1999

Seattle (Puget Sound) Metropolitics

Myron Orfield
University of Minnesota Law School

Puget Sound Metropatterns

Social Separation and Sprawl in the Puget Sound Region

MYRON ORFIELD

METROPOLITAN AREA RESEARCH CORPORATION

Contents

Foreword

This report is a project of the Metropolitan Area Research Corporation (MARC). It was made possible with the generous financial support of the Northwest Area Foundation.

The Metropolitan Area Research Corporation (MARC) was created in 1995 by Myron Orfield, a Minnesota legislator and law professor, who has been a nationally recognized leader in promoting reform in the areas of land use, social and fiscal equity, and regional governance. MARC's objective is to study the relationship between common regional development patterns and growing social and economic disparities in regions throughout the country, and to assist individuals and groups in fashioning local remedies that address these concerns. Since its inception, MARC has studied more than 30 U.S. regions, including the 25 largest metropolitan areas in the country.

MARC would like to thank the following people for their comments and suggestions throughout the writing of this report: the staff of the Institute for Washington's Future, and especially Patrick Higgins, Don Hopps, and Shane Huddleston; King Cushman, Puget Sound Regional Council, Transportation Planning Department; Scott Noble, King County Department of Assessments; Harold Robertson, Thurston Regional Planning Council; and Thomas Weko, The University of Puget Sound. The conclusions and recommendations expressed in this report are solely those of the Metropolitan Area Research Corporation and do not necessarily reflect those of these contributing individuals or their organizations.

Graphic Design: Two Spruce Design, Minneapolis, MN.

Editing: David Mahoney, Minneapolis, MN.

Cover photo credits: (top to bottom) Puget Sound Regional Council, ©Suzy Fitzhugh, Gary Benson

Puget Sound Metropatterns

INEQUITABLE FISCAL POLICIES and inefficient development patterns are threatening the long-term social and economic strength of the Puget Sound region.[1] Despite a strong regional economy, sustained population growth, and significant reinvestment in Seattle, concentrated poverty persists in core neighborhoods of the region, destabilizing schools and neighborhoods not only in parts of Seattle and Tacoma but also in surrounding suburban areas such as Des Moines, Shoreline, and Steilacoom. These social needs in the core contribute to sprawling development patterns at the edges of the region as the core communities become less desirable places to live or locate businesses—increasing the pressure to accommodate population growth elsewhere.

At the same time, fast-growing communities on the fringes of the metropolitan area, particularly those in Snohomish and Pierce counties, are struggling to provide the schools, roads, sewer systems, and other basic yet costly infrastructure that their growth requires. Ever-present pressure for development is also threatening the Puget Sound's unique and valuable open spaces, forests, and rural landscapes. All of these stresses are contributing to rising public discontent with the many side-effects of the region's rapid growth, including increasingly congested roadways, rising taxes and development fees, crowded schools, and a feeling of powerlessness to shape the region's growth in more productive ways.

There is a growing recognition that the problems associated with social separation and sprawl cannot be addressed through the actions of individual local governments alone. Stabilizing struggling communities and minimizing sprawling development will require that local government leaders, the business community, concerned citizens, and the many organizations interested in creating a stronger region work together to develop comprehensive, coordinated strategies for addressing regional problems with regional solutions.

The purpose of this report is threefold: 1) to document social separation and wasteful development patterns in the Puget Sound region; 2) to identify the effects of these patterns on local governments and the region as a whole; and 3) to introduce strategies for addressing the challenges facing the Puget Sound region in a comprehensive manner. It is MARC's hope that the information provided in this report will assist regional efforts toward policy reform and ultimately lead to a more socially and economically sustainable future.

Concentrated poverty and sprawling development threaten the future of the Puget Sound region.

Photo credit: Puget Sound Regional Council

National Patterns of Social Separation and Sprawl

The patterns that this study highlights are not unique to the Puget Sound region. It is becoming increasingly apparent that the fiscal, social, and environmental stresses associated with typical metropolitan development patterns in this country are negatively affecting *all* metropolitan localities and their residents. Among the many effects are highly concentrated poverty, racial segregation, inadequate public infrastructure, over-crowded and underfunded schools, congested roadways, lost open space, environmental degradation, and unnecessarily high taxes and development fees.

Typically, four types of adversely affected communities emerge from these development patterns: 1) high-poverty neighborhoods at the core; 2) "at-risk" older suburbs and satellite cities; 3) fiscally strained communities on the metropolitan fringe; and 4) congested suburban employment centers. This diversity among metropolitan communities represents a shift from the traditional view of metropolitan areas as a large central city surrounded by homogenous suburbs.

High-Poverty Neighborhoods

The most severe impact from prevailing development patterns in U.S. metropolitan areas is the creation of racially segregated, economically depressed neighborhoods. Most often, these neighborhoods are located in the central city, but in some regions they extend into nearby suburbs as well. In a few large metropolitan cities, such as Seattle and San Francisco, strong forces of gentrification are creating new investment in neighborhoods previously burdened with poverty and crime. While this may benefit these cities, it rarely benefits the poor residents who are displaced into older suburbs and other nearby communities, creating new pockets of distress.

The intense concentration of social, educational, and economic need that develops in core metropolitan neighborhoods dramatically limits the life opportunities of residents and discourages investment by families and businesses in the area. Social needs related to poverty, joblessness, crime, and poorly performing schools increase significantly while the resources required to address these needs often fail to keep pace. Because needs in these neighborhoods increase faster than the resources needed to address them, local governments in these areas often are forced to raise taxes or cut services—making them less desirable for private investment.

Opportunities for lower-income families to escape these neighborhoods are extremely limited. Unable to afford housing in other areas of the region, low-income households are limited to those neighborhoods with the greatest social needs and inadequate resources. Ultimately, people living in these high poverty neighborhoods become isolated from the educational, employment, and social opportunities available to residents in other parts of the region, making it extremely difficult for them to fully participate in the metropolitan economy.

"At Risk" Communities

The same patterns of metropolitan growth that lead to especially poor and isolated neighborhoods are also creating significant fiscal and social stresses in many older suburbs and satellite cities. While the social problems are generally not as severe in these cities as in the poorest neighborhoods, "at risk" communities exhibit signs of growing instability that could lead to rapid social decline. Increasing social stresses in schools and neighborhoods, comparatively

Photo credits: Ted Soqui/Impact Visuals (above left) and Chris Faust

Sprawling development patterns have negative consequences for central-city neighborhoods as well as for developing communities on the metropolitan fringe.

less valuable homes, the loss of local businesses and jobs, and the erosion of the local tax base are symptoms of this decline.

The first sign of increasing instability and community decline is often seen in local elementary schools, where the demographics of enrolled students serves as an indicator of the confidence that families with children have in a community. An increase in the percentage of poor children in schools acts as a powerful deterrent to retaining or attracting middle-class families that provide stability to a community, contributing to lower property values and decreased business investment. Once begun, the decline of these communities can be extremely difficult to reverse because they offer few of the amenities found in central cities—such as unique housing or cultural activities—that might encourage reinvestment.

Fiscally Strained Fringe Communities

At the other end of the metropolitan area are the fast-developing communities at the outskirts of the region. As these places grow, they initially seem to offer an alternative to the distressed and declining communities at the core of the region. Still allowing relatively easy access to the jobs and cultural amenities of the central city, these communities can also offer higher-achieving schools, lower land costs, new homes, more space, less congested streets, and lower taxes. Much of the population growth occurring in metropolitan areas concentrates in these areas.

Eventually, however, the continual demand for new homes in these communities exceeds the ability of local taxpayers to pay for their growth. Built primarily as residential "bedroom" communities, they tend to generate more public costs than can be offset by the tax revenues they generate, and their governments find themselves struggling to keep up with the costs of new schools, roads, sewers, parks, and many other public services. In most cases, aggressive competition among these cities to attract more lucrative commercial or industrial property through public subsidies or tax incentives fail, because there is simply not enough development to go around. Those who do "lose" must continue to accept additional housing developments just to pay off their bills—contributing even further to their fiscal stress.

Congested Employment Centers

In contrast to the fiscally stressed fringe cities are those suburban communities that consistently "win" the competition for economic development. It is in these places where the most expensive homes are built, where commercial and industrial development is most lucrative, and where social strains associated with poverty are practically non-existent. At first glance, these communities appear to be reaping all of the benefits of their metropolitan location with few of the social or economic costs.

In many ways, however, these communities actually become victims of their own success. Open space that first drew people to these areas is soon lost to development, and traffic congestion rises as the concentration of large regional shopping and employment centers increases. As Joel Garreau suggests in his book *Edge Cities*,[2] these communities soon become as "urban" as those that its residents and businesses were attempting to avoid. Further, many employees of these new employment centers cannot afford to live in expensive local housing, forcing them to drive long distances or look elsewhere for work. As a result, an increasing number of businesses in these areas are finding it difficult to fill positions in their growing companies.

Falling Behind

Disinvestment and Middle-Class Flight

As with most metropolitan regions, it is often assumed that the effects of poverty and other social needs in the Puget Sound region can be confined to a few inner-city neighborhoods. The strong gentrification of Seattle in recent years has also created a perception that poverty has been greatly reduced as a serious concern. In reality, however, poverty and its effects continue to present a significant challenge for the region. The gentrification of many Seattle neighborhoods has in many ways simply shifted these burdens onto surrounding communities such as Des Moines, Normandy Park, Shoreline, and University Place, as low-income families must look elsewhere for housing. Coupled with the rapid growth occurring in outlying areas of the region, the socioeconomic decline of these communities is contributing to a self-reinforcing pattern that is likely to result in core communities falling further and further behind.

The decline threatening core communities of the Puget Sound region is foreshadowed most clearly by growing poverty in elementary schools. As these elementary schools become poorer, they act as powerful disincentives for middle-class families looking for a place to live in the region. Demand for housing begins to drop, property values grow much more slowly than in other parts of the region (or, in the worst cases, decline), and the community becomes increasingly unstable. If the decline is sustained, local businesses see their profits decline and either go out of business or move elsewhere in the region.

All too often, the loss of middle-class households and businesses leads not only to an increasing concentration of low-income households, but also to the segregation of minority students and families—both lower- and middle-class—in these declining communi-

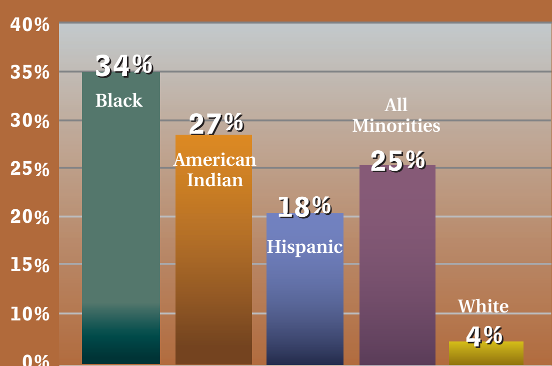
Photo credit: Alice Wheeler

The Persistence of School Segregation

There is a broadly shared illusion that the civil rights movement of the 1960s essentially eliminated the most serious occurrences of racial segregation in this country. Seattle, in particular, has a reputation for being among the more racially tolerant metropolitan areas in the country. Data from the region's elementary schools, however, suggest that racial segregation persists in the region. They show that minority students of all races are more than six times more likely than white students to be attending schools where more than half of the students are minorities (Chart 1). Minority elementary students are also nearly three times more likely than white students to attend schools where a majority of students are poor (Chart 2).

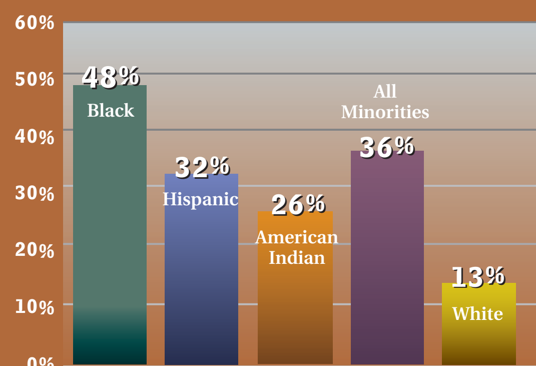
The effects of these concentrations of poverty and race are profound. Just as with neighborhoods, schools set social norms for students and play a large part in determining their educational outcomes. Students in poor, racially segregated schools face much greater challenges as they try to succeed than do students in well-funded, fast-track schools where opportunities to succeed are readily available and encouraged. Surrounded by students and families who have little hope of escaping their poverty, even the most dedicated and hard-working students in these poor schools face an uphill battle—a battle many students come to see as futile.

1) Percentage of Elementary Students Attending Schools with more than 50% Minority Population, by Race/Ethnicity of Student: 1996



Source: National Center for Education Statistics, Common Core of Data (CCD)

2) Percentage of Elementary Students Attending Schools with more than 50% of Students Eligible for Free Lunches, by Race/Ethnicity of Student: 1996



Source: National Center for Education Statistics, Common Core of Data (CCD)

ties. Resulting partly from subtle discrimination in the housing market,[3] income and racial segregation remains a persistent problem in the Puget Sound region—despite a strong economy and increased opportunities throughout much of the region (see above).

Ultimately, the decline of these communities is only reinforced over time, as schools and neighborhoods become increasingly unstable. Persistently low student achievement scores on the Washington State Assessment Program are one indicator of instability in the community because of the disincentive it provides to families looking for strong schools where their children can succeed. For instance, between 1993 and 1997, fourth grade students in school districts with relatively high poverty such as Highline, South Central, and Clover Park scored, on average, at around the 45th percentile nationally. By contrast, fourth graders in school districts with less poverty such as Northshore, Lake Washington, and Mercer Island scored much higher, at the 65th percentile or higher.[4] These low test scores, along with increasing social stress, make it very difficult to for these communities to attract the stable families and economic development they need.

Poverty in Schools

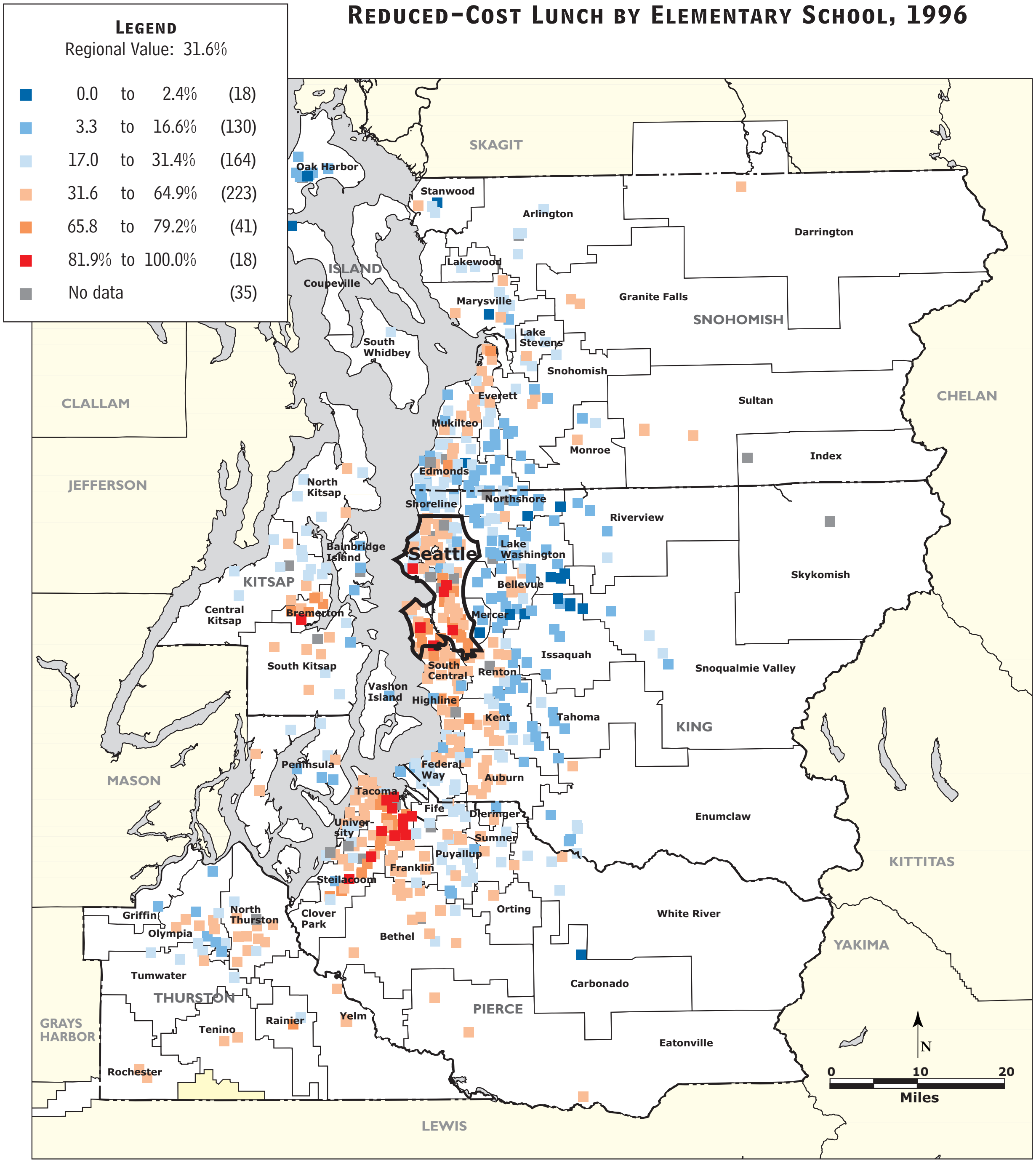
Students from low-income families are concentrated in Seattle and Tacoma as well as in older suburbs just outside of these two cities, where an increasing number of families struggle to make ends meet.

FAMILIES DECIDING where to live within a metropolitan area will often include the quality of local schools as a significant factor in their decision. They will seek schools where they feel their children will receive a quality education in a safe environment. When poverty becomes increasingly concentrated in certain schools and communities, the ability of these schools to provide the resources needed for high achievement declines and standardized test scores fall. If they can afford housing in other areas of the region, most families will choose not to live in these neighborhoods or send their children to these schools.

The most widely used measure of student poverty is eligibility for free or reduced-cost lunches, which are available to children of families whose household income is at or below 185% of the federal poverty line. At the elementary school level, 32 percent of all students in the Puget Sound region were eligible for free or reduced cost lunches in 1996.[5] Seattle and Tacoma were among the school districts with the highest concentrations of student poverty, with 49 percent and 54 percent of all elementary students, respectively, eligible for free or reduced-cost lunches. However, a number of suburban elementary schools just outside of these two cities also had relatively high percentages of elementary students eligible for free lunches. These included many schools to the south of Seattle, in cities such as Burien and Des Moines. Around Tacoma, a significant portion of the elementary schools in Federal Way and University Place had higher than average eligibility. Schools in and around Bremerton also tended to have higher-than-average rates of students eligible for free or reduced-cost lunches.

Historical data on eligibility for free or reduced-cost lunches at the school district level points to the relatively rapid growth in student poverty in many of the inner-suburban school districts of the region. Between 1989 and 1997, the percentage of students eligible for free or reduced-cost meals in the Puget Sound region grew by nearly 7 percent, from just under 19 percent to nearly 26 percent. However, three districts located just outside of Seattle or Tacoma—South Central, Highline, and Clover Park—grew by more than 17 percent over this period. Other districts that experienced relatively large increases in student poverty during the 1990s included Auburn (from 19 to 34 percent), Tacoma (38 to 53 percent), Renton (15 to 28 percent) and Franklin Pierce (27 to 41 percent).

Percentage of Students Eligible for Free or Reduced-Cost Lunch by Elementary School, 1996



Data source: Washington Office of Superintendent of Public Instruction

Racial Segregation in Schools

Elementary schools in Seattle, Tacoma, and the suburban areas to the south of each city have not only the highest percentage of minority students in the Puget Sound region, but also the highest levels of poverty.

DESPITE SIGNIFICANT advancements since the Civil Rights movements of the 1960s, students of color continue to find themselves concentrated in schools where poverty and low student achievement limit opportunities to succeed later in life. The Puget Sound region has not escaped these trends. As poverty has concentrated in core communities of the Puget Sound region, so has the segregation of students by race, particularly for African American students. Overall, more than one-third of all minority students attend high-poverty schools (schools with more than 50 percent of students eligible for free or reduced-cost lunches) compared to just 13 percent of white students.

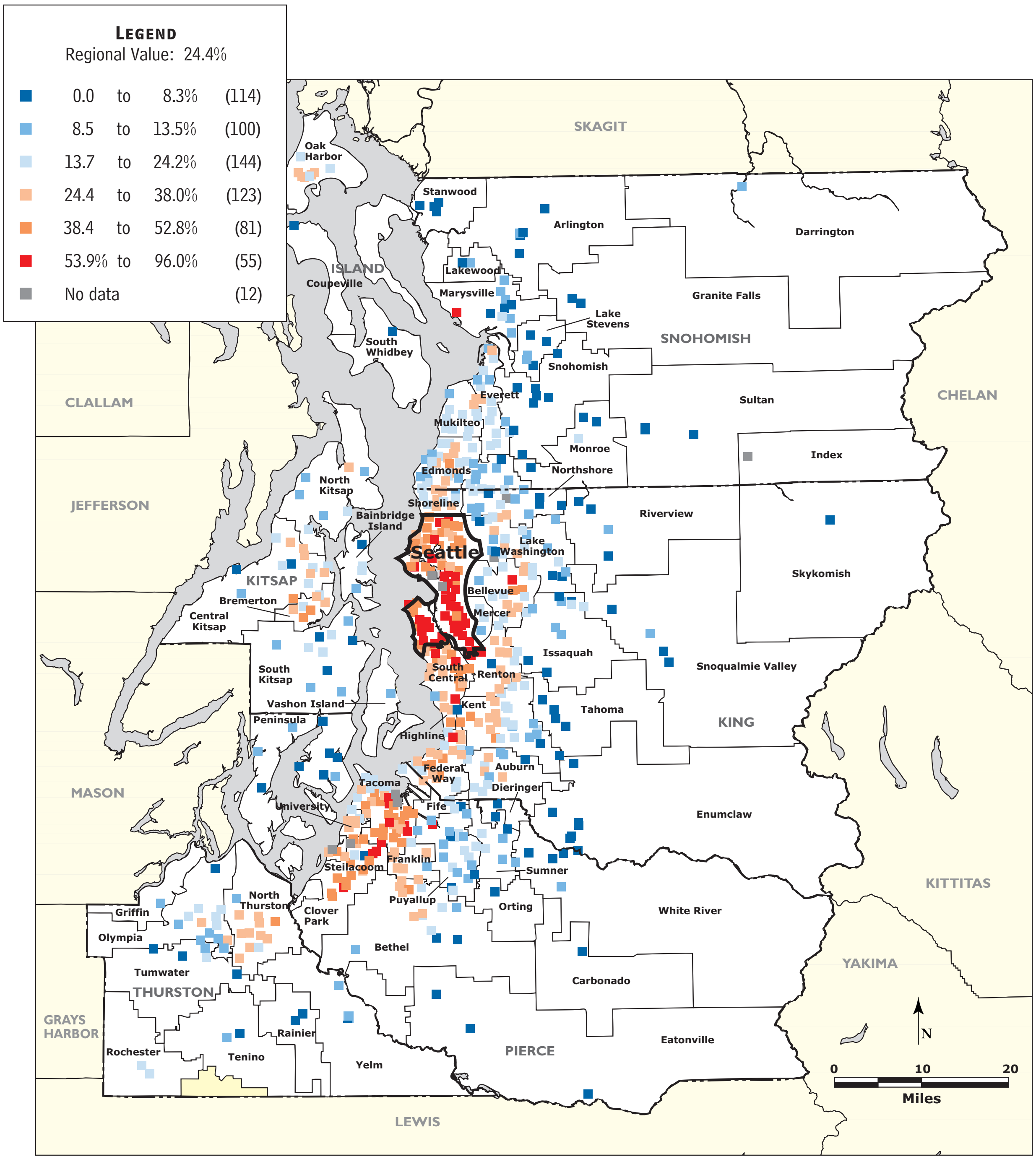
In 1997, about 24 percent of all elementary school students in the Puget Sound region were ethnic and racial minorities.[6] Schools with the highest percentages of minority students were heavily concentrated in Seattle and Tacoma; schools in these two cities constituted nearly 90 percent of all schools in the region with greater than 50 percent minority enrollment. Other schools with above average minority enrollment included those to the south of Seattle and Tacoma, including those in the South Central and Highline school districts near Seattle and the University Place and Clover Park districts south of Tacoma.

Significant increases in the percentage of minority students between 1992 and 1997 occurred mostly in the south side of Seattle and in suburban areas including Normandy Park, Des Moines, and Federal Way. Many of these schools experienced increases of 10 percentage points or more. A few of these had very low percentages of minority students in 1992, including schools in Bellevue, Auburn, and Lacey.

African American students are far more likely than other ethnic groups to attend schools with large percentages of poor and minority students.

Photo credit: © Suzy Fitzhugh

Percentage of Minority Students by Elementary School, 1997



Data source: National Center for Education Statistics

Growing Pains

The Hidden Costs of Growth

WHILE THE SOCIAL STRAINS caused by development patterns in the Puget Sound region are felt most profoundly in inner-city neighborhoods and "at risk" communities, many fast-growing communities at the edge of the region are experiencing fiscal strains. Rapid population growth requires large public expenditures to provide roads, schools, parks, public safety services, and all of the other services and infrastructure required to support a new community. Many cities have difficulty generating the revenues necessary to pay for these services and infrastructure based on their local tax base without raising taxes or impact fees charged to developers.

This fiscal strain is often first felt as a result of the fast-growing enrollments in local school districts. Many school districts in the Puget Sound region are finding themselves forced to hire new teachers, expand transportation services, and purchase new materials, all with very limited resources. This has frequently resulted in overcrowded buildings and rushed construction of portable classrooms to ease the crunch. In an attempt to increase the revenues available to them, school districts often pass expensive tax levies to raise revenues from existing homeowners or impose school impact or mitigation fees on the development of new homes. Both methods have proved dif-

Photo credit: Alice Wheeler

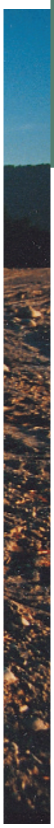
Growing Pains in Snohomish County

With the population of the Puget Sound region rapidly increasing, the question of how to pay for growth-related costs has become a central issue in Puget Sound politics. The quandary is particularly acute and contentious in the region's fiscally stressed communities that must depend for revenue on a residential tax base, rather than on more lucrative commercial and industrial properties. These fiscally stressed communities are typified by a number of communities in southwest Snohomish County, such as Marysville, Lake Stevens, Brier, Mill Creek, Edmonds, and Mukilteo.

As one of the fastest-growing counties in the nation, Snohomish County and its communities have experienced many of the pains associated with large population growth. The range of issues has included county- and school district-imposed impact fees intended to help cover the costs of schools, parks, roads, and other services; rising traffic congestion; the loss of community; and environmental degradation. An ongoing battle over who should pay for the costs of growth has involved county and city officials, land and housing developers, residents and school districts—all of whom feel they are being asked to foot more than their share of the costs.

School district mitigation fees have been particularly contentious. In 1997, for example, the Snohomish County Council capped school-mitigation fees at $2,000 per new single-family home in an effort to reduce housing costs for newcomers. Two years later, the council lifted the cap in the face of arguments that the cap was arbitrary and had little relationship to the actual costs imposed by new students.[7] Snohomish County residents soundly rejected another attempt to generate public funds in 1999, when they voted down a countywide proposal to raise $900 million to preserve open space, build parks, construct new roads, and extend municipal sewer systems.

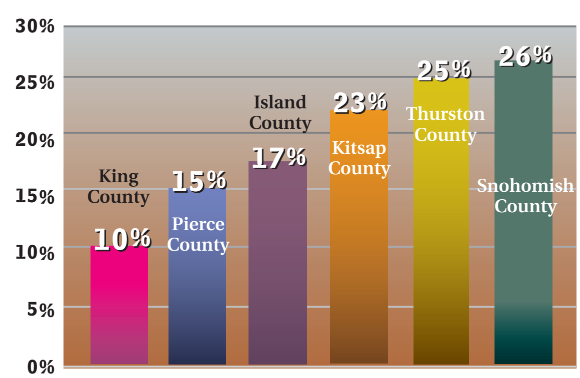
Clearly, these Snohomish County communities and others like them are struggling to find the revenues needed to provide the infrastructure and services required by their growth. Caught in a seemingly endless cycle of debt and budget shortfalls, and often unable to attract more lucrative commercial or industrial investment, many communities simply allow growth to continue unchecked—never quite catching up with their expenditure needs.



ficult and controversial (see above), as voters are reluctant to increase their taxes and development fees make new homes less affordable to incoming families.

In the Puget Sound region, fast-growing communities most likely to experience fiscal stress are mainly found in Snohomish, Thurston, and Kitsap counties. Many cities in these counties are being built primarily as bedroom communities; without a strong commercial or industrial tax base, they depend primarily on residential property taxes and development fees to pay for the services their growing populations require. Often, they are only able to maintain a fragile balance between their revenue sources and their expenditure needs.

Percent Change in Population of Puget Sound Region, 1990–1998



Source: US Census Bureau

School Spending

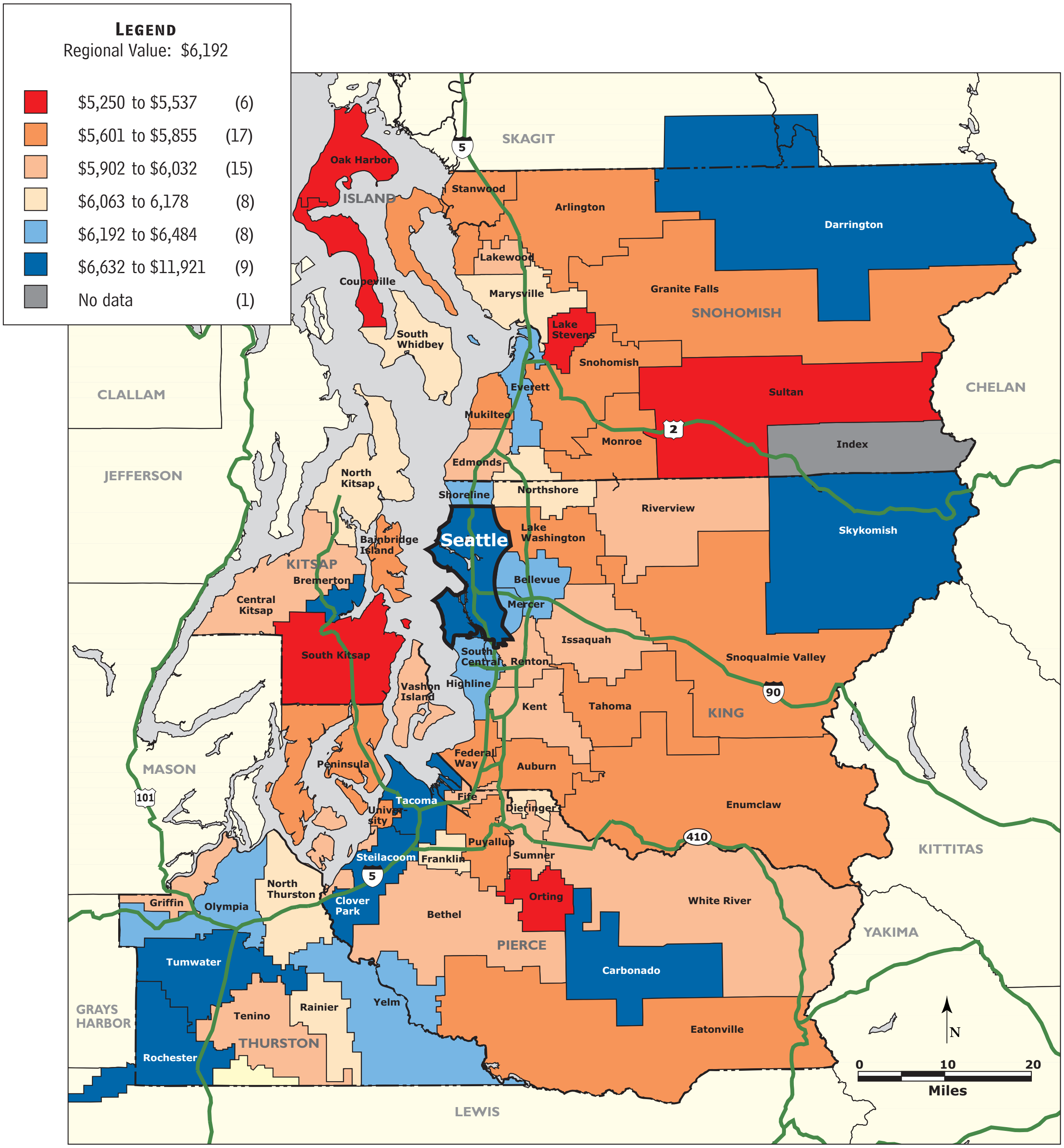
The lowest per-pupil spending in the Puget Sound region can be found in the outlying areas of the region, where fast-growing new communities are straining to provide necessary public services.

THE AMOUNT OF MONEY that school districts spend per student on educational costs can be used as an indicator of the financial resources available to each school district. School districts with low spending may struggle to pay competitive teacher salaries, fund academic and athletic programs, provide after-school care, or purchase adequate supplies and textbooks. As a result, these low-spending districts may be unable to provide the same quality of education as higher-spending districts in the region with more resources at their disposal.

Typically, lower-spending school districts are found in two types of suburbs: those that are experiencing growing social needs and those that are growing rapidly. Even with equalization, older suburbs have too small a local tax base for strong school spending. Similarly, fast-growing bedroom communities in Snohomish, Thurston, and Kitsap counties have a low base of values and a much higher number of children per household. Without the state's strong school equity system, these districts would have a very difficult time providing quality education while keeping local taxes affordable.

In the Puget Sound region, the district average in 1996 was $6,190 per student. School districts in the core of the region tend to have higher-than-average spending per student—due in part to the special federal and state funding available for lower-income students. These districts include the Seattle ($7,394) and Tacoma ($7,136) districts, as well as the Clover Park ($6,770), Shoreline ($6,419), Highline ($6,347), and South Central ($6,345) districts. In less populated districts, however, many of which are experiencing rapid increases in student enrollment, spending tends to be lower than average. Among these are the Snohomish ($5,855) and Lake Stevens ($5537) districts in Snohomish County, the Lake Washington ($5831) and Auburn ($5693) districts in King County, and the Puyallup ($5740) and Orting ($5484) districts in Pierce County.

Total Expenditures per Student by School District, 1997



Data source: Washington Office of Superintendent of Public Instruction

Urban Sprawl

Between 1970 and 1990, urbanization consumed 600 square miles of formerly rural land in the Puget Sound region, including large parts of unincorporated Snohomish and King counties.

CHANGES IN the amount of urbanized land and the density at which that land is settled provides evidence of the degree to which regional population growth is being contained in areas where infrastructure already exists and the extent to which it is sprawling, and creating the need for new housing developments, businesses, roads, sewers, schools, and other public infrastructure on previously undeveloped land.

For the Seattle-Everett and Tacoma urbanized areas, which stretch from Marysville in the north to DuPont in the south, the amount of land considered urbanized has increased by 85 percent since 1970 while population density has decreased by 9 percent. This trend was particularly pronounced in the Tacoma area, where the amount of urbanized land more than doubled while population density decreased by more than 17 percent. The Bremerton and Olympia areas, which did not exist as official urbanized areas in 1970, had population densities of 2,047 and 1,723 respectively by 1990.

Overall, between 1970 and 1990 the Puget Sound region saw its population increasingly concentrated in urbanized areas—rising slightly from about 77 percent in 1970 to almost 83 percent in 1990. These numbers suggest that much of the population growth is occurring in relatively high densities. However, since 1990, population estimates show an increasing number of people in the Seattle region living in unincorporated areas—places where population growth requires much greater investments in basic public infrastructure such as roads and sewers than if it were to occur within existing cities. Between 1990 and 1998, the percentage of the regional population living in unincorporated areas increased slightly from 40 to 42 percent—reaching a population of more than 1.4 million people in 1998. This trend suggests that population growth is increasingly moving toward communities further away from population and employment centers, contributing to longer commutes, increased demand for additional roads, and greater pressure on the region's open spaces.

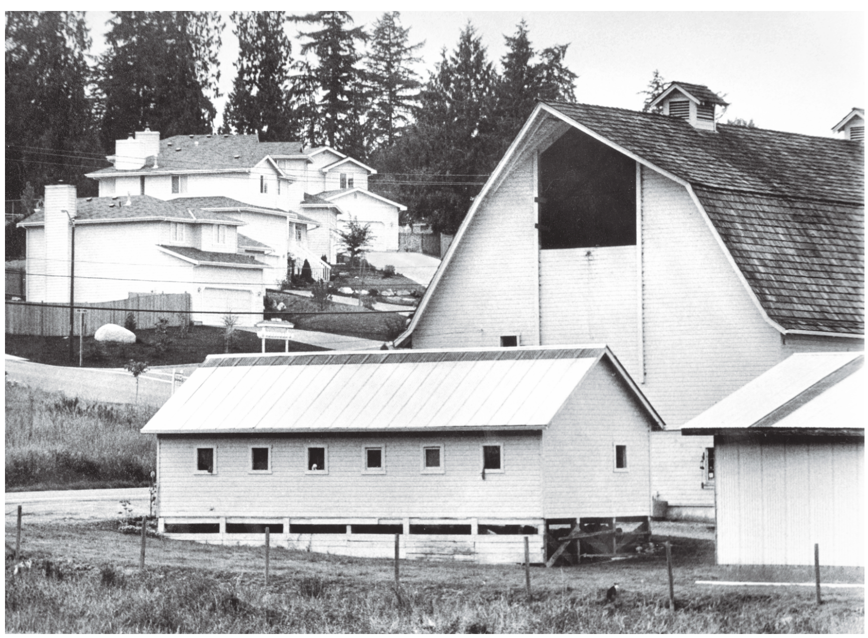
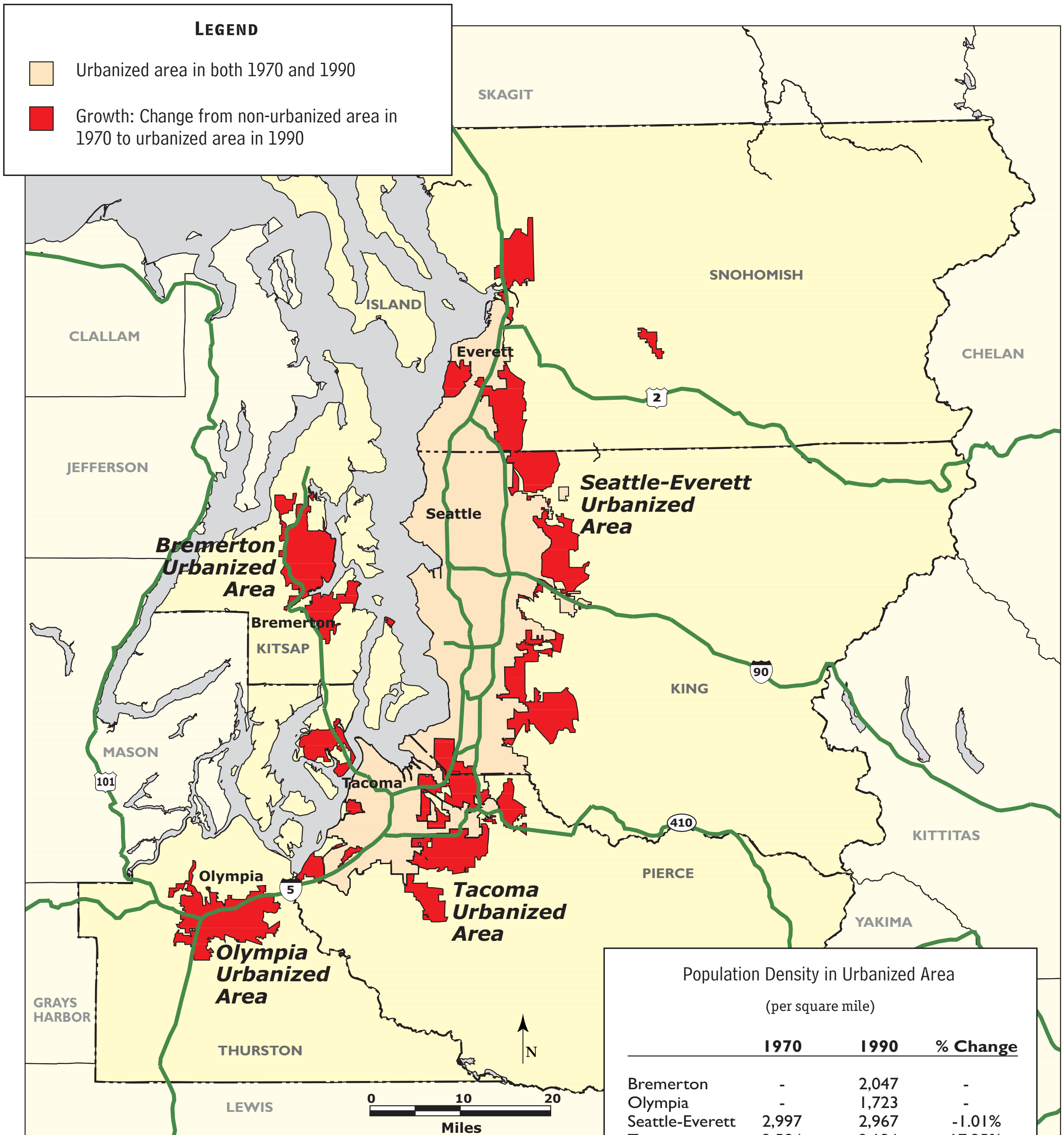


Photo credit: Jerry Gay

Change in Urbanized Area, 1970-1990



Data source: US Census Bureau

Population Density in Urbanized Area

(per square mile)

	1970	1990	% Change
Bremerton	-	2,047	-
Olympia	-	1,723	-
Seattle-Everett	2,997	2,967	-1.01%
Tacoma	2,584	2,136	-17.35%

Note: Bremerton and Olympia did not exist as urbanized areas in 1970.

Local Tax Resources

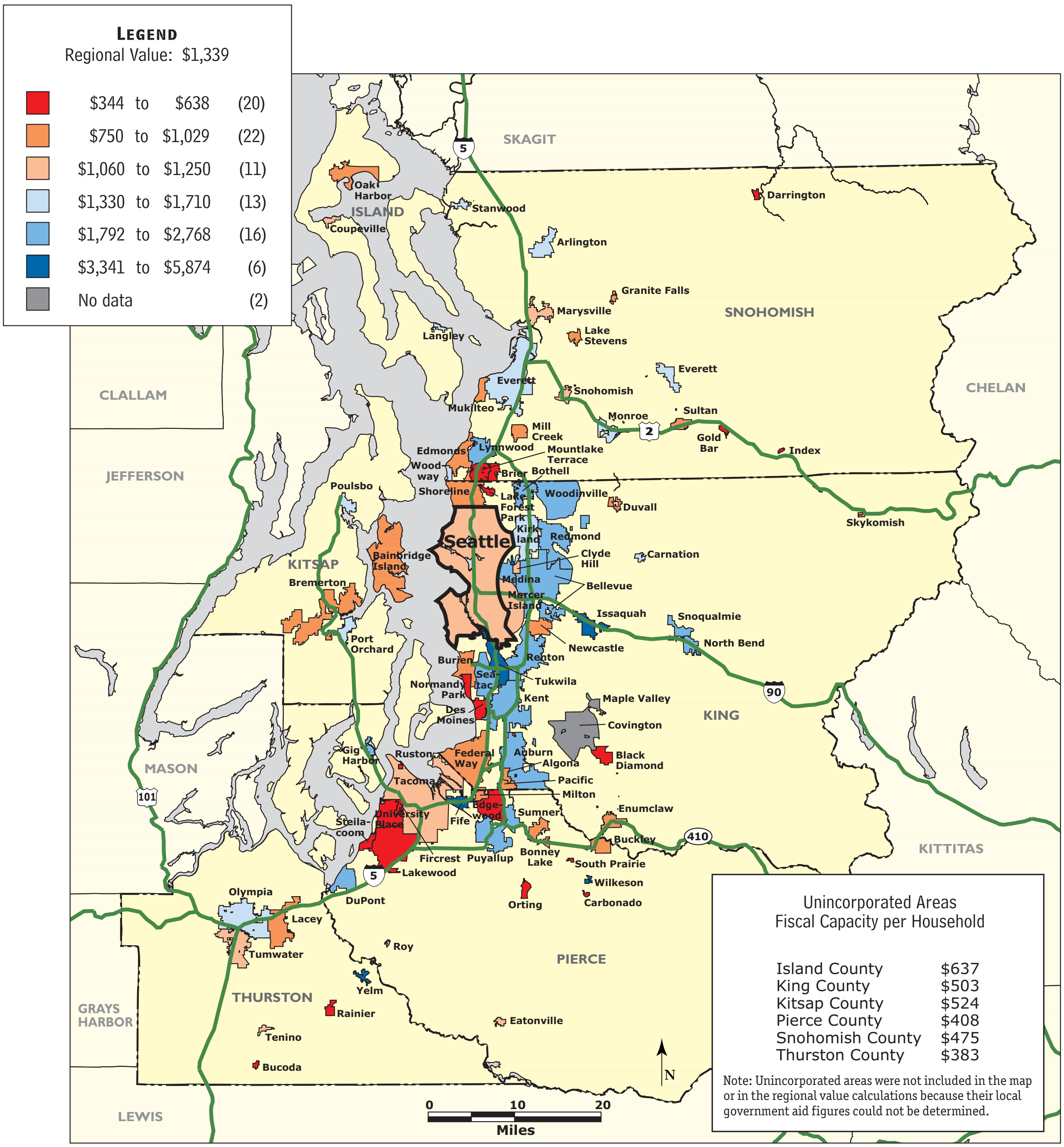
Cities with the least ability to generate revenue to pay for their public services and infrastructure needs can be found mostly in the core of the Puget Sound Region and on the fringes of the region.

THE FISCAL CAPACITY of a local government can serve as an effective way to measure the social and economic health of a particular city relative to the rest of the region. Fiscal capacity measures the potential of a local government to generate revenues and provide needed public services, based on its property and sales tax bases and the amount of aid it receives from the state. Thus, the fiscal capacity of an individual jurisdiction plays a significant part in determining whether a community is able to offer its taxpayers the public services they desire at a reasonable tax rate. When large disparities exist in the ability of localities to generate revenue, regional economic development patterns tend to heighten these disparities over time—bringing greater resources to communities with high tax capacities and draining resources from communities with lower capacities.

In 1998, the average fiscal capacity in the Puget Sound region was $1,330 per household. (This figure does not include unincorporated areas, as data on intergovernmental aid to unincorporated areas is not available.) Communities with lower-than-average tax capacity tended to be concentrated in core areas of the region, with higher tax capacity communities found to the east. Seattle ($1,217) and Tacoma ($1,068), despite their concentration of commercial and industrial development, still had a lower-than-average tax capacity per household. Inner-suburban Seattle communities such as Edmonds ($848), Shoreline ($750), Normandy Park ($625), and Des Moines ($530) fared even worse than Seattle. Likewise, University Place ($563) and Federal Way ($976) in the Tacoma area also had low tax capacity relative to the region and the city they surround.

Between 1993 and 1998 the average fiscal capacity per household in the Puget Sound region essentially remained the same, after adjusting for inflation. Overall, the region's fiscal capacity rose by just 0.6 percent, from $1,322 (in 1998 dollars) to $1,330 per household. Cities that saw the greatest percentage drop in their fiscal capacity tended to be of two types:1) older communities at the core of the region with relatively high student poverty, such as Des Moines (-28.4 percent), Steilacoom (-27.4 percent), and Normandy Park (-20.2 percent); and 2) fast-growing communities at the edge, including Orting (-61.9 percent), Snohomish (-16.6 percent), and Lake Stevens (-15.7 percent). Seattle (2.8 percent) saw its fiscal capacity rise slightly, while Tacoma (-2.9 percent) slipped slightly.

Total Fiscal Capacity per Household by Municipality, 1998



Data source: Washington Department of Revenue (property and sales tax data), Washington State Auditors Office (local government aid data)

Moving Forward

Strategies for Regional Reform

THE INFORMATION presented in this report demonstrates the need for a regional approach to stabilize communities struggling with social and economic disinvestments, reduce fiscal disparities and dependence on the local tax base to fund basic public services, and to discourage sprawling development patterns. It is becoming increasingly clear that the problems facing the Puget Sound region as it grows cannot be effectively addressed without revisiting the various policies and incentives that shape public and private investment decisions.

Researchers, public policy experts, and a number of local officials in the Puget Sound region are beginning to call for a strong, multifaceted, regional response to the challenges facing the region as it grows. To combat the patterns that lead to social separation and wasteful sprawl, there are at least three strategies that can be pursued: 1) ensure greater fiscal equity among local jurisdictions to reduce wasteful competition for economic investment; 2) encourage a comprehensive, regional approach to land use planning in the region; and 3) develop a stronger focus on governance from a regional perspective to shape the development of the region. In addition to addressing individual challenges, these strategies are mutually reinforcing. Successfully implementing one strategy makes implementing the others much easier, both substantively and politically.

> Challenges such as disinvestment, tax base inequities, and sprawling development call for a strong regional response.

Greater Fiscal Equity

Disparities in the abilities of local governments to generate revenue are among the primary causes of social separation and sprawling development patterns in the Puget Sound region. State tax policies that encourage cities to compete with each other for revenue sources force cities to focus on the ability of their land uses to generate revenue rather than their overall value to the community. Further, the places that are most in need of additional resources and stability because of high or increasing social stresses in local schools or a rapidly growing population are those that are losing the fiscal "game" being played out throughout the region.

In order to reduce these disparities and create a more level playing field, local governments in the Puget Sound region will need to push for reforms that gradually shift them away from dependence on local fiscal resources and land-use decisions and toward a more equitable distribution of the costs and benefits of regional growth. This shift not only helps to create equity, reduce wasteful competition, and foster cooperation, but it also makes regional land-use planning more possible and creates the potential for both improving services *and lowering taxes* for a majority of citizens in the region.

Equalization programs are already being used in nearly every state, primarily through state funding of basic educational costs. Washington's Basic Education Act of 1977, for instance, helps to equalize education funding by allocating state funds to school districts based on factors affecting their level of need.[8] In addition, the legislature appropriates general fund monies biannually to education-related areas such as special education, pupil transportation, and bilingual education.

A number of states have taken the equalization concept further by creating programs that share the tax resources available to local governments. Unlike school equity programs, these regional equity systems help to address the underlying conditions that create disparities in the first place. Since the pool effectively increases the local tax base of a community, all local governments who generate funds from that tax base benefit—

Reduced Disparities through Tax Base Sharing

One of the most aggressive efforts to equalize the fiscal capacity of metropolitan communities has been through a tax base sharing program in the Twin Cities region of Minnesota. Adopted in 1971, this equity system requires each city and county in the region to contribute 40 percent of the growth of its commercial and industrial property tax base since 1971 to a regional pool. This 'regional' tax base is then distributed back to each city and county based on their net commercial tax capacity, with low tax capacity communities receiving a higher percentage of the tax base. As a result of this program, fiscal disparities in the Twin Cities have been reduced for cities with a population of over 9,000 from 15:1 to less than 5:1.[9]

Using similar tax base sharing programs in the Puget Sound region could mean significant benefits for much of the regional population. Such a program could help to reduce taxes and ensure that all cities are able to provide basic public services, as well as reducing the wasteful practice of inter-local competition for economic development and the exclusion of affordable housing near large employment centers.

including counties, school districts, cities, and special districts. Thus, the benefit of sharing regional resources can be felt more widely and equitably.

Regional Land-Use Planning

As has been shown throughout this report, there are many costs associated with the inequitable, inefficient, sprawling growth seen in the Puget Sound region and so many other regions throughout the country. If the patterns that result in social separation, disinvested central cities, and growing fiscal stress are allowed to continue, the economic and social stability of the region will be at risk. Worsening traffic congestion, increased energy consumption and pollution, loss of valuable open space and habitat, and increasing social separation are just a few of the negative effects that the Puget Sound region has been struggling with as it has grown.

Developing a coordinated, regional approach to how local governments use their land is a strategy that is gaining increasing attention across the country. This strategy is often referred to as "smart growth." At its core, smart growth means local planning with a regional perspective. It implies that regions can make more efficient use of their land through cooperation rather than competition. Its goals are to reduce the destruction of forests, agricultural land, and open spaces, ease traffic congestion by creating a balanced transportation system, ensure that housing is accessible for all income levels, make more efficient use of public investments, and create a more sustainable and equitable region.

Ensuring that all the communities in the region strengthen their commitment to affordable housing, particularly those with new jobs and good schools, is an essential component of smart growth planning because it helps to reduce the stress of core communities and the consequences of concentrated poverty. It also allows people to live closer to work and provides them with real choices concerning where they want to live in the region.

Photo credit: © Suzy Fitzhugh

Washington's Growth Management Act has been at the forefront of efforts to steer regional growth in productive and efficient directions. Although the impact of this Act may be too recent to evaluate, it has been an important step in helping the Puget Sound region and other Washington communities to think about how best to manage their growth. Other states have also developed programs to address growth patterns. Oregon, Minnesota, Maryland, Florida, Georgia, Tennessee, and many smaller regions have adopted smart growth land-use plans using various strategies to better manage growth. A number of state legislatures throughout the country are just beginning to discuss ways in which they can better deal with growth and development.

Metropolitan Structural Reform

One of the primary themes of this study is that social separation and sprawling development patterns are having an impact not just in a few cities, but throughout the region. As with most metropolitan regions, however, the fragmented nature of land-use planning and local governance has meant that there are few if any coordinated strategies for dealing with these problems on a *region-wide* scale. Without a governance structure that provides the power to shape regional land use and public investment patterns, the ability to effectively address regional problems is greatly reduced.

Some analysts have asserted that effective, long-term regional cooperation is impossible. However, experience shows that multi-jurisdictional governance has been occurring in every metropolitan area of the country for more than 30 years. Every metropolitan region with a population of at least 50,000 people has in place a Metropolitan Planning Organization (MPO) that was created to allocate federal resources and plan for the construction and maintenance of the regional transportation system.

The Puget Sound Region's MPO, the Puget Sound Regional Council (PSRC), has stood out from most of the other MPOs in the nation by taking steps to move beyond transportation planning and address other issues affecting the entire region. As the state-mandated Regional Transportation Planning Organization (RTPO) since 1991,[10] the PSRC has taken a more comprehensive view of regional growth management issues—focusing on the implementation of state and regional growth management plans as well as on transportation planning.

Despite its ability to approve billion-dollar highway and transportation plans, however, the PSRC has not yet been given the power to coordinate these investments with land use and economic development decisions made by the many local governments in the region. This is a key area for reform if the Puget Sound region is to effectively address regional

A balanced transportation system is an essential component of an effective regional approach to land-use planning.

issues more comprehensively. In granting more power to address regional issues, however, it is important that the PSRC be held directly accountable for its actions to ensure that all residents of the region are represented. Over time, a fairly apportioned, accountable, directly elected regional body could help to ensure that the PSRC represents the best interests of the entire region as it coordinates strategies to address regional issues.

Photo credits: Washington State Department of Transportation (top) and Puget Sound Regional Council

Endnotes

1 In this study we define the Puget Sound region as the six counties designated by the Federal Office of Management and Budget as the Seattle-Tacoma-Bremerton Consolidated Metropolitan Statistical Area (CMSA): Island, King, Kitsap, Pierce, Snohomish, and Thurston counties.

2 Joel Garreau, Edge City: Life on the New Frontier (New York: Doubleday, 1991)

3 For a general discussion of housing discrimination, see John Yinger, "Testing for Discrimination in Housing and Related Markets," A National Report Card on Discrimination in America, ed. Michael Fix and Margery Austin Turner (Washington, D.C.: The Urban Institute, 1998)

4 Historical Comprehensive Test of Basic Skills scores are from the Assessment, Research and Curriculum Department of the Washington Office of Superintendent of Public Instruction. Available at: http://www.k12.wa.us/assessment/

5 Elementary schools with enrollments of less than 50 stu dents or that did not report data are excluded from this analysis.

6 Elementary schools with enrollments of less than 50 students or that did not report data are excluded from this analysis.

7 Keiko Morris, "Snohomish County schools to get more money," Seattle Times, 9 December 1999.

8 "Washington School Finance Primer", Washington Superintendent of Public Instruction—School Apportionment and Financial Services, September 1999. Available at: http://www.k12.wa.us/safs/reports.asp

9 Citizens League, "26th Annual Tax Base Sharing Analysis", Min†sota Journal, January 2000. Available at: http://www.citizensleague.net/mj/2000/01/fiscal_dis parities.htm

10 Washington State's Growth Management Act calls for RTPOs in all urban regions to conduct planning and review local government compliance with the goals of the Act (Washington: Revised Code of Washington (RCW): 47.80)

FOR ADDITIONAL COPIES OR MORE INFORMATION:
marc@metroresearch.org

1313 Southeast 5th Street, Suite 108
Minneapolis, MN 55414

PHONE: 612-379-3926

FAX: 612-676-1457

www.metroresearch.org

marc
Metropolitan Area
Research Corporation