ROUTE FIFTY
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3 tips for short-term land-use planning

Sunset aerial view of the urban core of downtown Rancho Cucamonga, California. MATTGUSH/GETTYIMAGES

By John R. Gillison | APRIL 19, 2024

COMMENTARY | As populations grow and real estate requirements change, cities or counties should regularly evaluate their mix of land use designations so they get the kind of development they can live with long term.

Like most cities, Rancho Cucamonga, California, has a detailed, 20-year general plan that establishes a common ground for making decisions about the future. But because of the community's evolving needs, values or long-term issues, such as climate change, health and wellness or land use, that plan is regularly reviewed.

One of the most important elements in the general plan is land use designation, which specifies the type, intensity and distribution of land used for a variety of public and private purposes, such as housing, business, industry, open space, education, public buildings and waste disposal facilities. Proper land use is critical because it shapes other significant planning decisions involving transportation, electricity, water demand and more.

As populations grow and real estate development requirements change, cities or counties must regularly evaluate their mix of land use designations to properly classify and distinguish the various land uses needed within their jurisdiction and allowable by code. This evaluation and its impact on land use planning directs how, where and what kind of development may occur. Plotting the distribution of these designations is referred to a land use map, controls or table.

Based on my experience with the decades-long evolution of the land use table for Rancho Cucamonga, there are three principles that jurisdictions should consider as they make their hort-term development decisions.

1. Avoid Pursuing "Hot Markets"

This consideration may be the toughest to follow because cities and counties are constantly presented with opportunities to entertain new commercial real estate, or CRE, developments in emerging property types.

For example, in the last 20 years, the digital economy has spurred a huge new sector that features cell phone towers, data centers and server farms. On the surface, given the increasing connectivity in the world, growing 5G communication infrastructure and rapid proliferation of artificial intelligence, the temptation to "jump on the bandwagon" and rezone portions of a jurisdiction to accommodate development in this space may seem like a great idea. However, there are other considerations, such as a lack of suitable land and labor as well as high energy costs driven by the massive amounts of electricity required to power and climate-control equipment that may tilt the scales against this sector being a good fit.

Another example can be resurgent traditional CRE sectors, such as industrial, which experienced a strong rebound in 2023 after considerable slowing during COVID lockdowns. Strong consumer spending and increasing nearshoring (i.e., placing manufacturing or operations close to or in the U.S.) drove construction of logistics facilities and warehouses and led to high occupancy and rent rates.

On the surface, logistics may seem a good opportunity. However, a recent Los Angeles Times article paints a different picture of this sector with data indicating some shrinkage for the first time in years. Ultimately, all of these data points must be considered, and, in the case of Rancho Cucamonga, city leadership held the course outlined in the city's general plan and adhered to its current levels of land use for logistics.

Given that different uses of land should be strategically assessed and prioritized based on their capability to generate sales tax revenue to pay for city services, jurisdictions must carefully evaluate new opportunities of this kind and use the research and due diligence conducted in writing their current general plan to provide guidance on whether to act on them.

2. Look Forward, Not Back

It can be easy for agencies to look at past general plans and economic development approaches as a baseline or touchstone for how to proceed with future land use planning. If a city or county has a lot of industrial, office, hospitality or other CRE sector, the temptation may be to rely on their "bread and butter" and not take advantage of other opportunities that present themselves.

Here, cities and counties must perform deep analysis on their community needs and market conditions to make decisions on, for example, the need for more senior living housing to address an aging population or flex industrial space to balance long-term warehousing. Analysis will also show whether their jurisdiction can invest the necessary capital to build the tech infrastructure required for advanced manufacturing or digital sectors or if they should repurpose office space that has been impacted by telecommuting. The list goes on.

Over three decades spanning numerous city councils, the leadership of Rancho Cucamonga created a vision for and eventually developed of a large retail complex, a multimodal transit-oriented facility and multifamily housing to accommodate the expanding regional population. Along the way, certain areas of the city's land use table had to be rezoned so the city could move on from its industrial heritage to more office, retail and mixed-use development.

3. Balance Property Types

While it may seem straightforward to point out the need to diversify an agency's land use table to mitigate risk if a particular property type underperforms due to market conditions, many cities and counties tend to devote too much land to certain types of development based on perceived opportunities, running the risk of neglecting their own general plan in doing so.

Because the real estate market is cyclical by nature, cities and counties are best served by balancing all the property types in their land use table. Each jurisdiction is unique, so there's no general rule of thumb for what percentages to assign to different property types.

Conclusion

As cities evolve their land use table, leaders must remain in close communication with members of the local commercial and residential real estate community, including developers, construction companies, brokers and industry influencers. With quarterly or semi-annual meetings with local CRE brokers, for example, agency leaders can get essential feedback in understanding market trends and other impacts that will affect city planning and rezoning.

From an economic development standpoint, it's important that the real estate community knows the city's long-range plans so that its members can adjust for opportunities or changes, as necessary. Ideally, city leadership will act in collaboration with the real estate decision-makers to drive development and leasing that serves the mutual interests of both business and government.

Land-use planning and sticking to a long-range vision will have its challenges. However, by moderating which property types are permitted, keeping a future-looking eye to the community's needs and balancing property types, cities and counties can optimally position themselves for growth in whatever forms it takes.

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