

AGO Report

Volume 5
Number 3
Summer 2003



Brookings Report Validates AGO

Sarah Sameh

A recent report released by the Brookings Institution is perhaps the strongest supporting document to date for AGO's position that levying system development charges, or impact fees, exerts a positive influence on communities for a variety of reasons. The data derived from this report directly refute many of the key arguments in opposition to SDCs often heard from development interests. Having this report from a reputable institution supports our ongoing attempts to demonstrate that communities are best served when they can decide for themselves how much to grow—and that when growth occurs it should be required to pay its full costs.

Your commitment to AGO helps us educate policy makers and communities about the importance of making growth pay its way.

For a copy of the full report, please go to the Brookings Institution website:

www.brookings.edu/es/urban/publications/nelsonimpactfees.htm

Executive Summary

Growth costs money. And increasingly many municipalities, confronted with tax-averse electorates, have turned to impact fees—one-time charges against new development—to pay the costs of growth. Traditionally, these costs have been financed by property taxes. However, those rev-

enues have proven mostly inadequate to fund the roads, water and sewer infrastructure, and schools required by new residential and commercial development.

Impact fees, though, are not universally accepted. Conventional wisdom among some private interests and public officials is that impact fees constrain local economic development, serving as a de facto "tax" on capital, stifling investment, and driving job growth to other fee-free jurisdictions. Supporters argue impact fees act as an investment in the community, spurring economic growth through the timely provision of new infrastructure and the expansion of buildable land. Given that impact fees often pay for public infrastructure projects, understanding the relationship between impact fees and local economic development, defined here as local job growth, is key.

This report addresses the controversy around impact fees by reviewing the academic literature concerning the effect of impact fees on employment and the economy generally. In addition, the report presents a new analysis of the relationship between impact fees and job creation by assessing impact fee and economic data, assembled for the period 1993 to 1999, for the 67 counties of Florida. Overall, the paper finds that:

Alternatives to Growth Oregon

AGO strives to leave succeeding generations of Oregonians a more economically prosperous, environmentally healthy, and socially just State by encouraging progress toward a sustainable society, and discouraging growth focused on increased population and consumption.

In this issue . . .

Executive Director Report2

Hopeful News from Canada . . .4

Chapters Update5

Legislative Update6

■ Property tax revenues increasingly fail to cover the full costs of the infrastructure needed to serve new development. More and more, political resistance to property taxes compromises the conventional way to pay for infrastructure needs brought on by new development.

Continued on page 3

AGO Participates in National Conferences

The Sustainability Forum

On May 29 and 30, The Sustainability Forum hosted a national conference that brought together a diverse group of attendees who represent a wide range of interest groups working on issues of local and national sustainability.

Substantial portions of the conference showcased sustainability successes right here in the Northwest. It served as an important resource for networking, creating partnerships and sharing information and research materials—in addition to providing opportunities to learn "best practices" from real world situations from around the country and how to apply those practices here in the Northwest.

BALLE

Immediately following The Sustainability Forum was the national conference for Business Alliance for Local Living Economies (BALLE). BALLE is a non-profit organization dedicated to joining together and working with small, locally owned businesses that focus equally on community responsibility, environmental stewardship and financial profitability. The organization promotes healthy, vibrant, local economies that focus on community needs. It supports keeping local dollars in the community and local options for all resource and labor needs.

BALLE recently launched a Portland chapter and AGO is proud to be member of the chapter steering committee.

Executive Director's Report

Sarah Sameh

Organizations like AGO are vitally important to Oregon's future. Members of AGO are part of a national movement of millions of Americans demanding an equal partnership in shaping our society, participating in our economy, and preserving our environment.

Many taxpayers are beginning to realize that the tax revolt in Oregon and elsewhere is misguided. Taxpayers often express the frustration that their tax dollars are being used unwisely. They see evidence of this in their communities: a shortage of classrooms, longer emergency services response times, the elimination of amenities such as libraries, general reductions in levels of state services, and increasing costs of maintenance. But what many people don't realize is that these negative consequences are the result of diverting our tax dollars from maintaining today's services to fund services strictly for new growth.

If "growth pays off" as some claim, then the communities that grow the most should suffer the least. On the contrary, as sprawl takes over, Oregon communities suffer fiscal shortages and become less attractive places to live.

Communities simply cannot afford to pay the taxes necessary to solve the problems created by subsidizing growth. Rather than "tax reform," taxpayers across America are beginning to demand "subsidy reform."

Changing Laws

AGO continues to focus its energy on expanding the list of Systems Development Charges (SDCs) to include schools, police & fire services, and libraries and community colleges. Close to 20 Oregon cities have passed a resolution calling for SDCs to cover the full costs of growth. Senate Bill 511 would allow communities to charge the home-building industry the costs of schools, libraries, and police & fire services—costs that new growth always requires. AGO has been actively working to move Senate Bill 511 to the Senate Floor. Currently housed in the Revenue Committee, Senate Bill 511 must make it to the Senate Floor in order to give legislators an opportunity to vote on it. AGO has been a key player in a coalition that includes representatives from Oregon schools, public safety services, non-profit organizations and legislators.

Senators and representatives continue to hear from AGO members about why SB 511 is so important to the future of Oregon. Here's an opportunity for you to advocate for thousands of Oregonians who insist that we must finance growth more fairly. Take a moment as soon as you've finished reading this article and contact Senators Ted Ferrioli, Len Hannon, and Bruce Starr. Tell these senators you're a constituent. (You live in Oregon and SB 511 benefits all of us.) Urge these senators to pass the bill to the floor as soon as possible. Let them know that you will be checking back with

Continued on page 4

Brookings Report

Continued from page 1

Consequently, new property values would have to be very high or property tax rates raised across the board to pay for the full array of infrastructure needs. For example, one study of a rapidly growing city in Georgia in the 1990s found that the city faced a 50 percent shortfall in funding the new infrastructure demanded by new development and would need to raise \$90 million more than it projected in total revenues from all state and federal transfers and property taxes.

■ Impact fees, like user fees, offer a more efficient way to pay for infrastructure than general taxes, and ensure benefits to those who pay them. Academic literature suggests that the aggregate benefits of impact fees improve efficiency in the provision of infrastructure. While impact fees often do not reflect the full price of infrastructure improvements, fees do make the economic linkage between those paying for and those receiving benefits more direct, and so promote economic efficiency. The obvious direct economic benefits include the actual infrastructure investment, such as new roads, new schools, and new water and sewer extensions. Indirect benefits include improved predictability in the marketplace, knowing when and where infrastructure investment will occur, and that all developers are treated equitably.

■ Impact fees increase the supply of buildable land. In the absence of impact fees, local governments may not have the revenue necessary to accommodate growth. With impact fees, they gain necessary infrastruc-

ture water, sewer, drainage, and road facilities to open new parcels of land development. One study also found that impact fees may reduce uncertainty and risk for developers by giving them a reasonably predictable supply of buildable land.

■ Impact fees have complex effects on housing prices. One particularly thorough study of the effect of impact fees on housing prices found that fees reduced land prices by the amount of fees paid but also raised finished house prices by about half again the fee amount. One interpretation is that while impact fees lower raw land prices as predicted by conventional economic theory, the amount of the fee reflecting infrastructure value is recovered in the sales price. Additionally, the increment above the fee represents the value of the infrastructure as a whole and/or the certainty perceived by the market that facilities will be provided at a desired level and quality of service (i.e. no congestion) regardless of growth pressures.

■ Impact fees do not slow job growth. In this study, we find, at minimum, that impact fees are not a drag on local economies. At most, impact fees are the grease that helps sustain job growth in the local economy.

While impact fees will continue to draw detractors, this paper shows that impact fees are a practical and valuable tool for financing local infrastructure needs. Without them, growing communities may not be able to sustain growth. In short, impact fees can directly fund vital infrastructure

Alternatives to Growth Oregon

Board of Directors

Chair

Andy Kerr, *Ashland*

Vice-Chair

Tom Coffee, *Lake Oswego*

Secretary

Betty McArdle, *SW Portland*

Treasurer

Brian Beinlich, *North Plains*

Dr. John Baldwin, *Eugene*

David Johns, *McMinnville*

Lewis McFarland, *SW Portland*

Jeff Rogers, *SW Portland*

Kelpie Wilson, *Cave Junction*

Advisory Council

Tom Bender, *Nehalem*

Lindsey Grant, *Santa Fe, NM*

Diane Dulken, *Portland*

Tom Bowerman, *Eugene*

Greg Jacob, *Hillsboro*

Charles Jordan, *Portland*

Nena Lovinger, *Fall Creek*

Russ Beaton, *Salem*

Mike Lindberg, *Portland*

Brent Thompson, *Ashland*

Robert Emmons, *Fall Creek*

Scott Jones, *Portland*

Staff

Executive Director

Sarah Sameh, sarahsameh@AGOregon.org

Outreach Director

Chuck Adams, chuckadams@AGOregon.org

Administrative Director

Sarah Bidwell, sarahbidwell@AGOregon.org

Contact Information

Alternatives to Growth Oregon

133 SW Second Ave., Suite 307

Portland, OR 97204

Voice: (503) 222-0282

Fax: (503) 222-0180

Email: info@AGOregon.org

Web: www.AGOregon.org

AGO Report is published quarterly. Please contact us for back issues. The *AGO Report* is printed on 100% recycled secondary chlorine-free paper with soy-based inks.

Continued on page 6

Canada Urged to Count On More Than GDP

OTTAWA - A federal advisory panel wants Canada to become the first country to adopt a new way of measuring overall economic development and prosperity. The National Round Table on the Environment and the Economy (NRTEE) released its proposal recently, and instead of relying solely on standard indicators, such as Gross Domestic Product (GDP) and the Consumer Price Index (CPI), the group is suggesting six new numbers be added to the mix. These include measurements of:

- a. forest cover;**
- b. freshwater;**
- c. greenhouse gas emissions;**
- d. wetlands;**
- e. workforce education.**

NRTEE says that gauging a country's growth and prosperity by how quickly jobs are created or how efficiently goods are manufactured ignores certain costs, such as environmental damage. "It doesn't tell us whether we're living high today at the expense of generations to come," says the group's former chair, Stuart Smith. A new system would reflect a bigger and more accurate picture, he says.

"We would be world leaders here in Canada if we could take these suggestions and implement them," Smith told CBC Newsworld. Environment Minister David Anderson supports the proposal, and said he intends to urge the cabinet to endorse it as well. He hopes to see Ottawa adopt the new indicators within two years.

Written by CBC News Online Staff

Legislative Update

Continued from page 6

Revenue Committee to the Senate Floor. Many of AGO's members have sent letters to various legislators, especially those who have been undecided about the bill. In particular, Reid has pushed other senators to urge Senator Hannon, the swing vote on the Revenue Committee, to vote SB 511 out of committee and onto the Senate Floor.

Having SB 511 on the Senate Floor would be a constructive aid to the debate over "no new taxes," since SB 511 could bring significant fiscal relief to communities without raising taxes. Reid provided senators with an impressive list of talking points on the merits of impact fees--including how they benefit the real estate development industry.

Unfortunately, in spite of all the lobbying, there seems to be little interest in identifying and eliminating inefficiencies in money management. Subsidies like tax expenditures and public funds for sprawl are being ignored. Individual Oregon taxpayers provide the largest share of revenue to the government and are entitled to be at the top of the list of its benefits.

Fortunately AGO's efforts at the Legislature have been an important step in educating legislators about the hidden subsidies to growth. By mounting an initiative campaign we could educate the public about the huge subsidy we provide to sprawl. The SDC coalition is planning to introduce two impact fee initiatives this summer.

While SB 511 will most likely suffer a defeat, the partnerships that have developed as a result of AGO's presence at the capitol have made the experience more than worthwhile, especially for a young organization that continues to forge relationships with key organizations and individuals. It has proved to be an important beginning toward bridging the gap between social, economic, and environmental issues.

Detailed updates of the Legislature's tax plans can be found at the Oregon Center for Public Policy's website (www.ocpp.org), an excellent resource for Oregon economic issues.

Executive Director's Report

Continued from page 2

them on a regular basis and then do so. Call every 2-3 days to get to know the staff by name and insist that the senator return your call and/or reply to your mail or email. Check our website at www.agoregon.org for assistance with contacting legislators.

One of the most convincing points about why growth should pay its way is difficult to state easily. The truth is, Oregon communities have never been able to "afford" growth because Oregon communities have always gone into debt to pay for the systems and services that new growth requires.

SB 511 is a step toward recovering the costs of growth.

Chapters Update

Chuck Adams

Grants Pass

A coalition that includes several AGO members has been meeting regularly in Grants Pass. Issues ranging from sustainable business to local and regional land use are discussed, along with strategic issues such as effective use of the media and understanding and utilizing the local political process. Given the relatively small number of members of several local, state and national environmental organizations in this area, the coalition was formed with the intention of consolidating the voices and energy into a single, cohesive voice that has a greater chance of being heard. The coalition is open to spending time on various issues and will entertain ideas from the participating members and organizations.

Southern Oregon

The Southern Oregon chapter of AGO has been active since the first of the year, with regularly scheduled meetings each month. Meetings are posted on AGO's website at

www.AGOregon.org. The most recent chapter meeting featured John McLoughlin, Ashland's Planning Director, who spoke about the Systems Development Charges (SDCs) that Ashland currently collects. The Southern Oregon chapter has been focused on SDCs by making a concerted effort to move Senate Bill 511 from the Senate Revenue Committee onto the Senate Floor. Members have called and written to the state senator from Southern Oregon, Lenn Hannon, one of the six members of the Senate Revenue Committee who will determine the fate of SB 511.

Klamath Falls

In February Klamath Sustainable Communities, led by AGO supporter Leslie Lowe, organized a community meeting at which Chuck Adams, AGO's outreach director, was the featured speaker. In addition to presenting key portions of AGO's educational population program, Chuck initiated a lively discussion of the costs of growth.

PLANNED GIFTS

Considering a planned gift? AGO has opportunities for supporters to contribute appreciated assets such as gifts of stock and real estate, or to support AGO through bequests in wills. These charitable giving mechanisms offer significant tax savings to the donor while providing serious support for the preservation of Oregon. If you are interested in making a planned gift and would like more information, please contact AGO's executive director, Sarah Sameh, at sarahsameh@agoregon.org or 541.261.4819.

Memorial and In-Honor Gifts

A gift in honor or memory of someone is an opportunity to acknowledge a friend or loved one who cared deeply about Oregon's natural splendor and pristine beauty. We have an easy form to fill out for these types of gifts and will handle all acknowledgements. Contact AGO's administrative director, Sarah Bidwell, at 503.222.0282.

MEMBERSHIP / CONTRIBUTION FORM

N1A0703CM

Yes, I want to make Oregon better, not bigger and

- | | | |
|---|--|--|
| <input type="checkbox"/> Become a member of AGO | <input type="checkbox"/> Renew my membership | <input type="checkbox"/> Make an additional contribution |
| ___ \$35 Regular | ___ \$75 Supporter | ___ \$250 Sustainer |
| ___ \$50 Family | ___ \$100 Patron | ___ \$500 Benefactor |
| | | ___ \$1000 President's Circle |
| | | ___ \$5000 Life |
| | | ___ Other |

Name(s) _____

Address _____ City _____ State _____ Zip _____

Evening Phone _____ Day Phone _____

My check enclosed Bill my VISA or MasterCard (card#) _____

Print name as it appears on card _____

Expiration Date _____ / _____ Signature (if using credit card) _____

Brookings Report

Continued from page 3

improvements, while increasing the supply of buildable land, improving predictability in the development process, and indirectly promoting local employment at the same time. Faced with the growing demand for investment and the public resistance to tax increases, localities in growing regions that institute impact fees may become more prosperous in the long run than communities in such regions that do not have them.

Legislative Update

Richard Reid

Since the Legislative Session began in January AGO has been working hand in hand with Oregon schools, public safety officials, key legislators, and non-profits to raise the awareness of myriad issues around the costs of growth in Oregon. While essential services continue to be cut from the state budget, growth subsidies are remarkably on the rise. AGO's political advisor, Richard Reid, has been extremely active at the capitol over the past several months. He has conveyed to legislators the importance of dealing with growth issues now and attempted to underscore how ceasing to subsidize growth will assist thousands of Oregonians who are suffering from budget cuts.

Reid has met with countless senators and representatives and their staffs regarding Senate Bill 511—the bill that would expand the list of allowable systems development charges (SDCs), or impact fees. He has been active in the SDC coalition and has networked with and educated other lobbyists about the benefits of SB 511. In addition he has held several meetings with members of the Revenue Committee, where the bill continues to be housed.

Many of AGO's advocacy efforts have been focused on a letter-writing campaign to legislators with a specific goal to move SB 511 from the

Continued on page 4



Alternatives to Growth
Oregon

133 SW Second Ave., Suite 307
Portland, OR 97204

RETURN SERVICE REQUESTED

Non-Profit Org.
U.S. Postage
PAID
Portland, OR
Permit # 3383