

The California Housing Crisis and the Problem with Local Control

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Conservatives have long been advocates of local control over policy. They often use the word “subsidiarity,” a concept with origins in Catholic social thought and a simple premise: that problems are best solved by those closest to them.

In the United States, this principle is often folded into our tradition of federalism. We conceive of government as acting on three levels: federal, state, and local (cities and towns, mostly). And we consider the smallest of these three tiers to be the best actor when grappling with a specific problem. But what about when problems don’t fit into that neat framework?

California is facing just that challenge. Its major cities are caught in an affordability crisis; San Diego, Oakland, San Jose, Los Angeles, and San Francisco are all in the top ten nationally for highest median rents. The city that Nancy Pelosi likes to call “the City of Saint Francis” takes the top spot: The average two-bedroom apartment costs \$3,930 a month. One likes to think that St. Francis would be less than pleased.

In some ways this is the various cities’ own faults. California cities generally have some of the most restrictive zoning laws and labyrinthine permitting processes in the nation. Additionally, anti-gentrification activists rival college protesters in their use of unhinged rhetoric: Representative Scott Weiner’s bill to “upzone” areas near transit hubs for greater development was called “a 21st century Trail of Tears” by one such group.

But a large source of the affordability crisis actually lies outside the purview of the city governments. Cities, after all, are not the only places where people live. California cities, especially in the north, exist within a complex ecosystem of smaller cities, suburbs, and towns. San Francisco, Oakland, and San Jose, for example, all lie within the nine counties of the Bay Area. Los Angeles makes up the heart of the sprawling Southland, bounded by Ventura County, Orange County, and the Inland Empire.

These suburbs, from the tract-home vastness of Orange County to the idyllic small towns of Marin, are leaving cities to shoulder the housing crunch alone. While the state sets regional housing targets on eight-year cycles, enforcement is incredibly weak, and many municipalities fall far short of reaching their goals.

On top of all of this, suburban communities, having lower density to begin with, resist building housing the most. The somewhat impenetrable process by which regions assign housing targets to municipalities tends to leave larger cities holding the rope; small, wealthy suburban communities often have laughably low targets. Beverly Hills, for example, has to add only three units during the current cycle.

For all the press that urban NIMBY (Not In My Backyard) voters get, the suburbs are where NIMBYs have really conquered all before them. Towns with high rates of home ownership have seen meteoric rises in home prices since 2008, and homeowners enthusiastically organize to protect their investments. Small-town politicians live in fear of backlash from angry residents who oppose almost all new housing.

The situation is not good: Around halfway through the current cycle, the state is only a quarter of the way toward reaching its targets, many of which were set during the recession and

fail to take into account the state's recent boom. According to a report by Beacon Economics, an independent research group, "certain jurisdictions in California will not meet their low-income housing production targets for more than 1,000 years" at the current rate of development.

Which is why the governor, Gavin Newsom, is pushing for drastic steps. For several months, he has been floating the idea of withholding gas-tax funds from cities that do not reach their housing targets. "If you're not hitting your goals, I don't know why you get the money," he said.

The backlash immediately erupted. Small-city mayors and representatives criticized the governor for heavy-handedness and for imposing a one-size-fits-all policy on the state. Newsom has partially backed down, pushing his proposal to a 2023 date.

These are arguments that conservatives traditionally sympathize with. Local control, an aversion to top-down governance, and clearly delineated areas of authority are important goods. And using the gas tax as a cudgel on a seemingly unrelated issue should rightly raise concerns.

But local-control advocates ignore a dimension of government that does not fit neatly into standard American thinking: the regional. When smaller cities in regions such as the Bay Area and the Southland do not build, larger cities are left to pick up the slack.

Oakland, for example, is actually on track to meet its 2023 housing targets. But farther north in the Bay, wealthy Marin County has permitted only 442 of the 2,298 homes it's required to build. One city falling short puts pressure on others, and not only in the form of real-estate prices.

This is where the gas tax comes in. One of the most pernicious effects of low-density suburbs lying near cities is the massive increase in traffic congestion. Middle- and lower-income workers who have jobs in the cities are forced to take longer commutes, as buying or renting in closer and more affluent commuter towns is impossible. Bay Area and Los Angeles commuters lose 61 hours a year waiting in traffic, time away from their families and their work.

So a coherent rationale for using the gas tax as the proverbial stick does exist. And the state is more than willing to approve a carrot: This year's budget includes \$250 million to help localities plan for housing goals, \$500 million for infrastructure that supports low-income housing, and \$1 billion of tax credits and loans for affordable and mixed-income housing.

The frameworks currently in place do allow for regional variation. After all, targets are set by expected population growth and job-creation numbers, and regional groups decide how to assign housing within themselves. But regional associations are voluntary and comparatively weak; they do not effectively balance between city hall and the statehouse. Oakland and San Jose do not have many levers to pull when Marin sets itself against new development.

This is likely to persist. In the long term, regional governance structures would be a welcome development for the state, but their near-term prospects are slim. Pro-housing advocates should take the situation as it is and work with what Newsom is offering, which attempts to thread a needle between empowering local governments and bending to the needs of the entire state.

Subsidiarity should be honored by conservatives, but not when it results in a few wealthy towns passing off the housing crisis to poorer ones.