

# **TOWARDS SMART GROWTH FOR SAN DIEGO COUNTY**

*Briefing Paper*

Prepared for San Diego Dialogue's  
Quarterly Plenary Session

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## **I. Introduction**

There is a new conversation underway across the country. Around the United States diverse groups that previously sat in opposition to each other are finding common ground in thinking about how our urban regions should grow. As the conversation intensifies, people are grappling with how to describe and analyze the complex set of issues that relate to the urbanization of America. Vice-President Al Gore has sought to group the entire set under the heading “livability,” while social and environmental justice advocates most frequently advance the term “sustainable development.” Syndicated columnist Neal Peirce has labeled it the “undefinable mega-issue” and predicts it will be the next great challenge that confronts American public life.

In the parlance of planners, developers and urban theorists the most recent moniker for this set of issues is “smart growth.” Recognizing that for many parts of the United States further growth and urbanization are inevitable, analysts have begun to think about how we grow. Although there is little agreement over its exact definition, and few concrete examples of what it actually looks like, smart growth has become an important organizing principle for creating a conversation on how America’s metropolitan regions develop into the next century.

Any single definition of smart growth will suffer from weaknesses. However, as a starting point, one might think about the answer to the following question: “How can we create compact and efficient growth patterns that are responsive to the needs of people at all income levels and also help to maintain our region’s quality of life and economic competitiveness?”

The demand for compact and efficient growth patterns arises from several sources. Foremost among these is the changing nature of the marketplace. Residents of metropolitan regions are putting an increasing priority on quality of life, which is often defined by a sense of community, more open space, and town-centered living that is not reliant on the automobile. Many analysts predict that young couples who delay in having children, as well as empty-nest baby boomers, will increasingly desire to live closer to the city in order to have easy access to entertainment, culture and other “urban amenities.” The phenomenon of suburbanites returning to the city is expected to accelerate as a result of recent tax changes that permit significant tax free capital gains on home sales.

Changing demand for residential living is also the result of the increasing prevalence of “nontraditional” families. Specifically, persons in smaller

households without children are often looking for convenience above all else. Compact densities that offer easy access to retail services and transit can help to meet the unique needs of these households. This is particularly true for retirees, who may not wish to drive to access services, and for young workers employed with high-technology firms, who prefer the urban lifestyle offered by a vibrant central city.

A third element impacting this trend is telecommuting. When people work from home, they appreciate having services and “third space” locations for gathering located close by, often within walking distance. Ultimately it is hoped that smart growth can be responsive to changing lifestyles that occur as the structure and activities of families change over time. Higher density, transit-oriented housing can help to accommodate families as they move through their life cycles.

These market demands are reflected at a regional level in debates over public policy. As the metropolitan region becomes the unit of competition in the global economy, regional leaders are recognizing that maintaining and enhancing quality of life is a critical competitive advantage. Where regions have prioritized the attraction of high-technology firms, it is increasingly clear that what these firms value most is the ability to offer a high quality of life for their employees. Regional collaboration around smart growth is becoming a priority for many regions seeking to maintain their competitive edge.

Underpinning the new smart growth conversation is a genuine belief that urban life can be restored to the qualities associated with the past. Many urban theorists perceive a real opportunity to recreate the mixed income urban communities with vibrant cultural centers that characterized urban living in the nineteenth century. In this sense, smart growth is actually about the restoration of a pattern of compact, town-centered living that characterized urban life for most of our country’s history.

This briefing paper of San Diego Dialogue examines the most commonly identified components of smart growth and seeks to localize elements of the smart growth conversation to San Diego County.<sup>1</sup> The Dialogue hopes to play a role in facilitating a civic conversation on smart growth for our region. This paper was written as a complement to the Dialogue’s January 9, 1999 plenary session “Towards Smart Growth for the Binational Metropolitan Region.” While the focus of this paper is the theoretical components of smart growth and their applicability

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<sup>1</sup> This briefing paper was prepared by Scott Grimes, Director of Research and Program Development at San Diego Dialogue. Funding to support the preparation of this paper was provided by the Dialogue’s McGill Circle and The James Irvine Foundation.

to the urban development of San Diego, the Dialogue realizes that this can only be part of a broader conversation on the continuing urbanization of San Diego and northern Baja California.

It is the Dialogue's hope that a civic conversation on smart growth will be the first step towards developing a regional coalition that is committed to the sustainable urbanization of San Diego and the San Diego/Tijuana binational metropolitan region. For such a coalition to develop consensus and real solutions, stakeholders will need to reach across constituency lines and embrace the values and agendas of their partners. Stakeholders in a regional smart growth conversation might include residents, businesses, community development organizations, environmental advocates, agricultural interests and state and local political leaders. In order to engage these groups, the Dialogue is committed to exploring and defining the components of smart growth that can compose a regional "toolkit" of policy alternatives. It hopes these tools will be employed by policy-makers, developers and nonprofit organizations to help make smart growth a reality for San Diego.

## **II. A California Context: The "Fiscalization" of Land Use**

The state of California is now the most urbanized of the United States. By 1990 more than 80 percent of the state's population lived in metropolitan areas of one million people or more and this pattern will only continue in the next century. The state's total population will grow from 32.9 million persons in 11.1 million households to 45.3 million persons in 15.4 million households by 2020. San Diego County will absorb a significant percentage of this growth. Nearly 10 percent of all new population growth in the state is expected to occur in San Diego County.<sup>2</sup>

Urban sprawl across the state of California has certain common characteristics. These include the decentralization of employment centers, the expansion of new housing tracts into rural areas (including critical wildlife habitats), increasing dependence on the automobile and increases in traffic congestion and commuting times, and the decline of central city communities and "first wave" suburbs. Underlying these patterns of development is a common state-local fiscal relationship that many analysts suggest has resulted in the "fiscalization" of land

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<sup>2</sup> "Land Use and the California Economy: Principles for Prosperity and Quality of Life," Center for the Continuing Study of the California Economy, 1998, p. 22.

use decisions in California.<sup>3</sup> Under the current fiscal regime, local leaders are unable to calculate or control the regional consequences of their land use decisions. Instead localities often make decisions about the use of local land based on the likely impact of that use on the generation of local tax revenues.

While sprawl is a national phenomenon, in California this pattern of urban development has been exacerbated over the last twenty years due to the nature of the fiscal relationship between the state and local governments. One of the unintended consequences of Proposition 13 has been to encourage local jurisdictions to pay more attention to the fiscal outcomes of their land use decisions. Specifically, land use options that generate revenues in addition to property taxes have become attractive to local policy-makers trying to maintain their budgets.

Today state fiscal policy creates a perverse set of incentives for local governments in California. Municipalities often compete for retail developments, most notably auto dealerships and “big box” retail centers, because of the high levels of sales tax they generate. This competition frequently includes the provision of public subsidies to attract these types of investments. Some municipalities even opt for retail projects rather than manufacturing or high value-added service activities. The increasing importance of retail sales activity to local governments is reflected in the changing composition of their revenue streams. The share of California cities’ general revenues derived from sales tax, utility user taxes and other locally developed taxes rose from 25 percent in 1975-1976 to nearly 50 percent in 1994-1995.<sup>4</sup>

While local governments chase sales tax-generating projects, there is a lack of incentives to support the growth of housing within existing municipalities. This is particularly true for higher-density housing, which is often met by strong resistance from community residents (the “Not In My Back Yard” or NIMBY syndrome). Furthermore, because of the absence of alternative funding sources, the housing that is constructed is subject to high development fees, which raises housing costs and limits the construction of affordable housing. Recent analyses have estimated that fees imposed on new single-family residential developments in California substantially add to the final sales price of a new home. In one study of a rapidly

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<sup>3</sup> For a more detailed discussion of the “fiscalization” of land use in California, see Jeffrey I. Chapman, “Proposition 13: Some Unintended Consequences” (Prepared for the Tenth Annual Envisioning California Conference, Sacramento, California), Public Policy Institute of California, September, 1998, p. 11.

<sup>4</sup> Steven P. Erie, Christopher Hoene and Gregory Saxton, “Assessing the Local Impacts of California’s Post-Proposition 13 Fiscal Regime: The Case of Los Angeles,” Prepared for the 1998 Annual Meeting of the American Political Science Association, September, 1998, p. 7.

urbanizing area of Northern California, imposed fees typically fell between \$20,000 to \$30,000 per housing unit.<sup>5</sup>

Cities are also challenged to provide adequate infrastructure because of the existing fiscal rules governing infrastructure funding and development. The two-thirds requirement for state budget decisions and local bond issues ties future infrastructure construction to the will of the minority of the populace. The result has been a lag between growth and the construction of infrastructure. Recent studies have estimated the price tag for needed infrastructure investments in the state over the next ten years at over \$100 billion.<sup>6</sup>

The consequence of this fiscal environment is a statewide trend in which California's urban areas are failing to create new housing that is on pace with the rate of job creation. As of the 1990 Census, California had 1.4 jobs per occupied housing unit in the state. However in recent years California has been creating jobs at a far faster pace than it creates housing. In 1996 and 1997 the state created approximately 870,000 new jobs, but only added 160,000 net occupied housing units. This equates to a ratio of 5.4 new jobs for each new household in the state.<sup>7</sup>

This pattern of development is reflected in changes in the state's revenue sources. A recent study of land use and the California economy concluded, "...the sales and property tax base is simply not keeping pace with economic growth in the state. As a result, the state's slowest growing major tax bases are funding local communities. Between 1990 and 1997 total personal income grew by 35.5 percent, and personal income tax revenues (the state government's major tax base) has grown even faster. However the sales tax base has grown by just under 21 percent during that time, and total assessed value on property in the state has grown by 23.6 percent."<sup>8</sup> The reliance on sales taxes by local governments to fund municipal services should be of particular concern, given the rapid growth of tax-free sales on the Internet over the last two years and the massive increases projected for on-line commerce in the next century.

Over time the continuation of our current pattern of development may fundamentally threaten the economic vitality of the state. Recently the California Resources Agency entered into a unique partnership with Bank of America, the

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<sup>5</sup> "Development Fees and New Homes: Paying the Price in California – Research Brief," Public Policy Institute of California, June, 1997, p. 1.

<sup>6</sup> "Land Use and the California Economy: Principles for Prosperity and Quality of Life," Center for the Continuing Study of the California Economy, 1998, p. 27.

<sup>7</sup> Ibid., pp. 13-14.

<sup>8</sup> Ibid., p.32.

Greenbelt Alliance, and the Low-Income Housing Fund to consider the long-term impacts of sprawl on the state's future. The report published by the partnership concluded, "... as we approach the 21<sup>st</sup> 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."<sup>9</sup>

If conditions cannot be created that provide incentives for the proximate location of persons and jobs, then persons will continue to locate farther out, where housing is available and affordable. The impact of this continued pattern of development will be more traffic congestion, more time spent away from family and home, increased air pollution, further loss of open space and higher long-term public costs to extend infrastructure to these new developments. The alternative, of course, is that the jobs will simply locate elsewhere, to regions where companies can still offer a high quality of life for their residents.

### **III. Population Growth and Urban Development in San Diego County**

San Diego County is projected to experience significant population growth in the coming decades. While discouraging population growth itself is nearly impossible, altering the pattern of our future growth may be more feasible. In that growth patterns actually play the more important role in causing the negative consequences associated with urban sprawl, smart growth advocates suggest that developing intelligent channels for our growth should become a priority for public policy. By reversing the incentives that have created our current pattern of urban development, smart growth offers the opportunity to maintain and enhance the quality of life that is valued so highly by the residents of our region.

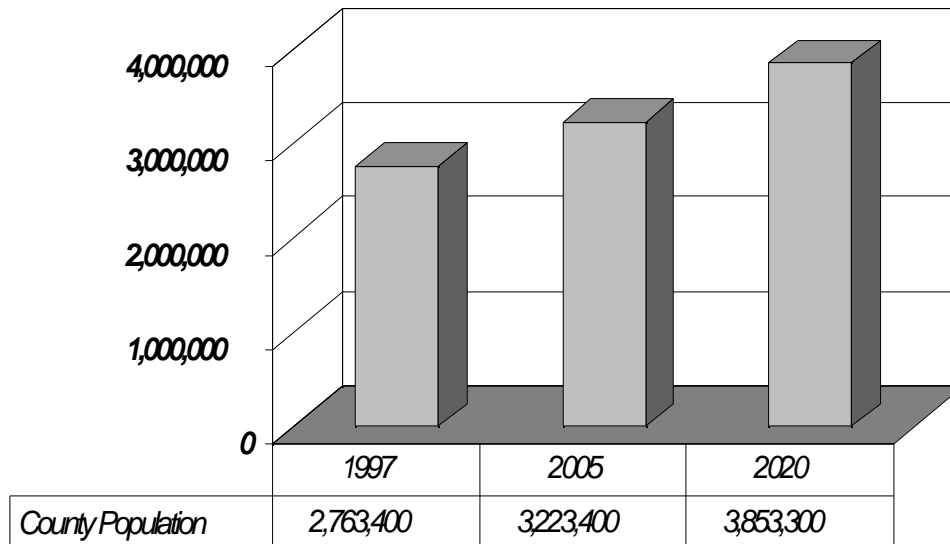
#### *Projected Regional Growth*

Demographic forecasters at the San Diego Association of Governments (SANDAG) have estimated that the population of the county will grow from approximately 2.7 million persons in 1997 to over 3.8 million by the year 2020.

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<sup>9</sup> "Beyond Sprawl: New Patterns of Growth to Fit the New California," California Resources Agency, Bank of America, Greenbelt Alliance, and the Low-Income Housing Fund, January 1995, p. 1.

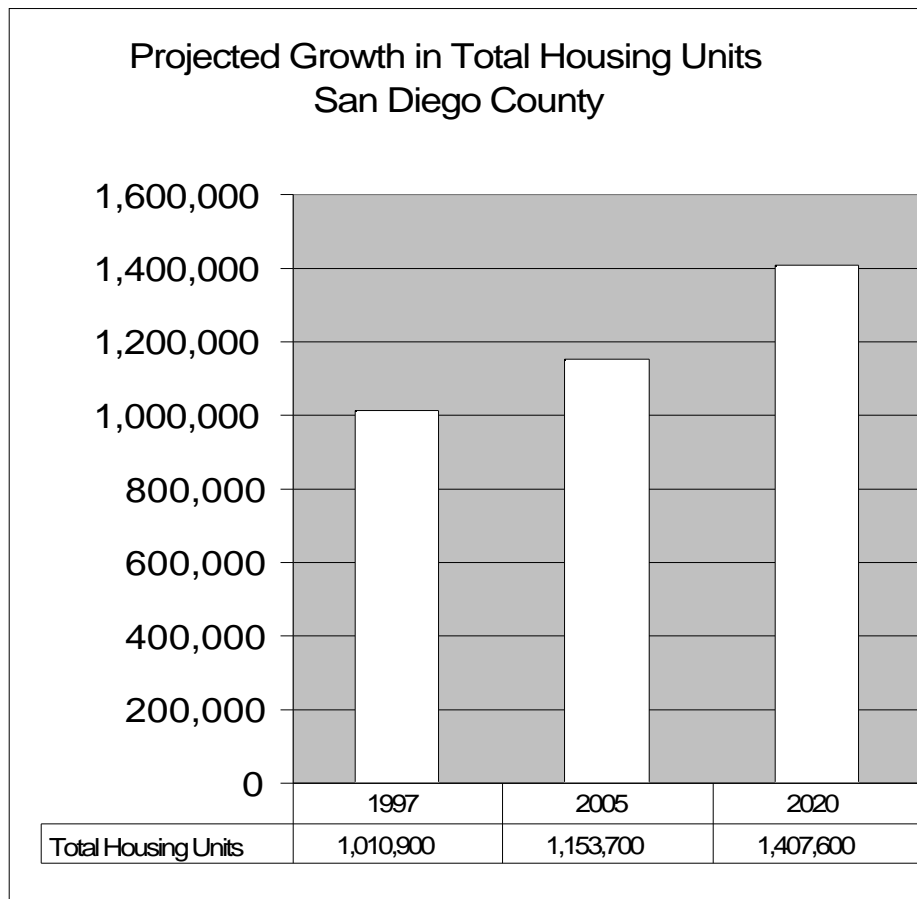
## SAN DIEGO COUNTY PROJECTED POPULATION GROWTH



*SOURCE: 2020 REGIONWIDE FORECAST, SANDAG, JULY 1998*

Unlike previous periods of growth in the region, this coming period of population increase will occur primarily due to natural increase, rather than migration. Approximately 61 percent of the projected growth will result from natural increase (net births over deaths) during the time period. In the past SANDAG's population projections and forecasts have been quite accurate (typically between 89 to 97 percent) and, if anything, have tended to underestimate population growth.

The growth of the County population will inevitably result in a significant increase in the number of homes in the region. SANDAG has projected that the total number of homes in the region will grow by nearly 300,000 housing units by 2020.



*SOURCE: 2020 REGIONWIDE FORECAST, SANDAG, JULY 1998*

Most of these housing units will be single-family homes. SANDAG estimates the number of single family homes in the region will grow to over 800,000 by 2020, an increase of over 35 percent. The amount of multi-family housing is expected to increase at an even faster rate over the same time period. The total number of multi-family housing units in the region will rise from approximately 371,000 in 1997 to 559,000 by 2020. By 2020 about 59 percent of the region's housing units will be single-family homes, while 41 percent will be multi-family units.

## *The Regional Growth Management Strategy*

The location of housing in the region—its quantity and type—is ultimately at the discretion of the region’s 18 incorporated cities and the County of San Diego. As director of the region’s Growth Management Strategy, SANDAG has sought to analyze and present these municipal entities with alternative approaches to how we grow as a region. The thrust of this effort has been to consider how single-family residential housing might be better concentrated within the region’s existing cities.

As part of its 2020 Cities/County Forecast, SANDAG’s Growth Management Technical Committee, which is composed of the region’s planning directors, has developed a series of alternative land use scenarios for the region. These scenarios allot different ratios of land for residential use and make assumptions regarding the densities at which this land will be built out through 2020.

The majority of the jobs in the region are, and will continue to be, located in the County’s 18 incorporated cities. Thus the Technical Committee has recommended that the majority of the region’s future homes should also be located in the cities. However, the Technical Committee has noted that current general and community plans in the region’s incorporated cities have not allocated sufficient land for urban-density residential use. As a consequence, these current plans cannot accommodate the region’s forecasted growth. The Technical Committee has concluded that the patterns of land use reflected in current land use plans will “through sprawl, high housing costs, excessive land consumption and traffic congestion, prevent us from reaching our goals, and, over time, will degrade our quality of life.”<sup>10</sup>

In order to address this concern, the Technical Committee has developed three scenarios for future land use for comparison against the region’s current plans for development. The first is the most conservative, in that it merely assumes the maximum implementation of policies recommended in the current Land Use Distribution Element regarding the siting of the highest residential densities, as well as mixed-use land elements. This alternative assumes that all new developments in these categories will be sited within walking distance (i.e. within a 1000-foot radius) of existing and planned town centers and transit stations.

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<sup>10</sup> “Preliminary 2020 Cities/County Forecast” (Agenda Report No: 98-11-13), San Diego Association of Governments (SANDAG), November 20, 1998, p. 3.

A second alternative includes the assumptions outlined above, but also assumes that all future residential development will occur at the upper end of the prescribed range of densities expressed in the general and community plans. This is a more optimistic scenario, in that most residential development currently occurs at the mid-point of these density ranges. SANDAG's third alternative is the most aggressive. It assumes all of the elements in scenarios one and two, and also caps future residential development in the County's unincorporated area and deletes unincorporated town centers as Land Use Distribution Element sites.

The Technical Committee's analysis of these scenarios demonstrates how even modest adjustments in levels of urban residential densities can result in significant changes in regional indicators of quality of life. Today overall density for residential development in San Diego County averages 7.7 units per acre in the incorporated cities. Current general and community plans for the region assume an average of only 3.7 units per acre for new residential development on now-vacant land. The alternative scenarios propose only a modest increase in these densities, from 4.3 units per acre for the most conservative scenario to 4.9 units for the most ambitious. However even these changes would produce significant results. First, they would result in a significant conservation of open space. For example, the second alternative would reduce the consumption of land for residential development by approximately 400,000 acres, most of which would be rural land in the unincorporated areas of the county.

In addition, the alternative scenarios would all significantly reduce the projected level of traffic congestion and the time required by regional residents to commute to work. SANDAG estimates that any of the alternatives would reduce the total vehicle hours traveled in the region by at least 22 percent, in comparison to the estimations resulting from current plans for projected land use. In total, SANDAG estimates that every regional resident would spend at least eight fewer hours in a vehicle each month, and would need to purchase at least 220 fewer gallons of gas each year, under any of the alternative scenarios.

Despite these preferable outcomes, there is no guarantee that any of the scenarios recommended by SANDAG will ultimately come to pass. SANDAG's staff and the Technical Committee can only recommend these changes in the planned pattern of urban development. The adoption of these recommendations is entirely dependent on self-regulation on the part of municipalities. Under the SANDAG Growth Management Strategy, local governments have jointly agreed to conduct a self-certification process every two years. At the end of its biennial review each

local government holds a public hearing, self-determines whether it is in compliance with the Strategy, and reports its findings to SANDAG.

The choices implied in the Technical Committee's alternatives are tough ones. And they will be politically challenging in that they ask those cities with some of the strongest capacities to resist greater densities to make the biggest changes in their housing plans. For example, key communities of coastal North County (Del Mar, Solana Beach, and Carlsbad), as well as the city of San Marcos, would need to accept at least 10 percent more housing units in their communities than is currently planned for by 2020, based on an average of the three scenarios. In terms of gross numbers, the City of San Diego would lead the way with over 45,000 new single family homes beyond what is currently reflected in land use planning through the next two decades. Other leaders in gross numbers of new homes would include Chula Vista (more than 7600), Carlsbad (6700), Oceanside (4800+) and San Marcos (4700).

Conversely, of course, the alternatives encourage a reduction of anticipated housing construction in the County's unincorporated areas. The alternative scenarios would result in an average of 31.6 percent fewer single-family homes in the unincorporated areas by 2020 than the amount assumed in current plans. This equates to over 77,000 fewer homes. It is worth noting, however, that these scenarios still assume that the number of housing units in the unincorporated areas of the County will increase by at least 85,000 units, or more than 58 percent, over this time period. This is more than the number of planned housing units in all of the incorporated cities in the County combined under any of the alternative scenarios.

It is worth recalling that the alternative densities analyzed by the Technical Committee focus solely on single-family residential homes. After review, the Technical Committee concluded that the multi-family densities in the current plans of the municipalities are adequate and that no changes were warranted. Also, the analysis conducted by SANDAG did not examine the impact of these changes on housing affordability. While the alternatives would change the relative density of housing in the region, they do not alter the total projected supply of housing in any significant way. In comparison to the current levels of planned growth, each of the alternatives would increase the total projected supply of housing units in the region in 2020 by only 3/10ths of one percent.

## *Pending Challenges*

The work of SANDAG's Technical Committee reveals the important advantages that could be gained by concentrating housing in the County's existing urban areas. The conclusions of the Technical Committee have been reviewed by the SANDAG Board of Directors and have been released to its member agencies and the public. As localities weigh the merits of the proposed alternatives, a smart growth conversation might consider whether there are additional steps that could be taken to assist the region to chart a "smart growth" course for its future.

First, the region might address the question of whether sufficient multi-family housing is allocated in current plans. Today the vacancy rate for County rental housing stands at 1.7 percent, and the cost of purchasing a single-family home remains beyond the range of affordability for many young families. Can we do more to ensure adequate and affordable multi-family housing opportunities are available for regional residents?

Second, the alternatives offered by the Technical Committee do not substantially increase the total projected number of housing units to be built in the region over the next twenty years. They merely concentrate the housing that is already planned for the County. While such concentration will help to preserve open space, reduce traffic congestion and assist in the provision of infrastructure to these homes, the impact on overall housing affordability is less clear. Given the projected increase in our population, is the total projected supply of housing sufficient or should we examine other alternatives that would help to expand housing opportunities in the region?

Third, while the alternatives do increase the amount of development that occurs as infill and redevelopment (the scenarios enable between 13 percent and 22 percent more than current plans), infill and redevelopment as a percentage of total development remains very small. In the best-case scenario projected infill/redevelopment as a percentage of projected consumption of vacant land rises from .93 percent under the current plans to 3.34 percent. As a point of comparison, the Portland metropolitan region has been able to capture approximately 30 percent of all new development as infill. Are opportunities for infill and redevelopment so scarce in San Diego County or could we pursue additional strategies that would let us capture more development on existing urbanized land?

A regional smart growth coalition might serve to answer these and other questions regarding the long-term development of our urban areas. Such answers could help to determine the types of tools that need to be developed as part of a smart growth toolkit for San Diego.

#### **IV. The Elements of Smart Growth**

This section outlines many of the most frequently identified components of smart growth in theory and practice. These elements range from general design principles to specific policy alternatives. In each case, however, the components have been identified as having the potential to contribute to more compact and efficient urban development. The components of smart growth are grouped in five major categories: 1) A Fiscal Environment that Enables Smart Growth, 2) Transportation Policies, 3) Housing, 4) Strengthening Central Cities and 5) Regional Decision Making.

##### *A Fiscal Environment that Enables Smart Growth*

The current system in California described in the previous section suggests the important role that fiscal reform could play in encouraging smart growth on a regional level. In fact, fiscal reform may be a necessary precondition for smart growth. In thinking about how fiscal policy can influence the pattern of future urban development, it is important to recall how federal tax policy helps to drive the phenomenon of sprawl. Deductions for mortgage interest payments and property tax payments subsidize the purchase of larger, more expensive housing. These subsidies tend to favor new, low-density developments that are typically located on the periphery of major metropolitan areas. The result is a disproportionate share of tax subsidies being directed to the purchasers of single family homes. In 1993, for example, it is estimated that households with annual incomes in excess of \$100,000 received 38.9 percent of federal homeowner subsidies, despite the fact that these households represented only about 5 percent of the U.S. population.<sup>11</sup>

A fiscal policy that supports smart growth at the regional level would countermand these incentives by encouraging development in existing urban areas. The most obvious step in this direction would be to alter the balance of revenue streams that

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<sup>11</sup> Geoffrey Anderson and Harriet Tregoning, "Smart Growth in our Future?" in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 7.

support the provision of municipal services. If local governments had a fiscal incentive to encourage the growth of housing, particularly housing at higher densities, achieving more compact and efficient development would be made more feasible.

Policy alternatives that have been put forward in this area include:

- 1) for California, retain the cap on property taxes set by Proposition 13, but return the revenues generated by those taxes directly to local governments.
- 2) institute a tax base sharing arrangement among existing municipalities, along the lines of the system established in the Minneapolis/St. Paul region.
- 3) alter the assessment of development fees to reflect the true costs of extending infrastructure to newly urbanizing areas.

A complement to these efforts would be to reduce the voting requirements necessary to approve the development of local infrastructure. One straightforward policy option would be to allow a simple majority of local voters to approve general obligation bonds, provided that the projects supported by this municipal financing are already included in the capital improvement plan of the local government.

### *Transportation Policies*

The United States' current pattern of urban development is the direct result of transportation policies pursued in the decades following World War II. In the 1960s and 1970s in particular, expressways, which were built to facilitate commuting patterns into the city, actually served to encourage outward development, or sprawl. Commercial development followed residential to create a series of 'edge cities' on the periphery of urban metropolitan areas. The juncture between downtown-suburban expressways and "beltway" perimeter highways and ring roads became the nodes of this new development. As more employment was shifted to the periphery, residential development became feasible even further out, and sprawl continued unabated.<sup>12</sup>

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<sup>12</sup> The 'Edge City' phenomenon is described in detail by Joel Garreau in his book *Edge City: Life on the New Frontier* (Doubleday, 1991).

Efforts to reform the way in which transportation spending affected the pattern of urban development began as early as the 1970s. However reform intensified in 1991, when the Inter-modal Surface Transportation Efficiency Act (ISTEA) expanded the range of investments eligible for federal transportation funding to include transit and pedestrian—and bicycle—oriented projects. The legislation also included language to require urban areas receiving federal transportation funding to initiate planning processes that considered alternative transportation investments.

Proponents of smart growth suggest that the next step in this process should be a more concerted effort to fund transportation projects that maintain and reinvest in existing infrastructure, rather than focusing dollars on the expansion of new highways and supporting arterial systems. Current federal transportation policies still encourage sprawl by offering federal funds to underwrite new capital investments, while leaving maintenance of existing infrastructure a state and local responsibility. Some analysts have even suggested replacing existing systems of federal capital funding with categorical grants that states and localities could use for a variety of transportation-related purposes.<sup>13</sup>

Key to this process is responding to the preferences of persons commuting to and from work. The development of smart transportation systems must recognize what is known about commuting behavior and the “mix” and “mesh” of services necessary to encourage carpooling or reliance on public transit. For example, just increasing employment density does not necessarily increase the chance that individual employees will seek collective strategies to get to work. Rather, commuters must have easy access to complementary land uses (e.g. retailing, banks, restaurants) near their place of employment, as well as a strong network of pedestrian circulation facilities that encourage walking between these points.<sup>14</sup>

Despite the increasing emphasis on public transit and other alternative modes of transport, most analysts agree that smart transportation policy must continue to recognize and accommodate the automobile. However, they also argue that transportation planning should analyze and work towards expanding alternatives to driving and ensure that multi-modal systems are created to allow persons to reduce their exclusive reliance on the car. Perhaps the most critical organizing tool for these efforts is the issue of traffic congestion. In California the average speed at rush hour is expected to drop from 35 miles per hour in 1995 to 18 miles per hour

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<sup>13</sup> Don H. Pickrell, “Smart Transportation for Smart Growth” in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 19.

<sup>14</sup> *Ibid.*, p. 17.

in the year 2000.<sup>15</sup> By directly linking smart growth transportation policies to reductions in gridlock, policy-makers may provide the visceral “hook” necessary to mobilize broad public support for alternative transit solutions.

An important related issue in this discussion is parking. Lack of parking is one of the most frequently cited reasons why consumers are reluctant to relocate to higher density communities. And parking (or the lack thereof) plays a major role in contributing to traffic congestion. Recent research in multiple urban settings has demonstrated that up to half of all automobiles on the street are typically just looking for parking.<sup>16</sup> One alternative that has been presented would be to tax the value of employer-provided free parking as personal income. The employee might then be allowed to take the cash value equivalent of this service if they prefer and rely on public transit to travel to work.

Analysts stress that creating smart transportation solutions is dependent on linking these decisions to other components of smart growth. Intelligent transportation alternatives can only be understood when they are integrated with strategies to encourage more compact, walkable residential and mixed-use developments. When transportation planning is conducted in coordination with land use decisions regarding housing, employment, shopping and other services, policy-makers can better understand the tradeoffs between investing in new highways and supporting arterial roads and spending the same dollars on improving existing transportation infrastructure.<sup>17</sup>

### *Housing*

Higher density housing is widely recognized as being the key to smart growth. But it may also be the most difficult component to realize. Smart growth analysts stress that in order to encourage higher density housing, regions must recognize the difference in consumers’ minds between the quality of the neighborhood and the size of the home. While lifestyle choices and tax advantages may encourage the construction and acquisition of larger homes, in many cases it is the type of neighborhood that is critical to consumer choice. Higher-density housing may be achieved if communities can replicate the factors that have made many low-density

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<sup>15</sup> Geoffrey Anderson and Harriet Tregoning, “Smart Growth in our Future?” in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 7.

<sup>16</sup> Don H. Pickrell, “Smart Transportation for Smart Growth” in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 15.

<sup>17</sup> Phillip Langdon, *A Better Place to Live: Reshaping the American Suburb* (New York: Harper Perennial, 1995), p. 178.

subdivisions, particularly in master-planned communities, so successful. A recent study by the Center for Urban Policy Research at Rutgers University suggests that typical single-family house lots could be reduced in size by 20 to 25 percent before owners objected, provided the other qualities associated with their neighborhood were maintained.<sup>18</sup>

To achieve higher density housing, smart growth theorists suggest that regions must initiate two simultaneous actions. First, regions should seek to encourage town-centered, pedestrian-friendly new development at the edge. This can be assisted through the creation of more extensive mixed-use components in new developments. Traditional zoning ordinances typically create homogenous zones of land use, which require clear delineation and often-significant distances between commercial, retail, and residential uses. Smart growth advocates argue that such homogeneity is less necessary in a knowledge-focused, service-driven economy, in which the “nuisance factors” that justified isolating particular types of land uses are less prevalent. Rather, they suggest that new communities contain multiple land uses and be laid out on a pedestrian scale, in which significant opportunities exist for neighborhood residents to walk to work, shop, and congregate in public spaces.<sup>19</sup>

At the same time that town-centered development is encouraged at the edge, regions also need to create incentives to encourage significant residential infill development and redevelopment in existing urban areas. The key challenge on this front is to remove barriers to capturing a significant percentage of new development as infill. This challenge includes encouraging the revitalization of both central city communities and reversing the decline of inner suburbs. Today many older suburbs have more in common with urban neighborhoods than with new suburbs. Older suburbs, which are often defined as suburbs that grew most rapidly after World War II and are typically located near central cities, have begun to experience the same patterns of job loss, capital flight, poor schools and concentrations of poverty that often characterize inner-city communities.<sup>20</sup>

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<sup>18</sup> See Robert W. Burchell et al., *Costs of Sprawl Revisited: The Evidence of Sprawl's Negative and Positive Impacts* (New Brunswick, N.J.: Rutgers University Center for Urban Policy Research, 1998) as cited by Karen A. Danielsen and Robert E. Lang, “The Case for Higher-Density Housing: A Key to Smart Growth?” in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 20.

<sup>19</sup> Phillip Langdon, *A Better Place to Live: Reshaping the American Suburb* (New York: Harper Perennial, 1995), pp. 236-7.

<sup>20</sup> Bruce J. Katz, “Reviving Cities: Think Metropolitan,” Policy Brief Series no. 33, The Brookings Institution, June 1998, p. 2.

A major challenge in encouraging infill development is reducing the cost of higher density housing in these areas, which typically reflects the time required to overcome community resistance. In many cases this cost justifies the decision by municipalities to extend infrastructure, rather than trying to make infill/redevelopment projects work. Much of these costs result from the fact that the merits of higher density projects are not well understood by the public.

An additional barrier that is frequently cited as standing in the way of higher density housing is a lack of financing. Lenders are often unwilling to accept what they perceive to be a high level of risk for higher density and mixed-use projects. This is exacerbated by the lack of market research that demonstrates the feasibility of higher-density, smart growth development. One recent alternative designed to overcome this barrier is the location efficient mortgage, or LEM. A LEM enables borrowers to qualify for a larger mortgage if they commit to rely primarily or exclusively on public transit. The savings generated by not using an automobile are transferred into the slice of household income that can be used to support mortgage payments.<sup>21</sup> More broadly speaking, many analysts note that higher-density housing projects need better access to the secondary mortgage market. Mixed-use smart growth projects that often include multi-family housing and commercial uses are frequently too diverse to rely on the secondary mortgage market.

Efforts to increase housing density have been most successful when they have been directly linked to positive regional or statewide outcomes. For example, transparent processes to revise general and community plans can be assisted when increasing densities is directly tied to the preservation of open space. Leaders in New Jersey have repeatedly emphasized that the statewide redevelopment plan will result in a 43 percent reduction in the projected loss of open space of the state. This is particularly true for development on the periphery, where higher densities can often be achieved by directly linking the preservation of open space to the approval of specific projects.

Another approach that has shown significant promise is to reallocate land currently zoned for commercial purposes to residential use at specific levels of higher density. This can be made possible when the projected demand for commercial land is analyzed at a regional level. Perhaps the best known example of this idea in practice is the experience of Silicon Valley. The Santa Clara Valley Manufacturing Group (SCVMG), a business association composed of many of the

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<sup>21</sup> Location Efficient Mortgages (LEMs) were pioneered by the Center for Neighborhood Technology. For more information on LEMs in theory and practice, see the Center's web site at <http://www.cnt.org>.

region's leading high-tech employers, recently sponsored an analysis of land use planning for their region. The group was motivated by the increasing concern of its members' employees over the high cost of housing in the region. The analysis concluded that, in aggregate, the region's municipalities had zoned for industrial and commercial land far beyond any projected level of demand. The group then spearheaded a region-wide effort to have industrial and commercial land rezoned for high-density, transit accessible housing. This effort illustrates how higher density housing can become feasible when housing affordability is considered as an asset for regional competition.

### *Strengthening Central Cities*

Strengthening central cities has been identified as an essential element of smart growth, although at times it seems to be the weakest voice in the smart growth conversation. Increasing housing densities at the regional level, and particularly increasing the percentage of development captured as infill or redevelopment, will be dependent on the strength and attractiveness of the central city. An important aspect of strengthening central cities is the need to deploy funding to support the development or revitalization of infrastructure. Many central city communities suffer from decades of neglect, and, as a result, they are often challenged to provide basic services at the same level as newer communities.

There is little dispute over the value of a strong central city to a metropolitan region. A vibrant central city makes effective use of a strategically placed regional resource. Central cities are crucial to regional competitiveness because of the unique value that they add to a metropolitan region. The aggregated functions in the central city increases the respective value of each individual parcel of land. As a result, a 24-hour central city contributes a disproportionately large share of revenue to the regional economy. Analysts have estimated that 20 percent or more of metropolitan area revenues may be produced in the downtown district, which typically represents five percent or less of the total regional land area.<sup>22</sup>

A strong central city also has the potential to reduce pressures for growth in greenfield areas, provided the central city is perceived by regional residents to be an attractive place to live. Unfortunately, however, many central cities suffer from capital flight, high crime and concentrations of poverty. The legacy of thirty years of urban revitalization efforts to redress these problems is decidedly mixed. Urban

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<sup>22</sup> David C. Petersen, "Smart Growth for Center Cities," in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 48.

redevelopment has been extremely costly and the efforts have often provided little results. This is particularly true in inner city neighborhoods that are proximate to, but outside of, downtown areas. When thinking about smart growth, it is helpful to distinguish between center cities (i.e. downtown districts) and central city communities. This is particularly true in the “New West,” where patterns of development do not correspond to the traditional notions of an urban core surrounded by a suburban periphery. Much of the success of rebounding central cities in the last decade is a story of successful downtown revitalization. Those neighborhoods that surround the downtown area have frequently been only ancillary beneficiaries of the restoration of city life.

Central city communities have a series of assets that make them logical partners in smart growth. Fixed costs associated with the deployment of infrastructure have already been realized in these neighborhoods. Moreover, the characteristics of central city communities, which include frequent transit stops, pedestrian-friendly street design, compact and mixed land uses, and a variety of urban amenities, make them strong candidates to capture new, higher density development. In some cases, such as the presence of telecommunications infrastructure, central city communities may actually possess competitive advantages in comparison with their suburban counterparts. In its recent study of land use and economic development in California, The Center for the Continuing Study of the California Economy concluded that central city communities “have the largest potential for increasing densities, re-using abandoned and underutilized land and for integrating jobs, housing, and shopping sites to reduce travel demands.”<sup>23</sup>

However, to effectively capture development in the central city, these communities must become healthy, desirable places to live in the minds of a broad cross-section of regional residents. This means certain quality of life measures must equal or exceed those in the suburbs. These indicators include, but are not limited to, good public schools, high levels of public safety, quality housing with “suburban-style” amenities and a strong sense of place. These physical and systemic features must be complemented by a strong and transparent sense of community, which include strong social networks and ties between community residents. Without these features, extensive efforts designed to develop mixed-income housing in the central city may be doomed to failure.

Efforts to mobilize additional resources to strengthen central city communities can take a variety of forms. One can begin by simply leveling the playing field, by

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<sup>23</sup> “Land Use and the California Economy: Principles for Prosperity and Quality of Life,” Center for the Continuing Study of the California Economy, 1998, p. 25.

requiring new development to provide for the full cost of extending infrastructure at the periphery of a metropolitan region. A more targeted approach would channel available dollars directly into existing urban areas. For example, in Maryland the statewide plan provides tax incentives to encourage mixed-use developments and targets designated growth areas, which are already served by water and sewer, for additional state investments, including infrastructure and public education. State dollars are not available to support developments outside of these designated areas.<sup>24</sup> An intermediate alternative would be to create an infrastructure funding “bank” that would designate a certain percentage of municipal or region-wide revenues for investments in infrastructure for the central city.

Smart growth advocates suggest that these efforts should be complemented by reforms that make development in the central city easier. Permitting and approvals should be streamlined, and individual discretion in project approval must be minimized. Equally important, after a project is underway, developers need to be protected from frivolous environmental and construction defect litigation. In addition to these policy options, measures that are designed to build social capital and restore a sense of community should also be part of the smart growth agenda.

Recent studies have demonstrated the importance between the development and revitalization of inner-city communities and the regional economy. There is a growing body of evidence that suggests that regions that successfully invest in the central city tend to outperform regions that abandon the urban core.<sup>25</sup> The author of one such study, Dr. Manuel Pastor of the University of California, Santa Cruz, has written, “The fates of the region and its low-income communities are inexplicably intertwined, which means that attempts to address poverty and neighborhood decline help all residents of the region. We are, after all, in the same boat—and if one end springs a leak, the whole vessel will eventually go down.”<sup>26</sup>

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<sup>24</sup> Geoffrey Anderson and Harriet Tregoning, “Smart Growth in our Future?” in *Smart Growth: Economy, Community, Environment* (Urban Land Institute, 1998), p. 7.

<sup>25</sup> “Land Recycling and the Creation of Sustainable Communities,” California Center for Land Recycling, Policy Paper Series 01, 1998, p. 5

<sup>26</sup> Manuel Pastor, Jr., Peter Dreier, J. Eugene Grigsby III, Marta Lopez-Garza, “Growing Together—Linking Regional and Community Development in a Changing Economy—Summary Report,” The Haynes Foundation, April, 1997, p. I-3.

## *Regional Decision Making*

Analysts have noted that there are limitations to what smart growth can achieve unless it is planned at a regional level. Without regional coordination in land use planning and altering incentives to sprawl, development will leapfrog to competing jurisdictions. This only serves to exacerbate the problems, such as traffic congestion, that smart growth strategies attempt to address. In fact studies have demonstrated that local growth control measures do not have a demonstrable effect on new construction at a regional level.<sup>27</sup>

There are typically limited opportunities for local governments to think or act regionally. Local planning entities are often brought individual projects and are asked to vote up or down on the proposal. What is frequently missing is a regional perspective that allows leaders to say “not here, but there.”<sup>28</sup> Regional decision-making enables the examination of tradeoffs in land use planning and allows political leaders to present these choices to their constituents. Higher density housing is traded for open space and public amenities in urban areas. Housing concentrated in cities prevents the growth of sprawl in rural areas. Mixed-use, pedestrian-friendly projects help to attract professionals to live in central city communities.

Across the country a variety of models have been developed at the state and regional level to encourage smart growth by creating a uniform policy environment. It is worth noting, however, that to date most examples of regional cooperation focus on persuasion and consensus building, rather than mandates or enforcement against noncompliance. Only in regions with a strong existing tradition of regional government has regional coordination of development strategies been achieved through the reallocation of power.

Among the most notable examples of regional cooperation around land use decisions are the following:

- **Maryland** has enacted a statewide smart growth plan that simultaneously encourages the location of development in existing urban areas and the preservation of open space. State capital investments are targeted to designated growth areas, while the state budget provides support for the acquisition of

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<sup>27</sup> “Land Use and the California Economy: Principles for Prosperity and Quality of Life,” Center for the Continuing Study of the California Economy, 1998, p. 16.

<sup>28</sup> *Ibid.*, p. 21.

development rights for rural land. The targeted urban growth areas are designated in local plans throughout the state.

- **Tennessee** has recently enacted legislation that requires counties to define growth boundaries for all of their municipalities, in order to guide future annexations and incorporations. The state mandates that localities demonstrate how they will encourage compact and efficient development within their planned growth areas. The state is also requiring that counties and municipalities align their plans, and it provides an arbitration process to ensure that consensus is reached in each region.
- **New Jersey** established a State Planning Commission that has created a statewide development and redevelopment plan. As part of the planning process, the Commission has generated a statewide map that designates development, redevelopment and conservation areas. Through a process of “cross-acceptance” the Commission then undertook an effort to ensure that the state-level plan matched the plans of local entities. This process has prompted new dialogue between state and local planning authorities and elected officials. It has also forced counties to ensure that their plans align with those of the municipalities within their borders.
- **Minneapolis/St. Paul** has established a Metropolitan Council to plan infrastructure development at a regional level. This entity replaced the existing Council of Governments. A key act of the Council was to establish a metropolitan urban services area, which limited the point to which infrastructure could be extended in the metropolitan region. The explicit intention of this action was to concentrate development in existing municipalities and to conserve farmland and open space. The work of the Council is supported by a tax-base sharing agreement that operates between the municipalities in the Twin Cities metropolitan region.
- **Portland** has one of the nation’s oldest and best-known policy environments to encourage smart growth on a regional level. Supported by a state-level requirement that mandates comprehensive planning by all local governments, Portland established an urban growth boundary in 1979 that was designed to absorb all anticipated development for the subsequent 20 years. Within the boundary development is supported by a Metropolitan Service District (METRO), which creates comprehensive policies for development densities and transportation standards for the region’s three counties and 24 cities. Notably,

it is Metro that certifies whether the plans of local municipalities in the region are in compliance with its policies.

- **Chicago** has embraced smart growth through the work of an independent, nonprofit agency, the Metropolitan Planning Council (MPC). The MPC's Campaign for Sustainable Development has sought to promote regional cooperation on planning decisions and is pursuing an incentive-based strategy to encourage compact development. As a next step, a region-wide visioning process has recommended the creation of a Regional Coordinating Council, which would have the authority to finance compact development and redevelopment in existing communities.

## V. Outstanding Questions

In theory smart growth seems to offer a sustainable alternative to our current pattern of urban development. However, it seems that beneath the rhetoric of smart growth lies a set of fundamental questions that will need to be answered before smart growth can become a reality in San Diego:

- 1) How does all of this pencil out for developers? Can smart growth be made profitable on a region-wide scale? Or is the idea of encouraging compact and efficient development a direct threat to the bottom lines of the real estate construction industry? If so, is there any reason to assume that these objectives are politically feasible?
- 2) Even if all other incentives are aligned, will substantial numbers of middle- and upper middle-class San Diegans be willing to relocate to central city communities? This is particularly true if the quality of schools in these areas, which primarily fall within the boundaries of the San Diego Unified School District, remains significantly below the standards of schools in the region's newly-urbanized communities.
- 3) San Diego County is part of a binational metropolitan region. The population of Tijuana is projected to rise at an even faster pace than San Diego over the next twenty years. Can smart growth solutions on this side of the border have any long-term impact as long as unsustainable development patterns are continuing to occur in northern Baja California?

- 4) What is the role of regional identity in this conversation? As long as residents perceive themselves as being part of a specific local community, be it San Ysidro, El Cajon or Escondido, will they embrace regional solutions? In thinking about identity, we might consider the fact that most new San Diegans in the region over the next twenty years will be born here. How will the way their identity is shaped, as being part of San Diego, or, increasingly, as part of a “San-Juana” binational region, effect future efforts to encourage smart growth and sustainable development?

## **VI. Next Steps—Building a Smart Growth Toolkit, Building a Coalition**

In order to consider how smart growth can occur in this region, San Diego Dialogue is seeking to develop a “toolkit” of policy alternatives related to urban development. The plenary session of the Dialogue on January 9, 1999 is the next step in the construction of this toolkit. The purpose of a smart growth toolkit would be to identify strategies that efficiently utilize existing urban and suburban land in order to minimize sprawl and protect open spaces. These tools would serve to attract housing and businesses to older urban and suburban areas and to channel development on the periphery of the metropolitan region into compact, town-centered communities.

The Dialogue, working with regional research universities, public/private partnerships and collaborating economic, environmental and community development stakeholders, can help to build this toolkit. The process of building a toolkit is likely to include conducting research (including public opinion research), convening regional technical expertise, providing technical assistance (including workshops and seminars that learn from the best practices of other regions), and educating regional leaders and the public. Part of building a toolkit is the task of identifying clear and transparent examples of where smart growth has worked. These examples will need to focus on the products of smart growth, as well as the process. This is particularly important for encouraging higher density residential development, where the fiercest opposition to smart growth is likely to be encountered.

The value of these tools will be derived from their ability to be used together. A smart growth toolkit should offer practical policy alternatives designed to achieve important but difficult outcomes. The toolkit should offer opportunities to be bold in thinking about the future pattern of the region’s urban development. By examining the tradeoffs around growth that will yield positive regional results, a

toolkit can identify which battles are worth fighting and where the battle lines are likely to be drawn.

However, a toolkit is only part of making smart growth a reality. At the same time a regional coalition in favor of smart growth needs to be built by political leaders and the civic leadership of key constituencies. Smart growth provides a unique political opportunity to create a new, broad-based coalition around preserving the quality of life in our region. Smart growth principles can serve to link competing interest groups as part of building this coalition. For example, fiscal conservatives and taxpayer groups have become increasingly active in development debates, because of the questionable practice of allowing existing infrastructure investments to decline even as new dollars are spent to build facilities farther out.

Smart growth should also involve business groups, trade associations and economic development organizations, who understand that the quality of life is a primary concern for regional businesses seeking to attract quality workers. It can join environmental groups seeking to preserve habitats and open space with developers seeking to reduce regulatory and community barriers to development. Finally, a smart growth coalition must include community development advocates, particularly from central city communities, who can articulate the ways in which smart growth will serve to revitalize their neighborhoods.

If these disparate groups can be joined and their interests aligned around a practical set of policy alternatives, then a smart growth coalition may hold real promise for ensuring a sustainable future for San Diego and the San Diego/Tijuana binational region.

## *Suggested Reading*

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