PEPPERDINE UNIVERSITY
School of Public Policy

GROWING URBAN VILLAGES

Cultivating a New Paradigm for Growth and Development in California

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The Davenport Institute
Pepperdine University School of Public Policy

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THOMAS TSENG

Thomas Tseng is the principal and cofounder of New American Dimensions, an ethnic marketing consulting and research agency based in Los Angeles. As a seasoned professional researcher, Mr. Tseng has broad expertise spanning the private, nonprofit, academic, and government sectors. In his current role, he directs strategic marketing and research programs for Fortune 500 executives, marketers, and key business leaders—including advertising agencies, banks and financial services, automotive companies, and consumer packaged goods. His clients have included Kraft, State Farm, General Motors, the Centers for Disease Control and Prevention, and the Food Marketing Institute.

Prior to launching New American Dimensions, Mr. Tseng was the director of marketing for Cultural Access Group. Concurrently, he is a research fellow at the Davenport Institute for Public Policy at Pepperdine University, where he has authored several widely acclaimed public studies, including: "Rewarding Ambition: Latinos, Housing, and the Future of California" (2002) and "Common Paths: Connecting Metropolitan Growth with Inner City Opportunities in South Los Angeles" (1999). Mr. Tseng also previously served as the director of research for the Community Development Technologies Center (CDTech) in Los Angeles, leading research studies examining the impacts and growth of minority-owned enterprises and urban economic development.

A native Angeleno, Mr. Tseng studied economics and social ecology at the University of California, Irvine, and received his master of arts degree at UCLA's School of Public Policy and Social Research.

JOEL KOTKIN

An internationally recognized authority on global, economic, political, and social trends, Joel Kotkin is the author of *The City: A Global History,* published by Modern Library in April 2005, and Irvine Fellow at the New America Foundation. From 1996 to 2004 he was senior fellow at the Davenport Institute of the Pepperdine School of Public Policy. He is also the author of the widely acclaimed, best-selling book, *The New Geography: How the Digital Revolution is Reshaping the American Landscape* (Random House, 2000).

For three years, he was business trends analyst for KTTV/Fox Television in Los Angeles where, in 1994, he won the Golden Mike Award for Best Business Reporting on the changing dynamics of the entertainment industry.

Mr. Kotkin wrote the highly acclaimed monthly "Grass Roots Business" column in the *New York Times* Sunday Money & Business section for nearly three years. He is currently a contributing editor to the *Los Angeles Times* Sunday Opinion section. For five years he served as West Coast editor for *Inc. Magazine* and continues to contribute to the publication. His work also appears in the *Washington Post*, *The New Republic*, the *New York Sun*, *The American Enterprise*, and the *Wall Street Journal*.

He is also the author of *Tribes: How Race, Religion and Identity Determine Success In the New Global Economy* (Random House, 1992), which traces the connection between ethnicity and business success—how in-group loyalties are becoming the driving force in the new global economy. *Tribes* has been published in Chinese, Japanese, Arabic, and German. He coauthored *The Third Century—America's Resurgence in the Asian Era* (Crown, 1988). This title was translated into Japanese and Chinese, with a special English edition published for the Pacific Rim. His first book, *California, Inc.* (Crown, 1982), dealt with California's links to the emergent powers of the Pacific Rim. Mr. Kotkin's novel, *The Valley*, was published in 1983 by Bantam Books.

Mr. Kotkin attended the University of California, Berkeley. A native New Yorker, he has lived in California since 1971. Mr. Kotkin is married to Mandy Shamis, has two daughters, Ariel and Hannah, and lives in the Valley Village section of Los Angeles.

REV. KAREN SPEICHER

Rev. Karen Speicher, an ordained United Methodist pastor, graduated with a master of public policy degree from the Pepperdine University School of Public Policy in April 2003. Rev. Speicher has been a research fellow for the Davenport Institute at Pepperdine and also has worked on several projects with the Economic Alliance of the San Fernando Valley, including "The Panorama City Commercial Area Concept Plan" and "Our Future Neighborhoods, Housing and Urban Villages in the San Fernando Valley." She has published articles in both the *Los Angeles Times* and *The American Enterprise* magazine. Prior to moving to California, Rev. Speicher served urban and college congregations and was copresident of B.R.E.A.D. (Building Responsibility, Equality and Dignity)—an interfaith organization of 32 congregations addressing issues of social justice in the city of Columbus, Ohio. Before going into the ministry, she worked in the areas of homelessness and mental health.

NAMRITA CHAWLA

Namrita Chawla received her bachelor of arts degree cum laude in English with a concentration in creative prose in 2001 from the University of Pennsylvania. Following graduation, she worked as a program assistant with Eisenhower Fellowships, a nonprofit organization that fosters international understanding and leadership development through the exchange of young professionals. As a Pepperdine master of public policy degree student, she completed her public policy internship with The Media Project, a program of Advocates for Youth, where she promoted a health education campaign to bolster the placement of accurate sexual health information in popular television programs. She has also worked with Associate Professor Michael Shires on various research projects, including modeling the cost structure of a major public research university. Ms. Chawla completed the master of public policy degree in April 2006.

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California's Future: Urban Villages

In the latter half of the 20th century, California became renowned for its endless tract housing complexes. From the Los Angeles Basin to the East Bay of San Francisco—and more recently the sprawling Inland Empire and the once-rural Central Valley—California coped with its rising population by building huge expanses of "cookie-cutter" tracts, ring after ring sprawling ever further toward the periphery.

Over the last few years, this process has slowed. Various forces—the cost of housing, rising land costs, powerful environment and antigrowth movements across the state—have made it increasingly difficult to build traditional tract developments in many parts of the state. Yet demand for housing has not slackened.

The urban village concept, whose roots go back at least a century to the very origins of suburban development, represents a bold attempt to address societal, economic, and environmental concerns while providing quality housing, and building new communities, for an expanding population.

An urban village, as we define it, represents an attempt to concentrate development in a way that mixes commerce and housing. It can be developed within the context of an existing area—such as a shopping center or downtown—or in a "greenfield" development on the outskirts of a major metropolitan area.

One indicator of the appeal of this form of development can be seen in its growing acceptance across diverse locations. We have studied urban village developments in various settings—in highly developed urban areas, in the downtowns of small suburban towns, in the centers of former agricultural communities, as well as in the far periphery of the Los Angeles or Bay Area metropolises.

Several major trends have facilitated this growth. Previous studies and several recent surveys have found significant support for this form of development in many communities. The continued growth of new transit facilities in San Diego, Greater Los Angeles, Orange County, and the San Francisco Bay Area has provided a powerful spur to concentrated forms of development. Finally, the tremendous demand for housing and the rising cost of land have made investments in higher density development more economically feasible than in years past.

Yet if the road toward greater urban village development in California looks inviting, there remain many significant roadblocks. For one thing, intense opposition to such developments exists in many communities. State legislation and, occasionally, local action have also slowed development by imposing unreasonable costs on construction, particularly in terms of "prevailing wage," "inclusionary zoning," and legal protections to tenants as well as owners.

Although often designed with good intentions, such regulations slow the natural evolution of California's housing market and inadvertently place housing options out of the reach of millions of Californians. Over time, it may also be a primary factor in driving away upwardly mobile middle-class people from the state, including minorities and immigrants, as they seek to fulfill their dreams elsewhere.

In its past, Californians have been able to respond to crises with a remarkably innovative spirit. Today the housing crisis, sprawl, and a perceived deteriorating quality of life threaten California in profound ways. The urban village offers a new and powerful means to meet these challenges and help make the 21st century a time when Californians once again meet their challenges and achieve their dreams.

Recapturing "the Better City"

The concept of the urban village did not originate in California, but it was widely embraced early in its development. The notion of a planned, mixed-use community grew out of revulsion for the wreckage of the industrial revolution, which created unprecedented levels of urban crowding, accompanied by a numbing squalor and pervasive disease.

By the late 19th century, many, particularly in Britain—then the world's most urbanized and industrialized country—advocated the creation of "new towns" that would reverse many of the horrors of the industrial era. The hope was to reverse the crowding and congestion of contemporary cities with a more "village-like" environment which would allow for greater integration of working and family life and a better use of the environment.

British planner Ebenezer Howard emerged as perhaps the most influential advocate for this approach. Horrified by the disorder, disease, and crime of the contemporary industrial metropolis, he advocated the creation of "garden cities" on the suburban periphery. These self-contained towns, with a population of roughly 30,000, would have their own employment base as well as neighborhoods of pleasant cottages and would be surrounded by rural areas. "Town and country *must be married*," Howard preached, "and out of this joyous union will spring a new hope, a new life, a new civilization."

Determined to turn his theories into reality, Howard was the driving force behind two of England's first planned towns, Letchworth in 1903 and Welwyn in 1912. His "garden city" model of development soon influenced planners around the world: in the United States, Germany, Australia, Japan, and elsewhere.[1]

Howard's theories were particularly attractive to those laying the foundation for modern California. Unlike the northeastern or midwestern cities, few California cities—with the notable exception of San Francisco—were built along traditional lines or could aspire to be great cities in a northeastern, much less in a European, sense. At the time, the cities themselves were small and are only now growing. This provided a unique opportunity to develop what Dana Bartlett, a leading California urban reform advocate, called "the better city."

Bartlett and his fellow California progressives dreamt of building a new kind of city, dispersed, filled with open spaces. In his book *The Better City,* written in 1907, Bartlett laid out a vision for a planned "City Beautiful" that would offer its residents easy access to beaches, meadows, and mountains. Taking advantage of the wide-open landscape, manufacturing plants would be "transferred" to the periphery and housing for the working class spread out to avoid overcrowding. Rather than confined to stifling tenements, workers would live in neat, single-family homes.[2]

Many of Los Angeles' political and economic elites embraced this notion of the city's ideal form. Los Angeles, contrary to conventional wisdom, did not develop by happenstance; it was designed to be an intentional paradise. In 1908, for example, Los Angeles created the first comprehensive urban zoning ordinance in the nation, one that encouraged the development of subcenters, single-family homes, and dispersed industrial development. Los Angeles was to be, as two architectural critics put it, "a planned non-city." [3]

The usual motivations—the quest for greed and power—motivated these developments. But many among the region's bureaucrats and developers also believed they were creating a superior, more healthful urban environment. In 1923, the director of city planning proudly proclaimed that Los Angeles had avoided "the mistakes which have happened in the growth of metropolitan areas of the east." This brash new metropolis of the West, he claimed, would show "how it should be done."[4]

The local press, eager for new residents and readers, promoted such notions. The city had laid out its tracts and transit lines, boasted the editor of the *Los Angeles Express*, "in advance of the demands." The prevalence of single-family residences, with their backyards, would transform the city into "the world's symbol of all that was beautiful and healthful and inspiring." Los Angeles, he continued, "will retain the flowers and orchards and lawns, the invigorating free air from the ocean, the bright sunshine and the elbow room."[5]

Other California cites developed their own somewhat utopian notions of how to make their urban future. San Francisco dreamed to be "Paris by the Pacific." Other California cities—Redlands, Pasadena, San Bernardino, Riverside, Santa Barbara—opted to become graceful, sun-drenched villages, with well-defined, if modest, downtowns and a redefined sense of place. Similar thinking also flourished in San Diego which opted for less rapid growth and industrialization than Los Angeles, choosing to base its economy on tourism and the navy. For its residents, the city sought to create what historian Kevin Starr called "an advantageously sited riviera of urban and suburban settlements."[6]

Sprawl and its Discontents

Over time, Los Angeles and other California cities proved markedly less successful in achieving the ideals espoused by the early visionaries. Turning aside a detailed open space plan devised by the famous landscape architecture firm of Olmsted and Vaux—designers of open space in such cities as New York, Brooklyn, Boston, Buffalo, Chicago, and Washington, D.C.—Los Angeles developed its vastness with a relative dearth of park space. The city increasingly not only lacked the great public areas of earlier cities, but was rapidly losing the small-town atmosphere so heavily advertised by the city's promoters. [7]

Ultimately, except in some small corners, the notion of the "better city" fell to various pressures—the Depression, the demands of the Second World War, the need to accommodate rapid population growth, as well as the familiar desire by developers to sell as many homes to as many people as possible, without much concern for the integration of work, family, and community.

By the 1960s and 1970s, problems familiar to contemporary Californians began to manifest. The freeways were becoming congested, the air increasingly polluted. Older communities settled in the immediate post-war era were being increasingly abandoned as middle-class residents fled for the outer periphery. These areas, suggested UCLA historian Eugene Weber, were now "suburban badlands, ageing garden cities" well on their way to becoming "crabgrass slums." Rather than a new and improved model for human habitation, these areas, he claimed, "offer only junk-food versions of urbanity."[8]

For many, the charms of suburban life were being lost, while greater urbanization had brought very little in terms of city values. If anything, conditions deteriorated. Older shopping districts were being replaced by ubiquitous "strip malls." Walking or bicycling became increasingly hazardous as cars crisscrossed once lightly used roadways.

The result of these changes has been a growing dissatisfaction with the nature of California's built environment. In the San Fernando Valley, the area that author Kevin Roderick has called "America's suburb,"[9] dissatisfaction with the quality of life, schools, and the environment had increased precipitously. By the end of the 1990s, according to one *Los Angeles Times* poll, nearly twice as many Valley residents felt the area was declining rather than improving.[10]

These perceptions helped launch a powerful antigrowth movement throughout California, something that was particularly strong in such affluent areas as coastal San Diego, Irvine, Ventura County, the San Francisco peninsula, Marin, and the elite suburbs east of Oakland and Berkeley. Even in highly urbanized Los Angeles, notes planner Bill Fulton, the once-powerful "growth machine" had begun sputtering out of control.[11]

The Evolution of the Urban Village Movement in California

The modern urban village movement has its roots in earlier efforts, many on the East Coast, to develop "new towns." These "urban villages" have roots in the early 20th century suburban schemes of Ebenezer Howard. Such planned developments have been constructed in Germany, Japan, Britain, Sweden, France, and the United States. Many of their designers have had an explicit desire—not always achieved—to create what James Rouse, the developer of Columbia, Maryland, described as "a sense of place at each level of community in which a person can feel a sense of belonging."[12]

The first efforts to develop such communities in California began in the 1960s and 1970s. Prominent planned developments such as Irvine Ranch in Southern California suggested an attempt to balance environmental concerns, community needs, industry, and retail. The prevailing notion was to replace the haphazard sprawl developing throughout the state with something more nurturing to the landscape, to community, and to family. As the great urbanist Lewis Mumford told a Davis audience in 1962:

> Every housing development should have the virtues of both a village and a garden; the houses themselves should be a protective enclosure. So that the children can move about freely, among other children, and still be under the watchful eye of his mother, or, rather, a whole group of mothers.[13]

Later on, concepts related to "new urbanism," with a greater reliance on walkways, mixed use, and diverse levels of residential development, began to emerge. Prominent examples included the Valencia development in North Los Angeles County and Laguna West outside Sacramento, a 3,400-unit development designed by architect and planner Peter Calthorpe.[14]

In recent years, with the rising price of housing and stronger concern for environmental issues, there has been a powerful growth in urban village developments. These have included such large-scale developments as Playa Vista in west Los Angeles, which has sought to develop residential, retail, and commercial properties in a coordinated manner. Other developments have taken place further on the periphery, such as Dos Lagos outside Corona, California.

In some cases, these "villages" have served to create new neighborhoods where none previously existed. Yet, in many cases, there is now a move to develop urban villages amidst already built, but often aging, suburban downtowns as well as strip malls. This is occurring throughout San Diego; in the Orange County communities of Cypress, Fullerton, Brea, Anaheim, and Santa Ana; as well as in parts of Los Angeles County.

In some cases, these developments are seeking to enhance older communities by creating meaningful spaces out of formerly small-town main streets that have lost out to malls or big-box "power centers."[15] Often they take advantage of new transit facilities which have been developed in much of the state, most notably in the San Francisco Bay Area and throughout Los Angeles, San Diego, and even Orange County.

Most encouraging, perhaps, there seems to be significant support among both leadership and grassroots groups for such developments. The Southern California Association of Governments (SCAG), for example, recently endorsed a "2 percent solution" of developing certain high-density developments within the context of existing city areas. The SCAG report suggests that there is already an existing base for such housing—seniors, "empty nesters," singles, first-time home buyers—who might be receptive to such offerings.[16]

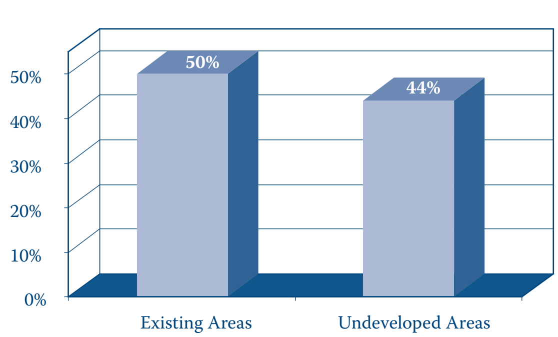
In a state where there is often extreme political polarization, there is actually wide agreement from business—ranging from the state Chamber of Commerce, Joint Venture Silicon Valley, and many environmental and planning groups—that denser "infill housing" represents a critical strategy for California. The notion of "land recycling," that is, the focus on underutilized land in existing areas, has been gaining currency among those who recognize that neither past development patterns nor stubborn opposition to future growth constitute reasonable alternatives:

> The time to fight all growth is past. California will grow. Our job is to develop politics for smart growth—smart enough to preserve critical resources and valuable open space, smart enough to make our cities attractive places to live, and smart enough to provide housing and a high quality of life for all Californians.[17]

Most important of all, such ideas are also beginning to gain grassroots support across the state. For instance, one-half of the state's population now believes that local government should direct growth to existing areas as opposed to undeveloped parts of the state.[18] While statewide polling demonstrates that Californians are of two minds regarding growth, what is clear is that more people are becoming disenchanted with sprawl and are increasingly recognizing the importance of promoting development in a way that includes smart growth and urban infill principles.

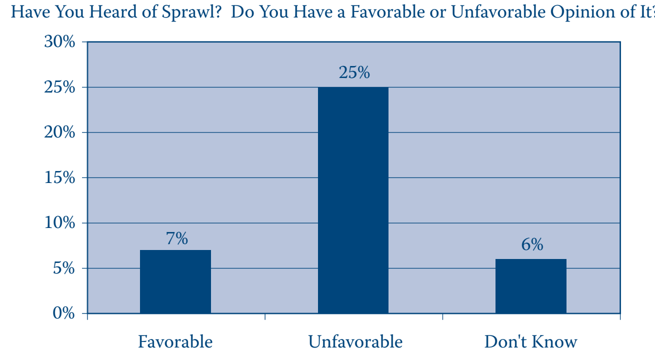
Californians Are Divided Over Growth

Growth Through Infill vs. Growth in Undeveloped Areas



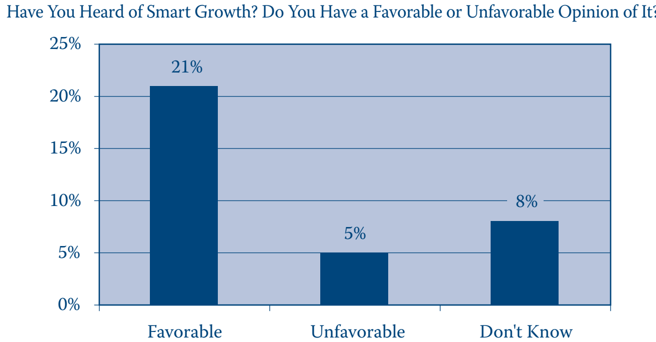
Source: Baldassare, M., Public Policy Institute of California, Statewide Survey: Special Survey on Land Use, November 2002

Californians Are Generally Unfavorable Toward Sprawl



Source: Baldassare, M., Public Policy Institute of California, Statewide Survey: Special Survey on Land Use, November 2001

Californians Are Generally Favorable To Smart Growth



Source: Baldassare, M., Public Policy Institute of California, Statewide Survey: Special Survey on Land Use, November 2001

Similarly, a study in the San Fernando Valley, traditionally a hotbed for antigrowth sentiments, found strong support for some denser development, particularly among the elderly, and found a majority of residents favoring the development of mixed-use housing over retail shops along main streets, stronger design controls, and bolstering traditional shopping districts with greater amenities. These efforts were also endorsed by many community groups, including numerous business improvement districts that have sprung up throughout the area.[19]

All told, what is becoming more and more apparent is that the opportunity for promulgating sensible urban village development in California on a widespread basis faces no better time in its history than now. The dual challenges of the state's immense housing constraints combined with looming population growth on the horizon afford California a wide-open opportunity to adopt a third way for expansion, one that increasingly is demanded by the Golden State's residents and future residents alike.

CHAPTER 2: CALIFORNIA'S INCREASINGLY ELUSIVE DREAM

For most of its rich history, California fulfilled its ascribed role as a land of promise for newcomers. From wide-eyed transplants to uprooted immigrants seeking to start life anew, the Golden State's beckoning, wide-open landscapes offered plentiful space and freedom for those seeking to carve out their own personal vision of the American Dream. Vast open land, abundant natural resources, and a year-round warm climate represented an attractive, winning combination that proved—for millions of arrivals coming across the United States and eventually from around the globe—too alluring to resist. Migrants from every era have made their way from afar and called California home.

Today, as the nation's most populous state, with the world's fifth largest economy, California contends with something it has rarely ever had to deal with in its history: confronting its limitations.

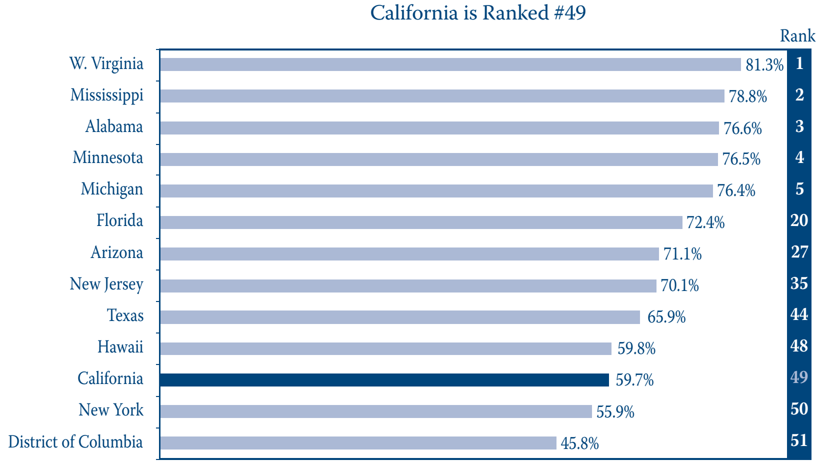
Nowhere is this more evident than in the state's housing challenges. Although California has experienced enviable economic expansion over the years, it has failed to produce enough housing to keep up with the resulting population growth. Consequently, California now faces an acute housing crisis that—if not properly, substantively addressed—threatens not only the dreams of many future Californians, but also its esteemed position as one of the country's preeminent economic centers as well.

Population and Economic Growth

The results of the state's housing shortage are palpable: soaring, exorbitant housing prices are endemic across California's housing market. From the Bay Area's gentrifying city center to Southern California's sprawling suburban bedroom communities, housing affordability has plummeted to an all-time low. While possessing the highest median home values in the country,[20] California now also ranks third from the bottom among all states in terms of homeownership rates[21]—a dubious position surpassed only by similarly low levels found in New York and Washington, D.C.

Homeownership Level by State in 2005

California is Ranked #49

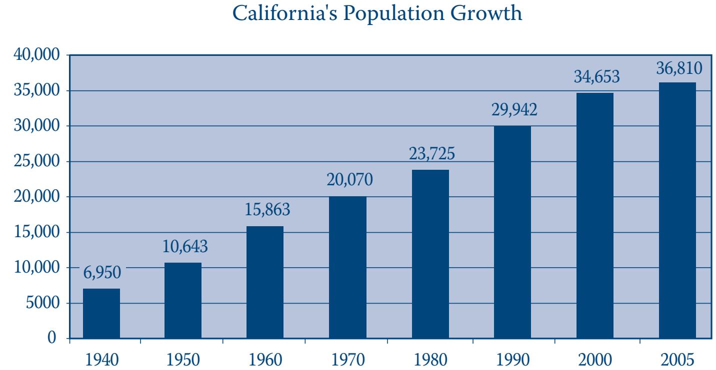


Source: U.S. Census Bureau, Housing Vacancies and Ownership, Annual Statistics 2005

Needless to say, for the past several decades, California's population growth has fueled tremendous demand for housing. Only in the last decade and a half, however—beginning at the outset of the 1990s—has the state failed to keep up with its persistent, burgeoning growth. During this period, demand for housing has continued to surge unabated.

Unquestionably, California has been one of the key epicenters of the nation's growth wave, particularly over the last 30 years. Growth has been one of the distinguishing hallmarks of the Golden State over previous decades—boosting California into one of the chief destinations for both domestic migrants and immigrants alike and elevating the state into one of the nation's key pivotal players of the global economy.

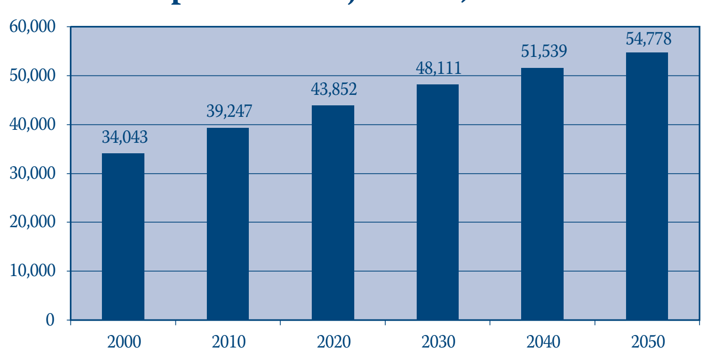
California's Population Growth 1940–2005



Source: U.S. Census Bureau and California Dept. of Finance

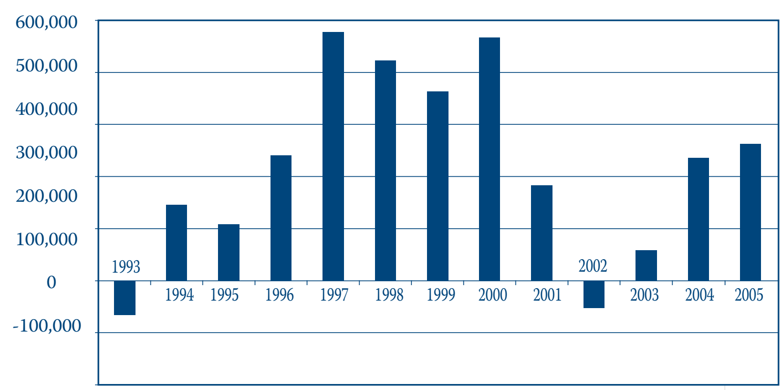
According to the projections of demographers and forecasters, California's population growth shows few signs of tapering off. By 2020, California may bring in close to 10 million additional people[22]—roughly equivalent to adding the entire population of the U.S. Southwest, sans Texas. Furthermore, according to the California Department of Finance population projections, the state will likely grow another 61 percent by mid-century if demographic forecasts hold true to form with projection estimates.

California's Continuing Population Growth Population Projections, 2000–2050



Source: State of California, Department of Finance, Population Projections by Race/Ethnicity for California and its Counties 2000–2050, Sacramento, California, May 2004

Net Job Growth in California 1993–2005



Source: California Employment Development Department, Labor Market Information Division. June 2004 estimates. Los Angles Times, *March 4, 2006. Figures are based on annual averages.*

This proliferating population is tightly intertwined with California's growing economy and, in many ways, is the direct result of the state's dynamic and robust economic growth. Following the early 1990s recession, California became an efficient job-generating machine: producing a net employment growth of 2.4 million jobs since 1993. During this period, California created an average of 322,000 jobs a year—hitting peaks of well over a half million in 1997 and 2000.[23]

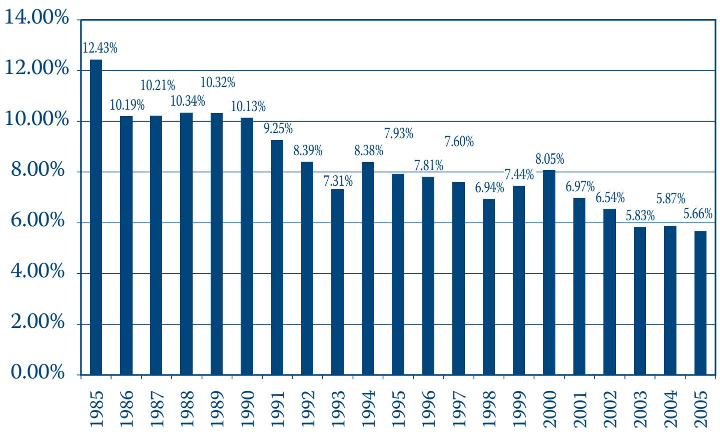
Despite the economic slowdown during the early part of this decade, the state has since experienced only one year where there has been a net job loss. This occurred in 2002 when the economy shed approximately 52,000 jobs. Since then, the state has rebounded from its employment malaise creating 58,400 new net jobs in 2003 and an impressive 236,400 plus jobs in 2004 and 287,800 jobs in 2005; California has produced more than 1,180,000 jobs in net employment growth since 2000.[24]

Perhaps most surprising about the state's ascending housing appreciation, particularly over the past four years, is that it has occurred in an environment that has produced relatively minor employment gains compared to the 1990s. Until the most recent employment surge in 2004 and 2005, job growth in the state had been relatively mild at the beginning of this decade. So despite lackluster economic growth, housing prices soared to new records nonetheless—primarily due to the immense demand stemming from continuing population growth. The most recent surge of job growth since the turn of the decade portends that housing demand will remain strong in the immediate future.

In addition to job and population growth, which has again propelled California back into the saddle as one of the nation's fastest growing and most economically dynamic states, low interest rates have been a major catalyst in spurring an invigorated frenzy of new home buying activity. As the Federal Reserve significantly slashed interest rates to jump-start a sputtering national economy in the early 2000s, it established record lows for mortgage interest rates—effectively lowering the bar for millions of aspiring homeowners across the country.

Annual Average Fixed-Rate Mortgages

For 30-year Fixed-Rate Loan



Source: Freddie Mac, Weekly Mortgage Market Surveys, 2005 figure based on July 14, 2005 rate

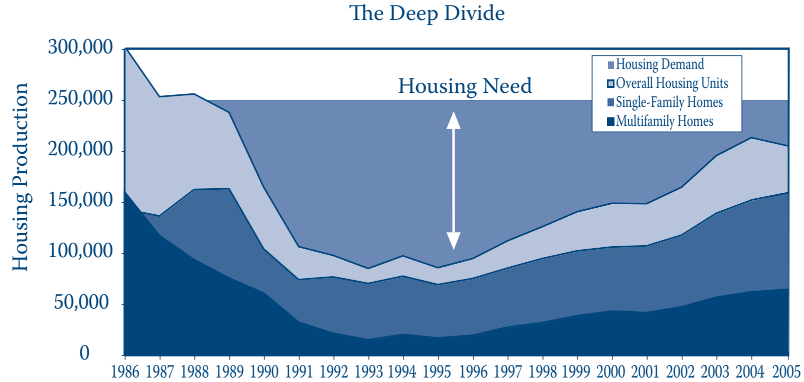
As a result, the prospect of homeownership became an accessible option for the first time for an entire new generation, resulting in the current home purchasing flurry. The intensity of this resulting home-buying rush—and the length over which its feverish pitch has been sustained—has surprised numerous housing forecasters and industry experts, many of whom long ago predicted a much earlier "cooling-off" period.

Soaring Prices, Declining Affordability

Nevertheless, unlike the 1980s, California home builders did not produce sufficient housing during the 1990s to meet what became an overwhelming level of demand that has shown few signs of dwindling. During the state's population explosion of the 1990s, California should have produced an estimated 220,000 to 250,000 units of new housing each year.[25] Instead, housing production in that decade hovered around only one-half of those estimates—just 100,000 to 150,000 new residential units were constructed per year, considerably less than the level needed to meet demand. Although housing construction has escalated since 2000, it continues to fall considerably short—as much as 75,000 to 100,000 units every year—for California to be commensurate with its population. In 2004 and 2005, housing production broke the 200,000 mark, a feat not achieved since 1989.

California's Housing Demand vs. Housing Supply

The Deep Divide

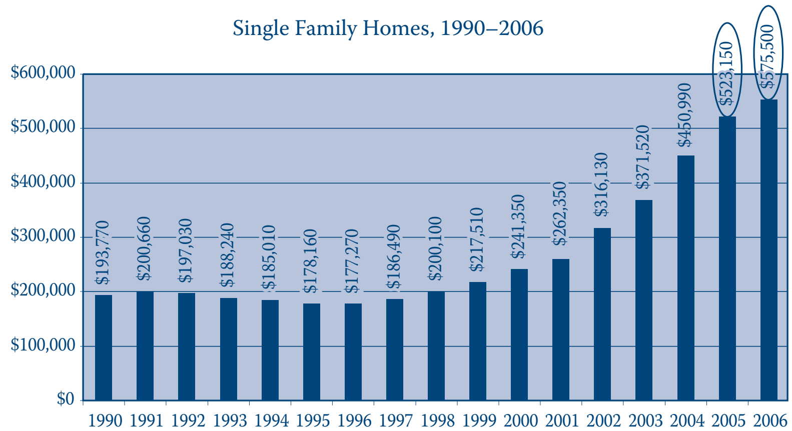


Source: California Department of Finance & Construction Industry Research Board

The combination of enormous demand with inadequate supply has produced soaring record home prices across the state. For the first time, in early 2004, California's median home prices penetrated the previously unimaginable $400,000 ceiling. In 2006, the state's projected median price for a detached, single-family house passed another inconceivable milestone—the half-million mark—and stood at a ridiculously steep, record-setting $575,500, further continuing its upward spiral far beyond early forecasts predicting an impending slowdown.

California Median Home Prices

Single Family Homes, 1990–2006



Source: California Association of REALTORS, Housing Affordability Index, April 2005

California's soaring home prices become even more pronounced when examined at the local level. Four of the five top areas of the country with the highest median home prices are metropolitan regions in California.[26] According to the most recent estimates, the San Jose, San Francisco, and Anaheim areas occupy the top three spots in median home prices among all major U.S. metro areas. These areas are followed by Honolulu and San Diego, which round out the top five with median home values of $700,000.

Top 15 Median Home Prices By U.S. Metro Area
4th Quarter 2005 (in 000's)

1.	San Jose/Santa Clara/Sunnyvale, CA	$747.0
2.	San Francisco Bay Area, CA	$718.7
3.	Anaheim/Santa Ana/Irvine, CA	$699.8
4.	Honolulu, HI	$620.0
5.	San Diego/Carlsbad/San Marcos, CA	$607.4
6.	Los Angeles/Long Beach/Santa Ana, CA	$568.4
7.	New York/Wayne/White Plains, NY/NJ	$537.3
8.	Nassau/Suffolk, NY	$472.4
9.	Bridgeport/Stamford/Norwalk, CT	$468.5
10.	New York/Northern New Jersey/Long Island, NY/NJ/PA	$459.6
11.	Washington/Arlington/Alexandria, DC/VA/MD/WV	$432.9
12.	Newark/Union, NJ/PA	$427.6
13.	Boston/Cambridge/Quincy, MA/NH	$397.5
14.	Barnstable Town, MA	$397.3
15.	Riverside/San Bernardino/Ontario, CA	$392.3

Source: National Association of Realtors, 2005 Metropolitan Median Area Prices, 4th Quarter

The sweltering pace of California's housing prices has been a boon for existing homeowners and a bane for aspiring ones. California's existing homeowners have been the largest beneficiaries of escalating home prices in the country. Five of the top 10 markets experiencing the greatest rates of home appreciation since 2002 have been in the Golden State.[27] In particular, homes in Southern California have appreciated by more than 40 percent in just the past several years. The rise has been particularly sharp in the Inland Empire counties, and Sacramento, which both place among the top five markets for highest residential appreciation. They are trailed closely by mushrooming home values in Los Angeles (49 percent since 2003), San Diego (42 percent), and Orange County (42 percent).

Needless to say, homeowners have realized considerable financial windfalls due to the appreciation of their home values, particularly for those who have been able to refinance their mortgages during the period that interest rates burrowed to historic lows. The refinancing boom—generating a spending bonanza on renovations, loan payments, and big-ticket consumer items—has largely been credited for sustaining the local economy, preventing the state from sliding deeper into the recession.[28]

Top 15 Highest Home Appreciation Rates By Metro Area From 2003 to Present

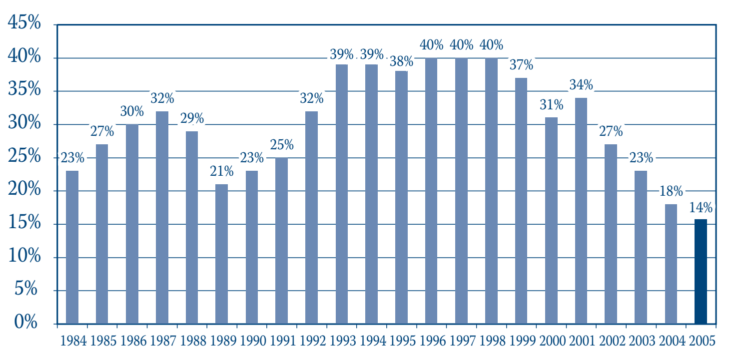
1.	Sarasota/Bradenton/Venice, FL	83.2%
2.	Cape Coral/Fort Myers, FL	77.2%
3.	Reno/Sparks, NV	70.8%
4.	Las Vegas/Paradise, NV	70.0%
5.	Riverside/San Bernardino/Ontario, CA	69.3%
6.	Palm Bay/Melbourne/Titusville, FL	69.0%
7.	Orlando, FL	67.9%
8.	Phoenix/Mesa/Scottsdale, AZ	62.2%
9.	Miami/Fort Lauderdale/Miami Beach, FL	60.2%
10.	Deltona/Daytona Beach/Ormond Beach, FL	55.3%
11.	Honolulu, HI	55.3%
12.	Washington/Arlington/Alexandria, DC/VA/WV	52.8%
13.	Sacramento/Arden/Arcade/Roseville, CA	52.0%
14.	Atlantic City, NJ	51.2%
15.	Los Angeles/Long Beach/Santa Ana, CA	49.1%

Source: National Association of Realtors, 2005 Metropolitan Median Area Prices

Such record-setting housing prices have pushed homeownership well out of range for most Californians—diminishing the homeownership prospects for millions of Californians. This is particularly true for many first-time home buyers, who are increasingly (and disproportionately) young and/or immigrant. As it now stands, the percentage of Californians who can now afford a median-priced home in the state dropped to just 14 percent of the total population. This represents a precipitous seven-point drop from 23 percent in 2003—a continuing descent from the 40 percent housing affordability peaks during the mid-1990s.

Housing Affordability in California

Percent of People Who Can Afford Median-Priced Home



Source: California Association of REALTORS, 2005 figure based on November 2005 Housing Affordability Index

To offer perspective on just how hot housing appreciation has sizzled over just a two-year period, one can simply observe qualifying income thresholds as a gauge. For instance, the minimum household income necessary to purchase a median-priced home in California equaled $84,600 in 2003.[29] Two years later that minimum requisite income had ballooned to $109,320, based on the same 30-year, fixed-rate mortgage assumptions. The qualifying income necessary to acquire a California home is far above the national household income of $39,090 required to purchase the U.S. median of $191,800.

Top 20 Least Affordable Housing Markets in United States 4th Quarter 2005

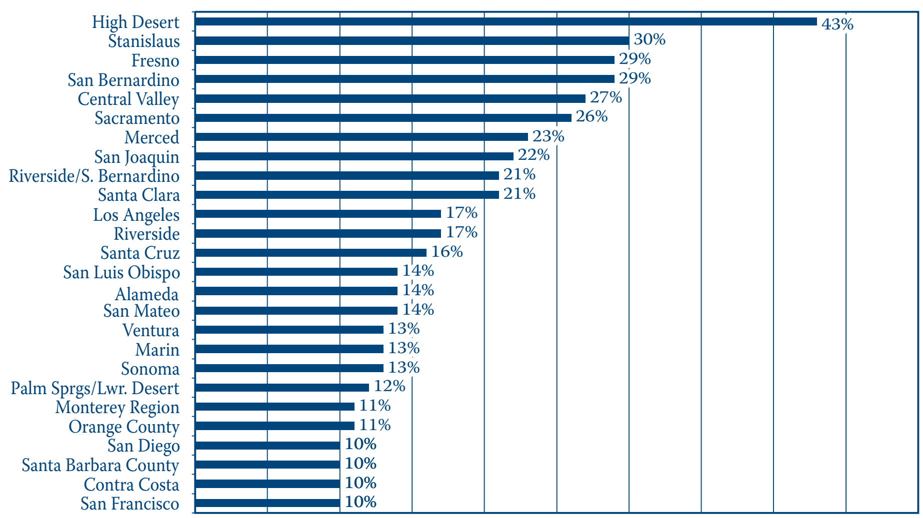
1. Los Angeles/Long Beach/Glendale, CA
2. Merced, CA
3. Santa Ana/Anaheim/Irvine, CA
4. Modesto, CA
5. Salinas, CA
6. Santa Barbara/Santa Maria, CA
7. San Diego/Carlsbad/San Marcos, CA
8. Stockton, CA
9. Santa Cruz/Watsonville, CA
10. New York/White Plains/Wayne, NY/NJ
11. Sacramento/Arden/Arcade/Roseville, CA
12. San Francisco/San Mateo/Redwood City, CA
13. Riverside/San Bernardino/Ontario, CA
14. Yuba City, CA
15. Nassau/Suffolk, NY
16. Fresno, CA
17. San Luis Obispo/Paso Robles, CA
18. Oxnard/Thousand Oaks/Ventura, CA
19. Oakland/Fremont/Hayward, CA
20. Santa Rosa/Petaluma, CA

Source: National Association of Homebuilders, Housing Opportunity Index, 4th Quarter 2005

The plunge of housing affordability in the state has made it one of the least affordable places to live in the entire country. California possesses 18 of the nation's 20 least affordable housing markets, occupying 9 of the top 10 spots.[30] Across the state, the percentage of those who can afford a median-priced home is as low as 10 percent in places such as San Francisco, Contra Costa, Santa Barbara County, and San Diego, and only 11 percent in Orange County and Monterey County.[31]

Housing Affordability in California

Percent of People Who Can Afford A Median-Priced Home By California Area



Source: California Association of REALTORS, Housing Affordability Index by California Area, June 2004

Even comparing the homeownership rates across the nation's 75 largest metropolitan areas, California is prominently represented in the bottom 20—with Fresno and Los Angeles possessing the first and second lowest homeownership levels with rates of 51.8 percent and 54.6 percent, respectively. San Francisco occupies the fourth spot at 57.8 percent, while San Jose sits at number six with 59.2 percent. In contrast, the nation's homeownership rate has risen to a record 68.8 percent. Overall, seven out of the 20 largest U.S. metro areas with the lowest homeownership rates are in California.

Top 20 Lowest Levels of Homeownership in U.S.
For 75 Largest Metropolitan Areas of U.S., 2005

1. Fresno, CA	51.8%	11. Houston/Baytown/Sugar Land, TX	61.7%
2. Los Angeles/Long Beach/Santa Ana, CA	54.6%	12. Dallas/Ft. Worth/Arlington, TX	62.3%
3. New York/Northern New Jersey/Long Island, NY	54.6%	13. Louisville, KY/IN	62.9%
4. San Francisco/Oakland/Fremont, CA	57.8%	14. Boston/Cambridge/Quincy, MA/NH	63.0%
5. Honolulu, HI	58.0%	15. Providence/New Bedford/Fall River, RI/MA	63.1%
6. San Jose/Sunnyvale/Santa Clara, CA	59.2%	16. Austin/Round Rock, TX	63.9%
7. Syracuse, NY	59.8%	17. Sacramento/Arden/Arcade/Roseville, CA	64.1%
8. Bakersfield, CA	60.5%	18. Seattle/Bellevue/Everett, WA	64.5%
9. San Diego/Carslbad/San Marcos, CA	60.5%	19. Springfield, MA	64.5%
10. Las Vegas/Paradise, NV	61.4%	20. Memphis, TN/AR/MS	64.8%

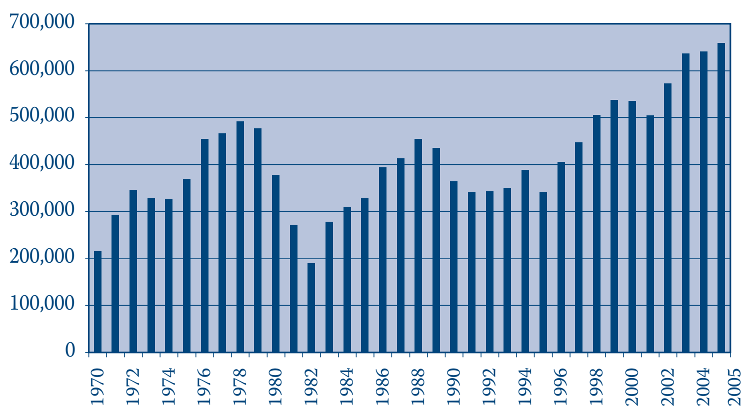
Source: U.S. Census Bureau, Housing Vacancy and Homeownership Survey, Annual Statistics: 2005

A Housing Bubble?

The undeterred upsurge of housing prices in California has alarmed many analysts, raising the prospects of a statewide housing bubble.[32] Despite tumbling housing affordability and the sinking percentage of those who can afford to purchase a home, residential sales have continued to climb to extraordinary levels in the state—exceeding most forecaster expectations. Because of historically low interest rates, residential sales have continued to rise.

Since 2001, single-family home sales have shot up from about half a million units per year to a new record of 637,000 established in 2003. In January 2006, the number of existing homes sold in California was already at a seasonally annualized rate of 500,474 units, according to the California Association of REALTORS.[33] Based on the data gathered by the California Association of REALTORS, the state anticipates more than 630,610 home transactions by the end of 2006, a 2-percent drop compared with home sales in 2005.

California's Single-Family Home Sales
1970–2005



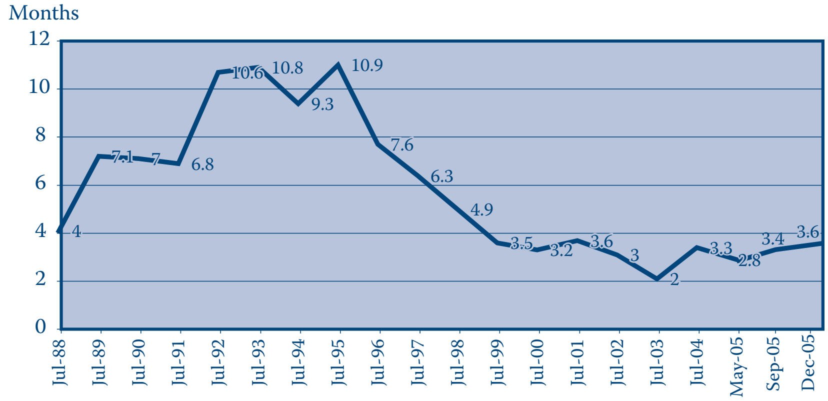
Source: California Association of REALTORS, January 2005

For some, the soaring sales figures and ascending prices are evidence of a healthy—if excessively heated—housing market. For others, they signal unsustainable growth, bloating, and volatility. Either way, the supply of homes available for purchase persists at historically record lows. According to the current "Unsold Inventory Index"—which measures the number of months required to deplete available housing stock at current sales levels—there is only a 2.8-month supply of housing in the state. While this is a recent improvement over the precariously low two-month supply figure observed over most of 2003, it is still a far cry from the 10-month highs observed during the early- to mid-1990s.

It remains to be seen whether a slight spike in home inventories—combined with a marginal rise in interest rates—will temper the home-buying frenzy. Interest rates are only partially responsible for alleviating the level of demand. Insufficient housing stock, on the other hand—particularly in the face of strong, unabated consumer demand—continues to be the prime driver of home prices.

California's Unsold Inventory Index

Number of Months to Deplete Housing Supply, 1988–2005



Source: California Association of REALTORS, Unsold Inventory Index, December 2005

Recent fears about a housing bubble reflect concern that some proportion of the residential demand has been generated by repeat home buyers—rather than first-time buyers—who influence the conditions that inflate home values. In the current market, for instance, repeat home buyers comprise 70 percent of home buyers in California—up from 50 percent only a few years ago.[34]

Some percentage of these repeat buyers are speculators—affluent, middle-aged consumers in the peak earning stages of their lives—who have leveraged the equity of their existing homes, parlaying their appreciating values into a down payment for another property under expectations of eventually garnering a sound return for their investment. Rather than acquiring homes strictly for accommodation or shelter, these home buyers pursue profits under short-term gains. This means quickly turning around the property for sale after several months of upgrades or enhancements have been made—also known as "flipping" real estate.

In Los Angeles, for instance, the proportion of sold homes that have been owned by sellers for less than six months recently has reached about 3 percent—close to the 3.5 percent record set in 1989, right before the previous housing collapse.[35]

Such speculative buying binges were cited as one of the chief reasons leading to the state's earlier real estate bust in the late 1980s and early 1990s.[36] While speculative behavior, certainly raises concerns, it may also place the prospects for homeownership even further out of reach for first-time home buyers, since housing market conditions can be disproportionately driven by investment decisions in a market where supply and demand are already grossly out of proportion. Although it is difficult to gauge the extent to which speculative activity shapes the current market, repeat buying trends insinuate at least an uncertain outcome in some areas.

What Is Holding Back Housing Production?

Nevertheless, whether current market forecasts for California portend a housing bust or a soft landing, one issue that few analysts dispute—even among those who have raised skepticism over the size and scale of the actual housing shortfall[37]—is that housing production has plunged to inadequate levels for more than a decade now.[38] Although this can be attributed, in some measure, to a self-imposed restraint by developers to avoid a glut of excess housing inventory,[39] low production stems largely from the increasingly complex structural and institutional hurdles facing home builders in the state today. Over the past decade, California has become one of the most difficult places for developers to build new housing in the entire country.

The reasons for this are myriad. Foremost, the "fiscalization of land use" has been an enduring source of consternation among urban planners and local governments seeking to generate new revenue sources. Since the passage of Proposition

13 in 1979—which effectively streamlined property tax revenues for cities across the state—municipalities have turned to sales tax revenues as their primary source of income. As a result, cities have been caught up in a frantic chase to promote retail development as a way of expanding their tax base—which has often come at the expense of advancing housing development. The post-Proposition 13 fiscal environment offers few incentives for cities to include housing development as a part of their local land use decisions.[40] Combined with strong anti-growth NIMBY ("Not in My Back Yard") sentiments and regional balkanization, these forces have dampened any political will or determination by legislators and local city officials to address housing shortages or initiate solutions in any meaningful way.

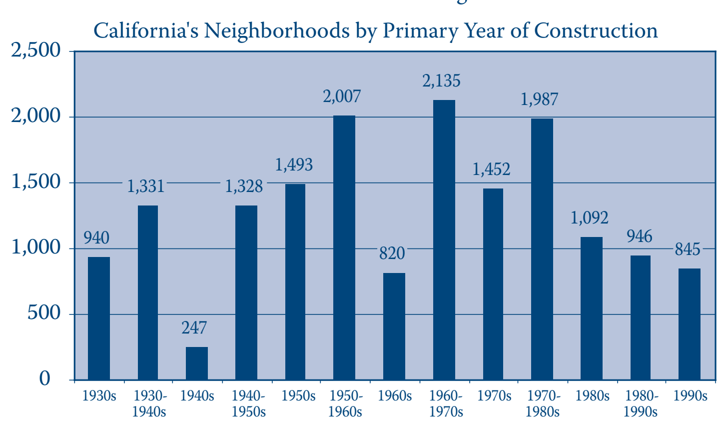
Moreover, the system governing home construction in California has become increasingly thorny over recent years. A host of environmental policies, bureaucratic regulations, and legal safeguards are frequently used to thwart residential construction projects—creating an atmosphere of builder uncertainty, particularly for developers of higher density projects. The potential for construction defect litigation, for example, has effectively dissuaded many developers from even attempting to build condominiums; while NIMBY groups need only to invoke the California Environmental Quality Act (CEQA) to halt new construction projects. Consequently, California's convoluted regulatory framework is littered with pitfalls for developers, which—for all intents and purposes—drives up residential construction costs, slows down housing production, and drags the state further behind in meeting the needs of its growing population.

Perhaps the single most important issue underlying the housing crisis is a basic one: available land to build on is increasingly scarce. Across California's metropolitan landscape, large parcels of raw, buildable land for new residential subdivisions are simply not as abundant as they were in previous decades. The state's two great population centers, for instance—the San Francisco Bay Area and Greater Los Angeles regions—are largely built out.

The constraint this places on new home construction is evident. During the 1990s, the construction of new neighborhoods in California declined considerably from the peaks established in the prior three decades, and the share of new development in built-out metro areas such as Los Angeles County and the Bay Area has plummeted.[41]

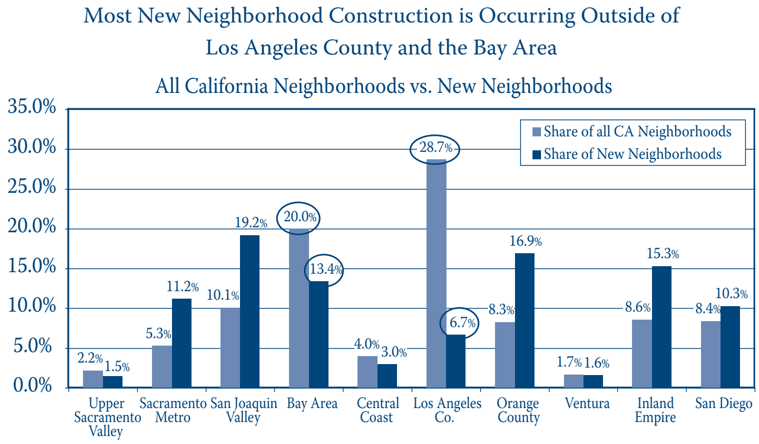
California's Decline in New Neighborhoods

Despite Massive Population Growth, Slower Growth in Construction of New Neighborhoods



Source: Johnson, H.P. and Hayes, J.M., Public Policy Institute of California, California's Newest Neighborhoods, August 2003

Distribution of California's New Neighborhoods



Source: Johnson, H.P. and Hayes, J.M., Public Policy Institute of California, California's Newest Neighborhoods, August 2003

Effects of the Housing Crisis

Although exorbitant housing prices and declining affordability are the two most obvious features of California's housing crisis, the issue has broader implications across a number of formidable urban challenges confronting the state. If housing shortages are allowed to continue indefinitely, they ultimately will erode California's quality of life and compromise its otherwise vigorous economy over the long term. This decline will not be instant; it will be incremental—gradually absconding with the dreams and promises of what California once offered and represented to newcomers for so long.

One of the treasured myths of California is its image as a wide-open frontier. Despite the premise of a suburban dream, the size and growth of the state today are increasingly at odds with its low-density ideals. Los Angeles, for instance, has been called the "reluctant metropolis" by the writer Bill Fulton.[42] The truth of the matter is—and contrary to popular belief—California's metropolitan areas have already become the densest places in the entire country. Measured by persons per urbanized mile, the consolidated Los Angeles/Long Beach/Santa Ana region now possesses the highest density in the nation. Furthermore, at the dawn of the decade, half of the top 10 densest metropolitan areas in the United States exist in California.[43]

Top 10 Highest Density Metropolitan Areas in U.S.

Persons per Urbanized Mile

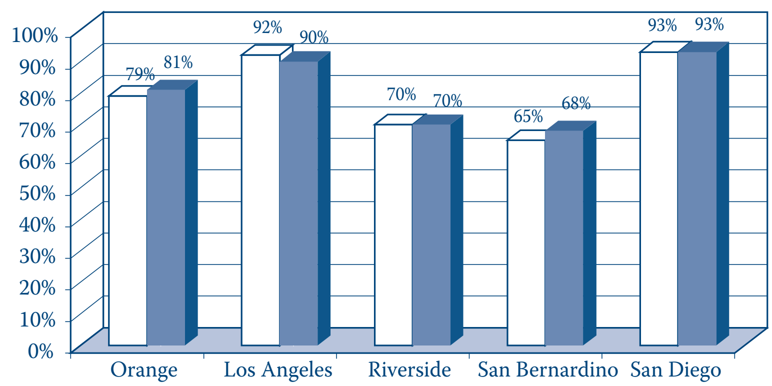
1.	Los Angeles/Long Beach/Santa Ana, CA	7,068
2.	San Francisco/Oakland, CA	6,130
3.	San Jose, CA	5,914
4.	New York/Newark, NY/NJ/CT	5,309
5.	New Orleans, LA	5,102
6.	Honolulu, HI	4,660
7.	Las Vegas, NV	4,597
8.	Miami, FL	4,407
9.	Fresno, CA	4,003
10.	Denver/Aurora, CO	3,979

Source: www.demographia.com, based on the 2000 census

There are a myriad of warning signals showing that California's increasing population density is taking its toll on the state's infrastructure. As the state's population grows, much of its existing infrastructure capacity remains unprepared to support the population levels it carries—exacerbated further by the lack of new housing to alleviate the pressure. As a result, the built environment is showing evident signs of wear and tear, judging by the growing ranks among the state's population who are living in overcrowded conditions and substandard housing—a condition that described 13 percent of all renter households in the state in 2000.[44] This worsening condition is as high as 16 percent in Los Angeles County and 14.8 percent in Orange County and disproportionately afflicts the growing Latino community, as more than one-third dwell in overcrowded circumstances.[45]

Further evidence of an excessively strained infrastructure manifests itself in the growing aggravation of traffic congestion, now endemic to the daily lives of Californians across the state. Escalating traffic congestion on the roads and highways contributes to adverse air quality and environmental degradation and is the source of lengthening commutes for all residents across the state. Largely, the extreme geographical mismatch between the state's employment hubs and affordable housing—known as the "jobs-housing imbalance"—plays a significant role in intensifying traffic problems as frantic commuters traverse long distances between where they live and where they work. In Southern California's Inland Empire, for instance, where a considerably lower proportion of the residents of Riverside County and San Bernardino County both live and work in the same counties, many residents drive lengthy distances to the employment-rich areas of Los Angeles County and Orange County—creating a strained, congested traffic system well known to denizens who regularly make the commute using the interstate highway system.

Percent of People Who Work and Live in Same County, 1990 & 2000

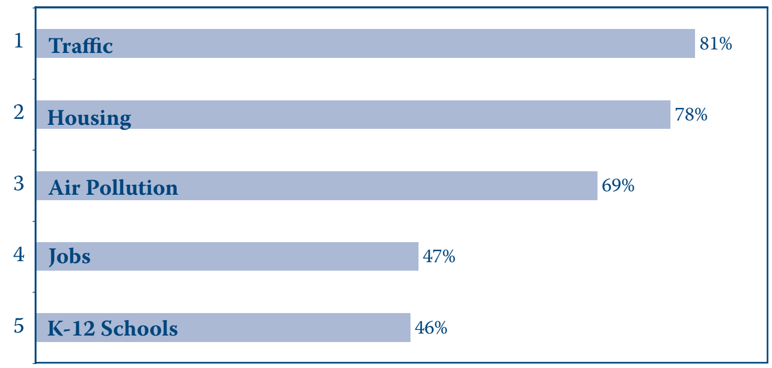


Across the state, anxieties related to many of these urban problems are revealing themselves, despite the fact that Californians may not connect them directly to the state's housing shortage. But attitudes captured in statewide polling show that many of the top urban plights identified by Californians are in some way connected to inadequate housing. Affordable housing, specifically, is identified as the second biggest problem by 78 percent of the state's population according to a poll conducted by the Public Policy Institute of California.[46] This is preceded by traffic congestion—considered by 81 percent of Californians as a "big problem," while other poll respondents point to air pollution, educational issues, and the lack of well-paying jobs as primary challenges.

In the case of affordable housing and traffic congestion, both indicators have escalated significantly in the minds of Californians in just the past few years. For instance, the availability of affordable housing was considered a big problem by only 44 percent of the state's residents in 2002—representing a sharp 23 percent hike in the intervening two years. Moreover, the problems associated with traffic congestion are also growing—climbing 12 percent in the past two years. Similar trends pointing to escalating concerns over the lack of quality employment and air pollution also are observed. When asked if these problems will improve in California's future, a discouragingly large percentage of the state's population believe they will only worsen.[47]

Californians Believe Conditions Will Worsen

Percent of People Who Say the Following Problems Will Get Worse in the Future



Source: Baldassare, M., Public Policy Institute of California, Statewide Survey: Special Survey on Californians and the Future, August 2004

Perhaps of greater concern is how housing issues, if left unresolved, will ultimately affect California's long-term economic prospects, particularly its businesses and future labor force. Declining housing affordability not only impacts working families today, but increasingly diminishes the prospects for homeownership for an entire generation of middle-class Californians who are younger than the state's existing homeowners. These emerging population segments—Gen X'ers and "echo boomers" as well as both domestic migrants and immigrants—constitute what should be the state's future middle and professional classes.

But for businesses seeking to recruit an adequate talent pool, the skyrocketing costs of living attributed to housing costs (coupled with a waning school system) are creating significant competitive disadvantages as they discourage fewer managers, engineers, executives, and entrepreneurs from considering the state as a viable home base. The fight to keep businesses in the Golden State has become a contest—particularly as other states in the Southwest and Pacific Northwest grow as a direct result of California's business flight and population out-migration.[48] In some cases, outside-state programs are actively seeking to lure California-based businesses.

Between 1995 and 2000, California experienced a net migration loss of 756,000—two-thirds of whom were native-born.[49] This represents the first time in the state's history where more people have left California than have moved in from other states.[50] In that period, states such as Nevada, Arizona, Colorado, Oregon, and Washington all become the direct beneficiaries of this out-migration from California.[51] Each of those states experienced its primary population gains directly from California in the latter half of the 1990s. Although California's overall population has continued to soar, its net population growth has been due exclusively to immigration and new births rather than to domestic migration from other states.

One of the great paradoxes of California's challenge is that while its economic prosperity draws in people from around the world, little is done to accommodate this growth—adding only additional pressure to the state's already constrained infrastructure. As the state now prepares its transition from recession to economic recovery, the expected population growth will likely demand even more from the state's already burdened housing supply. Consequently, the key question for California becomes: To what extent can the state's housing shortages accommodate its future economic growth? Or, will increasing pressures on its housing infrastructure restrict the state's growth ambitions, thereby putting California's economy in a straightjacket?

The Urban Villages Opportunity

But challenges also afford new opportunities. If California is to continue to play a prominent role as the place where dreams are fulfilled and hard work is rewarded, it must seek new ways of growing. Without question, growth is one of the most formidable challenges of the state, and it must be tackled with an appropriately measured approach. It is imperative that the state adopt a growth strategy that ensures housing constraints do not threaten its quality of life and jeopardize the fundamental market dynamics that allow its venerated economy to thrive.

A new paradigm for growth and development is required—one that balances, ever so delicately, the realistic expectations of a growing young population and the level of shelter required to accommodate it. Physically, California cannot realistically expect to continue to build around its peripheral edges indefinitely. Across the state, residents exhibit increasing fatigue toward the conditions created by urban and suburban sprawl.

Thus, California's defining hallmark for its next era of growth may well be, out of necessity, efficient, compact residential development—exemplified by the rise of urban villages. Urban village projects seek to optimize land capacity and mix uses in ways previously unimaginable in the state. Unlike earlier forms of residential development across California, urban villages are predominantly infill developments—built within the existing confines of a local city and community.

Rather than detract from a neighborhood locale, they strive to augment a place's identity and character, cultivate a greater community sensibility, and offer new generations of homeowners an avenue to enjoy a lifestyle that the Golden State has provided for so long to many previous generations. Among California's current housing dilemmas, urban villages can become the model to re-envision new opportunities for growth deep into the century ahead.

In *The Geography of Nowhere,* author Gary Eberle characterizes the contemporary social landscape as one where individuals are alienated—both physically and spiritually—from a sense of place and a moral center. According to Eberle, this condition can be attributed to postmodernism, which he describes as a "late 20th-century zeitgeist that senses that we are ankle-deep in the pieces of a past that has inexplicably crumbled and that we have come to accept this state of affairs as normal."[52]

"The postmodern individual," he states, "has ceased to care that there ever was a center."[53]

A growing frustration and anxiety stemming from poorly conceived growth patterns during the post-World War II suburban boom is part and parcel of this postmodern alienation experienced by so many neighborhood denizens across the United States and in many parts of California. As a result, recapturing a sense of rootedness or "center"—absent in the experiences of many communities throughout the country—increasingly drives the lifestyle and residential choices made by many of America's new generation of aspiring homeowners.

Accordingly, "urban village" concepts are now on the cusp of an upward trend. Whether these urban village projects encompass "new urbanist" design values and "smart growth" principles—or whether they simply blend mixed land uses together in innovative fashion—there is a growing interest and demand for communities with a sense of place. This concern for that elusive quality of place is evident in the revitalization of town centers and creation of main street districts now occurring in many neighborhoods across the country—in both old and new communities alike.

For many people today, a sense of place is now an integral aspect to a neighborhood's quality of life. In other words, the "center" matters—and it matters for any community, whether it is urban or suburban. In California, urban villages offer perhaps one of the best hopes for addressing the state's multitude of planning challenges stemming from growth as well as its formidable housing crisis.

Defining the "Urban Village"

So what should this center look like? In *Not for Sale: In Defense of Public Goods*, the authors cite research showing a majority of respondents to visual-preference surveys report a preference for living in "traditional urban streetcar neighborhoods with dense, well-kept single-family homes and main street shopping patterns."[54] Respondents to this study expressed partiality to residential neighborhoods that can be described as "new urbanist development mimicking the old dense patterns" as opposed to "big lawn suburban and mall development."[55]

Moreover, as other research has shown, as much as 86 percent of new home buyers have expressed support for the concept of a "mixed-use town center clustered around a village green."[56] According to the Congress for New Urbanism, nearly 25 percent of the middle-aged population and more than half of those between the ages of 24 and 34 prefer to live in "transit-rich, walkable neighborhoods."[57]

As the authors of *Not for Sale* conclude, these preferences "should not be dismissed as popular nostalgia or consolation," since people have now observed enough choices represented in real life to make "informed decisions."[58]

Although the term "urban village" itself evokes broad, varying meanings and invites close scrutiny for its vagueness of expression, there are a number of shared elements characterizing this form of development. There exist enough commonalities that bind urban village developments together as a genre, making them distinct from other genres of residential growth and development. Generally speaking, urban villages possess the following attributes:

- They are pedestrian-oriented or pedestrian-friendly—developed on a walkable scale where moving on foot is promoted.
- They blend a mix of land uses together, often combining residential, commercial, and recreational activities in innovative or traditional ways.
- They include public squares and open spaces designed to enhance community and civic opportunities.
- They incorporate aesthetic elements that promote an area's sense of identity and community pride.
- Their design frequently de-emphasizes the use of the automobile within the neighborhood and they often are adjacent to various transportation options.

Broadly speaking, the expression "urban village" often describes a precinct or district within a city or municipality which has all the qualities, characteristics, and amenities of a village. In contrast to much of the postwar, 20th-century suburban development that traditionally sought to separate living, working, leisure, and retail environments, urban villages strive to combine these activities together, thereby making them more accessible for residents around a single location or center. Often, their design is a direct reaction to the generic car-centric, suburban tract-home orientation of many post-war bedroom communities.

The advantages of urban villages are broad and far-reaching for those who live in them. Such benefits include the following:

- The potential for shorter commutes and greater telecommuting or live/work opportunities by closing the jobs/housing divide.
- Proximity to local shops and neighborhood stores, which also promotes a local economic base and community-mindedness. Here residents enjoy the advantages of what is called the "orange juice rule" of city planning, "that every home be close enough to small stores so a 10-year-old can bike to buy a newspaper and milk."[59]
- Transit options that offer easy access to employment, retail, and cultural activities within the community and in neighboring areas and decrease the burdens of traffic congestion in the area.
- Well-designed streetscapes lined with trees, benches, contained trash receptacles, and clear, appealing signage, which promote community esteem and desire to patronize local establishments.
- Ample public spaces such as town squares, libraries, parks, and other recreational amenities that encourage positive informal interaction of residents and neighbors, such as organized festivals and family outings.
- Localized public services, including police and fire stations, providing adequate public safety and security for residents.
- A diversity of housing options and prices, including attractive, affordable units interspersed among middle- to upper-income homes, leading to a more culturally varied, dynamic environment for residents.

Urban villages are designed as geographically and socially intimate communities, offering a supportive environment for residents, while mitigating those circumstances that break up—or unnecessarily decentralize—a place into different single-use zones based on disparate uses and activities. At their best, they cultivate greater levels of community and civic participation among a community's residents.

An Early Appraisal of California's First Generation of Urban Villages

In our study, more than 30 urban village projects at various states of completion were profiled across California during a four-month period between December 2003 and April 2004. In that time, numerous telephone and in-person interviews were conducted with real estate developers, city planning officials, municipal decision makers, and urban experts of mixed-use development (see the Acknowledgements for a comprehensive list of interviewees). Respondents who participated in interviews have been active proponents of mixed-use development projects and are at the forefront of a growing urban village movement in California.

Three shared themes emerged during our examination of the state's urban village projects. It became increasingly evident over the course of investigation that these common factors comprise the essential building blocks for successfully realizing urban villages as viable neighborhood spaces in a local community.

- *Enlightened leadership*. In every single development, there is a formidable advocate, or group of advocates, who possesses a strong sense of personal investment in the community and believes in the value that urban villages bring to a city's identity and welfare.
- *Community participation and buy-in*. Among successfully completed urban village projects, close collaboration and constant communication with existing resident stakeholders surrounding the proposed project site have been crucial to overcoming potentially strong local opposition to any new development.
- *A strong vision*. Often spearheaded by an active community advocate or even a visionary developer, a compelling vision is offered of how an urban village project can effectively enhance the visual setting and aesthetic environment of a local neighborhood. This vision is the best tool for combating misperceptions and concerns about what mixed-use buildings or higher densities might represent.

Many of the completed projects profiled in this report are considered successes. They have been successful for local community members, public officials, and developers alike. At the outcome, the community points to the additions as a new source of pride, while residential units of completed projects have sold out rapidly, often exceeding seller expectations. Although this partly speaks to the tremendous level of demand for housing, it is also a testament to the kind of lifestyle urban villages offer.

The projects profiled in this study reside across California's varied urban and suburban rings. They are located in older suburban areas as well as urban centers and, in some cases, form completely new towns themselves. What follows is a general overview of the first generation of urban village developments across the state.

Establishing Stakeholder Participation

While improving communities is one of the primary motivations for launching urban villages within a local area, existing residents of the community are potentially the most vociferous opponents of any new development as well. Hence, adopting a community outreach strategy has been a central tenet for ensuring that new infill mixed-use projects become a reality, particularly if the development is adjacent to existing homes guarded by vigilant homeowner associations and community organizations.

Tom Carter of the San Diego-based firm Carter Reese & Associates echoes the sentiments many developers of urban villages face (and are sure to deal with) in getting their projects completed: "I think [mixed-used development] is more rewarding than anything I've done in the past, but it is also tougher because we need to work with the communities."[60]

Due to potential NIMBY reactions, working closely with the communities where an urban village is being considered is a critical aspect of infill, mixed-use development of any significant size and scope. Those who promote urban villages are

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always attempting to find ways to do it successfully, and no single panacea exists for involving the community in a manner that ensures consistent outcomes.

Adopting a Framework for Community Participation

Take the example of San Diego. With a population of 1.25 million people, the City of San Diego ranks as the second largest city in California. It is also a city facing tremendous growth pressures: its population is projected to exceed 1.7 million in 2020. Planners and city officials have long recognized that seeking practical ways to accommodate pending growth without compromising the city's quality of life would be critical to generating support from its citizenry.

Accordingly, the city has adopted a general plan framework laying the procedural foundation for future growth in the city. What resulted was the "City of Villages Strategy," drawing from an extensive—and elaborate—public outreach strategy. The plan states:

> The City of Villages Strategy allows San Diego to evolve harmoniously with its natural beauty and the unique character of its neighborhoods. It links people to what is important to them: housing, shopping, jobs, education/civic uses, and open space. The strategy provides opportunities for all San Diegans to improve their quality of life.[61]

According to Coleen A. Clementson, a former planning official behind the city's general plan update, the challenge during the planning stage was "to sell the ideas, keep the energy up, and continue to build trust."[62] Thus, beginning in 1999, more than 200 citizen forums, committees, and public outreach meetings were convened in an attempt to gather as broad a public input into the framework as possible.

The plan eventually outlined in the City of Villages proposal, incorporating wide community participation among San Diegans, called for residential planning that combined housing, employment, commercial, and civic spaces together in designated areas of the city where high levels of activity already existed. These urban village centers would then become main public transportation hubs, tying the city's different neighborhoods together. In October of 2002, the city council adopted the City of Villages Strategy as part of its general plan.

CITY OF RICHMOND

After more than 30 community meetings over the course of several years, a specific plan amendment to allow higher densities around the City of Richmond's BART station has given birth to the oft-cited Metro Walk in the Richmond Transit Village. This previously underutilized area, developed by The Olson Company, includes 231 for-sale homes—115 of which are affordable housing units. Metro Walk also contains 27,000 square feet of retail space (expected to accommodate neighborhood convenience services) and is located adjacent to a 250,000-square-foot commercial center.

The first two phases of Metro Walk have already been completed and were immediately sold out. Loft units are primarily occupied by residents spanning ages 30 to 60 years. Moreover, 10 percent of residents are singles, 30 percent are families with children, and 25 percent are represented by first-time home buyers. This transportation hub forms the only combined BART and Amtrak station and, in its relatively brief life span, has become widely recognized as an exemplary model for transit-based village design and redevelopment.

Public input was a critical steppingstone to establishing urban villages as a growth model for the city. "A huge thing for us in creating a strategy was to build consensus, and we did a very extensive public outreach and I think it was the thing that ultimately got us through. The whole transparency of the public outreach helped create trust," says S. Gail Goldberg, who was then the director of San Diego's planning department.[63]

Community outreach continues to be an ongoing process. The City of San Diego continues to gather input from its citizens for different phases of the City of Villages implementation strategy via additional community meetings, e-mails, and hotline phone services such as the city's "Dial-a-Council" or "General Plan Hotline" programs.

But achieving community participation has not been solely the domain of the city either. Within the City Heights district of San Diego, among one of the city's most ethnically diverse neighborhoods, CityLink Investment Corporation convened meetings with City Heights residents for more than a four-year period in order to establish a common vision for the neighborhood.

"I think you let community development germinate with the people and see through their eyes. I realized that some of the best ideas come from the people," said William Jones, president and CEO of CityLink. "CityLink is known for working with the community to vision; we wanted to select a community and prove you could work with residents. So, we developed the City Heights Master Plan."[64]

The City Heights Master Plan made possible the district's new 112,000-square-foot Urban Village Retail Center, housing 14 tenants and anchored by a supermarket. The center serves as a cornerstone for its next phase of development called for in the area's master plan: 116 townhomes, 75,000 square feet of office space, and a new 160,000-square-foot parking structure to be developed by Price Charities, a local nonprofit developer. The Urban Village Townhomes and Office Space project will bring in much-needed family housing and office space to the community, completing a fully fledged urban village community in the City Heights community.

On the support the City Heights Master Plan has been able to generate, Jones added:

> In public-private partnerships, other groups ask us "how did you do it so quickly?" It's important that developers know it is possible to work in a productive relationship with the stakeholders, especially when the stakeholders understand the constraints the developer is under in terms of finances and time. Through the entire process there wasn't anyone that stood up against it, and there were over 120 votes at city council.[65]

While the example of San Diego amply demonstrates that community buy-in can be achieved for urban villages in a relatively large city, its lessons apply equally to smaller local communities as well. This is true in the case of the City of San Fernando, a small working-class city that borders the City of Los Angeles' San Fernando Valley. Officials of this predominantly Latino municipality were able to easily attain an amendment of its general plan to accommodate the San Fernando Metro project, a live/work development in the heart of city's center.

Because of the small size of San Fernando, community outreach occurred on a much more intimate scale than that of San Diego. In fact, many conversations occurred directly between the city council and residents of the community. According to Jose E. Pulido, San Fernando's city administrator,

> We have had a lot of honest-to-goodness discussions with people and it is amazing what can happen one-on-one. We wanted more affordable housing with higher density but not quite apartment-style density. Many immigrants were saying "I'd rather live in a garage conversion in San Fernando than in an apartment in Pacoima because of San Fernando's safety."[66]

CITY OF SAN FERNANDO

The 2.4-square-mile City of San Fernando is an example of a small, self-governed city with a vision of urban village development. "In 1874, San Fernando became the valley's first organized community, thus earning the title 'First City of the Valley.' San Fernando proudly offers accessible city services, a responsive city government, low business taxes, and a range of programs for all ages. San Fernando has a rich cultural history with a population of 24,564." The city is 89.3 percent Latino and one-quarter of its population is between the ages of 20 and 34.

Working with Aszkenazy Development, LLC, San Fernando has moved forward on plans for a mixed-use development called San Fernando Metro at 1321 First Street. The proposed project entails a request for a general plan map amendment, a zoning code map amendment, a specific plan, and a tentative tract map. The project creates five lots from two existing M-1 (Limited Industrial)-zoned parcels totaling approximately 38,465 square feet. It will also include the construction of a two-story work/live mixed-use building on each newly created lot, with commercial office, studio, workshop, and other workplace uses on the first floor and residential use on the second floor.

The residential portion of the mixed-use development will be comprised of between 1,000 and 1,220 square feet for each of the two units provided in each of the five buildings, totaling 10 residential units. Approximately 4,000 square feet per building is dedicated to retail and/or commercial. This means there is space for one to four units of retail per building. The parking area for the entire project site encompassing all five newly created lots will total approximately 8,208 square feet, providing 48 parking spaces on site. Parking will include both covered and uncovered with loading areas on site. In addition, parallel and diagonal parking spaces will be introduced along the perimeter of the site. The parking area on site also includes a small amount of landscaping around its perimeter. Off-site landscaping within public right of way totals approximately 2,000 to 4,000 square feet, including landscape planters and tree wells within the proposed cul-de-sacs and along the perimeter of proposed street parking.

Layne Park is located a block west of the project site and recreation park is located just east of the project. The MTA Metrolink Station at First Street and Hubbard Street, which actually lies just outside the City of San Fernando boundaries within the City of Los Angeles, is less than a mile from the project site. A public hearing was held where all owners within 500 feet were notified and there was no opposition at the Planning Commission meeting.

With a population just under 25,000 covering only 2.4 square miles, this predominantly working-class Latino community is poised to transform, in the words of Pulido, "from a pass-through community to a bedroom community."[67]

Understanding NIMBY Opposition

The relative ease of approval demonstrated by San Fernando highlights some of the major challenges facing its neighbor to the south: the City of Los Angeles. In stark contrast to the support urban village-style development has gained in San Fernando, numerous community meetings in the City of Los Angeles' San Fernando Valley have generally resulted in halting new development—urban villages or otherwise.

As Tom Rath, a planner in the City of Los Angeles, explained:

> There are [urban village] proposals along Ventura Boulevard, and there is one area in Encino that has had three different groups showing plans, but still nothing has been done. There is active opposition to the concept of mixed-use development from the homeowners association who are opposed to what they call "the Manhattanization of Los Angeles."[68]

While such resistance may well stem from the fact that many residents hold perceptions of urban villages as simply another way to raise densities, and not as a complementary, neighborhood-enhancing style of development, opposition to mixed-use projects also arises out of a sense that developers have a propensity to go too far and ask for too much. Even Rath acknowledged that "when you have an area that is already built up, and there are strains on the infrastructure, it is hard to not have NIMBY-ism arise. Developers push for the maximum of what they can get and the community reacts."[69]

These sentiments are reiterated by Ventura City Manager Rick Cole, who when he served as city manager of Azusa commented:

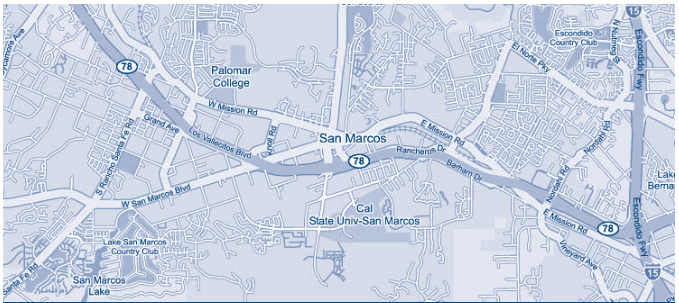
> Developers and proponents of urban villages are sometimes too greedy. There is a sweet spot for political viability and a sweet spot for economic viability. Sometimes developers are too far on the side of economic viability. Sometimes people want to put a city density into a town scale and that gives ammunition to those opposed.[70]

Azusa has had its own unpleasant experiences with the "conventional way" of dealing with new development, which is simply having the community react to a developer's plans rather than initiating one on their own. "Five years ago, a major home builder tried to impose its formula on a parcel of land. Like so many other projects these days, it ended up at the ballot box and was soundly defeated," stated Cole.[71]

According to Cole, "Our goal was to set those numbers before the developers get there and then stick to them. The goal is to get people to see a product that works that is politically and economically viable."[72]

Despite setbacks the City of Azusa previously encountered in bringing about village-style residential development, the community-based planning process that Cole initiated among residents finally paid off. In May 2004, Azusa residents approved development plans for the 518-acre Monrovia Nursery site, a project encompassing mixed-use condominiums near a future rail station, new townhomes, and luxury homes all linked by pedestrian walkways and 200 acres of open space, as well as a return to early craftsman-style home designs with varying densities.[73]

"Setting the numbers" with the community before development proposals come into play, as Cole described, may be perhaps the best hope for spurring urban village development along the San Fernando Valley's Ventura Boulevard as well, according to Tom Rath. "When I took over the Ventura Boulevard area, it was considered a punishment to have that area and every plan was a fight. But when we instituted the Community Design Review Board, the fights disappeared once developers knew ahead of time what they could and could not do."[74]



CITY OF SAN MARCOS

In the 1990s San Marcos became the fastest growing city in San Diego County by adding 15,760 new residents. The city is home to several types of mixed-use developments at various stages of completion. Of particular note are Paseo del Oro/Plaza del Paseo and San Elijo Hills.

Paseo del Oro/Plaza del Paseo is a commercial and affordable housing development along Mission Row that includes 120 rental units, 98 of which are affordable housing, along with 10 retail tenants—restaurant and tortilla factory, yogurt shop, video store, hair salon, clothing and general stores—utilizing 23,000 square feet of commercial/retail space. The residential is 97.5 percent occupied and the retail is 100 percent occupied. According to Rick Gittings, city manager, since Paseo del Oro/Plaza del Paseo was developed in a previously blighted area, there was no opposition to this new project. The residents are mainly families and there has been a 40 percent drop in call volume to the sheriff's department in the neighborhood since the development opened.

As for San Elijo Hills, it is an entire community-planned development boasting a traditional downtown. This development won the Gold Award for the "Master Planned Community of the Year" awarded by the National Association of Home Builders and the Silver Award for its visitor center. The community is comprised of approximately 1,920 acres with around 3,300 homes, primarily single-family homes. Many of the homes have been sold before they were constructed and have drawn prices in the $700,000 to $1,000,000 range, possessing enviable views of the ocean and hill trails.

Rath continued:

> My advice to developers is: lay out a discernable plan that shows what you want to do and then take it to the neighborhood councils and design advisory committees and get the discussion started. Ask them: "What are your concerns?" and seek guidance from the council office deputy and a planner.[75]

The Necessity of Vision, Governance, and Policy

As is often the case, the reason so many communities are allergic to additional growth, even if it is well conceived, is the bad taste residents still have in their mouths from poorly conceived development of years past.

The combination of a compelling vision and proactive governance is essential to establishing a favorable milieu for stimulating urban village development. Whether the strategy calls for using redevelopment approaches or a rethinking of the city's general plan, a clear set of policies pave the way for mixed-use concepts to be rooted in areas that are already built out, taking into account the needs of both residents and businesses. In addition, a community-driven process to shape these rules helps to mitigate the anxieties many residents might feel toward growth and density.

John P. Reekstin, a former Santa Ana planning official who currently works for the Olson Company, summarized this feeling expressed among many existing communities, "The density issue is understandable because in the mid-1980s some poor-quality multifamily projects were developed. Because of the resultant impacts, we have problem properties; and because of that, the city was almost entirely down-zoned."[76]

The Power and Limits of Redevelopment

Today, rather than being "down-zoned," downtown Santa Ana now faces a renaissance of new urban village-influenced, mixed-use development, enabled by redevelopment efforts over the past ten years. Whereas just a decade ago, a myriad of factors prevented the proposed mixed-use Main Street Concourse plan from being developed, Santa Ana is now confidently proposing City Place West in its place, containing 57,700 square feet of prime retail space and 287 townhomes.

From the 86-unit, for-sale Artist Village Lofts near Fourth Street, to the 400-unit MacArthur Place and the 800 plus proposed units in the Hutton Center, Santa Ana is generating tremendous momentum in building dynamic, mixed-use environments around its central business district, stimulating a vibrant new area that is being refashioned for living, shopping, working, culture, and the arts—previously unimaginable for this Orange County municipality.

As expressed by one enthusiastic Artist Loft resident, "it's a wonderful creative community where ideas are flowing, it's a place where people are excited, not only because the value has gone up, but because there's a flavor here you won't find anywhere else in Orange County."[77]

Similarly, the tools of redevelopment have played a major role in cultivating major urban village centers in San Jose as well, most notably in the city's thriving Santana Row shopping and entertainment district as well as the North Park project. In 1998, a zoning ordinance was approved, paving the way for North Park, a developer-initiated project of 3,000 multifamily units, with a mix of retail and landscaped open spaces. The city re-designated the property's zone from industrial to high-density residential use in order to facilitate the project's development.

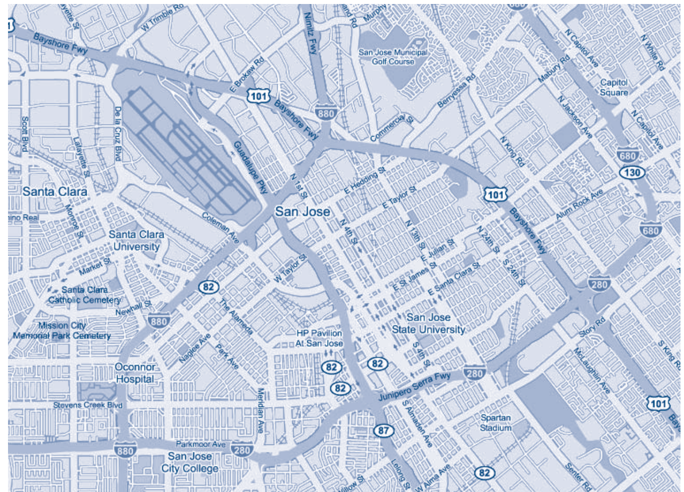
According to the city's director of planning, Stephen M. Haase, North Park was supported by housing advocacy organizations and the Silicon Valley Manufacturing Group, but it faced some sharp opposition by neighboring property owners who, in the end, reluctantly sanctioned the project in light of the project's regional traffic and housing benefits.

Similar development in other parts of San Jose, however, has faced a continuing uphill battle. Despite a number of plans calling for the building of pedestrian-friendly, mixed-use-type developments, urban villages are still considered the exception to the rule and are far from the norm. As Haase sees it, the biggest challenges faced in producing urban villages in San Jose are "assembly of land because it is difficult and expensive" and the fact that "promoting higher density is not universally accepted by communities."[78]

Renovating the General Plan

In San Diego's aforementioned effort to revise its general plan through the City of Villages Strategy, mixed-use zones were made a chief feature for envisaging new village centers. These zones have made it easy to facilitate urban village development.

"Many of our commercial zones allow residential development," stated S. Gail Goldberg. "We went through a major overhaul of



CITY OF SAN JOSE

Among the most acclaimed new urban village-inspired developments in Northern California are Santana Row and North Park in San Jose. Santana Row is a 40-plus acre site located on the southeast corner of Stevens Creek and Winchester Boulevard, along a major arterial and adjacent to a larger mall. In its brief history, it has quickly become one of the hottest destinations for dining and entertainment in the entire South Bay.

Construction of this urban village center kicked off in 2000. Three phases of development have already been completed—combining both European influences and American town design—with several more to go. A general plan amendment was necessary to allow the district's mixed uses and higher densities. Increased building heights due to zoning changes have allowed the creation of 1,201 new residential units, 404 hotel rooms, and 680,000 square feet of commercial uses. By February 2004, 255 of the residential rental units were already leased and 200 more were under construction.

North Park is a mixed-use development of 3,000 multifamily attached apartments (in nine buildings) that includes an additional 5,400 square feet of retail space as well as a five-acre, lushly landscaped park all adjacent to a light rail station. The developer, Irvine Apartment Communities, contributed land for the park as well as additional funds for park land improvement.

our municipal land use code, a seven-year process. More and more commercial developers are seeing it as an opportunity, and increasingly there is a desire and demand for that type of housing."[79]

She added: "There are proposals from both developers and communities for added density and more housing, and that is much more desirable than it coming from the planning department."[80]

Nevertheless, even with a vision and policies in place, developers in San Diego can be thwarted by bureaucracy when it comes to implementation. Carter said, "Our biggest problem is processing through the city. It's just a horrendous undertaking. The cost of processing keeps going up, and the problem is that we get hammered with all these regulations."[81]

Yet in the absence of a feasible plan, strategic framework, or vision for future growth, urban villages are a distant pipe dream no matter how viable they may be as a solution. In Chula Vista, for instance, "it was obvious that any developer who came in here proposing a mixed-use project would be out of line with the general plan because the general plan was clearly out of sync, out of date with the times,"[82] said Laurie Madigan, describing when she first came on board as Chula Vista's community development director.

Upon her arrival, Madigan immediately ensured that the Community Development Department got behind efforts to update the general plan of the city. "The new general plan will give us the tool to say to the developer who meets specific plan design guidelines, they can be entitled in three months. This offers an incentive to developers by saying we know what we want, and we can do it quickly."[83]

With a framework in place for mixed uses to occur on the city's bay front, Chula Vista and the Port of San Diego entered a joint planning contract and land swap deal, allowing for a major urban village-style project along the waterfront. In describing this arrangement, Madigan said, "The port is not allowed to develop residential on their property. This land swap gives us the opportunity to integrate residential, office, retail, and public usages."[84] According to Madigan, there are approximately 500 acres of land on the bay that are currently undeveloped or underdeveloped—300 acres of land is in a state trust managed by the Port of San Diego and another 160-plus acres that are privately held.

Closing the Jobs/Housing Imbalance

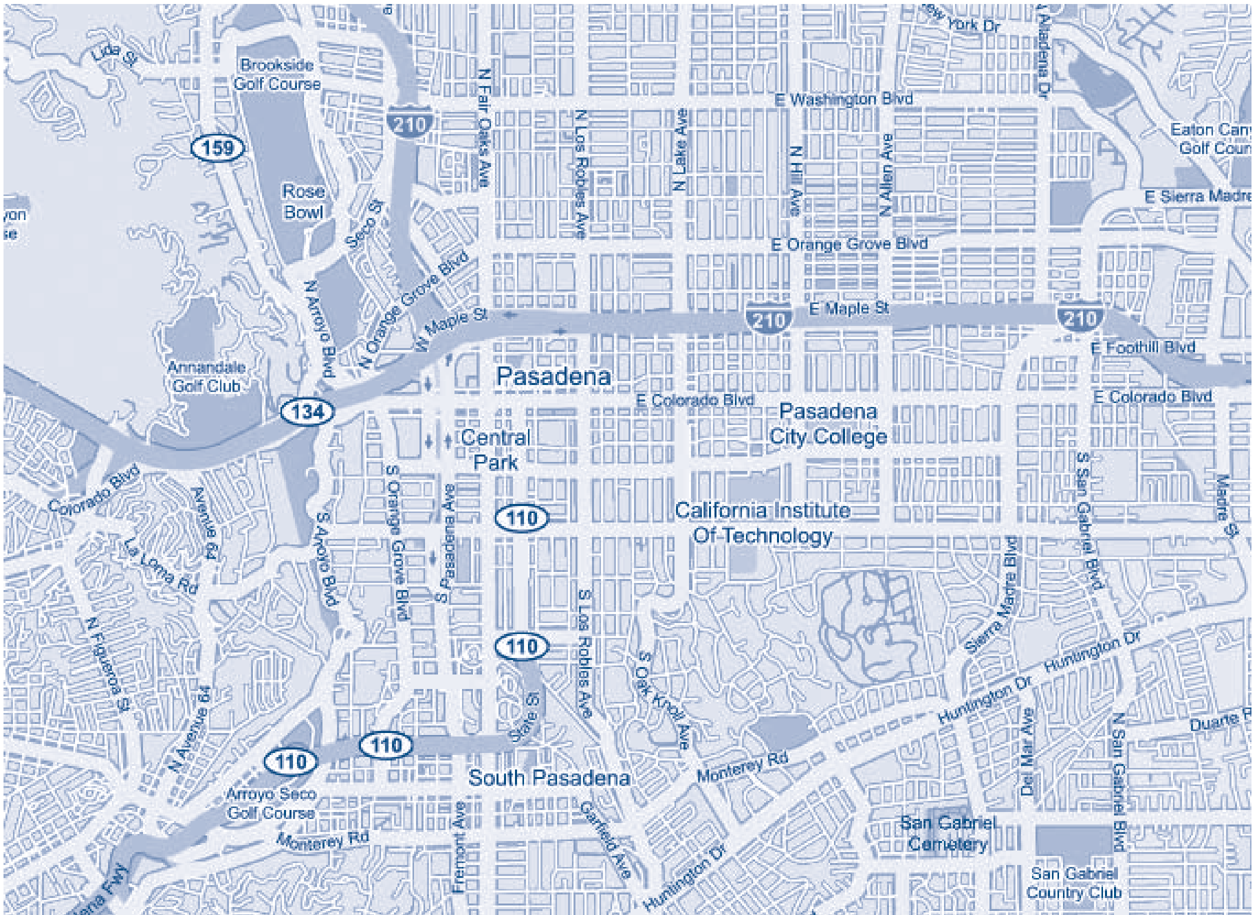
Even in the master-planned City of Irvine in Orange County, the urban village model is being considered, particularly as a way of establishing a more favorable housing/jobs balance. According to Mike Philbrick in Irvine's planning department, "The council has been extremely supportive of the idea of these mixed-use developments. They want to get people less dependent on the automobile and pursue a mini-transit system. Currently the city has about 3.6 jobs for every housing unit when the ideal should be around 1.6 jobs to every home."[85]

Nevertheless, this vision currently lacks any teeth necessary to support it on a broad level due to the city's existing planning framework. "Irvine faces a residential cap that impedes the increase in residential development," admited Philbrick.[86]

Consequently, higher density projects are required to go through the planning commission in order to attain a general plan amendment (GPA). But, as Philbrick acknowledged, "Planning has been reluctant to approve GPA applications."[87]

In contrast to Irvine, other Orange County municipalities are now experiencing a shift in their planning paradigms when it comes to nurturing mixed-use developments. Some have successfully modified their out-of-date ordinances in order to open up the potential for urban village concepts to thrive. For instance, the City of Anaheim passed a resolution in October 2003 allowing for mixed uses in its downtown area, known as the Downtown Mixed-Use (DMU) Overlay Zone.

Anaheim planner David See described the significance of this measure, "The Downtown Mixed-Use (DMU) Overlay Zone resolution stated that the City of Anaheim will now allow the combination of residential with office/retail and will enhance the vitality of life in Anaheim."[88]



CITY OF PASADENA

Already renowned for its successful revitalization of its famed Old Town Pasadena along Colorado Boulevard, the City of Pasadena continues to build upon its success. Construction of Paseo Colorado was initiated in May 2000. This Mediterranean-inspired, mixed-use project comprised of open-aired promenades, terraces, and luxury apartments is located on a 14.9-acre site resting along three blocks in the city's historic civic center. This project includes 400 apartment units and 500,000 square feet of retail/commercial uses—including 78,100 square feet of restaurants, a Gelson's grocery store, Equinox health club, Amadeus Spa, and a 14-screen Pacific theater. The project has also created a reopening of the historic Garfield Avenue axial-view corridor from the Central Library to the Civic Auditorium.

Parking for the site was supplied by reusing an existing two-level subterranean garage on site and two adjacent satellite parking facilities for a total of 3,046 parking spaces. The MTA bus runs along Colorado Boulevard, providing easy access to public transportation. Similarly, the Foothill Transit on Union Street resides one block north, and the City's ARTS bus runs west on Colorado and east on Green Street. The MTA Gold Line light rail station is only three blocks away.

More than sixty community meetings were held in conjunction with city discretionary reviews and informational meetings. This overall public outreach effort undertaken by the development team and city staff resulted in broad-based community support, culminating with the project's unanimous approval by the City Center Task Force, Planning Commission, PCDC, and City Council.

Furthermore, the success of the project continues to stimulate additional residential construction activity around the Colorado Boulevard corridor, including the Madison Walk Condominiums project directly to the north of Paseo Colorado toward the civic center.

This vision to close the jobs/housing divide is reaffirmed by other members of Anaheim's planning department as well. "We want our residents to both live and work here. By incorporating more mixed-use housing near entertainment and shops, we're making sure we accomplish this,"[89] declared Susan Kim, who has been part of the city's efforts to complete an urban village project called Platinum Triangle which required nearly three years for approval as a part of the general plan amendment.

In Search of the 24-Hour City

From Fullerton to Brea, part of the impetus behind the urban village movement in Orange County stems from a wish among planners and city officials to conceive vibrant evening entertainment and dining districts. Terry Galvin of the City of Fullerton stated that "mixed-use development of the urban village kind is part of the council's agenda. The council wants to preserve Fullerton's downtown and attract people to it, not as visitors, but as 24/7 residents. We now seek a 24-hour community enjoying the shops and 42 restaurants we have to offer."[90] Fullerton now includes three urban village-style developments in its downtown: the Wilshire Promenade, the Pinnacle, and City Pointe—all of which are rental units combined with commercial uses.

In the City of Brea, the successful transformation of its formerly blighted downtown into the vibrant Birch Street Promenade—a bustling residential village and dynamic entertainment destination—occurred over a 10-year period. The city had ultimately acquired 80 percent of the downtown property in order to build the 96-unit Ash Street Cottages, an award-winning combination of both rental and for-sale housing, in addition to two major theater multiplexes and nearly 300,000 square feet of retail shopping and restaurants.

Still, despite a carefully conceived community design and buy-in process, the city faced stiff opposition from skeptics of mixed-use development and a contingent of nostalgic community members who had hoped to steer Brea's downtown redevelopment back to the exact same state of its former, pre-blighted heyday.

But according to David Crabtree, Brea's city planner, this was nearly impossible:

> Many folks wanted downtown Brea back the way it was in its roaring old days. Unfortunately, the building infrastructure proved unsupportive of such a renaissance. The investment needed to restore and convert the older buildings to new uses, and for the building forms and sizes to be even considered for such conversion was cost prohibitive. The city studied this option for some time and it just didn't end up making sense, provided the goal was to make something happen. This upset a good many folks.[91]

According to Susan Georgino, Brea's redevelopment director at the time, "The challenge was coming up with a vision. An urban plan developed over the years that included over a half dozen developers, multiple planners, and complex financing."[92] Despite difficulties arising from political turnover during the project's ten-year period, which resulted in working through several different councils, the city was able to hold onto its original vision of a 24-hour district that continues to be cited as one of the most successful models of downtown revitalization in Orange County.

"The houses in Brea originally sold for around $180,000," said Georgino. "From what I hear they are now selling for around $500,000, and there are waiting lists for rentals and for sales."[93]

Georgino attempted to bring the same successful track record to Burbank during her role as the city's community development director. Assessing Burbank's aspirations to develop a vibrant urban village atmosphere, Georgino pointed out, "It's easy to recognize that the missing component is residential. There is only a single apartment complex in downtown Burbank, which is 400 units, and other than that, we only have senior housing in downtown."[94] Part of her vision in creating a nighttime entertainment district is by spearheading the Burbank Village Walk, which includes 140 condo units along with 13,811 square feet of retail space and additional downtown office space.

Although the focus of Burbank is currently on its downtown, Georgino believes in expanding the urban village concept across Burbank's other commercial or retail zones as a way of expanding the city's housing opportunities. She notes:

> Right now we do housing by using a planned development. But we want to be able to take this mixed use beyond the downtown and into the rest of the city. Therefore, we want to create a mixed-use housing zone. We have an affordable housing task force, and they believe it is one way to get more affordable housing in the city.[95]

Seeing is Believing

"Seeing is believing" is the frequent mantra repeated by housing advocates and developers upon the successful completion of an urban village project. There is a firm conviction that once observers witness a successfully completed, well-designed urban village center, skepticism toward higher densities and mixed uses will melt away. According to its champions, there simply must be more exemplars of high-quality urban village projects to shatter the negative misperceptions and stereotypes community residents may continue to hold against higher density development.

Urban villages neither attempt to emulate the multifamily affordable housing units of the past nor do they attempt to meld indistinguishably into the landscape of an existing residential neighborhood. These projects are not business as usual. Rather, the best urban village ideas inject a unique sense of place or character into a neighborhood and coalesce disparate parts of a particular community into a joined whole.

Rick Cole believes that once enough people are exposed to urban villages, they can become self-perpetuating. "Enough people have to build enough projects in enough different areas and show enough success for people to see that it can work. You have to have enough critical mass so that people can be retrained and begin to see it is an alternative. And you don't have to impose conventional setbacks, parking, etc."[96]

In the meantime, alternative methods to graphically depict urban villages via the new tools of digital technology are increasingly utilized for helping planners and decision makers visualize the amenities that urban villages bring with them. There is also the old-fashioned way: traveling to other locations that already feature fully realized urban village developments. This was exactly the approach of planners in Santa Ana who traveled to Portland and San Diego to witness firsthand specific mixed-use projects in those communities. Once the city had its own developments to showcase, they became a further catalyst for driving additional urban village proposals.

According to John Reekstin of the Olson Company, the success of Santa Ana's Artist's Walk Lofts was "way beyond our expectations. It took those units coming out of the ground before anyone really believed it would happen. It has spurred a lot of additional interest by other developers. On the development front in Santa Ana, it is now a kind of a golden era for us."[97]

In San Diego, its Pilot Villages program is specifically geared toward building greater support for the urban village concept by showing specific examples of the project, allowing the idea to snowball into other areas of the city. According to Goldberg and Clementson, it is also a way of demonstrating that a village in the southern part of the city would look very different from a village in the coastal area.[98]

California's Urban Villages Outlook

While urban villages may represent one of the best approaches toward addressing the housing and planning challenges across the state, questions persist over whether this form of growth can achieve enough critical mass to make a dent in alleviating the housing crisis. Because this movement is still in its infant stages in California, it is difficult to predict what kind of momentum and scale urban villages will eventually achieve. How widely it is embraced and gains traction will likely determine how broad its impacts will be in the future.

Furthermore, legitimate concerns also arise over whether urban villages can truly ameliorate housing affordability or expand homeownership opportunities—particularly among those population segments of the state on the lower end of the income spectrum. Due to setbacks and delays that commonly beset urban village projects—including issues of land assembly, uncertain timelines, and the multiple layers of bureaucracy and community groups who must be appeased at every stage of the development process—they can be quite costly. As a result, urban villages are often conceived at the pricier end of the housing market, with limited set-asides for affordable housing units.

Yet urban villages also offer one of the most promising—and powerful—alternatives to "growth as usual" in California, which either resumes outbound sprawl or simply avoids dealing with the realities of growth altogether. It is an idea laden with a great deal of hopeful potential for addressing California's long-term housing challenges. As the broad review undertaken in the preceding pages shows, there is a considerable level of energy and sufficiently upbeat outcomes around urban villages that stir the aspirations of California's future would-be homeowners. Given time, urban villages may realize their potential to make an appreciable difference in California's housing path.

FINAL THOUGHTS

Growth is an unavoidable part of California's future. By 2020, the state will have to accommodate anywhere between 8 to 15 million new people[99]—many of whom will be native-born Californians. Whether this population continues to make California their home or moves elsewhere to fulfill their dreams has tremendous social, cultural, and economic ramifications. If California is to maintain its estimable position as one of the nation's most dynamic economic centers, as well as realize its ideal standing as a place where ambition is rewarded and hard work pays off, adequate housing must become a distinguishing feature that shelters its occupants' dreams, hopes, and aspirations.

The state has already fallen behind. As many as six million housing units may be required to sufficiently meet California's present and future housing needs over the next couple decades.[100] Declining affordability has already made the prospects of homeownership exceedingly dim for large sections of the state's population. For current Californians, these rising barriers to homeownership are directly tied to the state's present housing constraints. If nothing is done to significantly augment supply in the future, latter generations of Californians will likely find themselves effectively locked out from becoming fully realized stakeholders in the state.

Undoubtedly, more housing must be built in California to ensure this does not happen. But discussions over how the state should direct its growth have proven to be intensely contentious, with few areas of consensus. On the one hand, many developers continue to build around the outer metropolitan peripheries of the state, but it appears this pattern of growth is reaching its limit. Sprawl, in other words, has "hit the wall" according to one report.[101] On the other hand, a vocal contingent of NIMBY groups and environmental organizations generally oppose any new development and would much rather ignore the realities of California's population trends—preferring to bury their heads in the ground rather than come up with practical solutions. Unsurprisingly, stalemate and inertia are the prevailing order of things, particularly among state policymakers.

A new paradigm for growth is required—one that mitigates the haphazard patterns of development from decades past, while realistically accommodating a steadily rising population in the future. As this report maintains, the urban village concept proffers a potentially viable framework for guiding development back into existing urban and suburban areas, while also maximizing densities in an efficient, compact manner. Because urban villages optimize land uses and allow for development that prevents wastefulness, more growth can be carefully steered into existing neighborhoods and communities without diminishing the quality of life of those areas. In fact, urban villages have a greater capacity for restoring a sense of place in communities previously lacking any distinctive center and strengthening older neighborhoods with renewed energy and character.

Urban villages are a promising alternative to California's housing dilemmas. While time will be the ultimate arbiter for whether the urban village model sets the state upon a new path of growth, the early enthusiasm exhibited by dwellers, neighbors, and patrons of initial mixed-use developments suggests that its greater potential may yet still be untapped. The passion that has greeted California's first generation of urban villages merits that its application move forward on a far broader scale, giving the concept an opportunity to prove its value as something more than just mere development fad, while helping to avert a potentially ruinous path of growth and development that jeopardizes what should be a bright and prosperous California future.

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