The Smart Growth Experience: Lessons from the United States

Dr. Marc A. Weiss, Chairman and CEO, Global Urban Development, December 2001

Recently the Texas Transportation Institute released a report about rapidly rising traffic congestion in the United States. Here are the main headlines: "Road congestion in the United States is so bad that the average person spends 36 hours a year sitting in traffic. Two years ago, the national average was 34 hours. In 1982, it was 11 hours. These findings were released by the Texas Transportation Institute, part of Texas A&M University, which studies congestion in 68 urban areas. According to the most recent report, traffic congestion currently costs an estimated $78 billion annually in wasted time and burned gasoline.

There have been many approaches to solving these problems over a long period of time, including land-use planning, growth controls, growth management, concurrency, urban growth boundaries, balanced growth, quality growth, livable communities, sustainable development, and the new urbanism, to name just a few. Smart Growth has caught on for several main reasons: first, it's a great phrase- it's hard to be against it and be in favor of "dumb growth." Second, it combines three distinct concerns - urban, suburban, and rural - into one comprehensive package. For example, the State of Maryland's landmark initiative is officially called Smart Growth and Neighborhood Conservation. Third, the best of the Smart Growth strategies link quality of life directly to economic prosperity and global competitiveness for urban regions in the New Economy, as I have done in my own international work on what I call "Metropolitan Economic Strategy." Fourth, the Smart Growth model is incentive-based and market-oriented rather than primarily a regulatory tool. In my book, *The Rise of the Community Builders*, I use the phrase "the carrot is mightier than the stick" in explaining the success of the Federal Housing Administration's innovative home mortgage insurance program first introduced during the 1930s, and this same idea of imposing essentially voluntary standards through the power of the purse is a key innovation of Smart Growth initiatives in Maryland and other states.

Of the many state and local Smart Growth activities in the U.S., and I have studied them all very carefully, by far the best and most innovative is Maryland's. I would like to spend some time here today to explain to you Maryland’s program, partly drawing from a detailed analysis I produced last year for the Ford Foundation and Harvard University that helped convince the judges to select the State of Maryland as a winner of the highly prestigious Innovations in American Government Award.

The State of Maryland's Smart Growth and Neighborhood Conservation program is designed to address several key problems simultaneously, through a comprehensive and well-coordinated strategy. These problems include: 1) economic and physical deterioration and population loss in older cities, towns, and suburban communities; 2) excessive use of land for residential and commercial expansion on the metropolitan fringe; 3) loss of rural open space, agricultural and recreational land, water pollution, and environmental degradation due to sprawling development patterns; 4) automobile-centered traffic congestion and air pollution caused by inefficient and poorly planned transportation practices; 5) wasteful and costly public spending on infrastructure and services to support far-reaching suburban and exurban growth rather than more efficiently utilizing existing facilities in already developed communities.

As the State of Maryland puts it: "The Smart Growth initiative is a direct response to development trends that threaten to consume as much land in central Maryland over the next 25 years as had been developed in the 366-year history of the State." With rapid population shrinkage in Baltimore and other older urban centers, combined with burgeoning growth in Washington and Baltimore suburban areas, the annual rate of increase in passenger vehicle miles traveled has been rising six times faster than the increase in population. The costs to the state's environment, communities, and public investments are substantial and very serious.

Prior to the Smart Growth and Neighborhood Conservation program, the State of Maryland had only piecemeal tools to address these problems, including regulations to help protect the Chesapeake Bay, and limited funds for urban revitalization and rural land protection. The truly brilliant innovation of Smart Growth is that it linked all these issues together into one common framework, and used the entire annual state budget of over $19 billion to help address the daunting challenge of reshaping land-use and development trends. Moreover, rather than relying on the "stick" of government regulations attempting to override local prerogatives, it makes intelligent use of the "carrot" of state funding as a powerful and effective incentive to redirect local public and private decision making, by spending extra money in areas targeted for public investment, and refusing to subsidize development that is not located within the designated growth areas.

Maryland Governor Parris N. Glendening was elected in 1994 after serving for 12 years as the County Executive of Prince George's County. He had seen first-hand the problems of massive growth (Prince George's County communities are suburbs of Washington, DC), combined with deterioration of the older urban centers and degradation of the rural landscape. When environmental groups approached him as Governor to focus on rural protection, he decided to connect that concern directly to the issue of urban neighborhood conservation, and to propose a set of comprehensive legislative initiatives that would expand available state resources for urban and rural needs while withdrawing state funding from promoting additional suburban and exurban sprawl. He began a concerted campaign in 1996 through extensive public speeches and widespread community and constituency outreach that involved over 1,000 people providing input into development of a bold and innovative policy agenda that he introduced as a package of bills to the Maryland legislature in 1997. Most of this legislation passed, and all of it took effect during 1997 and 1998.

The success of these initial efforts led to the introduction and passage of additional legislation, along with increased budget authority to implement the key features of Smart Growth and Neighborhood Conservation. These initiatives in urban areas include: redeveloping formerly contaminated "brownfields"; expanding affordable rental housing and homeownership; revitalizing downtown and neighborhood commercial districts; increasing jobs for Maryland residents; improving public transit and related bicycle and pedestrian amenities; providing incentives for transit-oriented mixed-use development; promoting community planning; rehabilitating historic structures; and creating Smart Codes for building renovation and energyefficient development. In rural areas, they involve the increasingly popular and steadily growing Rural Legacy program to conserve undeveloped and agricultural land, together with enhancing corridors of open space and "greenways."

Key outcomes to date include: 1) Targeting state spending to officially designated Priority Funding Areas (PFAs) that have been planned in cooperation with Maryland's 23 counties, particularly $2 billion annually in transportation, housing, economic development, and environmental improvement funds. Within the PFAs, funds and development are increasingly targeted to neighborhood conservation areas (called "Smarter Growth"); 2) Canceling six major highway projects and redirecting transportation funds to public transit and improving existing roads; 3) Shifting 84 percent of school funding to construction and renovation in older neighborhoods, up from just 43 percent five years ago. 4) Substantially increasing resources to help protect more than 32,000 acres of scenic rural land; 5) Significantly expanding funding and providing new tax incentives for urban transit, homeownership, jobs, parks, historic preservation, brownfields redevelopment, and commercial revitalization; 6) Committing $500 million over the next six years to expand public transit service by bus and rail; 7) Generating major changes in state and local government attitudes and behavior, including establishing a state sub-cabinet that filters most major decisions through the framework of Smart Growth and Neighborhood Conservation; 8) Promoting widespread and influential education of citizens and the private sector; 9) Creating a national model that has spread to many other states and communities, including adoption of a Smart Growth policy agenda by the National Governors' Association.

The State of Maryland had various programs before 1997 that addressed urban revitalization and rural preservation needs. However, they were not coordinated, and they generally had a smaller base of support and more limited budgetary resources. The genius of Smart Growth and Neighborhood Conservation is that: 1) It united disparate political constituencies and interest groups that had not previously worked together, from both the public and private sectors, across urban, suburban, and rural jurisdictions throughout the state. This built a much more powerful base of support for all of the key initiatives, facilitating legislative approval for a comprehensive package of program funds, tax incentives, and most importantly, the redirecting of existing state spending; 2) By focusing on providing incentives to encourage investment rather than prohibiting local government and private sector activity through heavy-handed state regulations and controls, and by emphasizing the more intelligent use of existing state funds rather than asking for substantial budget increases, the program/policy developed strong political support without engendering substantial opposition; 3) The Executive Order requiring coordinated and joint decision making by the Governor's Smart Growth Sub-Cabinet of 10 key state departments and offices, the designation of Priority Funding Areas by the state's 23 counties working with the state Office of Planning, the creation of the state Smart Growth Coordinating Subcommittee with senior officials from nearly 30 state departments and offices, the Executive Order requiring all state discretionary funds not already subject to Smart Growth legislation to be targeted to Priority Funding Areas as a matter of state policy, and other major activities have dramatically reinvented government institutional capacity by educating career public servants who will produce long-lasting improvements in the conduct of business both by the state and by local jurisdictions.

Maryland's Smart Growth and Neighborhood Conservation program has accomplished a great deal in just a few years. First, passing the original legislation in 1997 was a major achievement, and this was followed by substantial budget appropriations for the key initiatives during subsequent legislative sessions, along with passage of a follow-up initiative, Smart Codes. In addition, approximately $2 billion of the state's total annual budget of $19 billion is restricted by law to be spent entirely within the Priority Funding Areas, and many other expenditures, while not legally mandated under Smart Growth and Neighborhood Conservation, are increasingly being targeted to older, built-up areas due to an Executive Order issued by the Governor in 1998 that mandates all departments and offices to target all discretionary funds consistent with Smart Growth and Neighborhood Conservation as a matter of state policy. An example, as I mentioned earlier, is funding for school construction and renovation, 84 percent of which is now spent in existing neighborhoods, up from 43 percent five years ago. Also, since the Priority Funding Areas as defined by the county governments and approved by the state are fairly broad, the Maryland Office of Planning has defined more tightly targeted areas for "smarter growth" that are increasingly receiving a larger share of state funding. Recently the state government decided to locate a new campus of the University of Maryland in an abandoned historic department store building in downtown Hagerstown rather than on farmland off the highway at the edge of the Hagerstown metropolitan area. Both locations were eligible under Smart Growth, but only the downtown was eligible under Neighborhood Conservation, or "smarter growth." Once the decision was made, all of the state departments and offices in the Smart Growth Coordinating Committee are now working closely with the Hagerstown community on a comprehensive revitalization strategy for the center of the city, using the substantial investment in a new University of Maryland campus as the anchor to attract additional development and renovation, businesses, jobs, and housing.

Another example is in the modest-sized town of Easton, county seat of Talbot County on Maryland's Eastern Shore, where the Department of Social Services wanted to relocate to a new building at the fringe of the town near the airport, but state officials, under the mandate of the Governor's Executive Order requiring public agencies receiving state funds to give location preference to established town centers, convinced Talbot County administrators to keep the Social Services Department in a renovated building in downtown Easton. It is precisely this type of close cooperation across the entire state government apparatus and between state and local governments that is at the very heart of the true innovation under Smart Growth and Neighborhood Conservation.

Other accomplishments include a very effective state homeownership initiative, targeting all housing subsidies to Neighborhood Conservation areas and creating a rapidly growing employer-assisted homeownership partnership subsidy program between state and local governments and private employers called Live Near Your Work, which for example Johns Hopkins University is utilizing in Baltimore. I would also highlight an ambitious urban brownfields reclamation program that helped support private redevelopment of the Can Company, a very successful mixed-use historic renovation project in east Baltimore that has served as the catalyst for revitalization of the Canton waterfront area and adjacent neighborhoods. The same company is now embarking on developing Tide Point, an even more ambitious historic renovation effort across the Inner Harbor in south Baltimore. This company has been very creative in taking maximum advantage of all the funding and tax incentives available under Smart Growth and Neighborhood Conservation. Another important initiative is the state's tax credit for employers that subsidize transit ridership for their employees, including van pools, ride-sharing, and transit passes, tokens, and fare cards.

This story is not just limited to the larger cities. A small town, North Beach, which under the leadership of a dynamic new mayor is undergoing wholesale improvement with millions of dollars of state funds targeted under Smart Growth and Neighborhood Conservation programs, again using a coordinated approach whereby the state agencies are working together with the city on both planning and implementation. Finally, in the same county as North Beach that benefits from Neighborhood Conservation support, Smart Growth is enabling the Calvert County Rural Legacy Area to become a reality with the power and resources of the state government helping local communities and non-profit groups to preserve the pristine beauty of the last undeveloped watershed in that area of the Chesapeake Bay.

The main weakness with Smart Growth and Neighborhood Conservation is that because it is based on incentives rather than regulations, it cannot control or curb sprawl as effectively as very tight, vigorously enforced land-use controls, such as the Urban Growth Boundary surrounding Portland, Oregon. Yet Maryland's incentive approach is also its strength as a policy innovation, because it managed to overcome the political resistance to tight controls that have blocked Oregon's land regulation system from being adopted by any other state in the U.S. This is strong evidence that, as I stated earlier, "the carrot is mightier than the stick." Further, I would argue that what makes Maryland's Smart Growth and Neighborhood Conservation program especially innovative and effective is that the Governor clearly recognized where the levers of power are located within state government. Rather than adopt a whole series of small-scale programs to address every need and please every constituency, Governor Glendening understood that his real ability to make change is to redirect the large resources and fundamental responsibilities of state government, such as infrastructure and education expenditures. By focusing on the large amount of spending already in the state budget, and placing those general dollars under clearly targeted specific policy priorities, he was able to make a difference in affecting county and municipal government as well as private sector and citizen attitudes and behavior. Marrying large general resources with a focused policy agenda is the most efficient way to implement a governmental strategy for improving prosperity and quality of life, communities and the environment. This represents a skillful innovation not just in urban or rural land-use policy, but in any public policy, and it is exactly for this reason that so many other states and localities are now studying the Maryland model and planning to emulate all or at least part of the Smart Growth and Neighborhood Conservation program.

There are several key lessons to be learned from the Smart Growth Experience in the United States, and especially from Maryland's relative success. The most important lesson is that it is absolutely necessary to mobilize, involve, and educate all of the relevant stakeholders from the public, private, non-profit, and community sectors. People need to understand and have a positive stake in change it has any chance of being effective. The second key lesson is that there must be a much greater commitment of resources by the state or provincial and federal governments investing substantial funds in transit and other transportation alternatives, brownfields clean-up and redevelopment, affordable housing and homeownership, infrastructure and public amenities, and other major physical investments that cannot gain enough financial support just at the local government level, and are critical for Smart Growth initiatives to work. Finally, it is essential to acknowledge that change will not happen overnight. We can achieve faster and more visible improvements in urban reinvestment and open space preservation, but curbing suburban sprawl will be a much more difficult and longer-term challenge. As long as we live in a civilization dominated by people's love of personal vehicles and single-family homes, there is no magic bullet solution. But since a rising number of metropolitan residents are increasingly unhappy with traffic congestion, air and water pollution, deteriorating environments and quality of life, lack of a sense of community, and burgeoning costs or public infrastructure and private housing prices, something must be done, and Smart Growth is the right answer for the 21st century.

President John F. Kennedy was fond of quoting the ancient wisdom of Lao Tzu, who famously stated: "A journey of a thousand miles begins with a single step." It is time for everyone and everyplace throughout the world to begin taking the first step on the path to economic and environmental sustainability.