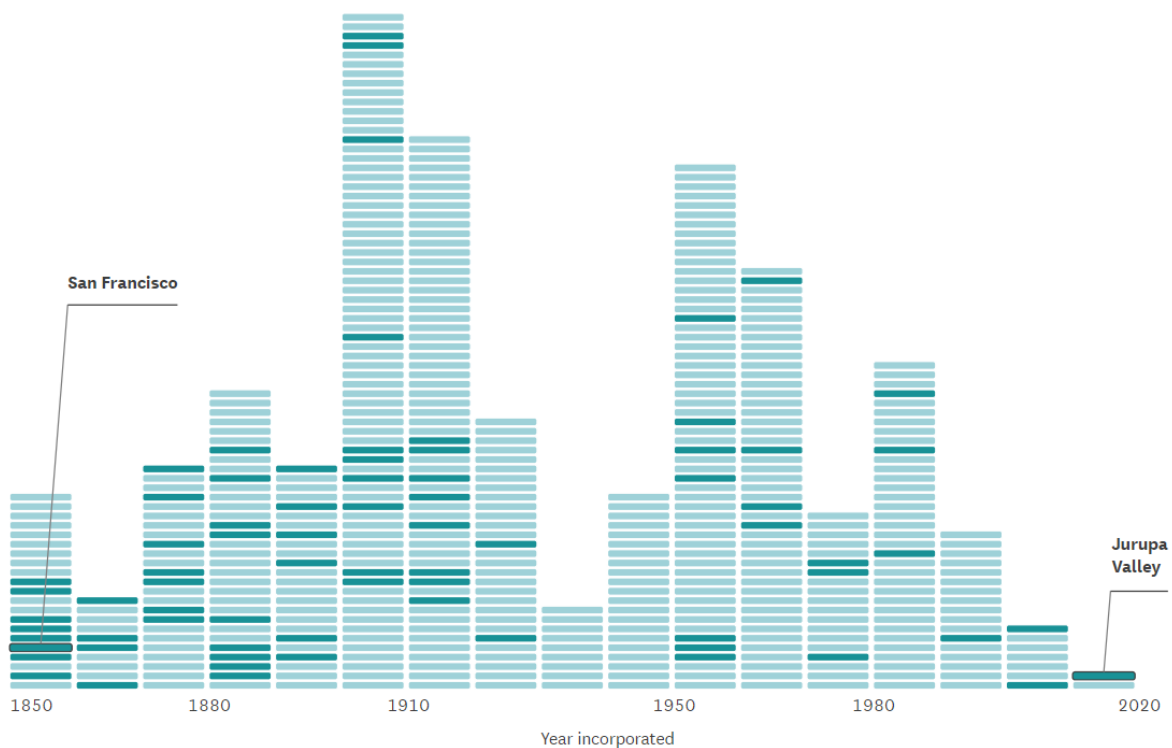


One of California's fastest-growing areas may become a city. Charts show how rare that is

Each rectangle represents a California municipality, ordered by its incorporation year. Select a rectangle for details, or search for a municipality.

Search for a municipality:

■ Cities with 100K+ people ■ Smaller cities



By **Nami Sumida** | Updated Nov. 13, 2023 9:34 a.m.

Mountain House, one of the [fastest-growing places](#) in California, may soon become a city. Residents are set to vote in March on whether to turn their nearly 30,000-person community in San Joaquin County into an incorporated city with its own local government and city-run services.

If Mountain House voters elect to incorporate, it would be the first time in over a decade that a new California city has formed, as new municipalities have become extremely rare across the state, largely due to the financial challenges of incorporating.

Incorporated places, often referred to as municipalities, include cities, towns, boroughs and villages with local governments. They collect their own revenue and operate local agencies, like police and fire departments, to deliver services to residents. They also have some control of land-use planning, namely the ability to permit and restrict housing development in their area.

Most places with sizable populations are municipalities, but some large communities, like Mountain House and Alameda County's Castro Valley, are not incorporated.

Since California became a state in 1850, it has formed 482 municipalities. City incorporations peaked twice — first between 1900 and 1920, and again during the 1950s and 1960s. Both peaks coincided with spikes in the state population.

But over the past decade, California has formed just two municipalities, even though its population grew by more than 2 million. That's according to data collected by Northern Illinois University professor Christopher Goodman on the incorporation year of nearly every U.S. municipality.

Jurupa Valley, a 107,000-person city in Riverside County that was incorporated in 2011, is the most recently-formed municipality in California. Three other Riverside County cities are the next most recently incorporated.

In the nine-county Bay Area, Oakley in Contra Costa County is the latest municipality, though it has been more than two decades since its incorporation. Oakley was most recently preceded by Sonoma County's Windsor and Napa County's American Canyon, both established in 1992.

California municipalities incorporated since 1990

Each circle on the map represents a recently-incorporated city. Select a circle for details.



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Nami Sumida/The Chronicle · Source: [Goodman, C. B. \(2023\). Municipal Incorporation Data, 1789-2020](#)

In general, the state has few municipalities relative to its population. California, the most populous U.S. state, has fewer incorporated places than Nebraska, Kansas, Arkansas and 14 others.

Between 2010 and 2020, California's population grew by 2 million, just two new cities formed during this time period. In contrast, Texas, which added 4 million residents, established seven municipalities. Georgia added 1 million people and five new cities.

Changes in population and incorporated municipalities in select states from 2010 to 2020

California added two new cities and over 2 million people between 2010 and 2020. The table includes states with changes in the number of incorporated municipalities and states for which we have incorporation data for at least 90% of municipalities.

Changes in population and incorporated municipalities in select states from 2010 to 2020

California added two new cities and over 2 million people between 2010 and 2020

State	Number of new municipalities	▼ Population change
Texas	7	+4,000,000
Florida	2	+2,740,000
California	2	+2,280,000
Georgia	5	+1,020,000
North Carolina	3	+904,000
New York	1	+823,000
Arizona	1	+759,000
Minnesota	1	+403,000
Alabama	2	+245,000
Wisconsin	7	+207,000
Missouri	1	+166,000
Arkansas	1	+96,000
New Mexico	3	+58,000
Maine	1	+34,000
Alaska	2	+23,000

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Nami Sumida/The Chronicle · Source: Goodman, C. B. (2023). Municipal Incorporation Data, 1789-2020

The primary reason behind California’s recent lack of city incorporations is a 2011 state law (SB89) that diverted millions of dollars originally allocated as revenue for new cities into other programs, said Steven Falk, a lecturer at UC Berkeley and former Oakland city administrator who has served five other California municipalities. Without this major source of funding, potential new municipalities now have to finance city services with their revenue alone.

This is especially challenging today, as operating a city has become increasingly expensive, according to Falk. While cities used to be largely responsible for just three main services — public safety, public works and city planning — today they provide so much more: they

manage parks and recreational facilities, build animal shelters and run homelessness programs, to name a few.

In addition, the expectations within an agency have grown. For example, police departments today may require specialized task forces, such as hazardous materials units or SWAT teams to respond to potential active shooters, said Falk.

“The expectations of cities are higher now than ever before. The minimum service levels expected are higher, the costs are higher, yet cities have less revenue than they used to,” said Falk. “This mix of increased expectations and lower revenue has sort of doomed a lot of these incorporations.”

Another reason for fewer incorporations is their impact on the finances of the prospective city’s county. When an area incorporates, it claims the revenue generated from that area, while the county loses that amount. Of course, the county also recovers money it spent on servicing the community, but the savings are not always equal to the amount lost.

“The county won’t necessarily be eager or interested in supporting incorporations because they fear the loss of revenue,” said Falk.

The state, in fact, mandates that the formation of a new city must be “revenue neutral” to all affected agencies. In other words, an agency — for example, a county — cannot lose money from a city’s incorporation, and if an agency does end up in the red, the newly-formed city must compensate it.

This forced compensation, plus the cost of running a city, translates to huge deficits for most places that wish to incorporate.

Take, for instance, Castro Valley. With 66,000 residents, it’s as large as incorporated cities such as South San Francisco, Palo Alto and Walnut Creek. But according to a financial analysis conducted earlier this year on a potential incorporated Castro Valley, the city would generate about \$36 million in revenue but require around \$43 million for expenditures per year, resulting in an annual deficit of \$7.2 million. On top of that, the incorporation would lead to a \$3.4 million shortfall for Alameda County, violating the state’s revenue neutrality clause; Castro Valley would have to pay the county back for its losses, payments which are typically funded through tax increases.



A young cyclist rides through a partially developed section in the College Park neighborhood of Mountain House. Don Feria/Special to the Chronicle

So how does Mountain House have the funds to incorporate? It's a combination of a few smart decisions made early on in the community's development that prepared residents and San Joaquin County for the city's eventual incorporation, said Jim Simon, the principal and president of RSG, the group that conducted the fiscal analysis for Mountain House's incorporation.

The first decision was to make Mountain House a community services district in 1996, which shifted revenue generated in the area from the county to the community. As a result, the city's incorporation today passes revenue neutrality since San Joaquin County already doesn't receive some of Mountain House's revenue.

The other key factor is a set of four special property taxes that early developers put in place as they were developing the area. The revenue from these taxes funds about half of the city budget, including services related to roads and transportation, public safety, parks and recreation and public works.

According to Simon, who has conducted feasibility studies for other potential cities, this kind of early planning for cityhood is rare. Most communities don't consider incorporating until they've grown large enough that issues around local needs arise. But by that point, it's too late, considering the financial challenges of incorporating.

"New communities are built and developed, but how an area is going to get services as it grows is not top of mind," said Simon.

Case in point is Castro Valley. The community is the fourth most populous place in the state that isn't incorporated.

According to Simon, the only feasible path to cityhood for Castro Valley — and other communities that are relatively developed — involves tax hikes. "Unless residents are prepared to tax themselves significantly, (incorporating) can be difficult," said Simon.

Despite Castro Valley's grim financial outlook, some residents are still pushing for incorporation after a report found Alameda County services were failing residents of Eden Area, an unincorporated highly-urban area that encompasses Castro Valley. The report found uninhabitable living conditions, including broken water heaters, rodents and sewage water flooding.

The most populous California places that aren't incorporated

🔍 Search in table

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Place	County	2020 population
East Los Angeles	Los Angeles	119K
Arden-Arcade	Sacramento	95K
Carmichael	Sacramento	80K
Castro Valley	Alameda	66K
Florence-Graham	Los Angeles	62K
South Whittier	Los Angeles	56K
Hacienda Heights	Los Angeles	54K
Florin	Sacramento	52K
El Dorado Hills	El Dorado	51K
North Highlands	Sacramento	49K
Antelope	Sacramento	49K
Rowland Heights	Los Angeles	48K
Vineyard	Sacramento	44K
Altadena	Los Angeles	43K
Oildale	Kern	36K

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Nami Sumida/The Chronicle · Source: U.S. Census Bureau

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The most populous California places that aren't incorporated

Search in table

Place	County	2020 population
Foothill Farms	Sacramento	36K
Orangevale	Sacramento	36K
French Valley	Riverside	35K
La Presa	San Diego	35K
Westmont	Los Angeles	34K
Fair Oaks	Sacramento	33K
Fallbrook	San Diego	32K
Orcutt	Santa Barbara	32K
Spring Valley	San Diego	31K
San Lorenzo	Alameda	30K
Eastern Goleta Valley	Santa Barbara	29K
East Niles	Kern	28K
Ladera Ranch	Orange	26K
Temescal Valley	Riverside	26K
North Tustin	Orange	26K

Nami Sumida/The Chronicle - Source: U.S. Census Bureau

The most populous California places that aren't incorporated

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Place	County	2020 population
West Whittier-Los Nietos	Los Angeles	25K
Mountain House	San Joaquin	25K
West Rancho Dominguez	Los Angeles	24K
Willowbrook	Los Angeles	24K
Bloomington	San Bernardino	24K
Bay Point	Contra Costa	24K
Ashland	Alameda	24K
Rosemont	Sacramento	24K
West Puente Valley	Los Angeles	23K
West Carson	Los Angeles	23K

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Nami Sumida/The Chronicle • Source: U.S. Census Bureau

The benefits of incorporation come down to local control, with unincorporated areas wishing to craft services to meet the needs of local residents.

Perhaps the most coveted local power is access to zoning codes. According to Goodman, the professor who gathered the municipalities data, the biggest reason for incorporating is to gain control over an area's zoning codes and, in many cases, enact restrictive codes to prevent housing development.

Falk, who was the city manager of Lafayette for 22 years, recalls land-use planning being a key factor in Lafayette's incorporation in 1968. Though Falk did not work for the city at the time, he recalls members of the first City Council were unhappy with decisions made by the county board of supervisors around how their area was being developed.

"They wanted to take control, and they did," said Falk.