



CITIES AND GROWTH IN CALIFORNIA

April 2002

➤ **Cities accommodate the vast majority of California's new growth.**

Between 1990 and 2000, the state's cities gained 3.9 million residents. Of the state's total population gain, 82.4 percent took place in the 456 cities that existed as of 1990.

Population within city boundaries increased by an additional 12.2 percent due to 18 new municipalities that incorporated between 1990 and the 2000 Census. Only 5.4 percent of the state's population growth occurred in unincorporated areas.

➤ **Despite numerous growth controversies, strict controls on housing development are relatively uncommon among cities.**

According to a 1998-1999 PPIC survey of city planning directors, fewer than one in four cities in the state's three main regions (Southern California, the San Francisco Bay Area, and the Central Valley) have adopted *any* of the following stricter types of growth controls: annual caps on the number of units or building permits, a formula for allowable annual growth, a boundary confining growth to already-developed areas, or restrictions on new sewer or water hookups. Residential growth management is most common in the Bay Area, where one-third of cities report such a policy.

➤ **Residents, rather than local officials, are often the catalyst for local growth-management policies.**

Residential growth controls are most common in cities where planners indicate that public opposition to growth is pronounced. By contrast, more than two-thirds of planning directors in each region viewed their city councils as either supportive of, or neutral toward, additional housing development. City governments are more likely to pass growth-management policies where officials anticipate there is a good chance that a citizen initiative to slow growth will appear on the ballot.

➤ **California's local finance rules shape cities' development policies.**

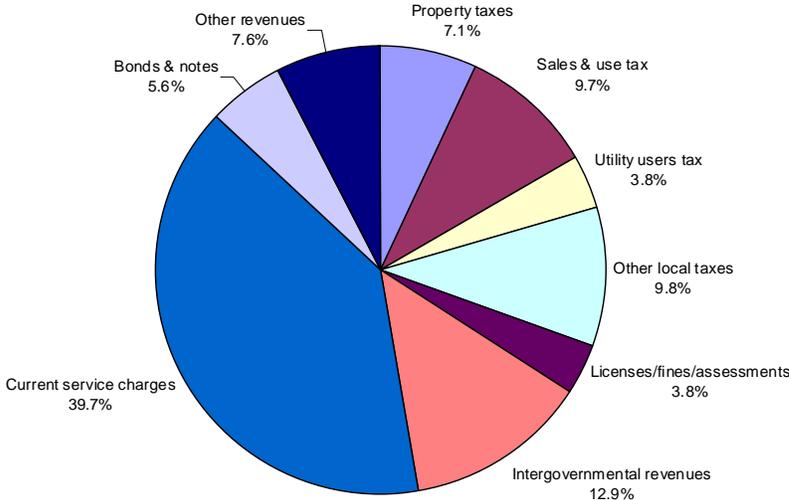
Statewide, the property tax – the traditional centerpiece of local finance in many states – accounts for only 7 percent of city funds. Low property tax revenues make housing seem fiscally unattractive. Local governments often turn instead to heavy fees on developers – about \$20,000 to \$30,000 per dwelling, for example, in Contra Costa County during the mid-1990s. In a 1998 PPIC survey of city managers, respondents were most likely to report retail development as the most desirable form of growth for their communities, probably because it generates local sales taxes – an attractive source of discretionary revenue. (See figures on reverse side.)

➤ **During the 1990s, competition among cities for business development increased.**

A PPIC study of Southern California cities showed that municipal governments in that region increasingly turned to economic development policies between 1990 and 1997. Most common were policies to streamline local permitting and to engage in tax-increment financing (redevelopment). The best predictor of how much a city engages in economic development activity is its sheer economic need.

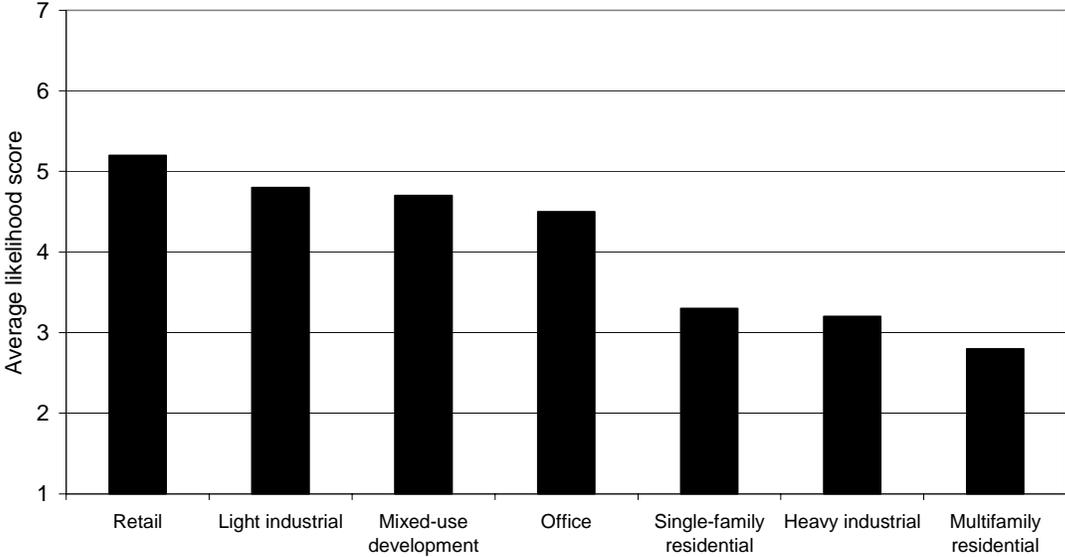
CITIES AND GROWTH IN CALIFORNIA

Sources of Revenue for California Cities



Note: Data represent total revenues for California cities (excluding City and County of San Francisco). Percentages of revenue sources vary across cities.
 Source: California State Controller, *Cities Annual Report: Fiscal Year 1998-99* (Sacramento, 2001).

Likelihood of City Providing a Zoning Change or Financial Incentive to Various Types of New Development, According to City Managers



Note: Respondents were asked to estimate likelihood for each type of development on a scale from 1 (very unlikely) to 7 (very likely).
 Source: 1998 PPIC survey of city managers.