

# A Strong Towns Look at Housing and Governance in California

Essays From 2020



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# A NOTE FROM THE EDITOR

Dear Reader,

The essays that follow are a collection of stories written in 2020 by Strong Towns staff Charles Marohn (President and Founder), Daniel Herriges (Senior Editor) and me (Program Director). They are part of an ongoing focus on the state of California—a large and populous state facing complex challenges but full of dedicated and passionate residents.

Housing has been a particularly persistent issue for Californians from Los Angeles to San Francisco, and is a centerpiece of this ebook. In the first three essays, written between January and March of 2020, Daniel Herriges follows the progression of housing policy in California, tracking all its twists and turns. Undoubtedly, by the time you read this, there will be a myriad of updates to California housing policy, but we find value in sharing these Strong Towns reflections from particular moments in time for the state of California. You can always find the most updated Strong Towns takes on CA issues at [strongtowns.org/california](https://strongtowns.org/california).

In the last two essays of this book, written in August and September of 2020, Charles Marohn and I explore how California's leaders are responding to the economic challenges presented by the COVID-19 pandemic.

This book was created thanks to the generous support of Fieldstead & Company, and Mr. Howard Ahmanson. We hope it provides insight and inspiration as you seek to make your town stronger.

**Rachel Quednau**

Program Director, Strong Towns

# Questioning California's Housing Future

By **Daniel Herriges**

Third time's the charm? For the third year in a row, California legislators are considering a bill by Senator Scott Wiener of San Francisco which would override local zoning regulations to allow greater density and/or intensity of residential construction (Maryland, Virginia, and more surprisingly, Nebraska have also recently joined that club).

2020 will be Wiener's third attempt to pass a statewide zoning-reform bill which would require cities to allow taller and denser housing in locations served by high-quality public transit. Senate Bill 50 (SB50) is on the table again with revisions after being killed in committee last year. And the direction in which SB50 is evolving continues, in my mind, to highlight a contrast between California's approach to housing reform and the approach that was successful in Oregon last summer and is being explored elsewhere.

That contrast, boiled (and perhaps dumbed?) way down, is between a **simplifying** approach which fundamentally aims to remove distortions from the housing market (but isn't as targeted to address locally acute, immediate problems), and a **tinkering** approach which aims to treat as many of the symptoms of housing dysfunction as possible, as effectively as possible.

The important question I want to pose: **Which approach is more likely to resolve our states' and cities' housing dysfunction in a relatively permanent and resilient way?**

## The Simplifying Approach

Oregon went with a broad-brush, simplifying law last year: the one passed last summer effectively allows four-unit buildings on most residential lots statewide. It doesn't apply different rules to different neighborhoods, except based on a couple broad categories of city size. It doesn't analyze where there's transit and

where there isn't, or where there are disadvantaged populations and where there aren't.

It *does* embody a simple principle: **no neighborhood gets to be immune from change**. Every neighborhood must allow at least gradual, incremental change. In doing this, it doesn't solve Oregon's housing problems or address the issues faced by higher-density neighborhoods in Portland where there is colossal housing demand. But it does put a stake in the ground. And it eliminates a crucial source of distortion in Oregon's housing market, which is likely to have profound ripple effects over time.

A similar approach has been embraced by cities that have broadly legalized certain types of missing-middle housing, like duplexes, triplexes, or accessory dwelling units (ADUs), in an across-the-board sort of way. The state of California has also done this with ADUs, and it is producing remarkable bottom-up change already: a twenty-fold increase in ADU permits in Los Angeles in just two years<sup>1</sup>.

This approach evokes the *via negativa* ("path of subtraction") of risk and fragility scholar Nassim Taleb, whom we've called the Patron Saint of Strong Towns thinking. The premise of *via negativa* is that when you encounter dysfunction in a complex adaptive system—like an ecological system, the economy, the human body, or of course, a city—you are better off looking to remove factors that might be causing the problem or distorting the system's functioning, rather than piling on additional interventions to treat the symptoms of that distortion. Got a headache after a night on the town? *Via negativa* directs you to drink water and maybe lay off the alcohol. Taleb contrasts it with naive interventionism, the approach which would have you pop two ibuprofen to treat the headache.

The new SB50 (and last year's iteration) takes a page from Oregon's book by including a crucial simplifying, *via negativa* element: upzoning of nearly all residential areas to allow a four-unit building on a residential lot. This kind of blanket, broad but shallow, change removes a systemic distortion, categorically—that neighborhoods are prohibited from evolving to the next increment of development intensity—while not micromanaging and layering on new distortions.

<sup>1</sup> <https://www.sightline.org/2019/04/05/la-adu-story-how-a-state-law-sent-granny-flats-off-the-charts/>

## The Tinkering Approach

In most other ways, though, California's SB50 exemplifies the tinkering approach, for reasons that are understandable, but (in my estimation) have more to do with good politics than good policy. The question of which is the best path forward for California might be a moot point, after years of coalition-building behind this bill. (And let's be clear that on balance, I really hope the bill can pass this year in some form—I think it's still better for California than another trip to the drawing board.)

And yet, I have a lot of reservations about the tinkering approach to housing policy, and I hope more states don't look to California as a model for how to do this work.

The LA Times explains what's new in SB50 this year, and the rationale behind it<sup>2</sup>:

*Wiener says he heard from mayors and city officials that they supported the goal of the bill — to encourage more affordable and market-rate housing near transit and jobs — but that they wanted the flexibility to decide where the density should be. The revised SB 50 allows cities two years to adopt their own plans; if they fail to, the bill's one-size-fits-all zoning takes effect.*

*The local plans would have to zone for as much housing as would be allowed under the original SB 50 requirements, without increasing car travel or concentrating the new homes in low-income areas. For example, a city could allow taller apartment buildings in one neighborhood but only smaller apartment buildings in another that seemed less suited to greater density. Communities deemed to be at risk of gentrification and displacement would have five years to develop their alternative plans.*

*The local option is important. It's generally preferable to have the state set housing targets and let local officials — who are closest to the people most affected by land-use decisions — figure out how to meet them.*

In theory, more local flexibility to respond to local circumstances is great—if you're dealing with a situation where local officials are acting in good faith and in the broad public interest.

<sup>2</sup> <https://www.latimes.com/opinion/story/2020-01-11/sb50-amendments-california-housing-crisis>

Housing in California is not that situation. We've talked before at Strong Towns about the ways in which development, particularly in automobile-oriented places, is a "bad party" where each arriving guest makes the experience worse for the guests who were already there. Layer on top of that the perverse incentives created by California tax policy, and you have a classic Prisoner's Dilemma situation in which every local government has every incentive to push the burden of housing its workforce onto its neighbors. It takes great political courage to go the opposite direction, and while some California mayors and other elected officials have shown that courage, others decidedly have not.

Housing is a collective action problem, in which much of the painful feedback from local actions (say, San Mateo County cities approving only one new home for every nineteen new jobs over a 5-year period<sup>3</sup>) is felt not by those local decision-makers, but by residents of nearby cities and by people displaced from or kept out of California altogether: i.e. people who don't get a vote.

In that circumstance, what is likely to happen when you give localities broad leeway to tweak the rules within a set of arbitrary targets? I submit that they're likely to find increasingly devious loopholes or ways of complying with the letter but not the spirit of the law. Cities that desire to be exclusionary have decades of experience with zoning for residential density only in places or forms where the market doesn't support it or the infrastructure won't permit it, to ensure that little to none of that "zoned capacity" actually gets built.

The underlying collective action problem that is housing is, I suggest, likely to get easier only when the state gives localities a simple, ironclad set of "Here's what you don't get to do" rules that, because of their simplicity and universality, are hard to game or weasel out of.

SB50's micromanagement problem, as well, creates brand-new distortions, each of which one can imagine resulting in perverse incentives and unintended consequences. Witness this description from the San Francisco Chronicle of some of the bill's convoluted requirements (for communities that don't opt out by writing their own plan)<sup>4</sup>:

<sup>3</sup> <https://www.strongtowns.org/journal/2019/7/24/approaching-peak-housing-dysfunction-in-california>

<sup>4</sup> <https://www.sfchronicle.com/politics/article/SB50-housing-bill-redone-with-changes-aimed-at-14954438.php>

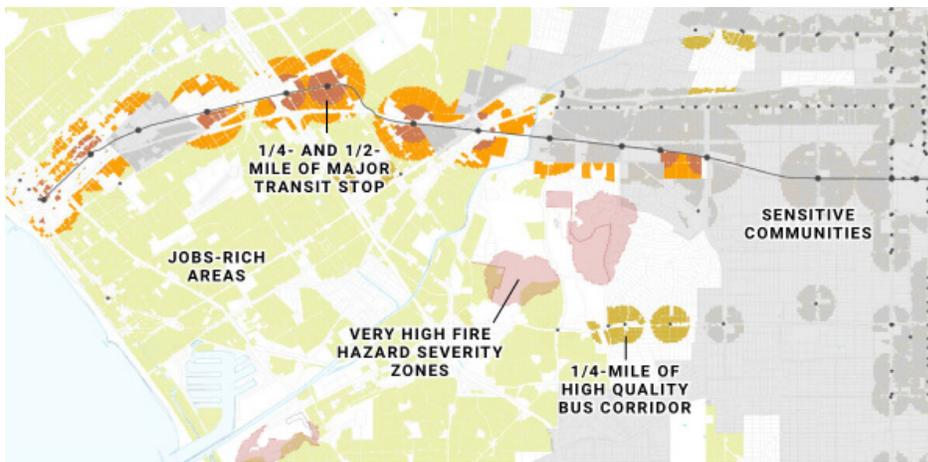
*Under the bill, local governments in counties with more than 600,000 people could not block residential buildings of at least four or five stories within half a mile of rail stations and ferry terminals, provided those projects meet other local design standards. In the Bay Area, San Francisco, Alameda, Contra Costa, Santa Clara and San Mateo counties meet that population threshold.*

*The measure would also remove density limits and reduce parking requirements within a quarter-mile of stops on bus lines with frequent service and in high-income census tracts with lots of jobs and good schools, regardless of their proximity to transit.*

*In smaller counties, including Marin, Sonoma, Solano and Napa, cities with more than 50,000 people would have to allow up to 15 extra feet of height for buildings within a half-mile of transit stops.*

Why 600,000 people? Even if the counties that currently pass that threshold are all qualitatively different from those that don't, will that be the case in 10 years? In 20? Why precisely 15 feet of height? Surely there's no way a community which is free to apply "other local design standards" could game that requirement, right? And the question of how SB50's passage would affect communities' decisions where to build or not build transit has been raised from the bill's very first incarnation as SB827.

This map from Urban Footprint last year illustrates the complicated pile of categories and qualifiers that define SB50<sup>5</sup>:



<sup>5</sup> <https://urbanfootprint.com/analyzing-sb-50/>

Making every city's housing policy dependent on targets which, themselves, could become political footballs and/or become drastically out of step with demand or market realities is a bad move.

Another bill in the state Assembly, AB 1279, acquired some positive attention last year from tenants' rights and anti-gentrification groups who are skeptical of SB50, for its similar approach but "laser focus" on already wealthy, exclusionary communities, which it labels "high-resource areas." AB 1279 might be back in 2020.

The enthusiasm gap reflects what's really driving the complexity of both laws, with their laundry list of exemptions and qualifiers: politics.

Wiener's bills have been enormously controversial from the get-go, and unlike in other places where tenants' advocates and market-inclined YIMBYs have more readily found common cause, in California there is, as a rule, deep distrust between these groups, for a lot of reasons I'm not going to go into here.

This is how you get convoluted policy: the need to build coalitions and bring the right mix of partners on board to get a law passed. Unfortunately, it often leads to policy that treats the symptoms while worsening the disease. The disease, in this case, is in large part that it's complicated, time-consuming, and uncertain to try to build anything in California.

I agree with housing advocates that California needs some form of statewide action to cut this particular Gordian knot. I'm skeptical that the complicated tinkering of SB50 and AB1279 is the right approach. It may be the only approach available at this point, but other states should go down something that looks more like Oregon's path.

# California's Bad Party: SB50 Fails Again

By **Daniel Herriges**

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California's third attempt to pass a statewide zoning-reform bill to allow denser and taller housing construction in more places—Senate Bill 50, sponsored by San Francisco's Scott Wiener—has failed, voted down in the state senate 18-15 (with a number of abstentions).

*The New York Times* has a good article out already on the bill's failure, and is clear about the stakes of California's ongoing housing crisis<sup>1</sup>:

*It is hard to overstate the threat posed to the state's economy and prosperity. Housing costs are the primary reason that California's poverty rate, 18.2 percent, is the highest of any state when adjusted for its cost of living, despite a thriving economy that has led to strong income growth and record-low unemployment.*

*The consequences are in plain sight. Cities are struggling to deliver basic services because teachers and firefighters can't afford to live near their jobs. A surge of sidewalk tents and homeless camps has prompted city leaders to urge a state of emergency — and led lucrative business conferences to find other locations. Many Californians are moving to cheaper states, and homelessness routinely tops the polls of residents' biggest concerns.*

The Golden State seems stuck on this fight—while several other states and cities are lapping it with different (generally broader and simpler, less technocratic) approaches. What's going on? Why is California, with unified one-party control of state government, an extremely active and organized pro-housing (“YIMBY”) movement, and the most severe housing crisis in the U.S., not the place that's pushing the envelope on this issue?

<sup>1</sup> <https://www.nytimes.com/2020/01/30/business/economy/sb50-california-housing.html>

## California is the End State of the Bad Party Problem

LegalPlanet has created a helpful map and analysis of the final vote on SB50<sup>2</sup>. Their takeaway is simple, and I think accurate: This bill was ultimately defeated by affluent suburbs. Most (though not all) senators representing dense urban areas voted in favor, as did legislators from some (but not all) of the state's most rural and conservative areas.

SB50's opponents, to be clear, are not all suburbanite NIMBYs—they're a weird coalition of many interests. But at the end of the day, the wellspring of opposition was from places that largely look like this:



California's Bad Party: SB50 Fails Again

And that's unsurprising. California is the state, more than any other, that pioneered America's post-WWII suburban experiment: the notion that everyone remotely in the middle class (and even many people struggling below it)

<sup>2</sup> <https://legal-planet.org/2020/01/30/breaking-sb-50-voted-down-by-state-senators-representing-affluent-suburbs/>

could have a single-family detached home with a yard in a quiet neighborhood built to never ever change, accessible by car on a huge network of publicly-funded roads. The development industry and government at all levels, working together, achieved this through a new mass-production model—communities built out all at once, to a finished state, at an enormous scale.

And for a while, primarily in the 1950s and 1960s, it looked like it was working. California grew explosively in those decades because its endless sun-drenched suburbia offered a pretty good quality of life at a shockingly reasonable up-front cost.

The key words are “up-front.” You can make a lot of things look cheap if you’re willing to pass the costs on to the next generation. This is the story of suburbia everywhere—a pattern of development that generates unsustainable long-term costs—but California simply went at it earlier, faster, bigger, and harder.

The story of much that’s gone wrong in the state since is the story of the unraveling of the Growth Ponzi Scheme’s unfulfillable promises<sup>3</sup>. By the 1970s, residents were revolting against tax increases and passed the astoundingly ill-conceived Proposition 13 to lock in taxes at artificially low levels for an incumbent generation of property owners. By the ‘70s and ‘80s, efforts to pass slow-growth measures and development moratoria were also common. In the 21st century, the state’s institutions are sclerotic, its transportation system is a mess, and there’s nowhere near enough money to fix it all.

At Strong Towns, we’ve written extensively about how suburban development is like a bad party, where each new guest makes things worse for the guests who were already there<sup>4</sup>. More traffic. More crowded schools. Few obvious, immediate benefits, because the way of life you bought into was based on privacy and exclusivity, on elbow room and access to natural amenities, and all of that is threatened by extending it to a lot more people after you’ve got yours.

This applies to plenty of other places too. But every problem is supersized in California. The traffic is worse. The resource scarcity in general is worse, from water to available land. Inequality is worse. The threat of displacement facing vulnerable low-income communities by a wave of well-to-do newcomers is more

<sup>3</sup> <https://www.strongtowns.org/the-growth-ponzi-scheme/>

<sup>4</sup> <https://www.strongtowns.org/journal/2017/6/26/the-party-analogy>

real. Housing and development costs are so high that basically all new market-rate homes are unattainable to the middle class, and thus utterly dismissed by many on the political left as having any role to play in a housing solution; the scorn directed at “market-rate housing” by left-leaning activists is something I’ve never seen to the same extent outside of California.

California’s middle class is in collapse, and this breeds zero-sum politics as people fight to retain their toehold in it.

## Is SB50’s Approach Not Radical Enough?

SB50 is a complicated beast, and evolved over the years to become, in some ways, more complicated and technocratic. It comes with lots of maps: standards for transit-rich areas, high-performing school districts, and job-rich areas. This year’s iteration added a sweeping sort-of-escape-clause for “sensitive communities” to make their own rules that would achieve the same goals.

Ultimately, I think SB50’s technocratic-tinkering model is not disruptive enough to the logic of the Suburban Experiment. It is a bill that would further entrench California’s tendency to hyper-regulate and micromanage development, which will always end up working to the benefit of connected insiders who know how to play a complicated game.

The deeper dysfunction here is that California is a place built on a promise that was never possible to extend, indefinitely, to everyone who wanted to live there. It’s not that California is “full”; it’s just that California’s suburban dream is a dead end. (And this includes for the people in the heart of dense cities who are still trying to live that dream.) The state’s cities could accommodate many more people in a way that’s actually a win-win—by returning to the traditional development pattern that produced the built form of places like San Francisco. These are places in which a good party is imaginable: growth and density don’t inherently threaten the very things that attract people to them. So it’s conceivable for growth to work to the benefit of existing residents as well as newcomers, creating an ever more productive, vibrant and culturally rich place.

California’s pre-suburban cities and would-be strong towns need to reestablish a

culture of incremental development and wealth building by many hands within a community. A lot of existing institutions (regulatory, financial, and to some extent cultural) stand in the way of this. But at least a path forward is imaginable. SB50—an additional layer of top-down micromanagement—is not going to be that path.

# A Step in a Stronger Direction for California Housing Policy?

By **Daniel Herriges**

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A Step in a Stronger Direction for California Housing Policy?

As we've followed the efforts of cities and states to pass laws to deal with their housing affordability crises over the past few years, two different trends have emerged. You could call them a tinkering approach and a simplifying approach.

The “tinkering” style of legislation seeks to produce more housing of the specific types needed in the specific places it's most wanted, using, if not surgical precision, at least something like kid-playing-Operation precision. This is accomplished by adding layers of regulation rather than subtracting. Inclusionary zoning falls into this category, as does Seattle's “Urban Villages” policy, and Austin's ill-fated 2018 code overhaul CodeNEXT.

Up until 2020, California state senator Scott Wiener's three successive efforts to pass a statewide upzoning bill have epitomized the tinkering approach. Wiener's Senate Bill 827 (SB827) and SB50 would have targeted particular areas in California cities for significant upzoning, requiring cities to allow much more height and density in these locations (but generally not elsewhere). These targets included transit-rich areas, job-rich areas, and areas with excellent schools. On the flip side, communities deemed vulnerable to wildfires were exempted from some requirements, and so were those vulnerable to gentrification.

The result was a convoluted patchwork that, although designed to address the concerns of various groups about getting on board with the bill, failed to muster the support it needed to advance in the legislature. SB50 was fought principally by coalitions of homeowners opposed to more density and rental housing, and by anti-displacement advocates worried about its potential to unleash cataclysmic change on low-income and minority neighborhoods.

Now Wiener has shifted his approach. His new bill, Senate Bill 902, looks a

lot more like the successful zoning-reform efforts in the City of Minneapolis (2018) and the State of Oregon (2019). This is to say, it looks a lot more like the simplifying approach. And a lot more like a Strong Towns approach.

*CalMatters* describes the new bill<sup>1</sup>:

*Wiener's new bill retains one highly controversial proposal: the elimination of single-family only zoning across nearly every neighborhood in California.*

*The new bill would force localities to permit duplexes in neighborhoods where they are currently illegal in cities of less than 10,000 people, triplexes in cities with populations between 10,000 and 50,000, and fourplexes in cities over 50,000. Single-family-only neighborhoods in high fire-risk areas would be exempt.*

*Developers would not be required to build denser structures next to single family homes in these cities — they would simply be allowed to. Homeowners could choose to demolish their property and rebuild it more densely, as long as a renter hasn't lived there for the past seven years.*

*The Los Angeles Times* also points out a couple interesting details<sup>2</sup>:

*The bill by state Sen. Scott Wiener (D-San Francisco) would allow construction of duplex, triplex and fourplex residential units without additional local government approval in single-family neighborhoods using what's known as "by-right" provisions of state law...*

*The new legislation, Senate Bill 902, also seeks to provide incentives for larger cities that are willing to allow 10-unit projects. After a vote by local officials, those zoning efforts would be exempt from additional review under the California Environmental Quality Act, or CEQA.*

<sup>1</sup> <https://calmatters.org/housing/2020/03/end-single-family-zoning-california-wiener-housing-production-bill/>

<sup>2</sup> <https://www.latimes.com/california/story/2020-03-09/california-new-housing-density-bill-scott-wiener-post-sb50-sb902>

## Not a Compromise, but a More Radical Reform—Here’s Why

Inspired by the insights of Jane Jacobs about what makes for resilient cities and neighborhoods that can meet the widely varied needs of their inhabitants, Strong Towns has proposed a two-part rule of thumb for what healthy neighborhood change ought to look like:

- 1. No neighborhood can be exempt from change.**
- 2. No neighborhood should experience sudden, radical change.**

This is consistent with how cities largely evolved for centuries, prior to modern zoning and the unprecedented experiment of mass suburbanization. Neighborhoods were eclectic, constantly-evolving mixes of the old and new; no neighborhood was ever “finished” or “built out” or set in stone.

On the flip side, huge leaps in development intensity—the kind where, say, a 10-story tower pops up amid low-rise houses—almost never happened. Such projects were generally not viable. They’re a feature of our suburban-era zoning and planning system, in which most neighborhoods (80-90%) are frozen in regulatory amber, funneling all of a city’s demand for new construction to a handful of areas and producing these megaprojects as a consequence.

The bipolar dynamic of modern development patterns—a trickle of investment for most places, a fire hose of investment for a few—is a consequence of our efforts to micromanage where growth is allowed to happen.

Urbanists are largely treating SB 902 as a “light touch” approach to housing production, a compromise that Wiener has resorted to only because his more aggressive efforts fail. In fact, this new approach is more radical in one crucial way. Note here the etymology of the word radical: root. That is, a radical policy is one that goes back to basics.

Allowing the next increment of development, but allowing it everywhere, with few conditions, is a back-to-basics step, a return to a more organic understanding of how cities change. It says that no place is allowed to be “finished” and placed under glass.

We have some outstanding questions about aspects of this legislation and about how it might evolve through the state's political process. But for now, this seems like a step in the right direction for Senator Wiener and, hopefully, for California.

# The Trillion Dollar Question Facing Every Major American City

By Charles Marohn

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The Trillion Dollar Question Facing Every Major American City

For more than a decade, Strong Towns has been asserting that cities have built more infrastructure than they have the tax base to sustain, that federal and state programs for funding infrastructure induce local governments to add more stuff instead of maintaining what they have, because building more is important for next quarter's growth and unemployment statistics while maintaining stuff is, well, not all that exciting.

A new frontage road means a new big box store, a new gas station and a new Cheesecake Factory. Maintaining an existing frontage road just means you have the same stuff you always had, only slightly less junky (for a while).

A new cul-de-sac means new homes along with all the construction jobs and added tax base. Maintaining an existing cul-de-sac means fighting with residents over damage maintenance equipment did to their flower bed.

And even when we get a focus on a "fix it first" approach, what we discover is that maintenance can look a whole lot like expansion when safety "improvements" are made. Who among us would object to taking reasonable steps to address safety concerns? Not any decent person, so when you maintain that intersection go ahead and widen it out for safety reasons. When you repair that arterial, go ahead and add that extra lane in the name of safety.

As we, at Strong Towns, have diagnosed the core problem, it's not a lack of funding or too much funding—the intellectual ground our culture usually argues over. It's not even good intentions versus bad intentions—our new favorite battlefield. The core problem is the separation between the rote and clumsy way we fund (and thus, deliver) transportation, and the complex, nuanced, and responsive way we would like to use it.

Which brings us to the current moment and an interesting conundrum when it comes to transportation. In the Ponzi scheme that is community finance, local governments—and the places they serve—need new growth to keep things going. They need new big box stores, tract homes, and Cheesecake Factories. They need transportation spending that induces new investment.

This is also what our country needs. The reason we are so frantically bailing out large corporations and franchises, and doing the bare minimum to credibly suggest we also care about small business, is because the former are the quickest way to get back to building. Your local burger joint is in the business of making burgers, and they can adapt to whatever space you have available. Cheesecake Factory is in the business of expanding Cheesecake Factory; selling food is ancillary.

So, it's not enough for our economy to have us merely maintain our infrastructure, especially since we currently have no coherent strategy (outside of a Strong Towns approach) to mature our existing development pattern at scale and get more productivity out of the transportation investments we've already made. Unless we're going to completely overhaul our approach to economic growth, in the middle of a crisis, upending established power centers and capital flows, then we need to get back to building.

What if that is impossible?

## Case Study: San Jose, California

Some interesting data on San Jose, California crossed my feed in August—information that connected to stuff I had read earlier in the pandemic.

Apparently, San Jose has the second worst roads in the nation, ahead of only the San Francisco/Oakland area<sup>1</sup>.

While the interstates and freeways in San Jose—roadways not under their control—are generally in good shape, over half of their arterials and nearly 90% of their minor arterials are in “poor” condition. That is the worst rating in the federal guidelines. What a mess.

<sup>1</sup> <https://www.sanjoseinside.com/news/report-san-jose-roads-rank-among-worst-in-the-nation/>

From a Strong Towns perspective, we understand that arterials are mostly synonymous with stroads, the transportation investment that is most expensive to build and maintain and least financially productive<sup>2</sup>. Stroads have the worst return-on-investment, especially over multiple lifecycles as the buildings along them are most often of the single-use, single-generation variety. These are the kind of sugar-high investments that boost growth in the next quarter but cripple a city in a couple of decades. There is a reason these are the lowest maintenance priority.

The progressive reaction in California is to raise taxes with promises that new money be used to address the problem, albeit without a lot of reflection as to how cities across the state found themselves in this predicament and what, perhaps, should change about their systems to stop it from worsening. Raise taxes is what California did in 2017 with the Road Accountability and Repair Act, which increased a bunch of transportation-related taxes and fees, including the gas tax, with all of the money dedicated to transportation.

California now has the highest gas tax in the nation.<sup>3</sup>

San Jose added some local taxes and debt through some ballot measures. Here is how the mayor's office announced their major maintenance initiative last year<sup>4</sup>:

*Voter support of Measure B and Measure T (passed with 61% and 71% of the vote respectively) along with the funds from SB 1 will provide approximately \$87 million per year, on average, over ten years for pavement maintenance. This funding will allow the City to resume regular maintenance of its local and neighborhood roads while maintaining its efforts on major roadways.*

I find the idea of a local government needing new revenue to “resume regular maintenance” to be the most damning of indictments, but I don't live in San Jose and so am merely an observer. Nonetheless, plans in place and new funding secured, San Jose was poised to invest in new growth, sustain their transportation-related debt payments, and now catch up on its maintenance obligations.

2 <https://www.strongtowns.org/journal/2018/3/1/whats-a-stroad-and-why-does-it-matter>

3 <https://www.usatoday.com/story/money/2020/02/06/states-with-the-lowest-and-highest-gas-taxes/41121543/>

4 <https://www.svlg.org/san-jose-celebrates-record-setting-street-pavement-program/>

Then 2020 happened, and all bets are off.

My point is not to pile on San Jose—obviously they put themselves in a very fragile situation and now are almost certain to experience great hardship as a result—but more to ask some questions about what comes next. All those new transportation taxes were supposed to provide \$87 million per year in new money, but last May the city announced a \$72 million dollar budget deficit<sup>5</sup>. Things have not improved since, with COVID-19 case counts failing to abate all summer.

While the new revenue San Jose was expecting for transportation may be reduced somewhat due to lower than expected gas tax revenue, all that money is dedicated to transportation. It's not clear whether the fine print requires it to go to maintenance or if that was merely the non-binding sales brochure. Either way, with 90% of minor arterials in poor shape, there is a lot of pressure to make good on those promises.

Cuts that have been identified seem insignificant in comparison to the size of the problem. As reported in the *Mercury News*<sup>6</sup>:

*Some of the biggest proposed budget reductions include a \$1.4 million cut to aquatics programs and family camps at community centers, a \$1.5 million savings for reducing library programming and operating hours and a \$7.2 million cutback to the city's Sworn Hire Ahead Program, which allows the police department to hire officers in advance of future vacancies.*

I'll repeat now what I wrote at the beginning of this article: In the Ponzi scheme that is community finance, local governments—and the places they serve—need new growth to keep things going. They need new big box stores, tract homes, and Cheesecake Factories. They need transportation spending that induces new investment.

5 <https://www.mercurynews.com/2020/05/13/worse-than-the-great-recession-san-jose-releases-new-budget-proposal-with-71-6-million-deficit/>

6 <https://www.mercurynews.com/2020/05/13/worse-than-the-great-recession-san-jose-releases-new-budget-proposal-with-71-6-million-deficit/>

## The Trillion Dollar Question

San Jose doesn't have the money for new transportation investments. If they could get the money, they don't have the credibility to spend it on expansion. If they went ahead anyway, continued to put off basic maintenance, and built new stuff to pursue new growth, could they induce the new big box stores, tract homes, and Cheesecake Factories they need to make it cash flow?

That's the trillion dollar question facing San Jose and every major city in the United States. This has to happen—we have to get back to building this stuff—or the whole thing implodes. There's no backup plan. Forget the banks—this growth machine is what is too big to fail.

So when you see the stock market going up for no coherent reason, interest rates at all-time lows despite demand for borrowing at all-time highs, and the Federal Reserve desperately trying to create levels of inflation to reduce debt loads, what you are witnessing is all the chips on the table to induce new big box stores, tract homes, and Cheesecake Factories. All the chips are being used to prop this thing up. There is no fallback strategy.

We should have shifted from system expansion to increasing the productivity of our existing investments, from building more to getting more out of what we have already built. We should have taken maintenance seriously; it's shameful that we didn't. We should have grown our own local economic ecosystems instead of being so eager to dismantle them. And we should be positioned to defend them now in a time of distress.

We should have made the switch to a Strong Towns approach decades ago, but we didn't.

It's too late to avoid hardship, but it's not too late to get started.

# A California City Tackles the Pandemic with Flexibility and Heart

By Rachel Quednau

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Local government leaders and staff are on the front lines during this pandemic. They are making tough decisions under tremendous pressure—and doing it all with dwindling budgets.

In August, I spoke with Deputy City Managers, Elisa Cox and Lori Sassoon, who serve the mid-sized community of Rancho Cucamonga, CA, to learn how their local government has adapted during the pandemic and maintained a commitment to serve residents—no matter what.

From the beginning of the pandemic the City of Rancho Cucamonga had to respond to several important questions that cities across the country were also facing, and these questions continue to be significant today:

- Do we keep our doors open or send municipal employees home?
- How do we accommodate parents on our staff now juggling childcare and schooling from home?
- What support do local businesses in the city need to survive this pandemic?
- How do we keep in close communication with residents and get their input on the future of the city when we can't gather in person?
- And finally, can we maintain optimism and hope rather than resorting to fear-mongering?

The conversation was illuminating and, I hope, will inspire any local leader who is dealing with these same challenges now and in the future.

## A Commitment to Keeping Government Up and Running

From the outset, Elisa Cox explains, leadership in Rancho Cucamonga wanted to do everything they could to keep local government and businesses operating. “If we stop and we put the brakes on everything, that just has a trickle down effect, especially [for] the business community,” Cox says. “When you grind to a halt—which thankfully we didn’t—it’s harder to get things going again.”

Because the city already had a number of systems in place to do everything from license businesses to issue permits to accept registration payments online or over the phone, it was relatively easy to continue to conduct the basics of city governance without risking public health. “We were well positioned to be able to do things online and have an online city hall,” Cox states. The time to put online and phone systems in place is well before an emergency like COVID, and Cox is thankful that Rancho Cucamonga had the foresight to do this work in previous years so that the city could keep operations going as much as possible.

Lori Sassoon explains, “We want to be poised for recovery and if we just shut down and abandon the house, our recovery will be that much more difficult.” While many city employees converted to working from home at the start of the pandemic, a core group of city staff have been working out of city hall, conducting appointments over the phone or in a socially distant manner from the beginning. The city didn’t want to be confronted with a massive backlog of permits, infrastructure fixes and other issues; they wanted to keep addressing these even during a crisis.

“I don’t want you to hear that we’re not taking it seriously,” Sassoon assures. “We’re not COVID deniers. We take masks very seriously. Our approach is that we’re going to be extremely careful, but we’re going to keep serving. There will be some risk, but we have to serve.”

Part of this commitment stems from the fact that, in the state of California, every government employee is designated as a “Disaster Service Worker,” meaning that, in the event of a natural disaster, they could be called upon to help. The pandemic, of course, is unlike the earthquakes and wildfires that are more typical emergencies in the state of California, but Sassoon says the mentality persists that government workers need to step up to serve, even in the

face of danger.

## Helping Working Parents with Flexible Options

That service has been particularly challenged by the shut down of schools and daycares which parents rely upon to educate and care for their children while they work. Cox reports that 25% of the city staff have children they now need to care for at home.

Sassoon describes their response to this challenge as “multi-pronged” without relying on “one silver bullet solution.” The first thing Rancho Cucamonga leaders did when stay-at-home orders began was to survey parents on staff about what would be most helpful to them, whether that was working remotely, having flexible schedules, shifting their hours, or other options. “This let us see that, for most people, a combination of working remote and flexible schedules would solve many of their problems,” says Sassoon.

The city also set up daycare centers for employees and have built out options for tutoring as well. These received mixed responses as some families were wary about expanding the circle of people they came into contact with, so daycare and tutoring options have been scaled back a bit since the beginning of the pandemic. Cox, Sassoon and their colleagues are committed to continuing to try things out to see what works. “We keep asking and keep responding,” says Cox.

## Tuning in to Local Business Needs

When it comes to the economic challenges of the pandemic, one creative way that the City of Rancho Cucamonga responded was to retool a city department to check in with local businesses. Sassoon says the fire code inspection team had the idea to conduct “wellness checks” on businesses to see how they were doing, ask how business was going, check in on whether they had to lay any employees off, and so on.

Fire inspectors visited hundreds of businesses during the early days of the pandemic to get status updates and figure out what support was needed, then

collected this information within a municipal dashboard. The City also partnered with the local chamber of commerce to create a map of restaurants that were open for takeout and delivery.

## Public Engagement During a Pandemic

Like most cities, Rancho Cucamonga has also been figuring out how to listen to residents and engage them in decision-making during a time when the standard practices like public meetings are not possible.

One particular example of creative adaptation came when the Housing Element of the city's General Plan was scheduled for an update just as the pandemic was hitting. The normal channels of communication and connection were largely inaccessible just when they were needed most. "The focus groups, the PTA meetings we would have gone to... all of those tools have pretty much become useless now," says Cox.

So the city tried different efforts to reach people. They posted on social media, on NextDoor and in the local newspaper, advertising listening sessions and virtual focus groups. This was a learning moment, says Cox, because they only got about 50 participants from those outreach efforts.

"At the end of the day, what it came down to was, we need to make phone calls," she explains. "We can't just keep sending our social media requests to fill out surveys. If we can pick up the phone to say, 'Hey would you be interested in participating in one of these surveys?' that person to person contact [always has] value."

After conducting outreach by phone, the city had 170 people attend the next round of conversations, a huge improvement over the first round. Sassoon and Cox keep coming back to their commitment to testing ideas, learning from each trial and then iterating with a new idea.

The City of Rancho Cucamonga has also been engaged in a financial analysis process with our friends at Urban3 to learn about the financial productivity of their land and infrastructure. As part of this project, Urban3 has been able to

easily conduct public presentations online and record them for anyone who can't attend. Cate Ryba, Chief Operating Officer and Planner at Urban3, reports that they've seen more attendance at these online presentations than for their typical in-person meetings.

## Staying Positive During Scary Times

One final commitment that has been important for Rancho Cucamonga during this pandemic is their dedication to staying positive. Back in the spring, “Everywhere on social media it was scary big red X’s, ‘Do Not Enter,’ ‘Business Closed,’ the sky is falling...” Cox laments. “We took a different stance from our peers. We didn’t go down the fear-mongering line. We took the approach of: yes, there’s some scary stuff going on, but we’re going to get through this together.”

Cox says the city focused public messaging on “compassion and kindness,” encouraging neighbors to check in on each other and stay connected during the pandemic.

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Rancho Cucamonga’s strategies—keeping city hall open and conducting business remotely, surveying working parents to provide different childcare options, retooling a city department to address local business needs, testing different methods of public engagement, and maintaining a positive voice through it all—are something any town can learn from.

These approaches may not be the right fit for your city, but the attitude of leaders like Cox and Sassoon is worthy of consideration if you’re trying to build a stronger town.

During times like these, it’s going to take every creative idea we’ve got. That might mean reshuffling city staff to take on new and vital tasks. It might mean picking up the phone to call neighbors. It will definitely mean asking your people what they need right now in order to keep going. And testing ideas to see what works, setting aside what doesn’t, then trying the next idea—this is always a valuable strategy, pandemic or not.

# ABOUT STRONG TOWNS

Strong Towns is an international movement dedicated to making communities across the United States and Canada financially strong and resilient. The Strong Towns approach is a radically new way of thinking about the way we build our world. We believe that in order to truly thrive, our cities and towns must:

- Stop valuing efficiency and start valuing resilience.
- Stop betting our futures on huge, irreversible projects, and start taking small, incremental steps and iterating based on what we learn
- Stop fearing change and start embracing a process of continuous adaptation
- Stop building our world based on abstract theories, and start building it based on how our places actually work and what our neighbors actually need today
- Stop obsessing about future growth and start obsessing about our current finances

But most importantly, we believe that Strong Citizens from all walks of life can and must participate in a Strong Towns approach—from citizens to leaders, professionals to neighbors, and everyone in between. And that means we need you.

Visit [www.strongtowns.org](http://www.strongtowns.org) to learn more.

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