GROWING BLIND: HOW BAD GROWTH DECISIONS DRIVE MORE BAD DECISIONS

[excerpted from "Fiscal Cost of Sprawl" by Environment Colorado, December 2003]

Local governments, forever searching for new revenue sources, often find new development projects appealing. Picture this: you are the mayor of a medium-sized city in Colorado. A trend of low tax revenues during the past couple of years has left your city scrambling for money.You have several projects you would love to start but instead you are facing budget cuts. Suddenly, the city is approached by a developer who wants to put a thousand-unit subdivision right on the fringe of the city. The developer offers to pay for roads and sewer lines in the subdivision, give land to the city for a new school and pay hefty development fees for the expansion of a wastewater treatment facility. Sounds like a great deal, right?

But what is not readily apparent are the costs that the new development will impose on the municipality in years to come. Up front, there will be immediate costs to the city. Increased usage of city roads due to the increased population could make improvements necessary. The city will have to pro- vide services to the new area including water, sewer, trash removal, police and fire protection, etc. In all likelihood, the new development will not generate enough property taxes to pay for the services it re- quires. Father down the road, all of the new infra- structure, originally paid for by the developer, will need maintenance and repair. Roads will have to be repaved, sewer pipes will have to be replaced, and new police cars will need to be purchased. Eventually, the development becomes a net negative for the city budget, and a bad investment.

But why does this happen? In general, many communities depend on the revenue from new development to keep the lights on.

Michael Kinsley and Hunter Lovins of the Rocky Mountain Institute offer four dynamics that drive growth. These factors might be called Hungry, Rusty, Debtor, and Booster. For simplicity, these can be described as separate towns; in reality towns face a mixture of these factors:

> Hungry towns want growth in order to save themselves from a stagnant or declining economy. Rusty towns seek growth to upgrade old, deteriorating infrastructure and substandard public services. Debtor towns are growing, but can't seem to keep up financially with expansions in infrastructure and public services required and demanded by new residents. As costs rise, they look to more growth to keep up with lagging revenues. Booster towns are riding a wave of prosperity. They see growth as the reason for their success and continue to promote it.
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> Unfortunately, as mentioned previously, revenues from new growth are often insufficient to meet the costs of new demand for public services such as schools, police, fire, roads, and sewers. As a result, existing taxpayers unknowingly subsidize much of the community expansion, especially the residential subdivision of unoccupied land.
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> This confuses and frustrates many citizens and local officials. For years growth boosters have assured them that the solution to a community's economic problems is

> to increase the tax base. The next big expansion, say growth advocates, will produce enough tax revenue to fix local problems without paying taxes. Many of us accept these assertions.[1]

As a result, many Colorado communities find themselves caught in this dangerous cycle, dependent on growth. When sales-and-use tax revenue fueled largely by growth declined last year, Fort Collins found itself $5 million short of its revenue projections. With 54 percent of the city's general fund coming from taxes and fees linked to growth, the weak economy caught Fort Collins off guard.

Berthoud, Colorado has experienced similar fiscal problems in the wake of a slow-growth period. The town's finances were so dependent on revenue from new development that when development permits fell off in 2003, it had trouble finding the cash to pay its bills.

A recent California study conducted by an unusual coalition of an environmental group, a state agency, an affordable housing group, and Bank of America found that "unchecked sprawl has shifted from an engine of California's growth to a force that now threatens to inhibit growth and degrade the quality of life."[2]

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[1] Michael Kinsley and L. Hunter Lovins, *Paying for Growth: Prospering from Development*, Rocky Mountain Institute, 2000.

[2] Fulton, William and Moss, Steven, *Beyond Sprawl: Patterns of Growth to Fit The New California*, 1995.