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Toledo Metropatterns

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Toledo Metropatterns

A Regional Agenda for
Community and
Stability in Toledo





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AMEREGIS is a research and geographic information systems (GIS) firm that documents evolving development patterns in U.S. metropolitan regions. **METROPOLITAN AREA RESEARCH CORPORATION** is a research and advocacy organization that participated in this project. These two organizations are dedicated to integrating GIS mapping and traditional research methods to inform decision-making. They also assist individuals and groups in fashioning local remedies addressing the growing social and economic disparities within regions. Both were founded by Myron Orfield, a nationally recognized leader in promoting reform around issues of land use, social and fiscal equity and regional governance.

Toledo Metropatterns is a project of Ameregis and the Urban Affairs Center. Established in 1980, the UAC is an applied research unit of The University of Toledo and a member of the Ohio Urban University Program (UUP). Their mission is to enhance the vitality of and improve the quality of life in Northwest Ohio's urban region. To accomplish this, they apply the resources of The University of Toledo, network with other UUP members and collaborate with local, state, and national partners to help identify urban problems and propose solutions. Their methods include professional research, technical assistance, education, training, community service, outreach, database development and the publication and distribution of research findings.

CONTENTS

- 1 *Overview*
- 2 *Metropatterns | The Myth of the Suburban Monolith*
- 6 *Social Separation and Sprawl | Growing Problems in Greater Toledo*
- 16 *Fiscal Disparities | Wasteful Competition for Tax Base*
- 20 *Looking Forward | Strategies for Regional Reform*

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Overview

A **ANALYSIS OF DEMOGRAPHIC AND FISCAL TRENDS IN GREATER TOLEDO** shows how poorly planned, inefficient development and competition for tax base are threatening every community in the region — from the most impoverished to the most affluent. Geographic stratification has already had devastating consequences for the poor, leaving many of them trapped in segregated neighborhoods with limited economic and educational opportunities. Now it has begun to diminish the quality of life and opportunities of working- and middle-class residents. The rising waves of protest against congestion and the loss of open space suggest that no group — not even the wealthiest suburbs — is fully satisfied with the status quo.

Here are the report's main findings:

The idea of an affluent suburban monolith is a myth

Growing shares of suburban residents live in communities that are struggling with social or fiscal strains. One group of suburbs has slow-growing tax bases and average household incomes that are below the suburban average. Another group has few social needs, but must pay for needed public services with largely residential tax bases. Just a small share of the population lives in affluent suburbs with expensive housing, plentiful commercial development and strong tax bases.

All communities are hurt by the way the region is growing

Greater Toledo is increasingly segregated by income and race. The core city remains troubled, and a group of suburbs is experiencing changes that portend trouble ahead. Ohio's state and local finance system has pitted the region's local governments against one another in a competition for tax base and deprived many of its neediest schools of adequate funding. Despite slow population growth, the region continues to sprawl outward in a pattern of low-density development that threatens valuable open space and increases traffic congestion.

Without changes to the policies shaping the region, there is no reason to believe these patterns will not continue, with a core of stressed communities growing larger, and a ring of sprawl devouring land around it.



Despite slow population growth, the region continues to sprawl outward, eating up valuable open space and increasing congestion.

All places would benefit from regional reforms

There are policies based on cooperation that can help change these destructive and wasteful patterns:

- **Tax and state-aid reforms** can stabilize fiscally stressed schools and help communities pay for needed public services.
- **Cooperative land-use planning** can help communities coordinate development, revitalize stressed neighborhoods and conserve open space.
- **Metropolitan governance** can help address issues that cross municipal boundaries and ensure all communities a voice in regional decision-making.

Change is possible

Cooperative strategies like these offer a powerful path for the region to meet its great challenges. They are already in place in various forms throughout the country, and have impassioned, thoughtful advocates in Toledo. They can help encourage environmentally sensitive development, reduce inequalities among communities, encourage regional economic-development efforts and expand the opportunities of the region's most vulnerable residents.

Metropatterns

The Toledo region — defined in this report as Fulton, Lucas and Wood counties — has great strengths to build on, including a cadre of citizens committed to the region. But like other regions in Ohio and the U.S., Toledo is struggling with serious stresses, including growing separation by race and income, significant fiscal disparities among local governments and sprawling development that threatens valuable natural spaces and farmland.

The Toledo region's economic condition contributes to its plight. The area has seen relatively slow economic growth in recent decades. Total employment grew 39 percent between 1970 and 2001, slightly slower than the 43 percent growth in Ohio as a whole, and considerably slower than the nation's 86 percent increase. Manufacturing employment, Toledo's historic economic base, has taken a particularly hard hit, shrinking 26 percent between 1970 and 2001. By 2001, manufacturing jobs represented just 18 percent of total area employment, down from 34 percent in 1970.¹

Economic strain is reflected in other measures as well. Among six major metro areas in the state, the Toledo region has the highest share of elementary students eligible for the federal free-lunch program, a common proxy for poverty.² More than one in three elementary students in the region were eligible for the program in 2000. Poor students are highly segregated in the center of the region, and levels of segregation by income

are growing faster than in any other major Ohio region.³ Levels of racial segregation in the region's schools are also high and getting higher.

While the region as a whole is struggling, the fiscal and social health of individual communities varies widely. For example, in the 1990s, many outlying cities and townships grew rapidly, and many benefited fiscally from a growing inventory of businesses and expensive homes. But the city of Toledo lost 6 percent of its residents during the decade, and from 1994 to 2000 its tax base grew at just three-quarters of the regionwide rate. And Toledo is not alone in feeling stress. Although not yet nearly as severe, some suburban communities are also experiencing signs, including population decline and slow-growing tax bases, that suggest the potential for problems ahead.

Disparities within regions are a cause for concern because a growing body of research suggests that communities within a metropolitan area are interdependent. This means that when social and economic disparities are minimized, the entire region is stronger. Research has shown, for example, that median household incomes of central cities and their suburbs move up and down together in most regions and that the strength of this relationship appears to be increasing. In addition, metropolitan areas with the smallest gap between city and suburban incomes have greater regional job growth.⁴

Community Classification

This report relied on a statistical technique called cluster analysis to identify groups of places sharing fiscal, social and physical characteristics (see page 4 for a description of the clustering process). The results contradict the notion that metropolitan areas can simply be divided into two distinct parts — the city and its suburbs. In fact, the clustering process revealed five types of communities in the Toledo region, each with strengths and challenges:

Residential development often requires communities to spend more on services, such as costly new schools and roads, than it generates in revenue.



Core city: Home to 53 percent of the region's population, the city of Toledo boasts a number of attributes, including a downtown employment center and attractive older homes and public spaces. But Toledo continues to struggle despite these strengths. The 63 percent free-lunch rate in the city's school district was over three times higher than the next poorest district in 2000, and between 1993 and 2000 the poverty rate grew faster than in any other district. The city's infrastructure is aging. Two of every three houses in the city are affordable to households with the region's average income, a far higher share than in the region as a whole — in fact, 70 percent of the region's affordable homes are in the city.

The city must provide for its great needs with a total tax base that is significantly below average and growing more slowly than in any other community type.

At-risk developed suburbs: At-risk developed suburbs include both inner suburbs and outlying cities and villages. Although lacking the serious social and fiscal strains of the core city, these communities are showing signs of losing ground to newer, lower-density places. While still slightly above the regional average, their tax bases are the lowest of any suburban group and growing more slowly than in the region as a whole. In particular, the residential component is losing ground. In fact, these communities have a larger share of affordable homes — 29 percent — than the suburban average. Still, on average, this group also has slightly above-average household incomes, and their population is growing relatively quickly as well.

Home to 14 percent of area residents, at-risk developed suburbs include Maumee, Bowling Green and Walbridge.

At-risk developing suburbs: With their higher-achieving schools, lower land costs and wide-open spaces, at-risk developing suburbs appear to offer an alternative to declining communities in the core. As a result, they are attracting new residents at a relatively rapid rate. They also have above-average property tax bases and household incomes. Because they also have a supply of older homes, they have the greatest share of affordable housing of any suburban community type. But the low-density development in these communities is causing serious long-run challenges, straining roads and infrastructure and eating up valuable natural areas and farmland.

At-risk developing suburbs include both incorporated places like Perrysburg and Rossford and unincorporated communities like Fulton Township. Ten percent of the region's population lives in these suburbs.

Bedroom-developing suburbs: These fast-growing, middle-class places have higher average household incomes and tax bases than their at-risk developing neighbors, and are growing at a comparably rapid rate—more



Despite very serious problems, the city of Toledo also features attractive neighborhoods that can be revitalized.

than twice as fast as the entire region. But they also have the smallest commercial-industrial bases of any suburban group, and these are growing at less than half the regional rate — more slowly than any other group. The lack of commercial-industrial tax base causes real fiscal strain because low-density residential development generally generates more in costs — for roads, schools and other services desired by residents — than it generates in taxes.

Bedroom-developing suburbs, home to 17 percent of the region's residents, include mostly unincorporated places like Springfield and Center townships as well as a few incorporated places like Oregon.

Affluent suburbs: Affluent suburbs are home to just 6 percent of the region's population, but a large share of its high-income households and expensive homes. In fact, as a group, their residential-agricultural tax bases are nearly 2.5 times higher than the regional average. They also have above-average commercial-industrial bases. These factors, and their lack of social needs, help them maintain high-quality public services.

But the opportunities of these places are limited to a lucky few — just 14 percent of their homes are affordable to average-income households. High housing costs mean local employers may have problems attracting low-wage workers. In addition, new development is threatening open space, adding costs and contributing to congestion.

Affluent suburbs are Monclova, Sylvania and Waterville townships and Ottawa Hills. Ottawa Hills falls in this category because of its very large residential tax base and high incomes, but it is distinct in other ways. Its population is growing slowly, it lacks a large commercial-industrial base and has little developable land.

CLUSTER ANALYSIS: HOW IT WORKS

This study relies on a statistical procedure called cluster analysis to assign municipalities to groups that are as internally homogeneous and as distinct from one another as possible. Characteristics used to cluster Toledo-area communities were:

- total property tax base per household
- growth in residential-agricultural and commercial-industrial tax base per household
- income per household
- population growth
- population density

Single-year variables were from 2000; change variables were from 1994 to 2000.⁵

The resulting groups consist of communities that are similar, but not necessarily perfectly homogeneous. For instance, a place with above-average tax base per household may fall into a group that, on average, has below-average tax base because its other characteristics mirror the rest of the group.

The variables used in the cluster process provide a snapshot of a community in two dimensions — its ability to raise revenues from its local tax base and the costs associated with its social and physical needs. Fiscal capabilities are measured by tax base and the change in tax base.

“Need” measures were selected to capture a range of local characteristics that affect costs. Household income is a proxy for several factors that can affect public service costs. Low incomes are associated with greater needs for services and increased costs of reaching a given level of service. Density is another important predictor of cost. Very low densities can increase per-person costs for public services involving transportation — schools, police and fire protection — and for infrastructure — roads and sewers. Moderate to high densities, on the other hand, can help limit them.

Similarly, population declines and large population increases tend to increase the per-person costs of long-lived assets like sewers, streets or buildings. When population declines the costs of these assets must be spread across fewer taxpayers. When population is growing rapidly, the costs of new infrastructure tend to fall disproportionately on current residents (compared to future residents) because it is difficult to spread the costs over the full lifetime of the assets.

These variables also capture a cross-section of the characteristics that define a place’s political character. Density, income and growth are among the factors people examine when deciding if a community is “their kind of place.”

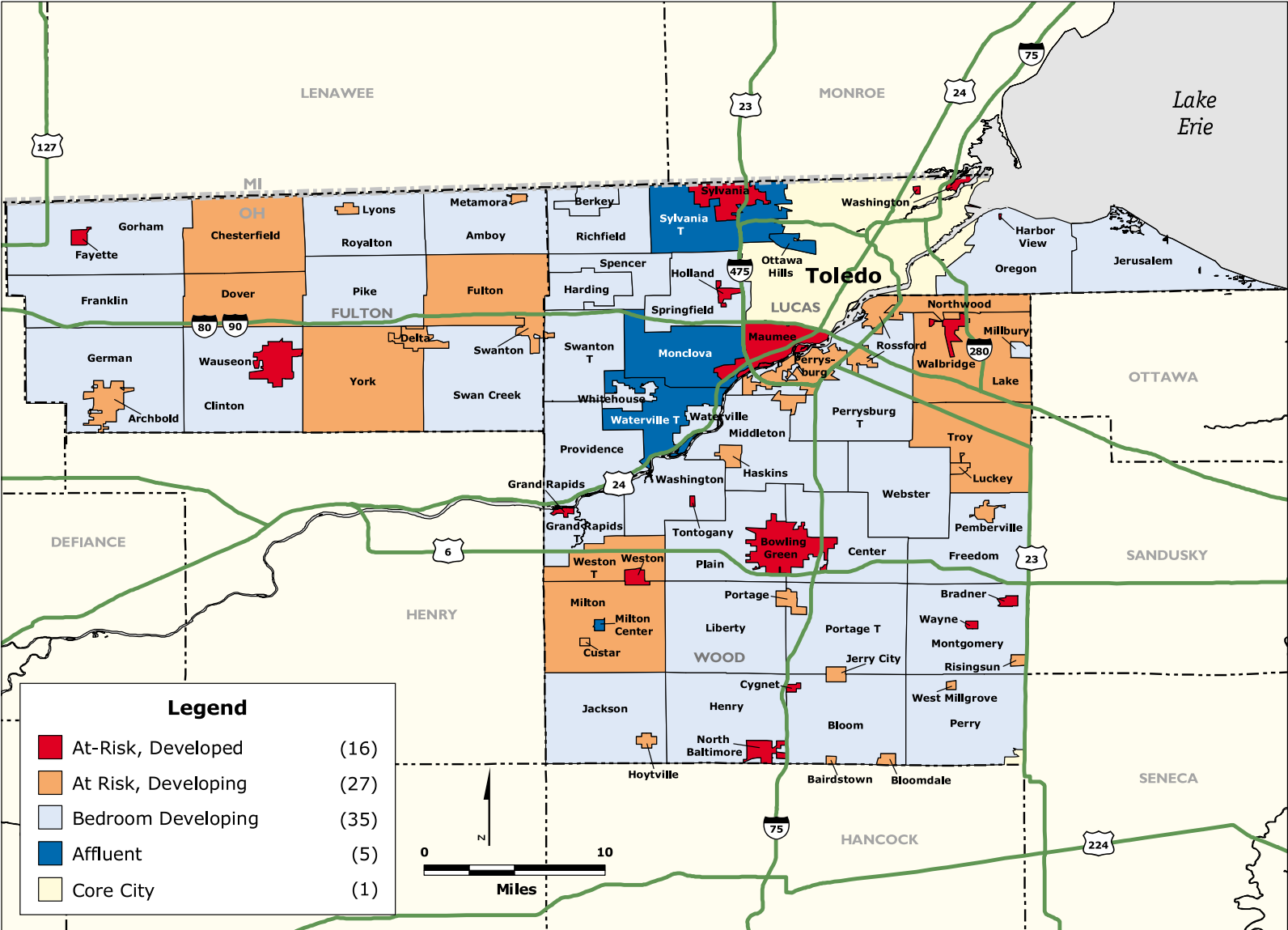
Due to its unique history and internal heterogeneity, the city of Toledo was placed in its own category before clustering.

TABLE 1: CHARACTERISTICS OF THE COMMUNITY TYPES

Community Type	Number of Jurisdictions	Percentage of Regional Population	Total Property Tax Base per Household 2000*	Residential Tax Base per Household 2000	C-I Tax Base per Household 2000	Pct. Change in Tax Base per Household 1994-2000	Income per Household 2000*	Pct. Change in Population 1994-2000*	Population Density 2000*	Pct. of Homes Affordable to Average-Income HouseHolds	Pct of Population in Unincorporated Areas
Central City	1	53	31,684	17,312	8,149	30	42,298	1	1,599	67	0
At-Risk, Developed	16	14	48,393	28,058	12,485	38	53,349	10	825	29	3
At-Risk, Developing	27	10	53,801	33,466	10,069	51	58,774	13	90	41	44
Bedroom-Developing	35	17	63,009	39,798	8,251	38	62,800	13	44	26	74
Affluent	5	6	85,269	67,136	10,208	40	96,881	7	173	14	88
Region	84	100	44,756	27,262	9,077	39	52,217	6	172	47	21

* Variable used to determine the community types

MAP 1: COMMUNITY CLASSIFICATION



Data Source: Ameregis.

CLASSIFYING MUNICIPALITIES HELPS DEMONSTRATE THE COMBINED EFFECTS of a local government’s fiscal capacity and the costs it faces in providing services. Such an exercise demonstrates that two-thirds of area residents — those in the city of Toledo and its at-risk developed suburbs — live in communities facing low or slow-growing

tax bases, or social stresses denoted by low or slow-growing income or population. Another group of residents live in sparsely settled communities struggling to pay for needed services on largely residential tax bases. (See page 4 for a summary of characteristics of each community type.)

Social Separation and Sprawl

The way greater Toledo is growing is largely responsible for the increasing segregation, fiscal stress and environmental damage its communities face.

Overall, population in the region's three counties held nearly steady during the 1990s, growing by less than 1 percent. But regionwide figures hide great internal variation. Despite pockets of revitalization in the city, the strongest growth during the 1990s took place in low-density places on the region's edge. In fact, the city of Toledo lost 6 percent of its population during the 1990s and Lucas County, home to Toledo, lost nearly 2 percent. In that same decade, outlying Fulton and Wood counties grew by 9 percent and 7 percent, respectively.

These shifts in the 1990s follow decades of similar low-density development on the edge, accompanied by decline in the core. From 1970 to 1990, the amount of land in the region considered urbanized grew by 12 percent while the population living in the urbanized area declined by more than 3 percent.⁶

Density is such an important characteristic of a place because it shapes many other aspects of life. Compared to moderate and high-density development, low-density development, like much of what is taking place in greater Toledo, exacerbates the need for roads, provides few opportunities for effective mass transit and harms the environment. It is associated with increased per-person costs for services and often with higher housing prices.

The outward movement of population, jobs and housing development to low-density, recently rural communities has important implications for the entire region. Rapid increases in population and jobs often burden growing communities with significant public costs. In the places left behind, population decreases take their toll, too. Although decreases can sometimes be explained by smaller household sizes, not fewer households, they still mean fewer people — and often those with fewer personal resources — to fund public services and support local businesses.

This outward movement is also increasing the share of residents living in unincorporated townships — places that often lack adequate planning

capacity.⁷ From 1994 to 2000 the region's unincorporated areas grew by 13 percent, while incorporated cities and villages grew just 4 percent. Development in these unincorporated communities often “leapfrogs” far beyond the established urban edge in a piecemeal pattern.

Other effects of sprawling development apparent to the region's residents are those on the transportation system. The average commute grew by 10 percent during the 1990s, to 20.4 minutes in 2000.⁸ The share of people commuting to work alone by car also grew, up two percentage points to 86 percent in 2000, a greater share than in the state as a whole. The trend toward more and longer trips is pressuring officials to expand and add new roads.



CONCENTRATED POVERTY

One of the most harmful consequences of this outward growth is a devastating pattern of social stratification that divides communities by income and race. Greater Toledo communities are highly segregated, with poor people of color disproportionately located in central-city neighborhoods — places with high shares of affordable housing and low and slow-growing tax bases.

This divide is reflected in the region's schools. In 2000, the region had the highest share of elementary students eligible for free lunches of six major metropolitan areas in Ohio. Thirty-five percent of Toledo-area students were eligible, up from 32 percent in 1993. These students are very segregated, and growing more so. In 2000, 58 percent would have had to change schools to achieve an identical share of poor and non-poor students in each building, up from 50 percent in 1993. That's the fastest rate of increase in economic segregation among Ohio's six major metropolitan areas.⁹

Community stability depends greatly on the performance of their schools, because when the perceived quality of a school declines, it can set in motion a vicious cycle of middle-class flight and disinvestment.¹⁰

This socioeconomic shift has serious effects. Eventually, when schools reach certain thresholds of poverty, middle-class families with children — of all races — will leave the community, and they will eventually be followed by other middle-class segments of the housing market.

The region's strongest growth during the 1990s took place in low-density places on the urban edge.



The problems associated with concentrated poverty discourage investment in poor neighborhoods.

The departure of the middle class from a neighborhood strains both old and new communities. In fast-growing communities at the edge of the region, the middle class is streaming into increasingly overcrowded, underfunded schools. But its more powerful harms accrue to the people left behind in communities of concentrated poverty. Concentrated poverty destroys the lives of the people trapped in them, leaving them with few opportunities for good education and good jobs. Schools with concentrated poverty often suffer from risk factors — everything from inexperienced teachers to unstable enrollment — that lower educational achievement among students and diminish their prospects for the future.¹¹

The problems associated with concentrated poverty — everything from high crime to poor health — place a significant burden on municipal resources, discourage investment and dramatically limit the opportunities of residents. Ultimately people living in high-poverty neighborhoods become isolated from educational, employment and social opportunities available to residents in other areas, making it extremely difficult for them to participate fully in the regional economy.



Rapid, auto-oriented development contributes to growing congestion.

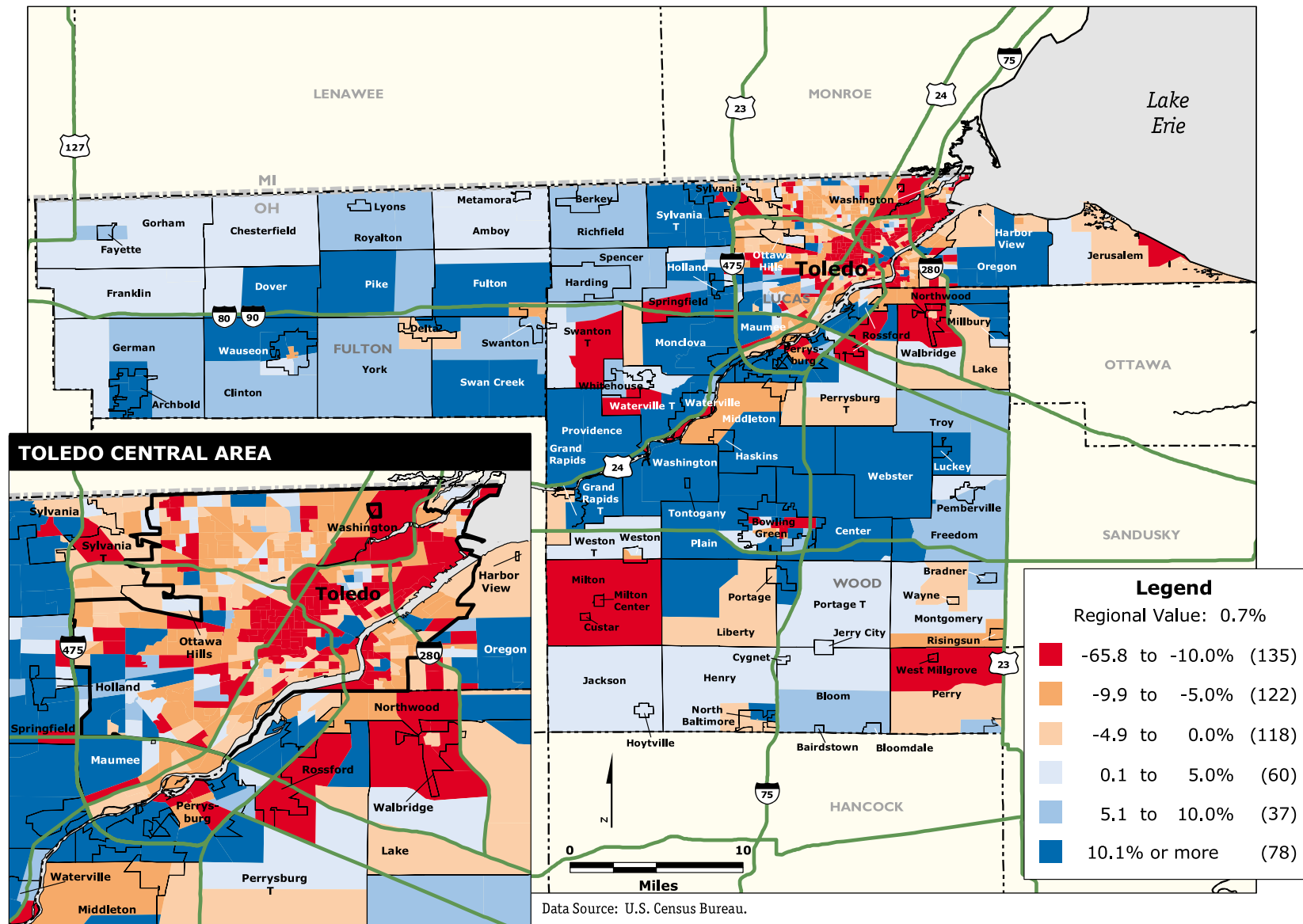
RACIAL SEGREGATION

While poverty and its consequences underlie this pattern of social separation, 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, and disproportionately suffer from the effects. Asian students were not included in this report's analysis of racial segregation because research has shown that they tend to experience less educational and housing segregation than other minority groups.¹³

When black and Latino students are segregated in schools where the majority of students are non-white, they are also likely to find themselves in schools where the majority of students are poor. In the Toledo region, the percentage of non-Asian minority students attending high-poverty schools was 79 percent, compared to just 16 percent for white students, a ratio of nearly 5-to-1.¹⁴ In fact, 65 percent of minority students would have to move to achieve an identical mix of minority and non-minority students in each school, up two percentage points since 1995.

Greater Toledo communities are highly segregated, with poor people of color disproportionately located in communities with low and slow-growing tax bases.

MAP 2: PERCENTAGE CHANGE IN POPULATION BY CENSUS TRACT, 1990-2000

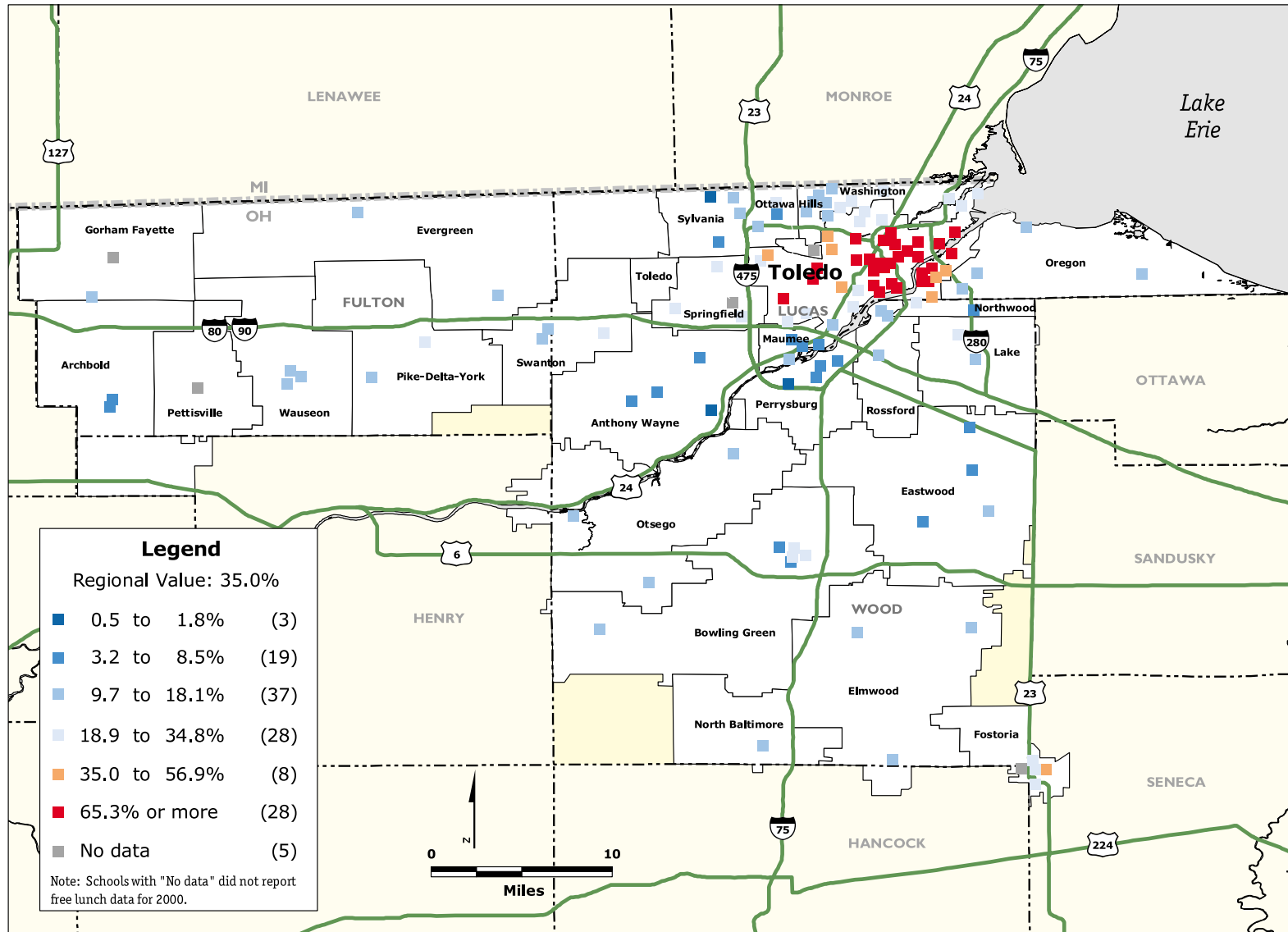


CHANGES IN POPULATION HELP IDENTIFY the region's communities that are burdened with the costs of rapid growth, and those that are struggling with the costs of decline. Toledo and many adjacent suburbs saw their populations fall during the 1990s,

as did several outlying small towns. The fastest population growth took place on the fringes of the region, particularly in an area south and west of Toledo that stretches from Sylvania Township through Grand Rapids Township to Luckey.

Poverty in Schools

MAP 3: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL, 2000

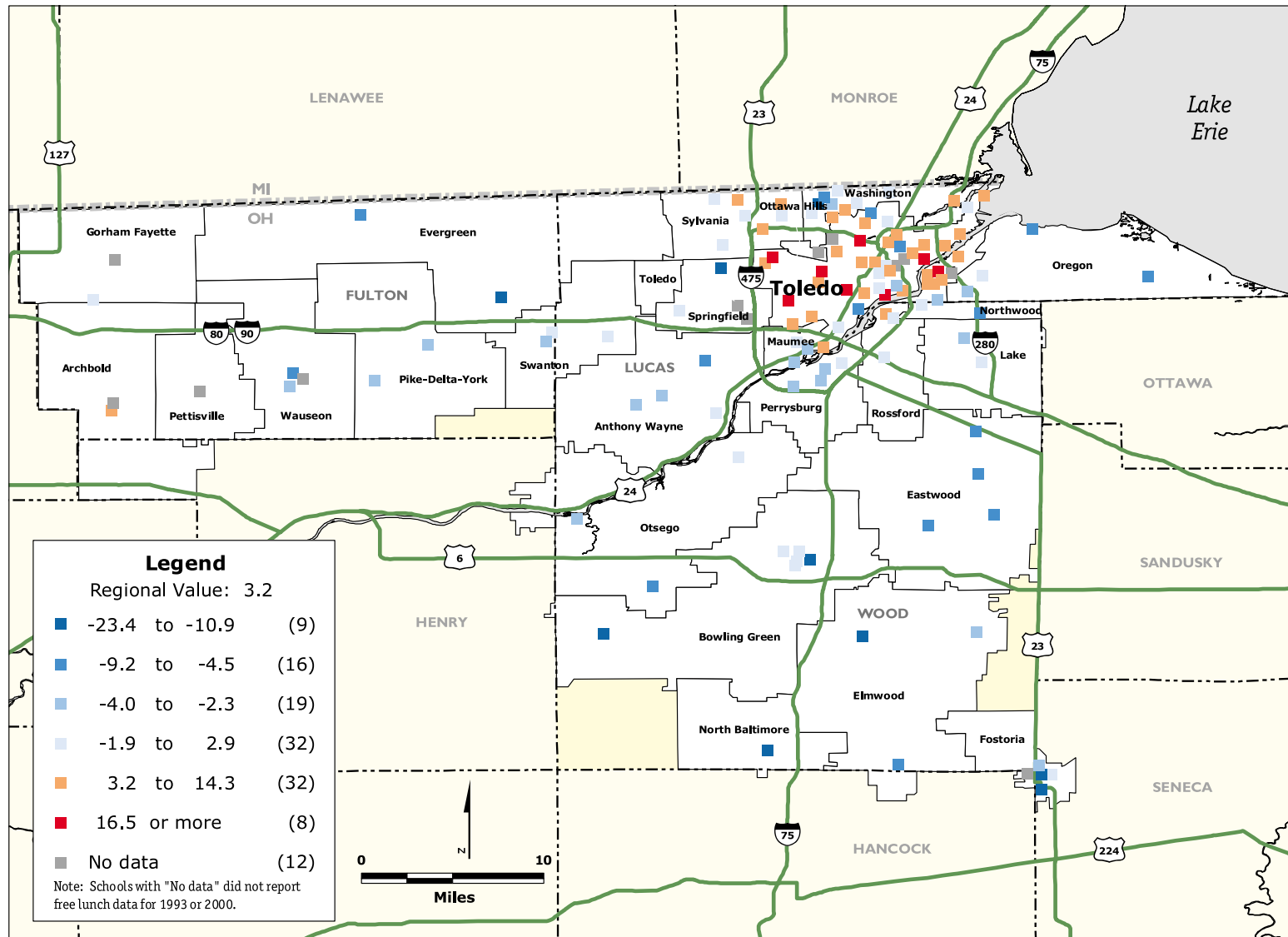


Data Source: National Center for Education Statistics.

THE LACK OF REGIONAL COOPERATION IN METROPOLITAN TOLEDO helps create great extremes in wealth among places. Patterns of income segregation in area schools reflect broader community trends of segregation. Student poverty is highly concentrated within Toledo, where 63 percent of students are eligible for free lunch.

(Note that the Toledo district includes part of Spencer Township west of Springfield.) The share of poor students in the Toledo district is nearly twice the regional average, and three times higher than in the next poorest district, Fostoria, located on the region's fringe.

MAP 4: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL, 1993-2000



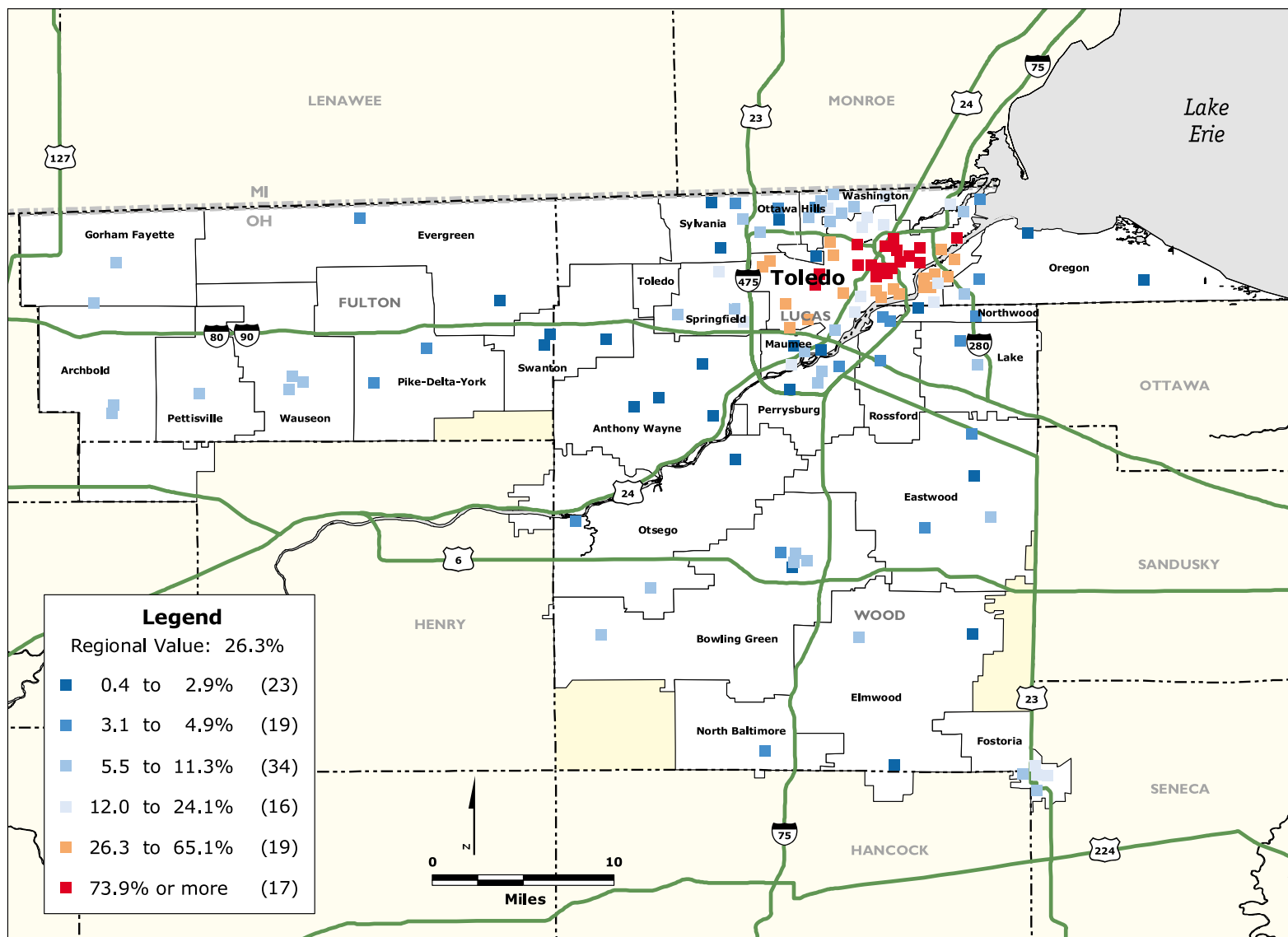
Data Source: National Center for Education Statistics.

MANY SCHOOLS IN THE CENTER OF THE REGION — Toledo and several adjacent suburban districts — experienced significant increases in poverty during the 1990s, while poverty remained stable or decreased in most outlying schools. As a group the

Toledo city schools experienced a substantial increase in poverty — eight percentage points, or 2.5 times faster than poverty rose regionwide.

Racial Segregation in Schools

MAP 5: PERCENTAGE OF NON-ASIAN MINORITY ELEMENTARY STUDENTS BY SCHOOL, 2000

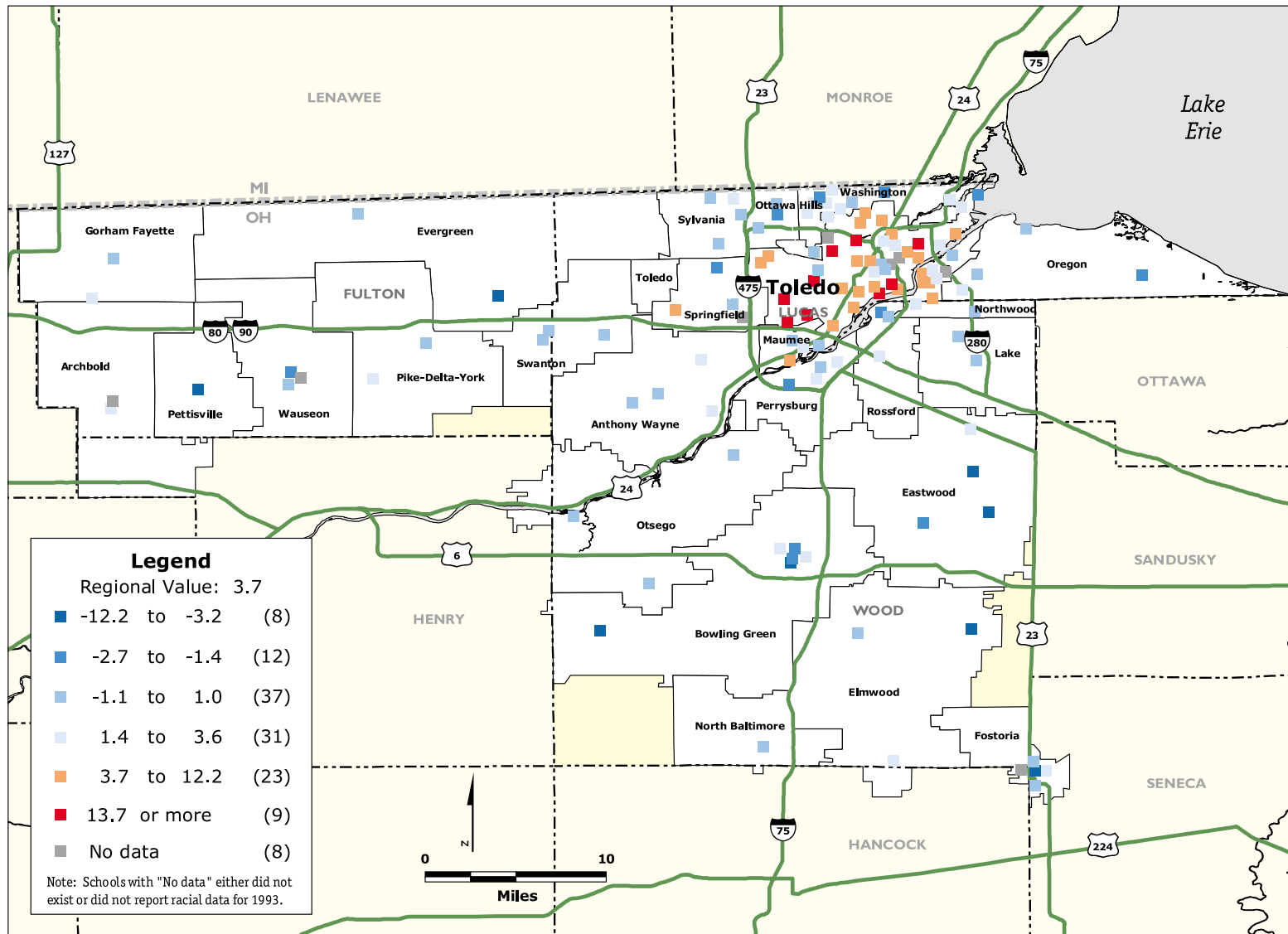


Data Source: National Center for Education Statistics.

SCHOOLS IN THE TOLEDO REGION ARE HIGHLY SEGREGATED BY RACE. Minority students are concentrated in the city of Toledo. They disproportionately suffer from the effects of concentrated poverty, a pattern often reinforced through subtle forms of

housing discrimination. In fact, although the patterns tend to mirror one another, the degree of racial segregation is even more severe than the degree of segregation by income.

MAP 6: CHANGE IN PERCENTAGE POINTS OF NON-ASIAN MINORITY ELEMENTARY STUDENTS BY SCHOOL, 1993-2000



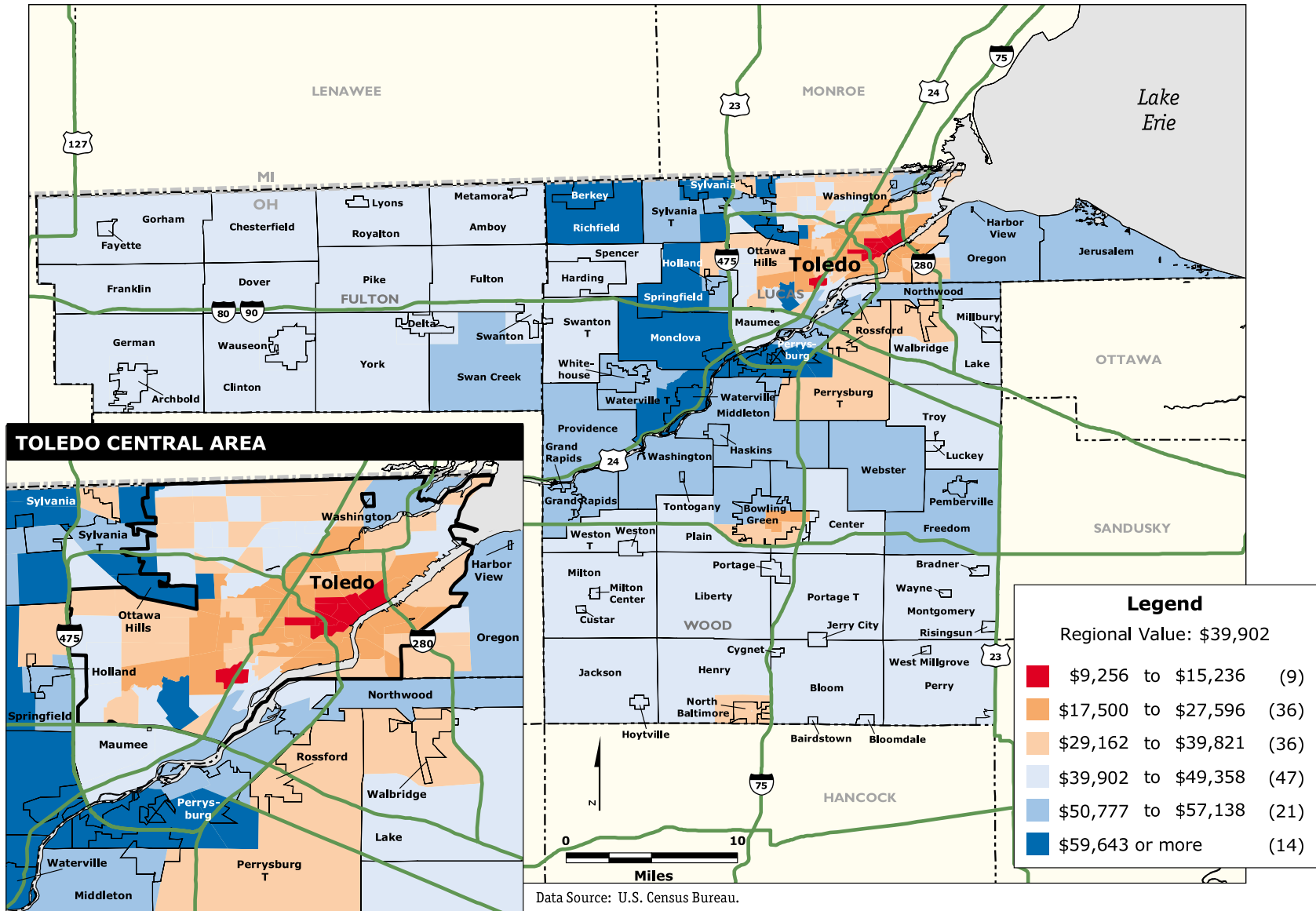
Data Source: National Center for Education Statistics.

CHANGES IN THE ENROLLMENT OF STUDENTS OF COLOR from 1993 to 2000 were not evenly distributed across the Toledo region. Although schools throughout the region saw increasing shares of minority students, many of the biggest increases occurred in

Toledo and inner-suburban districts. Most of the schools with decreasing shares of minority students were located in outlying areas. These patterns do little to ameliorate existing trends of racial segregation.

Household Income

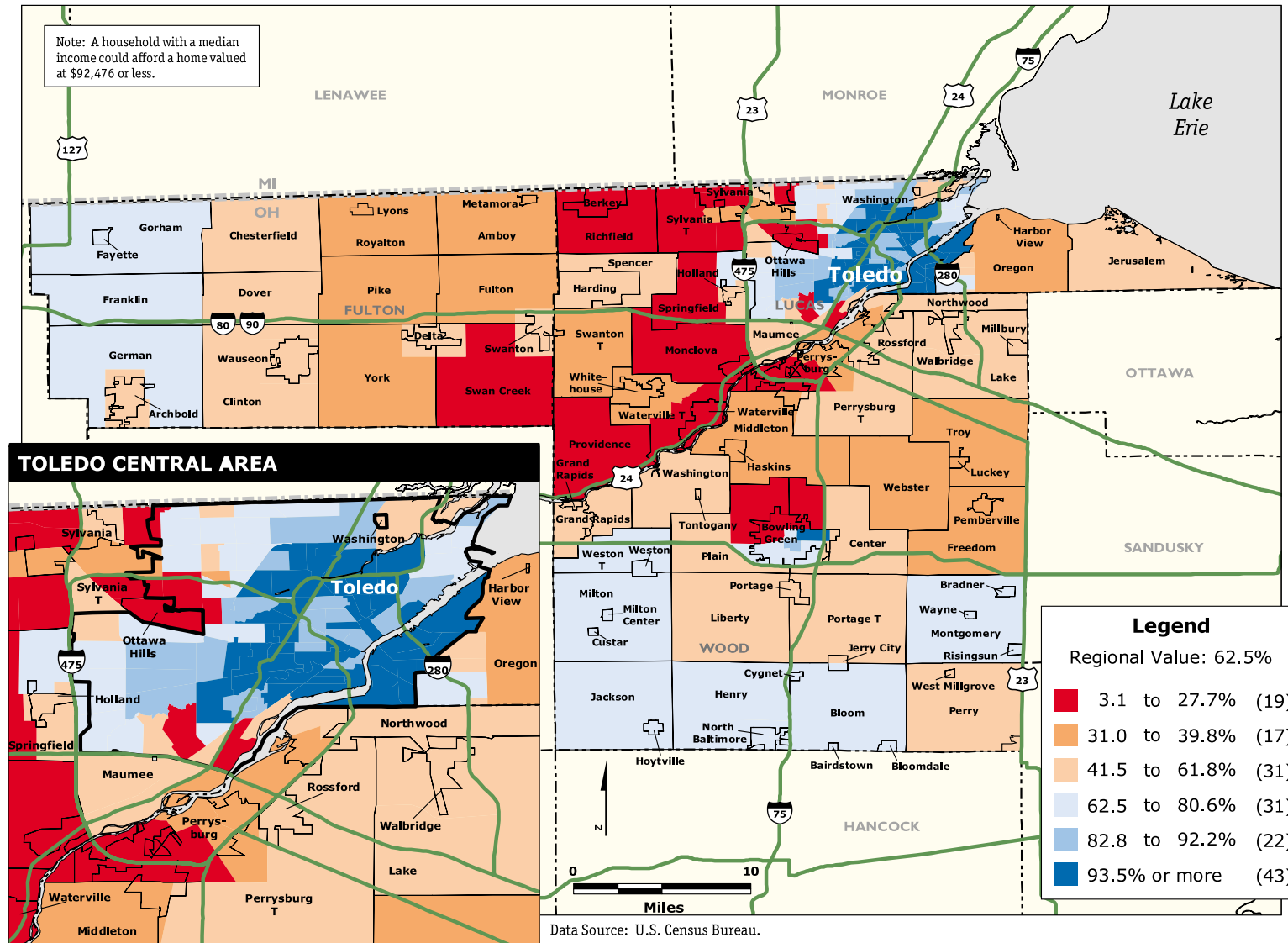
MAP 7: MEDIAN HOUSEHOLD INCOME BY CENSUS TRACT, 1999



COMMUNITIES IN THE TOLEDO AREA ARE HIGHLY STRATIFIED BY ECONOMIC STATUS. Places with high household incomes are concentrated in the western and southern suburbs of Toledo, from Sylvania Township in the north to Webster and Center

townships in the south. Communities with low average household incomes are largely located in Toledo and in outlying small towns.

MAP 8: PERCENT OF HOUSING UNITS AFFORDABLE TO HOUSEHOLDS WITH THE REGIONAL MEDIAN INCOME BY CENSUS TRACT, 2000



AN EVEN DISTRIBUTION OF AFFORDABLE HOUSING gives people of all incomes greater choice in where they live, reduces the costs of dealing with poverty by ensuring that it is not concentrated in just a few places and increases the chances that people live close to where they work. Most of the areas with the highest concentration of affordable

homes are in Toledo, while areas with the lowest shares are concentrated to the west and southwest of the city, including Monclova and Richfield townships. The distribution of affordable housing in the region keeps most low and moderate wage earners out of communities with expansive public services and desirable schools.¹⁵

Fiscal Inequality

Local governments in the Toledo area, like those across Ohio, rely heavily on locally generated tax revenues to pay for the public services — everything from libraries and parks to police and fire. That reliance places tremendous pressure on communities to attract development that will expand their property tax bases. This competition, in turn, drives local land-use planning decisions, encourages sprawl and increases economic and social stratification — all without contributing to the regional economy.

COMPETITION FOR TAX BASE

Under intense pressure to maximize revenues and minimize costs, local governments sometimes offer subsidies or new infrastructure to attract developments that produce more in taxes than they cost in services. But the most common approach is “fiscal zoning” — making land-use decisions not based on the suitability of the land or the long-term needs of the region, but on the tax revenue a development can generate. For example, although a region as a whole benefits when communities contain a mix of housing choices, individual localities can reap fiscal benefits by severely limiting the land zoned for multifamily development or by requiring very large (and therefore more expensive) homes and lots. These policies effectively exclude low- and moderate people from its borders.¹⁶

The few places that “win” the most lucrative homes and commercial developments can provide high-quality services at more reasonable rates, in turn attracting even more economic activity. But the competition creates the potential for a self-reinforcing cycle of decline in places that “lose” early in the game. As a locality loses tax base, it faces a choice — it can levy higher tax rates in order to provide competitive public services or provide fewer, or lower quality, services at competitive tax rates. Either choice puts it at a disadvantage in the ongoing competition.

Older communities in the region are doubly hurt by these trends. The city of Toledo, for example, must contend with aging infrastructure, industrial pollution, concentrated poverty, high crime rates and other factors that strain its limited resources. With its low tax base, the city has

few resources to rebuild sewer systems and roads, rehabilitate housing, maintain parks or clean up polluted land. Those burdens make it even more difficult for it to compete with newer communities offering cheaper land, newer homes and more open space.

But contrary to what many people think, all is not well on the urban edge, either. The same patterns that hurt many older communities also discourage long-term planning that would help growing communities develop more efficiently.

Many newly developing communities are trying to expand their low tax base to pay for their growing needs and to pay off debts on new infrastructure. These places often feel they have to grab all the development they can before it leaves for another place. But they are rarely in a good position to win the competition for the most “profitable” land uses, ending up instead with moderately priced single-family housing that generates more costs — for schools, roads and sewers — than they produce in revenues.

The way public services are funded in Ohio further contributes to regional inequalities. For example, residents of incorporated areas of Lucas County pick up a significant share of the costs of criminal justice, engineering and planning services delivered to unincorporated townships — through their county taxes — at the same time they are also paying for those services in their own communities through municipal taxes. While a portion of the subsidy is recouped by joint city-county building projects, the net result is that existing communities are supporting growth in outlying communities that hastens their own decline.¹⁷

As a locality loses tax base, it faces two unattractive choices: levy higher tax rates to provide competitive public services or provide lower-quality services at competitive tax rates.

These fiscal practices have created dramatic differences in local governments' abilities to finance services. One measure of the disparity is the ratio of tax base in a high-capacity place (the one with tax base higher than 95 percent of the communities in the region) to the tax base in a low-capacity community (the one with tax base lower than 5 percent of the communities). In the Toledo region, the 95-to-5th ratio in 2000 was 5.0. This means that the low-capacity place would have had to tax residents at five times the rate of the high-capacity place in order to provide the same level of services. That's something that no place can afford to do if it hopes to be competitive in the regional competition for jobs and residents.

Evidence suggests that the same fiscal stresses that have hindered the core city are threatening Toledo's inner suburbs. Although they still enjoyed above-average tax bases in 2000, many of them saw relatively slow tax base growth in the mid-to-late 1990s. In the same period, many newer, rapidly developing suburbs saw their tax bases expand significantly.

SCHOOL FINANCE

Inequalities also have serious repercussions for the region's schools. In rulings in 1997, 2000 and 2002, the Ohio Supreme Court ruled that the state's system for financing education fails to provide a "thorough and efficient system of common schools throughout the state."¹⁸ The court cited continued over-reliance on local property taxes for funding, as well as structural deficiencies in the state's aid formula and inadequate funding for facilities.

The state's unbalanced school finance system hurts many communities, including older communities serving large shares of low-income students and developing suburbs that depend primarily on residential properties for tax base.

Analysis of Toledo-area school districts shows that the presence of high costs and low revenues aren't limited to just a few places. In fact, 69 percent of area students are enrolled in districts showing at least one sign of stress — low fiscal capacity or high service costs resulting from social strain or rapid growth (see Map 11).

In this analysis, suburban districts were first grouped by their per-pupil revenue capacity. That's the revenue a district would generate for each student if it assessed the state's average tax rate to its own tax base, plus state and federal aid. Districts with capacities per pupil at least 110 percent of the statewide average were classified as high capacity. Those with capacities of 90 percent of average or below were classified as low capacity.



Many communities developed after World War II are now losing commercial activity to more affluent, outlying places.

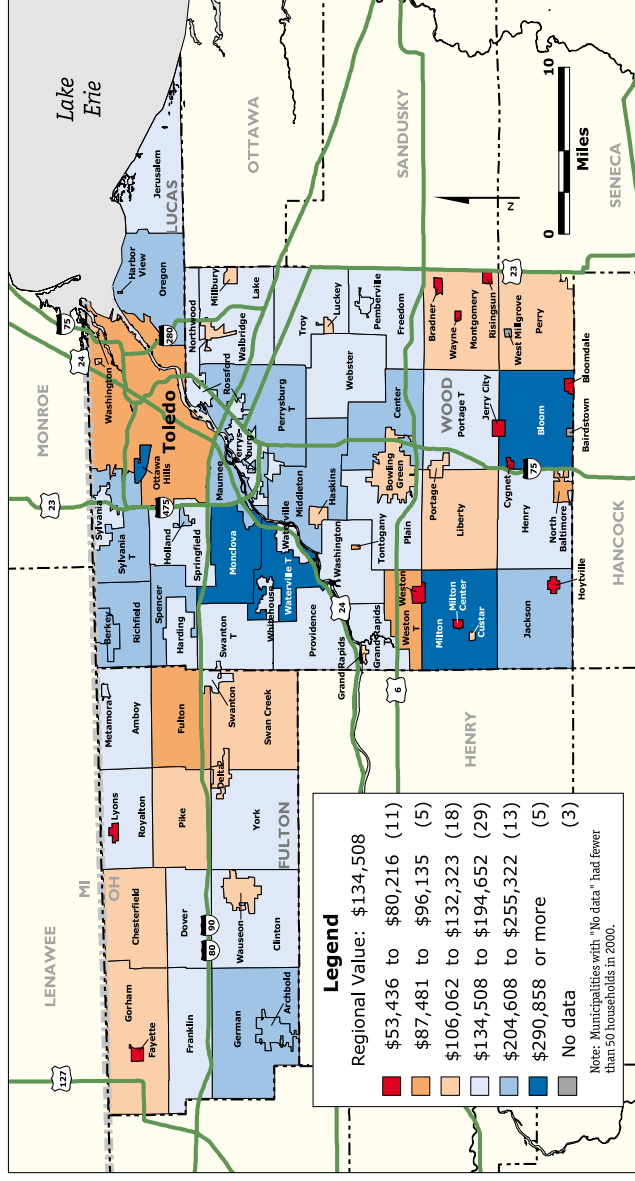
The remaining districts were considered moderate capacity.

Districts were then categorized by the costs they face. High-cost districts fit at least one of three criteria — an elementary free-lunch eligibility rate greater than 20 percent, or enrollment decline exceeding 7 percent or growth exceeding 14 percent from 1993 to 2000. Districts not meeting any of these criteria were considered low-cost. These measures reflect a range of factors that increase costs. A high rate of free-lunch eligibility generates greater needs for services and increases the cost of reaching a given level of service. Enrollment declines increase costs per pupil because fixed costs are spread over fewer students and some variable costs are often difficult to reduce in a relatively short period. Fast-growing enrollments increase costs because it is often difficult to spread associated capital costs over the full lifetime of the assets.

Because of its unique characteristics, the Toledo district was classified separately. Although the district's per-household tax base is relatively low, state and federal aid boosts its fiscal resources per pupil to a moderate level. But those resources still pale in comparison to the great needs the district faces in terms of student poverty, declining enrollment and aging infrastructure.

Property Tax Base

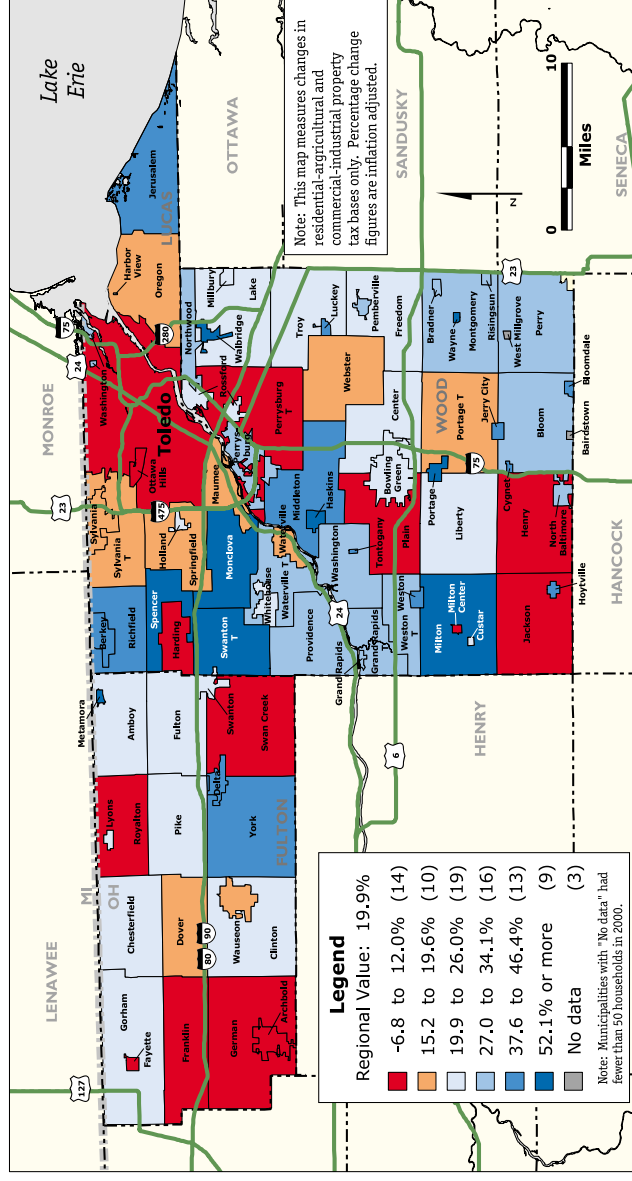
MAP 9: TOTAL PROPERTY TAX BASE PER CAPITA BY MUNICIPALITY AND TOWNSHIP, 2000



THE ABILITY OF A COMMUNITY TO PAY for needed public services depends on both the costs of providing them and its capacity to raise revenues. Many of the communities with high tax base are affluent ones with few social needs, such as Ottawa

Hills and Waterville Township. Low tax bases are found in many of the places struggling with social strain — the city of Toledo, many outlying small towns and some outlying townships.

MAP 10: PERCENTAGE CHANGE IN PROPERTY TAX BASE PER CAPITA BY MUNICIPALITY AND TOWNSHIP, 1994-2000



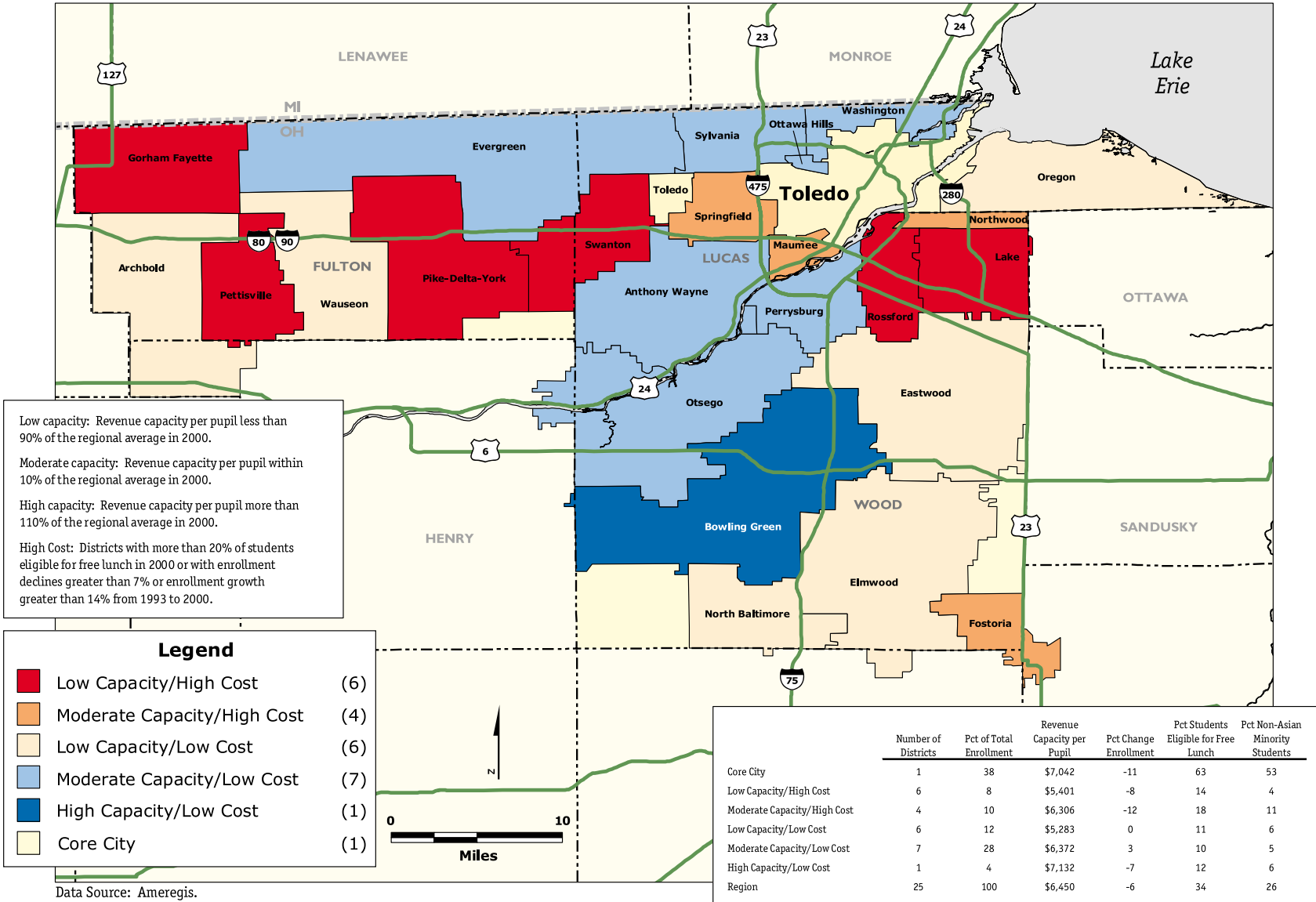
Data Sources: Ohio Department of Taxation; Ameregis.

WHEN A MUNICIPALITY'S TAX BASE SHRINKS, it must choose either to increase tax rates in order to maintain services or hold the line on taxes and provide fewer, or lower quality, services. Either choice puts them at a disadvantage in the regional competition for jobs and residents. Although Toledo's inner suburbs still enjoyed above-average bases in 2000, changes in the late 1990s foreshadow problems — many of

them experienced slow-growth compared to outlying neighbors. For example, although still above average in 2000, Perrysburg Township's tax base grew just 4 percent in the preceding six years, well below the regional average. The big gains took place in the next tier of suburbs, including Spencer, Monclova and Middleton townships.

School District Classification

MAP 11: SCHOOL DISTRICT CLASSIFICATION



SCHOOL DISTRICTS IN THE TOLEDO REGION — like those across the state — rely heavily on their local tax bases to pay for needed public services. In many cases there is a mismatch between their ability to pay and the needs they must address. In the Toledo area, 57 percent of students, including those in the core city district, were enrolled in

school districts facing both low or moderate revenue capacities and high costs — indicated by high rates of student poverty, significant enrollment growth or decline. Most of the districts facing low service costs are located in relatively affluent suburban areas.¹⁹

Looking Forward

Strategies for Regional Reform

Regional competition for tax base and uncoordinated growth are hurting almost every city and suburb in the Toledo region. These trends are leading to concentrated poverty and deteriorating public facilities in the core city; growing fiscal strain in at-risk suburbs; and traffic snarls, overcrowded schools and degraded natural resources in communities on the urban fringe.

These problems diminish the quality of life throughout the region. They require region-wide solutions. Broad policy areas where reforms are most needed to combat social separation and wasteful sprawl include:

- **Tax and state-aid reforms** to stabilize fiscally stressed schools and help communities pay for needed public services.
- **Cooperative land-use planning** to help communities coordinate development, revitalize stressed neighborhoods and conserve open space.
- **Metropolitan governance** to help address issues that cross municipal boundaries and ensure all communities a voice in regional decision-making.

In addition to addressing individual problems, these strategies are mutually reinforcing. Successfully implementing one makes implementing the others much easier, both substantively and politically.

FISCAL EQUITY

In Ohio, the nature of residential and commercial development largely determines a community's local tax base, because local governments are highly dependent on locally generated taxes for their revenues. This produces a wide variation in the ability of local governments to generate revenue from their tax bases. It also creates large incentives for communities

to compete against their neighbors for tax-generating developments, regardless of how they would best fit into regional land-use patterns.

Fiscal disparities among local governments in greater Toledo are significant. If all places levied the same property tax rate, a high-capacity place would generate five times the revenue per household of a low-capacity place. And these disparities would be even greater if local income taxes were added to the comparison.

There are regional policies that can both reduce the inequalities between local governments and decrease the incentives for them to engage in wasteful competition for tax base. It can also assure that all residents enjoy at least a minimum standard of service for important local public services.

Smart growth emphasizes reinvesting in existing, pedestrian-friendly neighborhoods, like this block in Toledo.



Tax-base sharing

In fact, the seeds of equity-based fiscal reform are already in place elsewhere in Ohio. Montgomery County has established what it calls the Economic Development/Government Equity (ED/GE) program to “share some of the economic benefits ... resulting from new economic development among the jurisdictions of Montgomery County.”²⁰ The program provides an annual countywide funding pool for economic development projects, as well as a “government equity” fund that shares a portion of growth in municipalities’ property and income tax revenues each year.

Each community contributes to a regional pool based on the growth of its property and income tax bases. Funds in the pool are redistributed back to communities based on their population. This process has a redistributive effect — tax-base poor communities get back more than they paid into the pool, while tax-base rich communities get back less. Because all communities keep a majority (but not all) of the growth within their borders, the program reduces the incentives for competition for tax base while still allowing communities to cover the local costs of development.

ED/GE has limitations. Due to the relatively small size of the pool — around \$800,000 in recent years — the tax-sharing elements of the program are largely symbolic, making a negligible effect on overall tax-base equity in the region. In addition, much of the region’s most vigorous growth is taking place outside of Montgomery County. But the program, which encourages local governments to work together on issues of economic development and growth, is a good first step toward fiscal equity.

Adopting the ED/GE concept and enacting it in the entire Toledo region has tremendous potential. In a simulation of a similar program in the Toledo area from 1994 to 2000, communities kept 60 percent of the growth in their commercial-industrial property tax bases, while 40 percent was pooled and redistributed back to communities based on population. In that case, 72 percent of the population lived in localities benefiting from tax-base sharing.

Other models

The tax-base sharing model is just one way to create more equitable fiscal relationships among local governments. Another important approach is state-aid reform. This is especially important for school funding. The current turmoil around this issue provides an opportunity for significant reform in this very important area.

In addition, in areas where development is desired, officials can



Tax reforms can reduce the incentive for local governments to compete for tax-generating development—development that can radically alter the community’s character.

improve the property tax by allowing for differential taxation of land and what is built on it. Used most extensively in Pennsylvania, the “two-tier” property tax can encourage more intensive use of land by taxing land more heavily than improvements.²¹ Shifting the tax burden from the improvements to the land itself encourages development of abandoned or underdeveloped land in already developed areas. In addition, when combined with other measures to protect farmland or open space, it encourages more efficient use of land in developing areas.

REGIONAL LAND-USE PLANNING

In addition to the great disparities in the fiscal capacity of local governments, there are many other costs associated with the inequitable and inefficient growth occurring in the Toledo area. Valuable agricultural land and sensitive open space is destroyed. Expensive public infrastructure is built on the urban edge, while existing facilities in the core are underutilized, and sometimes abandoned. Traffic congestion increases.

The localized nature of planning in the Toledo region — power is fragmented among more than 80 local governments — contributes to unbalanced growth. Such an arrangement makes it very difficult to implement coherent policies in areas with regional implications, such as housing, economic development, transportation or environmental protection.

Smart growth

Developing a cooperative framework for land-use planning that encourages places to consider the regional consequences of local decisions is an essential aspect of a regional reform agenda.

“Smart growth” is based on the premise that regions can make more efficient use of their land through cooperation rather than competition.

It is an efficient and environmentally friendly pattern of development that focuses growth near existing public facilities. It provides people with choices in where they live and work and how they get around.

This kind of thinking is receiving increasing attention. Oregon's statewide land-use planning program helps officials coordinate investments in roads, highways, sewers and utilities. Concurrency requirements in Florida mandate that infrastructure be on-line by the time development takes place. Communities across the country have established farmland and open-space preservation programs. Such initiatives are intended to reduce the destruction of open space and agricultural lands, ease traffic congestion by creating an accessible and balanced transportation system, and make more efficient use of public investments.

Ensuring that all communities in the region, particularly those with new jobs and good schools, strengthen their commitment to affordable housing is another essential component of smart growth planning because it helps to reduce the consequences of concentrated poverty on the core city.

In addition to its other benefits, reducing sprawl can save money. Analysis of New Jersey's State Development and Redevelopment Plan, which emphasizes smart growth, found that implementing the plan would reduce the fiscal deficits of local governments caused by growth by an estimated \$160 million over 20 years, and save an estimated \$1.45 billion in water and sewer infrastructure statewide.²²

REGIONAL GOVERNANCE

A primary theme of this study is that social separation and sprawling development harm not just the core city, but all parts of the Toledo region. As in most places, however, the fragmented nature of local governance has discouraged creating coordinated strategies for dealing with these problems. There is a clear need to develop accountable regional institutions to address the interests of the area's diverse communities.

One model of governance is establishing a new, freestanding body to oversee regional issues from land-use planning to transit — the model established in the Portland, Oregon and Minneapolis-St. Paul regions.

But there are already institutions in place in the Toledo area that may serve as a backbone for regional reform. For example, the Toledo Metropolitan Area Council of Governments oversees various environmental and growth management activities and serves as the region's metropolitan planning organization, an appointed body of local officials with power to make billion-dollar decisions on planning and funding regional transportation systems.

But despite these powers, the ability of organizations like TMACOG to address broader land-use patterns — often patterns that contribute to the very congestion they are trying to ameliorate — is very limited. Armed with greater powers, organizations like this one could make headway on a whole host of regional issues, such as land-use planning, housing and redevelopment efforts, and farmland and open space preservation. Such powers should be accompanied by reforms making the regional organization directly accountable to constituents.

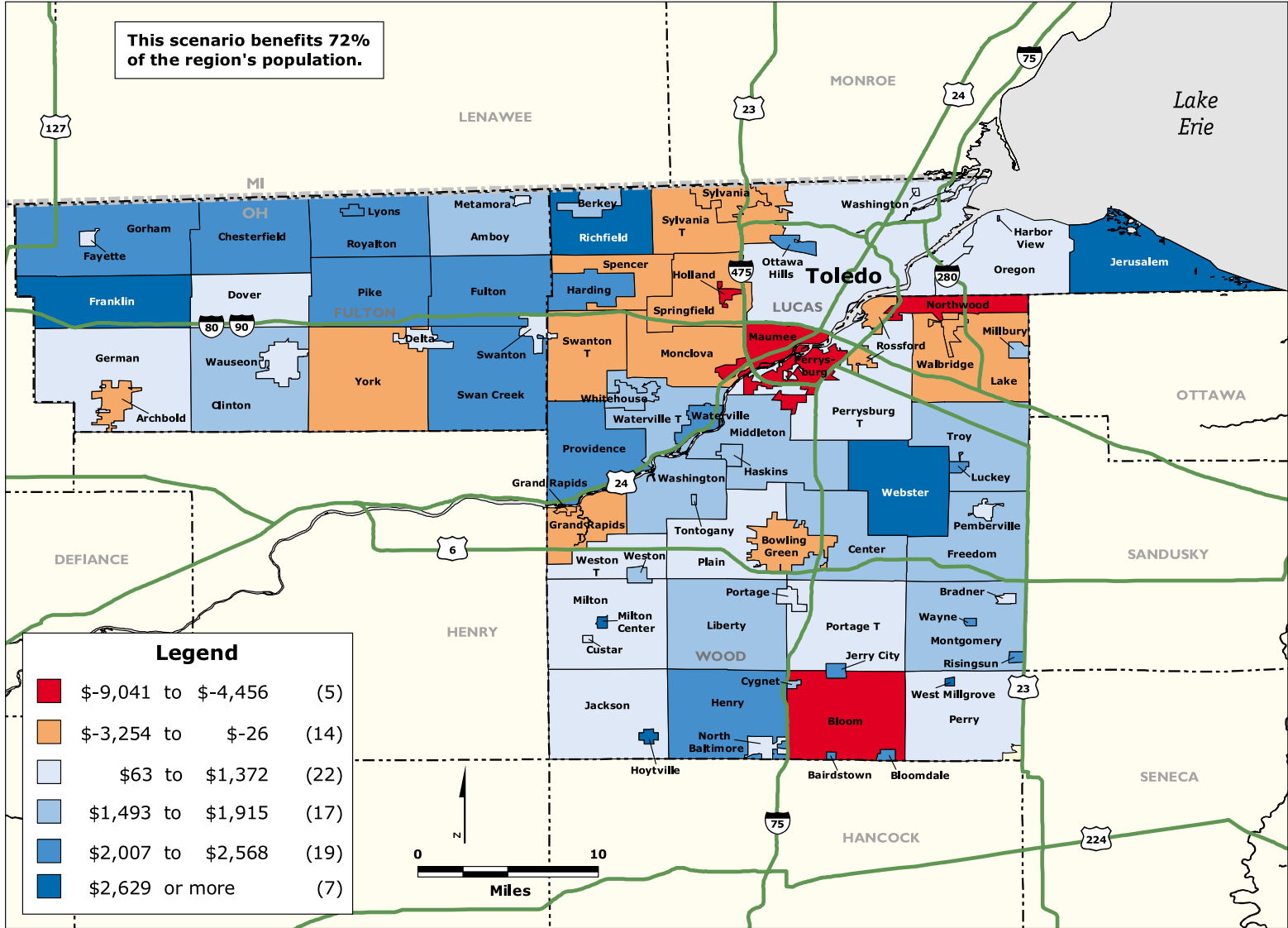
CONCLUSION

These reforms offer relief to all types of communities. For the core city, regionalism means enhanced opportunities for redevelopment and for the poor. For at-risk suburbs, it means stability, lower taxes and better services. For outlying developing communities, it means sufficient spending on schools, infrastructure and clean water. For affluent suburban communities, regional cooperation offers the best hope for preserving open space and reducing congestion. In addition to benefiting individual communities, a regional approach can maximize the economic potential in the entire Toledo region and enhance the quality of life enjoyed by its residents.

Public transportation helps support balanced regional growth.



MAP 12: SIMULATED CHANGE IN TAX BASE PER HOUSEHOLD RESULTING FROM A TAX-BASE SHARING PROGRAM BY MUNICIPALITY AND TOWNSHIP, 1994 - 2000



Data Sources: Ohio Department of Taxation; Ameregis.

TAX-BASE SHARING IS A HIGHLY EFFECTIVE WAY TO NARROW fiscal inequalities among communities, reduce wasteful competition for tax base and share some of the benefits of economic growth. In this hypothetical tax-base-sharing program in the Toledo area, 40 percent of the growth in commercial-industrial property tax base from

1994 to 2000 was collected and redistributed back to municipalities and townships based on their population. Communities kept 60 percent of their tax base growth. In this scenario, nearly three out of four of the region's residents lived in communities benefiting from tax-base sharing.

ENDNOTES

- 1 U.S. Bureau of Labor Statistics, Current Employment Statistics (CES).
- 2 The six regions are Cleveland, Cincinnati, Columbus, Dayton, Youngstown and Toledo. Analysis of free-lunch eligibility in these regions comes from Myron Orfield and Thomas Luce, "Ohio Metropatterns: A Regional Agenda for Community and Stability" (Minneapolis: Ameregis, 2002). Students from families with incomes less than 135 percent of the poverty line are eligible for free lunches.
- 3 Ibid.
- 4 See Larry C. Ledebur and William R. Barnes, *All In It Together: Cities, Suburbs and Local Economic Regions* (Washington, D.C.: National League of Cities, 1993); and William R. Barnes and Larry C. Ledebur, *City Distress, Metropolitan Disparities, and Economic Growth* (Washington, D.C.: National League of Cities, 1992). Finally, in large metropolitan areas, income growth in central cities results in income growth and house-value appreciation in the suburbs. See Richard Voith, "Do Suburbs Need Cities?" *Journal of Regional Science* 38(8) 445-464, 1998.)
- 5 Grouping was accomplished using the K-means clustering procedure in SPSS. All variables were calculated as percentages of the regional average and standardized by the number of standard deviations from the mean so that that the effects of variables with very wide variations did not overwhelm the effects of variables with narrower variations. For more on cluster analysis in general, and K-means clustering in particular, see *StatSoft, Inc. Electronic Statistics Textbook* (Tulsa, OK: StatSoft, 2002) at www.statsoft.com/textbook/stathome.html.
- 6 An urbanized area is defined by the U.S. Census Bureau as one or more "central places" and the adjacent densely settled "urban fringe" that together have a minimum of 50,000 persons. The urban fringe generally consists of contiguous territory having a density of at least 1,000 persons per square mile.
- 7 Jason W. Reece and Elena G. Irwin, "Land Cover in Ohio's Townships: An Analysis of Township Land Cover and Population Change" (Columbus: Ohio State University Extension Ohio Agricultural Research and Development Center, February 2002).
- 8 U.S. Census, 2000.
- 9 These percentages are dissimilarity indexes, commonly used statistics to measure the degree to which two groups are evenly distributed in a given geographic area. In this case, they can be interpreted as the percentage of one of the groups that would have to change schools to achieve a perfectly integrated enrollment — for example, an equal mix of black and non-black students, or poor and non-poor students, in each school building. For more information on school and residential segregation in U.S. metropolitan areas, see John R. Logan, "Choosing Segregation: Racial Imbalance in American Public Schools, 1990-2000" (Albany: Lewis Mumford Center for Comparative Urban and Regional Research, University at Albany, 2002). It is available at www.albany.edu/mumford/census/.
- 10 See James S. Coleman, *Equality of Educational Opportunity* (Washington, D.C.: Government Printing Office, 1966); Gary Burtless, ed., *Does Money Matter? The Effect of School Resources on Student Achievement and Adult Success* (Washington, D.C.: Brookings, 1996); James Traub, "What No School Can Do," *New York Times Magazine*, January 16, 2000.
- 11 Gary Orfield and John T. Yun, "Resegregation in American Schools" (Cambridge, Mass.: The Civil Rights Project, Harvard University, 1999).
- 12 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).
- 13 See Douglas Massey, "The Residential Segregation of Blacks, Hispanics, and Asians: 1970 to 1990," in Gerald D. Jaynes, Ed., *Immigration and Race: New Challenges for American Democracy* (New Haven: Yale University Press, 2000); and Orfield and Yun, 1999.
- 14 High-poverty schools are those with free-lunch eligibility rates of 40 percent or greater, a common cutoff for defining "high poverty."
- 15 A housing unit is considered affordable to a household with the region's average income if the household had no other debt, made a 10 percent down payment, had closing costs of 5 percent, a mortgage rate of 7 percent, faced statewide average property taxes, and was spending 28 percent of gross income on mortgage, taxes and home insurance (the cut-off normally used by realtors and lenders to determine affordability). Calculations were made using the Fannie Mae's Mortgage Calculator at www.homepath.com.
- 16 See William A. Fischel, "Property Taxation and the Tiebout Model: Evidence for the Benefit View from Zoning and Voting" (*Journal of Economic Literature* 30, pp. 171-77, 1992) for a discussion of fiscal zoning and why it occurs.
- 17 Hugh Hinton and Michael J. Beazley, "Analysis of the Fiscal Impact of Public Service Delivery Practices in Lucas County, Ohio" (Toledo: Urban Affairs Center, The University of Toledo, 2002).
- 18 *DeRolph v. State* (2002) is the most recent of these rulings.
- 19 This map is slightly different than the Toledo School District Classification map that appeared in *Ohio Metropatterns*, published by Ameregis in 2002. The Ohio report studied six regions in the state. In order to better reflect circumstances in the Toledo region, this report required an enrollment decline of 7 percent over seven years for a district to be considered "high cost" instead of a 15 percent decline over seven years.
- 20 Montgomery County Economic Development/Government Equity (Ed/Ge) Handbook: 2001-2010 (Dayton: Montgomery County, Ohio, 2001).
- 21 See Alanna Hartzok, "Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax," available at www.earthrights.net/docs/success.html and Wallace E. Oates and Robert M Schwab, "The Pittsburgh Experience with Land Value Taxation," in Helen F. Ladd, *Local Government Tax and Land Use Policies in the United States: Understanding the Links*, (Northampton: Edward Elgar Publishing, 1998).
- 22 "The Costs and Benefits of Alternative Growth Patterns: The Impact Assessment of the New Jersey State Plan," (New Brunswick, NJ: Center for Urban Policy Research, Edward J. Bloustein School of Planning and Public Policy, September 2000).



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