Title

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Journal

Institute of Urban and Regional Development

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Publication Date

1982-08-01

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Working Paper No. 352

August 1982

Institute of Urban and Regional Development

University of California, Berkeley

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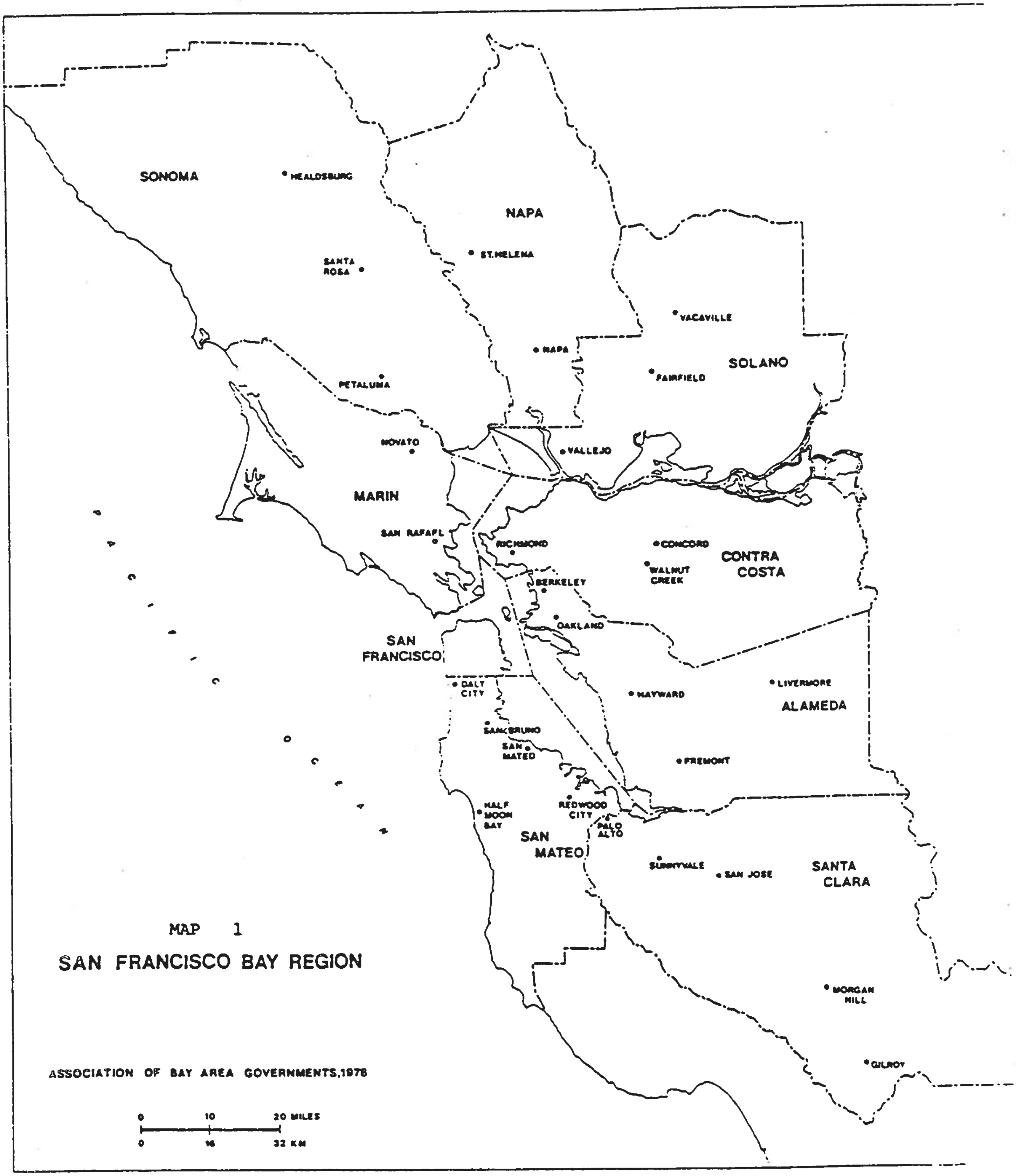
I. INTRODUCTION:

A SUBURBAN LAND SQUEEZE IS GRIPPING THE REGION

A suburban land squeeze has hit the nine-county San Francisco Bay Area. Extensive postwar land development, increasing use of growth-management controls, more restrictive land-use and environmental regulations, and a "go-slow" development posture created by the passage of Propositions 4 and 13 have combined to reduce land conversion opportunities in the region considerably. Although the region contains an enormous supply of vacant land, because of its rugged topography or sensitive environmental character, much of it cannot be developed. Other vacant lands that could be developed are restricted from use by local land-use controls. In 1975, the Association of Bay Area Governments (ABAG) conducted a detailed inventory of land use and the availability and potential use of vacant lands. The inventory recorded that of the region's 4.5 million acres, only 350,000 acres were vacant and "developable."[1] (Map 1 delineates the Bay Area and shows the location of principal cities.)



MAP 1

SAN FRANCISCO BAY REGION

ASSOCIATION OF BAY AREA GOVERNMENTS, 1978

LOCAL POLICIES ARE THE CULPRIT

The suburban land squeeze is not the exclusive result of immutable natural constraints. It is the outcome of the restrictive land use and development regulations imposed by many of the region's 100 local governments. Controls over the potential use of land have placed severe limits on where, when, and how the region can develop. For example, over fifteen percent of the region's total land supply is in permanent open space controlled by local governments, the East Bay Regional Park District, and Federal National Recreation areas. For years, development has followed transportation corridors and filled valleys that lay outside the control of open space and park administration. During the early postwar years, there was ample room for suburban land conversion, and few attempts were made to stop development. Nowadays land conversion in suburban areas is not so easy. Most of the easily developable land has been urbanized, and a new mood has emerged in the suburbs. Continued suburban land conversion is now viewed as being undesirable, and efforts to limit residential development are well organized and increasingly effective. Fiscal pressures are mounting, and most communities view additional residential development with great skepticism. The increased awareness of the environmental impacts of land conversion, fiscal pressures, and the dwindling physical supply of easy-to-develop land have radically altered the climate of suburban land conversion in the San Francisco Bay Region. The particular trends evident in local Bay Area communities are very alarming:

RESIDENTIAL DENSITIES ARE FALLING. If future development were to occur at current density levels, and if land use policies effected in 1975 remain unchanged, the region could accommodate a population of over nine million. In reality, however, development densities for new residential construction are substantially lower than historical density levels, and recent evidence suggests that they will continue to decline. In 1975, given the existing local development policies, the Association of Bay Area Governments (ABAG) estimated that the supply of land available for residential development would not be sufficient to meet projected housing demand beyond 1990.[2] In other words, the supply of developable land in 1975 could not accommodate a projected 1990 regional population of just under six million.

THE RISE OF LOCAL GROWTH CONTROLS. The pro-growth attitude prevailing in most Bay Area communities in past decades has been replaced by a slow-growth posture, brought on by rising governmental fiscal concern over Proposition 13. Cities that once relished being regional growth centers now view growth with much skepticism. With the new fiscal calculus of Proposition 13, single-family development usually generates higher costs than revenues in the public sector. This fact, in conjunction with a greater recognition of the environmental impacts of development, has inclined many communities to slow residential development.

INFILL DEVELOPMENT IS NOT A PANACEA. While many planners tout the ability of so-called infill development in urbanized areas to accommodate housing projects, the strident opposition of neighborhood groups to any use of vacant urban land makes developing such parcels difficult if not impossible. Besides neighborhood opposition, a national study of infill potential found that vacant urban parcels were often too small and too expensive for housing development.[3] Also parcels were frequently withheld from the market by owners unwilling to sell them.

JOBS, BUT NO HOUSING. With Proposition 13, most communities have altered their approach to land-use planning and zoning. Caught in a fiscal squeeze, many towns have stepped up efforts to increase their tax base by attracting more commercial, office, and light industrial development. While attempting to attract economic development, most communities have not concomitantly adjusted their zoning to provide housing for additional employees. Consequently, new employees, particularly those migrating to the region, find it extremely difficult to acquire affordable housing. In terms of land availability, the ratio of residentially developable land to employment-generating land is out of balance. More land needs to be placed in residentially developable zones and less in commercial, office, and light-industrial use.

LOOKING OUT FOR NUMBER ONE: CITIES AGAINST CITIES AND COUNTIES. While local governments in the Bay Area have always pursued their own interests, recently intergovernmental competition and cutthroat behavior have escalated to alarming proportions. Competition is no longer a tug-of-war between cities to see who can attract the most development. The game is now more of a pushing match to see who can push the most fiscally and environmentally costly growth off onto other communities. These community pushing matches have enormous implications for the long-term development of the region, and are becoming very serious as more communities begin to play them. In the past, as long as the number of communities attempting to push growth off onto their neighbors was small, the regional impact of such policies was minimal, since other towns could absorb the growth without much difficulty. With most towns trying to export undesirable growth, few communities remain in the wings that are willing to pick up this pushedoff growth.

Falling residential densities, growth controls, job growth at the expense of housing development, and the combative attitude of communities are causing a severe shortage of residentially developable land. Land conversion is becoming more difficult, and if present trends continue, development costs will escalate. Ultimately, considerable land-price inflation will result.

If the current local land-use and development control policies remain unchanged, their inflationary impact on land and housing costs will ultimately slow the region's rate of economic growth and eventually affect its economic structure. Higher land costs will directly translate into higher rents, and building costs. Higher land and housing costs will force-up wage rates, as workers are forced to pay higher housing costs. These higher wage and building costs will reduce the Bay Area's attractiveness to business and industry. Thus these land market induced higher costs will ultimately dampen the economic growth of the region. Firms will bypass the Bay Area for low-cost areas, and existing firms may move elsewhere or choose other locations for expansion.

THE ADVERSITY OF SUPPLY RESTRICTIONS

While many environmentalists and planning advocates find the prospects of limited economic growth attractive, the cost-push means of achieving less growth is extremely adverse. The rising cost pressures likely to be generated by limited development will cause a significant shakeout in the region's economy. The structure of the regional economy will change dramatically over time. As costs of housing and office and industrial space escalate, firms that are not able to meet these rising costs will move elsewhere. Firms such as Del Monte and Blue Cross/Blue Shield have recently left the region. These relocations cause hardship for employees: forced relocation or job loss. In Silicon Valley there is much concern over the increasing tendency of high-technology firms to develop production facilities outside the Bay Area. If a significant number of firms leave the region, finding substitute jobs may become more difficult--particularly if the job losses are concentrated in the clerical and blue-collar areas. The distribution of jobs in the region could conceivably shift from a more balanced mixture of professional, blue-collar, clerical, and service types to exclusively high-wage, high-productivity executive types. What has happened to San Francisco over the years may happen to the entire San Francisco Bay Area; that is, the whole region could become gentrified. Imagine the Bay Area as an homogeneous concentration of white collar professionals serviced by poorer workers who commute in from Stockton or Tracy.

Another grave implication of letting the economy adjust to limited land and development opportunities is that if the rate of new economic expansion continues to slow due to higher costs, the region's economy will not be able to provide job opportunities for its residents. Without job expansion, the region's younger population will not be able to find work. If the rate of job formation is not high enough, along with job vacancies that result from retirements or deaths, we will have to export our job seeking residents to other areas. Perhaps this will be an upside-down but analogous version of Italy; instead of southern Italian youth heading to Milan and Turin and other points north to find work, San Franciscans will head south to Los Angeles, Orange County and San Diego.

The final disadvantage of letting cost pressures squeeze off the region's growth hits all workers. Unless they are willing to move elsewhere, the chances for job promotions, salary increases, and enhanced power and prestige will be limited if the region's economy slows down. In a steady-state economy, the size of a firm will remain constant; the chances of getting promoted depend on who retires, quits, or dies. (Unless of course, you agree to move to a corporate division in, say, Omaha.) For better or worse, people have a solid stake in economic growth. While economic growth doesn't guarantee employment opportunities for the unemployed or improvement for the underemployed, the prospects for economic advancement in the steady-state economy are slim.

THE PROBLEMS OF CONTINUED URBAN SPRAWL

All of these possible impacts of economic strangulation are possible, if we let cost pressures dictate the region's development. The flip side to these points is not to suggest that the San Francisco Bay Area should continue to sprawl onward; the prospects of paving over the landscape are every bit as alarming as letting land inflation choke off growth.

Fears of turning the Bay Area into another Los Angeles have been voiced since the late 1950s. Many planners were afraid that the region would become completely urbanized. For example, two highly regarded demographers, Kingsley Davis and Eleanor Langlois, projected that the region's population would rise greatly between 1960 and 2000, that the population density would continue to fall, and that therefore the extent of urbanized land in the region would increase substantially.[4] The environmental impacts of such a scale of development are substantial:

> In 1920, when the urbanized area included only 157 square miles, it was not hard to get out of the city. When the sprawling metropolis of the year 2000 covers 7,663 square miles, the distance from the center to the periphery will be approximately fifty miles. Even after one has traversed the fifty miles, there will be no necessary release from urban congestion, for the traveler may simply find himself in the Sacramento or Stockton urban complex.[5]

However, ABAG estimates that by 2000, the region's population will be 6,205,018, and that its urbanized land area will reach only 1,069 square miles. The problem is no longer the paving over of the region; it is whether there is enough developable land to accommodate growth.

PRESSING REGIONAL PROBLEMS

Fears that the San Francisco Bay Area will become completely urbanized have been joined by more recent concerns that growing restrictions on land conversion and development by local jurisdictions are beginning to limit urban development in the nine-county region. The region's future urban development is being determined by the individual land-use policy decisions made by over 100 local governments. Over the years, the staunch independence of the region's local governments was regarded as desirable, guaranteeing diversity in living environments and public services. While efforts were made to make local governments more responsive to the needs of the region's low-income households, and State Assemblyman Knox introduced his bill to establish a regional government, the Bay Area has never seriously considered creating a regional government with broad controls over land use and development. In the past ten years a number of subtle changes have cumulatively altered the climate towards continued urban development on the suburban reaches of the Bay Area. These shifts have had the overall impact of constraining residential development. These constraints have created a variety of concerns:

1. The region's housing supply is being restricted, and it is not keeping pace with growing housing demand.
2. Housing and land prices are escalating sharply.
3. As workers scramble to find affordable housing, there is a growing imbalance between the location of jobs and housing.
4. The jobs/housing imbalance is crowding the region's transportation system. Freeways in the southern portion of the Bay Area are extremely congested as more people have to live in lower-cost housing areas in southern Santa Clara County and southwestern Alameda County and commute to jobs in northern Santa Clara County.
5. Because more commmunities are restricting residential development or reducing further the permitted density of housing development, sprawl continues, leapfrogging out to more hospitable areas, or continues consuming land at very low density.

Since 1970, the production of housing in the region has not kept pace with demand. In a study prepared for the Bay Area Council's

Housing Task Force, Theresa Hughes and Associates estimated that substantial production shortfalls occurred in 1970, 1977, 1978, and 1979. Table 1 presents housing demand and supply estimates prepared by the consultant.

This growing shortfall in the production of new housing units is beginning to have substantial adverse impacts on many of the region's housing markets. Since 1976, building permits have not met ABAG's housing construction goals. In 1976, the total number of building permits issued was 37,663. By the following year, the number had increased to 46,235, but the rate of permit issuance fell back in subsequent years to 38,472 in 1978 and 33,763 in 1979. With the mortgage credit squeeze of 1980 and 1981, the region can expect a low level in number of new dwelling units to be constructed.

A SURVEY OF LOCAL PLANNING DEPARTMENTS

The economic destiny of the San Francisco Bay Area is being determined by the actions of its ninety-three communities and nine counties. In an effort to assess the regional implications of these local land use policies, we have been surveying Bay Area planning departments since the spring of 1979. The results of the survey provide a useful picture of the current state of local land-use policies and when combined, allow us to develop several important conclusions about the regional impacts of restricted suburban development opportunities. The results of the ongoing survey, when considered regionally, are startling. The future of land conversion in the Bay Area is not bright. Opportunities for continued residential development appear to be

TABLE 1

Housing Supply/Demand Estimates
For the Bay Area, 1970-79
(In Thousands of Units)

	1970	1976	1977	1978	1979
Households	1552.8	1781.8	1832.6	1875.4	1913.4
Demand	1633.7	1875.6	1929.0	1974.1	2014.1
Supply	1622.8	1889.5	1926.7	1969.1	2003.6
Surplus(+)/ Deficit(-)	-10.9	+13.9	-2.3	-5.0	-10.5

Source: Theresa Hughes and Associates, Albany, California, April 1980.

limited, and there are already signs that a severe housing shortage is beginning to affect the continued expansion of the electronics industry in Santa Clara County.

From our discussions with a Bay Area planning staff, we collected information about community land-use issues, local development control policies, and future development potential. This research revealed that Bay Area communities are taking an increasingly cautious approach to future development. For instance, many cities that once were accused of land grabbing have now curtailed land annexations. Wary of expanding city services to outlying unincorporated areas, cities are not courting annexation proposals. While some cities limit annexation to adjacent parcels, others simply refuse to annex unless forced to by the Local Agency Formation Commission (LAFCO). In most instances, no annexation means that development cannot occur. While it is possible to get county approval for development in unincorporated areas, counties are also facing fiscal constraints. In Alameda County, for example, a proposal was recently put before the Board of Supervisors to reduce rural development densities even further. The concern was that if the county allowed development to occur in clusters, the new residents would then band together and demand increased fire and police protection, both of which are costly.

Fiscal considerations also play an important role in shaping the development of incorporated areas. Many planners indicated great interest in the possible use of fiscal cost-revenue impact models for assessing the effects of proposed land development projects. These models are used to determine the tax and expenditure implications of proposals. Often their findings are used to keep out projects that would not be likely to generate a fiscal surplus.

This survey also confirmed that continued development was a growing concern of citizens. Over one-third of the respondents, representing thirty-four commmunities, indicated growth as a major local issue. Of these thirty-four communities, nine had implemented growth-management ordinances, and seven others either had proposals pending adoption, or were considering them. While each ordinance is designed differently, their effect is the same: to restrict the pace and extent of development. Many of these programs, by the way they are administered, delay ALL development, in some cases up to a year. For instance, cities using a competitive allocation system accept proposals throughout the year, and then meet only once or twice per year to decide which projects can proceed.

The survey also documented the increasing use of development controls to protect environmentally sensitive areas. Nearly one-half of the region's cities have, or are currently developing, slope density ordinances to regulate hillside development. Using the slope grade as the determining factor, residential areas may be downzoned from minimum lot sizes, of 10,000 to 20,000 square feet, to one-to-ten acre minimums. The increasing use of this technique suggests that development, having consumed much of the land on the valley floor, is now encroaching on the hillsides.

Downzoning is by no means limited to enviromentally sensitive areas. Over one third of the planning agencies indicated density and preservation of a community's single-family character as significant concerns. In short, citizen expectations apparently can have as great an impact on land use as the land's own inherent characteristics.

For instance, one Bay Area developer designed a mixed project combining both high- and low-density residential units, but made the mistake of constructing the single-family units first. When he later tried to phase in the multi-family units, he met with considerable opposition from the newly settled residents in the single-family homes. Our research found these concerns about density increasingly evident as motivation for recent zoning changes. Thus, some thirty-nine communities have downzoned residential densities over a significant portion of the community, further reducing development potential in the region.

Another indication of the increasingly cautious approach to development is the use of moratoria to halt development, giving a city time to study its options. In recent years, over forty-five communities have used this technique to defer development, while new plans or policies are devised to deal with problems generated by rapid growth, environmental impacts, or service-capacity constraints.

While these actions are understandable when viewed at the level of the communities, the cumulative regional impacts may be adverse. We believe that the long-run economic and social well-being of the San Francisco Bay Area depends largely on the availability of land suitable for residential, commercial and industrial use. Present trends suggest that communities are seriously questioning the benefits of continued development. They are adopting policies that, while furthering their own short-run interests, are likely to have dire consequences for the region.

II. WHY LOCAL LAND USE POLICIES HAVE CHANGED

How a community decides to control land-use conversion and development is the result of a variety of historical, cultural, political, fiscal, and enviromental factors. Land-development policy is not static; it is subject to the winds of political change. In recent years, land-development control policies have not been changing capriciously; rather, a new mood has emerged in the Bay Area which has affected land development opportunities.

Critics of the go-slow mood are quick to suggest that the growth-limitation binge is the result of elitist newcomers trying desperately to preserve what they came to enjoy. It is sometimes referred to as the "gangplank syndrome," where newcomers try to stop others from moving in. Such a characterization is incorrect; it is overly simplistic, and it erroneously places too much emphasis on elitist citizen pressure. Other factors are at work, including intergovernmental finance, environmental degradation, and the general but hard-to-pin-down effect of what Toffler calls "future shock": the general inability of people to cope with rapid social and cultural change.[6] While it would be unrealistic to suggest that one could dissect each of these factors separately and explain how each independently affects local land policy, for purposes of exposition we will discuss them separately and attempt to outline how they operate cumulatively to shape the form and content of local land-use policy.

Until recently, many Bay Area communities have been the passive recipient of substantial residential and commercial development. Most towns accepted growth as inevitable, and a few actively pursued new development. To guide this development, towns and counties relied on zoning and general plan guidelines that were, at least in the beginning, very unsophisticated. Most community zoning ordinances, for example, failed to consider the environmental characteristics and development implications of the region's hillside areas. In fact, until the early 1960s, many communities' hillside areas were zoned at the same level of intensity as flatlands. In most cities, the fact that the hills were zoned at the same density as the flatlands didn't really matter since, until the 1960s, development took place in the level areas.

HISTORICAL GROWTH PATTERNS

Prior to 1950, development was primarily concentrated in the central Bay Area. The two central cities of Oakland and San Francisco accounted for more than fifty percent of the total population in the nine-county region. The older urban centers which line the East Bay from Oakland to Richmond had reached, or were approaching, peak population. To the north and south of San Francisco, and to the east of Oakland, agriculture was still the dominant land use in the forties. In the now populous South Bay, the only major cities were San Jose and San Mateo.

During the early post-war years, the Bay Area began to change rapidly. The 1950 census revealed new patterns of development. Returning veterans took full advantage of Veterans' Administration home loans. The demand they created was accommodated by developers who availed themselves of the low-cost land on then what was the urban fringe. In 1950, for instance, nearly one half of all new units in Alameda County were built in unincorporated areas. San Mateo County, once a haven for the wealthy, doubled its population in a decade; Santa Clara County experienced a two-thirds increase.

Between 1950 and 1960, the Bay Area population increased by nearly one million. Much of this growth was concentrated in southern Alameda, San Mateo, and Santa Clara Counties. South of Oakland, along the Bay, San Leandro and Hayward grew by 140 and 400 percent respectively. In San Mateo, along route 101, five cities more than doubled their populations. Agricultural land was quickly converted to residential use in Santa Clara County. San Jose accounted for ten percent of the total population increase in the nine-county Bay Area; Palo Alto, Santa Clara, and Sunnyvale developed into major urban centers with over 50,000 inhabitants.

Growth was greatest in those areas, but was not limited to them. In Contra Costa County, along the thirty-five-mile stretch of bay from Richmond to Antioch, an influx of industry was accompanied by a substantial population increase. But the county's central portion remained largely undeveloped. The counties to the north and northeast of San Francisco were not to experience significant development until the next decade, although a number of regional centers began to emerge.

Land development in the decade preceding 1960 set the pattern for the years to come. Growth spread out along all major transportation corridors; small towns within commuting range of employment centers became major cities in a few short years. During the decade it was common for communities to boast about their growth rates, and several went above 400 percent. Cities competed for both industrial and residential development. A list of cities experiencing significant growth during the 1950s is presented in Table 2.

During the ten-year period from 1960 to 1970, the Bay Area again grew by nearly one million. Few cities were untouched by the increase, and the sixties saw several notable new trends in development. Growth spread south in Alameda County into the Fremont/Newark/Union City area, and east along the Interstate 580 corridor into the Livermore Valley area. The widening of Highway 24 in Contra Costa County opened up thousands of acres to development. Cities along the freeway such as Lafayette, Pleasant Hill, and Walnut Creek experienced substantial gains in population. Concord gained nearly 50,000 new residents in ten years, making it the largest city in the County.

Though industrial development was minimal to the north of San Francisco, towns along U.S. 101 gained significant commuter populations; San Rafael and Novato grew by ninety and seventy-three percent respectively. While Sonoma and Napa Counties retained their agricultural character, the cities of Santa Rosa and Napa developed into regional centers of substantial size. Farther east, along Interstate 80, Fairfield and Vacaville joined Vallejo as major urban centers in Solano County.

In the South Bay, development continued as it had in the preceding decade: at an extraordinary pace. Rapid growth in light industry provided exceptional employment opportunities. By 1980, Santa Clara County, with twenty-five percent of the region's population, surpassed Alameda and San Francisco to become the region's second largest county.

TABLE 2

Bay Area Cities With Significant
Population Increases, 1950 to 1960

CITY	POPULATION 1950	POPULATION 1960	PERCENT CHANGE
Alameda County			
Hayward	14,272	72,700	409
San Leandro	27,542	65,962	140
Contra Costa County			
Concord	6,953	36,208	420
San Mateo County			
Daly City	15,191	44,791	195
Menlo Park	13,587	26,957	98
Redwood City	25,544	46,990	84
San Bruno	12,478	29,063	133
South San Francisco	19,351	39,418	104
Santa Clara County			
Mountainview	6,563	30,889	370
Palo Alto	25,475	52,287	105
San Jose	95,280	204,196	114
Santa Clara	11,702	58,880	403
Sunnyvale	9,829	52,898	438
Solano County			
Vallejo	26,038	60,870	134

Source: U.S. Bureau of the Census, various years.

Table 3 presents the distribution of the region's population by county for 1950, 1960, 1970, and 1980.

By 1975, development had consumed nearly fifty percent of all the developable land in the Bay Area. Population, once concentrated in the central portion of the region, shifted south and east. But now, since many cities in the South and East Bay are currently solidly built up to their city limits, pressure to develop in the North Bay has increased dramatically. The North Bay counties of Marin, Napa, Sonoma, and Solano, which contained only fourteen percent of the region's population in 1970, accounted for over sixteen percent in 1980. North Bay counties, traditionally agricultural, view this shift with mixed emotions.

The historical process of urbanization has had two fundamental effects on the posture of local communities towards land development. First, the historical pattern of centrifugal development introduced an entire new set of rural communities to growth pressures as development spread eastward into Alameda and Contra Costa, north to Marin, and south to Santa Clara, and San Mateo Counties. The second effect is that the cumulative impacts of the substantial postwar growth began to exert itself on communities, particularly traffic congestion, air pollution, and dwindling open space. In terms of sheer numbers, the range of towns impacted by rapid urban development increased from a handful to several dozen. Peripheral development in the region exposed many more communities to planning issues, and as a consequence led them to consider more sophisticated development regulations, and ultimately revamp their general plans and zoning ordinances.

TABLE 3

The Region's Population Distribution By County
1950, 1960, 1970, and 1980

County	Percentage Share of Population			
	1950	1960	1970	1980
Alameda	27.6	24.9	23.1	21.3
Contra Costa	11.1	11.2	12.0	12.7
Marin	3.2	4.0	4.5	4.3
Napa	1.7	1.8	1.7	1.9
San Francisco	28.9	20.3	15.5	13.1
San Mateo	8.7	12.2	12.0	11.4
Santa Clara	10.8	17.6	23.0	25.0
Solano	3.9	3.7	3.7	4.5
Sonoma	3.8	4.0	4.4	5.8
Total	100.0	100.0	100.0	100.0

Source: U.S. Bureau of the Census, various years.

GROWTH PRESSURES CREATED THE NEW MOOD

Over time, the rapid rate of land conversion in the region's rural areas began to attract considerable attention. The conversion of fruit orchards in Santa Clara County, and pressures on the vineyards of Napa and Sonoma Counties, focused attention on the adverse affects of urban development on the region's landscape. By the late 1960s the environmental movement had shifted into high gear. By 1972, environmental regulation in the Bay Area was well developed. In Sonoma County, the city of Petaluma adopted its controversial growth management plan. The plan, which limited the number of building permits that could be issued in any one year to 500, gained widespread attention regionally and nationally. Given its importance in shaping local land-use and environmental regulations in the region, the Petaluma case warrants attention.

In the 1960s, the widening of U.S. Highway 101 clearly put the city of Petaluma within the sphere of San Francisco. City workers looking for inexpensive housing, large residential lots, and good schools were attracted to Petaluma. Residential construction boomed in the city, and rapid growth greatly strained city services. The new development forced the city to provide substantial new services and expand existing facilities and services. Congestion developed on the city's streets, and long-time residents denounced new growth as having destroyed the small town character of Petaluma.

> In response to these concerns, a series of goals were adopted. Growth was to be limited to approximately 500 new housing units annually from 1973-1977. The city's small-town

character and surrounding open space were to be preserved by controlling the rate and distribution of growth. Development was tied to school and utility capacity and balanced between eastern and western sections. With the cooperation of Sonoma County, all urban and suburban development near the city would be approved by and acceptable for annexation to the city. A permanent greenbelt of open hills and marshland and open space for recreation would be provided. Environment design plans, planned community districts, and planned unit developments would be required to gain the best design possible. Multifamily units would be encouraged and a variety of densities and building types ensured. The central business distict was to be rehabilitated as the principal commercial center of southern Sonoma County.[7]

The Petaluma Plan, as it has come to be referred to, marks a radical departure from traditional community planning. In the United States, particularly during the postwar period, local planning can be best characterized by its almost universal effort to accommodate new growth in an orderly fashion. Prior to Petaluma's growth management plan, most communities had not overtly attempted to limit or restrain development. The widespread attention accorded the Petaluma plan has had substantial impacts on local planning. At annual meetings of the American Institute of Planners and American Society of Planning Officials, lively discussions of growth-management programs have been annual rituals. Many communities confronting similar growth pressures began to experiment with growth management. By the midseventies, national and California surveys of planning activities began to reveal a growing trend towards the use of growth-management devices. In a survey by the International City Managers Association, over 220 cities and counties indicated that they were using planning controls to regulate the rate of urban development.[8] In California, the State Office of Planning and Research Annual Planning Agency Survey, found that over 300 of the state's 445 local planning agencies were using growth management and more traditional techniques to control the rate of land development.[9] In the Bay Area alone, this 1975 survey identified nearly fifty communities that were attempting to control the pace of development. The effects of growth management on housing and land markets are just beginning to be felt as more and more towns adopt growth management programs.

Present events suggest that the use of growth controls by California communities will continue to grow. Since growth controls allow the community to avoid increased fiscal costs, minimize the rate of land conversion, and preserve environmental and overall commmunity quality, the realities of Propositions 4 and 13, as well as the growing awareness and demand for high-quality living environments point towards a great deal of interest in growth-management strategies. The fiscal squeeze created by Proposition 13 has made communities exceedingly cautious about the benefits of new development. Because tax revenues from new development are limited to only one percent of the full market value, many projects will not generate enough tax revenues to support the public services that they need. With less revenues generated by projects, the margin of error in deciding which projects to approve or deny is narrow. As a consequence, many communities are not approving fiscally questionable projects, while other more sophisticated towns are making use of cost-revenue estimation models to determine which projects will generate an excess of tax revenues. Proposition 13 is a strong justification for limiting urban development.

While the fiscal arguments for growth control have been mounting, concern for environmental and neighborhood quality has also been increasing. Local citizen groups, whether they are small neighborhood associations of property owners, or more broadly-based environmental coalitions, have become much more influential in shaping planning and development decisions. The increased sophistication of citizens about environmental issues and how development affects environmental quality has helped to expand the role of citizen involvement in local land-use and environmental decision making. Beyond just the greater understanding of the ecological process and how it is affected by human action, rising incomes and increased leisure time have increased citizen demands for high levels of environmental quality. Citizens no longer assume that the planners or elected officials know what is best; they now play an active and vocal role in shaping the course of local planning and development. Citizens, like planners, no longer assume that they must passively accommodate new development. Rather, they are vitally concerned with the impacts of new development on the fiscal, environmental, and social character of their community.

A main implication of this new style of local planning is that cities are more aggressively seeking their own objectives, and are placing less importance on regional development needs or the regional implications of their local actions. While it would be erroneous to suggest that communities have not always pursued their own self-interest, we believe that in recent years the nature and interaction of local development decisions have changed fundamentally. In early postwar decades, communities either accepted development as inevitable or often sought it aggressively. Even when a large number of towns actively sought growth, the regional impacts of this growth-seeking competition were usually considered desirable. Nowadays the competition between communities is much different. Communities are still interested in high-quality development; the proverbial dream industry of R&D is still much sought after, but they are also interested in exporting or blocking out undesirable growth. Communities will accept new tax-revenue-generating R&D, but they will at the same time curtail housing production, even if the housing is targeted towards the R&D workers. In pursuing their self interests, communities no longer merely try to attract only desirable growth, but now actively attempt to block the development that they don't want.

Efforts to block development, or to allow only the very best or most desirable types of development, are not new. Land use and zoning history chronicles numerous cases where local communities controlled the type of residential development permitted within their borders to a considerable extent. In fact, zoning in the United States is founded on the principle that it will be used to protect and preserve property values.[10] What is different today is not that towns try to skim off the best type of development and block the entry of less desirable or more commonplace development, but that the practice of limiting growth has become so widespread. The days of uncritical pro-growth boosterism are over. As each community attempts carefully to control the rate and type of development, the problems of restricted growth at the regional level become much more pronounced.

While the regional consequences of restricted local growth loom large on the horizon, there is no near-term indication that local governments will begin to incorporate regional needs into their decision making. The fragmented and partial nature of local land use and environmental planning is well documented. For example, over ten years ago, the CALIFORNIA LAW REVIEW published an article deriding the selfish and short-sighted nature of local government development policies.[11] Despite frequent attempts to pass legislation to alter the mercantilistic pattern of local governments, reform is no more likely now than it ever was. The most recent discussion of the regional problems engendered by local actions is centered in Santa Clara county. Exacerbated by the rapid growth of the electronics industry in Silicon Valley, the county commissioned a task force to study the growing problem of limited housing. Northern Santa Clara county communities have aggressively sought new manufacturing firms and increased employment, but have almost universally limited the construction of housing to meet the needs of an expanded employment base. Despite the fact that a limited supply of housing has begun to drive up the price of housing, and as a consequence has begun to slow the rate of economic development in the county, no community appears willing to alter its land development policies to allow for an increase in the production of housing. The Task force's report, LIVING WITHIN OUR LIMITS, identified the need for more housing.[12] While everyone in the county recognizes the need for more housing, only a few communities have attempted to deal with the problem.

The main center of concern comes not from housing advocates but from the private sector. The Santa Clara County Manufacturing Group has been monitoring the trends, and has called for more residential construction. The Bay Area Council, the region's influential private-sector planning organization, has established a housing task force to study the area's housing markets and recommend strategies to increase the opportunities for residential development. Change is not likely to come from local planners or local elected officials. Both must continue to promote the interests of their constituents or face recall or firing. Local officials are forced to deny building permits for residential projects, even though they know that the region desperately needs additional housing, when local sentiment against such development is vocally presented at planning and city council hearings.

The basic contradiction between local and regional interests is painfully apparent in the housing arena. The problem is in fact an excellent example of the prisoner's dilemma. If one of the communities in Silicon Valley were to say, "All right, we recognize the dire regional consequences of restricted housing production, and we are prepared to provide more housing," the other cities in the area would be able to continue to cream off fiscally desirable economic development and export residential development to our noble but foolish community.

Examples of mercantilist action in Santa Clara County are abundant. The city of San Jose, the growth center of the County and the historical center of suburban residential development, has recently altered its policy on residential development. Citing fiscal pressures and the imbalance of predominant residential development resulting from its historical role as a residential suburb, the city has now taken steps to limit the location and type of residential development permitted and is attempting to attract more industrial and commercial development. This shift in land development policy has the net effect of moving San Jose from its original role as a provider of housing into a position of competing for economic development opportunities with other county communities. Another example is that of the City of Santa Clara. That city has taken steps to limit residential development and attract additional light industrial construction. Its zoning and general plan greatly curtail the development of residential projects. The vast majority of vacant land in the city is zoned industrial, and the city has taken few steps to balance this economic develoment potential with the necessary level of housing to meet the needs of additional workers.

Needless to say, the regional implications of efforts such as those by San Jose and the City of Santa Clara are adverse if enough communities follow in the same direction, and recent survey results of local development policies clearly indicate that many communities are following. Ultimately, if housing opportunities in the region are limited by attempts to maximize tax and economic benefits or to preserve environmental or neighborhood quality, the housing market will become extremely tight, and eventually high housing prices will exert severe economic pressures on all sectors of the region's economy.

III. THE REGIONAL IMPACTS OF LOCAL LAND-USE POLICIES

Land conversion in the San Francisco Bay Area is becoming more difficult as opportunities for development dry up and as communities institute more stringent land-use and environmental controls. While twenty years ago over forty Bay Area towns provided ample land for development, now growth pressures are concentrated on sixteen cities and the unincorporated areas of Contra Costa County. Between 1975 and 1979, these regional growth centers accounted for 67,000 housing starts, about forty-six percent of the region's total production. This substantial concentration of regional housing production is a reflection of the historical patterns of development and land conversion, and of the restrictive land-use policies of many other Bay Area communities. Another measure of the important role that these centers play in regional development is the amount of policy prime land contained in them: approximately 73,000 acres, accounting for forty-four percent of the region's total supply of land. What are the implications of this concentrated pattern of land conversion on the region?

THE GEOGRAPHY OF REGIONAL GROWTH HAS SHIFTED

Unless trends change, the principal location of growth will be in the northeast portion of the region. Seven of the sixteen growth center cities are located in northern Contra Costa and Solano Counties. These cities, along with the unincorporated portion of Contra Costa County, provided nearly 24,000 housing units between 1975 and 1979, accounting for sixteen percent of total regional production. The availability of cheap buildable land, together with limited restrictions on land development, has made this the prime area of large-scale residential development. While this area has not historically been the center of much employment development, demand for housing has been strong. Many first-time buyers are willing to commute long distances to work in order to buy affordable housing. This mismatch between the locations of affordable housing and employment is evident in the growing traffic congestion on Interstate Highways 80, 680 and 780. Over time, however, it is likely that jobs will follow housing into the northeast portion of the region.

The imbalance between job and housing location is also a major problem in the southern portion of the region. While substantial employment growth has occurred in southern San Mateo and northern Santa Clara Counties, little housing has been provided. Consequently, housing pressures are intense and many workers in the high-technology industry are forced to commute from the East Bay. Traffic levels on the San Mateo and Dunbarton Bridges have grown considerably in the past five years, and the housing markets in Fremont, Hayward, Castro Valley, and Livermore are being impacted. While people are willing to make major commutes, many high-technology firms say that they are beginning to have trouble attracting employees. The Santa Clara County Manufacturing Group, an organization of high-technology firms, has estimated based on city zoning, that enough land is zoned to create nearly 250,000 jobs but only 80,000 housing units. The efforts to attract fiscally desirable clean industry has led many Sant Clara County communities to provide large tracts of industrially zoned land and not much residentially zoned land. If only one or two of the cities did this, the housing impacts would not be great, but most of the larger cities in the county have adopted policies favoring industrial and commercial development over residential development. The Manufacturing Group has been pressuring local governments to alter their land-use and zoning to permit construction of housing in what is now industrially zoned land. Unless substantial changes occur in the local zoning ordinances of most cities in Santa Clara County, the growing imbalance between job and home location will persist.

Without the renewal of residential development in such areas as the northern part of Santa Clara County, bayside San Mateo County, or southern Marin County, new residential development will continue to take place in the other reaches of the Bay Area. The implications are that moderate-income homebuyers will be forced to purchase houses in Solano and eastern Contra Costa Counties and in scattered cities in Alameda and coastal San Mateo Counties. As these areas develop residentially, it is likely that local-serving and, ultimately, basic-employment-related jobs will crop up in these places. The residential development of these outlying areas of the region will generate substantial urban sprawl, and will continue to fuel the process of economic decentralization away from San Francisco and Oakland. The rapid development of office buildings in Walnut Creek, Danville, San Ramón, and Dublin is indicative of this trend.

While the overall results of such decentralization are complex and not completely understood, the development of these outlying centers may have adverse consequences for the region's older centers. The office boom in Contra Costa county makes it very difficult for cities like Richmond, Berkeley, and Oakland to intercept decentralizing firms.

LOCAL GROWTH RESTRICTIONS HAVE AFFECTED COMPETITION AMONG BUILDERS

One very clear result of the local planning survey was that the level of complexity of land-use regulation has increased enormously in the past ten years. Anyone attempting to develop land in the Bay Area must now go through many steps to obtain permission to develop. While the closer scrutiny provided by the more sophisticated regulations has protected the environment, it has also led to a lessening of competition among developers. The building industry is now much more concentrated than ten years ago; today there are fewer builders, and those who are developing residential projects are larger and have a greater control over local markets.

Local land-use controls can restrict competition in the construction industry in several ways. First, through zoning and open-space preservation, much land is restricted from development. This limitation on the supply of land available for development acts as a barrier to entry to new firms. Zoning can limit competition by making it easier for one or two developers to tie up land. If only a few developers control all of the developable land in a local housing submarket, they can control the supply of development keep the price of new housing high, above the level that would normally occur if the local market was competitive. The long-run ability of builders and developers to earn such profits depends on whether other firms can push their way into these markets. To the extent that zoning does not allow them to enter the market, new housing prices will remain high.

Another way local land-use controls unwittingly confer monopoly power on developers is due to their extreme complexity. If the level of complexity is great, developers are reluctant to attempt to enter local markets. The costs and uncertainty of adjusting to new and unknown administrative programs is high. Developers who have established good working relationships with planning staffs have a better chance of obtaining development approval. If developers can shepherd projects through complex administrative review systems, they can and will charge excess prices for the approved units. For example, in a study of developments in San Jose, Gruen, Gruen, and Associates found that after holding constant for increases in labor, materials and land costs, and for increased public requirements and housing quality, between 1967 and 1976, the two developer projects analyzed increased their gross profits (in constant dollars) by between 158 and 231 percent.[13] The researchers concluded that these excess profits were partially the result of constrained housing supply and the exercise of monopoly power by the developers.

A third way that local-government policies can restrict competition in land and development markets is through the increased financial requirements placed on developers to provide public infrastructure. With the passage of Proposition 13, communities are now hard pressed to provide the infrastructure needed for new development. Consequently, localities now require developers to provide needed utility systems. While shifting the financial burdens to developers solves the immediate fiscal concerns of local government, it makes it very difficult for small developers to operate. As front-end costs increase, the small developer-builder finds his capital costs rising. If present trends continue, only the largest, well capitalized firms will remain in the marketplace, and the concentration of economic power in the hands of a few large developers will continue.

With the present widespread use of restrictive land-use controls and the universal shifting of public sector infrastructure costs onto developers, the level of competition in the residential construction industry is likely to continue.[14] Limited competition and greater economic power will exacerbate housing price inflation in the Bay Area. If these trends remain, the economic growth of the region will slow.

Most Bay Area cities have run out of land that is easy to develop. There are no longer any communities that blindly approve development. State legislation, more sophisticated professional standards, and greater demands by citizens for rigorous environmental assessments have increased the scope and depth of assessments made of development proposals. Throughout the Bay Area, development revisions are very demanding. The time required to get approvals has increased; but on the other hand so has the overall quality of new development.

With Proposition 13, Bay Area communities are more cautious about approving new development. More emphasis is now placed on attracting commercial and clean industrial uses rather than residential projects. Fiscal zoning is prevalent, and opportunities for housing product, already limited by other factors, are being constrained.

Residential development in the Bay Area is being squeezed. Suburban communities, long the region's centers of residential development, are limiting expansion. Regardless of whether these suburbs are limiting residential development because of no suitable land, increased citizen opposition to new development, or fiscal pressures, the implications are the same; the region's housing supply will not expand to meet the demand projected for the 1980s. This housing squeeze will continue to drive up housing prices and place extreme hardship on young households. If housing price increases maintain a sustained upward climb, the vitality of the regional economy will be jeopardized. Fortunately, key regional and state groups now recognize the scope and magnitude of the problem, and are beginning to develop programs to solve the region's housing problem.

IV. IS THERE A SUBURBAN SQUEEZE IN OTHER METROPOLITAN AREAS?

Many land use commentators are quick to suggest that California's, and especially the San Francisco Bay Area's brand of environmentalism is unique and unlikely to spread to other metropolitan areas. While, the extent of restrictive local land use policies is perhaps nowhere as excessive nor as influential as in the Bay Area, there are many metropolitan areas which are experiencing land and housing price pressures created by limited supplies of buildable land and strong housing demand.

In fact, the concern over the inflationary effects of land use controls has been the subject of several national studies, including the Douglas and Kaiser Commissions of the 1960s, and more recently the U.S. Department of Housing and Urban Development, the General Accounting Office, and the President's Housing Commission.[15]

An October 1977 survey by Advance Mortgage Corporation found that in more than one third of the nation's major metropolitan housing markets, there was a shortage of buildable residential lots. "In these markets, single family starts in next year's second half (1978) should average some 20 percent below this year."[16] The survey also found that land price inflation was considerable, rising two to four times as fast as the price of new housing. In a few markets the ratio of lot price to total new house prices has increased to 40 percent. Advance Mortgage found that the principal causes of the dearth of lots was due to lengthy approval procedures, development moratoria and environmental restrictions on new development, and an antigrowth attitude backed up by growth controls in many areas.

Seven of the eighteen markets surveyed faced serious shortages of buildable single family lots: Baltimore, Washington, Miami-Fort Lauderdale, Denver, Los Angeles-Orange County, San Diego and San Francisco-Oakland. Lot shortages were estimated "to cause production losses in the second half of 1978 ranging from 1,000 single family units in Miami to 5,000 single family and several thousand multifamily in both Los Angeles-Orange County and San Diego."[17]

Associated with these lot shortages is the rapid rise in the price of finished single family lots. A recent U.S. Department of Housing and Urban Development and Urban Land Institute joint survey of lot price trends illustrates the combined effects of strong housing demand and limited land supplies. Table 4 presents the results of the HUD-ULI survey. Trends in lot prices over the 1975-1980 period indicate rapid increases in several of the areas Advance Mortgage Corporation identified as having limited supplies of lots: Miami, Boulder (Denver), and San Diego.[18]

TABLE 4

Price Estimates for Improved 10,000 Square Foot Lots

No. Usable Observations	SMSA	1979-80 (to nearest $100)	1975	5-Year Percent	Annual Percent
	Northeast-Central				
14	Pittsburgh	$16,100	$10,000	64	10.9
10	Hartford	22,300	12,200	83	14.4
13	Kansas City	14,900	9,700	53	9.9
5	Indianapolis	11,600	7,000	66	11.9
	South				
16	Atlanta	$13,300	$8,900	48	9.2
7	Miami	25,000	11,100	126	19.9
11	Jacksonville	13,200	8,500	56	10.4
9	Houston	13,100	7,500	75	13.3
	West				
13	Phoenix	$20,100	$9,500	112	18.2
5	Boulder*	25,800	9,400	180	25.3
16	Seattle	20,600	8,300	147	22.3
11	San Diego	38,600	15,200	154	23.1
		Average		97	15.73

*Boulder statistics refer to Boulder County, not the Denver Boulder, SMSA.

Source: James Hoben, Linking Land Policy and the Market Place for Affordable Housing. Lincoln Institute Seminar, February, 1981.

A recent study by the Metropolitan Area Planning Council assessed land availability in the Boston area.[19] The zoning survey reveals that of the 626,000 acres of residentially-zoned land in the region, sixty-four percent of it is zoned for a density of less than two units per acre, a pattern quite similar to that found in the northeastern portion of New Jersey. Twenty-seven percent of the residentially-zoned land, was zoned for densities of between two and 4.9 units per acre, and the remainder, nine percent, was zoned for five or more units per acre.

Closer inspection of these zoning data reveal that in the outlying areas, those beyond the Route 128 highway loop, contain little land for high density residential development. For example, communities within the Route 128 highway, contain sixty-seven percent of the region's total amount of land zoned for five or more dwelling units per acre. In the suburban area, which contains thirty-one percent of the land zoned for five or more units per acre, most of this land is located in the western portion of the region: in Hudson, Marlborough, Framingham, and Natick. Farther out, in the rural areas, less than two percent of the region's supply of land zoned for more than five units per acre is located.

The report also assessed zoning policies for commercial and industrial development. It found that more land is being zoned for the employment generating uses, suggesting that the demand for housing will likely increase in these suburban areas. The Metropolitan Area Planning Council, report expressed concern that these increases in employment will place pressure on housing markets since little land is zoned for the building of housing that is affordable for employees who would work in these areas.

Besides analyzing zoning policies of ninety-two communities in the Boston metropolitan area, the study also assessed the availability of developable land in forty-two cities most likely to experience the land conversion during the remainder of this century. The survey uncovers some potential problems for the future of affordable housing opportunities in the region, and Table 5 illustrates land availability by use. Table 5 shows that the residential land development process is highly oriented to the production of large lot single family houses, and that little land is zoned for multifamily or cluster housing. As the report suggests:

> Considering the impact of land costs, this presents some problems for housing opportunities. R-1, R-2, and R-3 land comprise twenty-seven percent, sixty-two percent and eleven percent of the residentially-zoned available land respectively. . . .As this data is repesentative of the outlying cities and towns, the low amount of available R-4 land could be of future concern. First it does not contribute to the PLUMB's (Policies for Land Use in Metropolitan Boston) goal of promoting a diversity of housing types throughout the region, and secondly it is potentially indicative of zoning barriers to low and moderate income households who may desire to reside in these communities.[20]

In the Boston Area, zoning and land use control practices seem to limit the supply of land for residential to lots mainly for expensive single family houses.

TABLE 5

Land Available for Development in the Boston Metropolitan Area in Acres

Use	Available Land	Percent of Total	Percent of Residential
R-1 (less than one unit per acre)	53,907	24	27
R-2 (one to 1.9 units per acre)	123,622	55	62
R-3 (2 to 4.9 units per acre)	21,890	10	11
R-4 (5 or more units per acre)	759	0	0
Total Residential	200,180	89	100
Commercial	3,494	2	
Industrial	18,980	9	
TOTAL	222,725	100	

Source: Metropolitan Area Planning Council, no date.

Exclusionary land use practices are commonplace and have been the focus of much attention since the 1960s. Many communities, particularly those on the east coast, have practiced exclusionary zoning to fend off lower income households seeking homes in the suburbs. In the New York and Boston metropolitan areas, large lot zoning is widespread, and has had a substantial impact on housing markets.[21] In the Washington, D.C. area; counties have relied on moratoria to limit land conversion.[22]

Similar stories could be told for other areas of the country. For example, exclusionary zoning is prevalent in the suburbs of Philadelphia, and in portions of those of Chicago.[23] Even in growth centers such as Houston and Tucson, communities are using their power to withhold sewer and water service as a means for limiting certain types of development. In Houston, a city without zoning, residents of Clear Lake City are threatening to refuse water hookups to multifamily housing projects.[24] The residents say that there are already too many apartments in the community, and that more will exacerbate traffic congestion problems and increase crime. In Tucson, the Comprehensive Plan Policies proposed by the city would reduce the supply of developable land.[25] In the other areas, sophisticated growth management programs have been implemented and have generated impacts on land and housing prices. For example, Whitelaw found that land prices inside the growth boundaries around Eugene, Oregon have increased more rapidly than those outside, suggesting that the growth controls have shifted demand pressures to the areas targeted for development.[26]

Cities and counties across the country have begun to directly control future development patterns. No longer, do citizens want to merely accommodate development; they wish to control development to meet their fiscal, environmental and social objectives. The desire to preserve what they have is particularly strong in communities that are close to large central cities, from which they can borrow city size. They are close enough to these large cities to be able to enjoy the cultural attractions, as well as the business and financial services and transportation facilities. The strategy for these small cities is to stay small so that they can retain the benefits of small town living, and enjoy the benefits of being near a large city.

It is unlikely that these efforts to preserve the benefits of "smallness" will disappear in the future; actually they will most likely increase in areas where land conversion pressures are strong. This suggests that in the growing smaller metropolitan areas, such as Charlotte, North Carolina, and Portland, Oregon, local government efforts to limit land conversion will probably increase.

The precise method of controlling land development is not clear, but will probably rely upon a combination of land use control devices, such as sewer and water system moratoria, designation of urban growth boundaries, agricultural or conservation zones, and in high growth areas, allocation systems similar to those of Petaluma, Ramapo or Boulder.

The highly restrictive land use controls so popular in the San Francisco Bay Area are not unique; they enjoy a wide currency in growth areas across the country. The San Francisco Bay Area does not have a monopoly on restrictive land use controls.

VIII. SOLVING THE SUBURBAN SQUEEZE

The fundamental problem facing many high-demand metropolitan areas is the low level of housing production. To solve the problem, more units are needed. Solving the problem will be difficult and politically contentious. It cannot be solved without the joint cooperation of local and state government, developers and businesses, and citizen groups.

REMOVING FISCAL DISINCENTIVES

The first change needed to produce more housing is to change the structure of intergovernmental fiscal relations so that housing is no longer perceived as a fiscal "albatross." This would require that state funds to local governments be partially geared to the level of local housing construction. If the incentives were substantial, it is conceivable that much more housing could be produced.

Another possible way of eliminating the fiscal disincentives of housing production is for states to take over the financing of local infrastructure and selected services (such as education). Freeing local governments from having to provide these services would reduce the tendency of local governments to block new development. Or if the "top-down" approach to infrastructure finance is unacceptable, new quasi-public special districts could be created to finance services. New service districts in developing areas could float revenue bonds to finance infrastructure.

Another way of creating funds to support residential development could come from corporate and public pension funds. If the housing squeeze gets worse some businesses, particularly those that are not footloose may be willing to finance or partially underwrite infrastructure finance.

A frequently mentioned technique for eliminating fiscal zoning is the use of tax base sharing. If a regional property tax sharing district were created, cities might be less inclined to develop industrial and commercial districts at the expense of housing.

If intergovernmental fiscal relations could be altered slightly, so that housing was not viewed as a fiscal drag, efforts to promote housing production would be greatly facilitated. However, changing the financial picture alone will not guarantee more housing; other changes are needed.

PROMOTING HIGHER DENSITY AND MIXED USE DEVELOPMENT

The density of residential development in many metropolitan areas continues to fall. Attitudes about high density development are largely negative, and are reflected in the marketplace and at public hearings. A recent Bay Area Council public opinion poll found substantial adverse sentiments about additional residential development generally, and high density development in particular. Thirty-three percent of the respondents agreed with the statement that, "new residential development in my community would threaten the quality of life of current residents." Fifty-four percent of the same respondents agree that, "high density housing means lower quality of life."[27] The negative response to high density environments is based on many factors, but one reason people are against it is because they don't know what the benefits of high density development are, and they don't know of any good examples of high density development.

While somewhat less controversial, mixed use development suffers from a similar negative image. Most cities refuse to permit housing in commercial and industrial areas. Much of the resistance to mixed use development stems from neighborhood opposition, problems of security and conflicts over circulation between different types of users.

If land is to be used more economically communities must begin to permit higher density projects and allow housing in commercial and light industrial areas. An educational and technical assistance program could begin to reduce opposition to high density and mixed use development. Such a program should concentrate on planning commissioners, elected officials, planning staff, and neighborhood groups. The educational and advocacy effort could be mounted by state or regional governments, or by specially created private-non-profit institutes. While convincing communities that higher density and mixed use development are needed to provide housing and preserve environmental quality will be difficult, it is fundamental for solving the suburban squeeze.

CREATE A REGIONAL HOUSING ADVOCACY GROUP

There are no well organized groups to advocate increased housing production. Opposition to development comes from residents who have much to gain and little to loose by stopping development. At present, only the project developer stands as the primary advocate of housing development. Future homeowners, workers who cannot afford to live near where they work, and businesses that cannot find workers have no representatives at local planning or city council hearings.

A regional housing advocacy group to aggressively promote housing production in communities could be very effective. The advocacy group could operate on three distinct levels. It could act as a clearinghouse to provide information about how to increase housing production. It could distribute model ordinances, information on how to promote dense, compact development, literature on the advantages of higher density and mixed use projects, and so forth. On a second, more active level, the advocacy group could provide technical assistance to communities wanting to reduce development permit processing time, rezone industrial land, and allow mixed use development. The advocacy group could also make presentations to elected officials, planning commissioners, planning staffs and neighborhood groups to explain why more housing is needed, what are the benefits of higher density development, how it can be provided without disrupting the local environment and what services the advocacy group could provide to communities.

On the third level, the advocacy group could operate as an aggressive force to press communities to increase housing production. The group could attend local planning commission hearings and seek approval of higher density projects. It could act as a housing proponent at project hearings and strive to offset local opposition to development. It could urge communities to fully implement recently adopted housing legislation (discussed below) and to take other steps such as rezoning industrial land to residential use, allow construction of residential units in commercial areas, to meet the region's housing needs. If these steps fail, the group could take legal action against cities that refuse to comply with state housing and planning law. A group to advocate regional housing production could play a very important role; it could crystallize diffuse pro-housing interests among young renting households wanting, but unable to buy houses. It could counteract the overwhelming opposition to new development commonplace at planning commission hearings, and it could provide the base for developing a consistent housing production policy for the region. If such a group were created it could attract much support from many groups that are not now actively engaged in housing advocacy.

ENCOURAGE GREATER CORPORATE PARTICIPATION IN LOCAL PLANNING

Most corporations assume that communities have their interests at heart when making planning decisions. While in the past this might have been true, it may no longer be so. Local elected officials and planners are now greatly influenced by the views and political power of neighborhood groups. These well organized groups have learned how to shape local-land development policy and know how to block undesirable projects. If businesses want communities to help them to continue to grow, they must play a more active and aggressive role in local politics. While most companies, particularly large ones, are reluctant to be involved, they will find it more and more necessary. To help corporations effectively get their views across, groups like a regional housing advocacy institute could help focus business housing concerns and promote their interests.

STATE LEGISLATION TO PROMOTE HOUSING PRODUCTION: A CALIFORNIA EXAMPLE

California's housing problem has prompted interesting legislation in Sacramento. In the 1980 legislative session a number of housing bills were proposed and signed into law. The most significant piece, AB 2853, requires that local governments consider regional housing needs when preparing the housing element of the general plan. Specifically, AB 2853:

- ensures that local governments recognize their responsibility to help meet state housing needs;
- assures that local governments implement housing elements that move toward the attainment of state housing goals;
- requires that local housing determinations and actions are compatible with state housing goals and regional housing needs; and
- assures that local governments cooperate with each other to meet regional housing needs.

The bill now requires local governments to embrace the concept of regional "fair-share" housing needs. Under the new law, local governments must revise their housing elements and establish actions to insure that they will provide their fair share of housing.

On paper the bill is very promising; if it is fully implemented, more housing units are likely to be built in the region. But much money will be needed to implement AB 2853, and many communities are ideologically opposed to it as an unwarranted intrusion by the state into local affairs. Regional governments must determine what the region's housing needs are, and what each community's "fair share" is.

A recent ABAG memo, estimated that over the next eighteen months, it would cost $348,000 for ABAG staff to prepare the necessary housing estimates. Unfortunately, the State Assembly did not provide funds to implement AB 2853. As the once massive State budget surplus runs-out, funds to regional and local governments will be limited. The big question is will AB 2853 be implemented? And what will happen if it isn't?

The bill can help to dramatically increase housing production in the Bay Area. Each local government must: assess its housing needs and its regional share, state its community housing goals, and set forth a five-year program for meeting its housing needs and objectives; including how the administration of land use and development controls, provision of regulatory concessions and incentives, and the utilization of appropriate federal and state financing and subsidy programs will be used to meet the housing needs of all economic segments.

The progress of California communities towards meeting the requirements of AB 2853 should be closely followed. If communities fail to take appropriate implementing action, a regional housing advocacy group could file law suits as necessary. Also, new follow-up legislation should be prepared to insure that the housing objectives of AB 2853 are being met. Stronger legislation should be prepared in the event that AB 2853 is not implemented.

VI. CONCLUSION

Over the past twenty years the process of suburban land conversion has changed dramatically. In many areas the supply of land that is easy to develop has dwindled, and developers are trying to develop more sensitive and controversial parcels of land. Environmental concerns have given rise to more vigorous and complex assessments of development proposals, and citizens have become better organized and more strident in their demands for environmental quality. In California Proposition 13 has added another solid argument against new community development; and planners now routinely consider the fiscal impacts of new development before granting approval.

At the same time demographic, migratory and employment trends point to continuing strong demand for housing in many metropolitan regions of the nation. These conflicting trends guarantee a continued escalation of housing prices and greater difficulty for young households in buying their first homes. If high housing costs continue, businesses in many metropolitan areas will find it more difficult to remain competitive in national and international markets. Footloose firms unable to maintain competitiveness will migrate to low-cost areas; those that cannot will grow more slowly.

The most sensible approach is to recast our notions about what good land-use planning is. Development needs to occur at higher densities and housing needs to be better integrated with commercial and industrial projects. Much of the future demand for housing could be met without the conversion of any unserviced, open lands, if the density of new residential development was increased and declining commercial and industrial areas were recycled to residential use.

While planning is very capable of stopping the conversion of open lands it has not been effective in encouraging development in desirable areas. Unless development and recycling can be facilitated in serviced areas, we are unlikely to solve our regional housing problem. This may be accomplished several ways: First, the fiscal disincentives to new residential development must be eliminated. Second, the ability of "torpedo groups" to stop reasonable housing projects must be curtailed through countervailing housing advocate groups. Third, impediments to the conversion of older areas to high density residential use, regardless of their earlier use, must be removed.

Finally, citizens must be shown by way of concrete examples that higher density development is attractive and desirable both personally and for the community. Bringing about these changes is going to be difficult, and presents a major challenge to land use planners in the 1980s.

FOOTNOTES

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