AN OUTLINE FOR RAND URBAN POLICY RESEARCH IN THE
SAN JOSE METROPOLITAN AREA

Daniel J. Alesch

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Daniel J. Alesch

The Rand Corporation, Santa Monica, California

Rand began its urban policy research in San Jose and Santa Clara County in 1971. Working at a relatively low level of effort for the first nine months, Rand analysts focused on two areas. The first was an attempt to familiarize ourselves with the metropolitan area and its governments in order to identify problems of major concern to officials and citizens. The second area focused on was the set of questions relating to the feasibility and impacts of slowing or stopping growth in San Jose.

The Rand project team concluded that it would be extremely difficult to stop growth completely and that, if growth were stopped or even slowed considerably, there would be rather substantial undesirable impacts on employment and income.

Rand analysts found also that it is difficult to project growth in the metropolitan area and particularly in any city within the metropolitan area. Growth has slowed, but that does not mean that there will not be another boom similar to that of the mid-sixties. Nor does it mean that there will be such a boom again.

The uncertainty about future economic and population growth has important implications for how officials in San Jose and in other governments in Santa Clara County plan ahead to provide services and shape the physical and social city. The major implication is that public
officials in the metropolitan area are going to have to plan in such a way that the range of options for the future of San Jose and Santa Clara County are preserved. It is also critically important that the likely consequences of policies, plans, and projects be evaluated before they are implemented. Only then can public officials learn whether one action or another would unduly restrict options for future action.

Based on our talks with citizens and public officials, on our work on the question of the impacts of stopping growth, and on our previous work in other places, we at Rand identified a number of questions bearing on the problems of urban growth and change. Some of the questions must be answered by public officials in the San Jose metropolitan area. We hope that we can shed some light on the other questions. Our intent in trying to answer these questions is to provide policy relevant research to local, state, and national officials on how they might better cope with urban growth and change.

The first question is one that must be answered, in large part, at the local level. Given what is known and what is not known about likely rates of future economic and population growth in the metropolitan area, what are your objectives concerning growth? There are two basic alternatives. Government here in the metropolitan area can attempt to take growth largely as it comes and attempt to accommodate it, but still try to avoid some of its major adverse consequences, such as sprawl, loss of open space, nonsense political boundaries, excessive leapfrogging, and urban ugliness. This is the approach most governments have adopted. The alternative is to try to shape and control development rates and patterns to create some kind of special place that officials and citizens have in mind for the future. The first approach is one of attempting to make marginal adjustments to avoid evils. The second is one of creating a vision of what might be and then attempting to move toward it. Whichever approach is selected, the decision must be made by officials, elected representatives, and citizens. The analyst cannot make such decisions.
Other questions follow quite logically. To the extent that you do want to shape and control development, what are your options? Most of the orchards are gone now, so it makes little sense to consider saving the northern portions of the Santa Clara Valley for agricultural uses. There are still many possible futures for the metropolitan area, but they are much more urban futures than agricultural and exurban futures. As an integral part of learning which options are open, there is a need to define specifically what you would like to see the area move toward or away from. The major concern is with developing an acceptable range of possible futures for the metropolitan area and for cities, such as San Jose, within the metropolitan area.

There is also the persistent question of how does a city or county get from where it is to where it wants to be. This is a particularly difficult question to answer in view of the fact that so little is really known about the future. Given that we do not know much about the future, and that goals and standards change frequently, how can governments develop policies and implement plans to move the area toward goals, but still remain sufficiently flexible to deal with major contingencies?

None of these questions has a simple answer. Yet, if you do want to exercise some control over how San Jose develops, and if officials elsewhere in the county want to shape their jurisdictions, you will have to attempt to answer them. In the next few pages, I will describe some of the research we are doing at Rand on some parts of those questions. As you know, one of the advantages of being in research rather than in operating agencies is that you have time to get away from online decisionmaking to examine such questions more systematically. On each of these questions, you people know your business. What we think we can do is use our position apart from the firing line to put the parts together systematically.

Allow me to speak briefly about these questions and about what we're doing about them. The first question is "What are your objectives concerning development?" This is a question that has to be answered politically. Previously, San Jose's decision was to foster
growth as much as possible—as one person phrased it, "to attempt to become the Los Angeles of the North." The policy now is one of shaping and controlling development, but it isn't clear whether you wish simply to move away from some of the characteristics of spatial development that have proved undesirable or whether there are some specific patterns that you, in fact, want to develop. I think that these choices will become clearer in the next few months.

Most of my remarks are focused on the second major set of questions, which is:

To the extent that you want to shape and control economic and population growth and spatial development patterns, what are your options, what are your objectives, and how can you move toward those objectives?

The questions of what your options are and what your objectives or preferences about the shape of development are, must be answered iteratively. For example, my own preference would have been to have most of the development take place in the hills, leaving the valley itself for agriculture and recreation. This is no longer an option for most of the valley, but there still are many other options. It should be clear also that my preferences are not particularly relevant. The identification of major options and the choice of a range of objectives should be based largely on the values and political persuasion of the residents and their elected officials. Analysts can only shed light on the implications of various choices. Illustratively the analyst should be able to tell me that if I had my way—development in the hills and agriculture in the valley—the effect would have been to subsidize agriculture and to raise the costs of housing. The analyst's role is to help decisionmakers understand the likely consequences of proposed action.

As a further illustration, leapfrog development is generally thought to be a bad thing. However, although leapfrogging appears to raise the costs of providing many kinds of services, we are not certain that it does in fact do this, or, if it does, how much it increases them. We do have some strong feelings that it creates difficulty in providing
services that require large capital investments, such as schools, libraries, sewers and water.

On the other hand, there are some things to be said for limited leapfrog development. It provides an inventory of land that may actually reduce the costs of adjusting land uses as times change and as new needs arise. It is, in effect, a hedge against uncertainty. I doubt that anyone would argue that San Jose needs as large an inventory as it now has--46 percent of the land within San Jose's urban development area is vacant--but some appears desirable.

One of our objectives, therefore, is to shed some light on the problems at the urban fringe. We want to know, for example, the extent to which the alleged consequences of extensive leapfrog development are reality or myth. We intend to identify and assess a number of the problems at the urban fringe. Our intent is to provide you and others in local government with an assessment of their causes and consequences, and, hopefully, some ways to avoid them. We are not interested in making policy for you; we are interested in providing useful information so that you will have a little better understanding of the implications of your policy choices.

We plan to do much more than simply get a better understanding of the problems at the urban fringe. Much of our work is being directed at the questions of how local governments can begin to move toward objectives once they are decided upon. We will not produce a detailed plan--a set of steps on how to move from here to there. Our focus is on helping local governments to develop the capability for action by understanding the opportunities for action, the limits on action, and the policy instruments that are or can be available to you in San Jose and to other local governments in Santa Clara County and to the County government itself.

One of our first and primary research activities in this area is to learn the extent to which local governments, individually or working in concert, can actually influence the shape and tempo of urban development. We want to know more about how much discretionary policy room exists at the local level.
Bob Levine has discussed some of our hypotheses about the impact of major forces and policies at work at the national level that shape the context within which you must plan and that limit some of the control you in San Jose and Santa Clara County have over the destiny of this metropolitan area.* We are also working to understand the extent to which the states exert control over what happens in urban and urbanizing areas. We know that local officials in Santa Clara County already know a great deal about specific kinds of limitation. Our hope is to systemize such information and combine it with other analyses. To illustrate, we know that the state has a great deal to say about the location of freeways and major arteries, about allocation of state water resources, and about the location of major public facilities. There are many other areas in which state level policy appears to affect the shape of urban development. Among these are annexation procedures, the ways in which states distribute monies among local governments, and tax policies.

Our hypothesis is that the states have made decisions about a variety of matters over the years that have created a situation where the outcome or urban development is pretty nearly always the same and pretty nearly always not very desirable. Another way of saying it is that the state has created a game where the rules are stacked against municipal cooperation and against the ability of local governments to cope with urban growth and change.

The property tax system, for example, was originally designed for state level finance and is now intended mainly to provide revenue to local governments. We think that it has important, undesirable side effects, like contributing to fragmentation of local governments, excessive leapfrog development, downtown decay without rebuilding, attempts to keep out the poor, and impossible pressures on local governments to cave in to developers. If that's not enough, we have also hypothesized that it accounts, to a considerable degree, for the frequent inability of local governments to work together on matters of regional importance.

I want to emphasize two points. First, these are hypotheses. We have not yet completed our research on the impacts of the states on local policy discretion and ability to act, so we are not in a position to draw conclusions or to make recommendations. Second, I want to emphasize that we do not believe local government to be helpless in the face of existing federal and state policies and structure. We believe that you do have an ability to influence the character of this metropolitan area and that local governments can work together. We do, however, want to learn more about where and how you can be effective and where your efforts are likely to be more frustrated than useful. We want also to learn where the system might be changed to make the likely outcomes of development more favorable. We are viewing the land development process from the view of landowners, speculators, and developers to define the factors that influence their choices and actions. The intent is to learn where you might have added leverage in that process. A number of Stanford graduate students have been working with us on that problem as well as trying to learn a little more about what influences firms to move to this area or to expand their facilities here.

Once we've got an understanding of how much real discretionary room or leverage you do have over the shape, tempo, and magnitude of development here in the region, our research will be directed at the tools that are available for moving toward your objectives.

Political fragmentation in this county and many others has resulted in a situation where many of the best means for implementing policy are almost unworkable for local officials. Geographic balkanization—the creation of many cities in the county—has resulted in artificial boundaries that don't make any real sense from a standpoint of trying to control growth and that, as you know, limit your ability to influence what goes where. Far worse, to my way of thinking, is the functional balkanization that exists in the county. The fact that authority for providing services such as schools, sewers, water, highways, and some other services has been divided among many governments means that it is almost impossible to coordinate the timing and location of those services and facilities to shape the tempo and location of development. Thus, the existence of all the special, single purpose
governments means that one of the major potential tools for shaping growth is not really available.

We are examining the effectiveness of some other tools for shaping urban development, such as supply of services that you do control: subdivision control, purchase of property, location of transport facilities, zoning, and the like.

We will also spend a considerable amount of time on how to use finance as a way to control development. Taxes and fees not only bring in revenue to provide services, they also provide a means for shaping development. Since the voters have not approved many bond issues lately and it doesn't look as though they're eager to increase property tax rate ceilings, you in San Jose have already instituted charges on development to help pay for those services. We will work with City and County officials in an attempt to develop a model of the public costs of urban development. It will give an indication of the actual cost of providing services to developments through time. We will also be working on learning how direct charges might be used to influence the pattern of development.

This activity has two aspects. The first is developing a model to estimate the public costs of urban services. Several approaches could be taken to developing such a model; we are now in the process of evaluating the options before us in terms of the objectives of the model, the availability of data, and the transferability of the product to other places so that what is learned here can be passed on.

I want to emphasize that building such a model is not a simple activity; it is far more complex than making a cost-revenue estimate that might be used to decide whether to annex an area or to select from among two possible developments for a specific site. Foremost among these problems is that of identifying the product of various public services in terms of both the quantity and the quality of service. We are now engaged in this activity.

The second aspect of learning about ways to finance urban development centers on how to charge. The pricing system and the cost model are closely interrelated. Deciding the basis for charging
developers and home buyers is a critical decision that will have impacts on development patterns.

The third big question that I posed earlier was how to move ahead toward local government urban development goals while still remaining flexible—how to move ahead in such a way as to not sell off your future options too cheaply. I wish that I already had the answer to this one, because it is not an easy question. It does seem clear that there is a need for a set of contingency plans to address several sets of possible conditions that may emerge. We will be working on two aspects of this problem in the San Jose metropolitan area. One is on the theoretical side, where we are attempting to develop some concepts of how this can be done in general. The other is that we will attempt to make specific comments on potential development policy as they arise by attempting to trace out the likely consequences if such policies are implemented.

In summary, those are some of the major questions that we are addressing in San Jose and Santa Clara County. As you know, the problems here are not unique. The outcome of suburban development everywhere in the United States is pretty much the same. The problems are simply exacerbated here. One reason the National Science Foundation has provided funds for research in the San Jose metropolitan area is that it may be possible to take what is learned here and what we hope to learn to help alleviate the problem in other cities. Some of our attention, therefore, is addressed to that end.

Our intent is to learn the name of the game, the rules, and who makes them. Because you are in the system and have to work with it, we hope that you will help us to put what you know together in a package for systematic analysis. Our objective is to identify key points in the development and governmental processes where a little reform could make a world of difference by shaping the system so the outcomes of development tend naturally to be more favorable. We want to find those few points where leverage can be exerted upstream to change the course of development downstream.
We hope that we can make sound recommendations to the states and to the federal government and that they will be enacted. However, we don't expect results overnight. Therefore, we will continue also to work diligently on research that may provide some insights on what to do until the revolution comes.