

## The Activities and Benefits of Smart Growth

*A discussion of the economic  
impacts of smart growth versus  
traditional development.*

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**THE AIM OF** smart growth is to redirect a greater share of regional growth to central cities and inner suburbs, while at the same time reducing growth pressures on rural and undeveloped portions of metropolitan areas. Using public and private strategies, smart growth attempts to shift the demand for growth from outer suburban and peripheral areas to existing central cities and inner suburbs, in order to take advantage of existing infrastructure. By more evenly distributing growth and taking advantage of existing infrastructure investments, the regional economy is strengthened, residents' quality of life is enhanced, and outer-area natural

resource system are protected and restored.

Smart growth encompasses five basic activities. The first is control of outward growth movement. Growth is managed between public jurisdictions by urban growth boundaries, or within a political jurisdiction, either by urban growth boundaries that limit the area of development, or urban service boundaries that limit the spread of services such as utilities. The second is encouragement of growth back into slow-growing and urban areas. This involves: targeting public employment; expanding tax bases; upgrading public services and infrastructure; working with the desires of community residents and representatives; and making meaningful changes in the quality of life of these areas. The third activity uses urban design to help neighborhoods to function better by mixing housing types and land uses, creating meaningful central places, and introducing new forms of open space and neighborhood accessibility. The fourth is reducing the overall amount of land that is developed by preserving natural resources for the public benefit in the form of agricultural and environmentally fragile lands. Finally, smart growth requires reorienting transportation systems to reduce dependency on the automobile by introducing higher densities to make non-automotive transit more attractive.

## SAVINGS RELATED TO SMART GROWTH

Smart growth and its component activities have quantifiable public- and private-sector savings. These savings are achieved by: reducing consumption of agriculture and environmental lands, roads, and other basic utilities; lowering the costs of residential and nonresidential property development; and lowering the costs of providing basic public services such as safety, public works, and public education.

Table I provides a summary of the pooled results of findings from studies conducted in New Jersey, Michigan, South Carolina, Florida, and the Delaware Estuary. The estimated difference in resource consumption between smart growth and conventional development reflects the different conditions of the numerous localities where these studies have been undertaken. This average difference is expressed per residential unit and is applied to the future growth of the entire U.S. housing stock over the next 25 years (estimated to be about 25 million dwelling units). Assuming the pattern of development to be relatively uniform in the growing metropolitan areas of the United States, this broad application of narrowly determined results is assumed to be representative.

The savings shown in Table I are savings to government, developers, homebuyers,

**Table I Smart Versus Traditional Growth Savings**

| Area of Savings          | Savings per Dwelling Unit | Total Savings Over 25 Years |
|--------------------------|---------------------------|-----------------------------|
| All lands                | \$0.12                    | \$3,099,000                 |
| Land cost                | \$619.79                  | \$15.49 billion             |
| Agricultural land        | \$0.07                    | \$1,735,000                 |
| Frail environmental land | \$0.03                    | \$852,000                   |
| Local roads              | \$0.0036                  | \$91,000                    |
| Local road costs         | \$1,325.08                | \$33.13 billion             |
| State roads              | \$0.0001                  | \$3,000                     |
| State road costs         | \$106.49                  | \$2.66 billion              |
| Water laterals           | \$0.09                    | \$2,255,000                 |
| Water lateral costs      | \$185.52                  | \$4.64 billion              |
| Sewer laterals           | \$0.10                    | \$2,416,000                 |
| Sewer lateral costs      | \$167.45                  | \$4.19 billion              |
| Housing costs            | \$5,791.78                | \$144.79 billion            |
| Nonresidential costs     | \$861.25                  | \$21.53 billion             |
| Fiscal impacts           | \$964.02                  | \$24.10 billion             |

Note: Amounts are expressed in 1999 dollars, per residential unit, multiplied by 25 million units for U.S. growth from 2000 to 2025.

and citizens; they are not specific to any one group. They are, however, when combined, significant. Over the 25-year period, they amount to \$250 billion, \$10 billion annually, or \$10,000 per dwelling unit. Since very few local (e.g., county, municipal) or state governments raise money to support infrastructure through additional taxes, nondevelopment-related infrastructure investment must come from such savings in infrastructure costs normally occurring in paying for development.

The estimated savings in development costs reflect differences in resource consumption emerging from two different

land-development strategies. The first represents conventional development; the second, smart growth. Conventional development tends to take place at low densities on the metropolitan fringe. Uses tend to be segregated; mass transportation is by private automobile. In smart growth, as development is directed to inner-suburban and urban areas, a somewhat different form and mixture of development takes place. Density is increased modestly, and a small number of different housing types are introduced. Cluster and mixed-use development are encouraged, and a variety of new transportation measures are imple-

mented. Examples of the latter include: traffic-calming; transit-oriented districts; and non-motorized forms of transportation such as bicycling and walking. Open space protection and urban design initiatives, including pocket park and playground redevelopment, sign and awning standardization, and a variety of activities that relate to the provision of additional landscaping, street furniture, and coordinated lighting schemes and pavement textures. Most important, measures are taken to improve public safety, achieve better public education, and upgrade the housing stock. As measures making inner-suburban and urban areas more attractive to developers and new residents take hold, the resource savings are realized.

Smart growth also involves added costs. These costs can be lessened by redirecting activities of government agencies already in place, creating model or achievement-oriented schools in urban rather than in suburban locations, targeting areas for improved public safety as opposed to expanding routine police patrols, and changing a mindset that values low-density–single-use developments more than compact-mixed-use developments.

#### NATIONAL EFFORTS

After years of marginalization, smart growth has emerged on political agendas at

all levels of government. Suburban congestion, the depletion of open space, and the unattractive appearance of “cookie-cutter” development are beginning to resonate with voters. Quality of life is becoming an issue at the ballot box. The Bush administration has placed growth measures high on the research agenda of the Department of Housing and Urban Development (HUD), the Environmental Protection Agency, and the Economic Development Administration.

In the 1990s, the smart growth movement took off at the state level. To date, 14 states (Colorado, Delaware, Florida, Georgia, Hawaii, Maine, Maryland, Minnesota, New Jersey, Oregon, Rhode Island, Tennessee, Vermont, and Washington) have enacted comprehensive planning and growth-management legislation that encourages local governments to guide development according to smart growth precepts. These are generally slower-growth states whose inner suburban and urban areas benefit from redirected population that otherwise would be headed to rural and undeveloped areas. Some fast-growth states such as Arizona and Texas have strong property rights traditions that discourage these types of measures. Although states can establish the framework for implementing smart growth, most of the responsibility for regulating development remains with local governments. Numerous projects are

under way to create more livable communities by promoting compact, mixed-use development, walkability, active community life, higher housing densities, and greater reliance on public transportation. Favored by demographic trends, many traditional urban core areas have made remarkable comebacks during the past decade, and the attractiveness of prime urban, and close-in suburban, parcels is growing throughout the country.

At the federal level, there have been two major smart growth initiatives. In January 1999 the Clinton administration launched the Livability Agenda, designed to curb urban sprawl and promote quality of life, as well as the Lands Legacy Initiative, a billion dollar program that seeks to protect land resources and expand parks and green spaces. In addition, the adoption of the Intermodal Surface Transportation Efficiency Act in 1991 and the Transportation Equity Act for the Twenty-First Century in 1998 have refocused attention on alternative transportation systems.

#### LOCAL EFFORTS

There is a lot that local authorities can do. Although public officials cannot directly control where private firms locate, they can place new public facilities in central cities and older suburbs, thus injecting employ-

ment and purchasing power into older neighborhoods. Such measures can substantially improve job opportunities and other living conditions in those areas.

Another technique is to make vacant urban land available for immediate development by private entrepreneurs. Developers are often discouraged by the difficulty of assembling sizable parcels of vacant land within large cities. Often, land is subdivided into several different ownerships (including public agencies), and may be contaminated with pollutants from former occupants, created many years earlier. In addition, "hold-out" owners can seriously delay site assembly. City governments can use their powers of eminent domain to acquire small parcels and assemble them into more attractively sized development parcels. Flexibly zoning these parcels for commercial, industrial, residential, or mixed-use removes another obstacle. Land that is entitled for immediate development with minimal delays is more attractive to developers. City assistance in either removing past pollutants or obtaining permission to develop sites without complete remediation also encourages private development of these core areas.

A major obstacle to private development in large cities is the need for developers to get their project plans approved by dozens of separate city agencies, each of which has its own criteria for approval. Streamlining this process would allow a developer to

bring his plans to one office where all the relevant agencies are present and work in concert. This would reduce development uncertainty and shorten the development process by several months, thereby making it more economically feasible.

Under political pressure from the building trades, many cities prohibit the use of mobile homes or other factory-built housing, or restrict such units to limited and undesirable locations. Since these types of housing generally are the most cost-effective means of providing shelter (especially low- and moderate-income shelter), such restrictions prevent new housing for thousands of households. Similarly, many urban building codes require the use of costly materials that can be safely replaced by newer, less-expensive alternatives. Cities must systematically review their building code requirements and remove such unnecessary, cost-raising elements.

Cities should also encourage the creation of accessory apartments in single-family homes. By allowing owners of single-family homes to add accessory apartments to their units as of right, cities can both greatly expand the supply of low-cost rental units and help elderly residents living in large houses to stay in their homes. This measure would also serve to more effectively integrate and diversify neighborhoods.

Although only a few cities still have rent controls (generally introduced during

World War II to prevent rent-gouging of wartime workers), those that do inhibit the construction of new rental units, even when they theoretically exempt newly-built units. For example, the biggest rent-control city — New York City — prohibits owners from freely setting rents. This policy, and the associated administrative apparatus, effectively obstructs the construction of new rental units.

Using federal community development block grant funds to improve basic infrastructure and amenities in inner-city areas can facilitate urban development. Many inner-city areas require better parks and recreational facilities, cleaned-up vacant lots, the removal of abandoned and deteriorated buildings, repairs of potholes and deteriorated streets, and other physical improvements. Such uses of federal funds would not only improve the quality of life but also make such areas more attractive to people or firms considering a move from another location.

Many hospitals, medical clinics, universities, museums, and other major public facilities are located adjacent to deteriorated urban areas. If these institutions want to improve their ability to keep workers and to recruit new ones, they would profit from upgrading the neighborhoods around them. Many have long been doing so by buying nearby land and deteriorated structures, building new facilities or housing for their workers, rehabili-

tating older structures, maintaining local grounds and structures at high standards, and creating new parks and recreational spaces. In some cases, institutionally sponsored development activities have included building schools, supermarkets, and other commercial uses.

Reducing taxes in ways that will encourage new development or rehabilitation of older structures is also critical. Property-tax laws often discourage new development or rehabilitation because new or upgraded structures are soon assessed at higher levels and must pay higher taxes. Providing tax abatements for initial periods and phasing taxes in over long periods can result in new improvements that increase property values in surrounding areas — thereby avoiding any net revenue loss for the city. Further, taxing land and buildings separately, with much higher tax rates on land than on buildings, in order to encourage development of vacant sites, is warranted. The goal is to pressure owners to build on their vacant land by taxing the land at high rates but the structures placed on the land at much lower rates. Although this system has long been used in cities such as Pittsburgh, switching an entire city or county to this system raises difficult transition issues that need careful exploration. Development impact fees and congestion pricing that get the numbers right and ensure that those who cause development

costs pay development fees are difficult to pass politically, but are also essential.

High-rise public housing projects have discouraged private development in the surrounding neighborhoods. HUD has adopted a policy of encouraging the demolition of high-rises in many large cities in order to remove the blighting impact of concentrations of poverty on the economic and other development of surrounding blocks. The tenants displaced by such demolitions are given portable federal rent vouchers so they can move to better quarters in the private sector, assuming such quarters are available.

As important as any of the above activities are the enhancement of public safety and the upgrading of public schools in local neighborhoods. Public safety is paramount; revitalized neighborhoods such as the South Beach in Miami Beach and downtown Fort Lauderdale are employing both private security firms and heightened local police patrols to provide visitors and residents additional protection at critical time periods of usage. Local schools under a smart growth regimen are seeking parents and retirees who will spend significant time in the classroom as advisors, extending the time that the school is open to allow supervised homework sessions, and requiring local teaching colleges and universities to “adopt” schools to introduce new and challenging curricula and teaching.

## CONCLUSION

Smart growth is an approach to land use based on experience. It generally has popular support, and has been first embraced by those who seek to bring back the urbanism of the past and whose pocketbooks are sufficiently lined to allow this to happen. Smart growth comes to U.S. society at a time when there is growing awareness of private-life versus work-life priorities and when demographics and immigration have engendered new interest in central places. The early baby boomers will reach retiring in 2010, a phase that will last 20 years. In addition, immigration, which has contributed the bulk of the net population growth in the United States for the past 20 years — though probably reduced by the events of 9/11 — will continue at almost current rates. Each of the above will provide market demand to cities in the form of inner and outer suburbs with defined downtowns and central cities, respectively. There is little question that Americans want something similar to the traditional single-family home. But an older, more educated, and more mature society may accept an attached form of single-family residence in order to be near interesting, safe, and vibrant central places.

It is critical that smart growth allows all development that would have taken place under conventional growth. The goal must

not be to stop growth, but rather to redirect that growth to locations that allow a more efficient provision of public services. This can generate appreciable savings in a relatively short period of time. Resources need not be aggressively consumed, while the actual amount of residential and non-residential developments remain the same. Conventional development produces costs that are deceptively bearable in the short run. The benefits of unrestricted freedom of choice of neighborhood and lower housing costs seem worth the cost. In fact, they probably are. However, these benefits can be achieved through compact development with little loss of freedom of choice or housing value and with significant savings of man-made and natural resources. Smart growth appears to be a reasonable approach and a relatively easy choice for future development in the United States.