**Policy Report**
Number 2 • April 2004

Center for Local, State, and Urban Policy
UNIVERSITY OF MICHIGAN

# Growth Management Policy in California Communities

BY ELISABETH R. GERBER AND JUSTIN H. PHILLIPS

## Summary

Many California communities have adopted urban growth boundaries (UGBs) as a means of planning for and managing future development. This report uses data obtained through a new survey of municipal planning officials to explore the proliferation of these policies in the Golden State. In particular, this report examines which kinds of cities adopt growth boundaries, how these boundaries fit into local growth management strategies or regimes, and how UGBs impact housing prices, population growth, and density.

This study generates a number of key insights. First, an analysis of the characteristics of UGB-adopting communities reveals that California cities with growth boundaries tend to be rural or suburban and located in the areas of the state rich in agricultural land – primarily the Central Valley and San Francisco Bay Area. Additionally, and contrary to the claims of many growth boundary critics, cities with growth boundaries are not significantly different from other cities in terms of their economic and demographic characteristics. In fact, UGB-adopting communities are, on average, slightly poorer and at least as racially diverse as their counterparts without growth boundaries.

Second, the surveys reveal that most cities with growth boundaries have also adopted policies aimed at mitigating many of the possible negative consequences of UGBs, such as higher housing prices and overcrowding. The majority of communities with growth boundaries require or provide financial incentives for affordable housing, open space preservation, infill and mixed-use development, and the satisfaction of traffic standards. On the other hand, very few of these communities have enacted policies that may exacerbate housing affordability and overcrowding problems. Thus, it appears that California communities are using UGBs as one component of a broader growth management regime.

Finally, the analysis demonstrates that growth boundaries do affect development patterns and housing prices in the communities that adopt them. During the ten years between 1990 and 2000, cities with UGBs grew at a slower rate than other California communities, in terms of both their total population and land area. Additionally, over this same period, housing prices in UGB-adopting communities grew at a much faster rate – as much as 14 percent higher – than they did in communities without growth boundaries.

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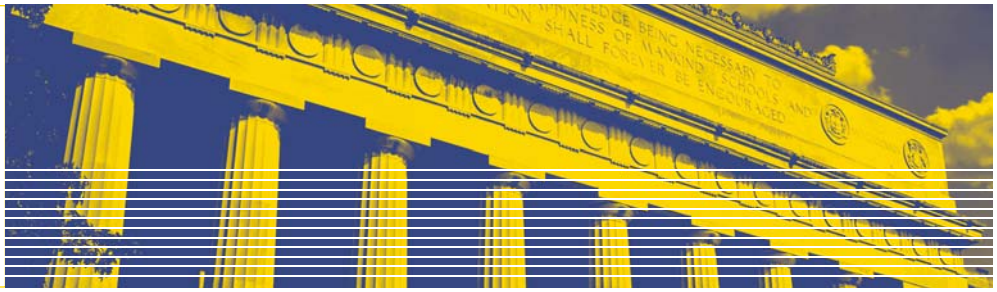

***Despite their growing popularity and purported benefits, urban growth boundaries remain controversial.***

# Introduction

Policymakers across the United States are increasingly turning to urban growth boundaries (UGBs) or urban-limit lines as a means of planning for and managing future residential and commercial development. A UGB is a politically determined "line" that is drawn around an urbanized area, outside of which new development is severely restricted or prohibited. These policies typically aim to maintain a relatively high density of residential and commercial development inside the boundary and a rural density outside the boundary.

Advocates believe that UGBs generate a number of benefits for local communities. They claim that by limiting new development to areas within the boundary, UGBs effectively curb suburban sprawl and preserve productive agricultural land and open space on the outskirts of urbanized areas. Additionally, they argue that these boundaries lower the cost of new growth for municipal and county governments. Theoretically, by limiting the outward expansion of an urban area, UGBs encourage compact development and increased densities within the boundary, thereby reducing the costs of infrastructure and service provision per unit of new development.

Despite their growing popularity and purported benefits, UGBs remain controversial. Their opponents claim that by restricting the quantity of land available for new development, growth boundaries can lead to a decrease in housing production and a corresponding crisis in housing affordability. Since higher housing prices often have the effect of excluding poor or minority residents from a community, some community activists claim that this unintended consequence amounts to a *de facto* (and legal) form of exclusionary zoning or social segregation. Furthermore, because they encourage compact development, opponents argue that growth boundaries may lead to unnecessary overcrowding, infrastructure strain, and the loss of existing open space within the boundary.

While the controversy surrounding the potential benefits and consequences of growth boundaries has generated a great deal of scholarly attention to a handful of high profile UGBs – most notably that of Portland, Oregon – little attention has been paid to the rapid proliferation of these policies in California. In this report, we conduct an examination of the adoption of growth boundaries in the Golden State using the results of a recent survey of California municipal planning officials. First, we summarize questionnaire responses, paying particular attention to the geographic, economic, and demographic characteristics of UGB-adopting cities as well as the method by which growth boundaries have been enacted. Second, we investigate the manner in which growth boundaries fit into California municipalities' overall growth management strategies. In particular, we analyze the policies that communities have adopted to complement their growth boundary, especially those policies that many planners believe are necessary to prevent housing affordability crises as well as unnecessary overcrowding, infrastructure strain, and the consumption of open space within the boundary. Third, given the frequent use of direct democracy in California, we examine whether growth boundaries enacted via the initiative process differ on a number of important dimensions from their council-passed counterparts. Finally, we conduct a preliminary analysis of the effects of growth boundary adoption on housing prices, population growth, and density.

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# Methodology

The primary data for this analysis were gathered from a survey of California municipal planning officials during 2002 and early 2003. The survey was administered by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan's Gerald R. Ford School of Public Policy. It was conducted in three waves. In 2002, a link to an Internet-based version of the survey was e-mailed to the planning director, or other official identified as being responsible for the planning function, in 475 California municipalities. We used a mailing list compiled by the California Planners' Information Network (CALPIN) to identify potential respondents. Later that year, a hard copy of the same survey was mailed to those planning officials who had not completed the Internet-based version. In early 2003, nonrespondents were sent a second hard copy of the survey. While none of the questions were of a sensitive nature, all participants were assured that their answers would remain confidential.

In total we received usable responses from 290 cities, a response rate of approximately 61 percent. Completed questionnaires were returned to us from municipalities in 47 of California's 58 counties and we received a large number of responses from each of California's three major economic regions – Southern California, the San Francisco Bay Area, and the Central Valley. Moreover, the aggregate economic and demographic characteristics of the cities that responded to our survey closely match those of the state as a whole. Thus, we feel reasonably confident that our final sample is representative of California cities.

Our responses came from individuals who appear to have been well suited to answer the questions posed. Over 55 percent of respondents identified themselves as the director of their municipality's planning or community development department, while another 33 percent indicated that they are employed as planners. Where possible, we made use of outside sources – city Web sites and state planning reports – to verify participants' answers. Overall, we feel confident that the responses we received accurately report local growth policies.

**Table 1. Cities with Growth Boundaries by Region***

| Region | Number of Respondents | Number w/Growth Boundary | Percent w/Growth Boundary (%) |
|---|---|---|---|
| Central Valley | 55 | 24 | 43.6 |
| San Francisco Bay Area | 69 | 27 | 39.1 |
| Southern California | 128 | 20 | 15.6 |
| Other | 37 | 14 | 37.8 |

*Our definitions of these three regions are borrowed from the Public Policy Institute of California (PPIC). We consider Southern California to consist of Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura counties; the San Francisco Bay Area to consist of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties; and the Central Valley to consist of Butte, Colusa, Fresno, Glenn, Kern, Kings, Madera, Merced, Placer, Sacramento, San Joaquin, Shasta, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba counties.

# Findings

## CHARACTERISTICS OF UGB-ADOPTING CITIES

We begin by examining the geographic, economic, and demographic characteristics of cities that have adopted urban growth boundaries. In total, 85 California municipalities, or 29 percent of the responding cities, indicated that they have some form of a growth boundary. Preliminary analysis of the survey responses of these cities shows a number of important patterns.

First, cities in California with UGBs tend to be suburban or rural, not yet built out, and located in areas of the state rich in productive agricultural land. Of the cities in our survey that reported having growth boundaries, 44 percent are defined by the U.S. Census Bureau as being suburban and 36 percent as rural. Additionally, only 9 percent of these cities indicated that they were either entirely or nearly built out. In other words, most cities with growth boundaries have the potential for outward expansion. Furthermore, cities with UGBs are, on average, located in counties in which approximately 40 percent of the land is used for agriculture.[1] This contrasts rather sharply with non-UGB cities which tend to be found in counties where less than a quarter of the land is employed for agricultural purposes.

Second, while UGBs have been adopted in each of the state's major economic regions, and by at least one city

[1] Data regarding the quantity of agricultural land was collected from the 1997 Census of Agriculture.

**Table 2. "How controversial would you say residential growth issues have been in your city over the past decade?"**

| Response | Cities with Growth Boundaries (%) | Cities without Growth Boundaries (%) |
|---|---|---|
| Not at all | 7 | 18 |
| Sometimes | 44 | 55 |
| Often | 22 | 17 |
| Almost Always | 28 | 12 |

**Table 3. "How would you characterize your city government's current overall orientation towards residential development?"**

| Response | Cities with Growth Boundaries (%) | Cities without Growth Boundaries (%) |
|---|---|---|
| Moderately or Strongly Pro-growth | 45 | 57 |
| Neutral | 17 | 22 |
| Moderately or Strongly Slow-growth | 38 | 22 |

in a majority of the state's counties, the geographic distribution of growth boundaries in California is not uniform. As shown in Table 1, cities in the Southern California region are the least likely to have adopted a UGB while those in the Central Valley and San Francisco Bay Area are the most likely to have done so. In fact, approximately 60 percent of the state's growth boundaries are located in these latter two regions. This result is to be expected, given that growth boundaries tend to be adopted by communities rich in agricultural land, something which is found in great (but diminishing) supply in both the San Francisco Bay Area and the Central Valley.

The surveys reveal that elected officials and residents of cities that have adopted growth boundaries take, on average, a more critical view of new development. When survey participants were asked about the frequency with which residential growth in their community has been controversial, 50 percent of respondents from cities with UGBs answered "often" or "almost always" while only 29 percent of respondents from other cities answered similarly. Furthermore, when asked about their city council's overall attitude towards new residential development, respondents from UGB-adopting communities answered "moderately slow-growth" or "strongly slow-growth" 38 percent of the time while their colleagues from cities without growth boundaries gave the same responses only 22 percent of the time.

Finally, cities with growth boundaries do not appear to be significantly different from other cities in terms of their economic and demographic characteristics. Communities that adopt growth management policies are often stereotyped as being wealthy, white, and exclusive. As illustrated in Table 4, this characterization is false, at least for California communities in our sample. While UGB-adopting cities are clearly smaller – in terms of their total population – their residents are no more racially homogenous than those of cities without UGBs. Overall, cities with and without growth boundaries have roughly the same balance of white, Hispanic, Asian, and Black residents. Additionally, cities with UGBs are no wealthier than their counterparts without growth boundaries – in fact, they tend to have lower per capita incomes, median home prices, and rates of homeownership as well as lower percentages of college graduates.

## ADOPTION OF GROWTH BOUNDARIES

The proliferation of urban growth boundaries among California municipalities is a recent phenomenon. As shown in Chart 1, the earliest UGBs came into existence during the 1950s. Increasing numbers of growth boundaries were enacted in each of the subsequent decades, followed by an explosion of such policies in the 1990s. In fact, 40 cities – almost half of all UGB-adopting cities in our sample – report adopting their boundary sometime between the beginning of 1990 and the end of 1999. Since 2000, eight additional cities have

**Chart 1. Growth Boundaries Adopted by Decade**

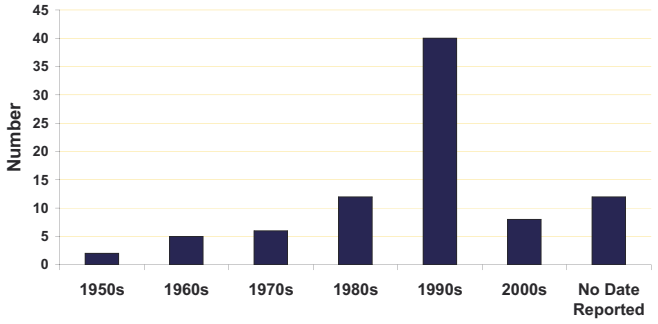
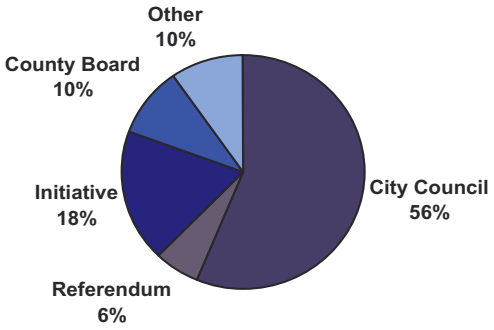


**Chart 2. Method of Adoption**




enacted growth boundaries – a significant number, but well below the rapid rate of adoption seen during the 1990s.

Almost all of these municipal growth boundaries came into existence through one of three mechanisms – city council action, direct democracy, or the action of a governmental entity external to the community. Chart 2 shows the percentage of UGBs that were adopted by each of these methods. Clearly, most California growth boundaries – 56 percent – are the direct result of a council ordinance or resolution. A distant second – 24 percent – are those boundaries enacted at the ballot box. Approximately one quarter of California UGBs were adopted through either an initiative placed on the ballot by citizens or a referendum placed on the ballot by the city council. Finally, about 10 percent of UGBs were imposed upon cities by the action of their county board.[2]

[2] It is worth noting that a handful of cities indicated that their county's Local Agency Formation Commission, or LAFCO, played either a joint or leading role in the adoption of their growth boundary (these cities are included in the "other" category in Chart 2).

[3] We recognize that some critics of urban growth boundaries believe that these negative consequences will occur regardless of whether mitigating policies are also adopted.

## GROWTH BOUNDARIES AND LOCAL GROWTH MANAGEMENT STRATEGIES

Some urban planners argue that communities benefit most from growth boundaries when they are adopted as part of an overall urban containment regime or strategy. For many planners these regimes include (in addition to growth boundaries) policies that promote the production of affordable housing, encourage infill and mixed-use development, preserve open space within the boundary, and avoid straining existing infrastructure. Without these policies, UGBs may eventually result in increases in housing prices, overcrowding, and lower quality of life.[3]

In our survey, we asked local planning officials if their city had adopted a number of policies, some of which are expected to mitigate affordability problems, and some of which may potentially exacerbate affordability, such as temporary moratoriums on new residential development or limits on multifamily housing. All survey participants were invited to answer these questions irrespective of whether their city had a UGB. The results are presented in Table 5.

As shown in Table 5, most California cities with growth boundaries also have several of the complementary policies recommended by many planners. While few UGB-adopting cities insist that developers provide multifamily housing, a majority require or provide incentives for new development to include open space, affordable housing, infill and/or mixed-use development. Additionally, 67 percent require that traffic standards be satisfied before new development is allowed to occur. Overall, cities with

**Table 4. Characteristics of Cities with and without Growth Boundaries***

| Economic/ Demographic Characteristics | Cities with Growth Boundaries | Cities without Growth Boundaries |
|---|---|---|
| Per Capita Income | $23,259 | $27,375 |
| Median Home Price | $256,282 | $277,423 |
| % Homeowner | 61% | 63% |
| Population | 47,109 | 77,809 |
| % White | 57% | 56% |
| % Hispanic/Latino | 26% | 29% |
| % Asian | 7% | 10% |
| % Black | 3% | 4% |
| % w/College Degree | 27% | 29% |

*All economic and demographic data were gathered from the 2000 U.S. Census.

**Table 5. Adoption of Additional Growth Policies**

| Policy | Cities with Growth Boundaries (%) | Cities without Growth Boundaries (%) |
|---|---|---|
| Open space | 80 | 62 |
| Affordable housing | 76 | 66 |
| Traffic standards | 67 | 64 |
| Infill development | 61 | 40 |
| Mixed-use development | 58 | 43 |
| Multifamily housing | 34 | 19 |
| Limit building permits | 23 | 6 |
| Population ceiling | 12 | 8 |
| Limit multifamily housing | 8 | 2 |
| Moratorium on new housing | 6 | 14 |

**Table 6. Method of Adoption and Features of UGB**

| Policy | Adopted by Citizen Initiative (%) | Adopted by City Council (%) |
|---|---|---|
| Citizen approval to alter | 100 | 13 |
| City council approval to alter | 27 | 90 |
| Other governmental entity's approval to alter (i.e., county board, LAFCO, etc.) | 0 | 45 |
| 15 or more years of developable land | 57 | 78 |
| Less than 15 years of developable land | 43 | 22 |
| Boundary expanded since adoption | 0 | 14 |
| Boundary contracted since adoption | 0 | 7 |

growth boundaries are more likely to have adopted each of these policies (including a multifamily housing requirement) than other cities.

Additionally, very few municipalities with growth boundaries have policies that would be expected to exacerbate potential housing affordability problems. Only a small minority of UGB-adopting cities have ordinances that limit the number of residential building permits issued in a single year, the number of multifamily dwellings that may be constructed, or the total population of the community. Furthermore, only 6 percent of these cities had a moratorium on new housing construction at any point during the past ten years. Thus, it appears that California cities are generally heeding the advice of planners and treating growth boundaries as part of a larger urban containment strategy while avoiding those policies that may further increase the price of the state's already expensive housing stock.

## ADOPTION BY CITIZEN INITIATIVE VS. CITY COUNCIL

The initiative process, in which citizens draft legislation and place it on the ballot by petition, is a frequent source of municipal growth policies (and other growth management policies) in the state of California. Approximately 25 percent of our survey respondents indicated that citizen initiatives have been a frequent source of policies to manage or slow residential development in their community. In this section we analyze whether UGBs adopted through this process differ from those adopted by city councils in terms of the specific features of the boundaries as well as the types of policies that accompany them.

Table 6 compares several features of those growth boundaries enacted by citizen initiative to those enacted via city council ordinance or resolution. A number of stark differences are apparent. First, UGBs adopted through the initiative process tend to be more restrictive. In other words, at the time of their creation they include fewer years of developable land. Second, these growth boundaries all require voter approval in order to be expanded or contracted. On the other hand, boundaries adopted by city councils tend to only require the approval of the council, county board, a Local Agency Formation Commission (LAFCO), or another outside governmental agency to be altered – a task that is presumably less monumental than securing a majority vote of the city's electorate. Finally, while few of the growth boundaries in our sample have been expanded or contracted, those adopted by city councils have been altered more frequently. In fact, none of the UGBs that originated from a successful citizen initiative have been significantly changed.

In addition to affecting features of growth boundaries themselves, the method of adoption also shapes the types of policies that accompany growth boundaries. As illustrated in Table 7, cities with UGBs enacted by the initiative process are more likely to also have policies that require or provide incentives for developers to build affordable housing and set aside open space or parkland. At the same time, they are slightly less likely to require or provide incentives for developers to construct multifamily housing, engage in mixed-use or infill development, and meet pre-determined traffic standards. Furthermore, while few cities with growth boundaries also have policies that may exacerbate housing affordability problems, such as limits on the number of new building permits or moratoriums on residential development, cities whose UGBs were adopted by initiative are more likely to do so.

## EFFECTS OF GROWTH BOUNDARIES

There is a great deal of controversy surrounding the ultimate effects of growth boundaries. As mentioned earlier, proponents of UGBs argue that these policies are essential to containing suburban sprawl and protecting open space, while opponents claim that growth boundaries lead to substantial increases in housing

prices and overcrowding. In this section, we conduct a preliminary analysis of the consequences of UGB adoption to shed some light on this debate.

Specifically, we compare the percent change – between 1990 and 2000 – in the median home price, population, land area, and density of cities that adopted a growth boundary to those that have never adopted a UGB. We exclude from this analysis all cities that adopted growth boundaries after 1990, since these boundaries may not have been in place long enough for their effects to show up in the data.[4] Additionally, we report results for both the full sample of cities and a sub-sample in which all built out or nearly built out cities are excluded. Our results are shown in Table 8, and suggest that there may be validity to the claims of both the proponents and the opponents of UGBs.[5]

First, cities in our sample with growth boundaries experienced larger increases in housing prices and densities than other California communities. The median home price grew by an average of 14 percent more in UGB-adopting cities. Furthermore, the density of communities with growth boundaries grew by 21 percent compared to only 7 percent in all other cities in our sample. While this latter result disappears when built out or nearly built out cities are removed from the analysis, the finding pertaining to median home prices remains strong.

Additionally, our results indicate that cities that have adopted UGBs tend to grow at slower rates, both in terms of land area and population. Between 1990 and 2000, the total land area of municipalities with growth boundaries expanded at a rate approximately 5 percent slower than that of other California cities. This implies that open space and farmland are slightly less likely to be developed outside of UGB-adopting communities. Similarly, cities that have adopted growth boundaries experience less population growth – about 13 percent less – according to Table 8.

**Table 7. Method of Adoption and Additional Growth Policies**

| Policy | Adopted by Citizen Initiative (%) | Adopted by City Council (%) |
|---|---|---|
| Affordable housing | 100 | 76 |
| Open space | 93 | 75 |
| Mixed-use development | 60 | 61 |
| Traffic standards | 60 | 67 |
| Infill development | 57 | 63 |
| Limit building permits | 40 | 15 |
| Multifamily housing | 27 | 34 |
| Population ceiling | 20 | 16 |
| Limit multifamily housing | 13 | 8 |
| Moratorium on new housing | 7 | 6 |

**Table 8. Effects of Growth Boundaries**

| Changes 1990-2000 | Cities with Growth Boundaries | Cities without Growth Boundaries |
|---|---|---|
| Entire Sample | | |
| % Change median home price | 35 | 21 |
| % Change density | 21 | 7 |
| % Change total land area | 12 | 17 |
| % Change in total population | 20 | 33 |
| Removing "built out" cities | | |
| % Change median home price | 26 | 21 |
| % Change density | 6 | 7 |

# Conclusions

## AVENUES FOR FURTHER RESEARCH

While we believe this analysis sheds a great deal of light on the use of urban growth boundaries by California municipalities, we recognize that additional research is needed to draw more definitive conclusions regarding the long-run consequences of UGB adoption. In particular, future research efforts should employ multivariate analyses to isolate the effects of growth boundaries while holding a number of intervening factors constant. Furthermore, future efforts should examine how complementary policies, such as incentives for affordable and multifamily housing, interact with growth boundaries to shape local housing prices. Finally, it may be worth exploring whether UGBs adopted by citizen initiative are more effective (or have more severe consequences) than those enacted via traditional representative institutions, such as city councils or county boards.

[4] In fact, the results displayed in Table 8 are not significantly different if we include all UGB-adopting cities in the analysis.

[5] Our findings in this section should be treated as preliminary. A more rigorous (multivariate) econometric test is needed before definitive conclusions can be drawn.

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