



**Housing Assistance Council**

**LOST IN THE TRANSLATION:  
SMART GROWTH,  
LOCAL PLANNING, AND  
RURAL AFFORDABLE HOUSING**

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HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services. HAC is an equal opportunity lender.

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## **EXECUTIVE SUMMARY**

An increasing number of states have enacted comprehensive growth management initiatives that focus resources on existing cities and preserve open space in the country in order to curb outwardly sprawling development. This policy trend – increasingly known as smart growth – not only limits growth, but also attempts to coordinate growth on a regional level, in a way that reflects state growth goals. Proponents of smart growth also emphasize the importance of design innovations that use space efficiently, mix land uses, and provide transportation alternatives to automobile commuting. A number of organizations have evaluated smart growth in terms of its impact on urban housing affordability; however, there have been no national studies to systematically assess the impact of smart growth on rural housing.

In order to identify the impact that smart growth tools have had on rural housing affordability, the Housing Assistance Council (HAC) analyzed the growth management initiatives of 13 states and convened a roundtable of rural housing developers and smart growth activists on February 28, 2000. The roundtable panelists first identified a number of tools used in the local implementation of smart growth:

- ⊞ regional and state limitations on development (such as urban growth boundaries, priority funding areas, and adequate facilities requirements);
- ⊞ local land use planning and regulatory tools (such as zoning, comprehensive planning, impact fees, growth rate and housing caps, building moratoria, and minimum lot/price requirements);
- ⊞ tax incentives or regulatory waivers for urban infill, mixed-use, and/or brownfield development;
- ⊞ purchase of agricultural conservation easements and development rights;
- ⊞ right to farm laws; and
- ⊞ funding for public transportation.

The panelists then discussed how these tools impact rural areas. All concluded that rural housing affordability has been constrained by the way in which localities interpret and enact smart growth. The panelists expressed concern that smart growth legislation in their states rarely assesses the impact on the cost of rural housing, and that earmarking state funds for areas with established infrastructure can disadvantage rural communities.

Due to a combination of fragmented local land use planning and the lack of inclusion of rural housing advocates in state smart growth policy making, the holistic vision of smart growth is often lost in the translation from state policy formulation to local implementation. While the many overlapping governmental and regulatory bodies at a local level thwart regional planning through uncoordinated land-use decisions and competing agendas, regional planning can also backfire against rural areas if rural developers are not brought to the table. With this consideration in mind, the roundtable panelists offered several recommendations to governments contemplating “smarter growth”:

- △ Prioritize both affordable housing and the environment in rural areas.
- △ Encourage regional planning, but ensure that rural practitioners and nonprofits are at the table from the beginning of the process.
- △ Slow the growth of large-lot housing, not affordable, modest housing.
- △ Use inclusionary zoning to keep housing affordable.
- △ Promote more extensive quantitative research on the links between growth, smart growth, and rural housing costs.

## INTRODUCTION

Smart growth is almost exclusively thought of as a framework for directing urban development. Much of the smart growth discussion, as it pertains to rural areas, has focused on preserving open space and protecting the environment. What this discussion tends to leave out, however, is that there are housing needs in rural areas as well as in suburban and inner city areas. As of 2001, more than 1.6 million nonmetropolitan households (6.9 percent) lived in units that were physically inadequate (HAC 2002, 30). These units often had structural problems that included cracks in the walls, leaking roofs, and unreliable heating, plumbing, or electrical systems. Twenty-five percent of all nonmetro households were cost burdened, paying more than 30 percent of their income for housing costs. This figure included over 2.4 million rural households that were paying more than half their incomes for their housing (HAC 2002, 28).

There has been little critical debate as to the impacts of smart growth efforts on the stock of affordable housing in rural America. This study is an attempt to present a set of rural housing concerns that could be used to inform future smart growth initiatives.

### **Methodology**

In order to determine the scope of smart growth activities across the country and identify the rural housing issues that are most affected by these actions, HAC convened a roundtable of rural housing advocates and smart growth activists. This roundtable was held on February 28, 2000 at the HAC National Office in Washington, D.C. The complete list of questions posed to the roundtable participants is included in Appendix B.

The following questions, which were posed to the roundtable panelist, formed the foundation of HAC's analysis.

- △ How has smart growth legislation addressed rural areas?
- △ How have rural interests been defined in smart growth dialogues?
- △ What has been the impact of growth management tools on rural housing?
- △ Has housing development been limited in rural areas due to smart growth? If so, how?
- △ Are rural areas that are adjacent to metropolitan areas impacted differently by smart growth than more isolated, non-adjacent rural areas?

A list of roundtable participants follows.<sup>1</sup>

- △ Sarah Carpenter, Vermont Housing Finance Agency
- △ Donna Fairbanks, U.S. Department of Agriculture Rural Development
- △ Debby Goldberg, Center for Community Change
- △ Oliver Jerschow, Urban Land Institute
- △ Dana Jones, Southern Maryland Tri-County Community Action Agency\*
- △ Leah Kalinosky, National Neighborhood Coalition
- △ Claudia Shay, Self Help Housing Corporation of Hawaii\*

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<sup>1</sup> Asterisks denote panelists that participated by telephone.

- △ Steven Walker, Washington State Housing Finance Agency\*
- △ Betty Weiss, National Neighborhood Coalition

In addition to the roundtable analysis, HAC also conducted an analysis of state smart growth initiatives as of spring 2000. This report presents a discussion of the rural housing development issues that are impacted by growth management according to those analyses. The examination of these issues is supplemented by data collected from the 1997 American Housing Survey. Population growth and housing development data collected by various state governments and rural housing developers are also included in the analysis.

**Background: Sprawl, Smart Growth, and Rural Areas**

*[Smart growth] is very much about curbing suburban sprawl and reinvesting in the inner cities. And I think what's left out [of the discussion] is what this means for rural areas.*

(HAC roundtable participant)

As housing subdivisions and snarled traffic have replaced open space and farmland, state and local governments across the country have designed and implemented growth management initiatives<sup>2</sup> to address the problems associated with sprawling development. In association with these initiatives, the concept of smart growth has recently gained popularity. This report will begin with an operational definition of smart growth that relies on two key assumptions. For the purposes of the research presented below, smart growth will be defined as land use planning and growth management that:

- △ means more than simply limiting development;
- △ is regional or statewide in its vision (as opposed to local);
- △ provides for the purchase or preservation of green space or farmland;
- △ reduces the need for commuting through mixed-use development or mass transit planning;
- △ facilitates interjurisdictional coordination of land use planning and regulation; and
- △ promotes more compact, infill development in existing population centers.

The first assumption behind this definition is that, for a state growth management policy to qualify as smart growth, it must fulfill all of the above criteria. For instance, a state growth management initiative that proposes to limit growth by requiring urban growth boundaries of all municipalities, but does not provide any funding for the preservation of green space, will not – for the purposes of this report – be a smart growth initiative. Such an initiative will be referred to as a “growth management initiative” that has some smart growth elements.

A second key assumption behind this report is that the local reality of smart growth has a much greater impact on rural low-income populations than smart growth as an ideal. Many national

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<sup>2</sup> Because most state growth management initiatives are passed by a variety of means, including ballot box initiatives, state legislation and executive orders, this report will use the term “initiatives” to indicate state growth management activities in the generic sense, unless referring to a specific piece of state legislation.

smart growth advocates take issue with several local zoning practices that would be more accurately identified as “slow growth” (such as residential downzoning to lower densities). However, while smart growth, by its definition, is regional and holistic in its vision, the way in which this vision is implemented at the local level will determine how local residents and affordable housing advocates experience “smart growth.” For the purposes of this report, when there are local land use regulations that are implemented in the name of smart growth, but that contradict the definition above, the term “smart growth” will be used in quotation marks.

### ***Defining Rural***

There are many definitions of what constitutes a rural area. In a 2001 roundtable held at the Housing Assistance Council on this subject, participants said rural areas are generally thought of as having open spaces and small communities, farms and forests, unpaved roads, automobile-dependent transportation, and a high percentage of mobile homes. Different organizations and government entities have come up with several ways of translating the general notion of “rural” into operational definitions for data analysis.

HAC has occasionally defined rural as any area that is not urbanized. The U.S. Census Bureau has used a much more restrictive definition, with rural areas defined as those with populations under 2,500, located outside of urbanized areas or in open country. Both of these definitions are different from the Office of Management and Budget (OMB) definition of “nonmetropolitan,” or all areas lying outside of metropolitan statistical areas (MSAs).

In most cases, this report uses the term rural in its general or colloquial sense. However, when the term is used with specific data, either Census-defined rural or nonmetropolitan is used and specified.

### ***Consequences of Sprawl in Rural Communities***

As a policy framework, the original concern of smart growth was the prevention and eventual reversal of urban sprawl. Sprawling land use has changed the landscape of many American communities. Danielson et al. (1999a, 12) defines sprawl as a form of suburban development that results in unlimited outward expansion. The land use most often associated with sprawl – low-density, single-use zoning – has been the predominant pattern of growth and development in this country since the late 1950s (Katz and Bradley 1999, 2). According to recent scholarship, sprawl has historically been driven by a number of factors, including industrial deconcentration (Bingham and Mier 1993), government highway development (Katz and Bradley 1999; ERS 1999a), mortgage interest tax subsidies (Daniels 1999; Squires 1994), annexation (Kasarda et al. 1997), and racial segregation (Massey and Denton 1988; Powell 1999).

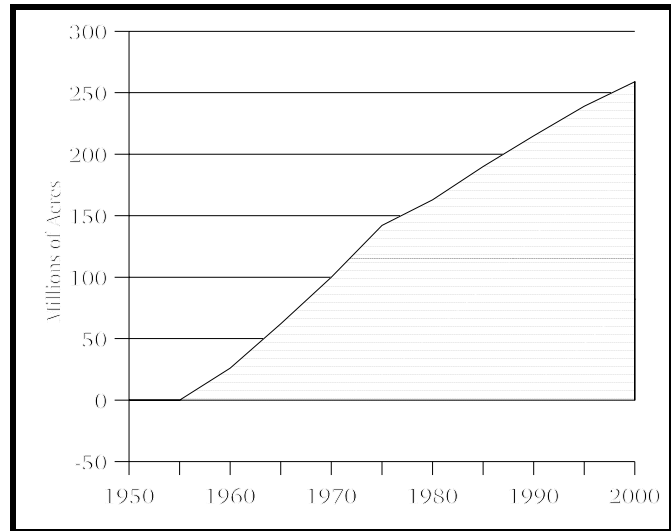
Sprawl has been linked to increased traffic congestion, concentrated poverty in inner cities, strained municipal resources, regional fragmentation, and environmental degradation (Burchell et al. 2000; Sierra Club 1999; Katz and Bradley 1999). Although sprawl was first viewed as an environmental issue, the anti-sprawl movement brought to light wasteful and inefficient use of land and natural resources. Public understanding of sprawl, its causes, and its effects, has increased as sprawling land use has escalated. In addition to its effect on the environment, the extent to which sprawl is both created by and contributes to major social and political problems has become a matter of concern among a variety of interests. In rural communities, however,



sprawl has brought about a set of issues and concerns that are in many ways different from those experienced in urban and suburban communities.

### *Rural Land Loss*

One of the major criticisms of urban sprawl has been the extent to which this type of development consumes rural land, threatening existing farmland and the viability of a rural way of life. More than 250 million acres of agricultural land have been lost since the 1950s. As Figure 1 shows, since 1960 the development of agricultural land has continued largely unabated (USDA NASS 2001). According to the American Farmland Trust, over 70 percent of prime or unique farm land is currently in the path of rapid development.<sup>3</sup> Data from the National Resources Inventory revealed that cropland, conservation land, pastureland, and rangeland declined by a total of 34 million acres from 1982 to 1997. During the same time period, the total acreage of developed land increased by 25 million acres (USDA NRCS 2000). Land conservation advocates argue that these open spaces are in jeopardy of being converted to “big box” retail stores, office complexes, and rambling, large-lot estates.<sup>4</sup>



**Figure 1.** Cumulative Agricultural Land Loss, 1950 to 2000.

Source: USDA NASS 2001.

### *Rural Housing Cost Increases*

Sprawling land use and population growth have generally had negative impacts on housing affordability and property taxes in rural areas. Increased competition for a limited amount of land and a limited number of housing units generally drives up home prices and rents in a given community. A 2000 HAC publication on rural boomtowns – areas of extreme growth – assessed the connection between economic development and affordable housing. HAC found that extremely high levels of growth had a negative impact on the affordability of housing units for lower-income households (HAC 2000c).

Higher property taxes, in turn, result in a greater percentage of household income being spent on housing-related costs. High taxes impact both homeowners and renters, who see property tax increases passed on to them in the form of higher rent. According to a report by the National Association of Counties (NACo), recent population growth in small counties has caused property taxes to rise. NACo’s survey of 500 counties found that 77 percent raised property taxes during

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<sup>3</sup> The Sierra Club has monitored the loss of open space, forests, and agricultural land in the United States. See Sierra Club 1999.

<sup>4</sup> “Big box” stores are retail stores that typically cover at least 100,000 square feet in area, sell general merchandise, and are devoid of distinctive architectural features (Zellner and Bernstein 2000).

the 1996-1999 period. Fifty-one percent did so in response to growth and 41 percent because of declining revenues. Of the 174 counties that raised taxes due to growth, 104 had populations under 10,000 (NACo 1999).

### *Rural Population Gains*

While sprawl has been blamed for natural resource depletion and rising housing costs in rural areas, it has also coincided with population growth in many rural communities, reversing migration patterns that have depopulated rural communities for many years. According to Johnson (1999, 9), from 1930 to 1970, more than 17 million people left nonmetropolitan counties to settle in urban communities. Since the 1970s, however, many nonmetropolitan areas have experienced a “rural rebound.” From 1990 to 1998, more than 71 percent of all nonmetropolitan counties gained population, and migration accounted for much of this growth. Nonmetropolitan growth was most explosive at the metropolitan fringe, as 84 percent of all metropolitan adjacent counties experienced growth, compared with 61 percent of non-adjacent counties.

The Economic Research Service (ERS) in 1996 found that the nonmetropolitan economy as a whole improved during the 1990s, while population and industrial growth was shifting to nonmetro areas. Unemployment among nonmetro workers declined throughout the 1990s, and wages increased as well. Nonetheless, the “rural rebound” has not resulted in a narrowing of the socioeconomic gap that exists between metropolitan and nonmetropolitan households. Nonmetro areas continue to lag behind metropolitan areas in terms of income; in fact, the “rural-urban gap” in earnings per nonfarm job had grown from \$8,073 in 1989 to \$9,225 in 1996.

### *Smart Growth, Growth Management, and Planning in Rural America*

Smart growth has been viewed by many as a way to address the multiple negative impacts of sprawling land development. Studies have begun to assess the potential impacts of smart growth on urban populations and housing (Danielson et al. 1999a; Danielson 1999b), racial segregation (powell 1999), and farmland protection (Sierra Club 1999). Few studies, however, have assessed the impact of smart growth legislation on rural areas, beyond the preservation of farmlands and the protection of rural character. Organizations such as the National Neighborhood Coalition (NNC) and Smart Growth America (SGA) have developed smart growth principles that acknowledge the importance of rural communities and affordable housing in the smart growth dialogue (NNC 2000; SGA 2000). However, in order to gain a clearer understanding of how smart growth impacts rural affordable housing, it is necessary to have a clear understanding of smart growth as a concept.

The U.S. has had planning legislation since 1913, when the state of Massachusetts passed a law requiring all cities over 10,000 in population to create planning commissions (Smith 1993, 24). Since that time, there has evolved a series of theories concerning how communities should plan for growth and what they should prioritize in planning.

In the late 1960s and 1970s, growth management gained currency as a response to rapid-fire suburbanization, particularly in California. Early growth management (or “slow growth”) emphasized preservation of open spaces and natural resources through strict controls on

residential growth (whether through downzoning or building moratoria) and infrastructure (through water and sewer moratoria), as well as separation of land uses and minimization of taxpayer costs through impact fees and development review requirements (Nelson 2001; Daniels 1999).<sup>5</sup>

According to the nationally available literature on the subject available as of spring 2000, smart growth departs from growth management/slow growth, in that it proposes to preserve open spaces through increasing density and promoting mixed-used development in population centers (rather than simply curtailing residential development). The modern smart growth movement, which was an initiative of a variety of entities concerned with planning, environmental, housing, and transportation issues, did not appear until the mid 1990s. Smart growth also proposes to reduce sprawl and traffic through an emphasis on transportation alternatives and “walkable” urban design. Smart growth initiatives have provided more incentives for open space preservation through an emphasis on purchase of conservation easements, transfer of development rights, and land trust programs. Private financial institutions such as banks, government sponsored entities, and foundations are increasingly placing priority on funding community development projects that adhere to smart growth principles.

The definition of smart growth varies between groups and is still evolving. However, smart growth advocates fairly consistently promote three themes:

- ⊠ redirecting growth toward established population areas and infrastructure conservation;
- ⊠ protecting open space, farmland, and natural resources; and
- ⊠ reorienting transportation away from single-use vehicle commuting and more toward mass transit and pedestrian-friendly environments.

While smart growth, as a concept advocated for by the national organizations in Table 1, is fairly clear about what it wants to accomplish, it is far less clear how these goals should be implemented. Smart growth proponents increasingly place an emphasis on regional planning and coalition-building. However, land use planning in the United States has historically been extremely fragmented and localized (Logan and Molotch 1988; Daniels 1999). In many municipalities, land use activities are governed by a number of political and regulatory entities, some with overlapping jurisdictions. While planners and policy makers on a state level may have a certain vision of smart growth in mind, the multiple local entities in charge of managing growth may not be aware of this vision or may have competing agendas. As a result, regional comprehensive planning often falls apart at the local level (Daniels 1999, 137).

The highly localized planning structure in the U.S. means that smart growth is subject to a large amount of interpretation by local constituencies, as it filters into actual land use decisions. Unfortunately, localized planning sometimes reinforces another phenomenon: NIMBY (or “not in my back yard”) land use politics that oppose any development that is perceived to compromise home values or increase density – particularly low-income and multifamily developments. NIMBY politics are not only bolstered by the influence of local affluent homeowners, they are

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<sup>5</sup> Critics of “slow growth” initiatives in the 1970s and 1980s referred to the movement as “no growth,” because they alleged that the initiatives choked off viable development.

also reinforced by state and local fiscal structures that make localities dependent on real estate taxes for infrastructure and services. Consequently, “for many hundreds of communities, usually suburban communities, state fiscal structures reward them for pursuing exclusionary housing practices. This leads to local zoning requiring large lots, large homes, low densities and restrictions against apartments” (Nelson 2000a, 5). As a result, scholars have observed that “in some places, the term ‘smart growth’ is used to justify exclusionary zoning practices, because they consider it ‘smart’ to exclude low- and moderate-income households” (Nelson 2000a, 4).

**Table 1. Visions of Smart Growth**

<b>Author/ Group</b>	<b>Control Outward Growth</b>	<b>Revitalize Inner Areas (promote density)<sup>6</sup></b>	<b>Preserve Land/ Natural Resources</b>	<b>Regional Planning /Coalitions</b>	<b>Design Innovation</b>	<b>Transportation Reorientation</b>	<b>Jobs/ Housing Balance (mixed use)</b>	<b>Affordable Housing</b>	<b>Fair Housing / “Life Cycle” Housing</b>
Sierra Club 2000	√	√	√			√			
Burchell et al. 2000	√	√	√		√	√			
Porter 2000	√	√	√		√	√			
ULI 1999 <sup>7</sup>		√	√	√		√	√		
Danielson et al. 1999a; Danielson 1999b		√	√		√	√	√	√	√
Nelson 2001	√	√	√		√	√	√	√	√
NNC 2000 <sup>8</sup>		√	√	√		√		√	√
SGA 2000 <sup>9</sup>		√	√	√		√	√	√	

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<sup>6</sup> Includes the notion of upgrading or building on existing infrastructure, rather than adding on new infrastructure.

<sup>7</sup> Urban Land Institute.

<sup>8</sup> National Neighborhood Coalition.

<sup>9</sup> Smart Growth America.

### ***Smart Growth as an Ideal***

In the best of all possible worlds, smart growth would function in a comprehensive, systemic manner, assessing housing and infrastructure needs for existing populations and planning based on those needs, avoiding construction in greenfields where possible. The planning process on which smart growth policies were developed would include meaningful citizen participation. Jobs, housing, and public schools would be located as closely together as possible to reduce the need to commute, and mass transit, bicycle paths, and pedestrian walkways would all be readily accessible transportation options. Affordable housing would be available to all people at all income levels and stages of life, in a variety of tenures, locations, and architectural configurations. Prime farmland and open space would be preserved through programs that purchase agricultural conservation easements or transfer development rights. The “three Es” of smart growth (economy, environment, and equity) would all be served within each region, instead of having breakaway suburbs competing for resources with the central city and inner-suburb residents.

Smart growth advocates have proposed that smart growth practices can benefit society as a whole in ways that traditional development patterns cannot. Proponents argue that smart growth planning strategies should result in lower land consumption, as development is directed to land that is already developed. Thus, farmland, scenic open space, and natural resources would be preserved for future generations. Communities may also benefit from smart growth as these strategies could lead to increased fiscal savings on infrastructure, roads, and schools, as investment would not be necessary to bring these resources to isolated, previously undeveloped areas (Public Agenda 1999, 9).

## **STATE GROWTH MANAGEMENT INITIATIVES AND LOCAL IMPLEMENTATION**

*Smart growth is an effort, through the use of public and private subsidies, to create a supportive environment for refocusing a share of regional growth within central cities and inner suburbs. At the same time, a share of growth is taken away from the rural and undeveloped portions of the metropolitan area.*

(Burchell et al. 2000, 823)

HAC's analysis of the impact of smart growth on rural housing included an examination of the various tools used in state growth management legislation or ballot box initiatives. The following brief review of state smart growth initiatives is used to illustrate the various strategies and methods that have been used to encourage or require communities to plan for future growth.

Concern over the impacts of sprawling development have led many states and localities to adopt growth management legislation. A number of states require local communities to plan for future growth and in many cases limit and direct this growth. As of March 2000, 13 states had passed growth management legislation that directs local governments to plan for future development. Much of this legislation included tools and strategies that have been identified as components of smart growth (i.e., protection of open space and directing investment to urbanized areas). A table summarizing each state's legislation can be found in Appendix A.

While there are a number of growth management laws across the country, as of May 2000, only Florida and Maryland could be said to practice smart growth on a state level. Florida's 1972 State Comprehensive Plan provided for land preservation through state acquisitions, planned transportation, and state incentives to develop in downtown areas. Florida also established Regional Planning Councils to facilitate interjurisdictional planning, and local comprehensive plans, including housing elements, were required after 1975. Florida's 1985 Growth Management and Land Development Regulation Act amended the 1972 law to include state oversight of comprehensive planning.

Maryland was the first state to use the term "smart growth" for its 1997 growth management legislation package, which redirected state and federal development funds to Priority Funding Areas (PFAs), preserved rural lands, and provided funds to develop housing near major employers and to clean up brownfields (Burchell et al. 2000, 848). Washington state and Vermont come close to having smart growth programs through initiatives that feature land preservation, coordinated planning, and programs for infill development. However, neither state has programs to fund mixed-use development or transportation reorientation as explicit parts of their initiatives.

Governors from other states across the nation have begun discussing the potential benefits of smart growth planning. Hundreds of local governments have also begun to develop ordinances to protect rural land and focus development in urban centers.

## **Identifying State Tools to Encourage Smart Growth**

The set of policy tools that are used to discourage sprawl and work toward smart growth operate in different ways at different levels of government. At the state level, the most common tools used to promote smart growth goals are:

- △ general planning-enabling legislation,
- △ specific initiatives/legislation regarding state funding, and
- △ programs that fund specific smart growth initiatives.

In its most basic sense, land use planning is an attempt to bring order to development patterns in a community and make the best use of available land while preserving options for the future. When localities seek to limit the negative impacts of sprawl and redirect development, they must first look to the planning laws of their states. However, the American Planning Association has found that 24 states have planning-enabling legislation that is based on – or similar to – a 1928 model planning statute, the Standard City Planning Enabling Act (SCPEA), and have not updated their planning enabling legislation since. The SCPEA model is most common in the highly rural Rocky Mountain states and the Midwest region, and does not have any provisions to deal with open space preservation or to curb sprawl (APA 1999, 7, 9). More comprehensive planning provisions are the most common element of the growth management acts passed by the 13 states with smart growth initiatives. While some states now mandate planning by counties or municipalities, other states have also required certain municipalities to establish urban growth boundaries or adequate public facility (APF) requirements.<sup>10</sup>

Several states have also sought to direct public investments as a way to direct development from undeveloped areas to developed areas (Urban Land Institute 1999, 2).<sup>11</sup> Panelists at HAC's smart growth roundtable communicated that government investment in infrastructure and housing is often used as a tool to encourage development in some areas and discourage it in others. For example, the Washington state growth management legislation gives funding priority to those counties with comprehensive planning documents in place.

Finally, several states have initiated programs that fund specific initiatives. The Maryland and Vermont initiatives provide state funding for purchase of agricultural conservation easements to preserve open space. Minnesota's legislation provides for an inclusionary housing account and incentives for the development of affordable, mixed-income housing in the Minneapolis-St. Paul metropolitan area.

### ***Lost in the Translation: Tools Used in Local "Smart Growth" Implementation***

Once state planning-enabling legislation is in place with a clear set of growth management goals, it is up to counties and municipalities to decide whether and how they wish to regulate the course of development locally and what they wish to prioritize in their land use planning

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<sup>10</sup> APF requirements call for developers to provide evidence of streets, schools, sewer and water lines in order to build.

<sup>11</sup> This strategy is discussed below in the "Smart Growth as Local Reality" section, p. 20.



decisions. Because land use decisions are overwhelmingly made locally, there is no guarantee that the state-defined “smart growth” will be the same as the local vision of “smart growth.” For some smart growth to be effective, its implementation must be regional because the problems associated with growth tend to be regional. If growth in one municipality goes unchecked, the impacts on regional water systems, highway capacity, and housing availability will spread beyond that municipality into other towns and unincorporated areas. In fact, local tools used to implement state programs can have results that are completely antithetical to state goals. It is valid to argue that the local “smart growth” implementation tools below do not reflect smart growth as an ideal; however, they are how smart growth is overwhelmingly interpreted locally – and consequently, they shape the local reality of “smart growth” for the rural low-income housing practitioners who must develop within their constraints.

### Local Land Use Regulation

Communities commonly use their regulatory powers to limit the types and amount of development that are permitted in given areas. Local land use tools include:

- △ *zoning* – laws restricting types of land uses, including the density of development, to specific geographical areas;
- △ *impact fees* – payments from a developer to cover the cost of providing new services for a new development;
- △ *growth rate caps* – limitations on the percentage rate of annual growth in a municipality;
- △ *housing caps* – limitations on the number of houses built each year; and
- △ *moratoria* – measures temporarily preventing any new construction.

At the local level, the “smart growth” goal of protecting farmland and rural landscapes is overwhelmingly addressed through zoning decisions (Daniels 1999, 217).

Every state provides property tax relief for owners of agricultural land and protection from nuisance lawsuits for farmers. However, when local planners and government officials decide how to delineate rural and agricultural zones, often the first tool deployed is downzoning – reducing the density of residential development in rural areas or conservation districts. One argument for doing so is that, in order for agricultural zoning to remain viable, residential areas need to be separated from agricultural land uses so that farmers are free to engage in their trade without fear of nuisance lawsuits from neighbors who are offended by the odors of farm animals and the noise of farm machinery (AFT 1998, 2). Another argument is that rural air and water quality can be maintained only if the land is not developed beyond its carrying capacity (i.e., the maximum number of people that can live in an area without significant environmental degradation taking place) (Daniels 1999, 83). When localities downzone, however, the results are often at odds with the goal of preserving agriculture and open space, because parcels are not quite large enough to support a viable farm or forestry business.

Low-density zoning also tends to lead to sprawling development because politically vulnerable officials are under pressure to approve land uses that will fill local tax coffers without draining public resources. For example, large-lot estates bring in large amounts of tax dollars with far fewer children to educate in public schools than high-density, multifamily developments. Because schooling tends to take up the majority of most local budgets, local officials are easily

persuaded to grant exemptions, waivers, and changes of land-use designations for high-dollar, low-density projects (Daniels 1999, 38, 218). Since Oregon has instituted its land conservation initiatives (which include applying farm and forest zoning to 26 million acres across the state), there has been an increase in the number of ‘hobby farmers,’ who claim to farm in order to be allowed to build and reside on vast parcels of rural land. The Oregon Farm Bureau estimates that 17,000 of the state’s 37,500 farms are hobby-type farms – farms that sit on 50 acres of land or less and produce less than \$10,000 in farm income a year (Franzen 1998).

### ***How Rural is Rural? The Zoning Paradox of the D.C. Metro Area***

As suburbs in the Washington, D.C. area continue to craft restrictive land use regulations in an effort to preserve land, they face some knotty questions: Do the restrictions preserve meaningful open space or do they constitute what planners sometimes call “snob zoning” – carving up land into lots so big that home prices start at \$500,000? Is a private golf course what people mean when they say they want more open space? More significantly, do these regulations, so often described as an antidote to suburban sprawl, simply create a more widespread and costly version?

Density restrictions vary across the area. The most common rural or conservation zoning standard in the area is one unit per three to five acres. In Loudon, for example, the most prevalent rural zoning limits builders to one home per three acres. County leaders have considered raising the bar to one home per 10 or 20 acres, with the development clustered. “One home for every three or five or even seven acres is not rural,” says Loudon’s planning director, Julie Pastor. “It’s a residential area, but in a more spread-out way.”

Some argue that when suburbanites say they want rural, what they really mean is an idealized version. “They don’t want dirt roads, or schools where they don’t teach physics or French, or where people leave busted-up cars in their front yards,” said Randall Arendt, author of *Rural by Design*. “What they want is the *feeling* of rural.”

See Whorisky 2001.

### *Conservation Easements and Transfer of Development Rights*

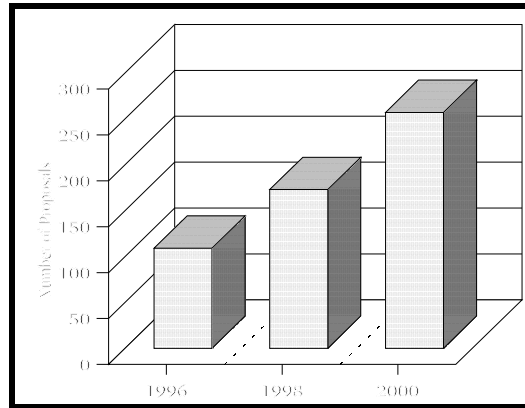
Because rural and conservation zoning have limited success in preserving working agricultural land, many state and local governments have gone beyond these limited tools to protect open space and conserve farmland.<sup>12</sup> In 1998 there were 173 ballot proposals across the nation to allow the use of public funds to preserve open space, rising to 257 proposals in 2000 (Figure 2) (American Farmland Trust 1999; Myers and Puentes 2000). Sixteen states allow farmers to farm agricultural districts where commercial agriculture is protected and encouraged.<sup>13</sup> Farmers who join the district are given automatic eligibility for differential land assessment, protection from eminent domain and annexation, and certain exemptions from local tax assessments.

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<sup>12</sup> See American Farmland Trust website ([www.farmland.org](http://www.farmland.org)) for a review of the tools used to protect and conserve farmland.

<sup>13</sup> See American Farmland Trust (1999) for a list of states that provide these protections.

Several states have taken farmland protection a step further and created purchase of agriculture conservation easement (PACE) programs, wherein the state or local government pays farmers to protect their land from development. Under PACE programs, landowners sell agricultural easements to government agencies or private conservation organizations. The farmers are paid the difference between the value of the land for agriculture and the value of the land at its “highest and best use.” Another method of open space preservation is the transfer of development rights (TDRs), where (for example) a parcel of land in a planning district that has development rights for five housing units per acre can transfer those rights to another parcel of land within the same district. Thus, the first parcel of land would be kept as open space and the second parcel would be able to develop at a higher density, making more efficient use of the land.



**Figure 2.** State and Local Proposals to Buy Green Space: 1996 to 2000. Source: AFT 1999; Myers and Puentes 2000.

As these strategies have been used with more regularity, some issues have emerged that are similar to those of low-density zoning. PACE programs and TDRs must persuade farmers that they will receive more for their land under a PACE program than they will if they sell their land for development. Unfortunately, given the pressures of development on areas of the urban fringe, it is often more tempting for farmers to sell the land for development. States such as Vermont have land trust programs that not only purchase the land, but keep it as either agricultural land or open space in perpetuity; in other words, the agricultural or open space designation is a permanent part of the land title and “travels” with it, regardless of ownership. However – once again – farmers must still be persuaded that it is a better deal to sell to a land trust than to a developer.

### Urban Growth Boundaries

Urban growth boundaries (UGBs) are devices used to designate areas where development is limited. Upon setting a growth boundary, a community is clearly stating that it will not use its resources to extend public water and sewer lines beyond the growth boundary. Because UGBs promote compact development, they can reduce sprawl and lead to fiscal savings for local governments. As of spring 2000, Florida, Maryland, New Jersey, Oregon, Vermont, and Washington all used or encouraged growth boundaries in their managed growth initiatives (Figure 3). Lexington, Ky. became one of the first local governments to employ the UGB over 40 years ago.

Most studies of the housing impacts of urban growth boundaries have focused on urban housing costs. According to Daniels (1999, 190), “A growth boundary may involve a conscious trade off between conserving open space and public services and achieving investment in the core city downtown and higher home prices.” As services, infrastructure, and a greater amount of housing development are concentrated within the zone, many advocacy groups express concern that the value of the land and properties within the zone can increase dramatically, creating housing

- △ California (allows referenda to create UGBs)
- △ Florida (requires sewer, water, and roads to be in place before development occurs)
- △ Maryland (allows UGBs to be set with state review)
- △ New Jersey (growth centers were identified as part of 1992 state land use plan)
- △ Oregon (requires UGBs for counties and municipalities with state review)
- △ Vermont (growth center concept recommended in 1988 Act 200)
- △ Washington (UGBs encouraged in 1990 state land use act)

**Figure 3.** States with Programs That Allow, Encourage, or Require Growth Boundaries. Source: Daniels 1999, 193.

affordability issues for existing low-income communities. The Portland, Ore. growth boundary has been the subject of numerous studies, most of which indicate that – while there has been an increase in housing prices since the establishment of the UGB – other cities without growth boundaries (such as Atlanta) have seen comparable increases (Nelson 2000a). In addition, Portland’s price increases can also be attributed to other regional growth trends, and they have been mitigated significantly by quality of life factors (such as increasing incomes and declining transportation costs) (Phillips and Goodstein 1998; Nelson 2000b). Finally, a quantitative study of 1,168 planning jurisdictions (representing 32 percent of the nation’s residents), their land use controls, and their population and housing characteristics, indicated that urban growth boundaries did not have any statistically significant effect on the growth of single-family units, multifamily units, or affordable rentals (Pendall 2000, 136).

A greater concern to rural advocates is that, to the extent that urban growth boundaries define areas for growth, they can also define areas of investment and limit the outward flow of resources (i.e., public investments) from the center to more isolated areas. Maryland’s Priority Funding Area (PFA) strategy (described in detail on p. 35), which is a variation of the UGB, states that public provision of key infrastructure will not be funded outside of PFA boundaries. Thus, those areas outside of PFA boundaries may lose out on resources, regardless of need. In addition, the kind of development most responsible for sprawl – large-lot development – is far less affected by the lack of state funds outside PFA boundaries, because developers of market rate housing are far less dependent on government subsidies and infrastructure than developers of affordable housing.<sup>14</sup>

Many rural communities are also concerned that the improper management of growth boundaries may inadvertently contribute to “leapfrog” development, wherein growth is simply pushed into neighboring jurisdictions where development is not restricted (Daniels 1999, 175). Anthony Downs, a Brookings Institution Senior Fellow, has commented that leapfrog development is an inevitable consequence of local growth boundary initiatives, due simply to the nature of regional growth.

Regional growth rates are determined by broad forces beyond the purview of any one or even several local jurisdictions. These forces include the region’s location in the nation, its climate, topography, demographics, physical size, natural

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<sup>14</sup> The impacts of these activities, specifically on rural housing development, will be discussed in the “Smart Growth as Local Reality” section below, pp. 20-25.

resources, past investments made in it by specific industries and government agencies, and the national economic climate.

(Downs 2000, 4)

As a result, if regional trends are fueling local growth, and one or more localities establish a growth boundary, growth will simply be displaced into other nearby communities that either do not wish to (or are unable to) stop it. Typically, these communities are more rural, unincorporated areas, that do not have a strong planning infrastructure. A HAC roundtable participant from Washington state suggested that, in the first five years of state implementation, Washington state's mandatory UGB program for 240 cities did in fact encourage leapfrog development.

### TODs, LEMs, and Other Tools

While low-density zoning, agricultural conservation easements, and UGBs are some of the most common ways that localities interpret smart growth, national smart growth advocates maintain that these tools are only a part of (or even antithetical to) "real" smart growth. Genuinely smart growth is development that makes the most creative and efficient use of land possible, creating environments that are livable, workable, and sustainable.

One development innovation that is gaining currency (particularly in urban settings) is transit oriented development projects (TODs), which cluster housing in the immediate vicinity of commuter rail stations, and integrate it with attractive commercial development and services. Focused area developments are projects that are concentrated in a small area and, while not immediately clustered around transit stops, are within walking distance of them.

While innovative projects that mix land uses, tenures, and incomes bring many benefits to their neighborhoods, they are also a challenge to develop, due to the fact that they are "outside the box" of most traditional planning models. However, private entities, such as Fannie Mae, have begun to provide financing for "smart growth" projects in the form of location-efficient mortgages (LEMs). A pilot program for Seattle, Chicago, the San Francisco Bay area, and Los Angeles now offers \$100 million to finance mortgages for houses located near mass transit. Because Fannie Mae will consider the hundreds of dollars participating families can save on transit costs per year as additional income, families previously unable to qualify for mortgages will have a better chance at homeownership.<sup>15</sup>

In addition to financing obstacles, many innovative development projects such as TODs and LEMs face political barriers. While many suburban residents may support infill and multifamily housing in theory as a way to preserve open space, their attitudes often change when such developments are planned in their neighborhoods. Author Karen Danielson and colleagues observe that white suburbanites often associate higher density housing with a decline in property values and with racial succession, resulting in the following paradox: "Americans appear to hate two things: density and sprawl. Smart growth's fate may depend on which they ultimately hate more" (Danielson 1999b, 516).

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<sup>15</sup> Press release was viewed on the Web at <http://www.fanniemae.com/news/pressreleases/0874.html> in spring 2000.

## **SMART GROWTH AS LOCAL REALITY: THE IMPACT ON RURAL AFFORDABLE HOUSING**

Smart growth strategies ideally should encourage higher density housing development (planned around commercial centers and mass transportation) while simultaneously preserving open space and farmland. At the state level, the tools for promoting smart growth boil down to providing detailed growth management legislation for localities to follow (on either a voluntary or mandatory basis); setting limitations on how state-administered development funds can be used; and providing funds for programs that promote smart growth goals. However, local land use controls, which are often used by localities to implement growth management strategies, can deviate from the ideals of smart growth and have considerable effect on housing costs.

Regardless of how localities interpret smart growth, HAC roundtable participants agreed that there has generally been a disconnect between the vision of smart growth and the goals of housing advocates. Many participants stated that affordable housing – particularly in rural areas – has not been addressed at the forefront of state discussions on growth management, despite the considerable impact this type of planning may have. HAC’s review of state growth management initiatives reveals that, while several states acknowledge the need to preserve or promote affordable housing, few states systematically address or provide mitigation for impacts that growth management may have on rural housing stock within the legislation.<sup>16</sup> The only two states with state legislation specifically addressing rural housing are Florida and Tennessee. The Florida legislation that requires local comprehensive plans specifies that housing needs assessments must include rural and farmworker housing. Tennessee’s 1998 Growth Policy Law provides that rural towns can be designated as planned growth areas; however, it does not require localities to assess the need for rural affordable housing.

Vermont is unique among the states with growth management legislation in its attempt to confront affordable housing and land conservation in a coordinated fashion. The state has an innovative land conservation and affordable housing entity – the Vermont Housing and Conservation Board (VHCB) – which is a state-supported funding agency that provides grants, loans, and technical assistance to organizations and agencies for the development of affordable housing and the conservation of agricultural and recreational lands and historic properties. As of 2000, organizations had developed more than 5,600 units of affordable housing around the state and conserved more than 300,000 acres of rural land using \$121 million in VHCB funding.<sup>17</sup>

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<sup>16</sup> See Appendix A for growth management legislation summaries.

<sup>17</sup> See [www.vhcb.org](http://www.vhcb.org) for a full description of VHCB programs and activities.

## **Rural Housing Development Under “Smart Growth”**

*Our environmental [legislation] . . . has done a lot [to contain] sprawl. I think at many times that [has] been at the expense of affordable housing. It’s not easy to develop, we have lots of hoops, and that’s produced some good results. But, I think [the legislation] has reduced affordable housing. I don’t think that we’ve figured out how to make up for that.*

(HAC roundtable participant)

At HAC’s February 28, 2000 roundtable on smart growth and rural affordable housing, panelists provided several examples of the impact of growth management initiatives on their ability to develop affordable housing in rural communities. Participant experiences highlighted several difficulties that developers have had constructing housing for lower-income rural residents under growth management legislation.

### Access to Funding

The body of statewide growth management initiatives reflects a mix of requirements, regulations, and incentives. In order to manage future growth, state governments have required communities to plan for development, increased regulatory measures to protect open spaces, and offered fiscal incentives to achieve these ends. In addition to the power to zone and approve permits, local governments can also use their power to fund projects to direct and manage growth. For example, the state of Vermont will give projects within designated growth areas funding priority over projects outside growth areas.

Maryland uses the state’s financial power to enforce smart growth planning in a more direct way, requiring each county to designate Priority Funding Areas (PFAs) where state infrastructure spending will be concentrated.<sup>18</sup> Consequently, PFA status determines a community’s eligibility to receive housing and infrastructure funding from the state. The roundtable participant from Maryland argued that in its attempt to limit sprawling development, the Maryland legislation may fail to recognize and meet the housing needs of those residents living in rural areas. Denying funds for housing and infrastructure development to areas outside the designated growth zones may cause rural areas to lose access to important federal monies, such as those from the HOME and Community Development Block Grant programs. Therefore, county zoning boards have a significant amount of power in determining not only land use, but also the flow of resources to specific areas.

Smart growth has often been viewed as an environmental issue with distributive benefits; theoretically, everyone benefits from conserved resources and protected open space. However, when tied to the administration of state funds, the results of smart growth may not be as equally distributed as commonly perceived. A roundtable participant whose organization was attempting

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<sup>18</sup> The legislation automatically designates several areas that “form the traditional core of the State’s urban development locations” as PFAs: municipalities, Baltimore City, areas inside the Baltimore and Washington Beltways, Maryland Department of Housing and Community Development (MDHCD) designated revitalization areas, Enterprise Zones, and Heritage Areas within county-designated growth areas.

to develop single-family housing in a community located in a rural area within a metropolitan county was denied state bond financing because the project was not in a PFA. The roundtable participant suggested that this situation illustrates one of the limits of PFA strategy; regardless of the needs that exist within a rural area, state funding is not available if it occurs in an area not designated as a PFA. Rural areas are more likely to be affected by these issues, as they are less likely than urban areas to be within PFAs.

Encouraging Density

**Prioritizing Growth Areas in Maryland**

Since passage of the state Smart Growth legislation in 1997, Maryland counties must identify priority funding areas (PFAs) that will be eligible for future growth and housing and infrastructure funding. PFAs are largely clustered around the Baltimore and Washington, D.C. metropolitan statistical areas (MSAs), with other areas reserved as Rural Legacy Areas that are ineligible for future growth. A review of the state's designated planning areas revealed that as of May 2000 there were approximately 97 PFAs in the state, with 31 of these PFAs located in the state's eight nonmetropolitan counties (map was viewed on MDCHD website, [www.op.md.state.us/smartgrowth/pfamap.html](http://www.op.md.state.us/smartgrowth/pfamap.html), in spring 2000).

In order to ensure that rural areas can access housing and infrastructure funding, the state legislation allows counties to designate "rural villages," as well as municipalities, as PFAs. However, having the power to designate a rural area as a PFA does not mean that counties will choose to do so. In 1999 most nonmetropolitan counties designated small, rural villages as planning areas, but many metropolitan counties did not, regardless of the size of their rural population. Anne Arundel and Prince George's, two largely urban counties, did not choose to designate rural villages as PFAs, in order to protect these areas from growth. Calvert County, which was 89 percent rural according to the 1990 census, also did not name a rural village as a PFA in 1999. The county planning board designated only two municipalities, Chesapeake Beach and North Beach, as PFAs and left the rest of the county ineligible for most state controlled funding. Calvert County received the smallest allocation from the Maryland Department of Housing and Community Development in 1999 (\$327,801), and these funds can be used only in the two designated PFAs.

As noted above, one of the main principles associated with smart growth is encouraging higher density in developed communities (Danielson et al. 1999a, 12). Smart growth advocates in-fill development to reduce sprawl. There has been some concern, however, as to whether and how suburban residents can be encouraged to return to the cities they have abandoned (powell 1999, 5). In rural areas, creating higher density housing presents a substantially different, and perhaps, more difficult problem: how to lure rural residents who have never lived downtown.

Consumer preference in rural America has typically been for single-family, low density, owner-occupied housing (Dolbeare 1999, 15). While outward migration has been the trend among suburbanites since the 1950s, this has been an enduring tradition among rural households, one that may be difficult to break.

Dense developments may not be as cost effective from the rural developer's standpoint. According to a former housing developer who participated in the HAC roundtable, producing higher density housing creates an economy of scale that can make developments less expensive.



However, roundtable panelists from the Northeast region of the country pointed out that building in-town, higher density development typically means contending with rehabilitation issues. For rural communities that lack apartment units, this may mean redeveloping an old school or other institutional building. Housing developers at the roundtable agreed that rehabilitation projects such as these are often more expensive than single-family projects, as they must confront structural issues and conform to historic preservation and other requirements.

### County Implementation: Downzoning

In most growth management legislation, local governments are given discretion as to how they will plan for and direct future growth. Generally, statewide growth management measures suggest or require counties to create and follow a plan to manage future growth. Therefore, county governments are in a position to determine the type and the direction of local growth.

Roundtable panelists suggested that communities may deliberately increase lot size requirements under the guise of “smart growth,” with the intent of keeping their communities structurally homogenous and free of subsidized or multifamily housing. Suburban residents have been a major force behind the early smart growth movement, as many residents have fought to slow suburban growth and limit increasing density (Public Agenda 1999, 13). Roundtable participants expressed concern over how “smart growth” is interpreted locally and shared their experiences in dealing with local opposition to low-income housing.

*You’ve had neighbors say because you’re introducing high density, “This is going to have terrible traffic impact. You’re going contrary to the pastoral built environment.” [They’re] trying to use [growth management] to go against the high density because they like that “pastoral setting.”*

(HAC roundtable participant)

Roundtable participants were concerned about the potential use of smart growth to mask NIMBY attitudes towards multifamily or subsidized housing. Suburban and rural communities are by definition less dense than urban areas and one component of smart growth is to preserve their character by limiting specific types of development. However, some residents and local planning boards can construe or use this component to prevent multifamily or government subsidized housing altogether. It was reported that one county council member responded to a presentation on smart growth by saying, “You mean if we just don’t designate a [PFA] growth area, you can’t build low-income housing here? Great!” (HAC roundtable participant)

Roundtable participants charged that local governments can pursue NIMBY activities under the guise of smart growth and the protection of rural character and open space. One participant likened the deliberate nature of these activities to redlining – the practice of denying racial minorities and low-income families loans in order to keep them out of more affluent neighborhoods.

### Increasing Housing Costs

Because smart growth was relatively new at the time of this research, roundtable participants felt that in most cases not enough time had passed to determine its impact on housing costs,

and the findings of studies on this issue have been mixed.<sup>19</sup> Panelists agreed that more data are needed in order to conduct such an evaluation for rural markets.

As noted above, roundtable panelists agreed that certain land use measures that are often associated with smart growth affect housing affordability. Increasing lot and housing sizes have negative effects on the ability to develop affordable housing. Downzoning can protect the aesthetic qualities of a community by increasing open space. It also limits the development options for rural housing developers, however, and increases development costs. A roundtable panelist from Maryland stated that, given the lot restrictions that have been imposed in Calvert County, his organization will only be able to construct 12 units on a parcel of land where they would have been able to construct 25 units a decade or more ago. Consequently, 13 lower-income rural households will not have their housing needs met. The panelist involved in this project calls downzoning in response to state smart growth regulations a “backlash,” or a local regulatory response to state growth management dictates.

The income dynamics of land use regulation have taken on new dimensions in other parts of the country. The community of Elgin, a suburb of Chicago, has planned to establish a \$325,000 minimum price for newly built single-family homes. Local officials have argued that larger, more expensive homes are an important resource to help the town grow in a way that will not drain additional money from taxpayers (Richardson 2000, 3). The County Board of Supervisors of Henrico County, Va. has reviewed a proposal to increase the minimum lot size for new home construction from 7,750 square feet to 11,000 square feet. Proponents of the increase argued that the new size requirements would limit growth in the county. It was estimated that the larger lot sizes would raise the cost of a single-family home in Henrico County from an average of \$120,000 to \$150,000 to an average of \$160,000 to \$200,000. These types of actions seriously limit who will be able to move into a community and tend to favor the affluent, while excluding lower-income groups.

The trend towards larger lots and bigger, more expensive housing units can be identified in other parts of the country as well. Roundtable participants remarked on the development of “gentleman’s estates” on five-acre lots in Hawaii and “mini-mansions” in Minnesota and other parts of the country. The Oregon data, and trends from other areas, suggest that while growth may be slowing, wealthier people may be slipping through the urban growth boundaries that have been established and continuing to develop.

### *Increasing Development Costs*

Local strategies to implement smart growth can make development of affordable housing in rural communities more expensive and difficult. According to Porter (1997), local growth management techniques often increase the regulatory requirements and approval procedures for developers. As the number of steps involved in constructing developments are multiplied, the costs associated with developing housing tend to increase. Growth management often requires more involved analyses and detailed documentation of the impact of developments (Porter 1997, 263).

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<sup>19</sup> Porter (1997, 264) includes a review on the perspectives of these studies.

The Maryland roundtable participant related the difficulties he confronted constructing self-help housing under smart growth requirements in his county.

We do sweat equity. We've gotten to a point that our standard units . . . were defying the national average. We were building that unit in just about ten and a half months and we were building in groups of ten. We've had to go to a two-story [unit] and in some cases a two-story with a basement unit. It has added three and a half months to our construction time. I'm going to bring in professional roofers because I can't get sweat equity people up on that roof.

In this case, the developer had been constructing 26 by 40 foot units on a 5,600 square foot lot. Because of the constraints of building within a Maryland Priority Funding Area, the developer had to switch to a two-story, 26 by 24 foot unit, which increased his development costs. The need to redesign the unit type and bring in professional roofers to do the work typically done by the residents themselves has added time and money to the development of affordable housing.

## CONCLUSION

While smart growth planning is still in its formative stages, growth management initiatives with “smart growth” components have been used by several states for more than 30 years. At least 13 states and hundreds of communities have developed tools to address sprawl and its negative impacts on rural, suburban, and urban areas. These tools include the creation of urban growth boundaries (UGBs), the use of purchases of agricultural conservation easements (PACEs), and adequate public facilities ordinances (APFs). Other state fiscal measures (such as the creation of Priority Funding Areas) limit the rural land available for development and determine the level of funding that is made available to rural communities for housing and infrastructure development. Thus, smart growth can have considerable impacts on rural housing markets and affordable housing development.

States and communities have tested various tools to encourage development that both satisfies resident housing demand and respects the environment. As these measures have been pursued, there has been far more consideration given to open space preservation than affordable housing in rural and suburban areas. Scholar Karen Danielson and colleagues observe that, “The politics of smart growth, as it now stands, favor just one part of the equation – limiting greenfield development. Yet the far tougher political fight awaits those who attempt to redress the NIMBYism and regulatory opposition that now face most infill projects” (1999b, 519). There are considerable natural resources in rural America, including agricultural assets that should be protected and preserved. However, there are also millions of rural residents in need of decent, safe, affordable housing. According to rural developers participating in the HAC roundtable discussion, the way in which some localities implement smart growth has increased the regulations and costs associated with developing affordable rural housing.

Research findings on the impact of UGBs on housing costs has been mixed. In terms of rental housing prices within growth boundaries, research indicates that UGBs do not have a significant statistical effect. However, the PFA model employed in Maryland has, according to roundtable panelists, resulted in sprawling large-lot development in nonmetropolitan counties due to local planning decisions and state funding restrictions made in the name of smart growth. A similar phenomenon has occurred in Oregon, where areas outside of urban growth boundaries that are unable (or unwilling) to deflect growth have become host to thousands of sprawling “hobby farms.”

Rural housing developers have experienced several difficulties fulfilling the affordable housing needs that exist in rural communities, given some smart growth initiatives and their local implementation. There are increased costs associated with developing under smart growth related to new regulatory mandates and increased lot sizes. Because of the changes in lot size requirements, some developers have had to redesign either the housing type or the number of units that they can build in certain communities. In one case, this has meant that the self-help strategy that a developer had used for a number of years had to be reconceptualized, and professionals had to be brought in to do the work that residents had once done for themselves.

State smart growth initiatives can provide NIMBY-driven residents and county councils in rural and suburban communities with legislative justification. Those communities wanting to prevent subsidized or multifamily units from being constructed can use growth management as an excuse to redline affordable housing. As they are espousing growth reduction, many of

these same rural communities are permitting growth on their own terms. The increase in lot and house sizes occurring in conjunction with smart growth activities in some communities indicates that there are economic dynamics at work that must be assessed more fully. HAC's roundtable findings suggest that smart growth tools such as PFAs may limit government subsidized development. However, the continuing growth and the increase in housing costs for new units in many rural communities suggests that upper-income residents are continuing to sprawl into rural areas.

Rural areas do not profit from sprawling, unplanned development and deteriorating environmental conditions any more than urban areas do. Sprawl has resulted in the loss of millions of acres of prime farmland, higher rural housing costs, and – in some areas – the extinction of a rural way of life. The smart growth movement has been effective in bringing attention to the devastating impacts of sprawl and addressing the loss of rural land.

However, many smart growth strategies do not take into account differing degrees of rurality. While much of the exurban sprawl of the 1990s has been in the “collar counties” surrounding metropolitan areas, many remote rural areas continue to experience economic stagnation and lack decent, affordable housing stock for existing residents. When smart growth measures such as priority funding areas or adequate public facilities ordinances are enacted, these remote rural areas can be cut off from affordable housing development funds, regardless of their need.

Before more can be determined about the impacts of smart growth, consistent data should be collected on housing costs, land usage, and development needs, specifically for rural areas and rural housing markets. Data that track land and housing costs would enable researchers to analyze empirically the impact of smart growth in smaller, rural housing markets. Research such as this could affirm the importance of achieving the principles of smart growth, while improving public understanding of its impacts.

## ROUNDTABLE RECOMMENDATIONS

Given the various issues confronting rural housing developers working under growth management legislation, roundtable participants had several broad recommendations for states and communities that are contemplating “smarter” growth measures.

- △ **Prioritize both the environment and housing affordability:** Growth management impacts housing costs and can limit affordable development in rural areas. Smart growth discussions should reflect this fact by placing affordable low-income housing issues at the center of any smart growth dialogue. Local governments should be required to plan for affordable housing needs.
- △ **Promote regional planning with local participation:** Housing advocates – nonprofit rural developers in particular – must participate in regional and/or state smart growth program design from its inception, rather than having their “input” solicited after programs have already been formulated. Rural areas have housing needs and resources that are different from urban areas. Smart growth should provide for all affected communities’ needs.
- △ **Allow for subsidized housing and infrastructure development in rural communities:** Linking government funding to areas that already have infrastructure can punish rural communities that have pressing housing needs, low populations, and historically inadequate infrastructure. Withholding government subsidies from these communities only limits government assisted housing. In addition, strategies that promote the continued development of sprawling market rate housing – but limit modest housing – ultimately defeat the goals of smart growth by allowing the consumption of rural greenbelts at a faster pace.
- △ **Use inclusionary zoning:** High growth rural communities should pass inclusionary housing programs. Hawaii has used inclusionary zoning for several years to address the high land costs that have priced lower-income residents out of the market. Although a metropolitan county, Montgomery County, Md. is cited nationally for its 1990 ordinance requiring all subdivisions of 50 or more dwelling units to include moderately priced units. This strategy has also been used in the rural vacation destination of Aspen, Colo.
- △ **Promote more research:** Because smart growth is a relatively recent planning trend, it is difficult to quantify the extent to which smart growth measures have affected housing affordability, both inside and outside urban areas. More quantitative national studies are needed that examine the relationship between growth, smart growth, and housing affordability over time. These studies need to control for outside economic factors and they need to include rural areas.

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**APPENDIX A: State Growth Management Initiatives**

<b>State</b>	<b>Year Enacted</b>	<b>State Initiative</b>	<b>Environmental Provisions</b>	<b>Planning Provisions</b>	<b>Farming Provisions</b>	<b>Housing Provisions</b>
Florida	1972	State Comprehensive Plan	Land Acquisitions	1) Planned urban growth and transportation 2) APF Requirements 3) State incentives to invest downtown	Preferential property tax treatment through greenbelt law	None
	1984	Regional Planning Councils (RPCs)	None	RPCs established	None	None
	1993	Local Comprehensive Plans (as amended by legislature)	None	Localities required to conduct a local affordable housing needs assessment	None	Needs assessments must include rural and farmworker housing
Georgia	1989	Georgia Planning Act	Localities required to identify and manage Regionally Important Resources (RIRs)	1) Localities required to submit comprehensive plans to Regional Development Centers (RDCs) 2) RDCs coordinate regional planning	None	Housing element required in comprehensive plans
	1997	“Better Hometown” Program	None	None	None	Provides technical and financial resources for development in 15 towns with populations of 1,000 to 5,000

<b>State</b>	<b>Year Enacted</b>	<b>State Initiative</b>	<b>Environmental Provisions</b>	<b>Planning Provisions</b>	<b>Farming Provisions</b>	<b>Housing Provisions</b>
Georgia, Cont'd.	1999	Georgia Regional Transportation Authority (GRTA)	None	GRTA directed to coordinate transportation planning and infrastructure	None	None
Hawaii	1961	Statewide land use classification and regulation system	Provides for conservation districts	State has four major land use districts that undergo review once every five years	Provides for agricultural districts; agricultural restrictions run with the land	Has an inclusionary housing law (not a part of the 1961 legislation)
Maine	1985	1) County Comprehensive Plans 2) Ten State Growth Goals (mandatory language repealed)	None	Municipalities designate "growth areas" with APF requirements	None	None
Maryland	1992	MD Economic Growth, Resource Protection and Planning Act	None	Guides growth to existing urbanized areas	None	None

<b>State</b>	<b>Year Enacted</b>	<b>State Initiative</b>	<b>Environmental Provisions</b>	<b>Planning Provisions</b>	<b>Farming Provisions</b>	<b>Housing Provisions</b>
Maryland, Cont'd.	1997	1) Priority Funding Areas (PFAs) 2) Rural Legacy Act 3) "Live Near Your Work" Act 4) Brownfields 5) Job Creation Tax Credits (PFAs only) 6) Smart Growth and Neighborhood Conservation Policy (Executive Order)	1) Brownfield development incentives 2) Funds for PACEs and greenbelts	1) State infrastructure funds limited to PFAs (mostly urban) 2) Rural areas could have been certified as PFA-eligible "rural villages," but had to do so by 1998	Funds for PACEs and greenbelts	1) Only PFAs are eligible for financing of new rental housing construction 2) Incentives for employees to live close to their work
Minnesota	1997	1) "Livable Communities" Legislation 2) Metropolitan Livable Communities Fund (but only for seven-county Minneapolis-St. Paul metro area)	None	1) Fund includes tax base revitalization account and livable communities demonstration account 2) Incentives for transit projects, compact land use, mixed-use development and inner-city investment	None	1) Fund includes local housing incentives account and an inclusionary housing account 2) Incentives for affordable and mixed-income housing
New Jersey	1975	Municipal Land Use Act	None	Basic standards for municipal land use regulation	Several bond acts provide grants for PACEs, but are not part of the 1975 law	None
	1985	State Planning Act and NJ Fair Housing Act	None	Created State Planning Commission	None	Created Council on Affordable Housing

<b>State</b>	<b>Year Enacted</b>	<b>State Initiative</b>	<b>Environmental Provisions</b>	<b>Planning Provisions</b>	<b>Farming Provisions</b>	<b>Housing Provisions</b>
Oregon	1973	1) Land Conservation and Development Act 2) Land Conservation and Development Commission created	Farm/forest zoning applied to 26 million acres	UGBs established around 240 cities	Farm/forest zoning applied to 26 million acres	None
Rhode Island	1988	Local Comprehensive Plans	Natural/cultural resources; open space and recreation elements required in plans	Cities and towns required to submit plans with land use, service and facilities elements	None	Housing element required in plans
Tennessee	1998	Growth Policy Law	Local growth plans must be consistent with 1971 Natural Areas Act	Counties & municipalities must develop 20-year growth plans and identify UGBs or they cannot receive state & federal pass-through grants	Designated Rural Areas are used for the next 20 years for agriculture, forestry, wildlife, etc.	Rural towns can also be designated as planned growth areas
Vermont	1988	1) Growth Management Act 2) Vermont Housing & Conservation Board created 3) Vermont Housing & Conservation Trust Fund created	PACEs funded by Trust Fund	State agencies must coordinate their planning with regional & municipal plans	PACEs funded by Trust Fund	Low-income housing grants funded by Trust Fund

<b>State</b>	<b>Year Enacted</b>	<b>State Initiative</b>	<b>Environmental Provisions</b>	<b>Planning Provisions</b>	<b>Farming Provisions</b>	<b>Housing Provisions</b>
Washington	1990	Growth Management Act	County plans must reflect strategies to protect natural/water resources	1) UGBs designated for counties w/50,000+ people or over 10% population growth over 10 years 2) Rural areas should reduce low-density sprawl	Rural county plans should permit forestry and agriculture	Plans must identify supply and future demand of housing
Wisconsin	1999	State Budget Bill (includes changes in local comprehensive planning provisions)	Local plans must contain a natural and cultural resources element	Local plans must comply with state annexation, zoning, subdivision control & impact fee guidelines	Local plans must contain an agricultural element	Local plans must contain a housing element

**APPENDIX B: Smart Growth and Rural Housing Questions  
HAC Roundtable, February 28, 2001**

**SMART GROWTH AS A CONCEPT**

- ⊞ How do you define smart growth?
- ⊞ What are the goals of smart growth legislation?
- ⊞ Who benefits from smart growth initiatives?
- ⊞ What is the connection between smart growth and affordable housing?
- ⊞ How does smart growth relate to rural areas?
- ⊞ How should smart growth address rural housing issues?

**SMART GROWTH LEGISLATION AND AFFORDABLE RURAL HOUSING DEVELOPMENT**

- ⊞ What are the components of smart growth legislation?
- ⊞ What tools are used to encourage or require smart growth?
- ⊞ What has been the impact of urban growth boundaries (UGBs) on nonmetropolitan counties?
- ⊞ How does smart growth legislation address rural areas?
- ⊞ How has smart growth legislation affected rural affordable housing development?  
Do you think that this is affected by location/rurality? In other words, are metro-adjacent developments more difficult than those in more isolated rural areas?
- ⊞ Have housing costs in rural communities changed in any way since passage of “smart growth” legislation in your estimation?
- ⊞ Has the legislation affected the ability of rural housing developers to access funding for their development?
- ⊞ Has the legislation affected access to permits? If yes, where (metro-adjacent or non-adjacent communities)?
- ⊞ Has smart growth affected infrastructure development in rural areas? In what ways? Where (adjacent or non-adjacent communities)?



- ⬆ Have you noticed any recent changes in land prices in rural areas that could be related to smart growth legislation?
- ⬆ Has smart growth affected development costs in your estimation? In what ways?
- ⬆ Do rural housing developers have to do any additional planning/impact studies before building because of smart growth?
- ⬆ Are farm owners able to subdivide land in agricultural communities? What has the impact of this been?
- ⬆ Has the smart growth legislation had any impact on access to transportation in rural areas? Mass transportation and roads?
- ⬆ If the goal is to preserve open space and address sprawling development, how effective do you think smart growth legislation has been?
- ⬆ Given this discussion on the impacts of smart growth on affordable housing in rural areas, what would be your recommendations be for communities that are designing legislation?

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The effect of smart growth has been evaluated with respect to housing affordability in urban places, but no national studies have systematically assessed its impact on rural housing. This report examines the growth management initiatives of 13 states and describes the findings from a roundtable of rural housing experts and smart growth activists.

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