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Urban West Revisited: Governing Cities in Uncertain Times

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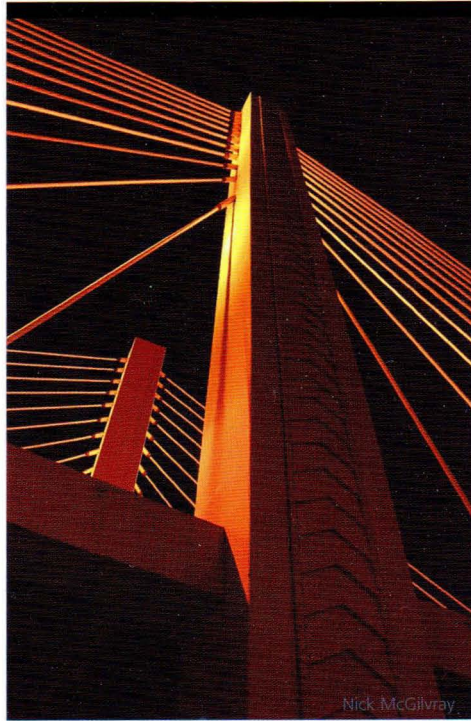
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Urban **West** Revisited

governing **cities** in
uncertain times



Stephanie L. Witt **and** James B. Weatherby



Nick McGilvray

A cable bridge connects Tacoma's maritime past to an industrial district rebuilt by urban renewal.



Frank Knapp





Tempe's City Hall opened in 1971. Architects designed the upside-down pyramid to shade its windows from the blistering sun. Previous: The Monroe Street Dam, completed in 1890, brought hydropower to the Northern Pacific's rail hub in the rising city of Spokane.

Alex Sommers



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James B. Weatherby



Boise State University
College of Social Sciences and Public Affairs

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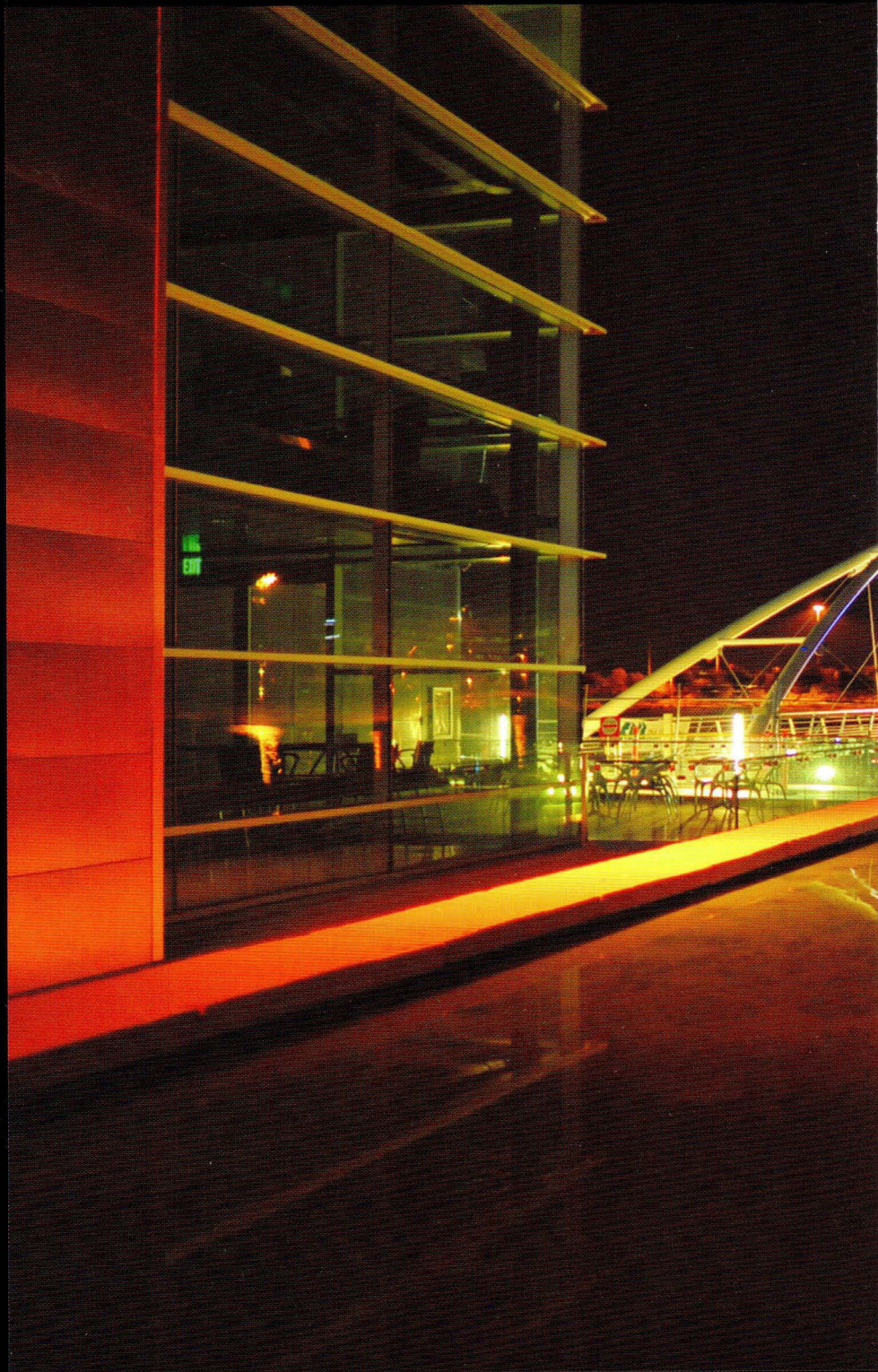
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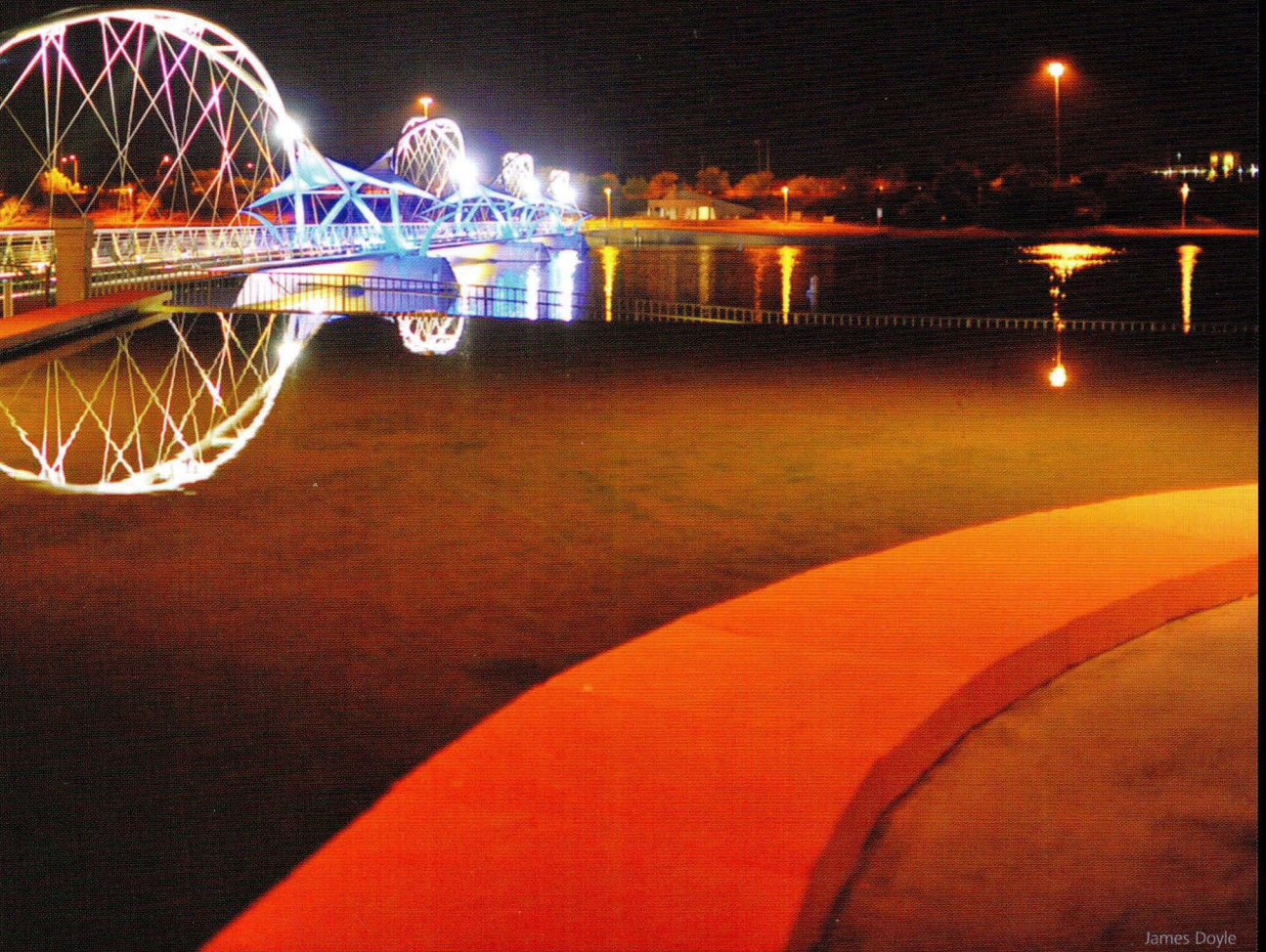
Melissa Lavitt
metro series editor



Tempe Town Lake reflects a pedestrian bridge in the Mill Avenue District, 2011. An inflatable rubber dam impounds the Salt River, creating the lake.

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Eugene is Oregon's second largest city and the seat of Lane County. Pictured: The Lane County Fair, 2010.



A three-hour crapshoot, said to be the hottest roll of the dice on record in a Nevada casino, marked the 2003 reopening of Reno's Golden Phoenix, formerly the Flamingo Hilton. Today the Reno landmark is a luxury condominium tower.

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Salt Lake's main library curves to embrace a public plaza. Opened 2003, the six-story 250,000 square-foot complex uses UV-resistant panels to bathe readers in natural light. Skywalks connect its three main buildings. Spiraling fireplaces resemble columns of flame.

foreword

Good government requires good information. Since 1984 the State of Idaho has entrusted our college to lead an educated discussion about the complexities of government and public affairs. *Urban West Revisited* narrows the focus to 10 midsized cities in eight western states. All have been rocked by the Great Recession, and all have been crippled by globalization and fewer high-paying jobs. Our book joins a college series about places suspended between the promise and peril of urbanization. Focused on real-world practicality, our primer offers the hope that westerners will be nimble enough to think beyond the immediate crisis, to govern smartly, and to cope.

Melissa R. Lavitt

Melissa R. Lavitt, Ph.D.
Dean of the College of
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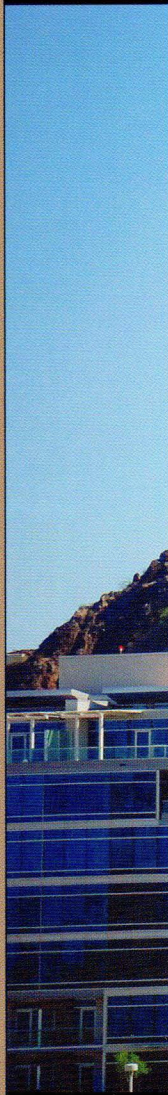
Pam Morris

The steel market crash of 1983 devastated Pueblo, Colorado. Today the city looks to rebuild its tax base by investing in historic preservation and urban renewal. Pictured: Poders Motors, Pueblo.

revisiting
the
urban west



Politics and
economics limit
what cities
can do.





Tom Briggs

Tempe Butte, also called "A" Mountain and Hayden Butte Preserve, rises 350 feet above Sun Devil Stadium and the waterfront condominiums of Tempe Town Lake. Next: Vintage Reno.



jimsawthat

Twenty years ago we began our research into cities in the West. In *The Urban West: Managing Growth and Decline*, published in 1994 by Praeger Publishers, we detailed the experiences of mid-sized cities (100,000-200,000 in population) and did a more in-depth analysis of 10 focus cities—Boise, Idaho; Eugene and Salem, Oregon; Modesto, California; Pueblo, Colorado; Reno, Nevada; Spokane and Tacoma, Washington; Salt Lake City, Utah; and Tempe, Arizona. Since then we have seen our home city of Boise and all the other focus cities continue to cope with growth, decline, and economic development challenges. For this study, we have expanded the population range up to 300,000.

This book is a study of the limitations imposed on western cities and their struggles to maintain services during periods of rapid growth and decline. In the *Urban West Revisited* we trace the trajectory of trends identified in the early 1990s, and discuss new challenges facing western cities as they cope with the most severe economic downturn since the Great Depression.

Maintaining a healthy tax base, promoting the city to new businesses, and preserving the quality of life are issues that remain critical for cities. Other issues reflect the larger size and increased sophistication of some of our cities, such as light rail and rapid transit development or the creation of a regional approach to growth management and economic development. Regardless of their size today, each of our focus cities is struggling to meet these challenges in the midst of cyclical and structural budget shortfalls facing state and local governments throughout the West.

When we refer to cities, we primarily mean city governments. They are our central unit of analysis, and our focus is primarily on the public sector. Other actors in this study are typically viewed from the perspective of cities. When we speak of partnerships with the private sector or the work of other groups, it is from the perspective of city government. We believe that most of our Urban West cities have the potential to avoid the mistakes of our country's largest cities, to overcome the intractable problems that beset most of the nation, and to shape future courses in ways that would maintain human scale in the midst of growing metropolitan areas.

This book is an outgrowth of our fascination with city government and our belief that cities are important and interesting in and of themselves. We have spent most of our professional lives either studying urban government and politics or working directly on the challenges that beset municipal and other local governments. It is a book for both practitioners and students of urban government. We deal with "real world" issues as well as the factors explaining the underlying patterns and diversities found among western cities. Two bodies of excellent work informed this analysis: one is rooted in the theoretical and empirical work of political science and economics, the other in public administration. The first body of literature addresses abstract questions such as how a city should be governed, the proper relationships in American federalism, and the theoretical relationships between economic policies and city welfare. The second takes up the applied questions of what cities are actually doing and how they can operate more efficiently and democratically.

Having exposure to both literatures enriches readers and their politics. It is critical to have some sense of the larger picture and to develop a framework to understand the political and economic forces shaping urban politics. It is also imperative to understand the major concerns of the people who actually run our cities and to have some sense of how they go about their jobs.

Cities as Limited Actors

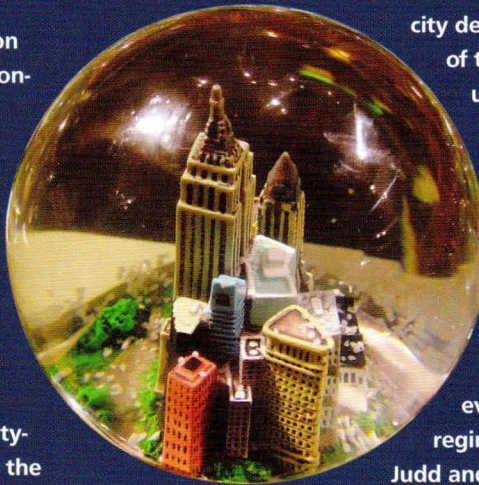
There are three main sources of limitations on cities:

- The economic context and realities within which cities operate in the national and global economies.
- The limitations set upon cities by their state constitutions and statutes.
- The limitations set upon cities by their citizens through the direct democratic process.

• Economic context

Today's cities are not city-states. They do not control the movement of people and capital in and out of their boundaries. Political scientist Paul Peterson's "limited cities" are limited by their place in the global and national economy.¹ Peterson maintains that the economic interest of the city as a whole drives the decisions and politics of American cities. In other words, in most major municipal decisions, the need for communities to grow economically and to expand their tax base is far more influential in the decision-making process than such non-economic factors as the type of governmental structure, the degree of neighborhood activism, or the nature of mayor-council interactions.

Agent J loves Agent a



Scholars have debated the extent to which only economic factors determine the limitations on city decisions. Some have argued that Peterson's analysis overlooks important neighborhood and leadership influences on city decision making.² The bulk of the recent research on urban politics has focused on the interaction of public and private interests as cities seek to grow and maintain their economic well-being.

This more balanced approach to the role of politics and economics is evident in the "urban regime" literature. Dennis Judd and Paul Kantor refer to the urban regime approach as one that includes an analysis of the "tensions between local democracy and the marketplace."³ This urban regime, initially presented by Stephen Elkin, is also used by Clarence Stone, who defines an urban regime as the "informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions."⁴ The work of Peterson, Judd, and Kantor recognizes the importance of legal and economic limitations on city decision making. A focus solely on the internal politics of cities or

Pictured: The interdependent city is seldom a globe unto itself. Next: Municipal bonds.

solely on the economic constraints of cities is incomplete.

- **Intergovernmental limits**

The second major set of limitations derives from the city's role in our intergovernmental system. Cities can do little that is not mandated or authorized by the state government. This approach to the study of cities can be seen in the work of Gerald E. Frug and David J. Barron (2008).⁵ Cities in the United States are creatures of their state, as the famous (or infamous) "Dillon's Rule" opinion asserted in 1868.⁶ That is to say, cities have only those powers and authorities granted them by their state. These state provisions include such constraints on city governments as specifying the form of government, determining how cities are financed, and limiting the extent of their regulatory powers. In addition, the actions of other local governmental entities have some impact on city prerogatives. Local school districts or highway districts can implement their own public facilities plans without any city input.

The impact of our federal system is also seen in the rise of federal mandates on cities and congressional pre-emption of municipal authority. These mandates include federal laws, and regulations requiring cities to improve air

and water quality, comply with federal civil rights laws, and satisfy Occupational Safety and Health Administration (OSHA) standards. The federal courts also impose significant restrictions, particularly in the area of limiting municipal bond authority and requiring municipal compliance with federal employment laws (Fair Labor Standards Act).

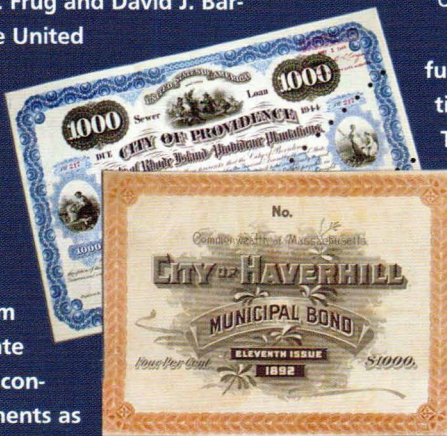
- **Citizen initiatives**

A city's own citizens may place further constraints through the initiative process. Scholars such as Todd Donovan and Shaun

Bowler have investigated how citizens increasingly use initiatives to restrict taxing powers, as in property tax revolt-like measures, or to slow or even stop growth.⁷

The increasing use of these direct democracy tools raises a question about the distinction

between local autonomy and democracy.⁸ Local control has generally meant that local officials had the ultimate say on issues that directly affected communities. Today, the concept is a bit more complex as citizens increasingly use the initiative process to affect city policy. Who should prevail in matters of local control: the electorate through the direct democratic process (initiative, referendum, and recall) or the community's elected representatives?



Overview

Cities are important partners in our American intergovernmental system, but they do not have inherent powers of local self-government. All American cities operate within an environment of limits. They are limited in a formal, legal sense because they derive most of their powers from law or constitutions. As the phrase goes, they are creatures of the state. Cities are limited by their economic context; they are small pawns in a larger national, even global, economy. Decisions made in corporate boardrooms, far removed from city boundaries, often have more impact on communities than do the actions of their elected officials. It would seem, then, that western cities' struggle toward local autonomy and economic self-sufficiency would be doomed. No amount of home rule authority or economic development will give them absolute independence. In spite of this situation, cities fight against their limits, asserting the value of local initiatives and discretion. The fight for greater local autonomy "has been a century-long struggle and an article of faith among local officials."⁹

Urban West cities have pushed against the limits in recent years either to promote growth or to respond to growth's impact on municipal services and facilities. The population and economic growth in the Urban West has focused attention on cities and their ability to serve both new and existing residents. Questions have been raised about how much growth is beneficial, who should pay for growth, and how growth can be managed. Response to growth has raised further questions about the meaning of local autonomy, the power of elected officials to implement their policies, and the rights of citizens through the initiative and referendum process to restrain or modify local policies.

Urban West cities have also struggled to cope with decline as the national and global economies shrink and remake themselves as a result of what is being called the "Great Recession."¹⁰ The Great Recession is hitting cities hard. As a recent National League of Cities study noted: "Local governments across the country are now facing the combined impact of decreased tax revenues, a falloff in state and federal aid and increased demand for social services. Over the next two years, local tax bases will likely suffer from depressed property values, hard-hit household incomes and declining consumer spending. Further, reported state budget shortfalls for 2010 to 2012 exceeding \$400 billion will pose a significant threat to funding for local government programs. In this current climate of fiscal distress, local governments are forced to eliminate both jobs and services."¹¹

Our focus cities have all experienced revenue shortfalls and have been faced with difficult decisions about how to balance their budgets and maintain necessary services.

• Unemployment

The impact of the downturn in the national economy in 2008 is illustrated in the sudden uptick in unemployment rates in each of the Urban West cities between 2007 and 2009. For example, unemployment rates in Washoe County, Nevada (Reno), increased from 5.3 percent in 2007 to 13.3 percent in 2011. While the national economy has shown some indications of improvement in early 2011, the Urban West cities have yet to experience that positive change. In January 2011, the national unemployment rate in the United States was 8.9 percent. As the table below illustrates, all of the Urban West cities except Salt Lake City had unemployment rates higher than the national figure in January of 2011.

Unemployment Rate, January 2011

County, State	City	2001	2005	2009	2011
Stanislaus County, CA	Modesto	9.1	10.0	15.4	18.2
Washoe County, NV	Reno	5.0	5.7	11.0	13.3
Pueblo County, CO	Pueblo	4.4	7.7	8.7	11.7
Marion County, OR	Salem ^c	6.2	7.6	10.9	11.6
Lane County, OR	Eugene	6.4	6.9	11.8	10.8
Spokane County, WA	Spokane	6.7	7.1	8.8	10.5
Pierce County, WA	Tacoma	6.0	6.7	8.3	10.4
Ada County, ID	Boise	3.7	3.9	7.4	9.7
Polk County, OR	Salem ^c	5.6	6.5	9.1	9.7
Maricopa County, AZ	Tempe	3.6	4.2	7.5	9.1
Salt Lake County, UT	Salt Lake City	3.7	4.5	5.6	7.7

All unemployment rates are not seasonally adjusted.

January 2011 unemployment rates are preliminary.

Salem's city limits include portions of both Marion and Polk counties.

• Income

Per capita personal income (adjusted for inflation) was above the national level of \$40,166 in only two of the 10 Urban West focus cities in 2008. Two of the 10 Urban West cities/counties have had significant increases in inflation-adjusted per capita income in the 2003–08 time period: Pierce County, WA (Tacoma) and Salt Lake County, UT (Salt Lake City) with increases of 8.9 and 9 percent, respectively. Pierce County and Salt Lake County are the only two counties that had per capita income increases in income greater than the national increase of 6.3 percent in the 2003–08 time period. Three cities/counties, however, had very small or negative changes in per capita incomes (adjusted for inflation): Ada County, ID (Boise), Marion County and Polk County, OR (Salem), and Pueblo County, CO (Pueblo).

Per Capita Personal Income, Inflation-Adjusted, 2008

County, State	City	1993	1998	2003	2008	% Change 2003-08
Washoe County, NV	Reno	\$38,310	\$43,190	\$44,526	\$47,045	5.7%
Ada County, ID	Boise	34,976	38,644	41,517	42,273	1.8%
Pierce County, WA	Tacoma	29,470	33,916	36,229	39,444	8.9%
Salt Lake County, UT	Salt Lake City	27,443	33,202	34,892	38,026	9.0%
Maricopa County, AZ	Tempe	30,065	35,073	36,120	37,168	2.9%
Spokane County, WA	Spokane	28,117	31,052	32,493	34,011	4.7%
Lane County, OR	Eugene	27,512	31,682	32,422	33,522	3.4%
Marion County, OR	Salem	27,811	30,478	32,239	32,565	1.0%
Stanislaus County, CA	Modesto	26,511	29,462	30,547	31,485	3.1%
Pueblo County, CO	Pueblo	24,355	27,932	29,989	30,564	1.9%
Polk County, OR	Salem	25,356	30,283	31,771	29,772	-6.3%
United States		31,872	36,003	37,770	40,166	6.3%

Figures calculated using the annual average Consumer Price Index, base = 1982-84. 2008 is the most recent year available for per capita personal income data. Salem's city limits include portions of both Marion and Polk counties.

Sources: Bureau of Economic Analysis and Bureau of Labor Statistics

• Foreclosures

The impact of the collapse in the housing market on the Urban West cities can be seen in this map that displays the rates of foreclosure in each of the 10 counties where the focus cities are located. (Salem lies in two counties.) Seven of the 10 counties have foreclosure rates that exceeded the national average of 577 housing units per foreclosure.

As a region, the West has experienced phenomenal population growth over the past three decades. Most of our focus cities experienced that rapid growth, while a few have struggled to maintain their 1990s population levels. Most have continued to cope with the fiscal challenges detailed in our first edition, including significant limitations on property taxes, the chief source of revenue for most cities. As a region, the economy has continued to evolve away from the traditional resource extraction industries of timber, mining, and grazing. Agriculture, while still important, continues to diminish as a percentage of the region's economic power. These changes have impacted all of our Urban West cities, some more than others.

Number of Housing Units per Foreclosure filed February 2011



United States—577 foreclosures
 The rate is the number of housing units per one foreclosure filed in February 2011.
 The lower the number, the higher the number of foreclosures filed relative to the overall number of housing units.

Unique Influences on the Western Political Culture

“Urban West” may seem to be a strange oxymoron. The West, known for its big-sky country, wide-open spaces, and frontier, is rarely viewed as a region of significant urban places. In fact, some of its states are among the most urbanized in the country because of the relatively small amount of land available for private ownership and settlement. In Idaho, for example, the federal government owns 63.1 percent of the land. Because of the relatively small amount of privately owned land available for development, Utah and Nevada are as urban as New York and Massachusetts in terms of concentrated population.

The Urban West cities are of medium size, but they are real cities with many of the same major urban problems and service-delivery issues faced by our nation’s largest central cities. They are not merely bedroom communities whose existence is totally dominated by and dependent upon a much larger central city. They have the resources and capacity—professional and financial—to become major participants in the further development of this country.

In many respects, the West is a unique region. A comparative study of western cities would be incomplete without at least a brief understanding of the historic and political context in which these cities operate. The influences of municipal reform, property tax revolts, and public lands are more predominant in the West than in any other part of the country.¹²

Municipal reform proposals had a major impact on the West, even though some of these states were not in existence during much of the early



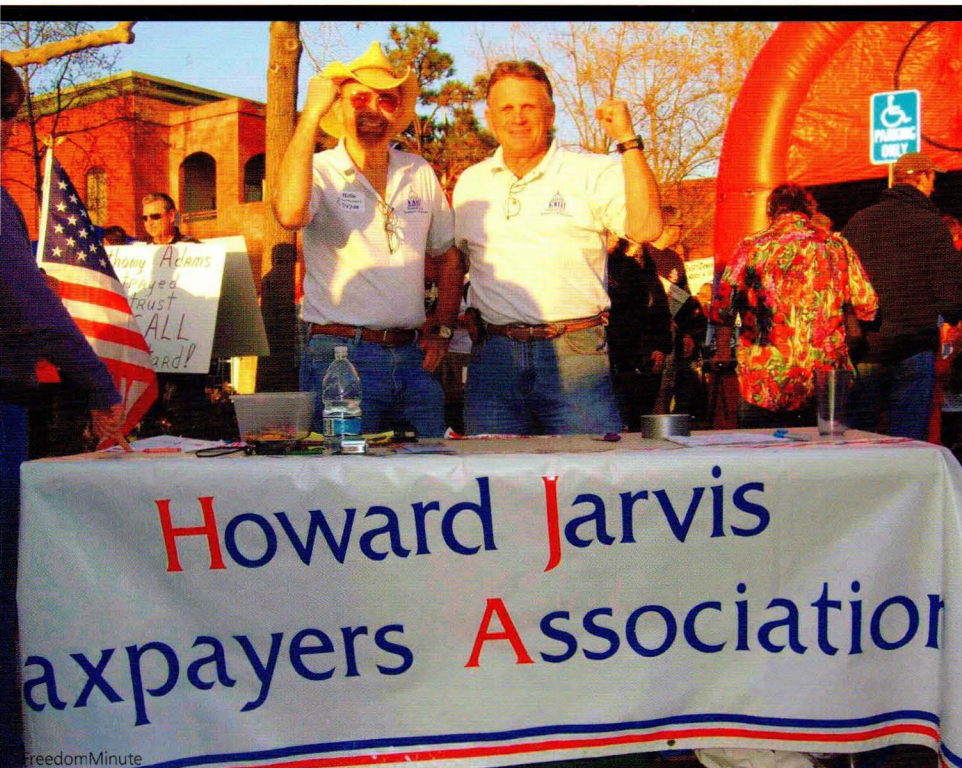
Modesto Bee

One out of every 140 homes in Stanislaus County, Calif. (Modesto) has been foreclosed. Pictured: Linda Hays stands in front of her rental being sold by foreclosure.

days of the reform movement. Western cities typically use many reform features, such as the council-manager form of government, nonpartisan elections, at-large council seats, and initiative and referendum processes.

The 1978 property tax revolt that started in California made a deep im-

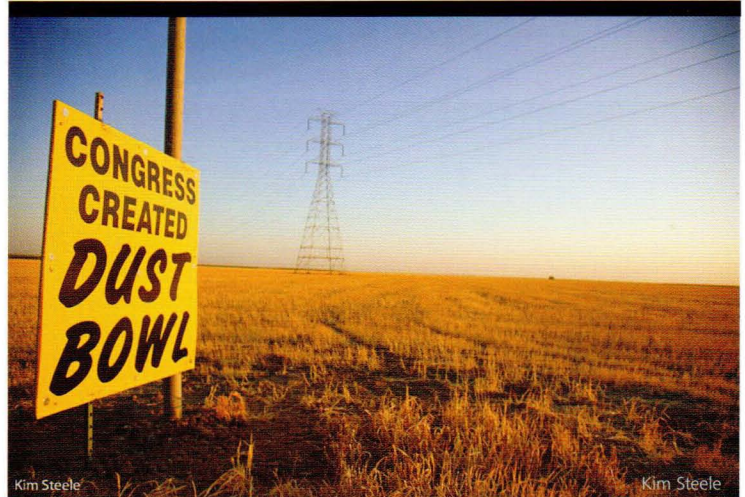
act on the West, spreading to Nevada and Idaho, and subsequently to Colorado and Oregon. The property tax revolt would not have gotten off the ground in the West without the prevalence of such direct democratic devices as the initiative and referendum. These tools of direct democracy are used in the West not only for property tax-protest purposes but also for growth management. Growth management was a predominant issue during the decades of our study 1978-2008, because the West was



growing—more rapidly in many respects—than any other region of the country. With growth came conflict over its benefits and power struggles in many communities over how much growth should be allowed.

Underlying the aversion to the property tax, however, is the typical western hostility toward government. “Complaints of ‘big government’ and ‘high taxes’ strike a responsive chord among self-reliant Westerners,” according to Scott Mackey of the National Conference of State Legislatures.¹³ Mackey has noted the western states’ ability to export their tax burdens to other parts of the country through natural resource charges on hydroelectric, mining, timber, and oil and gas industries. This tax-avoidance mentality helps explain why three out of the five states in the country that do not have a

sales tax are in the West—Alaska, Montana, and Oregon—and six of the nine states without a personal income tax are in the West—Alaska, Nevada, South Dakota, Texas, Washington, and Wyoming.¹⁴ It should not be surprising, then, to find that many of the state and local tax structures in the West are not particularly well balanced. They typically rely heavily on only one or two major revenue sources, leaving them vulnerable to a significant revenue shortfall should one or the other dry up. Oregon's 1990 tax revolt can be attributed to the state's almost 50 percent reliance on one revenue source, the property tax. California in 1978 mirrored Oregon, with almost the same percentage property tax burden. Most of the other states in the Urban West face similar tax problems because of unbalanced tax structures, with the exception of Idaho and Utah.¹⁵



Another important limitation on municipal government, and another reason for such a high incidence of tax revolt activity in the past, is the widespread use of the direct democratic process. Almost every western state gives its citizens direct lawmaking authority through a petition and initiative method. This provides angry citizens and taxpayers a “handle” to seize when they think government is out of control or has gone too far in its taxation decisions.

The West has also been deeply affected by the presence of the federal government, which owns huge amounts of land. This has made the federal government, even though an important player in the development of the West, a hated absentee landlord. When westerners attack government, in most cases they are really complaining about the federal government. Western leaders are concerned about their dependence on natural resources, agriculture, and government, and the fact that world prices and decisions in Washington, D.C. often determine the economic well-being of the West. This has led to a search for economic diversification and independence in order to insulate the western states from these external influences.¹⁶

A sign protests federal restrictions on irrigation water in California's Central Valley, 2007. Opposite: California's Howard Jarvis Taxpayers Association rallies against property taxes, 2009.

Focus Cities

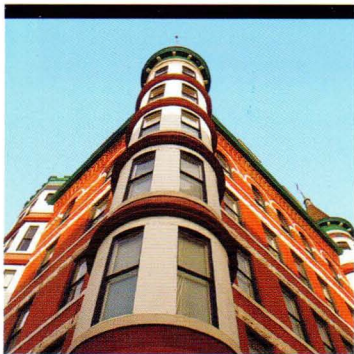
As academics located in the city of Boise, we began our comparative analysis in 1990 with a study of cities that were somewhat comparable to Boise. Our 10 focus cities generally met similar criteria: population range, their status as “second tier” cities in the West, and the fact that they view or have viewed each other as economic development competitors.¹⁷

Our selection of focus cities coincided with an earlier study conducted by the Boise Future Foundation, which had studied the revenue and expenditure patterns of the same cities. According to the Foundation study, the “sister cities” were selected because of their “population size, demographic composition, proximity to Boise, and frequency with which such cities are mentioned as alternative sites for business or residential location.”¹⁸ In analyzing differences, we wanted to look at these cities’ reliance on the property tax, growth management strategies, and their successes in promoting economic diversification.



Dylan Howell

Boise Twilight Criterium 2011



David Day

Idanha Hotel

Boise: Estimated population 205,671 (2010). Boise is the capital city of Idaho and the Ada County seat. The city is located in southwest Idaho along the Boise River and is known as “The City of Trees.”¹⁹ Some have claimed that Boise is the “most remote urban area in the United States” because the closest metropolitan areas are 360 miles away (Salt Lake City), Spokane (379 miles), Reno (425 miles) and Portland (430 miles).²⁰ Boise was once known as home to corporate headquarters, including Albertsons, Micron Technology, Morrison-Knudsen, Simplot, Ore-Ida, and Boise Cascade. Today, only Micron and Simplot remain headquartered in Boise. Home to Boise State University, the city holds the unique distinction of having the world’s largest concentration of Basques outside of the Basque Country.

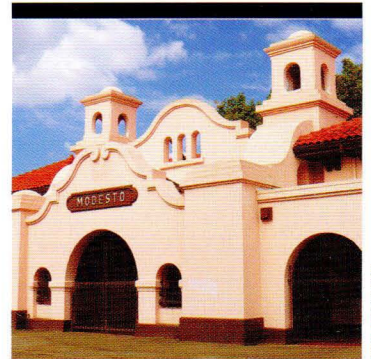
Eugene: Estimated population 156,185 (2010). Located at the southern end of the Willamette Valley, between the Cascade mountains and the Oregon Coast range, Eugene refers to itself as “A Great City for the Arts and Outdoors.”²¹ It is home to the University of Oregon, which at 22,300 students is a substantial presence in Eugene. Lumber and wood products-related manufacturing remain important to the Eugene economy, as do food processing industries. Eugene has a reputation for progressive politics and was fifth in *Popular Science*’s list of the top 50 green cities (2008).²²



Chris Phan

Eugene Station

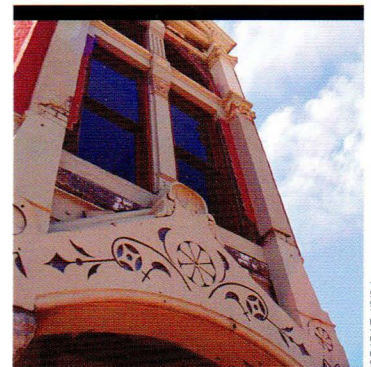
Modesto: Estimated population 201,165 (2010). Modesto is located in the fertile agricultural area of California’s San Joaquin Valley. It describes itself as “The City of Water, Wealth, Contentment, Health.”²³ Modesto’s rapid growth has made balancing the preservation of agricultural land with growing numbers of houses a critical issue for the city. Modesto has the distinction of having a citizen initiative-created statute that requires a vote of the citizens before extending sewer trunk lines (Measure A). Modesto is home to Gallo Winery and a number of agricultural processing industries. The city was the location for the 1973 film *American Graffiti*.



not-so-much

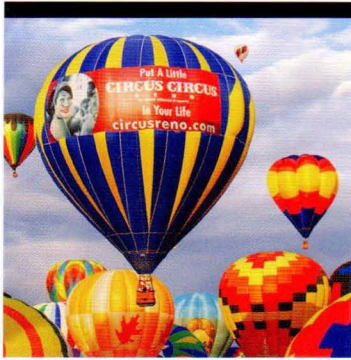
Modesto Depot—Art Museum

Pueblo: Estimated population 106,595 (2010). Pueblo is located in southern Colorado and is the county seat of Pueblo County. Thirteen percent of its residents are retirees of the state employment system. Pueblo’s population is 50 percent Hispanic.²⁴ Pueblo, sometimes referred to as “The Steel City,” was once home to the largest steel mill in the West.²⁵ It is home to Colorado State University-Pueblo. Pueblo’s long-time local newspaper, the *Pueblo Chieftain*, is locally owned and has been a staunch editorial supporter of Pueblo’s unique half-cent sales tax dedicated to economic development.



Paul Everett

Pueblo architecture



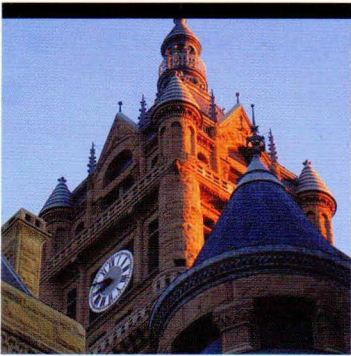
Hanneoria Hanneoria

Great Reno Balloon Race, 2005



greygirl25

Event at Riverfront Park



Sean & Erica

Salt Lake City Hall

Reno: Estimated population 225,221 (2010). Reno is known as “The Biggest Little City in the World.” Its economy is dependent on the tourism and gaming industries. There is a significant union presence in Reno and surrounding communities. Washoe County has 13 separate collective bargaining agreements in place. Located only 50 miles from Lake Tahoe and other major ski destinations, the area is also known for outdoor activities. Reno is home to the University of Nevada, Reno.

Salem: Estimated population 154,637 (2010). Salem is the capital city of Oregon and has the somewhat unusual circumstance of extending across two counties, Marion and Polk. Salem is located in the Willamette Valley less than 50 miles south of Portland. State government is a major employer and presence. In fact, government is the largest employment sector in Salem with 43,700 jobs. The next largest sector is trade, transportation and utilities at 24,200 jobs.²⁶ Salem is home to Willamette University.

Salt Lake City: Estimated population 186,440 (2010). Salt Lake City is the largest city in Utah and is headquarters to the Church of Jesus Christ of Latter-Day Saints. The church is a major physical and political presence in the city and is currently in the process of investing \$1.5 billion in downtown hotels, housing, and retail developments. The surrounding metropolitan area (the Wasatch Front) with 2,076,307 residents dwarfs Salt Lake City itself.²⁷ Many of the people living throughout the metropolitan area commute into the city to work, nearly doubling the city’s population by day. Salt Lake City hosted the 2002 Winter Olympics and is home to the University of Utah and Westminster College.

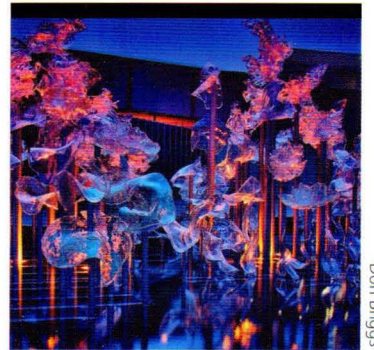
Spokane: Estimated population 208,916 (2010). Spokane is located in eastern Washington and takes pride in being the second largest city in Washington (behind Seattle). Spokane is the regional economic center for the “Inland Empire,” the name given to a large area in eastern Washington and northern Idaho. Fairchild Air Force Base is located to the west of the city. Once fueled by agriculture and extraction industries, Spokane’s economy is now fueled in part by a large health-care sector. Spokane is home to Gonzaga University, Washington State University-Spokane and Whitworth College. Spokane hosted the 1974 World’s Fair and the Riverfront Park built for that event still draws many visitors.



Bloomsday Race, Spokane, 2010

rejuvstee

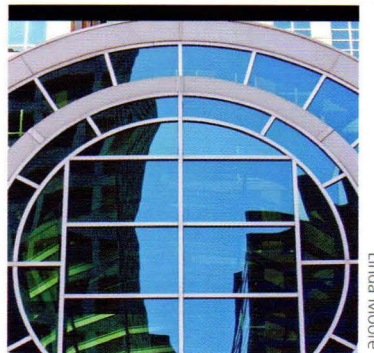
Tacoma: Estimated population 198,397 (2010). Tacoma is located on the Puget Sound south of Seattle and in some ways continues to try to escape the shadow of that larger city. It is known as the “City of Destiny.”²⁸ Tacoma’s economy is built upon the working port that is one of the largest container ports in the country. Tacoma has shed some of its industrial past and grimy image by dismantling factories on the waterfront and building some upscale housing and amenities in the waterfront district. Tacoma is home to Pacific Lutheran University and a satellite campus of the University of Washington.



Tacoma Museum of Glass

Don Briggs

Tempe: Estimated population 161,719 (2010). Tempe is located in the Valley of the Sun that includes Phoenix, Scottsdale, Glendale, and Mesa and has a population of more than 3 million. Arizona State University, which is located in the downtown area, is the largest employer in Tempe, with more than 10,500 employees. Tempe is approximately 40 square miles and landlocked by surrounding cities. It thus faces the challenges inherent in growing through greater density of development and housing. Responding to the Great Recession, Tempe voters increased their sales tax burden over and above a statewide tax increase that was approved the same day—a unique response among Urban West cities.



City Hall “Circle” Window

Linda Moore

influences
and
trends

2

Revenue and
growth shape
municipal
responsibilities.





Laura Gilmore

Idaho's capital city anchors a five-county fast-growing metropolitan corridor with a 2011 population of more than 616,000. Pictured: Boise's Adelman Block. Next: The Tempe Center for the Arts.



Tempe Center for the Arts

For the past three decades, cities in the Urban West have been at the convergence of three major trends: (1) changes in the role of cities in our intergovernmental system; (2) revenue limitations imposed on cities by their voters; and until recently (3) rapid population growth. Taken together, these three trends present cities with an enormously challenging set of tasks: how to cope with more citizens demanding more services at a time when federal funding to cities has declined; how to raise revenue after voters have elected to place restrictions on the property tax; and how to fund services after state governments have balanced their own budget books by diminishing state-shared revenues to cities.

In order to understand how our Urban West cities have coped with these trends we will, first of all, take a brief tour of federalism in the United States as it relates to cities. This will put our cities in an intergovernmental context, which we believe is a key to understanding the powers and limits of cities in the Urban West. Second, we will trace the development of the

Periods of Federalism

- Dual or "Layer Cake," 1789-1932

"There is a clear and definite division of tasks and powers between the several states and the national government."¹ Each was viewed as being sovereign in their spheres. The national government received delegated powers and the balance was reserved to the states.

- Cooperative or "Marble Cake," 1933-1980

This period marked an era of increased cooperation and intermingling of functions and financing among the national, state, and local governments. Franklin Roosevelt's New Deal and Lyndon Johnson's Great Society were major influences during this period.

- New, 1981-2001

New federalism refers to a period of time "during

which a conscientious attempt was made to return public policy functions to the states whenever possible."² Some scholars of federalism include the Nixon Administration in the New Federalism era (1968-1973).³

- Federalism since 2001

Major developments have reversed the trend in devolving or delegating power to the states and have led to a resurgent national government. Responses to the terrorist attacks of September 2001 led to an expansion of federal efforts in national security, and national government responses to the recent recession have greatly increased its scope and impact on state and local governments.

President Franklin Delano Roosevelt made sweeping changes to federalism that strengthened Congressional ties to cities, bypassing the states.



Habakem Oberver 1933

property tax revolt in the West and describe how these movements have limited Urban West cities' abilities to rely on this traditional form of tax revenue. Finally, we will take a closer look at the population growth—and how cities may have managed that growth—in the western states and in the Urban West cities and their Metropolitan Statistical Areas (MSAs). These three trends make facing the “new normal” of the post-2008 recession economy even more daunting for cities.

Intergovernmental Context

The first major trend affecting cities is the changing role of cities in our intergovernmental system. Cities are not mentioned in the U.S. Constitution and until the turn of the 20th century, rarely did they have direct contact with the federal government at all. Today, however, cities are directly connected to a federal government that provides monetary aid and imposes regulatory mandates that affect cities' day-to-day functioning. Cities have joined together in public interest lobbying groups such as the National League of Cities and their own state municipal leagues to deal with and benefit from this evolving relationship with the federal government. Many cities even hire their own lobbyists to represent their interests to the Congress and federal agencies. A summary of history will trace the evolution of this city-federal relationship. The sidebar (opposite page) displays a historical snapshot of our intergovernmental system using common terms to describe the periods of federalism.

Cities have been considered “creatures of their states” by courts throughout American history. This fact, coupled with an early judicial view of the U.S. Constitution that held that the federal judiciary would only rule on actions of the federal government and not the states, reinforced the lack of direct contact between cities and the federal government.⁴ However, beginning in the 1930s and escalating in the 1960s and 1970s, the federal government created many grant-in-aid programs that directly benefited cities (and their citizens).



Most federal aid programs began in the period of Cooperative Federalism (1933-1980). Examples of major intergovernmental aid include federal gas tax revenues, which paid for interstate and state highways, grants to build rural hospitals, public housing, and road and bridge construction. Most

Grants in Aid

Grants by Discretion:

- **Categorical grants:** funds for a narrowly defined purpose.
- **Block grants:** funds for a broad functional area.
- **Revenue sharing:** funds for any lawful purpose. (Currently used by state governments to share with local governments; federal revenue sharing expired in 1986.)

Grants by Distribution Mechanism:

- **Formula grants:** include a decision rule that determines how much money a jurisdiction will receive.
- **Project grants:** awarded competitively to those who apply.

Grants by Matching Requirements:

- **Matching grant:** requires recipients to match the grant with their own resources.
- **Non-matching grant:** no resources from the recipient required.

Source: David C. Nice and Patricia Fredericksen, *The Politics of Intergovernmental Relations* (1995).

The U.S. Department of Housing and Urban Development (HUD) remains a significant source of federal aid to cities. Opposite: Children celebrate the 2011 renovation of a HUD-funded playground and community center in Tacoma's Hilltop neighborhood.

major grant programs were categorical grants, block grants, or general revenue sharing. They are described briefly in the list at left.

Many categorical grants were created as part of the Lyndon Johnson Administration's Great Society/War on Poverty programs in the 1960s. A substantial amount of money was transferred from the federal government to the nation's cities during this time. Intergovernmental transfers between the federal government to all cities rose 370 percent between 1965 and 1974.⁵ In 1978, the high-water mark of federal aid to cities, federal aid comprised 26 percent of cities' own source revenue.⁶

Federal funding to cities declined rapidly during the period known as New Federalism (1981-2001). A report from the U.S. Conference of Mayors documents that from Fiscal 1981 to the proposed Fiscal Year 1991, federal funding declined by 70 percent for clean water construction, 59 percent for employment and training, 54 percent for mass transit, 53 percent for community development block grants, and 100 percent for urban development action grants.⁷ The mechanisms of fiscal federalism changed during this period as well. Many categorical grants were consolidated into block grants, thus giving state governments more discretion over the use of the money. General revenue sharing from the federal government to the states and local governments also ended during this period (1986). While federal funding to cities decreased during New Federalism, state funding to cities increased. In fact, according to a publication of the National League of Cities,⁸ state assistance to local governments during FY 1986 exceeded federal assistance by more

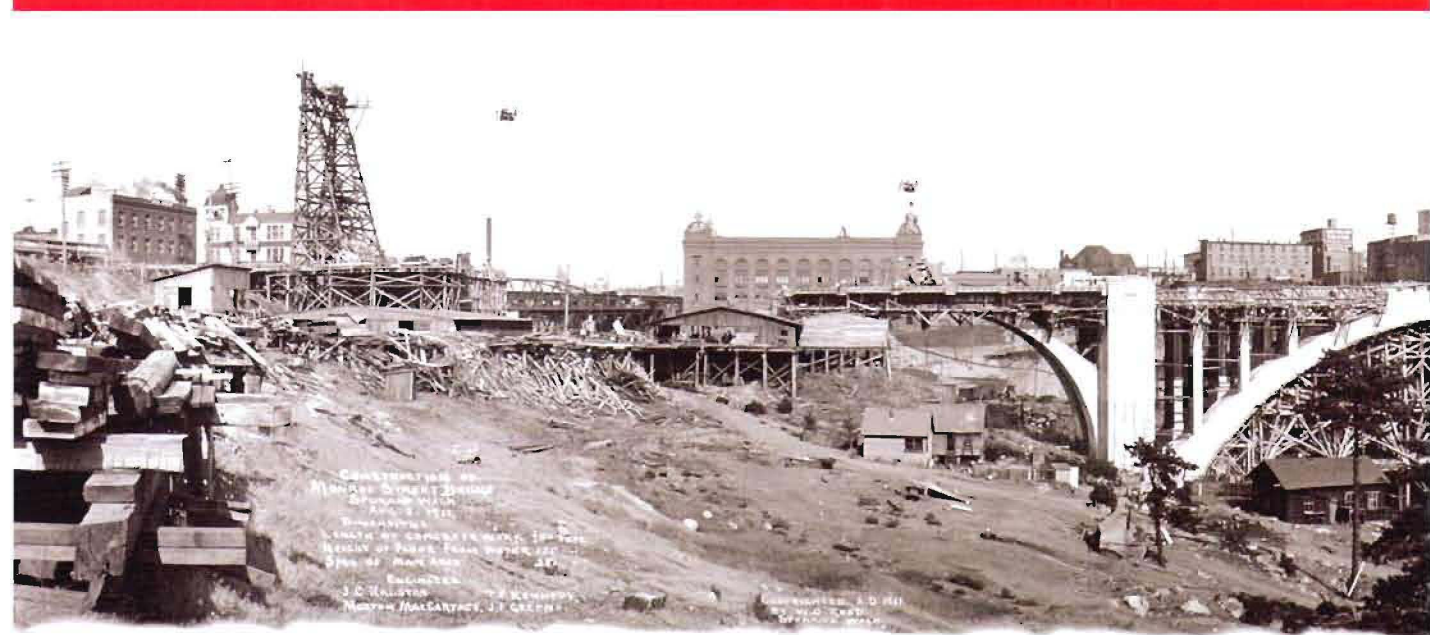
than 600 percent—\$20.4 billion in federal aid compared to \$126.8 billion in state aid.

By 2002, federal aid was only 4 percent of cities' own source revenues compared to 26 percent in 1978.⁹ There has been, however, a rapid increase

in federal funding to states and localities over the past 10 years. The first increase was related to grants for improvements in homeland security in response to the terrorist attacks of 2001. The second increase was seen in the unprecedented series of federal stimulus bills passed in 2009 during the economic meltdown that transferred \$787 billion from the federal government to the states and localities.¹⁰ The federal government has also extended its relationship directly with cities by devolving or delegating certain responsibilities to the states and localities and through the imposition of mandates and regulations impacting cities. During New Federalism, major federal statutes shifted power from the federal government to the states. One was Welfare Reform (1994), which ended Aid to Families with Dependent Children (AFDC) as a federal entitlement and changed it to a block grant largely controlled by states; and the Unfunded Mandates Reform Act of 1995, which prevents (in part) the federal government from creating mandates for states without adequate funding. Several major pieces of federal legislation since 2001 have



expanded the role of the federal government, including the federal education reform legislation titled the No Child Left Behind Act of 2002. This act greatly expanded the role of the federal government in a service area previously left to local school districts and the states. Legislation such as the Help America

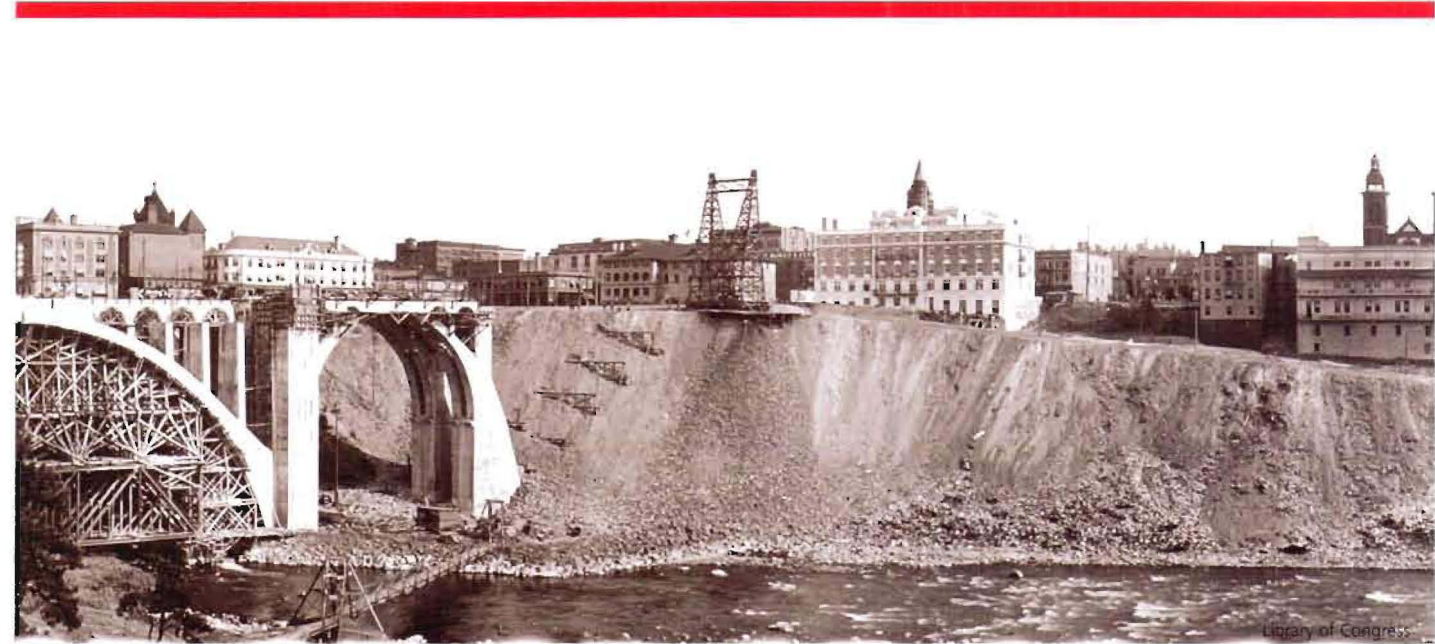


The Washington State Department of Transportation has helped cities pave bridges and highways since 1905. The 1911 construction of Spokane's Monroe Street Bridge (pictured) coincided with state legislation that established the highway fund.

Vote Act and the REALID Act of 2005 have placed significant federal requirements on the states and localities in charge of voting and the issuance of drivers licenses and identification. Other major developments have reversed the trend in devolving power to the states and have led to a resurgent national government. Responses to the terrorist attacks of September 2001 led to an expansion of federal efforts in national security. The reorganization of many existing federal agencies and the creation of a new federal entity in the Transportation Security Administration led to the formation of the largest domestic federal agency, the Department of Homeland Security. Actions of the federal government continue to have important impacts on cities. A recent U.S. Supreme Court decision may throw into question the

status of city attempts to regulate guns (*McDonald v. Chicago*, 2010), and new EPA requirements for the reduction of phosphorus in municipal water

may pass large water system improvement costs on to cities.¹¹ Conversely, in 2005, the U.S. Supreme Court ruled in favor of municipal eminent domain powers in the *Kelo v. City of New London* case, thus providing cities protection for an important redevelopment tool.



Library of Congress

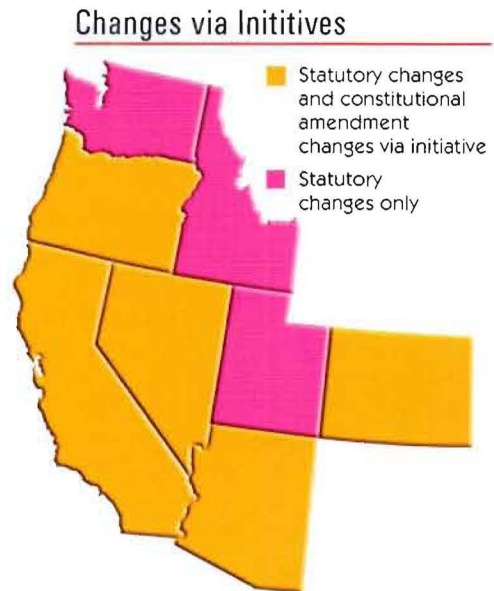
City-state relations are another major area of intergovernmental relations. The powers and authorities given to cities are determined in large part by their state's constitution and statutes. There is a great deal of variation from state to state in what kind of powers and authorities states grant to their cities. Two overall trends can be discerned and summarized. First, there has been an increase in the investigation and use of changes to the form of government in our Urban West cities. Some cities have taken advantage of home rule authority to design new or modified forms of government. Secondly, states have become an increasingly important part of city funding as cities have tried to find a way to escape the limitations imposed on local property taxes. Increased reliance on state revenues has proven to be a double-edged sword for some cities, however, as their states have cut the revenues shared with cities in attempts to balance state budgets hurt severely by the 2008 recession. Managing the relationship with the state government has become an increasingly important part of the city's role in our intergovernmental system.

There are other governmental units that cities interact with on a regular basis as well. Each city is located in a county, and some, like Salem, Oregon, are actually in two counties. Relationships between cities and counties often focus on service provision and planning and zoning decisions. In many states, cities are required to cooperate with counties on planning and zoning tasks. In other instances, cities and counties work together on funding major capital expenses such as solid waste disposal or water treatment plants. Neighboring cities are also a part of the intergovernmental landscape, as well as school districts and other local taxing districts. Federal land agencies and tribal governments are additions to the mix. In other words, the intergovernmental context for cities is complex and constantly evolving.

Property Tax Revolt and Local Tax Limitations

Property tax limitations are the second major trend affecting cities.¹² Most tax policy changes have occurred through the direct action of citizens imposing limits on city governments. Western states are distinctive in their use of direct democratic mechanisms such as the initiative process adopted during the Progressive Era and embedded in most western states' constitutions. While some of the tax limitation measures considered by voters in recent years were aimed at state spending, many more were directly related to cities, especially at local property taxes.

Each of the states examined in this chapter grants their citizens lawmaking authority through the initiative process. Some states allow initiatives that make changes to the state constitution, while others, such as Washington, Utah, and Idaho, allow only statutory initiatives. States differ in the number of signatures required to get an initiative on the ballot and in the geographic distribution re-



quirements for those signatures. The map (opposite page) summarizes whether or not each state allows changes to the state constitution or statutory changes via the initiative process.

• Initiatives and Tax Limitations

A review of state actions in regard to taxes and local government budgeting makes it clear that citizens are not happy with taxes, especially property taxes. In the last 30 years, voters have considered multiple initiatives addressing the taxing authorities of their local governments. In most cases, they have approved these additional limitations on the taxation authorities of cities, counties, and other units of local government. A few states have had voter initiatives aimed at slowing or capping state spending. Discontent over taxes is also evident in the actions of state legislatures, which in several states have enacted limitations on property taxes or other important local governmental revenue sources. Yet in other cases, state legislatures have extended local government taxation authority in order to help replace lost property taxes. With the possible exception of 2001, it appears that a major tax or fiscal relationship change occurred every year since 1990 in at least one of the Urban West states.

Tax Limitations and Revenue Changes, 1990-2010

Arizona

- 1992: Voters pass initiative Proposition 108, which requires a two-thirds vote of each chamber of the legislature to raise taxes.
- 1995: Property tax-based school financing systems declared invalid in Arizona.
- 1998: Voters pass Proposition 105, the "Voter Protection Act" constitutional amendment that prohibits the legislature from changing any initiative passed by the citizens except by a three-fourths vote, and then only to "further the purpose" of the original initiative. Spending required by voter-passed initiatives cannot be reduced by the legislature.
- 1999: Arizona organizes a grassroots opposition to reduce income taxes from 15.8 to 15 percent. They settle at 15.4 percent, costing Arizona \$20 million per year in lost taxes.

2004: Arizona tries to adopt a taxpayer bill of rights based on the Colorado model.

2006: The legislature passes permanent reductions in income tax rates—5 percent reduction each year for the next two years.

2007: Property taxes are cut.

2007: The legislature passes a bill stating municipalities in high-growth counties that offer tax rebates to retail developers are penalized by losing state-shared revenue that is equivalent to the amount of the incentive given to developers.

2010: Voters approve a three-year, one-cent increase in the state sales tax. In the same election, Tempe voters approve a two-tenths of 1 percent increase in their local option sales tax.

California

1994: Several counties refuse to comply with a law transferring their property tax revenues to the state.

1996: Proposition 218 (The Right to Vote on Taxes constitutional amendment) requires either a supermajority or simple majority vote to approve most local taxes, assessments, and fees.

2003: Faced with a \$38 billion deficit, California legislators take half of the municipal governments' sales tax revenues to balance the budget and promise to pay it back later.

2005: California voters approve Proposition 1A, a measure that protects local governments from unfunded state mandates and from state raids on local government revenues.

2007: Several cities approve a one-half cent sales tax increase.

2010: Voters approve Proposition 25 that repeals the two-thirds requirement for passage of a state budget and replace it with a simple majority requirement.

2010: Voters approve Proposition 26 that requires a two-thirds voter approval for any new or increased rate in "regulatory fees." Prior to the passage of Proposition 26, fee increases were adopted by city council vote. There are also exemptions to this proposition and it is not clear what the real impact may be on California cities.



2010: Voters approve Proposition 22 that limits the state’s ability to divert local fuel taxes, property taxes, and redevelopment funds for state budgeting purposes. For several years, balancing the state budget has hinged on diverting local government funds. The League of California Cities strongly supported this “Local Revenue Protection” measure.

Colorado

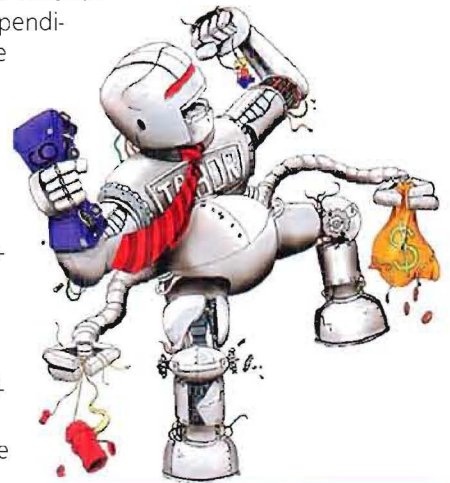
1992: Colorado voters add Taxpayer Bill of Rights (TABOR) to the constitution. TABOR caps annual growth in state revenues and expenditures to the rate of inflation and population increases. The limits can only be exceeded by voter approval.

1998: Provision of TABOR allows local government to “reduce or end its subsidy to any program delegated to it by the general assembly for administration.”

2002: Legislation allows counties and municipalities to form regional housing authorities with revenue-raising powers, including the power to impose impact fees, sales tax, and property taxes.

2005: Voters suspend TABOR limits for five years.

2010: Voters defeat three major controversial measures. Proposition 101 would have cut the state income tax by 25 percent and eliminated the sales tax on a portion of the value of cars. It also would have eliminated the sales tax on telecommunication services. Amendment 60 would have canceled TABOR overrides, imposed taxes on city enterprise funds, and cut school property tax levies in half. Amendment 61 would have required a vote on any public indebtedness (even lease-purchase or lease-back financing) and prohibited state government indebtedness.



Colorado Springs Independent

Political cartoon portrays TABOR as a robot smashing local government services. Opposite: Protecting California’s property tax laws passed in 1978.

Idaho

1991: The legislature repeals the 5 percent property tax limitation and replaces it with a “Truth in Taxation” Act, which requires significant advertisement of property budget or tax increases.

1991: The legislature increases gas tax by three cents per gallon and modifies the statewide distribution formula to benefit cities and other local governments.

1992: Idaho voters reject 1 percent property tax limitation measure (somewhat comparable to California’s Proposition 13).

1995: "Truth in Taxation" is repealed and replaced by a 3 percent cap, plus levies for new construction and annexation, and levies foregone in previous years.

1996: Idaho voters reject 1 percent property tax limitation measure.

1996: The gas tax is increased by four cents along with vehicle registration fees. Half of the new revenues are allocated to cities and other local highway jurisdictions.

2006: The legislature substantially increases the Homeowner's Exemption and ties future increases to the Idaho Housing Price Index. In one of the most significant changes to the property tax system in Idaho's history, the schools' maintenance and operations levies are repealed and substantially replaced with a one-cent increase in the state sales tax.

2010: Voters approve three constitutional amendments that allow hospital districts, airports, and municipal electric utilities to sell revenue bonds without a vote of the people, thereby reversing a recent Idaho Supreme Court case limiting the use of revenue bonds without voter approval. (See: *Frazier v. Boise*, 2006.)



Nevada

2005: The legislature passes property tax abatement and limits property tax increases on a primary residence to 3 percent and to 8 percent on commercial and industrial properties.

2010: Washoe County (Reno) voters approve two advisory ballot questions: (1) Should the legislature be required to obtain the consent of local governments before diverting local government revenues to the state budget? (2) Should the City of Reno and Washoe County "pursue a consolidation of the two governments if such consolidation would reduce costs and/or improve services?"

Oregon

1990: Voters pass Measure No. 5, a landmark initiative that shifts education funding from property taxes to the state over a five-year phase-in period. Measure 5 severely restricts the property tax amount that can be raised by cities, counties, and special districts. (Cities were forced to make cutbacks in services.)

1996: Measure 47 limits property taxes (similar to California's Proposition 13).

- 1997: Measure 50 is a revised version of the confusing Measure 47. "Assessed values would be calculated for 1997-98 on the basis of the 1995-96 real market less 10 percent, ensuring all property owners a savings of at least 10 percent. Increases were also limited to 3 percent annually ... local governments were given the option of passing option levies up to the amount that would have been raised under Measure 5. Essentially, a local government could create a levy that raises the amount of revenue lost due to the property tax assessment lag from Measure 50, effectively raising the tax rate more than 1.5 percent. These local option levies cannot be permanent and may not exceed 5 years for operating levies and 10 years for capital levies. Also, unless they are placed on general election ballots in even years, local property tax increases and bond measures require a 'double majority'—a majority of eligible voters must turn out, and a majority must approve the levy." (*Oregon Politics and Government*, pp. 214-215.)
- 2000: Measure 7 requires cities to compensate property owners when policies reduce property values. (It was later ruled unconstitutional by the Oregon Supreme Court because it amended more than one section of the constitution.)
- 2002: The Oregon legislature passes property tax exemptions that are expected to result in an estimated revenue loss of \$3.5 million over two years.
- 2004: Measure 37 requires state and local governments to compensate property owners when policies reduce property values. This is a statutory initiative designed to replace the court-overturned Measure 7.
- 2007: A new trend called "Hometown Matters" is legislation where municipalities adopt new taxes in order to become less reliant on property taxes. (Voters in Oregon rejected a cap for state spending and rejected an income tax cut that would have reduced state revenues by \$400 million a year.)



AlexSven Flickr

The gilded Oregon Pioneer sits atop Oregon's Statehouse in Salem. Opposite: Municipal bonds help support Boise's airport.

Utah

- 1995: The Impact Fees Act authorizes local government to impose impact fees for water, wastewater, storm water, public power, public safety (police and fire building and qualifying fire trucks), roads, parks, and endangered species habitat.
- 1996: Municipal Energy and Use Tax Act is a tax on energy sales not to exceed 6 percent of the energy product.



1998: Expanding homestead exemptions provides property tax relief.

1998: The legislature authorizes return of 1/64 of a cent of sales tax to localities.

1998: The legislature raises motor fuels tax by five cents per gallon.

Washington

1993: Initiative 601 limits state spending to population and inflation growth, and excess revenues have to be placed in reserve fund. (Initiative has had major impact on state budget and, as reserve funds grew, tax cuts were imposed.)

1997: Referendum 47 places limits on growth in property taxes.

1998: Referendum 48 reduces auto license plate renewals.

1999: Initiative 695 repeals the motor vehicle excise tax and sets state imposed license fees at \$30. Initiatives 728 and 732 mandate state dedication of money to reduce class sizes in all schools and teachers are to receive pay raises annually (legislature can suspend during severe budget crisis).

2001: Initiative 747 imposes a 1 percent cap on annual property tax increases. Initiative 776 provides that all local-imposed auto license plate renewals ("tab fees") be set at \$30. This has the effect of repealing voter-approved excise taxes in four counties. The Initiative survived judicial review and the motor vehicle excise tax for light rail continues to be imposed due to issued bond debt requirements.

2003: The legislature gives municipalities and counties the authority to go to the voters for permission to boost property and sales taxes.

2006: The legislature creates a program to provide fiscal assistance to struggling municipalities and counties.

2007: The Washington Supreme Court upholds a lower court decision that deemed Initiative 747 unconstitutional. Initiative 747 was approved in 2001, and limited the annual growth in property tax by 1 percent.

2007: The legislature passes a law that allows city or county governments to create local transportation benefit districts and impose a local vehicle registration fee to fund local transportation projects.

2010: Voters reject Initiative 1098 that would have established an income tax on individuals earning more than \$200,000 per year.

Initiative and Tax Limitation Sources

This listing of initiatives contains items assembled from several sources. First, an analysis was made of the International City/County Management Association's (ICMA) *The Municipal Year Book* for each year of the 1990-2009- time period, with special attention to the "State-Local Relations" chapter.

This composite listing was then sent to each of the 8 state municipal leagues that included our 10 focus cities for review and comment. Statistical information on city revenue sources was derived from U.S. Census of Government Figures and National League of Cities data as cited in the text. Other publications referenced include: *Making Sense of Dollars* (Utah League of Cities and Towns); *City Budgeting Manual* (Association of Idaho Cities); David R. Doerr's book, *California's Tax Machine*; and Brent Steele, et al.'s book, *Oregon's Government and Politics*.

Attempts have been made to assemble the most accurate listing of tax limitation measures; however, some measures or statutes may have been excluded that some would consider essential to such a list because they did not appear in the sources noted or were not suggested by municipal league officials.



Battered by recession, the 2009 Oregon Legislature proposed cuts to education, including fewer school days. Pictured: Nearly 5,000 people attended a Stand for the Children rally at the state capitol to protest the cuts. Opposite: Utah sales tax token, 1940s.

• Tax Limitations

Several types of property tax limitations are used in the eight western states. The passage of Proposition 13 in California in 1978 is considered by many scholars to be the beginning of what came to be known as the “property tax revolt.” Proposition 13 is both a property tax assessment limit and a property tax rate limit. As a property tax assessment limit, Proposition 13 imposed a 2 percent maximum on annual assessment increases with the 1975-76 valuations as the base. Only upon change of ownership could properties be revalued. Voters in Oregon have approved assessment limits on increases in the assessed value of property, which protect property owners from higher tax burdens in areas with rapid increases in property values.

Rate limits such as Proposition 13 require that the tax rate not exceed 1 percent of the assessed value. In 2001, Washington voters imposed a 1 percent cap on annual property tax increases. In 2007, the Washington Supreme Court declared this assessment limit (Initiative 747) unconstitutional. During the 1990s, Idaho voters twice defeated 1 percent initiatives that would have limited property taxes in Idaho to 1 percent of the assessed value of property.

Other property tax limitation initiatives are revenue limits. For example, Measure 5 in Oregon limited the total amount of property tax revenue

growth in jurisdictions. Idaho has operated under a 3 percent property tax limitation imposed by the 1995 Legislature. Nevada’s legislature adopted a 3 percent revenue limit on residential property and an 8 percent limit on commercial and industrial property in 2005.

The Taxpayer’s Bill of Rights or TABOR is another example of a significant tax limitation. A TABOR amendment to the Colorado Constitution passed via the initiative process in 1992. TABOR “restricts revenue or expendi-

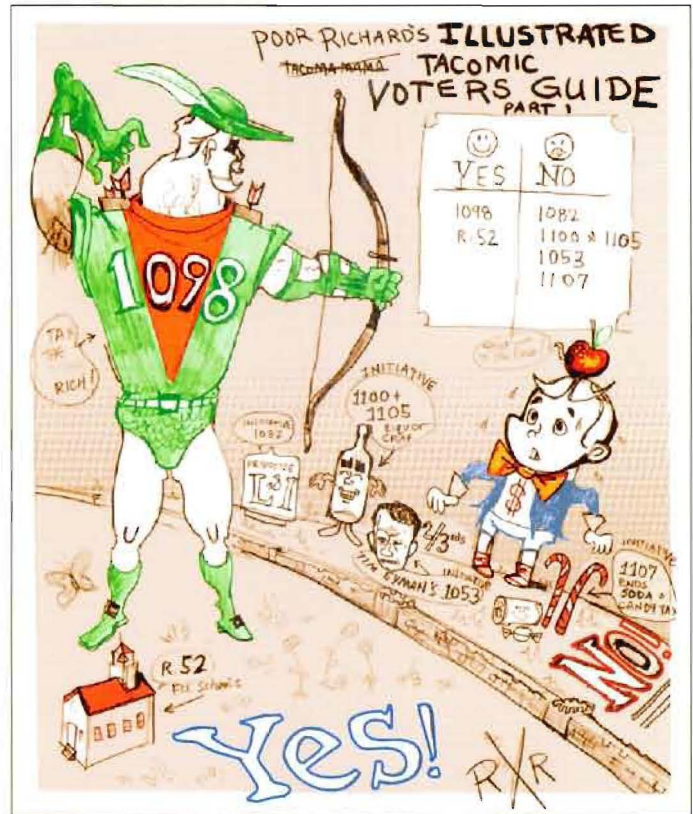


ture growth to the sum of inflation plus population change; and it requires voter approval to override the revenue or spending limits.”¹³ In 2005, Colorado voters suspended the TABOR limitations for five years. The Taxpayers’ Bill of Rights approach has been defeated since then in Washington and Arizona.

Another category of tax limitation is truth in taxation. Truth in taxation is law in Utah and was effective in Idaho from 1991 until its repeal in 1995. Utah’s “Truth in Taxation” was passed in 1985 as a compromise to direct tax limitation. Prior to 1985, property tax revenue increases were limited to 106 percent of taxes collected in the previous year. The limit was activated only when an entity’s tax base was increased as a result of factoring or reappraisal ordered by the Tax Commission. The limit could only be exceeded with voter approval. “Truth in Taxation” laws replaced the 106 percent limit.

The “Truth in Taxation” law imposes specific public notice and public hearing requirements that are triggered when a taxing entity proposes to increase its property tax revenues (not rates) above those collected in the previous year. (Tax revenues generated by “new growth” in an entity’s tax base are exempt from the disclosure requirements.) Public hearings are required to allow elected officials to explain the reasons for the proposed increase and to allow citizens to comment on any proposed increase.¹⁴

Several initiatives and legislative actions are also tied to achieving property tax relief. Both Idaho and Oregon have shifted portions of the costs of K-12 education off the property tax and onto state general revenue funds. These actions are intended in part to provide property tax relief as well to equalize spending across school districts. Another mechanism to provide property



A Tacoma satirist pledges support for an initiative to raise taxes on Washington State’s top one percent. Opposite: California’s Howard Jarvis, 1978.

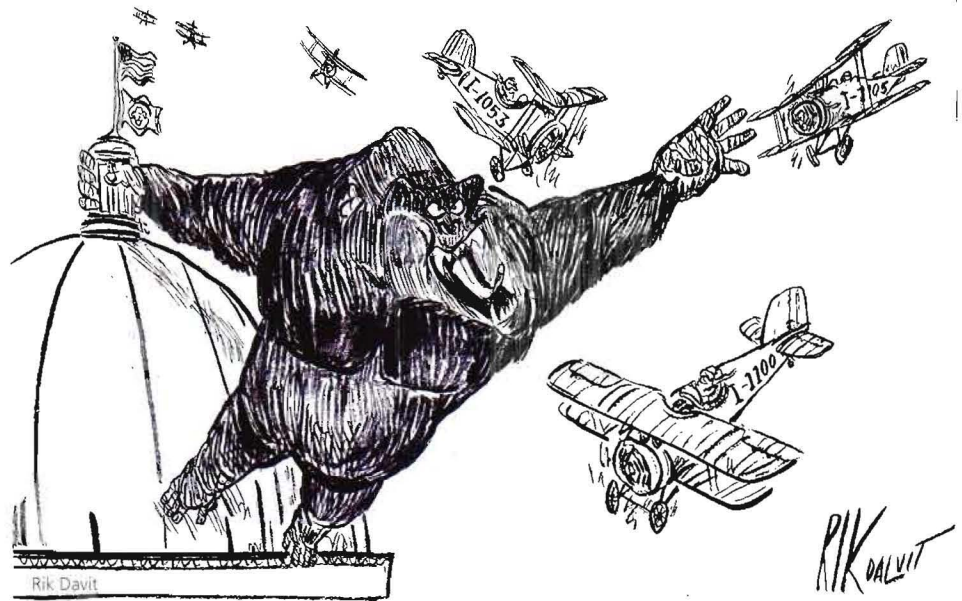


David Grant

tax relief is the homeowner's exemption. Idaho uses this property tax relief method that exempts a portion of the assessed value of owner-occupied residential property from the property tax. Most states utilize a form of property tax relief for targeted populations such as low-income elderly property

owners. Devices such as circuit breakers limit the total taxes due on a single piece of property. In the state of Washington, the voters have used the initiative process to repeal particular taxes such as the motor vehicle license fees. Washington voters have also approved initiatives to cap particular taxes such as automobile license fees.

The last two decades have been very active ones for those who pursue tax limitations. Limitations on the property tax have been particularly successful by utilizing the initiative process. The success of these property tax-cutting initiatives validates long-standing survey research that identifies voters' deep-seated concern with this tax.



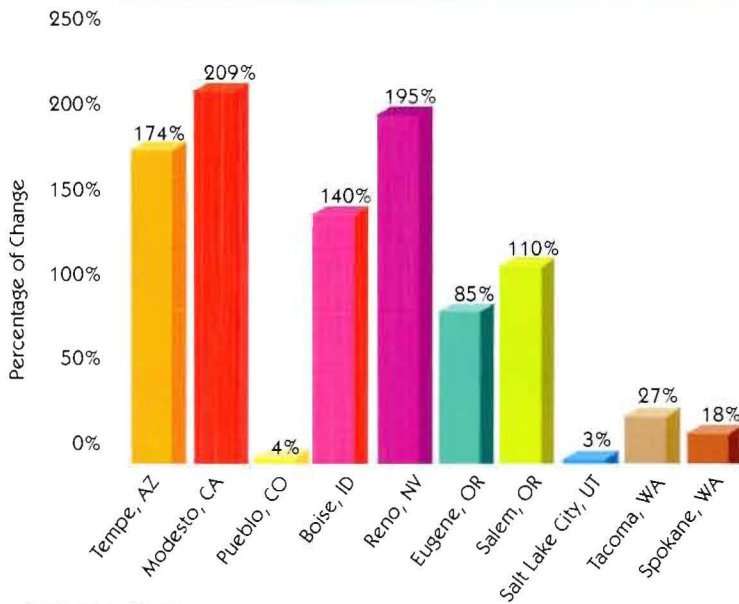
Western state citizens continue to have significant concerns with the overall burden and types of taxes imposed on them by their governments. Much of this activity was made possible by the widespread use of the initiative process; however, a significant number of tax limitations and relief measures impacting local governments came directly from state legislatures. The result is often a very complex set of regulations and limitations on the property tax.

Airborne initiatives attack the beast of taxation atop the Washington Statehouse, *Bellingham Journal*, 2010. Opposite: Oregon Capitol, Salem.

Growth in the Urban West

Growth is the third major trend affecting cities. Many Urban West cities have been shaped by the explosive growth of the entire region over the last decades. The graph displays the population growth in our 10 focus cities from 1970-2007. Clearly, some cities have experienced tremendous growth, such

Population Change in Focus Cities, 1970-2007



Source: U.S. Census

as Modesto and Reno (209 percent and 195 percent respectively). Others have had nearly no change in population (Pueblo 4 percent and Salt Lake City 3 percent).

It would be misleading, however, to look only at the population change within a city's limits. The graph opposite displays the population growth in the Metropolitan Statistical Area (MSA) for each of our focus cities.¹⁵ Broadening the view of the city to include its surrounding communities reveals that all of our focus city MSAs have had significant growth between 1990-2007, ranging from 21 percent in Eugene-Springfield to 87 percent in Tempe, which edged out the Boise MSA growth rate by only 3

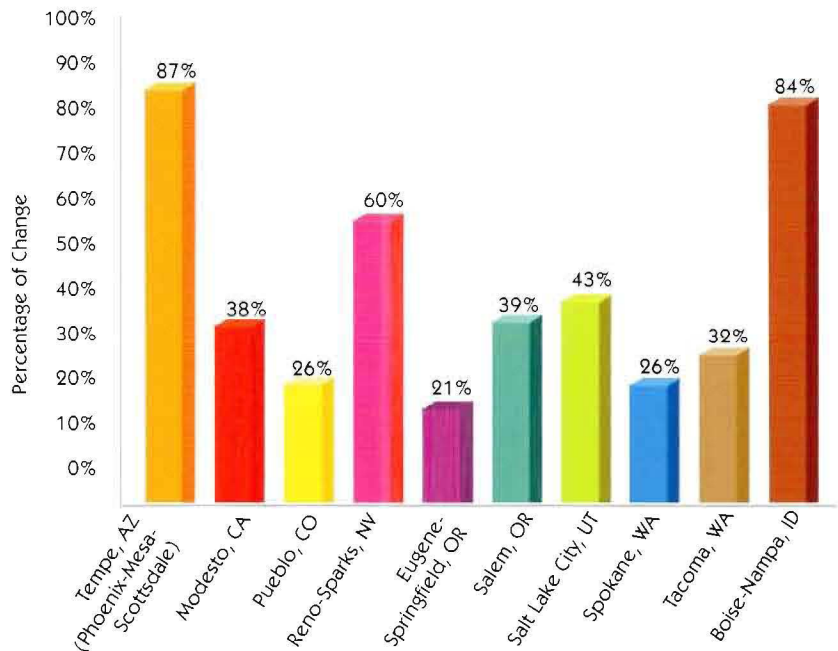
percent. It may be useful to note that a city's ability to grow in population is linked to its ability to annex new territory into its city limits. Some of our focus cities, for example, Tacoma, Salt Lake City, and Spokane, have been "hemmed in" by the existence or creation of new municipalities, thus impeding the expansion of the city. Others, such as Boise and Reno, have greatly expanded their city's jurisdiction through their powers of annexation. Other important intergovernmental contexts also can shape a city's growth, such as the presence and extensiveness of any state level growth management statutes, which might dictate the area of a city's expansion.

More people mean more cars, more traffic, or more demand for public transit. Costly infrastructure may need to be built to provide services to the new residents and working commuters. Roads, police and fire stations, parks,

water and sewage treatment, and landfills are issues faced by cities and shaped by population increases. Cities must find a way to balance the costs of growth among newcomers and existing residents. They must find ways to pay for infrastructure within the limits set on their revenue and taxation powers by their states and their citizens while trying to preserve the quality of life that attracts new residents and businesses.

Urban West cities are impacted by three major trends: intergovernmental limits, limits on taxation authority (especially the property tax), and a high rate of growth when viewed over the last three decades. Each of these trends places significant challenges on cities at the very time that they are being asked to respond to new demands. These demands come from new citizens requiring extended services such as roads, parks, and schools. The demands come from existing neighborhoods arguing for better street repair or protection of their 'quality of life.' The pressures also come from citizens seeking relief from escalating property taxes, leading to that difficult paradox that cities face—having less revenue at precisely the time that they need it the most.

Population Change in Metropolitan Statistical Areas (MSA), 1990-2007



Source: U.S. Census

city
governance



Some cities
are stronger than
others in governing
power.





Photo: eWA

Detail of Tacoma City Hall clock tower. Next: Boise police officer directs traffic at Capital City Public Market on a summer Saturday.



City government structure influences local politics, the balance of power between the mayor and council, and citizen participation. Municipal classification systems are the result of state laws that sort out authorities or limitations on each type of city. Municipal forms of government—mayor-council or council-manager—are largely determined by state laws that provide a varying menu of options mixed with some degree of local flexibility. State law and municipal charters determine electoral systems, whether they are at-large or by district. But, as in the case of Modesto, electoral structures have been recently impacted by both federal and state court action.

Classification Systems

Classification systems are typically based on population, and may, for example, assign different taxation, electoral, annexation, or home rule charter

Washington Cities Classifications

Municipal governments in Washington are classified according to their population at the time of organization (usually incorporation) or reorganization.¹

- I. **First Class**—A city with a population of 10,000 or more at the time of organization or reorganization that has adopted a charter. RCW 35.01.010.
- II. **Second Class**—A city with a population more than 1,500 at the time of organization or reorganization that does not have a charter and does not operate as a code city under the Optional Municipal Code. RCW 35.01.020.
- III. **Town**—A town has a population of less than 1,500 at the time of its organization and does not operate under the Optional Municipal Code. RCW 35.01.040. As a result of some 1994 statutory amendments, the threshold

population required to incorporate as a city is now 1,500, up from 300. RCW 35.02.010. Since a new city cannot be formed unless it has 1,500 inhabitants, no sparsely populated areas may now incorporate to form a new town.



- IV. **Optional Municipal Code**—Created in 1967, the Optional Municipal Code (Title 35A RCW), provides an alternative to the basic statutory classification system of municipal government. It was designed to provide broad statutory home rule authority in matters of local concern. Any unincorporated area having a population of at least 1,500 may incorporate as an Optional Municipal Code or "code city," and any city or town may reorganize as a code city. Optional Municipal Code cities with populations more than 10,000 may also adopt a charter.

Pictured: Old City Hall, Spokane.

powers to municipal governments in different classifications. The rationale for such a scheme: legislative convenience in dealing with various types of cities by providing additional authority or by limiting authority. For an example, see the Washington Cities Classification in the sidebar opposite.

Of our Urban West states, four have classification schemes in addition to Washington. Colorado has two categories: less than 2,000 in population is a town and greater than 2,000 is a city. Arizona has three categories: incorporated places are defined as towns with 1,500 to 3,000; incorporated places are designated as cities with populations from 3,000 to 3,500; and another classification is for all cities more than 3,500. Utah has four categories; Nevada has three. Of the three non-classification states, California dropped its system in the 1950s; Idaho repealed its in 1967. Oregon has never had a classification scheme; all municipalities have home rule charters.²

As a non-classification state, Idaho treats all cities the same, which is to say, all Idaho municipalities are considered cities regardless of their population size. They all have the same grants and prohibitions of power unless the legislature finds a way to circumvent the state constitutional prohibitions against “special legislation” (i.e., targeting a certain city or group of cities). For example, the Idaho Legislature in 1987 gave all cities of more than 100,000 population the authority to use tax increment financing. Only Boise qualified. In the early 1990s, all counties more than 200,000 were given impact fee authority. Only Ada County (home to Boise) qualified. However, in both cases, the legislature later expanded the authorities statewide.



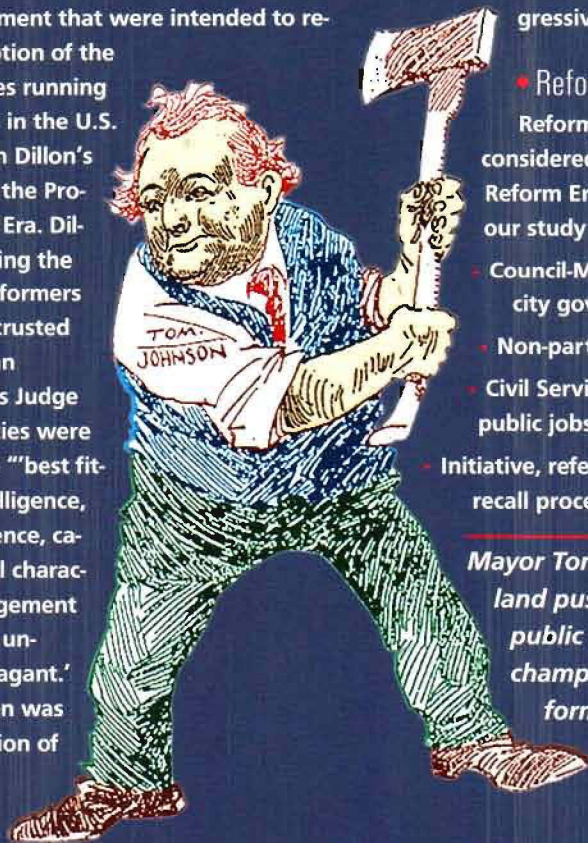
Judge John Forest Dillon, the eponymous author of Iowa's 1868 Dillon's Rule that asserted that cities are creatures of their state and narrowly construed city powers.

Home Rule Powers

Unlike state governments that have powers reserved to them through the 10th Amendment to the United States Constitution, cities have only those powers and authorities granted to them under their specific state constitutions. This general limitation is commonly referred to as “Dillon’s Rule,” after the judge who penned the precedent-setting opinion that noted, “cities are creatures of their states.” States, through their constitutions, their legislative statutes, and citizen initiatives, have developed widely varying approaches to their city governments and what powers and authorities to grant them. In their recent book, *City Bound*, Gerald Frug and David Barron argue for an “understanding of local power that takes as its starting point an analysis of

Progressive Reform

The Progressive Reform Era, generally considered to have been prominent from the 1880s to the 1930s, focused on a series of reforms to government that were intended to remove the corruption of the political machines running most large cities in the U.S. at the time. Even Dillon's Rule is a part of the Progressive Reform Era. Dillon was expressing the hostility most reformers had toward mistrusted city officials. Alan Saltzstein quotes Judge Dillon, saying cities were not led by those "'best fitted by their intelligence, business experience, capacity and moral character.' Their management was often 'both unwise and extravagant.' (Dillon's) solution was judicial supervision of



city actions ... state judges, then asserted authority over cities to correct the evils of the machine and encourage progressive governments."

• Reform Elements:

Reform elements commonly considered part of the Progressive Reform Era agenda and relevant to our study of western cities are:

- Council-Manager form of city government
- Non-partisan elections
- Civil Service systems for public jobs
- Initiative, referendum, and recall processes

Mayor Tom Johnson of Cleveland pushed for parks and public transit as a municipal champion of Progressive reform.

the extent and limits of the state-defined power of American city governments.”³ They further note that “(e)very city will always operate under some kind of state control. The question is what should that be.”⁴ Among the many things defined by state government law and constitutions are:

- Whether city officials are elected or appointed
- Whether they have substantial autonomy to act on their own
- Whether services are provided locally or by others
- Whether they have discretion over their own tax base
- What powers they have to regulate land use laws within their boundaries
- What discretion they have in determining their own boundaries⁵

Cities in many states enjoy home rule powers through either their original state constitution or by constitutional amendment. Home rule grants local voters the authority to adopt their own municipal charters. However, the meaning of home rule varies widely. The essential concept is that cities may act in many cases without seeking state legislative approval and in many cases without legislative interference.

There are basically two types of home rule powers. The first is called a “residual powers” provision, designed to turn Dillon’s Rule on its head. Cities that possess residual powers have the authority to engage in local functions and services that are not denied to them by either the state constitution or state law. In the second type of home rule, cities have used home rule charters to create spheres of influence in which they expect to exercise wide discretion. Issues of “municipal affairs” are



Boyce Williams of Boise protests the city’s proposed ban on smoking in bars and public parks. Nationwide more than 600 cities already ban smoking in bars.

not of statewide concern and should not be subject to legislative interference. These spheres include such things as governmental structure, types and levels of services, municipal boundary issues (including annexation), and local taxation. Two “municipal affairs” areas of particular relevance to our study are the



State restrictions have frustrated the City of Boise’s attempt to finance mass transit with local-option sales taxes. Pictured: Boise’s proposed West End streetcar district. Opposite: Sales taxes helped fund the popular TRAX light rail system in Salt Lake County.

annexation and taxation powers of cities. Of the 10 Urban West focus cities, both Tempe and Pueblo exercise home rule authority and have certain unique powers granted in their charters that are not available to non-home rule cities that operate under the general laws of their respective states. This power is particularly evident with regard to their ability to impose alternative forms of local taxes.⁶

Home rule is important for cities especially in granting them the authority to determine revenue options and to design governmental structures consistent with the unique needs of their communities. But home rule likely does not represent the panacea that early reformers envisioned.⁷

According to Frug and Barron, “the fact that (a) city is a ‘home rule city’ doesn’t answer the question of the extent of its authority.”⁸ Even where cities enjoy home rule authority, they are limited in each of these areas of municipal concern either by state legislative initiatives or judicial interpretation. For example, while Tempe and Pueblo both heavily use local option taxation authority under their charters, they are still constrained by state limits imposed on revenue and expenditure levels.

Many Colorado cities have home rule authority but “labor under a signature state law, known as the Taxpayers Bill of Rights, that imposes very restrictive limits on (their) fiscal authority.”⁹ As Frug and Barron further note, “the grant of home rule, in short, is always more limited than its name suggests.”¹⁰ The

courts have also played a significant role in determining the extent of home rule power. One expert commentator has noted that the courts “have interpreted narrowly the scope of power granted to local units.”¹¹ Courts have remained enamored of Dillon’s Rule, which asserts that cities are creatures of their states and have only the powers granted to them by their states, following “into the 21st century the 19th century world view of an Iowa judge.”¹² Their deference to this narrow construction of local powers is perhaps best exemplified in the Idaho Supreme Court’s refusal to even acknowledge the



Steven Varga

1976 legislative passage of residual home rule power for Idaho cities. They have remained “‘tone-deaf’ to this change and have instead continued to cite fealty to Judge Dillon.”¹³

Not all of the state courts have been tied to Dillon’s Rule, however. In neighboring Utah, the Supreme Court has rejected Dillon’s Rule as being “antithetical to effective and efficient local and state government. If at one time it served a valid purpose, it does so no longer ... Dillon’s Rule of strict construction is not to be used.”¹⁴ In Colorado, the state constitution tells the courts to interpret home rule power liberally.¹⁵

Forms of City Government

In the same way that states in the West are likely to have been shaped by the Progressive Reform Era structures (see sidebar, page 64) like the initiative and referendum, the same structures used in city government also impact Urban West cities. The chart below displays the form of city government used in each of the 10 Urban West focus cities.

City Government Structures, 2011

Boise, ID	<ul style="list-style-type: none"> • Mayor • 6 Council Members + Mayor 	6 at large
Eugene, OR	<ul style="list-style-type: none"> • Council-Manager • 8 Council Members + Mayor 	8 Wards
Modesto, CA	<ul style="list-style-type: none"> • Council-Manager • 6 Council Members + Mayor 	6 Districts
Pueblo, CO	<ul style="list-style-type: none"> • Council-Manager • 7 Council Members 	4 Districts + 3 at large
Reno, NV	<ul style="list-style-type: none"> • Council-Manager • 6 Council Members + Mayor 	5 Wards + 1 at large
Salem, OR	<ul style="list-style-type: none"> • Council-Manager • 8 Council Members + Mayor 	8 Wards
Salt Lake City, UT	<ul style="list-style-type: none"> • Mayor • 7 Council Members + Mayor 	7 Districts
Spokane, WA	<ul style="list-style-type: none"> • Mayor • 7 Council Members + Mayor 	2 from each of the 3 Districts 1 at large
Tacoma, WA	<ul style="list-style-type: none"> • Council-Manager • 8 Council Members + Mayor 	5 Districts; 3 at large
Tempe, AZ	<ul style="list-style-type: none"> • Council-Manager • 6 Council Members + Mayor 	6 at large

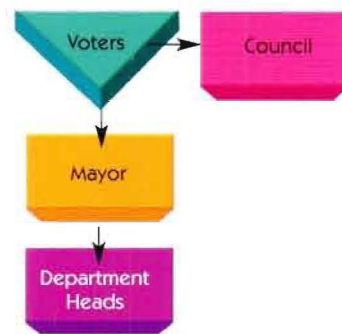
• Mayor-Council form

The strong mayor form of government was the first Progressive reform. Being frustrated with the corruption of ward politics and the power ward politicians played in weakening executive authority, reformers opted for a strong mayor. They centralized most administrative functions in the office, thus giving the mayor major powers to act on behalf of the entire city. The mayor is directly elected by the voters and selects the department heads subject to city council confirmation. While the particular powers and responsibilities of a strong mayor will vary based on state law, strong mayors typically hire and fire department heads, prepare and administer the budget, and have veto power over city council legislation (which may be overridden by the council).¹⁶ While the strong mayor form of city government is prevalent in the nation's largest cities, it is not limited to big cities. It is common among our smallest cities. The strong mayor form of city government does not preclude hiring a city administrator to handle the day-to-day administrative duties of the city; however, the appointment and budget powers still reside with the mayor's office. In this model of city government, the voters can hold the mayor directly responsible for running the city. Of our 10 focus cities, only Boise, Spokane, and Salt Lake City have a mayor-council structure.

Separation of powers and checks and balances are key features of a mayor-council form of government, or, at least in theory. In many cities, it appears that the mayor often dominates policymaking with the council left to respond to mayoral initiatives, except on special issues in which several council members have some particular interest or expertise.

In Salt Lake City, there is more of a balance of power than in most cities. Based upon informal agreements reached years ago, funding for the offices of mayor and council are equal—approximately \$2 million each in FY 2010. Council members talk about their legislative agenda, even though they admit that they could be more proactive. They employ professional staffers who assist them in analyzing city budget proposals and sending out weekly email updates and quarterly newsletters. But there are limitations—council members are part time, working with a full-time mayor. Despite staff support, one council member said they still had their short-sighted moments.

Mayor-Council form



Source: International City Management Assn.

• Council-Manager form

The council-manager form almost perfectly embodied the Progressive principles of insulating administration from politics, focusing on an efficient form of government. The council sets the policy and the manager implements

Council-Manager form



Source: International City Management Assn.

it. Non-partisanship was valued over partisan politics in the spirit of the classic quote, "There is no Democrat or Republican way to build the streets." The city was viewed less as a government and more as a municipal corporation that should be run like a business. The civil service system was based on the notion that competition and rigorous tests would result in placing the best and brightest in city government, not the political hacks of the old spoils system. The direct democracy tools (initiative, referendum, and recall) were targeted at malapportioned legislatures whose rural legislators were often at war with city officials. Each of these features had a continuing impact on cities in the Urban West. The vast majority of medium-sized cities employ a council-manager form, have non-partisan elections, use civil service systems, and have been affected by citizen-backed initiatives.

In 1908, Staunton, Virginia, was the first city to adopt the council-manager system, shortly after the city commission form of government was unveiled in Galveston, Texas in 1900. In the wake of a devastating hurricane, Galveston business leaders pushed for a commission form with elected city officials serving in both legislative and administrative capacities. Commissioners (or department heads) were responsible for the major functions of city government (police commissioner, fire commissioner, etc.) and also served as city policymakers. By 1922, about 500 cities had adopted the commission form of government. Salt Lake City is the only Urban West city that adopted the commission form during this period and then later dropped it for the mayor-council form in the 1980s. The commission form had its critics, especially within the leadership of the National Municipal League (NML). NML thought that the commission form tended to encourage elected officials to focus mainly on their own departments rather than to look at general city interests, and that there was little room for real professional administrative expertise.

By the mid-20th century, the council-manager form became the most widely adopted form of government in the country. It was and is especially popular in the South and in the West. In the council-manager structure, a full-time professional administrator known as the city manager is hired by the city council and serves at its pleasure. Department heads are selected by the city

manager and confirmed by the city council. Historically, the mayor in this form is “the first among equals.” The mayor is a member of the council, presides over council meetings, and carries out several symbolic executive functions, but has no veto authority. The city manager is typically the chief administrative officer of the city. While the figure opposite indicates that the voters directly elect only the council, in reality many council-manager cities now directly elect the mayor as well.¹⁷

Pueblo is a council-manager city and one of only a few cities in America that does not have a mayor. The president of the council serves in the place of a mayor. In the 2009 Pueblo city election voters were asked in a ballot proposition

whether or not a mayor-council form should replace the council-manager form of government. Billboards supporting the current system declared in bold print to “Vote No on the Mayor.” The most interesting person seen wearing a “Vote No on the Mayor” button was Council President Vera Oregon, who in most every other city would be called the mayor.

In the council-manager form, the mayor may be selected by a variety of methods: direct election, selection from the council, or automatically selected as the highest vote getter. In any case, typically the mayor’s position in the council-manager form of government is largely symbolic. But the power and influence of the mayor is often dependent on leadership style. The ability of a mayor to develop majority support from the council is almost directly related to a mayor’s ability to persuade rather than to any formal power advantage.

In the ideal, city managers are separated from the political and policy decisions made by the elected officials. This principle mirrors the “politics-administration dichotomy” advocated by Woodrow Wilson and other early

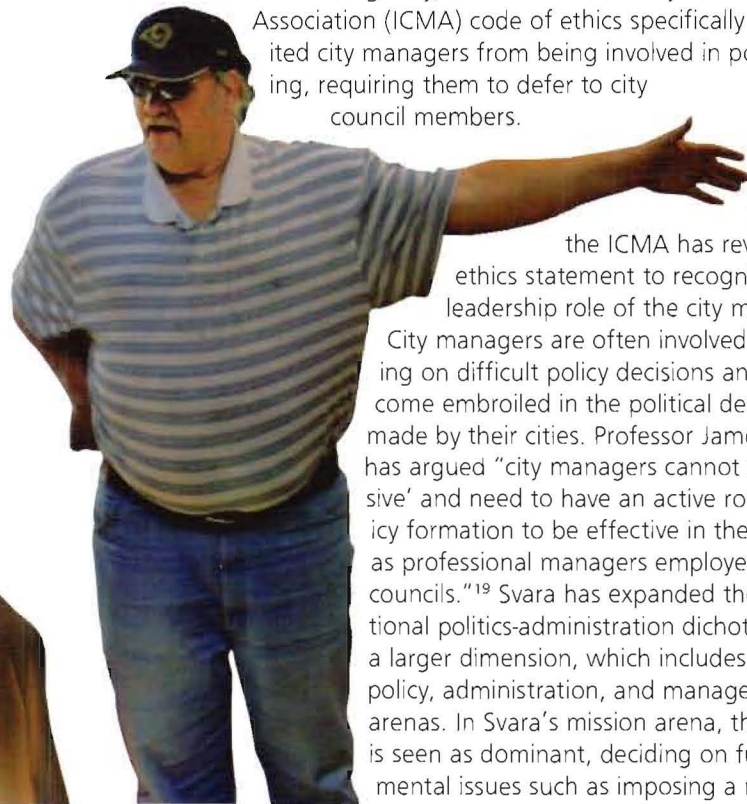


Voters at Oregon’s Lane County Fairgrounds. Next: Reno Mayor Bob Cashell, sitting, talks with a constituent.

public administration scholars at the beginning of the 20th century.¹⁸ The politics-administration dichotomy was meant to refer all policy decisions to elected officials and to allow administrators to focus on the science of administration. Originally, the International City Management Association (ICMA) code of ethics specifically prohibited city managers from being involved in policymaking, requiring them to defer to city council members.



Holland Reno



In recent years, the ICMA has revised its ethics statement to recognize the leadership role of the city manager.

City managers are often involved in advising on difficult policy decisions and become embroiled in the political decisions made by their cities. Professor James Svara has argued "city managers cannot be 'passive' and need to have an active role in policy formation to be effective in their work as professional managers employed by city councils."¹⁹ Svara has expanded the traditional politics-administration dichotomy into a larger dimension, which includes mission, policy, administration, and management arenas. In Svara's mission arena, the council is seen as dominant, deciding on fundamental issues such as imposing a new tax or making a major annexation decision. The manager's role is largely confined to advising and suggesting the consequences of various scenarios. In the policy arena, the manager plays a more critical role, for example, in formulating the budget, a major city policy document. Council members often spend most of their time reacting to the policy initiatives set forth by the manager in the budget. In the administration area, the manager has general oversight responsibilities of city departments, but the council can be involved to some extent in interaction with the staff when they directly receive citizen complaints about departmental practices. In the management area, the council evaluates the manager, but most internal operations are the province of the manager.²⁰

Manager and council relationships are dynamic and ever-changing within cities and certainly among cities. Personally assertive managers may be encouraged by a more passive council to be more aggressive on a broad range of policy issues. On the other hand, an assertive mayor or council member(s) can play a strong policy role as well as invade administrative and management areas.

Other scholars have pointed to the variety of levels of political involvement evident among practicing city managers. Sally Coleman Selden, et al. suggest that city managers can be arrayed in a typology that separates them by the degree of autonomy (from their city councils) and the extent of their involvement in policy.²¹

As the figure at right illustrates, 70 percent of city managers were classified as being both highly involved in policy and highly autonomous from their city councils.²² In other words, the ideal of the city manager removed from politics is not typically realized in the council-manager form of government. The inevitability of this involvement in policy and the tension it creates with the council may explain why the average tenure of city managers is only five years in each assignment. However, it is not the only explanation for the low average. Other factors include leaving for a better job, illness, and retirement. It is also important to point out that five years is the average and that many successful managers stay in one city for a long tenure.

In the final analysis, these complex sets of relationships between appointed and elected officials raise the basic question political scientist Alan Saltzstein has formulated so clearly: "How can we reconcile an appointed official as a policymaker with our democratic traditions, particularly when that official is selected for his skills and knowledge in managing rather than policymaking?"²³

Because of the question raised by Professor Saltzstein and concerns about the connection of the manager to the public, the office of mayor has evolved in many manager cities into a position of considerable power. The amassing of additional power has moved incrementally in Modesto, where voters recently approved an amendment to their charter that gives the mayor

Types of City Managers

		Extent of Policy Involvement	
		Low	High
Degree of Autonomy	Low	Passive Agent 4.3% of managers, n=47	Policy Technician 15.01% of managers, n=161
	High	Administrative Technicians 10.34% of managers, n=111	Active Managers 70.27% of managers, n=754

additional budgetary and administrative oversight powers that the mayor shares with the manager.

Few cities of any size have a pure form of government. As mayor and manager forms have evolved, their differences have blurred and their similarities have become more apparent. Professor George Frederickson and others have called these “adapted cities.”²⁴ They are council-manager cities that have a relatively strong, directly elected mayor, and strong mayor-council cities that have very strong city administrators. In the former system, the mayor is taking on more administrative responsibilities and in the latter system the mayor is delegating more authority to a city administrator.²⁵

Public safety budgets are a major part of city budgets. Opposite: Modesto Police Officers Association members protest layoffs, 2011.

Only one of our *Urban West* focus cities has changed its form of city government from council-manager to strong mayor in the 20 years since the publication of the *Urban West*. In 1999, Spokane voters elected to change to the strong mayor form of government after 40 years of the council-manager system.²⁶ The voters considered a change back to the council-manager form of government in 2003, but the measure failed.

• Impacts on Decision-making and Policy

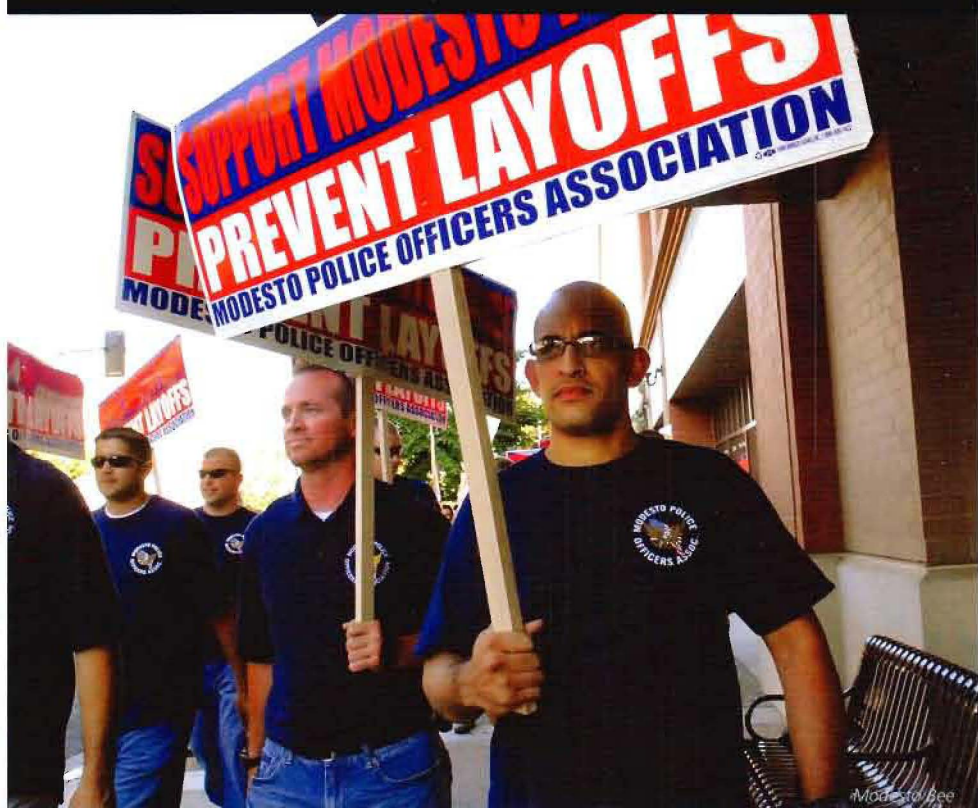
The American experience with municipal structures is far more varied and complex than a one- or two-page discussion in a standard textbook. Most focus on the two major forms of city government—mayor-council and council-manager—as if cities have pure forms of government. In reality, each form has taken on major characteristics of the other. Mayor-council cities are seeking more expertise and professionalism through adopting the manager model and hiring chief administrative officers. Council-manager cities are increasingly emphasizing the greater accountability and personal connection features of the mayor-council form by providing for the direct election of their mayors and, in more and more cities, expanding mayoral powers.

The mayor-council form is based on a separation of powers principle. Conflict is more common in mayor-council and cooperation is more typical in council-manager cities. Svara tells us that mayors in council-manager cities “operate in conditions that are more favorable to developing a constructive leadership style.”²⁷ “The city manager form is based on the unity principle with all authority assigned to the city council that appoints a professional city manager.”²⁸

How do these structural arrangements affect policy? In other words, are there significant policy differences among cities with different forms of

government? Which spends more? Which is more accountable? The answers to these questions are not as clear as some supporters of one form or the other might think. Morgan and Pelissero found that the form of government does not affect spending patterns.²⁹ Clark similarly found that structures did not influence spending on urban renewal or expenditures in general.³⁰ Other researchers have found some differences. Council-manager cities tend to not be as aggressive in economic development programs as mayor-council cities.³¹ However, of our 10 cities, Pueblo, with a city manager, appears to have been the most aggressive during the period of our work on western cities. If that is true, it can likely be attributed more to the unique challenges of the city rather than the form of government.

Structure does matter in the decision-making process. Winners and losers in policy fights may be determined by whether the mayor has a vote on the council or whether the mayor has veto authority. Who reports to the mayor is another important consideration. How much administrative authority does the mayor share with other independently elected administrative officials or officials who answer directly to the city council? Power centers on certain issues can develop around other elected executive officials, such as the elected city attorney in Reno or Pueblo's long-time city attorney who was on contract with the council for 38 years. He contended that he was more accountable to Pueblo's residents than the six city managers and 50 council



members he worked with in those 38 years.³² Some cities have independently elected boards and commissions who are responsible for a major function of city government—water, libraries, etc. All of this fragmentation helps disperse power but may also make efficient government less attainable.

• Electoral Systems for City Council

As the table on page 68 demonstrates, the number of city council seats varies by city. In our 10 focus cities, city councils range from six to eight seats. Mayors are typically part of the council and have a vote on the council in manager cities. It further demonstrates that our cities differ in the method of electing those council members. Some use at-large elections. Others depart from the traditional reform model and have their council members run in dis-

tricts or use a hybrid of the two methods. In at-large elections, all the voters of the city vote on every seat up for election. In a district election, only voters from that geographical district vote on a particular candidate. Progressive reformers liked the at-large voting model because they believed it would make candidates more likely to respond to the needs of the city as a whole. Again, they were reacting to the old ward system of big city machines where party bosses and elected officials were more interested in serving the needs of their supporters than the city itself.

In Salt Lake City, council members maintain close ties with their districts. A city council staff liaison helps organize meetings and facilitates communication with district constituents. In response to the criticism that their system breeds more of a parochial approach, one council member stated that their system is not much different from an at-large system where many of the council members live in a concentrated area of the city.

Another Salt Lake City council member pointed out that he was elected in a low turnout district election with fewer than 2,500 voters, hardly a large cross section of the city. District elections often pivot around neighborhood issues that do not necessarily represent majority concerns in the city. It is tough to represent the needs of the entire city when you are really representing only 2,500 voters in a city of more than 180,000 people. This council member's election was secured in his district because he had only one opponent in a spring primary election. If he had more than one opponent, the top two candidates would have competed in the fall general election. Turnout in the general city election is not much higher than in a primary election.

Voters select Boise's mayor and six city council members through at-large elections. Opposite: Boise City Hall plaza. Next: Boise Mayor David Bieter talks about benefits of bicycle transportation.

At-large systems, such as Boise's, do not guarantee geographic dispersion. That lack of geographic representation resonates with Boiseans who throughout recent history have seen council members often come from the city's North End and southeastern areas; few have ever come from the rapidly growing western precincts.

Some point out the fact that the costs and effort of running citywide elections makes it virtually impossible for many to run successfully for such offices. Candidates can walk their district with a few thousand registered voters but do not have the resources to advertise to 250,000 residents. They also have argued that at-large voting models disadvantage minority candidates and that cities with at-large representation systems tend to elect fewer minority candidates.

The City of Modesto had at-large elections for its city council members until advocates for Latino voters challenged that representational structure in a court case under California's Voting Rights Act, alleging that Latino neighborhoods were neglected and only two Latinos had been elected to the council in the city's history. The case made its way to the U.S. Supreme Court, but the Court refused to hear it, thus affirming the Appellate Court judgment that at-large elections were unfair to Latino voters.³³ In November 2008, Modesto voters approved a measure changing their city charter to district elections.

The first election under the new scheme in Modesto produced a surprising result. The white Republican candidate won in Modesto's new southwestern district dominated by Democratic Latinos. However, the Republican was a long-term resident of the area as opposed to his Latino opponent who was new to the area. Turnout was low—only 12 percent. Two major arguments for districting—encouraging greater voter turnout and producing a more racially and ethnically diverse council—were not satisfied in this first election in 2009.

Other cities have combined the two representational systems to allow for both district and at-large council seats. Presumably, this allows voters to select representatives reflective of their district's particular interests as well as representatives who are responsive to the needs of the city as a whole. Four





of the 10 Urban West focus cities use this hybrid method of electing city council members. In Pueblo, the rationale is that the voters may vote for their district council member and over a four-year election cycle also vote in all three of the at-large elections that represent a majority of the council.

- **Policy and Administrative Impacts**

Some studies have found that district elections produce a more diverse council with greater conflict than at-large systems.³⁴ Council members are

more responsive to voters and neighborhood-based concerns. In district elections there is less opportunity for passing the buck. Voters can more easily know who represents them, especially on controversial neighborhood issues.

Regardless of the systems, questions about representation persist. Who should the council represent? The question illustrates both the strengths and weaknesses of the district system. Council members appear to be more responsive to district interest groups that may reflect majority sentiment in their districts rather than broader citywide interests. District systems seem to make each council member focus more on his or her district and not on the interests of the entire city. It may be more representative from a neighborhood perspective but not from a communitywide perspective.

It is hard to make generalizations about western cities of any size. The great diversity in forms of government might surprise observers who assume that because most cities have either a mayor-council or council-manager form that pretty much tells the whole story. Designating a city as a city manager city or a mayor-council city does not necessarily tell you very much. The mayor in Modesto is much more powerful than the president of the council in Pueblo, even though they are both in a position to hold the title of "mayor." Mayors in some cities are directly elected while others are only "first among equals" and appointed by their fellow council members. The city attorney in Reno, as an elected official, at least formally should carry more clout than the appointed city attorneys in most of our cities. The city council in Salt Lake City stands out as having far more resources than most cities in the West. In other words, understanding the relative power of the various officials in any given city requires understanding the unique twists on mayor-council and council-manager structures in that city.

Various electoral systems have consequences. District elections apparently produce different kinds of candidates than at-large elections. Whether it results in different policies is another matter, perhaps tipping to more specific geographically issue-focused decision-making. If present trends continue, more and more cities will be adopting district election schemes.



revenues
and **taxes**

4

Taxes and
revenue-sharing
shape municipal
services.





Spokane International Airport

State and federal funds support airport and highway projects. Pictured: A westward approach to the Spokane International Airport. Next: Idaho's capital city benefits from construction of state buildings.



Much of a city's ability to provide needed services and to protect quality of life is tied to its fiscal health.¹ Does the city have adequate revenues to meet the needs of its citizens? The answer to this question will differ, depending on the diversity of the economic base and the fiscal discretion allowed by the states' constitutions and statutes. But in any event, nearly all cities are currently struggling to maintain their critical services. In a 2009 national survey of cities, 93 percent of city financial officers responding said their cities were worse off in 2009 than in 2008.² Ninety-one percent of the survey respondents indicated their city cut spending in 2009.³ Cities surveyed in 2010 responded that they had (or would) cut an average of 8.6 percent of their workforce between the 2009-2011 fiscal years.⁴

Revenue shortfalls have also plagued our 10 Urban West focus cities. The table on page 84 displays some general information from each of the 10 cities regarding its budgetary situation during this "Great Recession." Each of

Examples of Budget Cuts in the 10 Focus Cities, 2010–2011

City	Estimated shortfall	Examples of items cut
Boise	<ul style="list-style-type: none"> The City will have to trim \$4 million from the FY 2011 budget. The City Council had already cut \$4.9 million from the FY 2010 budget 	<ul style="list-style-type: none"> 33.5 FTE positions cut Employee raises eliminated
Eugene	<ul style="list-style-type: none"> \$5.7 million gap in the \$384.5 million FY 2011 budget 	<ul style="list-style-type: none"> Approximately 39 positions cut Cuts in Animal Control, Library, Recreation, Planning and Development
Modesto	<ul style="list-style-type: none"> Altogether, \$8.6 million in cuts proposed, with a \$2 million hole remaining 	<ul style="list-style-type: none"> Cuts in Police, Fire (10 FTE), Parks and Recreation, and Planning and Development staffs
Pubelo	<ul style="list-style-type: none"> Estimated shortfall is \$9 million, half to be covered by the fund balance reserve 	<ul style="list-style-type: none"> 26 FTE positions left vacant Unions agreed to no raises
Reno	<ul style="list-style-type: none"> Cuts saving \$26 million 	<ul style="list-style-type: none"> 387.5 FTE positions cut over last two years Across the board cuts in services Police and Fire staff cut
Salem		<ul style="list-style-type: none"> 11 FTE positions cut
Salt Lake City	<ul style="list-style-type: none"> 2010-2011 budget gap is \$9.3 million + \$1.7 million increase in pension obligation + \$2.3 million increase in health insurance 	<ul style="list-style-type: none"> 67 FTE positions cut Changes in health insurance plans to save money Programs such as Youth Art, Parks cut
Spokane	<ul style="list-style-type: none"> Shortfall of this size (\$9.8 million gap between revenues and expenses within the City's General Fund) in 2011, on the heels of filling a \$7.5 million hole to balance the budget for 2010 	<ul style="list-style-type: none"> 120 FTE positions cut City trying for changes to collective bargaining agreements, Police and Fire cuts, closure of branch library
Tacoma	<ul style="list-style-type: none"> \$40 million dollar reduction in budget: \$401 million budget for 2011-12, \$441 million just two years prior 	<ul style="list-style-type: none"> 79 FTE positions cut Wage freeze being negotiated with collective bargaining units
Tempe	<ul style="list-style-type: none"> \$34 million deficit beginning in 2010-11 	<ul style="list-style-type: none"> 40 FTE positions cut, 125 transferred out of general fund Wage freeze, consolidation of departments, furloughs, cuts to Police and Library

our focus cities has a different set of services and, therefore, different costs and expenditures as well as differently valued property tax bases. Comparing the revenue shortfalls and budget cuts across the cities should take those variations into account. The magnitude of the shortfalls and cuts may vary, but the message from the table on the opposite page is clear: all of our focus cities have been hit hard by this budgetary crisis.

As stated previously, cities are at the confluence of three major streams: (1) the global economy and the city's place in that economy, (2) the limitations placed on the city by its state, and (3) pressures from growth. Nowhere are the pressures from those three streams more evident than in the public finance choices made by a city. City officials presume that the tax policy choices they make are going to impact the location decisions of corporations and the quality of life of their citizens. The question for cities in the global economy is whether or not they can survive and prosper in an increasingly competitive world where capital moves freely across jurisdictional boundaries. What mix of revenues and services will help sustain them? Finally, pressures from growth can lead a city to seek new forms of revenue in order to keep flagging infrastructure in pace with demand from new development as well as to maintain existing neighborhoods. Growth often forces city officials to face the question as to who should pay for growth impacts—new residents or existing residents?

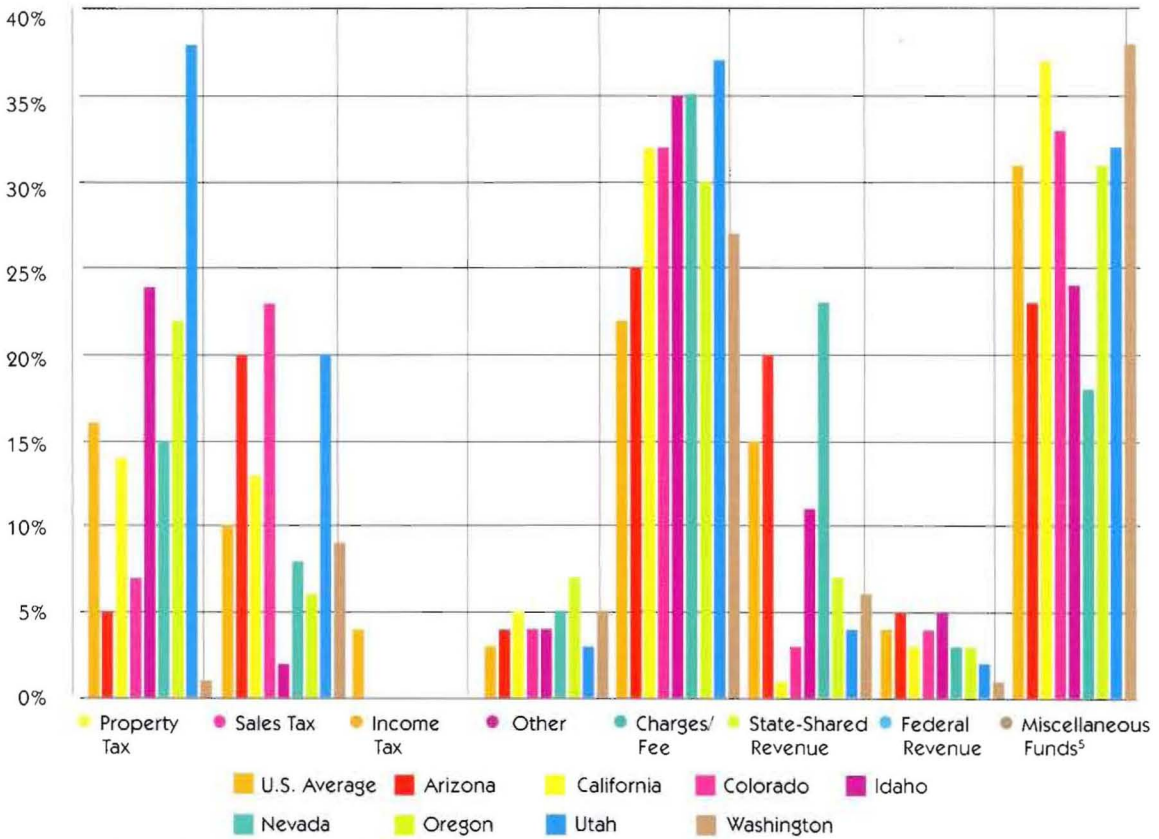
• Overview of Major Revenue Sources

Cities use several major revenue sources in order to provide needed public services. The graph on page 86 displays the national breakdown of city revenue sources and the use of these revenue sources in the eight western states examined in this study. The pie charts on pages 90–92 illustrate city revenue sources for each state.

Several general observations can be made about the distribution of city revenue sources across the eight western states compared to the national averages:

- Only Idaho and Oregon rely on property taxes for city revenues at a percentage higher than the national average.
- Cities in several states have chosen to rely heavily on local sales taxes as a percentage of their city revenues. Arizona, Colorado, Utah, and Washington cities rely on sales taxes at approximately twice the national municipal rate.
- Idaho, Nevada, and Oregon fall far below the other western states in their reliance on local sales taxes as a percentage of city revenue.

City Revenue Sources 2009



Source: U.S. Census Bureau, State and Local Government Finances, 2007

- All eight western states' cities rely on charges and fees at a higher rate than the national average.
- Reliance on state shared revenues for cities varies widely across the eight states from a high of 23 percent in Nevada to a low of 3 percent in Colorado.
- Federal revenue is a small percentage of total city revenues in the eight western states and nationally.

• The Property Tax

The property tax was historically the most important single source of all types of revenue for local governments in the United States. In 1902, the property tax comprised 73 percent of all municipal revenues nationwide.⁶ As the graph opposite illustrates, by 2009, this number had fallen to 16 percent as fees, service charges, federal aid, state-shared revenue, and other taxes ex-

Examples of Property Tax Limitations

Steps in how the property tax rate is determined

1. Estimate city budget needs (spending). Remember that spending must equal estimated revenues (local government budgets must balance).
2. Determine what portion of needed revenues comes from property taxes (the property tax portion of the budget or PTB).
3. Total city property tax revenues (PTB) = total assessed value of the city (AV) x property tax rate (TR). $PTB = AV \times TR$. To figure the tax rate, solve for TR. $TR = PTB/AV$.

[For an example, assume a city has an assessed value of \$10,000,000, and \$150,000 is needed from property taxes (the PTB).]

Example One: Figuring the property tax rate

$$\text{City Assessed Value} = \$10,000,000 \times \text{Tax Rate} = \$150,000$$

$$\text{Tax Rate} = .015 \text{ or } (1.5\%)$$

Example Two: The property tax with a rate limit of percent

$$\text{City assessed value} = \$10,000,000 \times \text{FIXED RATE } 1 \text{ percent} = \$100,000$$

If the estimated portion of the budget from property taxes had been \$150,000 as in Example One, the city must cut \$50,000 worth of spending, raise other taxes, or a combination of the two.

Example Three: The property tax with a revenue limitation of 5 percent

If last year's property tax revenues = \$150,000, the maximum revenue allowed from property taxes this year is \$157,500.

$$\text{City AV} = \$10,000,000 \times 1.575 \text{ percent tax rate} = \$157,500 \text{ (PTB)}$$

(assessed valuation stays the same)

$$\text{City AV} = \$10,500,000 \times 1.5 \text{ percent tax rate} = \$157,500 \text{ (PTB)}$$

(assessed valuation goes up 5 percent)

Note: The tax rate will go up or down depending on changes in assessed valuation when the total revenues from property taxes are fixed with a revenue limitation.

panded total municipal revenues. The property tax still remains the single most important source of funding for most city operating budgets, but not their total budgets. Generalizations can mask significant differences within states. For example, over the past 20 years, Utah cities have shifted from primary reliance on the property tax to reliance on a 1 percent local option tax implemented by every city in the state. However, Utah's largest city, Salt Lake City, still relies more heavily on the property tax. This is due in part to the expensive commercial properties in downtown Salt Lake and the fact that only one-half of the statewide distribution of state collected local sales taxes are allocated on a point of sale basis.⁷

A Boise homeowner typically pays property taxes to the city, the county, the highway district, a school district, perhaps an irrigation district, and other taxing authorities. Opposite: An urban renewal district, Idaho Street, Boise, 2007.

The property tax is based on the assessed value of the property and the tax rate, also known as the levy rate, established by a taxing entity. County officials typically determine a value on real and personal property for tax purposes. There may be many taxing entities collecting property taxes on any single parcel of property: a homeowner in Boise, Idaho, would pay property taxes to the City of Boise, Ada County, the Boise Independent School District, the Ada County Highway District, and any other special districts their home lies within, such as a cemetery district or a mosquito abatement district. In most states, these taxes are collected by the county government and distributed back to each of the appropriate local taxing entities.

The legal framework for the administration of the property tax is typically contained in state statutes or constitutional provisions. This includes the dates and regularity of when property taxes are due, how often and in what manner assessments of property values are re-evaluated and, perhaps most importantly, any limitations on property taxes affecting cities. Hence, the somewhat curious situation arises that one set of elected officials at one level of government (the state), establishes the rules for another set of elected officials at the local level. Of course, the citizens themselves may also determine the statutes governing the property tax through the initiative process.

The property tax has historically been judged to be among the most stable of taxes collected by government. Compared to the sales tax, for example, which is much more sensitive to fluctuations in the economy (people cut back on spending when money is tight), the property tax tends to remain relatively steady unless there is a sharp upturn or downturn in the economy as we have experienced in the Great Recession. Even with the increasing number of limitations, the property tax is still judged as providing a considerable degree of autonomy for local governments. According to tax expert David



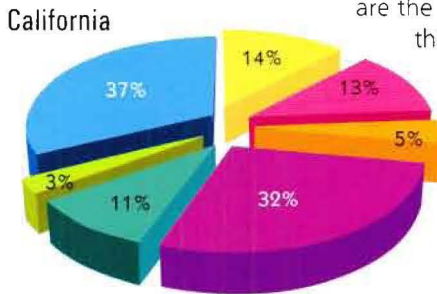
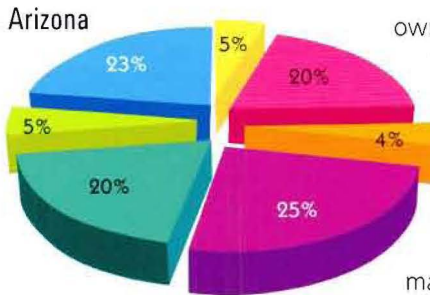
Brunori, “the virtue of the property tax is that it is the best independent source of local revenue.”⁸ The now-defunct Advisory Council on Intergovernmental Relations (ACIR) tracked public opinion about taxes from 1972 to 1991. The growing resentment toward the property tax is illustrated by the fact that in 1978, just before Californians started the property tax revolt with Proposition 13, 45 percent of westerners surveyed indicated that the property tax was the “worst tax.”⁹

A more recent reflection of public attitude is the survey of Idaho residents that indicates that the property tax remains an issue of concern. More

City Revenue Sources by State, 2009



Source: U.S. Census Bureau, State and Local Government Finances, 2007



respondents to the annual Boise State University Public Policy Survey chose the property tax as the “least fair tax” than any other tax. This pattern has held consistently since 2001.¹⁰ In times when property values have escalated quickly, home-

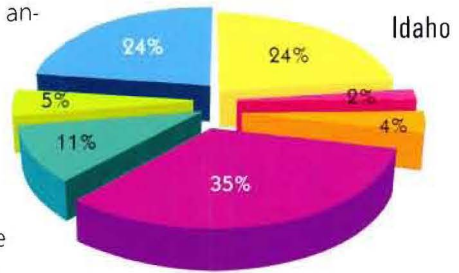
owners have seen increases in their property taxes. It is likely the rapid population growth and increases in property values in the 1970s and 1980s led to the rise of the property tax revolt. The animosity toward the property tax can also be explained in part by the confusion the general public has about the complexities of the property tax process, the perceived lack of fairness in the administration of the tax, and the belief that the tax supports many services that do not benefit the property owner. Diane Paul, however, may have offered the best reason for the deep-seated emotional response to the tax. She argues that since people’s homes are the object of the tax, they deeply fear the potential of losing their homes if they cannot pay the tax.¹¹

A discussion of the property tax requires some explanation of the types of limitations. An understanding of some of the basic elements in the levy rate-setting process is useful in illustrating the operation of these various tax limitation measures. Hypotheticals illustrate how these limitations would apply to a city government’s budgeting process.

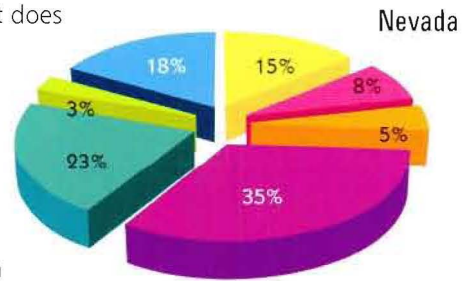
One of the first steps in the property tax rate-setting process is for locally elected officials to adopt a budget, which includes all of their jurisdiction’s anticipated revenue sources, including property taxes. The amount of the property tax portion of the municipal budget divided by the city’s assessed valuation yields a city tax rate. The property tax rate-setting process can be expressed as $TR = PTB/AV$ where TR is the tax rate, PTB is the property tax portion of the budget (or that portion of property taxes subject to the limitation) and AV is the entity’s assessed valuation for taxation purposes.

For illustration purposes, visualize a city with a current assessed valuation of \$10,000,000, a property tax budget of \$100,000 and a levy of .0100 (or 1 percent). If city

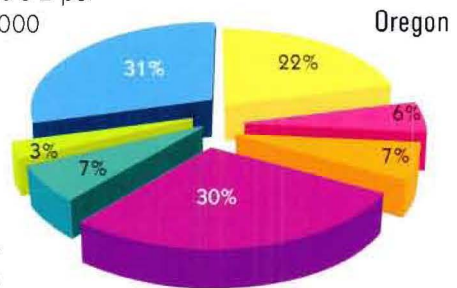
officials decided that they needed to generate an additional \$10,000 in property taxes for the next fiscal year, and they anticipated their new assessed valuation would increase by 10 percent to \$11 million, their new property tax budget would increase by \$10,000 with no increase in their current tax rate of 1 percent. However, if city officials decided they needed more property taxes, they could, depending upon what type of limitation they were operating under, increase their levy to 1.5 percent and generate an additional \$65,000 in property tax dollars from their increased tax base.



As noted in the prior discussion, however, most local budgets are not set in a vacuum. Property tax limitation measures affect most budget-setting decisions. For example, a rate limit could mandate, as it does in California, that local levies shall not exceed 1 percent, regardless of the growth in tax base or increased municipal costs. A revenue limit would allow only an increase in property tax revenues up to a fixed percentage, such as 5 percent. That would mean in our hypothetical case that the local officials could increase the property tax portion of their budget by no more than \$5,000 rather than up to \$10,000, an amount a city could levy if it had no such revenue limit.



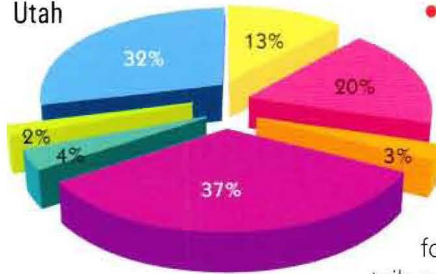
Assessment limitations cap annual valuation increases by a certain percentage, such as the 2 percent lid in California. In our hypothetical case, the city's valuation will substantially increase over the current year's valuation of \$10 million. But under an assessment limit such as California's 2 percent lid, its assessed valuation could only increase by \$200,000 instead of \$1 million, or, in other words increase to a total of \$10,200,000 rather than \$11,000,000. If local officials were operating under a 1 percent rate limit in our example, they would only be able to increase taxes by \$2,000 as opposed to \$10,000 under the 1 percent and no assessment limits scenario.



What may have initially seemed to be a temporary revolt against rapidly rising property values and taxes in 1978 has proven to be a sustained resistance to the property tax across the western states. State legislatures and voters (through the initiative process) have continued to periodically pass various local tax limitation measures. But most of these limitation measures apply to the property tax. All

eight of our Urban West states have some sort of property tax limitation measure in place.

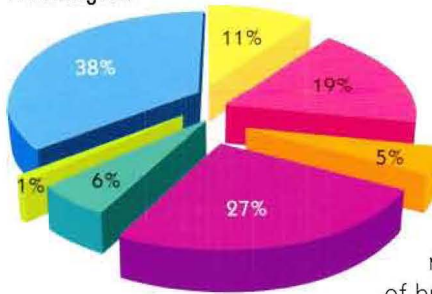
Utah



State-Shared Revenues

State-shared revenues generally include sales and highway user revenues. Sales taxes are often shared with city and county governments according to a state legislative distribution formula. The formula may take into account the point of sale, or all or a portion of the sales tax generated within a particular jurisdiction. The formula may also be based in part on population. The details of the formula are critical to determining the winners and losers in the distribution. That is why, in most states, reconsideration of the formula can generate intense political battles.

Washington

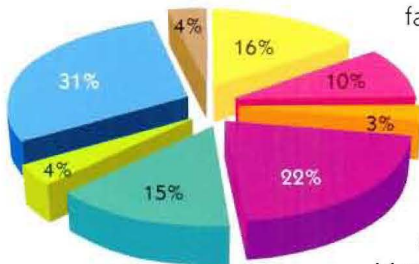


All of the above dynamics also apply to state-shared gasoline taxes. In most states, gasoline taxes are earmarked, at least in part, for highway and street construction and maintenance. The cost of building and maintaining adequate infrastructure makes

Charges and fees compensate for declining property tax revenues in many western states. Opposite: Reno firefighters.

the dependence on state-shared gasoline taxes a critical part of local government revenues.

US Average



In very tough fiscal years in which overall state revenues fall far below levels needed to maintain services, the state-shared revenues become tempting targets for reallocation to reduce state fiscal deficits. Because cities rely so heavily on these revenues, any raids on these revenues can be devastating.

In order to balance the 2009 state budget, California legislators hijacked municipal property taxes, gas taxes, and redevelopment funds. It was estimated that the City of Modesto would lose approximately \$6.5 million. Modesto Councilwoman Kristin Olsen called a press conference after the legislative action and attacked this raid on city funds, calling the legislative promise to later

restore the funds as “nothing more than a Ponzi scheme.”¹² In response to this raid, or what legislators call “revenue diversion,” the League of California Cities, along with local transportation officials, launched a campaign to place Proposition 22 on the 2010 statewide general election ballot. Proposition 22 was designed to stop the state legislature from taking city gas taxes, property taxes, and redevelopment funds. In November 2010, California voters approved Proposition 22, which should give local governments more control over their own revenue sources and greater certainty that they can keep their own funds. In addition to the negative impacts of the revenue loss, local officials had little budgetary certainty. Long after their budgets had been set, the state legislature, desperately trying to fill a major budget gap, would take local revenues right in the middle of cities’ fiscal year. Proposition 22 was intended to prevent another precipitous action by the legislature. Opponents have charged, however, that the proposition is a “totally irresponsible” measure unfairly limiting the budgetary powers of state legislators. Threatened litigation may bring years of court battles.



In 2009, the Nevada Legislature took \$50 million from Nevada counties’ medically indigent fund and \$79 million in property taxes from Clark (Las Vegas) and Washoe (Reno) counties. No other local governments lost property tax dollars in this targeted taking of revenues from the state’s two major population centers.¹³ This raid succeeded even though local governments were well represented at the legislature and were told by a legislative leader that if they were not at the table, “it could be ugly for you.” Washoe County and its local government spent \$750,000 lobbying the 2009 session. The president of the Nevada Taxpayers Association indicated that she had concerns about the amount of money local governments have spent lobbying. But she said that she understood “it better this session” when local governments were targeted.¹⁴

• Fees and Service Charges

As cities adapt to new limits on the property tax and deal with a growing “anti-tax culture,” the most common new sources of revenue are new fees or fee rate increases. Fees seem to be more acceptable to a general tax-adverse citizenry who believes many service costs of government should be borne by those who use the service. With fees, those who don’t use the service don’t have to pay. A 2007 survey found that 45 percent of cities nationwide were increasing their fees and charges.¹⁵ Since the 1980s, fees have been on the rise and now are 40 percent of cities’ “own-source” (or locally raised) revenues; property taxes have dropped, as a proportionate share, to 30 percent.¹⁶

There are limits to how fee revenues can be used, however. Fees cannot exceed the cost of providing services or the costs of a regulatory activity. If they do, they’re considered a tax, not a fee, and are often subject to greater scrutiny. In short, a specific fee cannot be used to balance the city budget, but rather is tied to funding a specific utility or enterprise operation.

• Local Option Taxes

In the most common forms of a local option tax, voters approve an additional percentage (or fraction of a percentage) onto the existing state sales or gasoline tax to be assessed on purchases within the city. Some cities add those revenues to their general fund, others earmark local option tax revenues for a certain purpose; for example, the City of Pueblo earmarks its one-half cent sales tax for economic development. Recalling that “cities are creatures of the state,” however, it is important to note that not all Urban West states grant their cities the

Local Option Tax Authority



power to adopt local option taxes in the same way. Idaho, for example, allows its cities only very limited local option taxation authority. Currently, only some “resort cities” have the option of adopting local option taxes. Idaho cities have attempted to secure state legislative approval for increased local option taxation authority almost every year since the early 1970s, but to date the legislature has been unwilling to expand this taxing authority. The attitude of the Idaho Legislature is perhaps summarized in a recent quote from House Majority Leader Mike Moyle, who said, “Sometimes you give local governments too much control and you end up with an abuse of power.”¹⁷ Other states, such as the map shows, have granted significant local option taxing authority to their cities and those cities have chosen to adopt that authority. In addition to establishing whether or not local option taxes are allowed as well as the types of local option taxes available, legislatures and/or state constitutions may also specify the level of voter approval needed: a simple majority versus a super majority (for example, 60 percent).

• Implications of Revenue Sources

Each revenue source utilized by government has its own set of costs and benefits. One common way to examine these costs and benefits is to display the revenue sources by several characteristics: (1) the revenue potential, or how much revenue a tax will produce; (2) the stability of the tax in changing economic times; (3) the progressivity or regressivity of the tax, that is the tax’s burden relative to the income level of the taxpayer; and, (4) the administrative cost to the government for collecting the tax or revenue source. The table at right compares the property tax, sales tax, income tax, common excise taxes, and user charges across these characteristics.

Comparison of Government Revenue Sources

Tax	Revenue Potential	Stability	Progressive/Regressive	Administrative Cost
Property tax	High	High	Regressive	Medium-High
Sales tax	High	Medium-Low	Regressive	Medium
Income tax	High	High	Progressive	Medium-High
Cigarette/Alcohol/Fuel	Low-Medium	Medium-Low	Regressive	Medium
User Charge	Low-Medium	Low-Medium	Regressive	Very High

Source: Connecticut Conference of Municipalities

Revenue Potential is defined as “how much” revenue a tax will produce. *Stability* is defined such that “a stable source of revenue does not result in large increases in the good years and large decreases in the bad years; rather, the yield changes only modestly from year to year.”¹⁸ *Progressive/Regressive* refers to the tax’s burden relative to income level. A progressive tax increases as the income of the taxpayer increases. A regressive tax falls as a percentage of the taxpayer’s income increases. *Administrative Cost* refers to the cost of collecting the tax.

Local governments, including cities, have begun to move away from reliance on property tax toward other revenue sources. They find they are trading reliance from one tax, often perceived by the public to be the “least fair” but from the government’s perspective more stable, to a less stable source, such as the sales tax or user fees. This switch makes governmental revenues



Boise Architecture Project

more vulnerable to downturns in the economy. As noted in the graph on page 86 the western states have a high reliance on user fees and charges. As the chart on page 95 indicates, user fees have both low revenue production and low stability with high administrative costs. In spite of these potential downsides, a 2009 survey indicates that 45 percent of cities

User fees compensate for lost revenue from property taxes. Pictured: A fee-supported Municipal Pool, Boise. Opposite: Editorial cartoon protesting impact fees.

nationwide have increased their fees for services and that 27 percent have increased the number of fees altogether.¹⁹

The mix of revenue sources used by local governments represents a series of tradeoffs including stability, fairness, and ease of collection. The implications of moving the cost of needed services from one primary revenue source to another might be illustrated with the case of property taxes and school funding. For most of the nation’s history, public schools were funded almost entirely from local property taxes. Concerns over inequity in funding, that is, districts with low property values had less revenue, led many states to move some or most of school funding to state

budgets. In many cases, this meant a switch from reliance on property taxes for school funding to a reliance on a mix of income and sales taxes at the state level. Recent downturns in the economy and the resulting negative impact on school funding illustrate how the trade from a stable, but disliked property tax to a less visible but more volatile sales tax can impact critical services. In 2010, Idaho, for example, had the first cut in public school funding in state history after switching a substantial portion of school funding (the maintenance and operations costs) from local property taxes to the state general fund in a 2006 special legislative session.

State-shared revenues are an important source of city revenue in many states. Four Urban West states rely on state revenue for more than 10 percent of their revenue. Cities in two states, Arizona and Nevada, rely on state revenue for 20 percent and 23 percent of their revenue respectively. The previously mentioned Proposition 22 in California illustrates the importance of state revenue to cities. The proposition, backed by the League of California Cities, protects funding for local governments by preventing “the state from borrowing, raiding or otherwise redirecting local government funds.”²⁰ As nearly every state experiences revenue shortfalls during the current economic downturn, cities can expect more states to reconsider their revenue-sharing formulas and practices.

Fees and service charges are a growing source of municipal revenues. There are many policy questions raised by this increasing reliance on fees. Even though they are more politically palatable than new general tax increases, user fees raise fairness issues. Fees are typically regressive—flat fees are charged to all users regardless of ability to pay. Users of parks and recreation programs tend to be lower-income residents; wealthier residents tend to recreate in private facilities—golf courses, country club swimming pools, etc. Should some residents be denied access to public services simply because they cannot pay the fees to participate? There are also some general government questions concerning the unintended consequences of raising recreation fees. They could result in increased numbers of unsupervised kids in the streets rather than in public recreation activities, which could add to the cost of law enforcement and other public safety costs.

Finally, many local governments have come to rely heavily on local option taxes. These may take the form of a local option sales tax, a local option



How do they pay for that?

One of the most persistent challenges facing cities throughout the West is how to pay for large capital and infrastructure construction costs. Whether it is a new stadium, a conference center, an industrial park, or a transit system, all cities face the dilemma of financing debt to



build big capital projects. Each city has a different set of tools at its disposal, depending upon the tax and financing options authorized by the state legislature and approved by voters/residents. Private bond markets and financial institutions also play a role as private financial institutions weigh the worthiness of proposed public or public-private infrastructure projects. The following is a brief summary of some of the capital financing tools used by western cities:

Tax Increment Financing: In this form of

debt financing a district is created around properties that are blighted or in need of infrastructure improvements. Bonds are sold to finance the improvements. Property taxes on the property in the district are "frozen" at the initial blighted or unimproved assessments.

As improvements are made, usually a combination of private and

publicly financed infrastructure, the property values and the property taxes collected within the district rise.

The increment between the unimproved property value tax collections and the improved property value tax collections is used to pay off the bonds. Opponents of tax increment financing often object to the fact that taxing entities such as school districts, fire districts, and city and county governments don't benefit from the improved property values within the district until the bonds are paid off, a period that can last up to 30 years. In response to such concerns, some states ex-

empt school districts from the increment pay off, allowing them to immediately benefit from any increase in property values.

Local Option Taxes: Most states authorize some form of local option taxes. Local option taxes that are used to finance capital projects include hotel/motel taxes, taxes on rental cars, or taxes on liquor by the drink or dining in addition to existing state and local sales taxes. The preceding examples are often associated with a convention center or arena aimed at visitors to the city. Other local option taxes, such as a gasoline tax or auto registration, may be used to finance transit or road systems. Local option sales taxes may pay for specific projects, such as Pueblo's local option sales tax that is generally targeted for economic development. Local option taxes usually require approval by local voters, and are authorized by state legislatures or by city home rule charters.

Impact Fees: Impact fees are assessed on new growth to help offset the costs associated with infrastructure required to provide services for that new growth.

Impact fees can be assessed to offset the costs of roads, schools, parks, and sewer systems, to name a few examples. The fees collected must be used on infrastructure related to the growth, and are usually required to be expended for those purposes within a set period of time.

Voter-approved Special Levies: The traditional property tax can be used to finance large infrastructure costs through voter-approved levies in which voters temporarily increase their property taxes in order to finance particular projects or programs. The level of approval required for passage of a special levy varies by state.

Grants: Federal or state grants can be used alone or in combination with other revenue sources to pay for large capital projects. Recipient governments need to ensure that spending or process requirements tied to the grants are followed carefully.

Private Sector: Private investment is often key to supplementing public funding for infrastructure or to spurring development in redevelopment areas.

gasoline tax, or other specialized taxes such as a lodging or hotel tax. A local option sales tax has the same tax characteristics of a statewide sales tax, except that localized economic conditions are magnified in the revenue potential and stability of the local option version.

- **Capital Investment and City Borrowing**

Another major category of city revenue is the capital fund, or capital budget. This is the budget by which cities pay for large capital or building expenses. Capital projects can include infrastructure such as buildings, bridges, roads, parks, water or sewage treatment facilities, etc. Their large, one-time expenses define capital projects. While some cities will add money annually to either the general fund or capital budget to pay for large new infrastructure projects, most need to borrow money needed for such expensive projects.

City borrowing is most typically done with bonds, which are purchased by private investors (a tax-free investment) and paid back by the city over time. Bonds backed by the full faith and credit of the city and its general taxes are called general obligation (GO) bonds. General obligation bonds usually require approval by the voters. In some states, a simple majority of the voters is required to approve the sale of general obligation bonds. In other states, a supermajority of voters (66 percent) is required. Another type of bond is a revenue bond or a bond that will be paid off with the revenues generated by the project created with the bonds. An example is a parking garage in which parking fees are used to pay off the revenue bonds. Revenue bonds do not typically require voter approval, but they have higher costs to the city in terms of interest rates. The use of revenue bonds to finance infrastructure has been



Washington Examiner

the focus of judicial and legislative wrangling in Idaho. A suit was successfully brought against the City of Boise alleging that the use of revenue bonds for construction of a new airport facility violated the state constitution's limit on municipal debt.²¹ This decision greatly limited the ability of Idaho cities to use revenue bonds to finance large infrastructure projects. In 2010, Idaho voters approved constitutional amendments that allow municipalities—without voter approval—to use revenue bonds for certain limited uses such as airports, electrical systems, and hospitals. Another type of a revenue bond is tax increment financing (TIF), described in more detail in the sidebar on pages 98-99. TIF is used to stimulate private investment in a designated improvement district. Once the bonds are paid off, all of the taxing entities benefit from the increased property taxes.

• Conclusion

There is a great deal of diversity in how cities raise their revenues. The mix of own-source taxes and state-shared revenues varies from state to state, but a few conclusions can be drawn:

- Because of pervasive limitations on the property tax and citizen resistance to it, cities will continue to move away from reliance on the property tax.
- The shift to other, less stable revenue sources, such as fees and state-shared monies, means that cities will face continued challenges in funding critical local services in economically unstable times.
- Because city fiscal conditions tend to lag behind national economic conditions, we can expect cities to continue to struggle to find revenues adequate to fund services for several years.²²
- As cities and state legislatures struggle with finding adequate revenues to fund services, we can expect continued conflicts over budgeting and taxation issues.

Cities struggle to raise adequate revenues to fund vital services such as police, fire, and emergency medical. Opposite: A Reno emergency team at work.



planning
for
growth

5

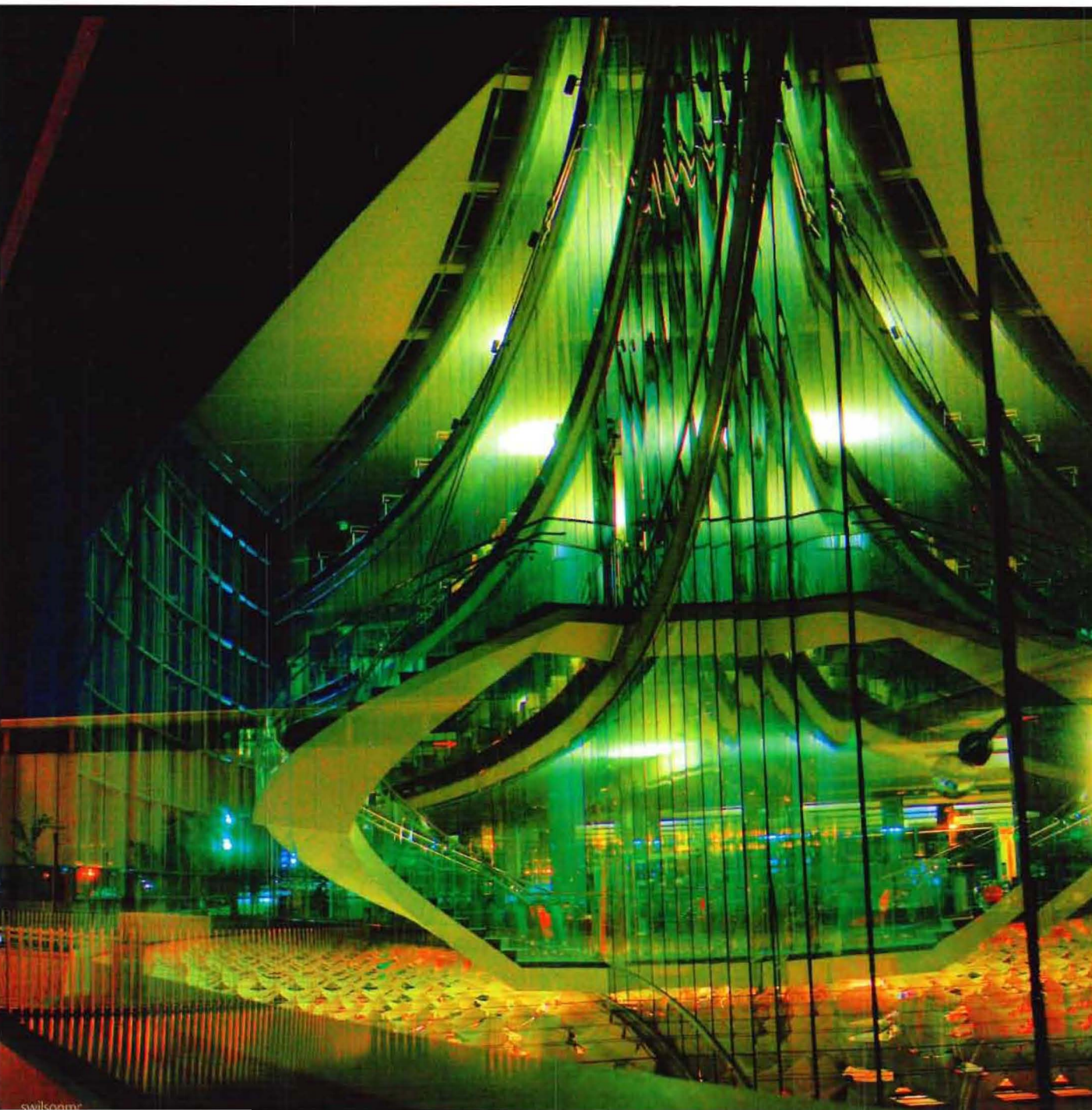
Cities balance
the promise and peril
of suburbanization
and growth.





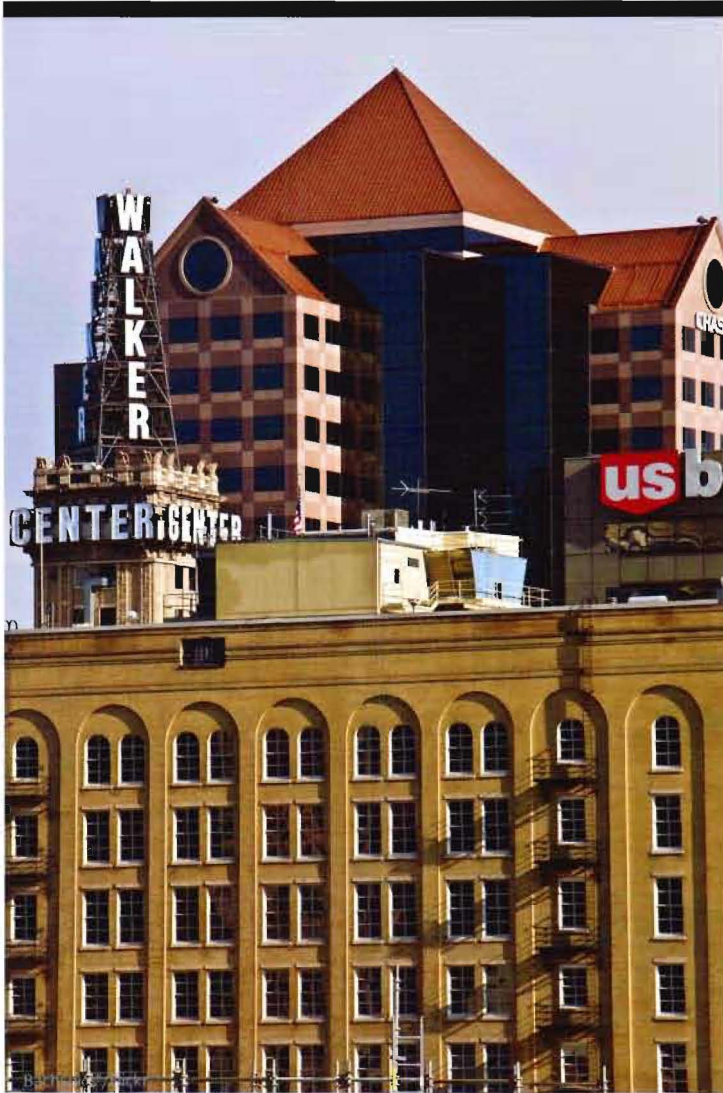
Seth Lemmons

Growth in Urban West cities strains transportation systems. Pictured: Rush hour traffic in Boise. Next: Interior of The City Library in Salt Lake City.



Over the past 20 years, some of our communities have experienced explosive growth; others have held steady in size. But most of the Urban West cities have had rapid increases in the size of their metropolitan areas, even if those growth rates have stalled during the “Great Recession” that began in 2008. At the heart of the conflicts over growth are two competing understandings: one is that growth is necessary for economic vitality; the other is that growth, especially unrestrained or unplanned growth, threatens the quality of life in a community. Of course, few public officials will seek out or condone growth of any kind or scale. All communities seek the “right kind” of growth. How one defines the “right kind” is a matter of opinion and opportunity. Citizens and officials differ on how development will shape and change their city. As well, when growth is stagnant, fear of job loss and the need for a stable tax base may make many developments look attractive that would not otherwise be when times are “good.” In a sense we are discussing two sides of the same coin. Growth is tied to the economic development

efforts of the city and the business community. At the same time, growth management policies in the form of planning and zoning affect what kind of growth is allowed and encouraged, and how that growth is directed in a community.



Cities have several tools to manage their growth. One is rooted in the traditional planning and zoning functions of municipalities. The planning and zoning powers of a city are determined by state laws regarding planning, including requirements to plan, rules about annexation, and requirements to cooperate with other entities of government, especially counties.

Policies and programs implemented by public officials to manage growth in their jurisdictions vary greatly across the Urban West. Public officials and their constituents often disagree as to the relative costs and benefits of growth. As recently noted by a perceptive South Carolina city administrator: "Growth is a curse or a golden opportunity, depending on the point of view of the observer. The visionary elected leader or public administrator sees growth as a coveted goal to be attained as quickly as possible. These officials stress the glamorous aspects—new jobs, expansion of the tax base, better housing and transportation, greater service for more people."¹

The "curse" perspective holds that sustained growth, in particular rapid growth, and the maintenance of a high quality of life are mutually exclusive goals. Substantial growth can give rise to air and water pollution, traffic congestion, crowded park and recreational facilities, rising housing prices,

displacement of established neighborhoods, and other negative effects. An article in a *Seattle Times* supplement that discussed public issues occasioned by explosive growth in the Puget Sound area captures the fears of many mid-size communities trying to cope with growth effectively. “Do you know the way to San Jose? It’s simple: Annex more, plan less density and develop, develop, develop.”² There are significant financial consequences to growth as well. The “curse” perspective would hold that existing public service levels often suffer a decline when services are extended to new properties and populations without the necessary revenues to fund such extensions. In short, according to this perspective, growth that does not “pay its own way” should be opposed.

Given the prevalence of aggressive municipal economic development campaigns throughout the country, and certainly reflected in most of our Urban West focus cities, it appears that many officials would agree with former Boise Mayor Dirk Kempthorne, who believed that growth is an essential component of a community’s quality of life. He expressed the viewpoint shared by many western municipal leaders that, “Economic vitality and quality of life are not mutually exclusive. Economic vitality is part of quality of life.”³

Despite the fact that Boise’s mayor embraced both values as complementary, his view of the compatibility between economic vitality (growth) and quality of life was clearly not shared by every Boisean, especially those neighborhood activists who worked hard to stop proposed foothill developments within Boise. Growth management legislation and land use policy in general continue to be two of the most volatile issues faced by state and local decision makers in Boise, elsewhere in Idaho, and throughout the Urban West. Cities and states attempt to manage growth effectively using a variety of techniques. Yet regardless of the approach, conflicts persist over growth and growth management in our Urban West cities.

Planners look to high-density “transit-oriented development” to maintain the municipal tax-base and arrest unsustainable sprawl. Opposite: High-rises, old and new, add mixed-use commercial residential density to transit-friendly Salt Lake City.

Growth Management as Land Use Planning

• Limited Cities

In formulating and implementing growth management policies and programs, cities are limited in their ability to determine their own destiny. *City Limits* is not only the title of an important work on urban policymaking, it is

Common Components in State Growth Management Laws

Remarks



- **Requirements to Plan:** usually includes a series of goals the community plan should address
- **Urban Growth Boundaries:** sets the outer limits of urban density and/or a city's future annexation potential
- **Protection of Land Uses:** may include protection of farmland, open spaces, or wildlife habitat
- **Requirements and Regulations:** may include deadlines for plans. Required processes such as conflict resolution may tie state funding to compliance with state law requirements
- **Concurrency of Infrastructure:** may tie the granting of development permits to a requirement that the cost of new infrastructure created by new growth be covered by the new development's impact fees or negotiated exactions

Opposite: The city of Phoenix, sprawling through annexation, grew from 9 square miles in 1940 to 516 in 2005. Pictured: Phoenix sprawls toward Tempe.

an apt description of the limited powers available to municipal decision makers in this country. Municipal home rule and local autonomy are indeed important for the internal operation of cities; however, their significance pales in comparison to the weight of federal mandates, state limits, and the vagaries of economic forces.

What sorts of tools are available to western cities to manage growth given the economic and intergovernmental limits within which they must work? An analysis of these techniques demonstrates that cities as political actors have only a handful of tools to control and direct growth. Other intergovernmental actors, including national and state governments, counties, and citizen-based neighborhood groups, also enact policies that limit a city's choices.⁴ Growth management techniques currently in use nationally and among the Urban West cities are enacted by the state, imposed by the citizens (through initiatives and neighborhood groups), or adopted by the city government itself.

• State Growth Management Laws

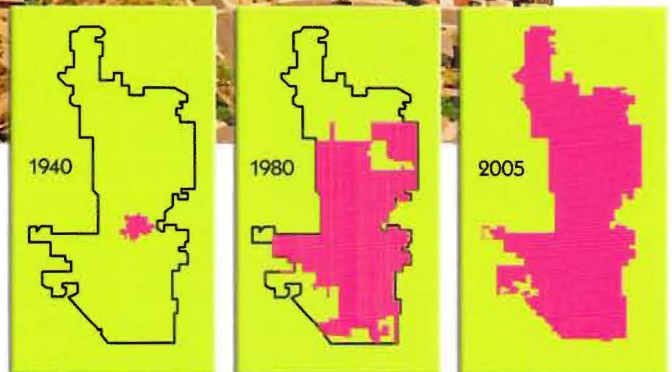
Although states have historically had little if any direct role in local land use planning, in some states urban growth has been so disruptive that the state has assumed a greater role in monitoring and directing the actions of

local governments to control or “manage” growth.⁵ Because cities are limited in their ability to annex land, growth often occurs in the unincorporated county surrounding the city. This places new demands on county governments, some of which are ill-prepared to deliver urban-level services. As urban areas expand, agricultural land, forested lands, and fragile coastal areas are developed for housing and service uses. Rapid growth has often resulted in traffic congestion, lack of school space, and regional-level problems in dealing with air quality, water quality, sewage treatment, and solid waste (garbage) disposal. These problems are difficult to manage given the fragmented nature of local government, and some states have stepped in to provide a statewide framework for managing growth and some types of land use decisions. Legislation of this type is usually referred to as a “growth management” law.

As of 2004, at least 13 states had adopted comprehensive state growth management laws. To some, state growth management laws represent a loss of local autonomy because they impose a set of decision-making rules on



Bond James Bond/Karriedia



City of Phoenix Summary Budget, 2005-06

local governments, or, in some cases, dictate the content of local decisions about growth and local land uses. State growth management legislation can indeed represent a serious limitation on the powers of cities to make land use decisions as they wish. On the other hand, these laws may

sometimes empower cities with new authority to shape their physical size, level of services, and quality of life. While each of these state laws is rather distinctive, they do share certain components and approaches. Planning experts

point out that states with growth management laws in place share the following planning goals: affordable housing, economic development, agricultural preservation, water quality protection, multi-modal transportation systems, historic preservation, natural resource conservation, and open space preservation.⁶ These are often the sorts of issues that fall through the cracks in a rapidly grow-

ing area. To achieve these goals the states utilize a variety of requirements, processes, and inducements for cities.

• State Imposed Limits on Municipal Land Use Planning

Since Judge Dillon's 1868 assertion of state supremacy in state-local relations, the courts narrowly construe the exercise of municipal powers by accepting Dillon's Rule as precedent. Cities have been considered creatures of their states, with only those powers given to them by their state legislature or state constitution.⁷ No examination of growth management within urban areas can be complete without addressing the limitations imposed by the state legislatures and courts on local units of government. Although there are many ways in which state actions can limit cities' options in managing growth, there are two direct actions: state laws



Bharat

Rail passenger service links Eugene to Vancouver, B.C. Next: The new Tacoma Narrows Bridge, right, that opened in 2007.

outlining city annexation powers and legislation mandating growth management processes and policies.

• State Annexation Laws and Their Impact on Cities

One method of coping with growth that is available to many cities is to annex adjacent land in order to enlarge the corporate boundaries of the municipality. There are many reasons for cities to attempt annexation, the most important of those being the provision of orderly growth and development of the city, the extension of services to adjacent properties, the pre-emption of the creation of another city or another governmental entity, the denial of the properties to another city, the expansion of the city's tax base, and the promotion of economic development.

In two of the eight Urban West states, comprehensive state-level growth management has been enacted into law (Oregon and Washington). This involves four of our ten focus cities: Tacoma, Spokane, Salem, and Eugene. These two state growth management laws share several common goals: containing development within defined urban areas; protecting certain types of land such as agricultural, timbered or environmentally sensitive areas; and expanding infrastructure to meet development.⁸ Both of these states authorize some new revenue sources (such as developer impact fees—called “system development charges” in Oregon), and require certain acts of compliance such as planning at the local level and, in some cases, planning on regional levels.

State growth management laws have not been without their challenges. In 2004, 61 percent of voters in Oregon approved Measure 37, designed to compensate landowners for loss of property value caused by local land use regulation that prevented development. Some analysts feared that Measure 37 would “compensate property owners for virtually any state or local regulation that has restricted the use of their property or reduced its fair market value.”⁹ The potential impact on local government budgets was feared to be enormous. Or conversely, local government planning faced serious setbacks as cash-strapped governments allowed previously unwanted development to proceed in order to avoid monetary compensation to land owners. In a sign that perhaps Measure 37 went too far in protecting local property rights at the cost of local plans and community quality of life, in 2007, 62 percent of Oregon voters approved Measure 49, designed to modify Measure 37. As the 1000 Friends of Oregon's¹⁰ voter pamphlet stated, “A YES vote on Measure 49 gives Oregon a responsible, common sense approach to planning.”¹¹



Urban West states are not alone in addressing these issues. In Florida, the requirement that infrastructure keep pace with development, or concurrency, was weakened in a 2009 law that lifted the requirement for transportation infrastructure concurrency in certain cases. Reactions to the law summarize the sometimes-contentious views on the need for growth versus preserving quality of life. Governor Charlie Crist's press release regarding the law noted that "[t]he Community Renewal Act was taken up as a means to stimulate Florida's economy and create jobs for our people."¹² The 1000

Transit Systems in Focus Cities

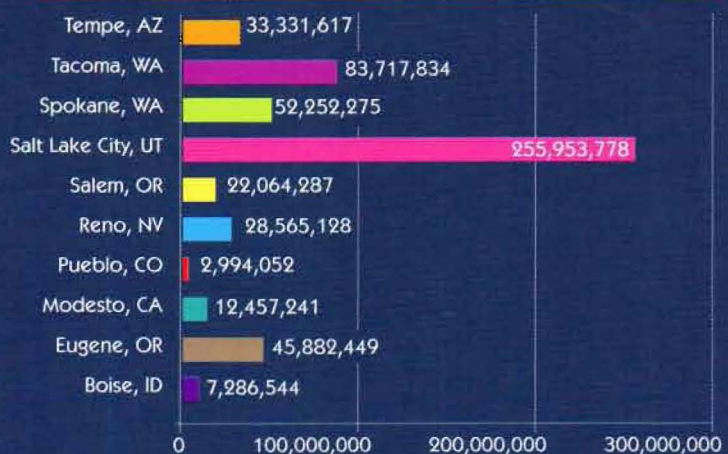
Transit systems have emerged as a major local and regional issue in many of the Urban West focus cities. As cities such as Boise face growth pressures across a large metropolitan area, they struggle to provide adequate transit systems to mitigate congestion problems and the threats to clean air. Advocates for a regional transit system in Boise have unsuccessfully pushed the state legislature for the authorization of a local option tax to finance public transit.

The City of Boise also recently attempted to create a streetcar system to move people throughout a limited portion of the downtown and along the State Street corridor. Attempts to secure federal funding for the streetcar project were unsuccessful. Proposals to utilize a local improvement district to fund the streetcar raised enough concerns that the state legislature threatened to change state statute to prevent the City of Boise from using that mechanism to fund the streetcar project. Boise not only faces daunting financing challenges due to the absence of local option taxes, but also multiple jurisdictional challenges as the metropolitan region expands across several counties and multiple cities. Cooperation and collaboration will

no doubt be necessary to develop a region-wide public transit system.

There is tremendous variation in the number of annual passenger miles among the Urban West focus cities. Salt Lake City is clearly the leader in transit system usage, with 255,953,778 annual passenger miles in its transit system. Pueblo has the lowest number of annual passenger miles with 2,994,052. Some of the city transit systems are well connected with regionwide transit systems, especially Tacoma and Salt Lake City. Others focus on serving local transit needs only, such as Pueblo and Modesto.

Annual Passenger Miles in Focus Cities, 2009



Local Growth Management in Selected Cities

	Boise	Pueblo	Modesto	Salem	Tacoma
Low Density Zoning	●	●	●		
Building Moratoria					●
Infrastructure Pace Keeping	●	●	●	●	●
Impact Fees	●		●	●	
Annexation Policy	●	●		●	●
Open Space Protection	●	●		●	●
Infill Policies	●			●	●
Incentives for Infill Development	●			●	●
Incentives for Green Building	●				●
Special Area Protections	●	●	●	●	●
Requirements that Growth be tied to Capital Improvement Plan	●		●		
Have Citizens Used the Initiative Process to Limit Growth?			●		
Urban Growth Boundary	●		●	●	●
State Growth Management Law	●	●		●	●
Coordinate Planning with Other Units of Government	●		●	●	●

Tacoma provides an 8- or 12-year property tax abatement for new multifamily development in designated high-density areas. The tax continues on the land but not on the housing improvements. The 12-year relief is available if 20 percent of the new units are affordable. And in Modesto, citizens have passed Measures A and M (1979 and 1995) that require advisory votes of the citizens before sewer improvements/extensions and urban expansion.

Friends of Florida summary, on the other hand, asserted, “This leaves taxpayers—not developers—holding the bill for roadway improvements which, if not undertaken, will result in even more congestion, inefficiency, and level-of-service failure.”¹³

- **State Requirements for Local Plans**

Another constraint or requirement more commonly imposed on cities is a state planning requirement. All 10 cities in our study are required by their states to plan. While planning is not in and of itself a “growth management” technique, the directing and timing of development is clearly a part of the planning process. When state planning requirements include forced regional planning, the net result can be similar to managing growth under growth management laws.

- **Local Growth Management Options**

There are several ways in which local governments can act to limit or manage growth. An important mechanism comes through the use of the zoning powers of the city. William Johnson defines zoning “in its simplest sense,” as “the division of land into distinct use categories, permitting specified ones and excluding others.”¹⁴ Although recent court cases have held that communities that are in the “path of growth” must take their fair share of low-income housing and other services that must be provided on a regional basis, the use of zoning is a powerful tool used to control what sorts of uses and what densities cities will permit within their boundaries.”¹⁵ Although most city planners who are trying to avoid “sprawl” would advocate the use of high-density uses within the city, some city officials and neighborhood groups organize around the principle of the low-density zoning to limit growth. Several of our focus cities have dealt with the issue of “infill development,” which describes higher-density



Strickland for Mayor

Tacoma Mayor Marilyn Strickland with campaign supporters. A former Starbucks executive, she has advocated public investment in mixed-use commercial development and convention hotels.

housing built in established neighborhoods. In Boise, neighborhood fears of increased traffic and decreased property values from “skinny houses” led to the adoption of new minimum lot standards and guidelines for developers.¹⁶

A second way in which local governments may act to control growth is through the adoption of time- or area-specific moratoria on the issuance of building permits. Limits such as these are sometimes activated within the confines of state growth management laws if “concurrency” of infrastructure with development is not met.¹⁷

A third local growth management technique is to put into place requirements that infrastructure keep pace with development. This is obviously related to the use of building permit moratoria, but may include other pace-keeping requirements as well. In several states, cities are empowered to assess impact fees that help to ensure that the rate of development does not outpace the city’s infrastructure.

A fourth way in which cities may manage growth is through the adoption of a specific annexation policy. While annexation powers are defined by the state, cities may, within that general framework, adopt policies regarding when and how often they will annex properties. For example, many cities require citizens who live outside city boundaries yet want to receive city services to agree to later annexation to the city without resistance.¹⁸ This can help cities maintain practical areas of city service provision.

• Local Citizen-based Growth Management

Cities may not be the only local entities seeking to limit or control growth. In cities in which a local initiative process is available, neighborhood groups may institute new growth management policies through the petition and special election process. Neighborhood groups are not limited, however, to the initiative process to get their policy preferences across to decision makers. Many will base their activities around testifying at planning and zoning hearings and attempting to marshal support for their positions through the media. To gauge the amount of neighborhood/citizen activity directed toward limiting growth, planning departments in the 10 Urban West focus cities were asked to indicate whether citizens in their respective cities had used the initiative process to limit growth, and whether there were active neighborhood groups concerned with limiting growth in their city. The table on page 114 shows the tools used by the five cities that responded to the question: Which of the following land use planning and growth management tools do you use in your city?

• Land Use Planning and Growth Conclusions

The management of growth in cities must be examined within the limits and constraints imposed on them by economic changes, our federal structure, and the power of citizens. There are various techniques used by states, cities, and citizens to control and direct growth. Only a few of the 10 focus cities are utilizing growth controls that originated through city government action alone. Many, if not most, of the growth-limiting policies examined originated either with the states or the citizens. That is to say, the cities have had these growth-limiting policies imposed on them.

This overview of the growth management issue reinforces the “city limits” theme of Paul Peterson that American cities tend to be “limited” indeed in both their economic and policy choices. It is necessary to examine the policy constraints imposed by other levels of government (federal, state, and county) when looking at what growth management options are available and in use in various cities. It is evident from this brief overview that cities are indeed operating within a set of strong external and contractual constraints upon their ability to control or direct growth. They must not only address those internal “political dimension” issues, noted by scholars such as Kenneth Wong, that arise from conflicts between developers and neighborhood groups, but must also work within the limits imposed on them by state laws, regulations, and the economy.¹⁹ Beyond these constraints, the use of growth management techniques in general appears to be an unwieldy tool, as studies indicate that cities’ ability to ultimately slow growth is modest.²⁰

The differing perspectives on growth by Urban West cities are illustrated by our case studies, in which communities struggled to find the proper balance between growth and quality of life. Is growth a “curse” or a “golden opportunity?” Obviously the answer to this depends on your perspective, explaining in part why growth and growth management problems remain two of the most volatile issues faced by local governments.



Eugene supports urban renewal through funding for public art. Pictured: Eugene’s downtown plaza statue of Oregon author Ken Kesey, 2006.



economic **development**

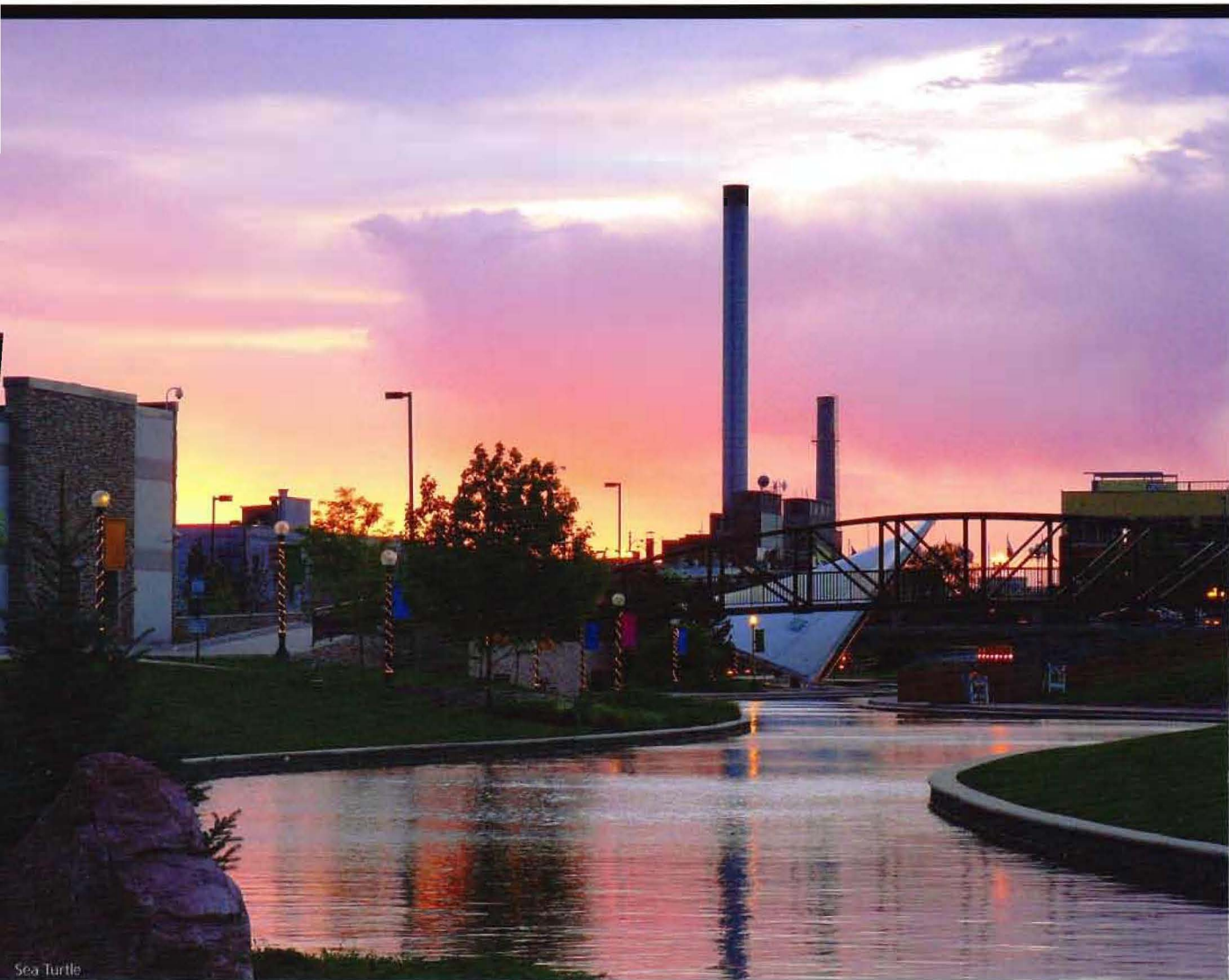
6

City governments
search for
incentives to
stimulate growth.





Economic development remains a goal of most cities, despite the slowdown caused by the Great Recession. Pictured: Boise construction workers. Next: Pueblo's Historic Arkansas Riverwalk.



In the *Urban West: Managing Growth and Decline*, most of the focus was on growth, with relatively little discussion about decline. Growth was the predominant issue of the day in most cities—rapid growth, not the lack of it. Today the prospect of decline is far more a reality than it was in the 1990s. In this era of the Great Recession, many cities are struggling to provide basic services. Tempe’s budget shortfalls are the worst in the 115-year history of the city. Reno is facing such tough budget challenges that there is serious consideration to consolidate Washoe city and county governments. Modesto, in California’s Central Valley, is in a region facing the nation’s highest unemployment, hovering around 17 percent in 2010. On the other hand, the unemployment rate along the Wasatch Front, which encompasses Salt Lake City, is among the nation’s lowest, but Salt Lake City still struggles with its budget and cannot avoid layoffs and service reductions.

Cities that once seemed immune to major downturns are challenged to maintain service levels and quality of life. Boise, once the headquarters city

for several major corporations, has now lost that status. According to economic development expert Gerald Gordon, "Nothing in the economy can be taken for granted ... communities are unlikely to remain in a static economic position ... if neighboring communities are growing and yours is not, the result is not a static position, but rather a relative decline. Even modest growth may be insufficient to enable a community to maintain its quality of life."¹

When prospects for growth are low, economic development competition is high. The slow or no growth voices are not nearly as effective as they are during prosperous times. Beyond the immediate economic dislocation is the prospect of a prolonged recovery and a long struggle to return to the service levels of 2007. Some veteran observers are calling this the "lost decade." The "new normal" of service reductions is no aberration. In times of economic crisis, the support for economic development initiatives are top priorities.

Cities find a variety of ways to encourage development, from assisting new businesses to adding amenities that enhance the community. Opposite: The E. & J. Gallo Winery in Modesto is the largest family-owned winery in the world.

Since projects are often funded out of several federal sources, federal grants can play a significant role in helping a city put together an attractive offer to prospective businesses.² "Leveraging" is an important word and practice in urban economic development. City officials have been able to use federal funds as a lever to raise additional funds from the private sector in order to help support development activities. The 2009-10 federal stimulus packages brought literally billions of dollars to state and local governments. The Build America Bond program

gave cities the option of using taxable bonds and then writing down their interest rates by almost one-third with federal subsidies. Many cities took advantage of this program and improved their infrastructures. But the stimulus dollars were one-time money; federal funding to cities is becoming scarce.

On the other hand, national government policies can have a major negative effect on cities. The very availability of funds in a designated functional area can distort local priorities. Cities may expend funds for an activity or a program that would be beneficial but not necessarily essential. For example, the creation of a streetcar program may be interesting but not as important as adding more bus routes to a struggling mass transit program.

• Economic Development Goals

Growth is at the top of cities' agendas, yet it is a struggle for each city to determine what really works for its individual communities. Even though cities copy from each other all the time, what works in one city may not work in another. The factors that really contribute to economic growth may not be

available in all cities: access to markets, capital availability, skilled workforce, favorable tax policies, effective local services, high quality of life, and a business-friendly climate. Caught in the squeeze of a global economic crisis, cities may or may not be masters of their own fate.

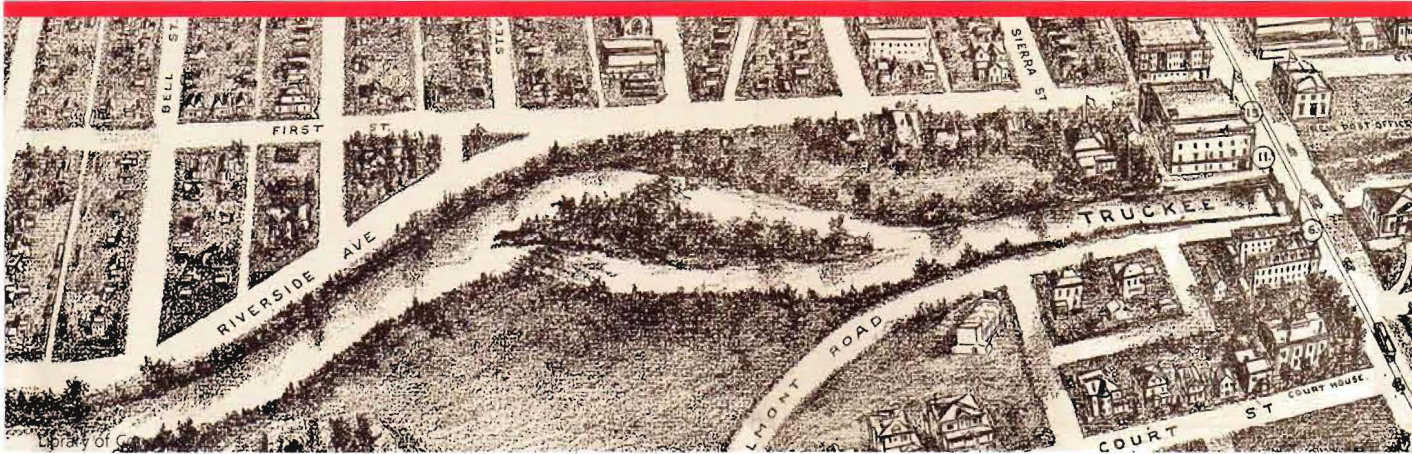
Incredibly, economic development is championed in many communities without a clear definition of what it means. Such ambiguity may also explain its widespread popularity in some communities. According to a National League of Cities (NLC) publication, "... 'economic development' is a phrase that is widely embraced but seldom clearly defined.



Conceptually, economic development has meant wealth creation to some observers, while to others, the phrase has signified material progress. As a goal, economic development ranges in meaning from tax base improvement to the redistribution of economic benefits to disadvantaged areas."³ It is left to each city to determine what economic development means.

Economic growth produces a sense of pride in the citizenry, a belief that the community is making progress. Often citizens want to become more involved in community affairs. To the extent that economic development is perceived as promoting jobs and expanding the tax base, it is widely supported. However, there are those communities where it is viewed as promoting uncontrolled growth with all of its negative side effects or as diverting

community resources from other priorities and is consequently not supported as fully.⁴ The rational discussion a community should have concerning growth is typically set aside in hard economic times. But whatever the economic conditions, cities should carefully consider how growth will relate to their city's strategic plans as well as land use plans.

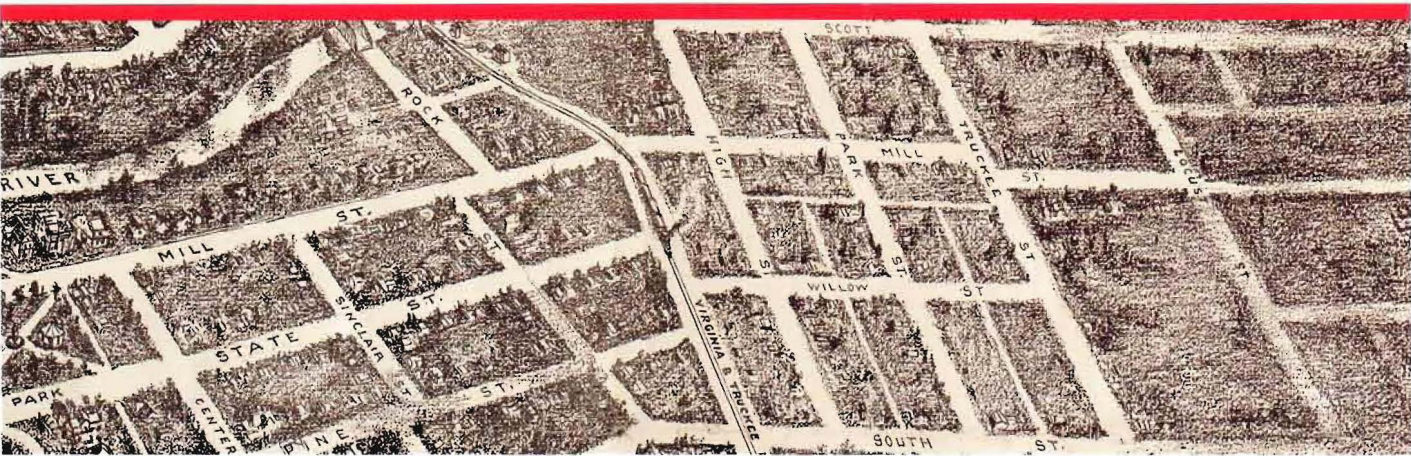


A rail link to the port of Oakland made the city of Reno. Casinos helped the city out-compete its neighbors after Nevada legalized gambling in 1931. Pictured: Detail from a commercial map of Reno, 1907.

Each community has to answer for itself what economic development means, what kind of economic development strategies are appropriate, and what kind of impact economic growth will have on the community. After the community has made those assessments, it can then determine the kind of economic development strategy it will employ. Will it be primarily the search for the relocation of businesses and industries from other areas, the creation of new businesses from within the community, or the expansion of existing businesses? Or will it be a combination of all of these strategies?

In addition to purely economic factors, there are other reasons for economic development competition. According to Professor Ann O'M. Bowman, our federal system, which features division and separation of powers, encourages the kind of competition we are seeing today among local communities. Federalism provides the context in which economic development is undertaken. "The interaction of federalism and capitalism structures economic development."⁵ The American system of capitalism, with the free flow of capital across artificial jurisdiction boundaries, encourages the pursuit and competition among communities for economic development. According to Bowman,

"Cities are porous ... they are affected by the actions of other governments—national, state, and local. The economic development-related activities of these other governments structure city government's behavior. For example, when the national government reduces Urban Development Action Grant funding or a state government creates enterprise zones, the effect is felt at



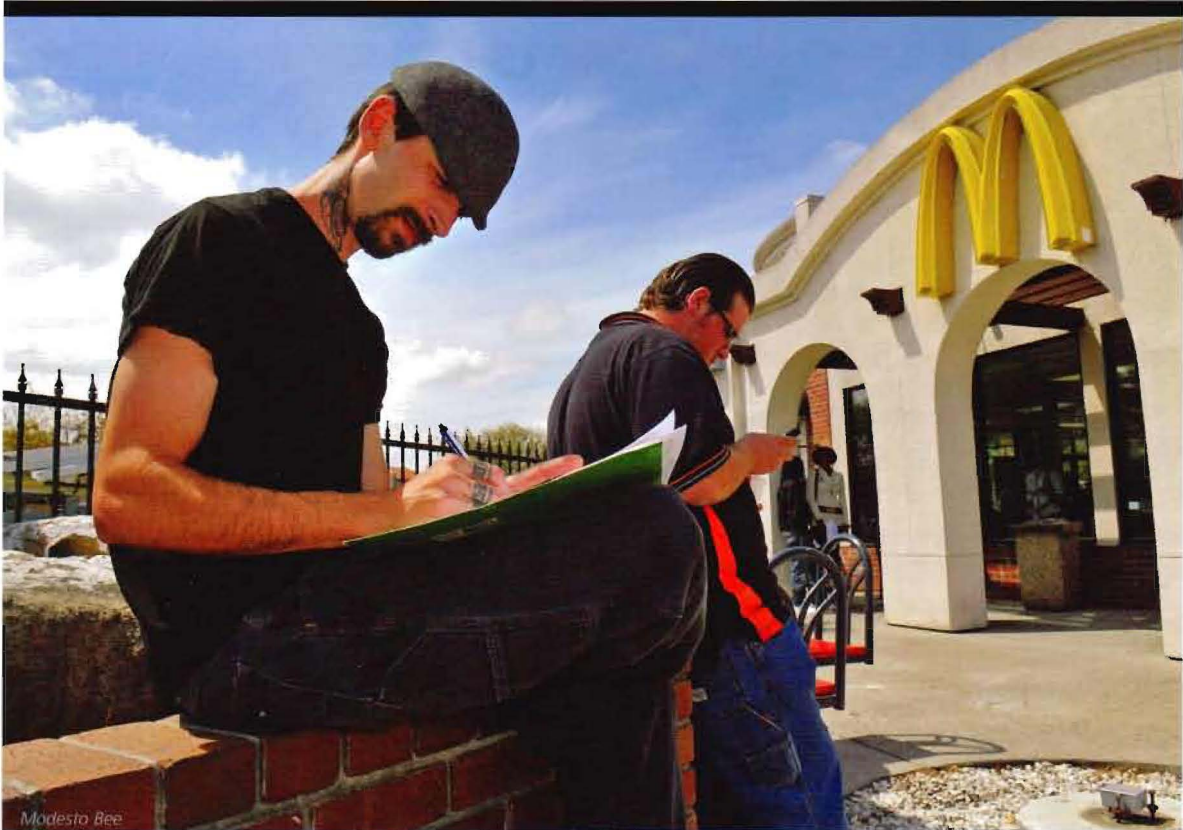
the local level. City governments have to design their economic development strategies within the 'rules of the game' established by other levels of government."⁶

• Economic Development Strategies

The economic development strategies employed by cities focus on the following in varying degrees of emphasis: attracting new businesses and industries; maintaining existing businesses and encouraging their expansion; and creating new jobs and businesses from within the community.⁷

There are a variety of incentive packages that are offered by communities in their search for economic development. Typical incentive packages can include: technical assistance for the new business; relief from either state and/or local charges or taxes; customized job-training programs to prepare community people to work in the new businesses; public works participation through the extension of streets, water, and sewer lines to new businesses; and a "one-stop" shopping approach where new businesses can go to one office to get all of the information they need to develop or locate within a community.

More aggressive programs include tax abatements and outright gifts of land and facilities. In several Urban West states some of these incentives typically are prohibited. The granting of what can be lucrative incentives can be seen, as the proverbial phrase goes, "giving away the store." However, provid-



Job seekers compete for work at a Modesto McDonalds. Opposite: Construction on The Regent condominiums in downtown Salt Lake City.

ing infrastructure for a new company can make more sense than giving away land and tax relief. If the company leaves in a few years, the city is left with virtually nothing. Infrastructure, however, remains in place and is an available asset for another economic development endeavor.

Most cities employ some incentives, but the degree to which communities aggressively use incentive programs may tell a great deal about their assets in the economic development wars. According to Gordon, "... many economic development

professionals feel that incentive agreements have a place only for either exceptional prospect situations or for areas which are at such extraordinary disadvantage that no other strategy can be effective in attracting employers."⁸ Cities are on a slippery slope when they offer incentive packages. Once offered, precedents are set. It's hard to retreat. "This is a very treacherous practice; once begun, it becomes extremely difficult to agree to abatements or outright grants in some situations but not in others."⁹

Some cities have taken important cautionary measures. They have established clawback agreements, contractual agreements that provide that if companies who benefit from their incentive programs do not perform as promised, the companies will be required to pay a penalty or even, in some cities, pay back the amount of the incentive package. Enforcement is key in such arrangements. Pueblo has successfully utilized clawback provisions for a number of years. "Such performance-based incentive agreements contractually protect communities with agreed-upon reactions if forecasted job creation or investment goals are not met. This requires communities to treat



these agreements as they would any other contract.”¹⁰ Elected officials walk a very thin line between offering a very liberal incentive package to an attractive company while also planning to have that company generate additional revenues to support city services. Residential properties typically do not pay for the services they consume; commercial properties pay more than their fair share, which explains a city’s commitment to economic growth.

Economic Development Incentives

Incentive	Reno, NV	Tacoma, WA	Tempe, AZ
Tax Abatements	●		●
Tax Credits		●	●
Tax Increment Financing	●		
Local Enterprise Zones	●	●	●
Federal/State Enterprise Zones		●	●
Special Assessment Districts	●	●	●
Free Land or Write Downs	●		●
Infrastructure Improvements	●	●	●
Subsidized Buildings			
Low Cost Loans	●	●	
Grants			
Zoning/Permit Assistance	●	●	●

Source: International City/County Management Association

We have numerous examples from the Urban West cities of how these individual incentives have worked.

At left is a listing of economic development incentives taken from the 2009 International City/County Management Association survey of western cities.¹¹ Three of the Urban West focus cities (Reno, Tacoma, Tempe) responded to the survey about which incentives they use. It is

important to note that there may be state-level restrictions on the types of economic development incentives available to cities. For example, Idaho cities were not permitted to utilize tax increment financing until the state legislature authorized its use in 1988.

In trying to attract new businesses, cities attempt to develop a favorable business climate. They do not want to be viewed as being hostile to business and preclude the possibility of experiencing further growth. They want to project an attitude that is genuinely reflective of the entire community—that growth is welcome and businesses will not be frustrated by city development and regulatory policies in their efforts to grow. According to a recent NLC publication, “(f)or business leaders, time is money; they want to know that the regulatory process provides timely, reliable and transparent resolution of key issues.”¹² The publication goes on to caution that a city should not “throw

the good out with the bad. Not all development is good development.” And that it is important to “safeguard against detrimental projects.”¹³

City marketing strategies are often coordinated with the state economic development efforts. In this undertaking, cities can be far more specific and

targeted in their efforts than can the state. As noted by Bowman, “all economic development is local.”¹⁴ Given the relationship of the cities to the state, state law provides the framework for whatever economic development policy a city generates. This is especially true in the kind of incentive packages a city might offer to a new business. Tax rates and types

of taxes in a community are important for economic development purposes. The tax relief offered can typically only be accomplished if state law allows the city to offer such an incentive. Property tax breaks, for example, are typically set forth in state law. So are other incentives such as tax increment financing or industrial revenue bonds. These are not mechanisms that are established by cities, but by state initiative or by state constitution. State enterprise zones are another example of state initiative incentives that might work at the local level.



Assembled Chemical Weapons Alternatives

Workers install rebar at the Pueblo Chemical Agent-Destruction Pilot Plant, 2011. Next: Cranes work the Port of Tacoma.

• Economic Development Organizations

Economic development organizations take on a variety of structural and organizational arrangements. The relationship between the private and public sector varies considerably, as does the prevailing view in the community as to the legitimate role of government in marketing the community and doing economic development deals.



In some cities, the economic development function has been formalized into a municipal office or department. In other cities, the economic development organization is a nonprofit agency that may or may not have significant local governmental funding. In a 2009 ICMA study of western local governments, 74 percent of respondents indicated that the local government had primary responsibility for economic development, while 15 percent of respondents indicated that a nonprofit development corporation had primary responsibility for economic development.¹⁵ Four of the Urban West

focus cities participated in the 2009 study. Results were available from three of those cities. Tempe reported that the local government has primary responsibility for economic development; Reno reported that they use a nonprofit organization for economic development; and Tacoma reported sharing responsibility for economic development between a nonprofit and a city, community, and economic development agency.

Economic development activities can be an integral part of the city's budget. The average amount spent by western respondents to the 2009 ICMA study was \$1,813,205. The average percentage of that figure that came from local government revenue sources was 90 percent. Spending on economic development in the four Urban West focus cities that participated in the 2009 survey ranged from \$75,000 in Reno to \$6 million in Tacoma. Reno and Tempe reported that 100 percent of their economic development funding came from local government sources. Modesto reported that 50 percent of its economic development funding came from local government

sources and Tacoma reported 70 percent from local government sources. Urban West focus cities employ a variety of local government revenue sources to fund their economic development efforts. Tempe relies solely on general fund revenues, but Tacoma utilizes nearly all the listed revenue sources (except tax increment financing and the hotel/motel tax).

While some of this variation in funding mechanism is related to local government choices and economic reality, many local governments find their choices constrained by state constitutions and legislators. Dedication of a local sales tax toward economic development often is possible only if the state authorizes the creation of a local option tax for that purpose (followed, of course, by the approval of the citizens of the local government proposing the tax). As described in Chapter 2, not all of the western states included in this study allow cities the option of creating local sales or gas or hotel/motel taxes. In those cases, the tools used for cities' economic development are determined at the state level.

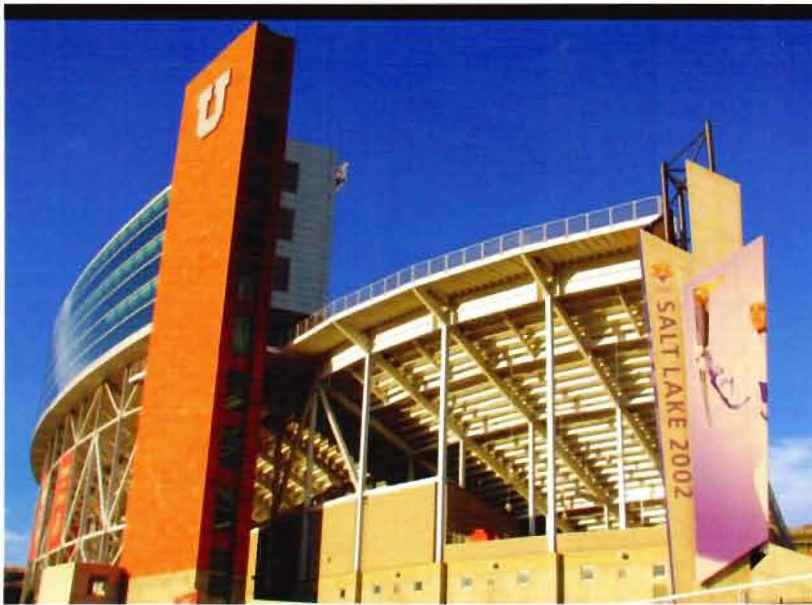
Many configurations of economic development organizations are used and some involve a mix of several types of public and private organizations: independent public agencies; private non-profit agencies; and private for-profit organizations.¹⁶ The challenge of these organizations is to develop a spirit of cooperation—a sense of unity. They need to convey to the outside world a sense of common purpose. Projecting their image underscores the importance of public-private partnerships. Government is seen as playing a key supporting role. According to a Colorado economic development corporation executive, government's role is seen as making an area responsive to business needs. "You're creating a product. Government isn't necessarily the best salesman; but it has responsibility for the tax structure, the economic environment, and providing educational and training resources."¹⁷

Of the 10 focus cities, Pueblo's unified economic development effort stands out in marked contrast to the proliferation that is experienced in many Urban West cities. Pueblo has a public-private partnership that has worked. (See the Pueblo case study in Chapter 7 that details the city's success and the extraordinary efforts of its economic development organization—PEDCo.)

• Effectiveness of Economic Development Efforts

The long-term effectiveness of economic development campaigns and of economic development organizations is the subject of considerable controversy. It is hard to dispute the early effectiveness of the Pueblo Economic Development Corporation's (PEDCo) effort in turning the city's economy around. Losing 17,000 jobs during a 15-year period with a 1982 unemployment rate

at 19 percent, according to a PEDCo official, “(w)e had our backs against the wall.”¹⁸ In order to accomplish a major turnaround, the community has undertaken an extraordinary effort. Former PEDCo Chairman Harold Mabie cited three major reasons for Pueblo’s revitalization: (1) free land—this was offered to companies that would locate at the spacious Pueblo industrial park; (2) em-



ployee training—the president of the Pueblo community college would customize training programs for any new firm with the support of state grants; (3) “one-stop shopping”—through PEDCo the permit granting process was streamlined. PEDCo officials point with pride to the experience of two different Target warehouses—the Pueblo warehouse was in operation before the warehouse in California could get all of its permits.¹⁹

Some say that aggressive economic programs

and incentives typically are misplaced and that their approach is fundamentally flawed.²⁰ Paul Peterson notes the widespread support for economic development policies even though he asserts that much of what affects these cities, such as the welfare of the larger economy and the ultimate movements of labor and capital, are beyond their control.²¹ Scholars have noted that cities tenaciously pursue economic development, especially tax-reducing inducements to attract business, even though studies have shown that tax incentives typically are not the major factor in business location decisions.²² M.P. Smith, R.L. Ready, and Dennis R. Judd contend that state and local politicians are, “loathe to criticize the argument that tax incentives are beneficial, or to question the effectiveness of the other instruments that attempt to promote economic development for fear that the first to say “no” will be excluded from whatever growth does take place in the national economy.”²³

How critical are some of these incentives to the decision-making process? Are they high on the list of considerations for companies looking to

relocate? Or are they unnecessary add-ons that have no real impact, except to drain the community of resources that could be more wisely and efficiently utilized elsewhere? Judd and Kantor note that one result of economic development strategies is that, "Public poverty increasingly exists side by side with private plenty. Corporate towers, waterfront recreational development, enclosed shopping malls, luxury hotels, stadiums, and new convention centers have sprung up in cities all across America while cities struggle to balance budgets, maintain infrastructure, and provide services."²⁴

One needs to be cautious about making generalizations about the success of these organizations and, in many cases, it may be too early to evaluate. Who knows? A judgment made about an economic development program may need the benefit of several years' experience before its true effectiveness can be measured. According to Bowman, "Measuring success in economic development is not easy. There is confusion as to just what success is. For example, some cities point with pride at a revitalized central business district and claim successful economic development.

Other cities count up the number of new firms and declare victory in the economic development wars. Others talk about renewed community spirit as a sign that economic development has been successful. One way out of this measurement quagmire is to link success to the achievement of goals."²⁵

Looking at the Urban West focus cities, it is clear that there are some things these cities have done in the way of economic development activity that would be helpful to them whether or not they attracted any new businesses into the community. For example, the strategic planning process that many of them undertake gives them a good understanding of their strengths and weaknesses as a community.

Salt Lake City creatively used the 2002 Winter Olympics to underwrite urban renewal. Opposite: Rice-Eccles Stadium at the University of Utah, expanded with an \$8 million dollar grant from the Salt Lake City Olympic Committee.

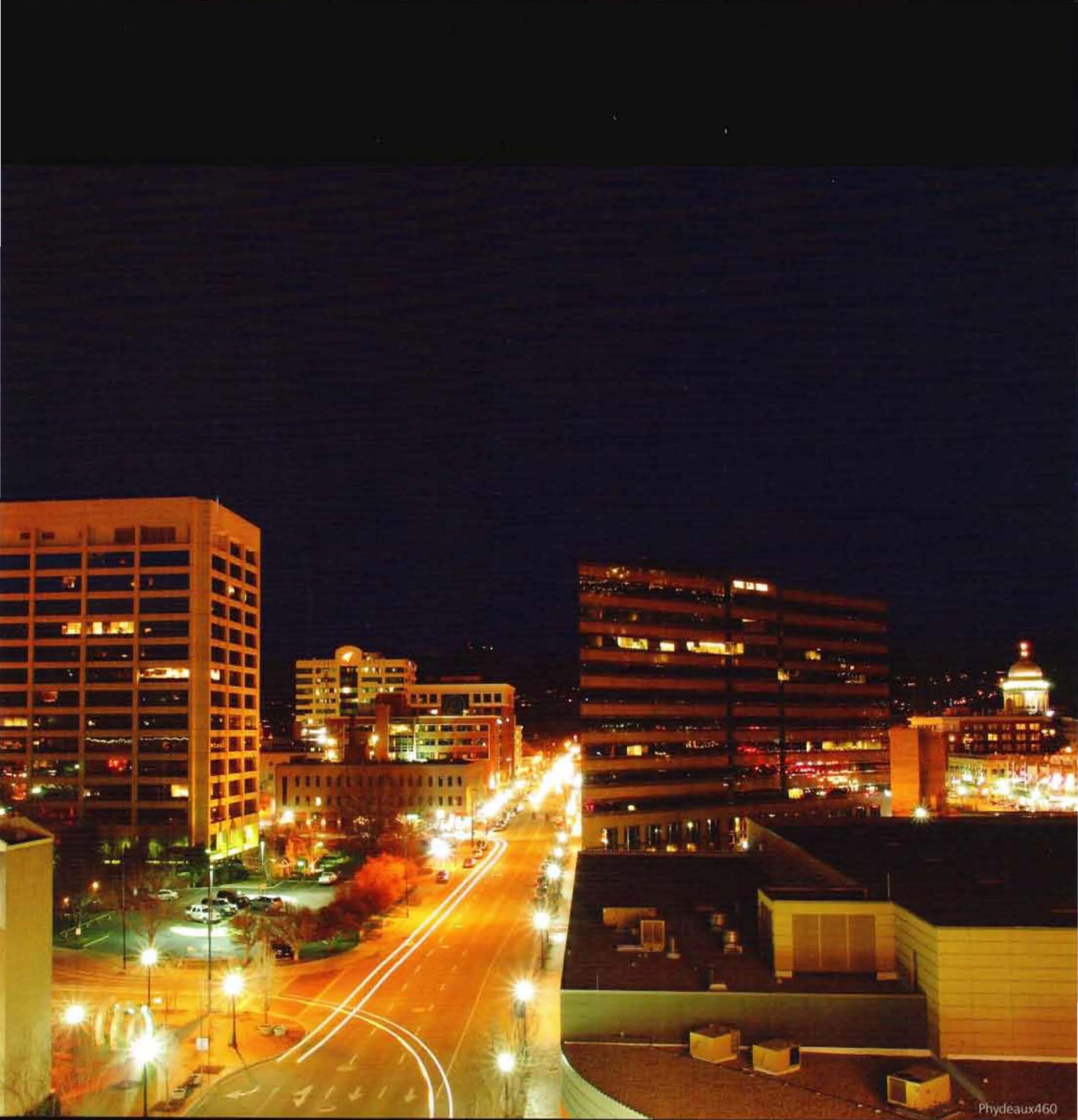


case
studies



Cities find
creative solutions
in the leanest
of times.





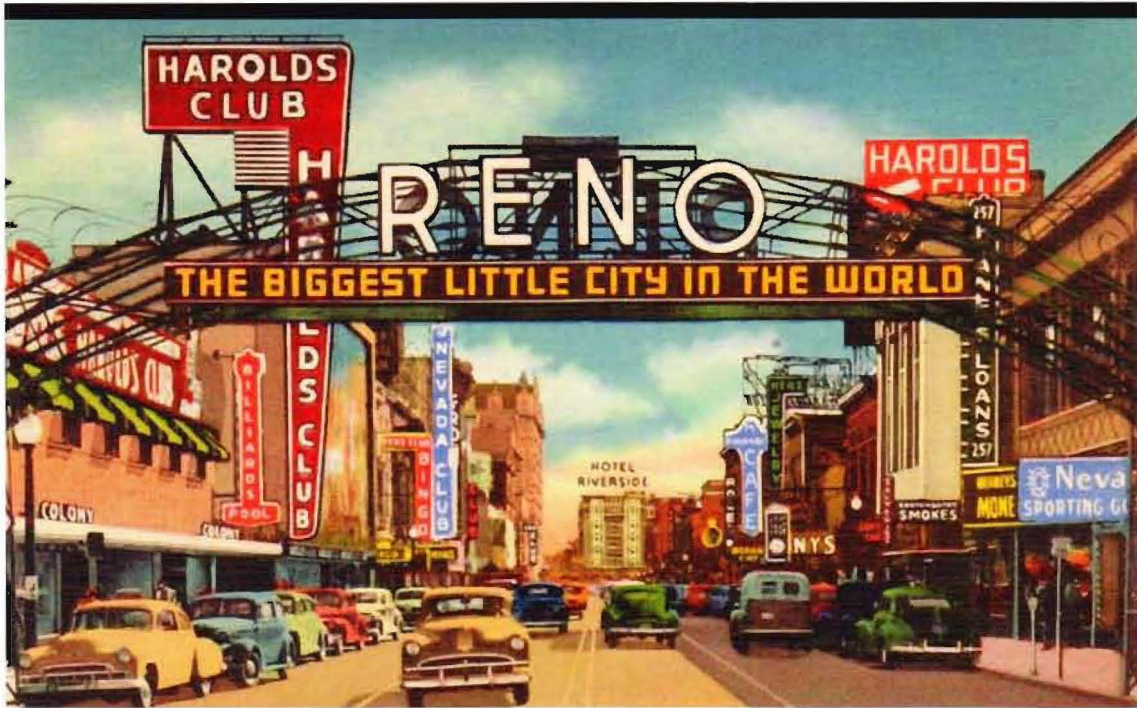
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Globalization is one of the reasons for a slowdown in the Boise Valley's growth. Pictured: Simpote corporate headquarters (left) faces the Wells Fargo Building across Boise's 9th Street at Main. Next: Fire escapes recall the era of brick construction in a Spokane warehouse alley.



Kathy Pipes

In Reno, a once-booming economy, city hall struggles to meet its payroll. In Pueblo, once suffering from the crash of the steel market, the city lures new employers. In Boise, at the base of golden foothills, a tax levy preserves open space for wildlife and recreation. In Spokane, public and private interests spar over tax-free bonds. These case studies and others show cities with different solutions to similar problems in challenging times. Each city competes using its unique characteristics. Most struggle with budget shortfalls and vacant storefronts, with strip-mall blight and sprawling suburbanization, with overlapping jurisdictions and restraints on municipal power.



• Posterchild of Economic Hard Times

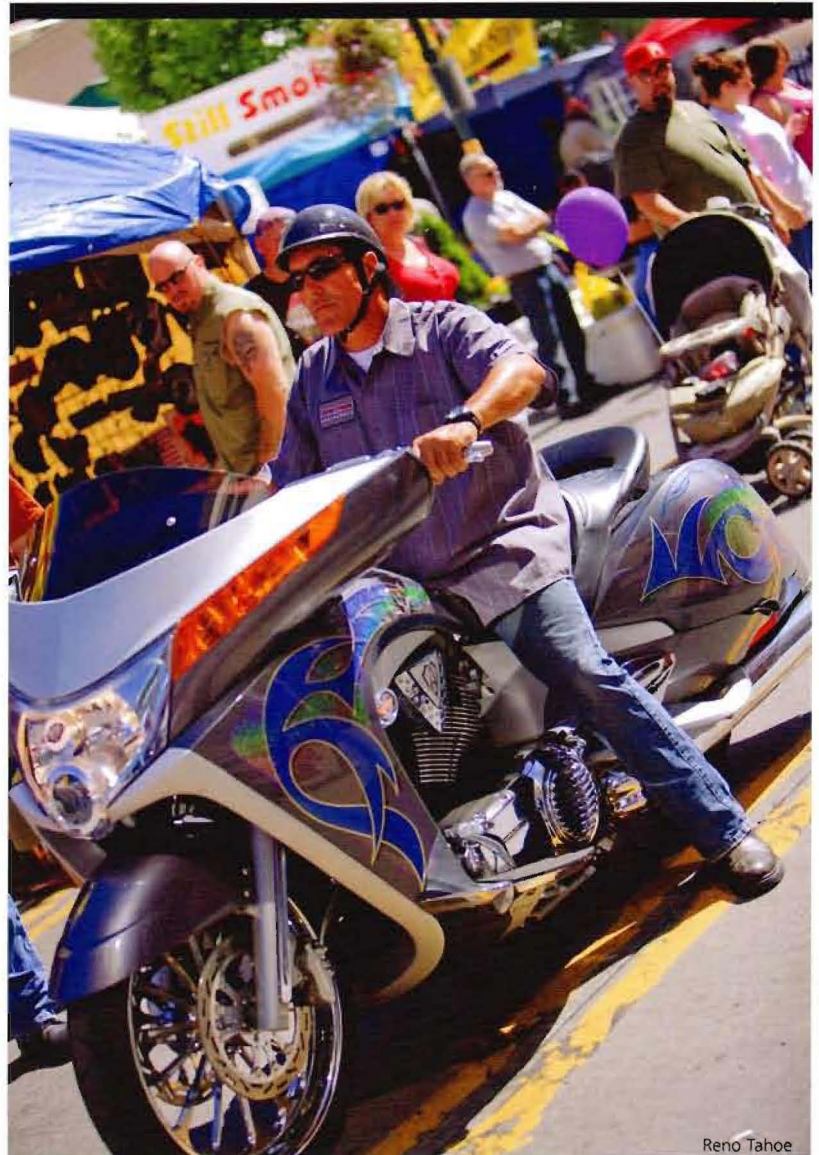
Over the past 20 years, Reno and growth have been synonymous. The city and the state of Nevada have been among the fastest growing in the nation, largely driven by gaming, tourism, real estate, and construction. City officials were concerned about how to manage growth and make growth pay its proportionate share of infrastructure costs in the 1990s. They commissioned a nationally-known expert to help them develop a growth impact fee system.

Major improvements have been made in this northwestern Nevada city in Washoe County, not far from Sacramento. Embracing the concept that “if you build it they will come,” the city attracted Triple A baseball in 2010. Developer financing, a county rental car tax, and tax increment revenues built a \$50 million stadium designed to give life to a declining downtown adjacent to the ballpark.¹

The Reno Transportation Rail Access Corridor (reTRAC) is hailed as the city’s biggest public works project. The railroad tracks running through the

city were lowered below street level as a way to mitigate the negative impact of having loud freight trains chugging through the middle of the downtown, creating aesthetic and public safety issues. The \$265 million ReTRAC project along with a two-block plaza tax, special downtown assessment districts, sales tax increase, city bond, \$17 million and a land exchange from Union Pacific Railroad, and federal grants."² The city also boasted that no general fund revenues would be needed to support the project. The development of a waterfront park enhanced the Truckee River running through the city. City officials say that this is "the first and most sophisticated whitewater venue to be built right in the heart of a downtown."³

Yet as far back as the 1980s, there had been telltale signs of pending economic challenges. Indian gaming was legalized in the late 1980s by the federal government. Reno's pre-eminence as a gaming center was steadily challenged by the proliferation of casinos in the nearby states of California, Oregon, and Washington. Up to 80 Indian casinos have opened, resulting in significant competition for the gaming dollar. Increasingly, questions were being raised about Reno's "brand." The once dynamic city was becoming a tired gambling town with a declining downtown



Reno Tahoe

business environment and without a clear strategy to broaden its economic base. A national television comedy ("Reno 911") seemed to promote a negative view of the city. Further, *U.S. News and World Report* ranked Reno as one of America's six "forgotten" vacation spots.

With the coming of the Great Recession, combating economic decline has been the ongoing preoccupation of city officials. An overheated economy was quickly replaced with huge unemployment numbers. Nevada has led the nation with 14 percent unemployment. When the housing bubble burst and foreclosures skyrocketed, the city, highly reliant on consumer spending as its economic base, had little cushion with its heavy dependence on gaming and construction. The Reno economy dropped like a rock. Property values and property taxes, along with sales tax revenues, sharply

declined. Rosy assumptions about repaying bonds have forced city officials to do what they promised they would not do. Bonds for major improvements based on sales tax and property taxes are now being subsidized by the city's general fund—tough to do when the city promised that certain capital projects like ReTRAC and the Reno Events Center would never require general fund dollars. Though controversial, the pledge seemed to be realistic at mid-decade but not during the Great Recession. The declining local economy and a narrow tax structure barely support basic services such as public safety. The current drop in casino revenues has "essentially put the Redevelopment Agency out of business," dropping from 16 staffers in 2009 to none in 2011."⁴



There are limits to what city officials can do to mitigate such service declines. Reno's budget is heavily dependent on state revenues, which are by far the largest source of revenue to the city. Local financing initiatives generally have to be approved by the state. ReTRAC funding was secured by the 1999 Nevada Legislature's enactment of a 1/8th of one-cent sales tax for Washoe County.

There is also significant state oversight of financial decisions. Currently, a state body is reviewing city intra-fund transfers; city staff largely without council approval made \$22 million in illegal transfers. The Nevada State Tax Commission will supervise repayment after a recommendation from the Nevada Local Government Finance Committee. It appears that since the Redevelopment Agency is not able to cover its interim borrowing from the sewer fund, the sewer fund now owns the old Reno bus station.⁵

State elected officials are of little help. In 2009, state legislators exacerbated the local revenue challenges when they took \$283 million from local governments, mostly from Clark and Washoe counties. It is now feared that state elected officials, having run on "no tax increase" pledges despite facing huge state government shortfalls, may start draining city coffers, proving that local control is more of a myth in Nevada than in most other states. City officials were so desperate to protect themselves from state legislative raids on their treasury that they proposed an advisory ballot to their voters that says the state should have to ask permission before it drains any more funds out of local government coffers. Emblematic of the dire situation, Reno voters approved the advisory ballot by a substantial margin. But given the attitude of state officials, such advisory ballots are dull weapons in the fight to save local dollars. Even before he took office, Governor-elect Brian Sandoval assigned his staff to research local government revenue sources. His top aide said, "[W]e're trying to end the process of here's a bunch of money and we'll just take it. We're trying to look at the system as a whole, where \$20 billion in revenue is spent. We have a tendency to look only at the state general fund and see a shortfall. The governor-elect is looking at really the whole picture (of state and local governments). We have that much money to spend and, as a people, where should we spend it."⁶

This attitude is consistent with many state lawmakers who feel the distinctions between state and local governments are meaningless to the public. Taking money from local government revenues is not "theft" or a "raid," but merely "revenue diversion." [In May of 2011, the Nevada Supreme Court

Reno's economy suffers from a drop in consumer spending in construction and gaming. Opposite: Reno casinos are down on their luck. Previous: Reno's Street Vibrations rally; Reno postcard, 1940s.

barred the legislature from taking additional local government revenues. A major local government fear of losing their own revenues has been alleviated.) Local officials still seek greater discretion through an infusion of home rule authority. In 2009, a legislator pushed his home rule bill but got no better than legislative action to authorize an interim study on local government



Scott Schreiner

authority. As one wag noted, “for 120 days every two years, Carson City is the center of the Nevada political universe.”⁷ Like the result of so many other interim studies, no new discretionary authority has been granted.

Public sector collective bargaining has been a huge issue during the Great Recession. Even public safety unions like police and fire have been under scrutiny. Nevada’s mandatory collective bargaining legislation also reduces the city’s flexibility. Essentially, arbitrators can significantly influence the city’s budget, particularly in Reno where 80 percent of the city’s budget is comprised of personnel costs. One controversial aspect of the Reno collective

bargaining contract is the so-called “call-back” provision for firefighters that all but ensures overtime pay is required to cover open shifts. As a result, in 2009, 10 firefighters made more than the \$150,000 the city pays the fire chief; four battalion chiefs made more than \$200,000; and one made more than \$50,000 just in overtime. During the budget cutting of the last three years, the firefighters’ union has been criticized for defending the call-back policy while firefighter positions have been cut. Even while the city has gone through severe budget cutting “none of the unions ... accepted a pay cut.”⁸ It is no surprise then that labor issues dominate the city manager’s goals for 2011: (1) Try to get more labor union concessions to avoid layoffs; (2) Get legislative support to end mandatory collective bargaining.

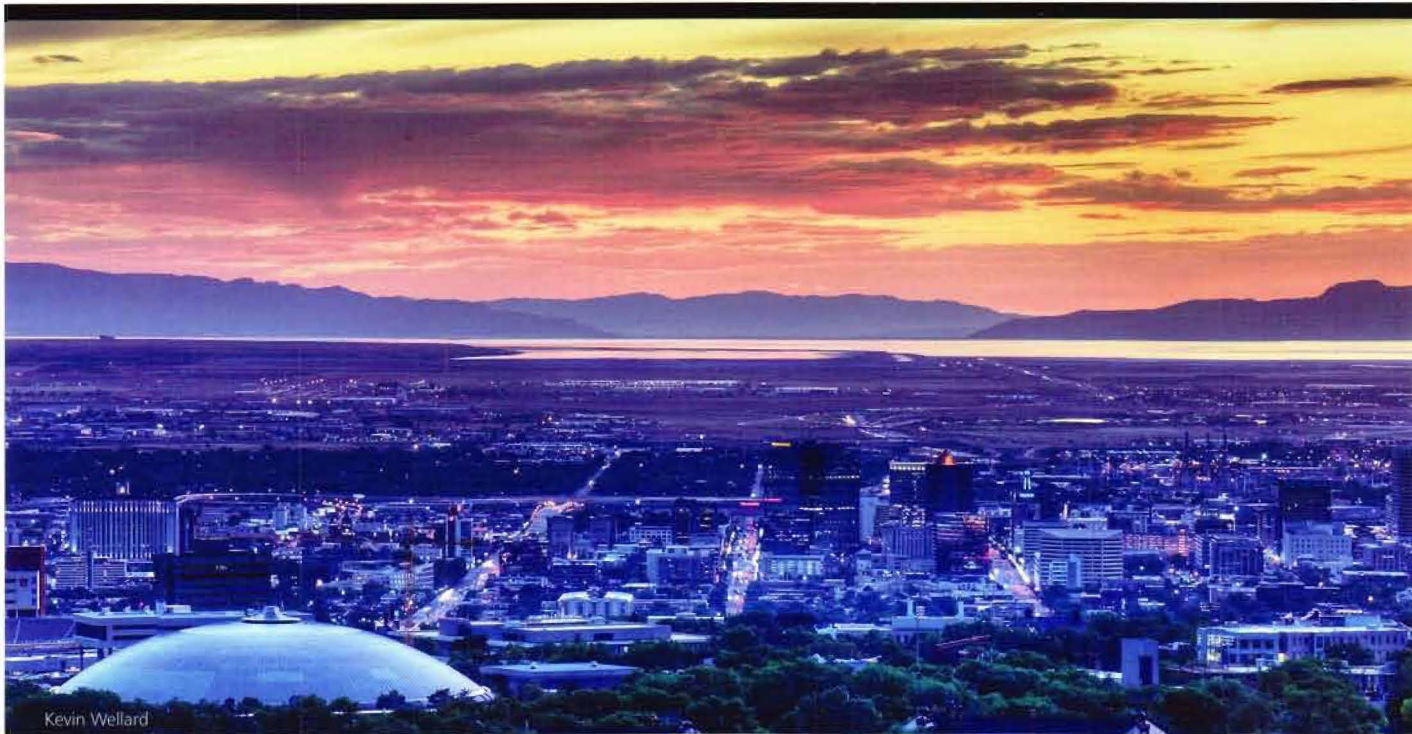
With all of the layoffs, one councilman worried that “we are losing those elements that make Reno a city.” Another council member said that “public safety is not being met here” as the city struggled to determine the absolute minimum needed to keep essential services going. City staff has been cut by 24 percent. Before the recession, Reno had 1,644 employees and now in 2011 it is down to 1,250; police have been cut from 383 to 326; firefighters from 252 to 217. Fire stations have been closed or have been under a brown out.⁹

Finding solutions to Reno’s personnel issues is extremely difficult, especially when the average total personnel cost, including salaries and benefits, is \$100,000. The issues are compounded by collective bargaining agreements that mandate minimum staffing levels for fire engines. Is it necessary, as the collective bargaining contract requires, that each fire engine must have four, not three, fire fighters, a requirement questioned by several city officials?

Reno city residents and officials are struggling with these and other questions: How do we achieve a sound financial footing with such limited discretionary authority? Will state officials help us or at least get out of the way and quit looking at us as a savings account for state government? How do we reinvent ourselves? How do we compete?

Today, Reno is working on a strategy to persevere despite all of these limitations imposed by the economy and the intergovernmental system. Some of their problems are self-inflicted, but others are exacerbated by an unresponsive legislature that is content to keep local governments’ hands tied. Community leaders seem committed to a unified economic development vision and to ending the area’s fragmented economic development picture. To be more competitive, leaders are talking about the need for access to venture capital, which is very scarce in Nevada. Reno’s heavy reliance on state aid and

Railroad tracks running through Reno were lowered below street level as part of the ReTRAC public works project. Opposite: Train using the new rail line.

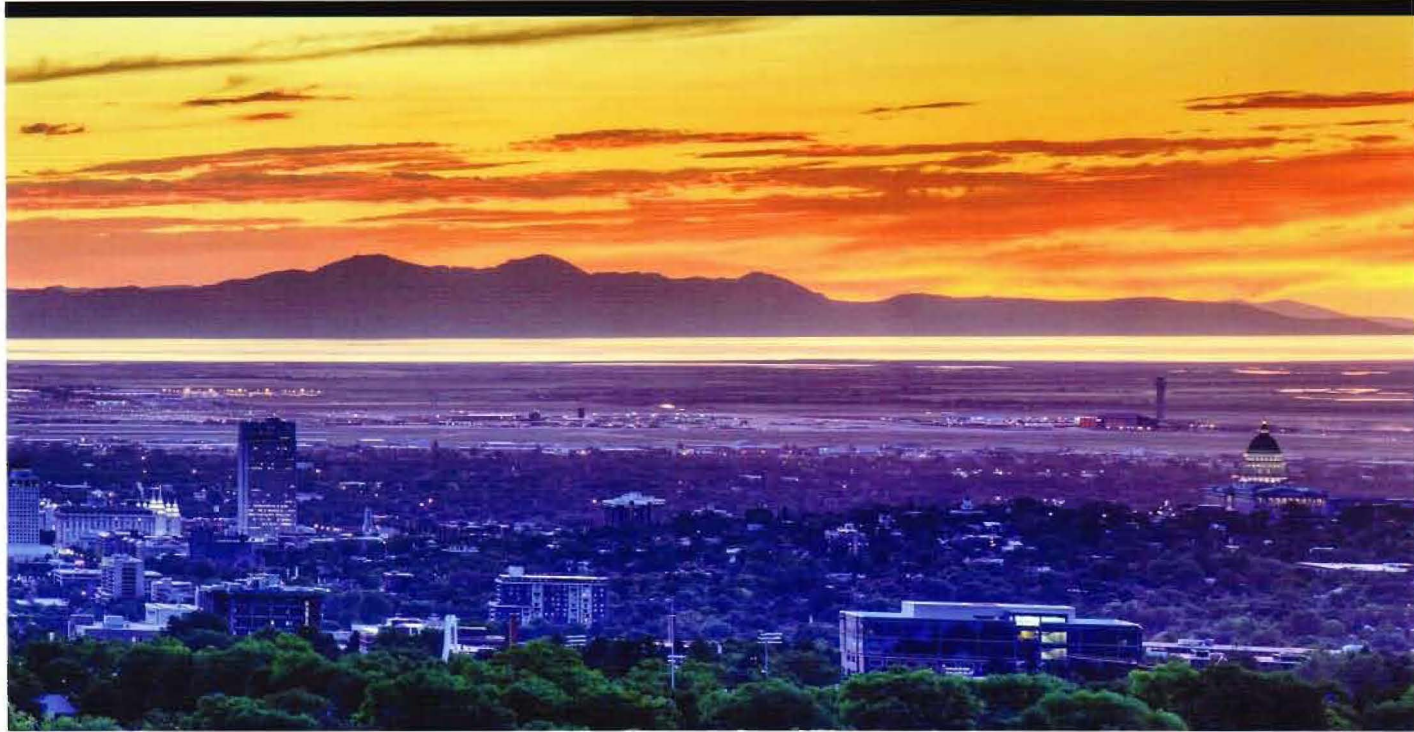


Kevin Wellard

property tax is not sustainable. The need for tax base diversification is obvious in a state with heavy reliance on sales tax (typically more than 50 percent of revenues), gaming tax, and modified business tax. Hard times have essentially turned Reno on its head; community leaders are working hard to stand upright again.

• A Tale of Two Mayors

Surprising to many on-lookers, Salt Lake City is one of the more progressive cities in America, a “blue” island in a very “red” sea. In Salt Lake City, unlike the rest of very conservative Utah, Mormons and Republicans are in the minority. The last Republican to be elected mayor was in 1971. The last two Salt Lake City mayors provide a fascinating case study of the various roles mayors play, from advocate to policy wonk in a mayor-council form of government. Their contrasting leadership styles are especially notable considering they are both progressive politicians. These two city leaders illustrate an inter-



esting comparison in providing a vision, working with the city council, building partnerships, and making connections with the public.

Providing a vision. Mayor Rocky Anderson's vision (1999-2007) extended far beyond Salt Lake City. His passion was for a largely national agenda—ending the war in Iraq, impeaching President George W. Bush, opposing genocide in Darfur, fighting global warming, and supporting gay rights—issues more appropriate for “a mayor to the world than a fix-the-potholes, sweep-the-sidewalks business-booster for this city of 180,000 people.”¹⁰ Called a “headline-grabber” and one of “Utah’s great political characters,” Anderson was accused by one veteran council member of being more interested “in making a point than making a difference.”¹¹

Anderson's decision not to run again and Ralph Becker's 2007 victory was welcomed on the front page of the *Deseret Morning News*: “'07 a Rocky year in politics, but '08 will be Becker.” The paper called Becker “a competent manager with a track record for crafting plans that actually work ... a good wonk ... who prefers competence to being combustible.”¹²

Early in his administration, Becker earned good reviews for successfully fighting for his policy proposals—the passage of a multi-million dollar public safety building bond issue, doubling city bike lanes, modernizing city liquor laws, and securing passage of one of his major campaign promises, two sweeping anti-discrimination ordinances protecting gays and transgender residents in housing and employment. The anti-discrimination measures were also a top priority of Mayor Anderson throughout his eight-year administration. Anderson’s advocacy may have laid the foundation for this achievement, but it was Becker’s ability to gain LDS church support that was critical for success.

Former Salt Lake City Mayor Rocky Anderson earned national prominence as an outspoken advocate of liberal causes. Opposite: Mayor Anderson, right, shares an opinion. Previous: Salt Lake City panorama.

Working with the city council. “City councils usually have limited staff resources to undertake independent policy research.”¹³ The Salt Lake City Council is unique; its staff capacity is equal to the mayor’s staff. City council members speak proudly of this distinction and their work on their own legislative agenda. This separation of the executive and legislative branches is visually apparent on the third floor of City Hall: the north wing is the city council’s and the south wing is the mayor’s. When Rocky Anderson was mayor, council members talked about how far apart they were on city priorities. Under

Becker, the distance has diminished. Becker has spent a considerable amount of time collaborating with the council. That does not always mean that they agree, especially on some budgeting and land-use issues.

Some of their differences may stem from variations in their electoral bases. Council members are elected from districts and typically have been more conservative. (By Salt Lake City standards that means they are likely to be classified as a conservative Democrat to moderate Republican.) The city-wide elected mayors have been more progressive. Other differences are built-in, part of the institutional arrangement in a mayor-council form where conflict is, to a degree, inevitable.

Building partnerships. During his tenure, Anderson was far more an advocate than an administrator. Advocacy often divides people. Anderson took it much further than most. He often took shots at the conservative Republican legislature, and by doing so, virtually ensured that the city became a legislative target.

Being one of the most high-profile Democrats in one of the most conservative and Republican states in the country is a special challenge. One of Mayor Becker’s first acts was to offer the “olive branch” to Anderson’s foes. As a former Democratic leader of the Utah House, Becker had established a reputation for being collegial, working with the Republican leadership in one

of the most conservative legislatures in the country. The relationships he developed and his collaborative work in consulting “across the aisle” helped pave the way for the 2009 anti-discrimination measures that Mayor Becker championed. Interestingly, the 2010 legislature did not challenge or try to pre-empt these sweeping anti-discrimination measures. In fact, Republican legislative leadership made it clear that if they had a problem with the new ordinances they would consult with Becker first before taking action.

Building partnerships with other Utah communities was not a high priority for Mayor Anderson. He attacked a major road improvement project in neighboring Davis County, asserting that generating more commuters into Salt Lake City would make the



city’s deteriorating air quality even worse. One entry in the Tooele City Council minutes tells the story: “Received a letter from the Salt Lake City Council trying to clean up the mess made by Mayor Rocky Anderson.”

When Becker became mayor, he worked hard to repair relationships with Davis County and other local governments. Regardless of his collaborative spirit, Becker is not afraid to take on other local officials. He has taken strong stands against double taxation, which has rankled Salt Lake County officials, many of whom are Democrats.

Connecting with the public. Anderson’s passion generated enough interest in his anti-Iraq war campaign to attract 4,000 to his rally in downtown Salt Lake City. He could work up his non-Mormon base by using the “LDS card” to pummel candidates who Anderson said would cave in to the wishes of the LDS church if elected. He could rally Salt Lake City residents to

become one of the most environmentally conscious cities in the country. He railed against suburban development that created more sprawl. This agenda, even with all of the criticism and his apparent shortcomings, helped Anderson remain popular to the end and he could very well have been elected to a third

term. Late in his final year, according to locally prominent pollster Dan Jones, he had 59 percent support from city residents.

Becker won election with basically a grassroots campaign, literally walking the neighborhoods and activating about 100 volunteers who went door-to-door. As mayor, he reached out to neighborhood representatives from the 21 community councils, particularly on land use issues. He helped persuade the Greater Avenues Community Council to not cast a no-confidence vote against the city's planning services department. He has worked with the Salt Lake Chamber's "Downtown Rising" project, even though it has engendered opposition from the arts community. He has also worked with the LDS church on the aforementioned anti-discrimination measures and supported their developer's plan for a sky



Utah Senate

bridge as part of the City Creek project, a major downtown mixed-use development. Becker's decision to support the sky bridge was (true to form) blasted by Anderson as a sellout to the LDS church.

From advocate to policy wonk, every mayor is challenged with the same variety of roles required in city leadership. Style in acting out each role is what distinguishes one administration from another. Anderson achieved national prominence as the outspoken liberal mayor of red, conservative Utah's largest city. He added much to the image of the city as a vibrant, diverse western city. He succeeded in communicating to Salt Lake City residents the impact of national issues on their day-to-day lives. His work on environmental protection is still widely praised. His advocacy of gay rights may very well have paved the way for the successful Becker proposals.

Mayor Becker appears to have benefited from not being Rocky. Becker's style has helped open doors to which he has taken full advantage. Even in the

current climate of fiscal austerity and after launching his administration under very tough budgetary circumstances, Becker appears to be off to a solid start.

• Annexation and the Incorporation of New Cities

Cities are a living form of a voluntary organization. Citizens come together to incorporate into new cities; existing cities grow and expand through annexation and in some rare cases, disincorporate or decrease their boundaries. State constitutions and statutes establish the rules governing incorporation and annexation. In some states, among them Idaho, cities can annex new territory into their boundaries without a vote of the citizens in the area to be annexed. In most cities and states, however, cities cannot annex territory without a vote of those directly affected by the proposed annexation. Annexation powers may also vary by the classification of cities. This is true in Washington, which also addresses whether or not the provisions of the state Growth Management Act cover a city. With few exceptions, Washington law requires an approval of 60 percent of the residents in the area to be annexed. This can make annexations difficult for many cities, as suburban residents will frequently oppose being brought into the city through annexation.

Perhaps the best defense against being annexed into an existing larger city, however, is to create one of your own. Creating your own city gives you control over zoning, police, and taxation, and separates the suburban community from the “problems” of the older city. In several Urban West cities, the shape and size of the city over the past 20 years has been limited by the incorporation of new cities just outside their boundaries.

In 1990, for example, the cities of Spokane and Tacoma each dominated their respective county (Spokane and Pierce counties). In 2003, the landscape of Spokane County changed when the City of Spokane Valley was incorporated in an urbanized area of the county, immediately creating a city of 80,000 alongside the city of Spokane. The creation of Spokane Valley effectively limited the eastern growth and expansion opportunities for the City of Spokane. Prior to the incorporation of Spokane Valley, Spokane County and its existing cities discussed a variety of governmental service structures, including consolidation of city and county governments and/or services and expansion of Spokane’s boundaries. Spokane Valley voters turned down opportunities to incorporate in four separate referenda elections prior to the successful incorporation in 2003.

Current Salt Lake City Mayor Ralph Becker, elected in 2007, is known for his collegial leadership style. Opposite: Mayor Becker, once a legislator, addresses his former colleagues.

Similarly, the cities of University Place and Lakewood were incorporated in the urbanized areas of Pierce County east of Tacoma in the 1990s. Lakewood was incorporated in 1996 and had a population of 58,211 in the 2000 Census. Lakewood has two major military bases, McChord Air Base and Fort

Lewis, on its eastern boundary. University Place was incorporated in 1995. Its population was 29,933 in the 2000 census. The city derives its name from the University of Puget Sound, which had purchased a large parcel of land in that area but later sold the land back to the City of Tacoma. The creation of these two cities has effectively landlocked Tacoma from expansion to the east and south (the city is bordered by Puget Sound to the west).

While these new cities in Washington have limited the growth horizon of Tacoma and Spokane, several of our other focus cities are bordered by separate cities created decades ago. Among them is Garden City,

Idaho, named for the gardens of the Chinese immigrants who were concentrated there; it is nearly surrounded by Boise. Sparks, Nevada; Springfield, Oregon; Mesa, Arizona; and West Valley City, Utah, are also examples of previously incorporated cities that limit or direct the growth in our focus cities.

Few issues can mobilize citizens like annexation and sewer lines. Many subdivisions were built in unincorporated county areas without sewer systems, relying instead upon septic tanks. As cities grow and their boundaries reach these subdivisions, many cities attempt to annex these properties and/or require that they hook up to the city sewer systems. The cost of hooking up to the sewer system and the prospect of becoming part of the city can lead many citizens to protest. This has certainly been the case in Boise, where disgruntled newly annexed citizens called for legislative changes to the state's annexation law. Although



Cities at the edge of larger Urban West cities strain services. Pictured: New housing development in Sparks, Nevada. Opposite: Boise grows north into the foothills.

the legislature considered legislation that would have limited Idaho cities' ability to annex without a vote of the residents impacted, the legislation ultimately did not pass.

Eugene has faced the challenge of bringing unincorporated subdivisions onto the city sewer lines and into the city boundaries in its Santa Clara subdivision area. The large number of homes on septic systems became an environmental danger to the area's aquifer and water systems. Rather than force an overall annexation, however, the city negotiated an agreement with the county that any properties that made substantial improvements in the future and any new developments would be automatically annexed into the city. The result has been a checkerboard pattern of annexation in which one house may be in the city limits and the house across the street or next door may be outside the city limits.¹⁴

• Landmark Levy Preserves Open Space

Few features dominate a city's landscape in the same way as do the Boise foothills. Similar to the striking backdrop to Salt Lake City, made familiar to the world through the 2002 Olympics, Boise's smaller foothills also frame the city. The foothills bordering Boise have been the focus of both development and open-space preservation efforts for many decades. A beautiful area known as Hulls Gulch was the target of a heated battle over how much and what kind of development to allow in the foothills. Several controlled-growth candidates were elected to the Boise City Council, running on a platform focused around protecting Hulls Gulch and other foothills open spaces. The North End Neighborhood Association played a key role in these elections. In fact, several of the controlled-growth candidates were former officials in that neighborhood group. The North End neighborhood has long been a powerful force in Boise City politics. It has a large historic district and is among the oldest residential areas in Boise. For many years, most of the Boise City Council members



resided in this neighborhood area. Perhaps coincidentally, the North End has long been virtually the state's only "safe" Democratic district. In a state in which Republicans have veto-proof majorities, Legislative District 19 (comprised chiefly of the North End) is consistently represented by Democrats, one who is the state's first openly gay elected official.

By the 1990s, development pressures were growing in the foothills. The Boise City Foothills Plan was designed to allow up to 10,000 homes in the foothills over a 20-year period. Then-Mayor Brent Coles proposed a two-year \$10 million property tax levy to preserve open space along the Boise Front, thus enhancing recreational opportunities, wildlife habitat, and scenery through the purchase of private land and easements. But preserving the foothills would not be an easy task. According to a public opinion survey, only one-third of the residents supported a foothills levy. Respondents questioned the value of the foothills and many outside Boise's North End did not see improvements in the foothills as a citywide amenity.¹⁵

A \$10 million levy saved open space near Boise. Opposite: Pristine foothills above Boise.

Also in the 1990s, a \$20 million park bond had been defeated that would have funded new neighborhood parks, built a swimming pool and a covered ice rink, and made improvements to several existing parks. As a general obligation bond, it required a two-thirds supermajority approval. Accordingly, Mayor Coles proposed for the foothills a serial two-year levy that would only require a simple majority vote.

He appointed a steering committee headed by former Idaho Supreme Court Chief Justice Charles McDevitt "to raise money and promote the foothills preservation vote."¹⁶ The biggest question: how would the proponents frame the issues? Supporters worked hard to emphasize the citywide benefit of the levy and counter anti-tax activist Laird Maxwell's charge that the foothills proposal was to fund the "North-Enders' playground."¹⁷ He fought the proposal along with the Boise Metro Chamber of Commerce and other businesses.

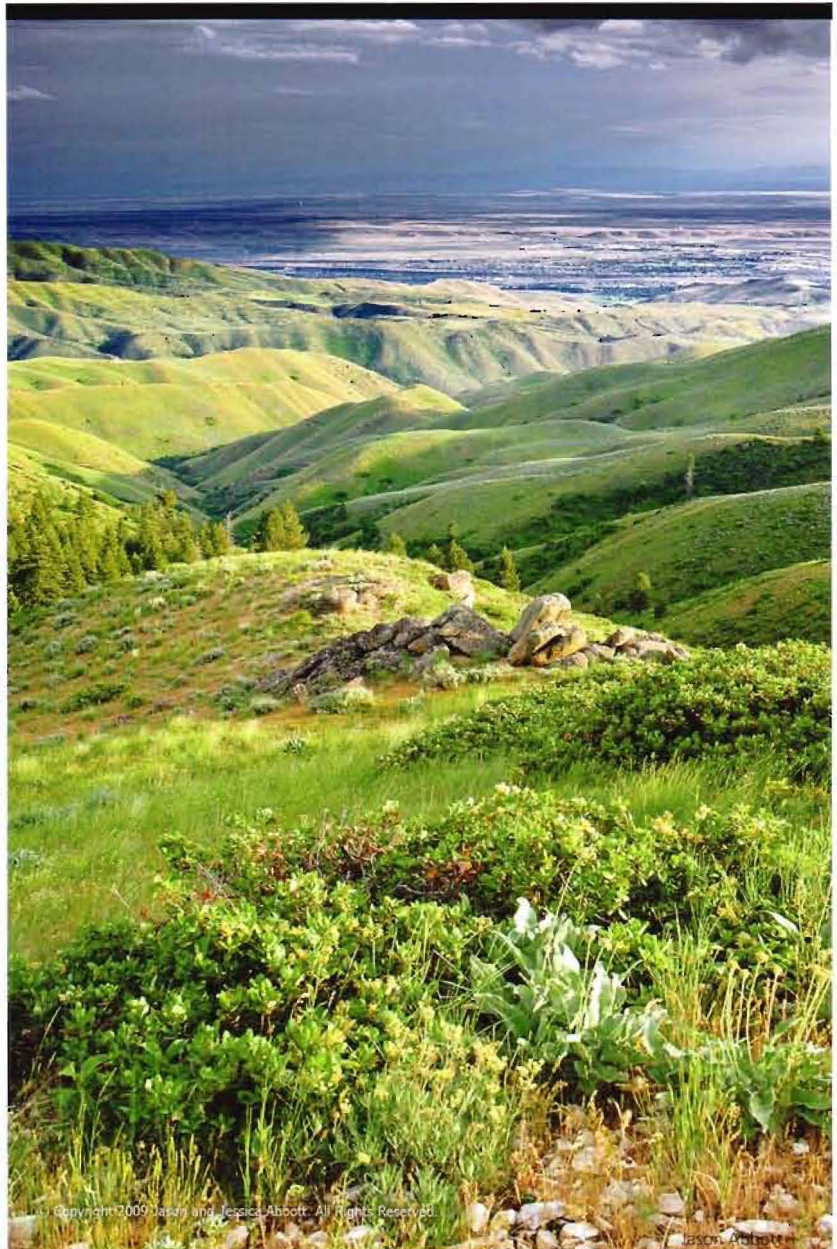
Preservation backers included "city leaders, recreationists, environmentalists, and some business owners and developers." According to Suki Molina of the Idaho Conservation League, who played a major role in the campaign, it was ... "a beautiful convergence of the right vision, people, and timing. That and a lot of old-fashioned hard work."¹⁸

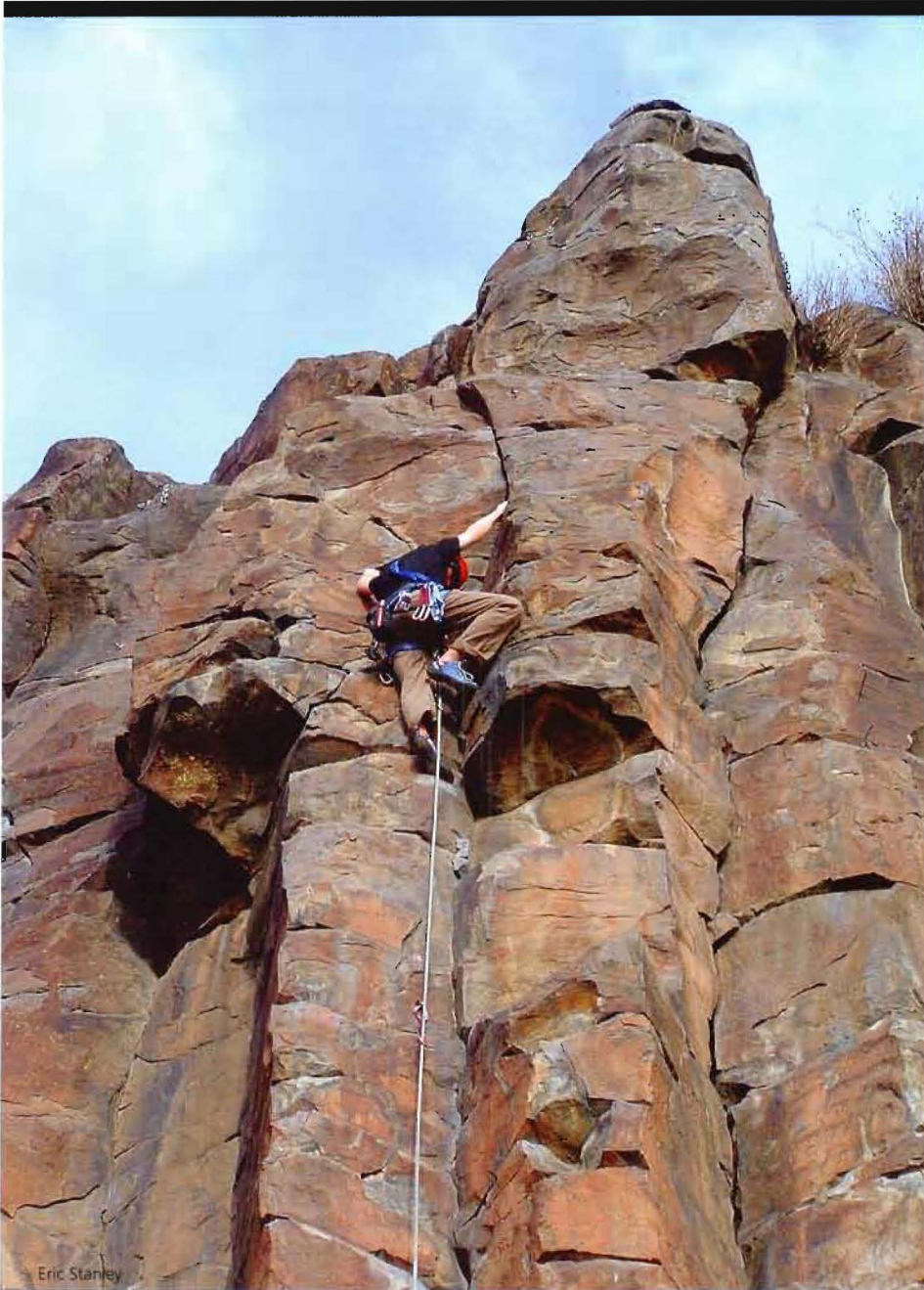
The levy measure passed with 59 percent of the vote. Thirty-five percent of the registered voters turned out for the special election, which was a fairly good turnout for a non-partisan election.

With the \$10 million generated by the property tax levy, 10,341 acres of foothills land were purchased, traded or donated for open space preservation. One of the first properties purchased in the foothills was the acreage in Hulls Gulch.

A trail system called the Ridge to Rivers now connects 130 miles of hiking and biking trails throughout the Boise foothills. Much of this system is on federally-owned BLM and USFS lands, but the connecting trails nearer the city rely on land purchased in the foothills levy effort.

Preservation of the foothills open space required an extraordinary level of cooperation among various units and levels of government that owned almost 47 percent of the foothills: Boise City, Ada County, State of Idaho Lands, Bureau of Reclamation, Bureau of Land Management, and the U.S. Forest Service. It also represented an extraordinary commitment on the part of the citizens of Boise to extend their property tax obligations to achieve this open space preservation. It was an impressive grass roots effort aided by 500 volunteers who went door-to-door canvassing neighbor-





hoods. To a degree, the successful effort found its inspiration in the citizen-led effort to build the Boise River Greenbelt that also added immensely to the city's landscape.

City leaders and community activists hope to model other public improvement efforts after the successful foothills levy campaign. City Council member David Eberle is interested in preserving open space through a countywide levy; some have proposed a special levy for school improvements. Yet another idea is funding capital improvements for city parks. Only time will tell whether the success of the foothills levy was an aberration or a model for further public improvements. According to the *Idaho Statesman*: "There's a lot of goodwill surrounding the foothills levy, the hard-earned result of good work. How then should City Hall leverage it?"¹⁹

• Public-Private Partnerships and Redevelopment

This is a story about a successful downtown redevelopment project that saved a vital shopping and services district teetering from the loss of its major tenants and facing a future with no retail anchors. Or maybe this is a story about a failed public-private partnership that cost the city \$26 million and profited a single wealthy family at the expense of the public and other community projects. It all depends on whom you ask.

Spokane's downtown core was facing a major turning point. One of its major retail anchor stores had already left and Nordstrom, a key part of the downtown shopping area, was also threatening to leave when their lease expired unless the city could entice them to stay. A key part of their demands was the construction of a new parking garage. The Cowles family, owners of a local television affiliate and the city's newspaper, the *Spokesman Review*, owned a significant piece of property in downtown Spokane. The property is located directly across from Riverfront Park, the major park and visitor attraction built upon the site of the 1974 World's Fair. The Cowles family property was proposed as the location of a major new retail shopping center connected to the needed new parking garage.

To raise the money necessary to build the garage, the city created a parking authority to sell tax-exempt bonds. The parking authority then sold the garage to a nonprofit created by the developer, the Spokane Downtown Foundation. The foundation sold \$26 million of revenue bonds in 1998 and the garage was built in 1999. The appropriate cost of building the parking garage and its subsequent value became the subject of much controversy. Original city plans from 1995 were based on a \$14 million cost, although later an appraiser hired by the city estimated the value of the garage at \$30.8 million. The developer's appraiser estimated the value of the garage at \$44 million. Meanwhile, other builders noted that the cost of the garage should have been as low as \$7 million.²⁰ The bonds were to be paid off with revenues generated by the parking garage from fees paid by shoppers and visitors who parked in the facility.

City estimates of how much money would be generated by the facility were inaccurate and it soon became clear that the parking garage would not be able to pay operating costs and the debt service on the bonds. The city, the parking authority, and the foundation all refused to pay the debt service and the revenue bonds for the garage went into default. Bondholders sued the city and eventually the city was held responsible for the payment of the bonds. The city elected to pay off the bonds in one payment and dedicated its parking meter revenues to pay back the amount. This redirection of park-

**Rock climbing below
Hammer Flat in the East
Boise Foothills, 2005.**

ing meter funds left a significant shortfall in Spokane's street maintenance funds. One estimate of the total cost to the city for the parking garage was \$43.4 million.²¹ In an effort to prevent another public-private partnership failure that would leave taxpayers holding the bag for costs, the city proposed an ordinance that would require that future public-private partnerships be backed by developer bonds or letters of credit.²²

Controversy erupted over tax-exempt bonds for parking garages in Spokane's River Park Square. Opposite: Spokane's riverfront clock tower, a relic of the railroad era.

The legal suits revealed several complicating factors: (1) disagreements over the actual cost of the garage construction (opponents of the project alleged cost estimates were inflated so that the developer could shift revenue generated by the tax-exempt revenue bonds to the retail shopping part of the project); (2) disagreements over whether or not the city had appropriately utilized Housing and Urban Development (HUD) funding that was part of their portion of the site improvements; (3) disagreements over who was ultimately responsible for the revenue bonds used to build the garage; and (4) disagreements over how much money would be generated by the parking fees once the garage was built. The numbers ultimately used proved to be inaccurate, and lawsuits and the media alleged that the developer's parking garage consultant intentionally overestimated the revenues to get the project off the ground.

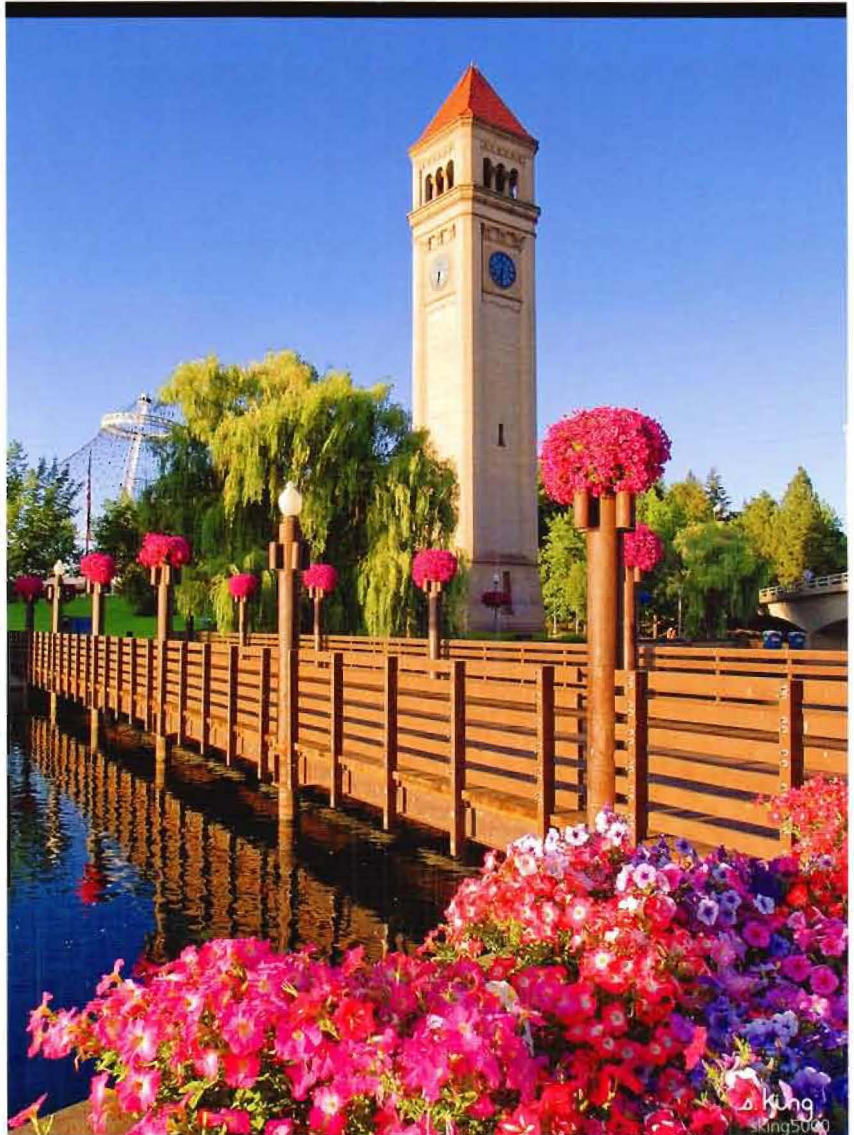
In spite of its rocky start, the River Park Square development is now a featured part of Spokane. Since its creation, more than \$3.5 billion of investment has been made in Spokane's downtown core. A national retail chain has located in the development and lends vitality to Spokane's downtown that many cities would envy.

So was this a story about a project that saved and revitalized a downtown core or is it a story about a public-private partnership gone wrong? How can one development project be both of these things? Easily, it turns out, because the River Park Square development, and the River Park Square parking garage in particular, have all the elements that make public-private partnerships challenging:

- They are complicated because of the number of entities involved. This arrangement featured a city, a government parking authority, a nonprofit foundation established by the developer just to own the garage, a powerful wealthy family, the city council, the bondholders, and, of course, the public.
- Public-private partnerships are complicated because of the state, federal, and local rules about how money can be raised and spent. In this case, federal court rulings about public tax-exempt bonds for

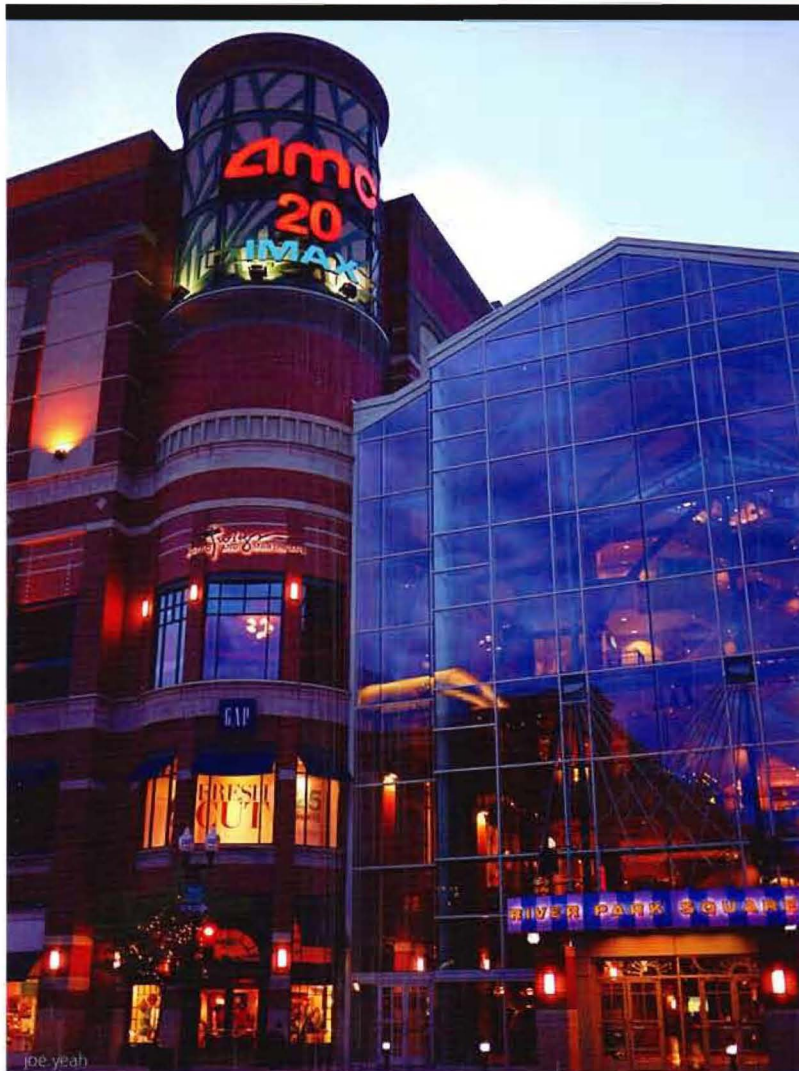
private developers, Washington state laws about bonds for redevelopment, federal HUD “strings” on money granted to the city, and local ordinances about the use of parking money all came into play in how revenue is raised and spent.

- Partnerships are complicated because they require a balancing of public and private interests. In this case, the various actors were trying to anticipate and accommodate the economically based decisions of Nordstrom, the Cowles family, and, of course, the individual shoppers who may or may not pay to use the parking garage.
- Partnerships are complicated when they involve personalities and politics. In this case, managing the relationships and trust among all the actors became critical to the partnership’s success or downfall (depending on your point of view).
- Public-private partnerships are complicated because when things go wrong it is difficult to determine who is responsible



for the project through its various governmental, quasi-governmental, and nonprofit entities.

Public-private partnerships in Spokane may be shaped by this project for many years to come as the public, the city, and the developers try to avoid the conflicts of River Park Square.



• Economic Development and City Self-image

“What kind of city do we want to be?” is a question faced by every community. Some communities improve their self-image and confidence in dealing with the outside world through their economic development strategies.

Cities market their unique characteristics in their attempts to attract new businesses and residents. Chambers of commerce produce marketing material that trumpets what kind of city they can offer new residents and visitors. City comprehensive plans and zoning decisions are intended to guide growth and development to produce the kind of city that the residents and elected officials have envisioned. Yet, it is often the case that cities do not have one singular vision of what kind of city they would like to be. Competing interests may fight to have their vision of the city’s future implemented in land-use and infrastructure

building decisions. Outside forces may change the identity of the city. Relocation decisions of corporate headquarters or the presence or absence of major manufacturers may change the face of the city against its will. Perhaps it is because they are not the largest cities in the West or perhaps it is because they are still growing and changing so rapidly, but we have found that several of our Urban West focus cities struggle with the question: What kind of city are we?

Boise, Tacoma, and Pueblo are good examples of this. Not long ago they were cities whose residents seemed to apologize for their city's shortcomings. Boise was featured in an article in *Harper's Magazine* as a city that had destroyed itself through misguided urban renewal policies.²³ The characterization probably was not fair, but given public sentiment around that time it may have been fairly accurate. Today, Boiseans point with pride to the number of major rankings they have received in national magazines. Pueblo is another example of a city that has transformed itself from the "Ugly Duckling" of the plains to a major economic development competitor and a city full of people who are no longer embarrassed to call Pueblo home.²⁴

Twenty years ago we noted in the case study about Tacoma that it was "in search of life beyond the 'Tacoma Aroma.'" Tacoma's industrial waterfront and the resulting smells had been the object of ridicule among Washingtonians for years. As well, Tacoma had struggled to find success in its downtown revitalization strategies. How has Tacoma done since our last case study? Has it found life beyond the Tacoma Aroma?

The area has continued to experience rapid growth; though Tacoma itself has grown 12.6 percent, the MSA has grown 32 percent in the 1990-2007 timeframe. Tacoma's future growth is now limited because several smaller cities have incorporated out of the urbanized Pierce County region around Tacoma.

In 1990, Tacoma was the second largest container port in the U.S. The Port of Tacoma is a working port and the waterfront maintains its largely industrial look and feel. But other, contending visions of the waterfront have also been vying for attention. The natural beauty of the Puget Sound and surrounding forested hillsides is undeniable, and some people in Tacoma have begun to look beyond the city's industrial past to a future where the waterfront is a destination for residents and visitors who can enjoy the scenic beauty, shop, dine, and live in proximity to the beautiful water.

Working ports and condominium-filled waterfront developments present two very different sets of practical challenges for urban planners and economic development advocates. Industry requires different transportation

Spokane capitalizes on the riverfront location of the Expo '74 world's fair. Opposite: River Park Square.

access suitable for large trucking and freight rail lines. Industry can bring 24-hour lighting and noise, elements that often result in complaints from nearby residential areas, especially those where buyers have just paid top dollar for new waterfront homes. Waterfront residents and visitors will seek amenities such as shopping, fine dining, and open space. All of which leads to the question:

How does Tacoma envision its waterfront? Can industrial and residential interests compatibly co-exist? Would a shift away from an industrial port result in a major loss of jobs? Is expansion of the Port of Tacoma leading to a loss of opportunity for a major redefinition of Tacoma's image?

Boise was once known for the corporate

headquarters of Morrison-Knudsen, Albertsons, Ore-Ida, Boise Cascade, Simplot Company, and Micron Technology. The city was also home to a large printer division for Hewlett-Packard. Not only did the location of these corporate headquarters bring prestige to the city, the city benefited from the resources attached to these corporations. The civic and philanthropic life of the community was greatly enriched by the contributions and participation of the Morrisons, the Albertsons, the Simplots, and other wealthy families attached to these corporate headquarters. The last 20 years have greatly changed the corporate landscape in Boise. Morrison-Knudsen is now gone as a separate company. Albertsons, Ore-Ida, and Boise Cascade have moved their corporate headquarters to other states. Micron has downsized its number of employees



in several successive waves, leaving it a much smaller force in the region's economy.

If Boise is not to be known as a corporate headquarters, then what will be its identity? A coalition of academics and downtown business leaders has



Jon Hodgson

strived to position Boise as a "creative city" in line with the description crafted by Richard Florida and others. Advocates explain that the combination of arts-based groups such as the Idaho Shakespeare Festival, ballet companies, and modern dance troupes, along with high-tech software development firms, position Boise to be a "creative city." Downtown development that features artist lofts is meant to capitalize on this trend. Whether or not Boise possesses all of the factors that the creative city advocates indicate are needed is one important question. Empirical evidence about the success of the creative city movement in explaining

Boise Basques gather for the Mass of San Inazio. Opposite: A Tacoma marina in a mixed-use industrial district.

economic patterns is mixed at best. It is also not clear that the attachment to the creative city concept extends much beyond the downtown business community.

Reno is another community in which competing visions of the city's identity fight for primacy. Is Reno a gambling mecca or a family-friendly community? Can land-use and economic development decisions accommodate an economy based on visitors coming to Reno to gamble and at the same time grow a manufacturing and service economy that benefits the permanent residents? In the past, some Reno officials stated emphatically that they do not wish to see the addition of any more casinos. Yet, the gambling and tourism services generated by visitors to the gaming industry have been a vital part of the Reno economy. The owners and employees of this industry are a powerful part of the political landscape in Reno. How has Reno done at describing itself and seeking out its own identity? What kind of city does Reno want to be? Are the land-use decisions made by the city reflective of that wish?

• A Community's Long-standing Commitment to Economic Survival

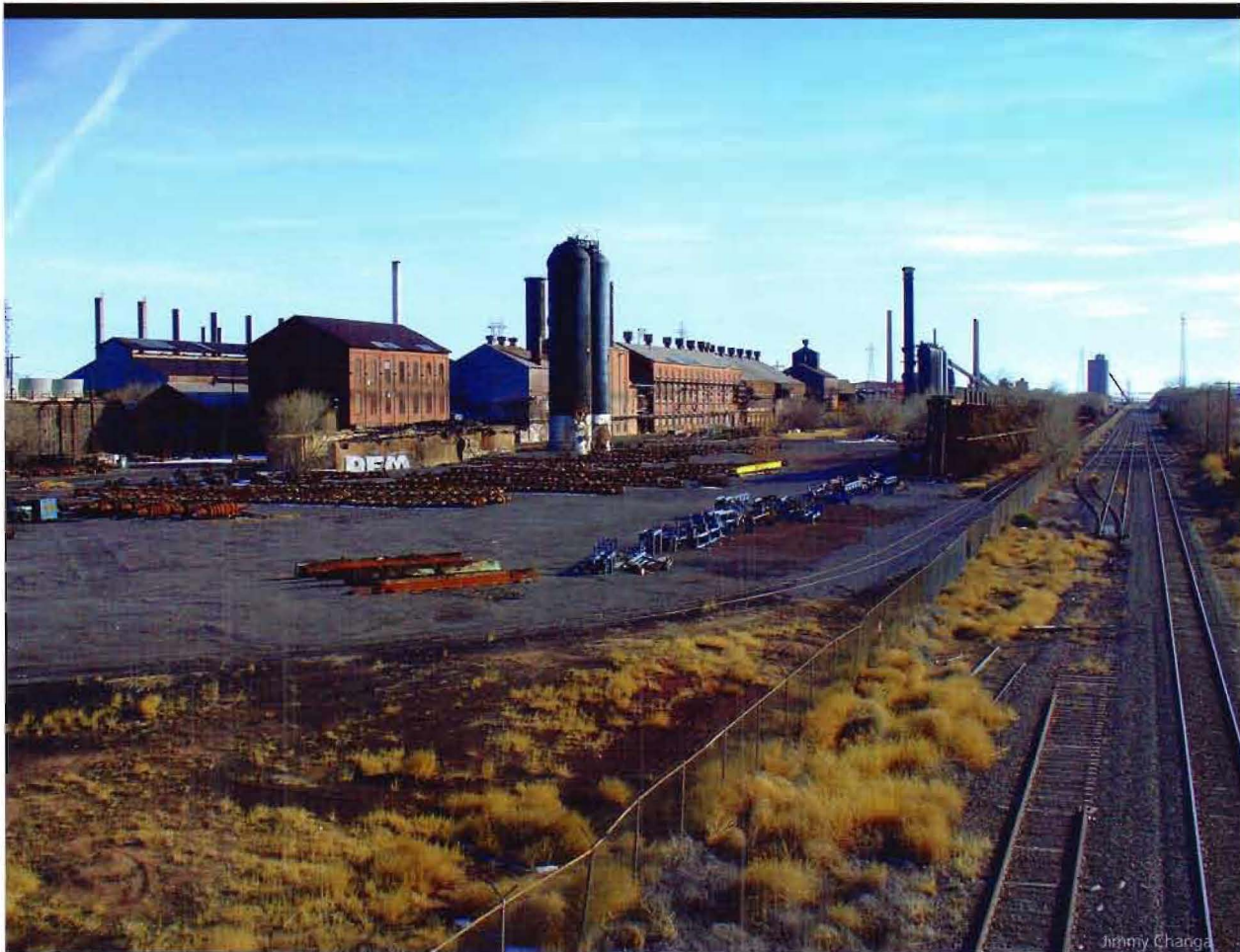
The Colorado Fuel and Iron Company, founded in the 1880s and downsized in the 1980s, had been the region's largest employer. Opposite: The Pueblo steel mill, now a historical museum.

Pueblo is of significance in an evaluation of western cities not because it has faced the challenges of rapid growth, but because it has survived the real threat of decline. Even though Pueblo's population of about 100,000 is similar to what it was in 1960, the real story is that it has not lost population. The downsizing in the early 1980s of Pueblo's CF&I Steel, at that time the largest steel mill in the West, could have devastated this once-thriving city. But the community survives. Managing decline or better yet, averting it, has been the special challenge that Pueblo has faced for almost four decades.

The Pueblo Economic Development Corporation (PEDCo) emerged out of this 1980s economic crisis. Its mission was to find new primary jobs—businesses that would manufacture products for export. PEDCo quickly became one of the more aggressive economic development organizations in the country. PEDCo was Pueblo to the economic world. This organization combined all of the major public and private-sector players in the area. Behind them was a citizenry willing to tax itself to provide the public improvements necessary to attract new industries. Since 1985, one-half cent per dollar of city sales tax revenues (approximately \$5-6 million annually in recent years) has been dedicated for economic development purposes. Total revenues are more than \$100 million and have been deposited in the city's Sales

and Use Tax Capital Improvement Project Fund. The purpose is to subsidize the relocation of businesses and to build infrastructure in the city's industrial parks.

Pueblo's experience illustrates the value of a united effort for economic development. Prior to PEDCo's emergence there were two competing eco-



omic development agencies, each wanting to speak for the city. The situation was so bad that then-Governor Richard Lamm visited the city specifically to urge the competitors to unite. The city's dire economic situation helped form the community into a united front in support of PEDCo. According to

political scientist Stephen Schechter, "Pueblo's economic development effort could not have been accomplished without serious political change. And one of the unwritten laws of local politics is that it is difficult to rally public support for political change without some crisis that threatens the current equilibrium. For Puebloans, the depression of 1982–83 was just such a crisis. Pro-development forces in the community were able to seize upon this crisis and turn it into a catalyzing event, which allowed them to mobilize the public capital needed without significant opposition and to create a powerful economic development engine."²⁵

In this public-private sector partnership, private-sector leadership appeared to dominate. According to one economic development expert, the city, county, and water board were "on call for economic development needs."²⁶ When packaging deals with prospective industries, PEDCo promised the public improvements and then later figured out in collaboration with the public entities how to make the already-promised improvements.²⁷

As the area's economic development engine, PEDCo, attracted five Fortune 500 companies and stimulated enough additional economic activity to replace most of the lost jobs.²⁸ Pueblo became known for economic development in Colorado. PEDCo was the most aggressive economic development organization in the state, and Pueblo

was the only city of its size to open a branch office in Southern California. Officials could make presentations within hours of learning about a company that was looking to expand or relocate. This successful effort raised the self-esteem of citizens and promised hope for a brighter future. Former City Manager Fred Weisbrod said, "We no longer need a passport to get into Denver."²⁹ According to former City Manager Lew Quigley, "Economic development has changed the attitude of this community. No matter what the crisis, everybody knows in Pueblo we don't have to be second rate to anybody."³⁰



Today, Pueblo is struggling, as are all of our Urban West cities, with the worst national economic downturn since the Great Depression of the 1930s. But the city continues its economic development outreach, largely supported by the one-half cent sales tax that voters have consistently renewed in five elections since 1984. That is not to say there has been an absence of controversy. There have been citizen-backed initiatives to reallocate the dedicated one-half cent sales tax to build a law enforcement facility, reallocate monies for social projects, assist small business development, and create a city economic development department. All of these revenue diversion proposals were defeated as voters ultimately upheld the authority of the city to impose the one-half cent sales tax exclusively for economic development purposes.

There has been criticism of PEDCo for selecting a board that is not reflective of the diversity of the city, which is 50 percent Hispanic—much of that criticism coming from the Hispanic Chamber of Commerce. Some unions have been concerned that new businesses have not used local contractors; the issue boiled over when an anti-trust suit was filed but later dropped. PEDCo has been accused of marketing the city as a low-wage community, but responds that it is the market that sets the wage levels and that there is no returning to the steel worker high-wage levels of the early 1980s.

Another concern has been that the City of Pueblo and Pueblo County have been contributing many dollars to support PEDCo's operating budget. The contention is that private businesses should be paying more. At times, private membership levels have dropped to the point that the public support was a major source of revenue. Today, private support is again high with 395 members.³¹

Interesting questions arise when you consider that substantial public dollars are given to a private, not-for-profit organization that markets and does its negotiations in secret, as the economic development wars require. The relationship with the city council has ebbed and flowed. In its early years, PEDCo was cited as being politically sacred. That has changed as council members have struggled to balance the city's budget and have put parameters on uses of the Capital Improvement Fund. Some have been frustrated at times when PEDCo officials have come in with secretly negotiated deals that require quick council approval. A city ordinance requires that new businesses receiving revenues must satisfy their commitment of the number of new jobs for Pueblo, the value of the project, and the project's gross salary. If these requirements are not satisfied, the company is subject to significant penalties.³²

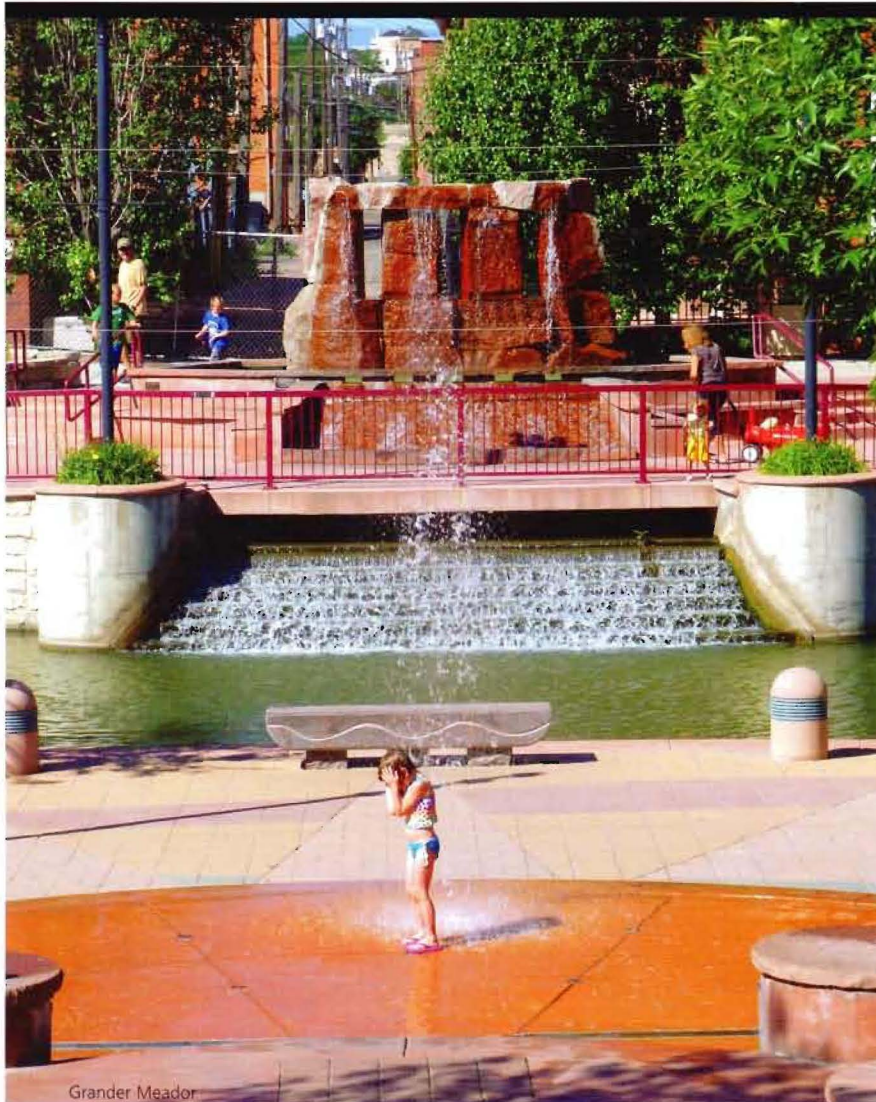
Pueblo lures new employers with marketing and incentives. Opposite: Professional Bull Riders, Inc., relocated its corporate offices to Pueblo's Historic Riverwalk in 2007.

After a recent lull in economic development achievements, PEDCo is again making headway. The organization has changed, and today two city and two county elected officials serve on the 12-member board. Dan Centa, a former long-time director of the City of Pueblo Public Works Department is the organization's president. His expertise in understanding the community

and infrastructure issues were key to his 2009 hiring.

A major achievement in 2009 was attracting the Danish Vestas Wind Systems to Pueblo. The largest maker of wind turbines in the world, they are building a \$240 million plant. Vestas benefited from a city appropriation of \$11.8 million for facilities construction and employee training paid for from the one-half cent sales tax fund. Included with this deal was the creation of another municipal industrial park for Vestas and other future prospects. Pueblo County contributed \$4 million to the project and the Pueblo urban renewal agency created an urban renewal district to extend the infrastructure to the new business.³³

According to then-Governor Bill Ritter, the move to Pueblo by Vestas would not have hap-




Grander Meador

pened “without PEDCo’s recruiting efforts and the willingness of taxpayers to finance economic development.” Ritter said: “The people who founded PEDCo decades ago were visionary. Their efforts are paying off yet again today.”³⁴

Iconic radio personality Paul Harvey used to say that if you wanted to know about economic development, go to Pueblo. It’s a fascinating story of survival and community support of a major tax for economic development. Even when priorities were challenged, when PEDCo was not always successful, when there were setbacks, Pueblo citizens supported the tax and kept alive the vision former Governor Ritter complimented.

Gone today are the Fortune 500 companies recruited in the 1980s. But largely in place is the infrastructure paid for with the city’s dedicated one-half cent sales tax revenues. The population within city limits has not changed much, but Pueblo County has seen major growth. Downtown Pueblo has significantly changed since the 1980s: the Historic Arkansas Riverwalk of Pueblo, the Pueblo Convention Center, and several retail, hotel and restaurant facilities have helped put a fresh face on the downtown.

Where would Pueblo be without the money from the one-half cent sales tax? It is not often that a community’s salvation is based primarily upon a major tax policy, sustained by the voters for more than 25 years.



New amenities in downtown Pueblo changed the face of the city. Opposite: Residents enjoy a plaza along Pueblo’s Historic Arkansas Riverwalk.

urban
challenges

8

Unique cities
approach common
problems from many
different paths.





Bus Hugh_Jack@ss

Many issues confront Urban West cities, but leaders and residents are persistent in their search for solutions. Pictured: The 2008 Eugene Celebration Parade featured a colorful bus promoting youth programs. Next: Foothills development in Boise is an ongoing source of controversy.



Jason Abbott

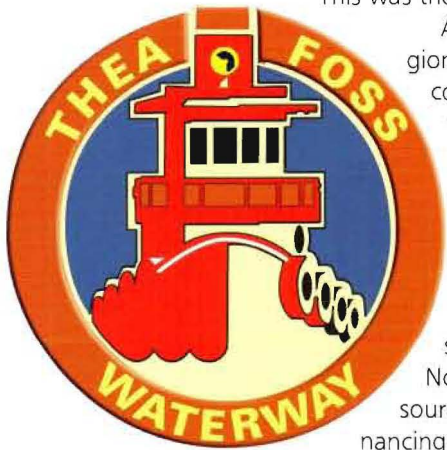
This project has given us a unique perspective on cities in the West. In our first edition, we started with our snapshot of cities and then revisited their issues 20 years later for this volume. The perspectives we have gained allow us to discuss: What have been the continuing issues faced by cities in the region, and what are the newer, emerging issues now on their agendas?

Enduring Issues

As we undertook this second round of research we discovered a set of issues that have faced western cities for some time and are likely to continue to be challenges in the future. The first persistent issue relates to city-state relations—dealing with the limitations and opportunities placed upon cities by their states. The legacy of Dillon’s Rule has shaped the choices available to cities, including the ability to annex or plan with neighboring jurisdictions or

to identify tax and revenue choices that are available to finance a large capital project. The rules established by the state legislature shape the reality of city choices. As Frug and Barron have pointed out, "Every city will operate under some kind of state controls ... the question is whether they should be."¹ Their comment applies to all cities whether or not they are viewed as home rule cities. Further, the relationship with the state and the state legislature shapes the form and the extent of revenue sharing between the state and its cities.

This was the case 20 years ago and it is still the case today.



A second enduring issue relates to financing cities and the region's troubled relationship to the property tax. Cities have made considerable progress in shifting their reliance off the property tax. As our review of initiatives and tax limitation measures demonstrated, citizens continue to be unhappy with the property tax and continue to seek ways to modify its impact. The resulting limitations on property taxes have led cities to seek alternate financing methods in the form of new taxes and increased use of charges and fees. Trading reliance on the disliked but stable property tax for reliance on the more volatile sales tax and user fees has had some consequences for cities.

Now more than ever before, cities find their major revenue sources subject to the ups and downs of the economy, making financing of cities even more difficult. With the growing dependence on user fees, serious equity questions are raised about affordability and access issues for lower-income residents who are typically more dependent on many city services.

A third enduring issue that faces cities in the West is growth management. Twenty years ago we asked: Is growth a curse or a golden opportunity? We noted that the answer to that question depended greatly on whether the residents of the city perceived growth as adequate enough to create new jobs or whether the growth was so great that it threatened their quality of life. Urban West cities still face this same dilemma. As the growth slows in some cities, officials fear the loss of critical jobs and tax base. For other cities, however, growth pressures remain high enough that issues related to open space preservation, high-density infill, and public transportation still dominate the agenda of the city.

The privatization trend that gained momentum in the 1980s and 1990s has been transformed in recent years. In earlier public-private partnerships, control over municipal assets typically remained with the city. Today, in order to fill gaping holes in city budgets, city assets are being sold off in steps approaching "fire sale" hysteria. Cities now have either sold off or are seriously

considering selling off a whole range of major assets that a few years ago would have been virtually unthinkable—airports, zoos, water systems, parking meters, or parking garage space. Short-term budget needs trump long-term financial investment requirements. Beyond the obvious budget considerations are philosophical and ideological considerations. Increasingly, questions are being raised about what should be the scope of municipal government. Of city enterprise funds,

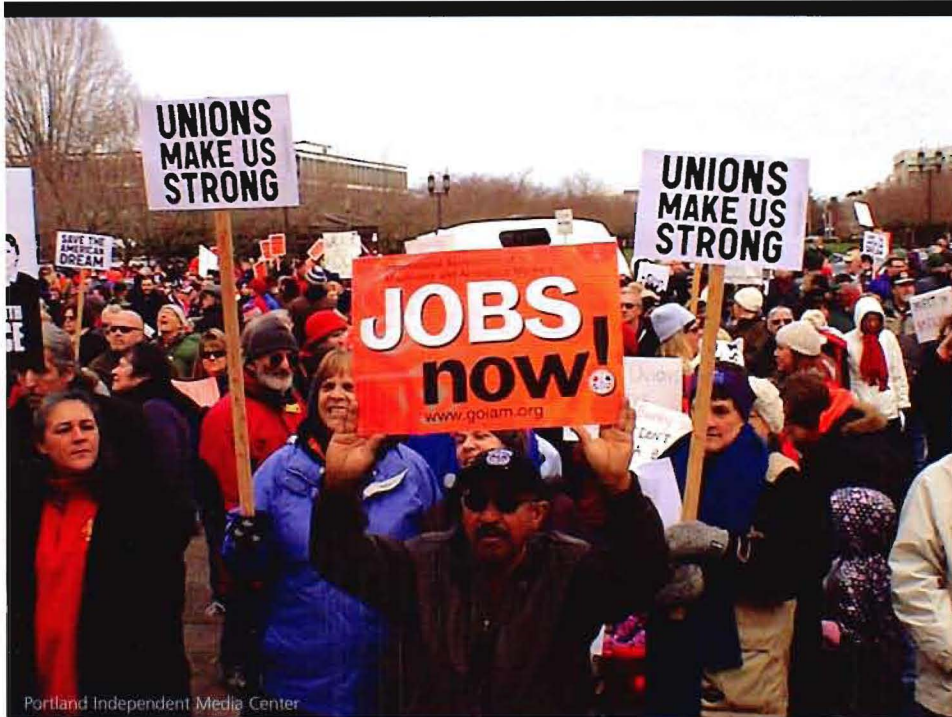


what should the city deliver and what should be delivered by the private sector? Should the city be in the parking business? Should it be in the business of delivering the water service? Urban West cities have a diverse bundle of services. Most provide water services, but a private company delivers Boise's water. Few cities deliver electrical power, but the City of Tacoma does so for its residents. Privatization, once sold as a panacea, may not be so. Many cities, according to a recent *Wall Street Journal* article, "don't have the metrics in place to prove in advance that outsourcing a service will save money. Problems from poorly conceived contracts can create cost increases that surpass the costs of in-house services, and if there's shoddy contract oversight, a government is vulnerable to corruption and profiteering ... evidence that it often is a very bad deal with hidden costs and consequences when you turn over public service to a for-profit company."²

Cities have a mixed record on citizen participation. City elections still feature low voter turnout, much lower than in partisan elections. With the exception of Reno and perhaps a few others, cities hold their elections sometime other than partisan elections and virtually all, except for the largest

Private developers rely on public financing for urban renewal in Boise's riverfront Pioneer Corridor. Opposite: Proposed logo for Tacoma's rising waterfront district, a commercial project seeded with tax incentives and municipal bonds.

cities, are non-partisan. And it is this non-partisanship that has the unintended consequences of ridding cities of party identification and the infrastructure that mobilizes voter turnout. But having said that, we are encouraged by the level of citizen involvement in city policymaking processes.



That process has matured over 20 years. Boise, with 5 neighborhood organizations in 1990, now has 36 and the city has officially incorporated neighborhood input into its planning process. The Salt Lake City mayor meets regularly with neighborhood organizations and city council members are now beginning to have their own direct contact with neighborhood representatives.

Greater transparency in city operations is another hopeful sign. Gone are the days when a city official can refuse to disclose city budget data, as did one finance officer in our first study. Most cities now provide online a searchable comprehensive budget and other financial information. It is now quite common for city budget workshops to be taped and available on city websites along with live access to city council meetings and other planning committee meetings. Most of our Urban West cities go beyond just entering city budget information, but also display graphs and summaries so that the average citizen can grasp expenditure and revenue trends. We can only hope that the days are over of city budgets as being nothing more than telephone directories, described as “incredibly detailed but very unrevealing.”³ Citizen confi-

dence in local governments has remained relatively high even during these tough budgetary times.

Emerging Issues

There are several issues confronting our Urban West focus cities that were not on the agendas of our cities 20 years ago. Perhaps the most challenging emerging issue facing cities in the West is the structural gap between available revenues and ongoing and upcoming expenses. Many cities face immediate budget shortfalls that are forcing reductions in force across city services. Many cities also are bound to collective bargaining agreements with wage structures that cannot be met with current and expected revenues, leading to conflict-filled negotiations with employee bargaining units.

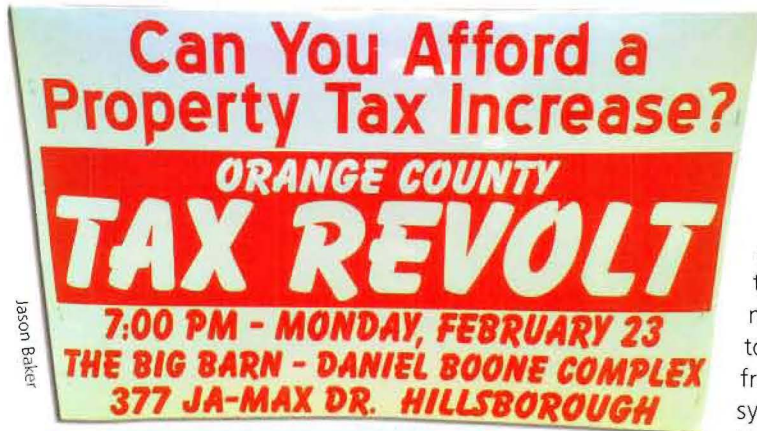
A related budget issue looming in the near future for cities is the cost of pension plan payments for retired employees. Cities and states across the country are facing revenue shortfalls that make keeping up with pension plan costs impossible. Many states and local governments have already borrowed money to make payments to pension plans. The cost of fully funding pension plans leaves cities and states with the unsatisfying possibility of having to reduce current employee numbers in order to pay the cost of employees already retired. Whether the cost of pension plan funding is primarily a state or local responsibility, there will be repercussions to city finances because state and local government monies are so intertwined and cities rely upon state-shared revenue sources. This is an emerging issue that will be a major challenge for state and local governments nationwide.

The issue of public transportation and regional transportation systems has emerged as an agenda issue for several of our cities. While all of them had some form of public transit system in place in 1990, we have seen the growth of regional transit and light rail systems in some cities (for example, Salt Lake City and Tacoma) and continued struggles over how best to meet regional transportation needs (for example, Boise).



Anger and politics cloud the recession-era debate over public employee unions and the need for benefit cuts. Pictured: Former Spokane Police Chief Anne Kirkpartick responds to the budget shortfall with a plan to eliminate the special unit that investigates property crimes. Opposite: Oregonians rally in Salem in defense of state and municipal workers.

Another emerging issue facing Urban West cities is the warfare brewing between cities and their states, with troubling developments in the relationship between cities and their state legislatures. In particular, the destabilization of revenue-sharing formulas and the increasing incidences of state



Jason Baker

The property tax has been under fire in California for more than 35 years. Pictured: A call to action from tax protesters.

legislatures raiding funds designated for cities point to the volatile nature of the relationship. The League of California Cities successfully supported an initiative on the 2010 general election ballot to prevent the state legislature from taking local revenues in the future. Another state's legislature considered legislation to reconfigure how local improvement districts are approved and funded to prevent the largest city in the state from financing a public transportation system. We believe the relationship between cities and their legislatures are in

a precarious state. The longer that the economic downturn pressures state budgets, the more cities can expect legislatures to consider raiding local revenues.

The decline of the local newspaper as a source of local government news causes great concern. This may seem unrelated to the welfare of cities, but we believe that the decline of the "local reporter" who carefully follows the actions

and inactions of city hall has important implications for our cities and their politics. Newspapers in general, and smaller regional newspapers in particular, are facing great financial challenges. Some cities have lost their daily newspapers altogether. Most smaller city newspapers have seen a reduction in the number of reporters as they increasingly rely upon national news feeds. Because of this, original stories on the local government's actions and issues are increasingly scarce in our Urban West focus cities. The role of a free press is to inform the citizenry of the actions and implications of actions taken by government officials. In the absence of coverage, we are concerned that citizens will not have the same level of access to information about their city's policies and actions. A long-time reporter who knows the history of issues in a city and the background of current actions can shed insight into a city's politics that a simple reprinting of the city council agenda cannot provide. We

believe this long-term trend of losing local reporters may make accountability and transparency in local government increasingly difficult to achieve.

Concluding Observations

The 20-year span between publication of the Urban West and today's update has provided us the opportunity to develop our perspective on some of the important issues faced by Urban West cities:

Urban West cities

Comparing cities can be a bit tricky. Lumping them together as a population category can be useful but is not always helpful. Each of our focus cities has its own unique political culture. Some have a far more competitive political environment. Cities like Boise rarely have an incumbent defeated for re-election; others have closely contested elections with substantial campaign funds expended. Many of our cities have strong neighborhood organizations but few have an organization like Boise's North End that has historically dominated city politics. Revenue sources vary widely, with some cities relying heavily on the property tax for their most significant source of revenue. Others like Pueblo, typical of Colorado cities, rely heavily on local option sales taxes while cities like Reno rely on state intergovernmental aid. Cities as municipal corporations typically provide their own particular bundle of municipal services—public safety, library, recreation, street, water, sewer, and sanitation. Unlike most cities, Boise does not provide street or water services. Streets are provided by a separately elected highway district and water service is provided by a private company. Tacoma not only provides the basic services but also is in the electrical power distribution business, which adds a whole new dimension to its bundle of services.

Mayor versus manager

There are few pure forms of municipal government. Both mayor-council and council-manager forms are influenced by the needs of cities, personalities of elected officials, and the political culture within which the city operates. Structure matters, but we cannot discount the power of individual personalities to take an office and greatly expand its reach. There are differences between formal and informal powers. Mayors in council-manager cities typically perform ceremonial roles with little more clout than their colleagues on the council. But some mayors, through the force of their personalities and facilitation skills, can be a major force in their cities.

The need for strong leadership in municipal government has forced changes in governmental structures and responsibilities. As has been the experience in many cities throughout the country, the council-manager system of government predominates among our Urban West cities. In this system, either the city managers or the mayors are taking on more leadership roles.

Urban West cities face declining state and federal revenues that support services such as transportation. Opposite: Bus driver in Modesto.

That is quite a contrast with the pure council-manager model with clear divisions between city councils as policymakers and managers as policy executors. In fact, the ICMA has revised its code of ethics to recognize what is actual practice—that managers are taking more of a leadership role. In other cities, more mayors in council-manager cities have increasingly been directly elected by the voters rather than being selected as the “first among equals” from the council. In our focus city of Modesto, the charter was recently amended to give the mayor additional budgeting powers. In

Spokane, proponents for change in city government have acted to replace the long-standing manager plan with a strong mayor. Structure is often as unique as the city.

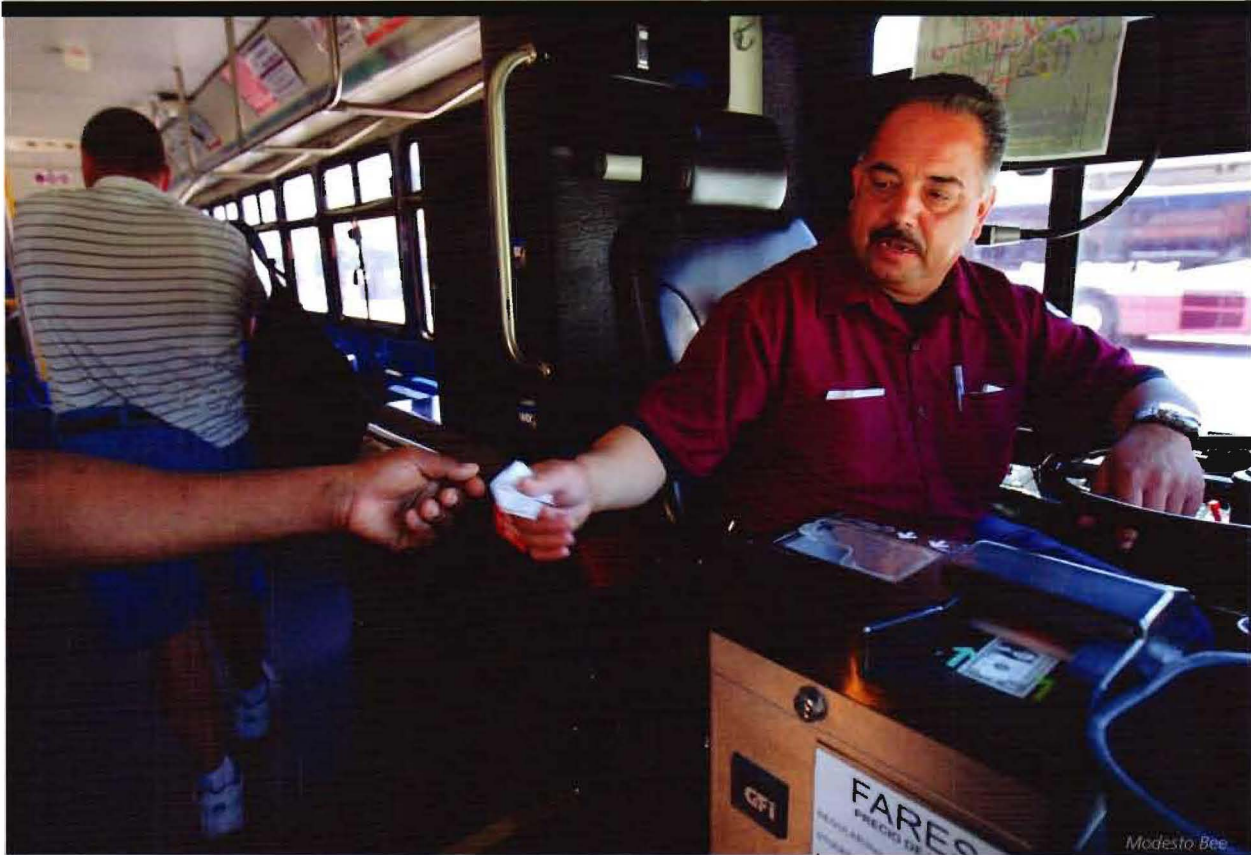
Reforming the reforms

Progressive reforms, taken for granted a few decades ago, are now under attack in many respects. At-large elections are giving way as more cities favor district elections. Non-partisan elections are criticized because few generate the kind of interest and turnout characterized by partisan general elections. Without partisan labels and active party participation, there is no effective mobilization of the voters.

Competition is the new normal

Relationships between state and local governments continue to deteriorate. The notion of partnerships among levels of government, which spawned state revenue-sharing programs in earlier decades, has evaporated. Legislators largely view local governments more as “special interests” rather than as partners. Competition rather than cooperation between and among levels of government is more the norm than the exception. An increasing number of cities in the West are mounting defensive lobbying efforts to protect their revenues and authorities. As state budgetary pressures become more extreme, state aid to cities as well as local revenues have been a source of controversy. California cities, under the leadership of the League of California Cities, have found protection for local revenues through a constitutional amendment. Nevada cities have taken a more conciliatory approach in seeking citizen support

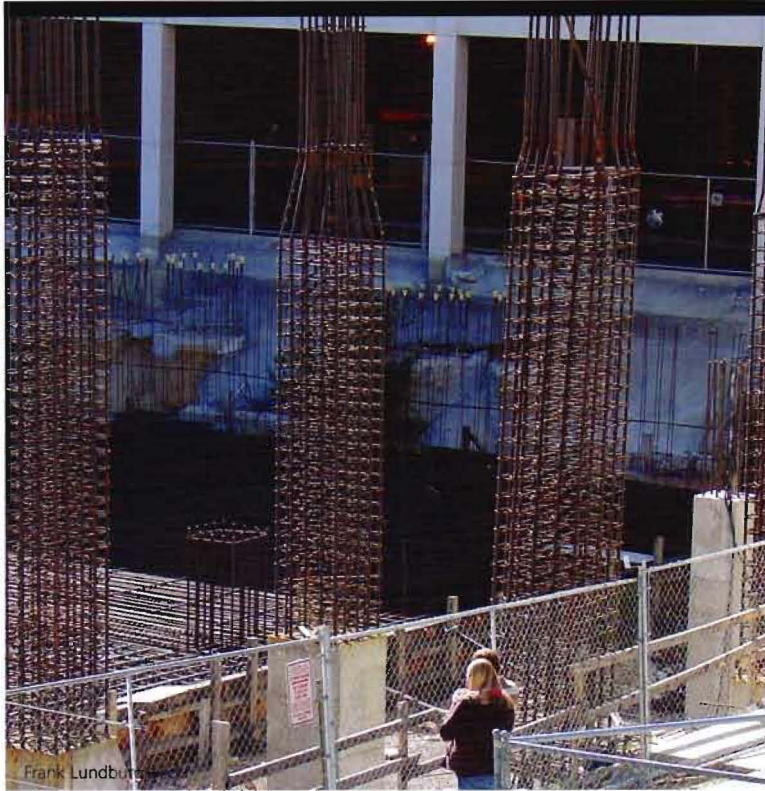
through advisory ballots requesting the state to ask permission before it takes local revenues. According to Professor David Berman in a *Municipal Yearbook* 2010 article, local officials face the constant prospect that state governments, especially when confronted with revenue challenges of their own, will cut



back on state aid.”⁴ Effective city officials are those who know how to work with their legislators and have the patience and persistence to succeed. Given the importance we attach to the state statutes and limitations imposed by state law on cities, we believe it is imperative that city managers, mayors, and council members know and work well with their state legislature. A good working relationship may help avoid the state “raids” on local revenue sources, and help legislators understand the need to provide services and taxation options at the local level.

Home Rule: A misnomer?

State courts have generally not been friendly to local governments. The courts' track record in most states has been to very narrowly construe "local affairs" over which cities should have significant authority despite the extent of constitutional or statutory home rule powers. Cities find themselves laboring under a court-imposed 19th century doctrine of Dillon's Rule that frustrates their ability to deal with 21st century challenges.



Love–Hate relationships

Confidence levels remain high in the efficacy of city governments. As documented in numerous state public opinion surveys, local government is the most trusted form of government. Thus, it is a noteworthy paradox that local governments in most states rely heavily on the most hated form of taxation—the property tax. Affirmation for this statement cannot generally be found in low turnout at municipal elections, but it can be found in the rising importance of neighborhood organizations and the growing citizen engagement in local issues.

The Boise Hole at 8th and Main illustrates the frustration of booming expectations dashed by economic decline. Opposite: Zions Bank's tower is the latest grand proposal to fill Boise's infamous hole.

The swinging pendulum between growth and decline

How quickly priorities can change from dealing with growth to struggling with economic decline. In reality, cities are not "masters of their own destiny." Regional, national, and international economic forces beyond their control limit their options. Reno is the poster child for how a major economic meltdown can

impact a city. Cities used to debate about growth—how much, how fast, who should pay. Now some cities are relaxing some of the rules and regulations attached to growth and are just struggling to maintain basic services. The scaling back of state growth management laws provides a good object lesson: those that are acceptable and considered essential in one era may not be in another. Growth management laws that emerged during periods of rapid growth are less important when economic survival trumps quality of life issues.

Marriage made in heaven or ...? Public-private development

Public-private partnerships are complicated. We believe that if well designed they can assist in accomplishing economic development goals critical to a city's efforts to grow and flourish. We also believe, however, those cities must practice great care when entering into such partnerships, making sure that they negotiate deals that succeed and that adequate performance agreements are embedded within the final arrangements. Public-private partnerships have flourished, such as Pueblo's PEDCo, and others have failed or at least have seen difficult times, such as the Spokane Riverpark Square parking garage. Public-private partnerships that do not adequately estimate the true cost of the public's contribution, do not adequately protect cities from an abrupt corporate pullout, or rely on tax giveaways that hamper the city's ability to provide adequate infrastructure are probably ill-advised.



What have you done for me lately? Economic development re-examined

Economic development is not the "sacred cow" of earlier days. The effectiveness of incentives offered to lure businesses is being more aggressively challenged in a growing number of communities. The United States Supreme Court decision in the *Kelo* case, upholding the use of eminent domain for

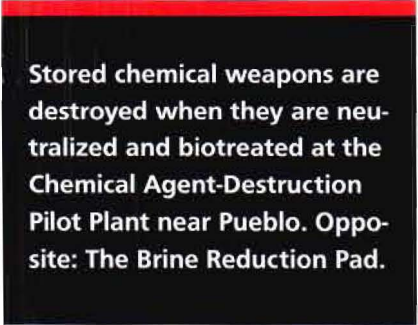


economic development purposes, has set in motion limits to certain economic development strategies. Redevelopment agencies struggle with legislative initiatives to cap or repeal their major revenue tool—tax increment financing.

Communication: An effective governmental tool

There are few governmental tasks more important than the effective communication between elected officials and their citizenry. Pueblo voters' consistent support for an economic development sales tax stands as a testament to the communicating skills of community leaders and strong editorial support from the city's otherwise conservative daily newspaper, *The Pueblo Chieftain*. The Boise foothills levy campaign is an excellent example of how community leaders were successful in convincing a majority of voters that the entire city would benefit from protecting the foothills, even though the opponents charged that it would benefit only Boise's North End. Boiseans approved, by a wide margin, a two-year property tax levy that may have created a model for future levies for major public improvements in the community.

Unique yet similar, partner yet competitor, today's Urban West city finds itself in a push-pull struggle to maintain its identity. With limited financial resources to satisfy public expectations, a decaying infrastructure, and citizen opposition to additional taxes, the Urban West city struggles to set its own course in the face of national and international economic forces raging beyond its control.



Stored chemical weapons are destroyed when they are neutralized and biotreated at the Chemical Agent-Destruction Pilot Plant near Pueblo. Opposite: The Brine Reduction Pad.



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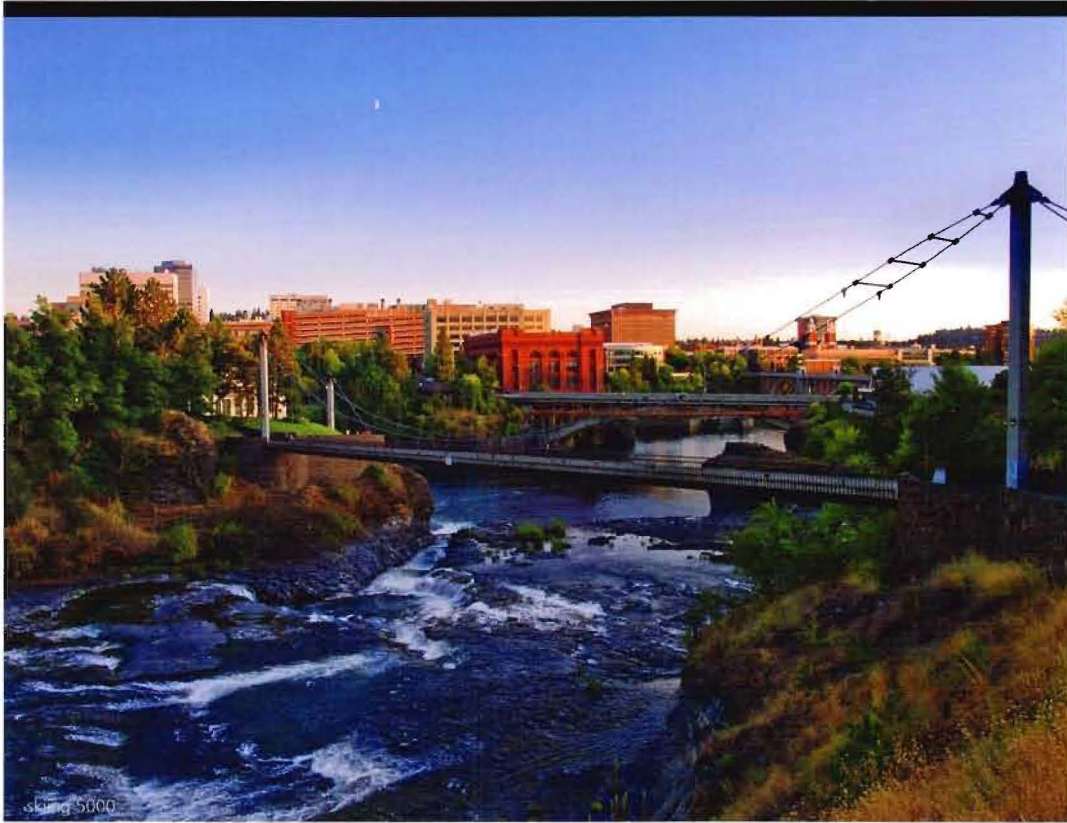


Jeff Whimpey

Housing towers and a 20-acre retail complex flank Temple Square in Salt Lake City. Pictured: Christmas lights on Temple Square.

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Appendix

• Professional Sports and Urban West Cities

Most cities seek out professional sports teams as a way to promote economic development and add to the prestige and image of the city. A critical issue involving cities and professional sports teams is the construction and financing of stadiums and arenas. Opponents

and proponents of professional sports teams debate the economic value of public investment in sports arenas, though the consensus appears to be that positive economic impacts are difficult to prove. Each of the Urban West focus cities has at least one professional sports team, though sometimes the facilities are actually located in a neighboring community. The listing below describes the teams and the venues in which they play:



Boise

Idaho Steelheads: ECHL Hockey League, class AA affiliate of NHL Dallas Stars. Play at CenturyLink Arena, 5,000 seats.

Boise Hawks: Class A Northwest League baseball affiliate of Chicago Cubs. Play at Memorial Stadium, 3,500 seats (actually in Garden City).

Idaho Stampede: NBA Development League affiliated with Portland Trailblazers and Denver Nuggets. Play at CenturyLink Arena.

Eugene

Eugene Emeralds: Class A Northwest League Baseball affiliate of San Diego Padres. Play at the recently constructed PK Park (2010, \$19.2M) with seating of 4,000.

Modesto

Modesto Nuts: Class A California League affiliate of the Colorado Rockies. Play at John Thurman Field, a 4,000-seat venue constructed in 1955, renovated in 1997.

Reno

Reno Aces: Class AAA baseball affiliate of the Arizona Diamondbacks. Play at recently constructed (2009) Reno Aces Ballpark.

Reno Bighorns: NBA Development League affiliate of the Sacramento Kings and Orlando Magic. Play at the downtown Reno Events Center.

Reno Astros: Unaffiliated minor league baseball team that plays at Moana Stadium.

Reno Aces Ballpark was built with proceeds from revenue bond sales backed by a rental car tax (\$32M). This required legislative as well as city and county approval.

Reno's new \$50 million baseball stadium, built with developer financing, a rental car tax, and tax increment revenues, is a boost to the city's downtown. Opposite: Reno Aces Ballpark. Following: Memorial Park, home of the Boise Hawks.

Salem

Salem-Kaizer Volcanoes: Class A Northwest League affiliate of the San Francisco Giants. Play at Volcanoes Stadium.

Salt Lake City

Utah Jazz: NBA team that plays at EnergySolutions Arena.

Real Salt Lake: Major League Soccer team that plays at Rio Tinto Stadium, 20,000 seats in Sandy.

Utah Blaze: AFL football team that plays at EnergySolutions Arena.

Utah Grizzlies: ECHL hockey team that plays at the "E" Center in West Valley City.

Salt Lake Bees: Class AAA affiliate of the Los Angeles Angels that plays at Franklin Covey Field.

The 2007 Utah Legislature authorized \$35M from a transient room tax to help pay for development of the Rio Tinto Stadium, and the City of Sandy committed \$10M from redevelopment funding (private sources totaled more than \$70M).

Spokane

Spokane Shock: AFL football team that plays at the 12,700 seat Spokane Veterans Memorial Arena.

Spokane Chiefs: Western Hockey League team that plays at the Spokane Veterans Memorial Arena.

Spokane Indians: Class A Northwest League affiliate of the Texas Rangers. Play at the 7,162 seat Avista Stadium first opened in 1958 (\$500,000 construction cost). Avista field is owned by Spokane County.

Spokane Spiders: Premier Development League soccer team that plays at 28,646-seat Joe Albi Stadium (built 1950).

Spokane Black Widows: Premier Development League women's soccer team that plays at Joe Albi Stadium.

The Spokane Arena was built after a 1991 voter-approved measure allowed the raising of \$38M from property taxes. Another 1991 voter-approved measure created the Spokane Public Facilities District that allowed a 2 percent hotel tax in the district. These measures plus a .1 percent increase in the sales tax raised the \$48M needed to build the arena.

Tacoma

Tacoma Rainiers: Class AAA Pacific Coast League affiliate of the Seattle Mariners. Play at Cheney Stadium, built in 1957 at a cost of \$940,000. Renovations were made in 1992 and 1999.

Tacoma Tide: International Basketball League team that plays at Curtis High School Gym.

Tempe

Los Angeles Angels: Major league baseball team's spring training site is in Tempe Diablo Stadium.

Arizona Cardinals: NFL football team that plays in the almost 80,000-seat University of Phoenix Stadium in Glendale. Arizona Diamondbacks: National League baseball team that plays at Chase Field in Phoenix. Phoenix Suns: NBA team that plays at US Airways Center in Phoenix. Phoenix Coyotes: NHL team that plays at Jobing.com Arena in Glendale.



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