

4.7.03

Stakeholder Dialogue Meeting Notes

Attendees:

Dennis Barry, Contra Costa County
Gary Binger, ULI
Andrea Cuse, City of Colma
Stephen Haase, City of San Jose
Bob Harris, PG&E
Eliot Hurwitz, NOAA/BCDC
Dan Marks, City of Fremont
Sunne McPeak, Bay Area Council
Val Menotti, BART
Andrew Michael, Bay Area Council

Leticia Miranda, CA Policy Reform Network
Larry Orman
Robert Paternoster, City of Sunnyvale
Michele Perrault, Sierra Club
Rachel Peterson
Gerry Raycraft, ABAG
Tom Steinbach, Greenbelt Alliance
Allen Tai, City of Alameda
Will Travis, BCDC

Item 1 – Convene Policy Conversation, Introductions, Agenda Review

Agenda revision: Presentation by Gary Binger of ULI task force smart growth recommendations placed first.

Item 2 - Smart Growth Report by Urban Land Institute, presented by Gary Binger

Introduction

- ULI assembled task force of statewide stakeholders representing economy, environment and equity to develop smart growth recommendations for state legislators; report recently issued.
- ULI now working with CFN and other statewide organizations to advocate for recommendations; seeking partners such as Alliance in effort.
- Beyond the 2003 legislative session, larger opportunity exists: shaping of OPR's Environmental Goals & Policy Report (EGPR). Groups such as Alliance can shape specifics of the land use policies and reform strategies that will be included in the EGPR. OPR under mandate from AB 857, but short-staffed and needs assistance from regional representatives.

ULI Report

-Report makes 4 economic incentive recommendations, 4 regulatory reform recommendations:

Economic incentives:

1. “Community Dividend” program. Provide additional state support to communities practicing smart growth
2. Target Caltrans transportation dollars. Model on MTC's Transportation for Livable Communities program
3. Tax increment financing at transit-oriented development sites. “TIF for TOD”. Enable tax-increment financing to go beyond the blight clause and be used for TOD, subject to certain conditions.
4. Fiscal incentives for housing. Allow local jurisdictions to swap sales tax for property tax.

Regulatory reform recommendations:

1. CEQA modifications to encourage infill. Similar to CEQA streamlining bill passed a few years ago for projects in downtown Oakland. *Note:* No consensus achieved within ULI task force about CEQA reform for greenfield areas; encountered opposition from environmental groups on task force (Planning & Conservation League, Endangered Habitats League).

2. Construction defect litigation reform. (*Note*: ULI will place this rec on back burner while legislation achieved in 2002 gets implemented and its effects monitored.)
3. K-12 schools. Capitalizing on \$13b bond passed in Nov '02, companion \$13b bond to be passed in Nov '04. Recommendation has two parts:
 - a. Use \$100m included in bond measure for flexibility in planning and developing joint facilities (eg, school + community center, affordable housing).
 - b. Alter state formula to enable flexibility in building design: build up instead of out. (*Note*: Location of schools (urban vs suburban) not addressed by task force.)
4. Eliminate barriers to brownfields redevelopment. Via improved agency coordination and by using federal standards for liability exposure (model on new federal legislation passed in 2002).

Discussion:

Process note: Stakeholders agreed to express individual views on ULI recommendations. Views expressed by local government staff are not official positions.

Sierra Club:

- Would have questions and concerns about several recommendations: CEQA reform, construction defect litigation reform, brownfields redevelopment reform, and K-12 schools planning.

BCDC:

- Commission will be hesitant, but Executive Director would be willing to go out on a limb in support of ULI recommendations.

Greenbelt Alliance:

- CEQA reform: the devil will be in the details.
- Other concepts look fine.

PG&E:

- All concepts look good, willing to work toward consensus on all of them.

Contra Costa County:

- Board already supports AB 1221 (tax revenue swap)
- Need to be realistic about fiscal incentives in today's budget environment
- Schools: how schools are delivered – planning, design, construction – must be carefully thought through and understood before reform is attempted.

Colma:

- Fiscal incentive ideas are fine; need time to review regulatory reform ideas.

Alameda:

- Incentives are good but city would be concerned about the penalties if it wasn't able to meet state-mandated standards.
- Alameda would be concerned about brownfields development reform if it negatively affects potential for redevelopment at Alameda naval base.

ABAG:

- Community Dividend program will only be supported by local governments if it involves new funds
- Tax swap also OK if no funds are lost.

San Jose:

- Concerns about reality of incentives in the current fiscal environment.
- CEQA reform will be delicate; must be sure that it will actually work to incentivize TOD projects.
- K-12 schools: Major questions remain about how to integrate land use planning with school planning. School districts are big developers; opportunity exists but will be challenging to coordinate.

Fremont:

- Local governments now 100% preoccupied with money; even a remote chance of taking away funds would be vehemently opposed.
- Fremont would support TIF for TOD idea because it is planning to build 2 new BART stations
- CEQA reform: a qualified yes, but what are the details?
- Schools: What about the universal pain of working with school districts? Very hard to partner with them.

BART:

- Would likely support TIF for TOD
- Board would likely be willing to consider all 8 recommendations; no guarantee of support.

NOAA:

- Don't miss the Environmental Goals & Policy Report opportunity!

Bay Area Council:

- Would likely support all in principle, esp TIF for TOD, fiscal incentives for housing, modification of CEQA for infill (and examine greenfield applications as well), K-12 schools, brownfield redevelopment.

Process Q: General agreement about the concepts is clear, but most Stakeholders also acknowledged that details will make the difference between support & opposition. How to take the next step of getting to finer details while incorporating all Stakeholder concerns?

-Group appears ready to move to next step, plus the strength of Alliance as a diverse stakeholder group will impress Sacto legislators.

Stakeholder Consensus:

- 1. List of 8 ULI recommendations are worthy of exploration (and similar to ideas Stakeholders were already discussing).**
- 2. Group is ready to detail areas of concern.**

Process proposal:

Achieve finer detail by:

1. Working on wording of *Draft Memo* to Sacramento legislators, eg using the ULI report as a basis for language about specific concepts.
2. Start meeting with sympathetic Sacramento leaders, eg Pat Wiggins

Comments:

-Packaging of bills could make a big difference in gaining environmental community support. For

example, a CEQA reform bill would have better shot at success if paired with a strong smart growth planning bill.

-Will these eight bills get the region to realize the vision? Yes, in a piecemeal fashion, but the Alliance has larger fish to fry, eg returning to major questions about overall regional growth.

-Legislative procedure Q: How do we know Alliance Stakeholder comments will affect the bills? Many are already written; Alliance wasn't in on ground floor; language keeps changing.

-A: Stakeholders can agree to write alternative bill language, shop around to legislators.

-Beyond the 2003 set of bills, OPR's Environmental Goals report presents a BIG opportunity to shape long-term land use policy. Stakeholders could meet with OPR staff, begin to assist them.

OPR process:

- Inviting input from Collaborative Regional Initiatives
- Would be powerful to give Alliance's joint input
- Report will recommend regulatory and legislative changes, similar to ULI.

Alliance process comment:

-Stakeholders decided at first meeting to focus on low-hanging fruit; have reached agreement on some concepts that are now in the Draft Policy Memo. Now time to move back to the bigger questions that were originally set aside, with an attempt to itemize Stakeholder differences.

To do:

- **Continue working on the Draft Policy Memo:**
 - Preamble: Ensure that it provides context of Stakeholder Dialogue.**
 - Discussion of bills: Integrate Stakeholder comments into discussion of bills. -Bring text from Policy Concept document to show which bills are being referred to.**
 - Craft a joint statement on ULI concepts.**

Andrew Michael, Eliot Hurwitz, and other Stakeholder representatives will continue working on the Memo.

Item 3 – What would get the region to realize the smart growth vision?

Process note: With low-hanging fruit partially defined and agreed upon, Stakeholders agreed to return to major questions and further itemize their areas of disagreement.

Process Q: OK to address major questions among Stakeholders rather than limiting group to Alliance Steering Committee?

A: Yes, OK to air issues and understand differences at Stakeholder level.

Major questions for Stakeholders:

1. How much housing growth is realistic and where will it go (infill vs greenfields)?
2. How much economic growth do we want and where do we want it?
3. Are we prepared to rethink land use decision-making and authority? Or, how can we improve the current system?
4. How much are we willing to reform fiscal structures in order to encourage smart growth? (possible rephrase of Q3).

Specific question for local governments: What would it take to generate broad public support that would enable local governments to build higher-density, compact growth?

Stakeholder Comments:

Responses to Q1 & Q2:

-ABAG Smart Growth Vision: used the “current trends” case to project jobs and housing growth; jurisdictions aren’t even planning for that. Current trends haven’t been fully embraced by the Environmental E; do we accept the projections? Or try to change them?

-ABAG vision and Contra Costa County’s Shaping our Future are on the right track to accommodate growth within tighter urban limit line. However, commuting from outlying counties could throw off achievements – don’t know whether CCC’s process will ultimately be successful.

Responses to Q3:

-What about removing discretion over aspects of projects at the appropriate level? Eg, let locals adopt objective standards for new growth OR elected to have state standards apply. Takes the heat off locals, acknowledges that there are larger state goals.

-Great idea but how to get there? Seems very politically challenging to implement.

-State mandates removing discretion can remove heat from locals but a state agency with different purpose calling the shots can backfire.

Responses to Q4:

-Locally electeds respond more to local residents than to regional organizations; recent faith-based organizing in Fremont, Tri Valley is having a significant impact on local decisions.

-No solid research proves that housing is a net fiscal benefit – not a supportable argument when trying to approve new housing.

Group Consensus Q: Does any Stakeholder oppose increasing state support to jurisdictions that build their share of housing?

Local government response: As long as new source of revenue is not taken away in the future, as happened with the vehicle license fee.

-*Strategy comment:* Political strategy to accomplish any of the above will depend on whether there’s a core of powerful interests that want and need to change the targeted behaviors. Can a strong case of interdependence be made? Can interests be convinced that we’ll be better off by joining forces?

-Fundamental change in local government structure is brought about by either:

- a) Public outrage over (mis)management of a natural resource (Lake Tahoe, SF Bay, CA coast)
- b) A charismatic political leader

Example: A successful regional “urban growth boundary” saved SF Bay: regional consensus was struck about interdependence and need for joint action. Local governments gave up rights to develop close to Bay.

-There is a vacuum of state leadership on land use!!

-Are we placing too much emphasis on fiscal issues?

What-if proposal:

What if Bay Area's current regional agencies were combined into one new one with narrow powers to perform the balancing act on land use that local governments do now?

What if the new regional agency defined where and how to develop?

What if the new regional agency has a strong local presence on its elected board?

What if state agencies have to follow the new regional agency's path with directed infrastructure dollars?

Responses to what-if proposal:

-People fear new bureaucracy most. But there could be traction for sensible agency reform.

-Leave individual project decisions off the table.

-But such issues are always left off the table by special interests – the fear of losing control over individual project decisions is used as a foil, and the debate is lost. That wouldn't be in the regional agency's powers – never even bring up the specter of it happening. Have a regional agency conversation that doesn't even approach local authority.

Question posed to local governments: Will you meet the housing numbers you are projected to need by 2020?

San Jose:

-San Jose is experiencing a worrisome local political trend: District elections. Combined with term limits it's bringing parochial mindsets into power. Land use plans will show that city is planning for projected growth but more likely it won't be realized.

-Private sector is not building housing in current economy; 50% of all housing now being built and subsidized by San Jose. And costs are rising further because of new City Council demand for Community Benefit Agreements.

Q: Aren't local governments the equivalent of district elections within the full region?

A: Effectiveness and desirability depend on the size of the government body. At some point, especially when discussing regional scale, at some point the structure becomes unwieldy & ineffective.

-Key would be to figure out decisions that could be made regionally and then aligning state agency actions.

-Some case for regionalization could be made if a new model were proposed.

Q: Here's a case for interdependence: Regional trends are bad with 110 jurisdictions planning independently. How would San Jose change that? What new set of authorities would you design to help San Jose?

A: Align city's ability to raise revenue for its own infrastructure. Allow tax swaps with neighbors as currently proposed.

Fremont:

-It would help to have political cover via state requirements & lawsuits. BUT it would be more powerful to have an answer to the question of what's in it for us?

-Fremont would respond well to serious fiscal incentives – eg even withholding gas tax until housing projections are met.

-Fremont could meet projections technically through higher densities and reuse of land. But that is politically challenging, and likely won't meet projections because there is no incentive or penalty to build housing.

-15-20 units / acre pencils in Fremont now; not 35 units / acre.

Closing comments on the housing challenge:

-Environmental E: Acknowledges the difficult of achieving regional housing projections via infill, as local government comments and Alliance groundtruthing project in 2002 revealed.

-Challenges to building housing: High vacancy rates, drop in rental rates. Developers have to find 7-8 sources of financing. High-priced infill townhomes not always comparing well to greenfield homes for consumers.

-Fewer financing sources available, means that projects are more homogeneous – fewer mixed-use projects are appearing.

-Moderate rate attached infill projects need lower prices, equally desirable neighborhoods in order to compete with detached suburban home + commute.

-Two demographics still interested in infill: 1) new immigrants to under-invested communities, and 2) first-time buyers for whom a townhome + walking to work is a good option.

Next meeting: Monday, April 28, 5-8 pm, ABAG

Topics:

- **Review next draft of Policy Memo**
- **Continue discussion of major questions about how region should grow**