

Principles for a Workable Tri-Valley Housing Policy

1. Planning is the key.

We can have housing, and economic growth, and open space, and adequate transportation and affordable housing and all of the things which add up to a higher quality of life if we engage in thoughtful planning.

In essence, good planning is a design problem. For our vision to become a reality, we need to design effective market incentives and expeditious planning processes as well as physical plans.

And we need an achievable goal. The Tri-Valley cannot solve the housing shortage for the Bay Area. *What we can do is provide our fair share of the regional housing need and push other subregions to do the same.* That goal is readily achievable within the context of the adopted general plans of the Tri-Valley.

2. The cost of housing is the measure of the housing policies which we adopt.

Because the cost of a typical single family home has risen to \$500,000 in the Tri-Valley, our grown children, and teachers, and sales managers and other citizens now face a house payment of about \$4000 per month, and cannot own homes in the Tri-Valley until their family incomes reach about \$160,000 per year. That is the primary affordable housing problem for this Valley.

We have to be honest with ourselves regarding the causes. In the early 1970's California gave its local governments unprecedented planning powers with adoption of the California Environmental Quality Act, mandatory general plan consistency, enhanced regulatory control over subdivisions, and the authority to limit housing growth to available infrastructure. Since California local governments were granted substantial control over housing supply in the early 1970's, California planning practices have driven the median price of a California home to a level which is nearly twice the median price of a US home. In 1970 California median home prices were approximately equal to the national median. This dismal price performance is primarily the result of local government supply restrictions. In fairness to local government, the planning advances described above have created numerous legal tools used by the opponents of housing to delay and stop proposed housing projects.

The situation is far worse in our metropolitan areas, particularly the Bay Area, where the cumulative effects of local growth controls have combined to destroy the ability of free housing markets to respond to housing need. A normal housing market will provide its median priced home at a price affordable to its median family income. Of the 184 metropolitan areas in the United States, more than 75 percent provide the median priced home at a price affordable to its median income family. But, in the Oakland PMSA,

which includes the Tri-Valley, only 20.7 percent of its households can afford the median priced home (at only \$329,000). Having assumed detailed control over every aspect of housing supply, local government must now take action to assure reasonable housing supply, or face drastic state mandates restricting its control over housing.

More importantly, artificially high housing costs mean reduced purchasing power and thus lower living standards for our children and their generation. This runs afoul of the constitutional test that local land use ordinances must reasonably relate to the welfare of those who are significantly affected by such ordinances.

Higher housing costs also reduce the living standards of current residents far more than they realize. The higher cost of living lowers the living standard of existing residents as it works through the economy in the form of higher labor costs, higher product costs, and lower quality public services. In general, because of its self inflicted high housing costs, the Bay Area has converted the highest real per capita incomes in the nation into a surprisingly mediocre standard of living for its residents.

If the Tri-Valley seeks to be a leader in planning for quality of life, it needs to be a leader in demonstrating how a subregion can provide for its fair share of the regional housing need.

3. Increased housing supply is essential.

In the absence of adequate housing supply, planning concepts such as smart growth, new urbanism, urban limit lines, and inclusionary zoning are just fancy new code words for exclusionary zoning. We have to agree upon acceptable terms under which housing supply can equal housing demand at a reasonable price. The energy and capital of a free housing market can be channeled into acceptable land use patterns which accommodate our Valley's fair share of the regional housing need. To the extent housing for our workers cannot be accommodated in this valley, we need to assure adequate transportation to nearby locations which accept needed housing.

We need to put sites presently available for housing to use. As a benchmark for all future planning actions in the Tri-Valley, local governments are hereby asked to match any future downzoning or density reduction on properties designated for housing in their present general plans with an identified upzoning of an equal number of housing units at another location.

4. An acceptable land use pattern will involve a combination of compact suburban development, new urbanist settings at higher density, urban infill and redevelopment.

Compact suburban development. Compact suburban development is not suburban sprawl but an important part of the solution to urban sprawl. An example of compact suburban development with some new urbanist elements is East Dublin. The East Dublin Specific Plan Area includes approximately 12,000 homes on about 5 square miles and more than enough commercial and industrial development to balance the residential population, and even includes a golf course.

East Dublin includes a substantial number of single family homes. *The important*

message for housing policy is that we and our children do not have to give up single family homes as a housing option to have a well planned urban environment. For many people, especially at certain stages in their lives, a single family home is an important element of a high quality of life.

At the average density of East Dublin (6400 residents per square mile including all nonresidential uses) a thousand square miles could absorb more than a decade of growth for the entire State of California. If new urbanist settings and infill and redevelopment absorb even half of the new growth, which they will if regulations permit, then California could grow at the pace it grew through the 1990's, with urban growth absorbing less than 500 square miles per decade. (I.e. 5,000,000 growth, with 2,500,000 in compact suburban settings divided by 6400 persons per square mile equals 390 square miles.) That is an absorption rate of only 0.0025 of California's land mass per decade.

New urbanist settings. The average density in new urbanist communities can be even higher than compact suburban development. Pedestrian orientation, readily available local transportation, and mixed uses can offer convenience and vitality to residents without substantial incursion upon open space. As a practical matter, new urbanist settings can be mixed in with compact suburban development.

Infill and Redevelopment. There is a tremendous opportunity for infill and redevelopment which is being thwarted by current housing policies.

Virtually every proposal for infill housing gets beaten back by neighborhood pressure for lower density. *For infill to work there has to be a regulatory breakthrough which restores something like permitted use zoning subject to predefined performance standards.* Discretion must be focused on design compatibility rather than the lengthy reconsideration of density which attends nearly every infill project. (Discussed under No. 10, below).

Likewise, virtually every proposal for redevelopment gets stifled by rigid zoning which ignores market opportunities. Zoning blight, which freezes existing land uses, often discourages new investment in older areas. *For redevelopment to work, market responsive rezonings must be viewed as a normal evolution of the general plan rather than as a threat to good planning. Mixed land uses need to be encouraged rather than outlawed as they are by conventional zoning.*

And finally, to the extent that barriers to infill and redevelopment stymie housing supply within cities, compact suburban development and new urbanist development must be permitted to proceed until the basic human need of housing is no longer being denied to our citizens by government policy.

5. The variety of housing types can be determined by market forces.

The appropriate equilibrium between housing types can be most naturally determined by market demand from housing consumers. *In particular, regulations can be amended to encourage small single family houses for entry level families and multistory apartment/condominium units.* By designing ample settings for all types of housing, the Tri-Valley can meet the housing needs of all economic segments of the community, as

required by state law.

6. New housing can fully mitigate its infrastructure costs, especially transportation impacts.

Full mitigation. *An essential goal is to plan and provide sufficient infrastructure to support the planned growth and fund it from the new development.* The Tri-Valley Transportation Study calculated the cost of full freeway mitigation per housing unit at approximately \$5000 per dwelling unit. This is only about 1% of the cost of a new single family home. And yet, the citizen outrage because new housing is not paying its fair share of highway costs is a major source of opposition to new housing. If new housing pays full transportation mitigation, more housing would no longer bring with it more traffic congestion. Thus, housing supply could be increased because the legitimate basis for political opposition would be removed. For housing consumers, reductions in housing prices from increased supply have the potential to more than offset the cost of full transportation mitigation.

Flow funding. Local governments have police power and statutory authority to require full mitigation for transportation and other infrastructure impacts from new housing. But the developer of a 100 unit or even 5000 unit development cannot overcome the failure of local governments to plan for needed infrastructure. The obligation of the new housing consumer should be limited to payment for its pro rata share per dwelling unit of the cost of full mitigation. *Thereafter, the failure of local government to use those fees for timely provision of needed infrastructure should no longer be a basis for denying or delaying the basic human need for housing.*

Perversely, when local governments permit themselves to use lack of infrastructure as a basis for denying housing projects, they take away their own incentive to plan in advance for necessary infrastructure. Worse yet, that policy gives incentive to opponents of needed infrastructure who seek to control growth by increasing congestion and utility shortages, thereby reducing the quality of life for all of us. The media is fostering the incorrect impression that rapid California growth is overwhelming infrastructure capacity. In fact, California grew at a slower rate during the 1990's than any decade in the twentieth century. California governments simply failed to plan and provide infrastructure as they have in previous decades.

Carrying Capacity. Some people have argued governments should mandate new urbanist development to protect the scarce capacity on our freeways. We do need to continue developing BART, ACE, and public transit and related alternatives. But even if the four square miles of the North Livermore Plan were concentrated into a square mile of high rise dwellings, almost all of its offsite vehicle trips would remain unabated. *Thus, it is essential that we continue to develop highway capacity to handle projected growth in traffic demand.* (E.g. the parallel arterials to I-580 such as Dublin Boulevard/Canyons Parkway; Stoneridge Drive/Jack London Boulevard, and other highway improvements such as the Los Positas interchange, El Charro Road, etc.)

Bus Loops. Another promising approach, already proposed by the developers of North Livermore, is bus loops funded by a private owners association. The bus loops would connect to transit centers like the BART station and the ACE station. These bus loops to

transit centers extend the carrying capacity of existing freeways substantially. Plus, by making many neighborhood scale trips convenient by bus, such as trips to the school, store, or park, bus loops can reduce family dependence on the automobile. Many mothers could be relieved from afternoon shuttle duty, teenagers would not have to have a car to get to high school, and old folks would not need a drivers license to survive in suburbia.

7. We can provide accessible open spaces and permanent open spaces.

Flow funding. The Tri-Valley Vision has called for 70 percent open space and 30 percent urban development for the Tri-Valley. This corresponds with the existing general plans adopted by Dublin, Pleasanton, and Livermore, including the existing 12,500 units planned for North Livermore. If this open space ratio is to be maintained at build out, permanent open spaces need to be secured on a timely basis, before the State implements effective housing mandates which do not permit developing suburban areas such as our own to hold out for 70 percent open space. The methodology used by Livermore with the South Livermore Valley Specific Plan, and contemplated by the draft North Livermore Plan, is to secure conservation easements in conjunction with ongoing development. The flow of development is matched by a flow of permanently secured open space thus guiding our shared vision to become a permanent reality.

Fine Grain. In urban areas, open space integrated into the urban design, such as creek corridor trail systems, is worth many times more than square miles of open spaces locked away beyond visibility and lacking public access. Design of accessible and/or visible open spaces can give new urbanist and compact suburban development an open feeling without major land consumption. Well designed public open space can make higher densities feel less dense than those conventional subdivisions which have all their open space boxed into yards.

8. We can improve the jobs-housing balance and provide better access to housing beyond the Tri-Valley.

The Tri-Valley General Plans at build out show a substantial excess of jobs over employed residents. While it may be politically impossible to increase planned housing to a level sufficient to achieve a jobs-housing balance, there are several actions we can take.

First, by agreeing upon a vision- a build out scenario for the Tri-Valley- we undercut the need to severely restrict housing supply during this period of rapid job growth. The citizens can be assured that housing will not overwhelm the remaining open spaces by the fact that housing growth is bringing with it permanent open spaces subject to conservation easements. In other words, by agreeing upon a workable build out vision for the Tri-Valley, we would have no reason not to implement that vision rapidly- and that would have the very positive impact of holding down housing price increases.

Second, through transportation improvements like the ACE train and Vasco Road improvements, we can make it possible for workers who we are unable to house here to conveniently access the jobs in this Valley.

9. Affordable housing must be provided primarily by market forces rather than subsidies.

It is important to distinguish the difference between affordable market rate housing and affordable subsidized housing. Many affordable housing advocates are primarily interested in helping people in severe economic need- through what is essentially a local charity effort. But loading the cost of this charity effort upon market rate housing consumers is highly counterproductive to the goal of affordable market rate housing. In fact, this is charity with other people's money, and new housing consumers can afford this additional cost less than most of us because of the already inflated housing costs in the Tri-Valley.

An economic analysis of Pleasanton's inclusionary zoning ordinance concluded that a requirement for new housing projects to provide 15 percent subsidized units would raise the cost of a typical tract home by about \$40,000 and the rent level for a typical apartment by about 6 percent (\$104 per month). Because the prices of existing homes and apartments are determined in a growing economy by the price of new homes and apartments, the Pleasanton inclusionary zoning ordinance increases private housing costs by about \$13 dollars for every dollar of housing subsidy which it creates. [For a copy of this study, my contact information is at the end of this analysis.]

Some affordable (subsidized) housing advocates see subsidized housing as a fair trade-off for the exclusionary zoning which generates high cost market rate housing. However, artificially high housing prices which result from exclusionary zoning have generated a far greater population of people who need subsidized housing. The reality is there is no source for enough housing subsidy to meet more than a tiny fraction of the need for subsidized housing created by exclusionary zoning. The most promising solution is to attack exclusionary zoning.

Two specific changes to existing inclusionary zoning ordinances can be readily implemented:

First, no new housing unit less than 1500 square feet should be subject to any Affordable housing fee@ Serious consideration should also be given to exempting housing units less than 1500 square feet from growth quotas. These measures can create an economic incentive to provide market rate housing which is affordable by design. In addition, these measures will assure that those families who can barely afford starter homes and apartments are not forced to fund subsidized housing.

Second, most affordable (subsidized) housing should come from incentive programs which provide genuine density bonuses and compensation from affordable housing fees for establishing permanent subsidized units.

We all need to challenge the State housing allocations for production of low and very low income units. The latest State housing allocations are premised on local government meeting housing needs through price controls and An perpetuity@rent controls. Price controls and rent controls are a guaranteed way to assure that capital investment needed to provide an adequate supply of market rate housing will never become available. *We*

should join together to obtain modification of state housing mandates in a way which emphasizes adequate overall housing supply to address market rate affordability. We should also join together to obtain modification of state housing mandates in a way which emphasizes affordability by design to meet lower cost housing needs.

10. Planning process must not be allowed to prevent desired planning outcomes.

Our general plans show land uses that are reasonable but all too frequently are never implemented. Unfortunately, the general plan designations are often the starting point for extended negotiation rather than a guide to the appropriate outcome. Housing supply is being choked off by never ending planning processes.

And yet, we have several examples in the Tri-Valley of planning processes which have worked brilliantly to formulate worthy visions and bring those visions to reality. The South Livermore Valley Specific Plan and the East Dublin Specific Plan are both being implemented successfully. How have these planning processes succeeded in achieving their intended planning outcomes?

First, the macro issues of open space, transportation, density, and the like were addressed in the plan and the environmental review which accompanied that plan adoption. Thereafter, actual development proposals could proceed as almost ministerial projects consistent with those plans. Second, plan adoption was followed by approval of development agreements which signaled local government commitment to uphold their plans. Third, environmental reviews of subsequent projects are being confined to negative declarations simply confirming that projects are within the parameters reviewed for the original plan. Fourth, there has been flexibility in implementation as opportunities arise to improve the outcome consistent with the overall purposes of the original plans such as with the transferable development rights program in South Livermore and the main street realignment in East Dublin.

With respect to infill and redevelopment, a similar approach can be successful. General plans within the existing city should address and provide environmental review for the major parameters such as density and traffic. Thereafter, property owners should be permitted to obtain development agreements fixing those parameters for subsequent development, including a specific density and /or floor area ratio. Then when actual projects emerge, the review can be somewhat ministerial and focus on design compatibility rather than a lengthy reconsideration of the original general plan designation and its environmental effects.

With the minor modifications suggested above, our adopted general plans represent a workable vision for the Tri-Valley. Now we all have to manage the planning process to assure that vision is implemented with adequate housing.

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