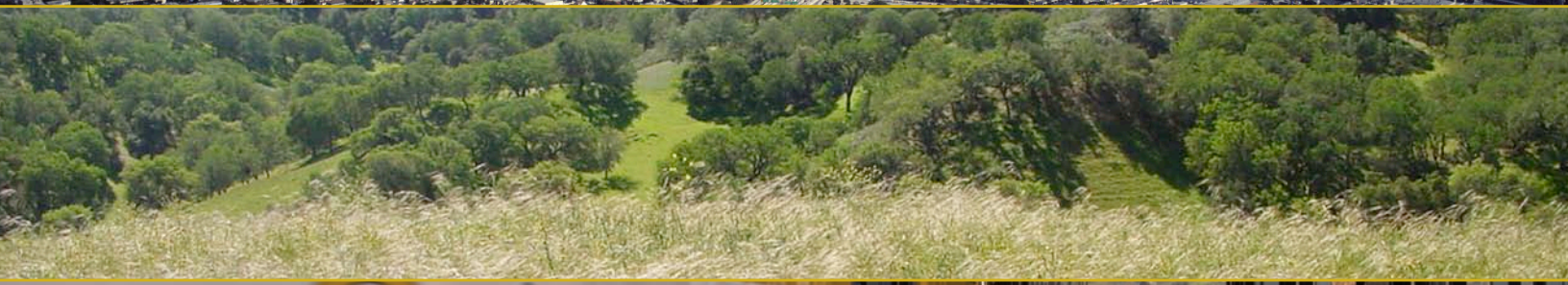
Urban Land Institute



SB 375

IMPACT ANALYSIS REPORT

JUNE 2010

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About the Urban Land Institute

The mission of the Urban Land Institute (ULI) is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to:

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has more than 29,000 members worldwide, representing the entire spectrum of the land use and development disciplines. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

Urban Land Institute and SB 375

Fundamentally, SB 375 is intended to guide more sustainable land use and development decisions through coordination at the state, regional, and local levels. The Urban Land Institute (ULI), an international nonprofit research and education organization, is appropriately positioned to analyze the potential impacts of and evaluate implementation options for this legislation.

ULI, already a thought leader in land use, has issued a number of reports on the importance of better land use decision-making, including *Growing Cooler*, *Moving Cooler*, *Putting the Pieces Together*, and *California 2020*. Now, with SB 375, ULI seeks to advance the discussion of how best to continue implementing this legal framework by engaging in an analysis and assessment of the legislation. In the context of the state's current economic and fiscal condition, ULI believes that it is an opportune time to analyze and reflect on the impacts that SB 375 will have on California's land use and economic vitality. ULI aims to identify the opportunities and challenges presented by SB 375, and suggest steps to maximize SB 375's benefits as well as educate stakeholders to create cross-industry support essential for its success.

Introduction

Purpose

This report summarizes the findings from a ULI panel that was formed to assess the economic implications of the California Senate Bill 375 (SB 375), and associated implementation recommendations. As the basis of this inquiry, the panel was charged with reviewing available empirical data and studies pertaining to SB 375 and the impacts of the kinds of development that full implementation is likely to produce, especially compact and transit-oriented development. Drawing on this research and its own substantial professional experience, the ULI panel then convened to review and discuss the economic impacts of SB 375 on the state's economy and make recommendations that would help deliver on the bill's goals of regional connectivity, policy alignment, efficient provision of infrastructure, and improved environmental quality.

SB 375

SB 375 was signed into law by Governor Schwarzenegger on September 30, 2008. This bill links land use decisions to transportation funding decisions in a way that is unprecedented in California. The vehicle for this coordination is a new regional land use plan called a Sustainable Communities Strategy (SCS). The result is expected to be more rational and coordinated regulation and public funding, which in turn should accelerate the pace at which development consistent with these plans can proceed.

SB 375 requires Regional Transportation Plans (RTPs) to include the SCSs and be internally consistent, and thereby better align transportation, housing, and land use planning as part of plans to reduce transportation emissions. Regions have broad freedom to design SCSs that align those plans and reduce emissions. The SCSs are expected to respond to SB 375 by:

- Promoting compact development patterns located near transit;
- Coordinating between the location of employment and housing;
- Supporting transit use;
- Concentrating economic activities into existing communities; and
- Incorporating a mix of housing types.

This, in turn, is expected to produce:

- Shorter commutes, vehicle miles traveled (VMT) reduction, and congestion relief;
- Reduced greenhouse gases (GHG) emissions and air pollution;
- Less fossil fuel consumption;
- Greater conservation of farmlands and habitat;
- Opportunities for more housing choices for all economic segments of the population including anticipated population and employment growth;
- Reduced infrastructure costs;
- Higher quality of life; and
- Greater certainty for the development community.

SB 375 Analysis Process

This *ULI SB 375 Impact Analysis Report* is the product of a process that consisted of assembling an invited panel of land use leaders from California – which included real estate developers, land use attorneys, academic professionals, and city and regional government officials – to assess SB 375, determine whether or not the outcomes encouraged by this legislation will affect the economic future and quality of life for Californians, and develop recommendations for improving the legislation's implementation for maximum benefit.

To support the panel, ULI developed a Briefing Book which summarized available literature and debate surrounding the economic impact of SB 375 specifically and the kinds of development patterns likely necessary to fulfill its requirements. This summary was used to establish the general state of knowledge on the key issues and formed the basis to assess the potential positive and negative economic implications of SB 375. It also provided an evidence base that aided the panel in formulating implementation recommendations. It should be noted that the Briefing Book did not reach specific conclusions on the overall economic impacts of SB 375 but rather provided an overview of the debate and highlighted available empirical data.

After reviewing the Briefing Book, the ULI panel met formally in San Francisco on May 10th and 11th, 2010. The panel's findings have been used as the foundation for this *Impact Analysis Report*, which includes the following:

1

Findings and Message

Overarching observations and conclusions that constitute the main findings and messages of this report. They are summarized as follows:

- **Positive Economic Impacts:** could generate progressively increasing public **benefits**.
- **Role of Public Engagement:** critical in dispelling any misinterpretation of the policy and gaining public support for successful implementation.
- **Alignment of Federal, State, and Local Policy:** help position MPOs to compete for federal funds to offset any costs in developing SCSs.

2

Benefits

Positive impacts and economic benefits that could materialize if SB 375 is implemented appropriately. These benefits are broadly categorized as:

- **Cohesive Regional Approach:** benefits as a result of SB 375's intention to formalize consistency and cohesiveness, in land use, transportation, and air quality planning policy, across California.
- **Market and Economy:** benefits as a result of SB 375's impact on market and economic conditions in California.

3

Implementation Recommendations

Key implementation items that need to be addressed in order for SB 375 to become a successful and useful regulatory instrument:

- **Transit Certainty:** important considerations in improving the service level and investment necessary to keep pace with the anticipated increase in urban and suburban density.
- **Alignment of Effort and Funding:** policy and government implementation factors critical to the ultimate success of SB 375.
- **CEQA Streamlining:** aspects of CEQA that should be reexamined and refined to promote the types of projects that help achieve SB 375's goals.

The overarching conclusion of the *Impact Analysis Report* is that SB 375 is consistent with the overall mission of ULI—the development of sustainable, thriving communities. However, a number of critical issues related to implementation need to be addressed to ensure SB 375's success.

Findings and Message

SB 375 represents a powerful opportunity to address:

a. Transportation, land use, housing, and environmental quality for all types and sizes of communities in California;

b. Regional and local planning alignment;

c. Economic benefits for regional and local economies;

d. Quality of life; and

e. California's federal funding opportunities.

If implemented well, SB 375 would help California accommodate growth in ways that are economically sound, environmentally responsible, and socially beneficial. As such, SB 375 has the potential to improve the quality of life for Californians, and is one tool that can address a number of problems long associated with sprawl, including traffic congestion, the cost burden of housing, declining air quality, increases in greenhouse gas emissions, and the geographical imbalance between jobs and housing. SB 375 also has the potential to capitalize on relevant federal funding opportunities.

Forward-thinking policy like SB 375 can generate economic benefits that progressively increase over time, and mitigate the impact of growth on natural resources.

SB 375 has potential parallels with the now well-established Title 24 legislation adopted in 1978, which requires improved building energy efficiency. Similar to SB 375 today, Title 24 was met with opposition initially due to myriad concerns, many of which pertained to the anticipated cost burden of compliance. Notwithstanding, the legislation was enacted and has since been credited with shifting the state toward more sustainable building practices and placing California in a national leadership role on energy efficiency policy. Title 24 has steered the state towards having one of the most energy efficient building stocks in the nation, which generate billions of dollars in energy cost savings. Though there are fundamental differences in these policies, namely that Title 24 was designed as a traditional regulation, whereas SB 375 is an incentive-based law, SB 375 could, nonetheless, be seen in a similar light in the future if it fully realizes its potential benefits. The better California does with SB 375 implementation, the greater the benefits will be.

If properly implemented, SB 375 could have a number of positive economic benefits. These potential benefits include:

- Long-term savings in municipal service costs, as the initial higher capital costs of supporting infill development are outweighed by the long-term per capita savings in maintenance costs, municipal services, and infrastructure.
- Increased development certainty, which can ease the cost burden of permitting and facilitate an efficient residential development process;
- More efficient use of public transportation systems due to higher fare recovery;
- Enhanced public health of citizens by offering walkable environments accessible to goods and services, and improved local air quality;
- Reduced development pressure on the state's agricultural lands; and
- Decreased dependence on fossil fuels, thereby making California less vulnerable to shocks in energy prices.

As the foundation of SB 375 is to strategically link land use and transportation efforts, it is critical that funding exist to develop and operate the necessary transit to support and connect residents to employment, both of which will likely grow in greater concentrations in urban and suburban areas.

Findings and Message *continued on page 5*

Because SB 375 is relatively unknown to some and misconstrued by others, myths about SB 375 would be dispelled by engagement, communication, and dialogue.

It is critical to ensure that residents and stakeholders understand the goals and anticipated benefits associated with the implementation of SB 375. There are multiple forms of engagement and communication, including the news media, simulation tools, and community dialogue, which can provide a better understanding of the legislation, and more broadly, demonstrate how land use and transportation decisions impact GHG emissions, energy and water consumption, quality of life, and social equity. Much of the debate surrounding SB 375 has been a result of misinterpretation of the legislation itself. For example, there are those who believe SB 375 precludes all greenfield development. No forms of development are explicitly prohibited in the legislation, as it was intentionally designed to afford regions flexibility in meeting their GHG reduction target. Thus, appropriately located and thoughtfully planned greenfield development is likely to be included in most SCSs.

SB 375 moves us towards alignment of federal, state, regional, and community policy and funding on growth in metro areas and the inherent linkages between homes, jobs, and environment.

The federal government is actively aligning transportation, housing, and environmental policies in ways that parallel SB 375. If well implemented SB 375 could help California receive relevant federal funds. For example, federal funding could help compensate local jurisdictions and Metropolitan Planning Organizations (MPOs) for the planning costs associated with SB 375.

Benefits

SB 375 offers communities incentives to plan for and to develop a more efficient layout and distribution of infrastructure and municipal services while reducing encroachment on valuable agriculture lands and natural habitats. This approach provides a more rational way of creating livable communities that link jobs to housing and accommodate the projected need for 2 million more homes statewide over the next 20 years.

The benefits anticipated from SB 375 and outlined below can be broadly classified into two categories: the cohesive regional approach that will be established as part of the SCS, and its underlying market-based rationale and economic advantages. A cohesive regional framework can create better development certainty, which reduces barriers to the realization of more sustainable land use and development patterns, and can lead to the wide range of possible economic benefits.

These benefits can be best realized if the legislation is implemented thoughtfully and effectively. The ULI panel developed some implementation recommendations that can be found in the subsequent section of this report.

Cohesive Regional Approach

One anticipated benefit of SB 375 is that it provides more consistency, coordination, and clarity to the development process and land use planning. SB 375 provides a framework within which the state and regional authorities can ensure a stable and predictable development environment. Because California's economy is based on numerous strong regional economies, its growth and prosperity depends on the health of those regional economies.

Rationally aligns regional planning, transportation, and environmental policy and funding

SB 375 seeks to harmonize three distinct but related policy areas – regional planning, transportation infrastructure development, and statewide emissions goals – in one comprehensive program. By removing any misaligned or contradictory directives inherent to these regional planning processes in place before its passage, SB 375 can reduce the incidence of disjointed decision making processes between the local and regional levels of government. The law builds upon existing regulatory structures and seeks to incentivize compact development through a mix of transportation project funding and process streamlining designed to reduce GHGs, in part through reduction of vehicle travel among California's 23 million licensed drivers. The resulting coordination across geographies and sectors will advance and promote the economic vibrancy and environmental health of California communities. Regional coordination and incentives prescribed under SB 375 are likely to be an improvement over an unelected air resources board setting impact standards for land use and transportation decisions.

Potentially improves regional and local jobs to housing balance

In recent years, many areas in California have witnessed a significant growth in residential development, particularly single-family units, that has expanded urban areas considerably and substantially increased commute times. Few, if any, state policies explicitly address the balance between the location of jobs and housing, at either the regional or local level. At the local level, achieving a better jobs-to-housing balance through the promotion of housing diversity and mix of uses would reduce the need for long commutes between residential communities and employment centers. At the regional level, connecting housing-rich areas with jobs-rich areas with the appropriate, cost-effective transportation infrastructure would reduce the need for single-occupancy vehicle commute travel. SB 375 provides an opportunity to pursue these dual objectives to ensure a better balance between employment and housing and more viable transit options for commuters.

There are also potential economic gains for both local governments and households. Local governments could benefit from the reduced cost of housing and infrastructure for compact communities (see Market and Economy section for more details). Households could benefit from a reduction in the cost burden of transportation if transit options are expanded that link residential areas and employment centers. Recent research indicates that transportation expenses tend to be highest in areas that lack transit options. Consequently, total household costs are generally highest in transit-poor, suburban areas, even when housing tends to be more affordable, as demonstrated in the ULI report, *Bay Area Burden*.

Provides clarification to developers on the desired direction of development

The SCSs required by SB 375 should provide greater clarity and certainty to developers, and send a powerful signal to the development industry about the state's desired direction for future growth and development. With a framework in place through SB 375, there will be greater certainty in the location and timing of future development. The resulting coordinated regulatory and development funding landscape will accelerate the pace at which developments that comply with regional SCSs can proceed. This is particularly relevant in the case of newly-urbanizing areas. MPOs and their local government members will develop a mutual understanding of community expectations, desired development, and approval processes.

Initiates needed California Environmental Quality Act (CEQA) reform

Reforming CEQA to remove barriers to developing compact or transit-oriented communities is a critical success factor for SB 375. However, not only is CEQA reform needed in order for SB 375 to be effective, but implementation of SB 375 is the most likely mechanism through which to successfully enact the much-needed reform. SB 375 includes a number of revisions to CEQA tied to the adoption of SCSs. More fundamental CEQA reform is necessary to achieve the underlying intent of SB 375. The implementation of SB 375 affords an opportunity to further reform CEQA (see Implementation Recommendations section for more details).

Allows for flexible regional and local solutions – one size does not fit all

Recognizing that communities in California come in many different forms, layouts, and sizes, SB 375 is flexible and recognizes the existence of diversity across the state. There is no local planning mandate under SB 375, which means cities and counties do not need to amend their general plans or local zoning laws to conform to the SCS. Additionally, the development forecasts and GHG reduction mandates must be "reasonable," which implies a measured and adaptable approach to regional planning.

Improves efficiency and effectiveness of transit

California is under pressure to ensure that its transportation infrastructure is meeting its needs resulting from growth. By linking transportation funding to land use decisions, future transit infrastructure will be appropriately targeted to where the need is greatest and where investment is most rational.

Market and Economy

Economically, SB 375 will help the state, communities, and developers meet the shifting market demand for housing, diversify the housing offerings on the market, allocate public resources more efficiently, and ensure a better quality of life.

Accommodates a growing share of housing demand for first-time renters/ buyers and empty nesters

California's population has historically grown at a rate faster than the nation and is currently projected to increase from approximately 37 million today to 43 million by 2020 and to 55 million by 2050. As such, it is imperative to apply thoughtful consideration to determining where and how best to accommodate this increasing population. The number and type of housing units delivered to market in California over the past 20 years have not kept up with demand or population growth rates. Due to strong demand, the state has one of the highest-priced housing markets (both for-sale and rental) in the nation, causing a higher percentage of households to allocate a significant portion of their incomes to housing. Compact developments can provide the type of units that appeal to first-time renters and buyers and empty nesters, who are currently underserved.

Strives to create a wider range of housing choices, and maintain a balance between infill and greenfield development

SB 375 will not restrict or prevent the wide range of housing choices that currently exists in California. Attached multifamily units can coexist alongside detached single-family units, and these options will continue to exist under SB 375. With a greater balance between infill and greenfield developments, SB 375 could ultimately lead to more sites for development, not fewer, thereby balancing housing supply and demand.

Although the panel expects the SCSs to increase certain types of development – specifically more compact and transit-friendly communities – nothing in the legislation precludes or discourages a wide variety of development options. SB 375 will not prevent households from continuing to make their own decisions on the type and location of housing to occupy.

SB 375 will allow for a realignment of development priorities by better balancing the amount of infill and greenfield developments in California. Policies encouraging compact development have proven effective at redirecting development away from valuable agricultural and open space, primarily by increasing the cost of development beyond metropolitan or growth areas. Benefits include positive net revenues to local governments through the reduction of per capita service costs, increased property values, and sustained agricultural economies.

Improves allocation of transportation funds according to density and need

The allocation of both state and federal transportation funds often seems haphazard and has been criticized for being skewed away from public transit funding. Funding allocations do not seem to be contingent on population, density, or local needs, which result in public funding inefficiencies. The new priorities in transportation funding allocations under SB 375 will ensure more rational transit and infrastructure development and maintenance, especially given the scarce public funding available.

Positions the state and regional governments to be more competitive for federal resources

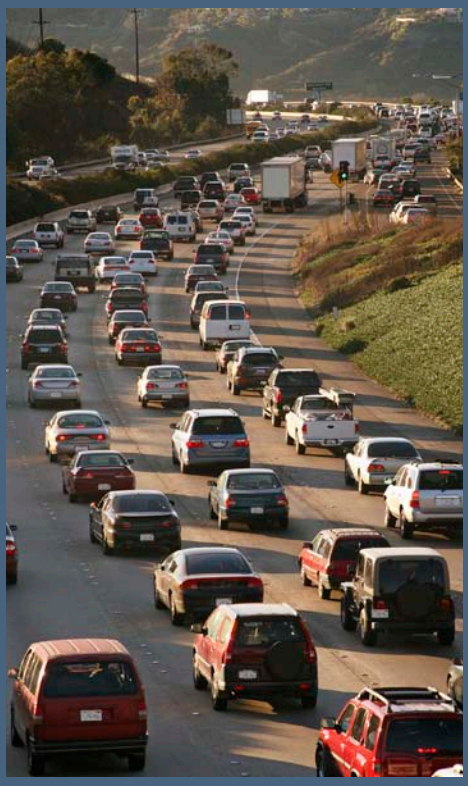
With increased coordination, the state and regional governments will be more competitive for federal resources. Approximately $15 to $20 billion in federal, state, and local transportation funding flows to California each year, and is of great importance to regional and local governments for the funding of critical transportation capital improvements. SB 375 builds on existing law, specifically the Regional Transportation Plan (RTP) that MPOs prepare every four years. Under SB 375, transportation funding decisions are tied to the RTP and California Air Resources Board (CARB)-approved SCS.

Leads to healthier communities

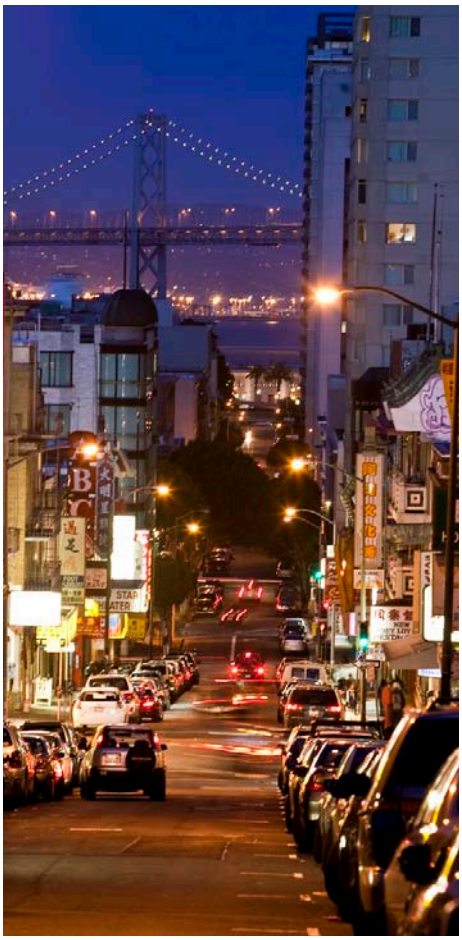
Land use and transportation patterns have a significant impact on public health. Many communities in California have been built to accommodate the automobile, and recent research about the dominant car-centric model and the lack of physical exercise during driving, as well as transportation-related air pollution (specifically ground-level ozone and particulate matter), connects it to respiratory illnesses, cardiovascular diseases, obesity, and traffic-related fatalities. These impacts are less prevalent in denser, more compact areas that accommodate public transportation, bicycling, walking, or other less polluting modes of transportation. An Active Living Research study of 33 California cities confirmed that the obesity rate among adults who drove the most was 27 percent, which is about three times higher than the obesity rate among those who drove the least (9.5 percent).

Preserves and enhances higher quality of life through more efficient municipal services and infrastructure in the long term

Broadly speaking, municipal service costs tend to increase with dispersed development outside existing urban boundaries, and are reduced with compact, planned development within existing urban boundaries. Substantial research finds that compact development produces a multitude of benefits: lower public financing, infrastructure development, and operating costs; improved economic performance; and improved fiscal performance for local municipalities. ULI also recognizes infrastructure expansion in existing urban areas can be more complex, more expensive, and more difficult to finance than conventional greenfield development, but the marginal increase in costs is outweighed by the long-term municipal savings generated over the life of the infrastructure. In other words, compact development can be fiscally positive, but the state needs to improve the means by which municipalities can finance improvements in existing urban areas.



Implementation Recommendations



Transit Certainty

If communities successfully guide growth to areas targeted by SCSs, they are also likely to need more transportation choices, particularly public transportation. Though California already has an extensive network of public transit – buses, trains, light rail, shuttles – the coverage and efficiency of these services must keep pace with the anticipated increase in urban and suburban density. Improving the service levels and ongoing investment in transit capital improvements and operations creates transit certainty, a critical factor for supporting the growth of compact communities.

Assure sustainable capital and operations transit funding to match desired growth pattern

Maintaining sufficient levels of access to public transit will require redoubling the effort to procure a reliable, long-term source of funding for public transit capital investments and operations. Currently, transit funding is generated through taxes at all levels of government – federal: a portion of the Highway Trust Fund generated through fuel excise tax; state: fuel tax, sales tax, Public Transportation Account, and Proposition 1B bonds; and local: sales tax measures, transit fares, and general funds. Though these sources have supported the continued development and expansion of the public transit system throughout California, additional sources will likely need to be leveraged in order to support the level of investment needed to match anticipated future land use development patterns.

Broaden funding and financing mechanisms to provide a steady and growing source of funding for transit capital improvements and operations

As mentioned above, the funds for transit capital investments and operations must be reliable over the long term and adequate to meet the anticipated growth in demand for services. The current system of funding public transit has created unintended fluctuations in annual budgets that inhibit the effective long-term planning of investment in capital and operations. This has resulted in reductions in service levels and coverage. To account for this inherent volatility, public transit funding streams should be broadened and diversified through the employment of new funding and financing strategies. Various financing tools could be leveraged, which include, but are not limited to: tax increment financing for transit districts/station areas, congestion pricing, vehicle-miles-traveled (VMT) fees, variable parking pricing, fuel taxes, the use of public-private partnerships, and value capture financing. Though not all of these approaches will have uniform applicability across the state, they, along with other alternatives, should be considered to ensure transit funding for the future. Additionally, public transit agencies need not rely solely on their own operations to supply users with transit alternatives. There are also ample opportunities to partner with private transit operators to supplement the existing system where gaps are identified.

Modernize information gathering and data analysis tools and leverage the state's innovation economy to further develop an efficient and cost effective transit system

Improvements to transit service, especially in the form of increased safety, improved on-time performance, improved customer service, and ease of making a connection, can help make transit a better alternative to these users. Transit agencies are often confronted with difficult budgetary and technical constraints that prevent them from selecting and applying technology to solve operational problems and improve customer service, and thus could benefit from a systematic approach to the identification of problems and application of affordable and effective technological solutions.

Though there are a number of simple technological solutions that appeal to transit users such as smart phone transit applications, a more comprehensive transit management system is likely necessary for transit agencies. Models already exist that can be built upon, such as the Efficient Deployment of Advanced Public Transportation Systems (EDAPTS) Smart Transit System. This system was researched, developed, and tested by California Polytechnic State University, San Luis Obispo, and is currently operational in the city, providing a variety of user and administrative services on a daily basis:

- Vehicle tracking and positional information in the dispatch center and on the Internet;
- Schedule adherence and time to depart information to drivers, dispatch, and administrative personnel;
- Silent alarm notification from bus to dispatch center for on-board emergencies, and dispatch center emergency management software for processing requests;
- Real-time transit pass validation during boarding;
- Roadside message signs that display minutes until arrival for buses;
- Data collection for route performance and boarding data collection to aid management and planning; and
- Synchronized system time for drivers and dispatch using GPS time base.

Additionally, numerous technology companies in California have created their own sophisticated transit systems. Public transit agencies can learn from the private sector and the private sector can have better coordination with the public sector.

Alignment of Policy and Funding

While SB 375 moves the state in the right direction through aligning land use, transportation, and air quality planning under a regional framework, a number of other policy and government implementation factors will ultimately drive the success of SB 375. Below are six alignment issues that should be considered for the successful implementation of SB 375.

Public policy needs to align across federal, state, regional, and local levels

The existing regulatory framework across federal, state, regional, and local levels contains inherent conflicts and contradictory directives, such as designated infill priority development areas conflicting with flood zones, environmental guidelines regarding proximity of housing to freeways, or school location and configuration guidelines that favor low density environments. These state guidelines are often considered separately from larger regional land use and transportation policies and confuse local jurisdictions on how to comply with multiple policy directions.

More important are policies that prescribe the allocation of tax revenue to local jurisdictions, which encourage cities and counties to build more retail and hotels to increase local retail sales and transient occupancy tax revenues. Often called the "fiscalization of land use," local governments frequently have fiscal disincentives to build more housing close to employment. Shifts in state fiscal policy that place greater importance on balancing infill housing with employment tied to population growth and less importance on the point of sale would incentivize cities to participate in SB 375's SCSs and accommodate the housing envisioned in priority development areas.

Land use policies need to align with demographic forces and market trends

As stated in the identified benefits, current and projected demographic trends indicate a proportional decrease in the share of households with children, an increase in young households entering their early household formation period, and older empty nesters that are considering smaller housing options. Based on these demographic trends, SB 375 appears to facilitate the development of housing suited for both young households and empty nesters. Still, housing demand is not entirely dependent on age or household size but is an amalgamation of buyer preferences and socioeconomic characteristics that constantly change. It is the charge of SB 375 to facilitate housing that provides

a broad range of choices able to accommodate the state's growing housing needs and not to distort prices so as to make certain preferences unattainable. While certain SCSs may elect to encourage more compact housing options, they should not entirely preclude the development of other housing types.

Alignment should produce a transparent approvals process for public- and private-sector players

SB 375 should result in more certainty to the development community as to where development should occur and the type of development that is encouraged. The path to the development approval process should also be easily comprehensible in order to create more certainty. The SCS should provide clarity on how local jurisdictions are or are not conforming to the SCS. The extent to which general plans will need to be updated and corresponding changes to zoning required varies among different cities and counties. For SCSs to work as envisioned, local jurisdictions will require additional planning and land use resources from the state to make appropriate changes to their general plans. One potential solution is to increase the Vehicle License Fee, which would help to finance planning and zoning changes that conform to the SCS.

Alignment should take into account multiple development priorities to ensure that communities have sufficient public services

Housing development alone will not create better air quality and regional connectivity. Housing development, employment, schools, transportation, parks, and other infrastructure must be connected to provide a high quality of life. State funding priorities need to take into account that SB 375 redirects future growth towards existing urban areas, and while transportation funds will be linked to the SCS, so should other infrastructure investments such as monies for sewer, water, schools, and parks. It also requires an alignment of other community facility siting and configuration guidelines, such as for schools.

Funding must be aligned across varying levels of governance and across various priorities

While the potential long-term savings that can be realized under more compact infill development is recognized, the ULI panel also acknowledges the more complex and often more expensive process – on a per new unit basis – of financing infrastructure expansion in existing communities. The state's fiscal deficit has resulted in the extraction of what has historically been city and county monies, such as tax increment dollars and transportation funds, which further hinders local jurisdictions from accommodating infill development. This sends the wrong message to local jurisdictions who are attempting to implement SB 375's purpose, but at the same time have limited resources to create the livable communities envisioned.

MPOs should coordinate regional modeling

In order to develop and evaluate SCSs, MPOs will rely heavily on regional travel demand models. These models, and MPO staffing to support them, vary widely in sophistication across the state. The Strategic Growth Council allocated $12M in funding for improvements to MPO data and modeling specifically in support of SB 375, as the first round of Proposition 84 planning grants. The California Air Resources Board (CARB) has funded research in GHG reduction potential for various transportation/land use policies as part of SB 375 as well. In part due to this additional support, limitations of MPOs regional transportation models need not be an excuse for delaying implementation of SB 375. Models and data need to be progressively improved over time as a means to compare and track each region's performance.

The largest MPOs have begun a process of coordinating policy scenarios, model capability and sensitivity, and key performance metrics as a way of ensuring some level of consistency in target setting, and ultimately, implementation of SB 375. This coordination effort should be expanded to include all MPOs in the state. This sort of coordination will result in a more uniform travel model that generates comparable estimates of vehicle miles traveled, greenhouse gases, criteria pollutants, and congestion across MPOs.

In addition to modeling, MPOs and the state will require coordination to share information, best practices, and develop systems that implement the intent of SB 375. State oversight agencies, MPO boards, and staff should have designated formal times during which to discuss how they can better achieve regional connectivity, improved air quality, and housing affordability. The state should be an active participant in these discussions in order to adjust the regulatory process and minimize administrative and reporting obstacles associated with developing a successful SCS.

Cross-MPO coordination will also be critical for connected metropolitan regions, where housing centers in one MPO are linked to employment centers in another. For example, residents in the Sacramento region under SACOG have work commutes to job centers in the Bay Area, under ABAG's authority. These connections should only increase with the construction of high-speed rail.

CEQA Streamlining

Requirements of the California Environmental Quality Act (CEQA) should be reexamined and refined to promote specific land use and transportation projects that help achieve SB 375's desired outcomes. Such refinements can be designed to reduce the burden of excessive documentation while providing desired environmental protection, and fostering development of urban growth patterns and transportation systems that reduce carbon emissions.

Streamlining CEQA for this purpose begins with the program environmental impact report (program EIR) prepared for the RTP/SCS for a metropolitan region to make it a more useful foundation for specific land use and transportation projects.

Useful Life of the RTP/SCS Program EIR

The RTP itself and the RTP/SCS program EIR will be prepared every four years under SB 375 and federal transportation law. CEQA should recognize the validity of the RTP/SCS program EIR for a four-year period to deflect legal challenges based on claims that the program EIR analyses are out of date and no longer valid. Establishing this certainty for a four-year period is consistent with another CEQA streamlining provision for the Master EIR, which has a minimum five-year useful life.

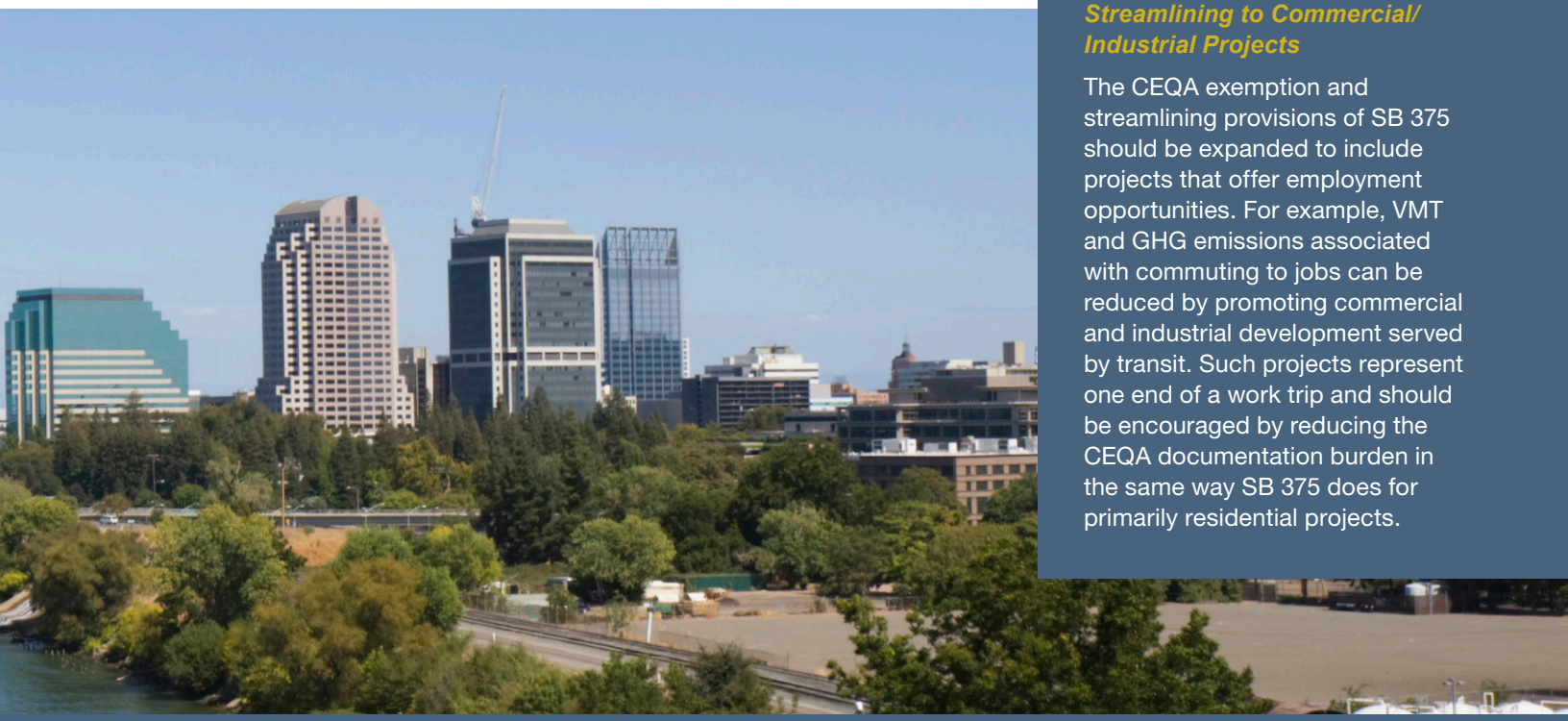
Tiering with the RTP/SCS Program EIR

The RTP/SCS program EIR could leverage 'tiering' under CEQA more effectively than it currently does. The concept of tiering allows use of program EIR analyses with later EIRs and mitigated negative declarations (MNDs) on more specific projects. By incorporating the general analyses contained in the program EIR by reference, later EIRs or MNDs can concentrate on issues of the specific projects at hand.

Currently, the use of tiering under CEQA is limited to program EIRs and later EIRs or MNDs for specific projects prepared by the same agency (the 'lead agency'), but tiering under SB 375 should be broadened to fit the planning approach created by SB 375. Since MPO Boards consist of representatives from their local member agencies (cities and counties in a region), CEQA should allow decision makers within those cities and counties to use the MPO-approved RTP/SCS program EIR as a first-tier EIR supporting later EIRs or MNDs for specific projects within their jurisdictions.

Clarity of RTP/SCS Program EIR Requirements

The provisions in SB 375 related to the RTP/SCS program EIR need to be expanded to provide clarity on content requirements. The contents of RTP program EIRs have been well established over several decades of experience, but the addition of the SCS as a part of the RTP complicates the analyses by including a new land use component. Development of more specific content requirements like those contained in the CEQA sections pertaining to Master EIRs and Projects Consistent with a Community Plan or Zoning would be helpful and provide a greater level of certainty for both decision makers and stakeholders.



Other suggested streamlining approaches include:

Refine Criteria for Transit Priority Projects

Criteria for a CEQA exemption or streamlining for Transit Priority Projects (TPPs) should be further refined to ensure that projects consistent with the purposes of SB 375 get the greatest relief from excessive CEQA documentation. The current exemption and streamlining criteria are limiting and exclude some projects that can help regions achieve GHG reduction targets. For example, the current limitation of 200 residential units for a TPP exemption may prevent an otherwise acceptable 250-unit project from moving ahead due to CEQA time and cost requirements. Similarly, the eight-acre maximum area for a TPP is unnecessarily limiting. Refinement of these and other criteria, consistent with both the intent of CEQA and SB 375, represents an opportunity to meet targets for GHG reduction without sacrificing overall environmental quality in California's communities and regions.

Expand TPP Exemption and Streamlining to Commercial/ Industrial Projects

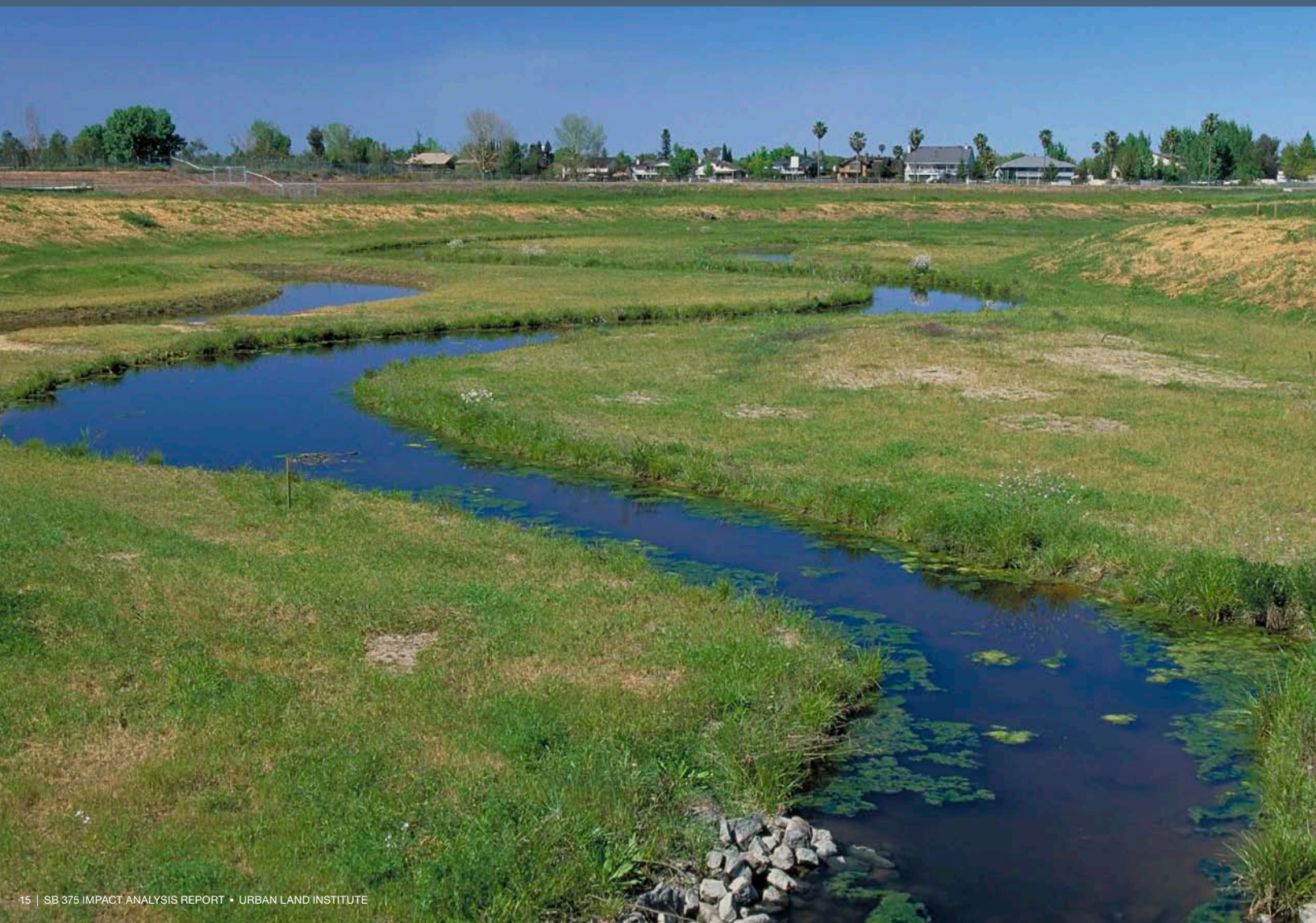
The CEQA exemption and streamlining provisions of SB 375 should be expanded to include projects that offer employment opportunities. For example, VMT and GHG emissions associated with commuting to jobs can be reduced by promoting commercial and industrial development served by transit. Such projects represent one end of a work trip and should be encouraged by reducing the CEQA documentation burden in the same way SB 375 does for primarily residential projects.

Conclusion

SB 375 is consistent with the overall mission of ULI and what it has long advocated—the development of sustainable thriving communities that provide a framework for connecting people to places, respect environmental realities locally and globally, and compete effectively for economic vitality.

The potential benefits of SB 375 implementation begin with its promise to create a cohesive regional framework by interlinking land use, transportation, and air quality planning policy across California. If this vision is sufficiently realized, it would be economically advantageous in a number of ways, including addressing the disequilibrium in market demand, further developing the regional economy and employment base, and increasing fiscal efficiency.

However, a number of critical issues related to implementation need to be addressed to ensure SB 375's success. Key implementation items include: greater transit certainty, in that appropriate investment and improvement in service level need to keep pace with the anticipated increase in density; the necessary alignment and coordination of government policy and funding; and further CEQA streamlining to promote the type of projects that help achieve SB 375's goals.



The ULI SB 375 Impact Initiative stems from a joint partnership among the ULI California District Councils, with generous support from Smart Growth America.

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