COLAB SAN LUIS OBISPO COUNTY

WEEK OF JULY 8-14, 2012

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SAVE JULY 11, 2012: EDUCATIONAL FORUM FOR THE COMMUNITY
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ALERT

ECONOMIC IMPACTS OF SMART GROWTH REPORT
ON JULY 17, 2012 AGENDA – VERY DANGEROUS

SENATE BILL 1156 WILL EMPOWER THE ENVIRO-SOCIALISTS
(AND ERODE THE BASIC SERVICE BUDGET)

No Board of Supervisors Meeting on Tuesday July 3, 2012. The Board did not meet on Tuesday July 3, 2012.

Board of Supervisors Meeting of Tuesday July 10, 2012 (Scheduled)

There are no large policy items on this agenda.

Los Osos Bid Award. Another large contract for the sewer system is on the agenda for award. This contains a $32.4 million contract for areas B and C of the collection system (the pipes under the streets and pump stations). Readers may recall that a $28 million contract was awarded in June for other areas of the collection system. In this case the low bid exceeded the engineer's estimate of $22 million. The staff report indicates that the large overage is not a problem because other parts of the project have come in under estimates, offsetting this large excedence. Real money.

Early Alert for the Board of Supervisors Meeting of Tuesday July 17, 2012(Scheduled): The Evaluation of the Economic Effects of Potential Policies to Reduce Residential Growth in Rural Areas of San Luis Obispo County Study is ready and will be presented to the Board of Supervisors during the July 17th meeting. We have reported on the development of this study in COLAB WEEKLY UPDATES in the past. We reported on the funding, selection and background of the consultant, staff and consultant "workshops", and our trepidation over the potential outcome and future uses of the Study. Over the years this Study will become one of the most referenced documents related to County policy. It is well worth going to the Planning Department website and reading the full document: http://www.slocounty.ca.gov/Assets/PL/Smart+Growth/econgrowth.pdf

It is a big file and may take some time to open. It can also be accessed directly on the top page of the County's Planning and Building Department website.

The Executive Summary is quoted in full below because this is such an important document. The critically and directly affected groups include farmers, ranchers, homebuilders, realtors, construction contractors, architects, and engineering firms. Derivative impacts will be felt by bankers, trucking firms, agricultural suppliers, appliance sellers, the hospitality industry, and furniture dealers.

Members of these groups and their representative associations should not allow this report to be accepted, but instead should study it and appear on July 17, 2012 to challenge its potential to embolden and sustain the "smart growth agenda."

SUMMARY

This report explains the economic effects of policies to reduce residential growth in rural areas of San Luis Obispo County. The County amended its General Plan in 2009 to include "strategic growth principles."

Among those principles are ones to address problems with water supply, air quality, loss of agricultural land, and cost of County services. To implement the principles, the Plan suggests (among other things) redirecting residential development in rural areas of the county to unincorporated communities that have adequate resources and amenities to support new growth. The County engaged ECONorthwest (a consulting firm in economics, finance, and planning) to address several questions about the likely effects of potential policies that would reduce residential growth in rural areas by limiting the annual number of building permits:

1. By how much are such policies likely to reduce residential development in rural areas?

2. What will happen to the residential growth that would otherwise have been likely to occur in rural areas of the County—where is it likely to go?

3. What are the economic impacts of that change in the amount and pattern of development?

To answer these questions, ECONorthwest undertook an analysis to describe:

• A framework and methods for the evaluation: What factors are important causes of housing development? How will they change over time? How can they be estimated, forecasted, and used to estimate changes in housing starts? How do housing starts affect the local economy? (Chapter 2 and Appendices A and B).

• A forecast of housing development without the potential policy changes (baseline forecast) and with the changes. The difference is the reduction in housing starts attributable to the potential policies.

• The extent to which the households unable to acquire housing in the rural areas because of the new limitations would make shifts to housing in cities or other parts of the County.

• *The potential economic effects of the estimated reductions in housing starts.*

NOTE: The consultant defines Rural areas *: as areas outside of the County's urban and village reserve lines.*

THE POTENTIAL POLICY CHANGES

The County's existing Growth Management Ordinance (GMO) limits annual residential development in unincorporated San Luis Obispo County to growth of 2.3% of the existing number of housing units in the unincorporated county. Since its inception in 1990, the number of allocations for building permits has reached the annual cap only twice. However, the number of building permits (final inspection) by the County has only come close to, but short of, the cap in one year (roughly, 1,100 housing units). In most years, the number of building permits has been well under the cap. Since 1990, housing starts in the unincorporated county have averaged a little over 600 per year, and in rural areas, about 250 year. Rural housing starts have been about 40% of all housing starts in the unincorporated County.

The two potential policy scenarios provided by staff would amend the Growth Management Ordinance for rural areas as follows:

• *Scenario 1: A cap of 128 dwelling units permitted annually in rural areas of the county*

• *Scenario 2: A cap of 89 dwelling units permitted annually in rural areas of the county*

The County would apply these caps to parcels not in the Agriculture land use category and small parcels (less than 20 acres) in the Agriculture.

Housing development without new policy: the baseline forecast Analysis by SLOCOG, the County, and its consultants in 2012 provides population and housing forecasts for 2040, not only for the county as a whole, but disaggregated by cities and the unincorporated area (which is further disaggregated into 13 planning areas). Those forecasts are the best and official guesses population and housing growth in San Luis Obispo County in the absence of new public policy (like the growth caps). The forecast for 2010–2040 for the unincorporated areas of the county:

• *Total new dwelling units: 13,565 units*

• *Average annual new dwelling units: 450 units/year*

• *Average new rural dwelling units: 170 units/year3*

2 AECOM. (2011). San Luis Obispo County 2040 Population, Housing & Employment Forecast.

3 The County disaggregated the 13,565 new units into rural, urban, and village areas; then divided the rural portion of growth (5,030 units) by 30 years = 168 (about 170) units.

Housing development with new policy

The analysis in this report estimated changes in rural housing development between 2010 and 2040 for the two policy scenarios in two steps. Since both of the scenarios would cap annual growth below [the] both the historical and the average rate of housing development in rural areas, a preliminary estimate is straightforward: housing development will be reduced by the difference between average forecasted growth (170 units per year) and the policy growth cap (128 or 89 units per year).

The second step was to adjust those estimates for the effects of business cycles. The extent to which the caps affect housing starts depends on where the cap is set relative to the annual requests for those permits, and those requests will vary year to year because of changes in market demand for new housing units (i.e., because of business cycles).The caps will reduce development in high-growth years below the long-run annual average: the effect is that housing units developed will be less than the growth cap times 30 years. This study simulated those effects using assumptions about expected future growth in different parts of the county (AECOM forecasts and County allocations), average annual growth in rural areas (40% of 450 units per year), annual deviation from the average (high about twice the average; low about half the average), and length of business cycles (24 quarters).

The estimated reductions in housing units in rural areas will be partially offset, countywide, by increases in development in other parts of the county. This study simulated those shifts for different values of displaced rural housing.

The main conclusions (for the cap of 128 units per year) are that over 30 years the number of dwelling units would be reduced ("most likely" case) by (1) 1,600 units in rural areas, and (2) 700 units in the County overall (less than the rural reduction, because some of the displaced rural demand would be met in other parts of the county).

Potential economic effects

What impacts get counted matters greatly to the estimates. Section 5.1 provides important information about the proper way to think about these effects, and describes the methods used to estimate them. The estimates that follow should be interpreted in that context. The estimated annual value of the estimate of housing units that the growth cap would cause to not be built in the county is about $10 to $13 million for Scenario 1 (about $16 to $21 million for Scenario 2). A reduction of $10 million in direct residential construction output (because of the construction of fewer new houses in rural areas of the county) results in a decrease of about 2% in residential construction output in the county, and is about 0.05% of the county's annual economic output.

In summary, we estimate the total effects on economic output in the county (including effects on realtors and so called "multiplier effects" on other businesses) to be about double the direct loss in construction value.

Thus, as a rough estimate, an annual loss of $10 million in residential construction value means about a $20 million annual loss to county output, about one-tenth of 1% of the county's $20 billion dollar annual economy. That relatively small impact on the regional economy in the aggregate does not mean that there are not some relatively big impacts on certain businesses or individuals. If those effects are concentrated in some areas, it could *make business difficult for some builders; some might close. The analysis in this report is not detailed enough to make further predictions.*

Another concern that would require a full study is the effect on local governments, usually called "fiscal impacts." A reduction in building activity has many effects: on the revenue side, permit fees, impact fees, and property taxes will all be less than they would have been; on the expenditure side, the costs of the permitting and inspection process (staff time), infrastructure construction, operation of public facilities, and public services all decrease. Tricking out the net effects is difficult, but there is theoretical and empirical evidence to suggest that (1) a lot of development in a lot of jurisdictions does not pay what it costs local governments to permit and service it; (2) residential development is more likely to be fiscally negative than employment-related development; and (3) lower-cost and rental units are more likely to be fiscally negative than higher-cost and owner-occupied units. But there is a lot of variability in these gross generalizations.

An implication for this study of rural growth caps is that the type of housing that does and does not get built makes a difference. Some very high value houses, that is almost certainly fiscally positive for the County (high value and high tax payments, smaller family sizes, fewer children, less use of county services) will not be able to be built in the county. As with the analysis of the economy, however, the difference in net revenue will be very small relative to the total County budget.

Planning Commission meeting of July 5, 2012 (Cancelled)

The scheduled meeting was cancelled.

Planning Commission Meeting of Thursday July 12, 2012 (Scheduled)

Continued Hearing on the Life Extension/Expansion of the Cold Canyon Landfill. This will be a continued hearing from several weeks ago and is likely to consist of the Commission's ongoing section-by-section review of the project EIR and recommended approval conditions. Please see last week's COLAB Weekly Update for more details. The final vote is not expected until August.

State Legislature

Redevelopment Termination Part II: The Real Reason – "Fund Smart Growth"

SB 1156: Under the cover of trying to repair the Legislature's accumulating buyers' remorse resulting from last year's abolition of Redevelopment, Senator Steinberg has introduced the Sustainable Communities Investment Authorities Bill. This is a profound and far-reaching social engineering law, which will fuel the so-called "smart growth agenda," will provide financing to carry out supporting activities, and will provide further inducement for local governments to implement climate action plans.

The bill contains sweeping provisions that would enable cities and counties to divert property taxes for the purpose of implementing smart growth, including the creation of dense urban nodes, provision of forced mass transit, and a variety other incentives and disincentives to promote the property rights eroding “smart growth agenda.” Key provisions include but are not limited to:

- Authorizes cities and counties to create “smart growth districts,” called Sustainable Growth Investment Authorities funded by diversion of property tax.
- Authorizes cities and counties to issue debt to fund the infrastructure, housing, and operation of the “new smart growth districts.”
- Authorizes the California Public Employees Retirement System, County Retirement Systems, and other public retirement systems to make investments in the district projects.
- Requires the State Labor Department and implementing jurisdictions to establish an elaborate and severe system of contractor employment and wage monitoring.
- Authorizes eminent domain.

Political columnist Dan Walters stated in part on Thursday July 5, 2012:

One day earlier, the Assembly Local Government Committee passed an even more ambitious revival by Senate President Pro Tem Darrell Steinberg.

Senate Bill 1156 would allow cities and counties, separately or together, to create "Sustainable Communities Investment Authorities" with the powers of the old redevelopment agencies.

They could issue bonds, divert some property taxes and acquire property – seizing it by eminent domain, if necessary – as long as projects furthered the dense, transit-oriented, greenhouse gas-reducing development that a previous Steinberg bill mandates.

Steinberg said, via letter, that the bill "sets forth a new vision of local economic development and housing policy for the 21st century, focused on building sustainable communities and creating the high-skill, high-wage jobs that are the key to our future prosperity."

He also expressed hope that cities and counties, which battle over tax diversions, would cooperate "in furtherance of sustainable economic development."

A worrisome provision of SB 1156 is that the new entities would not have to prove blight before creating projects, thus expanding their scope and potential for crony capitalism.

Read the Bill here: http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_1151-1200/sb_1156_bill_20120627_amended_asm_v93.html

SAVE WEDNESDAY JULY 11, 2012

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EDUCATIONAL FORUM: COMMUNITY ENGAGEMENT

HOW TO COUNTER THE ENVIRO- SOCIALISTS

LEARN HOW TO MOVE PUBLIC ISSUES AND BE HEARD

LEARN HOW TO UTILIZE AGENCY PUBLIC MEETINGS

LEARN HOW TO USE SOCIAL MEDIA (FACEBOOK, TWITTER, ETC.) TO ADVANCE THE PUBLIC INTEREST

SEE THE FLYER BELOW FOR LOCATION, RESERVATIONS AND LUNCH

SAVE THE DATE – JULY 11TH

EDUCATIONAL FORUM FOR THE COMMUNITY

San Luis Obispo Country Club

255 Country Club Drive

San Luis Obispo, CA 93401
9:30 – 3:30 PM

Cost $22.00

9:30 – NOON; MIKE BROWN, GOVERNMENTAL AFFAIRS DIRECTOR OF COALITION OF LABOR, AGRICULTURE AND BUSINESS IN SAN LUIS OBISPO. Brown has 42 years of state and local government experience. He will be speaking on the topic of COMMUNITY ENGAGEMENT.

NOON – 1:00 PM WORKING LUNCH

1:00 – 2:30 PM JOSEPH MICHAEL SCOTT, SOCIAL NETWORKING STRATEGIST. He will be speaking of the NEW SOCIAL MEDIA and how it works and how they will benefit you and your group.

2:30 – 3:30 Questions and Wrap Up

RSVP : Kelley Sutherland by July 9th

TEXT OR CALL 805-459-9153

EMAIL kelley@kelleyred.com

Leave your name, return phone # and number of people in your reservation.

Reservation Required