1-14-97

THE PRESIDENT HAS SEEN

ALEX WEBB – MAGNUM FOR USN&WR

James and PeggyAnn Powers (and James Jr.) live on the top story of PeggyAnn's folks' home.

# How to make housing affordable: Let people subdivide their homes

James and PeggyAnn Powers were getting by. She was a dental assistant; he was a shipping clerk. Together they could afford the $825 monthly rent for their one-bedroom apartment on Long Island. Until the baby came along. Suddenly, they needed a bigger place – and that caused problems. How could they afford more for rent and shoulder the costs of raising a child – especially if PeggyAnn quit her job to care for the baby? They couldn't.

James and PeggyAnn faced a common working-class dilemma of the 1990s. Stagnant wages and rising rents have brought on a new housing crisis. Five million poor families – 2 million of them led by full-time wage earners – pay more than half their pretax income for housing, and the number of families in that position is rising rapidly. James and PeggyAnn don't consider themselves poor. But staying in their old apartment on James's salary alone would have meant devoting 45 percent of his income to housing. (The federal government considers shelter "affordable" if rent and utilities do not exceed 30 percent of income.)

Fortunately, PeggyAnn's father, Richard Schneider, came up with a wonderful alternative. A retired truck driver, Schneider lives with his wife, Mary, in a tidy two-story house in North Babylon, Long Island. With a $32,000 bank loan, Schneider turned the top floor of the house into a two-bedroom "accessory apartment," complete with its own kitchen and separate entryway. James and PeggyAnn moved in and pay for utilities and interest on the loan. Instead of shelling out nearly half of James's income for a cramped one-bedroom apartment, they pay a quarter of his income for a two-bedroom spread. Thanks to the savings, PeggyAnn is a full-time mom, taking care of the lively and inquisitive James Jr. And there's an added bonus: The 2-year-old gets to play with his adoring grandparents every day.

**There's only one small hitch with this idea. It is illegal almost everywhere in the country.**

**Dear landlord.** Accessory apartments (sometimes called "granny flats") could provide millions of families with moderately priced rental housing and ease the affordability crisis at virtually no cost to the taxpayer. They could also offer valuable opportunities to landlords. A recent divorcee struggling to pay the mortgage solo could solve her financial problem – and give herself a measure of personal security – by renting part of her home to someone she trusts. An aspiring young couple eager to buy their dream house could qualify for a loan by adding to their incomes the rent from an accessory apartment.

Or consider Hilda and Laurence Seibel of Somerset, Md., senior citizens whose children have grown up and moved out. Suffering health problems a decade ago, the Seibels did not want to be alone in their house but did not want to move into an apartment or retirement home either. They got a permit for an accessory apartment in their basement – over the objections of several neighbors – and haven't had a regret. Their current tenant is a classical musician who gets a break in the rent in exchange for helping with chores around the house. Says Hilda Seibel: "It's nice to know that someone is there, and I do enjoy the income, though it's not a lot."

Granny flats are one of those ideas so obviously sensible that you'd think no one could object. But they do, big time. Such apartments are illegal in most parts of the country, because of zoning ordinances that prohibit single-family homes from being "duplexed." Attempts to change these ordinances usually meet with implacable resistance

Called MR 3/31/97 4 pm

$ +50 mill..

Paul W
Mark Mazur
Tom F.

Can we do this?
—BR

It's kind of an End-of-Big-Govt tax credit.

(1)

LISC

LOCAL INITIATIVES SUPPORT CORPORATION
733 THIRD AVENUE, NEW YORK, NEW YORK 10017

**PAUL S. GROGAN, PRESIDENT**
TEL: (212) 455-9822
FAX: (212) 682-5929

March 25, 1997

Bruce Reed
Domestic Policy Advisor to the
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Bruce:

Thank you for your meeting with the Enterprise Foundation, Habitat for Humanity, the National NeighborWorks Network, and me March 14.

At that time, we discussed a special opportunity to create additional Low Income Housing Tax Credit authority to rebuild/replace public housing. The Housing Credit would accelerate and inject private market discipline into the redevelopment process.

Enclosed is a one-page proposal developed by LISC and Enterprise for how this might work. We hope to follow up with you soon on this.

Sincerely,

Paul

Paul S. Grogan

Enclosure

March 25, 1997

## Supplemental Low Income Housing Tax Credits for Public Housing Redevelopment/Replacement

The redevelopment of public housing is a national need to which Low Income Housing Tax Credits would bring new investment, private sector discipline, and state participation. However, Housing Credit authority is currently very limited ($1.25 per capita), and would have to be increased significantly to approach meeting a demand that already exceeds availability by three to four times, even without regard to public housing needs. To foster the redevelopment and replacement of distressed public housing, supplemental "Public Housing Credit" authority would be enacted over and above regular Housing Credit authority.

this is now ~~$1.50~~ 3 bill.

Gov prgm could be $750 mill.

1. The supplemental Public Housing Credits would be authorized at a volume equal to 25 cents per capita nationwide. Public Housing Credits would be distributed among states based on their relative shares of the nation's public housing stock.

why only

2. The states would allocate these Public Housing Credits according to a new subsection of their Qualified Allocation Plans.

   (2) what is prob

   why not let private developers do it

   A. Public Housing Credits could only be used to rebuild or replace public housing, not to add to the net stock of public housing.

   (3) this is desirable to private (publics can use grants) let's do it more dramatically

   B. Preference among projects for state allocations would be based on: (1) relative redevelopment needs; and (2) the extent to which the housing will be developed as part of a comprehensive redevelopment strategy serving a range of incomes and involving residents of the public housing and surrounding communities.

   C. Unused Public Housing Credits could be carried over for one year and, if still not used, would be returned to a national pool for redistribution to those states that have used at least 90% of their available Public Housing Credits. This national pool redistribution would be redistributed based on the eligible states' relative share of the nation's public housing stock.

3. Below-market federal loans could be used without reducing the amount of Public Housing Credits available to a project.

4. Redeveloped/replaced public housing would have to meet regular Housing Credit tenant income and rent requirements for at least 30 years. All other regular Housing Credit requirements would also apply.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF POLICY DEVELOPMENT AND RESEARCH

4567431

FROM: M Shaw ~~Paul A. Leonard~~
~~Deputy~~ Assistant Secretary
for Policy Development

DATE:

TELEPHONE NO: 202-708-3896

FAX NO: 202-708-0309

TO: FREEDMAN, WH/DPC

TELEPHONE NO: ______________

FAX NO: ______________

NUMBER OF PAGES INCLUDING COVER SHEET: 13

NOTE:

Tax credits for app. area

Attached are materials from Katz's seminar last Wed.

- agenda
- Bruce's opening
- Glendening's speech

I talked to Amy Liu last night who will facilitate a meeting b/w you & Katz. 2 very wise !

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# The Brookings Institution National Issues Forum

## *Forging Metropolitan Solutions to Urban and Regional Problems*

Wednesday, May 28, 1997

Governor Parris N. Glendening's Keynote Address- the Governor's remarks regarding Maryland's **Smart Growth Law** and prospects for a national initiative

Opening Remarks- Bruce Katz - talk given by Brookings Urban Center **Director Bruce Katz** regarding the need for metropolitan solutions to urban and regional problems.

ISTEA Factsheet - a summary of goals of the original 1991 ISTEA legislation and **proposals for reauthorization.**

Highlights of Statewide Trends Towards Growth Management -examples of the national movement at the State level towards **sprawl control** under state-wide community- based planning structure

Metropolitan Issues Internet Links - Urban Center's list of links to **metropolitan internet resources**

### *Summary of Events*

**9:30 - 10:00 Welcome and Introductory Remarks**

- The Honorable Michael H. Armacost, President, The Brookings Institution
- Bruce Katz, Director, Center on Urban and Metropolitan Policy, Senior Fellow, Brookings Institution

**10:00 - 12:00 Metropolitan Collaborations: "The Current Wave of Metropolitan Solutions"**

- Mayor Madeline Cain, Mayor of Lakewood, Ohio
- Elmer W. Johnson, Kirkland & Ellis, Project Director, Metropolis Project, Commercial Club of Chicago, American Academy of Arts and Sciences
- Myron Orfield, Minnesota State Representative; author, Metropolitics: A Regional Agenda for Community and Stability
- Tom Wolf, President, Wolf Organization and Better York Inc.
- Sam Fulwood, Health and Human Services and Congress staff writer for the Los Angeles

Times (moderator)

**12:00-12:45 Lunch Break**

**12:45 - 1:30 Lunch Speaker**

- Parris Glendening, Governor of the State of Maryland

**1:30 - 1:45 Question and Answer Session for Governor Glendening**

**1:45 - 3:15 Metropolitan Collaborations: "What the Federal Government Can Do"**

- Maureen Bunyon, (moderator)
- Scott Bernstein, President, Center for Neighborhood Technology
- Hank Dittmar, Executive Director of the Surface Transportation Policy Project
- Anthony Downs, Senior Fellow, Brookings Institution
- Marge Turner, Urban Institute

**3:15 - 3:30 Closing Remarks**

- Angela Blackwell, Senior Vice President of the Rockefeller Foundation

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page updated May 30,1997

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# Brookings Center on Urban and Metropolitan Policy

## *Remarks by Bruce Katz*

**Brookings National Issues Forum on Metropolitan Solutions to Urban and Regional Problems**

**May 28, 1997**

*Bruce Katz is a Senior Fellow and Director of the Center on Urban and Metropolitan Policy at the Brookings Institution.*

I want to reiterate Mike Armacost's welcome to what is the first national issues forum sponsored by the new Center on Urban and Metropolitan Policy. As many of you know, over the past 6 months I have visited with literally hundreds of people -- here in Washington and in various cities throughout the country -- to get advice and guidance on the mission and focus of the new Urban Center.

I have received almost unanimous confirmation that the driving ideas behind the Center -- that cities and metropolitan areas matter, that federal and state policies for the most part ignore these places -- are valid.

What has struck me about these meetings is the frequency with which discussions about urban problems quickly turn to the necessity for metropolitan solutions. I expected this in my conversations with individuals and organizations who are already identified as regional advocates.

The suprising thing was the extent to which individuals working and living in the city -- heads of city economic development offices, local elected officials, private sector businessmen, even community leaders -- recognize that the ability of cities to address their myriad challenges -- their function and competitiveness in the new economy, their ability to bear the costs of concentrated poverty at a time of reduced fiscal capacity -- is dependent on a new vision of metropolitan and regional collaboration.

These conversations are, of course, emblematic of the larger bubbling of metropolitan interest and thinking and action which is popping up in places across the country.

In Minnesota, State Representative Myron Orfield -- who will speak today -- has pushed through a series of legislative initiatives designed to upgrade metropolitan governance and collaboration in the Twin Cities area. In Pittsburgh, the Allegheny Conference is leading the campaign for a 1/4 cent regional sales tax which will, among other things, build 2 new stadiums downtown, refurbish the waterfront, extend the conference center and make downtown Pittsburgh an entertainment and cultural mecca.

In Cleveland, Mayor Madeline Cain of Lakewood Ohio -- who will also speak today -- has helped forge a consortium of older suburban elected officials -- the Inner Ring Suburban Consortium. This consortium is fighting the use of State transportation, sewer, and school to advance exurban sprawl and undermine older economies.

And clearly there are many more examples:

in Portland where there is an elected metropolitan government and an urban growth boundary;

in St. Louis, where the metropolitan transportation organization is forging innovative linkages between inner city residents and suburban jobs;

in Southern Florida, where there is a joint state-local effort to revitalize an 85 mile long urban corridor from West Palm Beach to Miami.

The list could go on and on. What is fascinating about the rise in metropolitan collaborations and networks and solutions is how eclectic and diverse they are -- how the coalitions that are formed and the institutional and policy reforms that are sought vary from area to area.

What is also striking -- which I will discuss later -- is how little this trend is reflected in federal policy discussions. For all its passion and potential -- metropolitanism is still a political and economic and social trend that is under the national radar screen -- that has largely escaped detection by federal politicians and national media.

I would like to ask and answer two simple questions here today:

Why is this happening? Why the sudden burst of energy at the metropolitan level?

What should federal and state policy makers learn from this?

I think there are lots of explanations -- which are becoming sharper and more persuasive over time -- for why we should work towards metropolitan solutions to so many of our urban and regional problems:

the clear recognition that so many of our challenges (transportation, environment, poverty, crime) cross the borders of our political jurisdictions and can only be addressed meaningfully at a larger level;

the growing notion that metropolitan areas are the competitive units in the new economy; and

the increasing evidence that urban and suburban economies are interdependent and the health of the region is linked to and influenced by the health of the core

Yet I think by far the most important factor driving the recent bubbling of interest is that metropolitan areas across the country are experiencing similar patterns of growth and development -- explosive sprawl where farmland and open space once reigned matched by decline and abandonment in the central cities and older suburbs.

Lets review of the statistics for some representative American cities and states.

Take Chicago. Between 1970 and 1990 the population of the Chicago metropolitan area increased by only 4 percent but the amount of land in the region used for urban purposes grew by 35 percent. Altogether 454 square miles, twice the size of the city of Chicago, were converted from agricultural to urban uses over that 20 year span.

Take Baltimore. Between 1960 and 1990 the population of the Baltimore metropolitan area increased by 33 percent but the amount of land in the region used for urban purposes grew five fold -- by 170 percent. If Maryland continued at its current rate of development over the next 25 years, it would lose over 500,000 acres of forests and farmland -- the size of Baltimore County and Baltimore City combined.

Take Colorado. In the last 10 years alone, more than 500,000 acres of open space has been lost.

Overall, the American Farmland Trust estimates that urban sprawl eats up two acres a minute -- a million acres a year.

The "leap-frog"expansion of urbanized land has fueled a disturbing concentration of poverty and decline at the core of metropolitan areas. Some 8 million people now live in neighborhoods where more than 40 percent of the residents are poor -- almost double the number in 1970.

The isolation of the poor -- as Paul Jargowsky and Marge Turner have shown -- is highly racialized. Three-quarters of the African American poor live in neighborhoods with poverty rates of more than 20%; one-third of the African American poor live in neighborhoods with poverty rates of more than 40%. White poverty, by contrast, is highly dispersed throughout metropolitan areas.

Children and adults in these high poverty communities face limited opportunities -- failing schools, pervasive joblessness, rampant crime, social isolation. And their local governments cannot bear the costs associated with concentrated poverty as more and more households, firms and jobs move to far out suburbs.

For the rest of us, no matter where we live, sprawl also has costs. It diminishes the competitiveness of metropolitan areas, worsens traffic congestion, increases the costs of highways and other infrastructures, and abandons existing assets that could still be used.

Moreover, these problems extend beyond economics; as Richard Moe of the National Trust for Historic Preservation has said, this "destructive, soulless ugly mess called sprawl" erodes the very sense of community and place that binds us together.

Now the good news. The twin conditions of sprawl and concentrated poverty are creating a strong foundation for coalition building at the local and regional levels.

First, mayors, downtown corporate leaders and other local civic, business and community leaders increasingly recognize that they cannot "go it alone" in the effort to revive urban economies and neighborhoods and, given the growth in concentrated poverty, address the challenges of welfare reform. Central cities -- particularly those with fixed boundaries in the East and Midwest -- are compelled to seek regional collaborations.

Second, as Myron Orfield has demonstrated, leaders in the older suburbs surrounding central cities increasingly realize that they share not only similar economic and demographic trends with their urban neighbors but also lack the fiscal capacity to address these problems. In many ways, the older suburbs are worse off . The notion that the suburbs are not monolithic -- that the central cities and older suburbs might actually form a majority coalition -- has profound political and policy implications at both the state and federal levels.

Third, farmers and families in small towns are bemoaning the loss of quality of life in rural areas with the onset of people and congestion.

Fourth, environmentalists are concerned with the loss of open space and the ecological damage wreaked by the extension of sewer and water lines and other development.

Finally, even religious leaders like Bishop Anthony Pilla in Cleveland are exploring the "moral implications of sprawl."

We are witnessing in essence the genesis of a set of rich, diverse and varied coalitions -- each member bringing to the whole their own unique interests and views.

Make no mistake about this. This is not easy stuff. In many parts of the country, suburbs and cities are horribly divided -- by race, by ethnicity, by income. But the acceleration of sprawl -- with all its consequences --- have created strange bedfellows.

Perhaps the most important glue holding these coalitions together is the simple notion that our current growth and development patterns are reversible.

They are not the inevitable product of the marketplace and consumer preferences. Rather, sprawl depends on many government subsidies in the form of funding for new roads, sewers, schools, fire and police protection. Without these subsidies, many new housing subdivisions, malls, and industry on the outer fringe of our metropolitan areas would simply not be economically feasible. And who helps pays for these subsidies? -- often the very central city and older suburban communities that are the ultimate losers when sprawl takes hold.

Central cities, older suburbs and their allies in rural and other areas are therefore binding together to take back their communities and chart sane and responsible patterns of growth and development.

To paraphrase Pogo, we have met our savior and it is us.

The implications of all this for federal and state policies and practices are enormous.

Over the past four decades, the feds and states have been part of the problem -- facilitating and fueling suburban sprawl through transportation and housing and infrastructure monies. While much attention has focused on targeted urban initiatives -- whether its model cities in the 60's or UDAG in the 70's or empowerment zones in the 90's -- the truth is that the real urban game is elsewhere and its mostly not positive.

There are some hopeful signs however that business as usual will not prevail.

With the enactment of the Clean Air Act amendments in 1990 and the highway and transit law in 1991 (the so-called ISTEA law), the federal government began to change the rules of the game governing the expenditure of tens of billions of dollars of road and transit money, shifting some of the power over how to allocate federal funds to metropolitan planning entities.

States and localities and increasingly the federal government are experimenting with innovative ways to preserve farmland and open space; in some places actually paying farmers not to sell to developers.

More recently, States have begun to experiment with a variety of efforts to curb sprawl, promote smart growth and rebuild established communities.

As you will hear later, Maryland has recently enacted Governor Glendening's "smart growth" legislative package which steers billions of state road, sewer and school monies away from farms and open spaces to existing areas targeted for concentrated growth. Colorado, Delaware and other states are now working on alternative versions of smart growth to curb sprawl in their own backyards. Yet we have a very long way to go:

The federal government for the most part continues to allocate housing, jobs, welfare and other monies in a fragmented and balkanized fashion.

Take affordable housing. Some 3400 public housing agencies now administer the section 8 rental voucher program. Although housing markets are clearly metropolitan in nature, these public housing agencies are highly localized and impede the ability of recipients to exercise choice in the larger market.

The service delivery areas for job training and the county administration of welfare replicate this problem -- their bureaucratic boundaries also do not respect the metropolitan labor market.

And what further complicates matters, as Mark Alan Hughes has shown, is that the bureaucratic boundaries for jobs, welfare and housing -- elements that need to work together if we are going to get welfare recipients to work -- are all different.

Even ISTEA -- in many metropolitan areas --is still a work in progress. Many inner cities and older suburbs are not given fair representation when state and metropolitan transportation decisions are made. And basic information about how and where federal funds are spent is rarely shared with the public or presented in a form that average citizens can understand.

I believe all this will change in time. The metropolitan bubbling from below is changing the landscape of American politics. It sends a clear message to the federal and state governments about the role they can and must play.

They should be a partner, not just an observer, in these metropolitan efforts.

They should remove administrative obstacles that are blocking the development of integrated and holistic solutions -- solutions that connect jobs to housing to welfare.

They should seed efforts to connect the churches, community development corporations and community builders who are working day in and day out in America's inner city neighborhoods to the metropolitan agenda

They should reward and enhance moves toward state and metropolitan solutions that curb sprawl, promote smart growth, and rebuild established communities

This brings me to today. Why are you here? What are we trying to accomplish?

This forum is meant to be a step along the way in educating a national audience about the growth and importance of metropolitan solutions to urban and regional problems.

Our first panel is designed to give you a sense of the disparate interests and perspectives that are fueling the growth in metropolitan coalitions. So we have on our first panel a State representative, an inner suburban mayor and corporate leaders from Chicago and York, Pennsylvania.

At lunch we will hear from Governor Glendening. The recent enactment of smart growth in Maryland puts that state ahead of the pack in the effort to curb sprawl, preserve open space and rebuild our cities and older suburbs.

In the early afternoon, we will hear from a distinguished panel which will give us a sense of how the federal government can clean up its act and begin operating in a responsible fashion that builds strong and sustainable communities.

And finally, Angela Blackwell from the Rockefeller Foundation will close out the forum by reminding us of the importance of connecting community efforts to the metropolitan agenda.

For the urban center, this is also a first step in the metropolitan arena. We are hoping to launch this year a major analysis -- nationally and in strategic metropolitan areas -- of the net effect of federal and state policies on suburban sprawl and on inner city economic development.

So, in the immortal words, of Arnold Schwarznegger, "we will be back" .

In closing, I think we have the potential through the development of metropolitan solutions to accomplish many things that we as a society say we want: stronger urban and regional economies, less inequity between different political jurisdictions, more open space for our children to enjoy, meaningful solutions to so many of the social, environmental, and transportation problems that plague us.

We also have the chance to lessen the divisions that have separated city from suburb and bring a greater sense of community into our lives. The word metropolis literally means in Greek "mother city" -- and I cant think of a more powerful image of unity to guide us into the next century.

With that I want to reiterate my thanks for coming.

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# Brookings Center on Urban and Metropolitan Policy

## *Remarks by Maryland Governor Parris N. Glendening*

**Brookings National Issues Forum on Metropolitan Solutions to Urban and Regional Problems**

**May 28, 1997**

Good afternoon and thank you, Bruce.

I am sorry I could not be with you earlier for your discussions. As a former County Executive and professor at UMCP for 27 years I enjoy those types of talks. Instead, this morning I attended the Geographic Information Systems Conference where we talked about the topic I will talk to you about, Smart Growth.

I am particularly pleased that I was asked to speak AFTER lunch. I have given enough speeches to know that you never want to be the person standing between the audience and lunch!

As I said, I spoke about Smart Growth earlier today. To put it in a nutshell: Smart Growth marks the first time that a state has designed a system of public investments as a series of private sector incentives and disincentives. We do this to combat suburban sprawl, protect the environment, revitalize older communities, and conserve limited public resources.

Our philosophy is that we should NOT use tax payer dollars to promote sprawl. We should NOT use tax payer dollars to encourage the abandonment of our cities. We MUST use tax payer dollars to revitalize our existing communities.

My message today is simply that we must change the direction of our growth habits across America. I am not saying that it would be "a good idea" to change the direction of growth, I am saying that it is imperative that we do so. We MUST do so. Before talking about Maryland's "Smart Growth" initiative, I want to tell you why I feel so passionately about this issue. I know that many of you are parents. I have a teenage son myself. My son, Raymond, and I enjoy fishing on the Bay and other outdoors activities. I truly want him and his children to be able to enjoy the same things throughout their lifetimes. If we do not take steps to change our growth patterns, the beautiful states that we all love will be nothing more than a beautiful memory, a memory that his children will never share.

For 50 years, America has been sold on the concept that moving out, is moving up. In the years following World War II, American veterans and their young families rushed from city rowhouses to newly built suburban tract homes in search of green lawns, and their piece of the American dream. This flight in large and middle-sized cities and towns all across America continues to this day. Just as their parents packed up, picked up and moved out of the cities, today's baby boomers are fleeing their parents' older suburbs for even larger houses, wider streets, and bigger yards. Every day, more and more people leave our inner cities and older, established communities for ex-urbia and rural areas. It is happening in my home state of Maryland. And it is happening to some extent in every growing state in the country. We have all seen the result of sprawl.

In its path, sprawl consumes thousands of acres of forests and farmland, woodlands and wetlands, and requires government to build new schools, streets and water and sewer lines. In its wake, sprawl leaves boarded up houses, vacant storefronts, closed businesses, abandoned and often contaminated industrial sites, and traffic congestion stretching miles from urban centers.

Sprawl is creating a hidden debt of unfunded infrastructure and services, social dysfunction, urban decay and environmental degradation. Simply put, sprawl is a disease eating away at the heart of America.

In Maryland alone, during the past six months approximately 5,000 people have left Baltimore City, 3,000 NEW septic permits have been issued, and nearly 10,000 acres of forests and farmlands have been lost. We estimate that over the next 25 years, Maryland will grow by more than one million people, more than 20%. Another half-million people will leave existing towns, cities and older suburbs.

Because of these population trends, we stand to consume as much land in the next 25 years in Central Maryland as we consumed in the 300 years since Maryland was founded. While the environmental and social costs are difficult to estimate in dollars, the financial costs are staggering. Consider this -- every new class room costs $90,000, every mile of new sewer line costs $200,000, every single lane mile of new road costs a minimum of $4 million.

Perhaps more important is the loss of community. People visiting with one another on front porches, neighbors helping neighbors, everyone keeping an eye on each other's children. That is how it was in my neighborhood when Raymond was growing up. This simply cannot happen on 5 ½ acres lots where people live for years without ever knowing their neighbors!

Maryland's efforts to battle the sprawl monster date back nearly one-quarter of a century. The four Governors before me -- starting as far back as 24 years ago -- also fought to tame suburban sprawl. Their efforts certainly laid the foundation for our new Smart Growth initiative.

Notice I said SMART growth initiative. This is not NO GROWTH. Nor is it SLOW GROWTH. It is SMART GROWTH.

Over the past year and a half, my administration worked with elected officials and the people of Maryland to craft a plan that simultaneously supports a healthy economy and controls sprawl. There are some who say that we cannot protect the environment and at the same time promote economic development. I respectfully disagree with those who harbor this view. That is a false dichotomy.

We can have both a clean environment and a vibrant economy. I know this is true because in Maryland, we are showing that you can grow the economy and protect the environment: Our economy is SURGING -- Jobs at an all-time high; unemployment at a six-year low and down in EVERY jurisdiction; we stand fourth in the nation in family income; our welfare rolls down 68,000 [29%]; and--at the same time--we are recognized as having the most progressive environmental land use policy in the country!

From the beginning, we recognized that for our Smart Growth initiative to be successful, we needed to involve people all across Maryland: Republicans and Democrats; Municipal and county officials; environmentalists and farmers; community leaders and business people; and the general public. All came together and spoke with one voice.

Thanks to this bi-partisan, grassroots, effort, the Maryland General Assembly passed our package of legislation that responded to the concerns of our citizens.

Key to our success was our decision to step out of the box. We did not develop a new layer of review or a new set of regulations. Rather we decided to use our budget as a $15 billion incentive for Smart Growth, and to use our tax laws as a disincentive to sprawl.

Our critics said we would not be able to make such sweeping changes in one session. And, quite candidly, we did have to push hard. But this was the success of common-sense policy, not hard-ball politics.

The first measure we passed is one of the most important. Our Brownfields program facilitates the cleanup and re-use of abandoned industrial sites in urban areas. I visited one of the first of those sites recently in Baltimore and I was thrilled with the enthusiasm of the site's builder. I also was struck by the excitement of the people in the community who finally see new hope in what has long been an aesthetic and environmental eyesore.

We also crafted a program for priority funding or "Smart Growth" areas that will allow the State to direct financial resources for existing housing, transportation, and sewer and water funding toward those areas specifically designated by local jurisdictions for growth.

I have instructed every department to take this approach--Economic Development, Transportation, Housing, on down the line. Each has been told their resources should be used as incentives to direct growth where it belongs.

With this Smart Growth funding method, we will invest taxpayer dollars in those areas that: provide efficient and effective use of those funds; support and revitalize existing neighborhoods and rural villages; support areas designated by local governments as priorities for growth; and reduce the pressure for sprawl and unending development.

Third, we will preserve our rural legacy through a new greenbelts program. This will work in conjunction with other existing land conservation and preservation programs to help preserve millions of rural acres throughout Maryland.

We will use State funds to purchase conservation easements for large tracts of land that are particularly subject to development pressure. Sponsoring applicants, such as local governments or land trusts, will voluntarily compete for funds from this program. Over the next five years, the State will commit almost $170 million to preserve nearly 90,000 acres of farms, forests and open spaces.

Finally, we developed new job creation tax credits given to those businesses that choose to locate or expand in designated growth areas. This is augmented with an innovative program to provide cash incentives for people to live near their work.

These new programs, and our new attitude towards sprawl, will not be a panacea, but will start the process of protecting our environmental and natural resources from the devastating effects of runaway development.

Simply put: If homebuilder A is building in a Smart Growth area, with water and sewer and adequate density, they will get help with tax credits, roads and other infrastructure improvements. If homebuilder B is building on what was recently farm land, that is his legal right and we have no intention of stopping him. But he will gt no tax credits, no help with water and sewer, and no help with roads. The bottom line is that the same house will cost several thousand dollars more "out there." And economics will drive the decision.

The fact is, Maryland has a rare opportunity to show the nation that smart growth can support a healthy environment and a vibrant economy. We have already received requests from other states asking how we did what we have done. We did not create a state-wide planning czar, we are simply using public resources and private incentives to protect the environment, stop sprawl and encourage community revitalization.

Later this afternoon, you will hear from the "experts" about how the federal government can learn from the experience in Maryland and elsewhere. Let me be so bld as to suggest that the Federal Government ought to follow our lead, and reinforce our efforts. Just think what it would mean if ISTEA is reauthorized with the emphasis on flexibility and re-investment. Just think what is would mean if no-longer-needed U.S. Military bases were made available for the best possible community use. Just think if the Federal Government looked toward existing buildings for re-use rather than looking toward new construction.

Keep in mind, federal policy helped drive sprawl: Through the G.I. Bill, young families were able to achieve the American Dream and moved from our urban areas to places like Belair in Bowie -- right outside of Washington in Maryland -- built in the 1960's. These homes were developed by the same people who constructed Levittown in New Jersey in 1947 -- suburbia for the masses. Likewise, our Interstate Highway System opened up suburbs. If the Federal Government saw fit to contribute to sprawl in the past, surely they can refocus their efforts and assist with re-investment today. Public spending clearly affects private decisions, and I urge members of Congress and federal and state officials to follow Maryland's lead.

We are indeed at an crossroads. We can chose several different paths. The status quo, which is clearly not working. Or, our new path...literally, the path less traveled, the path which will lead to sensible, smart growth and a healthy environment.

Working together, we can get America growing smarter.

I want to conclude by telling you what I would like to see. About two weeks ago I walked through a neighborhood named Hillendale. As a result of the tax credits we have provided, 45 new families -- young professionals -- have been able to buy homes in this older community. During my tour, I talked to an elderly woman sat on her porch and watched the children ride by on their bicycles. She was almost in tears when she told me that she never thought she would ever see children riding bikes through that neighborhood again.

That is what I want to see for all of Maryland. That is what I want to see for all of America.

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