CALIFORNIA PLANNING & DEVELOPMENT REPORT

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Focus of Growth Debate May Move to Riverside

Special Report: Growth Control Turn to Page 3

June's defeat of Measure A, Orange County's highly publicized growth-control initiative, was a major victory for the building industry in its fight against California's burgeoning slow-growth movement. But slow-growthers won seven of 11 electoral face-offs statewide in June, and they are continuing to build a coalition — now called "Save California" — stretching from San Diego to San Luis Obispo.

At the same time, there is evidence that the builders aren't resting on their laurels from the Orange County victory. In Orange County, they are working with a county task force on growth management that includes slow-growth leaders. More broadly, they are pushing hard to greater credibility for their claims that growth control drives up the cost of housing and harms local economies. (See accompanying story.)

In particular, the builders seem intent on making Riverside County the major growth battleground in the November elections.

This month's issue of *California Planning & Development Report* includes the first part of a two-part Special Report on the growth control movement. This month, *CP&DR* reports election results from June and examines the true impact of growth control on local economies and housing prices. Next month, *CP&DR* will concentrate on solutions — not only solutions emerging in California, but also solutions found in other fast-growing states, where governors and legislatures have been active in *Continued on page 3*

Effects of Growth Curbs May Be Subtle, Limited

As the political battle over growth restrictions in California has grown in the past few months, so has the debate over the true effects of growth control. In particular, builders and developers are trying to win supporters in their fight against growth control measures by arguing that they harm local economies and drive up the cost of housing.

In the recent campaign against Measure A in Orange County, for example, a Chapman College study estimated that by 1995, the initiative would drive up housing costs 35%, drive growth in personal income down 10%, and cause a 7% decline in job growth. Similarly, the Ventura County Building Industry Association — which has just embarked on a public-relations campaign against growth control — claims that median home resale price rose from $122,000 in 1984 to $177,000 in 1987 and suggests growth controls are the chief culprit.

With California home prices rising rapidly, growth control is sure to come in for more criticism by the building industry as a leading cause. And as the political battles intensify over the next few months, such claims are likely to move to the center of debate.

But how accurate are these claims? Unfortunately, relatively little empirical research — impartial or otherwise — is available. But most experts do agree on a few tentative conclusions, including the following: *Continued on page 8*

Napa County May Curb Creation of Wineries

First came rent control. Then growth control. And now — grape control.

Napa County's board of supervisors may soon restrict the number of new wineries permitted in the county, or at least subject new wineries to rigorous regulations. Such proposals come as a result of unprecedented growth in the Napa wine-making business, and in the value of the county's agricultural land.

While agricultural landowners elsewhere struggle, Napa land is trading for upwards of $40,000 an acre, some four times the price of a decade ago. Meanwhile, the number of wineries has tripled in the last 10 years, from 74 to about 200. And according to Mary Handel, executive director of the Napa County Grape Growers Association, at one point this spring the county planning department was processing 23 simultaneous applications for more wineries.

Wineries and vineyards are not synonymous, though sometimes the same company owns both. Vineyards are the fields in which grapes are grown; wineries are the industrial facilities where wine is manufactured from grapes. Currently, vintners and grape growers in Napa County — two groups sometimes at odds, though they have some overlapping membership — are negotiating over what kind of regulatory proposal to support.

Earlier this year, the vintners voted to ask the county to bar further winery construction in the county's agricultural preserve, while grandfathering in existing *Continued on page 2*

BRIEFS

Norman Murdoch will step down as Los Angeles County's planning director and take over a newly created job under Richard Dixon, the county's chief administrative officer.

During 13 years as the county's planning chief, Murdoch watched development of far-reaching, formerly rural areas of the county, most notably the Santa Clarita Valley. Rapid growth in those areas led to the incorporation of several new cities, including Santa Clarita and Agoura Hills, and attempts to form several others, including Calabasas and Malibu.

Murdoch, who did not receive a pay raise along with other department heads this spring, will serve under Dixon as director of economic planning. His interim successor will be James Hartl, chief deputy director of planning.

Michael Dukakis, the likely Democratic nominee for president, has committed himself to increasing the federal government's role in providing affordable housing.

Speaking in Boston June 28, Dukakis pledged that he would commit to a $3-billion, three-year low- and moderate-income housing program if elected president. He was accompanied at a press conference by Sen. Alan Cranston, D-California, who is introducing legislation calling for a $3-billion federal housing initiative.

Cranston's initiative is based on the recommendations of the National Housing Task Force, co-chaired by developer James Rouse and David Maxwell, president of the Federal National Mortgage Association. (*CP&DR*, June 1988.)

Suburban growth will be the most important social trend affecting the field of architecture, pollster Lou Harris has discovered in a survey for the American Institute of Architects.

Harris's AIA poll found that 53% of the 201 leaders across the country he surveyed regarded the "urbanization of suburbia" as the top trend likely to affect architecture in the years ahead. Least likely: professional liability problems, a national resolve to attack social problems, and demand for accountability in government.

In a separate poll on public perceptions of architects, Harris found that, by a 2-1 ratio, Americans believe architects "make the difference in making sure businessmen and government officials make new buildings and housing safe and liveable." But 70% of those Harris surveyed believe architects "often increase the cost of buildings beyond their worth."

State Sen. Marian Bergeson, R-Newport Beach, has withdrawn a bill that would have set aside sensitive lands in the Bolsa Chica area and set up an assessment districts to raise $240 million in public improvements.

Bergeson, who is chairman of the Senate Local Government Committee, pulled the bill at the request of some members of the Huntington Beach City Council, who asked for more time to work out complicated issues involving proposed development of the property by Signal Landmark Inc.

Signal Landmark hopes to build 5,700 homes and a 1,300-slip public marina on the 1,600-acre parcel. At first Bergeson said she would not withdraw the bill, SB 1517, but later changed her mind when it became clear she could not obtain the city council's support. The Bolsa Chica development has been a controversial public issue in Huntington Beach for many years.

ROUNDUP: L.A. County isn't liable for property damages caused by the Big Rock Mesa landslide in Malibu, the Court of Appeal has ruled. ... **A drug smuggler's ranch in Riverside County,** deeded to Orange County as payment for help in the bust, may be part of an annexation swap between the two counties. ... Japanese investors are planning **a monorail connecting John Wayne Airport** with two proposed office/condominium towers nearby.

Napa

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wineries. As a result, the supervisors asked the planning department to determine what the appropriate density for wineries would be.

While the vintners were worried about additional wineries, however, the grape growers have been concerned with the wineries already in business. Claiming that many wineries are using their Napa Valley operations as essentially a retail outlet, the grape growers have asked that new wineries be required to subordinate marketing operations to grape processing, and to process at least 75% Napa County grapes. (Wineries now must use 75% Napa grapes in order to specify "Napa County" on the bottle.) Handel claims more wine is now sold by Napa County wineries than could be produced from the county's 30,000 acres of grapes in cultivation.

Corrections

California Planning & Development Report would like to correct two errors made in last month's issue.

First, *CP&DR* reported that the Sunrise Co. would have to pay for construction of 750 low-income housing units near Indian Wells because Gov. George Deukmejian vetoed SB 1719, which would have permitted city redevelopment funds to be used for the purpose.

In fact, the legal agreement between Indian Wells and poverty lawyers called for construction of 600 units by the city with redevelopment funds and another 750 units by Sunrise Co.

Also, Sacramento County was inadvertantly omitted from a list of the fastest-growing counties in the state. Sacramento received more than 32,000 new residents in the state, the sixth-largest number in the state, according to the Department of Finance.

Pension Fund Sells Price Club Land

The Sacramento city pension fund has sold a controversial 14-acre parcel of land in the city back to its original owner, developer Steve Wong.

In early June, Wong exercised his option to buy the property back after the pension fund received it as a default payment from Price Club, which hoped to build a large retail warehouse on the parcel. The pension fund had loaned Price Club $2.45 million to purchase the land, but Price Club defaulted on the loan one day before the city planning commission was scheduled to consider a zone change on the site. (*CP&DR*, June 1988.)

City officials received considerable criticism for investing in a deal that required city approval for a rezoning.

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recent months in implementing growth-management laws.

In Riverside, slow-growthers have placed a sophisticated initiative on the ballot there, designed to dramatically reduce housing and improve the jobs/housing balance on the county. But many Orange County builders have major projects in Riverside County, and they may see hope for victory because of the county's similarly conservative populace and its less well-rounded economy.

In fact, a lawsuit to knock the Riverside County measure off the ballot — similar to a lawsuit filed in Orange County last spring — has already been filed by the Riverside and San Bernardino Counties Building and Construction Trades Council.

Orange County

In the past few months, Orange County had become a symbol of just how broadly based the slow-growth movement had become. Citizen dissatisfaction over traffic congestion was high, and a victory for Measure A in this traditionally pro-property county was taken for granted by most people outside the building industry. With a month to go, Measure A, which would have tied new construction to the alleviation of traffic problems, was winning 70-80% approval in the polls. The conventional wisdom said that the builders' huge warchest would work against them, just as it has in so many smaller jurisdictions around the state.

The building industry did indeed raise a vast sum of money — well over $2 million, compared with between $50,000 and $70,000 for Measure A's proponents. But under the campaign chairmanship of development lawyer John Simon, the builders found a way to make the money work in their favor.

With five weeks to go, they scrapped plans to conduct a splashy, media-blitz campaign and hired campaign consultant Lynn Wessell, a veteran of several growth-control electoral battles. Wessell hatched the idea for what might be called the "Bartles & Jaymes" campaign — a grassroots-style campaign that reached most voters effectively without looking like an expensive effort. Under Wessell's direction, the campaign hired 500 workers at $7 an hour to work phone banks and walk precincts, and also purchased local radio time. The result: The campaign was able to knock 10 points a week off the "Yes on A" lead.

"People are looking to be talked to personally," Wessell said. "The message was, it doesn't take one car off the road. It doesn't do anything about freeways. It's not a traffic control initiative at all. It makes traffic worse."

Simon said he opposed the Orange County Building Industry Association's unsuccessful court case to knock the measure of the ballot. (*CP&DR*, April and May 1988.) In retrospect, however, the court case appeared to be a helpful political strategy because it diverted the attention and limited resources of the "Yes on A" campaign — and especially of Greg Hile and Belinda Blacketer, the initiative's drafters. As it turned out, virtually no "Yes on A" campaign was mounted beyond press coverage.

The growth-control leaders in Orange County are not out of options, however. Recall drives are being mounted against Supervisors Harriett Weider (who lost the primary for a congressional seat) and Tom Riley. Hile and Blacketer will continue to pursue their lawsuits challenging the validity of development agreements passed by the supervisors before the election — though, as Blacketer acknowledged, without Measure A in effect, the value of a successful development agreement lawsuit might not be great.

Most important, the growth-control forces still have the threat of mounting another, perhaps more sophisticated, campaign in the future. A few days after the election, Sherry Meddick, one of the county's most uncompromising slow-growth leaders, pointed out that her San Francisco counterparts placed six initiatives on the ballot before Proposition M finally passed in 1986.

Indications are that the building industry is taking this threat seriously. Before the election, the county supervisors established an ad-hoc committee on growth management. Though chaired by former supervisor Bruce Nestande, now an executive with Arnel Development Co., the committee includes several slow-growth leaders, including Meddick and Norm Grossman, vice chairman of Citizens for Slow Growth and Traffic Control, which sponsored Measure A.

On election night, a glum Grossman predicted that the committee would come up with a plan "that looks good on paper with no teeth in it."

By the end of June, however, he was more optimistic that the growth management plan would be meaningful. In fact, he said, it bears a close resemblance to Measure A, though it includes many differences — such as granting the county the power to exempt certain intersections from the traffic-flow requirements needed to accommodate new development.

At the end of June, major development companies that opposed Measure A, such as the Santa Margarita Co. and The Irvine Co., were inching toward support of the committee's growth management plan. It is expected to be acted on by the Planning Commission on July 19 and the Board of Supervisors on Aug. 3.

Building Industry Actions

The building industry was not taking the slow-growth movement more seriously only in Orange County. Throughout the state, the California Building Industry Association and its local chapters are taking steps to correct what they regard as image problems, and to hammer particularly on the issue of high home prices.

The Ventura County BIA, for example, has undertaken a public-relations campaign to try to gain broader support for less restrictive growth policies. (All fast-growing cities in Ventura County except Oxnard have annual growth caps, and the county permits little construction in unincorporated areas.) The BIA's campaign includes posters and envelope-stuffers stressing that growth control could shut residents' children out of their own communities in the future — an increasingly common BIA theme. The campaign also includes efforts to gain broader business support for the BIA's anti-slow-growth campaign.

Meanwhile, CBIA and the National Association of Home Builders are increasing their efforts to stress "education" about the building industry as an organizational goal. In late June, CBIA brought out the first issue of *California Builders Journal*, a monthly newspaper for its members filled with information about the slow-growth movement, as well as an article from NAHB President Dale Stuard, an Orange County builder, stressing the importance of better communication.

In addition, the Construction Industry Awareness Fund is reportedly planning a Northern California retreat during July — featuring Orange County campaign wizard Lynn Wessell — to devise strategies to combat the slow-growth movement.

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'Save California' Coalition

Meanwhile, the emerging coalition of local slow-growth groups is also refining its agenda. At a June 25 meeting in Los Angeles, the group, formerly called the Southern California Coalition for Responsible, Controlled Growth, renamed itself "Save California." Partly as a result of the Orange County vote, the group also appears to be moving slowly on the statewide front and concentrating, instead, on local elections.

When first organized, the group began investigating the possibility of writing a statewide growth initiative and hiring a Sacramento lobbyist. For now, however, "our focal point is to concentrate on winning elections and initiatives throughout the region," says Paul LeBonte, a member of the organization's executive committee. However, the group is tracking legislation and sending updates to its member local groups throughout the state.

Save California now includes local slow-growth groups from San Diego, Riverside, San Bernardino, Orange, Los Angeles, Ventura, Santa Barbara, and San Luis Obispo counties.

Legislation

As the growth-control movement has gained significance throughout the state, it has also drawn more attention in the legislature.

The bill that received the most publicity, SB 956, was withdrawn by Sen. John Seymour, R-Anaheim, after considerable lobbying against it by rent control forces. The bill would have cut off state housing funds (total: $62 million) to any city with rent control or growth control. After extensively rewriting the bill, Seymour yanked it June 28 after Democrats on the Assembly Ways and Means Committee told him it would not pass.

Several bills and legislative proposals remain alive, however. They include:

SB 2795 (Ellis): This bill would give residential developers with building permits protection against growth control. It requires that when a growth control ordinance that restricts residential building is passed, all developers with building permits must be exempt from the growth cap for two years. Save California issued a warning to its members in late June, calling on them to lobby against the bill.

SB 2895 (Roberti): This bill would commission a $150,000 study of growth-control laws to determine their impact on affordable housing, likely to be conducted in 1989. The bill establishes criteria by which a consultant should be chosen but designates the Little Hoover Commission as the agency to select the consultant. However, the consultant must report back to the legislature, not Little Hoover. (Beverly Hills builder Nathan Shapell, an outspoken critic of growth control, is chairman of the Little Hoover Commission.) This bill has passed the Senate and is now in Assembly committees.

SR 39 (Presley): This Senate resolution, which can take effect without the governor's signature, would create the Senate Urban Growth Policy Study, a body to examine urban growth issues in California, conduct at least three public hearings, and report back to the Senate with recommendations for legislation.

AB 4099 (Hauser): This bill would place a stricter burden of proof on local governments that change the standards on vacant residential land. It affects Evidence Code Section 669.5, which played an important role in *BIA of Southern California v. City of Camarillo*, 41 Cal.3d 810 (1986). In that case, the California Supreme Court ruled that growth initiatives are subject to that code section, which now requires cities and counties to bear the burden of proof in showing that their growth ordinances do not adversely affect regional housing needs.

Riverside County

Following the defeat of the Orange County initiative, the building industry may regard Riverside County as the next place to inflict a serious harm against the growth-control movement.

A sophisticated and, many believe, much clearer initiative is scheduled for the November ballot. The measure would cut Riverside's growth (over 6% last year) back to the statewide average (about 2.5% last year); protect agricultural and sensitive lands with 40-acre zoning; and cut residential construction back even further if certain other goals — such as an improvement in the jobs/housing balance — are not met. As in Orange County, the building industry has filed a lawsuit seeking to knock the measure off the ballot.

There are several reasons to believe that Riverside might be a better bet for the building industry than San Diego, location of the other major electoral battle in November. Most important is the simple fact that its economy is not well-rounded. Because it is a fast-growing residential area without a strong base of jobs, it is more economically dependent on the construction industry than many other areas in Southern California. Ben Bartolotto of the Burbank-based Construction Industry Research Board estimates direct and indirect construction employment in Riverside at 20% — and probably higher. By contrast, the regional average is less than 12%.

"The economy certainly isn't as strong in Riverside as it is in other parts of the state," agrees Mark Baldassare, a UC-Irvine professor who has done extensive polling on growth issues throughout California. "Traffic is not as hot an issue."

Second, like Orange County but unlike San Diego, the Board of Supervisors apparently will not place a competing growth management measure on the ballot — leaving residents to vote yes or no, rather than choose between alternatives. The only other growth-related measure on the county ballot will be an initiative backed by the Rancho California Co. to exempt small ranches from the 40-acre agricultural zoning containing in the other initiative. Rancho California has a 5,000-acre project of 10-and 20-acre lots that would be threatened by the initiative.

Already, the building industry is hammering away on the economic issues. At a growth-control debate in San Bernardino in late June, Theresa Canady, a title company executive working with the pro-growth campaign, claimed that threat of growth control has already harmed Riverside County's economic development efforts. She said the county has lost the chance to capture three manufacturing plants and several other businesses since January.

"In every case, the reason given was the looming growth management initiative," she said.

Whether citizens respond to the economic arguments remains to be seen. Though Riverside is a conservative county with an unbalanced economy, voters in the city of Riverside have a strong history of supporting growth control, which dates back to an agricultural preservation measure on the ballot in 1979.

Riverside and San Bernardino Building and Construction Trades Council v. Board of Supervisors, Superior Court Case No. 13930, seeks to remove the growth initiative from the ballot before the November election. Specifically, the lawsuit charges that the initiative (1) improperly directs the board to enact laws, but does not enact a law itself; (2) violates state general plan law; and (3) does not take into account the regional welfare in cutting construction in Riverside County.

Other Counties

Meanwhile, important elections are scheduled to take place in other counties in November. Most interesting is San Diego, where Citizens for Limited Growth has already placed a strict growth measure (calling for a cap of 4,000 residential units per year) on the city ballot, and is in the process of qualifying another measure on the county ballot.

Both the San Diego city council and the county board of supervisors, however, are expected to place measures on the ballot to compete with the slow-growth initiatives — and these measures, too, may be strict. The city council, for example, is considering endorsing a ballot measure that would retain the city's current restriction on residential growth of about 8,000 units per year. Both bodies are expected to develop plans for the ballot during July.

In San Luis Obispo County, a citizen group asked the board of supervisors to place a growth measure on the November ballot even though the group had not gathered the required signatures. The measure would restrict residential growth in the county to 1.7% per year — effectively cutting new units from more than 1,500 to less than 500 in unincorporated areas. The proposal would also seek to protect prime agricultural land from development.

Instead of placing the measure on the ballot, however, the supervisors asked Planning Director Paul Crawford to convene a task force to deal with growth issues. The slow-growth leaders are expected to participate in the task force but also gather signatures for a special election sometime in 1989.

Growth-control action is also brisk in San Bernardino County. An effort is being made to place a growth initiative on the ballot in the City of San Bernardino, while the county recently broadened a staff growth-management task force to include five public members.

SPECIAL REPORT

COURT CASES

COST Ruling May Limit Local Initiative Powers

Though it didn't involve a land-use issue, the California Supreme Court's recent ruling in *COST v. Superior Court* is shaping up as the most important ruling so far by the Lucas court on local growth issues. But whether it cuts deeply into the power of citizen groups to place growth initiatives on the ballot remains to be seen.

In the ruling, handed down May 31, the high court upheld a lower court decision to scratch a local initiative from the ballot in Irvine. The initiative would have prevented the Irvine City Council from imposing development fees in the city to help pay for three new freeways in Orange County, as state legislation had authorized.

In ruling against the initiative, the Supreme Court said that the legislature had pre-empted the area by calling it a matter of statewide concern, and had intended to prevent the possibility of local initiatives and referendum on the subject.

"Our review of the relevant case law leads us to conclude that the Legislature's use of the terms 'board of supervisors' and 'city council' in Section 66484.3 gives rise to a strong inference that Legislature intended to preclude exercise of the statutory authority by the electorate," Justice Marcus Kaufman wrote for the majority.

In dissent, Justice Stanley Mosk wrote: "In my view, the majority have abdicated both their duty to guard the initiative power ... and their responsibility to construe statutes, if possible, so as to harmonize with the Constitution."

Frederic C. Woocher of the Center for Law in the Public Interest in Los Angeles, the losing attorney in the case, called the ruling "a very hostile case for initiative powers."

He said the decision "gives the legislature an open hand" to restrict local growth initiatives, and predicted that many developers would ask the legislature to declare their projects of statewide concern in order to avert local initiatives.

The winning attorney, Alvin S. Kaufer of Nossaman Guthner Knox & Elliott in Los Angeles, said the ruling didn't grant any powers to the legislature that the body didn't already have. Kaufer has successfully knocked several growth initiatives off local ballots over the past year, though he failed in his most recent attempt, the Orange County growth initiative defeated by voters in June (*CP&DR*, April and May 1988). Kaufer has filed a similar challenge to Riverside County's growth initiative, scheduled for the November ballot.

At a UCLA growth control conference in June, Building Industry Association lobbyist Don Collin said the case was an important one, comparing it to *Serrano v. Priest*, which forced the state into a more equitable school financing system. He indicated he might try to use the decision to short-circuit the growth-control movement in Sacramento by asking that housing be declared a matter of statewide concern.

"I suspect the day we introduce that bill, the initiative people will be up in Sacramento opposing it," he said, "and I think I want to introduce that bill because I want them to be seen as opposing housing."

The complete text of Committee of Seven Thousand v. Superior Court of Orange County, L.A. 32181, appeared in the Los Angeles Daily Journal Daily Appellate Report on June 2, beginning at page 6888.

Contacts: Alvin S. Kaufer, attorney for builders, (213) 612-7800.
Frederic D. Woocher, Center for Law in the Public Interest, (213) 470-3000.
Donald V. Collin, California Building Industry Association, (916) 443-7933.

SPECIAL REPORT

County-by-County Results of June Elections Around State

Despite the high-profile defeat in Orange County, growth control measures still did rather well in the June elections. According to a tally by *California Planning & Development Report*, voters opted for restrictions on growth in seven of 11 local elections around the state on the June ballot. That success rate — 64% — is close to the historical average, though it is lower than last November, when slow-growthers won virtually all elections in the state.

Here is a complete rundown of June election results. Some information on some ballot measures was provided by the California Association of Realtors.

Butte County

Chico

Voters rejected two referenda involving on a proposed 3,000-home subdivision in Chico. Measure A, a referendum on changes to the specific plan for the Rancho Arroyo development, was defeated 58%-42%, while Measure B, a referendum on the rezoning, was defeated 59%-41%.

Technically, Crocker Development Co. of Sacramento could proceed with construction based on the previously approved specific plan, which calls for construction of almost 4,700 houses. However, Chico Planning Director Tom Lando said the company is more likely to return with a new development proposal.

Meanwhile, two opponents of Rancho Arroyo — a planning commissioner and a former city councilman — plan to make the project an issue in their November races for city council.

Los Angeles County

Supervisors' Race

Supervisor Michael Antonovich, often accused of a pro-growth bias, was forced into a runoff by Baxter Ward, the man he defeated to win his seat eight years ago. A Ward victory could shift the balance of power from conservatives to liberals on the non-partisan board.

Antonovich became vulnerable when homeowners in the fast-growing outlying regions of his district — the Antelope and Santa Clarita Valleys to the north and the Conejo Valley near Ventura County — began to complain about traffic congestion and other problems associated with growth. During Antonovich's tenure, Santa Clarita and Agoura Hills have become cities, while Calabasas has struggled to incorporate. According to the *Los Angeles Times*, between 1984 and 1987, 48% of Antonovich's campaign contributions came from developers.

The "Dump Antonovich" movement first coalesced around firefighter Donald Wallace, who is from the Calabasas area. Soon, however, Ward jumped into the race. In the June race, Antonovich won 46% of the vote, Ward 22%, and Wallace 20%.

Manhattan Beach

Citizens defeated a measure designed to restrict buildings heights and encroachment of commercial areas on residential neighborhoods. Measure E would have restricted building heights to 26 feet and prohibited commercial parking lots in residential areas; it failed, 58%-42%.

Pasadena

Citizens in Pasadena trounced Measure G, also called the "Responsible Growth Ordinance," by 69%-31%. Measure G would have required major developments to be approved by a unanimous vote of the city council. It would also have required that the city undertake a general plan revision, and reduce density on the site of a proposed townhome development.

Orange County

Measure A, the widely publicized growth-control initiative, was soundly defeated at the county level, 56%-44%. The measure also appeared on two city ballots, passing easily in San Clemente, 64%-36%, but failing by only 14 votes out of 10,000 cast in Seal Beach.

According to exit polls conducted by *The Orange County Register*, the building industry successfully targeted established, working-class neighborhoods in northern Orange county to win the election. The measure lost 61%-39% in the north, where median income is $40,000, median length of residence in the county is 18 years, and 63% of the residents went to college. Measure A won 52%-48% in the south, where median income is $48,000, median length of residence in the county is 12 years, and 84% of the residents attended college.

Irvine

Voters in Irvine voted overwhelmingly to ratify Measure C, a large-scale, long-term open space program for the city, by 85%-15%.

The plan, worked out by the city with the cooperation of The Irvine Co., will set aside close to 10,000 acres in the city in the long term. This amount will include 4,000 acres of ridgeline in the northern part of the city, near Cleveland National Forest, and another 4,000 acres in the middle of the city.

According to City Planner Steve Haubert, critical to the plan's passage was a detailed fiscal analysis which showed that servicing development on those acres would cost more than maintaining open space.

Irvine voters also re-elected Mayor Larry Agran, a major figure in the Orange County growth-control movement, who received more votes than his two opponents put together.

Santa Barbara County

Supervisors' Race

Two new environmentalists were elected to the board, and a third was re-elected, placing all five members of the board firmly in the slow-growth column.

Both Gloria Ochoa, from the Santa Barbara area, and Dianne Owens, from the Lompoc area, defeated incumbents by stressing the need to control growth in the county. They will become Santa Barbara's first two women on the board.

Their election, which solidifies the slow-growth majority first elected in 1986, comes at a critical time in Santa Barbara County. Several land-use policies for unincorporated areas are under review. In addition, a large hotel in Goleta will be up for review soon and may now be rejected by the board. And it's likely that the new board will crack down further in the Casmalia toxic-wasted dump.

SPECIAL REPORT

City of Santa Barbara

Santa Barbara voters failed to provide the two-thirds majority required to pass Measure C, a bond issue to purchase the last undeveloped coastal bluff in the city.

The $7.8 million bond issue did enjoy broad electoral support, winning about 60% of the vote, so the results proved just how difficult it is to obtain a tax increase in post-Proposition 13 California. The measure failed by an even closer margin last November, the first time it appeared on the ballot.

The property's owners already have city approval to build a 165-unit retirement center, and have agreed to set aside some parts of the property for public use. As part of a legal settlement with the Environmental Defense Center in Santa Barbara, the landowners donated more than $90,000 — said to be the largest single political contribution in county history — toward passage of Measure C.

San Diego County

Escondido

A slow-growth majority was elected to the city council in this North County city. Fourteen-year incumbent Jerry Harmon was re-jected, and brought with him two slow-growth candidates: attorney Carla DeDominicis and businessman Kris Murphy. Pro-growth incumbent Doug Best, a three-termer on the city council, finished fifth in a field of 15.

San Marcos

Measure R, a City Council-sponsored growth management plan tying future growth to provision of infrastructure, passed by 85%-15%.

San Francisco

San Francisco voters rejected Proposition L, plans for a low-cost housing development on the Balboa Reservoir site, by less than 1,000 votes out of more than 150,000 cast. It was the second time the Balboa plan had been defeated, and after the election, Bill Witte, deputy mayor for housing, declared the 203-unit plan "dead."

Proposition L was the latest chapter in a long-running dispute between the city and neighborhood citizens over construction of affordable housing on two surplus sites, Balboa Reservoir and Polytechnic High School. In June 1987, voters approved the Poly plan and rejected the Balboa plan. Then, last November, voters approved Proposition T, requiring ballot approval of all transfers of public land.

Elections on the two housing plans have generated considerable bitter litigation. Proposition T from last November originally was slated for the June 1987 ballot, but in April 1987 a trial judge struck the measure from the ballot because it was an initiative measure and not a charter amendment. On June 15, the Court of Appeal upheld the lower court's decision in *City and County of San Francisco v. Patterson*, 88 Daily Journal D.A.R. 7739.

Litigation also arose over the ballot arguments for the two June 1987 ballot measures on Balboa and Poly High, as well as the November 1987 measure. The trial court struck sections of these ballot arguments that referred to marital and financial problems of certain people involved in the two projects and questioned the motives of slow-growth activist Sue Hestor. On June 14, the Court of Appeal upheld the deletion of these references in *Patterson v. Board of Supervisors*, 88 Daily Journal D.A.R. 7697.

San Luis Obispo County

San Luis Obispo County voters were the first in the state to exercise their new right to pass judgment on proposals to build onshore facilities to support offshore oil drilling. Three measures on the June ballot, all dealing with permits for an onshore facility, were defeated 55%-45%.

Such permits are required to be placed on the ballot under an initiative passed in San Luis Obispo and several other counties over the past several years. The Western Oil and Gas Association challenged the constitutionality of these initiatives in court, but most claims were rejected because, in the coastal zone, most such votes are appealable to the Coastal Commission. (*CPDR*, May 1988.)

County Planning Director Paul Crawford said the June defeats are not appealable to the Coastal Commission because they did not involve coastal permits. However, he said that oil interests are preparing another application — which also would go to the voters — for a coastal permit on the same project.

Santa Cruz County

Voters in this county, who passed one of the pioneering growth-control measures 10 years ago, rejected a proposal to build a hotel and conference center.

Sonoma County

Ranchers in Sonoma County tried a novel approach this time out: They placed a measure on the ballot that would have required the county to compensate landowners unable to subdivide property. Measure C, the "Property Owners' Bill of Rights," also would have abolished the local design review board and required an economic impact analysis of general plan amendments. However, the county estimated the economic effect of the measure at $40 million a year, and voters turned in down, 67%-33%.

Incorporations

Dana Point, Orange County: Incorporation passed, 80%-20%. This is the community that won the electoral fight with Laguna Niguel cityhood advocates last year over the inclusion of the coastal areas of Laguna Niguel. Thus, to its chagrin, the swanky Ritz Carlton Laguna Niguel hotel is now located in the city of Dana Point.

Fallbrook, San Diego County: Incorporation failed, 60%-40%.

Mojave County: This attempt to form a new county out of the high desert and rural areas of San Bernardino County failed. Though the measure passed 60%-40% in the area seeking to secede, it was defeated 66%-34%. Under state law, the countyhood effort must pass both electoral tests. No new county has been formed in California in more than 80 years.

SPECIAL REPORT

Growth Curbs' Effect on Housing, Economy May Be Limited

Continued from page 1

- Growth control affects housing price, just as any other land-use regulation does. But its effect is long-term; it is probably not the sole cause of the rapid, short-term price inflation California has seen in the last few months.
- Growth control's true economic impact is hard to measure, since most growth restrictions are extremely local in nature and economic growth operates on a regional scale.
- Growth control may easily create harmful, unintended side-effects that could be avoided. For example, economic studies have found that growth restrictions can inadvertantly affect the type of housing constructed in local markets or create local land markets that are virtual monopolies.

The relationship between growth control and local economic growth is probably the most complex question, and expert estimates have varied widely. The Chapman College study, for example, received a great deal of publicity in Orange County because of its dire predictions. However, it assumed that the initiative would cut development in the county by 15% — though the measure itself contained no numerical caps on growth.

By contrast, a study of possible growth restrictions in San Diego by the Center for Real Estate and Urban Economics at the University of California, Berkeley, found that even an extreme cap on residential construction (4,500 units per year) would increase the cost of housing 2.5%, reduce construction jobs by 3%, and cut growth in personal incomes by 2.1% by 1995. However, the study noted that in certain sections of the city, particularly the fast-growing I-15 corridor, home prices would rise much more dramatically.

The San Diego study assumed that local economic growth would be driven not by housing availability or affordability but by national and regional trends. And ultimately, this is the question any analysis of the economic impact of growth control must confront. Most economists agree that growth in Southern California is driven not by local factors but by global economic forces, including the increasing Pacific trade. "All areas of California will grow twice as fast as the rest of the nation," Stephen Levy, director of the Center for Continuing Study of the California Economy, told a UCLA growth control conference in mid-June. "You couldn't stop it with a 10-foot pole, with a truck, with a bomb."

Given that likelihood, then, local growth control is likely merely to move economic growth around from one part of the region to another — particularly if it controls only residential growth, as most growth control ordinances do. The bottom line, according to most economists, is that people migrate to California because of an abundance of jobs, and local growth measures don't — and maybe can't — do anything about job growth.

The same question of larger economic forces quickly enters into any discussion about the relationship between growth control and housing prices. In recent months, as newspapers around the state have reported on home prices being driven to astronomical levels by panic buying, developers have pointed to growth control (or the threat of it) as the culprit. Shortly before the June election, the *Orange County Register* reported that a home-buying "hysteria" was building because of the threat of initiative.

But, as with overall economic impact, land economists and other experts believe that short-term home prices have more to do with market forces — interest rates, overall economic growth — than with growth control. In the long run, these same experts agree, growth control will drive up the cost of housing and other construction, just as all land-use regulations do.

"By and large, economists have found that there is an effect," says Robert Ellickson, a Stanford Law School professor and a firm believer in the effects of land regulation on prices. "But often, that's not the only thing going on."

For example, the rapid inflation in home prices in California over the last 18 months doesn't just coincide with an increase in growth control; it also coincides with the fifth and sixth years of virtually unprecedented economic growth, even for California. "We've had record years of growth control, and we've had record years of housing production," points out newspaper columnist Bradley Inman, who served for many years as a housing policy analyst with the Bay Area Council in San Francisco.

Reviewing all available statistical studies for the UCLA growth control conference, Berkeley professor Elizabeth Deakin estimated that growth controls increase housing prices 2-5%. "The best studies have analyzed pro-growth cities versus no-growth cities," she said. "And the fact is, housing price increases are not significantly different. Demand alone will drive the price up."

Despite these conclusions, another consideration must be factored in: the unintended consequences of growth controls. Growth restrictions may have a modest statistical impact, but often they can influence land and housing markets in subtle ways that government officials and citizen activists don't consider.

For example, a study of housing construction in Petaluma, California under growth control yielded some surprising results. Petaluma is often hailed by planners as a successful example of growth control. But the study found that after growth control was imposed, few low-priced homes were built in Petaluma. The reason was neither that Petaluma had zoned them out nor that the growth system had driven up the price of land. Rather, it was because developers needed to design larger, more profitable homes in order to provide the amenities needed to win permission to build under the city's point system.

Similarly, growth restrictions can drive up housing prices by constricting the supply of land, even if that is not the intent of the ordinance. For example, a national survey several years ago by the Urban Land Institute and the federal Department of Housing and Urban Development found wide variation in the increases in residential lots — as little as 31% in some areas, as much as 176% in others. Furthermore, the survey found a statistical relationship between land regulations and the price of the residential lots.

Yet land supply is rarely considered in regulatory policy. "Most planners and planning commissioners don't think in those terms," said John Landis, a Berkeley planning professor who has done considerable research on growth control.

But land regulations don't necessarily affect the supply of land, Landis said. His comparative study (now several years old) of land markets in Sacramento, Fresno, and San Jose yielded interesting results. Though Sacramento was a more "metropolitan" economy than Fresno, its residential land was less expensive. The reason: Sacramento's planning system ensured considerable vacant residential land was on the market at all times. In Fresno, by contrast, vacant residential land was so restricted that landowners acted as "monopolists."

Contacts: J. Thomas Black, Urban Land Institute, (202) 289-8500.
Elizabeth Deakin, UC-Berkeley, (415) 642-4749.
Anthony Downs, Brookings Institution, (202) 797-6000.
Robert Ellickson, Stanford Law School, (415) 723-2465.
Bradley Inman, housing columnist, (415) 658-9252.
John Landis, UC-Berkeley, (415) 642-5918.