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# POLICY BOARD AGENDA

Friday, August 8, 2003

10:15 a.m.

SANDAG

401 B Street, 7<sup>th</sup> Floor Board Room  
San Diego, CA 92101

- PUBLIC COMMENT
- SAN DIEGO'S INTEGRATED REGIONAL INFRASTRUCTURE PUBLIC POLICY & FINANCING STRATEGY (IRIS)

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Friday, August 8, 2003

**SANDAG POLICY BOARD MEETING**

**SAN DIEGO'S INTEGRATED REGIONAL INFRASTRUCTURE  
PUBLIC POLICY & FINANCING STRATEGY (IRIS)**

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**Relationship Between the IRIS and RCP**

The Integrated Regional Infrastructure Strategy (IRIS) is an element of the Regional Comprehensive Plan (RCP). The RCP is based on the premise that we must plan for our future differently than we have in the past. Over time, an increasing proportion of our growth will likely occur as redevelopment and urban infill. To adequately prepare for this change we must be smart about growth by planning and preparing in advance of its occurrence.

One of the major goals of the RCP is to create sustainable and balanced communities with an urban form and design to support a high quality of life. Local jurisdictions, working together as SANDAG, have endorsed an urban form that channels much of the region's future growth into existing urban (primarily incorporated) communities, preserving and protecting the lifestyle and sensitive environment of our rural (primarily unincorporated) areas. The region's quality of life, as expressed in the core values of the RCP, is largely impacted by the level of service provided by its infrastructure. As the San Diego region continues to change, we must regularly assess the ability of our infrastructure to handle change and to maintain our quality of life at acceptable levels. To help achieve the RCP quality of life goals, the IRIS proposes to develop a process that helps ensure that the infrastructure is in place prior to or concurrent with the land use decisions that implement the urban form goals.

**Issues for Discussion**

Does the Board support

- Using the transportation funding process (RTIP) to strengthen the relationships among local and regional plans?
- Changing the transportation project funding evaluation process (RTIP) to include a direct link to the land use elements of each jurisdiction's General Plan?
- Using the incentive- and competitive-based transportation funding evaluation process to help prioritize and synchronize other major capital improvement programs and strategies?

Today, however, most infrastructure planning is done without a coordinated "vertical" framework that prioritizes the annual expenditures of capital improvement programs to meet the goals of the longer term strategic (visionary) plans, or a "horizontal" framework that synchronizes the capital improvement expenditures across infrastructure providers. Therefore, most infrastructure programming and planning is not coordinated or prioritized with respect to the RCP. A broader prioritization of infrastructure expenditures requires that a regional framework be established, based on RCP goals, that can be incorporated into and addressed as part of the evaluation of infrastructure projects. As this process unfolds, it would strengthen the local and regional plan relationships by offering communities the opportunity to define smart growth, consistent with a regional urban form

and design framework, and approve land use changes that are supported by infrastructure investments.

### **Leading the Way — A Framework to Prioritize Transportation Improvement Projects**

To better integrate the region’s infrastructure programming and planning, the IRIS proposes an incentives based approach. The approach uses the allocation of transportation funds to encourage the smart growth land use decisions necessary to achieve the urban form and design goals of the RCP. The incentives are expected to provide local jurisdictions with a process and the resources necessary to incrementally move toward sustainable and livable communities.

One of the most powerful incentives to implement the smart growth — urban form and design — goals rests in SANDAG’s authority over regional transportation funding decisions. As the Metropolitan Planning Organization (MPO), Regional Transportation Planning Agency (RTPA), and Regional Transportation Commission (RTC), SANDAG is responsible for programming federal, state and local (*TransNet*) transportation funds in the San Diego region. San Diego’s Regional Transportation Plan (RTP), MOBILITY 2030, is the blueprint to address the mobility challenges created by our region’s growth. MOBILITY 2030 serves as the transportation component of the RCP. In addition to its RTP responsibilities, as the MPO, SANDAG is required to develop a Regional Transportation Improvement Plan (RTIP). The 2002 RTIP is a \$4.4 billion five-year program of major highway, transit, arterial and non-motorized projects funded from FY 2003 to FY 2007. The 2002 RTIP is a prioritized program of transportation improvement projects, based on SANDAG Board-established criteria, designed to incrementally develop the RTP (vertical integration). The RTIP indicates the region’s priorities for the implementation of transportation projects. It is required to include

realistic estimates of project cost and anticipated program revenue; this means that funding must be available and committed to implement the projects listed in the document.

Following the adoption of MOBILITY 2030, SANDAG began a process to modify the transportation criteria used to evaluate and prioritize major highway, transit and regional arterial system projects for planning and funding purposes. The evaluation and prioritization process needs to better link major transportation planning and programming decisions to the smart growth—urban form and design—priorities identified in the RCP. This link would allow the region to leverage the RTIP funds to influence the location and character of future land use decisions; the land use evaluation would encourage the urban form and design goals of the RCP.

To improve the transportation-land use link, it is proposed that transportation projects be evaluated with a procedure that includes both transportation and land use objectives. The current RTIP process evaluates projects from both of these perspectives, but the evaluation process and criteria were developed prior to work on the RCP and the process does not assign weight to the land use criteria on a level equivalent to transportation-specific criteria<sup>1</sup>. For example, the current transportation project evaluation criteria could be expanded to include an element that encourages cities to approve development at the high end of the density range allowed by their General Plans. Including this land use criteria to the transportation project funding evaluation process would focus future growth in the cities, reduce sprawl and increase housing supply relative to land consumption; these results are consistent with the goals and core values of the RCP, further strengthening the local and regional plan relationship. The process to develop a full list of land use criteria (to be added to the transportation criteria) should

1. \_\_\_\_\_  
<sup>1</sup> Project Evaluation Criteria, SANDAG, October, 2002.

include Planning Directors, Public Works Directors, and City Managers, and folded into the process currently underway. The final transportation and land use criteria, that would be used to prioritize transportation project funding (RTIP), would be approved by the SANDAG Transportation Committee and Board.

The IRIS suggests the SANDAG Board adjust the current transportation project funding process (RTIP) to both strengthen the relationship between local and regional plans and achieve a land use development pattern consistent with the urban form goals in the RCP.

Transportation funds (RTIP) would act as the initial incentive (in the form of prioritized transportation project expenditures) for communities willing to adopt land use changes that support the urban form and design — smart growth — goals identified in the RCP. Taking advantage of the competitive RTIP funding allocation process should ensure meaningful urban design changes, influencing the land use elements of each jurisdiction's General Plan. Because the land use elements of General Plans serve as a planning framework for developers and most non-transportation infrastructure providers, any change in the General Plans will ripple through the capital improvement programs of most non-transportation infrastructure and service providers. Thus, the proposed process takes advantage of this relationship; most non-transportation infrastructure facility and service providers largely follow the land use plans and decisions approved by local land use agencies (primarily jurisdictions) and are funded through development fees and exactions. Thus a stronger transportation-land use connection will also result in a coordinated process to prioritize and synchronize capital improvement programs and strategic plans.

If the changes identified in the IRIS are carried out, the result will bring a number of benefits to the region's communities. First, we will have created a regional framework for achieving smart growth and integrated it with the local

planning process. Second, the necessary infrastructure will be in place prior to or concurrent with growth. Last, the urban form created will help the region move towards more sustainable communities through the implementation of the RCP's vision and core values. The core values emphasize the importance of creating livable neighborhoods and a healthy environment, linking jobs to housing, improving the region's workforce through education, and providing infrastructure systems that serve the needs of a growing region.

### **Additional Issues**

This report deals primarily with establishing a process that strengthens the relationships among local and regional plans using existing resources. However, whether one considers infrastructure needs at the federal, state, or local level, one finding is consistent across all infrastructure providers: the overall request for infrastructure resources is greater than the available pool of resources. As a starting point, the IRIS has defined infrastructure needs in terms of available resources, using existing capital improvement programs as a reasonable estimate of infrastructure need determined in an environment of limited public resources. However, the need for some of the infrastructure areas is not adequately represented by Capital Improvement Programs, (e.g. Habitat and Open Space and Stormwater); therefore, alternative assessments of need will be developed that are consistent with the IRIS framework.

Also, the IRIS recognizes that much infrastructure money is earmarked for a specific area or purpose and that flexibility is limited. Without the support of, and collaboration among the key stakeholders (jurisdictions and infrastructure providers), the urban form and vision called for in the RCP will not be linked to the capital improvement programs.

Furthermore, it is unlikely that the IRIS approach will be able to significantly impact the current set of Capital Improvement Programs, as these funds have already been allocated based on existing prioritized needs. It will likely take three to five years for the region to begin incorporating the incentive based approach into the local planning process so that it coincides with new capital improvement program budgets. This provides the region with the opportunity to refine the framework, obtain a collaborative regional agreement on the approach, and address potential challenges or issues.

#### Attachment

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**INTEGRATED REGIONAL INFRASTRUCTURE STRATEGY (IRIS)  
PUBLIC POLICY & FINANCING STRATEGY  
DRAFT CONCEPT PAPER**

**August 8, 2003**

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**Relationship Between IRIS and RCP**

The Integrated Regional Infrastructure Strategy (IRIS) is an element of the Regional Comprehensive Plan (RCP). The RCP is based on the premise that we must plan for our future differently than we have our past. For example, over time, an increasing proportion of our growth will likely occur as redevelopment and urban infill. To adequately prepare for this change we must be smart about growth by planning and preparing in advance of its occurrence.

One of the goals of the RCP is to create an urban form comprised of sustainable and balanced communities with a high quality of life. Local jurisdictions, acting together as SANDAG, have endorsed an urban form that channels much of the region's future growth into existing urban (primarily incorporated) communities, preserving and protecting the lifestyle and sensitive environment of our rural (primarily unincorporated) areas. Although the region is making progress on this goal, it must be universally embraced to help ensure that infrastructure is in place before growth occurs.

As the region moves towards consideration of financing and public policy options, it is important to remind ourselves that one of the objectives of the RCP is to be inclusive in identifying infrastructure needs and solutions. Our infrastructure needs extend beyond a single area and cover multiple areas. One of the objectives of IRIS is to put the most important pieces of the infrastructure puzzle on the table at one time, substantially improving the region's opportunity to address needs in a comprehensive, not piecemeal, fashion. This is why the IRIS is a key component of the RCP.

Today most infrastructure planning is done without a framework that would coordinate long term visionary planning with short term capital expenditures. Integration of long range planning with current expenditures should be the standard practice. In fact, a number of recent studies and reports have cited this as being a fundamental necessity for addressing the State's infrastructure needs.<sup>1</sup>

Pending approval and direction from the Regional Planning Committee, the Transportation Committee, and the SANDAG Board of Directors, the IRIS will provide a framework for strengthening the relationship between local and regional plans and policies, linking land use and infrastructure decisions that support the "smart growth" urban form and design envisioned in the RCP.

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<sup>1</sup> Dowall, David and Whittington, Jan. "Making Room for the Future: California's Infrastructure." Public Policy Institute of California, 2003. "California's Five Year Infrastructure Report, 2002". Prepared for Governor Gray Davis by the California Department of Finance.

## **Definition of Regional Infrastructure**

The IRIS identified a set of criteria for selecting infrastructure areas for consideration. Based on direction from the Regional Planning Committee and the SANDAG Board of Directors, the criteria reflect primarily region-serving infrastructure. In order for infrastructure to be included in the report, it must meet all of the criteria listed below.

- Must be a public facility or regulated monopoly
- Must be a publicly shared system, network, or resource used by or benefiting a majority of the region on a regular and consistent basis
- Must provide for equal opportunity for all residents and businesses to benefit
- Must be run, regulated, or overseen by state or local elected officials or their appointed representatives
- Must insure that the level of service available and the price of the service to be about the same for all users
- Must play an integral part in maintaining the quality of every day life for the average resident
- Must include ports of entry with Mexico due to the unique location of the San Diego region.

Based on these criteria, the following infrastructure areas were selected for evaluation in the IRIS:

- Transportation (including regional airport, maritime port, transit, highways, and international ports of entry)
- Wastewater (sewage collection, treatment and disposal system)
- Energy supply and delivery system
- Solid waste collection, recycling and disposal
- Storm water collection and treatment system
- Water supply and delivery system
- Open space (including habitat preservation, parks and recreation, and shoreline preservation)
- Education (including K-12, community colleges and universities)

Future updates or expansions of the RCP and IRIS may include additional infrastructure areas.

## **Objectives of the IRIS**

The IRIS proposes to apply market-based financial and public policy incentives within a capital improvement programming framework to implement the urban form and design of the RCP. The incentives and framework are intended to provide local jurisdictions and infrastructure providers with a process and resources for incrementally moving toward sustainable and livable communities.

The primary IRIS objectives are to:

1. Provide a framework to strengthen the relationship between local and regional plans and policies.
2. Identify a process that allows our region to achieve the “smart growth” urban form and design envisioned in the RCP.

3. Make the framework and process flexible so that each community has the opportunity and choice to define “smart growth.”
4. Identify a process to establish a more direct and formal relationship between capital improvement programming and land use decisions that supports the urban form and design envisioned in the RCP.
5. Determine if the many capital improvement programs and plans can be better integrated to support the smart growth urban form and design envisioned in the RCP.

### *Connecting Regional and Community Goals*

If the infrastructure investments and public policy changes identified in the IRIS are carried out, the result will bring a number of benefits to the region’s communities. First, we will have created a regional framework for achieving smart growth and integrated it with the local planning process. Second, the necessary infrastructure will be in place prior to growth occurring. Last, the urban form created will help the region move towards more sustainable communities through the implementation of the RCP’s vision and core values. The core values emphasize the importance of creating livable neighborhoods and a healthy environment, linking jobs to housing, improving the region’s workforce through education, and providing infrastructure systems that serve the needs of a growing region.

### *Engaging Communities in Defining Smart Growth*

As part of an incentive-based financing approach, the IRIS suggests that infrastructure investments in general and subregional transportation investments in particular be made in areas where local jurisdictions have identified opportunities and put in place programs to further smart growth and the goals of the RCP. The addition of a smart growth framework (to the process of selecting and funding regional and subregional infrastructure projects) will help local jurisdictions prioritize those projects that directly address the goals and objectives of the RCP while simultaneously achieving community goals.

By allowing communities to define smart growth in their own terms (within a regional framework) the IRIS helps to ensure that the smart growth approach reflects the unique sense of place of each community and avoids changes that may not fit within its existing character. The IRIS allows communities themselves to define smart growth, rather than applying a “one size fits all” definition of smart growth that may or may not be applicable to an individual neighborhood.

To encourage an urban design that embraces smart growth characteristics, our region should create a competitive process to allocate some of the scarce infrastructure resources. Competition for infrastructure funds will help push the smart growth envelope, encouraging communities with an incentive-based approach to incorporate as much smart growth planning as is reasonable within their area. The City of San Diego’s experience with downtown redevelopment showed that the first proposals through the door received the greatest levels of assistance and subsidies in return for taking on the initial risk. As the benefits of the investment revealed themselves and the risks decreased, subsequent proposals received less public assistance while the downtown area continues to prosper due to the attractiveness of the area.

### ***Integrating Regional Infrastructure Planning and Programming***

There are numerous benefits to integrating infrastructure planning and programming, including more efficient allocation of resources, avoiding unnecessary duplication in services, reducing the impacts of growth, and improved coordination between land use planning agencies and infrastructure service providers that support the community.

There are two primary types of integration: vertical and horizontal. Vertical integration represents the relationship between long term, strategic planning and short term capital programming. The goals of the long term strategic plan are accomplished through the annual incremental expenditures approved in the capital improvement program (CIP). Horizontal integration refers to collaboration among providers of different types of infrastructure. For example, water and wastewater service providers currently coordinate the installation of water and sewer pipes, alleviating the need for multiple closures due to construction. One of the objectives of the IRIS is to identify the benefits from prioritizing and synchronizing the capital improvement program expenditures across all infrastructure areas.

An integrated strategy is fundamental because it enables local jurisdictions and planners to realize the benefits of inter-related infrastructure planning. For example, through horizontal integration, schools are able to increase their access to recreational facilities by partnering with local government to create joint-use local park facilities, and water suppliers can coordinate with energy providers to co-locate energy plants with desalination facilities.

### ***Prioritizing Expenditures Within the Existing Regional Framework***

The IRIS does not suggest significant structural change; it attempts to utilize the existing system to achieve different results. While identifying new revenue sources may be necessary, the real value of the IRIS is not in the additional monetary resources identified. The real value added is integration through prioritization of expenditures and the synchronization of planning across infrastructure providers. Growth of any type is a problem if adequate infrastructure is not in place beforehand. Prioritizing and synchronizing infrastructure expenditures will enable the region to provide the necessary infrastructure to areas where growth is planned to occur before it takes place.

### ***Assisting Communities Most in Need of Infrastructure Investment***

The IRIS also provides a partial solution to infrastructure requirements in older, existing communities suggesting that smart growth and redevelopment can help them address their infrastructure needs. The IRIS approach provides an incentive (in the form of prioritized infrastructure expenditures) to communities that are willing to accept changes in the form of “smart growth,” defined with community participation, in exchange for greater levels of infrastructure investment. Most importantly, the IRIS helps to ensure that the necessary infrastructure will be in place before additional growth occurs. Communities willing to accept additional smart growth should be eligible to receive resources for needed infrastructure improvements. With a well-crafted proposal, a community can end up with higher levels of service and amenities than what currently exists. Through infrastructure investment the IRIS can provide benefits to older/existing communities willing to implement smart growth.

### *Comprehensive Assessment of Infrastructure Needs with Limited Resources*

Infrastructure facilities and needs can be categorized broadly into two groups, regional and subregional. Aggregate supply or capacity is the primary focus of regional infrastructure; distribution and service provision are functions of subregional infrastructure. Water supply can be used to illustrate this distinction between regional and subregional infrastructure. The regional aqueducts and reservoirs help transport and store water, while subregional facilities are used to distribute potable water to households and businesses. Although regional and subregional facility needs are different, they must be integrated. All communities share in the regional need, but each community has its own set of individual needs. The IRIS will suggest an integrated approach that addresses both regional and subregional needs.

The IRIS will evaluate need through two types of documents: capital improvement programs and long range strategic plans. Capital improvement programs (CIPs) represent a balancing of short-term need and available resources. Long term needs are addressed in strategic plans such as the Regional Transportation Plan (RTP) and various facilities master plans. One purpose of a long-term plan is to provide strategic goals and vision to meet the aggregate regional need for infrastructure services. Vertical integration of infrastructure planning would coordinate short-term expenditures of a CIP with the long term goals and vision of the strategic plan. Without an adequate strategic planning document, it is difficult to assess whether major goals and objectives are being met by the CIP.

Given the goals of the IRIS and RCP, the following are important considerations in assessing infrastructure needs:

1. Need assessment must reflect realistic estimates of available financial resources. In particular, total investment in infrastructure must be consistent with the region's commitments of resources for this purpose.
2. Regional and subregional projects generally serve different needs and differ in the scale of investment and of service population.
3. Location of regional and subregional facilities influence urban development patterns. Need and location for subregional facilities is tied closely to the goals of the RCP.

Timing is key to ensuring the adequacy of infrastructure provision and funding. The IRIS recommends a phased and incremental approach to meeting the region's infrastructure needs. The IRIS will address questions such as, "Over time are capital improvement expenditures incrementally addressing a long term goal or strategic objective?"

### *Consistency with State Efforts*

Efforts comparable to the IRIS are underway across the State of California. The agency responsible for overseeing special districts in the region, the Local Agency Formation Commission (LAFCO), is

required to develop municipal service reviews, although LAFCO's focus is more towards reviewing the adequacy of the infrastructure and not necessarily implementing an urban form and design.<sup>2</sup>

In addition, AB 1473 passed in 1999, requires the governor to submit a five-year infrastructure plan in conjunction with the annual governor's budget. The five year infrastructure plan serves as the state's integrated capital improvement plan for infrastructure (focusing on education, transportation, natural resources, and public safety). The bill requires every entity of state government to provide to the Department of Finance (DOF) information related to infrastructure needs and costs for a five-year period. It is linked to the state's long term vision through requirements for meeting general criteria guidelines provided by the state.

## **IRIS Approach**

The IRIS will be completed in a four-step process summarized below.

1. *Infrastructure Inventory and Evaluation:* First, data will be gathered to verify the following: who is responsible for the infrastructure; who are the key decision-makers; how is it currently financed; and, what types of capital and operating budgets are available. To the extent possible, this information will be organized into documents similar to SANDAG's Regional Transportation Plan (long-range strategic planning document) and Regional Transportation Improvement Plan (short-term capital improvement programming document) so comparisons can be made across infrastructure areas.
2. *Needs Assessment:* The second step is to identify how infrastructure needs are being met and planned currently, using existing programmed expenditures and strategic plans. Regional needs will address capacity in a broad context while subregional needs will primarily address service delivery capabilities.
3. *Financing and Public Policy Options:* The third step is to develop a set of solution options that view each infrastructure area from the perspective of supporting the urban form called for in the RCP. The solution options will come from three main areas, prioritizing and synchronizing capital improvement expenditures, public policy changes and, if necessary, raising new revenue. The IRIS process should be market based, relying on competition and incentives to achieve our urban form and design goals. In addition, the IRIS will consider creating an incentive-based capital improvement programming procedure, referred to as a "Smart Growth Implementation Fund."
4. *IRIS:* The final step is to develop an integrated regional infrastructure strategy from the set of public policy and financing options, and a procedure to monitor the region's progress and performance in meeting the quality of life goals and objectives identified in the RCP.

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<sup>2</sup> According to LAFCO, the service reviews assess the infrastructure needs of an area, identify financing constraints and opportunities, and suggest public policy, efficiency and reprioritization possibilities. The service review does not require that LAFCO initiate changes based on the findings of the analysis. LAFCO can, however, subsequently pursue changes to services, jurisdictions or spheres of influence if there are recognizable benefits to doing so. For more information, refer to <http://www.co.san-diego.ca.us/sdlafco/procedures/>.

### *Key IRIS Stakeholders*

Throughout the IRIS process, key stakeholders play a vital role in ensuring the strategy's success. The two major stakeholders are local jurisdictions and regional infrastructure providers. The local jurisdictions have land use control for implementing the smart growth vision of the RCP; in addition, local jurisdictions also act as service providers for various types of infrastructure, including wastewater, stormwater, open space, and others. More traditional infrastructure providers, such as water districts and utilities, have control over the capital expenditures for infrastructure that will support new projects and redevelopment opportunities. Without the support of, and collaboration between the key stakeholders, the urban form and vision called for in the RCP will not be linked to the capital improvement programs. Failure to garner stakeholder support and collaboration will make it difficult to achieve sustainable and balanced communities.

### *The Role of Urban Form and Design in the RCP and IRIS*

The urban form and design described in the RCP are linked directly to the financing and public policy options in the IRIS. The financing and public policy incentive-based approach is the means to achieve the urban form and urban design concepts identified in the core values and vision of the RCP. Urban form refers to the channeling of growth towards developed, incorporated areas that have the largest endowment of existing infrastructure systems in place. Urban design concepts address how communities in the incorporated areas will look and function as additional growth is accommodated. Urban design provides the tools of implementing smart growth concepts such as walkable neighborhoods, mixed use development, more housing choices, and transportation mobility. Good urban design is flexible, adding to the unique character of a community, making it livable.

### *The Importance of General Plans and Development Approval in the IRIS*

Today, the location and quantity of infrastructure largely follows what development is approved by local land use agencies. General plans serve as a planning framework for developers and infrastructure providers. Essentially, general plans are important elements of the planning and programming documents for many infrastructure providers.

For a project to be approved, a developer must submit a plan to a city requesting permission to proceed. A key question for the approving agency is whether or not adequate infrastructure will be in place for the proposed development. In some cases, the developer agrees to provide the needed public facilities and services themselves. In other cases, the services will already be in place (or will have been planned for construction) because an infrastructure provider has anticipated and provided for this type of development as a result of their knowledge of the general plan's land use element. Sometimes, a proposed development is denied because it cannot be shown that sufficient facilities will be provided at a reasonable cost. This is often the case with infill and redevelopment projects. One of the objectives of the IRIS is to develop a process to ensure that the infrastructure is in place prior to or in conjunction with development occurring.

### **Proposed Financing and Public Policy Options: Four Areas**

The IRIS provides a framework for meeting infrastructure needs, as defined by the region's capital improvement programs and long term strategic plans. Whether one considers infrastructure needs

at the state, national or local level, one finding is consistent across all infrastructure providers: the overall request for infrastructure is greater than the available pool of resources to provide it. As a starting point, the IRIS defines need in terms of available resources, using existing capital improvement programs as a reasonable estimate of infrastructure need determined in an environment of limited public resources. However, the need for some of the infrastructure areas is not adequately represented by capital improvement plans, (e.g. habitat and open space and stormwater); therefore, alternative assessments of need will be developed that are consistent with the IRIS framework.

To address needs, the IRIS recommends financing and public policy options that are incentive and competitive-based and come from three main areas: prioritization and synchronization of existing expenditures, public policy changes and, if necessary, raising new revenue. Furthermore, the IRIS suggests a fourth, additional incentive-based capital improvement programming option that complements the broader regional IRIS financing strategy and emphasizes subregional needs (described below).

### ***Option 1: Prioritization and Synchronization***

The IRIS suggests a process to prioritize infrastructure investment that would promote local development consistent with the goals of the RCP. Prioritization requires that there be a framework for evaluating capital improvement projects according to both technical efficiency in service provision and conformance of adjacent land use to the goals of the RCP.

It is recognized that much infrastructure money is earmarked for specific areas or purposes and that flexibility is limited. It is also unlikely that a new evaluation method could affect spending already allocated in the current set of capital improvement programs. However, there are opportunities to direct expenditures to areas that would strengthen the local-regional plan relationship, particularly over the next several years. This provides the region with an opportunity to refine the framework, obtain a collaborative regional agreement on the approach, and work out any issues that may arise.

The first step for implementing the RCP would be to incorporate the proposed framework into the process of selecting and funding subregional infrastructure projects which directly support smart growth in the surrounding area. Once this has been achieved, it would send a message to developers and to infrastructure providers that future development proposals and plans will be evaluated and prioritized according to their consistency with the regional vision in the RCP. As this process unfolds, it would strengthen the local and regional plan relationship by offering communities the opportunity to define smart growth, consistent with the regional framework, and approve land use changes that are supported by infrastructure investments.

### ***Option 2: Public Policy Changes***

Public policy changes are another option for addressing infrastructure needs. One example of public policy changes that could help meet regional infrastructure needs is state-local government fiscal reform. The way the State of California currently collects and distributes revenue to local governments creates incentives that are contrary to the goals and objectives of the RCP. Making sales tax one of the primary revenue sources for local governments encourages cities to attract and subsidize retail and other types of sales tax generating land uses. While there is certainly a place for these uses, they tend to provide lower value added employment opportunities and often require

more land than other forms of development. In addition, tax revenues flow to where the money is spent, not necessarily to where the person lives or where there is a need for infrastructure facilities and services. Furthermore, developing commercial uses for sales tax purposes also discourages other uses such as housing and community services which may be vital to the livability of an area. These are seen as fiscal losses because they require expenditures from jurisdictions without contributing an equivalent amount of money back into the general fund. The San Diego region is developing a fiscal-reform proposal that if implemented would, over time, balance this “fiscalization of land use,” making jurisdictions ambivalent over the choice of approving new housing or a retail center.

Another example of public policy change is demand and systems management. Demand and systems management seek ways to influence the behavior of infrastructure users, such as conservation, or expand the lifetime and capacity of existing infrastructure without having to build new or potentially costly capacity upgrades. The goal of public policy changes related to demand and systems management is to identify the primary causes of infrastructure inadequacy and then develop strategies to meet the challenges. For example, improvements in technology and more aggressive conservation efforts tend to improve the system’s productivity or reduce demand and postpone the need for capacity upgrades.<sup>3</sup> In transportation, planners have developed ways to achieve higher capacity levels using existing systems through measures such as metered on-ramps, signal coordination, multiple direction HOV lanes, and other forms of technological improvements; all of those changes have improved the productivity of our transportation system.

### *Option 3: New Revenue Sources*

The third option for meeting infrastructure needs is to identify new revenue sources. New revenue may play an important role for those infrastructure areas which currently do not have a secure or established source of revenue, such as stormwater and habitat. The IRIS will make an attempt to meet as many of the identified infrastructure needs as possible using prioritization and public policy changes. Developing new revenue sources will only be recommended if the first two options have proven to be inadequate.

### *Option 4: Smart Growth Implementation Fund*

The IRIS also suggests using a “smart growth incentive fund” to help the region’s municipalities and infrastructure providers collaborate in developing a competitive process to implement smart growth and strengthen the local-regional plan relationship. Establishing a smart growth incentive fund for infrastructure improvements needed by smart growth projects would be useful for implementing the goals and core values of the RCP, especially if those infrastructure improvements intended to support smart growth cannot be funded through prioritization of existing CIP projects. By rewarding smart growth project areas through a competitive proposal process, local jurisdictions would be able to help bring needed (supplemental) capital improvement resources to communities willing to accept change (smart growth). Introducing competition would serve a number of purposes. Perhaps most importantly, having communities compete for smart growth resources allows for flexibility and for greater levels of smart growth planning. This proposed process is representative of the approach currently used by the City of San Diego’s City of Villages Pilot

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<sup>3</sup> Dowall, David and Whittington, Jan. “Making Room for the Future: California’s Infrastructure.” Public Policy Institute of California, 2003.

Program, which judges developments in a competitive fashion to receive prioritized infrastructure expenditures and fast-track permit processing.<sup>4</sup>

Currently, as part of the RTP, SANDAG proposes to establish a \$25 million Smart Growth Pilot Program. The purpose of the program is to provide incentives to communities to implement smart growth. If a community or developer would like the resources, they must initially show how their land use proposal meets the goals and objectives contained in the regional framework plan. The greater the number of infrastructure providers that participate in the Smart Growth Pilot Program the greater the resources available and the more important the program becomes as a tool to implement smart growth.

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<sup>4</sup> For more information on the City of Villages Pilot Program, please refer to:  
<http://www.sannet.gov/cityofvillages/index.shtml>