

# **Make it Work: Implementing Senate Bill 375**

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# Executive Summary

California passed Senate Bill 375 in 2008, landmark legislation calling on the state's urban regions to develop plans for more efficient land use and development, in order to reduce the greenhouse gases that contribute to global warming. While SB 375 is ambitious in its goals, it is modest in its means. The SB 375 process relies on existing organizations for implementation and leaves most fundamental aspects of state and local planning processes intact.

This report, by a research team from the Center for a Sustainable California at UC Berkeley, identifies state and regional policies and programs that could support the objectives of SB 375. It assesses the policy context in which SB 375 emerged and currently operates, concluding that without stronger support from the state government, the SB 375 process may prove incapable of achieving its goals.

SB 375 relies on existing regional planning agencies for implementation, namely Metropolitan Planning Organizations (MPOs), which are responsible for developing federally mandated long-range regional transportation investment plans. Under SB 375, the state's eighteen MPOs must develop "Sustainable Communities Strategies" (SCSs) to achieve quantifiable targets, set by the state, for reducing greenhouse gas emissions through more efficient development and better coordination. SB 375's major procedural change is to require that the existing MPO planning process be more closely aligned with another regional process which coordinates long-range local plans for accommodating new housing development. In addition, SB 375 eases environmental review for certain new development projects located near transit stations.

Relying on MPOs for planning coordination makes sense because these agencies have been recent innovators in strategic growth planning in California. In particular, SB 375 explicitly recognizes the regional "blueprint" planning innovation, developed by California MPOs during the past decade, to produce collaborative regional/local plans that achieve preferred scenarios for future regional development.

However, MPO governance also has some inherent weaknesses, which can be expected to persist under SB 375. MPOs act as an interface between local governments and state and federal programs and have no independent authority as such. In relation to land use, COG/MPOs have no actual authority over the decisions made by local governments. The voluntary collaborative MPO governance structure has long made it difficult to develop plans and programs with a strong regional systems focus; the governing structure works to deter controversial policies that could create winners and losers among local government members. The MPO role is further constrained by state funding formulas that tend to reinforce the county role in transportation programming.

The collaborative approach enshrined in SB 375 requires strong state support to work effectively. While the law depends fundamentally on local government participation in developing SCSs, it is the state government that sets the framework of fiscal and regulatory policies in which local governments make development choices. If state policies work to support SB 375, then its collaborative governance model can work as a means for coordinating state and local priorities and preferences. However, if state programs and policies do not provide sufficient support or

counteract SB 375 objectives, then there is little reason to expect local governments to develop ambitious SCSs through the MPO framework.

Some state policies and programs do currently work to promote SB 375 objectives. One example is a set of new programs funded through Proposition 1C, a 2006 state housing bond, to support development of infrastructure and transit-oriented housing in infill areas. However, many other state programs send a different message. For example, state transportation funding favors roadways over transit. Recent state budget cuts to transit programs worsen the problem.

Without further support by the state, the incentives under SB 375 for local government participation in SCS development may be too weak to induce substantial changes in behavior. SB 375 provides no additional resources, in the form of state funds, to cover planning costs or to reward localities that choose to adopt policies with regional benefits but local costs. Those costs, which can be substantial, include funding for building infrastructure to support infill development, addressing service needs of new residents, and addressing localized impacts such as increased traffic congestion.

To ensure successful implementation of SB 375, a stronger framework of supportive policies and programs is needed. This should begin with the translation of SB 375's goals into clear, operational objectives for land use, housing, and transportation policy – performance objectives which the state and regions can then use as a basis for allocating funds and other assistance. The state also should adopt a stronger coordination and monitoring role of programs and performance related to SB 375.

In addition, this report describes ten concrete priority actions that the state and regions can pursue to address the challenges of implementing SB 375. The recommendations are based on research into policy options advanced and/or implemented in California and elsewhere, and interviews with stakeholders. The actions are intended to bring about the following outcomes:

- Support the “three legs” of SB 375

The policy actions are intended to strengthen a “three-legged” stool supporting SB 375, namely to support efficient use of transportation and land use, housing affordability, and protection and management of natural resource areas. Each of these legs must be strong and sturdy for SB 375 to succeed. The recommended policy actions would work to ensure this in a variety of ways, starting with the state government identifying standards, programs, and policies for directing its own resources toward these ends. The policies would also empower regions and localities to accomplish SB 375 themselves. In particular, they would expand regional and local financing tools for achieving SB 375-related objectives.

- Get the “prices right” for efficient transportation and land use

Many of the recommended policy actions would work together to ensure that governments and individual consumers face prices that more accurately reflect the full social and environmental costs of development, housing, and transportation choices.

- Promote the development of vibrant “transit villages” and “transit corridors.”

Many of the report’s recommendations would help enable regions and localities to develop “transit villages” and “transit corridors” as vibrant, livable neighborhoods that provide not only efficient housing and transport options, but also public amenities such as schools, libraries, and parks. Some recommended policies would provide financing options for localities to “capture value” from the potential profits that transit villages and corridors can provide. Other measures would direct more state and regional resources and regulatory relief to support transit expansion and supportive land uses.

The ten recommended top-priority actions described in detail in this report are:

### ***Transportation***

1. Direct state and regional transportation funds to regions, priority development areas, and localities that achieve “smart mobility” performance targets and provide transit-supportive land uses.
2. Provide greater state and regional revenue-raising authority for transportation, contingent on those funds being used for SB 375 objectives.
3. Encourage parking strategies that promote efficient use of land and transportation.

### ***Housing, Land Use, and Local Infrastructure***

4. Provide more funding options to support infrastructure and infill development.
5. Enforce Regional Housing Needs Assessment (RHNA) requirements and redesign RHNA into a performance-based approach.
6. Modify state property tax laws that encourage localities to base land use decisions on potential revenues that can be generated (a.k.a. “fiscalization of land use”).

### ***Natural Resources and Environment***

7. Provide additional California Environmental Quality Act (CEQA) streamlining for projects within priority development areas designated in SCSs, and also provide funding mechanisms to assist local governments in conducting plan-level CEQA documentation.
8. Implement an Indirect Source Review program within regional air quality management districts to reduce vehicle miles traveled.
9. Strengthen priority regional development areas and priority conservation areas with a regional transfer of development rights program.
10. Develop and fund state and regional open space and conservation plans and programs.

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