

Government Funding – Land Use Planning/General Plans

Panel Discussion

Citizens Advisory Committee

December 6, 2007

Panelists

- Steve Lucas, Executive Director, Local Agency Formation Commission (LAFCo)
- Steve Peterson, Planning Director, City of Chico
- Andrea Redemoni, Community Development Director, City of Gridley
- Greg Iturria, Deputy Administrative Officer, County Administrator's Office, Butte County

Proposition 13 and the Fiscalization of Land Use

By Brandee Freeman, Paul Shigley and William Fulton
For FACSNET

As in other parts of the country, land use planning in California is heavily affected by the way local governments finance their operations. Both revenue and costs are determined in large part by the way their land is used. Hence, local governments often make land use decisions based at least in part on fiscal considerations associated with new development. This has come to be known as "the fiscalization of land use."

In 1978, California's Proposition 13 was fueled by a taxpayer revolt. Its impact on California planning remains important to this day.

Before Proposition 13, property tax rates were individually levied according to the city, county, school district, and state's assessed value. Each 'agency' could independently assess the value of a property and levy a tax based that value. Overall tax rates were often in the range of 2 percent to 3 percent of a property's assessed value.

Passage of Proposition 13 changed all that. The initiative restricted the property tax rate to 1 percent of assessed value, and it prohibited reassessment of property except when it was sold. Thereafter, annual increases can amount to no more than 2 percent of the rate of inflation, whichever is less.

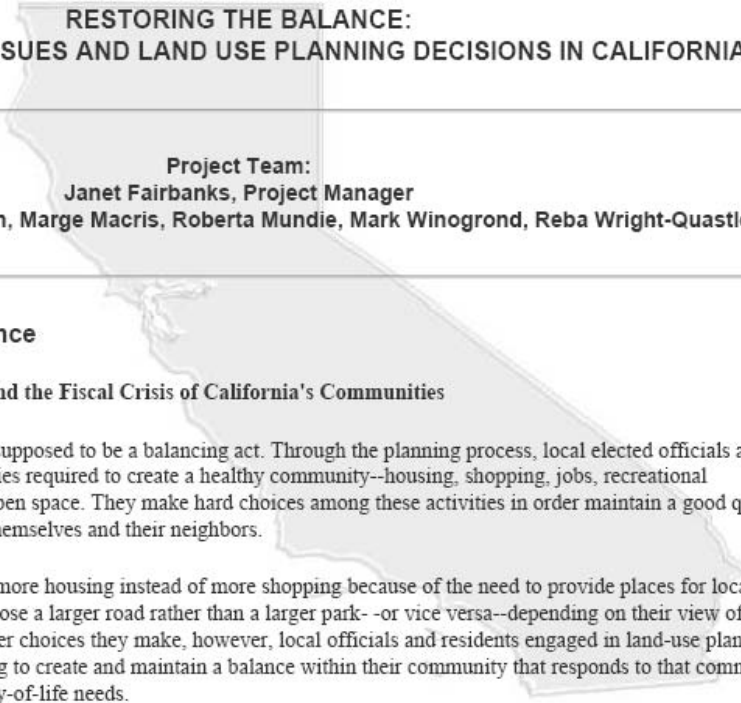
Proposition 13 was good for the taxpayer, but not for local governments; it cut local tax revenue by about 53 percent, dramatically altering the way local governments fund public services. In the wake of Prop. 13, cities, counties and school districts all found themselves scrambling for a cut of the tax revenue, lobbying Sacramento for their share. This change soon forced cities and counties to find alternative sources of revenue for infrastructure funds. In particular, it encouraged cities and counties to impose heavier exactions — sometimes known as development fees or impact fees — to pay for roads, sewers, parks, and schools.

Proposition 13 may have cut into local governments' share of the property tax, but the measure did not cut into its share of sales tax - and this didn't go unnoticed. Local governments receive 1 percent of the state's 7 percent sales tax for sales in their local districts. So in addition to exacting fees on developers, local governments also started encouraging development that increased sales tax revenue, such as shopping malls, car dealerships and hotels. By contrast, land uses that produce only property taxes and have a high public service cost — especially moderately priced housing — became less desirable.



California

Planning Roundtable



RESTORING THE BALANCE: MANAGING FISCAL ISSUES AND LAND USE PLANNING DECISIONS IN CALIFORNIA

Project Team:
Janet Fairbanks, Project Manager
Dave Booher, Stan Hoffman, Marge Macris, Roberta Mundie, Mark Winogron, Reba Wright-Quastler

Introduction: Life Out of Balance

Land-Use Planning, Quality of Life, and the Fiscal Crisis of California's Communities

By its very nature, land-use planning is supposed to be a balancing act. Through the planning process, local elected officials and local citizens consider the full range of activities required to create a healthy community--housing, shopping, jobs, recreational opportunities, transportation facilities, open space. They make hard choices among these activities in order maintain a good quality of life and a high level of opportunity for themselves and their neighbors.

For example, a community may choose more housing instead of more shopping because of the need to provide places for local workers to live. Local residents may choose a larger road rather than a larger park- -or vice versa--depending on their view of what their community's priorities are. Whatever choices they make, however, local officials and residents engaged in land-use planning typically understand that they are seeking to create and maintain a balance within their community that responds to that community's fiscal, economic, community, and quality-of-life needs.

Today, however, land-use planning no longer ensures a healthy balance in California's communities. All too often, communities are forced to make land-use planning decisions based entirely on budgetary decisions. Simply put, cities and counties assess the value of new real estate development projects by asking, Will the project bring in money--or cost money to service? Cities compete with each other for commercial centers and, often, reject affordable housing. Counties scramble for revenue to meet their state-imposed obligations to provide local health, welfare, and criminal justice services. Schools and municipalities compete for dollars, rather than working together to build communities that Californians will want to live in. The question of how to create healthy, balanced communities has become secondary to the immediate need to balance the budget.

2. Recommendation for Fiscal Sustainability

BAE will evaluate the results of the fiscal analysis for the preferred alternative and suggest financing strategies to help ensure the County's fiscal sustainability over the General Plan time horizon, focusing on the General Fund. This may include actions such as establishing new revenue sources, adjusting General Plan land use mixes, or adjusting service standards.

In consultation with County Administration Office staff, BAE will also review the County's existing system of financing its capital facilities requirements and determine the County's ability to provide for the needs associated with the buildout of the General Plan. This will include evaluation of the County's ability to fund existing development's share of future capital project requirements through existing County financing sources. As appropriate, BAE may suggest new or modified strategies such as new or enhanced fee programs, redevelopment, land-based finance, developer contributions and grants.



**Summary of Key Issues City/County Summit Meeting
January 27, 2007**

This meeting included an exercise facilitated by Butte County General Plan consultant David Early during which elected officials, planning commissioners, the public, and county and city staff's provided one or two issues each that involved city and county collaboration and planning. Further discussion ensued from this information and Mr. Early worked with participants to build consensus around several key areas. It was recommended by some that the County should:

- 1) Use an area plan approach to plan the unincorporated areas of the county.
- 2) Minimize large lot residential subdivisions in areas better left to agricultural pursuits.
- 3) Consider the input of large parcel property owners in the vicinity of incorporated cities, to promote better planning in each city's sphere of influence.

Eight themes developed regarding inter-jurisdictional issues between the county and cities including:

- 1) Coordination between the county and the cities on the designation of sphere of influences and the development of land use plans, policies and development standards. Coordinated land and growth planning should focus on minimizing urbanization outside of existing spheres. Additionally the county and the cities should coordinate development standards within city spheres of influence to ensure that development in the County, which will ultimately be annexed by the adjacent city, has the same developments standards as the adjacent city.
- 2) Coordination between the county and the cities on a county-wide economic development strategy.
- 3) Coordination between the county, cities and special districts on the efficient provision of services.
- 4) Coordination of revenues and costs between the county and cities, including consideration of tax sharing agreements between the County and the Cities.

- 5) Coordination of transportation planning between the county and the cities, as well as with surrounding counties and Cal Trans, to ensure that that a transportation system is planned and developed that adequately serves future development. Transportation planning should be integrated within the General Plan update process and address the roadway network, public transportation and bicycle and pedestrian facilities.
- 6) Investigate the development a regional metropolitan planning organization, similar to the Sacramento Area Council of Governments, which would address regional planning issues, including transportation. An expanded BCAG could form the basis for this regional planning organization.
- 7) Coordination of a county-wide recycling program and the expansion of the Neal Road Landfill.
- 8) Coordination on the development of policies and land use plans that will preserve agriculture in Butte County.

Outline

- Topic Introduction
- Panelists' introduction, background and department role
- Facilitated questions/discussion
- CAC Member Questions
- Public Comment/Question Cards – Time permitting

Is there hope?

