General Plan 2020
Interest Group Committee Meeting Minutes
October 21, 2003

Interest Group Committee:

Al Stehly	Farm Bureau
Bruce Tabb	Environmental Development
Carolyn Chase	SD Coalition for Transportation Choices
Dan Silver	Endangered Habitats League
Dave Shibley	Save Our Land Values
Diane Coombs	Citizen Coordinate for Century 3
Greg Lambron	Helix Land Company
Jim Whalen	Alliance for Habitat Conservation
Karen Messer	Buena Vista Audubon Society
Liz Higgins	SD Association of Realtors
Matt Adams	Building Industry Association
Phil Pryde	SD Audubon Society
Terry Barker	American Society of Landscape Architects

Public at Large:

Brent McDonald	Caltrans
Carol Leone	
Charlene Ayers	
Eric Larson	Farm Bureau
Gary Piro	Piro Engineering
Kristen Hukari	
Larry Glavinic	Valley Center CPG
Lynne Baker	EHL
Paul Ulrich	Crestview Properties
Ron Pennock	
Scott Molloy	
Suzanne McKenna	SD Assn of Realtors
Tracy Morgan Hollingworth	East County Assn of Realtors

County Staff:

Karen Scarborough (DPLU, group facilitator)
Gary Pryor (DPLU)
Ivan Holler (DPLU)
LeAnn Carmichael (DPLU)
Michelle Yip (DPLU)
Tom Harron (County Counsel)

Agenda Item I: Logistics –

a) Minutes for September 16, 2003

- Shibley moved to approve. Tabb seconded. Motion passed.

Agenda Item II: Equity Mechanisms Presentations –

Scarborough mentioned that the Tools subcommittee met for about a year exploring different options, and brought Rick Pruetz in to give a presentation. The group left the discussion on equity mechanisms for an extended period to focus on maps and has now decided to get several perspectives.

a) Gary Piro

Portion of Handout:

"POTENTIAL OUTLINE FOR A PROGRAM IN GP2020"

SAN DIEGO COUNTY RURAL CONSERVATION PROGRAM (RCP)

- As part of the GP2020 plan, the proposed Rural Conservation Program would benefit all the people of San Diego County at no cost to the taxpayer.
- Rural landowners can continue farming and benefit from the sale of Perpetual Restricted Development Easements.
- Owners of land in desired development areas can achieve greater density and greater profit through the purchase of pre-approved density bonuses.
- The public benefits from reduced infrastructure costs for housing, and through the permanent conservation of valuable rural land.

GENERAL CONCEPTS

- Landowners in Rural Conservation Areas (RCAs) can apply with the County to sell a Perpetual Restricted Development Easement (PRDE) over all or a portion of their property, or sell fee title to a parcel, as appropriate. The PRDE will permanently prohibit future subdivision of the covered portion of the land.
- Landowners in Density Bonus Areas (DBAs) can purchase "pre-approved" Density Bonus units (DBs) from the County by paying $20,000.00 per unit.
- The County will use the Density Bonus funds to acquire fee title or PRDEs within a subarea, which corresponds roughly to two or more adjacent, compatible community planning areas.
- Once the PRDE is purchased, the rural land is protected by a conservation easement granted to the County and/or to a private land conservancy.

- Wanted to give a presentation on TDRs from the standpoint of his involvement with land value analysis, which has been a big part of his engineering work for the past five years. Some of the projects he has looked at are affected by GP2020 and thought it would be constructive as an example in understanding TDRs to show how we value the land and what we do with the land and the types of profits people see with an upzone.
- This form is patterned after Berthoud, Colorado. Believes there are probably 25,000 units of upzones in GP2020 and that the increase land value will be about $2 billion. Thinks a program similar to Berthoud could generate $400 million, which could be used for permanent conservation on rural lands.
- Wants to talk about how land is valued. Used an example of a 6-acre property located in the village core of Hidden Meadows. In the example, the property as zoned has the potential for (6) ½ acre parcels, which would sell for approximately $150,000. GP2020 is proposing to double the density in this area to 2 du/ac, which basically increases this property by $900,000 – 6 lots to 12 lots at a $150,000 benefit per lot. This property is located on a 24-foot private road easement that has sewer and water lines. The minimum for a 2-lot development is a 24-foot road, 8-inch sewer line, and 8-

inch water line, which would serve up to 250 lots without any changes. So the values are much higher in areas getting upzoned because those that are getting downzoned have to put in infrastructure through offsite roads, have more environmental issues, more opposition, etc.

- GP2020 is providing for these extra lots at a public cost. To increase density, a property owner would have to do growth inducement studies, deal with local planning groups, and an EIR at a minimum of $250,000, all of which the County is providing for free.
- Rick Pruetz has 122 examples of TDR/PDR programs in the country. Instead of just getting those additional lots, agencies across the country are having developers purchase additional density. For example, developers would pay $20,000 for each additional unit in San Luis Obispo and that money would be used to place development restrictions on property in areas outside the county. Ventura is trying a similar program now, using that money to buy conservation lands.
- Believes that the Berthoud approach would be ideal for the County of San Diego. Suggests that each of these units are worth $150,000, in some cases lower, but County-wide it may be $75,000 – $100,000 per upzone. Usually there are facilities available in upzoned areas so the money from individual units that are purchased, say at $20,000, can be used in the County's overall plan in areas that are more rural to purchase a "permanent restricted development easement." This gives us the ability, at no cost to the taxpayer, to get as much as $400 million dollars to purchase the credit to help the farmers and ensure these areas stay rural. It is a truly win-win situation – rural owners have something they can sell, there is value to the public for it and the upzoned people still get profit, in this case a $150,000 lot costs $20,000.
- Silver asked if there would be a need for some kind of economic assessment or appraisal of the "negative value of the downplan" where they would have to actually analyze the difference or is this an open market quantity that would not really require a before and after analysis. Piro stated that the Berthoud program is really a conservation program; there is a public benefit to the upzone and a benefit to the public if we can preserve huge areas and help compensate farmers or people with sensitive lands. Thinks it is counterproductive to assess the "ups and downs" since people do not want to get into a program that requires an appraiser and in some cases, were unable to afford to subdivide even if they were at the 1 du/4 ac.
- Adams questioned Piro's reference to environmental issues being covered by the County rather than the owner. Does not believe there is no cost to the landowner since costs are accrued the longer a project is delayed. Believes there has to be broad-based funding; this is asking a disproportionate, small number of people to provide a public benefit. Full broad participation should be required if it is for the greater good. Piro agreed that the process is long and costly but everything should be done through the general plan process.
- Tabb asked if a 12 or 24-lot subdivision will not have to do an EIR. Piro responded that environmental will have to be done but not the general plan process. Tabb added that the EIR was the longest process.
- Tabb asked if there was any differentiation between a 1-acre and ½-acre lot. Had an issue with the numbers; believes they are inflated so they do not make sense.
- Chase asked what the $400 million was based on. Piro replied that the County had done a study in the downzoned rural areas for Prop B.
- Silver commented that Piro's proposal of a density bonus fee is a classis TDR program, which he sees as being simpler and easier to implement. Does not see density bonuses requiring an EIR because the General Plan EIR would already be analyzed in the master document. Likes the framework but the debate is where the money comes from; thinks the money should come from both the public and developers.
- Whalen stated that he thinks the values are too high and that simpler is not always the best way. Does not see why people are afraid of appraisals; market based is more adjusting. Cost needs to be spread more fairly.
- Shibley stated that a $20,000 fee is a fee, and is $100,000 in some areas. If providing open space is for the public benefit then the whole public should do it.
- Piro commented that this is an issue of permanent restricted easements; it is conservation value, not development value.

b) Scott Molloy

Handout:

STEPS TO CREATING A PDR/TDR PROGRAM

I. Identify Goals/Guiding Principles:
   1. Voluntary
   2. Independent of the General Plan
   3. Incentive-based
   4. Streamlined/Ministerial
   5. Economical/Free-market driven
   6. Fair and Inclusive (not partial or exclusive or “gerrymandered”)
   7. Flexible

II. Designate Sending & Receiving Areas

III. Establish Pre-GP2020 Equity Baseline Year

IV. Perform “Ground-True” Equity Analysis

V. Identify PDR Funding Sources & develop realistic estimates of TDR sales

VI. Refine size of Sending & Receiving Areas

VII. Develop Program Framework:
   1. Develop “Program Operating Assumptions” or Legislative Intent
   2. Identify levels of protection (and associated allowable uses and improvements)
      a. Agriculture
      b. Rural open space
      c. Biological conservation
   3. Create incentives for landowners & developers to encourage participation:
      a. Create flexibility and incentives for landowners
      b. Create alternative ways for developers to add TDR density to projects
   4. Design a PDR Bank
      a. Long-term buyout
      b. Straight purchase
      c. Landowner “buy back” of rights
   5. Formalize Sending & Receiving Areas & Implement Funding Sources
   6. Develop Implementing Ordinance
      a. Definitions
      b. Rules & Procedures
      c. Matrix of Transfer Ratios
      d. Examples

VIII. Annual Program Review and Performance Thresholds

IX. Develop Exit Strategy & Sunset Policy

- Chase asked what was being recommended for funding. Molloy replied that he was not an expert on funding sources. Thinks that TDRs would be used on a limited basis, primarily because there is an existing alternative to add density to your project – general plan amendment re-zone. Thinks the bulk of this program will come from PDRs because public benefits should come from the public and not developers.
- Scarborough asked if PDRs would follow the same steps, which would be separate but concurrent with TDRs. Molloy agreed.
- Whalen thinks that guiding principles is the direction should go in. At the risk of oversimplifying things, thought that by keeping the maximum allowed development right transfers within the quota transfer study would reduce a lot of problems.

- Coombs stated that the Achilles heel of both proposals has been identified –the Board of Supervisors need to make a commitment and support the integrity of this general plan and not approve GPAs that undermine the implementation of the general plan.
- Baker asked about the difference in valuation in multi-family and single-family units. Stated that the first proposal takes increases in density into account. Molloy responded that a TDR program cannot be relied upon to meet housing. The proposal is based on voluntary participation of developers and landowners and is free market driven. Baker asked about the fairness of cost. Molloy replied that the bulk of the TDR situation would be in PDRs. TDRs did not work in a vast majority of other jurisdictions unless it was on a voluntary basis.
- Scarborough clarified that the bulk of this proposal will be mainly PDRs but TDRs would be above and beyond the new GP2020, which would be within the margin of error for the traffic study so you would not need to redo the EIR. Molloy agreed.
- Shibley stated that Coombs' concerns were just as important to the development side as it is with the environmental side. Going with a PDR program makes it difficult to undermine the general plan. The PDR program is very simple and easily applied. There is no incentive to do a GPA for those who are upzoned and those who are compensated for being downzoned, which keeps the integrity of the plan. Offered a proposal stating that it gets to the general concepts of the PDR program – you do not have to do appraisals and receiving and sending areas; basically the whole County would become a receiving area. When the County purchases something with a PDR, it would go into a bank and remain there then if someone comes in and your traffic study shows that you may be able to accommodate more density and meet your affordable housing requirement, staff would have the ability with the existing process to add units. Molloy agreed but thinks there should be an option for someone to have an appraisal done if they are participating in a PDR program just in case they believe their property may be worth more than what the County may be offering. Shibley agreed.
- Stehly mentioned that at every community meeting and hearing, people have said they could be on board with 2020 only if they see equity mechanisms. All they want to see are equity mechanisms so the group is here to design equity mechanisms.
- Chase stated that landowners do appraisals for their own reasons and their own interests. Talking about a free market, it should be willing buyers and willing sellers negotiating sales. A free market approach should negotiate the downside as well; otherwise it is not a free market approach. It goes both ways and the government is the only way to get a free market.

c) Staff

- Holler wanted to recap discussion that has occurred over the past year and a half with some program assumptions on equity mechanisms.

Handout:

Equity Mechanism Discussion
Interest Group Meeting
October 21, 2003

The following assumptions could serve as a basis for establishing the framework for Equity Mechanisms:

<u>Program Assumptions</u>

- The General Plan should function independently from PDR or TDR programs
- Equity Mechanisms would be implemented through adoption of a separate ordinance (e.g., Zoning Ordinance, Resource Protection Ordinance)
- Participation in a PDR or TDR program would be voluntary
- Utilize an "enrollment period" to determine initial interest or demand
- County staff would identify and prioritize (with public input) potential areas for purchases of development rights

- PDR priority areas would be similar to pre-approved mitigation lands for MSCP or lands with active agriculture
- "Base Development Yield" should be the actual yield determined by using the current general plan parcel sizes, in conjunction with site constraints and other applicable regulatory codes and ordinances (e.g., zoning ordinance, resource protection ordinance, groundwater ordinance)
- The value of development credits (rights) will vary in different parts of the unincorporated area. An appraisal or development analysis would be required in order to determine the "Base Development Yield" and value
- Entitlement costs should also be subtracted when determining values for purchased or transferred development rights
- Permanent Conservation Easements would be established on lands where development credits had been purchased or transferred
- TDR programs should be limited in both their scale and scope to those areas that have homogeneous characteristics (e.g., Ramona Grasslands)

- Holler mentioned options for funding PDRs: 1) fee of some type (e.g. building fee), 2) contribution from the general fund, 3) regional funding source, and 4) number of grants/bills that are out there that do this sort of thing; suppose could also get a bond. Think will have to do a combination of these sources to make this work.
- Silver asked if appraisals would be done for the "change in value", all of the development rights or have either be an option for the owner. Holler replied that at first we looked at the change in value but suppose either can be available.
- Silver stated that unless we have an equity mechanism that is broad, he does not think we can get the Board to adopt a decent map. Thinks the merits of a prioritization program that is broader in scope will allow for a wider ability to enter the program, like active agriculture, 1 du/10 ac, or 1 du/20 ac.
- Dave questioned bullets 4, 5, and 6 and disagreed with the funding sources in terms of general fees. Stated that what has been talked about in the past was to have an ordinance where one side would state the old general plan subject to RPO guidelines and the other side would say the 2020 designation; if you are downzoned, you get compensated the in between. Does not think there needs to be an enrollment period. If you put someone on a waiting list, then either pay them or let them move forward and develop at the existing general plan. Think needs to identify the funds and do a straight PDR program with limited TDRs.
- Coombs was not clear what premise is of all bullet points and how they are going to work. Asked if the County has a responsibility for paying for downzoning from the existing general plan to the new 2020 general plan, does the County also have responsibility to get compensation from winners. Pryor replied no; this is called managed growth and the reason we are looking at equity mechanisms is because of this group. The government is not responsible for paying for upzones or downzones.

<u>Agenda Item III: Next Steps –</u>

- Shibley asked if we needed to do a PDR/TDR program. The only thing that goes wrong with PDR programs is the lack of funds. Thought proposal was an ordinance stating old and new densities.
- Stehly stated that we should not take anything off of the table at this point; the more discussion, the better. Stated we need this because there are downzones on the map; not all downzones will result in a loss of equity and not all downzones will want to participate in the program. We need to determine the enrollment numbers of people out there otherwise we cannot determine the fee or cost of the program so it is all based on the number of participants on the sending side. Added appraisals are important.
- Silver stated that there seems to be a lot of consensus for a County funded PDR program and for a local TDR program. We need to assess the viability of Piro's proposal; a broader based fee is more reliable but a density bonus fee works with the nexus.
- Shibley thinks there is a need for an independent appraiser due to lot variation prices; broad based appraisals do not work. Thinks determining a fee and prioritizing is difficult.

- Chase requested that the Farm Bureau come forward with a program they will support. Stehly agreed to the request as long as the builders come up with the numbers that Shibley has mentioned.
- Messer thinks that density bonuses should be part of the funding mechanism. Wants to see the County do some appraisals because people have an inflated idea of the impact of GP2020. There is an uninformed belief that the value will go up even though there is a decrease in lots. If people do not come forward; it is their problem because the government is not in the business of "babysitting" people's speculative development rights. Has trouble supporting aspects of this – the compensation of people for what could be. Willing to support it though for political reasons because thinks it facilitates GP2020 and the support of the Farm Bureau but only worth supporting if what we are supporting is a good plan and thinks that is in jeopardy. If the map deteriorates then will personally lose support.
- Coombs asked if the "winners" could be determined if increases in the town centers are reflected. Holler replied that there are densities shown on the plan that the model may not take into account because it is already built out.
- Coombs thinks we need to get Rick Pruetz back as someone who is independent and outside of this framework, who can perhaps take a more objective view and give some advice. Thinks we need to get appraisals done. Discouraged with way 2020 is going; believes it is going so far as to lose consensus.
- Higgins asked Messer where she thought the plan was deteriorating. Messer replied that the last Board action was very discouraging. Coombs added that the October 1st motion was very discouraging; there were two motions brought forth that had no relation to the testimony taken.
- Higgins thinks there is something that can be worked out and that Molloy is putting something out there for consideration.
- Barker stated that the tone is not highly enthusiastic and would like to see more commitment in this.
- Lambron stated that we should continue.

- Interest Group meetings will take place on the 3rd Tuesday of each month. Next scheduled meetings are November 18 and December 16.

<u>Agenda Item IV: Public Comments –</u>

- Larry Glavinic: Delighted to hear that the group wants to keep equity on the table. Hopes that part of that discussion does not leave out the market driven side. The proposed changes in Valley Center cases are huge – too many 10 to 1. Need to get a handle on what we are looking at.
- Lynne Baker: Reason we are here today is because the original legislative intent does not have sufficient funding sources identified. The crux of the matter is identifying the sources of funding that would satisfy the people around the table. There is a question of fairness with the enrollment period because property owners today have different intentions for their land. Just as people's easements rights have changing value over time, people's desire to participate in the program may change over time so you might adjust the enrollment period. No one really discussed full on, broad based, county-wide transfer of development right programs.