

As Governor Martz and other Montanans struggle with how to develop our state's economy, we might do well to learn from another Republican governor. On January 24, Christine Todd Whitman, the former governor of New Jersey and current head of George Bush's Environmental Protection Agency, said,

Smart Growth is so important [because] it is critical to economic growth, the development of healthy communities, and the protection of our environment all at the same time. Smart Growth—the ability to create a sustainable society where we can reach all of these goals simultaneously—really comes down to one thing: quality of life.

We can grow our economy without sacrificing quality of life. We can preserve the environment for future generations without sacrificing our quality of life. And, we can live and work in healthy and convenient neighborhoods without sacrificing our quality of life. . . .

Unfortunately, Montana's recent growth has been anything but smart—and that's bad news for our economy. A report from the Bank of America explains the economic threat to states like Montana that are still growing carelessly: "New housing tracts have moved even deeper into agricultural and environmentally sensitive areas. Private auto use continues to rise. This acceleration of sprawl has surfaced enormous social, environmental and economic costs, which until now have been hidden, ignored, or quietly borne by society. The burden of these costs is becoming very clear. Businesses suffer from higher costs, a loss in worker productivity, and underutilized investments in older communities."

The Bank of America and Director Whitman are not exactly tree-hugging environmentalists. To understand why they and other conservatives are joining forces with environmentalists to fight sprawl and support smart growth, consider these facts:

1. Sprawl raises taxes. The Urban Land Institute, which represents the real estate industry, studied the cost to taxpayers to service homes with streets, utilities, and schools. The result: The average home 10 miles from downtown on a 1/3-acre lot costs taxpayers \$69,000. A home near downtown on a modest lot costs taxpayers half that—\$34,500.

In Jefferson County, Montana, a 2001 cost of community services study, conducted for the county planning board, found that farm and ranchland typically demands only 0.29 cents in services for every dollar of taxes landowners paid. However, when that same farmland is developed into homes, those homes demand \$2.16 in services for every dollar in taxes they pay.

Eventually, the higher cost of providing services for residential land means that as farm and ranchland is converted into sprawling residential developments that either taxes will need to be raised to pay for higher cost of services providing widely dispersed roads and services throughout a county or that the quality of services will decrease. For example, in Flathead County, between 1992-1997, the population grew by 22.6 percent

while the average homeowners local tax bills climbed by 65 percent – partially as a result of the cost of paying for sprawling development patterns.

City taxpayers have been subsidizing sprawl outside of town because they pay both city and county taxes. Whereas, out-of-town county dwellers only pay county taxes. In Kalispell, according to Citizens for a Better Flathead, city dwellers pay 89 percent more in general and local taxes than their out-of-town neighbors (not including taxes for schools and busing). City taxpayers, after all, provide many of the services for those living out-of-town including police, fire, and emergency services and maintaining roads to shopping areas and government services.

The location of businesses also dramatically affects the amount of taxes collected and the cost to taxpayers to provide services that businesses demand. In downtown Kalispell, in 1999, business tax rates averaged \$7.25 per square foot for the land. Walmart, just outside of town, was taxed at \$2.75 per square foot for its land. And Costco, located three miles from town, was taxed at .25 cents per square foot for its land. The result of commercial development outside of towns is that local governments receive less money, but they have the same or more demand for services. Unfortunately, none of the businesses that are located outside of town are paying for their share of the expensive services they demand since Flathead County does not have an impact fee system.

2. *Smart growth saves taxpayers and businesses money.* Envision Utah, a joint project of the state's Republican governor, business leaders, and local governments in the Ogden–Salt Lake–Provo area, found that by growing smart, they could use 171 square miles less land in the next 20 years and saving at least \$4.5 billion in infrastructure costs.

No wonder James Dodge, CEO of Rhode Island's largest utility, said, "I can say categorically that slowing urban sprawl would reduce Providence Energy's operating costs of supporting new infrastructure, which in turn would reduce the bills for our customers. Considering the same effects on sewers, water, roads, telecommunications, and electricity, as well as schools, fire and police facilities, and other infrastructure, the cost of living—and of doing business—in Rhode Island can be greatly reduced."

Robert Burchell, at Rutgers University, found that the average smart growth development saves money by using taxes and infrastructure much more efficiently. In general, a smart growth development costs 25 percent less for roads, 15 percent less for utilities, and 5 percent less for schools than a sprawling development outside of town.

3. *Smart growth attracts economic development.* Arthur Andersen Consulting recently asked business executives why they located where they did. A majority said the high quality of life that smart growth offers. In another survey in the mid-1990s, small business owners said abundant open space and parks were among their highest priorities in locating their business.

Montana has already begun to attract many 'footloose' businesses that are drawn to our attractive hometowns and access to open space and wildlands. This economic

advantage will only continue to grow as companies continue to look for any advantage to recruit and retain workers. Economist, Ray Rasker, writes in a report titled “Natural Amenities and Population Growth in the Greater Yellowstone Region,” that “[The economic] ‘base’ [in the Greater Yellowstone Region] has broadened to include employment in a variety of business and producer services, such as finance, insurance, real estate, telecommunications, software development, research, and management consulting. Many of these are ‘footloose,’ in the sense that the owners of these businesses are often not tied to a particular locate and therefore able to locate to areas with a desirable lifestyle (Rasker and Glick 1994) . . . Rasker and Hackman (1996) [also] compared economic performance of counties with a high degree of land in protected status versus those without such protections in Western Montana, and found that “wilderness” counties outpaced others in terms of having higher growth in employment and real personal income, and lower levels of unemployment.”

Smart growth is really simple—it’s building the neighborhoods we used to build, where a mix of homes within walking distance of the corner store, parks, and elementary schools. Smart growth maximizes the investment the public has made in existing roads, in sewer and water lines, in treatment plants, in fire, police and emergency services, and in neighborhood schools—while protecting the prime farm, forest, and ranchlands that we rely on for food, tourism, recreation, and economic development. And by cutting costs, smart growth also ensures that more families can afford a home.

To put Montana on a sensible, business-savvy course, Governor Martz’s economic development plan should promote smart growth. Specifically, the governor has the chance to show inspired leadership by asking the Legislature to:

1. Plan for and direct growth where land and taxes will be used most efficiently. All of Montana’s fast growing counties should direct growth to areas where roads, schools, and emergency services already exist. Within these areas, communities should promote old-style residential and commercial neighborhoods that are affordable, walkable, and have a mix of uses at traditional densities. Beyond these areas, new growth should be limited.

2. Tie state funds to local plans. The State of Montana spends money on roads and other infrastructure that have a dramatic effect on how communities grow. The State also has the responsibility to spend tax dollars as efficiently as possible. Unfortunately, state spending often contradicts local plans and wastes taxes, for example by building new highway exits that feed sprawl and spreads out service areas. All state actions should be required to be consistent with local plans.

3. Protect clean water, farmlands, and open space. Agriculture and tourism, two of Montana’s biggest economic engines, depend on the health of our land and water. But sprawl is paving prime farmlands, fragmenting wildlife habitat, and polluting groundwater through septic tanks and runoff. The state should stop growth wherever it will hurt water quality and quantity, require buildings to be set back from streams, and

fully fund the Montana Agricultural Heritage Program, which helps farmers and ranchers stay on the land by buying their development rights.

4. Fund planning. Local governments need help from the state to plan adequately. The state should give enough money and technical assistance (by sharing data, maps, and experts) to help local governments get the job done. Good plans, when carried out through zoning, subdivision regulations, and infrastructure spending, save money and protect property rights and values.

5. New development should pay for its fair share of services. The state should create a predictable and fair impact fee that would ensure that new development, of all types, pays for the full cost of providing the roads, schools, busing, sewers, water systems, fire, police, and emergency that it demands. An impact fee system should subsidize fees to promote affordable housing and efficient smart growth design and locations.

The Montana Smart Growth Coalition's mission is to support safe and healthy communities, sustainable economies, conservation of farm, forest and ranch lands, and protection of natural resources and wildlife habitat. Our member organizations represent over 27,000 individuals and families, who are farmers, small-business owners, low-income families, ranchers, conservationists, hunters, urban and rural residents, and many other Montanans.

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