2002

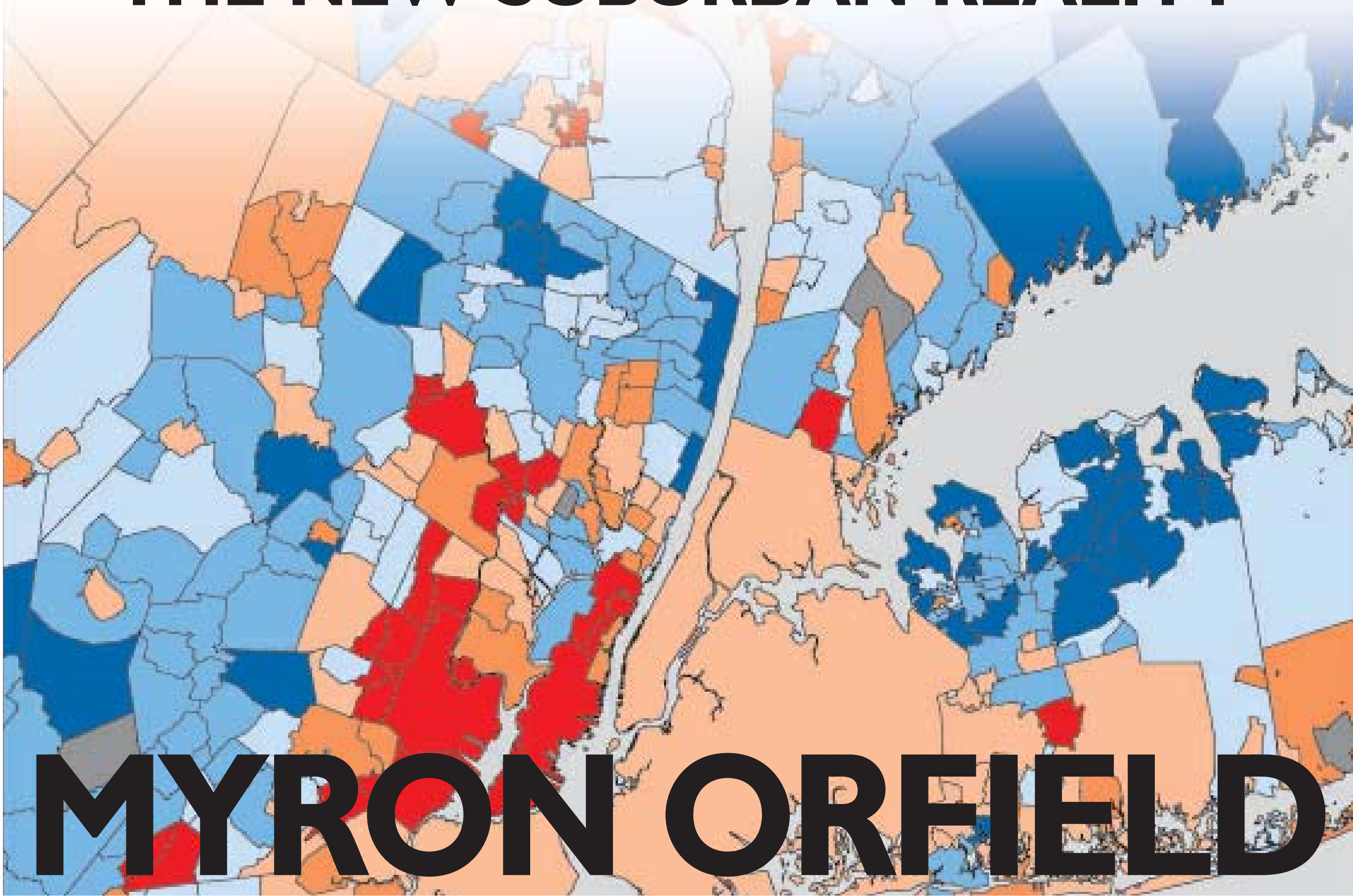
American Metropolitics Summary

Myron Orfield
University of Minnesota Law School

AMERICAN METROPOLITICS

SUMMARY

THE NEW SUBURBAN REALITY



MYRON ORFIELD

Ameregis is a research and geographic information systems (GIS) firm that documents evolving development patterns in U.S. metropolitan regions, and the growing social and economic disparities within them. Ameregis is dedicated to integrating GIS mapping and traditional research methods to inform decision-making. With its partner, **Metropolitan Area Research Corporation**, **Ameregis** assists individuals and groups in fashioning local remedies that address these concerns. Myron Orfield, a nationally recognized leader in land use, social and fiscal equity and regional governance reform, is the founder of Ameregis and MARC.

American Metropolitics: The New Suburban Reality (Summary) was produced with the generous support of the Ford Foundation. David Mahoney provided invaluable editorial assistance in the creation of this document.

Ameregis Staff

1313 Fifth Street SE, Suite 108, Minneapolis, MN 55414
phone: (612) 379-3926
web: www.ameregis.com e-mail: ameregis@ameregis.com

American Metropolitics

IN THE MONTHS leading up to the 2002 elections, the eyes of political pollsters and pundits were on America's suburbs. The notion that the suburbs are where elections are won or lost has become an unassailable *idée fixe* in contemporary politics. While there is certainly some truth to this premise, it obscures the more complex reality that "the suburbs" are in fact a remarkably diverse collection of communities with a broad range of differing strengths and weaknesses.

A close look at America's 25 largest metropolitan areas shows that far from being a monolith, the suburbs actually comprise several distinct types. Some inner-ring suburban communities suffer from the same urban ills that afflict inner cities, such as poverty and racial segregation. Many developing suburbs on the fringes of metropolitan areas are experiencing explosive population growth but have limited resources to pay for the schools, sewers, and roads that this growth requires. Still others enjoy the tax benefits of large concentrations of office space and high-end housing, but are plagued by traffic congestion and degradation of the open space that made them attractive places to live in the first place.

The prevailing catch-as-catch-can pattern of metropolitan development, which encourages wasteful intraregional competition and environmentally damaging land use, hurts all types of suburbs. Socioeconomic segregation, fiscal inequality, and sprawl plague virtually every metropolitan area, and appear to be growing worse in most of them. At least 40 percent of the metropolitan population resides in suburbs with social or fiscal challenges severe enough to be considered "at risk" in our classification. Another 25 percent lives in rapidly developing communities that are struggling to keep up with their explosive growth with limited financial resources.

A three-pronged attack of tax reform, land use reform, and regional government reform is needed to stem this tide. Though the obstacles are formidable, there is reason for optimism. Every type of metropolitan community—from central cities wrestling with poverty and other social ills to the affluent outer-ring suburbs beset by traffic congestion and runaway development—stands to benefit from these reforms. Political parties and leaders who can persuade metropolitan voters to act in their long-term self-interest on these issues will be rewarded with far greater gains than those chasing the vagaries of shifting polls.

The New Suburban Reality

IN THE INNER-RING Chicago suburb of Cicero, where a visit by Martin Luther King once precipitated a violent protest against housing integration, nonwhite students are now in the majority. In the mid-1990's in Cherokee County, an Atlanta suburb comprised largely of bedroom developing communities, students often attended schools set up in trailers as their communities had neither the tax base nor other resources to build new schools for a growing population. At the same time, schools were closing for lack of students in the region's core. Lopatcong Township, New Jersey, an area at the fringes of the New York region making the transition from rural to suburban, is defending its 2003 ordinance to limit multifamily dwellings to two bedrooms, effectively zoning out families with children in order to keep school enrollment (and costs) down. The proliferation of large-lot housing developments in suburban Macomb County, Michigan, has contaminated a nearby lake due to a rash of failed septic systems, which will cost between $2 billion and $4 billion to convert to sewer.

These examples reflect the fragmentation that lies at the heart of America's new suburban reality. If the suburbs were ever a homogeneous bastion of untroubled prosperity, they certainly are no longer. Evidence for this goes well beyond the anecdotal: An analysis of the 25 largest metropolitan areas demonstrates that varying social and economic pressures have led to the emergence of distinct types of suburban communities that differ from one another in identifiable ways.

A method known as cluster analysis was used to group suburban areas according to several measures of their fiscal characteristics (specifically, their ability to raise tax revenue and the change over time in that ability) as well as key factors that directly or indirectly affect the cost of providing local services (including poverty levels, population density and growth, age of housing, and racial composition). The cluster analysis identified six types of communities, three of which face economic or social challenges severe enough to be considered "at risk."

The health of any community is largely a function of whether it has adequate resources to meet its particular needs. Two of the most significant factors used in the cluster analysis are school populations, which affect the "needs" side of the ledger, and tax capacity, on the "resources" side.

Schools are a powerful indicator of a community's current health and of its future well-being. As the number of poor children in a community's schools grows, middle-class families' demand for housing in the community softens, and housing prices reflect this decline. Families with school-age children are likely to leave first because changes in the schools affect them most. Some non-poor families may choose to stay in the community but put their children in private schools, though few households can afford the additional expense for long. A community with schools in transition may also draw "empty-nesters" and other non-poor households without school-age children. Poverty

If the suburbs were ever a homogeneous bastion of untroubled prosperity, they certainly are no longer.

The Truth About White Flight

The close relationship between racially segregated communities and areas of concentrated poverty has been used to support flawed conclusions about African-Americans and Latinos. Some people, associating an influx of minorities into a community with social and economic decline, conclude that minority residents somehow contribute less than whites to a community's health and stability.

Nowhere was this tragic misconception better illustrated than in a segment from the television news magazine NBC Dateline about the white-collar Chicago suburb of Matteson, Illinois, 20 miles south of the Loop. In the early to mid-1990s, black middle-class families began to move to Matteson, a community of large, attractive suburban homes, open space, and good schools. These blacks were, by most important demographic measures, at least the socioeconomic equals of Matteson's white residents. Some were, in fact, better off than Matteson's whites. But as soon as black households became a significant percentage of the population, there was a sudden sell-off of homes by white residents. Asked why they were moving, the white sellers replied, "Because the schools are getting worse and crime is increasing." On the evidence, neither claim was true. School test scores and the crime rate remained unchanged. However, once the white residents left, demand for middle-class housing in Matteson cooled, because the black middle class was not large enough to sustain market demand. Not only did the schools become more segregated, they also became much poorer. This is why "white flight" invariably means poverty—this tragic sequence of events has played itself out in countless suburbs across the country.

rates among school-age children therefore tend to rise more quickly than the overall poverty rate.

Although poverty and its consequences underlie economic segregation, it is difficult to separate poverty from race and ethnicity—particularly for African Americans and Latinos, who are strongly discriminated against in the housing market. Sadly, an analysis of racial data for elementary school students in the 25 largest metropolitan areas shows that once the minority share in a community's schools increases to a threshold level (10 to 20 percent), racial transition accelerates until minority percentages reach very high levels (greater than 80 percent).

While trends in a community's school population indicate critical local needs, local tax capacity is a good measure of the ability to raise revenues to meet those needs. Communities with copious tax resources have low tax rates and great services. Resource-poor communities have just the opposite. Why is this? Think of it this way: if a community's tax wealth per household is \$100, a 10 percent tax rate raises \$10 per household for services; if tax wealth is \$1,000 per household, the same rate raises \$100. No matter how smart administrators are, and no matter how much reorganization they do, they cannot avoid this basic math.

One of the three at-risk suburban types identified by the cluster analysis is comprised of aging communities that have very low tax capacity, high municipal costs, and—most distinctively—high concentrations of minority children in the public schools. As a group, these *at-risk segregated communities* had per-household tax capacities that were less than two-thirds of the metropolitan area average, and the slowest growth in tax capacity of all the suburban types. On the cost side, this group had very high poverty rates (nearly twice the regional average), lower-than-average population growth, aging housing stock, a population density almost four times the regional average, and a higher percentage of minority children in the public schools than even the central cities.

The at-risk segregated communities are some of metropolitan America's worst places to live. Poor and segregated, they have a fraction of the resources of the central cities they surround. In 1994, the taxes on a \$100,000 house in the at-risk segregated suburb of Maywood, Illinois, were \$4,672. This level of taxation would support local school spending of \$3,350 per pupil. In Kenilworth, an affluent suburb to the north, the taxes would be $2,688, yet this lower rate, applied to the whole tax base, would support almost three times the level of spending per pupil. Similarly, business taxes on a 100,000-square-foot office building in booming DuPage County were $212,639, compared with $468,000 in south suburban Cook County.

A second category of at-risk communities—made up mostly of inner-ring suburbs and outlying cities that have been swallowed up by metropolitan growth—has older housing stock than any of the other suburban groups. Like the at-risk segregated communities, these *at-risk older communities* have relatively low tax capacity and tax-capacity growth, and even higher density, but they also have relatively low levels of poverty and of minority children in public schools. These places often stand cheek by jowl with the at-risk segregated suburbs, and there is often a strongly defended racial line between them. In fact, though, the at-risk segregated and older communities have many common concerns. Both groups have slow (or even negative) population growth, relatively meager local resources, and struggling commercial districts. Their main street corridors and commercial districts cannot attract new, big businesses that could easily build on greenfield sites. Despite these commonalities, segregated and older at-risk suburbs have not formed a cohesive political whole, probably because they are often divided on the issue of race.

Many communities included in the third at-risk group are exurbs on the fringes of the metropolitan areas that are making the transition from rural to suburban. These *at-risk low-density communities* share the characteristics of low tax capacity and low-tax-capacity growth with the other at-risk suburbs, but they differ in other important ways. Many are just beginning the transition from rural or farm land to suburban development patterns. Their relatively low fiscal resources are thus stretched thin by demands for new infrastructure and the other accoutrements of growth. Compared to most other suburban areas, they must also cope with significantly higher-than-average poverty.

The fourth suburban type represents what many would regard as the quintessential suburb. *Bedroom-developing communities* have rapidly growing populations that tend to be white and relatively affluent. Density is low, housing is new, and tax capacity is just below average but growing at an average rate. Although this group contained about a quarter of the population of the metropolitan areas studied, it had nearly 60 per-

> Communities with copious tax resources have low tax rates and great services. Resource-poor communities have just the opposite.

Table 1. Characteristics of the Community Types

Municipality Type	Number of Municipalities	Tax Capacity	Change in Tax Capacity	Free Lunch Eligible	Density	Population Growth	Age of Housing	Minority Percentage
At-Risk, Segregated	348	66 %	93 %	175 %	369 %	97 %	108 %	209 %
At-Risk, Older Communities	391	74	96	59	735	98	110	35
At-Risk, Low Density	1,104	66	96	103	104	102	97	65
Bedroom-Developing	2,152	90	100	32	83	106	85	16
Affluent Job Centers	625	212	105	27	97	105	88	26
Very Affluent Job Centers	91	525	102	39	46	101	91	38
Central Cities	30	101	97	193	452	94	125	207
All Suburban Types	4,711	106	99	61	164	104	92	45

Sources: National Center for Education Statistics, Bureau of the Census, and various state and local government agencies (fiscal data).

All variables except Number of Municipalities are expressed as percentages of metropolitan area averages. Population growth and Change in Tax Capacity were calculated as the ratio of 1998 levels to 1993 levels.

Table 2. Segregation by Income in Elementary Schools Dissimilarity Indexes for 1992 and 1997

	Dissimilarity Indexes		
	1992	1997	% Change
Atlanta	50	52	4
Boston	n.a.	55	n.a.
Chicago	94	95	1
Cincinnati	59	57	-3
Cleveland	62	64	3
Dallas / Ft. Worth	51	51	0
Washington D.C. / Baltimore	53	51	-4
Denver	48	55	15
Detroit	60	60	0
Houston	39	39	0
Kansas City	54	53	-2
Los Angeles	54	57	6
Miami	49	50	2
Milwaukee	66	63	-5
Minneapolis / St. Paul	42	48	14
New York / Newark	n.a.	66	n.a.
Philadelphia	n.a.	51	n.a.
Phoenix	n.a.	n.a.	n.a.
Pittsburgh	43	39	-9
Portland	36	50	39
St. Louis	46	60	30
San Diego	51	51	0
San Francisco / Oakland	48	53	10
Seattle	34	38	12
Tampa	32	36	13
25 Metropolitan Area Average	51	54	6

Source: National Center for Education Statistics.
n.a. = Not available.

Table 3. Racial Segregation in Metropolitan Populations and Elementary Schools: Dissimilarity Indexes in Selected Years

	Elementary Schools 1992	Elementary Schools 1997	Elementary Schools % Change	Metropolitan Population 1990	Metropolitan Population 2000	Metropolitan Population % Change
Atlanta	66	67	2	69	66	-4
Boston	67	66	-1	71	66	-7
Chicago	76	75	-1	85	81	-5
Cincinnati	76	77	1	77	75	-3
Cleveland	76	76	0	83	77	-7
Dallas / Ft. Worth	58	58	0	64	59	-8
Washington D.C. / Baltimore	65	65	0	66	57	-14
Denver	53	55	4	65	62	-5
Detroit	81	82	1	88	85	-3
Houston	46	45	-2	68	68	0
Kansas City	67	70	4	73	69	-5
Los Angeles	56	57	2	74	68	-8
Miami	60	60	0	73	74	1
Milwaukee	65	69	6	83	82	-1
Minneapolis / St. Paul	54	53	-2	64	58	-9
New York / Newark	72	71	-1	82	82	0
Philadelphia	66	67	2	77	72	-6
Phoenix	53	56	6	52	44	-15
Pittsburgh	70	69	-1	71	67	-6
Portland	42	40	-5	66	48	-27
St. Louis	66	69	5	79	74	-6
San Diego	44	46	5	59	54	-8
San Francisco / Oakland	45	48	7	65	61	-6
Seattle	40	39	-3	58	50	-14
Tampa	37	35	-5	71	64	-10
25 Metropolitan Area Average	60	61	1	71	67	-7

Sources: National Center for Education Statistics and 2000 Census of Population, and the Mumford Center, State University of New York at Albany.

Trouble In Paradise

In the Detroit region many moderate-income workers in the automobile or related industries seek out their bit of paradise in the rapidly developing northern quadrant of Macomb County, northeast of Detroit, where they can afford a lot of land and pay low taxes. But this package deal does not include sewer systems or roads. With their low fiscal capacity and the federal government's declining commitment to finance suburban sewer improvements, these suburbs have no way to pay for the thousand of miles of sewers they need, estimated to cost between $2 billion and $4 billion.

The communities of Macomb County—which, though they include a combination of all the suburban types, are predominantly at-risk low-density and bedroom-developing suburbs—represent a powerful example of the downside of unplanned growth from a base of low fiscal capacity. Throughout the 1990s, Lake St. Clair, a large freshwater lake on the county's eastern border, was becoming unsafe for swimming. Of the eight public beaches monitored on Macomb County's web page, all were closed several days during the summer of 2001 because of E. coli from untreated sewage. At least one of the lake's large public beaches was closed for the entire summer. Failed septic systems caused much of this problem, but several of the cities have recently admitted to dumping raw sewage into the waterways feeding Lake St. Clair.

cent of the population growth in those areas. Though not experiencing the social stress of some of the at-risk communities, bedroom-developing suburbs must manage the costs of a high rate of population growth with only average (or below-average) local resources.

Both the at-risk low-density and the bedroom-developing suburbs share fiscal pressures arising from school and infrastructure finance. In all the large metropolitan areas, the student-to-household ratio in these two types of communities is much higher than the regional average. Because of this ratio and their (at best) average tax base, these suburbs often have the lowest per-pupil spending in metropolitan America. Developmental infrastructure such as roads and sewers can also present large challenges for the at-risk and bedroom-developing suburbs.

The last two classifications include many of the so-called "edge cities": suburban communities with vast amounts of office space and more jobs than bedrooms. *Affluent job centers* (and the even more prosperous *very affluent job centers*) reap the benefits of extraordinary tax bases—capacities of more than two and five times the regional averages, respectively—that are growing at rates outstripping regional averages. Collectively, they have more than four times the office space per household of any other group of suburbs, more even than central cities. At the same time, cost factors such as poverty and age of housing are well below regional averages. As might be expected, the political and business leaders in these communities work hard to maintain their quality of life, and, of all types of suburbs, they are the ones that have revolted most successfully against growth and sprawl.

These places might seem to have it all: affluent residents, a high tax base, an average number of children, and very low poverty. However, the mass of jobs and commercial activity also has its downside. First, because many workers cannot afford the local housing, these beehives of local activity generally have intense traffic congestion. Second, because land becomes so valuable it is often difficult to maintain open space.

Well over half (56 percent) of the suburban population of the metropolitan areas included in the study lived in at-risk communities. Yet they controlled only 38 percent of local tax capacity in the suburbs. Conversely, the two clusters of affluent job centers accounted for less than 10 percent of the suburban population, but had 22 percent of the local tax capacity. Poverty levels and other cost factors diverge in equally dramatic fashion. These disparities point to a widening gulf between "have" and "have not" suburbs.

In fact, quantitative analyses show that both economic and racial segregation in America's schools rose during the 1990s. Dissimilarity indexes—general measures of the degree of segregation—show that metropolitan areas with increased economic and racial segregation in elementary schools between 1992 and 1997 outnumbered metro areas with reduced segregation during those same years.

Tax-base inequality also increased during the 1990s. A general measure of inequality in tax bases known as the Gini coefficient indicated an average increase of about 8 percent in the 25 largest metropolitan areas between 1993 and 1998, with 18 of the metro areas showing increases in inequality.

Comparing the Gini coefficients for the 25 largest U.S. metropolitan areas in 1998 to the economic and racial dissimilarity indexes for the same cities in 1997 shows just how closely tax-base inequality in a metropolitan area correlates with income and racial segregation. Seven of the 10 metropolitan areas with the most unequal tax-base distributions are also among the 10 areas with the greatest degree of income segregation in schools and 9 of the 10 are among the 10 areas showing the greatest degrees of racial segregation in schools.

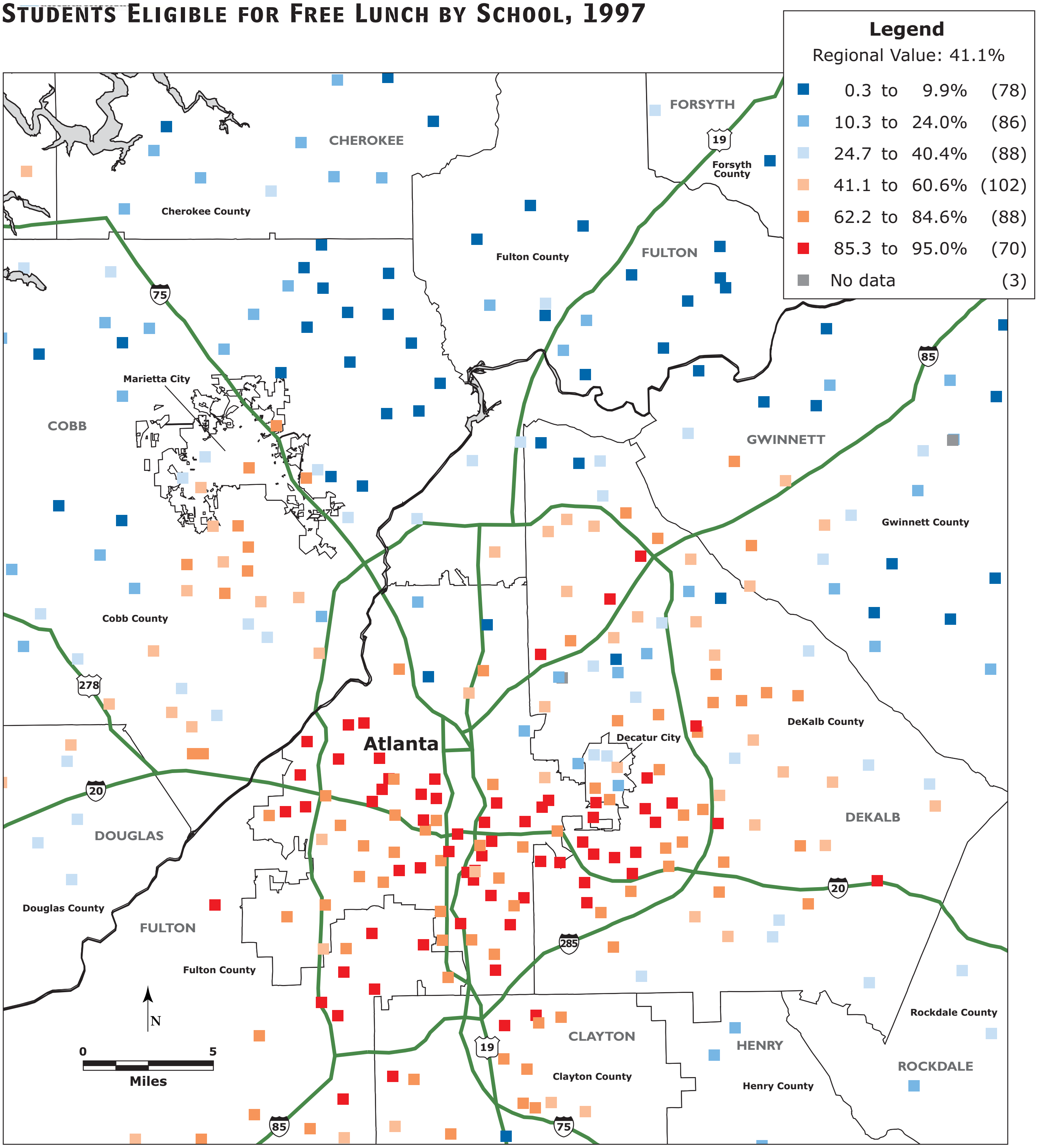
Urban sprawl indicators also correlate strongly with measures of segregation and inequality. Regions where population density in the urbanized areas declined the most tend to show the greatest degrees of racial segregation and tax-base inequality. Comparing the sprawl data with tax capacity data for different types of communities shows that sprawl affects the fiscal health of sprawling communities. The average tax capacity for at-risk, low-density suburbs in the 12 metropolitan areas with the greatest degrees of sprawl is 60 percent of the regional average; in the 13 metro areas with the least sprawl, the average capacity is 78 percent of the regional average. Likewise, the capacities for bedroom-developing suburbs are 82 percent of the regional average in sprawling metro areas, and 101 percent of the average in more contained areas. Clearly, the suburban areas most directly affected by sprawl are fiscally stronger relative to the rest of their metropolitan areas in regions where growth is managed more effectively.

Table 4. 1993 and 1998 Gini Coefficients: Tax Capacity per Household

Metropolitan Area	1993 Gini Coefficient	1998 Gini Coefficient	1993 - 1998 Change in Gini Coefficient
Atlanta	0.16	0.17	2 %
Boston	0.21	0.25	16
Chicago	0.26	0.27	2
Cincinnati	0.31	0.36	15
Cleveland	0.21	0.24	14
Dallas / Ft Worth	0.17	0.19	10
Washington D.C.	0.25	0.22	-12
Denver	0.20	0.21	8
Detroit	0.23	0.21	-5
Houston	0.13	0.15	15
Kansas City	0.32	0.25	-22
Los Angeles	0.20	0.22	9
Miami	0.19	0.21	10
Milwaukee	0.25	0.27	6
Minneapolis / St. Paul	0.18	0.17	-1
New York	0.24	0.23	-5
Philadelphia	0.28	0.33	20
Phoenix	0.11	0.15	38
Pittsburgh	0.26	0.26	2
Portland	0.11	0.15	30
San Diego	0.10	0.11	1
San Francisco	0.15	0.17	15
Seattle	0.11	0.21	99
St Louis	0.32	0.37	15
Tampa	0.13	0.13	2
25 Metro Area Average	0.20	0.22	8

Sources: National Center for Education Statistics and 2000 Census of Population, and the Mumford Center, State University of New York at Albany.

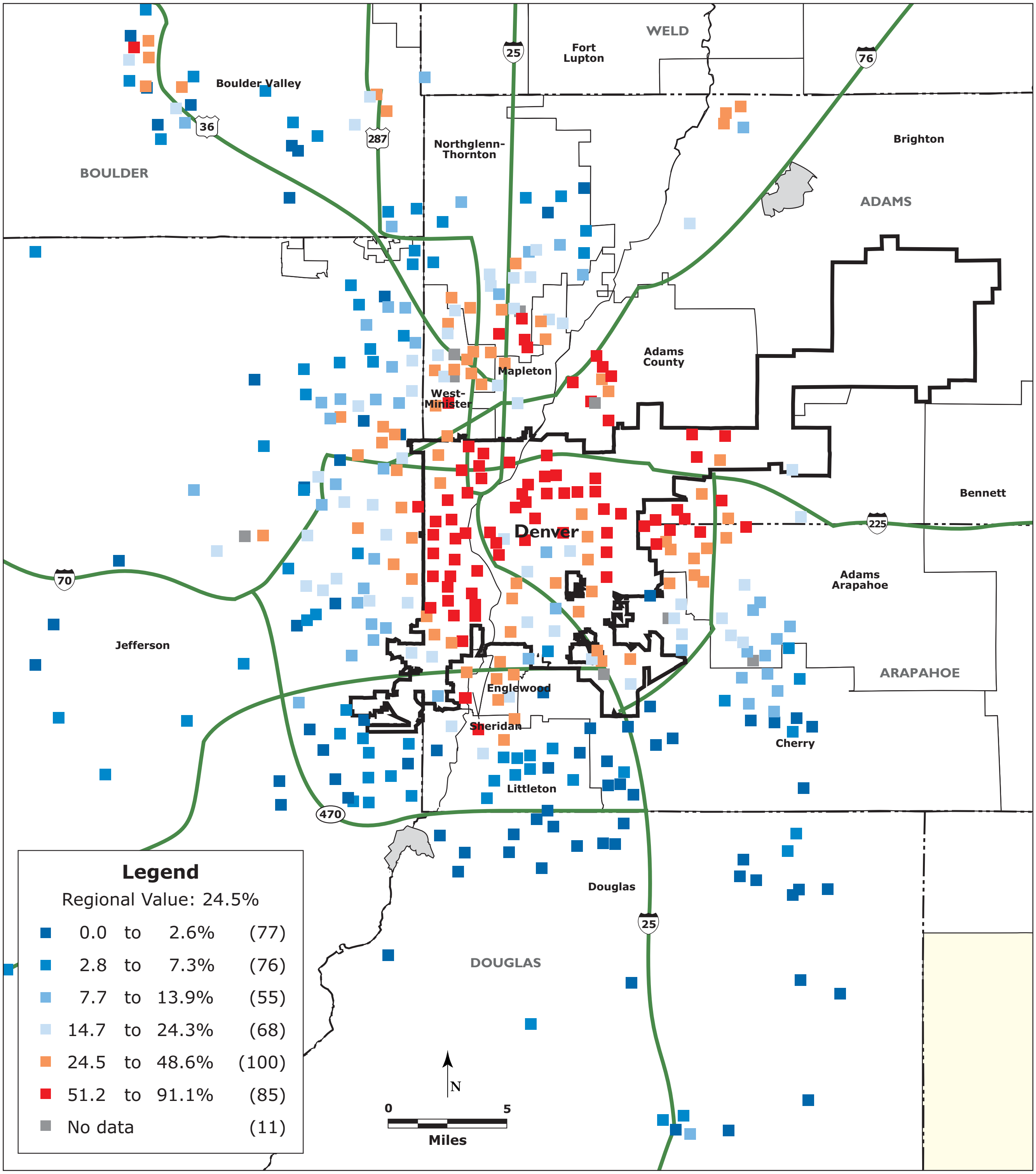
Map 1. Atlanta Region (Central Area): Percentage of Elementary Students Eligible for Free Lunch by School, 1997



Data Source: National Center for Education Statistics.

Atlanta's elementary schools show a pattern typical of many metropolitan areas – very high poverty rates in central city schools along with high and growing poverty rates in many nearby suburban schools. Relatively high free lunch eligibility rates in the suburbs are most pronounced south and southeast of the city of Atlanta.

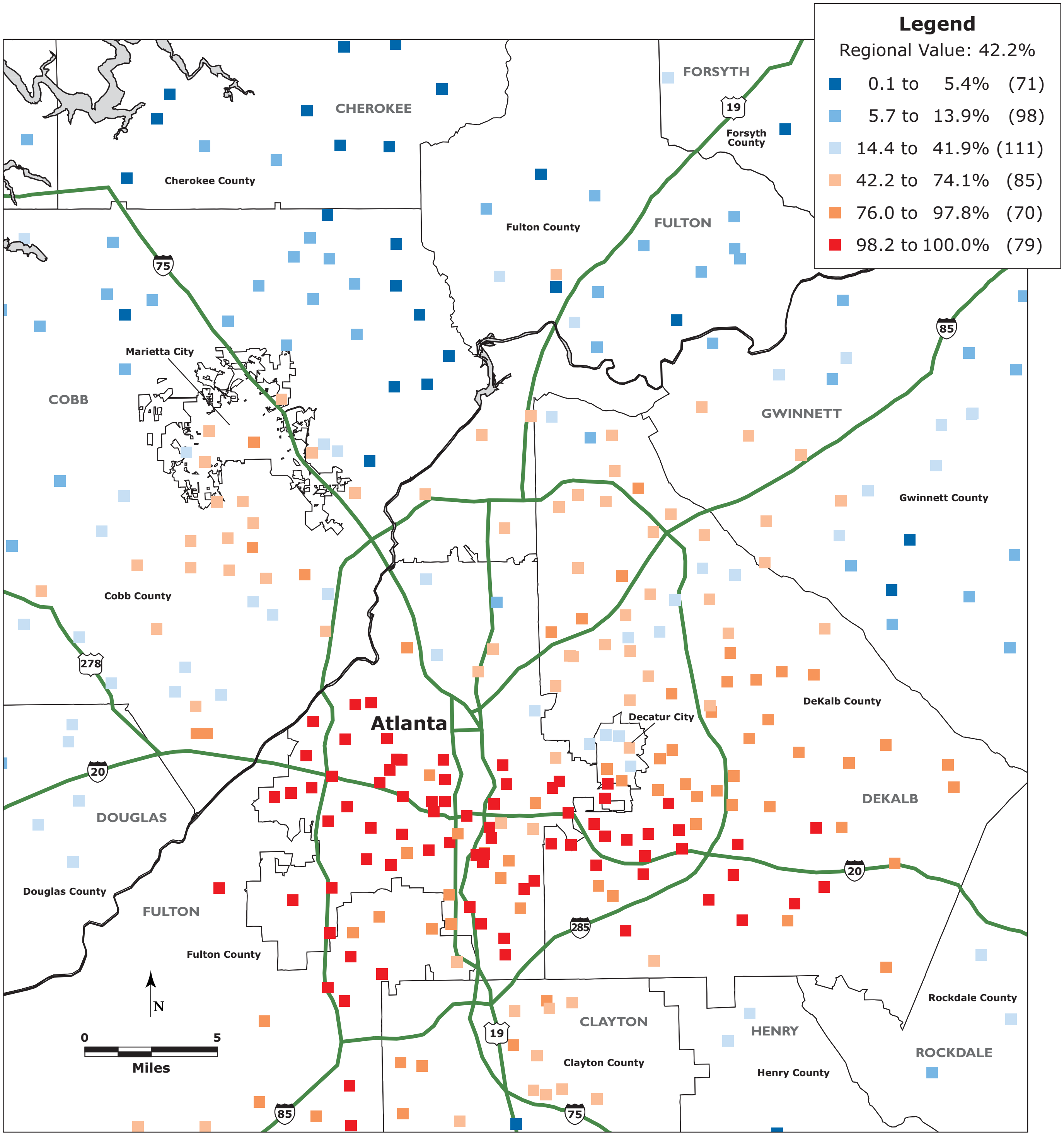
Map 2. Denver Region (Central Area): Percentage of Elementary Students Eligible for Free Lunch by School, 1997



Data Source: National Center for Educational Statistics.

School poverty in the Denver region also shows the typical pattern, focused in the city of Denver and in suburbs immediately north and east of the city.

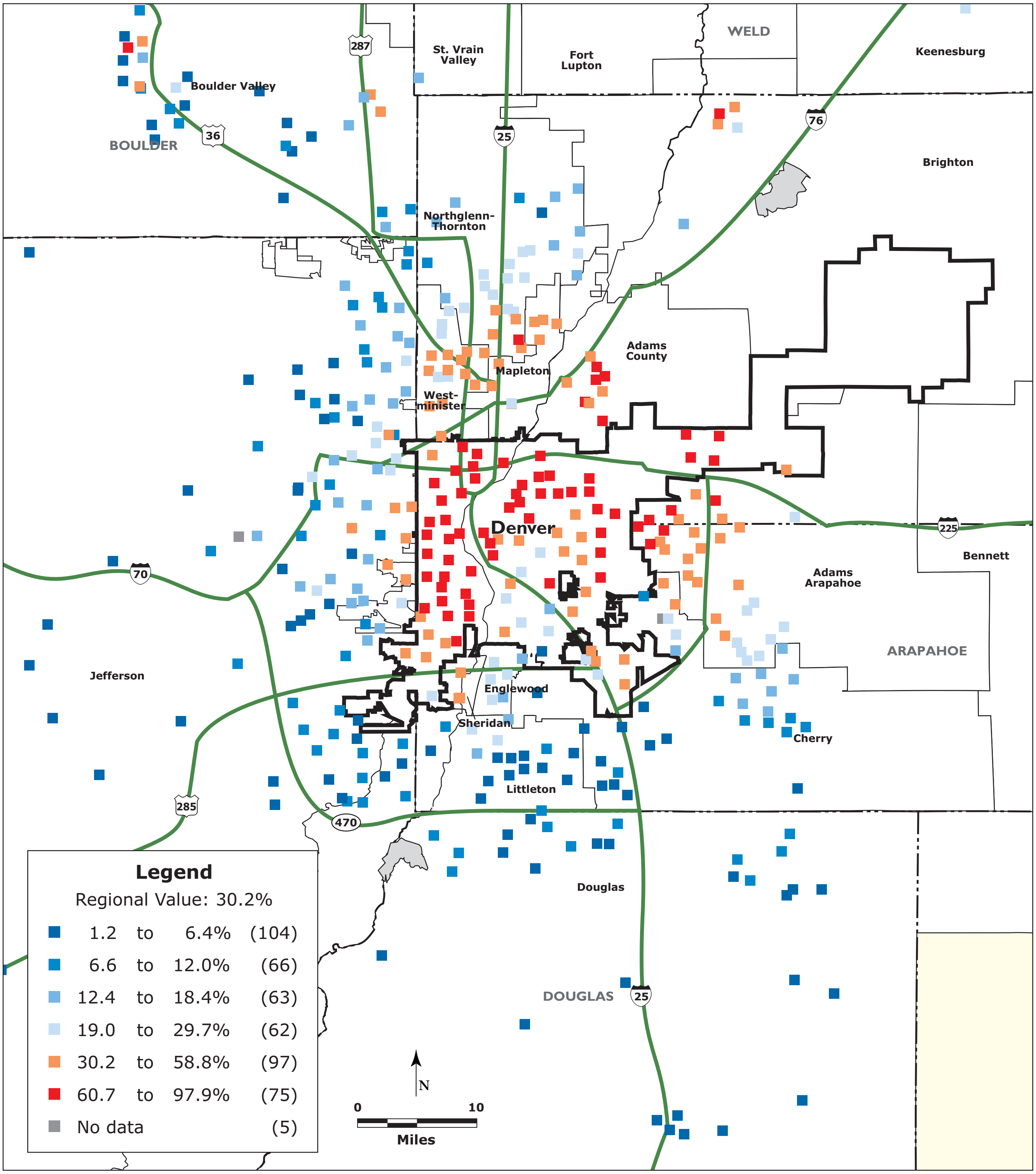
Map 3. Atlanta Region (Central Area): Percentage Non-Asian Elementary Students by School, 1997



Data Source: National Center for Education Statistics.

As in most metropolitan areas, poverty and race in Atlanta schools are correlated. Non-Asian minority percentages tend to be highest where poverty rates are highest (Map 1). Minority percentages are highest in the city of Atlanta and its southern and eastern suburbs.

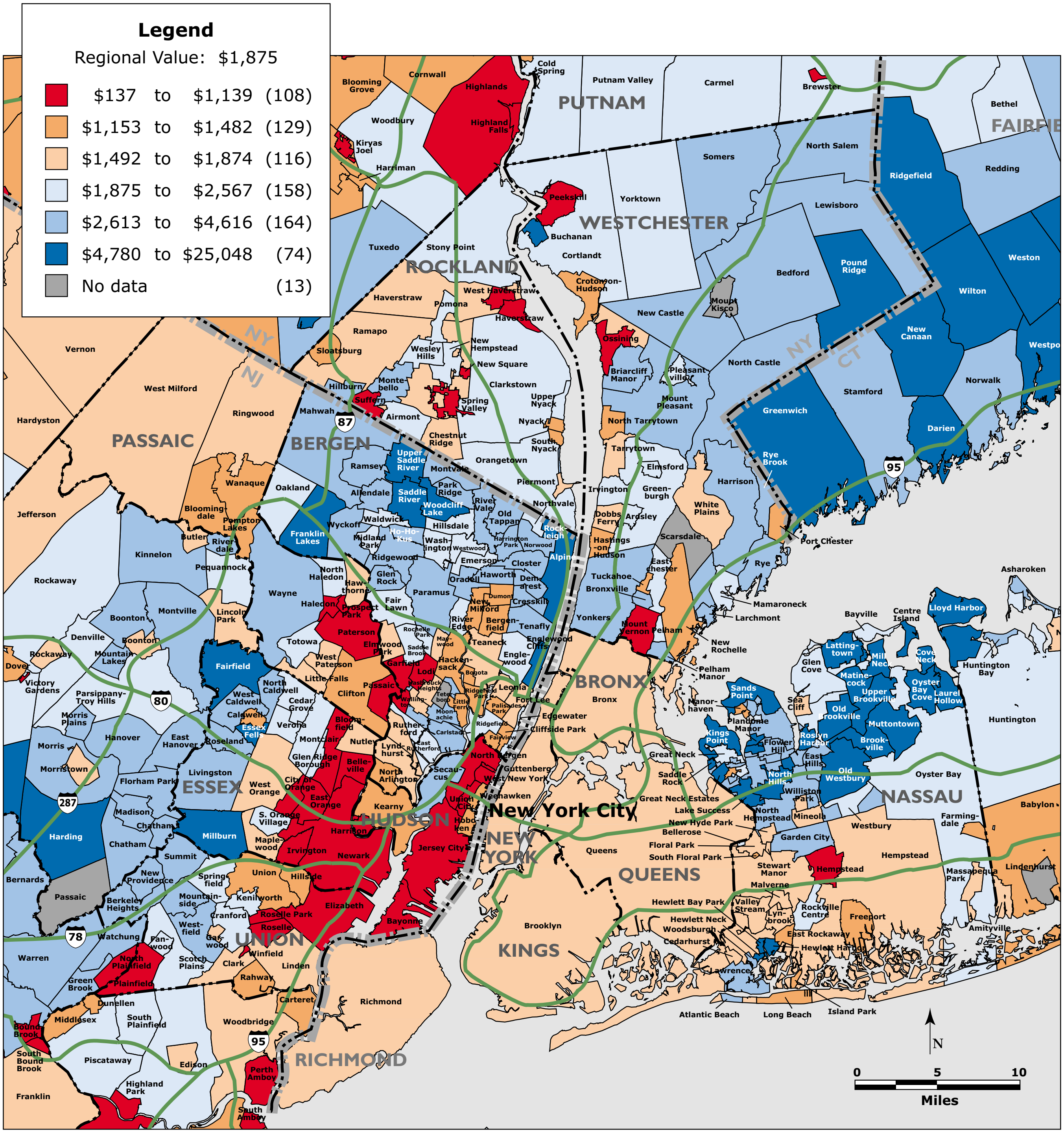
Map 4. Denver Region (Central Area): Percentage Non-Asian Elementary Students by School, 1997



Data Source: National Center for Educational Statistics.

The distribution of non-Asian minority students mirrors the one for poor students with the highest minority shares in the city of Denver and its northern and eastern suburbs.

MAP 5. NEW YORK REGION (CENTRAL AREA): TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1998

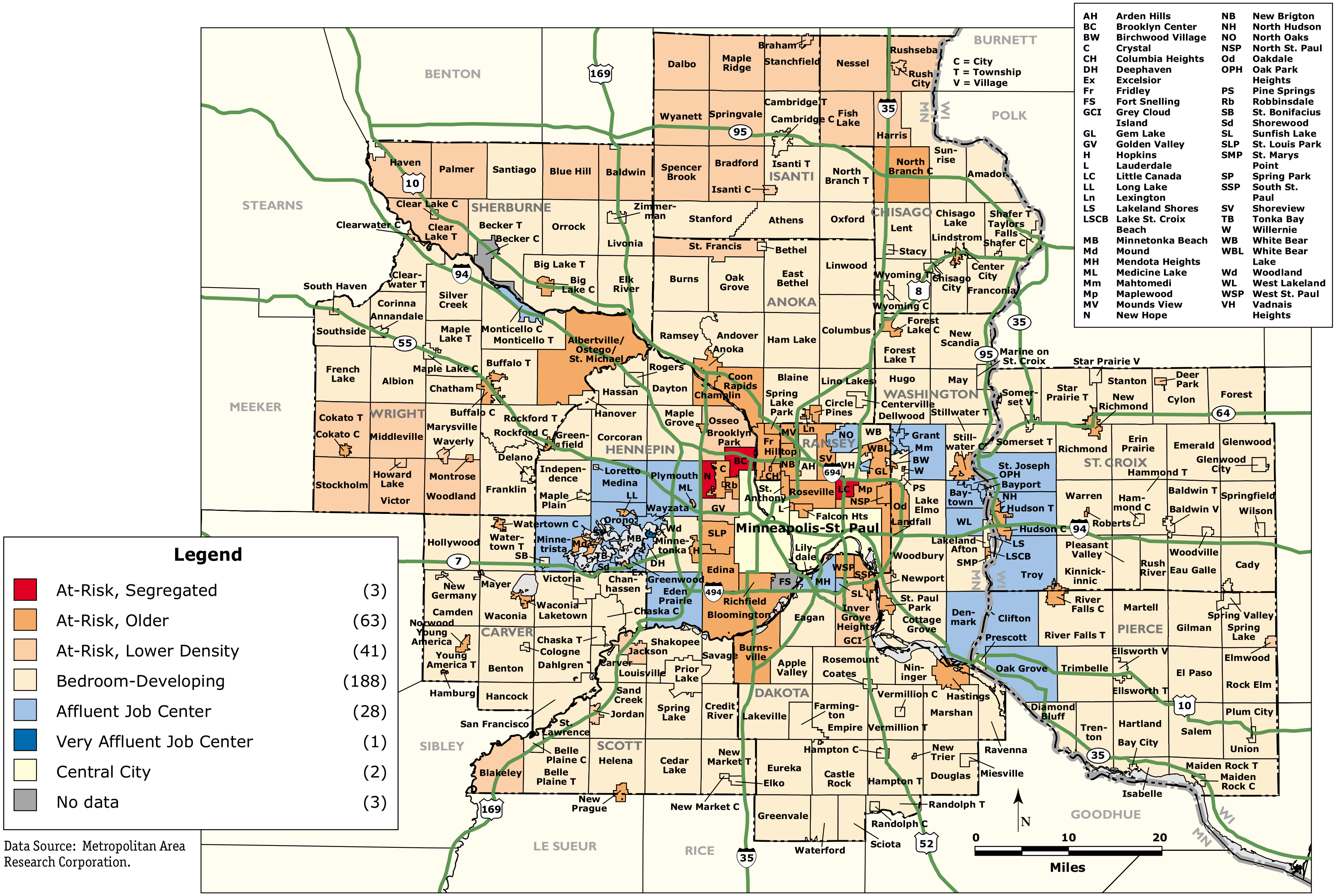


Data Sources: Connecticut Office of Property and Management; New Jersey Department of the Treasury; New Jersey Department of Community Affairs, Division of Local Government Services; New York State Comptroller; Pennsylvania State Tax Equalization Board; Pennsylvania Department of Community and Economic Development.

TAX CAPACITY measures the ability of local governments to raise revenue from all of the taxes available to them. Lower than average tax capacities per household are focused in the core of the New York region. The lowest capacities are found in and around Newark and Jersey City, New Jersey but lower-than-average capacities can also be found in parts of Long Island and in outer suburbs in the northwestern part of the region.

Map 6. Minneapolis–St. Paul Region: Community Classification

The Twin Cities region shows the classic pattern of suburban community types. At-risk suburbs lie in a nearly unbroken ring around the core cities and in the region's outermost reaches. Affluent suburbs on the other hand are clustered around important regional amenities – Lake Minnetonka in the west and the St. Croix River valley in the east.



Data Source: Metropolitan Area Research Corporation.

The Road to Reform

THE MANY CHALLENGES facing America's metropolitan areas can be attacked effectively only through a coordinated, regional approach. Concentrated poverty and community disinvestments, among the most important of the countless factors feeding metropolitan sprawl, are related to incentives built into public policies for metropolitan development. These incentives include tax policies that promote wasteful competition among local governments, transportation and infrastructure investment patterns that subsidize sprawling development, and fragmented governance that makes thoughtful and efficient land-use planning more difficult.

Fortunately, the foundations for positive change are, to a large extent, already in place. Regional tax reform, which involves a more equitable fiscal relationship among the cities in a metropolitan area, has its roots in the state school-aid systems that exist in virtually every state in the country. Land-use reform to combat sprawl is a growing issue in the nation, and 16 states have already adopted comprehensive growth-management acts. Federal law has required that regional governments coordinate hundreds of millions of transportation dollars in every region in the country; the challenge now is to make these existing regional governments more effective and more accountable to the people they serve.

Tax Reform

Under the fiscal system that currently holds sway in most regions of the country, local governments have strong incentives to adopt policies and regulations designed to serve their own short-term economic interest at the expense of their own long-term health and the well-being of the region as a whole.

One way that local governments do this is through "fiscal zoning," a deliberate attempt by a government to reap fiscal dividends from new development by limiting the types of land uses within its jurisdiction. Because property taxes are the most significant form of revenue for most local governments, they have a direct incentive to tailor their land-use regulations to encourage development of high-value commercial, industrial, and residential properties that generate relatively little in public costs, and to discourage development of lower-value properties such as affordable housing that create a need for higher public expenditures. When played out over an entire metropolitan area, this fiscal zoning process can significantly influence where people can afford to live, the types and quality of public services they receive from their local government, and the presence or absence of employment opportunities near their homes.

Another aspect of local governments' short-sighted pursuit of positive fiscal dividends is the wasteful and biased competition for desirable commercial and industrial properties. It is wasteful because one community's gain is likely to be another community's loss. The resources expended in such competition typically do not enhance the overall regional economy, but only shuffle activity from one place to another. It is biased because it creates the potential for a vicious, self-reinforcing cycle of decline in places that "lose" early in the game. As a locality loses activities that generate positive fiscal dividends, it must either raise taxes on its remaining tax base to maintain services at existing levels or reduce services at existing tax rates. Either choice further reduces the locality's ability to compete for additions to its tax base or to keep its existing base.

Fiscal zoning and tax-base competition tend to concentrate families and individuals with the greatest

How Not To Curb Growth

EFFORTS BY individual communitites to unilaterally curb development within their boundaries often end up contributing to sprawl instead of reducing it. In 1972, the San Francisco region city of Petaluma decided to slow growth by limiting the number of building permits issued annually. This caused a dramatic increase in housing demand in farther-out Santa Rosa. According to U.S. Census figures, the population of the Santa Rosa area nearly doubled between 1970 and 1980. In the end, Santa Rosa had to build new roads and sewers, and residents of Petaluma were forced to deal with the increased traffic through their community.

need for public services in communities that are the least able to generate the revenue to provide those services. Conversely, those who can afford to live where they choose (and therefore are less in need of public services) are increasingly concentrated in communities that have managed to successfully attract the development of large, expensive homes and other revenue-generating land uses. The result is a widening gap between communities with low tax capacities and high costs, on the one hand, and those with high tax capacities and low costs on the other.

The arguments for tax reform are primarily efficiency arguments. Attenuating the link between growth in particular types of local land uses and the tax base available to produce local services reduces wasteful competition. Providing financial incentives for particular types of development that provide regional benefits but do not generate local fiscal dividends can improve the functioning of regional housing and labor markets.

An essential part of creating a stable, cooperative region is to gradually equalize the resources of local governments with land-use planning powers. In addition to improving equity, which will allow central cities, at-risk suburbs, and many bedroom-developing suburbs to lower taxes and improve services, it will reduce the competition between places, give communities real fiscal incentives to cooperate, and make regional land-use planning easier to achieve.

Many states attempt to reduce fiscal inequity among jurisdictions through revenue-sharing programs that distribute a portion of the revenue from one or more state taxes to local governments through a variety of formulas. Although most revenue-sharing programs began with a simple per-capita approach, they now generally place greater emphasis on the communities' needs, typically determined by characteristics such as tax base, revenues, spending, or some combination of the three. Equity measures improve for all but two of the 25 largest metropolitan areas when aid is added to local tax capacity. However, the effects of aid vary considerably, ranging from a 63 percent change for the better in the inequality measure to an 11 percent change for the worse.

Tax-base sharing, an alternative way to reduce tax-base inequities, has several advantages over the patchwork quilt of aid programs common to most states. Unlike separate programs that distribute state revenues to counties, cities, townships, and special districts, tax-base sharing simply redistributes the common base from which each local jurisdiction derives its revenues. It also helps to equalize the resources available to local governments without removing local control over tax rates. Further, by requiring local governments to relinquish some of their fiscal dividend from new commercial/industrial development, tax-base sharing reduces the incentive to waste taxpayer dollars by stealing it away from other communities. Similarly, including residential property in tax-base sharing dilutes local governments' incentives to use fiscal zoning or its substitutes to restrict residential development to "profitable" types of housing, making cooperative, efficient land-use planning easier.

With tax-base sharing, a portion of each locality's tax base (or growth in tax base) is contributed to a regional pool and redistributed according to criteria such as tax capacity, service cost or need indicators, or land-use decisions. In Minneapolis-St. Paul, the only metropolitan area for which tax-base sharing legislation has actually been enacted, local tax-base disparities were reduced by roughly 20 percent by the program in the year 2000. Simulations for other metropolitan areas show that tax-base sharing is a much more cost-effective means of reducing tax-base equity than existing aid programs. Tax-base sharing reduces disparities by 2 percentage points for each percentage point of shared revenues, while current aid programs reduce disparities by just half of a percentage point for each percentage point of aid.

Reforms in these policy areas need not be radical. All states provide at least some financial support to local governments. A reform agenda can begin with incremental improvements in the way current aid is allocated. Tax-base-sharing programs can be designed to capture a portion of tax-base growth, as occurred in the Twin Cities, rather than part of existing tax bases, allowing regions to reap the efficiency benefits immediately while the redistributive impacts grow more slowly.

Land-Use Reform

Individual communities can do little to deal with the underlying regional forces contributing to sprawling development patterns. While local development moratoriums, slowdowns, or other local restrictions may seem like a good strategy for reducing the negative impacts of increased development, ultimately they only throw development farther out to surrounding communities eager to attract additional development to add to their tax base and help them keep up with the costs of their residential growth. In many cases, these surrounding communities are at-risk low-density and bedroom-developing communities trying to keep up with their growing costs.

A number of states have tried to tackle the difficulties associated with purely local land-use planning through some form of statewide planning. At present, 16 states have a land-use planning system in place; 10 of these states actually require comprehensive local planning, while the other 6 encourage it. Oregon led the way with the passage of its Land Use Act in 1973. This landmark legislation requires each of the state's cities and counties to adopt a long-range, comprehensive plan for development consistent with the state's specified planning goals.

Another popular strategy employed by states to combat sprawling development has been to authorize and encourage the use of various "smart growth" tools. Common growth-management tools include the urban growth boundary, which prevents or limits development outside a designated area; the urban service area, which limits provision of public services such as sewerage and water to a designated area; designated areas where growth will be focused; and concurrency, which requires adequate public infrastructure to be in place before or at the same time as development occurs. These can be effective tools. Misused or used in isolation without complementary policies in the non-developing portions of regions, however, they can contribute to low-density, dispersed development instead of preventing it.

Smart-growth planning also attempts to protect agricultural lands and open space from development, maintaining the amenity value of such areas and preserving them for future generations. To this end, many states and regions create agricultural district programs, purchase agriculture conservation easements or development rights through state land trust funds, and allow the transfer of development rights from a rural to an urban location. These land-preservation tools, though well-intentioned, are extremely costly and cannot on their own truly change the nature of U.S. development patterns.

Effective regional land-use reform hinges on three elements: coordinated infrastructure planning, a regional housing plan, and regional review and coordination of local planning.

Coordinated Infrastucture Planning. Piecemeal provision of the basic infrastructure that guides regional investment and development patterns is a major contributor to inefficient, sprawling development, congested roadways, and environmental strains. Regionalizing infrastructure provision and planning helps guide development in more efficient and equitable ways. It can, for instance, help reduce per capita costs throughout the region by creating an orderly pattern of development. Transportation investments are an especially important part of regional infrastructure that should be coordinated with other investments, and giving a regional agency authority over transportation investments is one way to help achieve this goal.

Regional Housing Plan. A regional strategy to reduce zoning, financial, and other barriers to the development of affordable housing is the logical first step toward the goal of mixed-income housing in every community within a region. The housing industry has long argued that regulatory barriers such as large lot sizes, prohibitions on multifamily housing, and assorted fees hurt the natural marketplace for affordable housing. Removing such barriers is a step that the building community can accept, and is a way to develop a relationship with an important private-sector actor in land development.

Fair-share requirements ensure that all places contribute to the regionwide supply of affordable housing. These programs allocate to each city a part of the region's affordable housing, on the basis of the jurisdiction's population, previous efforts to create affordable housing, and job availability. An effective fair-share housing program seeks a sustainable balance of lower-cost and more expensive housing in all areas of the region, whether they are greenfield suburban sites or gentrifying neighborhoods.

Regional Review and Coordination of Local Planning. Because much land-use and infrastructure planning is best provided at the local level, regional land-use

Regionalism at Work

TWO REGIONS—Portland, Oregon, and Minneapolis-St. Paul—have vested significant and comprehensive planning powers in a single regional government body. Portland Metro controls development patterns through its administration of the state-mandated regional urban growth boundary. The Twin Cities Metropolitan Council regulates the expansion of its Metropolitan Urban Service Area through its authority to plan for and permit extensions to the regional sewer system.

These formal powers, complemented by council members' accountability to the governor in Minnesota and directly to the voters in Portland, give these regional governments political leverage that other metropolitan planning organizations and regional councils lack. Unlike most MPOs, members of the Portland and Twin Cities councils are unaffiliated with local governments and state agencies. This detachment from parochial interests gives Metro and the Met Council unique freedom to focus exclusively on regional needs and concerns.

reform requires a coordinated framework in which local governments develop comprehensive land-use plans that are consistent with state or regional planning goals. Ideally, these goals are clearly laid out and applicable to all communities within the region, and any local plans and policies inconsistent with these goals may be challenged in court or in special forums created for such adjudication. There should be strong penalties for noncompliance, such as financial sanctions or the loss of authority to make land-use decisions and to grant building permits.

Metropolitan Governance Reform

The fragmentation of metropolitan areas into many local governments is not only a barrier to effective growth management, but also a leading cause of racial and economic segregation, sprawl, and fiscal disparities within those areas. In regions without a shared tax base or dominant central city, competing jurisdictions often duplicate infrastructure and services that could be provided more cost effectively in older suburbs and central cities. Duplication of services and infrastructure in turn contributes to fiscal, social, and environmental stresses in the at-risk communities at the core of metropolitan regions as well as in those at the edge. Zoning incentives to attract high-value residential and commercial development result in exclusive neighborhoods, segregated by race and income. Meanwhile, the new office and commercial centers in suburban edge cities siphon customers and resources from established business districts and allow the commuter zone to expand, further inducing sprawl.

Recognizing fragmentation's negative effects, a number of regions have acted to bring a greater regional focus to local governance. Metropolitan planning organizations are the most widespread form of regional governance in the U.S. today. MPOs were created by Congress in the 1970s to address the growing transportation challenges in metropolitan regions. Given broad powers to guide regional growth through long-range transportation planning and the allocation of federal transportation funds to individual jurisdictions, the MPOs in America's 25 largest metropolitan areas are, in a very real sense, special-purpose regional governing bodies.

However, MPOs are not directly accountable to voters and do not always make their transportation investments with social separation, sprawl, and fiscal inequities in mind. Without broader authority and a mandate to address these assorted issues comprehensively, MPOs are limited in what they can accomplish on regional concerns.

Several regional councils and associations designated as MPOs have, either by state mandate or through their own initiative, taken on myriad other functions, attempting to fill the void in regional governance created by political fragmentation. Some of the most common duties taken on by MPO staff include air quality conformity planning, local and regional economic development initiatives, land-use plan review and coordination, ride-share services, and regional demographic and economic forecasting.

A strong, accountable regional governing body is an essential part of a comprehensive regional reform plan. The following strategies will help to ensure the long-term viability of any regional governing body, whether an MPO with expanded authority or some other regional body.

Strategy 1: Apportion voting membership by population. Decisions on how and where to spend taxpayer dollars for regional investments should be made in a fair and equitable manner, giving equal representation to all types of communities and residents in a region.

Strategy 2: Hold direct elections for voting members. Direct elections of members of regional governing bodies would make regional decision-making more open and participatory. Even without expanding the current scope of MPO powers, direct election of MPO boards would create a legitimate forum for the discussion of regional issues. Any increase in MPOs' powers would make direct election even more important.

Strategy 3: Broaden and deepen public awareness of how transportation investments contribute to or alleviate social separation and sprawl. Regional bodies should be required to evaluate their transportation decisions to determine whether they worsen or alleviate social separation and sprawling development patterns in the region.

Strategy 4: Broaden the scope of land-use planning. MPOs or another regional body should develop an advisory land-use plan for the region that embodies a vision for efficiently coordinating all major forms of developmental infrastructure. These advisory land-use plans might offer cities incentives to submit for review comprehensive plans covering such issues as sustainable development, affordable housing, and public transit.

Table 5. Revenue Capacity Equity Before and After Aid From State Governments and Tax Base Sharing

Metropolitan Area	Tax Capacity Gini Coefficient	Gini Coefficient After Tax Base Sharing	% Change	Gini Coefficient After Aid	% Change
Atlanta	0.17	0.13	-21	0.17	3
Boston	0.25	0.20	-20	0.19	-22
Chicago	0.27	0.22	-20	0.17	-36
Cincinnati	0.36	0.29	-20	0.35	-2
Cleveland	0.24	0.20	-19	0.22	-9
Dallas/Ft Worth	0.19	0.15	-21	n.a	n.a
DC	0.22	0.18	-21	0.17	-24
Denver	0.21	0.17	-19	0.20	-7
Detroit	0.21	0.17	-21	0.24	11
Houston	0.15	0.12	-22	n.a	n.a
Kansas City	0.25	0.20	-21	0.22	-11
Los Angeles	0.22	0.18	-19	0.15	-33
Miami	0.21	0.17	-18	0.17	-18
Milwaukee	0.27	0.22	-18	0.10	-63
Msp/StPaul	0.17	n.a	n.a	0.17	-3
New York	0.23	0.18	-22	0.18	-22
Philadelphia	0.33	0.28	-16	0.26	-21
Phoenix	0.15	0.12	-21	0.09	-41
Pittsburgh	0.26	0.21	-19	0.25	-4
Portland	0.15	0.12	-18	0.13	-12
San Diego	0.11	0.08	-20	0.08	-20
San Francisco	0.17	0.14	-20	0.13	-27
Seattle	0.21	0.17	-21	0.20	-7
St Louis	0.37	0.29	-20	0.24	-36
Tampa	0.13	0.11	-19	0.12	-14
25 Metro Area Avg	0.22	0.178	-20	0.182	-18

Making the Case for Regional Reform

Economists and others have made the important point that regional cooperation helps every community, but the parochial costs and benefits of regional reforms vary by community type within metropolitan areas. Therefore, making the case for regionalism requires an understanding of the nature of the different suburban community types and the ways they may benefit from the various reforms.

The At-Risk Developed Suburbs

The case for regional reform to present to the at-risk segregated and at-risk older suburbs is simple. Regional equity gives them lower taxes and better services. In the at-risk developed suburbs, taxes are comparatively high for the mix of services provided. In states and regions without substantial state-supported school equity, these taxes can be the highest in metropolitan America. Simulations of property-tax sharing throughout the country show the older suburbs as the largest net gainers of resources of any of the subregions. New equity resources could help older suburbs shore up and improve aging infrastructure, clean up brownfield sites, reconfigure abandoned malls or industrial facilities, invest in housing in declining neighborhoods, and give underfunded schools a boost. If the equity is sufficiently comprehensive, such measures could be taken even as the local tax rates were being reduced.

The residential resources of at-risk developed suburbs are often deteriorating or threatened by rapid change on their borders. A strong, well-implemented housing plan that requires newer suburbs to take more responsibility for affordable housing is the only way to avoid this downward transition. Such a plan takes pressure off the older suburbs and prevents the concentration of poverty and decline in these places. Once older declining suburbs understand that they already have more than their fair share of affordable housing, they can use a good regional housing plan as a powerful defensive strategy to maintain their communities' stability.

Without regional solutions, the future of these at-risk places is bleak. With their low fiscal capacity and lack of amenities, they have little hope of improving their position in a competitive regional economy. If they cut taxes, they cannot generate the revenues needed to deal with their old infrastructure or poverty problems in their schools. If they raise taxes to deal with these challenges, they cannot attract businesses or homeowners. In the end, these places have no haven outside regional cooperation.

The Developing Suburbs

At-risk low-density and bedroom-developing suburbs have three compelling reasons to support regional cooperation. First, it will reduce their taxes and increase their services, most notably in terms of schools. Second, it will help them get the infrastructure they need for safe and orderly development. And third, it will provide a better alternative to local unilateral growth moratoriums or slow-growth action to respond to the increasingly negative reaction within these communities to the development status quo.

While bedroom-developing communities are places of comparatively low poverty and diversity, their children-per-household ratio is very high. Throughout the country, at-risk low-density suburbs spend less per pupil than districts in other types of metropolitan communities. Through school equity and almost any form of tax sharing, both of these types of developing communities can be among the largest recipients of per-student aid. And as with the older suburbs, regional fiscal equity can also allow these places to have lower tax rates.

In chasing after development to make up for the lack of a local tax base, developing communities tend to neglect the provision of infrastructure that will eventually be needed but will be more costly to provide retroactively once development is in place. Regionalism provides assistance for infrastructure in developing communities through equity, which can give them money to build infrastructure as well as to relieve cash-flow crises that force them to seek development at any price, and through sharing regional infrastructure costs. By pooling regional resources, and creating regional funds and bonding authorities, regionalism can get infrastructure to these communities in a cost-effective way.

Sprawl is another problem of particular concern to residents of bedroom-developing suburbs. Most of the local initiatives to curb growth have been in these places. But a single community can have little effect on the growth of a region. Acting alone, a community is not only unlikely to solve its own growth-related problems but is likely to impose higher costs on the region when it tries. In the end, regional or statewide planning to protect open space and create a regional growth boundary has been more effective than unilateral action. Regionally funded transit commuting alternatives are among the most promising ways to respond to growing congestion. A cooperative regional approach that encourages affordable housing close to affluent job centers is also likely to be more helpful than local NIMBY (Not In My Back Yard) approaches.

Affluent Job Centers

Despite their low poverty rates and high fiscal capacities, affluent job centers are not immune from problems caused by the prevailing pattern of regional development. Because they are intense centers of job growth, these communities are often troubled by higher rates of congestion than other suburban areas, particularly in the country's fast-growth regions. Open space is harder to preserve in these communities, because land becomes very valuable. In the most extreme cases, suburban "edge cities" can become as densely urban and congested as city business districts.

Some of the most celebrated and extreme fights against status-quo development patterns have occurred in this small group of suburbs. Here, too, regionalism presents the only possible response to these concerns, the only real way to maintain a suburban/rural edge, and the only plausible plan for dealing with traffic congestion. It is the only way to have an effect on a neighboring community's poor decisions.

Today's metropolitan politics are based on an inaccurate model of poor cities and rich suburbs. It does not acknowledge that almost half of the U.S. population lives in places that have finished developing and have increasing urban problems. Nor does it come to terms with the fiscal pressure of growth and the public's increasing discontent with sprawl and loss of open space. A new metropolitics must understand the diversity of U.S. suburbs and build a broad bipartisan movement for greater regional cooperation. If metropolitics does not succeed, our metropolitan regions will continue to become more unequal, and more energy will be spent growing against ourselves.

A new metropolitics must understand the diversity of U.S. suburbs and build a broad bipartisan movement for greater regional cooperation.