

IX. ECONOMIC DEVELOPMENT: GREENFIELDS OR BROWNFIELDS?



Growth management is not the same thing as no growth. Its purpose is to direct economic growth to those locations which may have excess capacity in their existing infrastructure and a need for jobs and revenue, while limiting growth where large new public investments in infrastructure would be required and environmental resources might be damaged.

Growth management policies promote growth on “brownfields,” old industrial sites that often need remediation of contamination, and seek to limit growth on “greenfields,” lands used for agriculture or forestry or in a natural state. The costs of infrastructure and development impacts, including loss of open space and ecological integrity, tend to be borne by the whole community (the public), while the benefits of development go to the developer (private interests). The use of impact fees and mitigation agreements is an attempt to make the greatest beneficiaries of development, the private interests, also bear some of the costs. However, this still does not address the question of *which lands* should be protected from development. Growth management encourages development in areas where infrastructure improvements or expansions are already planned, and discourages it where new infrastructure would be required, whether paid for by public or private interests, to catch up with development.

Taxation and Real Estate Trends

Real estate taxation policies. Buildings and improvements are generally taxed at a higher rate than land. This creates an incentive to develop greenfields, which are relatively cheap, rather than redevelop urban land, which is relatively expensive. Urban infill and redevelopment is also retarded by the system because the owner of vacant urban land may see an advantage to keeping the land vacant, with lower taxes. Developers looking for land to build on will see greenfield lands as cheaper both in terms of land costs and tax rates on buildings.

Proposition 2-1/2 and economic development. Since Proposition 2-1/2 took effect in 1981, Massachusetts municipalities have had an incentive to compete with one another for non-residential development. Commercial development contributes more to municipal revenues than it costs in services, while adding to the municipality's levy limit base. The result from a growth management point of view has been to exacerbate already existing market tendencies away from more urbanized locations in favor of suburban and exurban locations close to major transportation arteries. The tendency, therefore, is for greater dispersion of business, increased vehicle trips and mileage (leading to greater traffic congestion), less efficient public transportation systems (because it is too costly to have fixed-route systems to serve decentralized business locations), and development on greenfields sites rather than redevelopment of used sites.

Real estate market and financing trends. Real estate markets, traditionally very tied to local conditions, are increasingly national. Most banks that provide mortgages to homeowners sell them on the secondary mortgage market. This market prefers a standardized product and therefore tends to promote the single-family/traditional lot housing development characteristic of sprawl. The increasing popularity of real estate investment trusts (REITs) also has implications

2020 Vision: Planning for Growth in the Northern Middlesex Region

for growth management. REITs are like mutual funds, in which investors hold shares rather than directly owning a piece of real estate. They tend to specialize in a particular kind of building type, such as commercial retail, industrial warehouse, health care, or multi-family dwellings. These trends tend to make development less sensitive to local conditions. The owners of real estate through REITs are investors in abstract assets rather than stakeholders in local communities and short-term investment performance becomes relatively more important. REITs seek market dominance sufficient to affect rent levels, and they are not subject to the federal Community Reinvestment Act (which requires banks to direct a certain amount of lending for community initiatives such as affordable housing).

Techniques for promoting suitable economic development

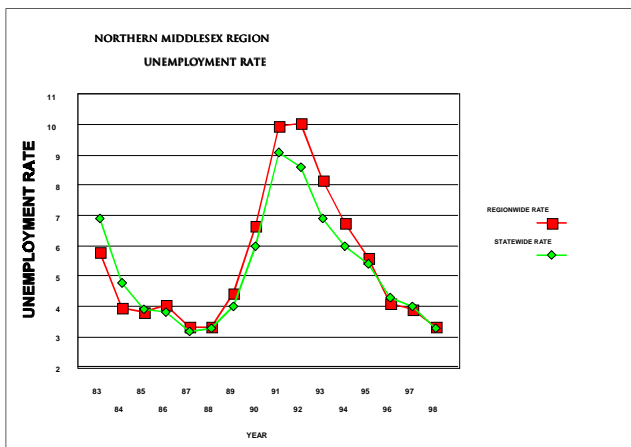
Streamlining. Regulatory streamlining aims to make regulation of the development process more understandable and more efficient — for all interested parties. It does not necessarily mean accepting any development, but rather clarifies the process and the requirements for acceptable development.

Economic development and infrastructure planning. Coordination of infrastructure improvements and economic development incentives such as tax increment financing and loan guarantees will promote growth in locations that need it.

Brownfields programs. Liability concerns about potential and known contamination of older industrial sites has delayed redevelopment of old mill sites throughout our region. Promising new state and federal programs will encourage redevelopment while insuring appropriate clean-up of the sites.

Revitalization programs. Downtown and neighborhood revitalization programs promote the use and reuse of more densely built areas with existing infrastructure.

Agricultural land protection. Programs to protect agricultural land and sustain the profitability of agriculture through innovative marketing keep rural lands from being overtaken by sprawl development.

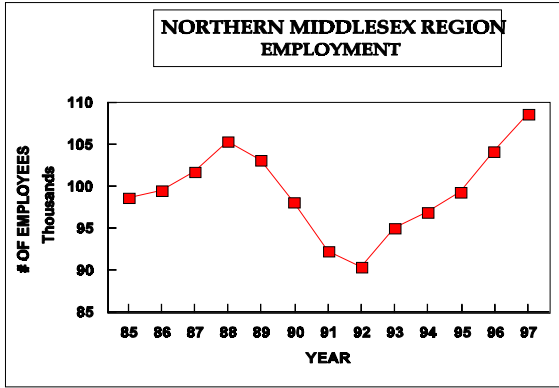


ECONOMIC DEVELOPMENT ISSUES IN THE NORTHERN MIDDLESEX REGION - CHARRETTE RESULTS

Charrette participants were very conscious of the diversity of positions within the region on economic development issues and the way that the tax system encourages competition between communities for business development. The group agreed on the need, in theory, to target development to the areas that are most appropriate in terms of existing infrastructure, transportation and transit access. In reality, however, all the towns except Dunstable seek business development as a way to increase the tax base and pay for services. The City of

2020 Vision: Planning for Growth in the Northern Middlesex Region

Lowell, which has a great deal of underutilized built space and infrastructure, needs both jobs and tax ratables.



In towns like Billerica and Chelmsford, which already have a strong business sector, new development in some cases is beginning to create resistance from residents who fear the effects of too much traffic on residential neighborhoods. A town like Westford, which is very careful about protecting residential quality of life, has simultaneously designated a development corridor which has been very successful in attracting business growth. Dracut, which has a modest residential tax base, has been trying to attract more business for years, with only limited success.

The participants understood how and why this system works and favored targeting development on a regional basis and providing incentives for infill over greenfield development, but they were not sure how this could be done in practice under the present taxation system and Proposition 2-1/2.