

# COLAB

San Luis Obispo County



The Coalition of Labor Agriculture and Business

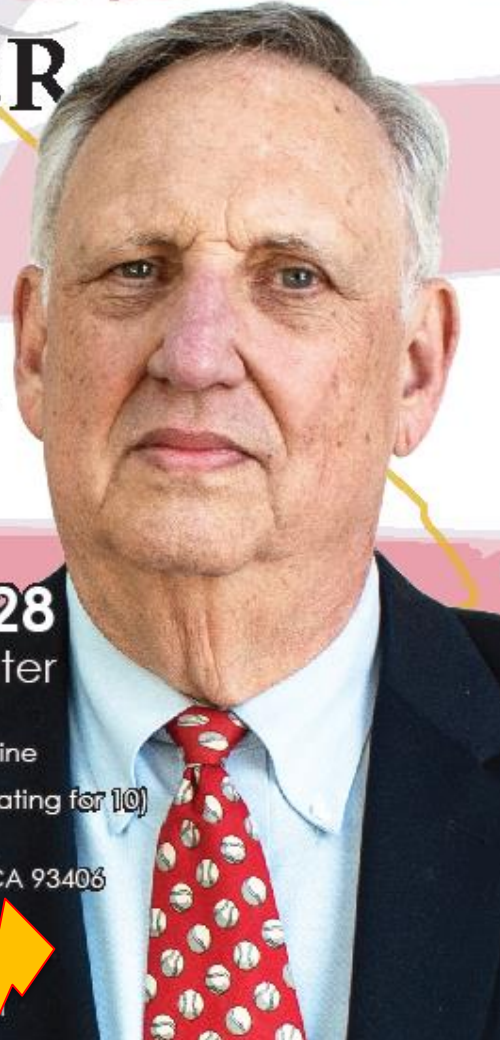
**WEEKLY UPDATE March 3 - 9, 2019**

**10th ANNIVERSARY**

# COLAB

San Luis Obispo County

## DINNER & FUNDRAISER



**Dan Walters**  
Get the scoop from the man whose finger has been on the pulse of our Capitol for decades. You pay through the nose to live in California: learn what you can do about it.

**Thursday, March 28**  
**Alex Madonna Expo Center**

5:15 pm Social Hour, Open Bar  
6:15 pm Filet Mignon Dinner including Wine

\$120 per person | \$1,200 per Table (Reserved Seating for 10)

For tickets, mail your check to:  
COLAB SLO: PO Box 13601, San Luis Obispo, CA 93406

*Cocktail Attire Optional*

For more information  
(805) 548-0340 | colabslo@gmail.com

**FLASH: SOCIAL HOUR IS NOW HOSTED**

**THIS WEEK**

**NO BOARD OF SUPERVISORS MEETING**

**SLOCOG STACK-AND-PACK**

**DRAFT ENVIRONMENTAL IMPACT REPORT PROCESS KICKS OFF**

**LAST WEEK**

**HILL AND GIBSON VOTE HARVESTING SCAM  
POSTPONED (SORT OF)**

**SEE DAN WALTER'S EXPOSE' ON VOTE HARVESTING ON PAGE 10**

**FY 2019-20 BUDGET FORECAST**

**BIGGER PROBLEMS THAN FIRST DISCLOSED**

**CAPITAL IMPROVEMENT PLAN PRESENTED**

**MARIJUANA PERMIT APPEAL CONTINUED**

**PLANNING COMMISSION RESOURCE-BASED  
GROWTH CONTROLS**

**COLAB IN DEPTH**

**SEE PAGE 17**

**CALIFORNIA CRONYISM AND ITS  
CONSEQUENCES**

**BY ED RING**

## THIS WEEK'S HIGHLIGHTS

**No Board of Supervisors Meeting on Tuesday, March 5, 2019 (Not Scheduled)**

**San Luis Obispo County Council of Governments (SLOCOG) Special Meeting of  
Wednesday, March 6, 2019, 10:15 AM (Scheduled)**

**In General:** Items A-1 and A-2 are interrelated, as both pertain to the Regional Transportation Plan (RTP), which links housing, density requirements, urban land use spatial patterns, transportation funding, and life style. Essentially the State has mandated that cities and counties adopt stack-and-pack housing and policies to force people out of their cars and onto mass transit in exchange for road and other transportation funding.

Item A-1 pertains to the actual draft environmental impact report (DEIR). Item A-2 pertains to the RTP document itself.

A number of city council members as well as Supervisors Hill and Gibson support the dense development /get out of your car policy. Those who don't are overwhelmed and outvoted on these matters. As noted in excerpts from the item write-ups blow, the SLOCOG will be promising the State that future residential development will be 30% large lot and 70% compact housing per the recommended Alternative 3 below. County and city officials will have to adjust their planning and zoning to make it happen.

Only an aroused and engaged public will be able to change this fundamental decision which will cause prohibition of the creation of many standard subdivisions with freestanding homes on lots with a front yard, back yard, 2 side yards, and privacy. If all the county real estate associations showed up and testified and all the political clubs that don't agree with this policy showed up on the same day and testified, there could be a chance of stopping this enviro-inspired 18 wheeler public policy scam which is bearing down on us.



## SHOW UP ON APRIL 3, 2019 FOR THE FINAL HEARING

### **Item A-1: 2019 Draft Environmental Impact Report (DEIR) – Receive Public Comments on the 2019 DEIR and Schedule a Second Public Hearing on April 3, 2019 to Accept Public Comments.**

*Draft Environmental Impact Report (DEIR) As required by Section 15126(d) of the State CEQA Guidelines, this EIR examines a range of reasonable alternatives to the proposed project that could feasibly achieve similar objectives. Since the primary objective of the RTP is to guide short- and long-range transportation improvements countywide, a discussion of alternative sites is not appropriate. Instead, the analysis of alternatives focuses on the inclusion or exclusion of groups of projects envisioned under the RTP. Three alternate vest to the implementation of the entire RTP were evaluated, as follows:*

- *Alternative 1 – “NO PROJECT ALTERNATIVE” – Projects in the “Pipeline.”*
- *Alternative 2 - MAX COMPACT HOUSING ALTERNATIVE” (RTP Scenario 4 - Future Year 2035 and 2045 20/80) – distributing 20% to Large Lot/80% to Compact Housing and using a jobs-housing balance emphasis. The feasibility of this alternative is potentially limited because of potential policy conflicts. The alternative may also indirectly increase VMT, rather than lower it. Issue: Limited feasibility Potentially increases VMT.*
- *Alternative 3 – “ROAD LESS TRAVELED ALTERNATIVE” (Future Year 2035 and 2045 30/70) – As in the case of the proposed project (RTP Scenario 3), this alternative involves distributing 30% to Large Lot/70% to Compact Housing and using a jobs-housing balance emphasis. However, this alternative eliminates all roadway improvement projects and the associated environmental impacts.*

### **Item A-2: Draft 2019 Regional Transportation Plan (RTP) - Receive Public Comments on the 2019 RTP Schedule and Schedule a 2<sup>nd</sup> Public Hearing on April 3, 2019 to Continue to Accept Public Comments.**

*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. The Administrative Draft was reviewed in February, final modifications were made, and the Public Review draft was posted on Feb. 14, 2019.*

*SLOCOG's draft 2019 RTP is out for public review and comment. The Executive Summary is attached. The document and associated materials may be accessed at:*

<https://slocog.org/2019RTP>

*The document will allow, at least, the required 55-day public review period and a second public hearing will be held on April 3 rd. Along with the EIR, the RTP is scheduled for adoption by the SLOCOG Board in June 2019.*

## LAST WEEK'S HIGHLIGHTS

### Board of Supervisors Meeting of Tuesday, February 26, 2019 (Completed)

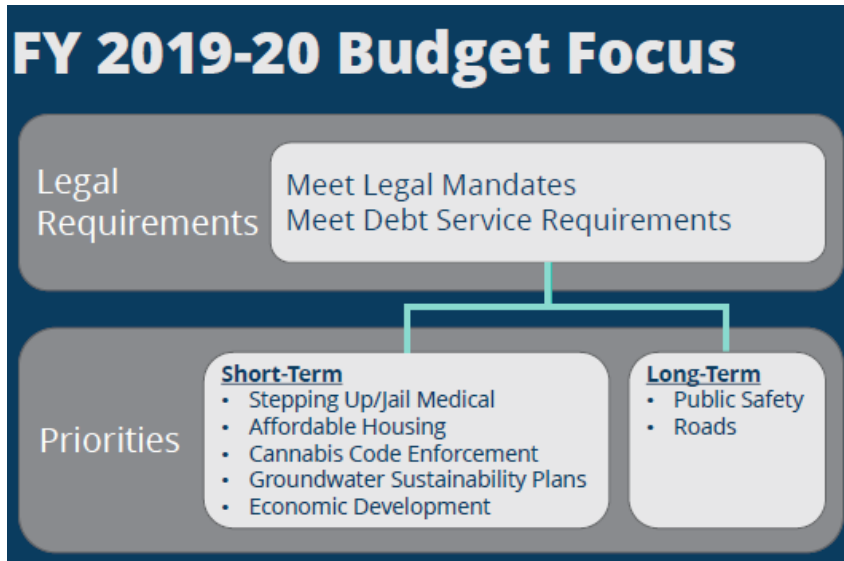
**Item 22 - General Public Comment for Matters Not on the Agenda. Supervisorial Redistricting Commission.** Civic activist Stu Jenkins appeared at Public Comment to recommend that the Board schedule a future Board item to discuss the idea of adopting the Redistricting Commission method of designing supervisorial district boundaries. Historically the law requires that the boundaries be adjusted every 10 years to reflect population changes.

Several years ago the State Legislature passed a statute which allows counties to use independent citizen redistricting commissions to design the boundaries. The theory is that instead of having elected officials pick their voters, the voters would select their supervisors.

Jenkins provided the Board with a specimen ordinance. The Board made no response.

**Neighbor Adopt the Provision:** Santa Barbara County adopted the provisions and is forming its Commission. The process was controversial as the true government reformers proposed a straightforward version which pretty much barred anyone with any connections to the County government and/or partisan politics from serving. The South County progressive Democratic machine ran a decoy competing version, which was ultimately adopted by the voters. It gives the appearance of independence but gives the elected Clerk Recorder very strong influence. It also is very complex and opens the door to manipulation. However, even given these weaknesses, it is regarded as superior to the current system, where the incumbent Supervisors set the district boundaries.

**Item 23 - Fiscal Year 2019-20 County and State Budget update.** The staff prudently checked in with the Board to make sure that it is formulating next year’s budget in line with the Board’s short and long-range priorities.



The agenda item write-up forecasted \$2.5million to \$4million revenue expenditure shortfall of expenses at the current level of service plus the new programs in the box to the left above. The general fund comprises several hundred million dollars.

We had noted in our review that:

The write-up also states that there is no money for raises and benefit cost increases which could result from labor negotiations that are currently underway or planned in the future. They could display what each 1% increase in each of these pending contracts would cost over 2 or 3 years or how the gap would expand.

During the presentation staff admitted that the impact of current labor negotiations could expand the gap to as much as \$10 million. We think that is more realistic. Other risks which were brought up during the discussion included the impact of fire district dissolutions.

Along these same lines, what happens when other special districts and the smaller cities begin to collapse under the unsustainable pressure of rising pension payments and salary increases?

Concerns about Diablo are marginally noted, but it is not clear how failure of PG&E to pay the \$85 million to be derived from the Diablo closure mitigation payments would impact the situation next year. Everyone we ask is pretty sanguine about it, saying, “The Legislature required the payment in AB1090.” Of course a bankruptcy court judge or even the CPUC might see it differently at this point.

Staff did raise the specter of reducing the County's general fund commitment to road maintenance and supplanting it with SB-1 gas tax money to loosen things up. Supervisor Arnold took time to indicate that she does not support this idea.

## VOTE HARVESTING SCHEME

**Item 28 - An update on the participation in SB 450, the Voter's Choice Act, for elections beginning in 2020.** During the meeting Clerk Recorder Tommy Gong (the Election Official) make a presentation on the costs and logistics of implementing the Act. Gibson and Hill accused Gong of not being pro-active enough in pushing forward with implementing the Act. Gibson stated that he "didn't think Gong had the ability to get it done."

Gong's presentation focused on costs, need for more staffing, and security aspects of the issue, not politics.

**At the Meeting:** The Chairwoman of the SLO County Democratic party, the League of Women Voters, Hill, Gibson, and some other speakers stated in one way or the other that failure of the Board to adopt the provisions is tantamount to opposing social justice, failure to help those who have been marginalized, and discrimination.

In the end it was decided that there needed to be more time to work on the issue and that the County could not accomplish full implementation in time for the March 2020 primary election.

**What is the End Game?** Why would Hill, Gibson, and the Democratic organization suddenly go after Gong, when the County has very high voting percentages? Is Hill thinking that he might be better off challenging Gong instead running for Supervisor again? The job pays a lot more than Supervisor and has a better pension. Set up a Saul Alinsky attack on Gong, damage him, and swoop in for easy pickings in a Presidential election year in which the Dems believe they have huge energy.

Or is there another Dem thinking of challenging Hill? Could they buy him or her off with a promise of support for the Clerk Recorder slot?

Missing from whole farce was the fact that Gong is an independent Constitutional official elected by the people and could tell Board members who don't like the way he is doing things to take out papers and run. It's not as if he is a sacrificial lamb Planning Director or Health Director.

**Background:** Over the past decades the percentage of citizens registering to vote and the percentage of those registered who actually vote have declined nationally. State and local governments have attempted to remedy this situation. One of the main ways in which they have sought to stem the trend is to provide for vote by mail ballots, which are sent to voters residences. It is thought that the convenience will increase participation. No one seems

concerned whether unengaged citizens' vote for the sake of voting is actually beneficial. In a democratic republic, voting is one of the most important duties of citizenship; yet there are no minimum standards other than residency and age. Even basic literacy in any language is not a requirement.

In the northeastern, middle Atlantic, and upper Midwest cities (and LA), street money is used to insure block voting for Democratic candidates. In the 1980s it was \$25 dollars per vote in the large Federally subsidized low income housing projects. Block captains would mobilize thousands of low income people and "help" them get to the polls.<sup>1</sup>

In many eastern jurisdictions there is a phenomenon known as "governors club" or "mayors club," whereby all the higher ranking employees of the state or city must give a minimum \$1000 dollars to the campaign of the reigning governor or mayor.

Now comes SB 450, the "Voters Choice Act," which allows county election officials to expand the absentee vote system. In fact a county may have a totally absentee ballot system with an elaborate system of drop off points. The most controversial feature is that up until SB 450 was enacted, absentee ballots could be mailed or hand delivered by the voter to polling places or an election office. If the voter was incapacitated, ballot delivering was limited to family members who had been authorized by the voter's signature.

Now under the provisions of SB 450, anyone can deliver the ballots. This opens the door for ward leaders, block captains, and other political operatives to sweep through neighborhoods and visit their likely voters on the days leading up to the election and have them fill out their ballots and deliver them. Of course in many cases the "volunteers" will know how the voter voted and can determine whether or not to deliver the ballot.

This phenomenon is now called "vote harvesting." It had a major impact in the defeat Republican Congress Representatives in Orange County last November. In fact it was so potent that many of the Republicans who were turned out had substantial leads at the close of the polls on election day. Later and as the thousands of absentee ballots delivered on election day were counted over the following days, the numbers changed significantly.

This technique appears to have been a factor in 4<sup>th</sup> District Supervisor Lynn Compton's close election last November.

### ***What is SB450?***

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<sup>1</sup> The money given out to [ward](#) leaders and party foot soldiers can range from \$10, \$20 or \$50<sup>[4]</sup> to as high as \$400.<sup>[3]</sup> Ward bosses in the city's poorer neighborhoods often use the money to offset the costs of gasoline and food for their volunteers.<sup>[1][3]</sup> Although most well known in [Philadelphia, Pennsylvania](#), street money is also common in [Chicago](#), [Baltimore](#), [Newark](#) and [Los Angeles](#).<sup>[1]</sup> In Baltimore, the term "walk around money" means street money.<sup>[4]</sup> Wikipedia, February 23, 2019



*SB450 requires counties to send every registered voter a VBM ballot, install VBM ballot drop-off boxes throughout the county for voters to deposit their voted ballots (approximately 12 in our county), and instead of having polling places on Election Day (77 locations for 138 precincts in our county), a significantly reduced number of vote centers would be open as early as 10 days before Election Day, including weekends and holidays (approximately 20 in our county).*

In 2016, Gov. Jerry Brown signed into law a [change to Section 3017 of the Election Code](#) that allows any person to collect a mail-in ballot from voters and turn in the mail ballot to a polling place or the registrar's office. Prior law restricted the practice to relatives of or to those living in the same household as the voter.

While critics decry it as the practice of a “banana republic,” proponents of the change say it allows larger numbers of eligible citizens to participate in elections across California. Here's how the legislation spells out the practice:

*(a) All vote by mail ballots cast under this division shall be voted on or before the day of the election. After marking the ballot, the vote by mail voter shall do any of the following: (1) return the ballot by mail or in person to the elections official from whom it came, (2) return the ballot in person to a member of a precinct board at a polling place within the jurisdiction, or (3) return the ballot to the elections official from whom it came at a vote by mail ballot drop-off location, if provided pursuant to Section 3025. However, a vote by mail voter who is unable to return the ballot **may designate any person** to return the ballot to the elections official from whom it came or to the precinct board at a polling place within the jurisdiction. The ballot must, however, be received by either the elections official from whom it came or the precinct board before the close of the polls on election day.*

**Recent History:** During the Public Comment Period for Matters Not on the Agenda at the February 5, 2019 BOS meeting, Clerk Recorder Assessor (and County Election Official) Tommy Gong spoke to refute various allegations made by *SLO Tribune* columnist Tom Fulks. Fulk's article had accused Gong of being dilatory in implementing certain discretionary election procedures pertaining to mail-in ballots. The matter was not on the agenda for Board consideration. Nevertheless, Supervisor Hill commenced to interrogate Gong along the same lines as Fulk's article.

Why are Hill, Gibson, and Fulks pushing this so hard?

## **WE ARE NOT WOOFING ON VOTE HARVESTING**

In the article below, the Dean of California news columnists, Dan Walters exposes the reality and dangers of vote harvesting.

# POLITICAL RULES CAN CHANGE GAME'S OUTCOME

By Dan Walters

Anyone who harbors the quaint notion that high-stakes politics are rational, much less ethical, should be disabused by two terms: “gerrymandering” and “ballot harvesting.”

When Republicans won control of the House of Representatives in 2010 and maintained it for three subsequent election cycles, Democrats complained loudly that it was the result of gerrymandering – drawing districts in a way to favor one party – by GOP-controlled state legislatures.



The complaint was accurate. There had been a concerted effort by Republicans and allied groups to gain state legislative seats in hopes of influencing the redrawing of congressional districts, and it succeeded.

Democratic leaders have become big fans of independent redistricting commissions such as the one created in California.

However, it should be noted that California’s Democratic leaders bitterly opposed the ballot measures that created and then expanded the state’s redistricting commission – and, in fact, happily engaged in gerrymandering themselves when they could.

The most blatant example occurred after the 1980 census as the Legislature and then-Gov. Jerry Brown redrew legislative and congressional districts. The congressional plan, overseen by the late Congressman Phil Burton, grabbed several seats from Republicans with districts so bizarrely shaped that Burton called them “my contribution to modern art.”

Republicans challenged the gerrymander with a referendum, and voters voided the Democrats’ maps in 1982, but Brown and legislators simply enacted a slightly revised version just days before Brown ceded the governorship to Republican George Deukmejian.

Last year in California, Democrats flipped half of the GOP’s 14 congressional districts, including several in seemingly impregnable strongholds in Orange and San Diego counties.

A major and perhaps decisive reason for the Democratic sweep of targeted seats was “ballot harvesting,” which had been made legal by legislation passed by a Democratic Legislature and signed by Brown in 2016.

Previously, a voter’s ballot could be delivered only personally or by a relative. The new law authorized “any person” to do it, thus allowing partisan operatives to help voters fill out their ballots at home and then personally deliver them to election authorities. Huge numbers of ballots in the target districts were delivered at the last moment, and in several cases overturned what had appeared to be Republican wins.

Orange County’s registrar of voters, Neal Kelley, told the San Francisco Chronicle that the county “certainly had that going on here, with people dropping off maybe 100 or 200 ballots”

and the county's GOP chairman, Fred Whitaker, said the party's losses were the "direct result of ballot harvesting allowed under California law for the first time."

Republican laments about the effects of ballot harvesting in California were matched only by Democratic jubilation about what they had wrought with the 2016 legislation. However, while Democrats celebrate ballot harvesting in California, they are complaining that it **unfairly and illegally helped a Republican** eke out a very narrow victory in a hotly contested North Carolina congressional district.

Republican Mark Harris seemingly defeated Democrat Dan McCready by 905 votes but Democrats claimed that a campaign operative for Harris illegally helped a decisive number of voters fill out their ballots and then personally delivered them to election officials in Bladen County.

Harris and his operative, L. McCrae Dowless, deny the allegations but last Thursday Harris agreed to void the election and conduct a new vote in the district. An election board that had been investigating the case quickly complied.

Both practices underscore an enduring axiom of politics: As with any competitive sport, changing the rules of the game can alter the outcome, so who controls the rules is just as important as the skill of the players.

*This article appeared in Calmatters on February 25, 2019 and was widely published by news outlets throughout the State. Dan Walters is the dean of California news columnist and is regarded as a national expert on California politics and government.*

**DAN IS THE KEYNOTE SPEAKER AT COLAB'S 10<sup>TH</sup> ANNIVERSARY DINNER/ FUNDRAISER ON MARCH 28, 2019. Call 805 548 0340 FOR TICKETS AND INFORMATION. GUESTS WILL BE ABLE TO TALK WITH HIM DIRECTLY DURING THE SOCIAL HOUR BEFORE THE DINNER.**

**Item 30 - Hearing to consider an appeal (APPL2018-00004) by Ian McPhee of a request by Jim McAllister and Laura Gardner for a Minor Use Permit (DRC2018-00053) to establish both outdoor and indoor cannabis cultivation on a portion of a 77-acre project site. A modification from the parking standards set forth in Section 22.18.050.C.1 of the County's Land Use Ordinance is requested to reduce the required number of spaces from 72 to 12. The project site is located at 6480 York Mountain Road in Templeton, approximately 0.7 miles north of California State Highway 46 and 7.0 miles west of downtown Templeton in the Adelaida Sub Area of the North County Planning Area. After a public hearing where opponents filled the Board room and which lasted until 10:00 at night, the Board sent the**

applicant and the opponents back to see if they could work something out. The item will be back on the agenda on March 12, 2019.

**Background:** This is an appeal of the County approval of a marijuana farm by neighbors. When the County determined to allow the development of a legal cannabis industry over the past 2 years, the public was not paying any attention. It now appears that as specific projects come forward, there will be many appeals by area neighbors. The reasons for denial of a permit are summarized as follows:

*The project negatively impacts the health, safety and welfare of persons, wildlife and land. Taken together, these issues necessitate the preparation of an Environmental Impact Report (EIR) to address the cumulative environmental impacts.*

*The project is incompatible with character of the neighborhood.*

*Additional questions and concerns relating to the permit review process and compliance with relevant code requirements; potential flood hazard, water quality and water supply impacts.*

#### **Planning Commission Meeting of Thursday, February 28, 2019 (Completed)**

**Item 10 - Consider a request by the County for a Study Session on the 2016-2018 Biennial Summary Report of the Resource Management System (RMS) that summarizes the condition of the following resources throughout the County: water supply and systems, wastewater treatment, roads and U.S. Highway 101 interchanges, air quality, parks, and schools and to consider a request by the County for a request for Board authorization to process County initiated amendments to Chapter 3 Resource Management System of the Inland and Coastal Framework for Planning documents.** There was a turgid presentation and not much there. Actually Gibson's Commissioner Multari wondered about the reality of the open space and parks category of limitations. For example and as he pointed out, Avila Beach is listed as having a shortage of open space and parks even though there are miles of beach and a large open space called the Pacific Ocean. Similarly, Hill's Commissioner, Dawn Ortiz-Legg, wondered about water storage – *What is the County doing to trap all the water that is running off into the ocean or down rivers and streams.* Of course COLAB has been raising this question for years. Legg pointed out that many small and large water trapping facilities could have already been developed. Of course her own appointer, Supervisor Adam Hill, promoted large corporate water planning instead of practical steps such as bladder dams, spreading basins, storage dams, and other steps which would have accelerated basin recharge. This whole non-system should be junked.

California Department of Water Resources' third snow survey for 2019 revealed snow depths and water content equaled the state's all-time record level for February as new storms roll in. DWR since 1929 has teamed with federal and private agencies to conduct the California Cooperative Snow Surveys at 395 locations throughout the Sierra Nevada and Shasta-Trinity mountains. The last day of February recording near the Sierra Tahoe Ski Resort revealed 113 inches of snow depth and dense snow water equivalent (SWE) of 43.5 inches, or about 153 percent average snow pack for February.

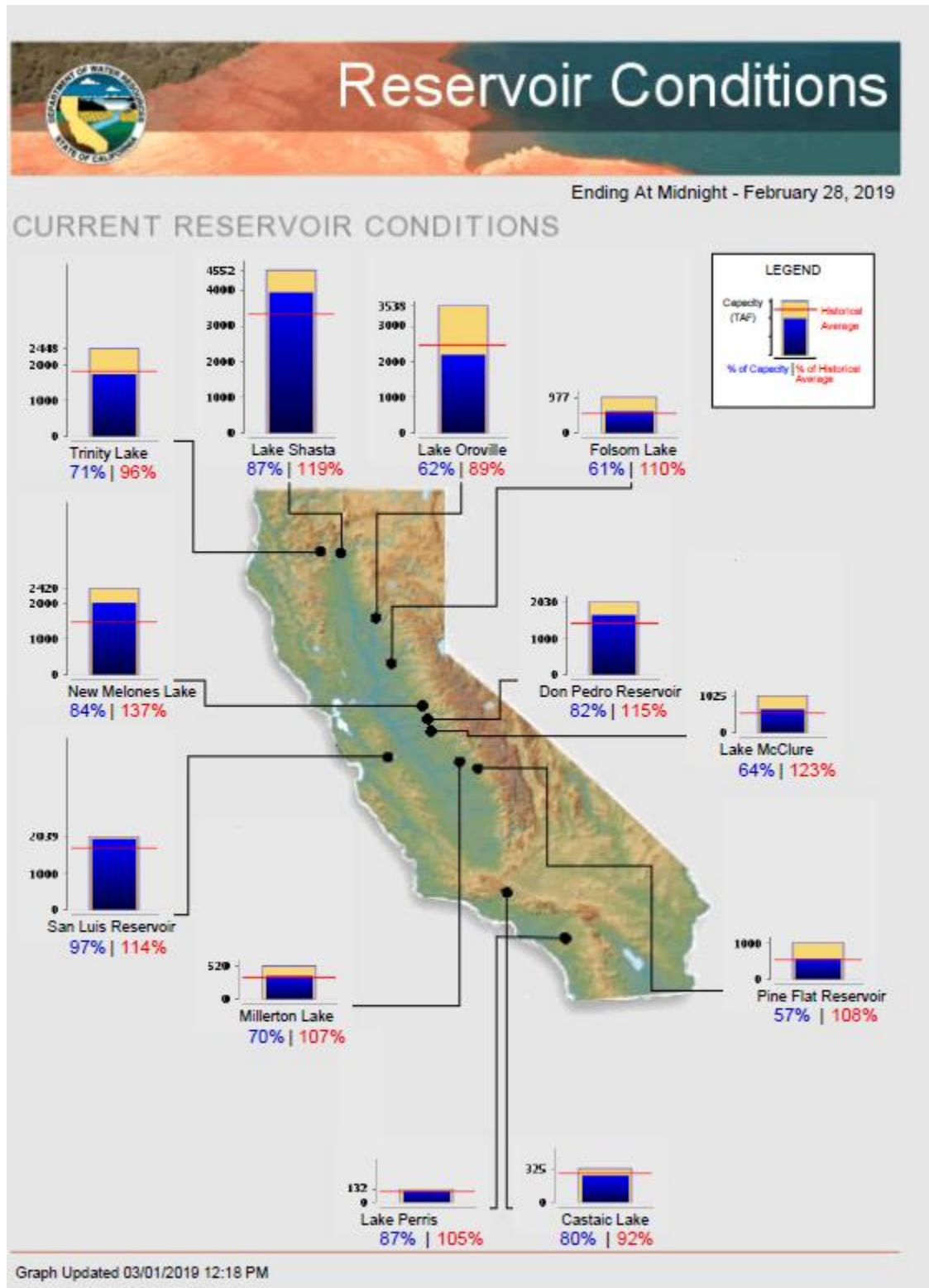


**Background:** The self-imposed RMS requires that the County spend considerable time and money every 2 years cataloging the current amount of water, sewer, and classroom space available or (unavailable) that would restrict future development in various parts of the unincorporated county. The measures for air, parks, and highway interchanges are more subjective and are based on County generated rating systems. A few of the ratings change, but for the most part everything remains the same.

This cycle's write-up is vague as it pertains to water availability and may be obsolete given the planning and ultimate implementation of the State Groundwater Management Act (SGMA).

Separately, Los Osos is removed from the restricted list because the sewer treatment plant is complete. But what about water? The County has denied some Los Osos permit applications because the staff says there is not enough water.

The Board of Supervisors has the ultimate authority to set the restrictions. Since the matter impacts land use, it is being passed through the Planning Commission, even though they have no official action. The Commission could, of course, comment.



# 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**

## CALIFORNIA CRONYISM AND ITS CONSEQUENCES

BY EDWARD RING

*Crony capitalism is an economy in which businesses thrive not as a result of risk, but rather as a return on money amassed through a nexus between a business class and the political class. This is done using state power to crush genuine competition in handing out permits, government grants, special tax breaks, or other forms of state intervention.*

– Wikipedia, Feb. 2019

If the goal of public policy is to optimize the role of government, cronyism must be identified and curbed wherever possible. Cronyism wastes the limited resources of governments, at the same time as it reduces the efficiency of the private sector by using subsidies and other incentives to undermine healthy competition.

The harm caused by crony capitalism can best be illustrated by example. In California, cronyism is a major culprit in one of the worst policy failures in recent decades: the housing and the related homeless crisis. Several types of cronyism played into California's housing debacle. The most significant was cronyism that took the form of regulations that favored the wealthiest, most established corporations, while driving the smaller, emerging competitors out of the housing business entirely.

This form of cronyism through regulations was originally described by Bruce Yandle, now with the Mercatus Center, back in 1983. Yandle, writing for the American Enterprise Institute, coined the phrase "*Bootleggers and Baptists*," to describe an unlikely alliance that formed during prohibition. For the bootleggers, who profited from the trade in expensive illicit liquor, it was in their interest to

support the temperance movement's Baptist activists, who lobbied against legislation to restore affordable legal booze. This concept applies perfectly to California's punitive legislation that restricts land development.

For the past 30-40 years, and especially in the last decade or two, a growing assortment of laws and regulations have driven control over all major land development into the hands of a shrinking group of very large corporations. Using Yandle's analogy, these are the bootleggers. Smaller landowners and construction companies have to sell out or subcontract to these large corporations, because there is no way they can afford the thousands or millions of dollars in fees and litigation, nor the years or decades of regulatory delays. And the Baptists in this example? The environmentalist lobby and its army of trial lawyers, who have seen to it that housing is restricted to ever smaller slices of California's otherwise vast reserves of land, at the same time as they've successfully promoted building codes that make building a home far more expensive than it would otherwise cost.

California's homeless crisis is certainly caused in part by unaffordable housing, but it is exacerbated by another type of cronyism, "nonprofit cronyism." These are rent seeking nonprofits that develop scandalously expensive "permanent supportive housing" for the homeless. In Los Angeles today, apartments for the homeless – palatial abodes by any reasonable comparison to the squalor of living on the streets – are being constructed in some cases for as much as a half-million per unit. The government pays a portion of these costs through grants, using taxpayer's money, while other funds are secured through tax deductible donations. And when these units actually are opened to a microscopic fraction of the homeless population, because they are owned and managed by nonprofit corporations, they pay no income or even property taxes.

Crony capitalism in its most obvious form is exemplified by massive public works projects of dubious value to society. California's grandiose and possibly doomed high speed rail project is the classic example. Even if the final project is restricted to the segment from Merced to Bakersfield, tens of billions will have been spent on a project that never passed any reasonably unbiased cost/benefit analysis, which is why it never attracted matching funds from the private sector.

There are plenty of similar examples. One noteworthy case of a massive, and dubious public work, is the costly rebuild of San Francisco's Transbay Terminal, which for over 50 years had functioned as the central bus terminal connecting downtown San Francisco with other points in the city as well as routes extending into neighboring counties. In 2010, the terminal was demolished to make way for an expanded, "multi-modal" transit hub for the 21st century. Not only would a new tunnel bring commuter trains into the rebuilt terminal from the existing Caltrain station, 1.3 miles away, but the new terminal would also serve high speed trains.

The probable demise of high speed rail hasn't diminished enthusiasm for the project which in total is estimated to cost around \$10.0 billion. Yet the design of the station itself, already mostly complete at a cost so far of \$2.1 billion, is no longer considered sufficient to handle the projected volume of commuter trains. After eight years of construction, the new terminal opened for bus service in 2018 – essentially performing the same service as the old terminal – and then shut down a few months later



because of structural defects. Nobody knows when it will reopen. And even when it does reopen, trains won't be arriving until the \$6.0 billion connecting tunnel is completed, sometime around 2029.

The enthusiasm that informs persistent supporters of dubious projects, which would certainly include high speed rail and San Francisco's Transbay Transit Center, brings into focus one of the central questions about crony capitalism. How does one distinguish between a project of dubious value, and one of compelling value? Paul Rubin, a professor of economics at Emory University, expresses this question in his own humorous but revealing alternative definition of crony capitalism: "Crony capitalism is lobbying by someone I don't like for something I don't like."

This question of one person's good cronyism being another person's bad cronyism is easily recognized in the allocation of subsidies to manufacturers. Ideally, there should be a level playing field between market participants. The government shouldn't be, as they say, "picking winners." To choose another obvious example, California's legislature is determined to increase the number of zero emission vehicles in the state, via rebates, incentives and mandates. The cost to taxpayers – and benefit to manufacturers of electric vehicles – over the next ten years is estimated to range between \$9.0 and \$14 billion.

But what if electric cars aren't an unmitigated good thing, so good they are worthy of subsidies? What if electric vehicles produce illusory environmental benefits? What if the embodied energy in an electric car, far exceeding that of a conventionally powered car, represents an environmental cost that isn't made up for during its useful, zero emission life? What if the environmental costs of recycling these cars and their massive batteries, or the environmental costs of extracting the resources needed to manufacture these batteries in the first place, represent an unrecoverable environmental cost? What if the emergence of some even better, cleaner transportation technology is being suppressed by the proliferation of subsidized electric cars?

This sort of debate surrounds any subsidized product. And it is fair to say that sometimes subsidies are necessary. But in crony capitalism, those debates are hijacked and skewed by the special interests in the private sector with the strongest connections to government policymakers.

There are myriad forms of crony capitalism. Incentives offered by California's state and local governments for manufacturers to relocate to California, or stay in California, have cost taxpayers billions. A report published last year in the San Jose Mercury described how public money subsidies have poured hundreds of millions to Silicon Valley giants including Google (\$766 million), Facebook (\$333 million), Apple (\$693 million), and Tesla (\$3.5 billion).

These sorts of arrangements repeat themselves across California, and while there is an economic payback to keeping those companies and their jobs in-state, there is also a great irony. California is consistently ranked as the worst state in the U.S. to do business. Why not change the laws and regulations that make California such an unwelcoming place, which would help retain and attract all businesses, instead of pouring compensatory money into the hands of a favored few?

Speaking of the favored few, another problem that consistently accompanies crony capitalism is that it usually benefits the cronies more than it benefits whatever deserving group or because the deal supposedly supports. The environment and open space is protected – or overprotected – enabling rich developers to get richer, and nobody can afford homes. Palatial “permanent supportive housing” is built for a handful of the homeless, while well-heeled nonprofits collect subsidies that could have been used instead to house tens of thousands of homeless using tents and porta-potties. Billions are poured into monumental, landmark, “signature” transportation projects, while ordinary people sit in traffic on pitted, congested, inadequate roads. Taxes are raised so wealthy people can save money on electric cars that remain priced well out of reach of an ordinary Californian. High tech corporations earn hundreds of billions for their shareholders, yet taxpayers support subsidies to keep them from pulling up stakes and moving to Texas.

Finding examples of crony capitalism is an endless task, somewhat shrouded in ambiguity and contradictions. Whenever the government interferes in the “free market,” a subjective assessment is made that the interference is in the public interest, and an even more fraught decision is made to undermine one set of private concerns while creating an advantage for another. Apart from the impossible extremes of anarchy or communism, good governments have to find that balance in between.

In California’s case, there is a great deal of room for improvement. Support efforts to increase transparency in contract negotiations and contract oversight to expose and deter overt cronyism. Recognize that the impact of environmental regulations has crippled the aspirations low and middle income Californians, and repeal them, starting with the most extreme. Pay attention to the reports that expose the waste and corruption surrounding attempts to house the homeless. Fight for precedent setting court rulings that will make it easier and less costly to get things done – from building homeless shelters to constructing new roads and related housing infrastructure. Repeal CEQA; there’s plenty of regulation at the federal level. Most of all, make the state’s regulatory climate more inviting so it’s easier to keep and attract *all* businesses.

*This article first appeared in the February 27, 2019 edition of California Policy Center. Edward Ring is a political and financial analyst, working primarily with start-up and early-stage organizations. In 2013, he co-founded the California Policy Center. He is a prolific writer on the topics of political reform and sustainable economic development. His work has appeared in the Los Angeles Times, the Wall Street Journal, Forbes, the Economist, Real Clear Politics, Politico, American Greatness, City Journal, Zero Hedge, and other media outlets. Ring has an undergraduate degree in political philosophy from UC Davis, and an MBA in finance from the University of Southern California.*

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