COLAB
San Luis Obispo County

The Coalition of Labor Agriculture and Business

WEEKLY UPDATE APRIL 2 - 8, 2023

THANKS TO ALL WHO SUPPORTED AND ATTENDED OUR MAGNIFICENTLY SUCCESSFUL, FUN, AND ENERGIZED DINNER ON THURSDAY NIGHT!

HUGE, LOUD, & GENEROUS CROWD FILLED THE EXPO CENTER

2023 EVENT SPONSORS

WINERIES WHO DONATED FOR DINNER OR RAFFLE

Hearst Ranch
Steinbeck
Ancient Peaks

Midnight Cellar
Mitchella
Sculpterra

Kynsi Volatus
Bovino Tolosa
Vintage Cowboy

THIS WEEK

BOARD OF SUPERVISORS

SET HEARING FOR REPEAL OF 2021 REDISTRICTING APRIL 28TH

HOUSING ADVOCATE AND FORMER PLANNER ANN R. WYATT TO BE DISTRICT 2 PLANNING COMMISSIONER

COASTAL COMMISSION SKUNKS ADUs IN LOS OSOS & CAMBRIA FOR NOW

HEARING ON FAKE CAMPIAGN LIMITS RIGGED TO BENEFIT THE LEFT

CLOSED SESSION ON FINDING A NEW CAO

MORE STATE MANDATES ON COUNTY FOR CALWORKS, CALFRESH, AND MEDI-CAL

DOES THIS MEAN MORE MONEY & STAFF?
THEY ADDED STAFF FOR OBAMACARE AND COVID EXAPANSION
YOU GET A TAXA-CAL

SLOCOG

CAN THEY RESIST VEHICLE MILES TRAVELED RESTRICTIONS?

LAST WEEK

PENSION BOARD BEGINS TO FEEL INFLATION

NO BOARD OF SUPERVISORS MEETING

EMERGENT ISSUES

CALIFORNIA'S SHAKEDOWN GOVERNMENT EXPANDS UNDER GAVIN NEWSOM

NEW STATE DIVISION WILL REGULATE GAS PRICES

STATE CHASING INSURANCE COMPANIES OUT

COLAB IN DEPTH

SEE PAGE 22

SHOCKING REALITY —

CALIFORNIA WANTS TO BUILD MORE SOLAR FARMS BUT NEEDS MORE POWER LINES

TRANSMISSION IS NOW A BIG TENSION POINT FOR CLEAN ENERGY DEVELOPERS ACROSS THE US

BY EMMA FOEHRINGER MERCHANT

FREE TO BUILD

When we zone out building in opportunity-laden areas, we are zoning out the American dream

BY EDWARD L. GLAESER

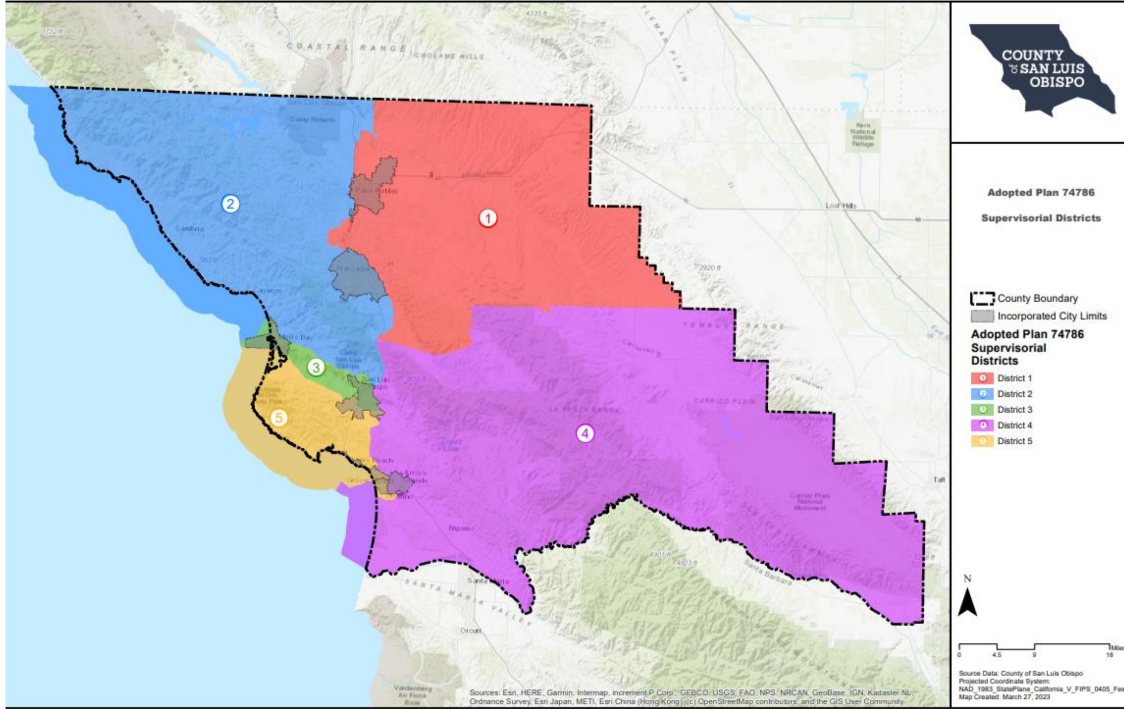
THIS WEEK'S HIGHLIGHTS

Item 6 - Consideration and introduction of three ordinances each of which repeal the Supervisorial District boundaries established by Ordinance No. 3467 which was adopted at the end of the County's 2021 redistricting process and each of which propose new boundaries based on three previously considered maps commonly referred to as Map A, Map B, and the Chamber Map. Hearing date set for April 18, 2023. This is the consent item to set the court settlement-required redistricting Hearing and adoption for April 18, 2023. The new 3 Board majority determined to not defend the map that was originally adopted, as they believe that it gave the Republicans an advantage. Accordingly, they simply made a deal with their plaintiff buddies, had the Court remand the matter back to the Board of Supervisors, and paid the plaintiffs $300,000.

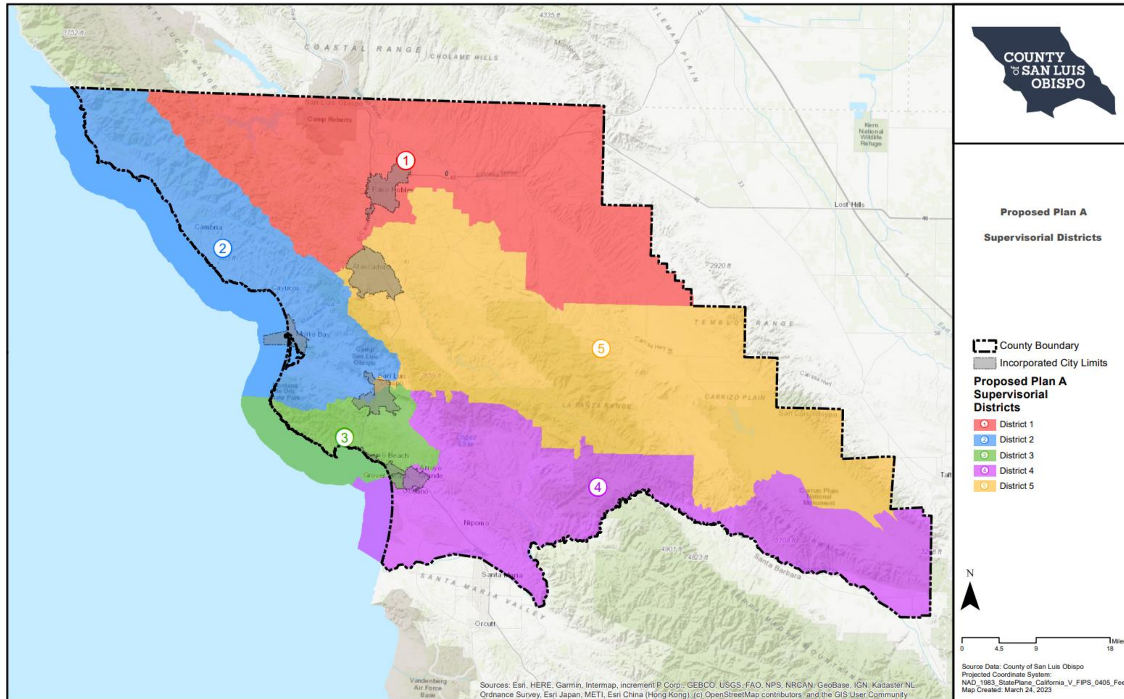
Summary of Litigation and Settlement: *On January 12, 2022, an organization called SLO County Citizens for Good Government and three other individuals filed a lawsuit in San Luis Obispo Superior Court challenging the validity of the Board's approval of the Adopted Map. The lawsuit alleged that the County violated the California Fair Maps Act, among other things. On June 17, 2022, the Court allowed the League of Women's Voters to join the lawsuit as an additional Petitioner. On January 26, 2022, Petitioners filed a motion with the court requesting the Court issue a Temporary Restraining Order asking the Court to temporarily invalidate the map for the upcoming 2022 election. The Court denied the motion on the basis that there would be "…[a] significant disruption…if the Court were to order the County to use a different map due to the impending deadlines faced by the Clerk Recorder for the June 2022 primary election." However, the Court did find that the Petitioners "…have established a reasonable probability of prevailing on their claim under [Elections Code § 21500] subdivision (d)." More exactly, the Court made a preliminary determination that the County Board should have considered the evidence in the record on political demographics and the effects when it approved the Adopted Map. The Court did not rule that the map per se violated the Fair Maps Act.*

It is not clear at this point which map the Board majority favors. Nor is it clear if there are any citizens with the time and the money to fight the settlement and defend the adopted map.

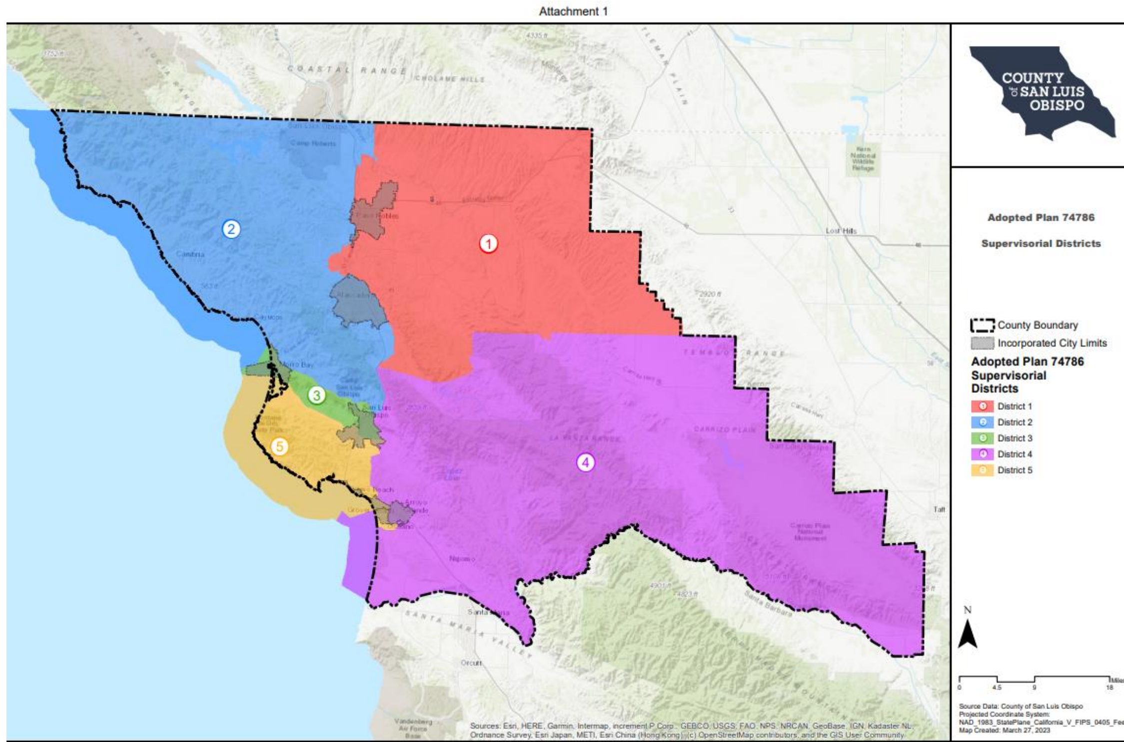
Adopted Map (next page)



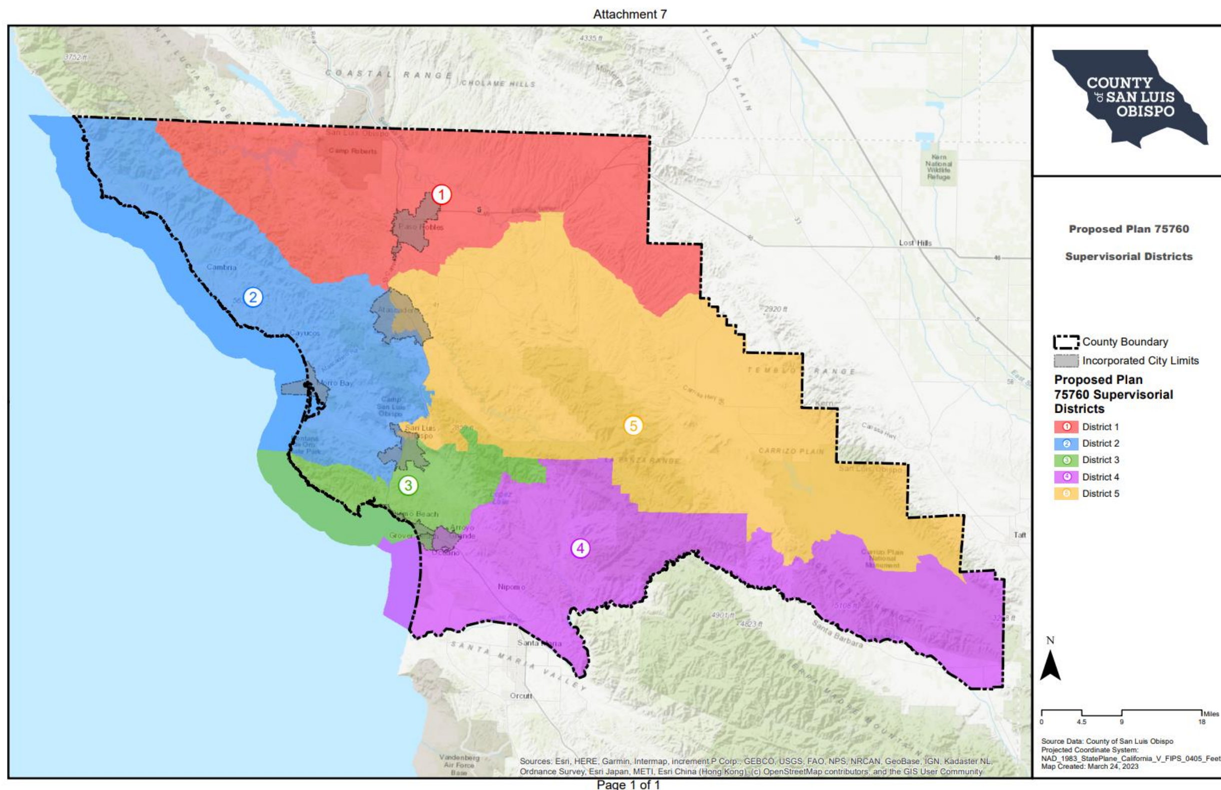
Map A



Map B



Chamber Map



Item 10 - Submittal of a resolution to establish an Agricultural/Livestock Pass (AG Pass) Program, in accordance with applicable law and the authorizing resolution of the Board of Supervisors, for the purpose of issuing identification documents granting qualifying agricultural and livestock producers and managerial employees, at the discretion of emergency personnel, access to the qualifying agricultural and livestock producer's farm and ranch property during or following a natural disaster. State law now allows the counties to issue AG Passes to farmers, ranchers, and other agriculturalists, so that they can enter a disaster area to:

1. Protect or care for agricultural assets (such as irrigating crops or feeding, watering, and transporting livestock) and/or

2. Provide support information to emergency personnel (such as identifying access roads and water points).

The write-up summary states:

The passing of AB 1103 on October 7, 2021, imposed a duty on local jurisdictions with the option to establish an Ag Pass Program for the purpose of issuing identification documents granting any qualifying agricultural producer, or a managerial employee, access to the qualifying producer's ranch property, or to the ranch property owned by another holder of an AG Pass with permission, during a flood, storm, fire, earthquake, or other disaster. The purpose of creating a county-based Ag Pass Program is to provide a uniform way to identify vetted commercial farm and ranch owner-operators and their employees to firefighting personnel, California Highway Patrol officers, Sheriff's deputies and other law enforcement officers, and other emergency personnel for the purpose of allowing them access to their agricultural land. Possession of an Ag Pass during a wildfire or a similar disaster (or, "all-hazard" emergency) potentially allows the agriculturalist limited emergency access to areas that may otherwise be restricted to the public.

Item 11 - It is recommended that the Board of Supervisors approve the appointment of Anne R. Wyatt as the District 2 representative to the Planning Commission. This term serves at the pleasure of the Board. Wyatt served as Gibson's Planning Commissioner back in 2006-2010.

Information on her County application includes:

Bachelors, Urban Studies/Planning (UCSD) Masters City & Regional Planning (CalPoly)

Affordable housing planning & development: Executive Director, Smart Share Housing Solutions, Inc.; Planning Consultant

Writer/housing policy: Planning Magazine: Regular Contributor

Policy: Board Member: Central Coast Commission for Senior Citizens, Area Agency for Aging; National Shared Housing Resource Center:

Casita Coalition; Friends of the Bob Jones Trail; Housing Trust Fund of San Luis Obispo County;

Appointed/Elected: Former planning commissioner; Former Advisory Council Chair; Cambria Parks Commission

List Membership to Organizations

BOD member: Casita Coalition; Friends of the Bob Jones Trail; Housing Trust Fund of San Luis Obispo County;

Central Coast Commission for Senior Citizens, Area Agency for Aging; National Shared Housing Resource Center:

Member SLO Housing Committees: HSOC Housing, Healthy Communities,Supportive Housing Consortium

Vice President, Friends of the Bob Jones Trail;

Item 29 - Hearing to: 1) consider a resolution acknowledging receipt of the California Coastal Commission's resolution of certification and accepting the California Coastal Commission's suggested modifications for the County's proposal to amend the Coastal Zone Land Use Ordinance (Title 23 of the San Luis Obispo County Code) as it relates to accessory dwelling units (ADUs); 2) receive and file a presentation on the County's Pre-Reviewed ADU Plans; and 3) receive and file a determination regarding the effect of State ADU Law on the County's ability to enforce conditions of approval and specific plan requirements that prohibit ADUs. As noted in the title, this item contains 2 issues. One is the imposition by the Coastal Commission of requirements within the County's coastal zoning ordinance which would pretty much make it impossible for property owners to obtain a permit for an Additional Dwelling Unit (ADU) in Los Osos or Cambria. The other is the adoption of predesigned plans, which when used by applicants, could expedite permit approval for an ADU.

1. The Commission told the County to not include its updated ADU provisions in the Coastal Zoning Ordinance, but instead to include something in the endless and pending Los Osos Community Plan Update. Although Cambria is not in Los Osos, the same provisions that are incorporated for Los Osos would be used in Cambria.

The matter is another example of the totally unaccountable Coastal Commission staff interfering with local control. The staff report states that the Commission "suggested" the process, but if the Board of Supervisors doesn't accept the "suggestions," the Commission won't certify the ADU amendments in the Coastal zoning ordinance. This would mean that no ADU could be built anywhere in the Coastal Zone. The whole matter had been continued for a year, during which the Commission staff and the County staff supposedly negotiated on the issue. You are paying for these costs with your taxes.

2. The second part of the item sets up some predesigned ADU packages, which will supposedly allow applicants a faster and easier process.

These pre-reviewed plans consist of three architectural designs and six floor plans, with sizes ranging from 196 square feet to 1,200 square feet, including adaptable baths and loft options. Each size is named after a native plant found specifically in the County. The chart below highlights the six available site plans.

Floor Plan Name	ADU Size	ADU Bedroom Count	Key Attributes
The Blueblossom	1,200 square feet	Four bedrooms	Adaptable bath
The Manzanita	749 square feet	Three bedrooms	No impact fees*
The Manzanita (narrow)	749 square feet (narrow)	Three bedrooms	No impact fees*; Adaptable bath
The Sage	400 square feet	Two bedrooms	No impact fees*; loft
The Sage (narrow)	400 square feet (narrow)	Two bedrooms	No impact fees*; loft
The Yucca	196 square feet	One bedroom	No impact fees*; loft

*Impact fees means public facilities fees and road impact fees

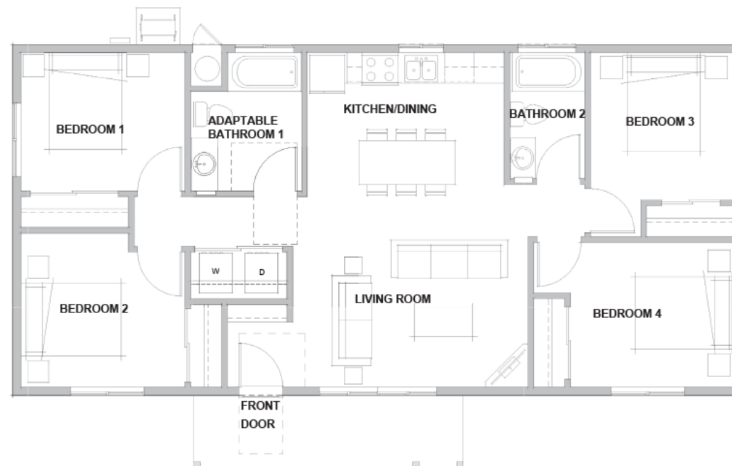
One question is: Will the County require all the bedrooms, or could you have a Blueblossom with 2 bedrooms and a larger family area? Or is the idea to force more bedrooms? The whole sad story is summed up by the fact that our situation is so distressed that the Yucca, 196 square feet, is now considered a home. Realize that some of the beds at the Madonna Inn are larger.

Pre-Reviewed ADU Program

Three architectural designs

slocounty.ca.gov/ADUs

The Blueblossom - 1,200 sq. ft. - 4 Bedrooms



Levittown, Long Island, @1953 $9,000.

People at one point living in Levittown:

- "Irish" Bobby Cassidy (1944-), professional boxer
- David Catapano (1973-), celebrity Chef (*Chopped*), lived in Levittown, New York for much of his grade school years.
- John A. Gambling (1930–2004), morning radio host on WOR-AM[46]
- Ellie Greenwich (1940–2009), Hall of Fame songwriter[46]
- Bill Griffith (1944-), cartoonist (*Zippy*)[46]
- Peter Gruenwald (1912–1979), 1978 Lufthansa heist conspirator[47]
- Steve Israel (1958-), politician, attended MacArthur High School
- Billy Joel (1949-), musician, lived in a Levitt-built house in Hicksville[citation needed][48]
- Brian Kenny (1963-), sportscaster on the MLB Network, *SportsCenter*, *Friday Night Fights*
- Donnie Klang (1985-), hip-hop singer (*Take You There*)[49]
- Cyril M. Kornbluth (1923–1958), Hugo- and Prometheus Award-winning science fiction writer (*The Syndic*)
- Damian Maffei (1977-), actor (*Closed for the Season*)
- Eddie Money (1949–2019), musician (*Two Tickets to Paradise*), attended Island Trees High School though he lived in adjacent Plainedge, New York[50
- Sterling Morrison (1942–1995), guitarist with The Velvet Underground[51]
- Bill O'Reilly (1949-), political commentator, raised in a Levitt-built part of the adjacent community of Salisbury, also called South Westbury
- Maureen Tucker (1944-), drummer for the Velvet Underground[51]

Item 30 - Hearing to rescind Local Campaign Finance Contribution Limits, Ordinance No. 3429. The purpose of the Hearing is to adopt an ordinance that limits individual campaign contributions to $5,000. This is a trick to limit donations to campaigns for conservatives, because it does not limit the amount from independent campaign committees.

*An **independent expenditure** is money spent on political advertising in support of or against a particular candidate. An independent expenditure comes from outside a candidate's own election organization and is not coordinated with a particular candidate's campaign, authorized candidate committee or political party committee.[1] Generally, there is no limit placed on independent expenditures.[2]*

Individuals, political committees, Super PACs, qualified nonprofit corporations (such as 501(c)(4)'s) and, since Citizens United v. Federal Election Commission, corporations and labor unions are permitted to make independent expenditures. Corporations, labor organizations and individuals or businesses with federal government contracts, however, may not make independent expenditures.

Generally, independent expenditures must identify the person paying for the advertisement. Political action committees and other persons have specific reporting requirements associated with independent expenditures. There are no limits on the amount an individual or group may spend on independent expenditures.[2][3]

These contributions will simply come another way. For example, any of these could come from an independent campaign committee in the future. What good is the limitation?

08/26/2022	IBEW PAC Educational Fund52-2257109 Washington, DC 20001	☐IND ☐COM ☒OTH ☐PTY ☐SCC		2,500.00	7,500.00	

Date	Contributor	Type	Occupation/Employer	Amount	Cumulative
08/28/2022	Democrats of San Luis Obispo Club (ID# 1397816) San Luis Obispo, CA 93401	☐IND ☒COM ☐OTH ☐PTY ☐SCC		10,385.00	24,685.00
09/07/2022	Southwest Regional Council of Carpenters Small Contributor Committee (ID# 870169) Camarillo, CA 93012	☐IND ☐COM ☐OTH ☐PTY ☒SCC		10,000.00	16,250.00
09/19/2022	Central Coast Labor Council Political Action Committee (ID# 890222) Long Beach, CA 90802	☐IND ☒COM ☐OTH ☐PTY ☐SCC		2,500.00	4,500.00

Item 31 Closed Session: PERSONNEL (Government Code section 54957.) It is the intention of the Board to meet in closed session to: (18) Consider Public Employee Appointment for the Position of County Administrative Officer. The Board could take any one of a number of possible actions:

1. Appoint a permanent CAO who could be waiting in the wings.

2. Appoint an interim CAO. The logical choice would be the current Assistant CAO Rebecca Campbell. Campbell is a local government professional with significant credentials and experience.

3. Let the matter ride. Wade Horton does not leave until May.

4. Decide on the terms and conditions for a recruitment. Matters such as education, experience, past successes, pay, etc. could be discussed. Would the recruitment be national or limited to California?

5. Will the County HR Department conduct the recruitment or will they hire a professional recruiting firm?

6. Some combination of the above.

One thing for sure is that they really need to update their ordinance on the qualifications, duties, and powers of the CAO in the meantime. It is a very weak ordinance which promotes much of the slow tedious processing and Board micro-management in the County.

See the excerpts from the County News Release when Campbell was appointed:

Rebecca Campbell started her new role as our Assistant County Administrative Officer in late June 2021. Ms. Campbell has worked for the County of Kings since 2005, where she served as both the Assistant CAO and most recently as the CAO, since 2017. In this role, Ms. Campbell manages the day-to-day operations of all County functions and activities, which fall under the jurisdiction of the Board of Supervisors, including management of a $443 Million budget.

During her time with Kings County, Ms. Campbell's significant accomplishments included successfully bringing in more than $100 Million in competitive construction grants and managing those projects and negotiating a multitude of diverse contracts. That includes her most recent 25-year Intergovernmental Agreement with the Tachi-Yokut Tribe of the Santa Rosa Rancheria Indians. She also led the county during the longest period of growth, including her direct involvement in increasing the County's credit rating from an A- to an A.

She has served as an influential member of professional organizations, including Secretary/ Treasurer of the Statewide California Association of County Executives Organization, Chairperson of the California Statewide Interoperability Executive Committee Central Planning Area, Committee Member of the Pioneer Elementary School Site Council, and Rotary.

Prior to working for the County of Kings, Ms. Campbell served ten years in the United States Navy as an Electronics Technician, and, while stationed in Keflavik, Iceland, she led the building and relocation of a North Atlantic communications facility. She also served as a Career Counselor to assist sailors with their career paths. Ms. Campbell was named Navy Sailor of the Year in 2001, and received multiple medals for her outstanding service. Ms. Campbell has a Master's Degree in Business Administration.

MATTERS AFTER 1:30 PM

Item 32 - Request to receive and file a presentation on impacts to the community and the Department of Social Services due to programmatic changes and the unwinding of the Public Health Emergency. Apparently the State is further complicating the administration of the 3 large public assistance programs (CalWORKs (welfare), Cal Fresh (food stamps - now credit cards), and Medi-CAL (paying for medical care for the indigent). The item details the arcana of the process and requirement changes. According to the report, the changes are occurring as processes implemented during the "COVID emergency" are being dismantled.

The presentation continues along the theme that the changes will decrease the level of benefits in some cases. They will also increase the staff workloads in the 3 programs. Interestingly, the narrative does not contain increased cost and staffing projections, which will likely be asserted at some point to manage the impacts. It is possible that this is a preview of coming attractions. Once the Board has absorbed the information, staff could return with a second round to seek more funding. It is not known if the State contemplates backfilling funding for the impacts to counties, which are the retailors of these State/Federal programs.

Some sample statements: *CalFresh caseloads have grown by 50% in the last three years. Outreach efforts have continued with coordination with the CalFresh Alliance and the Food Bank who has been a great partner in focusing on outreach efforts.*

Effective January 2023, a new requirement to screen all Medi-Cal applications and annual

Under normal circumstances, non-exempt adult participants were required to participate in Welfare to Work, a training and employment program. During the PHE, CalWORKs participants were given a good cause waiver allowing participants to be exempt from participating in the Welfare to Work program due the PHE. This waiver will be expiring effective May 2023. The DSS will have 60 days to reengage participants to participate in the Welfare to Work program. Toward this effort, DSS Participant Services staff have begun taking steps to engage the current number of 674 Welfare to Work participants.

Renewals for potential eligibility to CalFresh went into effect. This is a great strategy to continue to increase CalFresh participation but will increase the workload of DSS Participant Services staff.

In other words, much of the additional spending established in the name of the COVID emergency will never go away.

The generic state expands relentlessly in the name of helping poor people, yet it has only become worse and worse since the 1960s.

San Luis Obispo Council of Governments (SLOCOG) special meeting of Wednesday, April 5, 2023 (Special)

Item D-1: Vehicle Miles Traveled (VMT) Mitigation Program Request for Proposals. The Board letter updates the staff's efforts to prepare for ultimate State mandates imposing VMT.

In 2022, SLOCOG and APCD were awarded a Caltrans Sustainable Transportation Planning Grantof$296,000to create a regional VMT Mitigation Program framework, a Quick Response Tool for developers to estimate project related VMT impacts, and a prioritization methodology for VMT mitigation projects. The VMTMitigation Program will provide the SLO Region with uniform approach to accomplish state and local climate goals and create an avenue to fund VMT reducing projects

It appears that the SLOCOG Board and staff may be attempting to find some ways around the mandates on the grounds that the County is rural to suburban and residents must drive more than city dwellers.

SLO County is rural with urban pockets distant from one another. The configuration of land uses and densities varies considerably across the region. As a result of geography and population, SLO County has limited feasible mitigation options for project sites. Feasibility in environmental review takes into consideration time, economic, environmental, legal, social, and technological factors. Creating VMT bank or exchange program offers a path to overcome the limitation of project-site only mitigation. This effort requires additional expertise which is outlined in the attached RFP. The RFP includes eight main tasks:

1.CRITERIA DEVELOPMENT-The consultant will develop a series of criteria to evaluate potential mitigation framework options.

2.FRAMEWORK OPTIONS-The consultant will develop at least two VMT mitigation framework options

3.CASE STUDIES-The consultant will conduct and evaluate case studies to test the proposed VMTMitigation Program.

4.QUICK RESPONSE TOOL (QRT)-The consultant will develop a Quick Response Tool (QRT) in the form of an online mapping tool that will allow developers and the public to more easily estimate project created VMT

.5.FEEDBACK SESSIONS-The consultant will be prepared to attend at least six (6) steering committee meetings.

6.ADMINISTRATIVE DRAFT-The consultant will prepare an Administrative Draft VMT Mitigation Program that incorporates the direction of the Steering Committee and feedback from any public engagement

7.TECHNICAL JUSTIFICATION-The consultant will prepare a Technical Justification document that provides a formal essential nexus analysis between the program and legitimate government purposes required by CEQA and the Mitigation Fee Act

.8.FINAL DRAFT VMT MITIGATION PROGRAM REPORT-The consultant will submit a Final Draft VMT Mitigation Program Report including next steps to fully implement the program.9.BOARD PRESENTATIONS-The consultant will be prepared to present to the SLOCOG Board .

Obviously, the poor citizens will have no idea that this jargon filled analysis is going on or whether it will be capable of defending us from the State.

In the end, the social and legal ramifications of restricting citizens' freedom of movement is a major policy concern.

Non-Agenda Matter: There does not appear to be any reference to a future sales tax for transportation push in the agenda materials. The problem is that Gibson or Paulding could bring it up and ask that it be placed on a future agenda. The conservatives should demand a vote on any such motion to smoke out where everyone stands.

LAST WEEK'S HIGHLIGHTS

SLO County Pension Trust Meeting of Monday, March 27, 2023 (Completed)

Item 10 - Actuarial Valuation – 2023 Actuarial Assumptions. The bad news is that the fund lost 8% in 2022. The short-term good news for the County Budget is that the actuaries and staff do not recommend that a rate increase be adopted for County FY 2023-2024.

The latest Actuarial Experience Study was completed in 2022. For 2023, as a year between the biennial Experience Studies, it is preferable to defer making any changes to actuarial assumptions until the next Experience Study year unless there are compelling reasons for an out-of-cycle change in assumptions.

The biennial Experience Studies provide a more in-depth analysis of the factors that determine the rates. The current assumption rate is 6.75% for fund returns over 30 years.

SLOCPT's Actuary and Staff recommend no changes to major assumptions noted above. These assumptions will determine the resulting Actuarially Determined Contribution (ADC) rate increase to be presented to the Board in June.

Item 14 - Monthly Investment Report for February 2023. Markets did not perform as well in February as January.

	February	**Year to Date 2023**		2022	2021	2020	2019	2018
Total Trust Investments ($ millions)	$1,626			$1,614 year end	$1,775 year end	$1,552 year end	$1,446 year end	$1,285 year end
Total Fund Return	-1.8% Gross	**1.8%** Gross		-8.0% Gross	15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross
Policy Index Return (r)	-1.7%	1.8%		-9.7%	12.8%	10.0 %	16.4 %	-3.2 %

(r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2023 Interim targets:
Public Mkt Equity- 21% Russell 3000, 17% MSCI ACWI ex-US
Public Mkt Debt- 10% Barclays US Aggregate,
Risk Diversifying 4% Barclays US Aggregate,
5% Barclays 7-10yr Treasury, 4% Barclays 5-10yr US TIPS
Real Estate & Infrastructure- 15% NCREIF Index (inc. Infrastructure)
Private Equity- 10% actual private equity returns
Private Credit- 8% actual private credit returns
Liquidity- 6% 90 day T-Bills
Pending annual updates to interim targets.

Investment Markets - February saw a pullback from the positive returns in January. For February, equity markets fell – both US stocks (S&P 500 -2.4% and International stocks (MSCI

ACWI ex-US -2.7%). Bonds also declined due to added increases in interest rates (Bloomberg US Aggregate bonds -2.6 %).
***Banking turmoil** – On March 10th the banking industry was roiled by the failure and insolvency of Silicon Valley Bank (SVB) – the 16th largest bank in the U.S. with $209 billion in assets. A second bank, Signature Bank, also failed over the weekend.*

♣ SVB was seized by bank regulators due to plummeting liquidity in the face of a bank run by depositors. The SVB situation is qualitatively different from the 2008- 2009 banking crisis in that SVB's assets are generally of high quality.

♣ SVB carried a high-risk profile with extreme reliance on institutional and venture capital deposits – that are far more likely to leave quickly than the more traditional retail deposits. SVB was a major lender in the technology industry as well as holding large amounts of Treasury and mortgage-backed bonds.

♣ All banks carry "asset/liability mismatch" risk - short term deposits versus longer term loans. SVB's economics were impacted by increases in short term interest rates that increased the rate they needed to pay on deposits. To worsen the situation, the long-term bonds that made up a large portion of SVB's assets had lost close to 50% of their market value due to rapidly increasing interest rates. However, these bonds under bank accounting rules were still carried at face value in SVB's "Hold to Maturity" category.
♣ SVB's risk was magnified by its reliance on rapid-to-leave institutional deposits. When SVB was forced to liquidate large parts of its bond holdings and realize loses that had been previously not reportable under bank accounting rules, depositors were alarmed and pulled their funds.

♣ The U.S. Treasury, the Fed and the FDIC have pledged to cover depositor losses for accounts larger than the $250k FDIC insurance limit so the remaining depositors are expected to not suffer losses. This move by the regulators is not the same as a "bail out" as was done for some systemically important banks in 2008-2009. It is anticipated that the liquidation of the remaining bonds owned by SVB and the wiping out of all owners' equity will cover the guaranteed deposits at little or no cost to the Treasury. Also, SVB management has been dismissed.

♣ SLOCPT investments are not expected to be directly affected by the SVB problems. A possible increase in private credit investment opportunities – particularly for Sixth Street Partners portfolios – is a potential positive factor. **Related Impacts:** The Board, along with all the other local jurisdictions and states, has been happily spending millions of dollars in Federal COVID Relief Funds, American Rescue Act Funds, and Infrastructure Act funds. These have injected trillions of dollars into the economy, generating inflation, devaluing the dollar, and thereby increasing the national debt and the commensurate interest rates on the national debt. One of the knock-on effects has been to cause some banks that are collateralizing their depositors' deposits with treasury bonds to become insolvent. Should the problem turn out to impact many banks, the financial markets could be adversely affected.

EMERGENT ISSUES

Item 1 - New State Division will regulate gas prices. This new agency is vested with the authority to decide how much profit oil and gas businesses are allowed to make. Government artificial price controls ultimately reduce supply and increase cost. How well has rent control worked to lower prices for housing in New York, Berkeley, San Francisco, Santa Monica, or Moscow?

CALIFORNIA'S SHAKEDOWN GOVERNMENT EXPANDS UNDER GAVIN NEWSOM BY JOHN COUPAL

California Gov. Gavin Newsom walks through the assembly chamber with California Controller Malia Cohen during the opening session of the California Legislature in Sacramento, Calif., Monday, Dec. 5, 2022. (AP Photo/José Luis Villegas, Pool)

If you thought Governor Gavin Newsom's new gas tax, SBX1-2, was about punishing big, bad oil companies, it's not. It's actually about much more – and none of it is good news for taxpayers.

For those who weren't paying attention last week, SBX1-2 was Newsom's attack on California's oil producers who, he alleges, have been gouging consumers with high gas prices. This is horrible legislation, not only for its substance, but also for how it became law. The bill's unusual number, SBX1-2, is the first giveaway that this was not normal legislation, but rather the product of a "special session," which Newsom called last December.

After no action on Newsom's declared "crisis" for months, the bill was jammed through in less than a week. There were no meaningful hearings, no public testimony, and no opportunity for those directly impacted to present opposing views. Because the legislation was moved during a "special session," it was able (by design) to avoid many of the procedural requirements of normal legislation. This was a shameful display of raw political power which, thanks to one-party rule, is now all too common.

As for substance, SBX1-2 sets a new speed record in California's headlong rush toward Soviet-style central planning. The Newsom gas tax law creates a new agency under the California Energy Commission with powers to investigate petroleum companies and impose new penalties, costs and regulations. This new agency is vested with the authority to decide how much profit oil and gas businesses are allowed to make.

SBX1-2 is a gross insult to taxpayers. First, the Legislature's own analysis projects that it will cost nearly $10 million annually with a minimum of 34 new enforcement bureaucrats. Specifically, according to the Assembly Appropriations Committee, "this bill will result in significant ongoing costs to the [California Energy Commission] in the millions of dollars annually, to develop rules and review data submissions; to establish and administer the Advisory Committee and the Division; to exercise its new authority to set a maximum margin; and to administer a penalty, if created."

But this cost is a bargain compared to what the creation of this new Orwellian agency will do to the price of gas and other petroleum products. The regulatory scheme created by SBX1-2 is almost certain to disrupt California's energy market and threaten the reliability of the state's already fragile fuel supply.

More fundamentally, ponder the notion of the heavy hand of state government judging what an "excessive" profit is. What industry is next? Will there be a new state agency to put a price cap on automobiles? (Oh wait, there is already a bill that would do that).

But SBX1-2 poses another threat that few are talking about. If the Covid era taught us anything it is that government-declared emergencies – real or imagined – create more opportunities for corruption.

Recall that during the pandemic when no-bid contracts were being handed out, behested payments on behalf of the governor surged. These are "donations" for charitable or governmental purposes that are specifically requested by elected officials, often from companies with business before the state. In 2020 alone, hundreds of millions were "donated" at the "behest" of the governor. The practice was so pervasive it even caught the attention of the Los Angeles Times which wrote that "many of the donors have other business before the governor, received no-bid government contracts over the last year or were seeking favorable appointments on important state boards," which "creates the appearance of a pay-to-play system."
With SBX1-2, one can easily envision politicians extorting petroleum companies to give campaign contributions or "behested payments" as "protection" money. ("That's a nice refinery you have there. It would be a shame if something happened to it.")

So yes, the way SBX1-2 became law was a perversion of the legislative process and, yes, the bill is substantively destructive. (Justifiably designated as a "Job Killer" by the California Chamber of Commerce). But the real threat is the expansion of oppressive state government creeping into more areas of our personal lives and businesses. And that inevitably opens the door to more "pay-to-play" corruption and the flagrant waste of taxpayer dollars.

Jon Coupal is president of the Howard Jarvis Taxpayers Association. March 31, 2023 Orange County register.

Item 2 - It's becoming harder and more expensive to obtain insurance as the State chases insurance companies out.

Special Issue 2023: Can California Be Golden Again?

The words "California" and "crisis" seem to go together, as the state bounds from one intractable problem to another. The recent spate of flood-level storms in Northern California focused attention on its ailing levees. As an "atmospheric river" pummeled the low-lying Sacramento region, a nearly endless parade of trucks carrying rubble raced to shore up an aged system.

It would never dawn on the state's brain trust to invest in infrastructure improvements *before* near-catastrophic failures stressed levees to the breaking point. Nor would it dawn on it to invest in water infrastructure. Shortly before the storms, which brought nearly as much rain in three weeks as California had experienced in a year, the state was already facing another weather-related crisis: a mega-drought that mandated water rationing. Such a problem had long been predicted, yet the state hasn't moved until recently with any particular urgency to approve new desalination plants or improve infrastructure.

Last summer, as California's electrical grid was overstressed, the state's independent system operators warned residents not to charge their electric vehicles—during the same week that state officials boasted about the California Air Resources Board's latest regulations, phasing out internal-combustion vehicles by 2035. That's the most California thing ever.

It's not hard to see a connection between these crises. Despite last year's $97.5 billion budget surplus, lawmakers "invested" in new social programs and higher pay and benefits for government employees. Only rarely do they prioritize the nuts and bolts of governance—infrastructure investments, revamping the tax system, or dealing with pension liabilities, say. Now, as the state budget looks at a $23 billion deficit, California confronts a new challenge: a serious crisis in the insurance industry is looming, largely unnoticed by state officials.

The recent floods and wildfire season not only have battered the state's infrastructure; they have also saddled insurance firms with as much as $1.5 billion in losses. Insurance markets could weather these blows, but the government-controlled insurance system won't let them. Thus, insurance companies are pulling out of the state or reducing their underwriting, leaving many homeowners dependent on the bare-bones insurer of last resort: the state-created (though funded

by insurers) Fair Access to Insurance Requirements Plan. As Jerry Theodorou, an R Street Institute insurance expert, observed in the *Orange County Register*, the number of FAIR Plan policies has increased 240 percent since 2017.

Car insurers are backing away, too, Theodorou notes, as losses increased 25 percent in one year, while premiums rose only 4.5 percent. That statistic offers insight into the problem. In 1988, California voters approved a ballot measure backed by consumer groups (read: tort lawyers) that turned the insurance commissioner into a rate-setting czar. The California Department of Insurance gives a simple description of the measure: "Proposition 103 . . . requires the 'prior approval' of California's Department of Insurance before insurance companies can implement property and casualty insurance rates. The ballot measure also required each insurer to 'roll back' its rates 20 percent. Prior to Proposition 103, automobile, property and casualty insurance rates were set by insurance companies without approval by the Insurance Commissioner."

Thanks to Republicans' long-running weakness in statewide races, the current commissioner, progressive Democrat Ricardo Lara, won reelection by 20 percentage points, despite controversies involving paid living expenses and campaign contributions from those whom he regulates. But the real problem isn't Lara; it's the powers vested in his office. Since Prop. 103's passage, California has endured similar problems with all insurance commissioners, including Republican ones. Elected commissioners have every incentive to oppose rate hikes. Insurers are reluctant to propose any rate changes because doing so would trigger an administrative process in which "intervenors" (consumer groups that get reimbursed to advocate for the public in the rate process) rack up legal fees.

I covered one recent example in *The American Spectator*. In 2016, State Farm General Insurance, which provides fire insurance to 20 percent of the state's homeowners, proposed raising rates by 6.9 percent. The insurance commissioner at the time, Dave Jones, instead ordered the company to slash rates by 7 percent and retroactively to rebate consumers $100 million. Small wonder that insurers avoid this process and instead quietly pull back from the market. The Department of Insurance uses a formula to determine rates based partly on a company's revenues. In State Farm's case, the department, along with a group called Consumer Watchdog, calculated what the firm's premiums should be, and based on an out-of-state group of State Farm–affiliated companies. Though a state appeals court rejected this method in a harshly worded ruling, a San Diego County court nevertheless awarded Consumer Watchdog $2.2 million in legal fees for its far-fetched opposition. So the insurer had to pay out millions of dollars to a public-interest group just to raise its premiums.

Such cases explain why California insurers can't charge rates that reflect their actual risks. They also show why there's so little competition in the state's insurance industry. Over the long run, competition keeps rates low. Insurance commissioners can certainly hold rates down by edict, or the result is a contracting market. Homeowners then have little choice but to buy inadequate policies in a government-run marketplace.

Prop. 103 isn't the state's only insurance problem. In 2018, then-governor Jerry Brown signed a law banning insurance cancellations and nonrenewals in wildfire-affected areas for a year after

the fires—and Lara continues to force the already overstressed FAIR Plan to offer additional coverage. Such edicts further burden an overextended backup insurance fund.

Insurance is an exceedingly important product. Lawmakers often talk about the need to help consumers and businesses in the state's many disaster-prone areas to secure affordable coverage, yet those same lawmakers impose government edicts that impair the ability of insurance markets to do just that. As a result, insurance may soon join droughts, fires, floods, infrastructure, traffic congestion, homelessness, and crime among California's many crises.

***Steven Greenhut* is a resident senior fellow for the R Street Institute.**

The state currently forces the stockholder owned private sector utilities to provide the electrical energy for the Community Choice Aggregators (CCAs) like 3CE. The CCAs have no transmission lines, transformer stations, maintenance crews, or anything else. Will the State takeover the electrical energy infrastructure? Are collective farms and grocery stores next?

COLAB IN DEPTH

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

SHOCKING REALITY —

CALIFORNIA WANTS TO BUILD MORE SOLAR FARMS BUT NEEDS MORE POWER LINES

TRANSMISSION IS NOW A BIG TENSION POINT FOR CLEAN ENERGY DEVELOPERS ACROSS THE US

BY EMMA FOEHRINGER MERCHANT

Westlands Solar Park, near the town of Lemoore in the San Joaquin Valley of California, is the largest solar power plant in the United States and could become one of the largest in the world. Carolyn Cole/Los Angeles Times via Getty

California's San Joaquin Valley, a strip of land between the Diablo Range and the Sierra Nevada, accounts for a significant portion of the state's crop production and agricultural revenues. But with the state facing uncertain and uneven water supply due to climate change, some local governments and clean energy advocates hope solar energy installations could provide economic reliability where agriculture falters due to possible water shortages.

In the next two decades, the Valley could accommodate the majority of the state's estimated buildout of solar energy under a state plan forecasting transmission needs [PDF], adding enough capacity to power 10 million homes as California strives to reach 100 percent clean electricity by 2045. The influx of solar development would come at a time when the historically agriculture-

rich valley is coping with new restrictions on groundwater pumping. Growers may need to fallow land. And some clean energy boosters see solar as an ideal alternative land use.

But a significant technological hurdle stands in the way: California needs to plan and build more long-distance power lines to carry all the electricity produced there to different parts of the state, and development can take nearly a decade. Transmission has become a significant tension point for clean energy developers across the US, as the number of project proposals balloons and lines to connect to the grid grow ever longer.

Existing lines are not enough to accommodate the spike in large clean energy installations, planning new transmission has lagged, and regulators have struggled to keep up with studying and processing all the projects looking to hook up to the grid.

"It's undeniable that we do need major funding for transmission buildout in California, and frankly, the West, to meet our clean energy goals," said Dian Grueneich, a former commissioner on the California public utility commission. "The issue is where, how much, when, et cetera, … It's probably the most complex area there is."

Compared to other regions, California has been relatively proactive in assessing the grid needs of a decarbonized future, said Rob Gramlich, founder of consulting firm Grid Strategies LLC. But there's still much work to do.

"It's a systemic problem across the country. We have interconnection queue process problems in most regions," said Gramlich. "The problem is more acutely felt in any region that is going faster on the energy transition. And California is second to no one on the pace and ambition of its clean energy transition."

That challenge could cause particular difficulties in regions of California expecting a big scale-up in renewable energy, like the North Coast, where offshore wind developers are planning projects, or areas of the Central Valley eyed by solar companies and facing a potential downturn in the water available for crops.

"Short of water"

In coming years, more land in California once used for agriculture could host solar. In 2014, the state approved the Sustainable Groundwater Management Act, an effort to reduce over-pumping from aquifers that had caused land in certain parts of the state to sink. The law requires local water managers to submit plans to the state that demonstrate how they'll keep industries and people from pulling water out of underground stores more quickly than it can be replenished.

California farmers get water for their crops via a combination of underground supplies and diversions from reservoirs, lakes, and other stores managed by the state and the federal Bureau of Reclamation. The new groundwater regulations, combined with climate change and other environmental regulations, could lead to a 20 percent drop in annual average water supplies in the San Joaquin Valley by 2040, according to a February analysis from the Public Policy Institute of California (PPIC).

"We're not short of land, we're short of water," said Jon Reiter, founder at Cavalrei, a consulting company focused on agriculture, solar, and water, and a grower of fruit and nuts in the Central Valley.

Up to 900,000 acres of farmland may be idled, resulting in the loss of 50,000 jobs. PPIC analysts have suggested solar as a potential way to fill that economic gap, while helping the state meet its clean energy goals.

California would need to increase the amount of large-scale solar it installs each year by 60 percent through 2035 to meet requirements under a climate plan the California Air Resources board published last year. The San Joaquin Valley is viewed as a prime location for some of that development, said PPIC research fellow Andrew Ayres.

The transmission challenge

An Inside Climate News analysis of California solar power plant data already shows 243 operating projects in the San Joaquin Valley. The majority are sited in Kern County, known for its oil and gas development and one of the state's top agricultural counties in terms of revenue. Of the solar projects actively awaiting interconnection to California's grid, 399 out of 450 solar projects are also located in San Joaquin Valley counties, according to a list from the California Independent System Operator, which runs the state's grid.

Some of those projects will not get built, because of challenges connecting to the grid, inability to find someone to buy the power, or any number of other issues that can crop up in the development of renewable energy. But demand for access to power lines is already outpacing supply, said Deborah Builder, senior vice president of development at large-scale solar and storage developer Avantus. The company has 8 gigawatts of San Joaquin Valley solar projects in California interconnection queues. As more and more clean energy projects have cropped up in recent years, developers have found it increasingly difficult to find land with access to adequate transmission capacity, she said.

Developers look for available transmission because they don't want to finance it themselves, which adds to a project's costs and can make installations unviable. Difficulties with connecting projects to the grid is "the number one project killer," said Lucy Bullock-Sieger, vice president of strategy at Lightstar Renewables, a New York-based community solar development company that is looking to site its first projects in California. (Community solar projects usually provide electricity locally and connect to distribution lines that ferry power shorter distances, but Bullock-Sieger says those companies care about transmission challenges because of how they impact the overall grid.)

"We always anticipate interconnection challenges," she said.

The state is aware of the difficulties. In 2016, when the San Joaquin Valley was host to just 120 solar projects, a team at the University of California, Berkeley analyzed 9.5 million acres in San Joaquin Valley counties to identify "least-conflict" sites for building new renewable energy. The

analysis focused on land without high agricultural value—due to water constraints and other factors—and that didn't contain tribal cultural resources.

The project found more than 200,000 acres that fit the criteria. But transmission lines stretching to the areas the study identified posed a "key barrier" to building in the region, according to Ethan Elkind, an author of the report and director of the climate program at the Center for Law, Energy & the Environment at the UC Berkeley School of Law.

In transmission years, the Berkeley study may as well have been carried out yesterday—projects can take a decade to develop. But energy experts say plans need to migrate from paper to action in the extremely near-term if California is to fulfill its clean energy goals using large projects that require electricity to travel long distances.

"Given how long transmission usually takes, you would think some of that 20-year stuff would be starting to show up in the 10-year plans," said David Marcus, a private energy consultant in California. "Not very much of that has happened."

In the next two decades, California needs to spend an estimated $30.5 billion on transmission development, according to the 2022 outlook report from the state's grid operator. This outlook could change as energy plans do; the state is also in the midst of determining how much of its electricity demand will be met with small, spread-out solar projects versus large projects that require transmission, but both will be needed to meet climate goals.

Groundwater managers have until 2040 to balance underground water stores. The state has until 2045 to meet its clean energy targets. Ayres at PPIC said the state can embrace that "policy synergy" to ease the economic impacts of groundwater rules by considering how clean energy can benefit agriculture-focused counties.

California agencies that work on transmission planning could consider where land is likely to come out of crop production in future plans, according to PPIC analysis, and the state could ease certain tax constraints that may keep farmers from transitioning land from crops to solar. But transmission planning—and action—needs to happen soon.

"These processes can be slow," Ayres said. "If we're serious about meeting our renewable energy goals, we need to speed things up."

Emma Foehringer Merchant is a journalist who has covered environmental issues ranging from disasters to wonky energy regulations to air pollution. She's reported on the environment and energy for publications including The Boston Globe Magazine, The New Republic, Vice News, and Grist. Most recently, Emma covered clean energy as a staff writer for Greentech Media and helped alums of that organization form a new publication called Canary Media. She's attending MIT's Graduate Program in Science Writing and holds a bachelor's degree in environmental analysis from Pomona College, where she lived through a California drought while studying how climate change is impacting the state's environment and people.

This story originally appeared on Inside Climate News.

FREE TO BUILD

When we zone out building in opportunity-laden areas, we are zoning out the American dream.

BY EDWARD L. GLAESER

The overregulation of American housing markets began in the nation's coastal, educated, productive enclaves. Over time, however, barriers to building have spread. Tony suburbs of Phoenix and Austin, which once left their builders free to construct plentiful affordable housing, have now become almost as restrictive as the Boston area.

The expansion of land-use regulations will have an enduring impact on the cost of American housing. The web of restrictions pushes prices up by limiting the number of houses that can be built and deters development through the uncertainty that it creates. Since the permitting process often allows only tiny one-off projects, American builders can't exploit the economies of scale that have made almost every other manufactured good far more affordable.

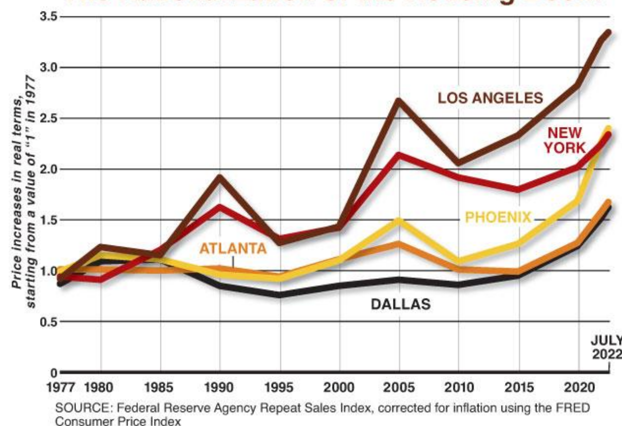
The consequences of land-use regulations go beyond high housing costs. Since people can't afford to move into areas that don't build, America's most productive places have remained too small. The nation's gross domestic product is therefore lower than it could be with a more rational housing system, and poverty too often gets frozen. Housing-price bubbles are more extreme when the housing stock is fixed, too, so the country courts financial chaos by refusing to make building easier.

Unfortunately, the cyclical nature of the housing market makes reform difficult. Americans are taking another ride on the housing-price roller coaster at this moment—as the Federal Reserve hikes interest rates to reduce inflation, prices will probably continue to fall. Reformers can generate momentum for change when prices are rising, but that momentum stalls when prices crash. There was little popular enthusiasm for promoting housing affordability in 2008, as housing prices collapsed during the financial crisis, and there won't be any in 2024, either, if rising interest rates push housing prices substantially down.

The needed changes won't get anywhere this way. Every major reform effort in the U.S. has taken time; if we let the whipsaw of the housing cycle determine when we care about the issue, we will lose the opportunity to create a more productive, more flexible, and more open America. The only chance for real housing reform is a sustained national and state effort to give more Americans the freedom to build.

From 2012 to 2022, America experienced another of its great housing booms, almost as big as the one that occurred from 1996 to 2006. Between June 1996 and June 2006, housing prices rose 122 percent, or 72 percent, correcting for inflation, according to the Case-Shiller national housing-price index. According to the same data source, American housing prices increased 115 percent, or 67 percent in real terms, between June 2012 and June 2022. The demand for housing soared particularly during the Covid-19 pandemic: nominal housing prices rose 45 percent between February 2020 and June 2022, and real prices went up 26 percent.

It's surprising that the 2012–22 boom is comparable with the 1996–2006 one, since that earlier cycle was more extreme than any other residential housing-price event in American history. The similarity of the nationwide numbers, though, hides an important difference. The earlier boom was concentrated in a smaller number of metropolitan areas. Our recent boom has extended nationwide, affecting a wider swath of cities. Indeed, the trend is for each new housing boom to affect more metropolitan areas, partially because building regulations have become ubiquitous.



The figure above shows the nationalization of the housing boom, as seen in the stories of five metropolitan areas. These data come from the repeat-sales indices of the Federal Housing Finance Agency, corrected for inflation. Each series takes on a value of one in the fourth quarter of 1977, when Phoenix enters the sample.

The series shows three booms. In the first, during the late 1980s, only New York City and Los Angeles see prices jump. In the second, in the 2000s, Los Angeles, New York, and Phoenix experience exploding prices. In the last boom, of the 2010s, Atlanta and Dallas join the party, and all five cities see significant price increases.

Atlanta's 46 percent real-price growth between the end of 2017 and the third quarter of 2022 is worth noting because that city had previously been the textbook case of how cities with abundant housing supply go through milder price swings—that is, they don't have as severe boom–bust cycles as places that restrict housing construction. In a 2018 paper that I coauthored with Joseph Gyourko, we juxtaposed the experience of Atlanta and San Francisco, which tightly limits housing development, over the period from 1985 to 2013. San Francisco's prices swung wildly up and down, while its level of permitting for new housing stayed flat and minimal. Atlanta's prices stayed flat, while its permits gyrated. But more recently, Atlanta's prices have rocketed ever upward, just like those in coastal California.

In an earlier work that I coauthored with Gyourko and Albert Saiz, we split America's housing markets into thirds, based on the ease of building. During the 1996–2006 boom, the most restricted third had average real-price growth of 98 percent, while price growth averaged just 28 percent in the least regulated third.

When a functioning market supplies a good elastically, you don't get bubbles. Consider an ordinary product: the trash can. These are extremely useful items, of course, but there has never been a trash-can bubble, where the market price of trash cans exploded, say, by 300 percent. The world's producers can make trash cans almost anywhere and out of almost anything. Elastic supply ensures that prices never get out of whack.

When the housing market works correctly, housing becomes just another good that is relatively easy to build, and low construction costs hold prices down. But when housing supply gets restricted, prices inflate and bubbles become far more common. One of the downsides of having more cities with highly regulated housing markets is that we can expect more of them to go through housing-price booms and busts, with the resulting financial pain.

Easy permitting policies do reduce extreme housing-price cycles, but it is also possible for buyers to lose their heads, for a short period, even in zoning-permissive places. In 2005 and 2006, for example, buyers bid up prices in Las Vegas and Phoenix at the same time that builders were bringing a torrent of new housing onto the market. The result was a predictable mega-bust. The Phoenix metropolitan area permitted more housing in 2021 than it did in 2006, so perhaps history will repeat itself. But in Atlanta, permitting for new housing fell by 42 percent between 2006 and 2021, so permanent price increases seem more likely in that city.

The laws of supply and demand aren't going away. If demand to live in a city is robust and supply is limited, prices will rise. The figure above shows real rents and housing prices in Los Angeles over the last 70 years.

In the 1950s and 1960s, when L.A. was much smaller, the city was producing far more housing. Over the last 60 years, housing production has declined, and real housing rents have risen

dramatically. These housing trends are not quite as sharp as in New York City, where the fall in permits and the rise in prices are both more extreme, but they are significant.

Most of California remained affordable in the 1970s because California had been a builder's paradise. Starting in the 1960s, a new set of rules, often environmental in justification, came into play, making construction much harder. In fact, restricting building in coastal California is the last thing that environmentalists should want if they care about reducing global emissions. My work with Matthew Kahn catalogs carbon emissions associated with living in various parts of America and shows that building in naturally temperate coastal California rather than, say, outside of sweltering Houston or Phoenix, will result in less emitted carbon overall, as people use air conditioning less. Nevertheless, policymakers cite environmental justifications for rules that restrict building in California—and send prices soaring.

My coauthors Gyourko and Saiz, as well as their coauthors Jonathan Hartley, Jacob Krimmel, and Anita Summers, have measured the level of building regulation across America. They survey people involved in the planning process about all the ways that construction can be made harder, from explicit exactions on developers to long approval times to the involvement of courts and state legislatures. They combine these questions into an overall index that ranks community and metropolitan areas ranging from San Francisco (the most restrictive) to St. Louis (the least). Some 75 percent of the land in the San Francisco region and 68 percent in the New York area lies within a community considered "highly regulated" (defined as being among the 25 percent most regulated communities in the U.S.). Unsurprisingly, this measure correlates strongly with housing prices and is closely linked with the value of a quarter-acre lot that comes with the right to build a house.

They sent out the same questions in 2006 and 2018, so they can compare the changes in America's regulatory landscape over time. Their first key finding is that efforts to reduce regulation in constrained places like New York and Los Angeles have largely failed: "At the metropolitan area level, there is no case of a highly regulated market as of 2006 becoming substantially less regulated over time." Further, the path of regulation seems to follow a pattern of spatial contagion, spreading both within and across regions. Ninety percent of metropolitan areas that started out strict in the survey increased "the share of their communities that themselves are highly regulated."

While the coasts were the initial epicenters of overregulation, 61 percent of the non-coastal West and 53 percent of the non-coastal East became substantially more regulated between 2006 and 2018. By contrast, 34 percent of the non-coastal East and 28 percent of the non-coastal West reduced regulation; 52 percent of the Sunbelt became more regulated, and 33 percent less regulated. Living up to West Virginia's state motto, *Montani Semper Liberi*, the U.S. mountain region was the only one in the country with more places cutting regulation than increasing it. Across the country, the biggest regulatory changes were seen in minimum lot sizes and the number of entities required to approve any rezoning. In 2006, 28 percent of communities had a minimum lot size of one acre. By 2018, 39 percent of communities in the sample had a minimum lot size greater than one acre. The share of communities where a rezoning required approval by at least three entities went from 22 percent to 45 percent.

This creep of regulation means that restrictive zoning is no longer just a problem for New York and San Francisco. Regulatory curbs on new building are now part of life around much of the United States, and that has pernicious effects that go far beyond just pushing up prices.

This closing of the metropolitan frontier has macroeconomic implications. Again, restricting the supply of something that is in demand will make asset bubbles far more likely—and these, if large enough, can have a massive destructive impact when they burst, as they did in 2007. When housing prices went into free fall, the U.S. financial system broke down, which unleashed worldwide economic chaos. (If housing prices fall dramatically in the next two years, we can hope that the reforms following the last housing crash have at least made our banks more resilient.)

The second macroeconomic point is that restricting housing growth means limiting the movement of poor people to rich, productive places. Throughout our history, Americans have moved in search of economic opportunity. In the nineteenth century, farmers left the rocky soil of New England for the richer ground of the Ohio River Valley. In the twentieth century, migrants fled the Dust Bowl for California and the Jim Crow South for Chicago and Detroit. That process of relocation has slowed greatly because poor people cannot buy or rent homes in the prosperous areas of technological progress, such as Silicon Valley.

"By making America poorer, restrictive zoning limits the tax revenues that could fund national defense or care for the needy."

Economists Peter Ganong and Daniel Shoag document the disappearance of directed migration. Between 1940 and 1960, the populations of rich states grew much more than the populations of poor states because the poor moved in large numbers to rich places. Between 1990 and 2010, on the other hand, population growth was faster in poorer states because rich places made building so difficult.

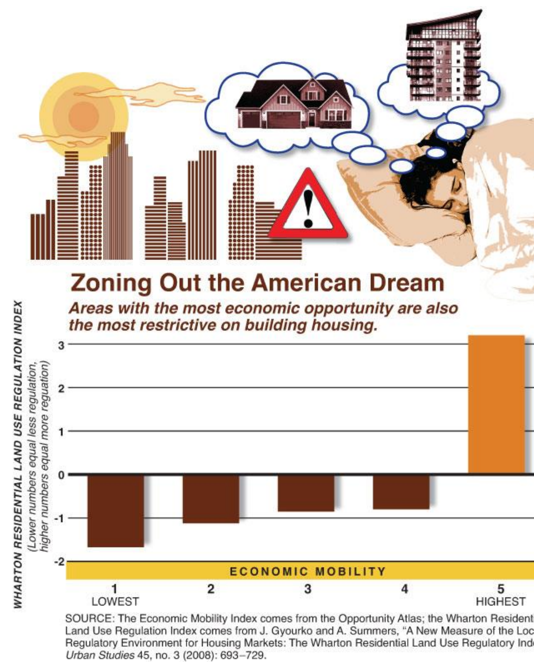
Silicon Valley was wealthy even 50 years ago, and its wealthy residents did what Mancur Olson told us to expect them to do in his classic *The Rise and Decline of Nations*: they organized to protect themselves from outsiders. They made building increasingly tough, which ensured that their homes became vastly more valuable. These high housing costs then meant that only the most able outsiders could afford to come.

The flip side of this situation can be seen in America's eastern heartland. In a great stretch of America, running from Louisiana and Mississippi through Appalachia and up to the cities of the Rustbelt, wages remain low and mortality has risen. In many counties within this broad region, more than 25 percent of prime-age men are not working, and often have not worked for a long time. Why don't they move to San Francisco? More than one-third of these prime-age nonworking men in the eastern heartland are still living in their parents' homes. Others are living in a home owned or rented by someone else. They obviously can't afford to pay for housing in San Francisco, and their parents aren't going to give them a spare room there, either. Consequently, limited housing keeps them trapped in places with few prospects.

The economists Chang-Tai Hsieh and Enrico Moretti have tried to estimate the total lost gross domestic product "because high productivity cities like New York and San Francisco Bay area have adopted stringent restrictions to new housing supply, effectively limiting the number of workers who have access to such high productivity." They find that "these constraints lowered aggregate US growth by 36 percent between 1964 and 2009."

Their estimate is debatable, but it is surely true that America is impoverished when productive places artificially constrain growth with housing regulations. This should make local housing regulations a matter of national concern. By making America poorer, restrictive zoning limits the tax revenues that could fund national defense or care for the needy, weakening the nation.

Local land-use regulations also make America more unequal. My colleague Raj Chetty and his coauthors have produced an "opportunity atlas" that shows where poor Americans have the best chances of growing up to be successful. Their primary measure of opportunity is the adult income of children whose parents were poorer than three-fourths of their contemporaries at the time when the child was born. In the figure below, I sorted metropolitan areas based on this measure and grouped them into quintiles. The figure shows the average Wharton Land Use Index from 2006 for each quintile. As the figure reveals, land-use regulations are strictest in areas that offer poor children the most economic opportunity.



SOURCE: The Economic Mobility Index comes from the Opportunity Atlas; the Wharton Residential Land Use Regulation Index comes from J. Gyourko and A. Summers, "A New Measure of the Local Regulatory Environment for Housing Markets: The Wharton Residential Land Use Regulatory Index," *Urban Studies* 45, no. 3 (2008): 693–729.

When we zone out building in opportunity-laden areas, we are zoning out the American dream. How can policymakers change this situation? It won't be easy. Getting homeowners in prosperous suburbs to change their zoning rules by telling them that it is good for the country or for the environment is not going to work—that would mean asking them to take actions that would lower the value of their largest asset.

Bigger cities offer a more promising chance for reform, since they contain a broader community than just homeowners: banks, which want to lend to both builders and buyers; advocates of low-cost housing; and employers, who want cheaper housing that will make it easier for them to hire

less expensive labor. In fact, the most effective advocate for zoning reform that I have heard was the CEO of a large Massachusetts restaurant chain, who complained to then-governor Mitt Romney that high housing costs were killing his ability to make ends meet.

Economist and political scientist Clemence Tricaud has studied the impact of merging jurisdictions in France. She finds that when smaller jurisdictions get folded into bigger ones, the now-combined jurisdiction permits more housing. This provides our best social-science evidence that larger jurisdictions are open to more building. I'm not arguing for a nationwide campaign to merge towns together but am suggesting that housing reformers focus on bigger cities rather than smaller towns.

If we do want to change land-use regulations in smaller jurisdictions, the path runs through state legislatures, which hold almost unfettered power to change local zoning. They can provide ways to bypass local codes, as Massachusetts did 50 years ago with Chapter 40B (which empowered the state to permit affordable housing projects in expensive areas), or by creating financial incentives to encourage localities to allow more construction.

Robert Ellickson and David Schleicher, both of Yale Law School, are two of the wisest legal scholars on land-use regulation. Ellickson essentially pioneered the field in 1975, and he has written a terrific recent book: *America's Frozen Neighborhoods: The Abuse of Zoning*. I'll borrow flagrantly from him here in looking at California.

For 50 years, California has had a Regional Housing Needs Act, which allegedly allocates an amount of housing to all of California's jurisdictions and imposes penalties if these areas don't allow enough building. In theory, this seems like a good mechanism; in practice, the entity has proved fairly toothless.

Operationally, California's Department of Housing and Community Development allocates housing assessments, and communities submit housing provisions—changes to such zoning reforms—which will let them meet those assessments. If cities fail to reach their assessments, based on actual building, they lose the ability to reject projects on an ad hoc basis. But the act still leaves noncompliant communities free to zone as restrictively as they wish. Consequently, it accomplishes little in its current form.

In 1990, California's Housing Accountability Act introduced a potentially far more powerful tool: the "builder's remedy." The basic idea was that, in communities that fail to meet their quota, state zoning regulations would permit construction of affordable and middle-income housing, overriding local rules. This bypass echoed Massachusetts 40B and seemed potentially powerful, either directly permitting more housing or inducing localities to meet their allocations to avoid losing control.

Unfortunately, for 30 years, the remedy has had little impact. Chris Elmendorf, a legal scholar at the University of California–Davis, thinks that "the most probable answer" for why the builder's remedy has been so ineffective is that it is "so poorly drafted and confusing that developers of ordinary prudence haven't been willing to chance it." In 2019, California passed its Housing Crisis Act (SB 330), which aimed at empowering the builders and clearing away the legal

confusion. If California's courts don't gut the builder's remedy, as they might, this should have much more power than California's SB 9, which passed last year, too much fanfare. That law lets people split their lots in two—a change in the right direction but one unlikely to deliver the large-scale housing construction that California needs.

The California approach provides a possible model for other states. As Ellickson recommends, legislatures could create state agencies that would oversee local regulatory behavior. An effective agency would have a single objective: ensuring the construction of moderately priced housing in desirable locations. The agency's leadership would be held accountable for achieving that end. And the agency must have real power, which it would if it had the authority to permit construction in nonperforming communities.

When California regulates, it affects the rest of the country. People who want to move to California are hurt by these regulations, but they get no vote in the matter. The same is true of New York City's regulations. The federal government can play an important role in pushing local governments to consider the national implications of their regulatory behavior.

Ellickson reminds us that long ago the federal government, under Commerce Secretary Herbert Hoover, encouraged the spread of zoning laws across the United States. As Hoover wrote in 1926: "When the advisory committee on zoning was formed in the Department of Commerce in September, 1921, only 48 cities and towns, with less than 11,000,000 inhabitants, had adopted zoning ordinances," but "by the end of 1923, a little more than two years later, zoning was in effect in 218 municipalities, with more than 22,000,000 inhabitants, and new ones are being added to the list each month." Hoover's words came from the foreword he wrote to a Department of Commerce document containing "A Standard State Zoning Enabling Act under which Municipalities may adopt Zoning Regulations." In Hoover's words, "The importance of this standard State zoning enabling act cannot well be overemphasized" because state legislatures just borrow the act's verbiage. Today, the federal government could draft model legislation to create a state housing oversight agency that would make it easier for legislatures to undo the harm that followed from Hoover's blueprint.

More ambitiously, Washington could provide financial incentives for state legislatures to act. We are in the midst of a great infrastructure push. Why couldn't national infrastructure spending be more generous to states that ensure that it is easier to build? After all, the benefits of a new road or highway will be much greater if new housing can be built to take advantage of it. Embracing sensible cost-benefit analysis for federal spending that considers the prospect of new building should effectively make that spending contingent on the ability to build. This will give state legislators who want to permit more housing the ability to say to their colleagues: "We're going to lose access to federal highway funding if we don't pass legislation that gives more freedom to local property owners."

Local zoning has become a national issue. Overregulation hurts our national GDP, leads to more carbon emissions, and hampers upward mobility. It is time for the nation as a whole to pursue a broader solution.

***Edward L. Glaeser** is a professor of economics at Harvard, a* **City Journal** *contributing editor, and a senior fellow at the Manhattan Institute. He is the author of* City. *City Journal magazine ,Winter, 2023*

ANNOUNCEMENTS

2023 EVENT SPONSORS

CENTRAL COAST PROPANE
Southern California Gas Company
A Sempra Energy utility
Santa Ynez Band of Chumash Indians
SOUZA General Engineering Contracting, Inc.
STEINBECK VINEYARDS & WINERY
CONTRACTORS A. J. DIANI CONSTRUCTION CO. Inc. Santa Maria
BLAZE 'N BEAR INSURANCE SERVICES, INC.
AVILA TRAFFIC SAFETY

WINERIES WHO DONATED FOR DINNER OR RAFFLE

Hearst Ranch
Steinbeck
Ancient Peaks
Midnight Cellar
Mitchella
Sculpterra
Kynsi
Volatus
Bovino
Tolosa
Vintage Cowboy

ANDY CALDWELL SHOW NOW LOCAL IN SLO COUNTY

Now you can listen to THE ANDY CALDWELL SHOW
in *Santa Barbara, Santa Maria & San Luis Obispo Counties!*

We are pleased to announce that The Andy Caldwell Show is now broadcasting out of San Luis Obispo County on FM 98.5 in addition to AM 1290/96.9 Santa Barbara and AM 1240/99.5 Santa Maria

The show now covers the broadcast area from Ventura to Templeton - THE only show of its kind on the Central Coast covering local, state, national and international issues!
3:00 – 5:00 PM WEEKDAYS You can also listen to The Andy Caldwell Show LIVE on the Tune In Radio App and previously aired shows at: 3:00 – 5:00 PM WEEKDAYS You can also listen to The Andy Caldwell Show LIVE on the Tune In Radio App and
Previously aired shows at:

COUNTY UPDATES OCCUR MONDAYS AT 4:30 PM

MIKE BROWN IS THE REGULAR MONDAY GUEST AT 4:30!

SUPPORT COLAB

MIKE BROWN ADVOCATES BEFORE THE BOS

VICTOR DAVIS HANSON ADDRESSES A COLAB FORUM

DAN WALTERS EXPLAINS SACTO MACHINATIONS AT A COLAB FORUM

AUTHOR & NATIONALLY SYNDICATED COMMENTATOR BEN SHAPIRO APPEARED AT A COLAB ANNUAL DINNER

NATIONAL RADIO AND TV COMMENTATOR HIGH HEWITT AT COLAB DINNER

MIKE BROWN RALLIES THE FORCES OUTDOORS DURING COVID LOCKDOWN

JOIN OR CONTRIBUTE TO COLAB ON THE NEXT PAGE

Join COLAB or contribute by control clicking at: [COLAB San Luis Obispo County (colabslo.org)](colabslo.org) or use the form below:

Coalition of Labor, Agriculture and Business
San Luis Obispo County
"Your Property – Your Taxes – Our Future"
PO Box 13601 – San Luis Obispo, CA 93406 / Phone: 805.548-0340
Email: colabslo@gmail.com / Website: colabslo.org

MEMBERSHIP APPLICATION

MEMBERSHIP OPTIONS:

General Member: $100 – $249 ❑ $ _______ **Voting Member: $250 - $5,000 ❑ $ _______**

Sustaining Member: $5,000 +❑ $ _______
(Sustaining Membership includes a table of 10 at the Annual Fundraiser Dinner)

General members will receive all COLAB updates and newsletters. Voting privileges are limited to Voting Members and Sustainable Members with one vote per membership.

MEMBER INFORMATION:

Name: ____

Company: ____

Address: ____

City: ______________________ State: __________ Zip: __________

Phone: ____________ Fax: ____________ Email: ______________

How Did You Hear About COLAB?

Radio ❑ Internet ❑ Public Hearing ❑ Friend ❑

COLAB Member(s) /Sponsor(s): ______________________________

NON MEMBER DONATION/CONTRIBUTION OPTION:

For those who choose not to join as a member but would like to support COLAB via a contribution/donation.
I would like to contribute $ __________ to COLAB and my check or credit card information is enclosed/provided.

Donations/Contributions do not require membership though it is encouraged in order to provide updates and information.
Memberships and donation will be kept confidential if that is your preference.
Confidential Donation/Contribution/Membership ❑

PAYMENT METHOD:

Check ❑ Visa ❑ MasterCard ❑ Discover ❑ Amex NOT accepted.

Cardholder Name: ____________________ Signature: ______________________

Card Number:____________________Exp Date: ___/___ Billing Zip Code: ______ CVV:____

TODAY'S DATE: ____________________