A GROWTH POLICY FOR THE 21ST CENTURY IN SOUTH CAROLINA

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EXECUTIVE SUMMARY

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November, 2007

This project is the outgrowth of series reports and studies at the Strom Thurmond Institute addressing some of the challenges and opportunities related to growth in South Carolina. In addition to drawing on those reports, as well as the relevant literature and statistical analysis, we convened five roundtable discussions about issues related to residential growth in South Carolina in Clemson, Charleston, the Midlands, Greenville, and York. These roundtables, all but the first located in areas of rapid growth, brought together the major stakeholders—current residents, developers, planners, county and municipal officials, representatives of state agencies and concerned and informed citizens. Their comments and insights are a valuable part of this report.

Growth in population and housing in South Carolina

South Carolina has experienced rapid but uneven growth in the number of residential housing units in the last fifteen years, as has much of the country—faster than population growth. The state's population grew 21.8% from 1990 to 2005 while housing units grew 35.4%, both considerably faster than the national average. Like the country as a whole, the state's residential growth has been uneven, with rapid growth along the coast, in the Midlands, along the I-85 corridor, and directly south of Charlotte, and little or no growth in the Lowcountry interior and along the lower Savannah between Aiken and Beaufort counties. Along with growth, South Carolina's housing mix still consists of a much higher proportion of mobile homes, with fewer condos and apartments than the rest of the country.

Fast growth and slow growth counties. In order to assess the impact of growth, we divided the larger counties (those with population over 50,000) into three groups—fast growth, average growth, and slow to now growth. We compared the nine counties in the fast growth group with the nine in the slow to no growth group and found some significant differences. Fast growth counties tend to have a higher share of assessed value in owner-occupied housing, which has the highest service demands and generates the least revenue of any property class in South Carolina's classified property tax system. They also had much more positive economic performance indicators than slower growth counties, including median family income, income growth,

unemployment, retail sales and poverty rate. Six of the nine were above the state average in PACT scores, compared to only two of the slow-growth counties. But that prosperity and success does not always translate into either fiscal resources to pay for infrastructure and services or improved quality of life—congestion, air and water quality, green space and wildlife habitat, and other amenities.

Sprawl. The popular term for the problems created by low density residential growth, sometimes distant from available infrastructure, is **s**prawl. Other definitions point specifically to either symptoms or consequences of current patters of residential growth. Sprawl is contrasted with high density, sometimes multifamily, contiguous or infill development, which is less expensive to service but not as attractive to home buyers. Sprawl also results in traffic congestion, declining air quality and loss of landscape amenities. Sprawl is not only the result of buyer preferences and competition for land on the urban fringe (between farmers and development) but also public policies that undervalue open space and underestimate the social costs of commuting. Because the value of open space and costs of commuting do not accrue to the developer or the home buyer, they are not taken into account in building new residential developments. Reliance on the property tax to fund infrastructure and services has shifted some of the cost of development to existing residents and businesses rather than on those who create the demand. Subsidies for cars rather than public transit is another contributing factor. In South Carolina, municipalities are constrained in their efforts to annex and provide services and infrastructure to surrounding unincorporated areas that would then be subject to the city's land use regulation. Restrictive municipal annexation laws have been a state-specific factor in encouraging sprawl.

Fiscal Impact. Numerous studies affirm that residential growth and particularly sprawl has a negative fiscal impact on local governments, nationally and in South Carolina. New residents do not generate enough local revenue in property taxes and fees to pay for the cost of infrastructure and services, although higher density residential developments located closer to existing infrastructure have a less negative effect. Commercial and industrial property pays more than the additional costs created. South Carolina favors owner-occupied property over other classes of property with a lower assessment rate and homestead-based property tax relief, so the negative fiscal impact of residential development is even more pronounced, especially for school districts. Even with those challenges, studies have suggested that more compact growth or redirecting growth to areas less costly to serve would generate substantially lower public sector costs than the existing sprawl pattern.

Economic impact. Rapid residential growth is generally associated with higher family incomes, lower poverty and unemployment rates, and other favorable economic indicators, although it is difficult to determine a cause and effect relationship. On the negative side, rapid residential growth drives up the price of land, higher assessments may pressure longer-term residents to relocate because of rising property taxes, and

affordable housing becomes increasingly difficult to find in fast-growth sections of the state and the nation.

Quality of life impact. South Carolina has historically been a water rich state, with ample rainfall (prior to the drought of recent years) and multiple large streams flowing through it, including the Savannah basin whose river marks the state's boundary with Georgia. However, several regions have encountered growth-related challenges in both water quality and water availability, as well as the funding the infrastructure to treat and distribute the water. The fast growth coastal region is at the end of the water flow as it arrives at the sea, diminished in both quantity and quality as it has passed through North Carolina and the Upstate . They also are finding it difficult to maintain the quality of tidal creeks along the coast. Storm water, especially around construction sites, collects pollutants and sediment enroute to the rivers. Salt water intrusion into the underground aquifer is a problem in Beaufort County. There are ongoing water disputes across state lines with our two adjacent states, North Carolina and Georgia. Development along the lower Savannah is being held hostage to increasing water quality problems. Ambient air quality is declining because of increased traffic flow and congestion, which can prohibit development of new industry as well as discouraging retirees, tourism, and commercial development.

Transportation and open space are also important quality of life issues. Many new residential developments are populated by commuters, who drive to work on old farm-to-market roads not adequate to a higher traffic flow. South Carolina has more than twice the national average share of lands in forestry, but it has been undergoing rapid conversion, resulting in loss of open space and wildlife habitat.

Policy tools for residential growth management

There are three kinds of policy tools that can be helpful in growth management: fiscal, planning coordination, and empowering local governments, especially counties and municipalities. Fiscal tools include the property tax, the special capital projects sales tax, tax increment financing, impact fees, and other fees and charges.

Fiscal tools. The property tax has borne most of the burden of funding infrastructure and services, shifting the costs of development to existing residents and other classes of property. The favorable treatment of undeveloped land represents a significant property tax revenue loss for counties and school districts. Sales taxes in 29 counties provide a mix of property tax relief and additional revenue, but only if the residential development is accompanied by commercial development to generate taxable sales. Local option special sales taxes for infrastructure have been another useful tool in addressing growth. Impact fees are widely used around the country to cover growth-related costs, especially for infrastructure, but South Carolina has placed severe restrictions on their use. Instead, many counties use voluntary development agreements

to determine how much infrastructure to provide and how the cost should be apportioned between the developer and the local government. Tax increment financing has been a useful tool for redevelopment in some areas.

Planning coordination tools. Roundtable participants were particularly vocal about the need for regional coordination among local governments within and between counties. State regulations on school acreage and lack of collaboration between school districts and other local governments resulted in schools being a major contributor to sprawl. Other areas for collaboration are road construction, maintenance and improvements, protecting green space, discouraging sprawl and assuring more affordable housing for the region, but they need to be adequately enforced.

Local governments need state assistance and support in land use planning, zoning, and other regulations in affecting water quality through regulations governing impervious surfaces, through storm-water management, and in requirements for protection of trees and other ground cover. There is little state or federal aid for infrastructure construction and maintenances except for roads. State aid for infrastructure tied to planning criteria that discourage sprawl is a potential tool for encouraging better and more far-sighted growth management by counties and municipalities

Empowering local governments. Municipalities are particularly important as providers of services to high-density areas both within and adjacent to municipalities. These services benefit nearby nonresidents as well, so cities need better tools and easier annexation laws to make their legal boundaries and land-use planning domain expand to match their service areas and "natural" city. Other fiscal tools that would make it possible to manage and pay for growth include school impact fees, more flexibility in using other local taxes (sales, accommodations and hospitality), and a real estate transfer tax.

Conclusion. South Carolina is growing faster than the national average, but the growth is concentrated in just a few areas that experience both the positive economic benefits and the fiscal pressures. South Carolina local governments do not have adequate tools to manage growth in ways that protect quality of life and minimize some of the fiscal and environmental costs of growth while ensuring a fair distribution of the costs of providing infrastructure and services to new residents Other states have developed tools and revenue sources to direct growth into areas that are most easily served and have the least negative impact on the environment. South Carolina can learn from their experience in developing a statewide growth management policy that promotes and encourages a safe and healthy living environment with an equitable distribution of the cost of public services among citizens.

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I. INTRODUCTION

This project grew out of a variety of reports and studies at the Strom Thurmond Institute and elsewhere that have addressed specific components of the challenges posed (and opportunities offered) by residential growth in South Carolina. These projects include South Carolina Prime Lands Initiative (1999-2002), Charleston Urban Growth Project (2003), South Carolina Tree Ordinance Summary and Planning for the Community Forest (2005 -2006) and Residential Fiscal Impact Assessments for Jasper and Lancaster Counties (2005-2007). What was missing was an umbrella or framework summary into which these pieces, as well as information from many other sources, could be integrated and from which some policy recommendations could be developed. At the suggestion of Institute Director Robert Becker and Vice President for Public Service and Agriculture John Kelly, members of the Institute staff undertook to provide such a framework in early 2007. This working paper is the result of that research effort.

STAKEHOLDERS

At the five roundtables, we attempted to include a broad cross-section of major stakeholders in growth and growth management. **Current residents** are concerned about the changing character of the community's quality of life and about being burdened with some of the additional costs to serve new residents with water, sewer, and sufficient road systems as well as schools, libraries, fire stations, and recreational facilities. Quality of life may improve in smaller communities if growth attracts desirable commercial development and provides an adequate base of support for recreational and cultural activities and programs. It may also worsen if there is increased traffic congestion and deterioration in air and/or water quality and significant loss of open space and wildlife habitat. They may be pleased to see the value of their property appreciate but apprehensive about how that translates into higher property tax bills. In general, current residents in rapidly growing areas take a cautious stance toward growth and are likely to be receptive to land-use planning, impact fees and environmental controls.

Future or prospective residents also care about the same quality of life issues but are concerned about the cost of housing and the availability of infrastructure. They are understandably less enthusiastic about impact fees or other methods of imposing the cost of support infrastructure on new residents, especially those who are building in newly developing areas that have little existing infrastructure.

Developers are concerned about the effect of costs and regulations on the price of land and the cost of construction that will either cut their profit margins or make

housing less affordable to a broad range of potential buyers. They tend to resist impact fees and are caught in the tension between the public sector gains from denser development (smaller lots, more multi-family housing) and the preferences of the market for larger homes on larger lots and resistance to other housing forms. At the same time they recognize that certain attributes of development, particularly green space and adequate roads, are important in attracting buyers for their homes. Because developers sell and move on, however, they are more attuned to short term than longer term costs and service demands.

Landlords and renters (and would-be landlords and renters) also have a stake in growth management. Rental property has the potential to play a significant role in providing affordable housing in rapidly growing communities as older homes are filtered down to lower-income households, often as rental property. Multi-family housing is more likely to be rental property. Among those 357,491 South Carolinians (18.5%) who lived in mobile homes as of 2005, some are owners and others renters. Even among owners, in many cases the space on which they place that mobile home is rented. Owners of mobile homes or mobile home parks have a hard time competing for land not only in price but also in zoning.

Rental property in the form of apartments, condos or townhouses (which can be either owner-occupied or rental) lends itself to more dense development that makes more effective use of the existing infrastructure or requires less expenditure per dwelling unit for new infrastructure. Yet existing state property tax classifications discriminate against rental property, and many local residents are opposed to encouraging apartments or other multi-family housing in their neighborhoods because of concerns about congestion or the impact on property values. Zoning regulations usually limit the areas on which multifamily housing can be built.

Local officials and planners at the city and county levels are concerned with all dimensions of the issue, especially balancing the needs and concerns of both current and future residents and developers. They must plan for both infrastructure and operating costs for new residents and ensure that the fiscal burden of supporting public services is fairly distributed within the constraints of legislative rules and regulations on property taxes, other local taxes, impact fees and other fees. They would like to direct development in ways that minimize the additional cost of infrastructure and services to new housing, which in practice translates to higher density development and more emphasis on infill or rehabilitation of existing housing. Local officials and planners are also the most sensitive to the need for collaboration among cities, between cities and counties and school districts, and within regions in order to ensure that there is minimal overlap in provision of services while at the same time ensuring that service and infrastructure needs are met in an economical and efficient manner.

In many counties **rural electric cooperatives and/or special purpose districts** are important players in the story of managing growth and land use. Both groups are reluctant to lose their service base to incorporated municipalities and are an important factor in the resistance to easier annexation laws. Along with at least some county governments, these entities have been providing at least some municipal-type services to more densely populated unincorporated areas of their counties, delaying the expansion of municipalities to provide municipal services to areas of municipal density.

The state is likewise an important part of the story. State regulations limit the powers of local government, particularly in the area of taxes, fees and charges. The state has resisted changing the state's very restrictive annexation laws and has mandated land use planning but fails to provide state-wide coordination or leadership for that process. The state is responsible for a high proportion of roads in South Carolina and has fallen behind on maintenance and expansion of those roads. Local governments are looking to the state to provide direction and support, both technical and financial, in managing the process of rapid growth in these increasingly urban parts of a predominantly rural state.

METHODOLOGY

While many research projects require a great deal of original inquiry, the challenge for this project was choosing among the richness and variety of resources on which to draw—individuals working in the field on different aspects of the growth challenge, work in other states and at the national level that applied in some ways and not others to the South Carolina experience, and a variety of both stories and statistics that could help us to define and quantify the challenge of growth management.

Our primary resource was a series of roundtables held at Clemson, Charleston, Columbia, Greenville and Rock Hill, supplemented by some individual mail responses from Florence and Beaufort Counties. Each of these roundtables brought together regional stakeholders from a variety of backgrounds—planners, economic developers, local public officials, academics, staff from DHEC, and interested citizens—to answer a series of questions that are reproduced as appendix A to this report. Including the mail responses, approximately 65 people participated in responding to our questions. In addition to yielding a rich harvest of information and perspectives, each of the roundtables brought together people from the same region that did not often have the opportunity to share their diverse perspectives on their growth experience.

A second resource was an extensive national research data base on the subject of growth and growth management, supplemented by studies that were specific to the Southeast and to South Carolina. South Carolina's experience is not unique, but it is colored by some of the distinctive characteristics—geographic, socioeconomic, cultural, and political—that define our state and also shape the ways we grow and the ways we

try to manage growth. So national studies, or studies of growth management in other states, must be interpreted in the light of South Carolina's unique attributes as a coastal state, a state with great contrasts of wealth and poverty, a retirement destination state, a state with limited local home rule, a state with a mild climate and a state of fairly rapid population growth in some areas and little or no growth in others.

A third resource is statistical, which enables us to make somewhat firmer statements backed by data. Answers to questions such as "how much does another tract house on the edge of town add to local revenue and local costs?" or "how are our fast growing counties doing compared to their slow growing peers?" or "what is the infrastructure cost per house for an average size new development?" or "how many acres of farmland are converted to subdivisions each year?" are the kinds of questions that lend themselves to numerical answers. National benchmarks are of some limited use, but for the most part we rely on statistics generated in and about South Carolina to tell us about the impact of growth in the context of our state's history, laws, and tax structure.

The statistical comparisons among counties in this paper are for the most part between two groups of large counties with populations of 50,000 or more. One group consists of nine large, rapidly growing counties, all growing substantially faster than the state average. A comparison group of nine counties of somewhat similar size are growing much more slowly than the state average. In order to offer a sharper contrast between fast growth and slow growth, we omitted from this comparison five larger counties that are fairly close to the state average in the rate of population growth—Anderson, Berkeley, Charleston, Oconee and Spartanburg.

We also recognize certain shortcomings in using the county as a unit of analysis. Within most counties there are great variations in growth rates. Pickens, for example, is seeing slow growth as a whole but not in the southern part of the county. Anderson, likewise, has experienced rapid growth in the I-85 area, the city of Anderson, and the northeast corner near Greenville while the southern part of the county has lost population and jobs. Lancaster reports an east-west division on growth, York a north-south, with the area nearest Charlotte being the rapid growth section in each case. Nevertheless, with these caveats, we find some striking differences between counties that are growing very fast and counties that are experiencing little or no growth overall on a variety of fiscal, economic, and quality of life measures.

STAFF

Principal investigator of this project and author of this report was Holley Hewitt Ulbrich, Ph.D., Senior Scholar at the Strom Thurmond Institute. Dr. Ulbrich has worked extensively on state and local government issues in South Carolina, particularly in the area of state and local taxation and expenditures. She was assisted by Sandra Lee Sanderson, research support staff at the Institute, Ellen Weeks Saltzman, research associate at the Institute, and Donna London, director of the Self Center on the Future at the Strom Thurmond Institute.

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II. GROWTH OF RESIDENTIAL HOUSING: NATIONAL, SOUTHEAST, SOUTH CAROLINA

Rapid growth in residential housing—in both number of units and average size—has been experiences in many parts of the country, but especially coastal states like South Carolina. While the U.S. population grew from 248,709,873 in 1990 to 288,378,137 in 2005, an increase of 15.9%, the number of housing units grew from 102,263,678 in 1990 to 124,521,886 in 2005, an increase of 21.8%. That average growth rate for both population and housing conceals a great deal of diversity from state to state. The fastest growing state in population was Nevada and the slowest growth in population was in the state of North Dakota, where the population actually declined during the 15 year period. In terms of housing units, the fastest growth rate was in Nevada, while the slowest growth rate was in Connecticut. South Carolina was above the national average with a growth in population from 3,486,703 to 4,246,933 (21.8%) from 1990 to 2005 and a growth in housing units from 1,424,155 to 1,927,864 (35.4%) over the same time period. Table 1 shows the comparative housing and population growth figures for the U.S., other southeastern states, and South Carolina.

TABLE 1
Housing and Population Growth 1990-2005
U.S., South Carolina and Other Selected Southeastern States

	1990 Pop. (MM)	2005 Est. Pop. (MM)	Pop. Growth	1990 Housing Units (MM)	2005 Housing Units (MM)	Housing Growth	2005 Pers/ Hse. Unit
US	248.7	288.4	15.9%	102.3	124.5	22.0%	2.3
Alabama	4.0	4.5	12.6%	1.7	2.1	25.0%	2.2
Arkansas	2.4	2.8	18.1%	1.0	1.2	25.0%	2.2
Florida	12.9	17.8	37.3%	6.1	8.3	35.0%	2.2
Georgia	6.5	9.1	41.0%	2.6	3.8	43.0%	2.4
Mississippi	2.6	2.9	13.0%	1.0	1.2	22.0%	2.4
NC	6.6	8.7	30.8%	2.8	3.9	40.0%	2.2
SC	3.5	4.2	21.8%	1.4	1.9	35.0%	2.2
Tennessee	4.9	6.0	22.1%	2.0	2.6	30.0%	2.3
Virginia	248.7	7.6	22.3%	2.5	3.2	27.0%	2.4

With the exception of Florida, the number of housing units grew faster than the population, resulting from a mix of second homes, resort homes, the trend for college students to live in houses, apartments, and condominiums rather than dormitories, and young adults moving out into their own quarters, reducing the average number of inhabitants per dwelling unit. Most of the housing growth, however, is still to meet the needs of households for a primary and relatively permanent home. Except for resort areas in South Carolina, the overwhelming number of residential units are single family detached units (including mobile homes) and primary rather than secondary residences.

The housing mix in South Carolina is significantly different from the national pattern. There is a much higher proportion of mobile homes, which are even less likely to "pay their own way" in property taxes, and a much smaller share of apartments, reflecting both the differential tax treatment of rental and owner-occupied property and the lower level of urbanization. Lower urbanization also helps to explain the lower percentage of condominiums and townhouses. Single family homes, however, is the primary residential form in both the state and the nation and at very similar rates.

TABLE 2
Types of Housing Units, 1990-2005

	Single Family	Condo/ Townhouse	Apartment	Mobile Home
1990				
US	61.1%	5.7%	26.1%	7.0%
SC	61.7%	2.5%	17.1%	18.5%
2000				
US	60.3%	5.6%	22.0%	7.6%
SC	61.5%	2.3%	15.8%	20.3%
2005				
US	61.1%	5.7%	26.1%	7.0%
SC	61.7%	2.5%	17.1%	18.5%

Source: US Bureau of Census and 2005 American Community Survey

Where is the residential growth occurring?

South Carolina's growth in population (and housing) is concentrated most heavily along the coast, the suburbs of Charlotte, the I-85 corridor, and the Midlands around Columbia. Between the 2000 Census and the 2006 population estimates, slow to no growth was the pattern for 15 counties, all but one of which were small and rural (the

one large county in this group was Orangeburg). Most of them are located in the Pee Dee and lower Savannah River regions. In contrast, the nine fastest growing counties in South Carolina are Dorchester, Horry, York, Beaufort (growing 2.7%-3.6% a year 2000-2006), followed Lexington, Greenville, Kershaw, Georgetown and Richland, growing at rates from 1.4% to 1.9% a year. The population of the state as a whole grew at a rate of 1.2% a year during this period, slightly above the national average rate of 1.04%.

Residential growth and income and employment growth

In some areas of South Carolina, residential growth is in response to employment growth. Where homes are built to accommodate workers near their place of employment, commercial development is likely to follow, because of the convenience of being able to shop and use services close to both home and work. Other areas, such as York and Lexington counties, grow primarily through residential development, with residents commuting to a nearby urban area for both work and shopping. In those areas, commercial and employment development lag behind growth of residential property. With a tax base that consists largely of owner-occupied residential property, which is assessed in South Carolina at the lowest rate of 4% and exempt from school operating millage, the consequences of such unbalanced growth for local government revenue are distressing.

Among the nine large fast-growth counties, six have an above average share of their assessed property value in owner-occupied residential property, compared to only three of the slower-growing counties. Since service demands are much higher for residential property than non-residential property, these six counties are particularly challenged in finding ways to fund public services.

TABLE 3
Owner-Occupied Residential Share of Assessed Value, 2003

State Average: 27.0%				
Fast Growth Counties			**Slow Growth Counties**	
Beaufort	21.8%		Cherokee	24.4%
Dorchester	32.9%		Darlington	21.5%
Georgetown	24.6%		Florence	25.8%
Greenville	31.1%		Greenwood	22.3%
Horry	19.7%		Lancaster	30.3%
Kershaw	31.7%		Laurens	28.5%
Lexington	36.4%		Orangeburg	22.8%
Richland	29.1%		Pickens	32.4%
York	27.5%		Sumter	28.8%

In most cases, a county with a high share of residential property in its tax base is a bedroom county—one that sends more of its residents out of the county to work than it imports from other counties (and other states). Among the slow growth counties, seven of the nine qualify as bedroom counties, including two that have more than twice as many workers leaving the county to work as come in—Laurens and Orangeburg. But even among the nine fast growth counties, only five of the nine are "destination" rather than bedroom counties, i.e., more workers come into the county each day than leave to work elsewhere. Depending on job opportunities in nearby counties (or nearby states), bedroom counties can still experience either rapid growth of homes and population—like York and Lexington—or slow growth, like Pickens and Lancaster. Georgetown, Kershaw, Lexington and York among the fast-growth counties are definitely bedroom communities, ranging from 76% more workers leaving than coming into Lexington to 158% more in Dorchester (U.S. Census 2000).

Being a bedroom county is a revenue challenge for both county government and the school district, because it usually associated with a limited amount of the commercial and industrial development that pay more taxes per dollar of market value and demand less in public services than residential property. Since Act 388, relieving homeowners of all responsibility for supporting school operations through property taxes, the challenges facing bedroom counties will be even greater.

Prices: what has happened to housing costs?

Growth in both the number of housing units and the market value of residential property has outpaced growth in income and employment nationally and in South Carolina.

TABLE 4
Median Home Sale Prices and Family Income
2004 - First quarter 2007

		Median new home	Median Sales Pr. of Existing Sing. Fam. Homes	Median Family Income
2004	US	221,000	$195,200	$54,061
	South		$171,800	
	SC			$39,454
	Charleston/NoC		$183,500	
	Columbia		$123,400	
	Greenville		$135,800	
	Spartanburg		$110,800	
	Charlotte area		$168,000	
2005	US	240,900	$219,000	$55,823
	South		$181,100	
	SC			
	Charleston/NoC		$197,000	
	Columbia		$135,000	
	Greenville		$145,400	
	Spartanburg		$121,200	
	Charlotte area		$135,000	
2006	US	246,500	$221,900	$57,612
	South		$183,700	
	SC			
	Charleston/NoC		$212,400	
	Columbia		$141,600	
	Greenville		$152,000	
	Spartanburg		$126,700	
	Charlotte area		$141,600	
First Q07	US	255,933	$212,300	$58,615
	South		$177,800	
	SC	200,000		
	Charleston/NoC		$219,500	
	Columbia		$142,500	
	Greenville		$145,700	
	Spartanburg		$118,400	
	Charlotte area		$142,500	

Source: National Association of Realtors

III. WHAT IS SPRAWL?

The term sprawl came into common use in the 1930s, and by the late 1940s it was closely connected to issues of highways, automobiles, and transportation—a major factor in either encouraging or discouraging sprawl. Sprawl is defined in various ways. The simplest and most comprehensive definition is this one offered by Nechyba and Walsh (2004): lower city density as the city's footprint expands. A Brookings Institution study defined an area as sprawling if the consumption of land increases faster than the population. For the United States from 1982 to 1997, urbanized land rose 47 percent while population increased 17% (McGuire and Sjoquist 2003).

Other definitions point specifically to either symptoms or consequences of current patterns of residential growth. Symptoms are larger lots and more single-family units, separated by open land, rather than multifamily (condominium, townhouse, apartment, mobile home park) and contiguous types of development which are less costly to serve with water and sewer, fire and police protection, solid waste collection, and transportation. The converse of sprawl is higher density in new developments and more infill development, both using vacant lots and tearing down and rebuilding or rehabbing existing units. The latter is much less costly for local government service providers, because the infrastructure is already in place.

Consequences of sprawl, in addition to the higher cost of infrastructure and service provision, include traffic congestion (and resulting loss of fuel efficiency, higher commuting times, increased air pollution, loss of landscape amenities and open space in metropolitan areas and increased segregation of the population in each urban/suburban area by income levels with resulting increasing disparities in access to and quality of public services, including public education.

The demand for and profit margins on larger homes built on larger lots, up to mini-farms or small ranches, encourage developers to design subdivisions and construct homes that meet that demand, both nationally and in South Carolina. The least expensive land is usually at some distance from established urban centers, lacking the necessary infrastructure and services to support that population growth, but that is where developers often choose to locate because [the price is right] the land is less expensive. Local officials often try to discourage low-density and/or remote housing developments, both because of the cost of servicing new developments with scattered homes and because of the associated privatization of green space and loss of wildlife habitat. York County, as a suburb of Charlotte and the third-fastest growing county in the state, expressed the greatest degree of concern over trying to discourage this type of development in favor of something that was more compact, closer to existing

infrastructure and services, and at least to some degree affordable for moderate to low-income families.

The primary tools for making growth denser and easier to serve are impact fees and urban growth boundaries with some more limited use of congestion fees on automobiles (parking charges and taxes, tolls, etc.) and various measures to preserve green space. These tools are discussed later in the paper.

Causes of sprawl

From a purely economic perspective, McGuire and Sjoquist[1] define sprawl by its causes. In their view, sprawl is a result of market imperfections, uncorrected externalities or poorly designed public policies that result in "an urbanized area that is larger and a population density that is lower than are socially desirable." McGuire and Sjoquist identify three kinds of causes of sprawl, only one of which is simply the result of market forces. That first cause is the changing balance in the ongoing competition for land between farmers and developers at the urban fringe. Developers have been able to compete more effectively in the land market because of the opportunities created by population growth, rising income, falling commuting costs (including telecommuting and public transit), and changes in communication technology that reduce the significance of locating near suppliers, competitors and customers for being competitive and informed about market conditions and trends. As population moved to the suburbs, both employment and commercial services followed.

The second cause is market failure in two forms; in general, the social value of open space is greater than the private value while the social costs of commuting are greater than the private costs. Since individuals make their decisions on the basis of private costs and private values of open space and commuting, not taking the impact on others into account, they privatize and develop too much open space and live farther from work and shopping than they would if they had to incur the full social costs (congestion, road building and maintenance, air pollution) of that choice. Suburbanites only consider their direct costs of owning and operating a car, not the costs imposed on others by air pollution, increased congestion, and the public resources that must be devoted to traffic management, providing parking spaces, increased road maintenance and repair, and dealing with accidents and driving-related legal offenses. If these costs were internalized (imposed on those who create them), commuting would be more expensive and less

[1] Therese McGuire and David Sjoquist, 2003. "Urban Sprawl and the Finances of State and Local Governments," in David L. Sjoquist, ed., State and Local Finance Under Pressure, Northampton, MA: Edward Elgar.

attractive. There would be more support for developing public transportation along with more acceptance of denser, more contiguous development.

The third cause of sprawl is several kinds of public policies that have encouraged low density development. McGuire and Sjoquist argue that public policy contributes to sprawl in several ways, but principally in relying too heavily on the property tax to fund both infrastructure and services and in failing to adjust the charges for public services according to the actual cost created by different kinds of development and different locations. The federal income tax subsidizes owner-occupied housing. Past subsidies for public infrastructure (water and sewer) and continued subsidies for transportation, both highways and public transit, mean that developers, landowners and home buyers do not pay the full cost of the infrastructure and the operating costs for public services needed for newly constructed homes. Nechyba and Walsh (2004)[2] also argue that the American preference for building roads rather than public transit at all levels of government has strongly encouraged the exodus to less densely populated suburbs and commuting by car, unlike European cities which tend to be more compact and rely more on public transit.

Brueckner (2000) largely concurs in this diagnosis of causes. A situation of population growth combined with rising incomes and falling commuting costs will necessarily lead to more housing construction, but not necessarily to sprawl. The failure to account for the social benefits of open space, the social costs of congestion, and the somewhat unplanned and unintended subsidy of infrastructure costs together converted this situation into one where sprawl was subsidized and somewhat unintentionally encouraged. He recommends the use of development taxes and congestion tolls on commuters as remedies.

Market forces generally move toward correction, even if they move slowly and often need a boost from public policy either negatively (eliminating obstacles and perverse incentives) or positively (subsidizing desirable change). Rising land costs in growing regions in South Carolina and the nation, higher gasoline prices, increasing congestion for commuters, along with the higher cost of providing infrastructure to scattered developments, provide some impetus toward creating denser housing developments and more infill rather than "sprawl."

Infill development, both using vacant lots and tearing down and rebuilding or rehabbing existing units, is much less costly for local government service providers, because the infrastructure is already in place. But there is still a demand in many areas, including

[2] Nechyba, Thomas J. and Randall P. Walsh. "Urban Sprawl," Journal of Economic Perspectives, 18:4, Fall 2004, p. 177-200.

parts of South Carolina, for sprawling large homes built on large individual lots, adding to the cost of water and sewer service, roads, solid waste collection, school transportation and other local government expenses that tend to be lower with more compact development. There has also been a privatization of greenspace and with it, loss of wildlife habitat.

Municipalities and sprawl

While our growth measures are by county, all of these fast-growth counties contain one or more municipalities. Municipalities are often the most suitable provider of many local public services because they are equipped to deal with more densely packed homes and commercial facilities. Residents of more rural areas do not generally expect, nor can they economically be served, with municipal services like fewer services like public water and sewer, full-service fire departments, sidewalks, street lights, and solid waste pickup. For this reason, municipalities play an important role in growth management in most states. In South Carolina, however, the ability of municipalities to grow is constrained by highly restrictive annexation laws as well as the resistance of competing suppliers of municipal-type services (counties, special purpose districts, and rural electric cooperatives). Cities can continue to grow by annexation, by infill (using vacant land within the city), or by higher density development within their existing boundaries. Between 2000 and 2006, municipalities in South Carolina gained an estimated 122,641 residents, or about two-thirds of total growth of 186,596 in non-municipal residents. The average growth rate for municipal population in South Carolina was 1.40 %, comparison to state's 1.25%. However, annexation remains difficult, and some of the state's larger cities such as Greenville are hemmed in by special purpose districts that make annexation exceptionally difficult. The number one recommendation from all of the roundtables was making it easier for municipalities to annex so that they can manage growth around their borders and relieve counties of the demand for urban-type services in unincorporated areas adjacent to municipalities.

IV. GROWTH AND FISCAL IMPACT

The fiscal impact of growth and particularly residential growth is the most central issue in the debate around growth management, both nationally and around the country. How does local government pay for the necessary infrastructure, and on whom does (or should) the burden fall? What fiscal and other tools can local governments use to direct growth in channels that are less costly to serve—infill and reuse development or higher density development located closer to existing infrastructure (roads, water, sewer, schools, recreation facilities, libraries, fire stations)?

The preponderance of studies strongly suggests an emerging consensus in both the economics and planning literature that most residential development does not cover its own costs, particularly infrastructure costs. A 1999 Sierra Club study for northern Virginia documents the problem in a highly urban area. The capital cost of services for a single dwelling unit (in 1987 dollars) was $18,000 for a smart growth development pattern (higher density, mixed housing types), $35,000 for low density sprawl close to existing urban areas, and $48,000 for low density sprawl 120 miles from existing development. In general, the ratio of revenue from a new building to the cost of services for that new building ranged from a low of 1:1.04 in Minnesota, to 1:2.56 in James City County, Virginia, with an average of 1:1.34 over five urban states and eight Virginia counties. In other words, the average new home cost 34% more to serve than it generated in revenue. In Prince William County, the average new home generated $2,150 in tax revenue and cost $3,838 to provide public services. The ratio for commercial buildings was much more favorable, averaging 1:.024—a cost of services that represented only 24% of revenue generated, primarily because commercial buildings produce no school children. But often local governments offer incentives in the form of tax abatements to attract commercial development, so that a promising source of property tax "subsidy" for homeowners may not be available.

A 2003 Colorado study generated even higher rations of cost to revenue, $1.65 in service spending by county governments and schools for every dollar of tax revenue generated (Coyne 2003). Even in Maine, a much more rural state with similarities to South Carolina in its concentrated development along the coast and vast undeveloped interior areas, has been experiencing similar sprawl-generated fiscal problems. A 1997 study in Maine noted that the fastest growing towns were new suburbs 10-25 miles away from metropolitan areas, raising costs for infrastructure (schools, roads, water systems, fire stations, libraries) and service costs with more scattered development. There, too, the property tax generated only a fraction of the money needed to cover public sector costs.

The American Farmland Trust has developed a methodology for estimating these costs called Cost of Community Service (COCS) Studies, which has been used in more than 70 communities between 1992 and 2006 (AFT 2006) The revenues and costs of local government are assigned to the various classes of land use or types of development, resulting in similar ratios (expressed as costs to revenue rather than revenue to cost) for different land use types. A summary of these 70 studies showed that residential revenue generated from 47% to 98% of the revenue needed to pay for services, with an average of 87%. Commercial, industrial, farm and forest property consistently generated far more revenue than cost. These studies are based on average cost rather than the marginal or incremental cost of a new development, which can be higher in the case of sprawl, lower in the case of denser and/or infill or reuse development.

Dorfman and Nelson used that methodology for two counties in northern Georgia, not including schools. Their results were consistent with national ratios, with residential generating revenue between 75% and 90% of service costs exclusive of schools, while commercial and industrial, farm and forest property generated more revenue than cost.

Another southern state that examined the fiscal impact of growth is Tennessee, which has had considerable growth in the central part of the state based in manufacturing expansion. Even with this jobs-based development, local governments are challenged to keep up with the demand for infrastructure and services, particularly for schools (Penn 2005). Tennessee local governments rely primarily on property taxes and sales taxes to fund services, along with some limited use of development fees, wheel taxes, and facilities taxes.

A contrary note is sounded by a study from the National Association of Home Builders in 2005 (NAHB 2005). Their estimate is that 100 new single family homes built in a typical metropolitan area generate $2.1 million in local government revenue, $189,000 in current expenditures for these new households, and $1.9 million in capital investment, and that there is a net surplus after fifteen years. However, the operating expenditures of only $1,890 per household are clearly insufficient for public education as well as ordinary city and county services, and both the capital investment and the operating expenditures do not take into account the higher cost of serving remote or lower density developments.

Since the infrastructure increases the value of the land and the home, and the value of the land and home are the base of the property tax, in a perfectly functioning system the necessary additional revenue would be generated through higher assessments and higher property taxes on new homes. However, restraints on assessment increases and generally favorable treatment of homeowners nationwide have not only in South Carolina but also in other states have interfered with that cost recovery mechanism. While some of the cost of funding infrastructure and services for new development at

the local level falls on current homeowners, and some of it is captured in impact fees, to a large degree the cost is shifted through the property tax from homeowners, new and existing, to other types of property, such as commercial, industrial, agricultural, and personal (automobiles, airplanes, boats, and business equipment and furnishings).

The cost for some types of public infrastructure and services is more closely related to the area covered than the number of housing units. Police substations, EMS services, and fire stations are among the services that need to be close enough for a reasonably rapid response time. While a few remote residents in an area may just have to accept longer response times, a concentration of new development may require constructing new public safety facilities in order to reduce response time. Staffing those substations with enough additional personnel also adds to cost with low density and remote development.

In states where local governments have access to other fiscal tools, such as income or payroll taxes, sales taxes or vehicle fees, the cost of the new infrastructure is shared somewhat more evenly among all taxpayers, households and business firms, new and existing. The increasing use of local government fees (in addition to impact fees) may absorb some of the cost of servicing new households, although many of those fees are earmarked for specific services such as solid waste or recreation.

Growth and fiscal impact in South Carolina

The comparison between the nine fast-growth counties and the nine slow-growth counties in South Carolina reveals some significant differences, as Table 5 indicates.

TABLE 5
Fiscal Characteristics of Fast-Growth and Slow-Growth Counties in South Carolina

	Fast Growth Cty. Avg.	Slow Growth Cty. Avg.	State Average
Assessed value growth (1999-2003)	4.74%	2.69%	4.96%
Owner-occupied share of base, 2003	28.3%	26.3%	27.0%
Commercial share of base, 2003	21.7%	32.9%	31.0%
Growth of property tax collections 2000-04	7.16%	6.04%	7.03%
Growth of mill rate, 2000-04	0.82%	3.78%	1.40%

Both total assessed value and property tax revenue growth in the nine fast-growth counties exceeded the slow-growth county averages and were slightly ahead of the state average, with growth of assessed value permitting much slower growth in mill rates in fast-growth counties. A concern, however, is the mix of properties in that assessed value tax base. Even with Horry, Georgetown and Beaufort included in the average, owner-occupied residential property is still a larger component of the tax base in these nine counties than in comparison counties or the state as a whole. The other six fast-growth counties (Dorchester, Greenville, Kershaw, Lexington, Richland and York) had an average of 31.4% of their tax bases in owner-occupied residential, well above the average for the state or the slow growth peer counties. Participants in the roundtables from the three Midlands and two Upstate counties confirmed that commercial growth (both retail and service establishments and rental property) was lagging behind the growth of owner-occupied residential property. Given the higher revenue yield of commercial compared to owner-occupied properties, a more balanced growth of both classes would yield more revenue and fewer service demands.

South Carolina property tax structure and fiscal impact

The revenue aspect of the fiscal impact of a new house in South Carolina depends on its value, its location (school district, inside or outside municipal limits), the mill rate and whether or not it is owner-occupied. Revenue from fees (such as recreation or solid waste) is less sensitive to these factors. Because most houses are accompanied by one or more vehicles, property taxes on vehicles also factor into revenue. The cost side of the fiscal impact reflects some of the same considerations as observed above—distance from existing infrastructure and density of development. A significant number of homes also have school-aged children, where the fiscal impact is particularly strong (and negative). The property taxes paid on residential property is considerably less than the average or marginal cost of educating an additional child in the public schools, both for operations and for debt service on constructing new schools. In South Carolina, where agricultural and undeveloped land is very lightly taxed and the industrial base is shrinking in some areas and growing only slowly in others, the property tax burden falls primarily on commercial and personal property.

South Carolina is significantly different from many other states in the different treatment of owner-occupied and rented residential property. Two dwelling units that are otherwise similar in location and value will have vastly different tax bills depending on their occupancy status. Consider two identical dwellings with a value of $200,000, one rented, one owner-occupied, both within municipal boundaries, both occupied by adults under age 65 (no homestead exemption). At the state average combined city, county and school district millage of 283.6 mills in 2004, the rented property would be assessed at 6% of market value and would pay property taxes of $3,403 per year. The owner-

occupied property would pay no school taxes except for debt service. The property would be assessed at a 4% rate and pay taxes of $1042. There would be an additional contribution by the state to the school district of $1,226 for property tax relief, but the total local government revenue would be $1,136 less. In addition, the growth of the property tax relief payment in 2008 and beyond is not expected to grow the property tax revenue from that property with reassessment.

The assessment caps added to the South Carolina constitution in 2007 may not have much impact during the current housing slowdown, but they will slow the growth of property tax revenue when the housing market recovers. As counties come due for their five year reassessments, they will still capture a smaller increase in their tax bases from residential housing than they would have without the cap.

Fiscal impact studies in South Carolina

There are relatively few fiscal impact studies of residential growth specifically for South Carolina. Brad Wyche (2007) summarized the national studies as well as four South Carolina studies—Charleston Harbor, Richland County, York County, and a statewide study in 1997. Several additional studies have since been produced by researchers at the Strom Thurmond Institute. All four of the earlier studies in South Carolina focused on the differential costs of compact versus sprawl developments. In the statewide study, the compact approach generated nearly $5 billion in infrastructure savings. The 1998 study of Richland County showed substantial savings from redirecting 10 percent of growth over 20 years from rural to urban areas--$30.5 million in local road costs, $26.7 million in water and sewer capital costs, and $250 million in land development costs. A more recent study in Beaufort County found that growth in the northern part of the county would cost the county government $238 million more than revenue over the next twenty years (Honig 2007).

Molnar and Taylor have conducted four localized fiscal impact studies in 2006, including Jasper County, Lancaster County, and the City of Aiken. They summarized their findings for Jasper and Lancaster in a 2006 policy brief (Taylor and Molnar 2006). Lancaster showed the typical pattern of an excess of expenditures over revenues, while Jasper did not. Most of the development is projected to be inside existing municipalities in Jasper County, while Lancaster's residential growth is largely in unincorporated areas. Other factors favoring Jasper County are a higher proportion of commercial and rental property in the tax base and a higher mill rate. Ironically, counties that have benefited from industrial development in the past and have lower mill rates are more likely to suffer revenue shortfalls with growth at a time of legislatively-imposed caps on the mill rate.

Both municipalities in Jasper County (Hardeeville and Ridgeland) are projected to experience a deficit as a result of residential growth. Both counties and municipalities will not have enough revenue to cover increased capital expenditures. While South Carolina counties have access to impact fees, they are not widely used because the enabling legislation makes them highly restricted, cumbersome, and too limited relative to the actual cost of capital improvements. Currently six counties utilize impact fees: Aiken, Beaufort, Berkeley, Dorchester, Georgetown and Kershaw, with two other counties seriously considering adoption. Municipalities have been more willing to use impact fees. They include Summerville, Beaufort, Hilton Head, Mt. Pleasant and Rock Hill. Counties have been more inclined to use voluntary development agreements as an alternative to impact fees, although they would certainly consider using them if the legislature eliminated some of the restrictions and limitations in the present law.

Fiscal impact experience in fast-growth counties

Participants at all of the roundtables agreed that fiscal impact was an issue on both the revenue side and the service side. All of them agreed that sprawl-type development exacerbates the problem of finding the revenue to provide infrastructure and services. Local elected officials and staff stated that they are searching for better ways to pay for infrastructure and to reduce infrastructure demands through smart growth strategies, particularly infill and higher density. Counties were experiencing increasing demands in high-density unincorporated areas for urban-type services (such as solid waste collection and police protection), but even if cities were nearby, they were handicapped in their ability to expand by the state's restrictive annexation laws.

Expanded commercial development (including rental housing) is a strategy that works better in some areas than others. Bedroom counties, such as fast-growing York and slower-growing Pickens, both agreed that their commuter residents shopped where they work and the commercial development that more than pays its way was slow in coming. Commercial development was doing better at keeping pace in the Midlands.

In South Carolina, where agricultural and undeveloped land is very lightly taxed and the industrial base is shrinking in some areas and growing only slowly in others, the property tax burden falls primarily on commercial and personal property. Because of the state's classified property tax system, residential rental property is treated like commercial property for tax purposes, with no state-funded school tax relief, no homestead exemption, and a six percent instead of four percent assessment rate. The combined county, school and municipal property tax on a rented dwelling in South Carolina is at least 100% higher than the tax on a comparable owner-occupied dwelling, and in most cases more than 100%, depending on the school mill rate. To the extent

that rental property is an important source of affordable housing, this tax burden makes affordable housing less available, an issue to which we return later in the paper.

A further complication in South Carolina is the delay in getting new construction on the tax rolls. New homes may generate service demands and school children for up to two years before paying any local property taxes. In general, even if the revenue was sufficient to cover additional costs (as it rarely is), the money comes in with a delay while the service demands are immediate. The treatment of farm and forest land is another bone of contention with local officials, with large tracts being held for development at very low property tax rates until it is actually developed.

Participants had a number of suggestions for mitigating the fiscal impact of growth. They included

- making impact fees easier to use and extending them to school districts,
- speeding up the process of getting developed property on the tax rolls,
- making it easier for municipalities to annex and/or provide more extra-territorial services, and
- expanding the array of revenue tools available to local governments.

Participants also called attention to the role of schools in encouraging sprawl. Schools have been required to have very large acreage and therefore feel compelled to locate in remote areas without infrastructure in order to have adequate acreage at an affordable price. Schools attract housing development in their wake. Better cooperation between school districts, counties and municipalities and smaller acreage requirements would be helpful in bringing a better balance between costs and revenues.

Fiscal impact and impact fees

An impact fee is a charge per lot or per structure to cover some of the additional fiscal costs of providing infrastructure and public services to newly constructed homes The impetus to use impact fees to help cover the additional cost of providing public services to new housing developments came partly from property tax limitations around the country and partly from concerns about equity between new and established residences as it became increasingly apparent that new housing was likely to have a negative fiscal impact. In earlier decades, infrastructure was funded with bond issues to be repaid out of property tax levies on all property, new and old, often supplemented with federal and/or state grants for construction of water and sewer systems, schools and roads. With the decline in federal aid for infrastructure (especially for water and sewer) in the 1980s and the increasing restrictions on increasing property tax rates after Proposition 13 in California and Proposition 2-1/2 in Massachusetts, that financing method was more difficult to carry out. Even without limits on assessments or mill rates, existing

homeowners began to object to the higher costs imposed on them in order to provide services to new developments.

A number of economic studies have confirmed that the burden of an impact fee is shared between the owner of the undeveloped land, who will receive a lower price, and the developer (who passes it on to the homeowner) in the form of a higher price for the completed home which includes both land and buildings. (Evans-Cowley et al. 2005). In fact, in some cases the increase in the price of the house is substantially more than the impact fee, with results ranging from 166% of the impact fee for the average home and 358% of the fee in higher-quality homes (but insignificant for lower-quality homes). (Mathur et al. 2004) The higher price in turn will become the base of the property tax, so an impact fee will also increase assessed values and thus property tax revenue. The increase in the price of the home as a result of such infrastructure investments should reflect the value rather than the cost of the improvements funded with the impact fee, and according to Ihlanfeldt and Shaugnessy (2004), that value to the home buyer may well exceed the cost to the developer.

A positive effect of the use of impact fees is that they favor infill and reconstruction development, often within municipalities. Such development does not require additional infrastructure because it is already in place. Where this is the case, impact fees may actually favor the retention or expansion of more affordable housing for lower to middle income households (Burge and Ihlanfeldt 2006). At least one study has also found that impact fees reduce the overall rate of residential development (Skidmore and Peddle cited in Mathur et al.).

IV. Economic Impact of Residential Growth

Economic impact is another important consequence of any kind of growth, including residential growth. While fiscal impact concentrates on the effect of growth on the revenues and costs to the local public sector, economic impact measures the impact on the private sector—jobs, income, and non-tax household costs, such as commuting costs and housing affordability. It is possible to have a negative fiscal impact and a positive economic impact, or vice versa. If there is a positive economic impact in terms of income and employment growth associated with any kind of development—industrial, residential, commercial, or mixed--it is possible to design a revenue structure that will tap some of that positive flow to pay for at least some of the additional required public services.

There are some obvious expenditures related not only to construction but also to occupancy that create jobs and income, some temporary, others more lasting. In a study of housing in Greenville, Carey and Becker (2007) find that the construction of 65 single-family housing units, 50 owner-occupied and 15 rental, will generate between 34 and 39 jobs over ten years and a $3.8 million increase in disposable income. Relative to other kinds of economic activity, these figures are not large—less than one job per unit and not quite $6,000 per unit per year in income. But if new residents attract commercial development, the gains are likely to be greater and the fiscal impact less negative than if the housing development takes place in isolation.

Table 6 presents some comparisons between the economic performance of the nine fast-growth counties and the nine slower-growth peer counties in South Carolina. The four most common indicators of economic health are a low unemployment rate, a high and growing median family income, a low poverty rate (sometimes influenced by availability of affordable housing) and high per capita retail sales. By those measures, the nine fast-growth counties are doing better than their slow-growth peers or the state as a whole. However, the retail sales figures are somewhat distorted by the inclusion of three coastal counties. Five of the nine fast growth counties (Dorchester, Georgetown, Greenville, Kershaw and York) were actually below the state average in per capita retail sales, suggesting that commercial development has lagged behind residential development. Florence, which is something of a regional shopping center, was the only one of the nine slower growth counties with retail sales per capita above the state average.

TABLE 6
Economic Indicators

	Median Family Income 2006	Avg. Ann. Income Growth* 2000-2006	Per Capita Retail Sales 2004	Unem-ployment Rate 2005	Poverty Rate 2004
Fast Growth Counties	$57,000	3.13%	$9,959	5.9	13.1
Slow Growth Counties	$48,056	1.80%	$6,641	8.4	17.0
SC Average	$52,900	2.73%	$9,612	6.8	15.0

**average annual rate of growth*

Developers and homebuilders like to point to some of the creation of jobs and income that come from the construction and occupation of new homes. According to the National Association of Homebuilders, in 2005 the construction of an average detached home generated 3.47 jobs including contractors, tradesman, manufacturers of building materials and components, distributors, haulers, architects, lenders and lawyers. The construction of an average unit in a multifamily dwelling, generated 1.29 jobs. In addition to these direct expenditures, new home construction also generates additional sales of furniture, appliances and other amenities (Emrath 2005). It is difficult to separate cause and effect in the economic performance of fast growth counties versus slow-growth counties. Are they growing rapidly because they have economic opportunities, or does rapid growth create the opportunities? The geographic advantages of these nine counties suggest that the economic performance of these nine counties is a result of fortunate location—four along the coast which is a major tourism and retirement destination, three in the Midlands that benefit from proximity to the state capital, one in the suburbs of Charlotte, and one in the center of the I-85 growth corridor between Atlanta and Charlotte. Location has created economic opportunity that has led to population growth, housing growth, income growth, and low unemployment rates, and to a more limited degree, commercial growth.

An important economic consequence of rapid growth of population and demand for housing is the availability of affordable housing, not only for lower-income households but also for middle income families who may be forced to live farther from work in order to be able to find housing within their price range. While income has been relatively static in South Carolina, housing costs, according to one participant in the Midlands roundtable, have risen by 44% over seven years in the Midlands. The issue of affordable housing was of central importance at all of the roundtables. In the York and Lancaster area, much of the new housing is at the higher end of the market, from

$200,000 to $500,000, with few "starter homes" in the $100,000 to $150,000 range and very few apartments. Rising tax assessments have encouraged land sales and relocation to the southern end of York County and the eastern part of Lancaster County, farther from the employment opportunities in Charlotte. Both counties are making efforts to provide affordable housing with a variety of tools. Rock Hill has a public partnership and federal aid for subsidized housing, while Lancaster requires a mix of lot sizes to promote diversity. Both York and Lancaster are looking at the possibilities of reuse and rehabilitation of older housing, particularly in dying mill villages, as a source of affordable housing, although the location may not be as convenient as more urban areas or areas closer to Charlotte where land prices and demand for housing remain high.

Participants from the Charleston area also described serious problems in providing affordable housing both for the low end and the lower-middle range of the housing market. Lower income households are more likely to live in substandard housing; in Georgetown County, 35% of the homes are classed as substandard. Charleston is building affordable townhomes with impact fees waived, recognizing that the lack of affordable housing is not only an issue in itself but also contributes to transportation and parking problems. Both the city and county are concerned about affordable housing not only for low-income households but also for public employees. Resistance from middle- and upper-income neighborhoods to low income housing in their areas has compounded the problem.

Rental units are often an important source of affordable housing. In the seven fast growth counties for which data was available, the average percentage of rental housing is 31%, compared to 28% for the slow-growth counties and 31% for the state as a whole. However, there was great variation among counties within each class, with a relatively high rental share in urban Richland County and below average shares in Georgetown and York Counties. Participants in the roundtables expressed concern that there is relatively little new construction of rental units in these fast-growth counties.

Within rentals, apartments are both less costly to serve and often less expensive than renting single family units, whether detached homes, condominiums, or townhouses. Apartments are a relatively modest share of total housing in both fast and slow growth counties, ranging from only 7.2% in slow-growth Darlington and 14.3% in fast-growth York to a high of 32.8% in slow-growth Laurens County (and 31.1% in slow-growth Orangeburg).

V. GROWTH AND QUALITY OF LIFE

The third important dimension of impact of residential growth is that nebulous and all-encompassing characteristic of communities, quality of life. Quality of life is multi-dimensional, but we focus here primarily on changes in the physical environment (open space, water quality and availability, air quality, traffic congestion) and to a lesser extent on amenities such as recreation, culture, and educational opportunities. While changes in the physical environment and the growth of amenities do not exhaust the quality of life impact, these two categories capture most of the concerns and benefits expressed in the literature and by participants in the roundtables.

Quality of life: air and water

Like the fiscal and affordable housing challenges described above, the concern about the impact of rapid residential development on environmental quality is widespread. For example, a Sierra Club study in Northern Virginia expressed concerns about the harmful impact of rapid development to Chesapeake Bay (Sierra Club 1999). Air pollution contributes 25-30% of nitrogen in the bay, and increased automobile traffic resulting from sprawl adds to that burden. Each year, an estimated 2,300 tons of sediment erode from building sites during construction, silting up the bay and destroying fish habitat. Likewise, the Occoquan reservoir, which serves three Virginia counties that are growing rapidly, is being threatened by increased water demand, increased impervious surfaces and greater runoff, and greater pollution of water bodies feeding into the reservoir.

South Carolina has historically been a water rich state, with ample rainfall and multiple large streams flowing through it, including the Savannah basin whose river marks the state's boundary with Georgia. However, water-related issues of both quality and availability, as well as the infrastructure to treat and distribute the water, have become increasingly problematic in the last decade. These problems have been compounded by several years of well below average rainfall. The coastal region, which contains four of the fast growth counties as well as the already densely populated county of Charleston, is at the end of the water flow as it arrives at the sea, diminished in both quantity and quality as it has passed through North Carolina and the Upstate . An additional problem is storm water runoff from construction sites and from the increasing amount of impervious surface, an issue raised at several of the roundtables. Storm water collects pollutants and sediment enroute to the rivers, an issue of particular concern in York County. In Aiken County (North Augusta) storm water management costs are being included in the cost of development as part of voluntary agreements with developers. Salt water intrusion into the underground aquifer is a problem in some areas, particularly Beaufort County.

Water disputes across state lines with our two adjacent states, North Carolina and Georgia, are becoming particularly contentious. York and Kershaw County (Catawba River) and Georgetown County roundtable participants were concerned about the diversion of water in North Carolina that reduced the flow and thus both the quantity and quality of water available to those counties. A similar dispute about the Savannah is currently focused on effluents and water quality, with most of the effluents coming from the Georgia side. Looming in the future, a particular concern for Greenville and surrounding counties, is a growing water demand from the Atlanta metropolitan area that may result in demands on the Savannah that will diminish the flow and increase the problems of biological oxygen demand, sedimentation, and concentration of pollutants.

Ambient air quality is also becoming a problem in faster-growing areas, primarily because of the increased traffic flow on the roads. As roads become more congested, it is not merely the number of miles driven but the length of time it takes to make the journey, during which the car's engine is on even if the car is not moving. Low ambient air quality, a problem in both the Midlands and the Upstate, can preclude locating new industry in those areas. Both air quality and water quality are also concerns in terms of attracting retirees, tourism, and commercial development.

Participants in the York area also expressed concern about residential property encroaching on industrial property that resulted in more stringent emission standards for industry. Zoning and land use management planning need to take this interface problem into account as land in desirable locations is increasingly shared among incompatible uses.

Another water quality issue that particularly affects the coastal counties is maintaining the quality of tidal creeks along the coast, protecting wetlands for both marine life and humans. The state has ended the practice of filling in salt marshes since 1977, but there are still problems with how these marshes are used and what kinds of pollutants come into them from the upcountry.

Quality of life issues: transportation and congestion

Participants in several of the roundtables underscored the need for better statewide coordination, better transportation planning, and more funds to develop public transit. Transportation was a major concern in all regions, but particularly the Midlands and York County. York County is largely populated by commuters to Charlotte, and the roads are inadequate to keep up with the demand, resulting in congestion, high expenses for road maintenances and repair, and problems of air quality. In the Midlands, new housing developments are being served by older farm-to-market roads that lack the carrying capacity to meet the higher traffic flow. There is always a tendency to underbuild for future needs, particularly since the demand for repaving outpaces resources available. York is requiring developers to deposit the funds needed for the

first repaving of roads within subdivisions that are deeded to the county. York is also encouraging commercial development that might not only improve the tax base but also reduce the amount of commuting to the Charlotte area to shop.

Quality of life issues: land, open space, wildlife habitat

About 2/3 of the land in South Carolina is forest land, although forest land has been subject to more rapid conversion to development in coastal counties. This share of land in forests is twice the national average (Marsinko and Zawacki 1999). South Carolina ranked 9th among 50 states in the rate of conversion of prime agricultural and forest lands to development between 1992 and 1997 (London and Hill 2000). Participants in all the roundtables, but particularly York, were concerned about the loss of pristine land and the tendency to build larger homes on larger acreage with a loss of greenspace and wildlife habitat. York participants did indicate that newer residents were more open to using growth controls and encouraging greater density of development in areas with infrastructure in place, but strategies to encourage that pattern of development are still being devised, and there is still an inconsistent pattern of resistance to both sprawl and higher density at the same time. The use of public-private partnerships for conservation easements is one such strategy, but further incentives are needed, both to preserve open space and to shift development from "greenfields" to "brownfields" (reuse and redevelopment). One participant in the Lowcountry noted that 28% of Berkeley County is protected from development, ensuring green space for future residents. Newcomers in every region want parks and recreation and places to walk and hunt, but game lands are shrinking as forest lands are sold and developed. As growing counties such as Dorchester use up their available land, demand spills over to adjacent counties that may not be prepared with zoning, land use planning or other tools to manage the impact of sudden growth spurts.

A significant amount of South Carolina's forest land is coming on the market in the next few years, with uncertain results. Some of it is in high growth areas, some in areas where there is little development. Development of these lands without careful planning will reduce wildlife habitat, increase runoff, put greater demands on infrastructure and services and change the face of South Carolina as a largely rural state with ample open spaces and opportunities for outdoor recreation. The cost and availability of open land for parks and recreation was a particular concern at the Midlands roundtable.

As developable land becomes scarce and expensive in some counties, growth spills over into adjacent counties. Roundtable participants in the Lowcountry noted that as Dorchester County runs out of developable land, growth has been shifting to Colleton County, which does not have the infrastructure in place to accommodate that growth.

Quality of life issues; culture, education and recreation

Fast-growth counties are at something of an advantage in development of opportunities for culture and recreation as they reach the critical mass of population level and density that would support privately developed facilities and services. That benefit to growth was particularly noted in the Midlands, less so in York where people still look to Charlotte as a cultural center as well as an employment and shopping destination.

Quality public schools attract higher-income residents. Many factors enter into school quality, but the most important indicator of resources is spending per pupil and the most widely used measure of performance is PACT test scores. Table 7 shows these two indicators for the school districts in the nine fast-growth counties, compared to their slow growth peer counties and the state as a whole. The fast growth counties spend only about $240 more per pupil than slow-growth counties, and their 8th grade PACT test scores are somewhat higher (an average of 69.2 compared to 66.4 for the state and 62.2 for the slow-growth counties).

TABLE 7
Per Pupil Spending and PACT Scores

State Averages - Per Pupil Spending: $7,787				**PACT Score:** 66.4		
Fast Growth Counties	Spending per Pupil*	PACT Scores†		Slow Growth Counties	Spending per Pupil*	PACT Scores†
Beaufort	$ 8,908	63.8		Cherokee	$ 7,763	62.3
Dorchester	6,763	70.7		Darlington	7,831	61.4
Georgetown	8,650	59.6		Florence	7,541	60.0
Greenville	6,792	67.0		Greenwood	8,286	67.9
Horry**	7,963	73.7		Lancaster	7,265	62.9
Kershaw	7,318	70.6		Laurens	7,224	61.8
Lexington	7,830	76.0		Orangeburg	8,972	52.2
Richland	9,150	64.8		Pickens	6,796	69.8
York	7,473	76.5		Sumter	7,052	61.2
Unweighted Average	7,877	69.2		Unweighted Average	7,637	62.2

**2005 Per pupil operating expenditure*

† PACT: % of grade 8 meeting standard for all four subject areas in 2006

*** Horry County per pupil spending not available; per pupil operating revenue substituted.*

Several roundtable participants expressed concern about the role of schools in not only development management but also as community centers. The high acreage requirement set by the state has taken schools out of communities and located them more distant from population centers, so that few students or their families can walk to schools and they are less attractive as sites for public meetings or other community events.

Cities and counties that are struggling with the fiscal impact of growth in paying for infrastructure and services are less likely to be able to offer expanded cultural and recreational services. Coastal counties do offer these services both publicly and in the private sector because their economies are heavily dependent on tourism, and accommodations taxes can fund cultural and recreational programs and services that benefit permanent residents as well as tourists. Municipalities are the major providers of such services because they have the concentration of population needed to support such programs and often the diversity of revenue sources as well. Table 8 summarizes combined county and municipal spending for recreation and culture in 2004 in the nine fast growth counties compared to the nine comparison slow growth counties and the state average.

TABLE 8
Local Spending for Recreation and Culture

State Average: $52.67				
Fast Growth Counties	Per Capita Expenditures		Slow Growth Counties	Per Capita Expenditures
Beaufort	$ 65.07		Cherokee	$ 4.20
Dorchester	14.20		Darlington	30.87
Georgetown	68.97		Florence	81.61
Greenville	46.72		Greenwood	14.55
Horry	115.62		Lancaster	43.18
Kershaw	34.78		Laurens	12.86
Lexington	30.09		Orangeburg	53.46
Richland	22.84		Pickens	44.69
York	68.52		Sumter	51.23

The difference between coastal and non-coastal counties is much more significant than between fast and slow growth counties. Four of the five non-coastal fast growth counties spend considerably less than the state average per capita on recreation and culture (York is the exception) and three of them spend less than the average of slow-growth counties.

VI. POLICY TOOLS FOR RESIDENTIAL GROWTH MANAGEMENT

There are a number of policy tools that are or could be helpful for smart growth or growth management that have been identified both in the literature and by the participants in the roundtables. The first set of tools is fiscal: property taxes, special purpose local sales taxes, purchase or transfer of development rights, tax increment financing, and impact fees or voluntary development agreements. The second set of tools consist of planning coordination of various kinds, involving the state, counties, school districts, municipalities, environmental agencies, and regional councils of government. These tools can be technical support, coordination, regulations, regional planning programs, or financial support from the state to local governments. The third set of tools are based on the critical role played by local governments—municipalities, counties and school districts—in managing residential growth. Municipal tools include easier annexation, extraterritorial zoning and service provision, and urban growth boundaries. Tools for both municipalities and counties include less restrictive impact fees, extension of impact fees to schools, and additional fiscal tools.

Fiscal tools: property tax

South Carolina has a limited array of fiscal tools to use to shape and direct growth and to fund the infrastructure and services that residential growth requires. They include the property tax, the special capital projects sales tax, tax increment financing, impact fees, and other fees and charges.

The property tax is still the most important local revenue source, but the state has significantly reduced its effectiveness as a tool for growth management in recent years by increasing the tax benefits for owner-occupied residential development, which pays the smallest share of the costs it creates of any classification of real property. Property taxes are based on market value in South Carolina, as they are in most states, rather than on any measure of the cost of service. Perhaps property tax assessment should include a tool similar to the "adjusted pupil" measure for distributing state aid to education, with a factor for higher cost of service for low-density remote locations (sprawl) rather than high-density, close in locations. Instead, residents who locate inside municipal boundaries pay additional taxes to support those services while contributing county taxes toward services to those who live in unincorporated areas. The present system, which burdens those municipal residents who are less expensive to serve and subsidizes residents in more rural locations or locations outside municipal boundaries, has a strong pro-sprawl bias.

There are several other issues related to the property tax that diminish the revenue received by local governments. Roundtable participants believed that there is widespread abuse of the "use value" farm and forest classification to reduce taxes on land being held for future development represents a significant loss of revenue to South Carolina counties. The acreage requirement is rather low—five acres for forest, ten for farm—and there is no income test to determine whether it is a working farm or a managed forest. Many other states that offer favorable tax rates on undeveloped land require some evidence of farm and forest activity in order to qualify, and generally have larger acreage requirements. Minimum acreage requirements range from only seven in New York to 25 in Connecticut, and income requirements for farm classification range from none to as high as $10,000 a year in New York. Some states, such as Connecticut, require that a certificate be issued by a forester in order to qualify for a favorable assessment.

South Carolina county tax officials also complain about the lag between occupancy of a residence and its appearance on the tax rolls, so that a household can receive services for up to two years before paying its first tax bill. Property can be added to the tax rolls at some stage of completion so that tax collection begins closer to the added public service demands, although that change would not help with paying for infrastructure, for which expenditures usually precede construction.

Fiscal tools: sales taxes and fees

Local governments have been creative in supplementing the property tax with other revenue sources, subject to constraints imposed by the state. Impact fees are one of the most widely used tools nationally, especially to cover some of the infrastructure costs of growth. Although impact fees rarely are sufficient to cover the actual capital costs of new residential construction, they at least reduce the amount of the burden that is shifted to existing residents by paying for infrastructure with bonds that are repaid through the property tax. Impact fees are also usually a single flat fee per unit, regardless of distance and density considerations that affect the differential cost of infrastructure and service.

In South Carolina, restrictions on the amount and terms of use of impact fees have made them a particularly ineffective tool for growth management, especially in counties. According to participants in the growth roundtables, voluntary development agreements have been a more useful tool in deciding how much infrastructure to provide and how the cost should be apportioned between the developer (who passes most if not all of it on to the new homeowners) and the local government, which means both current and new residents sharing in the cost.

Fiscal tools: purchase or transfer of development rights

The purchase or transfer of development rights from rural landowners to the local government (city or county) is a tool that has come into widespread use around the country as a method of preserving green space and encouraging development to take place within existing defined growth areas.

One of the few places in South Carolina to experiment with such tools has been Beaufort County, which authorized a bond issue and a small accompanying millage in 2000 to attempt to conserve properties of significant environmental value. Working with the Trust for Public Land to identify and evaluate such properties, the county has used a variety of strategies, including encouraging donations, conservation easements, or sale of property to the county for below market value, but has also made some purchases of conservation easements. The program was extended in a 2006 referendum.

Fiscal tools: impact fees, voluntary development agreements, and tax increment financing

In South Carolina, the use of impact fees is highly restricted both in amount that can be levied and how they can be used. Mount Pleasant, for example, levies an impact fee of $1,700 per house. Homes specifically targeted for lower-income households, including those built by Habitat for Humanity, are frequently exempt from impact fees. School districts are not permitted to use impact fees in South Carolina, although school construction is a major form of infrastructure demand from new residential development.

The use of "voluntary" development agreements by both counties and municipalities is an alternative method of imposing at least part of the cost of added infrastructure on those who create the demand. One participant suggested a policy like Florida's concurrency requirement, whereby developers are required either to show that the area being developed has the required infrastructure, or if not, to commit to providing it themselves. This method, if authorized by the state, would provide yet another tool that would ensure that new construction paid its own way. Participants in the roundtables indicated that at present the voluntary development agreement was the most common method to ensure that more of the cost of new infrastructure fell on the new residents rather than putting an added burden on new residents. However, if they had more flexibility in using impact fees, they would also find them a useful tool, particularly if the fee could be varied to reflect the differential cost of providing infrastructure and services to residential property of differing densities and distance from existing infrastructure.

Tax increment financing (TIF) is used primarily for commercial (and sometimes industrial development) to put the burden of financing needed infrastructure on those who create the demand. The property in the designated area is assessed prior to development, the local (usually municipal) government then puts in the necessary infrastructure, and as development occurs, the property is reassessed and the all of the additional revenue from increased property values is dedicated to paying off the infrastructure improvements. Once the improvements are paid for, the property tax revenue is again distributed in the normal fashion to cities, county and school district. A TIF agreement requires the consent of all affected local governments.

Planning coordination tools: technical support, coordination, and regional planning programs

Participants in the roundtables were particularly vocal about the need for coordination and saw an important role for both the state and the regional councils of government in facilitating that coordination. Many participants complained that state regulations on school acreage and lack of collaboration between school districts and other local governments resulted in schools being a major contributor to sprawl. Road planning, including construction, maintenance and improvements, needs to be developed in a collaborative fashion between local governments and the state Department of Transportation. Regional councils of government can help small towns like Hollywood in Charleston County have a voice at the table in land use planning and encourage collaboration across county lines as development spills from one county to the next. Land use plans need to be flexible as circumstances change, but firm enough to protect greenspace, discourage sprawl, and ensure housing affordability for all elements of the community.

Planning coordination tools: state and federal environmental regulations

State and federal regulation of air and water quality play a significant role in directing or more often restraining growth in many areas where the air quality is already below ambient air standards and the water quality is threatened by additional discharges. Air quality issues are particularly significant in the developed areas in the Midlands and along the coast, and are threatened less by industrial development than by traffic congestion and vehicle emissions. Water quality issues are significant throughout the state, but particularly along the Savannah River and the coast. Participants at the roundtable were concerned about adequate enforcement and anticipation of problems.

Local governments play an important role in land use planning, zoning, and other regulations in affecting water quality through regulations governing impervious surfaces, through storm-water management, and in requirements for protection of trees and other ground cover. State assistance and support in such local environmental efforts would strengthen the local dimension of environmental management.

Planning coordination tools: financial support for infrastructure from the state to local governments

Historically, the federal government provided a great deal of support for development of local water and sewer systems, particularly under the Federal Water Pollution Control Act of 1972, which supplied almost 80% of sewer and wastewater infrastructure costs until the shift to block grants during the Reagan administration. That aid is no longer forthcoming. State aid for such development is also very limited, so local governments are thrown back on their own fiscal resources, mainly property taxes, impact fees and voluntary development agreements supplemented with tap-on fees and a capital cost component in water and sewer charges.

The state does provide more support for building and maintaining roads than most states, but the same is not true at the local level. South Carolina has one of the highest proportions of state-maintained roads in the nation. However, the state's failure to raise the gasoline tax rate since 1987 means that state funds for this purpose are stretched to the limits, so that the quality of transportation infrastructure is deteriorating.

State aid for infrastructure is a potential tool for encouraging better and more far-sighted growth management by counties and municipalities. Such aid can be linked to planning criteria that ensures higher density, less sprawl, and better preservation of open space.

Empowering municipalities: easier annexation, extra-territorial zoning and service provision, and urban growth boundaries

Municipalities are particularly important as providers of services to high-density areas both within and adjacent to municipalities. In most of the country, municipalities suffer from a fiscal disadvantage because they provide services that spill over city boundaries and benefit individuals who use those services without contributing to their support. Cities offer cultural amenities, recreation programs, shopping (with the associated public parking and traffic management), and other attractions. While in the city, outsiders benefit from the city's parks, street lights, police and fire protection, and other services.

So cities have to work hard to persuade the expanding urban areas just outside their boundaries that they should become a part of the city, enjoy its benefits and support the cost of those services. In some states, such as North Carolina, it is very easy to annex, but in South Carolina, it is extremely difficult. Annexation is an important tool of growth management, because cities are well equipped to direct growth through land use planning, zoning, provision of infrastructure, tap-on fees for water and sewer, and impact fees (much more used by municipalities than counties in South Carolina). Collaboration on service provision and land use management is a tool that is available to counties and their municipalities that is used effectively in some urban counties, a tool whose use can and should be encourages by regional councils of government.

Historically (at least since the 1895 constitution) the General Assembly has favored counties over municipalities in many ways besides restrictive annexation laws. This preference for counties reflected the ability to control counties through the legislative delegation, which approved the county's budget, appointed county officials, and basically managed county operations from Columbia until the 1970s. Counties receive a larger share of state aid to subdivisions. Municipal residents pay both city and county property taxes even though there is some duplication of services; for example, the sheriff's office theoretically serves the entire county, but in practice usually concentrates most of its effort in the unincorporated areas. Counties can provide municipal-type services to more densely populated sub-areas of the county by permitting the creation of special tax districts to provide certain kinds of services, thus making it easier for those residents to get municipal-type services without being annexed.

Current annexation methods require either a 100% petition of the landowners or a referendum with 75% of the voters representing 75% of the landowners agreeing to the annexation, as well as acceptance by city council (which does sometimes reject requested annexations). Other states have less restrictive methods, either lower percentages or no referendum at all after simply verifying that the area is contiguous and of urban character and holding required public hearings.

Annexation in South Carolina is also complicated by the presence of special purpose districts providing one or more urban-type services (water, sewer, street lights, recreation, fire protection) to a designated area, often but not always very close to an incorporated municipality. The state could assist in arbitrating disputes over service areas and ownership of assets to facilitate annexation in such cases.

Charleston County is the only part of the state that has formally created urban growth boundaries, designating which areas will be allowed to become urban in density by providing or withholding essential services such as water and sewer. Urban growth boundaries are more widely used in other parts of the country. These areas may or may not be formally annexed, but the use of those boundaries encourages greater density

and locating near existing infrastructure to minimize the fiscal impact of new development.

Other cities in South Carolina use the pricing and availability of extra-territorial service provision (usually water, sewer, and/or electric power) as both an annexation incentive and a revenue source to compensate city residents for the use of their facilities and amenities by nearby nonresidents who do not pay municipal taxes. At present, South Carolina municipalities do not have authority for extra-territorial zoning as cities have in some other states, although Jasper County is accomplishing this same goal through city-county collaboration. That tool would help to shape the growth of the surrounding urban area so that good and thoughtful land use planning does not end at the current city limit.

Empowering local governments: less restrictive impact fees, school impact fees, and additional fiscal tools

Participants in the roundtables spoke eloquently of the need to empower local governments with a variety of tools that would make it possible for them to distribute the burden of paying for infrastructure and public services fairly among existing and new residents. More flexibility in the level and use of impact fees and the addition of school impact fees were high on the list (along with more state aid for school construction). More flexibility in the use of existing revenue sources, such as local option sales taxes, accommodations taxes, and hospitality taxes, would enable local governments to shift resources to where they are most needed and relieve the local property tax of some of the burden of paying for infrastructure and/or services for new residents. A real estate transfer tax, used in other states and dedicated to infrastructure provision, is another possible tool for local governments in addressing the demands of rapid growth.

VII. CONCLUSION

South Carolina is growing at a rate that is slightly faster than the national average, but the growth is distributed unevenly across the state. Many rural counties are losing population. Nine large counties are growing at a rate significantly higher than the state average—four along the coast, three in the Midlands, and two in the Upstate . These counties are experiencing positive economic benefits in terms of income and employment, although in many cases commercial and job development have lagged far behind residential development. In all of these counties, residential growth has put severe fiscal pressure on local governments to fund the infrastructure and services needed by new residents—especially water and sewer, fire, EMS and police protection, new schools and roads. Rapid growth has also challenged counties and municipalities to preserve green space and maintain quality of life in the face of rapid growth.

Like other states, South Carolina has had its share of sprawl—low density development in a leapfrog pattern that does not locate new development conveniently to existing infrastructure and services. South Carolina local governments are handicapped in their efforts to welcome new residents and provide them with the necessary public infrastructure and services because they lack some of the necessary tools and because land use planning has lagged behind growth in many areas.

Growth is both a challenge and an opportunity. Newcomers to the state bring with them skills, resources, and ideas that make South Carolina a more diverse community. But they also place strains on both the infrastructure and the physical environment, and the present fiscal structure places much of the burden of serving these new residents on those already here. That burden includes not only higher property taxes but also in many areas loss of affordable housing and deteriorating public services.

Other states that have had this kind of growth experience for decades have developed tools and revenue sources to direct growth into areas that are most easily served and have the least negative impact on the environment. South Carolina can learn from their experience in developing a statewide growth management policy that promotes and encourages a safe and healthy living environment with an equitable distribution of the cost of services for all its citizens.

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