oregon Department of Transportation and Department of Land Use and Community Development Transportation and Growth Management Program, 1995). Available at the Transportation and Growth Management Program Web site at: <http://www.lcd.state.or.us/tgm/pub/tools.htm>

### Community Revitalization Financing

Session Law Chapter 212, Laws of 2001. Available at the following Web site: <http://www.leg.wa.gov/wsladm/billinfo/dspBillSummary.cfm?billnumber=1418>

### Local Improvement Districts (LIDs)/Utility Local Improvement Districts (ULIDs)

John Carpita. *Local Improvement Districts: "Are We Having Fun Yet?"* Municipal Research and Services Center Web site: <http://www.mrsc.org/pubworks/lid.htm>

*Washington State Local Improvement District Manual*, Fourth Edition. (Seattle, Washington: Municipal Research and Services Center, Report No. 36, October 1996).

### Impact Fees

James C. Nicholas, Arthur C. Nelson, and Julian C. Juergensmeyer. *Practitioner's Guide to Development Impact Fees* (Washington DC: American Planning Association (APA) Planners Press, 1991).

Connie B. Cooper. *Transportation Impact Fees and Excise Taxes* (Washington DC: Planning Advisory Service (PAS) Report 493, 2000).

Growth Management Division, *Paying for Growth's Impacts: A Guide to Impact Fees* (State of Washington Department of Community Development, January 1992).

## Chapter Four: Reforms to Price Growth & Encourage Smart Growth

### Smart Growth Investment Strategy

Smart Growth in Maryland Web site: <http://www.op.state.md.us/smartgrowth/>

### Smart Schools to Encourage Smart Growth

Constance E. Beaumont with Elizabeth Pianca. *Historic Neighborhood Schools in the Age of Sprawl: Why Johnny Can't Walk to School*. (Washington DC: National Trust for Historic Preservation November 2000). Available from the Trust's Web site: <http://www.nthp.org/main/abouttrust/schoolshome.htm>

### Property Tax Exemptions for New or Rehabilitated Multifamily Housing Near Transit Stations and High Frequency Routes

Chapter 84.14 RCW, New and Rehabilitated Multiple-Unit Dwellings In Urban Centers  
<http://search.leg.wa.gov/wslrcw/RCW%20%2084%20%20TITLERCW%20%2084%20%2014%20%20CHAP%20%2084%20%2014%20%20chapter.htm>

### Tax Base Sharing

Interim edition of the *Legislative Guidebook for Growing Smart*<sup>SM</sup> (Washington DC: American Planning Association, 2000). Available at the American Planning Association's Web site: <http://www.planning.org/plnginfo/GROWSMAR/leggui.htm>

### Transportation Pricing Strategies

Todd Litman, Charles Komanoff, and Doug Howell. *Road Relief—Tax and Pricing Shifts for a Fairer, Cleaner and Less Congested Transportation System in Washington State* (Olympia, WA: Energy Outreach Center, 1998). Available at the Climate Solutions Website at: <http://climatesolutions.org/pub.html>

Victoria Transport Policy Institute's Online TDM Encyclopedia at <http://www.vtppi.org/tdm/>

### Sprawl Tax

Information about conservation easements:

Julia Freedgood, Edward Thompson Jr., John C. Keene, Robin L. Sherman, Jill Schwartz, Robert C. Wagner, and Jennifer Dempsey. *Saving American Farmland: What Works* (Washington DC: American Farmland Trust, 1997).

### Tax Reform

Alan Thein Durning and Yoram Bauman. *Tax Shift* (Seattle, Washington: Northwest Environment Watch, April 1998).

Don Taylor. *Comparative State and Local Taxes 1997* (Olympia, Washington: State of Washington Department of Revenue, December 2000). Available at the Department of Revenue's Web site: <http://dor.wa.gov/index.asp?>

Don Taylor. *Tax Reference Manual: Information on State and Local Taxes* (Olympia, Washington: State of Washington Department of Revenue, January 1999). Available at the Department of Revenue's Web site: <http://dor.wa.gov/index.asp?>

## Bibliography

## Notes



Friends of Washington

206-343-0681 • [www.1000friends.org](http://www.1000friends.org)