1978

Environmental Goals and Policy Report

AN URBAN STRATEGY FOR CALIFORNIA

State of California

OFFICE OF PLANNING AND RESEARCH

Bill Press, Director
Michael L. Fischer, Deputy Director

Charles E. Brandes, Senior Policy Analyst

Principal Professional Contributors:

Michael L. Bledsoe
Dean J. Misczynski
Hans Pike Oliver

Contributing Professional Staff:

Carolyn Burton
David Calef
Dennis Castrillo
Annette Chaplin
Robert Chung
Katie Easterwood
Lawrence Hynson
Marie Jobling
Loni Mahan
Robert I. Remen
Barry Steiner
Terri Thomas
M. Woodrow Wilson
Carol Yamamoto

Support Staff:

Janet Barbaria
Karen Becker
Laura Elliott
Dawn Inman
Carol Murray
Marla Weidell
Jo Ann Willis

And others of OPR's professional and support staff.

Illustrations: Gabriele von Rabenau
Photographs: Pages viii, 6 and 28 by George Hall; Page 12 by Bill Owens
Graphic Design: John Beyer

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An Urban Strategy For California

February 1978

Office of Planning and Research
1400 Tenth Street
Sacramento, California 95814
(916) 445-4831

EDMUND G. BROWN JR.
GOVERNOR

State of California

GOVERNOR'S OFFICE
SACRAMENTO 95814

February 9, 1978

Dear Californian:

California is a land of promise—and much of that promise still lies in our cities.

The city and the suburb are home for 94 out of 100 Californians. And California's urban population will continue to grow dramatically, at least for the remainder of this century.

How to meet the needs of more people in California, while at the same time respecting fundamental limits on our tax dollars and natural resources is one of the inexorable challenges we face.

This Urban Strategy begins to meet that challenge. It gives focus to thousands of individual decisions which will affect California's cities and suburbs by directing state and local governments toward a common purpose: the revitalization of existing cities and the sound management of new urban development.

The preparation of this document involved many citizens, neighborhood organizations, local officials, state agencies, and representatives of organized labor and private business. If it is to succeed, that cooperative effort must continue.

I invite your active participation.

Edmund G. Brown Jr.

EDMUND G. BROWN JR.
Governor

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An Urban Strategy For California

Introduction

California's cities and suburbs are relatively new and not now experiencing the massive blight of some eastern cities. But signs of potential trouble—high unemployment in the inner cities, boarded-up buildings, inadequate schools—are already visible.

This report, a partial update of the Environmental Goals and Policy Report of 1973,* attempts to identify government actions which can be taken to revitalize California's urban areas, both cities and suburbs. It also recommends positive steps to provide for necessary new development and protection of the state's natural environment.

*In 1970, the Legislature directed the Governor to prepare—and regularly revise—a State Environmental Goals and Policy Report. (California Government Code Sections 65041 and 49) The Environmental Goals and Policy Report is intended to articulate the state's policies on growth, development and environmental quality; to recommend specific state, local and private actions needed to carry out these policies; and to serve as the basis for the preparation of the state's functional plans (such as housing, transportation, air and water quality) and for locating major projects such as highways, water projects and university facilities.

Although this report focuses on issues involving the use of land, other aspects of urban life are also discussed. Proper land use can stimulate construction of adequate housing, encourage job-producing commercial and industrial growth, save energy and reduce the need for new power plants and provide for a reduction in pollution. But other urban needs, including adequate law enforcement, good schools, accessible recreational and cultural activities and efficient government, must also be encouraged. So this report offers specific actions affecting the spectrum of urban life. Some of the recommendations are already included in the Governor's proposed 1978-79 budget. Others will require legislative or administrative action.

Since this is a study of California's urban needs, issues involving the state's non-urban areas are not specifically discussed. Subsequent reports will deal with proper management of non-urban land.

The policies and actions set forth on the following pages are directed primarily to California's metropolitan areas: San Diego, Los Angeles, San Francisco, Sacramento, Stockton, Fresno and Bakersfield. More than 90 percent of the state's population lives there. But these policies apply to any size community where urban problems involving deterioration, new development and interjurisdictional conflict are found.

Many people were involved in the development of this Urban Strategy. The public review draft, published in May 1977, was prepared under the guidance of an Urban Development Advisory Committee composed of representatives from local government, labor, business and public interest groups. Several thousand people attended the 13 public workshops held in every part of the state. Fifteen thousand copies of the draft were distributed, resulting in several hundred thoughtful letters and hundreds of responses to the questionnaire included in the report. Three public hearings were held by the Local Government Committees of the State Senate and Assembly. Dozens of special meetings—large and small—were held with the members of many organizations. Every member of the Cabinet, and many state departments, contributed advice. The lessons learned during the public review process have greatly influenced the preparation of this policy document.

While this report was being prepared, the Administration and the Legislature undertook a substantial program to support and improve California's cities and suburbs. Among the new programs were the following:

— SB 7 (Holden/Hughes): The strongest anti-redlining legislation and regulations in the United States.

- SB 514 (Marks): Five-year forgiveness of increased property taxes resulting from housing rehabilitation (conditioned upon voter approval of Constitutional Amendment).

- AB 1070 (Special Subcommittee on Aging—Chel, Chairman): Allows moderate-income senior citizens to defer payment of property taxes until transfer of house.

- AB 1428 (Papan): Authorizes savings and loan associations to experiment with alternative types of loans, including variable rate loans, to encourage home purchases.

- New Cal/Vet home loan policies to encourage home purchase and rehabilitation in older neighborhoods.

- AB 1211 (Fazio): Establishes Sacramento's Capitol Area Plan to create an urban conservation/rehabilitation showcase for the entire state.

- SB 174 (Roberti/Z'berg), AB 924 (Gualco), and AB 1 (Agnos): Together allocate $115 million to purchase parks in urban areas.

- AB 884 (McCarthy): Streamlines state and local permit process.

- Accelerated Clean Water Grant Program: Grant commitments made over 30-month period for nearly $2 billion worth of projects creating 48,000 labor-years of jobs.

- AB 532 (Wornum) and SB 885 (Rodda): Enables voters in Napa, Sonoma, Marin, Santa Cruz and Sacramento Counties to enact a ½¢ sales tax to fund public transit.

- Caltrak: Fastest-growing passenger rail service in the nation made possible between Los Angeles and San Diego; significant state assistance to provide new service between San Francisco and Sacramento.

- SB 933 (Dunlap): Loans to developers of housing for low-income persons in urban areas for "front-end" housing costs (e.g., architectural and engineering fees, site preparation, permit fees).

- California Housing Finance Agency loans: Assisted with 3,000 low-interest mortgages; financed construction of 950 units of low-income rental housing; and issued the first $25 million in bonds to provide reduced cost financing for the purchase and rehabilitation of homes in 17 designated communities.

— SB 370 (Deukmejian): Mandatory sentence for violent crimes against elderly or severely handicapped.

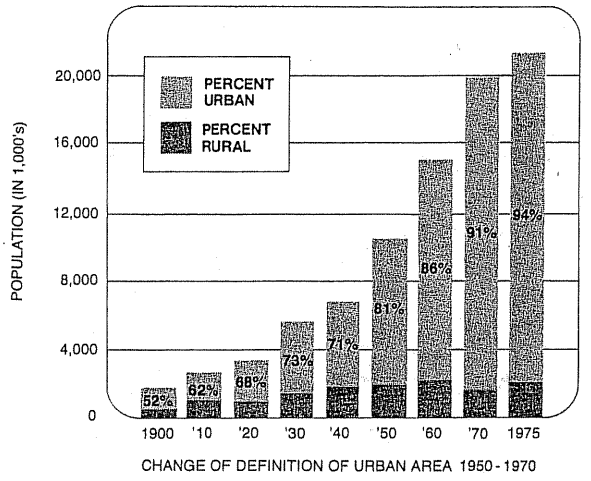
— SB 518 (Holmdahl): Mandatory sentence for parolees who repeat violent crimes.

— SB 2137 (Holmdahl): Mandatory sentence for repeaters of serious crimes.

— AB 65 (Greene): Major school reform legislation which provides property tax relief, equalization of aid, and programs to improve the quality of urban schools, especially for those students with special needs.

These new programs are consistent with the policies of the Urban Strategy and together they constitute a substantial commitment to solving the problems of the state's cities. This report recommends many additional actions and attempts to provide a general framework for the future development of California's cities and suburbs.

The Urban Strategy is based on one overriding principle: government alone cannot solve our urban problems. The future pace of the state's economy and its physical environment depend on cooperation between public agencies and private enterprise. Government should advise, encourage, and lay down minimum rules. Government programs which needlessly restrict necessary development should be modified. At the same time, local and state agencies must continue their vigorous efforts to protect and improve California's natural environment. A strong partnership between government at all levels and the private sector is necessary to guarantee the future health of the state's economy and environment.



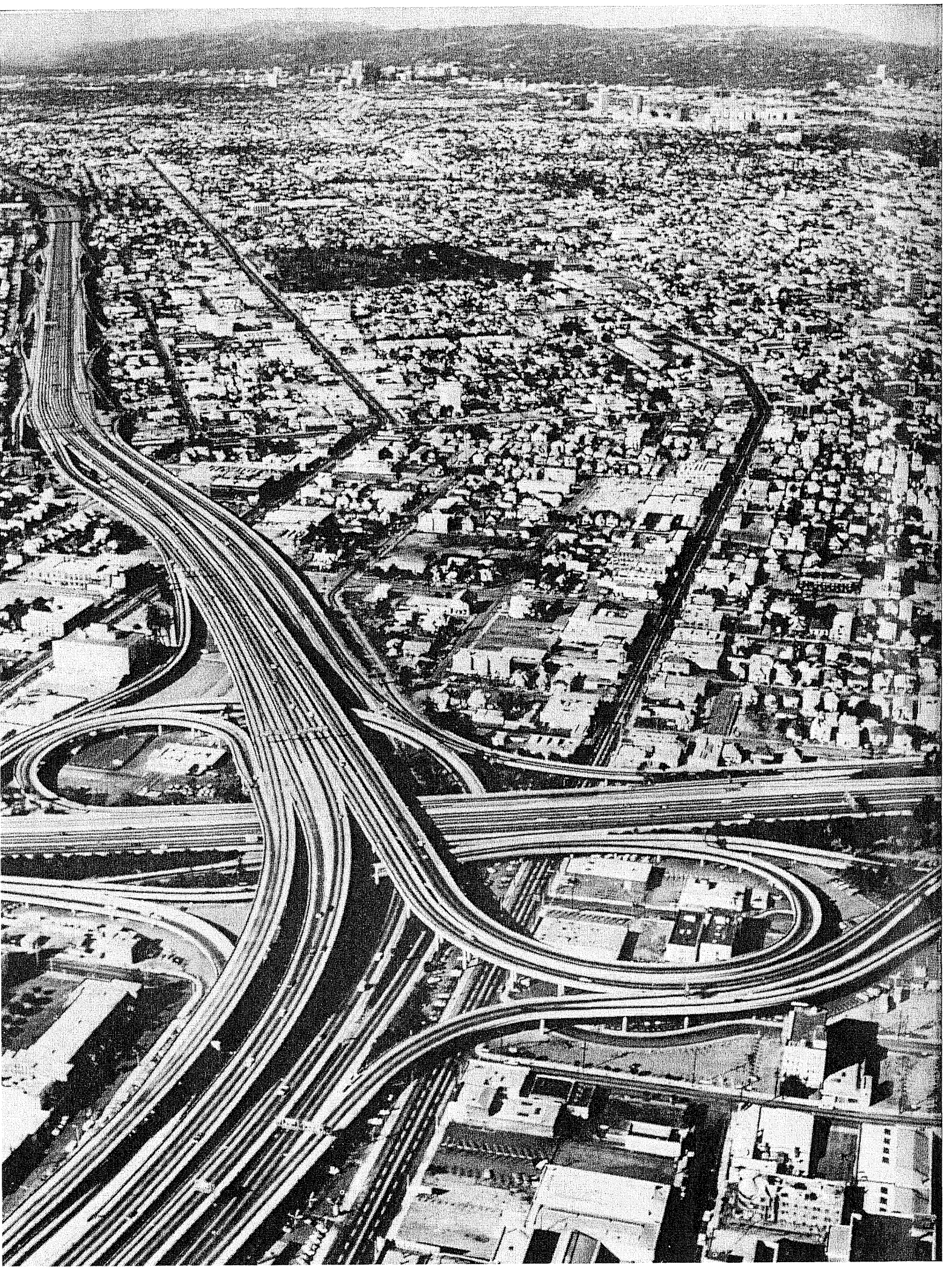
California population: percent urban residents, 1900 - 1975

SOURCE: *U.S. Bureau of the Census, Population Characteristics 1900 - 1970, 1975 estimates*

NOTE *In 1950, the Census Bureau changed the definition of urban, so pre-1950 data is not exactly comparable to the data from 1950 to the present.*

California's urban population represents an increasing proportion of the state's population.

Chart 1



Chapter One:

California's Urban Priorities

Pressures on California's Urban Areas

California is the most urban state in the nation. Ninety-four percent of our people live in cities and suburbs, on two and one-half percent of the land. The state's population is expected to grow from 22 million residents today to 26 or 30 million by the year 2000. Just to house the expected 1982 population, between 200,000 and 250,000 housing units must be constructed during 1978 and the following four years. To provide employment at only the present level, about 200,000 new jobs must be created annually. To substantially affect unemployment among young people, significant expansion of specialized public and private work programs will be required at both the state and federal level.

While efforts are made to provide new housing and encourage job-producing industry, the state and local governments must also continue with vigorous programs to reduce air pollution and guarantee a sound environment. Efforts must be made to control government spending and provide necessary energy and water supplies.

Californians can no longer avoid city problems by moving farther and farther from the central cities. Crime rates are generally increasing at the urban fringe. Smog has spread past the suburbs into the deserts and mountains. The loss of jobs caused by movement of industry from the central cities has caused increasing unemployment in the cities, with a growing need for unemployment and financial assistance. These costs are borne by all residents of the state.

The result is waste: waste of land, particularly valuable agricultural land; waste of older cities and suburbs; waste of air, water and other natural resources; waste of energy; waste of time spent in commuting; and, in the long run, a vast waste of money.

Future urban development should be determined with purpose, not solely by chance. Cities and suburbs should provide a productive and human environment for all: for the poor, the old and the disadvantaged, as well as those better able to protect their own interests.

A Partnership: State, Regional and Local

California, like other states, has delegated the day-to-day management of urban affairs to cities, counties, special districts and regional councils of governments. The principal, direct responsibility for addressing urban problems should remain in their hands, but the state has an obligation to establish overall goals. In addition, the state has a direct responsibility for air and water quality and a substantial investment in California's urban areas. Over the years, the state has participated in the construction of streets, schools, highways, hospitals, sewer and water systems, and parks. And many urban problems are beyond the powers of any one level of government to solve. An intergovernmental process of planning for California's future is needed to deal with those problems.

This Urban Strategy is designed to be carried out by a partnership of the state, local government, regional agencies, citizens and the private sector. The primary role in that effort properly belongs to local governments, working together through their regional councils of government. The role of the state should be one of leader and catalyst, working with local government, regional organizations and private enterprise to give direction to California's urban growth and development.

The Goals of California's Urban Strategy

California's Urban Strategy envisions as its goal a society in which people live in harmony with the land: where urban areas are exciting, safe places to live; where the air

and water are clean; where work places are close to homes; where crops and animals thrive on the state's best agricultural lands; where areas of great scenic or fragile nature are set aside for permanent protection. To accomplish this California must commit itself to more compact urban areas, to the revitalization of its existing cities and suburbs, to the continued production of its best agricultural lands.

The actions included in this Strategy are based on a set of broad goals:

(1) increasing employment through environmentally-sound industrial and commercial growth;

(2) improving the quality of public schools;

(3) providing an adequate supply of affordable housing in both cities and suburbs;

(4) curbing wasteful urban sprawl and directing new development to existing cities and suburbs;

(5) protecting the state's natural environment, particularly the land and air and water quality;

(6) revitalizing central cities and neighborhoods and eliminating urban blight;

(7) protecting the most productive agricultural lands;

(8) encouraging land-use patterns in a manner to stimulate necessary development while protecting environmental quality;

(9) improving the efficiency of government and limiting taxes to the lowest practical level;

(10) encouraging effective local law enforcement;

(11) providing an adequate transportation system, including both public transit and well-maintained streets and freeways;

(12) providing recreational and cultural activities;

(13) guaranteeing needed social services, such as health care, job training and adequate unemployment and other financial assistance to those in need;

(14) insuring full participation of citizens in decisions affecting the future of their cities and neighborhoods.

New urban development in California should be located according to the following priorities:

First Priority: Renew and maintain existing urban areas, both cities and suburbs.

Second Priority: Develop vacant and under-utilized land within existing urban and suburban areas and presently served by streets, water, sewer and other public services. Open space, historic buildings, recreational opportunities and the distinct identities of neighborhoods should be preserved.

Third Priority: When urban development is necessary outside existing urban and suburban areas, use land that is immediately adjacent. Noncontiguous development would be appropriate when needed to accommodate planned open space, greenbelts, agricultural preservation or new town community development.

All urban development, regardless of its priority, should be designed so that residences and work places are as close as possible. When new housing is constructed, efforts should be made to stimulate nearby employment opportunities. Where there are new employment opportunities, housing for those who work there should be provided nearby. A reduction in commute time between home and work will help to save energy, reduce freeway congestion, clean up air pollution and provide more leisure time.

These development priorities must be pursued with common sense. Obviously California cannot limit its development attention to any one of them at any one time. In following the priorities, care must be taken to avoid driving up the cost of housing.

The development priorities of this Urban Strategy are, for the most part, consistent with changes that are already occurring in California. We already see a modest movement toward rehabilitation, probably encouraged by the high price of new suburban housing, smaller family size, rising fuel

costs, and a genuine preference by some people for city over suburban living. In-fill development is now taking place in California at accelerating rates. Many cities are discouraging leapfrog development because it is too expensive. Moreover, local governments recognize that school and crime problems can only be minimized as unemployment is reduced. Land-use patterns which stimulate business expansion, therefore, will ultimately help alleviate many urban difficulties.

The specific recommendations in the following two chapters will not solve all of California's urban problems. But they do represent a significant commitment by the state to work with local governments, the general public and the private sector to revitalize the state's cities and suburbs and to provide for new growth.

While this Strategy focuses on a more compact urban environment, it does not prescribe a single desirable density for California's urban areas. Only local elected officials can decide the appropriate density for their community. But increases in an urban area's overall density can help conserve existing urban development, protect existing neighborhoods, provide incentives for new private construction, save public dollars for capital facilities and for energy, and help protect agricultural land. With good design, density can be increased without sacrificing comfortable living.

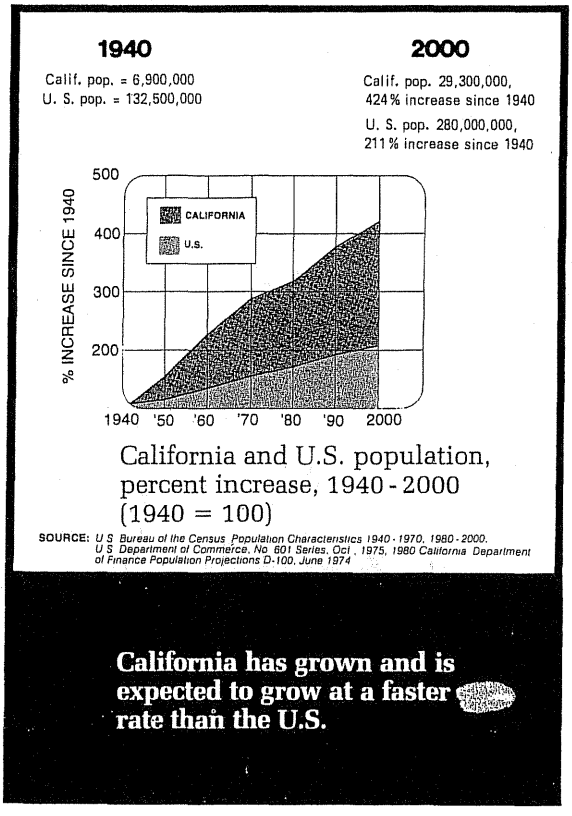
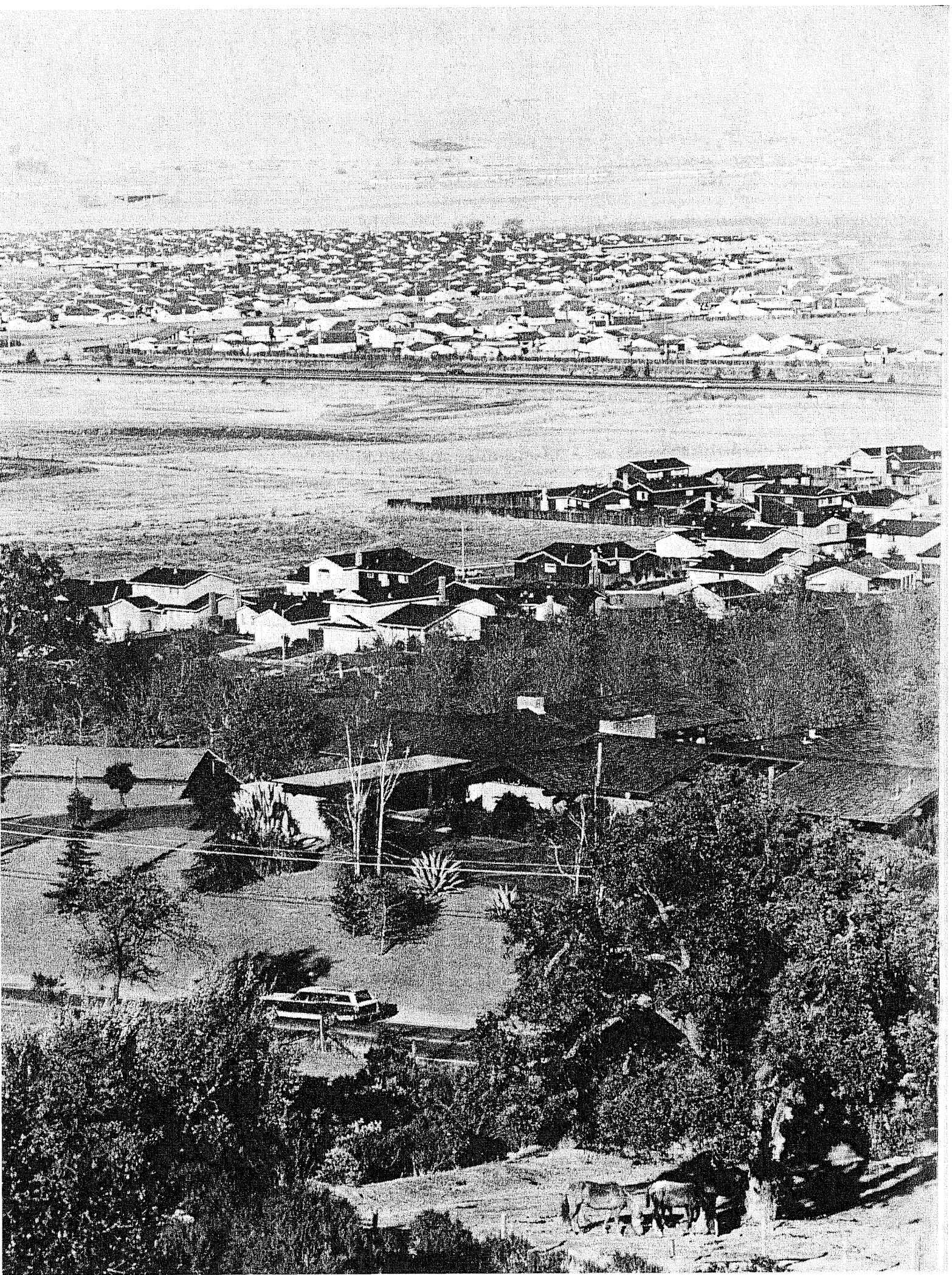


Chart 2



Chapter Two:

Urban Action Program

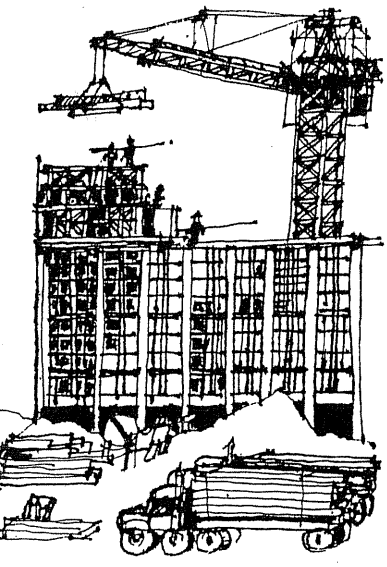
Forty-five specific actions will be taken as first steps toward meeting California's urban goals and priorities. Although they do not represent a complete approach to establishing this new policy direction, the following actions can be taken now and in the next few years to:

- Improve existing housing and encourage new urban development
- Improve urban social and economic conditions
- Resolve interjurisdictional conflicts

A. Improve Existing Housing and Encourage New Urban Development

Innovative action by state and local governments, including grant programs and new operating policies, can remove many of the obstacles to rehabilitation and to new commercial and industrial construction in existing cities and suburbs. The multi-billion dollar investments in public facilities can provide incentives for such development.

New programs can encourage home ownership and the construction of low- and moderate-cost apartments. Tax reform can also stimulate rehabilitation and necessary business growth. Improved transportation can provide



better access to jobs, relieve congestion and help combat air pollution. Construction can be encouraged and housing costs held down with sensible modification of certain government regulations.

The following specific actions will be taken:

1. **Housing Rehabilitation and Construction.** In cooperation with the Legislature, the Administration has proposed, in the Governor's proposed 1978-79 budget, a $300 million appropriation to establish a program to: 1) rehabilitate existing low- and moderate-cost houses and apartments, and 2) increase the supply of low- and moderate-cost apartments. The Program would include such actions as insurance for mortgage funds, grants to local government for neighborhood improvement, and incentives to encourage the construction of private apartment developments.

2. **CEQA Exemption for Housing in Built-Up Areas.** The Administration shall sponsor amendments to the California Environmental Quality Act and the Specific Plan law to enable local governments to waive the requirement for an Environmental Impact Report for residential and neighborhood commercial and industrial development in a built-up urban area which (1) is consistent with an adopted Specific Plan for which an EIR was prepared and (2) causes no significant air or water pollution. If circumstances have changed or new information has been presented, additional environmental documents may be required; otherwise, the Specific Plan EIR and existing permitting requirements will provide full environmental protection. The CEQA exemption will speed construction and thereby help reduce housing costs.

3. **Speculative Gains Tax.** To dampen the inflationary effect of speculation in housing, the Administration shall sponsor legislation to impose a substantial tax on profits from the sale of real estate held for only a short period of time. Property used as a principal residence, farm, ranch, for industrial or commercial purposes, and property purchased for imminent development or rehabilitation shall be exempted from the tax.

4. **Property Tax Relief.** As one means of reducing the cost of housing, the Administration and the Legislature will continue their efforts to provide property tax relief for homeowners and renters.

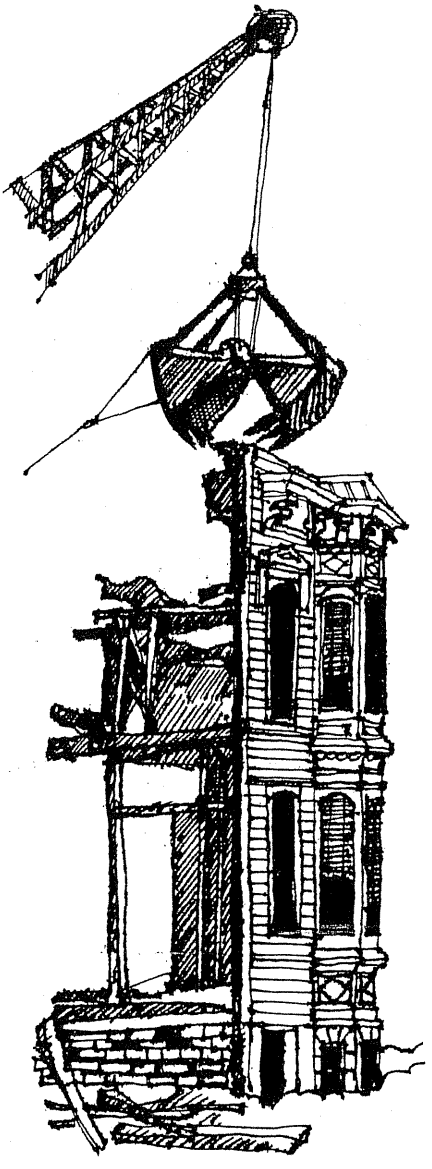
5. **Tax Exemption for Housing Rehabilitation.** The Administration is supporting Senate Constitutional Amendment 29, enabling the implementation of Senate Bill 514 (1977). This act forgives for five years increases in the property tax resulting from housing rehabilitation. Fear of increased assessments sometimes causes homeowners and businesses to defer necessary repairs. Passage of the Constitutional Amendment would remove this disincentive to rehabilitation.

6. **Modify Housing Vote Requirement.** The Administration will support Assembly Constitutional Amendment 47 (ACA 47, Brown), which places on the 1978 General Election ballot a constitutional amendment modifying the existing requirement (Article XXXIV) that local voters approve all publicly assisted housing before it can be built. If enacted, the amendment would make housing constructed or rented with public financial assistance, which is indistinguishable from housing built by developers without government assistance, the subject of a citywide or countywide referendum only upon submission of a petition signed by 10% of the voters.

7. **State Lands and Urban Development.** The Office of Planning and Research, the Department of General Services, the Department of Housing and Community Development, CalTrans, and the State Lands Commission shall conduct an inventory of state-owned land in urban areas to determine which lands can be made available to local governments to assist in providing low- and moderate-income housing or as an incentive for commercial or industrial development. If appropriate, the Administration shall sponsor legislation to enable public lands to be sold or leased at cost instead of at market value for development consistent with the goals of this Strategy.

8. **Tax Forgiveness for Industrial and Commercial Rehabilitation.** The Administration shall sponsor legislation placing on the 1978 General Election ballot a constitutional amendment to enable legislative enactment of a property tax exemption for industrial and commercial rehabilitation. The Administration shall concurrently sponsor enabling legislation forgiving for five years increases in property taxes resulting from the rehabilitation.

9. **Rehabilitation Building Code.** The Department of Housing and Community Development shall prepare



and the Commission on Housing and Community Development shall adopt a model building rehabilitation code establishing standards for the substantial rehabilitation of commercial, residential and industrial buildings. Many features of such a code can reasonably be less stringent than codes which govern new construction. Upon adoption of the rehabilitation code, the Department shall aggressively encourage cities and counties to adopt a rehabilitation code that is substantially similar to the state model.

10. **Allow Local Incentives for Lower Cost Housing.** The Administration shall support enactment of AB 848 (Kapiloff), which clarifies that general law cities may enact ordinances requiring some of the housing units in new residential developments to be of modest size and design. The legislation also allows cities to provide zoning density bonuses and other incentives to developers in order to reduce the cost of the units in a housing development.

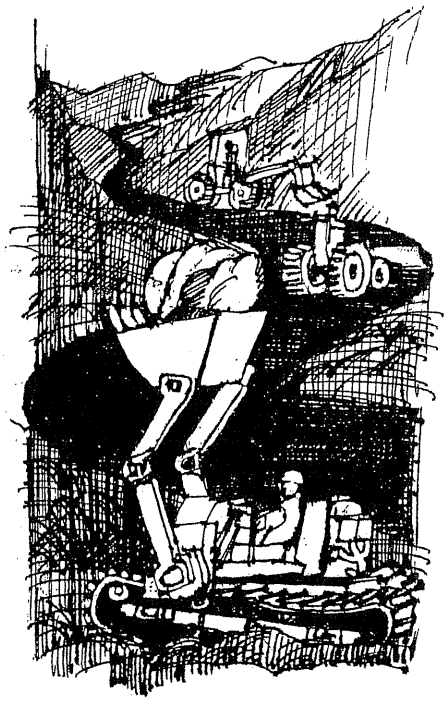
11. **Minimize Displacement.** The Administration shall sponsor legislation making all state and local actions which fund or finance housing rehabilitation or demolition subject to the provisions of the State Relocation Act. In addition, the California Housing Finance Agency shall require that local governments participating in its Neighborhood Preservation Program take all actions possible to ensure that low-income homeowners and tenants are not displaced from preservation areas for financial reasons.

12. **A "Housing Task Force".** The Governor will create a Task Force comprised of representatives of private enterprise, the financial community, labor, environmentalists, the general public, and local and state government to research and develop workable means to satisfy the future housing needs of California citizens.

13. **CalTrans to Rent its Housing.** CalTrans shall maintain and make accessible to renters all housing units within its possession which are not scheduled for demolition or sale within six months of acquisition.

14. **Capital Improvement Plans to Include Maintenance.** The Administration shall sponsor legislation requiring all cities and counties to prepare, as part of their general planning program, five-year capital improvement plans which indicate the size, timing

of availability and means of financing (including a schedule for the repayment of bonded indebtedness) of all new capital improvements as well as estimates of operating costs. Also included shall be a schedule of maintenance and rehabilitation and an estimate of useful life of all existing and proposed capital improvements.



15. **Capital Improvement Plans for Special Districts.** The Administration shall sponsor legislation requiring that special districts providing urban services of a type essential to new population growth be required to prepare five-year capital improvement plans. Capital improvement plans shall indicate the size, timing of availability and means of financing (including a schedule for the repayment of bonded indebtedness) of all new capital improvements as well as estimates of operating costs. Also included shall be a schedule of maintenance and rehabilitation and an estimate of useful life of all existing and proposed capital improvements. These plans shall be reviewed by local general purpose governments for consistency with their general plans and by COGs for consistency with regional needs allocations.

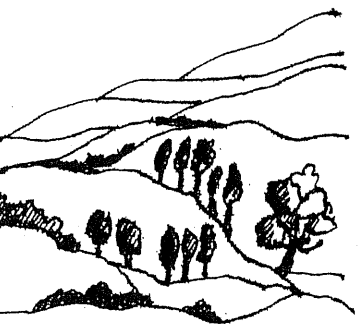
16. **Fair Lending Enforcement.** In an effort to assure the flow of mortgage capital into our older neighborhoods, the Business and Transportation Agency will continue vigorous enforcement of the state's strong anti-redlining policies. The recent enactment of the Housing Financial Discrimination Act of 1977 (SB 7, Holden/Hughes) has extended the prohibition against geographic discrimination in mortgage lending by state-licensed savings and loan to all types of financial institutions.

17. **Energy Efficiency and Local Planning.** Under the Governor's proposed 1978-79 budget, the State Energy Resources Conservation and Development Commission will expand financial assistance to local governments to improve energy efficiency through land use planning, building code modifications, and subdivision ordinances. Grants will be awarded to local governments to write optional "energy elements" for their general plans and to develop energy efficiency criteria for evaluating proposed developments.

18. **Implementing the Capitol Area Plan.** The Administration is seeking $1.6 million in fiscal year 1978 for site planning, architectural design, and construction of state buildings and other public

improvements in the Capitol Area Plan. The plan, adopted by the Legislature in 1977, calls for an innovative mixture of housing for all income groups, public and private offices, commercial development, open space, parking and other uses in downtown Sacramento. It can serve as a model for similar action by other California communities.

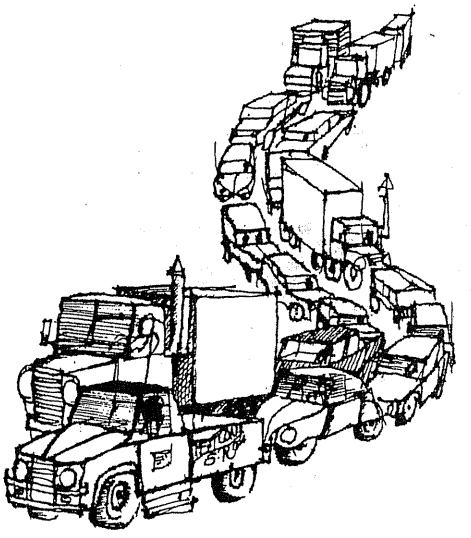
19. **Protecting Air and Water Quality in Urban Areas.** Although California's pollution standards for new cars are reducing the automobile's contribution to smog, air pollution remains a serious problem in all of the state's large urban areas. Under the Governor's proposed 1978-79 budget, the Air Resources Board will increase efforts to reduce pollution from "stationary" sources, such as power plants and petroleum operations. Cleaning up existing pollution may allow for needed business expansions, particularly in existing urban areas. The state will also continue with its Clean Water Program, which will reach a construction peak during the 1978-79 fiscal year and provide necessary sewage system improvements. The new Office of Water Recycling, established by Executive Order in 1977, will accelerate efforts to reclaim and reuse water supplies.



20. **Protection of Agricultural Lands.** The Administration will support legislation which protects California's most productive crop and rangelands from premature or needless conversion to urban uses. Guided by state policies and subject to state review, cities and counties should take the lead in identifying lands to be preserved and assuring their protection. Property assessments for agricultural lands should be reduced and local governments reimbursed for lost tax revenues.

21. **State Projects to be Based on Regional Population Projections.** To guarantee construction of needed public facilities, state agency regulations will be amended to provide that state funding of capital projects be based on population projections developed by regional councils of governments (COGs) when such projections are available and approved by the Office of Planning and Research and other appropriate state agencies. Approval shall require a finding that the projections are consistent with a regional needs assessment. A COG's regional population projection shall not normally exceed the Department of Finance's baseline projection for the entire region.

22. **Transportation Funding.** The Aministration will use the following general priorities for funding highways and other transportation projects in urban areas:



i. First priority shall be given to serving the long-term needs of existing urban and suburban areas through maintaining and rehabilitating existing facilities, providing public transportation, reducing dependence on individual auto use, increasing the efficiency of existing facilities, and completing gaps in the existing freeway system.

ii. Second priority shall be given to serving new development consistent with the priorities of this Strategy, but preference, where appropriate, should be given to providing service through public transportation facilities.

The Administration shall work with the Legislature to ease or remove restrictions on federal and state sources of transportation funding which limit the use of funds to specific types of transportation systems or to specific types of expenditures.

23. **Jitney and Taxi Service.** The Public Utilities Commission, in cooperation with CalTrans, regional transportation planning agencies, and local governments, shall review those policies which discourage jitney and taxi service and take steps necessary to enable the implementation or expansion of appropriate services.

24. **Urban Water Allocation Priorities.** The Department of Water Resources and Water Resources Control Board shall amend their urban water management policies to give preference in the allocation of water to existing urban and suburban areas. Once water has been allocated between urban and rural needs, the water destined for urban areas should support development consistent with the policies of this Strategy. When existing contracts for State Water Project water are renegotiated, the Department of Water Resources shall seek modifications reflecting this preference.

25. **Safe Drinking Water Funding Priority.** The Department of Water Resources and the Department of Health shall amend their regulations implementing the California Safe Drinking Water Bond Act Law of

1976 to give preference in the allocation of funds to local agencies serving development which is consistent with California's urban development priorities.

When serious and documented public health hazards justify use of bond funds for projects serving areas that are not consistent with the state's urban development priorities, the funds shall not be used to pay for project capacity in excess of that needed to serve the existing population plus the population that may reasonably be expected to occupy within 10 years those lots that are presently subdivided but unimproved.

26. **Clean Water Grant Priorities.** The State Water Resources Control Board shall amend the California Administrative Code and take all other appropriate actions to ensure that when Clean Water Grants are used to fund treatment facilities serving new urban and suburban development, that development shall be consistent with California's urban development priorities.

27. **State Projects Consistent with Local Plans.** State departments will consult and cooperate with cities and counties when locating new state buildings and projects. Whenever possible, state projects should be built in existing urban areas, near public transit, and in those places where the projects will contribute most to each local community and have minimal environmental impact.

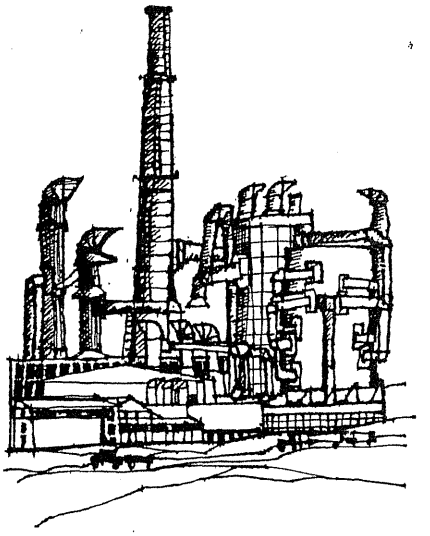
28. **Local General Plans.** The Office of Planning and Research, shall sponsor legislation establishing as goals for local government urban development priorities consistent with this Strategy.

29. **LAFCO Objective.** The Administration shall sponsor legislation establishing as the overall policy objective of Local Agency Formation Commissions the directing of new urban development to areas consistent with California's urban development priorities. Further, the legislation shall direct that the creation or alteration of the boundary of any special district providing urban services be consistent with the appropriate local general plan.

30. **Areas to Receive Urban Services.** The Administration will sponsor legislation directing all cities and counties to establish as part of their general planning program a process for annually identifying

areas that will be receiving urban public services within the near future (i.e., 3-8 years). All other elements of each local government's general plan, capital improvement plan and the capital improvement plans of appropriate special districts providing urban services shall be consistent with the plan for public services and reviewed for consistency with the regional allocation of needs (see Action 43).

31. **Industrial Siting.** Working with local governments and regional agencies, the Office of Planning and Research shall establish a pilot industrial siting procedure in the San Francisco Bay Area. The procedure, which will be guided by the recommendations of the Association of Bay Area Governments task force studying industrial siting, shall:



(1) facilitate the siting of large industrial facilities;

(2) encourage economic development, especially in older urban areas; and

(3) reconcile the region's needs for industrial development with the need to maintain environmental standards.

32. **Urban Federal Planning Grant Applications and Development Proposals.** In administering federal urban planning funds, reviewing federal grant applications and approving development projects, all state agencies shall give priority to those activities which promote the improvement of existing urban areas and/or which direct new urban development to areas consistent with California's urban development priorities. The Office of Planning and Research shall follow the policies of this Strategy in making its recommendations to the federal government.

33. **Use of Retirement System Funds.** The Administration shall sponsor legislation establishing as policy of the state that public retirement systems, where prudent, invest a portion of their assets in California mortgages which are consistent with the goals of the Urban Strategy.

The California Housing Finance Agency is one of several possible mechanisms for investing these funds in California. The public retirement system boards shall retain and exercise their fiduciary responsibilities to invest funds for the best interests of the members and beneficiaries of the respective retirement systems.

34. **Urban Forestry.** Trees help beautify a neighborhood and make it more livable. The Administration shall sponsor legislation creating a California Urban Forestry Program. The program will establish the Department of Forestry as a statewide source for information on planning for, selecting, planting, and caring for urban trees. It will also enable the Department to provide technical assistance and grants to local governments, public agencies, and nonprofit organizations to plan and undertake local programs to plant and care for urban trees.

The preceding actions, taken together, will stimulate rehabilitation of existing housing and commercial and industrial establishments. They will also encourage and guide new construction needed to provide housing and jobs for California's expanding population.

Some of the recommendations are aimed at direct state actions and provide guidance for new sewer, road and state building construction. Those facilities strongly influence and frequently determine the location and intensity of new urban development. Other recommendations deal with necessary changes in the state planning law, which now lacks a statement of goals or objectives. The modifications suggested above will give specific policy guidance to LAFCOs and local governments. Some of the recommendations are aimed at lowering the cost of development and providing incentives for rehabilitation or new urban construction.

B. Improve Urban Social and Economic Conditions

Job opportunities, rehabilitation and new low- and moderate-cost housing, items discussed in the previous section, will obviously help solve many urban social and economic problems. But other actions are also needed. Although the main focus of this report is on physical urban development, several programs have already been included in the 1978-79 Governor's budget which are aimed directly at improving life in California's cities and suburbs. Among the new budget and other proposals are:

35. **Apprenticeship Opportunities.** During the coming fiscal year, the Administration will substantially

expand its apprenticeship programs to include opportunities beyond those now offered. Apprenticeship programs of the Department of Industrial Relations and the Governor's discretionary manpower and youth funds will be used together to provide for apprenticeships in housing rehabilitation and in non-traditional areas such as health care and technical fields.

36. **Business and Economic Development.** The new Department of Economic and Business Development will contribute to job creation efforts in existing cities by identifying and assisting businesses wishing to locate or expand their operations in California and by assisting local agencies in formulating economic development programs.

The new department will also continue development of the Builder's Mutual Surety. Currently, many small and minority contractors have difficulty obtaining the bonding they need to undertake rehabilitation projects. The creation of this surety bonding company is expected to stimulate the housing rehabilitation industry by alleviating many of these bonding problems.

37. **Community Mental Health.** During the coming fiscal year, the Administration will develop a model mental health service delivery system which will include development of new mental health programs and facilities, and strengthen and expand existing services. Under the Governor's proposed budget, grants and loans totaling $30 million will be provided to counties to develop new programs for children and youth, for patient rights advocacy, for mentally disordered offenders, and for mentally disordered jail inmates. Grants and loans totaling $10 million will be available to counties for purchasing or constructing non-hospital facilities. An additional $43 million will be provided to strengthen and expand existing mental health services. These new appropriations will create thousands of new jobs, particularly in major urban areas.

38. **Continuing School Reforms.** The Administration will continue its efforts at upgrading the quality of education and providing increased financial aid to poorer and urban school districts. During the 1978-79 fiscal year, the Department of Education will distribute $621 million for the purposes of providing (1) property tax relief and increased aid to poorer school districts; (2) aid to urban school districts with large concentrations of low-income, minority students;

(3) curriculum reforms through increased parent and community participation; and (4) increased services for handicapped students.

39. **Community-Based Crime Prevention.** During the 1978-79 fiscal year, the Office of Criminal Justice Planning will work with cities to develop four to six model community-based crime prevention programs. The programs will develop effective ways for citizens and local police to work together to reduce crime in neighborhoods. A successful example of such a program is now found in the city of Santa Ana.

40. **Prosecuting "Career Criminals".** The Office of Criminal Justice Planning will assist and fund local district attorneys to prosecute "career criminals," those who commit repeated felonies. The local programs will increase the likelihood that career criminals are prosecuted and may include the assignment of experienced investigators and attorneys to cases and reduced caseloads for attorneys prosecuting career criminals.

41. **Maintaining and Operating Urban Parks.** The Administration shall sponsor legislation amending the Urban Open Space and Recreation Program to allow local governments to use up to 25% of their grants for normal operating and maintenance expenses. At the present time, all grant funds are restricted to acquisition and physical improvements of parks and some localities do not have sufficient funds to operate their facilities. This change in law would allow greater use of urban parks.

42. **Urban Art and Culture.** The California Arts Council and the Department of Parks and Recreation shall encourage and sponsor recreational programs and cultural events in urban areas. Cultural and recreational opportunities are an important part of urban life and persons with moderate or low incomes should have access to concerts, plays, and art exhibits.

These programs are, for the most part, aimed at the human aspect of urban life. In a modest way they attempt to improve law enforcement, education, recreational and cultural opportunities, as well as equalize

educational funding, improve transportation systems and stimulate economic activity. The Administration in the future will continue its efforts in all of these areas.

C. Resolving Interjurisdictional Conflicts

The transportation, housing, industrial siting and recreational decisions of each local government frequently have far-reaching impacts throughout an urban region. Construction of a new factory, for example, can sometimes provide jobs for one community and cause pollution, many miles away, for another.

As the cost of providing public services continues to rise and local government budgets become more difficult to balance, the fiscal impacts of new development become increasingly important. Cities and counties are keenly aware that certain kinds of developments will pay less in taxes than it costs to provide them with services, while other kinds have the opposite effect. In considering development proposals, local governments sometimes compete for the revenue producers and try to exclude the revenue losers.

Currently, there is no formal process for locating low- or moderate-cost housing, industrial plant sites, transportation corridors, waste treatment facilities or open space within a region. Yet each of these must be provided somewhere within each urban area—and hopefully in a sensible, efficient manner. The following three actions are intended to create a better process for meeting the regional needs of California's cities and suburbs:

43. **Assessing Regional Urban Development Needs.** The Administration will sponsor legislation directing counties and cities within the Greater Los Angeles, San Diego, Sacramento, and San Francisco Bay areas to cooperate through their councils of governments to formally assess region-wide needs and available resources for housing, industrial sites, solid waste disposal sites, open space, air and water quality, transportation systems and other regional public facilities. Once the assessments are completed, areas shall be identified where the needs can best be met in a manner consistent with federal, state, local and regional urban development policies.

    The legislation shall also direct that all general plan elements, including five-year service areas

and capital improvement programs of each city and county within the four metropolitan areas, include an explicit finding of conformity with the assessment and distribution of regional urban development needs. Specifically, the finding shall demonstrate whether the plan will result in land being made available in the amounts needed to accommodate the community's allocation of the region's requirements.

The appropriate COG shall review the general plan elements and the federal community development block grant applications of the cities and counties within its region and assess the cumulative effects of these plans with regard to regional needs for housing, industrial sites, solid waste disposal sites, open space, air and water quality, transportation systems, and other regional public facilities. Each COG shall present an annual report to its members, the Governor and the Legislature evaluating the extent to which local plans, major projects, and implementing programs are consistent with the assessment and distribution of regional urban development needs. The Office of Planning and Research shall annually report to the Governor and the Legislature how local plans and regional needs assessments are implementing the goals of this Strategy.

44. **State Funding for Cities, Counties and Councils of Governments.** The Administration shall sponsor legislation appropriating $5 million per year from the state general fund to support the activities proposed for local governments in the above actions. The Office of Planning and Research shall allocate these funds to local governments.

In addition, the Administration shall sponsor legislation appropriating $2 million per year from the state general fund to support the activities proposed for COGs in the above actions. The Office of Planning and Research shall allocate these funds to COGs upon approved application.

45. **Coordination Among Regional Agencies.** The Administration will sponsor legislation requiring all state and multi-jurisdictional regional or sub-regional agencies within metropolitan regions to meet with the appropriate COG or COGs for the purposes of developing and implementing memoranda of understanding and preparing joint work programs and concurrence on population and economic assumptions and projections. The COG's annual report to the Governor and the Legislature, mentioned above, shall

evaluate the extent to which special purpose agency plans and regulatory actions conform to the regional assessment and allocation of urban development needs.

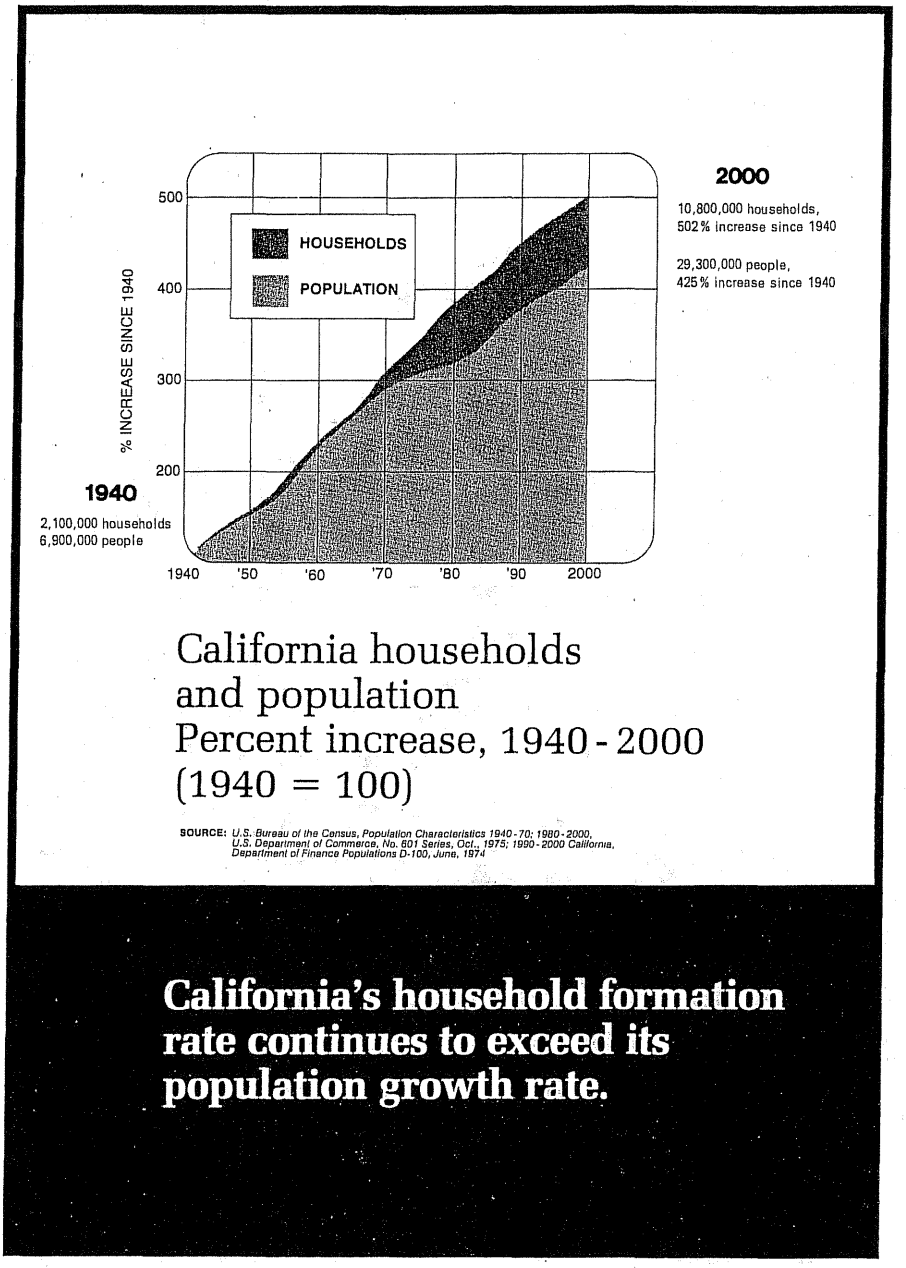


Chart 3

Chapter Three:

Urban Study Program

The priorities and actions of this urban strategy are intended to lay the foundation for a sound urban environment in California. In addition, there are other important issues which require continued attention and investigation. They include the problem of fiscal disparities among local governments and the possible need for tax incentives for commercial and industrial activity to locate or expand in California's older business and industrial centers.

Fiscal disparities among local governments are significant in California. Within San Mateo County, for example, the city of Pacifica raises $138 per capita with a tax rate of $2.12; on the other hand, Atherton, in the same county, raises $108 per capita with a tax rate of only 54¢. Within Los Angeles County, Inglewood raises $209 per capita with a tax rate of $1.82, while El Segundo raises $536 per capita with a tax rate of only 44¢.

This imbalance is heightened by the local 1.25% sales tax. A community's revenues from this source depend entirely on the amount of taxable commercial and industrial sales within its boundaries. The amount varies greatly from one community to another. These tax revenues are returned by the state to the jurisdiction where they are collected, regardless of where the people who pay the taxes live.

Local governments with greater needs generally have higher property tax rates. But the tax rate also depends on the relative wealth of property in each community. The

irregular pattern of development in urban areas means that tax resources—the taxable property values—needed to provide adequate services at reasonable tax rates are unevenly distributed among the cities and counties in each region.

Partly because of these irregular tax patterns, some older communities have difficulty attracting new industries which are needed to supply needed employment.

The following two studies of tax sharing and development incentives are recommended:

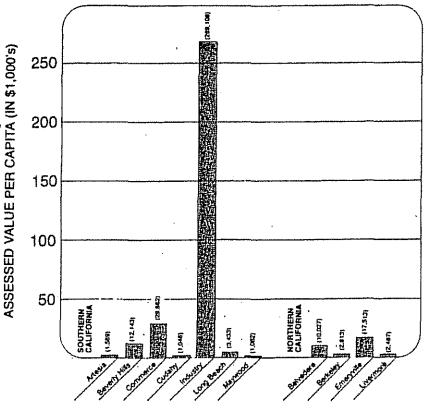
S1. Property and Sales Tax Sharing. The Office of Planning and Research, working in cooperation with the Legislature, the Department of Finance, the Board of Equalization, the League of California Cities, the Southern California Association of Governments, the Association of Bay Area Governments and the Comprehensive Planning Organization of San Diego, shall study the advisability, equity and feasibility of establishing property and sales tax sharing districts in California's metropolitan regions. The study shall include estimates of the amount that each city and county would contribute to a regional sharing pool and the amount each would get back. It should evaluate the social and fiscal impacts, as well as local acceptability, of tax sharing on cities and counties. It should determine the willingness of communities within each region to accept tax sharing and the positive or negative effects of tax sharing on the siting of new industrial and commercial facilities. The study should also examine other techniques for reducing fiscal disparities.

S2. Tax Reform and Incentive Study. The Office of Planning and Research, in cooperation with the Business and Transportation Agency, the Department of Finance, the Franchise Tax Board, the Legislature, and the Board of Equalization, shall study the role that tax reform and other incentives can play in motivating private investors to take actions supporting the policies set out in this report. Examples of incentives that will be considered include: enabling older cities to create Economic Development Authorities to assemble land, float bonds and undertake construction; allowing older cities to issue industrial revenue bonds to help attract capital for development and modernization by industry; enabling local governments to forgive a portion of property taxes on new development for a specific number of years or provide a state business

tax forgiveness program instead of, or in combination with; forgiving local property taxes; and state loan guarantees or subsidies to new businesses which locate in older urban areas.

As California continues to grow, government at all levels, working with the private sector, must accommodate and guide future development. Private enterprise must be stimulated and encouraged to provide necessary housing and jobs. And the government, working with business and the general public, must continue vigorously to protect the state's natural environment.

The California dream, for most residents of the state, is alive. We generally enjoy a quality of life unmatched anywhere in the world. But too many of our citizens are out of work and living in neighborhoods that are economically depressed. Our goal must be to improve life for everyone—while giving special attention where it is urgently needed.



Per capita property tax base in selected cities

SOURCE: Controller's Office "Annual Report, Financial Transactions concerning cities of California;" FY 1974-75

The property tax base is distributed unequally among California cities.

Chart 4

Appendix

Carrying Out the Urban Strategy

This chart summarizes the actions that will be taken to implement the policies of this Strategy.

A. Governor's Approval of Strategy
B. Administrative Regulation or Policy
C. Executive Order
D. Budget Act Approval
E. Legislation Needed
F. Constitutional Amendment

	A	B	C	D	E	F
1. Housing Rehabilitation and Construction.				x		
2. CEQA Exemption for Housing in Built-Up Areas.					x	
3. Speculative Gains Tax.					x	
4. Property Tax Relief.					x	
5. Tax Exemption for Housing Rehabilitation.						x
6. Modify Housing Vote Requirement.					x	x
7. State Lands and Urban Development.			x			
8. Tax Forgiveness for Industrial and Commercial Rehabilitation.					x	x
9. Rehabilitation Building Code.		x				
10. Allow Local Incentives for Lower Cost Housing.					x	
11. Minimize Displacement.					x	
12. A "Housing Task Force".	x					
13. CalTrans to Rent Its Housing.	x					
14. Capital Improvement Plans to Include Maintenance.					x	
15. Capital Improvement Plans for Special Districts.					x	

A. Governor's Approval of Strategy
B. Administrative Regulation or Policy
C. Executive Order
D. Budget Act Approval
E. Legislation Needed
F. Constitutional Amendment

	A	B	C	D	E	F
16. Fair Lending Enforcement.	x					
17. Energy Efficiency and Local Planning.				x		
18. Implementing the Capitol Area Plan.				x		
19. Protecting Air and Water Quality in Urban Areas.	x					
20. Protection of Agricultural Lands.					x	
21. State Projects to be Based on Regional Population Projections.		x				
22. Transportation Funding.	x					
23. Jitney and Taxi Service.	x					
24. Urban Water Allocation Priorities.		x				
25. Safe Drinking Water Funding Priority.		x				
26. Clean Water Grant Priorities.		x				
27. State Projects Consistent with Local Plans.			x			
28. Local General Plans.					x	
29. LAFCO Objective.					x	
30. Areas to Receive Urban Services.					x	

A. Governor's Approval of Strategy
B. Administrative Regulation or Policy
C. Executive Order
D. Budget Act Approval
E. Legislation Needed
F. Constitutional Amendment

	A	B	C	D	E	F
31. Industrial Siting.	x					
32. Urban Federal Planning Grant Applications and Development Proposals.	x					
33. Use of Retirement System Funds.					x	
34. Urban Forestry.					x	
35. Apprenticeship Opportunities.				x		
36. Business and Economic Development.	x					
37. Community Mental Health.				x		
38. Continuing School Reforms.				x		
39. Community-Based Crime Prevention.				x		
40. Prosecuting "Career Criminals".				x		
41. Maintaining and Operating Urban Parks.					x	
42. Urban Art and Culture.	x					
43. Assessing Regional Urban Development Needs.					x	
44. State Funding for Cities, Counties and Councils of Governments.					x	
45. Coordination Among Regional Agencies.					x	

STATEMENT OF COMPLIANCE WITH U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT COMPREHENSIVE PLANNING ASSISTANCE PROGRAM REGULATIONS, 24 CFR, SECTION 600.65, ENVIRONMENTAL REQUIREMENTS.

The Urban Strategy is itself an environmental assessment of past and current urban development practices as well as a set of recommended mitigation measures to reduce the adverse environmental and social impacts of these practices. It proposes an alternative to the approach toward urbanization traditionally followed in California.

The thrust of the Urban Strategy is consistent with the expressed environmental goals of the Comprehensive Planning Assistance Program:

— *To improve and conserve the quality of the air, water, and earth resources for the benefit of present and future generations in the planning and shaping of man-made environments;*

— *To assure that environmental concern and awareness becomes an integral part of the comprehensive planning process, since comprehensive planning is a major means for accomplishing community development on a sound environmental basis;*

— *To assure for all Americans safe, healthful, productive and aesthetically and culturally pleasing surroundings to . . . attain the widest range of beneficial uses of the environment without degradation, risk to health or safety, or other undesirable and unintended consequences; and*

— *To . . . achieve a balance between population and resource use which permits high standards of living and a wide sharing of life's amenities.*

The environmental regulations require those operating under the Comprehensive Planning Assistance Program to:

— *Identify salient elements of the natural and the man-made environments, their relationships, and major problems and/or opportunities they present for community development;*

— *Assess those environmental factors which will minimize or prevent undue damage, unwise use, or unwarranted pre-empting of natural resources and opportunities; recognize and make prudent allowance for major latent environmental dangers and risks (e.g.,. . . . air and water pollution); and for the human benefits obtainable from use of the natural environment by wise use of the opportunities available; and*

— *Seek, under the above policies and goals, to avoid adverse environmental impacts on neighborhood or community areas through the planning and careful location and development of community facilities; provide environmental amenities to all areas being planned for, and access to such amenities; equalize the impact and burden of community change and development on living areas, rather than concentrate them in areas where sites are cheap; and incorporate state environmental policies and standards, particularly those developed in response to federal law regarding protection of air and water quality and control and abatement of noise.*

The Strategy states as its goal the provision of new housing, work and leisure opportunities in a manner consistent with today's environmental and fiscal constraints. Its vision is a society in which man lives in harmony with the land: "where urban areas are exciting, safe places to live; where the air and water are clean; where work is close to home; where crops and animals thrive on the state's best agricultural lands; where areas of great scenic or fragile nature are set aside for permanent protection." This goal and this vision are very much in keeping with the goals of Comprehensive Planning Assistance Programs. The land is viewed in the Strategy as a valuable and limited resource, not just a commodity, to be cultivated and conserved not just for present, but for future generations, to support a civilization for many thousands of years. The Strategy thus demonstrates its concern both for the relationship between the environment's short-term uses and long-term productivity as well as irreversible and irretrievable commitments of resources.

The Strategy's goals and policies will provide criteria for the Office of Planning and Research to use in many of its functions, including the review of major state plans, programs, and projects; the policy review of the proposed budgets of state agencies; the review of pending legislation; and the approval of grants to local governments.

Further, the Urban Strategy is an expression of state responsibility for mitigating past patterns of urbanization. Previously, this responsibility was principally delegated to cities, counties, and special districts. The Strategy sets forth both general policies that describe an appropriate state responsibility for urbanization and recommends actions that meet this responsibility. The Urban Strategy proposes an alternative approach—a shift in California's urban development energies. It is designed to better marshal our resources and to result in a more humane environment for Californians.

The actions were crafted, in part, for feasibility, following extensive review by a broad-based Urban Development Advisory Committee and an Interagency Task Force. Countless other individuals, including legislative staff and academic faculty, commented on and influenced the draft. Even a cursory reading of the Urban Strategy reveals its compatibility with the federal Comprehensive Planning Assistance Program's environmental goals, policy, and considerations. The Strategy finds that our past and current private and governmental practices of urbanization are based upon a frontier ethic and the assumption that our resources are endless and that older urban development can continuously be abandoned for new. These practices have resulted in deteriorated housing, decreasing employment opportunities, declining tax bases, and inhumane surroundings. Negative social and economic consequences of this pattern include poverty, squalor, crime and waste of public and private capital. The environmental consequences of this pattern include waste of land (particularly agricultural land), waste of facilities, waste of air, water and other resources, and waste of energy. As our population and number of households continue to grow and make increasing demands upon our finite resources of land, air, water, energy, and capital, our problems become even more critical.

In summary, the Strategy meets the federal requirements for environmental consideration and assessment, since it is itself an environmental assessment of past and current urban development practices and problems. It presents mitigation measures to reduce these problems. It is in this context that the Strategy should be regarded.

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