Grand Rapids Area Metropolitics:
Tax-base Sharing in West Michigan

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I. Introduction

An important first step in creating equity among metropolitan jurisdictions with land-use planning powers is some form of tax equity between the jurisdictions with land-use powers. Minnesota has pioneered a system that, through the sharing of a portion of the local property tax base, creates greater regional equity among cities and counties in the provision of public services, while preserving local autonomy. Tax equity among jurisdictions is often an appropriate entry point for regional discussions, because it does not threaten local autonomy, it does not require difficult discussions of race, class, and housing, and it creates a scenario where the majority of citizens live in areas which will immediately receive lower taxes and better services.

As long as basic local services are dependent on local property wealth and retail development, tax-base sharing is a critical component of metropolitan stability. Its purposes, all interrelated, are threefold. Tax-base sharing: (a) creates equity in tax rates and in the ability of local governments to provide public services; (b) diminishes intra-metropolitan competition for tax base; and (c) makes land-use planning easier substantively and politically.

A.. Tax-base Sharing Creates Equity

The equity argument states that basic public services such as police and fire, local infrastructure, and parks should be equitable on a metropolitan level. People of moderate means should not have inferior public services because they cannot afford to live in property-rich communities. The equity problem is usually most critical in the central and satellite cities as concentrated poverty multiplies needs exponentially in the face of relatively weak, often evaporating local tax base and declining state and federal support for urban programs. Virtually everywhere in a metropolitan region where social needs are growing rapidly, the tax base is uncertain or declining; everywhere in a given region where the tax base is accelerating dramatically, social needs are stable or declining. By regionalizing the tax base, the growing property wealth in the region will be available to meet the region's growing social needs.

B. Tax-base Sharing Reduces Competition for Tax Base

Proponents of tax-base sharing argue that intra-metropolitan competition for tax base is detrimental to a region. First, it is bad for cities to engage in bidding wars for businesses that have already chosen to locate in a given region. In such situations, public monies are used to improve the fiscal position and services of one community at the expense of another, while business takes advantage of the competition to unfairly reduce its social responsibilities. Even the threat of leaving can induce large public subsidies from troubled communities. These arguments are reinforced by the large use of Tax Increment Financing (TIF), which allows cities to compete—some might say gamble—for tax base not only with their own resources but with those of the local school district, county, and state.

Opponents respond that competition among communities encourages efficient use of government funds and teaches local officials that successful cities are lean, mean, and competitive. In response, more often than not, those who benefit from intra-metropolitan competition are developing, high tax-capacity areas with room to expand, no social problems, and comparatively low taxes; the losers, low tax-capacity, fully-developed areas with considerable social problems and high taxes. In the end, affluent expanding suburbs dominate the market and grow increasingly stronger while the poor suburbs and the low tax base suburbs (which are teeming with school children requiring significant public resources) are saddled with the debts of unfair social burdens and are over-leveraged and cannot compete.

C. Tax-base Sharing Supports Land-use Planning

The fragmented nature of a metropolitan tax base worsens at least two aspects of urban sprawl: unnecessary outward movement and low-density development patterns. Unnecessary outward movement occurs when the growth of new units on the metropolitan fringe exceeds the growth of new households in the region, and the fully developed cities (places with existing infrastructure) become seriously under-utilized. This type of sprawl is fueled in part by the push of community decline in the older, developed areas and its attendant fiscal crisis and the pull of rapidly growing communities that need tax base to pay for infrastructure.

As new communities develop, they face large debt burdens in terms of infrastructure such as streets, sewers, parks, and schools. As the debt comes due, and potential property tax increases threaten, there is tremendous pressure on these communities to spread these costs through growth. Low tax base developing communities often frantically build low-valued properties—sometimes on inadequate septic lots—simply to accumulate enough tax base to pay yesterday's bills. They do this without considering the long-term infrastructure cost associated with later sewer and other infrastructure remediation.

Further, unnecessary low-density development occurs when communities are built at densities that cannot be served by public transit and create infrastructure costs that are unsustainable by the existing tax base.[1] In this light, the same local fiscal pressures that encourage low-density development to enrich property tax base also contribute to unnecessary low-density sprawl. When communities can increase their tax base and limit their local social responsibilities and costs through fiscal zoning (zoning in such a way as to capture the most tax base), they will do so. One only has to look at the great disparities in tax base per household on a metropolitan level to understand the potentially large local fiscal incentives for fiscal zoning. Requiring large lot sizes is a sure way to ensure that expensive housing will be built.

Minnesota's experience with passing tax-base sharing legislation provides a clear example of how tax-base sharing makes land-use planning more possible. In the

[1] American Farmland Trust. "Density-Related Public Costs," (Washington, D.C., 1986).

Minneapolis-Saint Paul (Twin Cities) region in the early 1970's reformers attempting to pass legislation for metropolitan land-use planning used tax-base sharing as a quid pro quo to gain political support in the low fiscal capacity developing suburbs.[2] When low tax base communities were told that an urban service line was going to be drawn through the middle of their cities and that land outside that boundary would be zoned at agricultural densities, they cried foul. They argued that they desperately needed the land for the development of tax base to keep rising taxes down and pay for over-crowded schools. Compromise and acceptance were reached when they were shown the potential benefits of a tax-base sharing system, *i.e.* that they would receive new tax base and would actually gain fiscal capacity per capita faster than they would solely through the development of low-valued residential property. In the end, in Minnesota the low tax base communities accepted land-use planning in exchange for tax-base sharing.

II. The Politics of Tax-base Sharing

A. The Twin Cities' Fiscal Disparities Program[3]

In 1971, the Minnesota Legislature adopted a regional tax-base sharing system for the Twin Cities metropolitan area, commonly referred to as “the fiscal disparities program.”[4] Under this program, each city in the region contributes forty percent of the growth of its commercial and industrial property tax base acquired after 1971 to a regional pool. Tax base is then distributed from this pool to each city on the basis of inverse net commercial tax capacity. A highly equalizing system, the fiscal disparities program reduces tax-base disparities on a regional level from 50-to-1 to roughly 12-to-1.

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[2] Alan Dale Albert, “Sharing Suburbia’s Wealth: The Political Economy of Tax Base Sharing in the Twin Cities,” BA Thesis, Harvard University, March, 1979.

[3] For more information on tax-base sharing in Minnesota and the benefits of such a system in general, see: Myron Orfield, "Tax-base Sharing to Reduce Fiscal Disparities", Modernizing State Planning Statutes, The Growing Smart Working Papers, Vol. I., American Planning Association, 1996: 167-170.

[4] Many states have a statewide general revenue sharing system in place to provide fiscal equity among jurisdictions across the state, but such as system does not address disparities among jurisdictions within a smaller regional economy, where cost of living and property valuations are much more comparable. Similarly, many states have a school equity system in place that helps to reduce disparities among school districts, lessen the tax burden on low property value communities, and equalize educational opportunity, but such a system does not affect equity among local units of government with land-use planning powers—cities and counties. Michigan has both of these types of equity mechanisms (see the companion report to this document for a more detailed discussion of Michigan's General Revenue Sharing system and Proposal A: Myron Orfield, "Grand Rapids Area Metropolitics: A West Michigan Agenda for Community and Stability", a report to the Grand Valley Metropolitan Council). Unlike these two types of equity mechanisms, however, tax-base sharing responds to both intra-metropolitan competition for tax base within a region and also to the unique cost of living and property valuation in a particular regional setting. Moreover, these three mechanisms are completely compatible. Minnesota, for example, has all three of these equity mechanisms: a comprehensive system of state aid to local governments, a comprehensive school equity system, and a property tax-base sharing system among the cities and counties of the Twin Cities metropolitan area.

Presently about 393 million dollars, or about 20 percent of the regional tax base, is shared annually.

While Minnesota's fiscal disparities program produces powerful equalizing effects, the formula is still not perfect. Fiscal zoning and competition for tax base continues, albeit to a much lesser degree than prior to implementation of the statute. In this light, while a partial tax-base sharing system like the Minnesota program does not end regional competition, it does make it marginally more fair. A system that shares a larger percent of the regional tax base would be much more effective in reducing competition.

There are also some inequities. Communities in the Twin Cities metropolitan area with a higher than average commercial base, but with low-valued homes and increasing social need, contribute tax base. On the other hand, cities dominated by high-valued homes that have eschewed commercial development, but have large per-household tax bases, receive money from the system. A system that shares high-valued residential tax base as well as commercial and industrial tax base would reduce this problem.

In the 1995 session, the Minnesota legislature passed, but the governor vetoed, Fiscal Disparities II: The Metro Area Tax Cut Act. Under this bill, metropolitan jurisdictions would share the growth on the increment of value above $200,000 on high-valued homes. Short of total sharing, this expanded fiscal disparities system would have counterbalanced the inequities of the present system, further undermined fiscal zoning and competition for tax base, and greatly expanded the tax-base sharing system. In addition, with only 17 percent of the region contributing tax base and fully 83 percent receiving, it was a most popular proposal among local governments.

The bill was called the Metro Tax Cut Act, because its provisions required communities receiving new tax base under it, for the first two years, to use half of this new tax base for a property tax cut. The bill was "sold" as the largest single property tax cut offered by the legislature that year. The northern low tax base suburbs strongly supported the bill and it passed with bipartisan support.

B. Is Tax-base Sharing Possible Only in Minnesota?

There is a broadly shared belief that tax-base sharing came out of some cosmic consensualism in progressive Minnesota that cannot be duplicated elsewhere in the nation. This is not true.

First, tax-base sharing in Minnesota has always been controversial. Many suburban governments at first feared loss of tax base and local control. But legislative leaders realized the high degree to which property wealth was concentrated. To help convince other elected officials of the benefits of sharing the tax base, they developed computer runs that showed the projected amount of tax base cities would actually gain. Most of the inner and developing middle-class suburbs were potential recipients. When officials from these suburbs realized that tax-base sharing was likely to substantially increase their tax base and stabilize their future fiscal situation, they became supporters.

As one legislator put it, “before the (simulated tax-base sharing) runs, tax-base sharing was communism, afterwards it was ‘pretty good policy.’”

The legislative debate surrounding the fiscal disparities program was hardly consensual. Legislators from recipient communities supported tax-base sharing and legislators from contributing communities opposed it. When the bill became law, contributing communities brought suit against the state and litigated unsuccessfully all the way to the United States Supreme Court.[5] Contributors remain opposed, and every session, their representatives introduce bills to either limit their contribution to the system or abolish the program entirely. Thus, the Minnesota experience with tax-base sharing should not be viewed as a rarefied consensus, but as a strategy model for creating political coalitions to achieve regional reform.

III. Tax-base Sharing in West Michigan

A. A Winning Coalition

Equity mechanisms must be forged in the give and take of each local community. They must ultimately reflect the political situation and the balance of political power present in a given place at a given time. The Metropolitan Area Research Corporation has created models of several possible regional property tax-base sharing scenarios for parts of West Michigan. Most of the scenarios produced positive results for at least 60 percent of the area's population. A few scenarios would actually provide new tax base for the jurisdictions in which as many as 80 percent of the people of the region live. In other words, under these models, anywhere from 60 to 80 percent of the participating population would be the recipients of new property tax base, thus receiving lower taxes and better local services at the same time.

While there are countless formulas that could be used in a tax-base sharing system, we present here two of the most promising examples: the sharing of growth in tax base derived from commercial and industrial properties and the sharing of tax base derived from high-valued residential properties. We present the results of the first type of run as applied to the entire four-county Grand Rapids-Muskegon-Holland Metropolitan Statistical Area (MSA),[6] and then as applied to just the immediate Grand Rapids area (Kent County and eastern Ottawa County). We then present the results of the second type of run as applied to just the immediate Muskegon area (Muskegon County and

[5] *Burnsville v Onischuk*, 301 Minn. 137, 22 N.W.2d 523 cert. denied 420 U.S. 916 (1974).

[6] The Grand Rapids-Muskegon-Holland Metropolitan Statistical Area (MSA) as designated by the Federal Office of Management and Budget is Allegan, Kent, Muskegon, and Ottawa Counties. According to the 1990 Census of Population and Housing, *Technical Documentation,* a Metropolitan Area (MA) is "one of a large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus". Some MA's "are defined around two or more nuclei". MSA's are "relatively freestanding MA's and are not closely associated with other MA's". At the conclusion of this report we will present recommendations for the four-county area as a whole as well as for smaller areas around Grand Rapids, Muskegon, and Holland.

northwestern Ottawa County), and then as applied to just the immediate Holland area (southwestern Ottawa County and northwestern Allegan County). In each of these simulations over 65 percent of the population living in participating jurisdictions receives new tax base. The following paragraphs describe these hypothetical tax-base sharing scenarios and what such a system potentially could do for the region (see the appendix for spreadsheets containing complete descriptions of how these tax-base sharing models were calculated and their results).

In the first example of tax-base sharing, each of the cities and townships of the entire four-county MSA are required to contribute to a regional tax-base pool, 40 percent of the increase in their commercial and industrial tax base from 1986 to 1996. This tax-base pool is then redistributed back out to the communities based on a formula giving preference to those places with a low per capita tax base. Thus, those places with little growth and with a low per capita tax base receive additional tax base from the pool, while those places with much growth and high per capita tax base contribute to the worse-off areas. This formula is similar to the one presently used in Minnesota's fiscal disparities system.

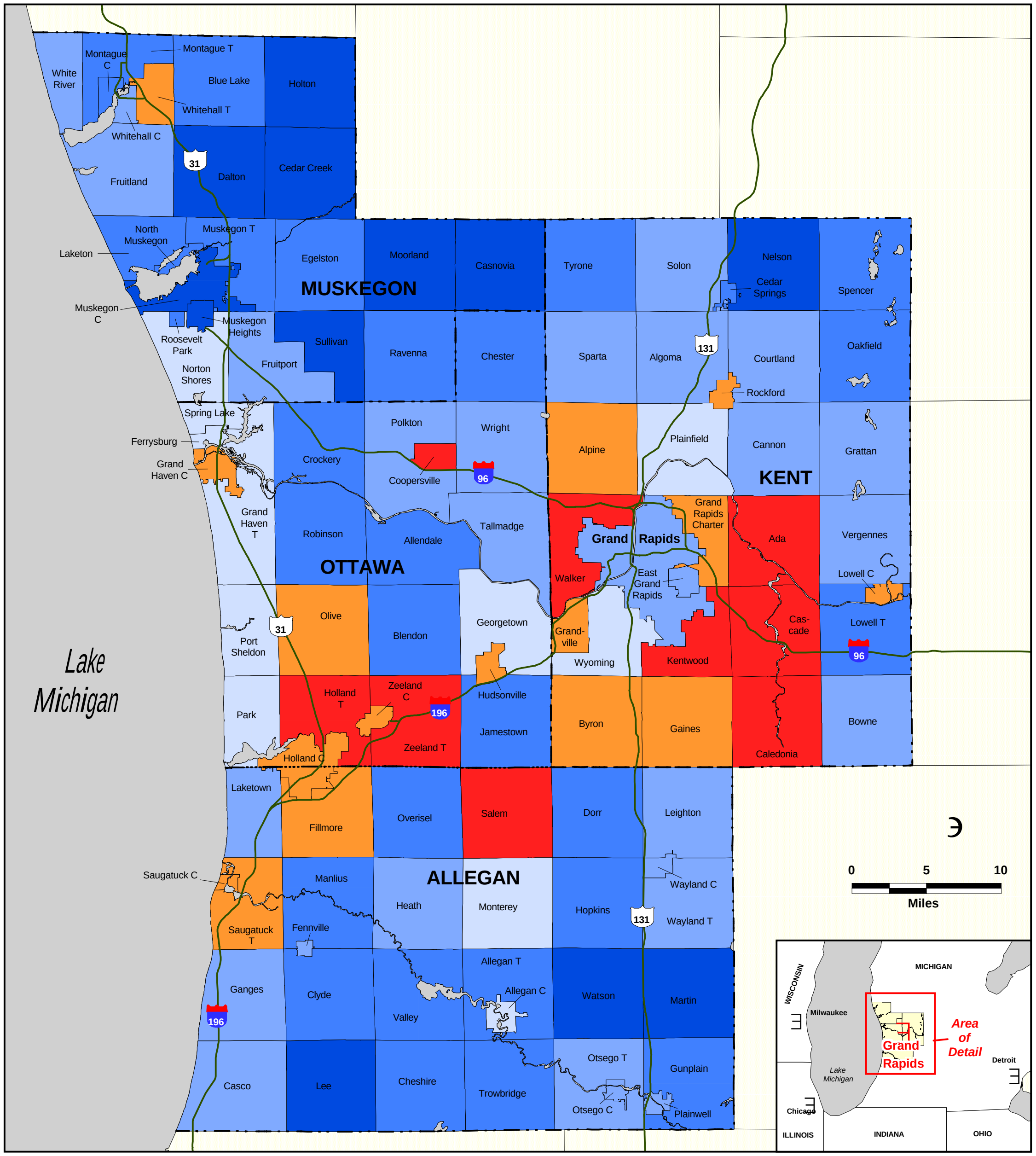
This run provided new tax base for 81 of the 106 participating communities—72.5 percent of the area's population.(Figure A). Some of the biggest recipients under this formula were Nelson Township ($886 per capita), Dalton Township ($911 per capita), Muskegon ($1,010 per capita), Lee Township ($1,103 per capita), and Muskegon Heights ($1,495 per capita). The city of Grand Rapids received $325 per capita in new tax base.

We then conducted the same run again, this time applying it only to the cities and townships of the immediate Grand Rapids area (Figure B). Here, 25 of the 39 participating communities received new tax base—69.9 percent of the area's population. The jurisdictions that received the most new tax base under this formula were Allendale Township ($937 per capita), Cedar Springs ($990 per capita), and Nelson Township ($1,077). The city of Grand Rapids received $495 per capita in new tax base.

In the final two examples of tax-base sharing, the participating jurisdictions contribute to the regional tax-base pool, the 1996 value from residential properties in excess of $200,000 per home. In other words, all of the tax base above $200,000 derived from a residential property is contributed to the pool. This pool is then redistributed back out to the communities based on a formula giving preference to those communities with a low per capita tax base. Thus, those places with few high-end residential properties and a low per capita tax base receive additional tax base from the pool, while those places with many high-end residential properties and a high per capita tax base contribute to the pool. This type of formula—using residential rather than commercial and industrial tax base—helps to minimize the likelihood that places that have a relatively high commercial and industrial base, but have low-valued homes and increasing social need, contribute tax base to the pool. Instead, these types of places would receive tax base.

When this run is applied to only the cities and townships of the immediate Muskegon area (Figure C), 22 of the 29 participating communities receive new tax base—68.6 percent of the area's total population. Among the places that received the

Figure A



Redistribution of 40% of Commercial/ Industrial Property Tax Base Growth 1986-1996 According to Total Property Tax Base per Capita by Municipality

This scenario benefits 72.5% of the region's population.

Tax Base Change per Capita

-$3,230 to -$950	(9)
-$770 to -$10	(16)
$0 to $220	(11)
$250 to $510	(28)
$530 to $830	(30)
$870 or more	(12)

Note: 1996 state equalized valuations figures were used instead of 1996 taxable values in order to maintain consistency with the 1986 data.

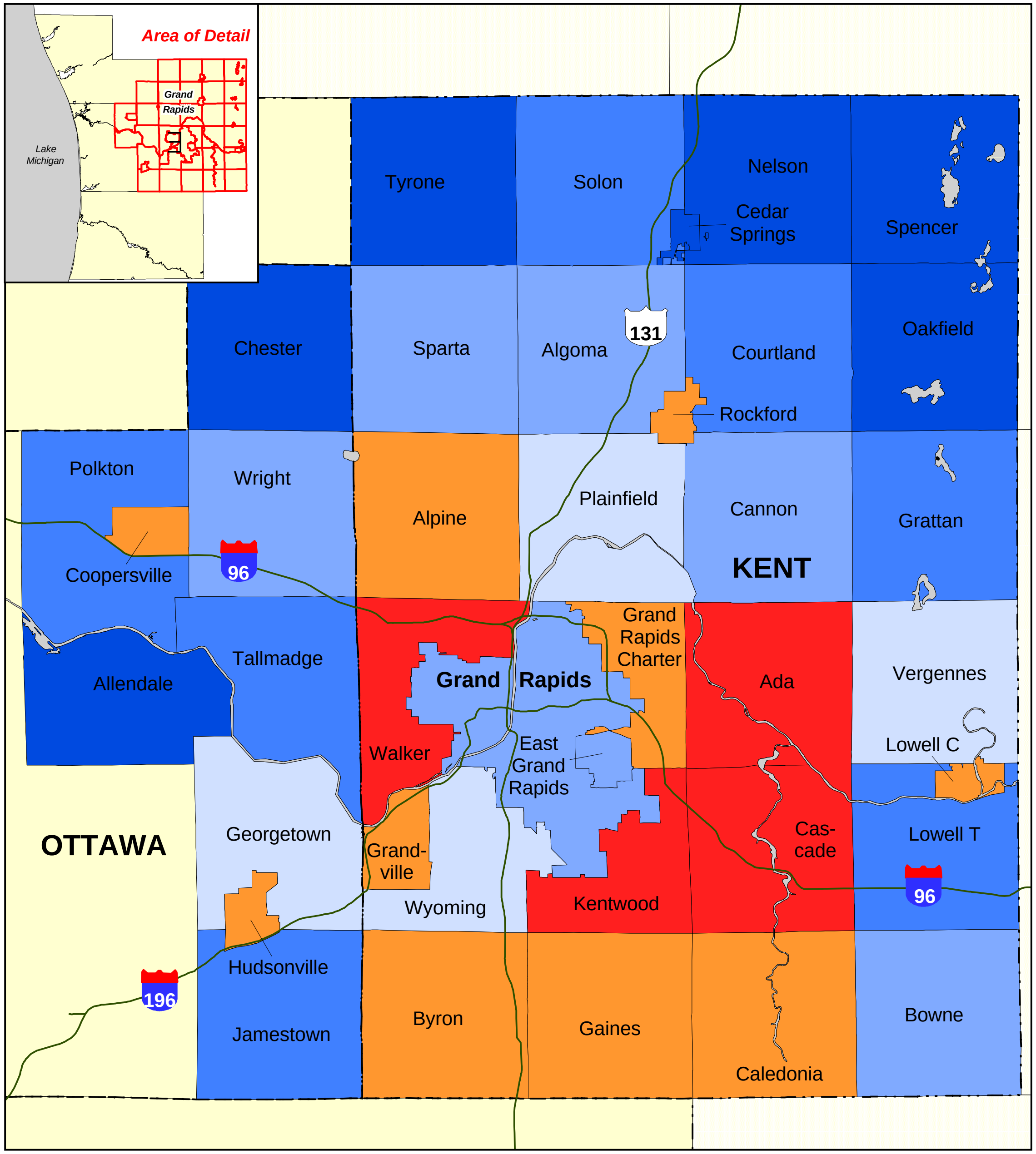
Note: 1986 dollars were adjusted upwards by a factor of 1.4471 to convert to 1996 dollars. 1986 CPI=109.6; 1996 CPI=158.6 (Base: 1982-84 CPI=100)

Data Sources: Michigan Department of Treasury, State Tax Commission (1986 & 1996 commercial & industrial real property tax base data & 1986 & 1996 total real & personal property tax base data); Michigan Information Center (1996 estimated populations).

Prepared by the Metropolitan Area Program of NGMLP.

Figure B

Redistribution of 40% of Commercial/Industrial Tax Base Growth 1986-1996 According to Tax Base per Capita by Municipality (Grand Rapids Area)



This scenario benefits 69.9% of the population of the Grand Rapids area.

Tax Base Change per Capita

Range	Count
-\$3,190 to -\$1,310	(4)
-\$990 to -\$120	(10)
\$200 to \$370	(4)
\$430 to \$520	(7)
\$570 to \$730	(7)
\$850 or more	(7)

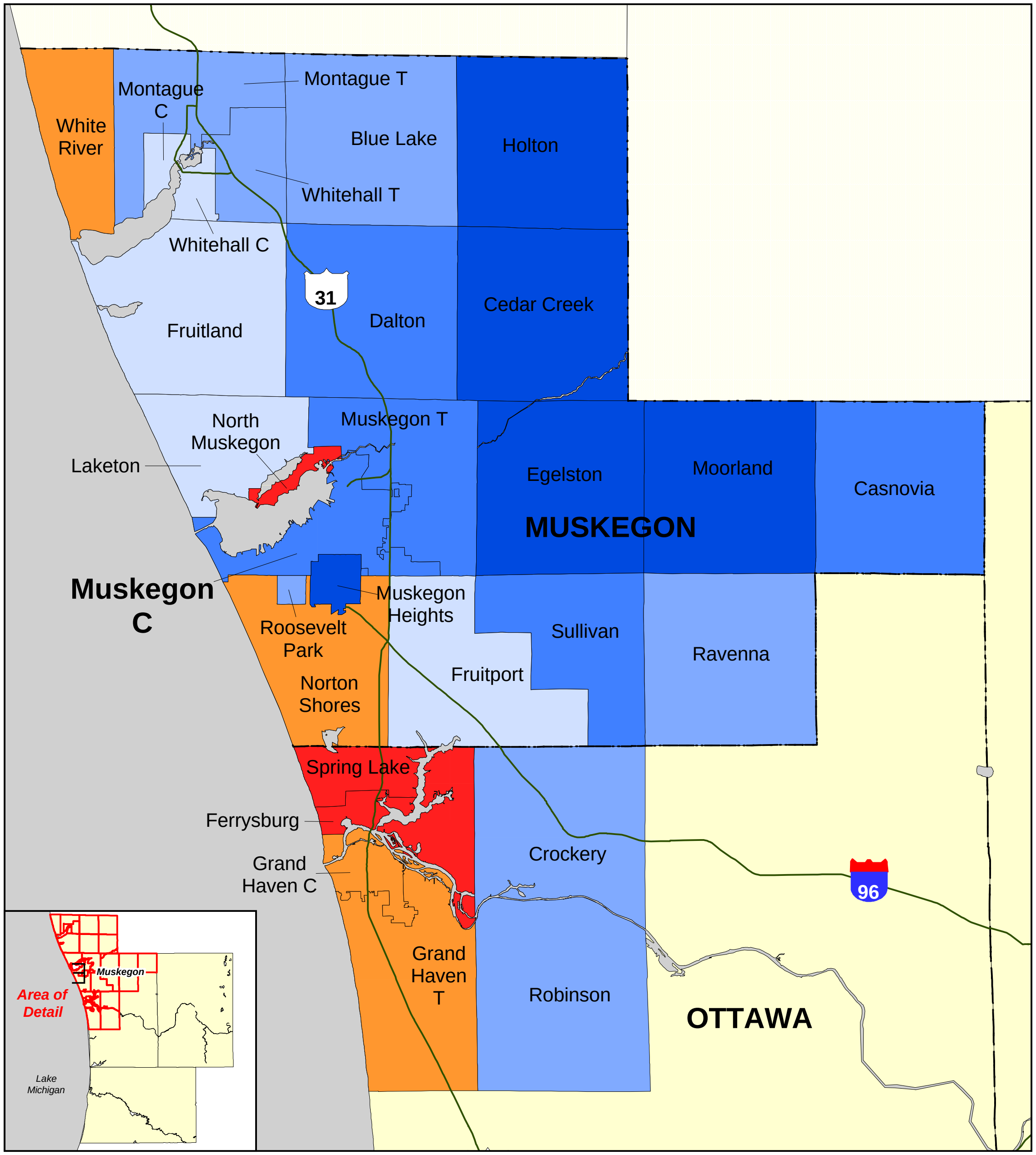
Data Sources: Michigan Department of Treasury, State Tax Commission (1986 & 1996 commercial & industrial real property tax base data and 1986 & 1996 total real & personal property tax base data); Michigan Information Center (1996 estimated populations).

Note: 1986 dollars were adjusted upwards by a factor of 1.4471 to convert to 1996 dollars. 1986 CPI=109.6; 1996 CPI=158.6 (Base: 1982-84 CPI=100)

Note: 1996 state equalized valuations figures were used instead of 1996 taxable values in order to maintain consistency with the 1986 data.

Prepared by the Metropolitan Area Program of NGMLP.

Figure C



Redistribution of 1996 Tax Base from Housing Valued at $200,000 or More According to Tax Base per Capita by Municipality (Muskegon Area)

This scenario benefits 68.6% of the population of the Muskegon area.

Tax Base Change per Capita

Range	Count
-$1,800 to -$1,200	(3)
-$470 to -$70	(4)
$70 to $220	(5)
$230 to $280	(7)
$310 to $370	(5)
$410 or more	(5)

Data Sources: Michigan Department of Treasury, State Tax Commission (1996 residential real property tax base data & 1996 total real and personal property tax base data); Michigan Information Center (1996 estimated population figures); 1990 U.S. Census of

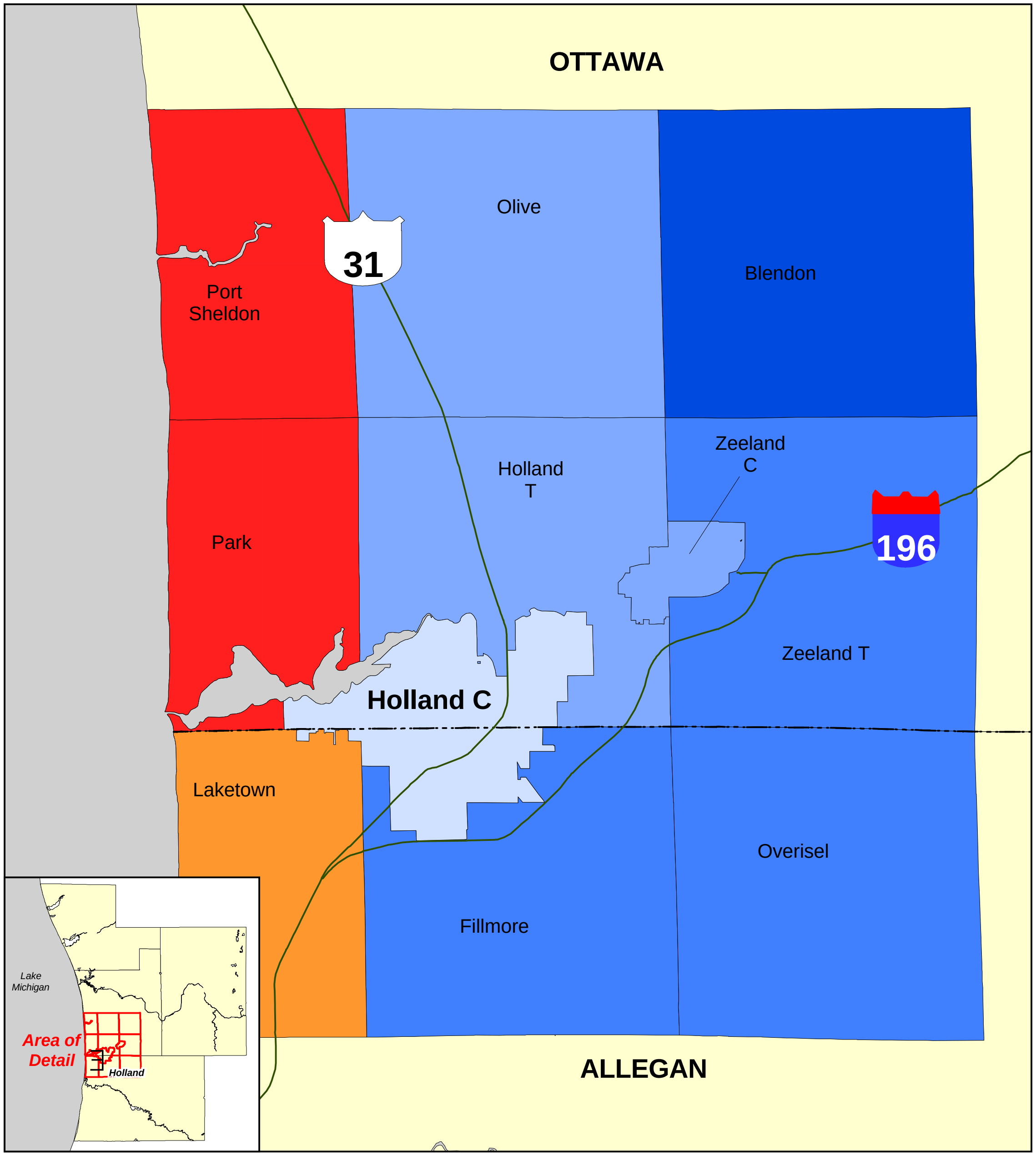
Population and Housing Summary Tape File 3A (1990 housing value distributions).

Note: 1996 state equalized valuations figures were used instead of 1996 taxable values in order to maintain consistency with the 1986 data.

Prepared by the Metropolitan Area Program of NGMLP.

Figure D

Redistribution of 1996 Tax Base from Housing Valued at $200,000 or More According to Tax Base per Capita by Municipality (Holland Area)



This scenario benefits 76.6% of the population of the Holland area.

Tax Base Change per Capita

-$1,620 to -$1,190		(2)
-$110		(1)
$255		(1)
$360 to	$470	(3)
$520 to	$550	(3)
$684		(1)

Data Sources: Michigan Department of Treasury, State Tax Commission (1996 residential real property tax base data & 1996 total real and personal property tax base data); Michigan Information Center (1996 estimated population figures); 1990 U.S. Census of

Population and Housing Summary Tape File 3A (1990 housing value distributions).

Note: 1996 state equalized valuations figures were used instead of 1996 taxable values in order to maintain consistency with the 1986 data.

Prepared by the Metropolitan Area Program of NGMLP.

most new tax base were Muskegon Township ($338 per capita), Dalton Township ($349 per capita), Egelston Township ($411 per capita), Cedar Creek Township ($470 per capita), and Muskegon Heights ($603 per capita). The city of Muskegon received $365 per capita in new tax base.

We then conducted this same run again with only the cities and township of the immediate Holland area participating (Figure D). In this small geographical area, 8 of the 11 jurisdictions participating received new tax base—76.6 percent of the area's population. The communities that gained the most new tax base were Fillmore Township ($525 per capita), Zeeland Township ($549 per capita), and Blendon Township ($684 per capita). The city of Holland received $255 per capita in new tax base.

B. Legal Considerations Relating to Tax-base Sharing in Michigan

Minnesota-style tax-base sharing would be permissible under the Michigan Constitution. However, those seeking to implement it would have to seek state legislation to do so.[7] This was also the case in Minnesota. Provided below is a summary and analysis of relevant Michigan constitutional provisions.[8]

1. Uniformity

The Michigan Constitution requires "uniform general ad valorem taxation of real and personal property." Mich. Const. art. IX , § 3. This has generally been construed to require uniformity in the rate of taxation and the mode of assessment throughout the territory to which the tax is applied. See *Washtenaw County v. State Tax Commission*, 126 Mich. App 535 (1983). The Michigan clause is very similar to Minnesota's uniformity clause which requires that "[t]axes shall be uniform upon the same class of subjects." Minn. Const. art. X, § 1. As in Michigan, this clause has been interpreted to mean uniformity in the rate of taxation and mode of assessment throughout the territory in which the tax is levied. Tax-base sharing would not change the local practice of taxing all forms of property equally throughout the territory to which the tax is applied. As some guidance for Michigan, the Minnesota Supreme Court held that property tax-base sharing (the Metropolitan Fiscal Disparities law) did not violate the Minnesota uniformity clause. See *Village of Burnsville v. Onischuk*, 301 Minn.137, *appeal dismissed* 420 U.S. 916 (1975).

2. Tax Limitation

The Hedlee Amendment, Article X, section 6 of the Michigan Constitution imposes an overall 15 mill tax limitation for property taxes levied for operating purposes by entities which do not have a tax limitation expressly provided by law. With the

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7 For a model tax-base sharing statute see: American Planning Association, *Growing Smart Legislative Guidebook*, December 1996, Chapter 14: 11-23.

8 See generally letter from James R. Brown, Mika, Meyers, Beckett & Jones, PLC to Mr. Andrew Bowman, Grand Valley Metropolitan Council, Re: Tax Base Sharing (February 12, 1999).

approval of local electors, these tax-rate limitations may be increased for a particular taxing jurisdiction to up to 20 years, up to a total of 50 mills. It has been held that the diversion of a special millage to a local development finance authority does not violate Article IX, section 6. According to the courts, Article IX, section 6 is intended to regulate the rate of taxation, not the use of tax revenues. See *Advisory Opinion on the Constitutionality of 1986, P.A. 281*. By the same reasoning, the diversion of tax revenues from one taxing unit to another under tax-base sharing would not appear to violate Article IX, section 6.

In combination with the Hedlee Amendment, tax-base sharing, as it captured growth in assessed value, would limit even further the ability of contributing local governments to raise revenue. However, for recipient local governments, the limited rate would increasingly raise larger amounts of money. Further to the extent that tax-base sharing made local revenue raising less onerous for low tax base jurisdictions, it might become easier to pass millage increases by referenda.

3. Power of Taxation

Article IX, section 2 of the Michigan Constitution provides: “The power of taxation shall never be surrendered, suspended or contracted away.” The Michigan Supreme Court however has found that the surrender of the taxing power does not occur in the context of the transfer of tax revenues, authorized by law, for a public purpose. *Bullinger v. Gremore*, 343 Mich 516 (1955). Again, Minnesota has a similar clause that has been similarly interpreted. See Minn. Const. art X § 1.

4. Lending of Credit

The Michigan Constitution prohibits public bodies from “lending their credit” for private purposes or for public purposes except as provided by law. See Art. VII sec. 26 and Art X, sec. 18. Tax sharing might be considered a “lending of credit” subject to these limitations. However this “lending” would clearly be authorized by law and for a public purpose. In recent years, the concept of "public purpose" under these amendments has been broadly construed by the Michigan Courts. See *Advisory Opinion on the Constitutionality of 1996, PA 281*, 430 Mich. 93 (1988).

IV. Organizing for Regional Reform

A. Leadership

In moving toward regional reform such as tax-base sharing, land-use planning, or regional structural reform, the most indispensable piece of the effort is strong local leadership. Sometimes Metropolitan Planning Organization's (MPO's) like the Grand Valley Metropolitan Council (GVMC) are constrained in proposing or leading the political discussion concerning issues of metropolitan reform. Organizations like this often judge that the basis of their political support is fragile and that they must maintain a regional consensus, keeping all members supportive of their activities. Often reforms are side-tracked when any local entity raises objections to a proposed change. In the end, entities like the GVMC are often an appropriate place to mediate issues like land-use planning, equity, or affordable housing, but leadership on these issues must come from a group that can keep the long-term nature of the necessary reforms in mind and can weather the controversy that comes with a proposed change.

B. Some Lessons on Coalition Building

1. Reach Out and Organize the Issue on a Personal Level

Political reform is about ideas, but individuals who are organizing bring it about. Political persuasion is about selling an idea to another person or group that has the power to change things. When current regional trends are satisfactorily described, some individual or group of people has to reach out, person to person, to make contact with the individuals and groups most negatively affected by those trends. It is important not to broadly announce regional problems and disparities until after meeting these affected groups and inviting input from them. Describe for them the broad themes and the areas where regional progress is necessary—namely tax-base sharing, land-use planning, and regional structural reform. Talk about the experience of other states. Engage all constituencies that would benefit immediately from reform in the crafting of legislation. This gives everyone involved ownership and allows for adjustment to the peculiarities of the local terrain they know best—economic, physical, cultural, and political.

In terms of tax-base sharing, it is particularly important to come with a variety of simulations about how a proposed program might actually work. The original author of tax-base sharing told me, “Don’t talk about the concept, without the computer runs.” Everyone is against the concept until they understand how it will affect their jurisdiction. Everyone thinks they are going to lose. Most will not. Jurisdictions that actually do contribute to the tax-base sharing pool, often contribute much less than they thought they would. Further, when those jurisdictions understand the importance of tax-base sharing to the whole region, sometimes they can be brought along.”

In this light, it is important not to accept early rejection based on old antagonisms. Keep coming back and showing the benefit to the region and to particular communities, of the particular regional reform strategy for which you are seeking support. If you build trust and relationships and if your facts are sound, many will soon realize that they need regionalism to have healthy, stable communities. They will come around as they come to see that a better future is possible, their alternatives are limited, cooperation will produce measurable benefits, and they have long-term, trustworthy friends in those who promote regionalism.

2. Build Broad and Inclusive Coalitions

The coalition should stress two themes: First, it is in the long-term interest of the entire region to solve the problems of polarization, and second, it is in the immediate short-term interest of the vast majority of the region. The first argument is important for the long haul; the second gets the ball rolling. Keep both of these themes in mind when approaching the various affected constituencies.

a. Elected Officials

A regional agenda, at the beginning, finds few elected officials who are altruistic supporters. The early political support for regional reform in the Twin Cities came from legislators who believed their districts would benefit immediately or soon from part or all of our policy package. In particular, those who represented low tax base suburbs and satellite cities supported tax-base sharing, because it gave them lower taxes and better services. Over time, the coalition was broadened to include those that saw how some form of fiscal equity was necessary in order to deal with issues such as land use and governance. The fully-developed areas supported land-use planning because they did not want the developing suburbs to draw development away from them and they did not want to pay the cost of remediating poorly planned communities later.

b. The Business Community

After some discussion and explanation of current regional trends, the business community—particularly in downtown Grand Rapids and in other older, fully-developed communities of the region—will soon discover that regional reform is in their best interest. It should be pointed out to them, that under tax-base sharing, for example, they will see lower taxes and better services and will better be able to sustain themselves in their present location. It should also be pointed out that because tax-base sharing reduces competition among jurisdictions for tax base, new businesses would be more likely to locate in their city, making the business district stronger and a more worthwhile destination for clients and customers. Once the business community realizes this, they can be a very motivated and influential ally.

Recently, for example, the famed Commercial Club of Chicago and the Greater Baltimore Committee, whose members primarily represent the interests of the downtown business district in their respective cities (in Chicago, some of the largest companies in the nation are represented) endorsed sweeping proposals for regional reform including tax-base sharing, land-use planning, and regional governance reform.[9] They believed that these reforms were very important to the economic health of their cities and believe that regions working together for economic development were far more powerful competitors than those who were fighting amongst themselves.

[9] Elmer W. Johnson, "Chicago Metropolis 2020, Draft Plan of 1999: Preparing Metropolitan Chicago for the 21st Century", A Project of the Commercial Club of Chicago, Draft, October 1998; Greater Baltimore Committee, "One Region, One Future: A Report on Regionalism", July 1997.

c. The Religious Community

Politicians and self-interest arguments can move the agenda forward in the central city, low tax base suburbs, and satellite cities. But they will not build a base of understanding in other parts of the region, and the determined opposition of such places will slow progress. Churches and other religious organizations can bring a powerful new dimension to the debate: the moral dimension. How moral is it, they will ask, to divide a region into two communities, one prospering and enjoying all the benefits of metropolitan citizenship while the other bears most of its burdens? How moral is it to isolate the region’s poor people on a melting ice cube of resources at the region’s core, while communities with abundant resources zone in ways that restrict affordable housing development and keep demand for services low. How moral is it to destroy thousands of acres of forests and farmland in order to build new communities on the fringe, while older cities decline? Churches will broaden the reach of a regional movement. They can provide legitimacy for its message in older suburbs, and understanding and a sense of responsibility and fair play in affluent communities. Without the churches, many of the regional reforms that have passed through the Minnesota Legislature in recent years would not have happened.

d. The Philanthropic Community and Established Reform Groups

Every day philanthropic organizations face the consequences of regional polarization. Moreover, their mission statements are often directly in line with regional reform. Philanthropic organizations can be important sources of financing for research and nonprofit activities in support of regional solutions. The League of Women Voters can be helpful, as can entities like the National Civic League and established reform groups. All of these groups can confer establishment respectability to the regional cause. Many of these groups, by themselves, have been working on regional reform for a generation. In this light, seek their counsel as well as their support.

e. Draw in Distinct but Compatible Issues and Organizations

In addition to the above groups, the communities of color—predominantly located in the region's core—have a deep stake in this agenda, as do land-use groups and a broad variety of environmental organizations that can reach into affluent suburbia and other communities on the fringe. Women’s and senior citizens organizations, for example, want a variety of housing types in all communities for single mothers and retired people who cannot remain in their homes. These groups also want better transit. Regionalism is a multifaceted gemstone. In the power of its comprehensive solutions, it can show a bright face to many different constituencies to build broad support.

3. With the Coalition, Seek Out the Media

Using factual information, suburban elected officials, churches, philanthropists, reform groups, and business leaders, should seek out editorial boards, which by necessity must have a broad, far-reaching vision for the region. Reporters who have covered the same political stories over and over will be interested in something new and potentially controversial. They will like the maps, and straightforward news releases without too much theoretical discussion will get the message across.

4. Prepare for Controversy

Professional regionalists have, over the years, explained away Minnesota's and Oregon's success with reforms as being the result of people having reached some happy consensus. This is not true. Each reform was a strenuous political effort, and each group of leaders had to build coalitions to weather intense opposition and controversy. The results however were well worth the trouble.

Appendix: Hypothetical Property Tax-base Sharing Runs

Hypothetical Property Tax-base Sharing Run A:
Redistribution of 40% of Commercial/Industrial Property Tax Base Growth 1986-1996 According to Total Property Tax Base per Capita by Municipality (Four-county Grand Rapids Region)

	Municipality	Subregion	Estimated Population, 1996	Net Distribution	Per Capita Gain/Contribute
1	Muskegon Heights city	High Need	$18,778,586	12,564	$1,495
2	Moorland township	Stressed	$1,903,947	1,603	$1,188
3	Cedar Creek township	High Need	$3,720,798	3,159	$1,178
4	Lee township	High Need	$2,999,371	2,720	$1,103
5	Martin township	High Need	$3,460,480	3,254	$1,063
6	Holton township	High Need	$2,441,244	2,321	$1,052
7	Muskegon city	High Need	$39,916,496	39,518	$1,010
8	Casnovia township	Stressed	$2,618,624	2,632	$995
9	Watson township	Stressed	$1,967,225	2,032	$968
10	Dalton township	High Need	$6,469,113	7,101	$911
11	Nelson township	Stressed	$3,587,225	4,050	$886
12	Sullivan township	Stressed	$1,915,113	2,188	$875
13	Clyde township	High Need	$1,642,036	1,999	$821
14	Trowbridge township	Stressed	$1,845,631	2,326	$793
15	Ravenna township	Stressed	$2,049,115	2,612	$785
16	Blue Lake township	High Need	$1,178,447	1,533	$769
17	Cedar Springs city	High Need	$2,049,971	2,669	$768
18	Egelston township	Stressed	$6,189,954	8,128	$762
19	Laketon township	Stressed	$5,359,406	7,064	$759
20	Cheshire township	High Need	$1,527,013	2,045	$747
21	Roosevelt Park city	Stressed	$3,006,982	4,078	$737
22	Tyrone township	Stressed	$3,282,940	4,483	$732
23	Chester township	Stressed	$1,640,905	2,273	$722
24	Allendale township	Stressed	$6,772,822	9,426	$719
25	Spencer township	Stressed	$2,379,689	3,357	$709
26	Hopkins township	Stressed	$2,140,000	3,029	$707
27	Robinson township	Stressed	$3,589,594	5,108	$703
28	Dorr township	Stressed	$4,508,984	6,454	$699
	Oakfield township	Stressed	$3,116,776	4,457	$699
30	Blendon township	Stressed	$3,809,309	5,596	$681
31	Montague township	Stressed	$932,431	1,402	$665
32	Muskegon township	High Need	$10,319,924	16,167	$638
33	Allegan township	Stressed	$2,635,687	4,255	$619
34	Crockery township	Stressed	$2,316,488	3,821	$606
35	Jamestown township	Affluent	$2,715,508	4,636	$586
	Manlius township	Stressed	$1,040,672	1,775	$586
37	North Muskegon city	Stressed	$2,271,832	3,919	$580
38	Lowell township	Stressed	$2,895,696	5,141	$563
	Valley township	Stressed	$644,575	1,144	$563
40	Gunplain township	Stressed	$3,041,974	5,486	$554
41	Overisel township	Stressed	$1,362,355	2,511	$543
42	Montague city	Stressed	$1,159,234	2,149	$539
43	Grattan township	Stressed	$1,642,250	3,224	$509
44	Otsego city	Stressed	$1,934,025	3,973	$487
45	Polkton township	Stressed	$1,192,776	2,453	$486
46	Tallmadge township	Stressed	$3,296,842	6,907	$477
47	Whitehall city	Stressed	$1,559,750	3,298	$473
48	Courtland township	Stressed	$2,071,692	4,461	$464
49	Casco township	High Need	$1,317,624	2,860	$461
50	Fruitland township	Stressed	$2,149,421	4,744	$453

	Municipality	Subregion	Estimated Population, 1996	Net Distribution	Per Capita Gain/Contribute
51	Wayland city	Stressed	$1,488,908	3,343	$445
52	Heath township	Stressed	$1,179,954	2,676	$441
53	Fruitport township	Stressed	$5,653,372	13,240	$427
54	Solon township	Stressed	$1,647,718	4,039	$408
55	Wayland township	Stressed	$1,119,974	2,803	$400
56	Cannon township	Affluent	$3,993,154	10,170	$393
57	Otsego township	Stressed	$1,968,499	5,181	$380
58	Bowne township	Stressed	$874,960	2,351	$372
59	Algoma township	Stressed	$2,458,800	6,621	$371
60	Fennville city	High Need	$372,868	1,037	$360
61	Ganges township	Stressed	$836,062	2,328	$359
62	Wright township	Stressed	$1,227,674	3,502	$351
63	Leighton township	Stressed	$1,123,171	3,309	$339
64	East Grand Rapids city	Affluent	$3,568,875	10,564	$338
65	**Grand Rapids city**	**Central City**	**$61,239,047**	**188,242**	**$325**
66	White River township	Affluent	$426,201	1,345	$317
67	Sparta township	Stressed	$2,905,487	9,549	$304
68	Plainwell city	Stressed	$1,213,519	4,112	$295
69	Laketown township	Affluent	$1,371,773	5,311	$258
70	Vergennes township	Affluent	$809,343	3,153	$257
71	Park township	Affluent	$3,368,060	15,988	$211
72	Norton Shores city	Stressed	$3,785,931	22,710	$167
73	Ferrysburg city	Stressed	$493,770	3,097	$159
74	Georgetown township	Affluent	$5,755,658	38,978	$148
75	Port Sheldon township	Affluent	$366,024	3,432	$107
76	Allegan city	High Need	$398,659	4,401	$91
77	Plainfield township	Stressed	$2,449,802	28,259	$87
78	Wyoming city	Stressed	$5,283,109	66,571	$79
79	Spring Lake township	Stressed	$693,451	12,132	$57
80	Grand Haven township	Stressed	$328,100	11,447	$29
81	Monterey township	Stressed	$4,524	1,712	$3
82	Saugatuck township	Stressed	($39,433)	3,616	($11)
83	Fillmore township	Stressed	($223,961)	2,934	($76)
84	Whitehall township	Stressed	($259,200)	1,438	($180)
85	Rockford city	Stressed	($911,985)	3,899	($234)
86	Lowell city	Stressed	($1,062,069)	3,980	($267)
87	Gaines township	Stressed	($6,496,314)	18,184	($357)
88	Saugatuck city	Stressed	($386,298)	909	($425)
89	Zeeland city	Stressed	($2,615,452)	5,816	($450)
90	Hudsonville city	Stressed	($3,322,896)	6,757	($492)
91	Grandville city	Stressed	($8,807,049)	16,473	($535)
92	Alpine township	Stressed	($7,016,083)	12,394	($566)
93	Grand Haven city	Stressed	($7,736,385)	12,142	($637)
94	Grand Rapids Charter township	Affluent	($8,468,467)	12,300	($688)
95	Holland city	Stressed	($23,783,869)	33,247	($715)
96	Byron township	Stressed	($11,989,848)	16,248	($738)
97	Olive township	Affluent	($2,374,774)	3,108	($764)
98	Caledonia township	Affluent	($7,167,370)	7,478	($958)
99	Salem township	Stressed	($2,921,635)	2,974	($982)
100	Coopersville city	Stressed	($4,228,433)	3,806	($1,111)
101	Zeeland township	Stressed	($6,615,474)	5,548	($1,192)
102	Ada township	Affluent	($12,164,902)	8,859	($1,373)
103	Walker city	Stressed	($28,245,939)	18,971	($1,489)
104	Kentwood city	Stressed	($68,750,145)	41,816	($1,644)
105	Holland township	Stressed	($49,523,571)	22,354	($2,215)
106	Cascade township	Affluent	($45,663,449)	14,140	($3,229)

Percentage of regional population living in winning municipalities: 72.5%

Data Sources: Michigan Department of Treasury, State Tax Commission (1986 and 1996 commercial and
industrial real property tax base data and 1986 and 1996 total real and personal property tax base data); Michigan Information Center (1996 estimated population figures).

Note: 1986 dollars were adjusted upwards by a factor of 1.4471 to convert to 1996 dollars.
1986 CPI=109.6; 1996 CPI=158.6 (Base: 1982-1984 CPI=100)

Methodology:

Each municipality is required to contribute 40% of its 1986-1996 commercial/industrial property tax base growth into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each municipality will get back out of the pool. This distribution index is equal to the municipality's population
multiplied by the ratio of the metropolitan region's total property tax base per capita to the municipality's total
property tax base per capita. Each municipality's distribution index is then divided by the sum of all the distribution indexes to arrive at each municipality's percentage share of the tax-base pool. This percentage
is then multiplied by the tax-base pool amount to determine the actual amount the municipality receives back.
Finally, the amount the municipality contributes is subtracted from the amount the municipality receives to arrive at the net distribution to the
municipality.

Step 1: 1986-1996 municipal commercial/industrial property tax base growth * 0.40 = Municipal Contribution
Step 2: municipal population * ((region's total property tax base / region's population) /
(municipal total property tax base / municipal population)) = Distribution Index
Step 3: Distribution Index / sum of Distribution Indexes = Municipal Share of tax base to be distributed
Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Hypothetical Property Tax-base Sharing Run B:
Redistribution of 40% of Commercial/Industrial Property Tax Base Growth 1986-1996 According to Total Property Tax Base per Capita by Municipality (Grand Rapids Area)

	Municipality	Estimated Population, 1996	Net Distribution	Per Capita Gain/Contribute
1	Nelson	4,050	$4,363,118	$1,077
2	Cedar Springs	2,669	$2,642,585	$990
3	Allendale	9,426	$8,831,883	$937
4	Tyrone	4,483	$4,147,060	$925
5	Chester	2,273	$1,981,332	$872
6	Spencer	3,357	$2,895,368	$862
7	Oakfield	4,457	$3,822,425	$858
8	Lowell T	5,141	$3,733,563	$726
9	Jamestown	4,636	$3,315,542	$715
10	Grattan	3,224	$2,006,987	$623
11	Polkton	2,453	$1,517,879	$619
12	Tallmadge	6,907	$4,236,196	$613
13	Solon	4,039	$2,337,071	$579
14	Courtland	4,461	$2,576,431	$578
15	Algoma	6,621	$3,382,115	$511
16	Cannon	10,170	$5,038,246	$495
	Grand Rapids City	**188,242**	**$93,119,024**	**$495**
18	Wright	3,502	$1,714,915	$490
19	Sparta	9,549	$4,625,105	$484
20	Bowne	2,351	$1,113,171	$473
21	East Grand Rapids	10,564	$4,540,674	$430
22	Vergennes	3,153	$1,146,964	$364
23	Georgetown	38,978	$11,388,507	$292
24	Plainfield	28,259	$6,202,364	$219
25	Wyoming	66,571	$13,900,167	$209
26	Rockford	3,899	($468,614)	($120)
27	Lowell C	3,980	($498,378)	($125)
28	Gaines	18,184	($3,627,325)	($199)
29	Hudsonville	6,757	($2,350,719)	($348)
30	Alpine	12,394	($5,171,882)	($417)
31	Grandville	16,473	($6,906,580)	($419)
32	Grand Rapids Charter	12,300	($7,423,983)	($604)
33	Byron	16,248	($9,986,084)	($615)
34	Caledonia	7,478	($6,474,119)	($866)
35	Coopersville	3,806	($3,732,207)	($981)
36	Ada	8,859	($11,638,646)	($1,314)
37	Walker	18,971	($26,560,114)	($1,400)
38	Kentwood	41,816	($64,752,574)	($1,549)
39	Cascade	14,140	($44,987,465)	($3,182)

Percentage of regional population living in winning municipalities: 69.9%

Data Sources: Michigan Department of Treasury, State Tax Commission (1986 and 1996 commercial and
industrial real property tax base data and 1986 and 1996 total real and personal property tax base data); Michigan Information Center (1996 estimated population figures).

Note: 1986 dollars were adjusted upwards by a factor of 1.4471 to convert to 1996 dollars.
1986 CPI=109.6; 1996 CPI=158.6 (Base: 1982-1984 CPI=100)

Methodology:

Each municipality is required to contribute 40% of its 1986-1996 commercial/industrial property tax base growth into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each municipality will get back out of the pool. This distribution index is equal to the municipality's population multiplied by the ratio of the metropolitan region's total property tax base per capita to the municipality's total property tax base per capita. Each municipality's distribution index is then divided by the sum of all the distribution indexes to arrive at each municipality's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the municipality receives back.
Finally, the amount the municipality contributes is subtracted from the amount the municipality receives to arrive at the net distribution to the municipality.

Step 1: 1986-1996 municipal commercial/industrial property tax base growth * 0.40 = Municipal Contribution
Step 2: municipal population * ((region's total property tax base / region's population) / (municipal total property tax base / municipal population)) = Distribution Index
Step 3: Distribution Index / sum of Distribution Indexes = Municipal Share of tax base to be distributed
Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

**Hypothetical Property Tax-base Sharing Run C:
Redistribution of 1996 Property Tax Base from Housing Valued at $200,000 or More According to Property Tax Base per Capita by Municipality (Muskegon Area).**

	Municipality	Estimated Population, 1996	Net Distribution	Per Capita Gain/Contribute
1	Muskegon Hts	12,564	$7,571,351	$603
2	Cedar Creek	3,159	$1,485,144	$470
3	Moorland	1,603	$665,476	$415
4	Holton	2,321	$958,993	$413
5	Egelston	8,128	$3,339,215	$411
6	**Muskegon C**	**39,518**	**$14,439,638**	**$365**
7	Casnovia	2,632	$947,396	$360
8	Dalton	7,101	$2,477,848	$349
9	Muskegon T	16,167	$5,458,115	$338
10	Sullivan	2,188	$692,816	$317
11	Crockery	3,821	$1,063,900	$278
12	Roosevelt Park	4,078	$1,087,901	$267
13	Ravenna	2,612	$694,770	$266
14	Robinson	5,108	$1,345,179	$263
15	Blue Lake	1,533	$391,916	$256
16	Montague T	1,402	$337,373	$241
17	Whitehall T	1,438	$338,722	$236
18	Montague C	2,149	$463,112	$216
19	Whitehall C	3,298	$690,389	$209
20	Fruitport	13,240	$2,677,411	$202
21	Laketon	7,064	$1,176,372	$167
22	Fruitland	4,744	$341,406	$72
23	White River	1,345	($101,980)	($76)
24	Grand Haven C	12,142	($2,388,413)	($197)
25	Norton Shores	22,710	($8,781,293)	($387)
26	Grand Haven T	11,447	($5,287,705)	($462)
27	Ferrysburg	3,097	($3,716,023)	($1,200)
28	Spring Lake	12,132	($21,317,248)	($1,757)
29	North Muskegon	3,919	($7,051,780)	($1,799)

Percentage of regional population living in winning municipalities: 68.6%

Data Sources: Michigan Department of Treasury, State Tax Commission (1996 residential real property tax base data and 1996 total real and personal property tax base data); Michigan Information Center (1996 estimated population figures); 1990 U.S. Census of Population and Housing Summary Tape File 3A (1990 housing value distributions).

Methodology:

Each municipality is required to contribute that portion of each residential property that was valued in excess of $200,000 in 1996 into a tax-base pool. (For example, $50,000 would be contributed from a property valued at $250,000; nothing would be contributed for a property valued at $120,000.) Then, a "distribution index" is calculated to determine what percentage share each municipality will get back out of the pool. This distribution index is equal to the municipality's population multiplied by the ratio of the metropolitan region's tax base per capita to the municipality's tax base per capita. Each municipality's distribution index is then divided by the sum of all the distribution indexes to arrive at each municipality's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the municipality receives back. Finally, the amount the municipality contributes is subtracted from the amount the municipality receives to arrive at the net distribution to the municipality.

Step 1: 1996 municipal residential property tax base in excess of $200,000 value = Municipal Contribution
Step 2: municipal population * ((region's property tax base / region's population) /
(municipal property tax base / municipal population)) = Distribution Index
Step 3: Distribution Index / sum of Distribution Indexes = Municipal Share of tax base to be distributed
Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Hypothetical Property Tax-Base Sharing Run D: Redistribution of 1996 Property Tax Base from Housing Valued at $200,000 or More According to Property Tax Base per Capita by Municipality (Holland Area).

	Municipality	Est. Pop., 1996	Net Distribution	Per Capita Gain/Contribute
1	Blendon	5,596	$3,824,893	$684
2	Zeeland T	5,548	$3,046,047	$549
3	Fillmore	2,934	$1,540,276	$525
	Overisel	2,511	$1,318,805	$525
5	Olive	3,108	$1,461,065	$470
6	Zeeland C	5,816	$2,595,112	$446
7	Holland T	22,354	$8,221,206	$368
8	**Holland C**	**33,247**	**$8,487,319**	**$255**
9	Laketown	5,311	($585,034)	($110)
10	Port Sheldon	3,432	($4,115,771)	($1,199)
11	Park	15,988	($25,793,919)	($1,613)

Percentage of regional population living in winning municipalities: 76.6%

Data Sources: Michigan Department of Treasury, State Tax Commission (1996 residential real property tax base data and 1996 total real and personal property tax base data); Michigan Information Center (1996 estimated population figures); 1990 U.S. Census of Population and Housing Summary Tape File 3A (1990 housing value distributions).

Methodology:

Each municipality is required to contribute that portion of each residential property that was valued in excess of $200,000 in 1996 into a tax-base pool. (For example, $50,000 would be contributed from a property valued at $250,000; nothing would be contributed for a property valued at $120,000.) Then, a "distribution index" is calculated to determine what percentage share each municipality will get back out of the pool. This distribution index is equal to the municipality's population multiplied by the ratio of the metropolitan region's tax base per capita to the municipality's tax base per capita. Each municipality's distribution index is then divided by the sum of all the distribution indexes to arrive at each municipality's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the municipality receives back. Finally, the amount the municipality contributes is subtracted from the amount the municipality receives to arrive at the net distribution to the municipality.