

Development Priorities in California Cities: Results from a PPIC Survey

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Documentation of results of a statewide survey
sent to city managers in all California cities
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What factors influence local officials' decisions about how their cities will develop and grow? In California, promoting retail development in order to generate new sales tax revenue is the highest development priority for city managers and administrators. Attracting retail development is the highest priority for new development on existing vacant land and for cities' redevelopment areas. Gaining sales tax revenue is also one of the most important motivations affecting cities' plans for annexation of new territory.

These conclusions are based on a PPIC mail survey of city managers in California, conducted in August and September 1998, regarding city development strategies. A questionnaire was sent to the top administrative official—generally the city manager or city administrator—in each of the state's 471 cities. Officials from more than two-thirds (70%) of the state's cities responded to the survey. Three-quarters of the respondents identified their position as city manager or city administrator; the other respondents were mainly a mix of planning officials, community development directors, and city clerks. In terms of population size and regional location, the cities that responded to the survey closely resemble the overall breakdown in the state. Thus, the results should be reasonably representative of overall attitudes and trends.

This Occasional Paper presents the survey results in very brief form, as a courtesy to the survey respondents and their colleagues. **Tabulation of the responses is only the first step in our analysis. The evidence collected in this survey will provide data for extensive future reports from PPIC on the issue of local sales tax revenues and related topics.**

Development Activity in California Cities

We asked respondents about three distinct but related topics: **new development** on vacant land sites, city-backed **redevelopment** in designated “blighted” areas, and **annexation** of new properties outside the city limits.

According to our survey results, about two-thirds of cities in the state have some vacant land available for new development. Of those cities, half report a “considerable” amount, while the other half have only a “limited” amount of vacant land. Cities in the Central Valley have the most vacant land and San Francisco Bay Area cities the least. (Percentages in these tables may not sum to 100 percent due to independent rounding.)

Which of the following statements best applies to your city?

- There is considerable vacant land available for new development
- There is a limited amount of vacant land available for new development
- There is little or no vacant land available; the city is ‘built out’

<i>Amount of Vacant Land for Development</i>	LA Metro Area	SF Bay Area	Central Valley	Other Areas	Total
Considerable	27 %	19 %	67 %	35 %	34 %
Limited	32	32	28	46	34
Little or None	41	49	5	19	31
Number of Respondents	122	75	60	69	326

Three-quarters of the respondent cities pursue some redevelopment activity, half of them very actively. Los Angeles area cities are especially active, but even in the rural regions of the state, the majority pursue some redevelopment activity.

Is your city actively engaged in redevelopment? (Check the best answer)

- Yes, very actively
- Yes, but not very actively
- Not currently engaged in redevelopment

<i>Level of Redevelopment Activity</i>	LA Metro Area	SF Bay Area	Central Valley	Other Areas	Total
Very Active	58 %	48 %	49 %	37 %	50 %
Not Very Active	22	23	28	26	24
None	20	30	23	37	26
Number of Respondents	124	73	61	68	326

Finally, well over half (59%) of respondent cities plan to annex new territory within the next five years. Central Valley cities are the most likely to have annexation plans; nearly all (88%) plan to do so. Los Angeles-area cities are the least likely to have annexation plans; less than half have such intentions.

What are your city's plans relating to annexation over the next five years?
(Check the best answer)

- Plan to annex more than five square miles of land
- Plan to annex about one to five square miles of land
- Plan to annex some land, but less than one square mile
- Cannot annex; my city does not border any unincorporated areas
- Can annex, but do not plan to do so

<i>Annexation Plans Within Next 5 Years</i>	LA Metro Area	SF Bay Area	Central Valley	Other Areas	Total
5+ square miles	13 %	4 %	13 %	10 %	10 %
1 to 5 square miles	19	16	51	25	26
Less than 1 square mile	11	32	23	32	22
Cannot annex	24	12	0	9	13
Can annex but will not	33	36	13	25	28
Number of Respondents	117	73	61	69	320

Desirability of Different Types of Development

Retail projects are the preferred land use for both new development projects on vacant land and city redevelopment project areas. Light industrial, office, and mixed-use development are also considered quite desirable. The least favored land uses are multifamily housing and heavy industry.

Given your city's overall strategies and plans for land use and future development, how desirable to your city's administration would each of the following types of development be? (Circle a number between 1, which is 'very undesirable,' and 7, which is 'very desirable')

<i>Land Use</i>	<i>Average Desirability Score</i>	
	New Development on Vacant Land	Redevelopment
Retail	6.2	6.4
Light industrial	5.5	5.0
Office	5.6	5.6
Mixed-use development	5.5	5.6
Single-family residential	4.9	3.8
Multifamily residential	3.6	3.8
Heavy industrial	3.5	3.3

In the case of new development on vacant land, survey respondents were also asked to judge how likely it would be that their cities would offer a general plan change or financial incentive to the developer. Retail was ranked as the type of land use for which they would be most likely to make such offers. They were fairly likely to do so for light industrial, mixed-use, and office development, and least likely to do so for housing and heavy industry.

For each of the following types of new development, indicate how likely your city would be to provide a general plan change (rezoning) or a financial incentive to the developer or builder of the project.
 (Circle a number between 1, which is 'very unlikely,' and 7, which is 'very likely')

<i>Type of Development</i>	<i>Average Likelihood Score for Incentive to Developer</i>
Retail	5.2
Light industrial	4.8
Mixed-use development	4.7
Office	4.5
Single-family residential	3.3
Heavy industrial	3.2
Multifamily residential	2.8

Factors Influencing City Development Decisions

Respondents were asked to judge the importance of 18 major considerations that might affect their strategies for attracting new development and redevelopment projects. They were asked to rate the importance of these motivations for their land-use decisions on a 1 to 7 scale.

For new growth on vacant land sites, generating new sales tax revenue is the most important consideration for respondents when seeking development or evaluating developer proposals. The degree of City Council support for projects is the second most important consideration. In the case of redevelopment projects, these two considerations are tied in importance as the top motivations.

Other major concerns in the case of new development include ensuring adequate infrastructure and promoting job creation. In the case of redevelopment, other primary concerns include eradicating blight (the main professed goal of redevelopment law) and generating new property tax revenues. Through tax-increment financing, cities are able to retain a larger portion of property tax revenue gains in redevelopment areas than in the case of new development on vacant land.

It should be noted that some of the considerations (for example, “preservation of agricultural land,” and “nearby cities’ views”) are not very applicable for some respondents (i.e., those cities with no farmland nearby or no nearby “neighbor” cities). Thus the average score for these items tends to be quite low, since many cities ranked these considerations as very unimportant.

How important are the following considerations to your city administration’s strategies in attracting new development and responding to development proposals?

In considering your city’s redevelopment areas, how important are the following considerations to your city administration’s strategies in choosing which types of projects and land uses are appropriate?
(Circle a number between 1, which is ‘not important,’ and 7, which is ‘very important’)

<i>Considerations/Motivations</i>	<i>Average Importance Score</i>	
	<i>New Development</i>	<i>Redevelopment</i>
New sales tax revenue generated	6.5	6.4
City Council support	6.3	6.4
Eradication of blight	—	6.2
Adequacy of infrastructure in project area	6.1	5.8
Likelihood of job creation	6.0	5.9
Cost of municipal services for new development	5.9	5.5
Traffic and other spillovers	5.8	5.8
Conformity with city’s general plan	5.7	5.7
Acceptability of proposal to nearby neighborhoods	5.7	5.7
Project aesthetics, urban design issues	5.6	5.9
New property tax revenue generated	5.4	6.1
Environmental considerations	5.4	5.4
New fee/assessment/enterprise revenue generated	5.0	4.9
Contribution to sound regional economy	4.8	4.8
Support from Chamber of Commerce or other local business interests	4.7	4.8
Meeting affordable housing needs	4.3	4.8
Competition from nearby cities	4.3	4.1
Preservation of agricultural land	3.7	—
Nearby cities’ views	3.0	—
Views of other local governments	—	4.0

Growing through Annexation

California cities achieve much of their new growth through annexation. Due to conflicts over the distribution of revenues from the annexed areas, annexation has been a major source of friction between cities and counties in recent years.

When it comes to annexing new territory, the top motivation of the survey respondents is to control development of the surrounding area in order to ensure consistency with city plans. Generating new sales tax revenue is nearly as important, followed by job creation.

How important are the following possible motivations for annexation? In other words, how do these factors affect your plans regarding whether to annex and which properties to annex?

(Circle a number between 1, which is 'not important,' and 7, which is 'very important')

<i>Motivations for Annexation</i>	<i>Average Importance Score</i>
Control development of surrounding area	5.7
Gain sales tax revenue	5.4
Create jobs	5.1
More efficient service provision	4.8
Gain property tax revenue	4.7
Agreements with county	4.5
Provide greenbelt or open space	4.4
Gain fee/assessment/enterprise revenue	4.3
Meet housing needs	3.9
Direction from LAFCO	3.9
Agreements with other cities	3.1
Prevent annexations from other cities	2.7

Issues for Policymakers and Questions for Further Research

As critics have long complained, the quest for sales taxes appears to be a major consideration in local development decisions, which leads cities to favor retailing over other types of land use. Sales tax revenue generated by local retailing is one of the few sources of flexibility and potential growth in local budgets, and so such preferences are not wholly surprising. Nevertheless, retail is not the only land use that cities consider important. Light industrial, office, and mixed-use development are widely sought, and many motivations other than the sales tax—such as the desire to create jobs—heavily influence city land-use decisions.

These survey results raise important issues for further consideration. One major question involves which types of cities are most and least likely to engage in this “fiscalization” of land use. Another unresolved issue involves the net effect that the preference for retail has on the California landscape. The answers to these questions may help policymakers if they want to consider alternative revenue sources and distribution mechanisms to provide incentives for local governments to pursue balanced land-use and economic development policies.

Research now under way at PPIC will address these issues in a more systematic fashion. A report planned for future release will examine the issues surrounding the local sales tax, making use of revenue data from the State Controller’s office and other sources, including these survey results. We welcome your comments and suggestions on this and other projects relating to local governance and public finance.

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