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BEYOND SPRAWL:

NEW PATTERNS OF GROWTH TO FIT THE NEW CALIFORNIA

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EXECUTIVE SUMMARY

California is at a unique and unprecedented point in its history—a point at which we face profound questions about our future growth that will determine the state's economic vitality and quality of life for the next generation and beyond.

One of the most fundamental questions we face is whether California can afford to support the pattern of urban and suburban development, often referred to as "sprawl," that has characterized its growth since World War II.

There is no question that this pattern of growth has helped fuel California's unparalleled economic and population boom, and that it has enabled millions of Californians to realize the enduring dream of home ownership. But as we approach the 21st century, it is clear that sprawl has created enormous costs that California can no longer afford. Ironically, unchecked sprawl has shifted from an engine of California's growth to a force that now threatens to *inhibit* growth and degrade the quality of our life.

This report, sponsored by a diverse coalition of organizations, is meant to serve as a call for California to move beyond sprawl and rethink the way we will grow in the future. This is not a new idea, but it is one that has never been more critical or urgent.

Despite dramatic changes in California over the last decade, traditional development patterns have accelerated. Urban job centers have decentralized to the suburbs. New housing tracts have moved even deeper into agricultural and environmentally sensitive areas. Private auto use continues to rise.

This acceleration of sprawl has surfaced enormous social, environmental and economic costs, which until now have been hidden, ignored, or quietly borne by society. The burden of these costs is becoming very clear. Businesses suffer from higher costs, a loss in worker productivity, and underutilized investments in older communities.

California's business climate becomes less attractive than surrounding states. Suburban residents pay a heavy price in taxation and automobile

expenses, while residents of older cities and suburbs lose access to jobs, social stability, and political power. Agriculture and ecosystems also suffer.

There is a fundamental dynamic to growth, whether it be the growth of a community or a corporation, that evolves from expansion to maturity. The early stages of growth are often exuberant and unchecked—that has certainly been the case in post-World War II California. But unchecked growth cannot be sustained forever. At some point this initial surge must mature into more managed, strategic growth. This is the point where we now stand in California.

We can no longer afford the luxury of sprawl. Our demographics are shifting in dramatic ways. Our economy is restructuring. Our environment is under increasing stress. We cannot shape California's future successfully unless we move beyond sprawl.

This is not a call for *limiting* growth, but a call for California to be *smarter* about how it grows—to invent ways we can create compact and efficient growth patterns that are responsive to the needs of people at all income levels, and also help maintain California's quality of life and economic competitiveness.

SPONSOR'S NOTE

This report suggests new ideas about how California can continue to grow while still fostering the economic vitality and quality of life that makes it such a vibrant place to live and work. It is sponsored by a diverse coalition—the California Resources Agency, a government conservation agency; Bank of America, California's largest bank; Greenbelt Alliance, the Bay Area's citizen conservation and planning organization; and the Low Income Housing Fund, a nonprofit organization dedicated to low-income housing.

The fact that such a diverse group has reached consensus on the ideas in this report reflects how important the issue of growth is to *all* Californians. We hope this report will make a meaningful contribution to the public dialogue about the quality and direction of California's growth in the 21st century.

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“Within the last generation, the postwar formula for success has become overwhelmed by its own consequences.”

It is a tall order—one that calls for us to rise above our occasional isolation as individuals and interest groups, and address these profound challenges as a community. All of us—government agencies, businesses, community organizations and citizens—play a role. Our actions should be guided by the following goals:

- To provide more certainty in determining where new development should and should not occur.
- To make more efficient use of land that has already been developed, including a strong focus on job creation and housing in established urban areas.
- To establish a legal and procedural framework that will create the desired certainty and send the right economic signals to investors.
- To build a broad-based constituency to combat sprawl that includes environmentalists, community organizations, businesses, farmers, government leaders and others.

Californians are already taking some of these steps. We have attempted in this report to not only point out the obstacles to sustained growth, but also to highlight the positive actions that are occurring to better manage growth. Our fundamental message is that we must build on these early successes and take more comprehensive and decisive steps over the next few years to meet this challenge. To build a strong, vibrant economy and ensure a high quality of life for the 21st century, we must move beyond sprawl in the few remaining years of the 20th century.

INTRODUCTION

California is at the crossroads of change.

Our economy is emerging from its worst downturn in 60 years—a downturn that has required nearly all of the state’s major industries to retool for greater competitiveness in a global marketplace. Our demographic profile is changing dramatically. New racial and immigration patterns are rapidly producing a truly multicultural society, creating a variety of related social and economic issues. At the same time, California has emerged as one of the most urbanized states in the union, as our metropolitan areas continue to grow in population and scale.

In the face of this change, California remains shackled to costly patterns of suburban sprawl. Even as our economy and our society are being reinvented daily, we continue to abandon people and investments in older communities as development leap-frogs out to fringe areas to accommodate another generation of low-density living. And we continue to create communities that rely almost exclusively on automobiles for transportation. In short, the “new” California—with 32 million people and counting—is using land and other resources in much the same fashion as the “old” California, with only 10 million people.

We cannot afford another generation of sprawl. As the Governor’s Growth Management Council stated in a recent report: “What may have been possible with 10 or even 20 million people is simply not sustainable for a population of twice that much in the same space.” Continued sprawl may seem inexpensive for a new homebuyer or a growing business on the suburban fringe, but the ultimate cost—to those homeowners, to the government, and to society at large—is potentially crippling. Allowing sprawl may be politically expedient in the short run, but in the long run it will make California economically uncompetitive and create social, environmental and political problems we may not be able to solve.

At a time when economic growth is slow and social tensions are high, it is easy to dismiss an issue like suburban sprawl as superfluous. Yet it lies at the heart of the very economic, social and environmental issues that we face today. Rapid population growth and economic change are occurring in a state increasingly characterized by a limited supply of developable land, environmental stress at the metropolitan fringe, and older communities in transition. With the onset of economic recovery, the next few years will give rise to land-use decisions of fundamental importance. They will help determine whether our state can succeed in re-establishing the economic and social vitality that have made it such a successful place to live and work for more than 140 years.

Suburban Sprawl and the “Old” California

In the decades after World War II, California emerged as an economic and political powerhouse, providing jobs, housing and prosperity for most of its rapidly growing population.

Underlying this success was a development pattern that emphasized expanding metropolitan areas, conversion of farmland and natural areas to residential use, and heavy use of the automobile. In the postwar era, this way of life worked for California. With a prosperous and land-rich state, most families were able to rise to the middle class and achieve the dream of home ownership. Government agencies and private businesses were able to provide the infrastructure of growth—new homes, roads, schools, water systems, sewage treatment facilities, and extensions of gas and electric distribution.

Within the last generation, however, this postwar formula for success has become overwhelmed by its own consequences. Since the 1970s, housing has become more expensive, roads have become more congested, the supply of developable land has dwindled, and, because of increasing costs, government agencies have not been able to keep up with the demand for public services.

Since the late 1970s, several efforts have been initiated to address the question of how to manage California's growth, but all have failed—some for lack of consensus, some for lack of engaged constituency, some simply because of bad timing.

**THE CHALLENGE OF THE
"NEW" CALIFORNIA**

In the 1990s, California is undergoing change of such scale and significance that it will literally redefine the state. To succeed, the new California must recognize and build upon the following changes in positive ways.

Population Growth

California's population continues to grow at a remarkably fast pace. Today's total of approximately 32 million people represents a doubling of the population since the mid-1960s, when California became the nation's most populous state.

During the boom years of the 1980s, California added more than 6 million new residents, a population larger than all but a few of the 49 other states. Even during the bust years of the early 1990s, the state's population grew at a rate of almost a half-million people per year—in effect, adding another Oakland or Fresno every year—even as we have suffered a net loss in the number of jobs.

This continuing surge in population puts pressure on both existing communities

and on the remaining supply of undeveloped land, making it extremely difficult for traditional suburban patterns to accommodate more people.

Changing Demographics

While growing rapidly, California's population is also changing in significant ways. The demographic changes are well documented. Latinos—whose roots extend to Mexico, Central America, South America, and the Caribbean—are growing rapidly in number and may outnumber Anglos a generation from now. Californians of Asian ancestry now make up almost 10 percent of the population. African-Americans remain an important racial group, and the state's mosaic is rounded out by Native Americans, immigrants from South Asia and the Middle East, and others who bring great diversity to the state. California is truly one of the world's most multicultural societies.

Underneath the racial diversity lies another important change in the state's population patterns that will have a profound effect on California's attitudes toward growth over the next generation.

Traditionally, the popular perception has been that California's population grows because of migration from other parts of the United States. However popular, this perception is no longer true. Most new Californians now come from other countries, principally in Latin America and Asia.

The birth rate is also an increasing source of population growth. During the 1990s recession, "natural increase"—the net total of births over deaths—has accounted for almost 400,000 new people each year. Tomorrow's California will include—for the first time—a vast pool of people who are Californians from birth. They will want what Californians before them have wanted—education, jobs and housing. Most will expect the state to find a way to accommodate them. But their numbers are so huge that they probably cannot be sustained by traditional suburban development patterns.

Economic Change

During the recession, California has undergone an unprecedented economic restructuring. The state has lost 400,000

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manufacturing jobs since 1990, causing businesses and workers alike to rethink old assumptions about how to ensure prosperity.

Traditional foundations of the state's economy, such as aerospace and defense, have been drastically reduced and will probably never return, at least not in their previous form. Others—such as entertainment, technology, the garment industry and agriculture—remain just as important as ever. But they too have undergone tremendous change, becoming leaner and more efficient in response to global competition. And small businesses remain the largest source of new job creation. In the near future, the impact of the North American Free Trade Agreement will begin to be felt.

These economic changes are also putting pressure on the state's land-use patterns. The loss of manufacturing jobs is emptying out the state's long-established industrial areas, usually located in older communities. Downsizing and technological change in other industries is also rendering older buildings obsolete and creating a demand for new buildings—often in new suburbs—that are both inexpensive and flexible. The closure of many military bases is bringing a huge amount of land to the real estate market that will either extend sprawl or encourage new development patterns, depending on how that land is used.

Spreading Urbanization

In response to both demographic and economic pressure, California has become the most urbanized state in the union. According to the 1990 Census, more than 80 percent of all Californians live in metropolitan areas of 1 million people or more, with 30 percent of the state's population living in Los Angeles County alone.

This large-scale urbanization means that California's people and businesses compete intensely with each other for space to live and work. The edges of metropolitan areas continue to grow to accommodate expansion of population and economic activity, while some neglected inner-city areas are left behind. These patterns increase the stress of daily life while, at the same time, put more pressure on land and environmental resources at the metropolitan fringe.

SPRAWL AND ITS CAUSES

All of these factors—a growing population, a changing economy, and increased urbanization—have been present in California for many years. But they have accelerated in the 1990s, while

traditional suburban development patterns have continued. In a state with such powerful growth dynamics, the results are astonishing. The following trends are typical of the effects of sprawl over the last 10 to 20 years:

- **Employment centers have decentralized dramatically.** While jobs used to be concentrated in central cities, most are now created in the newer suburbs. For example, the complex of office centers around John Wayne Airport in Orange County—built on land that was, until a generation ago, cultivated for lima beans—recently surpassed downtown San Francisco as the second-largest employment center in the state.
- **New housing tracts have pushed deeper into agricultural and environmentally sensitive areas.** Job centers in suburban San Jose and the East Bay area have opened up Tracy, Manteca, Modesto, and other Central Valley towns as “bedroom suburbs,” while job growth in the San Fernando Valley has stimulated housing construction 40 miles to the north in the Antelope Valley. This development has created metropolises virtually unmanageable in size.
- **Dependence on the automobile has increased.** According to the California Energy Commission, between 1970 and 1990 the state's population grew by 50 percent, but the total number of miles traveled by cars and trucks grew by 100 percent.
- **Isolation of older communities, including central cities and “first wave” suburbs built in the 1940s and 1950s, has increased.** Easy mobility for the middle class has caused them to abandon many older neighborhoods, disrupting social stability and increasing the economic disparity between older communities and newer suburbs. The decentralization of jobs has hit older neighborhoods especially hard, because new jobs are now virtually inaccessible to the poor and the working class. Also left behind are infrastructure investments, which are tremendously expensive to replicate in new suburbs.

Even though the consequences of sprawl have been understood for at least two decades,

attempts to combat it have been fragmented and ineffective. The engine of sprawl is fueled by a mix of individual choices, market forces, and government policies, most of which have only become more entrenched over time. These forces include:

- **A perception that new suburbs are safer and more desirable than existing communities.** Many people believe that suburbs provide them with good value—safe streets, neighborhood schools, a “small-town” atmosphere, close proximity to their local governments, and new (though not necessarily better) community infrastructure.

- **A perception that suburbs are cheaper than urban alternatives.** Owning a starter home in a distant new suburb is still within the financial reach of a typical family, despite the increased commuting costs. The family’s financial equation, however, does not take into account the larger cost to society of far-flung suburbs—a cost the family will eventually share in paying.

- **A belief that suburban communities will give businesses more flexibility to grow.** Businesses welcome the tax incentives and freedom from heavy regulation that are often provided in newer suburban communities trying to develop a strong business base. Businesses also view suburban locations as safer—a view reflected in the cost of insurance—and they perceive they will have access to a better-educated work force.

- **Technological changes that have decentralized employment away from traditional centers.** This phenomenon permits dispersal of both jobs and houses across a huge area. The emergence of the “information superhighway” may accelerate this trend.

- **Highway and automobile subsidies that have traditionally fueled suburban growth remain in place today.** Since the 1950s, automobile use has been encouraged by government-financed road-building programs, and for the most part the “external costs” of automobile use (i.e., air pollution) have not been the direct financial responsibility of the individual motorist.

- **Local land-use policies that inadvertently cause sprawl.** In many older suburban communities, “slow-growth” attitudes restrict new development, pushing employment and housing growth to the metropolitan fringe. With a lack of regional planning, each community pursues its own self-interests, regardless of costs imposed on other communities.

- **Fiscal incentives that encourage local governments to “cherry-pick” land uses based on tax considerations.** Under Proposition 13’s property-tax limitations, there is little fiscal incentive for many communities to accept affordable housing—and when such housing is built, developers must usually pay heavy development fees. Meanwhile, because communities must raise revenues to provide mandated services, auto dealers and retailers, both big sales-tax producers, receive subsidies to locate in communities.

The result of all these factors is a severe regional imbalance. Housing, jobs, shopping, and other activities are scattered across a huge area and long auto trips are often required to connect them. Such a development pattern imposes a considerable cost on all who use it, though the costs are often hidden and those who pay them are not always aware of it.

THE COST OF SPRAWL

The cost and consequences of sprawl have been documented among academics and planning experts for more than two decades. In the early 1970s, planning consultants Lawrence Livingston and John Blayney produced a landmark study showing that in some cases, a California community would be better off financially if it used a combination of zoning and land acquisition instead of permitting development of low-density subdivisions. A few years later, the U.S. Council on Environmental Quality produced its landmark report, *The Cost of Sprawl*—the first comprehensive analysis of sprawl’s true expense to society. As fiscal and cost-benefit analysis techniques have become more refined, the true cost of sprawl has become much more apparent.

Today, no one in California is unaffected by the cost of sprawl. Its consequences spread across all groups, regardless of geography, race, income, or political status.

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Taxpayers

Sprawling suburbs may be cheaper in the short-term for individuals and families who buy houses in new communities, but their "hidden" costs may ultimately be passed on to taxpayers in a variety of ways.

- The cost of building and maintaining highways and other major infrastructure improvements to serve distant suburbs.
- The cost of dealing with social problems that fester in older neighborhoods when they are neglected or abandoned.
- The cost of solving environmental problems (wetlands, endangered species, air pollution, water pollution) caused by development of virgin land on the metropolitan fringe.

Taken together, it is clear that all these costs have contributed to California's dire fiscal situation during the 1990s, which has strained state and local government budgets to the breaking point.

Businesses

Many businesses benefit from suburban locations. But all businesses, both small and large, also bear many of the following costs.

- **Adverse impacts on the state's business climate.** By reducing the quality of life, sprawl has made California a less desirable location for business owners and potential employees. By increasing suburban resistance to further growth, sprawl has made it difficult for businesses to relocate and expand in California. Both these trends increase the attractiveness of neighboring states such as Arizona, Nevada, and Utah. For example, a major film studio recently decided to relocate its animation facility to Arizona, principally because of lower housing prices and less traffic congestion.
- **Higher direct business costs and taxes to offset the side-effects of sprawl.** This can include the cost of new business infrastructure or of mitigating transportation and environmental problems. For example, in many metropolitan areas, air-quality regulators have forced businesses to take the lead in fighting air pollution by initiating carpooling programs for their employees.

- **A geographical mismatch between workers and jobs, leading to higher labor costs and a loss in worker productivity.** Many workers must now commute long distances to their jobs, which takes a significant toll on their personal, family and professional life. Many other workers are removed from large portions of the job market simply because they cannot get to where the new jobs are.
- **Abandoned investments in older communities, which become economically uncompetitive because of sprawl and its associated subsidies.** This is especially true of the state's utility companies, whose investments in gas, electric and water infrastructure are literally rooted in established communities.

Residents of New Suburbs

There is no question that new suburban residents are, in many ways, the principal beneficiaries of suburban sprawl. They often live in new and affordable neighborhoods which they perceive as safe and prosperous. Yet many suburban residents are becoming increasingly aware that they pay a high price for these benefits in the following ways.

- **The cost of automobiles.** The average Californian spends one dollar out of every five on buying and maintaining their cars. As a consequence they have less to invest or spend on other items.
- **Time lost commuting to work and other destinations.** A huge number of Californians now spend an hour or more per day in their car, and the number continues to rise. A recent survey by the Walnut Creek-based *Contra Costa Times* showed that the commute times for residents of 10 cities in Alameda and Contra Costa counties had increased an average of 13 percent between 1980 and 1990.
- **The cost of new suburban infrastructure.** Suburbs are often perceived as "low-tax" locations, when, in fact, most new suburban homebuyers in California must pay additional taxes (usually Mello-Roos taxes) to cover the massive cost of new roads, schools, and other infrastructure required in new communities. These additional taxes often have the effect of doubling a new homeowner's property tax bill.

Residents of Central Cities and Older Suburbs

Residents of central cities and older suburbs are among the biggest losers in the sprawl process. Once they were among the most fortunate of metropolitan dwellers, because their central location provided access to jobs, shopping, and other amenities. However, sprawl has penalized them by creating or accelerating the following trends:

- **Loss of jobs and access to jobs.** Residents of older neighborhoods no longer have convenient access to most jobs. This is especially difficult for poor and working-class citizens who must rely on public transportation, because it is difficult to commute to most suburban jobs without a car.
- **Economic segregation and loss of social stability.** By luring middle-class residents from older neighborhoods, sprawl creates destructive economic segregation and robs those neighborhoods of the social stability that will keep them viable. The distribution of income becomes more skewed, and it becomes increasingly difficult for low-income people to escape poverty.
- **Underutilized or abandoned investments.** Businesses are not the only entities whose investments can become stranded when city neighborhoods decline. Individual homeowners and small shopowners can also see a stagnation or decline in property values. And this trend is not only visible in the inner city. Huge investments in older suburban shopping centers, for example, are now threatened because these centers are perceived as uncompetitive.
- **Shifts in political power and government services.** By removing the middle class of all races from older communities, sprawl makes it easier for that middle class to ignore the political and social problems left behind. Thus, revenues fall and it becomes more difficult for older neighborhoods—urban or suburban—to maintain government services, and the incentive for home ownership required to provide the foundation for prosperity.

Farmers

Agriculture remains one of California's leading industries. Yet sprawl continues to take a heavy toll on California agriculture in the following ways.

- **A permanent loss of agricultural land.** Between 1982 and 1987, the Central Valley—California's leading agricultural region—lost almost a half-million acres of productive farmland. Some of this land can be replaced by bringing new land into agricultural production, but often at a high economic and environmental cost. Also, many of California's micro-climates support unique agricultural products that cannot be replaced by land in other areas. Highly productive coastal agricultural lands lost to sprawl cannot be replaced at any cost.
- **A loss in productivity due to pollution.** Sprawl-induced ozone pollution alone can reduce crop yields by as much as 30 percent. According to the Agricultural Issues Center at UC Davis, pollution-induced costs to agriculture exceed \$200 million per year.
- **A decline in farm communities.** As sprawl has eroded agricultural production, the effect on farm communities has been devastating. In some cases, rural communities have been transformed into bedroom suburbs, creating destructive commuting patterns while destroying agriculture infrastructure and productivity.
- **Long-term uncertainty.** Sprawl destabilizes agriculture by creating the temptation to "sell out." The prospect of eventual sale to a developer reduces incentives for farmers to make long-term capital investments. In many cases, farmers stay afloat financially only by borrowing against the speculative value of their farm for development—creating a self-fulfilling prophecy of sprawl. Another uncertainty for farmers arises from increased demand for water for urban uses driven by sprawl patterns.

The Environment

Traditional development patterns have taken a massive toll on all three basic elements of the natural environment: land, air, and water.

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"The question is not whether to address sprawl. The question is how to address it."

■ **Land:** After 50 years of sprawl, California's metropolitan areas are enormous, reaching deep into natural ecosystems that were thriving even a generation ago. Some 95 percent of the state's wetlands have been destroyed over the last 200 years, and the few wetlands that remain are threatened. Also, California now has the highest number of candidate and listed endangered species of any state—partly because sprawl is affecting the state's unmatched diversity of biological systems. Sprawl makes it more difficult to resolve these land conservation issues by putting tremendous development pressure on the supply of remaining open land. Finally, sprawl compromises one of the most essential assets of California—the beauty and drama of its landscape. Far from being just a luxury, this value of open space is an important component in the state's ability to attract and hold workers and investors.

■ **Air:** California has the worst air quality in the nation, and air pollution experts estimate that a third of all air pollution emissions are traceable to car and truck emissions exacerbated by longer commutes and higher auto use. The South Coast Air Quality Management District, which has the strictest air-pollution regulations in the country, estimates that air pollution in the four-county Los Angeles area costs \$7.4 billion per year, or about \$600 per resident. Dramatic gains in pollution technology are likely to be offset by further sprawl. According to air pollution expert J.V. Hall, "The benefits of pollution-reduction technology can easily be overwhelmed by our choices about where to live and work, about modes of travel, and about how many miles we drive."

■ **Water:** Sprawl takes a serious toll on California's water supply. Forty of the state's 350 groundwater basins are seriously overdrafted, and water planners predict that by 2020 the state will face a water supply deficit of between 2 million and 8 million acre-feet. Though not the sole cause, fringe development does make the water issue more expensive and complicated to manage.

BEYOND SPRAWL

In the postwar era, the continuous cycle of suburban sprawl—counter-productive as it was in many ways—actually helped to fuel California's prosperity, as consumption of new houses and new cars became one of the bases of our prosperity. It is clear, however, that the new California cannot sustain old patterns of urban development, if the state is to prosper in the future.

The sponsors of this report—Bank of America, the California Resources Agency, Greenbelt Alliance, and the Low-Income Housing Fund—firmly believe that California cannot succeed unless the state moves beyond sprawl. Strong policy direction from our political leaders on both the state and local level is essential. But government policies alone will not help California move forward. Our businesses, our community groups, and our citizens must also take the initiative. We must understand how sprawl affects each of us individually, how it impedes the state's progress, and how it could make a prosperous future more difficult to achieve.

Population growth will require some degree of development on the suburban fringe. The question is whether we will be able to use existing urban and suburban land more efficiently in order to minimize sprawl and protect valuable open spaces. The answers will lie in our ability to attract housing and businesses to older urban and suburban areas and to channel development on the fringe to achieve the desired protection and economic benefits.

California businesses cannot compete globally when they are burdened with the costs of sprawl. An attractive business climate cannot be sustained if the quality of life continues to decline and the cost of financing real estate development escalates. People in central cities and older suburbs cannot become part of the broader economy if sprawl continues to encourage disinvestment, and the state can neither afford to ignore nor fully subsidize these neglected areas.

California must find a new development model. We must create more compact and efficient development patterns that accommodate growth, yet help maintain California's environmental balance and its economic competitiveness. And we must encourage everyone in California to propose and create solutions to sprawl.

A do-nothing approach, in effect, constitutes a policy decision in favor of the status quo. This, in fact, has been the *de facto*

direction for the last generation. While the state and the regions have created a leadership void in this area, many local governments have stepped in with their own policies, which often have served to promote sprawl rather than prevent it. Recent research has shown that individual local growth-control policies do not stop development, but merely deflect it—often to another area further out on the metropolitan fringe, where the cost of development is even greater. The question is not *whether* to address sprawl. The question is *how* to address it.

In the early 1990's, the California Legislature convened a consensus project on growth management, and in 1991 Governor Wilson formed a cabinet-level council charged with developing a plan on how the state should address the challenge. A great deal of good work was done and agreement was reached in some areas. These processes did not result in legislative action, but a good foundation of understanding has been established.

As was stated at the outset, this report is not meant to be a manual or a tactical "how-to" on changing development patterns in California. Rather, it is meant as a wake-up call to all Californians that the sprawl issue has a new urgency in the state, and that all of us can play a role in addressing the problem.

To succeed, we will have to set aside individual interests, build on the foundation that has been laid, and work for the good of the whole. We need to address sprawl through community action, public policy, private business practices, and individual behavior. It is our intent that the ideas and examples that follow will be used as a basis for further refinement and concerted action.

First, more certainty is needed in delineating where new development should and should not occur. Sprawl occurs partly because current policy constrains the real estate market by rewarding "leapfrog" development driven by cheaper and more easily developed land on the metropolitan and suburban fringe. The alternative is to be more explicit about conservation and development priorities, targeting actions and policies for better integration of the two.

Using this approach means utilizing land at the suburban fringe more efficiently and encouraging the reuse of land and other development opportunities in already developed areas. It does not mean stopping growth at the fringe, but doing it at density levels that will not promote further

sprawl. To succeed, this approach needs more effective public policies encouraging such compact growth and removing barriers to it.

However, the other side of certainty for developers requires commitments to conserve ecologically important habitats and other open space. Accelerating statewide planning efforts such as Natural Communities Conservation Planning (NCCP), which involves voluntary action at the local level and requires consensus among development, environmental, community and local government interests, will enhance our ability to provide greater environmental and economic certainty regarding new development. With its emphasis on biological assessment, ecosystem protection and compatible economic development, NCCP can provide much greater certainty to both those who want to develop their property and those who want to protect the natural environment. Broader use of mitigation banks can facilitate market-based compensation to landowners who choose to help protect ecologically valuable land.

Conservation of other habitat and open space, such as prime agricultural land, will also require us to find creative approaches like the NCCP process. The newly established California Environmental Resources Evaluation System (CERES) will help this process by expanding access to data about important resources in the state.

Regardless of the methods used, much of the leadership for providing greater certainty for conservation and development must come from the state, regional agencies, and local governments working together. But private businesses also have a critical role. Especially in difficult economic times, real estate developers and their lenders know that certainty of approval and availability of infrastructure, rather than speculative leapfrogging, will reduce costs and reduce processing time. Thus, new real estate developments can be brought to market more quickly and cheaply within areas where effective consensus plans for conservation and development have been created.

Second, we should make more efficient use of land that has already been developed.

Older urban and suburban neighborhoods should be reinforced as good places to live and do business, and the process should take place without displacing low-income residents. Sprawl occurs partly because of the perception that older neighborhoods are dangerous, expensive,

"To succeed, we will have to set aside individual interests, build on the foundation that has been laid, and work for the good of the whole. We need to address sprawl through community action, public policy, private business practices, and individual behavior."

"Older neighborhoods must be maintained and improved so they are again desirable places to live and work. Old Town Pasadena, the South of Market area in San Francisco, and the train depot reconstruction in Sacramento are all prime examples of successful restoration projects."

“State and local governments should adopt land-use and transportation policies that reinforce investments in older neighborhoods. Incentives must be developed for job-creating businesses, homebuyers, and others willing to invest in older neighborhoods.”

“If we rationalize development and control the costs of sprawl, it will free up capital that can be reinvested into existing cities and suburbs.”

obsolete, unpleasant, or otherwise unacceptable to those who have the option of leaving. The result is a tragic neglect of both people and capital investments.

Older neighborhoods must be maintained and improved so they are again desirable places to live and work. Old Town Pasadena, the South of Market area in San Francisco, and the train depot reconstruction in Sacramento are all prime examples of successful restoration projects. Better school systems, job training and access to capital for small businesses are prerequisites. These efforts require a combination of government policy initiatives, active business investment, and special efforts by individuals and community groups.

Attracting jobs is absolutely critical. State and local governments should adopt land-use and transportation policies that reinforce investments in older neighborhoods. Incentives must be developed for job-creating businesses, homebuyers, and others willing to invest in older neighborhoods. For example, Superfund laws can be made more sensible so existing industrial sites can be recycled into new uses. Investors can make more aggressive use of low income housing tax credits. Wider use can be made of Enterprise Zones. And tax credits or other incentives can be established for lending and equity investments that support small businesses and job growth. Development on the fringe imposes infrastructure, pollution and social costs well in excess of assessed development fees. If we rationalize development and control the costs of sprawl, it will free up capital that can be reinvested into existing cities and suburbs.

Older communities themselves need to make their neighborhoods attractive to job creating and housing investments. Individuals and community groups in those areas should redouble their efforts to improve the quality of urban life in small ways, for example, by forming community-based crime prevention groups and supporting local community development efforts that will enhance their neighborhoods.

Home ownership at all income levels needs to be encouraged. In general, those who own homes have the greatest interest in maintaining neighborhood vitality. Public policy should support methods of keeping low-income people from displacement through development of affordable housing (both home ownership and rental) and provision of supportive services. Also if developers are to provide quality housing in existing neighborhoods,

they need protection from frivolous environmental and product liability suits.

The closing of military bases in California offers interesting potential for development. Bases have substantial potential as alternatives to building houses and job centers on the suburban fringe. While there are problems associated with redeveloping many bases, they also have excellent potential for showcasing how to resolve difficult urban rebuilding strategies.

Third, a legal and procedural framework should be established to create the desired certainty and send the right economic signals to investors. Four elements are needed.

(a) *Where development is allowed, state and local permitting should be streamlined.* This is critical to encouraging development in urban and older suburban areas. It may require changes to legislation that relates to permitting.

(b) *Development at the metropolitan fringe should be required to pay the full marginal cost of development.* Housing and business space on the metropolitan fringe is often inexpensive because those developments pay for local infrastructure, but do not pay the full cost of constructing roads, developing water supplies, mitigating environmental problems, and creating regional imbalances. Imposing such costs on those developments would discourage sprawl. For example, the city of Lancaster adopted an innovative program that requires new development to pay capital and operating costs of infrastructure. Development further out pays its full cost, while development that is closer to the city's center pays much less, since it is tied in to existing city services.

Again, this is a task that requires the active participation of both government and business. For example, many government agencies, such as water suppliers, subsidize development on the metropolitan fringe by spreading the cost of their infrastructure across all users, new and old. Changing such policies would discourage sprawl.

Failing to levy the full marginal cost gives leapfrog development an unfair competitive advantage over projects in existing urban areas, where transactions are made more difficult and expensive by toxic waste and other environmental liability issues. Expanding environmental audits to include wetlands, endangered species, and other issues—a practice that is already

beginning—would also discourage sprawl by including the full assessment of environmental cost in private real estate transactions.

(c) *California's local governments should encourage more efficient and coordinated local land-use policies.* Sprawl has been encouraged by tax revenue competition among local governments for some land uses, such as retail centers, and by slow-growth policies that discourage other land uses, such as housing.

Development patterns that are now truly regional are being created almost completely by an accumulation of local decisions. But some local governments are beginning to show that it is possible to work together toward consistent land-use policies when given the incentive to do so. In planning for the reuse of closed military bases, for example, local governments are forming "joint powers authorities" in which many jurisdictions work together toward a common goal.

The vast majority of Californians choose to locate in large metropolitan areas. But most of these people live in small, politically independent suburban jurisdictions. These local governments must work together toward a consistent set of land-use policies—such as discouraging development on the metropolitan fringe and reinforcing investments in transit systems—that will enhance economic opportunity and quality of life across the entire metropolitan area. Joint powers authorities, such as those created for military base reuse, should be viewed as one model for cooperative planning, and others are needed.

(d) *Technological change should be used to combat sprawl rather than encourage it.* In the past, technological advancements (such as automobiles and government-sponsored freeways) have supported sprawl, requiring expensive after-the-fact government action of questionable value (such as ridesharing requirements). Today we stand at the threshold of a new technological era that offers the opportunity to have more work done at home and in local communities. We must take advantage of the opportunities presented by the information superhighway to improve our land-use patterns rather than further destroy them.

For example, the information superhighway could end up encouraging a further decentralization of jobs to the metropolitan fringe. Freed of a daily commute to a large employment center, some individuals and

small businesses will seek to locate in distant suburbs and travel back to older urban centers to do business as needed. This trend could put more pressure on land at the fringe.

However, the telecommunications revolution can also hold the potential for reviving economically troubled areas. Because of its locational flexibility, telecommunications can provide new job prospects for older urban neighborhoods and for rural towns. Both government policy and private business practice should encourage the use of telecommunications to reinforce existing communities rather than further dissipate them.

Fourth, we should forge a constituency to build sustainable communities. Past efforts to reduce sprawl have been hampered because little constituency exists beyond groups of government reformers, some local government leaders, community groups, and conservationists. But, as this report suggests, many other players in California's future will also find themselves increasingly stifled by sprawl. Political alliances must be forged between environmentalists, inner-city community advocates, business leaders, government experts, farmers, and suburbanites to improve the quality of life in all our existing communities and protect our resources.

This will not be an easy task. Most of these groups are focused on their specific agendas and often harbor animosity toward each other even though alliances make long-term strategic sense.

But it is possible. For example, environmentalists concerned about development at the suburban fringe have tremendous opportunities to work with governments and community organizations seeking to increase investment in more central urban areas. Farmers seeking a long-term future in agriculture near an urban area can form very effective alliances with those working to protect resources. Community groups, government agencies, and builders can explore new marketing and funding options that support homebuilding closer to major transit lines, taking advantage of the huge demand for housing created by the state's dramatically changing demographics. Taxpayers concerned about the inefficiency of governmental expenditures can join with those working to make better use of infrastructure in existing urban areas. There are literally dozens of such alliances waiting to be created.

We must act now. The decisions we make in the next few years will determine

California's future course—and its chances for success. To build a strong economy and retain a good quality of life for the 21st Century, we must move beyond sprawl to a new vision of community in the few remaining years of the 20th Century. ■

ACKNOWLEDGMENTS

All of the report's conclusions may not be endorsed in their entirety by each of the four sponsors. At the same time, each of the organizations believes that the time to act is now and that this report can help advance the public dialogue about California's growth and development.

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