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BEYOND SPRAWL:

NEW PATTERNS OF GROWTH TO FIT THE NEW CALIFORNIA

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

SPONSOR'S NOTE

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

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

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

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

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

THE CHALLENGE OF THE "NEW" CALIFORNIA

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

Population Growth

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

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

This continuing surge in population puts pressure on both existing communities

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

Changing Demographics

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

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


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

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

Economic Change

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

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

- A perception that new suburbs are safer and more desirable than existing communities. Many people believe that suburbs provide them with good value—safe streets, neighborhood schools, a “small-town” atmosphere, close proximity to their local governments, and new (though not necessarily better) community infrastructure.
- A perception that suburbs are cheaper than urban alternatives. Owning a starter home in a distant new suburb is still within the financial reach of a typical family, despite the increased commuting costs. The family’s financial equation, however, does not take into account the larger cost to society of far-flung suburbs—a cost the family will eventually share in paying.
- A belief that suburban communities will give businesses more flexibility to grow. Businesses welcome the tax incentives and freedom from heavy regulation that are often provided in newer suburban communities trying to develop a strong business base. Businesses also view suburban locations as safer—a view reflected in the cost of insurance—and they perceive they will have access to a better-educated work force.
- Technological changes that have decentralized employment away from traditional centers. This phenomenon permits dispersal of both jobs and houses across a huge area. The emergence of the “information superhighway” may accelerate this trend.
- Highway and automobile subsidies that have traditionally fueled suburban growth remain in place today. Since the 1950s, automobile use has been encouraged by government-financed road-building programs, and for the most part the “external costs” of automobile use (i.e., air pollution) have not been the direct financial responsibility of the individual motorist.

- Local land-use policies that inadvertently cause sprawl. In many older suburban communities, “slow-growth” attitudes restrict new development, pushing employment and housing growth to the metropolitan fringe. With a lack of regional planning, each community pursues its own self-interests, regardless of costs imposed on other communities.
- Fiscal incentives that encourage local governments to “cherry-pick” land uses based on tax considerations. Under Proposition 13’s property-tax limitations, there is little fiscal incentive for many communities to accept affordable housing—and when such housing is built, developers must usually pay heavy development fees. Meanwhile, because communities must raise revenues to provide mandated services, auto dealers and retailers, both big sales-tax producers, receive subsidies to locate in communities.

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

THE COST OF SPRAWL

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

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

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Residents of Central Cities and Older Suburbs

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

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

Farmers

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

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

The Environment

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

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"After 50 years of sprawl, California's metropolitan areas are enormous, reaching deep into natural ecosystems that were thriving even a generation ago. Some 95 percent of the state's wetlands have been destroyed over the last 200 years."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACKNOWLEDGMENTS

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

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