

Policy Issues and Options at the Rural-Urban Interface: A National Perspective

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Rural America is changing rapidly in the 21st Century as people move to the countryside in search of the “wide open spaces.” The US is unique among developed nations in the degree of mixing of farms and development in the rural countryside. People insist on surrounding themselves with open space, and national policy has made it all possible. David Rusk describes a “national suburban policy” of programs that encourage population dispersal – credit subsidies for home ownership through FHA and VA to help young families have their new single family homes in the suburbs rather than in older urban neighborhoods, a secondary mortgage market through “Fannie Mae” to increase funding for private mortgages in the suburbs, income tax deductions for mortgage interest and property taxes absorbing some of the private cost of home ownership. The interest write-off alone was \$54.4 billion in 1999, equal to the sixth largest budget outlay that year [5, p.29]. Federal highway expansion brings the countryside within reach for all; sewer and water systems with federal grants make life out there more manageable. Federal spending on highways (nearly \$30 billion in 2000) dwarfs that for public transit (\$5.8 billion) [9]. No one disputes the need for roads and sewers, but patterns of these expenditures have largely undocumented impacts on rural land use patterns that now have become problematic for communities across the nation.

Low density residential development beyond the urban boundary has earned the pejorative label “urban sprawl.” There are few precise definitions of this phenomenon, but everyone seems to know it is out there, and many believe that this particular pattern of rural change costs more than it contributes. In addition to low density (one house on 2 to 20 acres or more), sprawl implies scattered development that creates unreasonable expectations that all farm and other open land can bring top dollar for development. Wassmer defines sprawl as “excessive suburbanization” measured by distribution of people and jobs within a metro area but outside of the central city [10]. More non-farm rural residences and businesses inevitably increase points of contact between farms and other land uses. There are many policy issues and options that derive from that setting – only a few will be mentioned here.

State Efforts to Manage Growth

Programs to guide development are essentially at the state level with local implementation. The most straightforward technique is a growth boundary beyond which residential and commercial growth cannot occur. It is regulatory in nature, reinforced by expenditure decisions of state and local government. Lexington, Kentucky was the first to try this approach, in the 1950’s. It is still working there. The Oregon system of urban growth boundaries, the most studied program in the nation, requires establishing boundaries around all cities with a 20 year build-out capacity for each. There are provisions for expanding the boundary when necessary, inevitably a matter for huge debate. The idea has not worked perfectly everywhere; people can be creative at bending the intent of a program while staying within the letter of the law. Some Oregon UGB’s have over-estimated the 20 year requirement and some have seen haphazard and costly development within the boundary. Rural sprawl is still a problem outside the boundary. “Exception” status may be granted for residential development outside the boundary when the land involved is

unsuitable for farming. There has been more “exception land” developed than is contained within the boundaries. Housing prices within the Portland UGB doubled between 1989 and 1996 [4].

There will always be slippage in any growth management program as people try to balance development, open space protection, housing needs and other factors. But the Oregon system has had an obvious effect on development patterns in that state. Urban growth is relatively contained; the rural-urban interface is more distinct than elsewhere.

The 1998 growth management program in Tennessee directs all counties to prepare growth plans that include urban growth boundaries for major municipalities. A coordinating council of local governments within that county is the primary initiating unit. Areas outside the growth boundaries are put into various rural land categories, including farmland. Only by completing these growth plans may a county and its municipalities be eligible for Community Development Block Grants, Industrial Training Grants, or other grants for housing, tourism development and intermodal transportation. It is an impressive comprehensive effort to guide the pattern of growth and perhaps more importantly to require coordination among local units of government. July 1, 2001 is the deadline for plan submission -- evidence of success or lack thereof will be coming soon.

Urban growth boundaries will only work if supported by city or metropolitan spending on roads, sewers and other infrastructure. Regulations may be necessary, but are never sufficient. They are always subject to change and exceptions can be granted that may undercut the intent of the program. Rules that confront rather than guide or accommodate real economic forces in the area are doomed to failure as policymakers must weigh human cost. But rules combined with incentives and strategic allocation of infrastructure can work. In 1980, Montgomery County, Maryland downzoned 90,000 acres of farmland with permitted density of one house per 5 acres to one house per 25 acres. To offset the loss of potential economic value from the four homes not built, the owner was allowed to sell those development rights to owners in “receiving areas” where density could be increased by four housing units. Other “hybrid” programs can tie regulations to incentives that ultimately spread the cost of growth management, and thereby increase political support [7].

Saving Open Space

Another set of policies is directed at protecting land in farming, forestry and other open land uses. While there is an obvious relationship between concentrating development and protecting open space, the two goals are often pursued separately. The state agencies, interest groups, legal history and even the sources of research and education talent from the university tend to specialize in one or the other with little collaboration. All of the authorities of state and local governments -- to regulate on behalf of public health and safety, to tax, to encourage and cajole through education and technical assistance, and to spend public funds -- have been directed toward protecting open lands. In some sense, protecting open lands is the supply side of the issue, seeking private land decisions that keep land undeveloped. Growth management policy deals more with the demand side, development forces seeking to convert land to various other more intensive uses.

Regulation. Zoning is generally a local authority, guided in a few cases by state policy. The American Farmland Trust defines Agricultural protection zoning as ordinances with a minimum lot size of at least 20 acres [1, p.49]. These are not true exclusive agricultural zones, but inclusive zones that permit many different uses within the density limits. States that have a few of these county ordinances include California, Florida, Colorado, Iowa and Minnesota. Ohio is one of many states where agricultural zones are really just development land in waiting. Some counties do well, but a recent survey of Ohio counties found the nearly nine of ten local (county or township) ordinances with agricultural zones have minimum lot sizes of 3 acres or less [6].

Tax Incentives. One way of encouraging farmers to maintain land in open use is to reduce the tax cost of keeping it that way. Use value assessment of farmland is the law in all 50 states. These laws acknowledge that markets establish the value of land based on what a willing buyer would pay a willing seller, an indication of income potential of that land. Value is some combination of the land's productivity and its location relative to other land uses. When the location component outweighs productivity in land value, the farmer cannot convert wealth to income without giving up the productivity value on which farming depends. Use value taxation requires that land taxes be levied only on the productivity component, reducing the short run cost of production and the incentive to sell for location value. That location value still exists, of course, maintaining the farmer's wealth, unless zoning or planning pushes development elsewhere. Use value assessments constitute a tax shift from farmers to other property owners while leaving full land value with the farmer.

Some states capture a portion of that tax shift (3 to 5 year rollbacks of landowner taxes saved) when farmland is converted; others (California) put restrictions on the farmland owner to assure that the public interest is protected. In all cases, though, these special tax provisions are intended to encourage continued provision of open space by subsidizing the landowner for those social benefits beyond returns to the farm enterprise.

Purchase. State and local governments have dedicated various sources of funds to buying the land or landowner discretion necessary to keep lands open. Nineteen states have authority to buy development rights to farmland, leaving other ownership rights with the farmer. Owners may also donate their development rights to a qualified conservation group or government unit, a charitable deduction for income tax purposes. Such deductions for up to 30% of annual household income are allowed for six years. A combination of sale and donation, known as a bargain sale, enables the owner to combine cash and tax deduction in an optimal way and stretches the government's purchase dollar. Such a purchase can work only if planning, zoning and other instruments of local policy are used in concert, to implement the citizens' desire for thoughtful development and protection of significant blocks of open land [3].

Scale Problems.

Cities tend to spread linearly along highways and major roads, bounding beyond the city limits to soft rural countryside. A sprawl does not honor county or town boundaries and only the firmest of urban growth boundaries can contain the pattern of change. A metropolitan region binds urban and rural together through a network of social and economic linkages. While the problems are

regional, profoundly multi-jurisdictional, policy solutions tend to be local, each unit wanting its own piece of the action. The tyranny of small decisions can undercut the best of good intentions in managing growth. David Rusk has that A little box \cong governance fosters segregation of all kinds, creating persistent pockets of poverty because agreement among small units is virtually impossible [5, p.330].

On the other hand, a One size fits all \cong approach to land use policy may render injustice to some parts of the region to satisfy demands in another. Policy response should respond to local demands, or it becomes an inefficient intrusion. Alex Anas argues that A fragmented governance” entails substantial benefits. Local governments are more competitive when there is a multitude of them, and a wider variety of local public services is offered \cong [2]. He favors metropolitan compacts among local units.

Further ...

There are other tensions out there at the rural-urban fringe, like where to put large livestock operations, farming’s contribution to surface water pollution and just the differences in attitude among neighbors about what should happen on the land. Many new residents have no clue about how passionately farmers hold their private property rights. Similarly, many farmers are unaware of what motivates transplanted urbanites –“What in the world are they thinking?”

In the case of animal agriculture, economies of scale lead to larger and larger operations and relocations from outside the area to take advantage of processing capacity and proximity to consumer markets. Biggest complaints are the inevitable odor and pollution problems, but some also complain about those “outsiders” from another state or nation, and the size of their new operations. They seem antithetical to the family farm ideal, particularly when corporate in structure. Complaints are often as loud from current farmers as from non-farm rural residents, but for different reasons. The US Environmental Protection Agency is in the process of considering rule changes that will subject more of these new livestock farms to environmental scrutiny [8]. Farmers/ranchers are worried about the potential cost of complying with these new rules. Every required hearing for a “permit to install” a manure management system tends to turn into a shouting match, raising real questions about the future of livestock farming. If not here, where? These issues will be at the top of the rural-urban agenda in the months ahead.

· Few will dispute that agriculture is America’s biggest water quality challenge for the 21st century. Farms are not necessarily huge polluters, but most other sources have been taken care of leaving farms and other non-point sources as the primary barrier to meeting water quality goals. People are generally aware that the rivers look muddy, that parts of the Gulf of Mexico are dead as river-borne sediment and nutrients surge out into the bay, and that clean water is important to human health. Farms are visible and their links to muddy rivers seem obvious to most people. There are other non-point polluters, of course, but farms and particularly those near the rural-urban interface are in the spotlight.

The central policy issue is whether farms will be subject to the same limits as other water users. All states are developing A total maximum daily loads \cong of pollutants for selected river segments under Section 303d of the 1972 Clean Water Act. Absolute purity of water is both scientifically

and economically impossible and at some level of impurity the water is still safe. Allowable impurity is to be allocated among water users and EPA feels that farms should be included. Others have argued that agriculture and other non-point sources are covered under Section 319 of the Clean Water Act dealing with watershed management, since the sources of stream loading cannot be precisely defined. There have been lawsuits on this question, most notably by the California Farm Bureau.

These are big challenges for local and state policymakers at the rural-urban interface throughout the country. The mix of issues will differ from place to place, but the options for response are fairly consistent. We can learn from each other in this business by observing how particular policy instruments function under different sets of circumstances. We have a huge policy laboratory out there if we have the sense (and courage) to document what happens and modify the insights for local realities.

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