MEMO

DATE: April 3, 2008

TO: Community, Economic and Human Development Committee

FROM: Mark Butala, Program Manager, (213) 236-1945, butala@scag.ca.gov

SUBJECT: Item from the Committee: State Tax Policy Effect on Local Land Use Decision Making

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BACKGROUND:

At the January 3, 2008 meeting, CEHD asked that this subject be put on the agenda for discussion as a possible work program for SCAG.

Since the approval of Proposition 13 and other voter-initiatives, California has experienced what is referred to as the "fiscalization of land use" or a policy environment in which land use decisions are made mostly or entirely based on fiscal considerations. Previously, with local jurisdictions in control of both land use and tax rates, decisions could aim to balance both the budget and local land use needs. Today, the distribution of local tax revenue is controlled at the State-level with sales tax revenues proving more beneficial to local communities, making retail more attractive to local governments than other land uses, such as housing. Within the regional context, fiscalized land use policies have gradually created imbalances between cities, counties and sub-regions that compete for specific land uses, and subsequent challenges in terms of economic development, affordable housing, and congestion have become more difficult.

The impacts of state tax policy and fiscalization of land use have been explored at the academic and policy levels for over 20 years. Should SCAG decide to approach the issue, multi-disciplinary consideration should be given as to its place in the agency's strategic plan. Any recommendation from the CEHD would proceed to the Regional Council for consideration via the Chair's recommendation and participation in identifying new agency initiatives for FY 08-09.

SCAG staff recommends that the Committee use these questions as a starting point for exploring SCAG's role in considering this complicated tax policy issue.

- What is the goal of this effort?
- What would be the measures of success in achieving this goal?
- What is SCAG's role in accomplishing this success, and is it the most effective venue for change?
- What context is most appropriate for this issue? Is it a planning issue or more a legislative effort?
- How does the Committee see such a work effort being undertaken for this subject?

FISCAL IMPACT:

A new work program in FY 08-09 could be included as part of the proposed budget. The fiscal impact of such a program would be determined upon definition of scope goals and measures of success if such an effort proceeds. This work program would not qualify for funding from The Consolidated Planning Grant, and another source would have to be identified to cover staff and any consultant services.

MEMO

Reviewed by:

Division Manager

Reviewed by:

Department Director

Reviewed by:

Chief Financial Officer

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