

Residential Growth Controls: Which Cities Pass Them and Why?

California's recent population growth and job creation have outstripped its new housing production. As a result, median home prices and rents have escalated while affordability rates have fallen. Although these trends present various challenges to the state government, city governments actually make most of the land-use decisions that affect them. Many observers maintain that California's cities have not done enough to accommodate new housing in recent years, and some critics have argued that local growth controls are a major cause of the state's housing shortfalls.

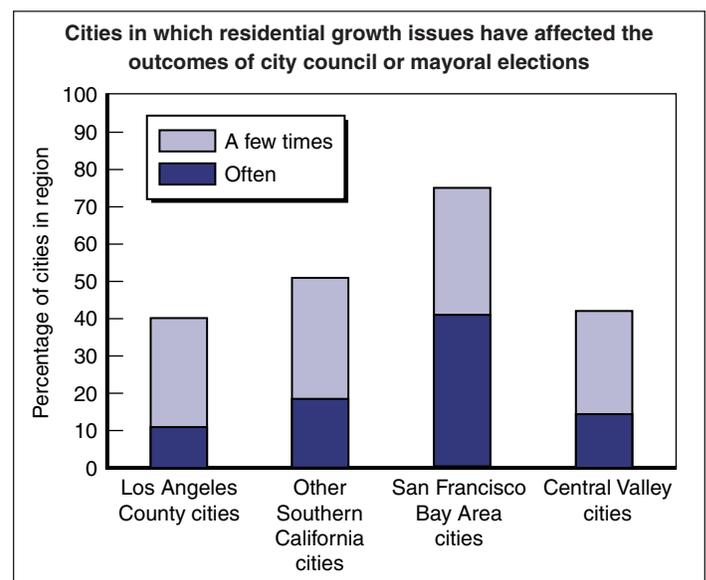
In *Cities Under Pressure: Local Growth Controls and Residential Development Policy*, Paul Lewis and Max Neiman evaluate these claims by examining the residential development policies of California's cities. Focusing on local efforts to control the amount, type, and location of new housing, the authors use a variety of data sources—including a detailed survey of almost 300 city planning officials in Southern California, the San Francisco Bay Area, and the Central Valley—to investigate which communities adopt growth controls and why. Their findings indicate that most growth-management policies are understandable responses to the cross-pressures experienced by city officials. Although the authors note that some controls may indeed hinder homebuilding, they also argue that broader market forces and state policies probably do more to explain California's high housing costs and slow production.

Overt Growth Controls Are Uncommon Statewide, More Popular in Bay Area

The survey asked city planners to identify which of 16 possible growth-control measures their cities had adopted. The responses indicate that 83 percent of cities shape residential development through design reviews, which probably do little to constrain housing production. More restrictive policies were less common, however. For example, only 14 percent of these cities linked the pace of new construction to

capital improvements, such as increased road capacity. Six percent placed annual limits on building permits, and the same percentage restricted growth to already-developed areas.

The survey responses also pointed to significant regional differences in the use of growth restrictions. The typical city in the San Francisco Bay Area, for example, adopted 3.5 growth-control policies compared to 2.5 among Central Valley cities, 2.1 in Los Angeles County cities, and 2.4 among other Southern California cities. These regional disparities seem to reflect differences in attitudes among residents rather than city officials. More than two-thirds of the city planners in each region characterized their city council majority as either in favor of residential growth or neutral to it. However, half the Bay Area planners reported that residential growth issues are often or almost always controversial in their city, compared to about one-quarter of respondents in Southern California and one-eighth in the Central Valley.



According to city planners, growth issues figure more prominently in city elections in the San Francisco Bay Area than elsewhere in the state.

The authors also found that reported opposition to new housing did not depend on a city's growth rate or its residents' socioeconomic status as such. Rather, opposition was most likely to arise where residents experienced long commute times and when other basic problems, such as crime and unemployment, were not pressing. Controversy over growth was also strongly related to the passage of ballot initiatives that restrict residential development or limit the discretion of local elected officials on land-use matters. Nevertheless, such voter initiatives are relatively uncommon; fewer than one in six planners reported the passage of such antigrowth measures in their city.

Shifting the Policy Focus

Local growth controls often draw media attention and are singled out for criticism, but the authors suggest that less visible factors may play a greater role in California's housing shortfall. For example, low-density zoning and restrictive building codes, which are often in place when a city is incorporated, can limit the potential housing supply even before overt growth controls become an issue. Widespread and costly litigation over alleged construction defects in condominiums can lead builders to avoid that portion of the housing market. Furthermore, rapid population growth, the continuing desirability of the coastal areas of the state, and capital gains windfalls have put upward pressure on housing prices.

Another factor that may affect housing supply is the state's system of local finance. Faced with limits on property tax rates imposed by Proposition 13 in 1978, many localities have sought other ways to finance city services for new development. For example, development-impact fees have increased in importance, but such fees often result in higher prices for new homes. Some local governments have focused on raising sales tax revenue, a decision that tends to favor retail development over new housing. Although the survey indicates that many city officials were willing to accommodate new housing, the disincentives for doing so under the current system are significant.

Yet another policy factor that may hinder new housing is inadequate infrastructure. The fact that residents with long commute times are more likely to oppose growth

suggests that California must address its transportation shortfalls before residents and city officials will welcome new housing.

Because many believe that local growth policies play a central role in determining housing prices and supply, some have called for limiting the powers of cities to regulate residential development. The authors maintain that increasing the predictability and transparency of the development process might be a more effective policy approach. For example, local governments could require the disclosure of neighborhood development plans to homebuyers, thereby lowering the risk of future conflict with residents. Regional planning agencies could work with local governments to track privately held land, thereby offering policymakers a better sense of the potential inventory of residential property. State legislation could reduce costly litigation over construction defects, streamline environmental reviews of proposed developments, and make residential development more fiscally attractive to local governments.

Managing Conflict over Residential Growth

City officials in rapid-growth regions feel pressure from two sides of the growth debate. On the one hand, business groups often press for more housing for employees, and real estate interests can be influential in local politics. Furthermore, many city officials feel the need and responsibility to accommodate new housing. On the other hand, local residents and neighborhood groups frequently pressure city officials to slow the pace of development in an effort to maintain a community's quality of life. As a result, city politics becomes the arena for resolving these conflicts, and local governments sometimes struggle to find effective ways to manage growth.

When conflicts over growth are allowed to fester, they often become a persistent feature of local politics and lead to more restrictive growth policies. For this reason, the authors urge local officials to manage conflicts before they erupt and to take the lead in resolving them once they do. By involving a broad segment of the public in general plan revisions and then following their plans consistently, these officials can help achieve more local consensus and avert conflicts that precipitate strict controls on housing development.

This research brief summarizes a report by Paul G. Lewis and Max Neiman, Cities Under Pressure: Local Growth Controls and Residential Development Policy (2002, 162 pp., \$15.00, ISBN 1-58213-040-X). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.
