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The Slo Coast Journal

News Continued

Growth Through Development

by Linda Stedjee

Synopsis: Insufficiently-controlled development has left Morro Bay and neighboring communities with depleted public water supplies, crumbling infrastructure, and reduced public services. It has been shown that despite myths perpetuated by developers, revenues generated by development are less than the costs of servicing it. Other communities have demonstrated that residents can wrest control of their cities from the political "growth machine," and demand that their tax dollars be invested to benefit all residents, not just developers and real estate special interest groups.

In his book, "[Better Not Bigger: How to Take Control of Urban Growth and Improve Your Community](#)," Eben Fodor warns that urban growth can "leave communities permanently scarred, deeply in debt, and drowning in traffic, with unaffordable housing, a lost sense of community, and a sacrificed environmental quality." Fodor heads Fodor & Associates, an Oregon-based firm that specializes in "community planning and land use with an emphasis on growth management and environmentally sustainable solutions." Local evidence suggests that residents of countless communities, including Morro Bay, find themselves living, or beginning to live, the scenario that Fodor describes.

Un-controlled Development Benefits Developers and Hurts Residents

The issue is not growth itself, but the kind of growth and how it is managed (or not managed). When "growth" is defined as "development" and when it is not controlled and focused on a carefully-crafted plan for a sustainable economy that benefits community residents, the results are, as Fodor states, often disastrous. When cities are used by developers as "money-making machines," community resources are drained and residents suffer.

For years, developers have alleged that new development is good for local economies and promised economic growth if new projects were approved. Based on those promises, Morro Bay and other communities have allowed developers to build with few restrictions, despite the fact that infrastructure and water supplies were barely adequate to serve their existing populations. Communities have gone further, and subsidized development projects with taxpayer dollars. Developers

were not required to pay the full cost of the new water supplies and infrastructure improvements needed to support the burdens imposed by a growing population. Those costs fell on the backs of community residents.

Debunking the myths perpetuated by developers, Fodor points to the writings of Alan Altshuler, Professor of Urban Planning and Design and Jose Gomez-Ibanez, Professor of Urban Planning and Public Policy, both of Harvard University. Altshuler and Gomez-Ibanez have reported that "the available evidence shows that development does not cover new public cost; that is, it brings in less revenue for local governments than the price of servicing it."

The Development Pyramid Scheme

In many ways, what has happened to our communities is the result of a kind of "pyramid scheme" – one that unfortunately has been supported and even promoted by pro-development Morro Bay officials and candidates for office. A pyramid scheme is an un-sustainable "business" venture established and operated to make a few individuals rich at the expense of many others. The business model on which it is based relies upon a continuous influx of new investments. When there are no longer enough investors with sufficient resources to support the pyramid, it collapses—along with the fortunes of most of the investors. "Growth" that stretches communities' water supplies, infrastructure, and residents' pocketbooks to the breaking point is clearly an un-sustainable "business model" that threatens our quality of life and our financial security.

In Morro Bay, residents have been asked, and indeed forced, to "invest" in their future by supporting new development. Their "investment" takes several forms. Morro Bay's water supply is already stretched to the limit, so residents must "invest" by paying ever-higher water bills that many cannot afford. This provides the cash needed to subsidize the procurement of new water supplies needed to support past development projects as well as new ones. Residents also "invest" by dealing with restrictions on water use and, potentially, even water rationing. They "invest" by tolerating poorly-maintained streets, leaking sewer lines that pollute groundwater and the ocean, and cutbacks to a variety of city services. In Morro Bay, the residents, who are the source of "investments" relied on by developers, have been tapped out. The pyramid scheme is collapsing.

Resident-Subsidized Development in Morro Bay

Insufficient development impact fees are a problem in Morro Bay. Residents have long complained that the fees, which are supposed to cover development's impacts on the community's infrastructure and facilities, are far too low. Even

after paying a consultant to determine the appropriate impact fee amounts, a pro-developer City Council majority voted to cut the recommended amounts in half. This ensured that residents would continue to bear the burden of subsidizing development for many years to come, and would continue to endure the ongoing effects of crumbling infrastructure and a depleted water supply.

Several years ago, a pro-developer Council appointed Planning Commission members who produced recommendations for revised Zoning Code and General Plan/Local Coastal Plan (GP/LCP). Those recommendations would significantly increase housing size and density in North Morro Bay and would eliminate important protections for residents' quality of life and the environment throughout the city. In North Morro Bay, as in other areas of the City, streets and sewers are deteriorated and would be further stressed by the added population that increased home size and density would bring. Potential damage to the environment and to quality of life have frequently been lamented by residents who oppose what have been called the "developer-serving" changes recommended for Morro Bay's GP/LCP and Zoning. Some of those changes are discussed in the July SLO Coast Journal article, "[Delay for Coastal Commission Plan Review.](#)"

Development Cost Subsidies in Paso Robles

Along with the people of Morro Bay, residents of Paso Robles have learned that the only ones who seem to be benefiting from insufficiently-controlled development are the developers and real estate special interest groups. In a July 4 letter to the Tribune, Paso Robles resident, John Meer, stated, "For years, residents were continually assured by city officials that there was plenty of water for growth. Now, we are being told that we have no choice but to pay for this project because there is a desperate need for water." The writer also said, "We all know that growth requires more water. The question is "how much should existing residents have to pay to subsidize growth?"

If new development had been delivering the benefits promised to all, perhaps Paso Robles residents would be happier about providing those subsidies, but Mr. Meer also noted that although City officials had assured people that growth would "pay for itself," bridges, police and fire services had become overloaded. This is the pattern of damage described by Fodor.

Water Shortages and State Law

Morro Bay and Paso Robles are not the only communities where there are clashes between developers and those concerned about dwindling water supplies. A June 7, 2008 New York Times article by Jennifer Steinhauer indicates that the

problem is widespread in California. According to Steinhauer, "Water authorities and other government agencies scattered throughout the state . . . have begun denying, delaying or challenging authorization for dozens of housing tracts and other developments under a state law that requires a 20-year water supply as a condition for building." According to Steinhauer, "The 2001 state water law, which took effect in 2002, requires developers to prove that new projects have a plan for providing at least 20 years' worth of water before local water authorities can sign off on them. With the recent problems, more and more local governments are unable to simply approve projects."

The law has already been enforced locally. According to the article, "In San Luis Obispo County, north of Los Angeles, the City of Pismo Beach was recently denied the right to annex unincorporated land to build a large multipurpose project because, 'the city didn't have enough water to adequately serve the development,' said Paul Hood, the executive officer of the commission that approves the annexations and incorporations of cities."

Morro Bay's Escalating Water and Infrastructure Costs

The threat to water supplies is particularly serious in Morro Bay, where reliance on State water has been proven both expensive and risky. As noted in the March, 2010 SLO Coast Journal article, [Morro Bay's Precarious Water Supply](#), "Morro Bay receives up to 90% of its drinking water from the state. The City's dependence on state water has been growing in recent years, despite warnings from concerned residents that overreliance on state water could put the City in a vulnerable position. The reality of the situation hit home in late 2009, during the annual state water shutdown, and a water emergency was declared by Morro Bay City government." It is clear that any steps that can be taken to shore up water supplies and enhance their reliability are going to cost residents a great deal of money. Water is an increasingly scarce commodity and prices will continue to increase.

Morro Bay's infrastructure is already badly deteriorated, and development impact fees cannot be used to fix existing problems—only to build infrastructure that supports the new development. Many believe that fees are far too low to cover infrastructure needs for the future. This means that residents will need to pay more in order to correct current infrastructure deficiencies and to maintain infrastructure in the future. These costs, like those for water, are headed steadily upward.

Taking Control of Growth to Benefit Residents

It is clear that in Morro Bay, and in other nearby communities, the "growth through development" business model/pyramid scheme is collapsing or has collapsed. A new, sustainable model is needed. Tax dollars and finite natural resources must be leveraged to give residents a positive return on their investment, including enhanced quality of life and more financial security.

Features of the model suggested by Fodor include a "pay as you go" approach to growth, in which developers are no longer allowed to use communities as "money making machines" that drain community resources and leave residents to deal with insufficient water supplies and dilapidated infrastructure. In the model, full cost accounting is used to assess the economic, environmental, and social costs of growth, and community decisions are made accordingly.

Proposed projects are subjected to a "public interest test" to determine if and how proposed projects help achieved recognized public goals. For example, can the developer demonstrate a clear market demand for the structures that are proposed? Project impact analysis is required, and includes cost-benefit studies from the residents' point of view. Development impact fees are sufficient to fully cover all infrastructure impacts, and development is not allowed where current infrastructure and water supplies are insufficient to support it.

Also recommended is the adoption of a set of community "indicators" to allow establishment of a benchmark (where we are now) and the measurement of progress (or lack thereof) toward a set of specific, measurable goals for enhancing resident quality of life and financial security. Suggested indicators include housing, security, environmental factors, and the condition of infrastructure.