



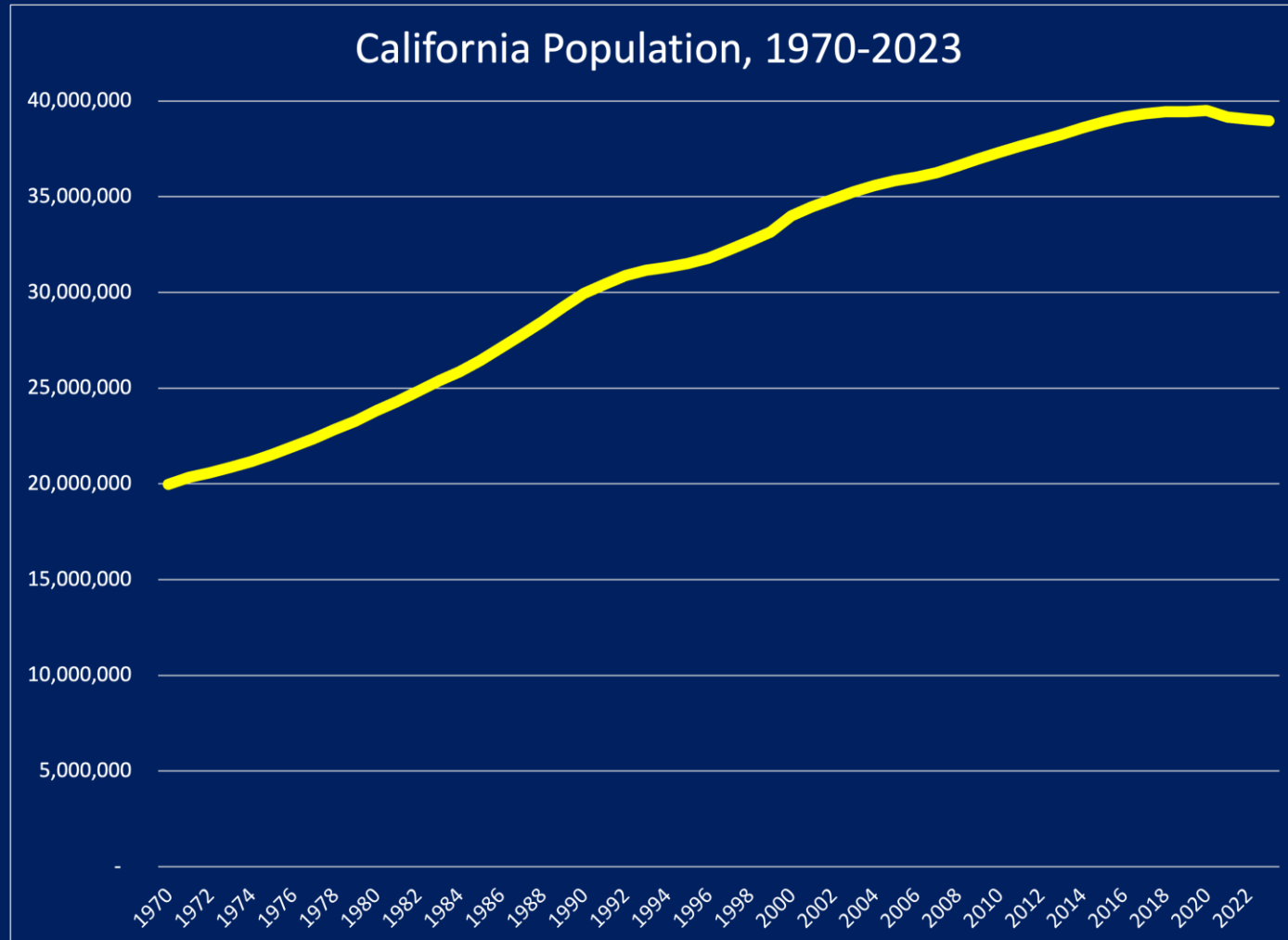
CALIFORNIA PLANNING
& DEVELOPMENT REPORT

The logo for Western Financial Group (WFG), consisting of the letters 'WFG' in a bold, sans-serif font, centered within a white square with a thin grey border.

Thriving Without “Growing”: California’s Future

*Bill Fulton, FAICP
SCAG Demography
Conference
September 24, 2024*

Yes, California Has Stopped “Growing”



BUT....

There are 3 different types of growth ...

And in a high population growth situation *we tend to conflate* them.

Now it's time for California to *disentangle* them.

1. Population Growth



2. Economic Expansion



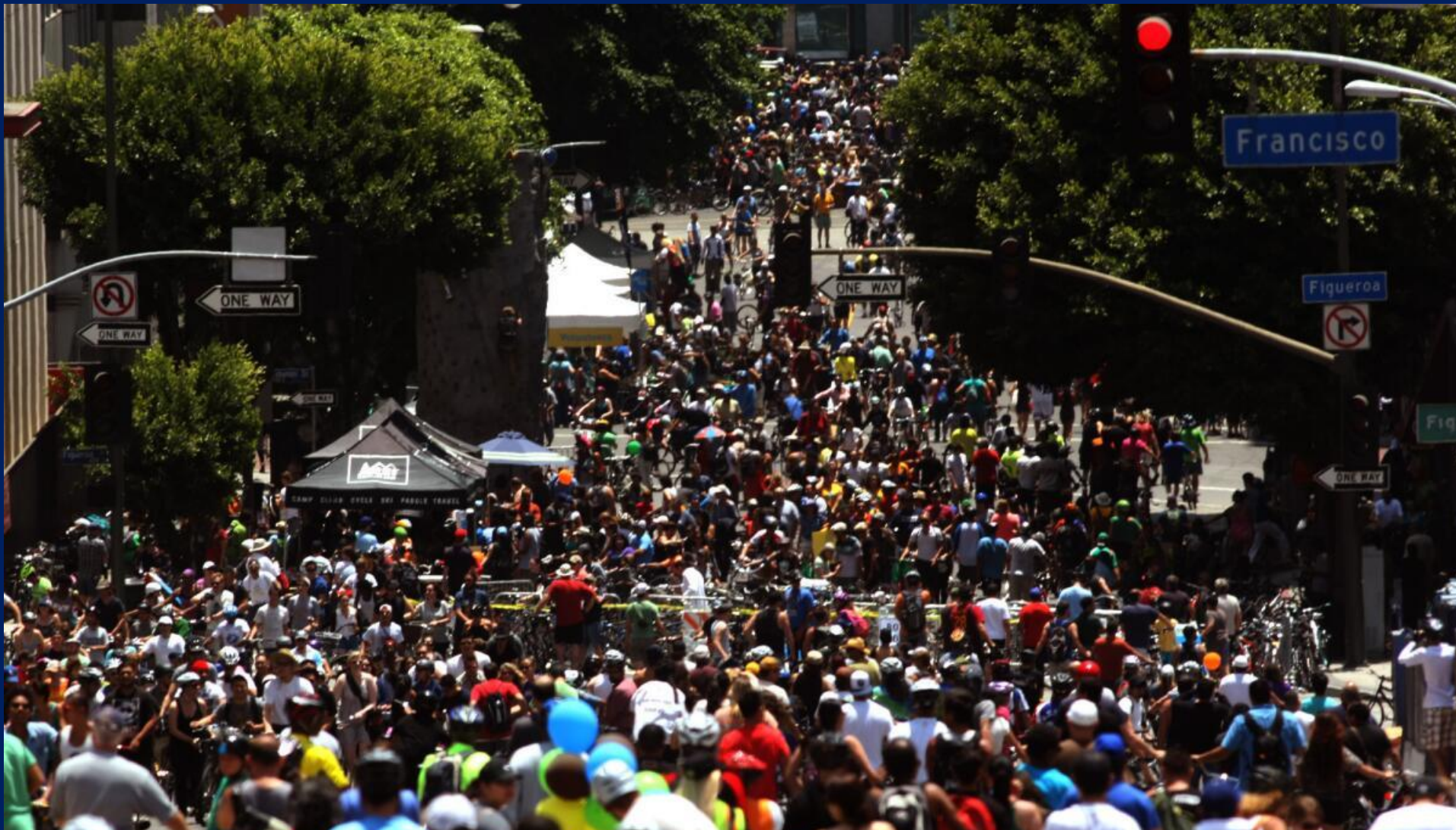
3. Real Estate Development



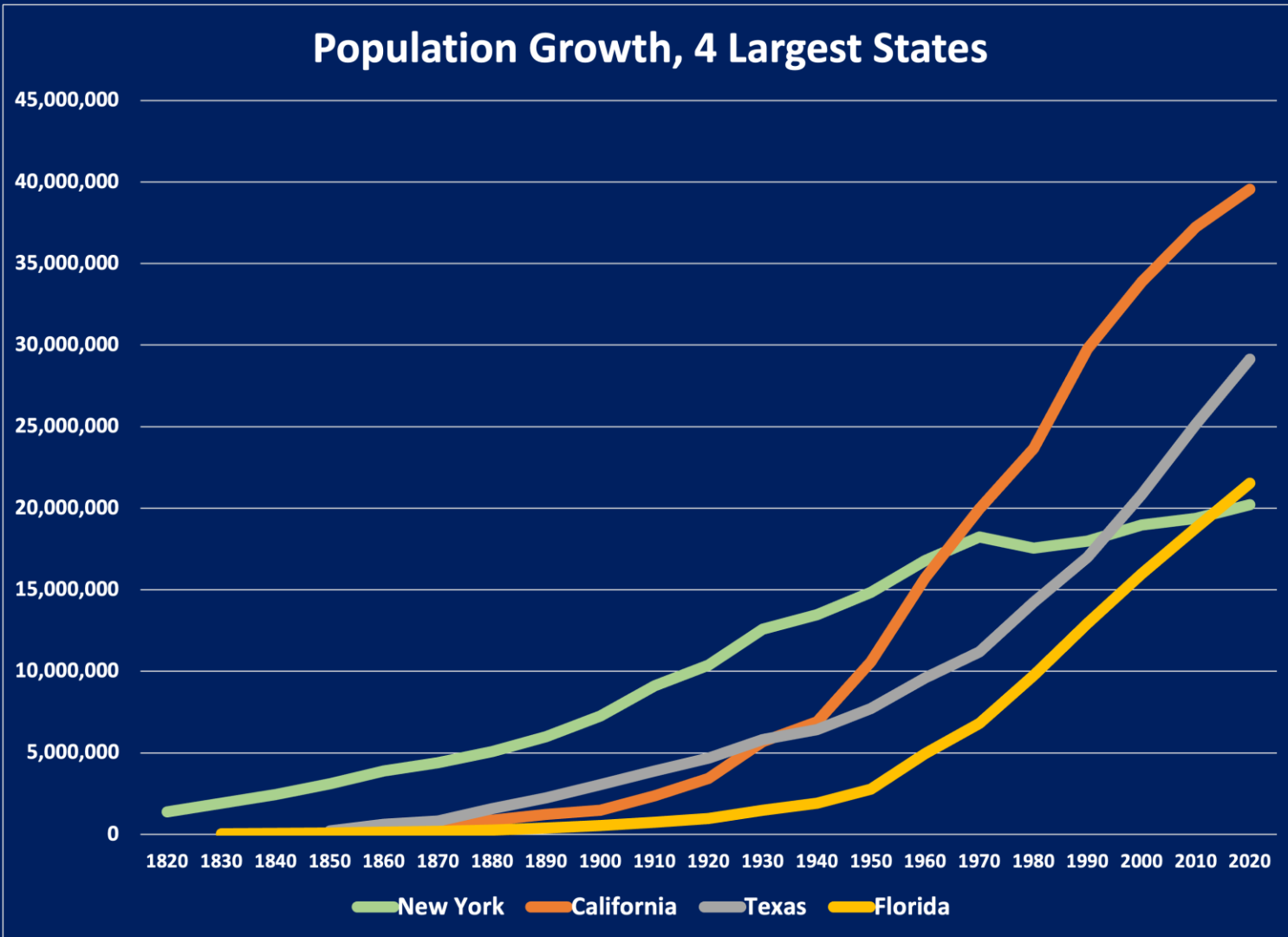
The Mistake California Makes

- In land use planning, we assume that #1 (population) and #3 (development) are the same
- We build our local government finance around #3 to accommodate #1
- But #2 (economic expansion) becomes more important in a low population growth environment

1. Population Growth



California's Population Growth Was Truly Extraordinary ... But It's Over



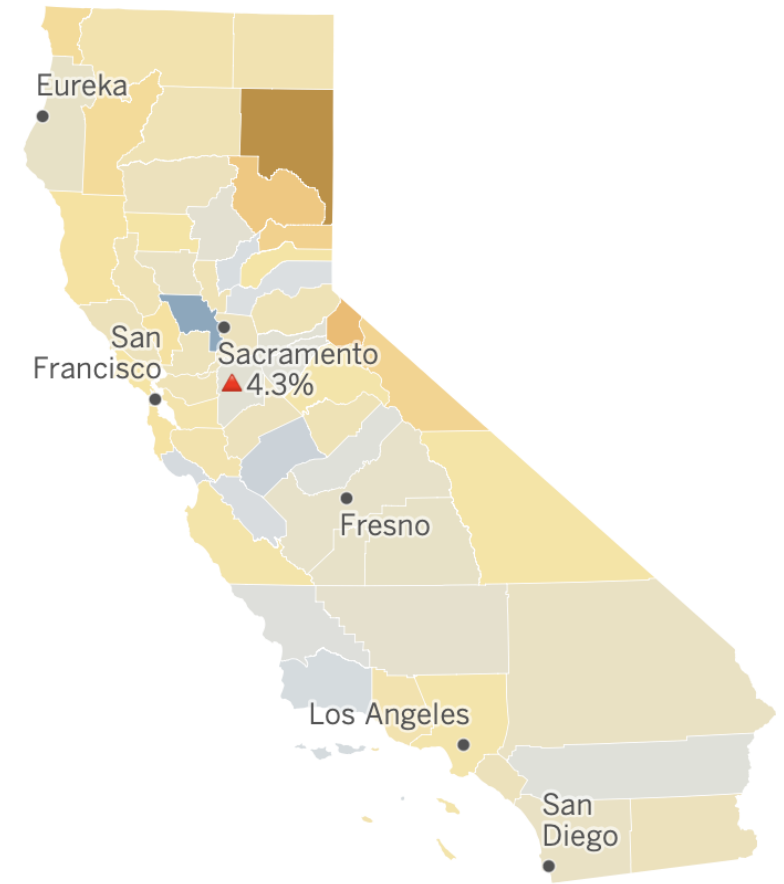
Yes, Inland
Population Growth
Is Continuing ...

Population change in California by county

The biggest population drops and gains were in rural counties between July 2021 and July 2022.

Change in county population from July 2021 to July 2022

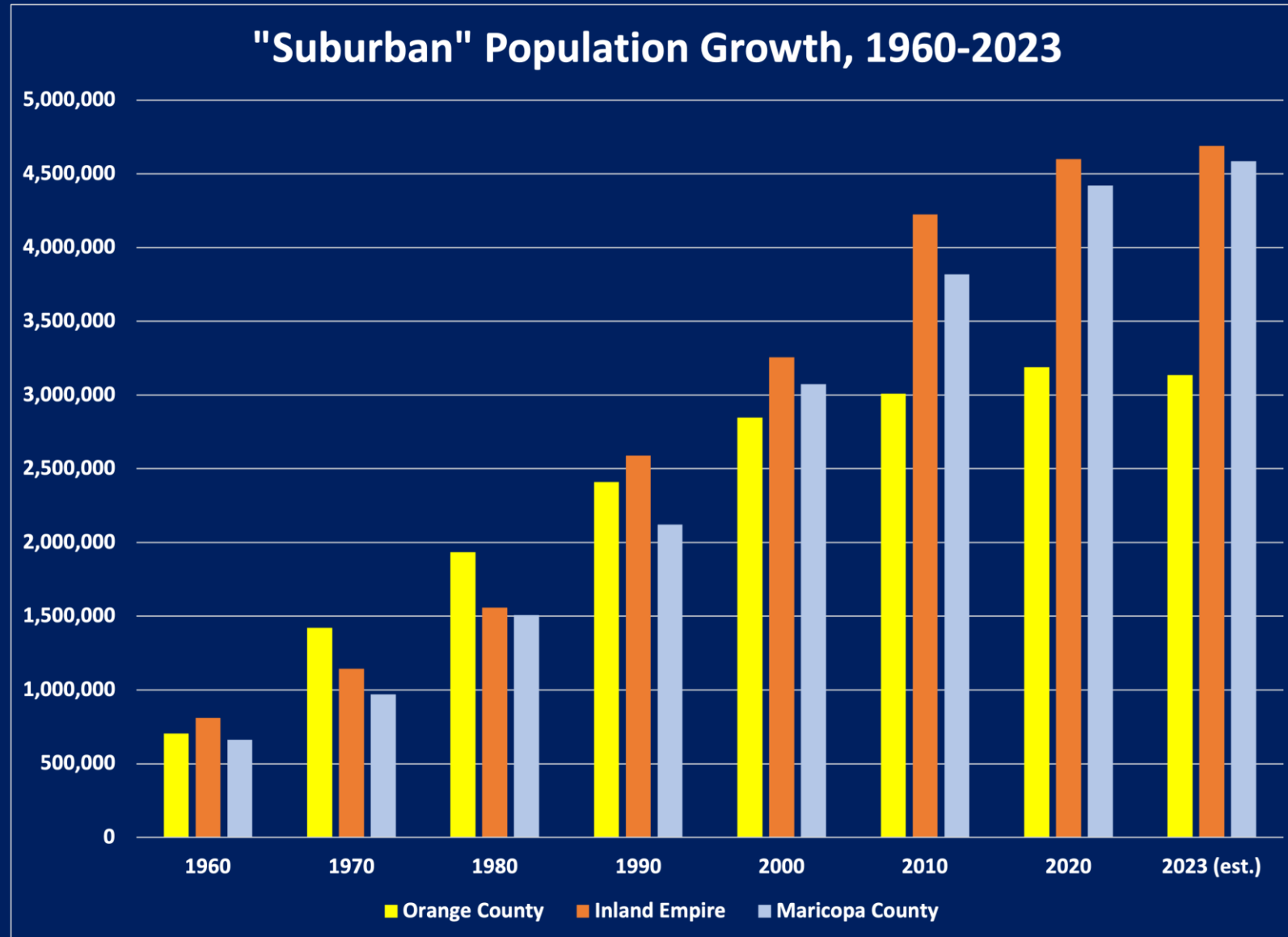
6% decrease No change increase of 6%



U.S. Census Bureau

Terry Castleman LOS ANGELES TIMES

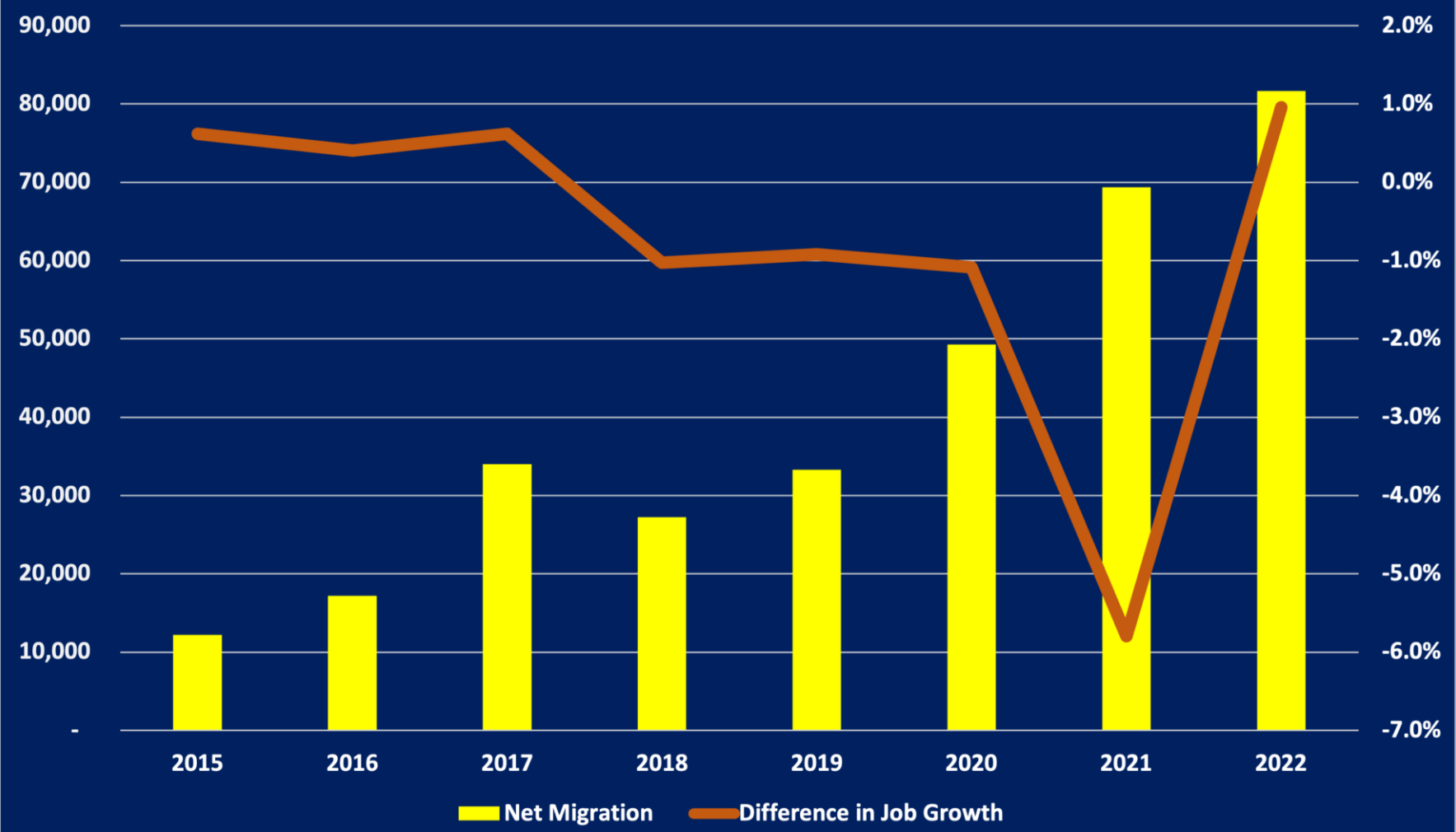
Long-term growth will slow down too, just like coastal areas



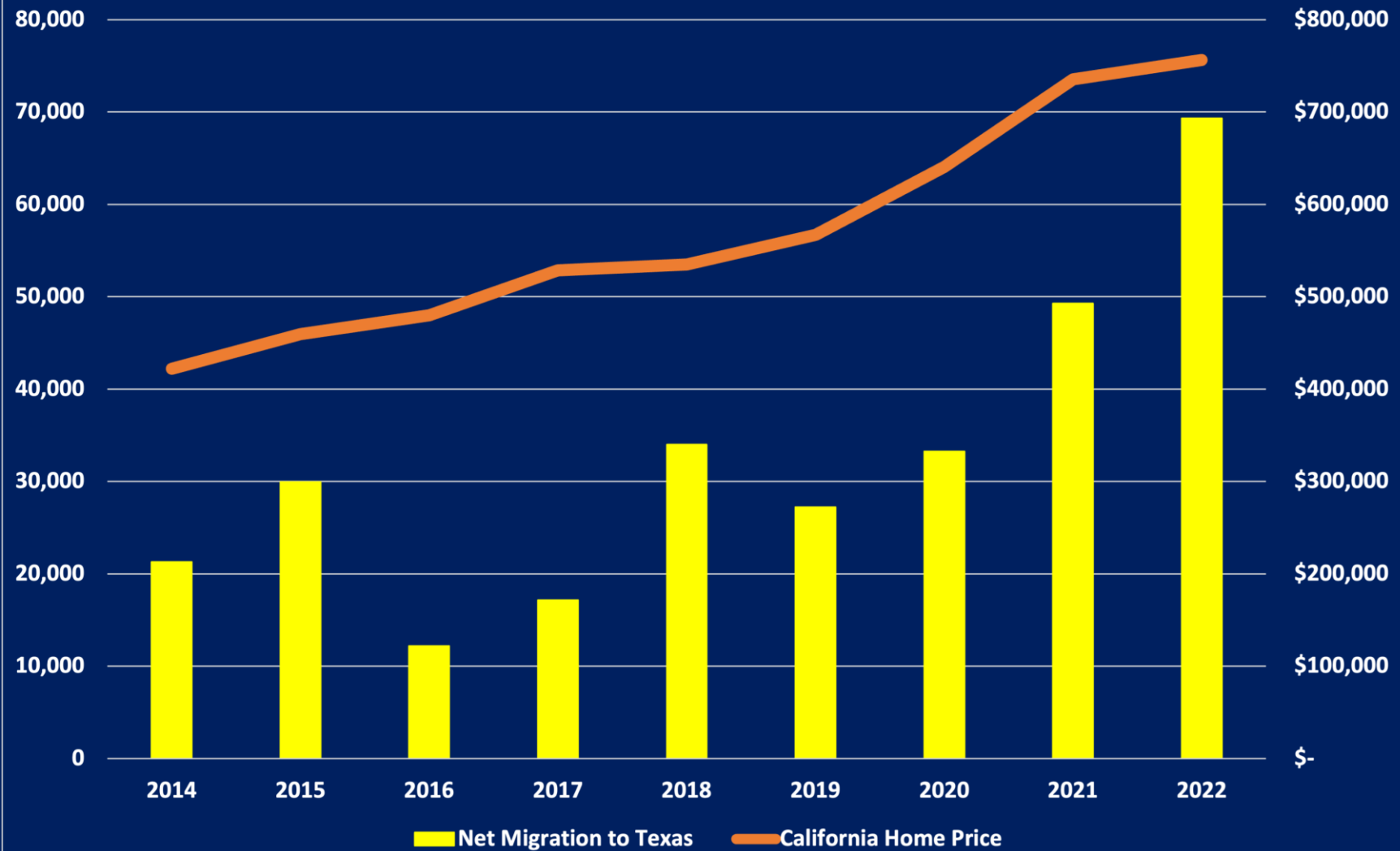
But There's A Difference

- Obviously **other regions in the US** have stopped growing in population.
- But that's because **they were in economic decline**.
- Our population stagnation is **the result of prosperity** – especially high housing prices – not economic decline.

Migration From California To Texas And Difference In Annual Job Growth %



Migration From California to Texas And California Median Home Price



In other words ...

- It's *not* the economy
- We *have* the economy

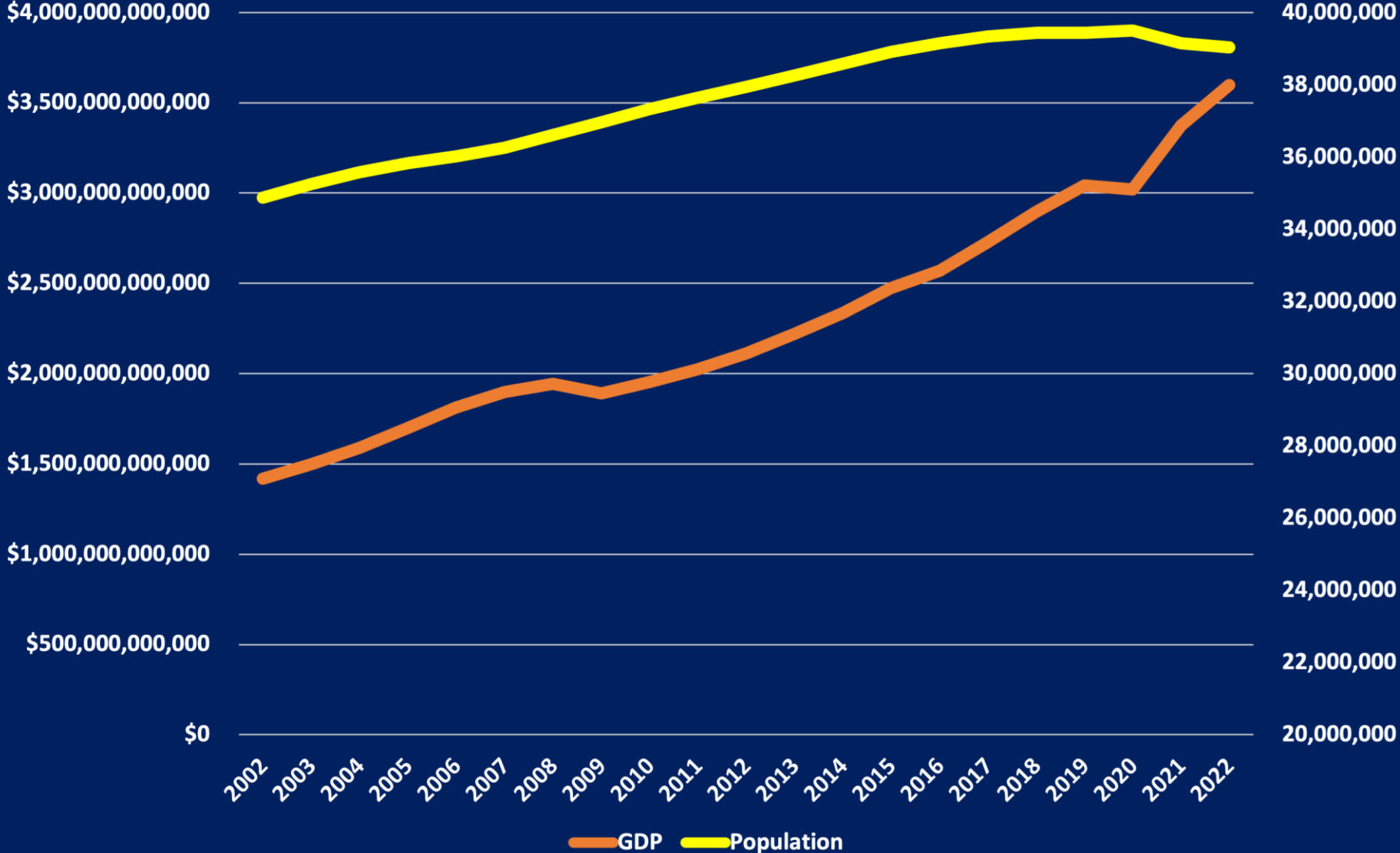
2. Economic Expansion



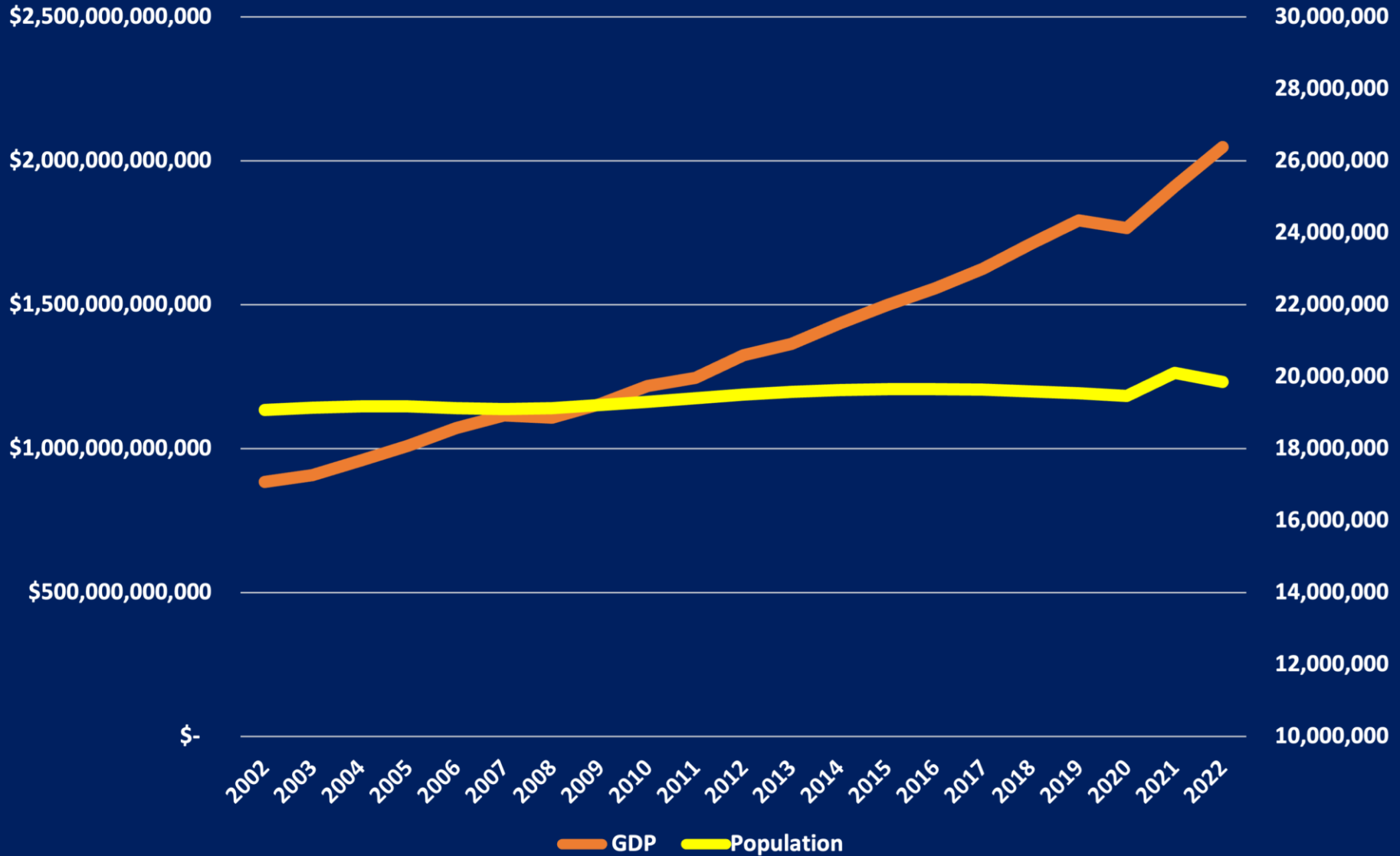
Understand the Difference ...

		Wealth Expansion	
		High	Low
Population Growth	High	LA (historically)	Las Vegas
	Low	Pittsburgh	Syracuse

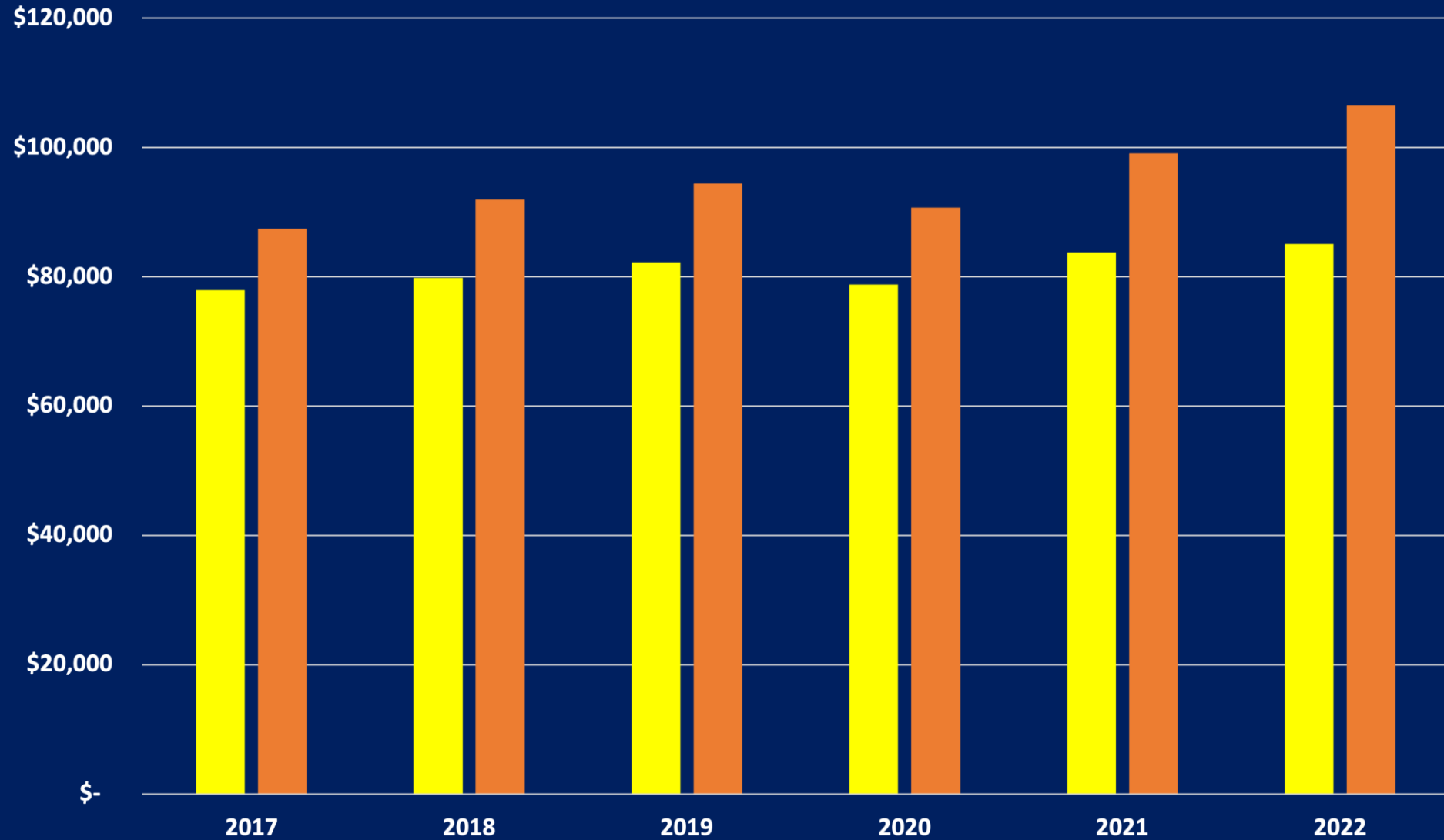
Population and GDP Change, California, 2002-2022



Population and GDP Change, New York State, 2002-2022



Per Capital GDP, Metro LA (LA/Orange) and Metro Pittsburgh, 2017-2022



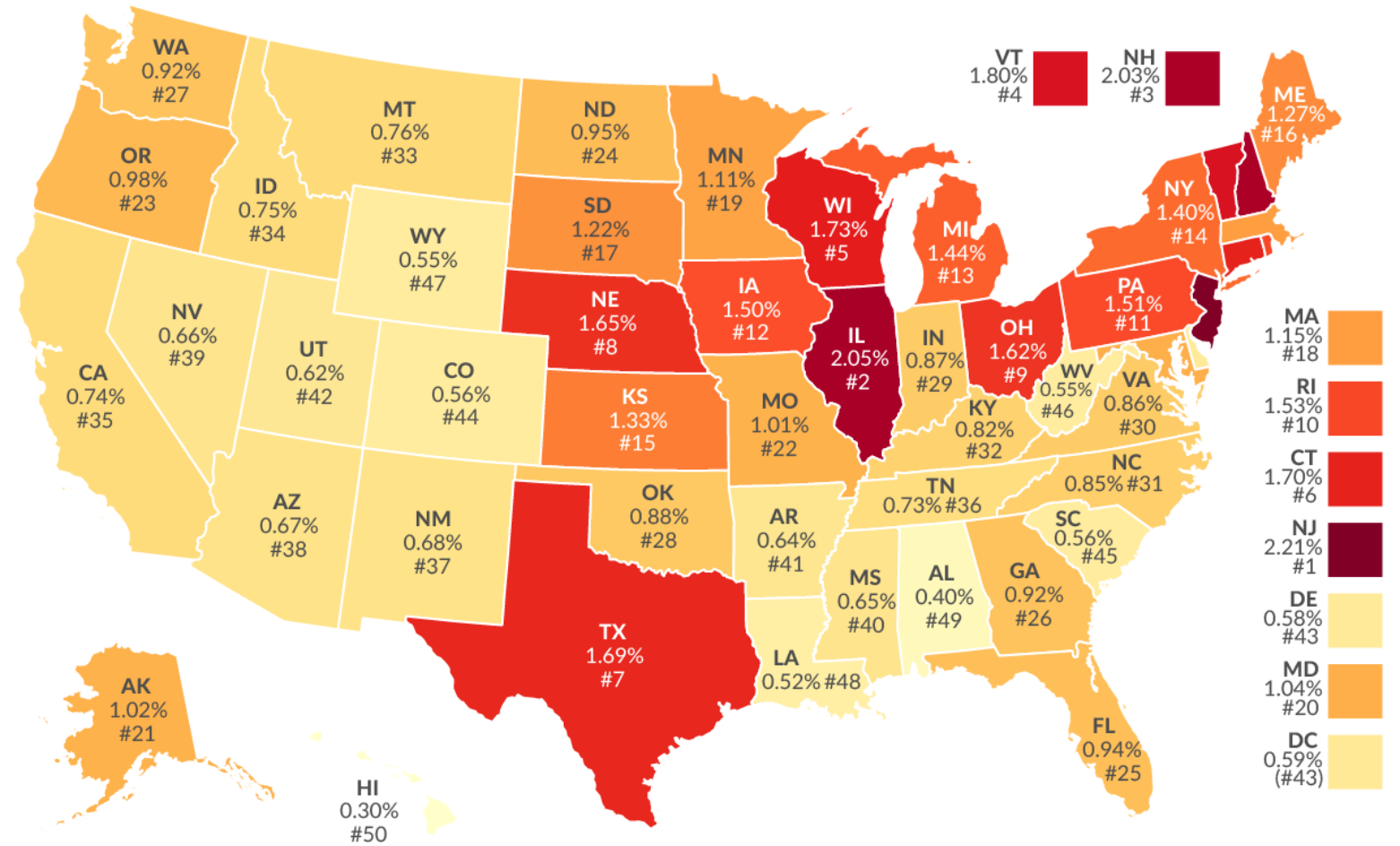
3. Real Estate Development



46 years later,
 Proposition 13
still drives
 everything

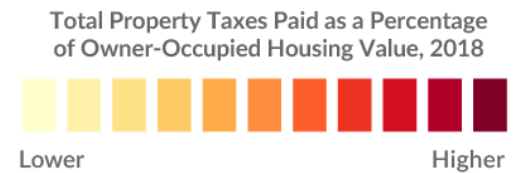
How High Are Property Taxes in Your State?

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2018



Note: The figures in this table are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Sources: U.S. Census Bureau, "2018 American Community Survey"; Tax Foundation calculations.





Development Agreements

Growth
must pay
for itself ...
and then
some!

What is a Development Agreement?

A *development agreement* is a contract. The parties are a developer and the city or county with regulatory authority over the developer's land use project. The agreement spells out what the developer must do to develop the project.

Why do developers like development agreements? They like knowing what the rules will be. This allows them to get financing and move forward with the project. They have fewer worries that new rules will be adopted that change the project's economics or practicality.

Why do such agreements make sense for the public? Such agreements allow restrictions to be tailored to the project in question. In addition, developers usually agree to provide benefits beyond what the public could expect through the normal regulatory process. Examples include parks, school facilities, and other public improvements.

General Concepts

A development agreement is voluntary. Each side has to agree to the terms. Once they do, both sides must honor these terms. If either side wants to make changes, the other is likely to seek some advantage in return.

Agreements usually cover a number of issues. This includes what kind of uses will occur on the land. The timeframe for the development is another important issue. Other elements are how many units will go on the property and the maximum height and size of proposed buildings. A key question is what kinds of public facilities and services will be available to the development.

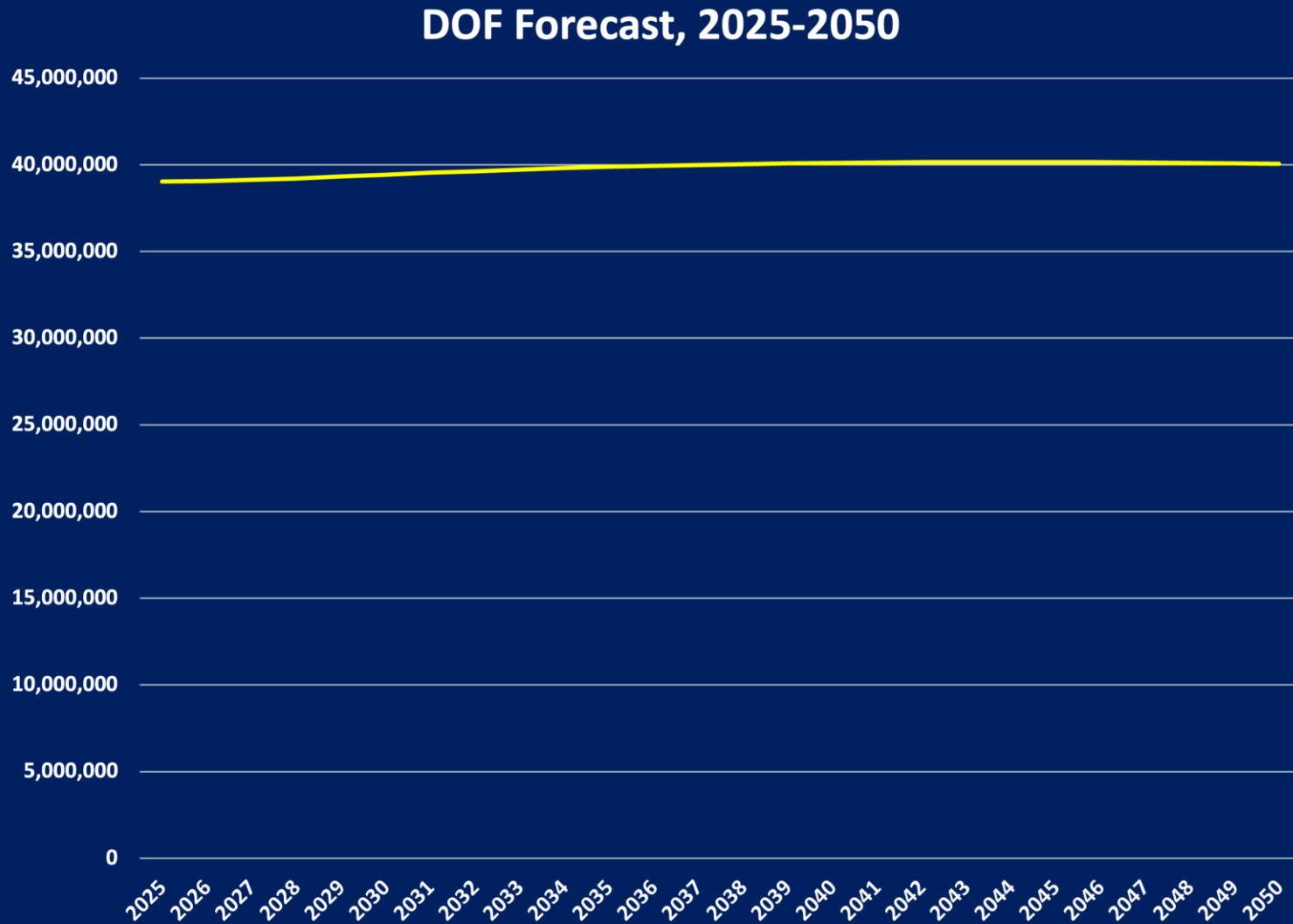
Decision-Making Process

California developers currently pay *at least \$1 billion a year in impact fees* (a conservative estimate)

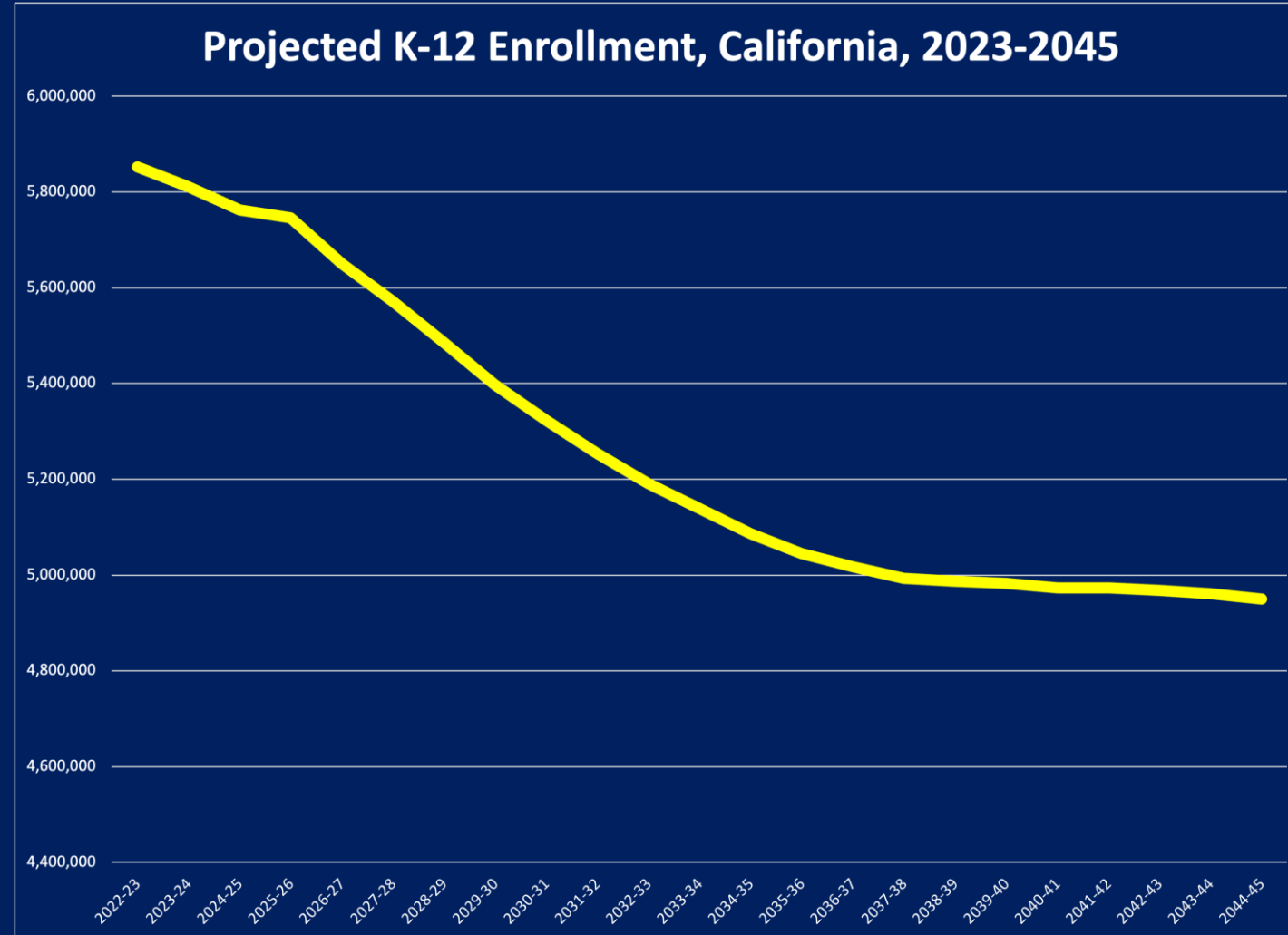
Top 10 Cities by Percentage of Revenue from Impact Fees

City	Percent
Rancho Cordova	16.20%
Elk Grove	14.20%
Mountain View	13.20%
Marina	13.00%
South San Francisco	12.90%
Fowler	12.80%
Sunnyvale	12.30%
Gilroy	11.70%
Fillmore	11.20%
Waterford	11.20%

But how can growth pay for **itself** if there's no growth?

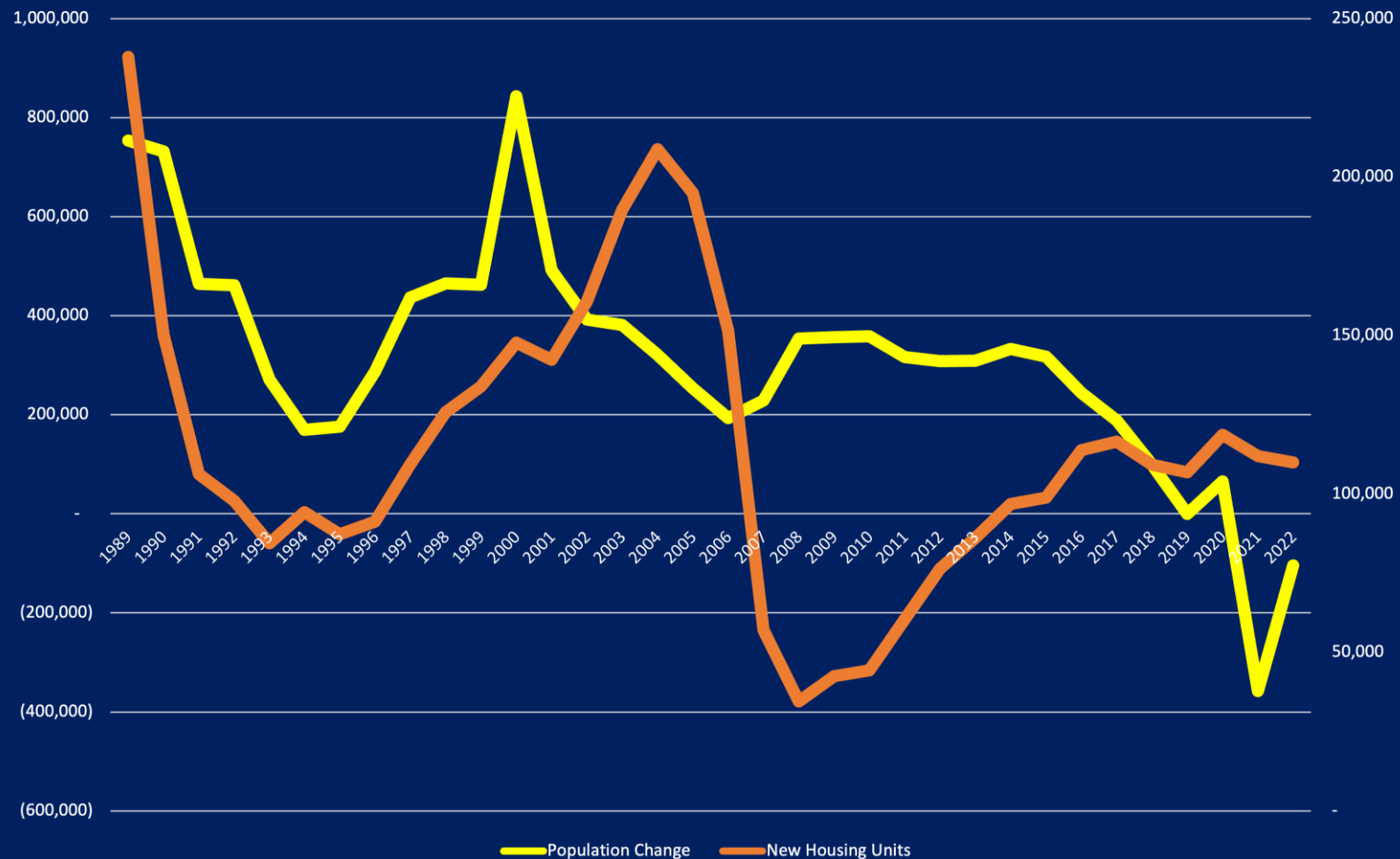


And how can we – or should we even try to – maintain our public infrastructure



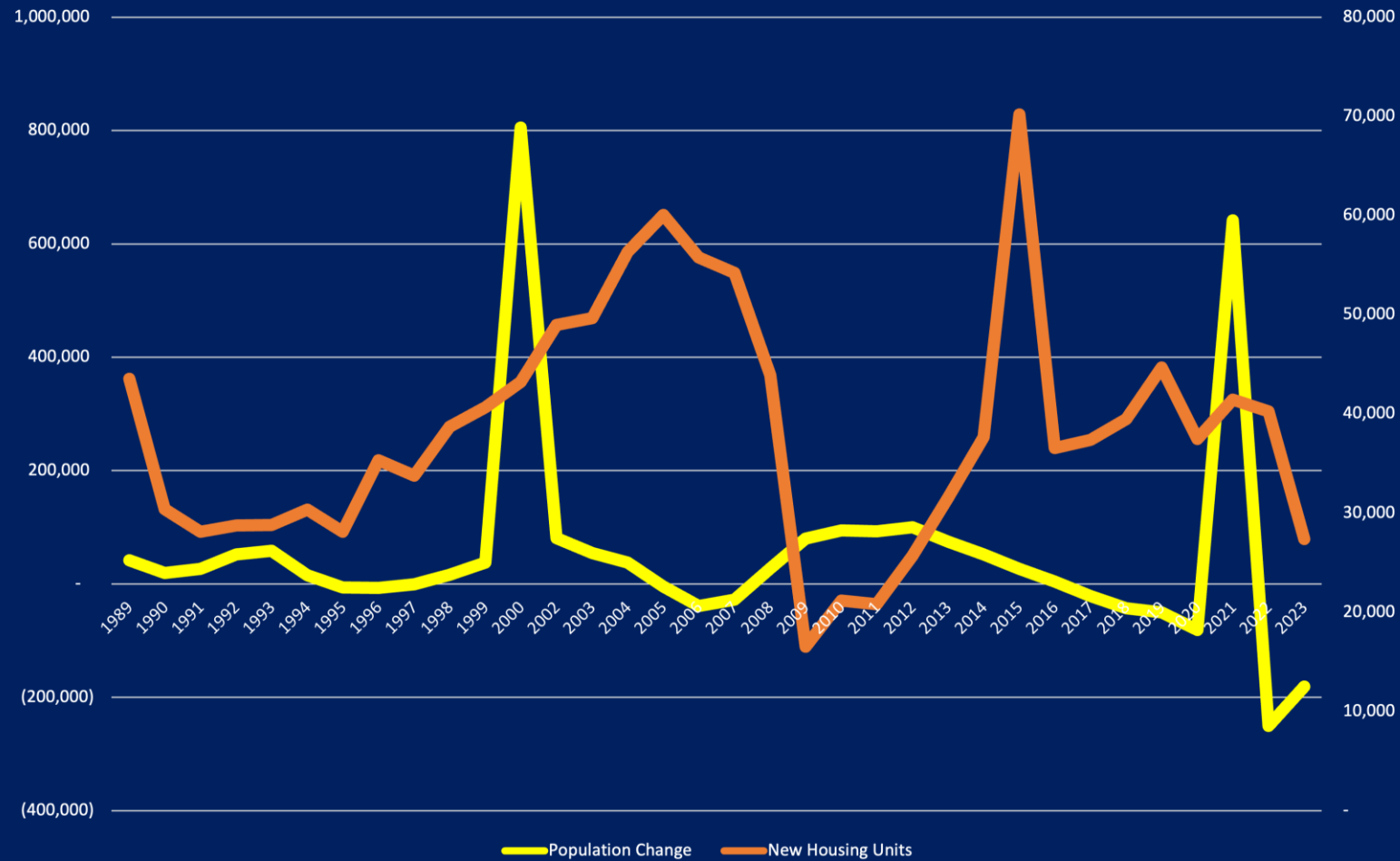
Population and housing are separating ...

Population Change and New Housing Units,
California, 1989-2022



And will **separate more** in the future

Population Change and New Housing Units,
New York State, 1989-2023



And infill housing **breaks the relationship** between development and impact fees



So what should we do differently?

The Keys to Thriving Without “Growing”



- Leave population growth to Las Vegas and Phoenix
- Focus on wealth creation, not population growth
- Don't try to live off of new real estate development, at least not in the same way
- Create more efficiencies in public infrastructure and amenities



CALIFORNIA PLANNING
& DEVELOPMENT REPORT

The logo for Western Financial Group (WFG), consisting of the letters 'WFG' in a bold, sans-serif font, centered within a white square with a grey border.

Thriving Without “Growing”: California’s Future

*Bill Fulton, FAICP
SCAG Demography
Conference
September 24, 2024*