

# CALIFORNIA PLANNING & DEVELOPMENT REPORT



March 1987

William Fulton, Editor & Publisher

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## 'Zero-Sum' Finance Leads to Conflict Among Jurisdictions

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Drawing Boundaries  
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Finding themselves caught in what some describe as a "zero-sum" game of finances, cities and counties around California are coming into conflict more than ever before over real estate development—and over the tax revenue it brings.

This conflict is taking many forms between two sets of governmental bodies that have, traditionally, not gotten along. But it currently involves the art of drawing boundaries — incorporation, annexation, redevelopment, even the formation of new counties—to capture the limited amount of tax revenue available to local governments in California. It's been intensified this year, with cities and counties around the nation suddenly losing \$4.5 billion in federal revenue sharing funds.

And it overlaps with a growing desire on the part of many local communities to exercise more control over the real estate development that occurs locally. The same concerns that have led many local citizens around the state to use ballot initiatives and referenda on land-use issues have also encouraged many communities to seek incorporation—particularly since Proposition 13's provisions usually mean that property taxes can't be increased to pay for increased city services. The rate of incorporations has doubled since Prop 13's passage.

"Nobody anticipated Proposition 13," says Bill Davis, executive officer of the San Mateo County Local Agency Formation Commission, or LAFCO. "It provides an incentive for incorporation—it doesn't cost anything to incorporate."

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## Surge in Measures On Land-Use Issues Reported in 1986

The number of land-use-related ballot measures skyrocketed in 1986, with a large percentage coming from Southern California for the first time, according to a recent trend analysis conducted for the UCLA Public Policy Program.

Working with a copyrighted list of 132 ballot measures from 1971 to 1986 compiled by the California Association of Realtors, planning consultant Madelyn Glickfeld and Leroy Graymer, head of the Public Policy Program, have been able to sketch the first comprehensive history of California land-use measures. Their results were presented at a land-use law seminar at UCLA in late February.

Seventy-five percent of the measures over the 15 years were citizen initiatives, while about 10 percent were referenda and 11 percent were measures placed on the ballot by the city. Sixty-one percent of those characterized as "growth control" passed, while only 33% of those described as "pro-growth" succeeded.

However, such categories "don't accurately describe what's going on," said Kerry Morrison, director of local governmental and political affairs for the CAR, who compiled the basic list. "What California communities are looking at is managing growth. They're not anti-growth. They're anti-something else, like traffic congestion."

The themes of the measures have changed over the years as well. Despite the continuing appearance of commercial growth measures on the San Francisco

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## S.F. Mulls Proposal By City Planners For Mission Bay Site

Citizens and environmentalists in San Francisco are beginning to sort out the city planning department's two-inch-thick proposal for development on the 300-acre Mission Bay site owned by Santa Fe Pacific Realty, one of the largest and most desirable urban properties in California.

Though generally within the bounds of an agreement between Santa Fe and Mayor Dianne Feinstein on the scale of development on the site, the city's proposal calls for a two-mile long strip of park along San Francisco Bay. City planners say this proposal would enhance the Mission Bay area, one of the warmest parts of the city, but critics say it could limit future growth of the Port of San Francisco.

Furthermore, a Santa Fe spokesperson said that the park, along with the city's interpretation of other proposals, could make the entire development more expensive.

And the whole project could require approval of the voters under Proposition M, the growth-control measure from last November which places a strict limit on office construction in the city.

The city is making a proposal because of the unusual agreement between Feinstein and Santa Fe, which calls for the railroad subsidiary to contribute \$1.5 million toward the planning of the Mission Bay area.

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# SPECIAL REPORT

## Drawing Boundaries: More Areas Turn to Incorporation

Late last year, when Malibu residents complained that the new land-use plan for the area—proposed by Los Angeles County and approved by the state Coastal Commission—would bring too much new development into the area, they quickly began to renew efforts to incorporate.

Only a few weeks later, when dairy farmers in Chino complained that San Bernardino County's policies would bring too little development to the area, they too began to call for incorporation.

It's hard to say whether those two incorporation efforts will ever get anywhere, but they certainly indicate that the cry of "incorporation!" is growing louder and louder throughout California.

Twenty-seven new cities have incorporated in California since the passage of Proposition 13 almost nine years ago. (See chart.) That pace of about four per year is more than double the pre-Prop. 13 pace. Many other communities have annexed to previously existing cities, and a dozen or more are lining up for incorporation elections in the next year or two.

"Proposition 13 eliminated the disincentives, like higher taxes,"

## 'Zero-Sum' Finance Leads to Conflict

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In the past, cities have not gotten along well with counties and the state government, which historically were dominated by rural interests skeptical of urban concerns. And school districts have represented an entirely different set of local governmental bodies fighting for funding from the state. Though some movement toward a useful coalition for reform appears to be occurring—in California as well as around the nation—the major mountains have yet to be moved.

Peter Detwiler, principal consultant for the Senate Local Government Committee, says cities, counties, and school districts have been reluctant to work together because "this local government finance game is a zero-sum game, and those disadvantaged (by any one proposal) are easily identified and easily mobilized."

For the same reason that it has encouraged more incorporations, Proposition 13 helped to turn city-county finances into a zero-sum game. Prior to the tax-cutting initiative's passage nine years ago, cities simply added their property tax levy to the county's, meaning the county didn't lose property tax funds when a city incorporated or annexed. Today, a city takes over most of the county's property tax base in a newly incorporated or annexed area. Furthermore, because of the cap on property tax, Proposition 13 has made the 1.25% local share of sales tax funds extremely important to a local government's financial flexibility—and when a city incorporates, it gets *all* local sales tax funds from the county.

In short, incorporation and annexation usually means the new city wins financially, while the county loses, at least the short run. The incorporation of California's newest city, West Sacramento, was estimated to cost Yolo County \$3 million a year—5 percent of its revenue base. In San Diego County, last year's incorporations of Solana Beach and Encinitas were estimated to cost the county government a combined total of close to \$4 million a year.

"Distressed counties are finding they really need that tax base," says Jim Herrington of the League of California Cities, who worked on several incorporation efforts with the Ralph Anderson consulting firm. "Counties don't have as broad a revenue base, and are more subject to state mandates and control."

Not surprisingly, this has led to considerable tension between cities and counties. Yolo County and officials in Davis are currently battling over jurisdiction for a large development proposal in the I-80 corridor just outside Davis—a proposal that the county sees as a

says Alvin Sokolow, a professor at UC-Davis who has studied incorporations in detail.

These incorporations have squeezed county revenue streams, because cities inherit most sales and property taxes when they incorporate. (See main story.) And they have placed each county's Local Agency Formation Commission, which must approve incorporation and annexation actions, in a tough situation. Mediating city-county fiscal disputes was not what was envisioned when LAFCOs were established to handle boundary matters in 1963. Many LAFCOs are, in fact, part of the county government's structure.

Most typically, incorporations are motivated by land-use concerns. Unincorporated communities often feel resentment toward counties for controlling land uses from far-off county seats with more concern for tax revenue than for the community's well-being. A typical recent example is the well-off Contra Costa community of Orinda, which rallied to the cause of incorporation partly because an historic local

useful revenue source and the city sees as a commercial center that would sap the strength of its downtown.

And several counties—most particularly Los Angeles—have come down hard on redevelopment project areas, which funnel all incremental property (and occasionally sales) tax revenue into the city redevelopment agency's hands, at the expense of counties and school districts. In L.A. County, virtually every new or expanded redevelopment area is challenged by the county, which has negotiated to retain a portion of the redevelopment tax revenue—in some cases, more than 50% of it.

But the beginnings of an accommodation seem to be growing. In particular, cities and counties begun to see that their financial woes are really part of a common problem.

Stuart Shaffer, deputy executive director of the San Diego Association of Governments (SANDAG), says the cities and counties in his part of the state don't quite see themselves in the same boat. "They're in separate boats, but the boats are in the same shape," he says. "They've decided the competition has gone on long enough."

With the assistance of both San Diego County and several city managers in the county, SANDAG recently completed a study on

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# SPECIAL REPORT

theater was slated for demolition by a real estate developer.

Thus, incorporation usually slows down the real-estate development process. In fact, some developers insist that incorporations are motivated by exclusionary sentiments. In that respect, development attorney Kenneth Bley of Cox, Castle & Nicholson in Los Angeles sees incorporation as closely related to the land-use initiative movement, which he also attributes to anti-growthers.

It's true that incorporations have come most frequently in rapidly growing suburban areas that have also given birth to many growth-control initiatives: northern San Diego County (four incorporations since 1978), eastern Contra Costa and Alameda counties (also four), and the Conejo Valley area in Ventura and Los Angeles counties (three).

But, according to Angus McDonald, one of a handful of incorporation consultants around the state, there are other reasons for incorporation besides control over land uses. A second, he says, is: "We are sending our money over the hill" to the county seat. He says this was the motivating factor in the incorporation of the Santa Barbara County tourist area of Solvang and the Yolo County port area of West Sacramento (even though, he points out, there is no literal "hill" in Yolo County).

The Solvang situation has led to a bitter legal dispute between the new city and the county, says Bob Perkins, executive officer of the Santa Barbara County LAFCO. Hoping to soften the blow of a \$1-million-a-year revenue loss, the county agreed to lease county facilities and land to the new city for about \$475,000 a year. However, Perkins says, after incorporation the city challenged the agreement, and the two sides are hung up in court on the matter.

The third reason cities sometimes incorporate, McDonald says, is community control over some aspect of municipal services—usually the police department. This was particularly the case in the minority community of East Palo Alto, which incorporated in 1983. McDonald calls East Palo Alto an "extremely marginal situation" financially, but said the desire for local control over police was so strong that it was enough to carry the incorporation movement.

Interestingly, not all counties oppose all incorporations. Santa

Barbara County, though it ran into difficulty in Solvang, is currently sponsoring an incorporation proposal for Goleta, a large unincorporated area near the city of Santa Barbara. Perkins says the county supports to move because Goleta is not a treasure trove of tax revenue, and shedding itself of the area would give the county more room to maneuver financially under the Gann expenditure limit.

Santa Barbara city is also looking into the possibility of annexing Goleta, a move that would double the city's population and triple its square mileage. LAFCO will conduct a hearing on the matter in early May with an eye toward a November incorporation election, unless Santa Barbara requests a postponement to do further study of annexation.

There's no question that the incorporation movement has made the job of the LAFCOs more difficult. In most counties, the LAFCO contains five members, including two appointed by the county supervisors, two from the cities, and a fifth selected by the other four. In some counties, particular large cities or service districts might also have representatives.

Though technically independent, LAFCO staffs in all but a few counties are placed under the county governmental structure, and LAFCO attorneys often work for the county as well. And Bill Davis, executive officer of the San Mateo County LAFCO, says his work involves much more detailed analysis than it did before Proposition 13.

Though incorporation proponents sometimes say that LAFCO commissioners or staff members are unduly influenced by county supervisors, the incorporation consultants around the state say they generally do a pretty good job, considering the circumstances. "The degree of influence the county might have differs from LAFCO to LAFCO," says Jim Herrington of the League of California Cities.

*About four consultants around the state are acknowledged as experts in the field of incorporations. They are:*

Angus McDonald, (415) 548-5831.

Fred Christianson, (619) 722-1177.

Bill Zion, (415) 283-0442.

Jim Herrington, (916) 444-5798 (now with the League of California Cities.)

## New Cities Since Passage of Proposition 13

<b>Alameda County</b>		<b>Riverside County</b>	
1982	Dublin	1981	Cathedral City
<b>Butte County</b>		1982	La Quinta
1979	Paradise	1984	Moreno Valley
<b>Contra Costa County</b>		<b>San Bernardino County</b>	
1982	Danville	1978	Grand Terrace
1983	San Ramon	1980	Big Bear Lake
1985	Orinda	<b>San Diego County</b>	
<b>Kings County</b>		1980	Poway
1979	Avenal	1980	Santee
<b>Lake County</b>		1986	Solana Beach
1980	Clear Lake	1986	Encinitas
<b>Lassen County</b>		<b>San Mateo County</b>	
1985	Loomis	1983	East Palo Alto
<b>Los Angeles County</b>		<b>San Luis Obispo County</b>	
1978	La Habra Heights	1979	Atascadero
1981	Westlake Village	<b>Santa Barbara County</b>	
1982	Agoura Hills	1985	Solvang
1984	West Hollywood	<b>Ventura County</b>	
<b>Mono County</b>		1983	Moorpark
1984	Mammoth Lakes	<b>Yolo County</b>	
		1987	West Sacramento

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## Cities of the Future

Here is a partial list of California communities that experts say appear to be moving toward incorporation now:

<b>Alameda County</b> Castro Valley	<b>Orange County</b> Dana Point Laguna Niguel Mission Viejo Capistrano Beach	<b>Sacramento</b> Elk Grove Citrus Heights Rancho Cordova	<b>San Diego County</b> Fallbrook Lakeside Rancho Santa Fe
<b>Los Angeles County</b> Calabasas Santa Clarita	<b>Riverside</b> Rancho California	<b>San Bernardino County</b> Yucaipa Highland Hesperia 29 Palms	<b>Santa Barbara</b> Goleta
<b>Madera County</b> Oakhurst			

## Desert Dwellers Seek Split From San Bernardino County

Amid the dozens of current attempts in California to exert local control over fiscal and land-use policies, there is one that stands out because it does *not* involve the incorporation of a new city. In the Victorville area north of San Bernardino, a group of citizens is proposing that the huge, sparsely populated desert areas of San Bernardino County break away and form the new county of "Mojave."

Under the proposal, 90 percent of San Bernardino's 20,000 square miles of area and about 20 percent of its population would become part of Mojave. That would leave San Bernardino with 850,000 people in 2,000 square miles and Mojave with 210,000 people in about 18,600 square miles. Mojave would succeed San Bernardino as the largest county in the continental United States.

Valid signature petitions were certified by the county Board of Supervisors in mid-February, and a vote is likely on either the June or November ballot in 1988.

Victorville City Councilman Mike Rothschild, who is president of the New County Steering Committee, said the group's reasons for seeking a divorce from San Bernardino County are mostly financial. He claims the "new county" area produces a \$30 million surplus each year for San Bernardino County — \$190 million in revenues and \$160 million in expenditures. A detailed financial study, however, has not been done yet.

Rothschild also said some citizens in the Victorville area complain that they are "stepchildren" when it comes to land-use planning compared to the fast-growing areas in the southwestern part of the

county, such as the Chino Hills.

"If we get nothing else out of the whole process, we're going to get some legitimate attention," he added. The entire 18,000-square-mile area is represented by one supervisor — John Joiner, who lives in Big Bear Lake, which is outside the limits of the proposed new county.

No new county has been created in California since Imperial was carved from San Diego 80 years ago. For most of the century it was practically impossible to create a new county, because state law required a petition bearing valid signatures from two-thirds of the county's registered voters before an election was held.

In 1974, however, the procedures were made easier. The signatures of only 25 percent of the registered voters in the breakaway area are required before the governor must appoint a five-member County Formation Commission. The commission, which must include two members from the new area, two from the old area, and one outsider, then has six months (with the possibility of one six-month extension) to conduct a detailed study.

Thereafter, an election must be held, and the proposal for the new county must be victorious in both the "new" and "old" parts of the county.

Since the change in the law, seven votes have been taken, but only one — the 1984 attempt to carve the City and County of South Lake Tahoe out of El Dorado County — even came close to success. (See accompanying chart.)

Contact: Mike Rothschild, Victorville City Council, (619) 245-8188.

## Attempts to Create New Counties

Year	New County	Old County	Area Included	Vote*
1976	Canyon	Los Angeles	Valencia/Newhall/Saugus	31.9%
1978	South Bay Peninsula	Los Angeles	Manhattan Beach/El Segundo	27.5%
	Canyon	Los Angeles	Palos Verdes Peninsula	25.9%
	Los Padres	Los Angeles	Valencia/Newhall/Saugus	35.8%
	Ponderosa	Santa Barbara	Lompoc/Santa Maria	21.5%
1982	S. Lake Tahoe	Fresno	Eastern foothills	23.9%
1984		El Dorado	City of S. Lake Tahoe	45.6%

\*Total for the entire country, undifferentiated between "old" and "new" sections. For passage, new counties must be approved separately by voters in "new" area and in the remaining area of the "old" county.

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how to alleviate problems caused by competition for revenue-rich real estate developments. Most of the proposals involve far-reaching proposals for state reform that appear to have little chance of passage. But the very existence of the report and its recommendations seem to suggest that local government finances is an issue that is making its way onto the political agenda.

Furthermore, Gov. George Deukmejian recognized the tough position that counties are in in his budget, when he called on the Legislature to help stabilize the financial positions of counties. The County Supervisors Association of California has introduced a three-billion \$1-billion legislative package to alleviate county financial woes. The governor's proposals are similar, though differ in detail.

And around the country, the National Conference of State Legislatures reports that local government finance has pushed its way onto the legislative agenda in many states. In fact, that organization established a task force last year to look into the problem, and the result was a report calling on state legislatures around the country to establish task forces to look into state-local relations. Such a task force may be in the offing in California.

Here is a rundown of current hopeful developments:

### SANDAG Report

In December, SANDAG issued a draft report, "Regional Governmental Responsibilities and Revenues," dealing with the whole question of local government competition for tax-producing real estate development. The motivating force behind the report was a proposal by San Diego County to revise its so-called "I-55" policy, which is meant to encourage annexation or incorporation of urbanizing areas.

City managers feared the county would probably make incorporation and annexation more difficult to achieve, so all sides agreed to a study by SANDAG on the entire issue. After concluding that both cities and counties are competing for a near-constant tax base, the report went on to say that the statewide property tax system "is inequitable and ill-designed to meet the changing service responsibilities and funding needs of local government."

Thus, the guts of the SANDAG report's recommendations deal with reforming the property tax system. These reforms would require legislative and constitutional changes that even the report's authors acknowledge are not likely to come about soon. The proposals include:

- *Revise the post-incorporation or post-annexation property tax split, so that counties are not so hard hit.*
- *Revise Proposition 13 to allow property tax overrides in newly incorporated areas.*
- *Eliminate inter-county disparities in property tax funds that go to school districts, which were locked in after Prop. 13.*
- *Support for county finance reforms in the state legislature, which are described below.*

The proposal also makes a number of suggestions that can be implemented at the local governmental level, including:

- *A sales-tax increase to pay for courts and jails.* (This proposal failed to obtain the necessary two-thirds vote in San Diego County in the November election.)
- *A sales-tax increase to pay for transportation improvements, a technique that has succeeded on the ballot in several other counties.*
- *Procedures to increase intergovernmental cooperation on land-use issues.*

For more information on this report, contact Stuart Shaffer, SANDAG, (619) 236-5300.

### County Finance Measures

In last November's election, voters 20 rural counties in Northern California passed "Measure A," an advisory measure calling on the state legislature to fund county programs if the state mandates those programs.

Now the County Supervisors Association of California has gone one step further, proposing \$1 billion, three-bill legislative package that would do just that. These same issues are supported in concept by Deukmejian:

- *SB 23 (Presley):* This bill would implement the transfer of funding of the county trial court system from the counties to the state through the use of a block-grant type program. Deukmejian wants some court reforms in return. Estimated cost to the state (and savings to the counties): \$300 million per year.
- *SB 204 (Kopp):* This bill would transfer an additional quarter-cent of the state sales tax to the counties, bringing the total to 1.5 cents, and in return assume responsibility for some health programs. Estimated cost to the state (and savings to the counties): \$600 million per year.

- *SB 253 (Bergeson):* This bill would stipulate that if certain county expenditures (mostly in social service areas) rise faster than revenues, the state would make up the difference. Estimated cost to state (and savings to counties): \$7.6 million.

In addition, Deukmejian wants to take some two dozen state-mandated county programs and either repeal them or make them optional, at a cost to the counties (and savings to the state) of close to \$60 million.

For more information, contact County Supervisors Association of California, (916) 441-4011.

### Nationwide Developments

States and local governments—particularly cities—traditionally have not gotten along. But that may be changing. According to the National Conference of State Legislatures in Denver, there is a growing awareness of city/county fiscal problems in state legislatures around the country.

Considering the historic animosities between cities and states, the mere fact that the state legislatures organization is even taking up the issue is important to note. In fact, however, last year the group formed a task force on state-local relations, chaired by a state legislator from Ohio.

Characterizing today's environment as "fend-for-yourself federalism," the task force issued a report late last year that said: "The time has come for states to change their attitude toward local governments—to stop considering them as just another special interest group and to start treating them as partners in our federal system of providing services for citizens."

A central recommendation of the task force's report is that state legislatures should work to assist local governments in easing their financial problems—in particular, by granting cities and counties more revenue-raising authority.

The report notes that property tax is still the basis of the local fiscal system—accounting for 50 percent of the tax base in cities and 76 percent in counties nationwide. However, the report continues, "heavy reliance on it is undesirable because the property tax is so unpopular with the public." The report calls for the granting of additional authority to levy sales and income taxes on the local level.

For more information and a copy of the National Conference on State Legislatures report, contact Steven Gold, Director of Fiscal Studies, National Conference of State Legislatures, (303) 623-7800.

## More Development Measures Lined Up for April and Beyond

The surge in ballot initiatives seen in 1986 shows no signs of letting up. Already, several measures are scheduled for the ballot this year—even though it is an off-year election—and several more are headed that way.

However, some growth-control activists are finding that even the threat of an initiative is enough. Faced with 11,000 signatures being certified in a referendum effort, the Ventura City Council voted March 2 to reverse decision, made just five weeks before, to approve a commercial project. Now city officials are considering selected building and traffic limits as a means of heading off a general moratorium initiative.

According to Madelyn Glickfeld and Leroy Graymer, who conducted a trend analysis of California ballot initiatives recently (see accompanying story), a city council has accepted an initiative's

position, rather than place it on the ballot, only four times in the last 15 years.

A referendum also appears headed toward the ballot in Folsom, where residents oppose a 750-acre residential/commercial project because the city council is allowing the developer to donate floodplain land for parks, a move that is prohibited by the city general plan.

According to the California Association of Realtors, at least four measures are already scheduled for the April ballot, including a traffic management initiative in Alameda, a residential growth cap in Vista, and two measures—a residential cap and a "pay-as-you-grow" infrastructure plan—in Oceanside. In Newport Beach, a traffic management initiative is scheduled for the November 1988 ballot, according to CAR.

## Land-Use Measures

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ballot, most early proposals dealt with residential growth caps and establishment of the urban-rural boundary. More recently other themes have emerged, particularly requiring subsequent voter approval on large projects and seeking restrictions on commercial building and on-shore oil support facilities.

The researchers found 45 measures on the ballot in 1986 (about 33% of the 15-year total), compared with only 10 in 1985, eight in 1984, and a previous high of 16 in 1979. (A *California Planning & Development Report* special report counted 37 measures on the November ballot around the state; the UCLA/CAR figure of 45 is for the entire year. *CP&DR*, December 1986.)

Forty-four percent of the '86 measures were on the ballot in Southern California, continuing a strong trend that began in 1983. Prior to 1983, the South accounted for only about 21% of the state's land-use ballot measures. Since that time, however, about 43% of the measures have been from Southern California.

The researchers were quick to point out, however, that the 21 measures on Southern California in '86 came from only 12 cities and

one county because of multiple measures from the same city.

Since the first growth-control measure was attempted in San Francisco in 1971, the researchers concluded, 17 counties (29%) and 67 cities (15%) have seen growth measures on their ballots. San Francisco has had the most: seven, including six relating to the restriction of commercial office space. (All failed until Proposition M last November.) The city of Livermore, Santa Barbara County, and Sonoma County each have had four measures on the ballot over the years.

The number of measures has fluctuated wildly over the years. Oddly, the experience of the last few years did not predict the huge rush to the ballot in '86. A steady increase culminated in 46 measures (33% of the 15-year total) on the ballot in four years, 1979-1982. However, 1983-85 saw only 22 measures, or about 17% of the overall total.

*Contacts: Madelyn Glickfeld, planning consultant, (213) 456-2217.  
Kerry Morrison, CAR, (213) 739-8200.*

## Mission Bay

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Besides the park and other open spaces, which are likely to take up 70-80 acres, the city's proposal calls for:

- Between 7,700 and 8,000 housing units.
- 3.6-4.1 million square feet of office space.
- 2.3-2.6 million square feet of light industrial and research and development space.
- 300,000 square feet of retail space.
- a 500-room hotel.
- a baseball stadium to replace Candlestick Park.

Santa Fe spokesperson Susan Saltzer said the company's main concern is that the the whole project might become prohibitively expensive if the final plan includes the low end of the range of commercial and retail spaces, and the high end of the range of amenities.

"The commercial portion of Mission Bay is the economic engine that drives the very substantial public benefits," she said.

However, she added that the plan's best quality "is that it creates a sense of neighborhood for Mission Bay"—a key concern for citizen activists, who objected to I.M. Pei's earlier high-rise plan for the area.

Now, however, the citizen activists appear most concerned that the plan does not allow the Port of San Francisco room for expansion in the Mission Bay area. Under the plan, the port would sell its land to the developer here, then use the money to purchase land further north for expansion.

The port is willing to go along with the plan, but citizen groups believe that it would limit the port's future expansion and, hence, the city's disappearing blue-collar employment base.

"It cripples the port in the long run," said Jack Morrison of the San Francisco Tomorrow environmental group.

But city planner Alec Bash said that without the sale of land in Mission Bay, the port would have no money to purchase land elsewhere: "There's no other way to get the port that other land."

The Mission Bay property has been a point of contention in San Francisco for several years. In the early '80s, before its merger with Santa Fe, Southern Pacific proposed Pei's plan, which included several 40-story skyscrapers and 9 million square feet of office space. "They were proposing a second downtown," Bash said.

After the merger, however, Santa Fe reached an agreement with Feinstein which specified that no buildings would be more than eight stories high and also laid out general guidelines for other land uses. "They have been much more willing to be flexible" after the merger, Bash said.

In particular, he said, Santa Fe was more willing to sacrifice some of the ultimate size of the project in return for permission to construct some profitable elements quickly.

*Contacts: Alec Bash, City Planning Department, (415) 558-2702.*

*Susan Saltzer, Santa Fe Pacific Realty, (415) 974-4677.*

*Jack Morrison, San Francisco Tomorrow, (415) 564-1482.*