

**Best Practices:
Successful Infill Development
Strategies and Tactics**

The Summary Report of the Interim Hearing

Wednesday, September 22, 2004
State Capitol, Room 112

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**BEST PRACTICES:
SUCCESSFUL INFILL DEVELOPMENT STRATEGIES AND TACTICS**

On Wednesday afternoon, September 22, 2004, the Senate Local Government Committee held an interim hearing in the State Capitol to explore the strategies and tactics behind successful infill development projects. **Senator Tom Torlakson**, the Committee's Chair, and **Senator Nell Soto** participated. Testimony and advice came from builders, planners, redevelopment managers, and legislative advocates. The hearing began at 1:35 p.m. and continued until 4:05 p.m. About 40 people attended the Committee's hearing.

This summary contains the Committee's staff explanation of what happened at the hearing [see the *white* pages], reprints the Committee's briefing paper [see the *blue* pages], and reproduces the witnesses' written materials [see the *yellow* pages].

STAFF FINDINGS

Any attempt to distill over two hours of detailed presentations and policy discussions into a few findings must necessarily gloss over important details and subtle nuances. But after carefully considering the witnesses' statements and reviewing their written materials, the Committee's staff believes that these themes emerged:

► ***Sooner is better.*** Because infill projects are more complex than standard development, builders must engage residents and public officials sooner than usual. Early conversations lead to collaboration and away from confrontation.

► ***Planning is essential.*** Private investors need a public setting that provides well-founded public policies and reliable regulations. Creating that setting requires city councils and county supervisors to invest in planning and planners.

► ***CEQA remains controversial.*** Public officials and private investors fear lawsuits that make collateral attacks on infill projects --- objecting to procedures and documents, not substance. Others fear bills that undermine CEQA's environmental protections under the guise of reform.

► ***Prevailing wage rules raise costs.*** Investors and officials worry that the state requirement to pay prevailing wages has unintended consequences, making infill projects too expensive or requiring deeper public subsidies.

THE WITNESSES

Ten people talked to the two legislators about successful infill development projects. The witnesses provided the written materials that appear in the *yellow* pages.

The first panel included experienced builders and planning practitioners:

Janet Ruggiero, Community Development Director*
City of Citrus Heights

Tom Steinbach, Executive Director*
Greenbelt Alliance

Bob Holmes, Vice President, Residential Development*
Sares-Regis Group

Elaine Costello, Community Development Director*
City of Mountain View

Helen Bean, Economic Development/Redevelopment Manager*
Concord Redevelopment Agency

The second panel included policy advisors and legislative advocates who have been active on bills related to infill development:

Vince Bertoni, Vice President for Policy and Legislation*
American Planning Association - California Chapter

Karen Douglas, General Counsel*
Planning and Conservation League

Richard J. Lyon, Legislative Advocate*
California Building Industry Association

Cliff Moriyama, Senior Vice President
California Business Properties Association

Daniel J. Carrigg, Legislative Advocate*
League of California Cities

[* = Written material appears in the *yellow* pages.]

INTRODUCTORY REMARKS

Senator Torlakson drew on his own recent travels in Southern California as he opened the Committee’s interim hearing. Driving miles over congested freeways reminded him of the challenge of locating affordable housing near job centers. All too often, he said, young families move to the region’s fringe because housing prices are lower. They “drive until they qualify,” he quipped.

Citing a Bay Area Council study which concluded that about a third of that region’s expected population growth can be accommodated by infill development, Senator Torlakson noted that infill projects are an important tool in managing growth. The Committee’s hearing, he said, was to learn more about these efforts and to “spread the good word.”

THE HARDEST PLANNING

Citrus Heights Community Development Director **Janet Ruggiero** opened the first panel by declaring that infill development is the hardest planning she’s ever done. Sometimes infill is really “refill” or “infill with an attitude.” Ruggiero explored the reasons that infill projects are so hard to design and approve. “If a parcel is vacant and hasn’t been developed, it is probably because there is something wrong with it.”

Ruggiero then listed a dozen obstacles to infill development projects that private builders and public officials must overcome:

- Complex and multiple issues.
- Opposition to higher densities.
- Market risk.
- Expensive projects.
- Limited financing options.
- Neighborhood opposition.
- Design quality.
- Inadequate infrastructure.
- Concerns over schools and crime.
- Environmental review (CEQA).
- Traffic complaints.
- Willing developers.

Ruggiero explained that, when dealing with infill projects, Citrus Heights officials have learned to be patient and flexible. **Senator Soto** praised these efforts and said that she wished there were more infill development projects in the Inland Empire which she represents. Except for a couple of cities with large tracts of vacant land, infill sites are “all we have left” for development opportunities.

PRACTITIONERS' SUCCESS STORIES

An environmental activist, a builder, a planner, and a redevelopment official described four successful infill projects to the Committee. While each project is unique, it's possible to find common themes among them.

800 High Street, Palo Alto *“Endorsement” helps to defeat referendum*

Tom Steinbach is the Executive Director of the Greenbelt Alliance which endorses worthy infill projects as part of its “Compact Development Endorsement Program.” Community leaders and builders appreciate having the “seal of approval” from an environmental group that doesn't have a vested interest in the project. The endorsement of the Palo Alto project helped to defeat a November 2003 referendum on the project. Steinbach described four projects that the Greenbelt Alliance had endorsed:

- 800 High Street, Palo Alto.
- Tamien Place, San José.
- Uptown Redevelopment Phase I, Oakland.
- Redwood Shores Senior Housing, Vallejo.

Senator Soto was particularly interested in the Oakland project, noting that infill development projects near transit are good for “women who work.” She was disappointed that local officials in her community failed to promote mixed-use development around a new commuter rail station. Shops that cater to the needs of working mothers with young children would have been an asset, Senator Soto said.

Steinbach concluded his remarks by listing three “small steps” and three “big steps” that the state government could take to promote more infill projects:

Small Steps

Implement AB 857.

Fund specific plans.

More flexible redevelopment.

Big Steps

Locals must define areas for growth/no growth.

As-of-right approval for certain infill projects.

Address local fiscal incentives for sprawl.

When **Senator Torlakson** asked about the “as-of-right” recommendation, Steinbach explained that an infill project would have to meet certain conditions to qualify. First, the community must have designated where growth will and will not occur. Second, the community must have adopted a specific plan with full CEQA

review. Third, if an infill project was consistent with these plans, then it should be ministerial.

Senator Torlakson also questioned Steinbach about the use of initiatives and referenda on land use decisions. Steinbach readily conceded that the Greenbelt Alliance uses referenda, but suggested that the Legislature might want to “raise the bar” by increasing the requirements for a referendum on a land use project that met these requirements. However, Steinbach noted, land use referenda are less likely if there has been extensive local participation.

Metro Place, West Sacramento *Early collaboration with city officials*

Bob Holmes, the Vice-President for Residential Development for the Sares-Regis Group, told the Senators that an infill project “takes a different type of thinking.” The attitude of local officials is a key factor that he considers when making a business decision about buying property in a community. Because local policies assume that new development only occurs on vacant land on a community’s edge, “nobody’s got it right” when it comes to approving infill projects. Holmes asks for lots of variances from local standards to make the local codes fit his projects.

Holmes described *Metro Place at Washington Square*, an infill project in West Sacramento that took a lot of negotiating. In addition to 44 single-family residences, the project included 10 work-live lofts with “commercially compatible first floors, which would allow low intensity retail or professional uses by right.” He had to negotiate the type of fire-safety sprinklers to be installed in these buildings which the residents may use for future commercial purposes.

He complained that CEQA “is the weapon most frequently used against us.” Environmental challenges drag out the permit process and many builders simply get discouraged and go elsewhere. Holmes called CEQA, “an effective weapon to stop infill development --- even a quality project.”

Senator Soto encouraged Holmes to look at her SB 1404 which Governor Arnold Schwarzenegger recently signed. The Soto bill allows property owners to create “multifamily improvement districts” and levy benefit assessments that pay for jointly managed services and improvements in neighborhoods with lots of apartments.

The Crossings, Mountain View *Prototype for other local infill projects*

Elaine Costello is Mountain View's Community Development Director who readily agreed that infill development "is hard to do" because "even the pure planning is hard to do." Costello described how Mountain View officials worked with a builder on *The Crossings* project. Getting that first project approved encouraged other builders to propose additional infill developments that include row houses and small parks.

The Mountain View City Council is now considering requiring future projects to meet minimum density standards. Costello explained that to process and approve infill projects requires local officials to work closely with the builders, adding "you need planners because it's staff-intensive." However, Costello conceded that she went "too far" in reducing parking requirements for the earliest projects. Nevertheless, she credited the state's Quimby Act for allowing Mountain View officials to get the money that they needed for small urban parks.

Legacy Park Central, Concord *Redevelopment land assembly was essential*

Legacy Park Central was the subject of the presentation by **Helen Bean**, Concord's Economic Development/Redevelopment Manager. As an older suburb, her community lacked vacant property but had a lot of underutilized sites. By using their redevelopment agency's powers, Concord officials assembled smaller parcels into a site that was attractive for a private builder. This power to "recycle and transform" the site was "essential" to the project's success.

Bean told the legislators that the Legacy Park Central project was complicated by the State Department of Industrial Relations' ruling that the city's involvement triggered the requirement to pay prevailing wages. The prevailing wage requirement added \$25 a square foot (about \$3 million) to the construction costs. Bean recommended that legislators look at the effect of the prevailing wage requirement on redevelopment projects. The Department of Industrial Relations should not require the payment of prevailing wages when a public agency sells land at its reuse value, she said. Infill builder Bob Holmes added that the prevailing wage requirement caused his company's *Capitol Lofts* project to require another \$3 million in public subsidies. "If you add costs, they won't happen," Holmes said.

Senator Torlakson said that he understood the importance of the prevailing wage issue and that legislators were concerned about two problems. First, it may not be appropriate to apply commercial wage rates to residential projects. Second, it may not be appropriate to use urban wage rates in rural communities. **Senator Soto** vigorously defended the prevailing wage requirement, saying that working people need to make a living.

PRINCIPLES FOR STATUTORY REFORMS

The Committee invited five key interest groups to discuss the principles that they want legislators to keep in mind when preparing to vote on bills that promote infill development during the 2005-06 Legislative Session.

The second panel broke no new ground as they described their groups' positions.

Speaking for the California Chapter of the American Planning Association, **Vince Bertoni** offered five principles:

- Reform CEQA.
- Provide critical infrastructure.
- Local zoning and land use policies that encourage infill housing.
- Brownfield remediation.
- Regional Housing Needs Assessment allocation reform.

Karen Douglas presented four principles on behalf of the Planning and Conservation League:

- Protect the environment when promoting infill.
- Engage the public as partners.
- Coordinate infill policies with natural resource protection.
- Create fiscal incentives to promote infill development.

The California Building Industry Association's **Richard Lyon** provided five principles to the Committee:

- Markets work best when they're competitive and consumers have choices.
- Healthy markets need a land supply, plus land in reserve.
- CEQA reforms must balance infill with environmental safeguards.
- A stable state/local fiscal relationship is essential for affordable housing.
- Prevailing wage requirements add to housing costs.

Cliff Moriyama said that the California Business Properties Association agreed with the CBIA's presentation, but wanted to add three items from the California Performance Review's recommendations:

- Streamline the environmental review process.
- Retool the CEQA exemptions for infill development.
- Create a "Real Estate Investment Trust" to finance good projects.

Four principles delivered by **Daniel Carrigg** concern the League of California Cities:

- Major upgrades in local infrastructure.
- Funding for affordable housing (with four specific proposals).
- Reform CEQA regarding infill.
- Local flexibility and a state-local partnership.

CONCLUDING COMMENTS

After thanking the participants, **Senator Torlakson** restated his support for infill development projects. Infill is important to California, he said, because it: (1) accepts growth without adding to sprawl, (2) uses current infrastructure and avoids public costs, and (3) adds value to existing neighborhoods.

Senator Torlakson acknowledged that finding more money to promote more infill development projects is important. Legislators are watching local voters' reactions to this fall's local ballot measures on sales taxes for transit programs and transportation projects. If many of them fail to win 2/3-voter approval, there may be renewed interest in lowering the threshold to 55%, a move he supports.

Another state bond issue to raise public capital to support infill development would be a good idea, Senator Torlakson said, but it would divert revenue from the State General Fund --- something we can't afford. Instead, he's exploring a phased increase in the gas tax with some of the revenues set aside for projects to support infill development and Smart Growth efforts. "Stay tuned," he said.

Senator Soto declared that she was adamant about the need for people to make a good living, and that's why she supports prevailing wage requirements. "I can't stay away from it because of the need for decent wages in my area," she said. But Senator Soto also explained that she supports increasing the opportunities for affordable housing and quality-of-life amenities.