REPORT

TO: Regional Council

FROM: Community, Economic and Human Development Committee (CEHD)
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SUBJECT: Policy Paper, "Promoting Regional and State Policy Objectives Through Growth and Development Practice," July 2004

DATE: September 2, 2004

EXECUTIVE DIRECTOR'S APPROVAL:

RECOMMENDED ACTION:
Approve policy paper - "Promoting Regional and State Policy Objectives Through Growth and Development Practice," July 2004.

BACKGROUND:
The Governor has directed his cabinet to develop a growth policy for the State. The effort is chaired by Department of Business, Transportation and Housing Secretary Sunne Wright McPeak. The focus of these discussions is better coordination between growth, transportation, housing, and development planning. In order to contribute to these discussions, staff has prepared the attached policy paper which outlines steps that the State might take to support the development policies inherent in the recently adopted Compass Growth Vision and 2004 RTP. The positions promoted by the paper include protecting funding for projects in the RTP, aligning available housing subsidy funds with regional plan priorities, acknowledging and rewarding local performance, and coordinating planning horizons for housing and transportation. The CEHD Committee, at its August 5 meeting, unanimously recommended that the Regional Council approve this policy paper.

ATTACHMENT:
Housing Policy Paper

FISCAL IMPACT:
Pursuing policy discussions and State legislation, as proposed in the policy paper recommended for approval, is included in the SCAG Overall Work Program for Fiscal Year 2004-2005.

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SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

PROMOTING REGIONAL AND STATE POLICY OBJECTIVES THROUGH GROWTH AND DEVELOPMENT PRACTICE
Concept Paper

In recent months, there has been increased discussion at the State level regarding better coordination between transportation and land use policy. The intent of this paper is to delineate ways in which current planning efforts by the Southern California Association of Governments (SCAG) might assist in forming the basis for advancing specific policy objectives of the State of California's Department of Business, Transportation, and Housing. In pursuing such an approach, the State, SCAG, and other Councils of Governments (COG) can:

a) achieve a higher level of transportation and air quality performance
b) improve housing availability and affordability
c) provide for performance and accountability measurements for local governments and others.

In turn, this paper will describe how the State of California might partner with SCAG and other COGs in supporting these goals.

BACKGROUND

SCAG has recently completed work on the 2004 Regional Transportation Plan (RTP) update. This plan features an unprecedented focus on the interplay between transportation and land use. Through a participatory, scenario-based planning process, SCAG devised a set of land use measures and principles that guide the future of development in Southern California and achieve dramatic transportation performance results. This effort, known as Southern California COMPASS, took over three years, involved the input of thousands of Southern California residents, and was incorporated into SCAG planning with the support SCAG's 74 member Regional Council composed of local elected officials.

The land use measures feature the concentration of new development along existing and planned transportation corridors and in regional and sub-regional centers including airports. Further, the plan calls for a substantial amount of in-fill development in currently urbanized areas. This allocation of growth is calibrated to a fine scale of geography in order to account for accessibility and efficiency of individual transportation facilities. Conversely, the land use measures do not broadly reallocate growth around the region. Each county in Southern California, and most cities, will absorb a similar amount of total growth as they would in a "no plan" scenario. Such growth, under the plan, would simply be arranged better to meet regional transportation and livability objectives. SCAG estimates that the changes needed in local land use policy and practice will affect 2% of the land mass of the region. As such, the region has latitude to preserve variation in

development types around the region while we build more urban places in select locales.

The RTP, in its current incarnation, consists of specified transportation projects, a broader, longer-term program of implementation measures, and assumptions regarding future conditions. In sum, the plan identifies the needed conditions for the physical and systemic well-being in the region.

SUPPORT OF OBJECTIVES

The emerging regional growth vision and the current RTP developed by SCAG encompasses objectives identified by the State, in that it;

a. **relies on development policy and practice to achieve performance**
In developing land use measures for the RTP, SCAG isolated the results on land use in its transportation model. These results are dramatic, even while the region absorbs a population growth of 6 million. With the inclusion of land use measures, there will be a 40% higher transit mode split in 2030, 35% less VMT and 8% less delay compared with the other elements of the plan minus land use. The 2004 RTP creates efficiencies within the region's transportation system and urban form by focusing development in coordination with infrastructure. By achieving these results through policy measures, the region is allowing limited State and Federal funds for infrastructure to go further.

b. **assumes adequate levels of housing production**
By implementing the current RTP, and pursuing the land use and other measures set forth within the plan which remove housing production impediments, the Southern California region will have largely alleviated its chronic housing shortages. Forecasting for the plan assumes a higher level of housing performance compared to population than either in earlier plans or compared to observed trend. In part, this is achieved by giving attention to economic development in the region. The plan focuses investment on key economic drivers in the region, notably in goods movement and logistics. This allows for higher household incomes, and a more functional housing market. Further, the plan delineates clear expectations for local development policy and practice. In sum, the plan calls for 400,000 housing units beyond the "no-project" scenario, or a 20% increase.

c. **improves housing affordability**
As discussed above, full implementation of the RTP would result in a marked increase in the supply of housing. This alone would have a positive impact on affordability by offsetting pricing pressures from chronically unmet demand.

Further, the type of development being envisioned in the plan (e.g. mixed use, higher residential density, with lower or shared parking requirements) will allow for the market production of lower cost housing product. SCAG estimates that the implementation of this plan could reduce housing prices in the region by 20-35%. Currently, the region's median home price is $391,000 – affordable to appoximately 16-20% of the region's households. A reduction of 20-35% in home prices would bring an additional 1 million households into the for-sale housing market.[1]

d. **performs in all transportation measures**
Taken as a whole, the 2004 Regional Transportation Plan improves mobility in the region, and meets required performance goals, including air quality conformity.

e. **improves economic conditions in the region**
In creating the 2004 RTP, SCAG assigned a high priority to projects that will improve economic conditions in the region. Notably, SCAG included, and developed accelerated funding strategies for several goods movement and logistics oriented transportation projects. These include a decentralized regional aviation system, dedicated truck-ways, regional rail freight improvements, and high speed rail. These projects will build on the region's current advantages in the trade sector. Due to these targeted investments, the plan assumes higher levels of employment and household formation than in a "no-plan" scenario.

f. **incorporates broad growth principles**
The land use scenario incorporated into the RTP is based on four Growth Visioning Principles established by SCAG's Regional Council. These principles are Prosperity, Livability, Sustainability, and Mobility. The principles statement (attached) forms a basis for regional growth and development policy with broader applications than the RTP.

e. **provides for a baseline performance measure for local governments**
The plan clearly identifies opportunity areas for new growth in the region (corridors, centers, airports). The presence of such areas within a city's boundaries creates a performance expectation against which a jurisdiction's policies and actions can be measured. Further, the plan identifies broad principles for growth policies, whereby, even in the absence of a growth opportunity areas, a city can demonstrate performance in support of regional and State objectives.

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[1] Assuming income based on 2000 Census, typical 30 year fixed loan, 20% down payment, and 5.5.% interest rate.

IMPLEMENTATION AND PARTNERSHIP

SCAG intends to pursue a program to implement the features of the 2004 RTP. Among the implementation steps will be targeted technical assistance to cities containing critical growth opportunity areas, the completion of a new Regional Comprehensive Plan, and a system to measure and reward best performing jurisdictions in future RTP updates.

SCAG also requires partnership efforts in order to ensure success. Notably, County Transportation Commissions, water agencies, and the private sector have roles to play. SCAG has received interested from several parties, notably the Los Angeles County MTA (with demonstration projects already underway), in pursuing pilot projects.

For the purpose of this paper, SCAG has identified specific actions that the State of California can take or promote in partnership with SCAG:

a. **Protect funding for projects identified in the RTP**
As discussed above, SCAG included various projects in the RTP in order to bolster the economic and physical well-being of the region. As such, it is critical for Proposition 42 funding to remain available for these projects, and for critical Traffic Congestion Relief Program (TCRP) projects to be fully funded. Particularly of note are the various projects that support the land use measures in the plan. These account for approximately $1 million of the $2.3 million (44%) of TCRP funding identified in the RTP, and 1/5 of the TCRP projects .

b. **Align housing subsidy programs with Regional Transportation Plans**
For the past several years, SCAG has advocated a regionally based approach to allocating the State's discretionary housing funds. Such an approach would improve the coordination between transportation and land use policy. A policy paper on this issue was prepared by SCAG in 1999. This proposal involves allocating housing resources, including HUD grants, tax credits, and mortgage credit certificates, with explicit consideration of the regional housing need allocation. This provides a positive incentive for addressing housing needs at the local level, allows for predictability in funding, and leverages resources. Such a system could be accomplished either by allowing the COGs to allocate funding, as in transportation planning, or by having State housing agencies use a scoring mechanism provided by the COGs.

c. **Acknowledge local performance as determined by SCAG for State policy purposes**
Through the RTP and implementation measures, SCAG will assist cities in meeting regional and State goals related to housing production and affordability. As such, cities that are identified as good actors through SCAG's growth vision implementation and monitoring should be either exempt from additional State housing policy oversight, or have such oversight significantly reduced. Further, the State should consider a CEQA exemption for activities and projects needed for local governments to meet the share of regional housing need.

d. **Coordinate planning horizons for transportation and housing**
Currently, the regional transportation plan, under federal law, is a long range planning document, with frequent updates. Conversely the State Housing Element program is a short-term plan, often too short to allow for real local policy changes that produce results. The State should consider longer planning periods for the Housing Element program.