OTHER VOICES, THE GAZETTE

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Myths about Economic Growth?

The city of Colorado Springs faces both massive infrastructure backlogs and citizen complaints over quality of life. The Gazette reports (November 9, 2003) that many council members are talking tax increases, despite recent defeat of several measures. If Colorado Springs doubled what it plans to spend for roads and drainage channels during the next five years it *might* close the current officially reported backlog. Even before the economic slowdown, per capita city revenues were 7% lower than two decades ago after adjustment for inflation. While local economic development leaders are exploring new "wealth creation" strategies to deal with job loss in high tech and telecom, it's a good time to explore and dispel some popular myths.

Myth #1: Population growth is necessary for economic growth. In "Growth without Growth", published last year, Dr. Paul Gottlieb studied hundreds of cities across the U. S. and found little relationship between population growth and median income growth. Colorado Springs and Denver were among the "traditional high growth" cities with income *and* population growth. Per capita income in Colorado Springs grew 10.3% more than inflation during the boom of the 1990's when population grew by almost 80,000 people. But per capita income rose over twice as fast (25% above inflation) in the sluggish 1980's with just under 66,000 more people. More population is not clearly linked to per capita income growth.

That's part of the explanation for why another group of cities Gottlieb studied ("wealth builders ") had higher income growth in the 90's than we saw locally -- but *very little* net population growth. Cities such as Memphis and Omaha pursued strategies for high quality of life, such as investment in education, effective transit, and an attractive natural and built environment that retained skilled workers. They had higher rates of per capita income growth than Colorado Springs and Denver. But they didn't try to be "population magnets" like San Diego and Spokane, attracting lots of new population but showing very little increase in average incomes.

Myth #2: Growth in population requires growth in developed land. "Smart growth" – growth that accommodates new population and growing affluence while using less land per person -- is an *economic development* strategy as well as a way to reduce fiscal burdens to cities and counties. A soon to be released study at the Brookings Institution's Center on Urban and Metropolitan Policy shows that more compact U. S. cities with efficient transportation modes have higher labor productivity -- and hence higher incomes -- than those with lower density.

Myth #3: Managing our land use growth will stifle economic growth. All cities manage growth. They issue building permits, have zoning codes, and approve annexations and infill redevelopments. Cities that practice "smart growth" deliver more and better quality of services for each tax dollar because they acknowledge the effects of development patterns on public costs. If a city can keep infrastructure and public safety costs relatively low while maintaining a high quality of life the most productive businesses and workers choose to locate and remain there.

Myth #4: The only escape from the local budget squeeze is to raise tax rates. It's true that the Gallagher and TABOR amendments have led to declines in property taxes over the last two decades. Faced with proposed budget cuts, voters may decide at some time to reverse these and reinstate the city's ½ cent sales tax for capital improvements. But let's not forget another strategy -- more efficient development designs can result in lower cost delivery of city services. In "*Does Growth Pay for Itself? Colorado Springs, 1980-2000*" (available at web.uccs.edu/ccps) we show that neither population nor income growth creates a "fiscal dividend" of increased local government revenues in our existing tax structure. But we also emphasize that new development *can* reduce per capita service costs, depending on the shape it takes. Evidence that growth can pay for itself through "density efficiencies" goes back twenty years, including studies by the developer funded Urban Land Institute.

Myth #5: If growth isn't paying for itself, we should blame local developers. It's up to city leadership to shape our development patterns. They plan where new roads will be built, approve expansion of utilities, make decisions on annexation, and set the codes by which developers must abide. Over the past twenty years residential density has increased somewhat in Colorado Springs, but commercial development has expanded the amount of developed land per person served. Are those giant parking lots in front of big box stores really necessary – or just required by outdated city code requirements? How about the fourfold increase in the amount of land per person used for road and utility right of way? Only city decision makers can alter these land use regulations and the shape of future development.

The evidence is in from cities across the nation. It doesn't take population growth to raise average incomes. And population growth doesn't require more and more land per person. Smart growth can be an economic development strategy as well as a tool for preserving quality of life.

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