

**Report of the  
Presidential Advisory Group on  
Smart Growth**

**December 1999**

**NATIONAL ASSOCIATION OF REALTORS®**

The real estate industry's concerns about effective land use planning, quality of life issues and the increased number of state, local and federal proposals related to growth management and livability, led NAR President Sharon A. Millett to appoint a Presidential Advisory Group to examine the issues. The Charge of the PAG was to:

- Determine the impact of smart growth initiatives on real estate;
- Develop guiding principles on local, state, and federal measures dealing with smart growth for incorporation into NAR policy;
- Develop strategies to strengthen the REALTOR® organization's involvement in smart growth issues; and,
- Determine the scope of NAR's involvement in smart growth issues.

## **II     PAG MEMBERS**

Ron Myles (CO), Chairman

Bill Malkasian (WI), Vice Chairman, EO, Wisconsin REALTORS® Association

William G. Arnold, Jr., (AZ)

Claude D. Boring (FL), 2000 Chair, State and Local Fiscal Affairs Committee

McDonald Brubaker (UT)

Larry Edwards (MS)

Michael Ford (NJ), 2000 Chair, Land Use, Environment and Private Property Rights Forum

David J. Hemenway (OR)

Paula K. Lewis (SD), Regional Vice President

Robin Massa (MT), 2000 Chair, Land Use, Environment and Private Property Rights Committee

James E. Matthews (MD)

R. Layne Morrill (MO), 1998 NAR President

Edward E. Pagett (VA), 2000 Chair, Federal Taxation Committee

Robert L. Nash (MA), Executive Officer, Massachusetts Association of REALTORS®

John E. Nichols (TX)

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Gary Thomas (CA), 2000 Chair, Business Issues Committee

Missy Thompson (MN), 2000 Chair, Housing Needs Committee

Sue Wiskowski (IL), 2000 Chair, Federal Housing Committee

### Consultants

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### Staff

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### III PAG METHODOLOGY

To accomplish the PAG's objectives, the following process and methodology was employed:

<i>Date</i>	<i>Activity</i>
April 26, 1999 McLean, VA	<p><u>PAG Meeting #1 Objectives:</u></p> <ul style="list-style-type: none"> <li>- Provide the background, charge, objectives, and timeline of the PAG;</li> <li>- <u>Determine the Impact of Smart Growth Initiatives on Real Estate:</u> Speakers were asked to: a) explain smart growth and its impact on real estate over the next ten years; b) identify salient smart growth issues; c) identify role NAR should play on federal, state and local level; d) provide feedback on the type of guiding principles NAR should develop; and, e) explain how to balance private property rights with smart growth concepts.</li> <li>- Determine framework for focus group discussions.</li> <li>- Review objectives for PAG meeting #2</li> </ul>
May 12-18, 1999	2 focus commercial and residential groups conducted in <u>each</u> of the following areas: Portland, OR, Chicago, IL, Charlotte, NC.
May 19 1999 Midyear Meeting, Washington, D.C.	<p><u>PAG Meeting #2 Objectives:</u></p> <ul style="list-style-type: none"> <li>- <u>Develop Guiding Principles on Local, State and Federal Measures Dealing with Smart Growth for Incorporation into NAR Policy:</u></li> <li>- Discuss and develop first draft of guiding principles</li> <li>- Review existing NAR policies and programs related to growth</li> <li>- Develop and recommend changes to NAR policies</li> <li>- Review preliminary focus group findings</li> <li>- Review objectives for PAG meeting #3.</li> </ul>
May 22, 1999	<p><u>Government Affairs Directors (GAD) Focus Groups</u></p> <p>2 state and local GAD focus groups conducted during Midyear meeting.</p>
June 10-16, 1999	<p><u>Second Wave of 6 REALTOR® Focus Groups</u></p> <p>2 REALTOR® focus groups conducted in <u>each</u> of the following areas: Philadelphia, PA (suburbs); Phoenix, AZ and San Diego, CA.</p>
June 27, 1999	<p><u>PAG Meeting #3 Objectives:</u></p> <p><u>Develop Guiding Principles, Objectives and Strategies to Strengthen the REALTOR® Organization's Involvement in Smart Growth Issues:</u></p> <ul style="list-style-type: none"> <li>- Review of Draft Guiding Principles and Objectives</li> <li>- Review Final Focus Group Findings</li> <li>- Harmonize Focus Group Findings with Draft Guiding Principles and Objectives</li> <li>- Finalize Guiding Principles and Objectives</li> <li>- Finalize Approach for Recommending Changes to NAR Policies</li> <li>- Discuss Process and Approach for Developing Strategies and Identifying Core Competencies</li> <li>- Next Steps to Final Report</li> </ul>
July 26-28 1999	Conduct National Public Opinion Survey
August 5-7, 1999	Obtain Input and Feedback PAG Work during Government Affairs Directors Institute Meeting.
September 1, 1999	<p><u>PAG Meeting #4 Objectives</u></p> <p>Finalize Guiding Principles, Objectives and Strategies Based on Feedback Obtained from Public Opinion Survey, Group meeting and Government Affairs Directors Institute Meeting.</p>
Early Fall 1999	Finalize PAG Report for NAR President Sharon Millett.

### IV BACKGROUND

Prior to World War II, most Americans lived in rural areas, with the bulk of the remainder living in urban-city areas. In the decades after World War II, cities experienced an outflow of residential and commercial business to the suburbs due, in part, to increased crime, declining schools, and desire to discover a better quality of life outside the cities. Over time, more than 50.1% of the United States population lived in the suburbs, with the majority of growth occurring between 1950 and 1970.

Although the rate of suburban population growth has since slowed, from 115% between 1950 and 1970 to 51% between 1970 and 1990, growth in the suburbs is still outpacing urban areas despite the rebirth of major cities such as Chicago, New York and San Francisco. Since the expansion continues to be driven by the market, government policies, competition between municipalities to attract growth, financial incentives, and quality of life factors, many suburban communities are experiencing the unintended consequences of growth. Citizens are increasingly focusing on quality of life issues such as traffic jams, deteriorating neighborhoods, overcrowded schools, and public safety. At the same time, local governments are struggling to find the resources to finance roads, school facilities, and other critical public services resulting from the expansion.

In an effort to mitigate growth-related problems, improve quality of life, and maintain financial stability, communities are implementing more effective land use planning or so-called "Smart Growth" procedures. More than 17 states have enacted or considered measures that mandate or encourage better land use planning and preserve open space. For instance, the state of Maryland's smart growth law cuts off state sewer and highway funds to areas beyond county-designated growth areas. In Utah, the state's first Growth Quality Act is designed to help localities develop sound growth management policies. In Pennsylvania, a Republican-appointed smart growth commission provided the impetus for the development of several smart growth measures under consideration at the state level. In Arizona, a state-appointed Growing Smarter Commission completed a report recommending several proposals to manage the state's explosive growth and save open space. In Tennessee, a dramatic law requiring counties and municipalities to implement growth boundaries went into effect last year. In New Jersey, voters in 1998 approved bonds to protect half of Jersey's remaining open spaces. Finally, in Georgia, the governor created the state's first regional transportation authority to relieve traffic congestion by helping to manage the area's growth. In addition to state legislative measures, voters in 31 states approved 72% of the 240 state and local "green" referendums and ballot initiatives imposing clear restrictions on future development in November 1998.

Responding to state and local concerns about the perceived problems associated with growth, the federal government is attempting to play a more active role in helping communities manage growth and remove federal government barriers to smarter growth and redevelopment. During the 106<sup>th</sup> Congress, the Clinton Administration unveiled a "livability" agenda, which would make \$2 billion in federal funds available to communities for purchasing undeveloped land, creating parks, developing alternative transportation systems and encouraging regional planning. At the same time, current Superfund reform measures include provisions encouraging redevelopment in existing urban and suburban areas by easing owner and purchaser liability on contaminated properties.

Although the fate of these measures are uncertain, these types of initiatives and subsequent publicity about state and local level smart growth initiatives prompted a national

dialogue among public official, private sector, environment and community groups on the potential impact of smart growth initiatives on communities.

## **V KEY RESEARCH FINDINGS: DETERMINING THE IMPACT OF SMART GROWTH INITIATIVES ON REAL ESTATE**

In an effort to determine the impact of smart growth on real estate by capturing REALTOR® and public views on growth and quality of life issues, NAR commissioned two phases of a research study with Public Opinion Strategies, a nationally recognized polling firm based in Alexandria, Virginia. Between June – July 1999, 12 REALTOR® focus groups were conducted in Chicago, Charlotte, San Diego, Phoenix, Philadelphia, and Portland along with a 800-person nation-wide public opinion telephone survey.

Overall, REALTORS® value "livability" and appreciate the "quality of life" aspects of a community because they realize and understand that all types of real estate flourish best in such a location. REALTORS® especially understand that the public places as much value on the community as the property itself.

REALTORS® and the public agree on the numerous benefits that growth brings to a community including a strong economic sector, housing choice, increased tax base, and community amenities. Although the majority of voters surveyed believe that growth and development in their community is moving at the right pace, they agree with REALTORS® that there are problems associated with growth including traffic congestion, crowded schools, unsightly development, increased crime, and loss of open space.

To properly plan for growth, both REALTORS® and the public are supportive of measures that provide housing opportunity and choice, ease traffic congestion, improve public safety and schools, encourage a strong economic sector, protect the environment, preserve open spaces, strengthen local decision making, prescribe market-driven and incentive-based approaches to growth and promote balanced, equitable, and fair financing mechanisms.

Specific views indicated that:

### **Housing Opportunity and Choice**

- REALTORS® and the public believe that providing housing opportunity and choice at affordable levels is critical to increasing homeownership.
- REALTORS® and the public, especially renters, believe restricting growth raises housing prices and may be an obstacle to homeownership.

### **Building Livable Communities**

- Low crime, good public schools, access to quality health care, affordability and choice, access to good jobs, sense of community, open space and clean water are top attributes in deciding where to live.
- REALTORS® and the public agree that the benefits of growth include economic progress, benefits and job creation, increased tax base, and more housing choices. At the same time, there

are concerns with the disadvantages of growth such as traffic congestion, unsightly development, increased crime, overcrowded schools and loss of open space.

- Overall, there is stronger support for spending federal dollars on road construction rather than mass transit systems especially among suburban and rural voters. However, support for mass transit is stronger in the New England, Mid-Atlantic, & Pacific regions.

### **Protecting the Environment**

- REALTORS® and the public disapprove of poorly planned growth that results in less environmental protection, a decrease in water quality and lower quality of life.
- REALTORS® and the public believe that local government should make growth decisions in close cooperation with citizens. Federal and state governments should have little, if any, role in the decision-making process.
- REALTORS® and the public support flexible, market-driven and incentive-based approaches to managing growth over federal or state government broad-based growth restriction policies.
- Among voters, there is modest support for using federal government incentives to protect parklands and open spaces. For instance, preserving parklands and open spaces is important to those in the Deep South, New England, and Mid-Atlantic regions.

### **Protecting Private Property Rights**

- The majority of voters believe that people do not have the right to build any kind of building they want on their land. In other words, when it comes to property rights, there is limited consensus, but no "blank check" status.
- Protection of private property rights is important to REALTORS®. However, voters see no direct connection between property rights and growth.

## **VI RECOMMENDATIONS:**

### **SMART GROWTH GUIDING PRINCIPLES AND OBJECTIVES** **STATE AND LOCAL GOVERNMENT MEASURES**

Smart Growth is a very broad term used to describe various growth management techniques that attempt to ensure that the impact of growth enhances a community, its economic base, and the environment. In simplest of terms, Smart Growth does not mean no growth, but reasonable, sustainable growth. To properly plan for growth, NAR believes that measures employed should provide housing opportunity and choice, ease traffic congestion, improve public safety and schools, encourage a strong economic sector, protect the environment, preserve open spaces, strengthen local consensus-based decision making, prescribe market-driven and incentive based approaches to growth, and promote balanced, equitable, and fair financing mechanisms. NAR strongly believes local communities, in close cooperation with their citizens, are ultimately responsible for managing growth and building better communities. NAR recommends that smart growth techniques be evaluated within the context of a particular local area's needs and on its own merits based on the tradeoffs. To that end, NAR supports the following smart growth principles and encourages implementation of the subsequent state and local objectives:

#### **Principle #1 Providing Housing Opportunity And Choice**

Homeownership is the cornerstone of the American Dream and deserves a preferred place in our system of values as it contributes to community responsibility; civic, economic, business and employment stability; family security and well being. These objectives can be met through market-driven housing approaches that foster a wide-range of urban, suburban and rural housing choices at all price levels to suit a diverse population. To assist communities in developing growth plans and policies that provide housing opportunities and choices, NAR supports and encourages implementation of the following objectives:

#### **Objectives**

- The provision, in all growth management plans, of an adequate supply of land for housing, both owner-occupied and rental at all price levels, to meet existing and forecasted housing demand in accordance with future economic and projected population growth patterns.
- Local and regional consensus-based development plans that allow for a wide range of urban, suburban, and rural housing types and choices in accordance with a market analysis reflecting an area's diverse population needs and income levels.
- Recognition of the tradeoffs and unintended consequences, via economic impact studies and market analyses, of restrictive growth policies, such as urban growth boundaries, building moratoria, down zoning, etc., on housing affordability and choices.

- Reduction and elimination of federal, state and local regulatory barriers to home rehabilitation, such as excessively long development review processes, in order to ensure preservation and modernization of older housing and to keep housing costs down.
- Evolution of planning, zoning and subdivision laws to accommodate mixed-use development, higher densities, and changing growth patterns.
- Implementation of fair and reasonable procedures to increase the level of certainty in the development and building review and permit processes.
- The formation of local/regional public-private housing partnerships to promote, preserve and rehabilitate existing housing and to encourage a variety of housing developments that offer consumers an affordable choice.
- Proper land-use planning that provides for viable transportation and infrastructure systems to ensure the efficient and effective functioning of new housing developments.

## **Principle #2 Building Better Communities**

Real estate of all types flourishes best in livable communities that offer a high quality of life at a reasonable cost. Livable communities offer a variety of affordable housing choices, good schools, low crime, quality public services, efficient transportation systems, ample recreation and park areas, open space, strong employment base and an economically viable commercial sector. To promote these essential livable community elements, growth policies should encourage market-driven and culturally diverse growth patterns that sustain and enhance a community's quality of life. To assist communities in developing growth plans and policies that build better communities, NAR supports and encourages implementation of the following objectives:

### **Objectives**

#### **Housing**

- Reduction and elimination of regulatory barriers, such as excessively long development review processes, in order to keep housing affordable.
- Elimination of home and commercial rehabilitation obstacles, such as requiring unreasonable and expensive improvements.
- Policies that ensure an adequate supply of housing of all types and price levels to meet existing and forecasted housing demand.
- Evolution of planning, zoning and subdivision laws to accommodate mixed-use development, higher densities and changing population, employment and growth patterns.



- The formation of local/regional public-private housing partnerships to promote, preserve and rehabilitate existing housing and to encourage a variety of housing developments that offer consumers an affordable choice.
- Policies that promote cultural diversity and equal opportunity through a free and open housing market.
- Recognition of the tradeoffs and unintended consequences, via economic impact studies and market analyses, of restrictive growth policies, such as urban growth boundaries, building moratoria, down zoning, etc., on housing costs, quality of life and economic development with particular concern regarding growth policies (such as urban growth boundaries and building moratoria) that would be detrimental to housing affordability and choices.

### **Public Services**

- Advanced planning and adequate funding to meet the demand and need for schools, public safety, fire protection, urban parks, sewer and water, and transportation systems. We recognize that some communities may not have adequate resources to meet these objectives.
- Expanding the resources available to help communities improve public and community safety.
- Investment in public and private infrastructure to enhance a community's technological capability.

### **Transportation and Infrastructure**

- Implementation of innovative solutions, such as encouraging privatization projects, setting incentive-based peak versus off-peak user fees, High Occupancy Vehicle standards, telecommuter tax credits, and other creative mechanisms for the development and operation of transportation and other infrastructure systems.
- The development and expansion of cooperative and non-penalizing incentive-based partnerships between federal, state and local governments to provide and maintain transportation systems, schools, open space and park facilities.

### **Economic Development**

- Investment of public and private resources to address decaying infrastructure and improvement of urban, suburban and rural centers.
- The reduction of the liability and risks associated with purchasing contaminated properties while balancing environmental concerns.

- Implementation of procedures to increase the level of certainty and efficiency in the development and building permit and review processes.
- Financial incentives for the redevelopment of decaying and blighted urban, suburban and rural properties to stimulate growth and improve a community's economic vitality.

### **Principle #3 Protecting the Environment**

To maintain a region's quality of life and to protect the environment, governments at all levels should consider policies and programs that aid the control of pollution; provide for programs that encourage preservation of natural resources, significant lands and properties of historic significance; and further encourage, through incentives, the protection of endangered species, aquifers, rivers/streams, agricultural lands, wetlands, scenic vistas, natural areas, and open space. Government must recognize the importance of local decisionmaking, private property rights, and the value of a healthy economic sector. To assist communities in developing growth plans that protect the environment, NAR supports and encourages implementation of the following objectives:

#### **Objectives**

##### **Land Use Planning**

- Evolution of planning, zoning and subdivision laws to accommodate changing population, employment and growth patterns.
- Programs encouraging greater public participation throughout the land-use planning process.
- Environmental protection, natural resource and land use regulations and laws that accommodate growth needs of communities.
- Comprehensive land-use planning that recognizes the importance of and interrelationship between environmental protection, economic development, safe and efficient transportation systems, intergovernmental cooperation, and affordable housing for all members of the public.
- State incentives that provide tools to local governments to encourage collaborative and regional cooperative planning as long as it supplements local planning and does not create another layer of government.
- Land-use, environmental and natural resource regulations that strike a fair and reasonable balance between private property rights and community interests.
- Compensation to property owners when land-use, environmental and natural resource regulations unreasonably reduce or eliminate a property's economic use or value.

### **Clean Up of Contaminated Areas**

- Reduction in the liabilities and risks associated with purchasing and developing contaminated properties.
- Funding to facilitate hazardous waste cleanup that would encourage economic growth.

### **Clean Air**

- Establishing national clean air standards for air pollutants, particulate matter, mobile and point source emissions as long as states participate in the development and application of these standards. Economic incentives to achieve lower emissions are preferable to government penalties.

### **Open Space Preservation**

- Use of incentive-based programs or general public funding – as opposed to regulatory programs or real estate transfer taxes – to encourage the preservation of open space. Acquisition of property or rights for open space and agricultural land preservation should be from willing sellers only.
- A multiple-use approach to the management and maintenance of our nation’s public lands and the selective use of designating areas as wilderness and/or roadless only after receiving state, local and citizen approval.
- Adoption of innovative techniques, such as Transfer of Development Rights, conservation easements, etc., to preserve and protect agricultural lands and natural resource areas, when funded by the general public and agreed to voluntarily by affected property owners.
- Reasonable and fair land dedications for public use only when delineated or established in zoning regulations or as required by a local government in the development review process of subdivisions and large tracts of land.

### **Wetlands**

- Procedures to ensure fairness and accountability in determining what types of wetlands are regulated; priority given to preserving high-value wetlands; and encourage the use of wetlands mitigation banking and other market-driven mitigation activities.

### **Principle #4 Protecting Private Property Rights**

Private property rights are fundamental to our free-market economic system and are protected by the 5<sup>th</sup> and 14<sup>th</sup> Amendments of the United States Constitution. The continued strength of our nation's economy depends on the preservation of the right to freely own, use and transfer real property. To assist communities in developing growth plans and policies that protect private property rights, NAR supports and encourages implementation of the following objectives:

### **Objectives**

- Land-use, environmental and natural resource regulations that strike a fair and reasonable balance between private property rights and community interests.
- Compensation to property owners when land-use, environmental and natural resource regulations unreasonably reduce or eliminate a property's economic use or value.
- Legislation that provides property owners expeditious access to administrative and judicial systems at all levels – local, state and federal - to pursue Fifth Amendment takings claims or relief from other property rights violations.
- Use of planning, zoning and subdivision laws to encourage community growth and enhance property values, but not to reduce or eliminate a property's economic use or value via, for example, down-zoning.
- The need for all levels of government to be able to exercise legitimate police powers in the regulation of private property to protect the health, safety and general welfare of its citizens. However, when government actions or regulations are not founded within legitimate police powers, the government should be required to pay compensation for the inordinate burden levied on the property owner.
- Adoption of innovative techniques, such as Transfer of Development Rights, conservation easements, etc., to preserve and protect agricultural lands and natural resource areas, when funded by the general public and agreed to voluntarily by affected property owners.
- Reasonable and fair land dedications only when delineated or established in zoning regulations for public use or as required by a local government in the development review process of subdivisions and large tracts of land.

### **Principle #5 Implementing Fair And Reasonable Public Sector Fiscal Measures**

To adequately support the infrastructure needs of communities resulting from growth, governments at all levels should cooperate in the adoption of balanced, fair, equitable and incentive-based approaches to finance and pay for the development, expansion and maintenance of roads, schools, water and sewer facilities. Revenue and financing mechanisms established to pay for necessary infrastructure costs should be shared proportionally by those segments of the population served by such infrastructure. Additionally due to its importance to maintaining a strong economy, key aspects of tax policy should continue to encourage savings, investment, and

homeownership. Meaningful tax incentives such as the mortgage interest deduction provide real economic incentives that make home ownership available for many, while incentives for savings (e.g., retirement savings) and investment (e.g., low capital gains rates) promote the availability of capital necessary for economic growth. To assist communities in developing growth plans and policies that are based on fair and reasonable public sector fiscal policies, NAR supports and encourages implementation of the following objectives:

## **Objectives**

### **Economic Development**

- Maintaining a balanced and equitable approach in the imposition of taxes and/or the creation of tax incentives and inducements (e.g., tax credits, tax abatements, etc.) among the competing interests of businesses, individuals and their community.
- Incentives such as tax credits for the redevelopment of decaying and blighted urban, suburban and rural properties to stimulate growth and improve a community's economic vitality.

### **Open Space Preservation**

- The elimination of the inheritance tax. This would, among other benefits, discourage the dissolution of family-owned agricultural lands so as to preserve open space.
- Elimination of the real estate transfer tax, especially as a funding source for any costs associated with resource protection, since the costs should be borne by the general public who benefits.
- Alternative funding approaches, such as voter-approved debt, bond financing, and sales taxes on goods to pay for open space preservation.

### **Infrastructure and Public Services**

- Limiting assessment of impact fees to infrastructure-related costs directly attributable to new development. However, when impact fees are not permitted under state law (or are not appropriate), there should be a fair allocation of these costs between the public and private interests that benefit from such growth.
- Fair allocation of public service costs associated with growth (e.g., schools, parks, police, fire protection) between the public and private interests that benefit from such growth.
- Implementation of innovative solutions, such as encouraging privatization projects and setting different peak versus off-peak user fees, for the development and operation of transportation and other infrastructure systems.

## **Housing**

- Maintaining the full deductibility of mortgage interest payments for both Federal and state income taxes.
- Rejecting efforts to cite the Mortgage Interest Deduction (MID) as one of the causes of sprawling development.

## **SMART GROWTH GUIDING PRINCIPLES AND OBJECTIVES** **FEDERAL GOVERNMENT MEASURES**

In an effort to mitigate growth-related problems, improve quality of life, and maintain financial stability, communities are implementing more effective land use planning or so-called "Smart Growth" procedures. More than 17 states have enacted or considered measures that mandate or encourage better land use planning and preserve open space. Voters in 31 states approved 72% of the 240 state and local "green" referendums and ballot initiatives imposing clear restrictions on future development in November 1998.

Responding to state and local concerns about the perceived problems associated with growth, the federal government is attempting to play a more active role in helping communities manage growth and remove federal government barriers to smarter growth and redevelopment. For example, during the 106<sup>th</sup> Congress, the Clinton Administration unveiled a "livability" agenda, which would make \$2 billion in federal funds available to communities for purchasing undeveloped land, creating parks, developing alternative transportation systems and encouraging regional planning. Current Superfund reform measures include provisions encouraging redevelopment in existing urban and suburban areas by easing owner and purchaser liability on contaminated properties. At the same time, Congress and outside interests continue to examine how federal government policies, such as the Mortgage Interest Deduction, influence growth and development in communities.

Although the fate of these federal smart growth-related initiatives are uncertain, they signify a growing interest on the part of the federal government to advance policies allocating resources to states and localities to manage growth and reform existing federal laws that undermine smart growth and redevelopment. At issue is determining the extent of the federal government's involvement in helping localities manage growth and build better communities.

NAR recently commissioned a nation-wide research study with Public Opinion Strategies, a nationally recognized polling firm based in Alexandria, Virginia, to identify voter attitudes and the proper role of government in growth issues. Regarding land conservation, there is modest support among voters for using federal government incentives to protect parklands and open spaces. For instance, preserving parklands and open spaces is important to those in the Deep South, New England, and Mid-Atlantic regions. In the area of transportation funding, there is stronger support for spending federal dollars on road construction rather than mass transit systems especially among suburban and rural voters. However, support for mass transit is stronger in the New England, Mid-Atlantic, and Pacific regions. Regarding public services, voters agreed that public safety, good public schools, and transportation are top attributes in deciding where to live signifying a need to devote more resources to those areas. Regardless of the type of federal government funding allocated to localities to help manage growth, the majority of voters indicated that local government should make growth decisions in close cooperation with citizens. In fact, federal and state governments should have little, if any, role in the decision-making process. Moreover, the majority of voters support flexible, market-driven and incentive-based approaches to managing growth over federal or state government broad-based growth restriction policies. In identifying specific federal policies that undermine smarter growth in communities, the majority of voters did not believe that growth should be controlled by discouraging the purchase of new homes, through the elimination of the home mortgage interest tax deduction.

In light of these views, NAR believes the federal government can advance incentive-based policies allocating resources toward environment, transportation and public service programs, reform certain federal laws and regulations that inadvertently hinder smarter growth and development in existing urban and suburban areas, and continue to support critical laws that foster homeownership and build better communities. For these reasons, NAR supports implementation of the following objectives:

### **Advance Incentive-Based Resource Programs**

#### **Open Space Preservation**

- Use of incentive-based programs to encourage the preservation of open space. Acquisition of property or rights for open space and agricultural land preservation should be from willing sellers only.
- Federal programs that provide tools to local governments to encourage growth planning that protects the environment as long it supplements, rather than displaces, local control and decision making.
- A multiple-use approach to the management and maintenance of our nation's public lands and the selective use of designating areas as wilderness only after receiving state, local and citizen approval.
- Environmental protection, natural resource and land use regulations and laws that accommodate growth needs of communities.
- Federal environment policies that encourage, not mandate, state and local governments to consider incentive-based growth management policies.

#### **Transportation and Infrastructure**

- The role of the federal government to establish, maintain and partially fund an efficient intermodal transportation system that includes roads, bridges, tunnels and cost-effective mass transit systems provided that state and local governments play a large role in the decision making process.
- The development and expansion of cooperative and non-penalizing incentive-based partnerships between federal, state and local governments to provide and maintain transportation systems, schools, open space and park facilities.
- Protecting the integrity of transportation trust funds by ensuring that all transportation user fees be invested exclusively for their intended purpose-transportation improvements.



- Implementation of innovative solutions, such as encouraging privatization projects, setting incentive-based peak versus off-peak user fees, High Occupancy Vehicle standards, telecommuter tax credits, and other creative mechanisms for the development and operation of transportation and other infrastructure systems provided that state and local governments play a large role in the decision making process.
- Federal transportation and environment policies that encourage, not mandate, state and local governments to consider incentive-based growth management policies.

### **Public Services**

- Expanding the resources available to help communities improve public and community safety.
- Investment in public and private infrastructure to enhance a community's technological capability.

### **Remove Federal Barriers to Smart Growth**

#### **Environmental Laws**

- Reduction in the liabilities and risks associated with purchasing and developing contaminated - or perceived contaminated - properties.
- Funding to facilitate hazardous waste cleanup that would encourage economic growth.
- Procedures to ensure fairness and accountability in determining what types of wetlands are regulated; priority given to preserving high-value wetlands; and encourage the use of wetlands mitigation banking and other market-driven mitigation activities.
- Amendments to the Endangered Species Act that recognize socioeconomic impacts in designating and recovering endangered species, provide safeguards to protect private property rights and use incentives to encourage species protection, as opposed to restrictions and penalties that force compliance.
- Establishing national clean air standards for air pollutants, particulate matter and mobile source emissions as long as states participate in the development and application of these standards. Economic incentives to lower emissions are preferable to government penalties.

#### **Public Sector Fiscal Measures**

- Modifying depreciation provisions applicable to real property to permit a depreciation cost recovery period consistent with the economic life of the asset.

- The thorough evaluation of the economic impact of federal tax incentive proposals that encourage improved community livability.
- Incentives such as tax credits for the redevelopment of decaying and blighted urban, suburban and rural properties to stimulate growth and improve a community's economic vitality.
- Expansion of Empowerment Zone/Enterprise Community provisions that permit developers of brownfields to deduct or amortize over a short term the costs of cleaning up these properties.
- Maintaining and enacting meaningful tax incentives for savers while making capital available at an affordable cost in order to encourage economic growth.
- The elimination of the estate tax. This would, among other benefits, discourage the dissolution of family-owned agricultural lands so as to preserve open space.

### **Continue to Support Laws Fostering Homeownership and Communities**

In order to maintain a strong economy and build better communities, key aspects of tax policy should continue to encourage savings, investment, and homeownership. Although meaningful tax incentives such as the Mortgage Interest Deduction (MID) provide real economic incentives that make home ownership available for many, there have been efforts to connect the MID to “sprawl” related development even though its use is not restricted to particular geographical areas. For these reasons, NAR strongly:

- Supports maintaining the full deductibility of mortgage interest payments for both Federal and state income taxes.
- Rejects efforts to cite the MID as one of the causes of “sprawling” development.

**SUMMARY OF RECOMMENDED STRATEGIES THAT STRENGTHEN AND DEFINE  
THE SCOPE OF THE REALTOR® ORGANIZATION’S INVOLVEMENT  
IN SMART GROWTH ISSUES**

In accordance with the last two charges to develop strategies that strengthen and define the scope of the REALTOR® organization’s involvement in smart growth issues, the PAG recommends ten NAR strategies to address issues surrounding the growth management debate - two education and eight advocacy strategies.

Both of the education strategies directly assist state and local associations. Of the eight advocacy strategies, five *directly* assist state and local associations and three are national in scope. Detailed below are the ten strategies categorized into three phases of development and implementation and in order of priority.

The recommended strategies are based on key findings from two Government Affairs Director (GAD) focus groups conducted at the 1999 NAR Midyear Meeting and a survey conducted at the GAD Institute in August 1999. The research clearly identifies specific resources and tools, currently not available, that would be of measurable value in assisting state and local associations with growth management issues.

**PHASE ONE**

(Development and Implementation Timeline: November 1999 - August 2000)

**Education Strategies (1)**

Strategy A: Create a growth management issues training program.

**Advocacy Strategies (4)**

Strategy B: Create a national public opinion survey program on issues pertaining to responsible land-use.

Strategy C: Create a customized survey research program pertaining to advocating the sensible development and implementation of land-use policies targeted to state/local public officials and opinion leaders.

Strategy D: Develop a REALTOR advocacy publication on land-use issues targeted to state and/or local public officials and opinion leaders in participating state/local boards.

Strategy E: Implement a “quality of life” federal lobbying and communications strategy.

The first step to effectively position REALTORS® as leaders in their communities on land-use and growth management issues is to educate REALTOR® organization staff and membership. The development of a program with a menu of curriculum and training options will help to accomplish the task. At the same time, the REALTOR® organization needs to play a role in helping to educate elected officials, opinion leaders, the media, and the public about the issues surrounding the land-use debate. How? By becoming well-informed advocates. NAR can provide State and Local Associations of REALTORS® with timely and relevant national survey data pertaining to land-use issues to help position REALTORS® as the knowledgeable and credible voice on issues pertaining to responsible land-use. A national *survey program will*

assist associations with message development and strategic positioning. Early development of this program will establish benchmarks by which to measure our future progress on REALTOR® advocacy positions, create credible messages, and position the REALTOR® organization as the advocate for a reasonable approach to land-use decisions. By tracking our progress we can measure national and regional trends.

NAR could further assist interested State and Local Associations of REALTORS® by making available a customized state/local survey research program targeted to state/local public officials and opinion leaders. These surveys would simply “piggyback” the national studies conducted twice a year. How would this data be shared with target audiences --- elected officials, opinion leaders, and the media? By developing a REALTOR® advocacy publication that would contain state/local survey data, academic information, and a section on national and regional land-use trends. This approach will build REALTOR® credibility as a reliable information source on land-use and growth management issues with our target audiences.

A comprehensive federal advocacy strategy, which incorporates a communications plan, is also an essential step to position REALTOR® organization as a leader in this debate.

## **PHASE TWO**

(Development and Implementation Timeline: May 2000 - November 2000)

### **Education Strategies (1)**

Strategy F: Develop a growth management research capacity and create a land-use information clearinghouse on One REALTOR® Place.

### **Advocacy Strategies (1)**

Strategy G: Establish NAR as the leading land-use “voice” and authority among private and public official groups.

The development and implementation of phase one helps to provide State and Local Associations of REALTORS® with the necessary resources that will help position them as credible advocates for reasonable land-use policy. Phase one sets the stage for the introduction of the strategies presented in phase two.

The education strategy recommended for implementation during phase two provides interested State and Local Associations of REALTORS® more in-depth information to assist in the development of their strategic plan to address these issues. Associations who need critical analysis on how to effectively advocate growth management issues in their community, can access an information database, housed on NAR’s One REALTOR® Place. The database would contain, for example, research and “white papers” on the impact of growth management techniques as well as project analyses completed under the NAR Land-Use Initiative program.

To effectively implement the advocacy strategy presented in phase two, establishing NAR as the leading land-use “voice” and authority among private and public official groups, the elements of phase one need to be in motion. NAR will need to be regarded as a key information source on land-use and growth management issues to get the attention of federal, state, and local elected officials and the private sector. This is achieved through the national survey research program, and enhanced by the State and Local Associations of REALTORS® who participate in the customized state/local survey research program and REALTOR® advocacy publication.

Many of the public sector groups targeted to collaborate with to seek common ground on these issues are comprised of state/local elected officials (e.g. National Conference of State Legislators, National Association of Counties) rather than federal officials. To establish NAR as the authoritative “voice” on responsible land-use policies through the use of our survey research and academic research will require strategic advocacy directed to all levels of government and collaboration with targeted private and public sector groups.

### **PHASE THREE**

(Development and Implementation Timeline: August 2000 - November 2000)

#### **Advocacy Strategies (3)**

- Strategy H: Implement long term plan for NAR’s Land-Use Initiative Program.
- Strategy I: Establish a program to provide customized state smart growth legislation, at the request of a state association, modeled to their specific legislative needs.
- Strategy J: Provide information to assist local boards in identifying their Government Affairs representation needs.

The NAR Land-Use Initiative program, introduced in February 1999, provides state and local associations with timely and reliable legal and technical analysis of proposed land-use initiatives. Armed with this information, participating State and Local Associations of REALTORS® can be more effective advocates for rational land-use and development policies with their public officials. The program has proved to be extremely successful and of tremendous value to our State and Local Associations of REALTORS®. To develop a thorough and comprehensive long-term plan for the program, an assessment of the program through its first year cycle (pilot test phase) and into the second year cycle would be ideal. Trends could be identified based on state legislative calendars and the ebb and flow of local jurisdictions which control land-use and growth management decisions. Therefore, possible enhancements to this program should be implemented during phase three of the overall plan.

For these same reasons it would be instructive to delay implementation of the recommended program to provide customized state smart growth legislation, at the request of a state association. This program would serve to compliment the NAR Land-Use Initiative program. The creation of model smart growth legislation would allow participating state associations to play a leadership role in the decisions and approach to growth management in their state.

Finally, providing information to assist local boards identify their government affairs representation needs can best be accomplished after the recommended programs in phase one and phase two are fully operational. Local associations that require this type of assistance are more likely to emerge as a result of the exposure to, and the enactment of, strategies such as the training program, customized local survey research program, and/or the REALTOR® advocacy publication.