

Taxing the Region:
How Local Finance Undermines Land Use Goals in Greater Boston

by

Bernadette D. Lynch

B.A. American Studies
Wellesley College, 2000

Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree

Master in City Planning

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2002

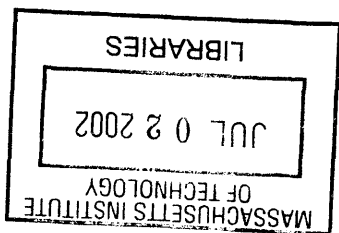
© 2002 Bernadette D. Lynch. All rights reserved.

The author hereby grants to MIT permission to reproduce and distribute publicly
paper and electronic copies of thesis document in whole or in part.

Signature of Author: _____
Department of Urban Studies and Planning
May 16, 2002

Certified by: _____
Dr. Henry O. Pollakowski
Visiting Scholar, Center for Real Estate
Thesis Supervisor

Accepted by: _____
Professor Dennis Frenchman
Chair, MCP Committee
Department of Urban Studies and Planning



Taxing the Region: How Local Finance Undermines Land Use Goals in Greater Boston

by

Bernadette D. Lynch

Submitted to the Department of Urban Studies and Planning on May 16, 2002 in partial fulfillment of the requirements for the degree of Master in City Planning

ABSTRACT

This thesis argues that local fiscal considerations have thwarted growth management efforts in Massachusetts. Currently, Massachusetts' communities rely most heavily on the property tax for local government revenue. Since each community is autonomous and must provide schools and other local services to its residents, it is necessary to ensure that local property tax revenue is sufficient to fund local services. Therefore, as communities make planning decisions, they must weigh the fiscal impacts of development, along with aesthetic, environmental and other "smart growth" ideals.

In this fiscal framework, practical fiscal considerations most often trump "smart" planning and growth management, as local leaders feel the pressure to approve development proposals that will generate the high property tax revenue and low public service demand. The four core chapters explore local fiscal barriers to planning reform, framing the metro Boston example in light of both regional understanding and the wider body of academic literature and analysis.

Thesis Supervisor: Dr. Henry O. Pollakowski
Title: Visiting Scholar, Center for Real Estate

Acknowledgments

I would like to thank my advisor Dr. Henry Pollakowski for his countless suggestions, ideas and insights, my reader Cameron Huff for providing excellent comments and practitioner's perspective on this project, as well as Chancellor Philip Clay for his guidance during the fall semester.

Many thanks also to my colleagues in the Department of Urban Studies and Planning and my friends for their help throughout the year -- especially the Housing, Community and Economic Development group, my advisor Langley Keyes, Emily Weinstein for acting as my thesis partner/ unofficial advisor and Jon Hornig for his endless support and encouragement. Finally, I would like to thank my parents John and Sheilah Lynch for their help with everything from keeping up my morale to helping edit the final drafts.

Contents

	Introduction	5
1	Sprawl and Smart Growth: Understanding the Rhetoric	10
2	Local Fiscal Motives and Conditions	27
3	The Effects of Local Finance on Land Use Planning in Greater Boston	45
4	The Reality of Reform: Strategies for Restructuring Local Finance in Greater Boston	61
	Conclusion	82
	Bibliography	85

Introduction

In 2002 the American Planning Association (APA) released a study entitled, *Planning for Smart Growth: 2002 State of the States*. The purpose of the study is to survey state planning reforms and smart growth initiatives in order to measure nation-wide progress in managing growth and development. The Commonwealth of Massachusetts' action to improve growth management efforts rank poorly when compared to other states: Efforts to substantially improve moderate revisions to the state's comprehensive planning laws have proved unsuccessful despite a 10-year push by planning advocates to enact measures requiring all communities to develop master plans and to link these plans to local zoning.¹ The APA report goes on to give a general assessment of reform efforts in states it considers to be less progressive: In states [including Massachusetts] where planning reform and smart growth measures are being adopted on a piecemeal basis, such changes can be counter-productive or, at best, have limited effectiveness.² The Metropolitan Area Planning Council (MAPC), greater Boston's quasi-governmental regional planning body, even admits: We are behind the curve nationally, and we need to change now if we are going to be competitive down the road.³ Despite grassroots planning reform efforts, what is preventing stronger, more widespread growth management reform in

¹ American Planning Association (2002), *Planning for Smart Growth: 2002 State of the States*, 71.

² *Ibid*, 23.

Massachusetts? How has current the regulatory framework affected development patterns in the greater Boston region? How could reform change development in the region?

This thesis argues that local fiscal considerations have thwarted growth management efforts in Massachusetts. Community advocates have worked to gain support for planning reform, centering on the popular idea of an urban village model consisting of compact, mixed-use development — a concept harkening back to the traditional New England village with civic, educational and commercial uses mixed with housing along vibrant main streets.⁴ Despite the sentimental appeal of the urban village ideal and the recognition that the current regulatory framework produces undesirable development outcomes, the local finance system in Massachusetts creates a strong disincentive for communities to amend their zoning or engage in the more aggressive comprehensive planning required to bring the urban village to life. In addition, the tradition of home rule, characterized by strong local government autonomy, creates barriers for regional coordination.

Currently, localities in Massachusetts rely most heavily on the property tax for local government revenue. Since each community is autonomous and must provide its own schools and other local services to residents, it is necessary to ensure that local property tax revenue is sufficient to fund local services. Therefore, as communities make planning decisions, they must weigh the fiscal impacts of development, along with aesthetic, environmental and other smart

³ Anthony Flint, State developing tools to handle growth, *The Boston Globe*, 4/9/02.

growth ideals. Not surprisingly, practical fiscal considerations most often trump smart planning, as local leaders feel the pressure to approve development proposals that will generate high property tax revenue and low public service demand.

From this fiscally conscious perspective, commercial development pays; dense family housing development does not. For example, it is fiscal motivations more often than ignorance that entice communities to approve high traffic and high property tax generating strip development, rather than forcing commercial development onto small village main streets. These very same motivations result in approvals of cluster subdivisions of dense housing with only one and two bedroom homes that preserves open space, while limiting school enrollment from denser--and therefore lower value-- residential development. This selective use of growth management techniques can prevent the development of housing that does not generate sufficient property tax revenue per unit to support additional students in the school system. Or, communities may reject new development altogether, forcing new growth into other areas.

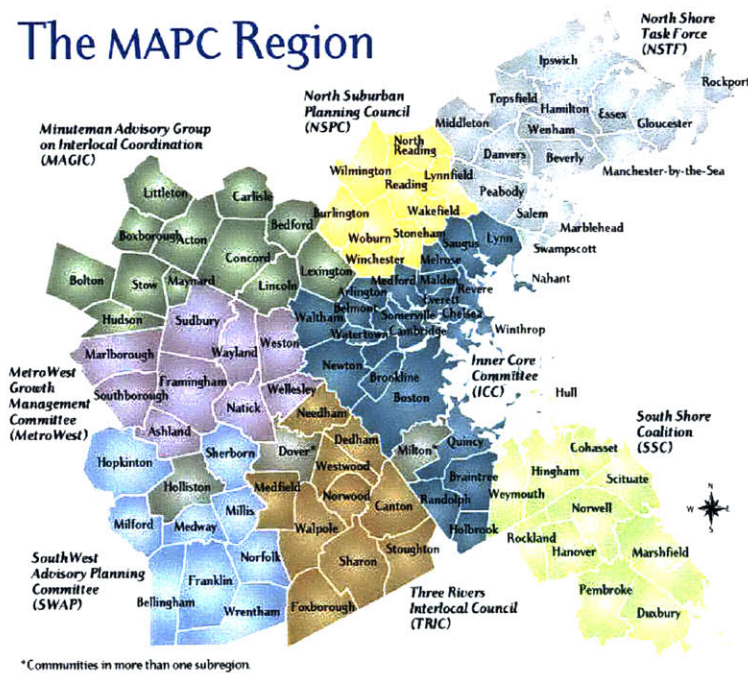
In greater Boston, the current crisis in housing affordability is, arguably, the most serious effect of the current fiscally motivated planning system. The Department of Housing and Urban Development (HUD) defines broadly as housing that costs no more than 30% of a households gross income. Given the wide range of incomes in greater Boston, there also needs to be a range of housing options available to serve households at all income levels. The fact that

⁴ Anthony Flint (2002), *Planning the Fragmented Metropolis: Acting Regionally and Locally, Governing Greater Boston: The Politics and Policy of Place*, Charles C. Euchner ed., 194.

additional lower-cost housing because it cannot pay its own way contributes to most communities unwillingness to approve additional development, despite incredible regional demand. Planners and reform advocates need to understand the effects that local finance has on planning decisions in greater Boston and must redirect reform efforts to address and mitigate the fiscal impacts growth management will have on local communities. Growth management needs to be fiscally viable for communities in Massachusetts before reform efforts will ever truly gain momentum.

The greater Boston region provides the richest opportunity to analyze these competing motivations. For purposes of this analysis, greater Boston is defined using the MAPC boundaries.⁵ The MAPC region consists of 21 cities and 80 towns, including most communities within the I-495 boundary.

The MAPC Region



Map from MAPC website, <http://www.mapc.org>.

⁵ The region is 1,422 square miles with a population of approximately 2,922,934. <http://www.mapc.org>, 3/10/02.

The four core chapters of this thesis explore the issue of local fiscal barriers to planning reform, framing the metro Boston example in light of both regional understanding and the wider body of academic literature and analysis. Chapter one, *Smart Growth and Sprawl: Understanding the Rhetoric*, introduces how the terms *smart growth* and *sprawl* are used in the national debate over planning reform, how land use planning is currently conducted in the Commonwealth, and how the *smart growth* debate affects planning in greater Boston. The second chapter explores *Local Fiscal Motives and Conditions*, beginning with a discussion of the economic and public finance theory of urban and suburban development patterns to frame the discussion of the current fiscal system governing localities in Massachusetts. Chapter three, *The Effects of Local Finance on Land Use Planning in Greater Boston*, examines how fiscal considerations have affected land use planning and development patterns in the region, past attempts at reform and examples of reforms undertaken in other parts of the country. The final chapter assesses the *Reality of Reform* that would result in coordinated fiscal and land use planning in the Massachusetts and offers some suggestions of how a coordinated reform effort could be approached. The conclusion ties the four chapters together, summarizes the key points from the main chapters, connecting local fiscal reforms to growth management.

Chapter 1

Smart Growth and Sprawl: Understanding the Rhetoric

Introduction

“Smart growth” and “sprawl” pervade current discussions of urban, suburban and rural development patterns. While the terms may carry substantial rhetorical power, their effectiveness in public policy is clouded by their lack of clear, generally agreed upon operational definitions. To frame the subsequent analysis of development patterns in metropolitan Boston, this chapter first takes inventory of discussions and definitions of smart growth and sprawl; it then presents the current cases for and against smart growth; and it concludes by relating the importance of these issues to current land use patterns and reform initiatives in metro Boston. Understanding the current state of land use planning and the potential planning reforms provides a context for what could be achieved if communities in metro Boston were engaged in more pro-active, coordinated land use planning.

Definitions

Currently, the terms smart growth and sprawl can mean everything and nothing. This “semantic wilderness” confounds scholars, politicians, policy makers, the media and the public alike.¹ The already difficult and complex issues surrounding land use and growth have become mired in this vague and complicated language.

¹ George Galster et al. (2000), “Wresting Sprawl to the Ground: Defining and Measuring an Elusive Concept,” 2

Although the terms are used frequently in the media without clear definitions, credible transparent analysis must begin by defining these ambiguous terms to ensure a common analytical framework for discussion and analysis from the outset.

In formal written discussions and analysis of smart growth and sprawl, authors usually begin by addressing definitional problems. Not surprisingly, the variety of metrics used in the existing definitions makes it difficult to compare findings and conclusions. More problematically, less formal discussions fail to present any sort of explanation of what the terms smart growth and sprawl mean in a particular context. In the political arena, these fluid definitions of smart growth and sprawl hinder efforts to create clear, comprehensible public policy. Consequently, disparate and conflicting policies come under the guise of smart growth. In the absence of clear definitions, the public is left to interpret analysis, political discourse and policy as it sees fit.

Although attempts to come to terms with the elusive concept of sprawl and its antidote began in the early 1960s, the debate and analysis has continually failed to yield an acceptable definition. In 1974, the Real Estate Research Corporation published *The Costs of Sprawl*. This two volume (over one thousand page work) represented the first attempt to synthesize existing work on sprawl and to quantify the elusive concept: "From the time of its publication until today, it has been regarded by the social science community as one of the most significant critiques of sprawl and among the most influential studies ever undertaken."² While the study has had a lasting influence on the sprawl/ smart growth debate, it failed to provide a lasting definition. Furthermore, its flawed methodology for calculating the infrastructure and

capital savings of non-sprawling development has made portions of the study obsolete. In 1998, the Transportation Cooperative Research Program (TCRP) published *The Costs of Sprawl – Revisited*, which updated the original literature review on sprawl and, on the basis of more sound methodology, recalculated the cost savings from limiting sprawl. While *The Costs of Sprawl – Revisited* provides a comprehensive inventory of key works on sprawl and smart growth, again the impressively documented study of the literature published between 1974 and 1998 distressingly failed to clarify these basic definitional questions.

The definitional vacuum makes building consensus and support for land use reform difficult. Noted economist and urban scholar, Anthony Downs observes that, “Under the umbrella of this appealing term, groups with very different goals are trying to create the appearance of a united front. But in reality, that umbrella is being pulled apart – to the detriment of public policy and the public itself.”³ Despite the rhetorical tangle, efforts to craft standard definitions remain continue among opinion leaders seeking to gain support for their positions. For example, the American Planning Association (APA) offers the following definition of “smart growth” in its most recent report (2002), *Planning for Smart Growth: 2002 State of the States*:

Smart Growth is the planning, design, development revitalization of cities, towns, suburbs and rural areas in order to create and promote social equity, a sense of place and community, and to preserve natural as well as cultural resources. Smart Growth enhances ecological integrity over both the short- and long-term, and improves quality of life for all by expanding, in a fiscally responsible manner, the range of transportation, employment and housing choices available in a region.⁴

² Transit Cooperative Research Program (1998), *The Costs of Sprawl – Revisited*, Report 39, i.

³ Anthony Downs (2001), “What does ‘Smart Growth’ really mean?” *Planning*, April, 20.

⁴ American Planning Association (2002), *Planning for Smart Growth: 2002 State of the States*, 21-22.

The APA's definition uses a positive tone to lump together complex, often competing, tensions that arise from land use decision-making, creating (perhaps overly) lofty expectations of smart growth planning.

In contrast, other definitions prescribe a nostalgic return to historical, more compact or dense, community-oriented development patterns. In addition, they may or may not also emphasize comprehensive planning and consistency between state and local planning and policy objectives as essential elements of smart growth. Anthony Downs points out the problems this wide and varied approach: "A survey of how different groups define smart growth reveals that this term involves 14 basic elements. No group advocates all 14, but each element is advocated by someone is worth noting."⁵ There is ever-increasing number of issues that various operational definitions of smart growth address. The unfortunate consequence is that any widely accepted language will be overly broad -- making a meaningful, useful, feasible definition for smart growth impossible. If not carefully managed, the rhetoric attending smart growth will undermine the agenda.

Defining sprawl poses similar problems. The APA most recently defined sprawl as "the pattern that takes over when, with little coordinated planning, people and businesses desert established communities to develop the open countryside."⁶ Other definitions point to land consumption at a rate that exceeds population growth, low-density growth designed for automobiles, "leap-frog" development patterns that leave vacant tracts of land in developed communities, as well as ugly depressing aesthetics. Although critical of current development patterns, none of this language

⁵ Downs (2001), 21.

⁶ American Planning Association (2002), 21.

clearly articulates what exactly separates acceptable low-density development from sprawl. Currently, critics are able to label instantly any unattractive development as sprawl, without having to offer any explanation for their decision.

Rather than continually drafting new definitions, some researchers and opinion leaders are following in the tradition of *The Costs of Sprawl* reports by trying to synthesize the existing *ad hoc* definitions of smart growth and sprawl into comprehensive operational definitions. Two recent publications, sponsored by the Fannie Mae Foundation and the Brookings Institution's Center on Urban and Metropolitan Policy, provide significant examples of this work, while simultaneously demonstrating how difficult it is to define the complex elusive concepts of smart growth and sprawl.

The Fannie Mae-sponsored report, devoted to understanding, documenting and quantifying sprawl, *Wresting Sprawl to the Ground: Defining and Measuring an Elusive Concept* (2000), begins by acknowledging the definitional problems associated with sprawl:

A survey of the literature, consistent with the findings of others (Burchell et al. 1998) yields no common definition of sprawl, and relatively few attempts to operationally define it in a manner that would lead to useful comparisons of areas to determine which had experienced greater or less degrees of sprawl.⁷

After reviewing the "sprawling literature," Galster and his colleagues conclude that sprawl is a "condition of land use," which distinguishes the resulting development pattern from its causes and effects: "Sprawl (n.) is a pattern of land use in a UA (urbanized area) that exhibits low levels of some combination of eight distinct dimensions: density, continuity, concentration, compactness, centrality, nuclearity,

diversity, and proximity.”⁸ To test the effectiveness, Galster and his colleagues apply their definition to thirteen diverse UAs to compare empirically the levels of housing sprawl in each.

A ranking of the indicators confirms the conventional wisdom that cities in the northeast and Midwest are relatively less sprawling as compared to cities in the south and west.⁹ However, the data also suggest that there are many different kinds of sprawl that could be clearly identified and better understood with additional quantitative analysis and wider sampling of UAs. Although this work is still in its early stages, defining sprawl in less subjective terms using easily quantifiable measures seems a more promising basis for future research and policy development than the current reliance on opaque unsubstantiated qualitative statements.

In the Brookings Institution’s report on, *The Link Between Growth Management and Housing Affordability: The Academic Evidence*, Nelson et al. (2002) refuse to use the term smart growth: “Notably absent from our report is use of the term smart growth. We do not enter the smart growth arena because there is yet no clear consensus on how it is defined... Instead, we use the terms growth management and affordable housing throughout.”¹⁰ Nelson et al.’s decision to discard the term smart growth provides further evidence that the lack of an accepted operational definition has continued to be a major stumbling block in research as well as a threat to the smart growth movement. It also suggests that smart growth is too general a term to describe the wide variety of subtle complicated issues addressed in

⁷ Galster et al. (2000), 2.

⁸ *Ibid*, 5.

⁹ *Ibid*, 20-30.

the APA definition above. Nelson et al. define their alternative term, growth management, “as the deliberate and integrated use of the planning, regulatory, and fiscal authority of state and local governments to influence the pattern of growth and development in order to meet projected needs.”¹¹ This narrow definition moves away from the laundry list approach, stressing instead the specific importance of active local management and policy coordination.¹²

In order to avoid ambiguity in the exploration of the impact local fiscal considerations have on local growth and development patterns, this analysis will rely on Galster et al.’s quantitative definition of sprawl, which provides a clear metric for sprawl based on eight indicators -- density, continuity, concentration, compactness, centrality, nuclearity, diversity, and proximity. Nelson and his colleagues’ fiscally conscious definition of growth management is useful for this analysis because it emphasizes coordination between planning, regulation and policy to determine and execute local land use objectives.

The case for growth management

Naturally, the case in favor of more aggressive growth management hinges on the argument that current growth is problematic. Key areas of concern include environmental degradation, traffic, design, housing affordability, social equity, taxes and local public finance. Growth management proponents argue that current development patterns are “unsustainable” and will result in greater problems in the

¹⁰ Arthur C. Nelson et al (2002), *Link Between Growth Management and Housing Affordability: The Academic Evidence*, 2.

¹¹ *Ibid*, 2.

future if reform is not taken seriously.¹³ Real estate development is fundamentally market based, bounded by local policies that guide development. Developers respond to market opportunities and it is up to regulatory bodies to exercise their power to shape the shape development patterns most effectively. Therefore, growth management reform must amend traditional physical planning, while also coordinating with other public, social and economic objectives.

The unsustainable trends growth management seeks to combat can be divided into three general areas of concern: efficiency, equity and the environment. Efficiency concerns focus on balancing social costs and external costs with private costs. Equity concerns address effects on local costs and access to opportunity, while environmental concerns focus on the degradation of the natural landscape and depletion of natural resources. Advocates argue that growth management reform is needed to reverse harmful trends in each of these issue areas. For this analysis of the fiscal considerations accompanying growth management, the efficiency and equity issues are more directly relevant than most environmental problems, resulting from unmanaged growth.¹⁴ Therefore, this presentation of the cases for and against growth management will focus primarily on efficiency and equity rather than the environmental aspects of unmanaged versus managed growth.

While efficiency can be quantified by comparing data on public and private revenues and expenses, social equity is a more elusive concept. For the purposes of

¹² It is important to note the difference between growth management and growth control. Growth controls, such as urban growth boundaries and building permit caps, are specifically targeted to slow and/ or stop growth, while growth management seeks to manage the negative externalities that resulting from unchecked growth.

¹³ Alex Krieger (1999), "Rhetoric of Smart Growth," *Architecture*, June, 53.

¹⁴ For a discussion of these concerns in a regional context see Bennet Heart et al. (2002), *Community Rules: A New England Guide to Smart Growth Strategies*.

the present study, social equity refers to levels of racial and economic diversity and local service quality across communities. Typically, schools are the most significant measure of local public service quality. Not only are more data collected on school performance and spending than other public services. School funding is the largest local service program, accounting for approximately half of local public expenditures.¹⁵ As a result, local social equity is inextricably linked to public finance and economic vitality, as local governments set policies and tax levels to fund desired levels of service based on local fiscal capacity.

In mid-1990s, Minnesota state representative Myron Orfield presented a revolutionary framework for conducting integrated analysis of local social, fiscal and economic conditions in his book *Metropolitcs*. Using a series of indicators on race, income, poverty, crime, school performance and spending, affordable housing, property values, job creation and tax capacity, Orfield systematically compared all the communities in the Twin Cities region of Minneapolis and St. Paul, Minnesota. Then, in order to connect his findings to local development patterns directly, Orfield presented his findings spatially using Geographic Information Systems (GIS) maps, which provided a physical context for his quantitative analysis.¹⁶

Orfield's data demonstrated wide disparities across the Twin Cities region. The highest rates of growth in income, property values, job creation, tax capacity, and school spending, along with the lowest crime, poverty rates and shares affordable housing stock were in communities located in the southwest quadrant of

¹⁵ Massachusetts Taxpayers Foundation (2001), *Municipal Financial Data*, 31st ed., 7.

¹⁶ Myron Orfield (1997), *Metropolitcs*, introduction.

the region, an area known as “the Fertile Crescent.”¹⁷ The cities of Minneapolis and St. Paul, as well as the other suburbs were not experiencing the same levels of local growth and prosperity. Orfield concluded that while this isolated growth benefited the Fertile Crescent communities in the short-run, it hurt the region as a whole. Orfield also projected that growth pressures would continue to push development outward. To combat this uneven growth pattern, Orfield advocated strongly for regional solutions to address the problems comprehensively, rather than on a piecemeal basis at the local level.

Therefore, unmanaged growth patterns generate direct and indirect costs on both the local and regional levels. State and local governments, funded by taxpayers from across the region, subsidize growth as they invest in local infrastructure indiscriminately, without considering the negative growth patterns that may result.¹⁸ Business interests are also beginning to understand the negative impacts unmanaged growth can have in addition to the bottom line. In the San Francisco Bay Area, for example, the Silicon Valley Manufacturing Group actively lobbies local governments and the Bay Area Council of Governments to pursue more aggressive growth management policies to reduce traffic and create a range of housing options.¹⁹ In Chicago, business and civic leaders founded Chicago Metropolis 2020 as a way to coordinate between Greater Chicago’s 1,200 disjointed political jurisdictions.²⁰ In fast growing regions across the country, shortages of affordable housing make attracting workers difficult without raising wages. Moreover, traffic

¹⁷ *Ibid.*

¹⁸ Robert Burchell et al (1997), *The Cost of Alternative Development Patterns*; Orfield (1997).

¹⁹ See <http://www.svmg.org> for additional information.

²⁰ John G. Mitchell (2001), “Urban Sprawl,” *National Geographic*, July, 70.

increases commute times to unmanageable levels, even as property taxes increase the cost of doing business.²¹ While these costs can often be discerned at a local level, their magnitude becomes even more apparent when analyzed from a regional perspective.

Since the 1960s, planners and economists have sought to quantify and isolate the costs of sprawl as a way to win support for smart growth. Awareness of land use and development issues has increased dramatically in the past 40 years. However, the definitional ambiguity is becoming an increasing problem as planners and policy makers seek to move beyond consciousness-raising to win support for growth management reform. To gain momentum, proponents need to move beyond the rhetoric to build coalitions, document current problems resulting from unmanaged growth, and propose viable alternatives to current development patterns.

The Case Against Smart Growth

Opposition to current growth management initiatives does not tend to take issue with growth management in principle. Rather, opponents argue against the idea that current development patterns are creating a crisis, viewing the additional layers of policy and regulation as more meddlesome than helpful. In addition, they often argue that growth management strategies exacerbate problematic development patterns by placing constraints on developable land that artificially raise housing costs. Finally, opponents of growth management criticize the regional perspective that pervades growth management discussions. They argue instead that individual communities should have the right to control their own development destinies;

²¹ Rosabeth Moss Kanter (2000), "Business Coalitions as Force for Regionalism," *Reflections on*

residents who are not happy with how growth or any other policies are managed should relocate to other communities with more acceptable policies. While opponents of growth management admit that there are negative externalities associated with growth, they provide strong counter arguments to the idea that the solutions require an overhaul of current development practices.

For example, noted economist William Fischel provides a counter-perspective to the argument that land patterns in the United States are inefficient. When Fischel completed his analysis of land development patterns in the mid-1980s, only 3% of the United States' total land area could be classified as urbanized.²² Fischel concluded that this hardly amounted to a "paving over" of America.²³ Furthermore, he argued that even if the rate of urbanization increases, the total quantity of developed land would not constitute a land use crisis in the near future. In 1999, "pro-sprawl" pundit Gregg Easterbrook continued Fischel's reasoning. Using the Sierra Club's calculation that sprawl consumes 400,000 acres annually in the United States, Easterbrook argued that it would take at least 50 years to develop an additional 1% of the United State's developable land.²⁴ From this perspective, development patterns in the United States seem more compact than sprawling.

In addition, opponents argue that growth management intervention often favors the wealthy much more than it aids the general population. For example, most conservation land is necessarily located in communities that are not yet fully developed, where there is still open land available to set aside. These conservation

Regionalism, Bruce Katz ed, 154-184.

²² William Fischel (1985), *The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls*, 2.

²³ *Ibid*, 2.

tracts then increase the value of the adjacent homes, widening the price difference between this housing towards the edge and the housing in older communities that are already developed.²⁵ Therefore, as communities conserve this land for open space, poor households are forced to crowd into the least desirable units of the existing housing stock. Opponents also argue that as the stock of usable land decreases, there is less land available for development, which reduces the supply of housing and raises the cost of housing and developable land. In a controversial article on the disparities between black and white households' homeownership rates, Matthew E. Kahn argues that sprawl opens up homeownership options for African-Americans: "As the metropolitan area's sprawl level increases, the black/white housing gap closes for these measures of housing. Sprawl is likely to increase affordability in both the suburbs and the center cities. Increased affordability should lead to increased consumption."²⁶ As a result, lower income households suffer disproportionate burdens of growth management without realizing their share of the benefits.

Finally, opponents argue that implementing growth management limits local choice and requires communities to surrender too much local control. Most growth management efforts approach planning, transportation and local service funding regionally, which opponents argue increases bureaucracy and jeopardizes the autonomy of local communities. As policy-making, expenditure and revenue

²⁴ Krieger (1999), 55.

²⁵ Transit Cooperative Research Program (1998), 52; William Fischel (2001), *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*, 230.

²⁶ Matthew E. Kahn (2001), "Does Sprawl Reduce the Black/White Housing Consumption Gap?" *Housing Policy Debate*, 12, 84.

decisions are shifted out of local hands to a regional governing body, residents lose direct control over the fate of their communities. Opponents argue that citizens have the right to live as they want (within the legal limits) and to differentiate their communities by determining how their communities will develop.²⁷ If people want to live in single-family homes in less dense communities, then they should have the right to make those choices free from excessive government intervention. Advocates of local control believe that preserving local governmental autonomy is a policy priority that should not be compromised for the sake of growth management or any other policy objective.

Growth Management in Metro Boston

The nature of growth is becoming an increasingly pressing local issue in metropolitan Boston. Weekly articles in local papers have increased awareness and reflect local interest in the dilemmas. Groups representing housing, community development, environmental and business interests have taken on the issue. Initiatives to amend the state zoning enabling legislation, update local zoning codes and encourage local planning are all underway. Yet, despite capturing the attention of the public, local advocates, the media and politicians, reform initiatives to date lack the strength to catalyze serious change in metro Boston or anywhere Massachusetts.

Current growth management initiatives underway in Massachusetts have been concentrated at the state level, with some isolated examples on the local level.²⁸

Beginning in 2000, the legislature passed the Commonwealth's first significant growth

²⁷ Charles M. Tiebout (1956), "A Pure Theory of Local Expenditure," *Journal of Political Economy*, October; Fischel (2001), 260.

management legislation. In January 2000, Governor Paul Cellucci signed Executive Order 418 (EO 418), which consists of two components: (1) a \$30,000 grant for technical and planning assistance for communities to create a “Community Development Plan” (CDP); and (2) Housing Certification approval. The state reviews communities’ CDPs and Housing Certification applications in tandem to determine whether the plans address the four core elements of housing, economic development, open space and resource protection, and transportation, while simultaneously paying special attention that “all communities are taking steps to increase the supply of affordable housing.”²⁹ Communities with approved CDPs and Housing Certification are then given priority in the Commonwealth’s competitive grant program awards to local governments. At the end of 2001, 98 of the 351 cities and towns in the Commonwealth of Massachusetts had signed CDPs.

On September 14, 2000, Governor Cellucci signed the Community Preservation Act (CPA) into law. The CPA is enabling legislation that allows communities to levy a property tax surcharge of up to 3%, through a local referendum, to capitalize a local Community Preservation Fund (CPF); the state then annually matches the revenues local communities raise. The CPA restricts the use of the CPF to three purposes: affordable housing, open space and historic preservation. Ten percent of the funds must be spent from each of the categories, while the remaining 70% can be divided among any of the three categories, depending on local priorities. By connecting open space, affordable housing and

²⁸ Gretchen Weisman (2002), “More than Shelter: Housing the People of Greater Boston,” *Governing Greater Boston: The Politics and Policy of Place*, Charles C. Euchner ed., 158.

²⁹ <http://www.massdhcd.com/eo418/homepage2.htm>, 2/20/02.

historic preservation funding, proponents of the CPA hope that local growth management efforts will integrate these three as local priorities.³⁰

The Massachusetts state government delegates zoning authority to local municipalities in Chapter 40A (40A) of the Massachusetts General Laws (MGL), known as “the Zoning Act.”³¹ Although the legislature adopted the current version of the zoning enabling legislation in 1975 and has amended the law every year since, local land use experts still criticize 40A as “the most backward and archaic of anywhere in the country... [The statute] virtually guarantees sprawl-style development.”³² In 2001, members of the legislature also created the Zoning Reform Working Group, an advisory board of local land use experts, with the charge of drafting amendments to the state zoning enabling legislation. In addition, concerned legislators initiated a forum on zoning reform in Massachusetts to discuss ways to update the zoning enabling legislation. No formal changes to the Zoning Act have been proposed, although the Zoning Reform Working Group continues to meet to finalize its recommendations for legislative action. However, even as the state has begun to act, the strong tradition of “home rule” – where the state delegates localities extensive governing autonomy – provides a barrier to additional state action.³³

³⁰ For more information see <http://www.state.ma.us/envir/cpaqa.htm>.

³¹ General Laws c. 40A, § 1.

³² Michael S. Giaimo (1999), “Historical Development of Massachusetts Zoning Law,” *Massachusetts Zoning Manual*, vol. I; Anthony Flint (2002), “Mass. zoning overhaul recommended,” *The Boston Globe*, 2/13.

³³ Healy and Klavens (1999), “Zoning Power and its Limitations,” *Massachusetts Zoning Manual*, vol. I, 2-3; Anthony Flint (2002), “Planning the Fragmented Metropolis: Acting Regionally and Locally,” *Governing Greater Boston: The Politics and Policy of Place*, Charles C. Euchner ed., 193.

Conclusion

The APA's *Planning for Smart Growth: 2002 State of the States* classifies Massachusetts as a less progressive growth management state. Although there has been some legislative action, the strong tradition of home rule has prevented in Massachusetts the serious state-initiated efforts that have occurred in other parts of the country. This barrier leaves the responsibility in hands of local governments, which up to that point have not determined these reforms would generate sufficient benefits to justify local policy significant changes. Concerns that growth management reforms will negatively affect local governments' fiscal health have been the most substantive barrier to reform. In states without the strong home rule tradition, local funding is less of an issue because the state has a larger responsibility to provide local revenue. However, in a home rule state like Massachusetts, local governments have a high degree of both political and fiscal autonomy. Such concerns, coupled with the lack of success in gaining strong support for growth management, strongly indicate that proponents need to propose complementary public finance reforms to entice local governments to adopt growth management measures. Unfortunately, the local finance structure in Massachusetts provides strong disincentives for communities to engage in more proactive land use planning.

Chapter 2

Local Fiscal Motives and Conditions

Introduction

To understand local public finance decision-making and its impact on land use and development in metro Boston, it is important to understand the existing fiscal system and conditions in Massachusetts. Furthermore, understanding the Massachusetts case in the context of economic theory provides more sophisticated insight into the region's development patterns. While theory of local fiscal motives has received the most scholarly attention by economists in their public finance literature, other economic literature on urban and suburban development patterns is also relevant. This chapter reviews the significant literature and the current fiscal conditions in metro Boston and Massachusetts, concluding with an examination of the impacts fiscal considerations have on zoning and land use planning in Massachusetts.

Economic and Public Finance Theory

In 1956, Charles Tiebout published "A Pure Theory of Local Public Expenditure." In this groundbreaking article, Tiebout introduced a theory of property tax and location choice, now popularly known as the "Tiebout model." Tiebout hypothesized that there is an efficient market for local public services, which motivates residents to move to the community where the cost of service

(property taxes) they are willing to pay corresponds to the acceptable level of services. Households then “vote with their feet” to find the community with their optimal level of local services and taxes. Beyond the basic hypothesis, two key assumptions are embedded in Tiebout’s model. First, Tiebout assumed that the metro region is highly fragmented, ensuring that no community has monopoly power and residents have a wide range of tax-service level choices. Secondly, Tiebout assumes that residents are fully mobile and have perfect information about costs and levels of service across communities. As is typically the case with economic models of human behavior, it is unlikely that all of Tiebout’s assumptions would hold true in a real metro area. Nevertheless, the elegant simplicity of a hypothesis like Tiebout’s provides a usefully uncluttered lens into the subtleties and complexities of real world behavior.

After nearly fifty years, Tiebout’s model has become a fundamental element of modern analysis and discussion of local public finance. Noted economist William Fischel describes Tiebout’s model as, “the touchstone of much of the theoretical and empirical literature on local public finance.”¹ Building on Tiebout’s model, the intersection of local finance and development patterns continues to be active and productive field of research for public finance economists as they continue to explore these complex and critically important issues. Moving beyond the narrow public finance literature, economists led by handful of key figures -- including Wallace Oates, Anthony Downs, William Fischel and Helen Ladd -- have generated a rich body of research on the

intersection of property taxation, zoning, and local fiscal decision-making.

Understanding these scholars' contributions provides the context necessary for a discussion of local public finance, urban and regional economics and land use planning.

In 1969, Wallace Oates published the first of a series of important works on local fiscal choice, expenditure and development patterns, "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis." Oates' analysis built directly on Tiebout's work by providing the first empirical investigation confirming Tiebout's hypothesis. Oates' analysis documented that property taxes are capitalized into home prices, either reducing home values if the tax burden increases disproportionately or by increasing home values if taxes are used to improve local services. Like Tiebout, Oates concluded, "people do appear willing to pay more to live in a community which provides a high-quality program of public services (or in a community which provides the same program of program of public services with lower tax rates)."²

Oates continued to break ground in 1972 with the fundamental book-length study, *Fiscal Federalism*. This text has become a bedrock of public finance literature addressing the confluence of federal, state and local governments in the public finance arena. Most significantly, building on the work

¹ William Fischel (1985), *The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls*, 293.

² Wallace E. Oates, (1969), "The effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis," *Journal of Political Economy*, 968.

of noted public finance economist Richard Musgrave, Oates argues that from an economic perspective federalism is the “optimal form of government.”³ Oates goes on to explore how the revenue required to fund the various levels of government efficiently flows through a federal system. Oates concludes that while central governments collect revenue more efficiently than local governments, local decentralized governments spend money and deliver services more efficiently than centralized governments.

Up to the present, Oates remains an important scholar in this area. In 2001, he edited *Property Taxation and Local Government Finance*, a collection of essays on current thinking on local property taxation. Oates and his colleagues present a more positive view of the property tax than previously advanced in economic literature. As editor, Oates sets the stage for theoretical and practical discussions of property taxation. The contributors’ debates over the role of property taxation in the efficiency and equity of local development patterns provide stimulating analysis of the practical effects of tax policy and administration.

William Fischel’s work in the field of urban economics, land use controls and local development patterns has also been influential. Like Oates’ research, Fischel’s contributions have spanned decades. In 1985, Fischel published his first book, *The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls*, in which he argues that through the exercise of collective property rights, communities have the right to use zoning to control

³ Wallace E. Oates (1972), *Fiscal Federalism*, 15.

land use within their borders.⁴ Rather than viewing zoning as a meddlesome inefficient intervention in an otherwise efficient property market, Fischel argues that zoning establishes the acceptable parameters for the development of communities. Like Tiebout's model for public service levels, Fischel's characterization of zoning as a property right provides a means of representing a community's development values. Acting as the "median voter," local leaders define and allocate land between zones based on these collective values. From the property rights perspective, therefore, according to Fischel, zoning is only problematic when it is not updated frequently enough to match a community's land use goals.

In 2002, Fischel published his most recent book on the subject of local fiscal motives, *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*. Grounded solidly in Tiebout's model of service levels that prompt citizens to vote with their feet and Oates' arguments in favor of local control in *Fiscal Federalism*, Fischel advances a "homevoter" hypothesis, arguing that local control facilitates the most efficient and effective local service delivery, which is then capitalized into local home values. For most homeowners, since their homes are their most valuable assets they take a special interest in the quality of life in their local community, as a component of their investment. On a local level, the quality of services, the strength of the tax base and the level of taxation are all incredibly important because these factors affect local home prices. As a result, homeowners are

⁴ Fischel (1985), xii.

vigilant trustees of their communities, eager to ensure the highest quality of life at the lowest tax rate. Single-family homeowners are unique because they typically comprise a greater proportion of the population than other property owners do and because their risk is concentrated into their homes as their sole real estate asset. This differs from other real estate owners who typically spread out their risk among a greater number of assets. From Fischel's perspective, single-family homeowners, acting in the interest of future wealth and present quality of life, take a more active role in local government with the particular interest of ensuring that the highest possible value will be capitalized into their homes.

Moving beyond local choice theory to the wider economic literature of urban and suburban development patterns, Anthony Downs published *Opening Up the Suburbs* in 1973, which examined patterns in United States' suburbanization. Downs argues that opening up the suburbs economically to people of all incomes and social classes must be a fundamental goal of our society. Rather than opposing suburbanization in general, Downs argues against the exclusionary patterns of suburbanization, which he blames for harming American cities and fostering inequity in American society as a whole.

In 1994, Downs published an important follow-up book on regional development patterns, entitled *New Visions for Metropolitan America*. Downs' "new vision" focuses on regional solutions to current patterns of exclusionary suburban development. Criticizing the typical metropolitan pattern of fragmented suburban zoning and growth management, Downs argues that disjointed growth management creates a different, but equally grave, set of social

consequences. From Downs' perspective, regional coordination is the solution to low-density, inefficient, inequitable development patterns. If development at the fringe continues unchecked, Downs warns, it will eventually undermine quality of life in older suburban communities in the same way it has already undermined quality of life in portions of America's central cities, leading to increases in crime, poverty, traffic and reductions in property values, school test schools and local fiscal capacity.

Finally, Helen Ladd's "applied, policy-oriented" research is also pioneering and widely referenced.⁵ In 1999, Ladd published a collection of her best-known research on local government finance entitled *The Challenge of Fiscal Disparities for State and Local Government*. Over nearly three decades, Ladd's has continued to focus on local finance, property taxation and public services levels. Of particular interest to this analysis of local government finance and land use planning in Massachusetts is Ladd's work in two areas: 1) the use of property taxation to achieve public policy objectives and 2) the relationship between tax policy and land use. A supporter of local property taxation powers, Ladd argues that intergovernmental aid from state governments has the potential to mitigate the problematic impacts this local revenue source can have on local communities.

While other scholars have published significant work in the field, the contributions of these five economists highlights the most important and innovative thinking on the intersection of local public finance and land-use

decision-making. As researchers today explore these complicated issues and elusive patterns, the fundamental work of Tiebout, Oates, Downs, Fischel, and Ladd continues to be referred to and relied upon as frameworks and guides for current research and thinking.

Fiscal Decision-Making in Metro Boston

As a home rule state, the state government delegates local fiscal decision-making, revenue raising and expenditure power to individual municipalities in the Commonwealth. Proposition 2^{1/2}, a ballot initiative voters approved in 1980 to cap property tax increases, defines the financial framework within which Massachusetts' policy-makers make these decisions. As a result, understanding the history, mechanics and current fiscal effects of Prop. 2^{1/2} is essential for analyzing the current local fiscal decision-making process in Massachusetts.

Prior to the passage of Prop. 2^{1/2}, localities in Massachusetts relied almost exclusively on the property tax to fund local services.⁶ As a result, property tax rates in the Commonwealth were the fourth highest in the nation, 70% above the national average.⁷ Homeowners worried that if assessed values and tax rates continued to rise uncontrolled, the ever-increasing tax payments would become unaffordable for all but the wealthiest households. Frustration with high property tax bills and state legislators' failure to enact tax relief measures led to grassroots legislative action. Despite uncertainty about the long-term fiscal effects, voters

⁵ Helen F. Ladd (1999), *The Challenge of Fiscal Disparities for State and Local Government: The Selected Essays of Helen F. Ladd*, xi.

⁶ Sherry Tvedt Davis (1983), "A Brief History of Proposition 2^{1/2}," *Proposition 2^{1/2}: Its Impact on Massachusetts*, Lawrence E. Susskind and Jane Fountain Serio eds., 4.

went to polls in record numbers to reduce their taxes in what is now known as the Massachusetts “tax revolt.”⁸

Prop. 2^{1/2} amended state law to set strict limitations on property tax levies. As a baseline, the law capped property tax revenues at 2.5% of the “full and fair” cash value of each community’s local tax base in 1980.⁹ Communities in excess of the levy limit in 1980 had to reduce their taxes by 15% per year until they were within the cap.¹⁰ In subsequent years, Prop. 2^{1/2} allows the levy limit to increase by 2.5% per year. A community taxing at its levy limit is constrained to a 2.5% increase in its total tax levy, while a community taxing below its limit can raise its taxes by any amount up to the limit. In any event, no community can raise its taxes above the so-called “levy ceiling,” of 2.5% of its total assessed value, equivalent to a tax rate of \$25 per \$1,000 of assessed value. Finally, once every three years communities must complete a comprehensive reassessment to ensure that all tax bills are based on the full and fair cash value of their property.

To raise additional funds, a majority of local voters can approve one-time and permanent overrides that increase the community’s taxes by more than 2.5% in the given year (but no more than allowed by the levy ceiling of 2.5% of total assessed value). Besides the override provision, Prop. 2^{1/2} does not provide exceptions for population growth or inflation.¹¹ In 1980, voters accepted the law’s rigid requirements in order to mandate that local elected officials exercise fiscal

⁷ *Ibid*, 3-4.

⁸ James Ring Adams (1984), *Secrets of the Tax Revolt*, 307-308.

⁹ For the state’s explanation of the proposition to voters see: Commonwealth of Massachusetts Executive Office of Communities and Development (1980), *Fact Sheet: Proposition 2^{1/2}*.

discipline in raising revenue. The consequences have been difficult to measure with any precision. The effects of the real estate market combined with the complexity of local finance in Massachusetts have made it difficult to isolate and uncover the fiscal effects of Prop. 2^{1/2}.

The real estate market has influenced the timing and magnitude of Prop. 2^{1/2}'s impact on local communities. The real estate market in eastern Massachusetts has moved through three significant cyclical phases since Prop. 2^{1/2} took effect in 1981. In the mid-1980s, the Massachusetts' market continued to gain value at a rapid pace. Then in the late 1980s, the real estate market crashed and lost value significantly. In the mid-1990s, however, the real estate market took off again and has remained relatively strong since, especially in the residential segment of the market. In addition to modifying the size of the tax base, these market cycles have also affected the pace of development in metro Boston.

While Prop. 2^{1/2} has not bankrupted any communities, there have been fiscal consequences. Increases in state aid and user fees have offset limitations on local property tax increases, while local reliance on the property tax to fund local services has declined. Clearly, two specific provisions of the law have significantly impacted the rate and pattern of growth in metro Boston. The first disconnect between expenses and revenues results from a cap on revenues that does not take into account increases in local expenses. Secondly, new growth is

¹⁰ If communities had been below their limits in 1980, the law required them to use 1979 as their base valuation year, rather than 1980.

¹¹ Davis (1983), 4.

exempt from the levy cap set under the 1980 tax base.¹² The full and fair cash value of this new growth is added directly to a community's tax base, creating a new base for the 2.5% levy.

The application of Prop. 2^{1/2}'s in the context of these market forces and state fiscal policies has shaped the current fiscal conditions in local communities. The rigidity of Prop. 2^{1/2} forces communities to make fiscal decisions conservatively, as they balance their revenue raising limitations with rising local expenses. The need to strike this delicate fiscal balance has significantly impacted the rate and pattern of growth in greater Boston. By directly increasing a community's tax base, new growth has the most substantial impact on the local bottom-line, providing an overwhelming incentive for every locality to compete for and approve commercial development. The competition between local communities to attract new commercial development is described as "tax farming" and the "race for rateables," as local governments seek to increase local tax capacity with increasing local service expenses.¹³

Furthermore, communities can tax commercial property at different, usually higher, rate to shift the revenue stream from voting residential taxpayers to non-voting commercial entities.¹⁴ To exercise some control over local expenses, communities are especially hesitant to approve new development that

¹² Massachusetts Department of Revenue Division of Local Services (2001), *A Guide to Financial Management for Town Officials*, 25.

¹³ Anthony Flint (2002), "Planning the Fragmented Metropolis: Acting Regionally and Locally," *Governing Greater Boston: The Politics and Policy of Place*, Charles C. Euchner ed., 198.

¹⁴ For a complete discussion see: Massachusetts Taxpayers Foundation (1998), *Unequal Burdens: Property Tax Classification in Massachusetts*, 3-9.

will increase local service costs.¹⁵ Instead, localities look for new development options where the taxes the development generates will cover or exceed the expenses the development will require. Consequently, commercial development with its potential to boost the local tax and relatively low expenses has become the most attractive option.

At the same time, zoning outlines how a community will develop, which in turn shapes the future of the community's tax base, since zoning provides the map for a community's fiscal growth potential. To keep revenues and expenses balanced as required under Prop. 2^{1/2}, communities in Massachusetts must view physical planning in conjunction with tax base development. While state aid provides some relief, limited state aid appropriations can provide only a baseline level of funding.¹⁶ The primary way for communities to increase local revenue and improve local services is by increasing their property tax bases. Necessarily, these considerations guide zoning and development approval decisions as communities weigh the impact of new development on local finances.

While fiscal zoning/ planning is not a new concept, it is clear that Prop. 2^{1/2} increases the pressure on communities to practice fiscal zoning. Under traditional zoning, single-family homes are a protected class of development, making it impossible for communities to restrict or control the construction of new

¹⁵ The Commonwealth of Massachusetts Executive Office for Administration and Finance (2000), *Bring Down the Barriers: Changing Housing Supply Characteristics in Massachusetts*, Policy Report No. 4, 18-19.

¹⁶ Massachusetts Municipal Association, *A Rationale for Revenue Sharing*, http://www.mma.org/about_mma/policies_positions/mma/revenue_sharing_rationale.htm, 10/23/01.

single-family homes.¹⁷ However, communities can dictate the kinds of homes that can be built within their borders. In Massachusetts, local service costs associated with additional housing development can easily exceed the revenue generated by new development: “Many communities believe that new residents actually end up costing them money – as much as \$500 per household.”¹⁸ To protect their fiscal health, therefore, communities must ensure that either the value of new homes is high enough to raise the necessary taxes to support the required services or there is sufficient commercial development in the town to subsidize the new residential construction. Rather than looking to more progressive growth management based planning models, the pressure to match local revenues and expenses dictates local zoning and planning efforts in Massachusetts.

Current Development Patterns in Metro Boston

The vast majority of new development in metro Boston is occurring at the edge of the metro area, a pattern commonly characterized as “low-density fringe” development. A study of the Boston metro area conducted by the Metropolitan Area Research Corporation (MARC) in 2001 concluded, “much of greater Boston’s growth has occurred between Route 128 and I-495 and in southeastern Massachusetts,” on the outskirts of the metro area.¹⁹ MARC based its analysis of growth patterns on the increasing proportion of land included in the Census

¹⁷ Daniel R. Mandelker et al. (1995), *Planning and Control of Land Development*, 249-251.

¹⁸ Flint (2002), 199.

¹⁹ Metropolitan Area Research Corporation (2001), *Boston Metropatterns: A Regional Agenda for Community and Stability in Greater Boston*, 9.

Bureau's definition of "urbanized areas" in the region. Analyzing the same urbanized areas, MARC also found that population density has declined across the region. The reductions ranged from 8% to 22%, with the 22% decline occurring in the City of Boston itself.²⁰ Local planners and politicians have also recognized the rapid growth in the western and southeastern suburbs. While growth in the region is unbalanced, state leaders actively support these growth patterns as they continually appropriate funds to help these fast-growing regions absorb additional growth.²¹

During the 1990s, fueled by breakthroughs in technology, the national economy surged ahead and metro Boston -- with its concentration of technology industries -- was one of the most prosperous regions in the country.²² At the state level, government subsidized infrastructure projects in the hopes of attracting high-paying jobs.²³ On a local level, communities across the region, eager to increase their local tax bases, competed aggressively to attract new commercial growth within their borders as firms expanded and relocated. Despite local efforts, businesses in search of optimal access tended to locate along major roads and interstates.²⁴ Although firms' location choices often thwarted local economic development efforts, these location decisions reinforce the economic theory of firm location: decentralized firms want to be near transportation corridors to reduce location costs and to increase proximity to

²⁰ *Ibid*, 9.

²¹ William H. Newton (2001), "Preventing I-495 West from Becoming a Victim of its Own Success," *New England Planning*, 11; Flint (2002), 191.

²² Andrew Sum et al. (2001), *The Story of Household Incomes in the 1990s*; Andrew Sum et al. (2000), *The Rise in Income Inequality in Massachusetts and New England*; Flint (2002), 192-193.

suburban workers.²⁵ Even as the new growth increased congestion and infrastructure costs, communities continued to welcome new commercial development to ensure adequate tax base growth.

Furthermore, the greatest concentration of new single-family home construction has been in these same western and southeastern suburbs.²⁶ Throughout the region, single-family home construction has substantially outpaced multi-family construction, with the vast majority of new multi-family development concentrated in the City of Boston and inner-ring suburbs. The region's rising incomes support the high home prices in metropolitan Boston. These higher income households are willing to pay higher prices to live in metro Boston, threatening single-family housing affordability across the region.²⁷ Furthermore, in conjunction with the regional planning body in greater Boston, the Metropolitan Area Planning Council (MAPC), MARC reported, "56 out of 101 towns in the Boston region had issued 95 percent of their permits for single-family development, while another 21 had issued more than 75 percent of permits for single-family construction."²⁸ These trends suggest an aversion to multi-family housing in greater Boston communities.

Is the lack of multi-family housing construction the result market trends or are communities purposefully excluding multi-family development from their

²³ Newton (2001), 11.

²⁴ *Ibid*, 1.

²⁵ Dennis DiPasquale and William C. Wheaton (1996), "Firm Site Selection, Employment Decentralization, and Multicentered Cities," *Urban Economics and Real Estate Markets*, 98-122.

²⁶ Newton (2001), 11.

²⁷ Gretchen Weisman (2002), "More than Shelter: Housing the People of Greater Boston," *Governing Greater Boston: The Politics and Policy of Place*, Charles C. Euchner ed., 145; Sum et al. (2001); Sum et al. (2000).

communities? The strength of the rental market throughout metro Boston suggests that there is sufficient market demand to support additional multi-family development. The current median rent in metro Boston is \$1,200, below only New York City and San Francisco.²⁹ Developers eager to take advantage of these high rents have turned increasingly to Massachusetts' Comprehensive Permit Law. Also referred to as the "anti-snob zoning law," the statute allows developers to override local zoning to build multi-family housing if they set aside at least 25% of the units as "affordable" for at least fifteen years, with "affordable" defined as 30% of the federal Department of Housing and Urban Development's fair market rents and area median income (AMI) guidelines for households earning less than 80% of AMI.³⁰

For example, Avalon Bay Communities, a national apartment real estate investment trust (REIT) that is publicly traded on the New York Stock Exchange, has developed over 1,000 new apartments in the Boston region over the past ten years, often relying on Chapter 40B to gain local approval.³¹ In suburban communities, Avalon's apartments rent for approximately \$1.25 per square foot, generating impressive profits and healthy returns for shareholders even with the affordable set-asides.³² Despite the high costs associated with construction in the region, Avalon continues to develop apartments in metro Boston, indicating

²⁸ Metropolitan Area Research Corporation (2001), 20.

²⁹ <http://www.econdata.net>, 3/9/02; Massachusetts Institute for a New Commonwealth and Northeastern Center for Labor Market Studies (1999), *The Road Ahead: Emerging Threats to Workers, Families and the Massachusetts Economy*, 84-87.

³⁰ See the Massachusetts Department of Housing and Community Development website for additional information, <http://www.state.ma.us/dhcd/Ch40B/Default.htm>, 3/10/02.

³¹ <http://www.avalonbay.com>, 3/10/02.

³² <http://www.avalonbay.com>, 3/10/02.

that they foresee continued opportunities for growth and profit in metro Boston at levels acceptable to the capital markets.³³

The strength of the residential rental market makes it clear that the lack of multi-family construction in metro Boston is not market driven. Rather, the severe limitations that local communities throughout the region impose on multi-family construction are responsible for the constrained supply of new multi-family units.³⁴ Beyond the prejudices that suburban residents often have against multi-family dwellers, fiscal considerations provide an overwhelmingly strong disincentive for communities in Massachusetts to approve multi-family or even dense single-family residential development. From a local finance perspective, local governments are wary of new developments that will be a net drain on local resources because the taxes they generate will never sufficiently cover the cost of services for new residents, especially residents with children.³⁵

Conclusion

Both the theory and practice of metropolitan development provide explanation and evidence of the overwhelming fiscal disincentive for local communities in metro Boston to adopt alternative development patterns. While there are strong arguments in favor of local control of services and revenues, this autonomy results in high social costs. Depending on the unit of analysis,

³³ Weisman (2002), 149-152.

³⁴ The Commonwealth of Massachusetts Executive Office for Administration and Finance (2000), *Bringing Down the Barriers: Changing Housing Supply Dynamics in Massachusetts*, Policy Report No. 4, 20-23; Weisman (2002), 158-160.

³⁵ The Commonwealth of Massachusetts Executive Office for Administration and Finance (2000), 18-20.

however, the magnitude of these costs differs. From a local perspective, maximizing local service levels on minimal revenues is optimal. Costs to other communities, non-residents who are excluded and/or the region as a whole are factors that are not taken into account. In contrast, on a regional level, optimizing quality of life for particular communities is secondary to optimizing the success of the region as a whole. Therefore, from a regional perspective the development patterns resulting from the current regulatory framework are both inequitable and inefficient; the social costs associated with local autonomy are of much greater magnitude when evaluated regionally. Given the complexity of local politics and governance, analyzing the issues through the magnifying and clarifying lens of economic theory and economic models can provide important insight into local fiscal decision-making, which helps us to understand why growth management has failed to gain momentum in Massachusetts. Until such reforms are fiscally viable for all communities in the Commonwealth, the greater Boston region will not be able to move from heated debate to proactive action.

Chapter 3

The Effects of Local Finance on Land Use Planning in Greater Boston

Introduction

Communities in Massachusetts make fiscally conscious land use decisions. Discerning the economic reasons why communities makes these decisions can help to explain the effects local finances have on land use planning in the greater Boston region. Under Proposition 2^{1/2}, communities in Massachusetts face a delicate fiscal balancing act as they try to maintain local service levels: costs increase at a variable rate, while revenue growth from the local property tax base (excluding new development) is limited to 2.5% per year. To strike the fiscal balance, it is widely reported that communities actively seek to exclude development that will increase local service costs by more than it will increase the local tax base. At the same time, communities limit new development approvals to projects that will pay their own way or generate a net increase in local revenue, such as commercial and industrial development, expensive housing and housing for seniors; or they discourage new development altogether. While these are methods of managing growth, more effective techniques would go beyond strategies that limit development, which increases

local services costs, to balance fiscal, social and regional affects of new development with competing growth pressures.

Evaluating new development according to the projected impacts of community service costs encourages policies that make all but the most expensive residential development difficult. While other problems result from fiscally motivated development, housing affordability is the most acute side effect in greater Boston. The fiscal disincentive to develop low- to mid-price family housing provides a vivid example of why reform of the local finance structure must accompany local initiatives to manage growth in Massachusetts. Previous attempts to relieve pressure on local governments to absorb increasing costs of community services have been *ad hoc* and uncoordinated. Analysis of these past efforts, coupled with research and case studies of model reforms across the nation, suggests that comprehensive, fundamental regulatory reform will facilitate the growth management and land use planning necessary to reverse these trends.

Protectionist Planning

As in any metropolitan area, homeowners in greater Boston have an overwhelming economic interest in practicing fiscally motivated planning.¹ The rate and nature of future development will affect the community's ability to fund services, which in turn will influence their home values. To actively protect their investments, homeowners participate in local government by voting and running for local office, collectively supporting an agenda that seeks to increase

perceptions of neighborhood quality.² As homeowners in Massachusetts work to block additional low- to mid-value residential development in some cities and towns, these decisions collectively overburden other communities that are willing to approve these developments, as well as communities where the existing housing stock is more modestly priced. It is not specific local decisions that are responsible for the high housing costs; rather it is the combined effect of individual local decisions that create serious regional problems. This suggests that to the most accurate assessment of the impacts of local fiscal and land use planning in Massachusetts should be measured regionally, comparing communities across the metro area to determine the cumulative effects of local decisions.

At the same time, this defensive planning has entrenched segregated residential settlement patterns more deeply, as households seeking more affordable housing options all flock to the same communities. Only 8 towns in greater Boston have reached the Chapter 40B threshold of setting aside 10% of their housing stock as subsidized affordable housing units: Boston, Chelsea, Cambridge, Lynn, Salem, Malden, Beverly and Lincoln.³ This excess demand drives up even the lowest priced housing, in the least desirable places. While exclusion protects some individual homeowners, economic evidence suggests that if housing options are provided for households of all incomes in all communities the resulting de-concentration of poverty will improve service quality

¹ William Fischel (2001), *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*, 45-54.

² *Ibid*, 5-12.

³ <http://www.state.ma.us/dhcd>, 5/9/02.

for the entire region, without increasing taxes.⁴ No policy in Massachusetts specifically addresses the wider issues of housing affordability in the region. Local governments, largely responsible for life within their borders, can easily quantify the costs of accepting low-cost housing without regard for the regional costs of exclusion. The state's Executive Office of Administration and Finance (EOAF) reports that new residential development must be assessed at an average of \$215,000 per unit to cover the municipal costs.⁵ Depending on local service costs, new residential development may need to be assessed as high as \$400,000 per unit to break even.⁶ Naturally, this provides a strong fiscal disincentive to approve multi-family or low-value single-family homes. Without any policies to diffuse self interested planning, local communities will continue to limit housing production that hurt their bottom lines, benefiting their residents while contributing to a housing affordability problem that is more apparent and more damaging regionally than on the local level.

Greater Boston's regional economy has grown rapidly over the past twenty years. A comparative analysis of metropolitan growth patterns across the country between 1980 and 1990, has characterized greater Boston as one of the nation's "regions that works."⁷ During this ten-year period, economic growth helped to pull the metropolitan area's poorer residents out of poverty, while also

⁴ Maxine Minkoff et al. (2001), *Massachusetts Education Reform Review Commission: Annual Report 2001*, 59; Anthony Downs (1973), *Opening Up the Suburbs*, 32-36.

⁵ The Commonwealth of Massachusetts Executive Office for Administration and Finance (2000), *Bringing Down the Barriers: Changing Housing Supply Dynamics in Massachusetts*, Policy Report No. 4, 19.

⁶ Community Opportunities Group, Inc. and Connery Associates (1999), *Town of Hopkinton, Organizing for a Balanced Fiscal Future: Land Use, Political Culture and Town Finance*, 36.

⁷ Manuel Pastor et al. (2000), *Regions That Work: How Cities and Suburbs Can Grow Together*, 145-154.

reestablishing Boston as the true “hub” of the regional economy. However, beginning in the 1990s, as the region recovered from the recession of the late 1980s and early 1990s, the sustained, robust regional growth prompted a shift in the region’s planning strategy from stimulating growth to stopping growth, as communities feared that unchecked growth and economic development could negatively impact local quality of life.

Planning that constrains growth by limiting the land available for the construction of additional housing drives up the price of new and existing housing units across the region. The shortage of workforce housing has become metro Boston’s most visible example of the downside of sustained economic growth. The region’s extremely high rents and home prices make it difficult for employers to attract and retain workers.⁸ Despite the mounting pressure from business leaders, state politicians, residents and advocacy organizations, the rate of housing construction is low as suburban communities remain reluctant to approve residential development for poor and moderate income households.⁹ Massachusetts consistently issues among the lowest number of permits for residential development in the nation, less permits per capita than other state in the Northeast except New York.¹⁰ In addition, Massachusetts only issues 40% of the national rate of single-family permits per capita and 35% of the national rate for multi-family permits.¹¹ While housing affordability has been identified and

⁸ Andrew M. Sum (1999), *The Road Ahead: Emerging Threats to Workers, Families and the Massachusetts Economy*, Massachusetts Institute for a New Commonwealth, 104.

⁹ The Commonwealth of Massachusetts Executive Office for Administration and Finance (2000), 7-11.

¹⁰ *Ibid*, 7.

¹¹ *Ibid*, 7.

accepted as a serious problem in the region, policy solutions will almost certainly be unsuccessful unless they address the effects of residential development on local finances.

The failure to connect land use planning tools to the local fiscal structure undermines the success of any planning initiatives that do not result in a positive fiscal net gain for local communities. Despite efforts to improve the state zoning enabling legislation outlined in Chapters 40A and 40B of the Massachusetts General Laws (M.G.L.), the statutes still do not provide Massachusetts communities with enough incentive to plan in anticipation of new growth. For example, the “anti-snob zoning” or “comprehensive permit” law outlined in Chapter 40B of the M.G.L., which provides a mechanism allowing developers to override local zoning to build mixed-income housing, results in practical fiscal difficulties for local communities under the current regulatory framework. The law is designed to prevent communities in Massachusetts from excluding affordable housing by explicitly focusing on overriding “not-in-my-backyard” (NIMBY) attitudes that contribute to exclusion.

However, 40B fails to provide any sort of mechanism to relieve the fiscal stress that the new housing developments place on communities. As a result, 40B only partially addresses why communities exclude residential development. This one-sided approach gives developers additional leverage to blackmail local communities into approving development proposals by threatening to build a fiscally draining affordable housing if their development proposals are not

approved.¹² To be effective in forcing exclusionary communities to approve affordable housing development, 40B has to be a blunt and powerful tool. Still, 40B is disconnected from the state's fiscal structure, and as a result, cannot continue to serve as a cornerstone of the state's housing production policies.

To guard against potentially fiscally draining development, Massachusetts' communities are also using conservation designation to prevent large tracts of land from ever being developed within their borders. In the past two years, cities and towns across the state have approved over 100,000 acres of conservation land, more than half of the state's goal for the next ten years-- marking the first time in twenty years that more land was preserved than developed on a daily basis in the state.¹³ Preserving the natural landscape and planning for open space are important public goals. However, communities often use conservation designation as a way to exclude unwanted development. The comments of a conservation activist from Cape Cod provide insight into the less environmentally minded motivations for conserving open space:

There's a fixed cost for educating students and if you have lots of homes that are low tax revenue you'll end up getting a fiscal imbalance... A small tax base means you get a strain on town services. It's like a vortex. If you have higher value homes, you have higher tax revenue, but the town ends up becoming less affordable.¹⁴

If used as a tool to limit growth, increasing the amount of conservation land directly reduces housing affordability in both the long and short run. In the long

¹² Charles C. Euchner (2002), "Where is Greater Boston? Framing Regional Issues," *Governing Greater Boston: The Politics and Policy of Place*, 22; Anthony Flint (2002), "A village, by design," *The Boston Globe*, 1/23; Kenneth Rapoza (2002), "Balancing affordable housing, open space," *The Boston Globe*, 1/6.

¹³ American Planning Association (2002), *Planning for Smart Growth: The 2002 State of the States*, 72.

¹⁴ Rapoza (2002).

run, the supply of land available for housing development is permanently limited, driving up housing costs. At the same time, in the short run the increased public investment in open space is an attractive amenity that raises the value of existing homes. Together, the long and short-term effects protect local tax bases by artificially limiting the amount of land available for housing and other development.¹⁵

In theory, 40B provides some recourse against this kind of exclusion, but Census data indicate that between 1998 and 2000 the vast majority of multi-family housing construction was concentrated in the City of Boston and the inner-ring suburbs bounded by Route 128.¹⁶ The most rapidly developing communities in greater Boston have not built denser, lower-cost housing. Instead, these communities have approved expensive homes and commercial development, which generate the highest property tax revenues and require the least public services. It is in these developing communities that there is the greatest opportunity to reshape the region's development patterns and it is clear that this cannot be accomplished until it is fiscally viable.

Massachusetts' Public Finance Reform Since Proposition 2^{1/2}

Like efforts to improve land use planning, public finance reforms in Massachusetts have also been *ad hoc* and disconnected. Formally, state contributions to local governments have increased significantly since Proposition 2^{1/2} took effect in 1981. Informally, exacting payments from developers,

¹⁵ Fischel (2001), 230.

sometimes termed “impact fees,” has provided a way for communities to offset the capital expenses associated with new development. Bound by legal precedent, communities can approve development proposals on the condition that developers provide the portion of infrastructure or other capital costs that the local budget cannot fund. The use of formal and informal means to increase local revenues helps relieve fiscal stress, but not initiate a revision of current land use patterns.

In Massachusetts, local aid primarily comes in two forms: school aid and lottery aid. Assistance to schools accounts for two-thirds of the total aid to localities and is appropriated directly from the state budget.¹⁷ Lottery aid is directly proportional to total state lottery receipts. While far from perfect, the current school aid program was developed in a previous attempt to correct disparities in local fiscal capacity. The 1993 education reform law provides a baseline of school funding across districts, regardless of local revenues. If communities cannot reach the baseline, or “foundation,” per pupil spending goal, the state makes up the difference. Currently, state aid ranges from funding 17% of local education costs in the wealthiest areas to funding up to 83% of local education costs in high poverty districts.¹⁸

The Massachusetts Education Reform Review Commission’s Annual Report 2001 states that school equalization funding formula is designed to address both disparities in property tax wealth across communities and

¹⁶ Metropolitan Area Research Corporation (2001), *Boston Metropatterns: A Regional Agenda for Community and Stability in Greater Boston*, 21.

¹⁷ Massachusetts Taxpayers Foundation (2001), *Municipal Financial Data*, 31st Edition, 3.

¹⁸ Minkoff et al. (2001), 56.

disparities in the number of low-income students enrolled across school districts.¹⁹ Historically, these differences in local wealth led to marked differences in the quality of public education across the state. In fact, state data show that cities and towns with the most property wealth also have the lowest rates of high poverty enrollment.²⁰ The quality of local schools directly affects home values, further contributing to local motivations to engage in fiscally conscious planning and development approvals.²¹

Although bringing all districts up to a foundation level of spending is designed to facilitate equity in school quality and student performance across the state, state testing indicates that students in high-poverty districts still perform at consistently lower levels than other students. The Education Reform Review Commission reports that most successful districts have poverty rates under 10% and that none of the districts in the state with poverty rates above 18% also have high test scores.²² While the data suggest that the increased spending has resulted in higher test scores overall, the consistently low student performance in high poverty districts provides suggestive evidence in support of de-concentrating poverty by providing housing options for households of all incomes in all communities; motivated, high-achieving peers are as important a factor as adequate funding in predicting student achievement. In Massachusetts, school funding is the largest ongoing operational expense for localities. In light of the

¹⁹ *Ibid*, 52.

²⁰ *Ibid*, 53.

²¹ Fischel (2001), 135-36.

²² Minkoff et al. (2001), 58.

relative restrictions on local communities ability to raise additional property tax revenue, increased school costs have to be passed on to the state.

To offset the fixed capital expenditures associated with new development, communities often rely on developer exactions. Developer exactions are an informal processes in Massachusetts. In other parts of the country, states have legislated specific formulas for impact fees that all developers must agree to pay in order to gain development approval.²³ However, impact fees are not formally authorized by state legislation in the Massachusetts. Instead, communities negotiate directly with developers, conditioning development approvals on cash payments to offset projected public costs or the developer's provision of infrastructure or other capital needs. For example, in the fast growing town of Weymouth on the South Shore, a developer rebuilt the sewer line serving a new development and the entire surrounding neighborhood as a condition for the approval of a 300 unit mixed-income multi-family development under the state's comprehensive permit law, in addition to upgrading a nearby intersection to mitigate projected traffic from the new development.²⁴ While offsetting the upfront capital costs associated with new development is helpful for local government finances, communities are still required to fund the ongoing operational expenses associated with the provision of local services for new residents.

While the increases in state aid should provide developing communities with additional fiscal flexibility, state aid is not guaranteed. The insecurity of local

²³ Brian W. Blaesser (2001), "Development Exactions Principles and Practice."

²⁴ Emily Shartin (2002), "Officials seek to revisit affordable housing law," *The Boston Globe*, 2/24.

aid awards makes communities wary of relying on state aid too heavily to fund the costs of new growth.²⁵ Given the uncertainty of state aid, communities have a ready rationale for assessing their fiscal conditions too conservatively, arguing that they need to ensure that local services will not suffer drastically in years of lean state support. Under the current system, even when developers provide infrastructure to offset some of the public capital costs associated with development, communities must still absorb increases in annual costs of services. In the absence of adequate funding, local leaders are unwilling to approve new development that they believe will jeopardize local fiscal health.

Model Reform Options

Greater Boston is not the only prosperous region in the country wrestling with these issues. Model fiscal reforms, designed to address disparities and drains on fiscal capacity resulting from growth, can be found across the country. Most basically, these fiscal reforms foster a link between local finances and planning ideals, while disconnecting local property values from service funding.

The tax revenue sharing program in place in the Twin Cities of Minneapolis and St. Paul, Minnesota is a widely cited example of local finance reform designed to level the fiscal playing field across communities. Initially established in 1971, the tax revenue sharing program works hand-in-hand with the Twin Cities regional governing body, the Metropolitan Council (Met Council), to address regional fiscal inequality through commercial and industrial property tax redistribution. Under the law, the 187 cities, 49 school districts, and 7

²⁵ Massachusetts Municipal Association (2002), "House leaders warn of deep local aid cuts,"

counties of the Twin Cities' metro region contribute 40% of their post-1971 growth in commercial and industrial property tax revenue to a regional fund.²⁶ The pooled money is then distributed inversely to cities based on commercial industrial wealth. The tax revenue sharing program in the Twin Cities is specifically designed to improve both equity and efficiency in local government finance, breaking the link between local services funding and local tax capacity.²⁷ By the mid-1990s, Minnesota redistributed approximately \$400 million in property tax revenue annually, equivalent to about 30% of the region's total commercial and industrial tax base.²⁸ In the 1990s, legislators from communities still struggling to fund local services have proposed the inclusion of higher value homes, assessed above \$200,000, in the revenue sharing pool.²⁹ Despite the success of the revenue sharing program for the region as a whole, wealthy communities have opposed extending any revenue sharing to the residential tax base. At present, the initiative remains stalled in the state legislature. Although fiscal inequality has not been eradicated, the commercial and industrial tax revenue sharing program in the Twin Cities has successfully mitigated extreme fiscal polarization in the region.

The states of New Hampshire and Vermont provide another example, having moved to a statewide property tax as a result of lawsuits over inequalities in school funding.³⁰ Under a statewide property tax, adopted in Vermont in 1997

State Budget News, 2/22.

²⁶ Myron Orfield (1998), *Metropolitics: A Regional Agenda for Community and Stability*, 87.

²⁷ *Ibid*, 85.

²⁸ David Rusk (1999), *Inside Game Outside Game: Winning Strategies for Saving Urban America*, 240.

²⁹ Orfield (1998), 146.

³⁰ For additional information see <http://www.state.nh.us> and <http://www.state.vt.us>.

and in New Hampshire in 1999, the state governments collect the property tax and then distribute the proceeds to communities according to a standard per pupil allocation. In New Hampshire, the statewide property tax is used solely to fund the state's public education system. The legislature sets the per pupil expenditure and then levies the required amount per \$1,000 of assessed property value. Before embarking on this education funding reform, New Hampshire did not have a property tax. During the reform process, the state legislature decided to implement a property tax to fund education because of the direct connection between school quality and home values.³¹ After protracted legal battles, the Supreme Court in both states has declared the statewide property tax constitutional. Although neither have been in place long, these statewide property reforms are revolutionary because they have disconnected local revenue raising power from local service costs, reducing local fiscal zoning motivations.

In an even more dramatic move, a handful of cities in Pennsylvania have implemented a split-rate property tax, which taxes land more heavily than buildings; this is the inverse of typical property taxes that tax improvements more heavily than land. Reforming the actual structure of the property tax by adopting a split-rate tax goes a step beyond attempting to redirect land use patterns through the redistribution of tax revenue; it is a strategy that relies on levying the property tax differently to achieve denser, more intensive land development. As the most widely studied example in the United States, analysis of Pittsburgh's

³¹ Lisa Shapiro et al. (1999), *The Economic and Fiscal Impacts of a Uniform Statewide Property Tax*, 47-48.

experience with the split-rate tax suggests that it encourages central city development.³² However, in a suburban context where land use tends to be less intensive, split-rate taxation may not yield appropriate development patterns if implemented as a land use reform measure because it encourages development that maximizes density. It is also unclear exactly how much of the new development in Pittsburgh is *directly* attributable to the tax and how much is the result of other forces. Despite these uncertainties, the Pittsburgh experience indicates that in a central city split-rate taxation can create an incentive to develop vacant land and redevelop underutilized land and abandoned buildings.³³ The Pennsylvania examples provide evidence that a split-rate tax has potential as a land use reform tool in urban areas.

Finally, in Maryland, the state government has required communities to manage growth by limiting state funds for new infrastructure and development to Priority Funding Areas (PFA) targeted for growth since 1998.³⁴ This “top down” approach from the state government forces counties and communities in Maryland to plan within the bounds of state policy if they want to be eligible for state funding. County planning directors then determine where the PFAs should be located; existing cities, towns and all land within the Baltimore and Washington D.C. beltways are automatically PFAs. The success of the PFA system in redirecting growth and development depends directly on how well

³² Wallace E. Oates and Robert M. Schwab (1995), *The Impact of Urban Land Taxation: The Pittsburgh Experience*, 8; Steven C. Bourassa (1990), “Land Value Taxation and Housing Development: Effects of the Property Tax Reform in Three Types of Cities,” *American Journal of Economics and Sociology*, 107.

³³ Oates and Schwab (1995), 10-11; Bourassa (1990), 109.

³⁴ Rob Gurwitt (1999), “The State Vs. Sprawl,” *Governing Magazine*, January, 5.

counties select their PFAs. Depending on their boundaries, PFAs can reinforce existing sprawl development, encouraging existing patterns of disconnected growth, or they can redirect growth into denser, more compact development patterns. Explicitly linking state funds to planning goals has not solved Maryland's growth management problems, but by acknowledging the connection between the issues, it has forced all levels of state, county and local government to address the present and future fiscal impacts of growth for the state.

Conclusion

Without engaging in the painful work of amending the fiscal framework that currently guides state, regional and local decisions, only limited growth management reform is possible in Massachusetts. The reform models from Minnesota, Vermont and New Hampshire, Pennsylvania and Maryland provide diverse examples of successful reforms that have integrated local planning with local financial concerns. Understanding these examples is important because they highlight the potential benefits of undertaking difficult comprehensive policy reform work, which connects local finance and planning. Acknowledging that to gain momentum, growth management reform must make the essential connection between local finance and future growth patterns, creative thinking now needs to be done about what types of reform would be effective in Massachusetts.

Chapter 4

The Reality of Reform: Strategies for Restructuring Local Finance in Greater Boston

Introduction

Redirecting the local financial structure and land use development patterns is a complex, multi-layered process that must address regulation, politics, governance, community values, tax policy and expenditures. In Massachusetts, state and regional politics pose formidable barriers to fiscal reforms that would encourage growth management. It will be difficult to amend the state's fiscal structure to eliminate the incentive to prevent denser, lower-cost residential development, instead of encouraging the development of expensive homes and commercial projects to stabilize the tax base. This complex issue cannot be solved with piecemeal or symbolic policy amendments. To solve this problem, local finance reform must eliminate the fiscal motivation to exclude development that will not generate the desired level of revenue. A potent mix of history, fear and mischaracterization of the current situation poses a substantial challenge to fiscal and planning reform in greater Boston.

Persistent Barriers to Local Land Use and Fiscal Reform in Massachusetts

Communities are responsible for funding two levels of public services: local capital infrastructure expenses and ongoing local services, such as schools, police and fire protection. Although infrastructure development requires substantial initial capital outlays, some development costs are offset with state and federal funds or can be amortized over longer periods of time. While this structure provides flexibility in infrastructure funding, communities can quickly saddle themselves with large debts if infrastructure is being developed at too rapid a pace. On an annual basis, however, the cost of perpetually funding local services provides a substantial financial challenge for communities. Funding these services cannot be delayed as infrastructure projects often can, creating persistent and costly financial obligations. Furthermore, unlike infrastructure projects, which become less costly per capita as density increases, conventional fiscal impact analysis projects that some local service operations actually become more costly per capita as density increases because per capita revenue raising capacity does not increase as development densities increase.¹

Although Massachusetts is a state known for liberal and progressive politics, it is also a state deeply entrenched in history. The region's fragmented governance and autonomous development patterns have been perpetuated since the colonial period. To this day, home rule is essential to local governance, with each locality seeking to maximize the quality of life within its borders. From

¹ Helen Ladd (1991), "Population Growth, Density and the Costs of Providing Public Services," *The Challenge of Fiscal Disparities for State and Local Governments*, 346-347; Community Opportunities Group, Inc. and Connery Associates (2001), *The Fiscal Implications of Growth and Change: Town of Shrewsbury*, 40.

a local perspective, quality of life measures include public service quality, school performance, property tax levels, the quality and quantity of open space, recreational opportunities, traffic, local perceptions of neighborhood quality and other location amenities. Home rule defines the relationship between the state and local governments, as well local governments' relationships with each other. The exceptional autonomy creates an anomalous regulatory environment in Massachusetts, where communities are unwilling to surrender any power to the state government or each other and the state is hesitant to interfere in local issues. Consequently, the state government has been unwilling to revive state mandated planning or take revenue-raising power from local governments, even though local governments receive their power from the state.

Under a home rule system, local governments can focus on local interests with little regard or responsibility for the effects their decision-making will have on the region as the whole. From a fiscal perspective, communities fear upsetting the delicate fiscal balance required under Proposition 2^{1/2}. Each locality has spent years balancing their local expenditures with their local fiscal capacity allowable under Prop. 2^{1/2}. As is the case with most proposed change, local leaders and residents fear that alterations to local revenue raising power will adversely affect home values in their communities. Despite the pressure of regional problems, local property owners are more interested in protecting their investments than giving up local control to address problems regionally.

In Massachusetts, this has fostered a tradition of parochialism among local communities. This system of decentralized, locally focused governments

makes it difficult to build coalitions across jurisdictions to initiate wider reform efforts on the local level. Growth management has the potential to redirect problematic development patterns in greater Boston, but local parochialism continues to reinforce “not-in-my-backyard” (NIMBY) attitudes toward reform. Even when local leaders and residents understand that the region’s current growth patterns are flawed, they want reform in other communities, not in their own. Property owners fear that altering growth patterns to provide lower cost housing will attract less affluent, more racially diverse residents-- which they argue will lower local property values. The current structure of local control of revenues and expenditures provides a vehicle for land use choices that too often perpetuate racially and economically segregated settlement patterns.

The following table presents the data on median incomes, home sales prices, and home ownership rates for each of the 101 communities in the greater Boston region. The communities with the highest median home sales prices also tend to have the highest median incomes and percentages of owner occupied housing units. When approving additional housing development, the higher the home sales prices and the wealthier the community, the greater the range of new development the community will reject because it does not “break even” fiscally. This creates a cycle of exclusion where communities are reluctant to approve new development that is lower-value than the existing housing stock.

MAPC Region/ Community	Population	Local % of State Median Income	2001 Median Home Price	% Owner Occupied
INNER CORE				
Arlington	42,389	140.4%	\$356,000	58.8%
Belmont	24,194	159.7	480,000	60.7
Boston	589,141	80.8	381,000	32.2

MAPC Region/ Community	Population	Local % of State Median Income	2001 Median Home Price	% Owner Occupied
Braintree	33,828	110.7	255,000	77.5
Brookline	57,107	171.6	380,000	45.3
Cambridge	101,355	119.4	359,950	32.3
Chelsea	28,710	53.6	218,125	28.9
Everett	38,037	79.6	255,000	41.4
Holbrook	10,785	95.4	186,750	76.2
Lynn	89,050	66.5	187,000	45.6
Malden	56,340	87.5	240,000	43.3
Medford	55,765	104.2	274,900	58.6
Melrose	27,134	128.1	309,000	67.0
Milton	26,062	136.4	335,000	84.1
Nahant	3,632	138.8	277,500	68.0
Newton	83,829	176.6	515,450	69.5
Quincy	88,025	103.0	240,000	49.0
Randolph	30,963	94.0	203,950	72.3
Revere	47,283	79.2	215,000	50.0
Saugus	26,078	103.0	250,000	80.0
Somerville	77,478	95.5	339,000	30.6
Waltham	59,226	110.4	319,950	46.0
Watertown	32,986	124.9	337,000	47.0
Winthrop	18,303	104.9	229,950	53.2

NORTH SHORE

Beverly	39,862	113.1%	\$260,000	60.0%
Danvers	25,212	112.8	258,000	77.1
Essex	3,267	109.1	307,500	69.8
Gloucester	30,273	91.0	229,000	59.7
Hamilton	8,315	126.3	357,000	82.0
Ipswich	12,987	121.5	279,900	72.9
Manchester	5,228	165.9	449,000	70.8
Marblehead	20,377	167.2	366,100	75.3
Middleton	7,744	125.9	310,000	85.7
Peabody	48,129	101.3	257,000	71.2
Rockport	7,767	104.0	299,000	64.2
Salem	40,407	89.4	224,450	49.1
Swampscott	14,412	129.7	295,000	76.5
Topsfield	6,141	152.4	410,000	88.9
Wenham	4,440	145.8	533,000	85.4

NORTH SUBURBAN

Burlington	22,876	121.0%	\$315,000	79.5%
Lynnfield	11,542	145.6	350,000	94.4
North Reading	13,837	139.4	279,000	90.5
Reading	23,708	135.3	300,000	82.5
Stoneham	22,219	116.4	270,000	68.4
Wakefield	24,804	120.9	290,000	72.0
Wilmington	21,363	113.3	275,000	90.3
Winchester	20,810	178.7	452,500	80.5

**MAPC Region/
Community**

Population	Local % of State Median Income	2001 Median Home Price	% Owner Occupied
37,258	106.1	260,000	61.2

MINUTEMAN

Acton	20,331	175.6%	\$353,000	76.1%
Bedford	12,595	141.6	401,700	80.2
Bolton	4,148	173.5	479,900	93.4
Boxborough	4,868	167.6	119,900	70.7
Carlisle	4,717	226.8	600,000	93.8
Concord	16,993	197.2	535,000	80.5
Hudson	18,113	109.7	234,900	71.0
Lexington	30,335	180.1	469,000	82.6
Lincoln	8,056	240.5	602,125	61.3
Littleton	8,184	131.5	292,450	83.1
Maynard	10,433	116.3	240,000	69.8
Stow	5,902	162.6	356,200	87.1

METRO WEST

Ashland	14,674	132.6%	\$304,558	79.7%
Framingham	66,910	113.0	254,900	55.5
Marlborough	36,255	111.9	230,000	61.0
Natick	32,170	139.6	289,000	71.1
Southborough	8,781	70.4	427,000	87.9
Sudbury	16,841	202.3	427,000	92.2
Wayland	13,100	192.9	484,500	91.7
Wellesley	26,613	237.1	667,500	83.1
Weston	11,469	88.5	928,000	86.1

SOUTH WEST

Bellingham	15,314	101.7%	\$196,500	83.8%
Franklin	29,560	126.9	269,950	81.2
Holliston	13,801	136.0	305,000	86.3
Hopkinton	13,346	168.8	405,700	90.2
Medway	12,448	126.8	299,900	84.1
Milford	26,799	106.4	215,000	64.7
Millis	7,902	116.1	249,000	77.0
Norfolk	10,460	144.9	370,000	92.3
Sherborn	4,200	219.8	591,500	92.8
Wrentham	10,554	125.6	278,000	84.6

THREE RIVERS

Canton	20,775	133.5%	\$289,900	74.2%
Dedham	23,464	115.1	265,000	80.2
Dover	5,558	252.0	704,000	94.9
Foxborough	16,246	122.1	246,000	76.8
Needham	28,911	170.6	450,000	80.9
Norwood	28,587	109.6	258,700	57.2
Sharon	17,408	151.0	350,250	90.0
Stoughton	27,149	103.9	222,750	74.5
Walpole	22,824	125.8	274,000	85.1
Westwood	14,117	156.9	415,500	89.2

**MAPC Region/
Community
SOUTH SHORE**

	Population	Local % of State Median Income	2001 Median Home Price	% Owner Occupied
Cohasset	7,261	171.5%	\$537,350	85.4%
Duxbury	14,248	153.5	381,500	88.8
Hanover	13,164	122.8	274,000	87.4
Hingham	19,882	160.2	380,000	86.4
Hull	11,050	97.8	225,000	72.6
Marshfield	24,324	115.0	229,000	81.2
Norwell	9,765	147.2	390,000	92.1
Pembroke	16,927	106.3	234,916	89.1
Rockland	17,670	89.9	206,000	72.9
Scituate	17,863	125.1	321,000	83.0
Weymouth	53,988	106.9	202,900	67.3

Source: MAPC Regions, Metropolitan Area Planning Council, <http://www.mapc.org>; Population and % Owner Occupied, 2000 Census; Local % of State Median Income 1999, Massachusetts Department of Revenue; 2001 Median Home Price, The Warren Group, <http://www.thewarrengroup.com>.

Reinforcing these trends, the Commonwealth of Massachusetts now officially encourages fiscally driven growth management. In conjunction with the release of the state's *State of Our Environment Report*, environmental secretary Robert Durand announced a new initiative to help communities manage growth. This "planning toolbox" includes software that allows local officials to evaluate the net fiscal impact of each foot of proposed development by calculating "how many teachers, new roads or millions of water they will need in 10 or 20 years."² In addition:

A similar program will help local selectmen make an instant assessment of how industrial, commercial development would increase demand for services. The program projects growth in any of the state's 351 cities and towns and shows tax dollars needed for expanded police departments or schools.³

State officials believe that these new "tools" will help communities to make informed planning decisions and will eventually reverse sprawling development patterns. In reality, these "tools" are more likely to create sprawl than eliminate it.

² Anthony Flint, "State developing tools to handle growth," *The Boston Globe*, 4/9/02.

³ *Ibid.*

These methods exacerbate the local bias toward open space, commercial and industrial growth, and high-value housing, while discouraging higher density and greater development of much needed housing that is lower value per unit. Fiscally conscious planning is not “smart growth.” Preserving open space explicitly to prevent future development and increase the value of existing housing is not growth management.

Fiscal impact projections indicate that engaging in growth management, which relies on tools that effect local revenue raising ability, will negatively impact local fiscal conditions.⁴ For example: increased density, the development of additional low-cost housing or the redirection of commercial and industrial development to planned regional nodes all have potentially negative fiscal impacts. Other fiscally conscious growth management tools-- such as open space conservation, building permit caps, and growth moratoriums-- improve fiscal conditions for more affluent communities by reducing the potential for costly development. These development patterns serve to undermine regional growth management, improving the fiscal capacity in some wealthier communities, while leaving the rest of the communities and the region as a whole worse off. If used in isolation, these practices reinforce imbalances in regional growth, which favors development that generates the highest tax revenue.

While history, politics, power and money provide formidable barriers to growth management reform in Massachusetts, clearly identifying these barriers is not meant to discourage reform; rather it is only through acknowledging these

obstacles that feasible reform can be crafted. Massachusetts' unique local context suggests that the national models of reform should be used to provide inspiration, but cannot be expected to provide an exact blueprint. Fighting against the history and culture underlying these issues is a losing battle. Instead, reform efforts must begin to articulate how fiscally motivated development approvals contribute to regional land use problems, hurt the regional economy and undermine reform. Framing the issues in the Massachusetts context is essential to developing reform initiatives that will be effective in addressing the particular issues plaguing greater Boston.

Fiscal Reforms to Foster Growth Management in Massachusetts

In spite of the obstacles, there are places to begin comprehensive fiscal and land use reform efforts in Massachusetts. Most basically, analyzing the assumptions used to project fiscal impacts will provide insight into how fiscal impact is measured and understood in Massachusetts. More fundamentally, understanding local communities' revenue and expense needs reveals opportunities to amend the local fiscal structure by separating local revenue raising power from local service funding and other expenses. Policymakers in Massachusetts have proposed strategies, but none have been adopted. Analysis of national examples of fiscal reform also reveals that coordinating planning for development and disconnecting local revenue raising power from

⁴ Community Opportunities Group, Inc. and Connery Associates (2001); Community Opportunities Group, Inc. and Connery Associates (1999), *Town of Hopkinton Organizing for a Balance Fiscal Future: Land Use, Political Culture and Town Finance*.

local public service expenditures have been a hallmarks of successful fiscal reform that facilitate better planning.

Conventional fiscal impact analysis is more of an art than a science. In the late 1970s, Robert W. Burchell and David Listokin revolutionized the field by creating a standardized method of calculating fiscal impacts that compares the anticipated tax revenues and expenses new development will generate to project the net effect on the local community.⁵ Therefore, the accuracy of the projections depends directly on the quality of the assumptions used to develop the underlying fiscal impact model. In Massachusetts, both the state's Executive Office of Environmental Affairs's *State of Our Environment Report* and the state Department of Housing and Community Development's *Fiscal Impact Analysis Handbook* use Burchell and Listokin's methodology to help localities anticipate changes in revenues and expenses resulting from new growth.⁶ While this form of fiscal impact analysis is almost universally relied upon, the simplicity of the model, basically subtracting local services costs from local revenues, can provide only a rough estimation of impact.

Burchell and Listokin's model concludes that low to mid-value single family homes are a net drain on local finances because the property taxes they generate are not sufficient to fund local education costs for the school children they house.⁷ In an examination of Burchell and Listokin's conclusions and the

⁵ Robert W. Burchell and David Listokin (1978), *Fiscal Impact Handbook, Part I: Calculating Costs*.

⁶ Executive Office of Environmental Affairs (2002), *The State of Our Environment: A Special Report on Community Preservation and the Future of the Commonwealth*; Massachusetts Department of Housing and Community Development (1998), *Fiscal Impact Handbook*.

⁷ Burchell and Listokin (1978).

deficiencies of conventional fiscal impact methodology, economist Helen Ladd developed an alternative econometric model to measure the effects of residential development patterns on public service costs.⁸ Ladd then analyzed the effects of public service costs and residential development over time to understand the effects of population growth rates and the increased and decreased levels of residential density on public service costs over time.

Ladd's analysis confirms Burchell and Listokin's conclusions that both increased population density and rapid population growth increase local public service costs, creating a fiscal burden for established residents.⁹ The timing of new growth also affects communities. In the short run, if growth is rapid, service levels decrease to accommodate new growth, while in the long run expenses rise as communities restore previous levels service to a wider area. Consequently, Ladd argues (unlike Burchell and Listokin) that new development should be analyzed in the relation to all other existing development rather than evaluating new projects in isolation.¹⁰ Ladd's more rigorous model, using multiple variables over time, yields a more sensitive analysis than standard fiscal impact calculations, which are based on estimation and subtraction. Therefore, for the purposes of creating state and local fiscal policy, it is certainly worth exploring the use of a methodology like Ladd's (one that is more science than art) to quantify the costs of additional development.

In addition, the state must create a more consistent local aid system. If state aid award amounts are less volatile than in the past, state aid has the

⁸ Ladd (1991), 331-334.

⁹ *Ibid*, 347.

potential to provide a disincentive for communities to engage in aggressive property tax revenue-driven planning.¹¹ The state government has the potential to use local aid to influence local governments' behavior. Massachusetts' local aid funding policy is not just an issue of public service provision; it is also an exceptionally important land use and planning policy in the state.

The 2000 Community Preservation Act (CPA) provides an example of state aid's effects on local land use decision-making. The CPA allows communities to adopt a property tax surcharge through a local referendum that will be matched with state money to fund affordable housing, open space conservation and historic preservation. From a fiscal perspective, there are two fundamental problems with the CPA. First, the decision to link the issues of open space, affordable housing and historic preservation is symbolically appealing, but the mechanics of the legislation reinforce rather than diffuse the fiscal and political tensions between the issues. Communities are only required to spend 10% of the funds on each category with the other 70% unrestricted to fund any of the three areas.

Furthermore, the effectiveness of the CPA is isolated to the communities that are willing to incur the additional property taxes. The vast majority of communities that have passed the legislation are wealthy towns where residents are willing to pay the higher tax to improve their quality of life; in the same way that wealthy communities pass the most Prop. 2^{1/2} overrides to fund local capital improvements. As a result, the CPA reinforces fiscal inequity across

¹⁰ *Ibid*, 347.

communities as wealthy communities self-tax to take advantage of state matching funds, while poorer communities refuse, despite their need for additional funds. Using state money to provide additional incentives for wealthy communities to exclude housing development in the name of growth management only addresses a fraction of the region's growth management issues. The CPA has influenced local decision-making, but the flaws in its mechanics have limited its effectiveness in changing land use patterns.

In 2000, the Cellucci-Swift administration formed a working group of developers, state officials and housing advocates to identify and analyze barriers to housing production in Massachusetts. The commission's final report, *Bringing Down the Barriers: Changing Housing Supply Dynamics in Massachusetts*, identified a variety of policies that make housing development especially difficult in the state. The report concludes by proposing policy reform solutions designed to encourage housing production, including the Housing Supply Incentive Program, which would set aside 10% of the state aid funds for communities to offset increases in local costs resulting from new housing development. Communities will not amend their zoning to allow for substantial increases in housing development if it is an overwhelming fiscal burden. As a result:

To the extent that expected education costs of each new unit exceed the anticipated tax revenue from that unit, the [Housing Supply Incentive Program provides] the community with the community with the difference. This means that, depending on the locality's foundation budget, single-family houses of up to \$220,000 in value and all multifamily units would generate additional local aid for the community.¹²

¹¹ Metropolitan Area Planning Council (2002), *Toward a Sustainable Tax Policy: Tax Strategies to Promote Sustainable Development in Metro Boston*, 38.

¹² The Commonwealth of Massachusetts (2000), *Bringing Down the Barriers: Changing Housing Supply Dynamics in Massachusetts*, Policy Report Series No. 4, 73.

Although the Housing Supply Incentive Program has not yet been proposed formally as part of the state budget, it is important because it marks the first time the state policy links state aid to housing production, indicating that state and local leaders recognize that strategies to increase the supply of housing must address the increased annual service costs associated with the production of additional housing.¹³

An initiative introduced by State Representative Peter Larkin's (D-Pittsfield) provides another productive example of the potential to use state aid to encourage alternative development patterns. As House chairman of the Education Committee, Larkin circulated a proposal in early 2002 to modify the state school aid formula to include the rate of local housing development as a primary factor in state education aid awards.¹⁴ The mechanics of the proposal are simple: the more housing a locality builds, the more state aid its schools would receive. Nevertheless this simple device has the potential to revolutionize both state funding of education and local development patterns. Upon adoption, communities would be guaranteed the same level of school aid they received the prior year. However, from that point forward, any increases in aid would be linked directly to increased housing development.

Even in draft form, Larkin's proposal has generated steady praise and debate, including the following suggestion: state aid awards could also vary with the type of housing developed -- less for senior housing or expensive estates and

¹³ Patricia E. Salkin (1993), "Barriers to Affordable Housing: Are Land-Use Controls the Scapegoat?" *Land Use Law*, 3-7.

¹⁴ Ed Moscovitch, "School aid/ housing link is a two-for," *Boston Herald*, 1/8/02.

more for town homes or other dense family housing, for example.¹⁵ The reluctance of local communities to build additional housing, especially lower value housing, clearly influenced Larkin's thinking. His proposal is similar to an initiative introduced by the Cellucci-Swift administration in 2001 to use excess lottery aid funds to increase state education aid awards for communities that approve housing that cannot self-fund the additional education costs; the use of lottery funds to pay for education was controversial and the proposal never gained momentum in the legislature.¹⁶ Unlike the Cellucci-Swift proposal, Larkin's plan does not require additional funds; it simply redirects the current education aid allocation. Larkin has provided an important example of the kind of creative policies that must pave the way for Massachusetts to adopt more comprehensive, coordinated local finance and land use planning policies in the future.

In a more fundamental change, the state could eliminate the fiscal incentive to approve development that generates greater local property tax revenues, by establishing either a regional or statewide commercial/ industrial, residential or combined property tax revenue sharing program. Following the Twin Cities model, the legislature could diffuse inter-regional competition for commercial/industrial development by mandating that communities redistribute a portion of their commercial/industrial tax revenues. Although redistribution tends to be unpopular in communities with strong commercial/industrial tax bases, the ongoing development of commercial/ industrial property is more reflective of the

¹⁵ *Ibid.*

¹⁶ Metropolitan Area Planning Council (2002), 40.

overall economic health of the region than any individual community. Two initiatives-- the TeleComm City and Lawrence Airport development projects-- provide small-scale examples of how a commercial/ industrial revenue sharing program could be beneficial in greater Boston. The communities of Malden, Medford, and Everett, on the North Shore, entered into the TeleComm City agreement to develop a joint industrial corridor. Through special legislation, they established a redevelopment authority that could issue bonds and assemble land ownership, with all the communities sharing tax revenues from the new development in proportion to land area.¹⁷ After contentious negotiations, Lawrence and North Andover also followed the TeleComm City model and jointly entered into revenue sharing plan to facilitate the development of vacant land at Lawrence Airport.¹⁸ These examples suggest that approaching commercial/industrial property taxation creatively can enhance economic development. In addition, allowing communities to share the benefits of the additional development that is not technically located within their borders can reduce tax base competition.

However, in greater Boston, where residential property is exceptionally valuable, a tax revenue sharing program would have to include a portion of the residential tax base to be truly effective. For the wealthiest, most exclusive communities, mandating the redistribution of only commercial/ industrial tax revenue would not require them to contribute any of their revenues. Conversely, their lack of commercial/ industrial development would entitle them to receive

¹⁷ Metropolitan Area Planning Council (2002), 50.

¹⁸ *Ibid*, 50.

additional funds from the commercial/ industrial revenue pool. Under such a residential property tax sharing system, a portion of the revenue from every home would not have to be included; instead a threshold could be established to share a portion of the revenue above a certain value—only single-family homes over \$450,000 in value, for example. The revenues would then be redistributed to communities with lower value housing. While it might seem that this kind of redistribution would make wealthier communities worse off, without making poorer communities better off, it is more important that all communities will share the responsibility for providing adequate services for all residents, regardless of each community's individual tax capacity. While people reside in discrete cities and towns, they live in the region, traveling out of their home communities to work or play.

To solicit funds from the private sector, the state could adopt legislation to formalize an impact fee or linkage system that developers have to pay as part of the development approval process. The City of Boston currently has a linkage program in place, which requires developers to pay \$7.18 per square foot of commercial development to fund housing development in the city.¹⁹ Instead of continuing the current suburban trend of preventing additional housing development to control local education expenses, expanding the formalized impact fee system would allow communities to pass along more systematically a portion of local costs associated with new development to developers. In order to withstand legal challenges, the state must demonstrate a “rational nexus” between the amount of the fee and the fiscal strain the new development will

generate.²⁰ Using Burchell and Listokin's or Ladd's fiscal impact analysis methodology, communities can clearly demonstrate the relationship between increased housing development and an increased strain on school financing. Therefore, by establishing this essential nexus between the development and the impact the fee is designed to mitigate, the state can levy impact fees or linkage payments on developers to offset a portion of the projected costs.²¹

Research on the economic impact of development fees indicates that although developers pay the fees, the true costs are actually passed along to the housing occupants in the form of higher rent and home prices where the demand for housing is high enough.²² Although this is a concern, current rents and home prices are extraordinarily high in Massachusetts because of the limited supply of new housing and land. In the short-run, impact fees can increase rents or home prices for lower-cost homes above what they would have been without the fee. However, in the long-run rents would not continue rise and home prices in the region would not remain at such high levels if additional supply was developed more consistently.

An adequate public facilities (APF) law could provide another method of managing growth. APF laws limit new development to areas where the infrastructure already in place can support new growth, until the existing infrastructure is saturated. Once the developed infrastructure reaches capacity, money to develop new infrastructure is appropriated and new development is

¹⁹ www.cityofboston.com/dnd/W2_Affordable_Housing_Action_Plan.asp, 4/30/02.

²⁰ Arthur C. Nelson et al (1992), "New-Fangled Impact Fees," *Planning*, 23.

²¹ *Ibid*, 20.

allowed. Florida was the first state to approve APF requirements in 1985. At present, APF ordinances are also in place in Maryland, California, Colorado and Washington.²³ In Massachusetts, the Regional Transportation Plan outlines a system of prioritizing new transportation infrastructure investments according the “smart growth” principles similar to a tradition AFP system; discussions are underway to extend the criteria to new mass transit, water and sewer investments.²⁴

Despite their growing popularity in recent years, operating an APF system effectively is difficult. Keeping an APF plan up-to-date requires extensive monitoring of existing facilities and new development. If not continually revised, APF boundaries may not consistently reflect the county’s planned growth pattern, which has prompted communities to halt all new development or lower their APF standards for adequacy to avoid imposing a moratorium on development.²⁵ When communities use an APF law in conjunction with other growth management policies, APF legislation provides a mechanism for localities to anticipate demand for new infrastructure and public facilities and to plan accordingly.²⁶

Finally, in a newly released report, the Metropolitan Area Planning Council (MAPC) argues that tax reform to facilitate “sustainable” land use must eliminate the provision exempting new growth from the Prop. 2^{1/2} revenue limits to reduce

²² Mark S. White (1992), “Affirmative Measures: Using Land-Use Controls to Provide Affordable Housing,” *Affordable Housing*, Planners Advisory Service Report No. 441, 29.

²³ David Salvesen and Craig Richardson (1999), “Keep Up With Growth,” *Urban Land*, 96.

²⁴ Metropolitan Area Planning Council (2002), 48.

²⁵ Salvesen and Richardson (1999), 121.

²⁶ *Ibid*, 121.

the fierce pressure on communities to offset expense increases with revenues from new growth.²⁷ As an alternative, the MAPC suggests that only new development meeting specific “smart growth” criteria could be exempted from the cap, encouraging communities to evaluate projects on grounds other than the net addition to the local tax base.²⁸ For example, the proposed smart growth criteria could include specific density thresholds, location characteristics or kinds of development. Although the quality of the criteria would dictate the effectiveness of the revised growth exemption at encouraging different kinds of growth, the idea of linking positive fiscal benefits to specific kinds of growth could fundamentally alter the local development approval calculus.

Conclusion

Structural reform is always a difficult process. Vermont and New Hampshire overhauled their property tax system, substantially impacting land use planning in both states, as a result of state Supreme Court rulings that property taxes created an unequal, and therefore illegal, education funding systems. In Minnesota, strong coalition building efforts by leaders in the state legislature forged a complex alliance between representatives from two cities and numerous disparate suburban communities, necessary to adopt a commercial and industrial tax revenue sharing system. In Massachusetts, as in many of the nation’s older metropolitan areas, the fragmented local governance system poses an especially difficult environment for reform. In greater Boston, serious productive

²⁷ Metropolitan Area Planning Council (2002), 43-44.

²⁸ *Ibid*, 46-47.

discussions of reform need to begin at the state level to demonstrate to leaders from across the region and the Commonwealth that local finance reforms are a necessary precondition for making growth management fiscally viable. None of the proposed policies are meant to operate alone. Rather they are meant to work together to create a new fiscal structure that encourages and rewards growth management planning instead of continuing to undermine it. Citizens need to push elected state and local officials to move beyond discussing “smart growth” to taking action on growth management reform.

Conclusion

Greater Boston is flourishing. Sustained economic growth and rising property values throughout the mid- to late-1990s have resulted in substantial wealth creation for many households in the region. Despite the increase in economic opportunities, however, not every effect of this robust period of growth has been positive. Principally, rising housing costs, coupled with low housing production, have disproportionately increased the cost of living for the region's mid- to low-income households. At present, this problem is reinforced by Massachusetts' system of fragmented governance and its local finance structure. Local budget constraints often dictate development approvals, making communities wary of approving new growth that does not "break even" fiscally. That is, development, which does not generate as much new property tax revenue as it does new service expenses. As service costs continue to increase, the value of the new development needed to break even increases as well. Consequently, the current conditions create disincentives for communities to plan for new growth, especially growth to accommodate the full range of the region's housing needs.

While local government autonomy under home rule is a strong force in local politics, the region is the primary economic unit. Housing and labor markets, as well as recreational opportunities, are regional. The region drives the growth of greater Boston's economy from which all of the region's residents benefit. Under the current structure, greater Boston's economy and government

often work against each other. To align these interests, the region cannot continue to be ignored in planning and local finance; and home rule cannot continue to preclude policy solutions that will require regional cooperation.

In Massachusetts, it is important for coordinated growth management planning and local finance reform to sever the direct relationship that entangle local planning, local costs and local revenue. Breaking these detrimental connections is important because it would diffuse the fiscal incentive to exclude. Development proposals would no longer have to “pay their own way” to win widespread local approval. Instead, a reformed local finance system -- relying on increased state aid, property tax revenue sharing and/ or a more targeted exemption from the Proposition 2^{1/2} revenue cap -- would realign planning and development decisions in the context of the region’s total development, not just development within each community’s borders. While these reforms would not completely eliminate local exclusion efforts, they would abolish the fiscal justification the current system provides.

The reforms proposed in this thesis will almost certainly require some kind of regional governance. Fostering regional governance does not have to take the form of a true regional government, however. Strengthening and reevaluating the federal structure, which defines the relationships between the national, state and local governments provides an alternative to grafting on another layer of government. Economies of scale suggest that in some cases, a larger government can be more efficient and effective than a series of smaller independent governments performing the same task repetitively. Taxes are

more efficiently collected by a central government than on the local level, for example. In other situations, preserving the pure, local democracy that drives the current system of home rule in Massachusetts will ensure the most effective representation of local opinions and efficient method of meeting local needs.

The power of the current federal system stems from its ability to share power between the different levels of government, capturing both the efficiencies afforded by local control and economies of scale. Reasserting a more balanced federal system is a difficult task, especially in a region like greater Boston with its strong tradition of localism. Although the challenge of coordinated land use planning and fiscal reform is substantial, greater Boston's current prosperity suggests that the time may now be ripe and that the region is up to the task.

Bibliography

- Adams, James Ring. 1984. *The Secrets of the Tax Revolt*. New York, NY: Harcourt Brace Jovanovich Publishers.
- American Planning Association. 2002. *Planning for Smart Growth: 2002 State of the States*. <http://www.planning.org>.
- Bahl, Roy, Jorge Martinez-Vazquez and David L. Sjoquist. 1992. "Central City-Suburban Fiscal Disparities." *Public Finance Quarterly*. 20 (October): 420-432.
- Blaesser, Brain W. 2001. "Development Exactions Principles and Practice." Boston, MA: Robinson & Cole, LLP.
- Borset, Teri. 2000. "Municipal improvements turn Holden into 'magnet.'" *The Boston Globe*. (April 29): E1.
- Bradbury, Katherine L., Karl E. Case and Christopher J. Mayer. 1998. "School Quality and Massachusetts Enrollment Shifts in the Context of Tax Limitations." *New England Economic Review*. (July/August): 1-20.
- Brueckner, Jan K. and Luz A. Saavedra. 2001. "Do Local Governments Engage in Strategic Property-Tax Competition?" *National Tax Journal*. 54 (June): 203-229.
- Brunori, David. 1998. "Metropolitan Taxation in the 21st Century." *National Tax Journal*. 51 (September): 541-551.
- Burby, Raymond J., Philip Berke, Linda C. Dalton, John M. DeGrove, Steven P. French, Edward J. Kaiser, Peter J. May and Dale Roenigk. 1993. "Is State-Mandated Planning Effective?" *Land Use Law*. (October): 3-9.
- Burchell, Robert and David Listokin. 1995. *Land, Infrastructure, Housing Costs and Fiscal Impacts Associated with Growth: The Literature on the Impacts of Sprawl versus Managed Growth*. Cambridge, MA: The Lincoln Institute of Land Policy.
- _____. 1978. *The Fiscal Impact Handbook*. New Brunswick, NJ: Rutgers University Center for Urban Policy Research.

Bushnell, Davis. 2000. "Costly land, opposition slow affordable housing efforts." *The Boston Globe*. (November 9): G1.

Center for Social Policy, McCormack Institute, University of Massachusetts Boston. 2000. *Situation Critical Report 2000: Meeting the Housing Needs for Lower-Income Massachusetts Residents*. <http://www.mccormack.umb.edu/Centers/SocPol>, 2/10/02.

Chinitz, Benjamin. 1990. "Growth Management: Good for the Town, Bad for the Nation?" *APA Journal*. (Winter): 3-8.

The Commonwealth of Massachusetts. 2002. "Community Preservation Act question and answers." <http://www.state.ma.us/enviro/cpaqa.htm>, 2/27/02.

The Commonwealth of Massachusetts Executive Office for Administration and Finance. 2000. *Bringing Down the Barriers: Changing Housing Supply Dynamics in Massachusetts*. Policy Report Series No. 4 (October). <http://www.magnet.state.ma.us/eoaf/>.

The Commonwealth of Massachusetts Executive Office of Communities and Development Division of Community Services. 1981. *Fact Sheet: Proposition 2^{1/2}*. Boston, MA: Executive Office of Communities and Development.

The Commonwealth of Massachusetts Department of Housing and Community Development. 2002. "Executive Order 418: Community Development Planning & Housing Certification." <http://www.massdhcd.com/eo418/homepage2.htm>, 2/27/02.

The Commonwealth of Massachusetts Department of Housing and Community Development Division of Community Services. 1998. *Fiscal Impact Handbook*. Boston, MA: The Commonwealth of Massachusetts Department of Housing and Community Development Division of Community Services.

Community Opportunities Group and Connery Associates. 2001. *The Fiscal Implications of Growth and Change*. Final Report (May). Shrewsbury, MA: The Town of Shrewsbury.

_____. 1999. *Organizing for a Balanced Fiscal Future: Land Use, Political Culture and Town Finance*. Hopkinton, MA: Town of Hopkinton.

Conte, Christopher R. 2000. "The Boys of Sprawl." *Governing* (May): 28-33.

- Cutler, David M, Douglas W. Elmendorf and Richard Zeckhauser. 1997. *Restraining the Leviathan: Property Tax Limitation in Massachusetts*. Working Paper.
- Davis, Sherry Tvedt. 1983. "A Brief History of Proposition 2^{1/2}." In *Proposition 2^{1/2}: Its Impact on Massachusetts; A Report from the IMPACT: 2^{1/2} Project at the Massachusetts Institute of Technology*. Lawrence E. Susskind and Jane Fountain Serio eds. Cambridge, MA: Oelgeschlager, Gunn & Hain Publishers, Inc.
- Deakin, Elizabeth A. 1991. "Growth Management: Past, Present, Future." In *Balanced Growth: A Planning Guide for Local Government*. John M. DeGrove, ed. Washington, DC: International City Management Association.
- DiPasquale, Dennis and William C. Wheaton. 1996. *Urban Economics and Real Estate Markets*. Englewood Cliffs, NJ: Prentice Hall.
- Downs, Anthony. 2001. "What Does 'Smart Growth' Really Mean?" *Planning* (April): 20-25.
- _____. 2000. "Why Housing Markets Form a Dynamic Regional Social System." In *The Profession of City Planning*. Lloyd Rodwin and Bish Sanyal, eds. New Brunswick, NJ: Rutgers University Press.
- _____. 1994. *New Visions for Metropolitan America*. Washington, DC: The Brookings Institution Press.
- _____. 1973. *Opening Up the Suburbs: An Urban Strategy for America*. New Haven, CT: Yale University Press.
- Editorial. 2002. "Nimby in Natick." *The Boston Globe*. (May 2): A18.
- Euchner, Charles C. ed. 2002. *Governing Greater Boston: The Politics and Policy of Place*. Cambridge, MA: The Press at the Rappaport Institute for Greater Boston.
- _____. 2002. "Where is Greater Boston? Framing Regional Issues." In *Governing Greater Boston: The Politics and Policy of Place*. Charles C. Euchner, ed. Cambridge, MA: The Press at the Rappaport Institute for Greater Boston.
- _____. 2002. "Missing pieces: High costs and tough choices imperil 'smart-growth' answers to the region's transportation, housing, and environmental puzzles." *The Boston Globe*. (February 24): E1.

- Fischel, William A. 2001. *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*. Cambridge, MA: Harvard University Press.
- _____. 2001. "Homevoters, Municipal Corporate Governance, and the Benefit View of the Property Tax." *National Tax Journal*. 54 (March): 157-173.
- _____. 1991. "Good for the Town, Bad for the Nation? A Comment." *APA Journal*. (Summer): 34-37.
- _____. 1990. "Introduction: Four Maxims for Research on Land-Use Controls." *Land economics*. 66 (August): 229-236.
- _____. 1985. *The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls*. Baltimore, MD: The Johns Hopkins University Press.
- Fisher, Glenn W. 1996. *The Worst Tax? A History of the Property Tax in America*. Lawrence, KS: University of Kansas Press.
- Flint, Anthony. 2002. "Planning the Fragmented Metropolis: Acting Regionally and Locally." In *Governing Greater Boston: The Politics and Policy of Place*. Charles C. Euchner, ed. Cambridge, MA: The Press at the Rappaport Institute for Greater Boston.
- _____. 2002. "State developing tools to handle growth: Towns will gets means to picture the future." *The Boston Globe*. (April 9): B1.
- _____. 2002. "Budget cuts hurt efforts to halt sprawl." *The Boston Globe*. (March 28): B9.
- _____. 2002. "Mass. Zoning overhaul recommended." *The Boston Globe*. (February 13): B2.
- _____. 2002. "A village, by design." *The Boston Globe*. (January 23): B1.
- _____. 2002. "Zoning rule seen key to solving a housing crisis." *The Boston Globe*. (January 21): B1.
- _____. 2001. "Bourne, Panel At Odds." *The Boston Globe*. (July 22): B4.
- Frank, James E. 1989. *The Costs of Alternative Development Patterns: A Review of the Literature*. Washington, DC: The Urban Land Institute.

- Galster, George, Royce Hanson, Hal Wolman, Stephen Coleman and Jason Freihage. 2000. "Wrestling Sprawl to the Ground: Defining and Measuring an Elusive Concept." Fair Growth: Connecting Sprawl, Smart Growth, and Social Equity Symposium. Washington, DC: The Fannie Mae Foundation.
http://www.fanniemaefoundation.org/programs/pdf/proc_fairgrowth_galster_2.pdf, 3/15/02.
- Gurwitt, Rob. 1999. "The State Vs. Sprawl." *Governing Magazine*. (January).
<http://governing.com/archive/1999/jan/growth.txt>, 12/6/01.
- Hatch, Roger. 2000. "Massachusetts." In *Public School Finance Programs in the United States and Canada: 1998-1999*. National Center for Education Statistics. <http://nces.ed.gov/edfin/pdf/stfinance/Massachu.pdf>, 2/11/02.
- Harris, Richard and Michael Lehman. 2001. "Social and geographic inequities in the residential property tax: a review and case study." *Environment and Planning*. 33: 881-900.
- Healy, Martin R., ed. 1997. *Massachusetts Zoning Manual*. vol 1. Boston, MA: Massachusetts Continuing Legal Education, Inc.
- Healy, Martin R., Michael S. Giaimo and Christine Donelan Hubbard. 1997. "The Historical Development of Massachusetts Zoning Law." In *Massachusetts Zoning Manual*. vol 1. Martin R. Healy, ed. Boston, MA: Massachusetts Continuing Legal Education, Inc.
- Heart, Bennet, Elizabeth Humstone, Thomas F. Irwin, Sandy Levine and Dano Weisbord. 2002. *Community Rules: A New England Guide to Smart Growth Strategies*. Boston, MA: The Conservation Law Foundation.
- Institute for Better Education Through Resource Technology. 2002. "Vermont Prop Tax Facts." <http://www.ibert.org/VT/issues.html>, 4/10/02.
- Jonas, Michael. 2002. "Anti-family values." *CommonWealth* (Spring):
http://www.massinc.org/handler.cfm?type=1&target=2002-2/antifamily_values.html.
- _____. 2002. "Anti-'Snob Zoning' Law Turns Developer's Tool." *CommonWealth* (Spring):
http://www.massinc.org/handler.cfm?type=1&target=2002-2/antifamily_values.html.
- Kahn, Matthew E. 2001. "Does Sprawl Reduce the Black/White Housing Consumption Gap?" *Housing Policy Debate*. 12: 77-86.

- Kanter, Rosabeth Moss. 2000. "Business Coalitions as a Force for Regionalism." In *Reflections on Regionalism*. Bruce Katz, ed. Washington, DC: The Brookings Institution.
- Katz, Bruce, ed. 2000. *Reflections on Regionalism*. Washington, DC: The Brookings Institution.
- Krasner, Jeffery. 2000. "It's Still a Seller's Market for Massachusetts Homes." *The Wall Street Journal*. (November 15): NE1.
- Krieger, Alex. 1999. "Rhetoric of Smart Growth." *Architecture* (June): 53-57.
- Ladd, Helen F, ed. 1999. *The Challenge of Fiscal Disparities for State and Local Governments: The Selected Essays of Helen F. Ladd*. Northampton, MA: Edward Elgar.
- _____. 1995. "Statewide Taxation of Nonresidential Property for Education." *Journal of Education Finance*. 21 (Summer): 103-122. In *The Challenge of Fiscal Disparities for State and Local Governments: The Selected Essays of Helen F. Ladd*. Helen F. Ladd, ed. 1999. Northampton, MA: Edward Elgar.
- _____. 1994. "Fiscal impacts of local population growth: A conceptual and empirical analysis." *Regional Science and Urban Economics*. 24: 661-686. In *The Challenge of Fiscal Disparities for State and Local Governments: The Selected Essays of Helen F. Ladd*. Helen F. Ladd, ed. 1999. Northampton, MA: Edward Elgar.
- _____. 1993. *Land and Tax Policy*. Cambridge, MA: Lincoln Institute of Land Policy.
- _____. 1992. "Population Growth, Density and the Costs of Providing Public Services." *Urban Studies*. 29: 273-295. In *The Challenge of Fiscal Disparities for State and Local Governments: The Selected Essays of Helen F. Ladd*. Helen F. Ladd, ed. 1999. Northampton, MA: Edward Elgar.
- Libert, Jeffrey. 2002. "Antisnob Zoning." *The Boston Globe* (March 31): C4.
- Mandelker, Daniel R., Roger A. Cunningham and John M. Payne. 1995. *Planning and Control of Land Development*. 4th Edition. Charlottesville, VA: MICHIE Law Publishers.
- Maryland Department of Planning. 2002. "Priority Funding Areas." <http://www.op.state.md.us/smartgrowth/smartpfa.htm>, 4/30/02.

Massachusetts Education Reform Review Commission (Maxine Minkoff, Jody Cale, Joseph Cronin, Edward Moscovitch and Chris Mirabile). 2001. *Massachusetts Education Reform Review Commission Annual Report 2001*. http://www.massedreformreview.org/research/ar1_final.pdf, 2/11/02.

Massachusetts Department of Revenue Division of Local Services. 2002. *A Guide to Financial Management for Town Officials*. Boston, MA: Massachusetts Department of Revenue.

_____. 2002. *Levy Limits: A Primer on Proposition 2^{1/2}*. Boston, MA: Massachusetts Department of Revenue.

Massachusetts Institute for a New Commonwealth and Northeastern Center for Labor Market Studies. 1999. *The Road Ahead: Emerging Threats to Workers, Families and the Massachusetts Economy*. Boston, MA: The Massachusetts Institute for a New Commonwealth. <http://www.massinc.org>, 3/5/02.

Massachusetts Municipal Association. 2002. "House leaders warn of deep local aid cuts." *State Budget News*. (February 22). <http://www.mma.org/news/>, 3/15/02.

_____. 2001. *A Rational for Revenue Sharing*. MMA Position Paper. <http://www.mma.org>, 10/23/01.

Massachusetts Taxpayers Foundation. 2001. *Municipal Financial Data, 31st Edition*. Boston, MA: The Massachusetts Taxpayers Foundation.

_____. 1998. *Unequal Burdens: Property Tax Classification in Massachusetts*. Boston, MA: The Massachusetts Taxpayers Foundation.

McCart, Anna. 2002. "Homebuyers squeezed out." *The Boston Herald*. (May 2).

Metropolitan Area Planning Council and the McCormack Institute. 2001. *Toward a Sustainable Tax Policy: Tax Strategies to Promote Sustainable Development in Metro Boston*. Boston, MA: Metropolitan Area Planning Council.

Metropolitan Area Planning Council. 2001. *Metropolitan Area Profiles: Profiles of General Demographic Characteristics, Census 2000*. <http://www.mapc.org>.

Metropolitan Area Research Corporation and Citizen's Housing and Planning

- Association. 2001. *Boston Metropatterns: A Regional Agenda for Community and Stability*. Boston, MA: Citizen's Housing and Planning Association.
- Miara, Jim. 2000. "Fueling Sprawl." *Urban Land*. (May): 78-79, 109-111.
- Miceli, Thomas J. 1992. "Optimal Fiscal Zoning That Distorts Housing Consumption." *Journal of Real Estate Finance and Economics*. 5 (December): 323-331.
- Miller, Chris. 1996. "It's Not Just Taxes." *The Environmental Forum*. (November/ December): 41-42.
- Mitchell, John G. 2001. "Urban Sprawl." *National Geographic*. 200 (July): 48-73.
- Moscovitch, Ed. 2002. "School aid/ housing is a two-for." *The Boston Herald*. (January 8).
- _____. 1985. "Proposition 2^{1/2}: The Worm's Eye View." *Government Finance Review*. 1 (October): 21-25.
- Murray, Alison O'Leary. 2002. "Preservation act supporters look for votes." *The Boston Globe*. (March 31): 1.
- Neenan, William B. 1981. *Urban Public Economics*. Belmont, CA: Wadsworth Publishing Co.
- Nelson, Arthur C., Rolf Pendall, Casey J. Dawkins and Gerrit J. Knapp. 2002. *The Link Between Growth Management and Housing Affordability. A Discussion Paper Prepared for the Brookings Institution Center on Urban and Metropolitan Policy*. (February). Washington, DC: The Brookings Institution. <http://www.brook.edu/urban>, 2/20/02.
- Nelson, Arthur C. and David R. Peterman. 2000. "Does Growth Management Matter? The Effect of Growth Management on Economic Performance." *Journal of Planning Education and Research*. 19: 277-285.
- Nelson, Arthur C. and James B. Duncan. 1995. "The Purposes of Growth Management." *Growth Management Principles and Practices*. Chicago, IL: American Planning Association Planners Press.
- Nelson, Arthur C., James C. Nicholas and Lindell L. Marsh. 1992. "New-Fangled Impact Fees." *Planning* (October): 20-24.
- Nelson, Scott Bernard. 2002. "Mass. seen lagging on affordable housing." *The*

- Boston Globe*. (January 10): C1.
- New Hampshire Office of the Governor. 2002. *EXCEL NH is the Best Long-Term Solution for Our Children, Schools and Economy*. <http://www.state.nh.us/governor/media/editorialexcel.htm>, 4/10/02.
- Newton, William H. 2001. "Preventing 1-495 West from Becoming a Victim of its Own Success." *New England Planning*. (September): 1, 11.
- Netzer, Dick. 1966. *Economics of the Property Tax*. Washington, DC: The Brookings Institution.
- Oates, Wallace E and Robert M. Schwab. 1995. *The Impact of Urban Land Taxation: The Pittsburgh Experience*. Cambridge, MA: The Lincoln Institute of Land Policy.
- Oates, Wallace E, ed. 2001. *Property Taxation and Local Government Finance: Essays in Honor of Lowell C. Harris*. Cambridge, MA: Lincoln Institute of Land Policy Press.
- _____. 1972. *Fiscal Federalism*. New York, NY: Harcourt Brace Jovanovich Publishers.
- _____. 1969. "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis." *The Journal of Political Economy*. 77 (November-December): 957-971.
- O'Connell, James C. 2002. "Thinking Like a Region: Historical and Contemporary Perspectives." In *Governing Greater Boston: The Politics and Policy of Place*. Charles C. Euchner, ed. Cambridge, MA: The Press at the Rappaport Institute for Greater Boston.
- Orfield, Myron. 1998. *Metropolitix: A Regional Agenda for Community and Stability*. Washington, DC: The Brookings Institution Press.
- Pastor, Manual Jr., Peter Drier, Eugene Grigsby III and Martz Lopez-Garza. 2000. *Regions that Work: How Cities and Suburbs Can Grow Together*. Minneapolis, MN: University of Minnesota Press.
- Pawlukiewicz, Michael. 1998. "What is Smart Growth?" *Urban Land* (June): 45-48.
- Peters, Robert A. 1994. "The Politics of Enacting State Legislation to Enable Local Impact Fees: The Pennsylvania Story." *APA Journal*. (Winter): 61-69.

- Pew Center for Civic Journalism and Princeton Survey Research Associates. 2000. "Top Local Problems." *Straight Talk from Americans – 2000*. <http://www.pewcenter.org/doingcj/pubs/index.html>, 2/11/02.
- Preer, Robert. 2002. "Voters recognizing the value of preserving open space." *The Boston Globe*. (April 7): S1.
- Rapoza, Kenneth. 2002. "Balancing affordable housing, open space." *The Boston Globe*. (January 6): S1.
- Real Estate Research Corporation. 1974. *The Costs of Sprawl: Environmental and Economic Costs of Alternative Residential Development Patterns at the Urban Fringe*. Washington, DC: United States Government Printing Office.
- Retsinas, Nicolas. 2002. "Declare a truce on sprawl." *The Boston Globe*. (January 1): A19.
- Reeb, Donald J. 1998. *The Adoption and Repeal of the Two Rate Property Tax in Amsterdam, New York*. Cambridge, MA: Lincoln Institute of Land Policy.
- Rusk, David. 1999. *Inside Game Outside Game: Winning Strategies for Saving Urban America*. Washington, DC: The Brookings Institution Press.
- Rybeck, Rick. 1996. "Tax Reform Fights Sprawl." *The Environmental Forum*. (November/ December): 42-43.
- Salvesen, David and Craig Richardson. 1999. "Keeping Up with Growth." *Urban Land* (September): 94-97, 120-121.
- Siegel, Laura A. 2002. "The Nature of Greater Boston: Integrating Environmental and Urban Spaces." In *Governing Greater Boston: The Politics and Policy of Place*. Charles C. Euchner, ed. Cambridge, MA: The Press at the Rappaport Institute for Greater Boston.
- Shapiro, Lisa, Richard England, Daphne Kenyon and Chares Connor. 1999. *The Economic and Fiscal Impacts of a Uniform Statewide Property Tax*. Concord, NH: Gallagher, Callahan & Gartrell.
- Shartin, Emily. 2002. "Officials seek to revisit affordable housing law." *The Boston Globe*. (February 24): W1.
- Smart Growth Network, Subgroup on Affordable Housing. 2001.

Affordable Housing and Smart Growth: Making the Connection.
Washington, DC: National Neighborhood Coalition.

State of New Hampshire Department of Revenue Administration. 1999.
Explanation of State Education Property Tax Rate Shown on Your Tax Bill. <http://www.state.nh.us/revenue/municipalities/equalization.htm>, 4/10/02.

Sum, Andrew, Sheila Palma and Ishwar Khatiwada. 2001. *The Story of Household Incomes in the 1990s.* Boston, MA: The Massachusetts Institute for a New Commonwealth and the Center for Labor Market Studies of Northeastern University.
<http://www.massinc.org/publications/reports/Policy%20Brief%201/Policy%20Brief201.html>, 4/4/02.

Sum, Andrew, Ishwar Khatiwada, Mykhaylo Trub'skyy with Sheila Palma and Jacqui Motroni. 2000. *Home Ownership in Massachusetts: A New Assessment.* Boston, MA: The Massachusetts Institute for a New Commonwealth and the Center for Labor Market Studies of Northeastern University.
http://www.massinc.org/publications/reports/PolicyBrief3/policy_brief3.html 4/4/02.

Sum, Andrew, Neeta Fogg with Mykhaylo Trub'skyy and Sheila Palma. 2000. *The Rise in Income Inequality in Massachusetts and New England.* Boston, MA: The Massachusetts Institute for a New Commonwealth and the Center for Labor Market Studies of Northeastern University.
http://www.massinc.org/publications/reports/PolicyBrief3/policy_brief3.html 4/4/02.

Susskind, Lawrence E. and Jane Fountain Serio eds. 1983. *Proposition 2^{1/2}: Its Impact on Massachusetts; A Report from the IMPACT: 2^{1/2} Project at the Massachusetts Institute of Technology.* Cambridge, MA: Oelgeschlager, Gunn & Hain Publishers, Inc.

Swope, Christopher. 2000. "Little House in the Suburbs." *Governing Magazine.* (April). <http://governing.com/archive/2000/apr/housing.txt>, 12/6/01.

Tiebout, Charles M. 1956. "A Pure Theory of Local Expenditure." *The Journal of Political Economy.* 64 (October): 416-424.

Transit Cooperative Research Program. 1998. *The Costs of Sprawl – Revisited.* TCRP Report 39. Washington, DC: National Academy Press.

The Trust for Public Land. 2001. "Growing Smart." *The Economic Benefits of Parks and Open Space.* <http://www.tpl.org>, 3/25/02.

- _____. 1999. *Community Choices: Thinking Through Land Conservation, Development, and Property Taxes in Massachusetts*. <http://www.tpl.org>, 3/25/02.
- Van Voorhis, Scott. 2002. "Housing costs spur action: Expense interferes with hiring." *The Boston Herald*. (February 15).
- Weisman, Gretchen. 2002. "More than shelter: Housing the People of Greater Boston." In *Governing Greater Boston: The Politics and Policy of Place*. Charles C. Euchner, ed. Cambridge, MA: The Press at the Rappaport Institute for Greater Boston.
- White, S. Mark. 1992. "Affirmative Measures: Using Land-Use Controls to Provide Affordable Housing." *Affordable Housing*. Planners Advisory Service, Report No. 441. Chicago, IL: American Planning Association.
- Ziegler, Clark. 2001. "State housing at a crossroads." *The Boston Globe*. (July 23): A18.