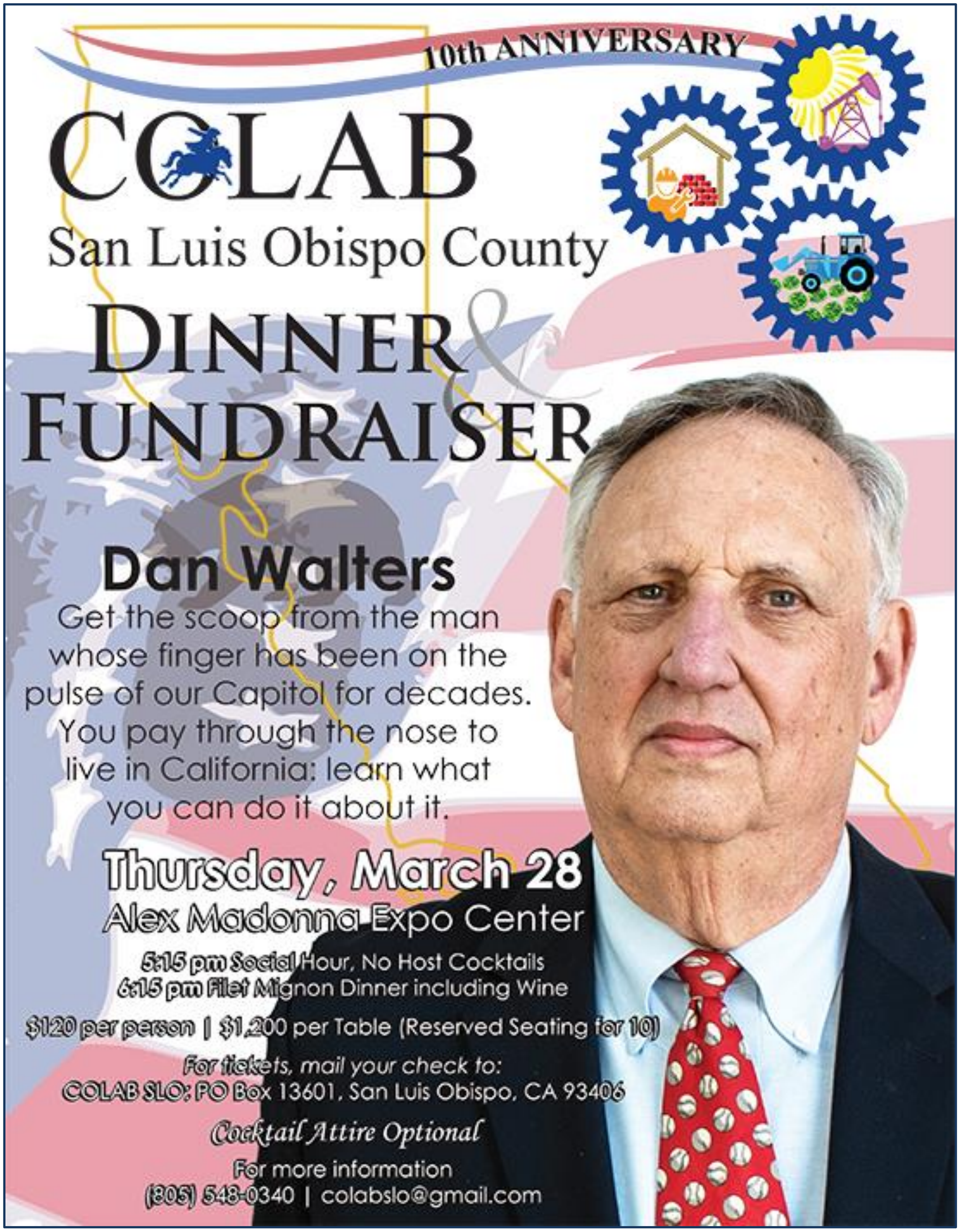
COLAB SAN LUIS OBISPO

WEEK OF February 3 - 9, 2019



THIS WEEK

BOS MEETING

SLOCOG

HOUSING NEEDS ASSESSMENT
COUNTING ANGELS ON THE HEAD OF A PIN

DRAFT REGIONAL TRANSPORTATION PLAN
STACK-AND-PACK / GET OUT OF YOUR CAR

LAST WEEK

MAINLY REPORTS AND GRANT APPLICATIONS
NO BIG STRATEGIC POLICY ITEMS

FY 2017-18 FINANCIAL REPORT ON CONSENT CALENDAR – TOO BAD – NO PUBLIC REVIEW

DRAFT INTERIM PLAN TO END HOMELESSNESS – NO REAL DEADLINES OR BUDGET

SEWER RATE INCREASE FOR OAK SHORES REJECTED BY PROPERTY OWNER VOTE

SLO COLAB IN DEPTH
SEE PAGE 12

SACRAMENTO KEEPS ON FOOLING US

BY JON COUPAL

CALIFORNIA COMPANIES LOOK EAST FOR AFFORDABLE HOUSING

BY JOSEPH VRANICH

THIS WEEK'S HIGHLIGHTS

Board of Supervisors Meeting of Tuesday, February 5, 2019 (Scheduled)

Items 10, 11, 12, 13, 14, 19, and 21 - Position (Job) Salary Range Reclassifications and Swaps of Higher Cost Positions for Lower Cost Positions. One of the problems of most government pay and classification systems is the large number of job distinctions, many with fairly minute differences.

Consider this bit of arcana from the write-up for Item 10:

As was part of the County's final proposal and tentative agreement with SLOCEA, the County also imposed an additional 10% wage increase on Property Transfer Technician classification series in BU01, and Supervising Property Transfer Technician classification in BU05. The reason for this additional increase was to account for the complexity of work and greater knowledge, skills, and abilities required of these classifications. For the same reason, it was also intended that the increase would bring the wages of the Property Transfer Technician classification series to 10% above the Assessment Technician classification series, and that the wages of the Supervising Property Transfer Technician classification would be 10% above the Assessment Technician Supervisor classification. However, since the Supervising Property Transfer Technician classification salary was less than the Assessment Technician Supervisor classification at the time of imposition, the 10% wage increase only brought the Supervising

Property TransferTechnician up to 8.6% above the Assessment Technician Supervisor. Since the County is only able to impose the items as made in its final proposal to SLOCEA, this issue could not be addressed during the impasse proceedings.

Then due to the Byzantine logic above:

Since that time, the County and SLOCEA have agreed to correct the alignment between these classifications, whereby the wages of Supervising Property Technician classification will be 10% above the wages of the Assessment Technician Supervisor classification. To achieve this 10% difference between these classifications it is recommended that the Board of Supervisors approve a wage increase of 1.26% for the Supervising Property Transfer Technician classification, effective the pay period beginning October 21, 2018. The timing of the increase will coincide with the increases given to the Property Transfer Technician classification series to place those classifications 10% above the Assessment Technician classification series.

In the end the new cost for the reclassified Property Transfer Technician salary will be $1,380 higher per year, which won't break the bank. Undoubtedly, they spent thousands studying the matter, negotiating with the union, and preparing all the paper work. By way of background, the big picture for this one is:

	Range	Monthly Salary
Current:	3012	$5,220.80 – $6,345.73
New, effective October 21, 2018:	3050	$5,286.67 – $6,427.20

Why Is This Important? In the big picture all the changes in the various agenda items cited here add up to a new cost of $309,425 per year and growing forever. These off budget changes appear regularly on agendas week in and week out. Over a fiscal year the accumulative impact can add up.

Even more significantly, reform of the classification and pay systems is desperately needed. These systems are one of the primary underlying causes of the escalating cost of government. Consider that the County, with almost 3000 employees, has about 700 separate position classifications arrayed across scores of salary bands, all with different job descriptions. In contradistinction, Apple Computer, with 132,000 full time employees, seems to have about 600 separate position classifications, not counting top management.

In another example, consider the US Army system for enlisted soldiers, which may include millions of "employees," depending on international threats. It contains 33 career military fields (CMFs), which in turn have 329 subspecialty military occupational specialties (MOSs).

Table 2.2

Distribution of MOS by CMF

CLCMF	CMF Title	Number of MOS
11	Infantry	5
12	Combat Engineering	4
13	Field Artillery	15
16	Air Defense Artillery	9
18	Special Forces	6
19	Armor	4
23	Air Defense System Maintenance	8
25	Visual Information	5
27	Land Combat & Air Defense Systems Intermediate Maintenance	18
29	Signal Maintenance	23
31	Signal Operations	17
33	Electronic Warfare/Intercept Systems Maintenance	7
35	Electronic Maintenance and Calibration	1
46	Public Affairs	3
51	General Engineering	19
54	Chemical	1
55	Ammunition	6
63	Mechanical Maintenance	29
67	Aircraft Maintenance	23
71	Administration	14
74	Automatic Data Processing	3
76	Supply and Services	10
77	Petroleum and Water	3
79	Recruitment and Reenlistment	3
81	Topographic Engineering	6
88	Transportation	16
91	Medical	32
93	Aviation Operations	4
94	Food Service	1
95	Military Police	3
96	Military Intelligence	10
97	Bands	16
98	Signal Intelligence/Electronic Warfare Operations	7

One of the 5 subspecialties is 11B which is the combat rifleman.

JOB DESCRIPTION:

Responsible for defending our country against any threat by land, as well as capturing, destroying and repelling enemy ground forces.

JOB DUTIES:

Perform as a member of a fire team during drills and combat

Aid in the mobilization of vehicles, troops and weaponry

Assist in reconnaissance missions

Process prisoners of war and captured documents

Use, maintain and store combat weapons (e.g., rifles, machine guns, antitank mines, etc.)

The actual pay plan is even simpler. Skill levels are arrayed in 5 bands with pay levels corresponding to rank.

Table 2.4

Skill Levels and Associated Paygrades

Skill Level	Paygrade
1	E1–E4
2	E5
3	E6
4	E7
5	E8–E9

E-1 thru 4 includes recruits, privates, and corporals/specialist 4's.

E- 5 thru 9 contains various gradations of sergeants and advanced technical specialists.

Why does the County need 700 position classes and scores of pay ranges? It doesn't even have a band.

San Luis Obispo County Council of Governments (SLOCOG) Meeting of Wednesday, February 6, 2019 (Scheduled)

SLOCOG MATTERS IN GENERAL: In the reports below we briefly summarize some very complex issues and policies. While we disagree with some of the recommended policies and their underlying rationale, this does not mean to imply or suggest any criticism of SLOCOG staff or staff from other agencies which assisted. The staff has prepared the documents and recommendations in accordance with the policies of the SLOCOG Board and State of California legal mandates. The reports are professional, clear, and contain excellent graphics. Our goal is to question the policies, not to decapitate the scribes who have organized massive amounts of information and have provided elected decision makers with choices.

Only the voters can correct the situation if they wish to live in single-family freestanding homes and drive a private car to work. Or, in other words, achieve the American dream.

Item A-2: 2019 Regional Housing Needs Assessment (RHNA): Distribution Methodology.

The SLOCOG Board (the Board) will be considering a cafeteria of 9 formulas to allocate projected need for 10,810 dwelling units among the county's 7 cities and the unincorporated county (the part under the zoning authority of the County), which the State has assigned to San Luis Obispo County. The Plan period is from 2020-2028. The quote below describes the essential purpose and lack of teeth:

The Regional Housing Needs Assessment (RHNA) is mandated by State Housing Law as part of the periodic process of updating local housing elements of the General Plan. The RHNA quantifies the need for housing within each jurisdiction during specified planning periods. SLOCOG is currently preparing the 6th -cycle RHNA Plan for the planning period from December 31, 2020 to December 31, 2028. The 6th -cycle RHNA is set as a ten-year projection to align the region's schedule with the RTP update in 2027, and thereafter an eight year RHNA cycle will be followed. Development of the 2019 RHNA is underway.

Since the communities are not compelled to see that the housing actually is permitted and built, the entire expensive process (in staff and consultant costs in the cities, County, and SLOCOG) is a total waste of time. Only a few communities have ever failed to adopt a housing element over the past 4 decades. The City of Huntington Beach seems to be in the cross hairs currently for refusing to comply.

When a local government fails to adopt an updated Housing Element by the deadline, or adopts an element that does not comply with the law, the city or county is regarded as noncompliant and is subject to penalties. If the General Plan or any element is not in compliance with the law, a petitioner can request a hearing or a trial. If a court finds that the General Plan or any of its mandatory elements do not substantially comply with the law then the court in its order of judgment may specify one or more actions such as to:

- Suspend authority of the entity to issue building permits or other related permits for residential housing;
- Suspend the authority of the entity to grant zoning changes, variances, or both.

The report states further:

The California Attorney General has concluded that the availability of suitable housing sites must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality, but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions. Councils of governments, therefore, cannot accept reductions in a local jurisdiction's RHNP housing allocation targets based upon existing land use regulations that limit the availability of suitable sites to accommodate its fair share allocation targets.

The staff recommends that the Board adopt Scenario 5 per the table below:

Figure 2: Numerical Allocation Table

	RHNA Allocation								
	S1	S2	S3	S4	S5	S6	S7	S8	S9
Population Weight	40%	40%	40%	25%	25%	25%	10%	10%	10%
Employment Weight	60%	60%	60%	75%	75%	75%	90%	90%	90%
Large Employer Allocation	Included	Not included	Allocated by population share	Included	Not included	Allocated by population share	Included	Not included	Allocated by population share
Jurisdiction									
Arroyo Grande	658	692	692	649	692	692	641	693	693
Atascadero	996	915	939	945	843	873	893	772	808
Grover Beach	384	400	410	349	369	382	315	339	354
Morro Bay	375	394	395	367	391	392	359	388	390
Paso Robles	1,324	1,400	1,385	1,351	1,446	1,427	1,377	1,492	1,469
Pismo Beach	405	430	421	427	458	447	449	487	473
San Luis Obispo	2,849	3,042	2,938	3,112	3,354	3,224	3,375	3,665	3,509
SLO County	3,820	3,536	3,629	3,611	3,256	3,372	3,402	2,976	3,116
Regional Totals	**10,810**	**10,810**	**10,810**	**10,810**	**10,810**	**10,810**	**10,810**	**10,810**	**10,810**

Note that there is not a huge difference in the allocation scenarios overall. The write-up does not indicate if any of the jurisdictions are short of their numbers in terms of their existing zoning capacity. In other words, and for example, the City of SLO probably has existing unbuilt permitted units plus zoning capacity for 3,256 units over the next 8 years. On the other hand the County probably doesn't have the pre-zoned capacity and is permitting only 200 to 300 homes per year. Moreover the County includes water and traffic barriers in its so-called resource management system, which will prevent actual attainment of the goal.

Smoke Screen:

The County may well be able to show the State enforcers that it has the actual zoning capacity, principally in Nipomo, Templeton, Oceano, and San Miguel, and scattered across the rural residential zones outside of these village clusters. This is meaningless because it has already included in the Resource Management System (RMS) and a report prefatory to the Housing Initiative that is lacks sufficient water, sewer, traffic, park, and other infrastructure capacity to build almost anything (actually nothing). Existing antiquated lots are under attack by Hill and Gibson and the Sierra Club. It is not known whether existing antiquated lots are counted by the County for RHNA purposes.

If all the cities already have sufficient zoned in capacity (lots), the whole effort is a sham because it does nothing to actually increase capacity. It simply checks the State required boxes.

Sugar Coating Stack-and-Pack and Mass Transit:

A more sinister aspect of the exercise is that the overall strategy is to concentrate 70% of future residential growth into urban areas, as stated in the Regional Transportation Plan (RTP). See items B-1 and B-2 below on the RTP, which summarize the strategy:

Consistency with 2019 Regional Housing Needs Allocation

The regional transportation plan is required to be consistent with the region's regional housing needs allocation (RHNA) plan to help meet state housing goals specified in Government Code Sections 65580 and 65581. To this point, the SCS supports and is consistent with the need to designate and maintain "... a supply of land and adequate sites suitable, feasible, and available for the development of housing sufficient to meet the locality's housing need for all income levels..." (GC Code Section 65580(f)). The planning framework of the *2035 Preferred Growth Scenario* includes a future development patter that focuses on compact housing as opposed to large-lot housing (70 percent versus 30 percent of all new housing), in order to better support and accommodate low-income and moderate-income housing to achieve the RHNA allocation as part of the plan horizon. Additionally, the development pattern of the *2035 Preferred Growth Scenario* includes balanced growth in employment across the three subregions along US 101 (North County, Central County, and South County), as opposed to focused employment growth in Central County, to better support regional jobs-housing balance in the future.

Note that 70% of future homes to be compact housing

@ JOB/HOUSING RATIOS TODAY

Table 2. Jobs and Housing Units by Jurisdiction and Jobs/Housing Ratio (2015 estimates)

Jurisdiction	Jobs (2015, estimate)	Share of Region's Jobs	Housing Units (2015, estimate)	Share of Region's Housing Units	Jobs/Housing Ratio (2015, estimate)
Arroyo Grande	6,421	5.9%	7,615	6.6%	0.84
Atascadero	8,964	8.2%	11,651	10.0%	0.77
Grover Beach	3,232	3.0%	5,459	4.7%	0.59
Morro Bay	3,782	3.4%	6,605	5.7%	0.57
Paso Robles	15,071	13.7%	11,846	10.2%	1.27
Pismo Beach	4,846	4.4%	5,549	4.8%	0.87
San Luis Obispo	34,163	31.1%	21,245	18.3%	1.61
Unincorporated Area	33,261	30.3%	46,038	39.7%	0.72
Regional Total	**109,740**	**100.0%**	**116,008**	**100.0%**	**0.95**

Data source: Modeled estimated results from SLOCOG Regional Land Use Model, jurisdictional indicators (2018)

PROJECTED JOB/HOUSING RATIOS IN TEN YEARS

Table 3. Jobs and Housing Units by Jurisdiction and Jobs/Housing Ratio (2030 estimates)

Jurisdiction	Jobs (2030, estimate)	Share of Region's Jobs	Housing Units (2030, estimate)	Share of Region's Housing Units	Jobs/Housing Ratio (2030, estimate)
Arroyo Grande	7,364	5.9%	8,767	6.6%	0.84
Atascadero	9,998	8.0%	14,077	10.6%	0.71
Grover Beach	3,355	2.7%	6,409	4.8%	0.52
Morro Bay	4,108	3.3%	7,190	5.4%	0.57
Paso Robles	16,017	12.8%	13,452	10.2%	1.19
Pismo Beach	5,309	4.2%	6,364	4.8%	0.83
San Luis Obispo	40,804	32.6%	22,388	16.9%	1.82
Unincorporated Area	38,099	30.5%	53,814	40.6%	0.71
Regional Total	**125,054**	**100.0%**	**132,460**	**100.0%**	**0.94**

Data sources: SLOCOG 2050 Regional Growth Forecast (Beacon Economics and SLOCOG, 2017)

Items B-1 & B-2: Draft 2019 Regional Transportation Plan (RTP) for Public Release. The RTP is one of the most important policy documents generated in San Luis Obispo County. It sets the overall transportation polices and long-range funding plans for all the cities and the unincorporated county. As the Board letter states:

The RTP is a mandated long-range transportation plan that must be updated every four years in compliance with state and federal law. The 2019 RTP serves as a guide to invest $3 billion over the next 25 years. This item was continuously agendized for the SLOCOG advisory committees, the 2019 RTP Stakeholder Group, and the SLOCOG Board to allow early input on various components of the plan as it proceeds toward its scheduled adoption in June 2019.

Funding Shortfall: Even with the retention of the SB-1 Gas Tax, the report indicates that there is a $2.8 million funding gap. Specifically:

The Funding Gap: The 2019 RTP identifies a funding gap of $2.8+ billion over and above the Reasonably-Expected $3.0 billion revenues.

This includes:

 Highway Improvements: a $1.5 billion gap persists over the projected $812 million in revenues;

 Non-Highway Improvements: A $700+ million gap exists over the projected revenues of $140 million;

 Local Road maintenance: A $320 million gap exists to achieve all pavement condition targets, over the expected $1 billion projected to maintain current pavement condition levels;

 Transit, and Maximizing System Efficiency: no figures were included to identify the additional funding required for an optimal system;

 Active Transportation: A $300+ million gap exists over the projected revenues of $188 million.

SLOCOG will be back in 2020 with yet another sales tax increase ballot measure to attempt to cover a portion of the revenue shortfall.

What's Happening Now: At this point the staff is checking in with the Board and presenting a draft in order to determine if it is satisfactory or if there are any likely changes or controversy. Simultaneously an Environmental Impact Report (EIR) will be released for public comment and official consideration between now and June, when both the RTP must be adopted and the EIR certified.

Why You Should Care: To receive approval from the State, and in particular the California Air Resources Board (CARB), the RTP must abide by all the current State rules and promise stack-and-pack housing, barriers to suburban and rural residential living, anti-private car incentives, and anti-fossil fuel doctrine. City Council members and County Supervisors go along with the program due to their desperation for revenue because their current sources are almost completely consumed by salaries, pension costs, social security contributions, health insurance premiums, workers comp costs, and dense overhead expense.

The problem is that the approval of the RTP, as well as the receipt of the revenues, is dependent on compliance with the rules. As the write-up states with regard to the Sustainable Communities Strategy (SCS) portion:

***Sustainable Communities Strategies** - This Element includes only one chapter.*

Chapter 13: Sustainable Communities Strategy supports the state's climate action goals to reduce greenhouse gas emissions through coordinated transportation and land use planning. The Sustainable Communities Strategy helps guide planning through analysis and recommendations for residential growth, employment centers, and transportation investments throughout the region. The preferred growth pattern to accommodate the new 44,000 people, 18,000 jobs, and 18,000 homes uses a distribution that improves the jobs-housing imbalance and tops 70% of new homes as 'compact' style (includes single-family homes with a lot size up to 6,000 sq.).

LAST WEEK'S HIGHLIGHTS

Board of Supervisors Meeting of Tuesday, January 29, 2019 (Completed)

Item 6 - Submittal of the 2017-18 Comprehensive Annual Financial Report (CAFR). The important report was received on the consent calendar. Along with the Annual Budget, the CAFR is one of the most important analyses that the Board receives annually. There was no discussion, presentation, or question period.

The independent outside audit of the County (which is summarized as part of the CAFR) reports that the County's financial records are presented properly and meet professional and legal standards. The audit found no material problems and thus the County received a clean audit.

Item 27 - Interim Update on the Ten Year Plan to End Homelessness. The report was received on the consent calendar.

Background: Suffice it to say that homelessness within the county did not end in the decade between 2009 (when the plan was adopted) and 2019. It did, however, decrease. The report states in part:

The number of homeless persons counted in the bi-annual Homeless Point in Time Count has declined since the Plan was first adopted, suggesting an overall decrease in homelessness. From 2011 to 2017 (the most recently completed count for which data is available), the number of persons counted decreased by 47%, from 2,129 in 2011 to 1,125 in 2017.

The report further elaborates:

While the recovering economy has likely played a significant role in the decrease, the additional housing and services programs added to our community since 2009 has likely contributed somewhat to the decrease and may also have prevented homelessness from becoming worse. New permanent supportive housing programs and Rapid Rehousing programs have moved many persons into housing. For example, since 2014, the CalWORKs Housing Support Program alone has housed approximately 365 families composed of over 900 persons.

Item 31 - Hearing to consider protests to a proposed wastewater service charge increase in County Service Area No. 7A, Oak Shores; consider adoption of the attached ordinance if no majority protest exists. The rate increases were rejected by the property owners on a protest vote of 426 out of a possible 655. Staff was directed to go back and work with the property owners to see if a modified proposal could be developed.

COLAB IN DEPTH

IN FIGHTING THE TROUBLESOME, LOCAL DAY-TO-DAY ASSAULTS ON OUR FREEDOM AND PROPERTY, IT IS ALSO IMPORTANT TO KEEP IN MIND THE LARGER UNDERLYING IDEOLOGICAL, POLITICAL, AND ECONOMIC CAUSES AND FORCES

SACRAMENTO KEEPS ON FOOLING US

BY JON COUPAL

“Fool me once, shame on you. Fool me twice, shame on me,” so the saying goes. Unfortunately, California voters have been fooled (aka lied to) so many times by our political leaders that perhaps they have come to expect it. For a politician to actually keep his or her word is now the exception, not the rule.

And it’s not just voters who get fooled. Interest groups and other officials are often snookered by those with more political power. Several recent displays of this political behavior show beyond any doubt that promises made in Sacramento have an extraordinarily short shelf life.

The first example deals with California’s one-of-a-kind “cap and trade” law, a market-based regulatory system for incentivizing reductions in greenhouse gas emissions. Under this program, impacted industries must pay for emitting greenhouse gases by purchasing credits at auction. The program was set to expire in 2020, but in 2017 there was a big political push to extend “cap and trade” in a way that would impose another huge cost to refineries and utilities, which would then pass those costs to California drivers, truckers and electricity customers.

Surprisingly, many industries forced into the "cap-and-trade" auctions supported the extension. They did so because they were threatened by Gov. Jerry Brown, environmental extremists and powerful regulators that if they didn't, they'd be hit with an alternative program run completely by the government bureaucrats at the California Air Resources Board. Taxpayer groups, small-business interests and most Republicans opposed the extension because it would further raise California's already sky-high cost of living. In addition to the cost, there was nothing in the political deal that guaranteed CARB wouldn't move forward with punishing regulations anyway.

Regrettably, the "it could have been worse" argument persuaded a handful of Republican legislators to vote for the cap-and-trade extension. And, true to form, the taxpayers' predictions have come true. CARB has adopted a regulation relating to a "price ceiling" that will increase the cost of the cap-and-trade program by an additional 60 percent. Today's gas prices and electricity costs will seem like a bargain compared to what they will be in a few short years under this new regulation.

The next example deals with the promises made regarding Senate Bill 1 in 2017, which imposed a huge increase in the car and gas tax. An effort to repeal those taxes with Proposition 6 failed at the ballot in November when the interests which benefit financially from the tax overwhelmed the repeal advocates with tens of millions of dollars in deceptive ad campaigns as well as illegal campaign activity.

The politicians who favored the tax hikes promised that money from SB 1 would be used to fix California's crumbling roads. But now, Gov. Newsom has said he would like to hold back those funds from local governments that fail to approve enough housing projects, typically high-density, transit-oriented housing projects.

If local transportation funds are held hostage until local governments genuflect to state-imposed mandates on housing, that would expressly violate the promises made to voters that the state's transportation woes would finally be addressed.

A third example of a deal about to be broken involves beverage taxes. Before the 2018 election, the American Beverage Association spent several million dollars to gather signatures for an initiative that would have required a two-thirds majority for approval of any and all new state and local taxes in California. The proposal was strongly supported by taxpayer groups and the business community at large. But the ABA made a deal with Gov. Brown to remove the initiative from the ballot in exchange for a new law that would ban state and local beverage taxes for 13 years. Although the beverage-tax ban was passed, the deal will almost surely be broken. Supporters of beverage taxes have already proposed a ballot initiative, and the law can always be changed by a new crop of legislators who never met a tax they didn't like.

There is an object lesson here. Political deals made in Sacramento are born to be broken. In light of this, it would behoove those who still believe in free enterprise, limited government and property rights to simply advocate for that which is right and decline to sit down and negotiate away our freedoms. Because all these deals have one thing in common – taxpayers always lose.

Jon Coupal is president of the Howard Jarvis Taxpayers Association. He appears regularly on the Andy Caldwell Radio Show.

CALIFORNIA COMPANIES LOOK EAST FOR AFFORDABLE HOUSING

By Joseph Vranich

The other day I received a call from a small business owner in California who wants to relocate his business. He named five states that he'd like me to review with two stipulations: "I've got to know how friendly their business climates are, and I want you to look at the cost of housing."

The next thing he said I've heard time and again: "I pay my employees well but many of them can't afford to buy homes in Los Angeles. I want to know where they can."

Major corporations in California also are concerned about housing costs and some have publicly admitted they were a factor in their relocation decision.

I'll share the information source that I find indispensable on the topic, an updated version that was just released, which is the 15th Annual Demographia International Housing Affordability Survey. It reviews factors in eight countries to identify reasonably priced housing for middle-income people.

Congratulations Pittsburgh & Rochester

The report finds that the ten most affordable housing markets in the million-plus population category – all of which happen to be in the United States – are Pittsburgh and Rochester, which are tied for the top spot, followed by Oklahoma City in third place; then Buffalo, Cincinnati, Cleveland and St. Louis, all tied for fourth place; Indianapolis in eighth place; Detroit in ninth place; then Columbus, Grand Rapids and Louisville tied for tenth place. (Twelve metros constitute the top ten markets because of ties).

The five major housing markets with the poorest U.S. housing affordability are in California and Hawaii. San Jose is the least affordable, followed by Los Angeles, San Francisco, Honolulu and San Diego, in that order.

Other metro areas with poor rankings include Miami, Seattle, Riverside-San Bernardino, Sacramento, Denver, New York and Portland, Ore.

Speaking of Seattle, Microsoft, is putting up $500 million to help address the housing problem by funding construction for homes that will be affordable to the company's non-tech workers, but also for teachers, firefighters and other middle- and low-income residents. Not many companies can afford to launch that type of program.

<u>California's Dismal Ranking</u>

For my California clients, I rely on the Demographia's findings to spotlight out-of-state places where middle-income employees can afford to buy homes.

Historically, markets that are heavily regulated have exhibited median house prices that are three times or more that of median household incomes, which brings us to some particulars about the California housing market.

Unaffordability in the region ranging from Oakland through Silicon Valley and San Jose is so severe that even **fully employed people** can only afford to live in campers and RVs on city streets – no apartments or homes for literally several thousand people.

Demographia's survey finds that "California is home to the most serious housing affordability crisis in the United States. Prospects for improvement appear to be bleak. Already, the new urban fringe housing, which drives housing affordability, is prohibited or severely limited by state and local [regulatory] policy . . . . California's housing affordability is unlikely to materially improve."

I believe it, considering that California's new Governor, Gavin Newsom, and the super-majority of Democrats that now rule the legislature, show no inclination to soften their super-regulatory predispositions.

<u>"Median Multiple"</u>

The credibility of Demographia's survey findings is high considering that it's the most comprehensive international housing affordability survey in the world.

The survey rates middle-income housing affordability using the "Median Multiple," which is the median house price divided by the median household income. This is the measure I rely upon when I provide reports to clients that evaluate potential locations to place a facility.

Disclosure: I know one of the survey's authors, Wendell Cox – someone I call my "demographic genius friend." But for those who want to know who else shares my confidence in his work, consider that his housing affordability studies have been recommended by the World Bank and the United Nations and has been used by the Joint Center for Housing Studies at Harvard University.

Also, the Median Multiple and other price-to-income multiples are used to compare housing affordability between markets by the Organization for Economic Cooperation and Development, the International Monetary Fund, The Economist, and other organizations.

The eight countries reviewed in the report are: Australia, Canada, China (Hong Kong), Ireland, New Zealand, Singapore, United Kingdom and United States.

Costly Housing Drives Companies Away

Another new report, and it happens to be mine, addresses why **businesses are leaving California in record numbers**. Quality of life for employees is one of the motivating factors. Those who are skeptical haven't paid attention to the fact that many employers do care about the welfare of their employees. But you don't have to take my word for it.

For example, constrained housing is concerning to some of California's largest corporations. Not long ago, a Facebook executive told investors that "Bay Area housing costs need to be addressed if tech firms, such as Facebook, want to remain in Silicon Valley."

When Toyota moved from Torrance to the Dallas/Fort Worth area, Albert Niemi Jr., dean of the Cox School of Business at Southern Methodist University, said, "It was really about affordable housing. That's what started the conversation. They had focus groups with their employees. Their people said, 'We're willing to move. We just want to live the American Dream.'" Toyota found that housing costs in Los Angeles County are three times per square foot the cost of a house in Dallas-Fort Worth.

The out-of-California report reflects how smaller companies, too, have such concerns.

Guido Baechler, CEO of Singulex Corp, an immunodiagnostics company based in Alameda, said one of the motivations for relocating a hundred jobs to Round Rock, Texas was affordable housing.

Then there is Lawrence Coburn, president of DoubleDutch, a software development company. When selecting Phoenix to expand, he said, "San Francisco is a terrible place for entry-level people" and cited "failing" housing conditions as one factor. DoubleDutch expects to hire hundreds in Phoenix in upcoming years.

Not just companies but individuals are leaving California now and it appears more will do so because of housing. A poll by UC Berkeley's Institute of Governmental Studies found that about 56 percent of individuals surveyed said that they have **considered** moving out of state because of rising housing costs and of those about 25 percent specified that they would **likely** relocate to another state.

Forecast: More Businesses Will Leave California

My new report about the increasing number of companies leaving California addresses why California's housing prices will continue to rise disproportionally to the rest of the nation. For **renters**, the state has the most expensive metropolitan counties. Incredibly, California holds seven of the top ten most costly counties in the nation for renters.

More about housing is in the report, **Why Companies Leave California**, along with the who, what, when, where and why companies are departing the state at an unprecedented rate. Look for more company, exits, too as the legislators introduce hundreds of new bills, virtually none of which will lessen the state's harsh business climate. In fact, most legislation will make it worse with higher taxes and new regulations.

Joseph Vranich provides location advisory services whose motto is "Helping Businesses Grow in Great Locations." His company is Spectrum Location Solutions LLC, but he also has been known as the Business Relocation Coach. If you found this posting useful, please forward it to a friend and subscribe to Joe's blog ***here****. This Article first appeared in Fox and Hounds Daily.*

Why Companies Leave California

Summary of Report: "Why Companies Leave California"

California's business climate continues to deteriorate, so much so that a record number of companies are leaving the state. Joe Vranich, the report's author, finds that the state's business-hostile climate continues to worsen so much so that for the first time in his career he openly encourages companies to consider leaving the state.

The report is the latest update to a series of studies about companies departing California for business-friendly states and foreign nations. One finding is that 1,800 relocation or "disinvestment events" occurred in 2016 (the most recent year available), setting a record yearly high going back to 2008 – and that about 13,000 moved out of state during that nine-year period.

The Last Straw: Legal Environment Now Merciless

The top reason to leave the state has long been high taxes. But California now has such a brutal legal environment that business owners and corporations should consider jurisdictions where they will be treated fairly and respectfully.

"California politicians threaten the wellbeing of businesses with one harsh law or regulation after another. Now, the state has reached a new low with an awful law," said Joe Vranich. The report states:

California politicians triggered a “tipping point” with a new statute that puts businesses in a terrible “lose-lose” situation no matter how hard a company tries to operate in a legal manner.

California’s new Immigrant Worker Protection Act states that an employer that follows Federal immigration law is now violating state immigration law and is committing a crime. However, it remains true that an employer failing to follow Federal immigration is also a crime.

Think about it: California may place penalties on someone in business who is a legal citizen operating a legal business that is in compliance with every Federal, state and local law, who pays state and local taxes, and who creates employment – and all that can count for nothing in the state’s eyes.

The Future Holds What Other Cruel Laws?

The fact that it is an immigration law is irrelevant because it makes us wonder what comes next. Why impose unwarranted legal penalties only for immigration? California’s elected officials are capable of enacting other intolerable laws that only they could imagine, such as arresting a factory manager for cooperating with a Federal OSHA inspector. Where does this stop?

It’s little wonder that for several years the American Tort Reform Foundation said California is among the nation’s worst ‘Judicial Hellholes’ for businesses, a label that will persevere considering the laws passed in 2018.

Business Departures

The study is brimming with information about companies that have left, why they did so, where they moved to, and what business owners and CEOs have said to support their decisions. One finding in the report is that many companies relocate even though they haven’t been offered economic incentives in their new state or community.

Departures are understandable when year after year CEOs nationwide surveyed by *Chief Executive Magazine* have declared California the worst state in which to do business. The state has a high-cost business tax climate, with the Tax Foundation in 2019 ranking California at No. 49 – the second worst in the nation, ahead of only New Jersey.

Three Previous Governors Paid Attention to Earlier Reports

Three previous California Governors – Gray Davis, Pete Wilson and George Deukmejian – cited findings from an earlier edition of Joe Vranich's disinvestment report when expressing concerns about companies shifting their activities and expanding their operations out of state.

Where California Companies Relocated

In the nine years studied, the states benefitting the most from California's losses are Texas – it has held the first-place distinction for at least a decade – followed by Nevada and Arizona. Other states, including in the South and Midwest, also are gaining California companies.

The top municipalities gaining migration from California are Austin at No. 1, followed by Reno, Las Vegas and Phoenix. Also, cities unfairly disparaged for being in "flyover" country are successful in attracting California companies, with Pittsburgh, Atlanta, Fort Worth, Houston, Indianapolis and Nashville among the top twenty.

Foreign nations have successfully recruited California companies with Mexico being No. 1, followed by India and China.

California's Disinvestment Events by the Numbers

The ten California counties losing the most businesses were Los Angeles in the top spot, followed by Orange, Santa Clara, San Francisco, San Diego, Alameda, San Mateo, Ventura, San Bernardino and Sacramento.

More headquarters leave California than any other type of facility and more manufacturers than any other industry.

During the study period, $76.7 billion in capital was diverted out of California along with 275,000 Jobs – and companies acquired at least 133 million square feet of space elsewhere – all of which are greatly understated because such information often went unreported in source materials.

The report addresses the state's 40 years of hostility toward businesses, high utility and labor costs, excessively punitive regulations, worrisome housing affordability for employees, signs that workers plan to leave California, and how the state lags behind other states in acquiring facilities that are being reshored from overseas.

How You Can Use this Report

Owners of small businesses will find information here to be helpful in exploring with their partners and families relocation to out-of-state locations that offer welcoming and gracious business environments along with excellent quality of life factors. New entrepreneurs can share the report with their financial supporters.

A leader in a large corporation may relay findings in this study to their Board of Directors to justify shifting facilities, capital and jobs to business-friendly states. Doing so will reduce costs for taxes, fees and regulatory compliance, lessen risks for incessant litigation and – effective with the immigration law – diminish occasions when employees feel intimidated or threatened by questions about immigration by agents of the state Attorney General's office.

Whether the organization is small or large, leaving the state will increase the ROI based on labor costs alone – which can total 15 percent and up to 30 percent depending upon the location selected – along with peace of mind assuming of course that a prudent location choice is made.

Economic Development agencies may quote information in the report to present to prospects seeking a new location.

Joseph Vranich is a site selection consultant providing location advisory services to small businesses and large corporations. In recent years he has discussed California's business environment with more than 100 economic development agencies located in North America and Europe. In 2018 he relocated his company from Irvine, California to Cranberry Township, a suburb of Pittsburgh, Pa.

Company Website: https://spectrumlocationsolutions.com/

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(Revised 2/2017)