

The [Sacramento Bee reports](#) that California Governor Jerry Brown and the Democratic leaders of the State Senate and Assembly have reached an 11th-hour agreement to address California's chronic, steadily growing affordable housing crisis. (The California Legislature's 2017 session concludes in mid-September.) That's good news indeed—and a most welcome (if overdue) proposed fix to one of the most intractable economic and social challenges in modern California history.

At a macro, 30,000 foot level, California appears to be in great shape: its economy—the sixth largest in the world—is booming, unemployment rates are low, tax revenues are surging, average income levels of state residents continue to climb and real estate values are soaring.

But these statewide statistics mask a critical socio-economic dilemma plaguing the Golden State. To paraphrase author Charles Dickens, California is a tale of two states.

For upper and upper middle-class Californians, it's a most rosy economic picture, and times are very good indeed. These California residents are the principal beneficiaries of the soaring high tech, entertainment, agriculture and tourism industries that are keeping California's economy humming.

Concurrently, however, Californians at the other end of the economic spectrum find themselves in dire economic straits. Shockingly, California has the highest adjusted poverty rates in the nation—higher than those found in Alabama, Mississippi and West Virginia, for example.

A full-fledged affordable housing crisis is one of the key reasons why this gulf between California's rich and poor continues to grow at an alarming rate. That crisis has perhaps best been chronicled by the New York Times in [a recent, front-page article](#). The Times reports what state residents have known for years: that California has a severe lack of affordable housing for middle and low income residents. The median cost of a California home is now \$500,000—twice the national average. Housing prices in the state's four largest urban areas have increased by as much as 75% over just the past five years. Meanwhile, homelessness is, as the Times aptly notes, “surging across the state.” And many of California's “working poor,” unable to find affordable housing near their workplaces, find themselves living in tents, vans and recreational vehicles hidden away in corners of Silicon Valley and Southern California, or else enduring two- to three-hour commutes from homes in the Central Valley and Inland Empire to workplaces in urban areas where real estate values are far beyond their means.

Compounding California's affordable housing crisis is the fact that over the past decade, only 311,000 new housing units have been constructed—this in a state that now has 40 million residents. And, to exacerbate the problem, the vast majority of those new units are high-end housing targeted at the state's upper-income residents.

What does this mean in the long term? It condemns millions of younger Californians to being a life-long generation of renters—unlikely, given current housing trends, to ever be able to enjoy the economic and social benefits of home ownership. (California's present home ownership rate is now at the lowest point since World War II.) Indeed, there's also a severe shortage of decent and affordable rental housing stock—especially in the state's urban regions.

These alarming facts have prompted a rare and overdue consensus among state leaders from both political parties: that California's affordable housing crisis is real, growing exponentially, and a looming threat to the state's long-term economic prosperity.

(Reflecting that broad political consensus, state legislators have introduced over 100 different bills in California's current legislative session seeking to address the issue.)

Given these facts, the accord just reached by California's political leaders to embrace three of those bills and secure their passage in the waning days of the current legislative session is most welcome news. Here's a quick summary of these emerging legislative proposals:

- [SB 2 \(Atkins\)](#) would impose a \$75-225 fee on individual California real estate transactions. Those fees are projected to generate approximately \$250 million annually to fund increased affordable housing construction across the state. Most of that amount would go to California local governments to help finance affordable housing projects, with the remaining portion going to the state to combat homelessness and pursue other low and moderate-income housing programs.
- [SB 3 \(Beall\)](#) would authorize a \$4 billion bond measure for California's November 2018 general election ballot. The bond proceeds would be devoted primarily to financing affordable housing units, including \$1 billion specifically targeted to assist California military veterans to purchase homes at below-market interest rates. Together with SB 2, the new bond measure is expected to generate some \$5.1 billion over the next five years. Those funds, in turn, would hopefully be used by developers and housing advocates to leverage an additional \$15.6 billion in federal, local and private funding for new affordable housing projects statewide.
- If SB 2 and SB 3 are the fiscal carrots designed to finance new, critically needed affordable housing in California, [SB 35](#), sponsored by San Francisco progressive Democratic Senator Scott Wiener, is the regulatory stick. If enacted, SB 35 will

expedite the approval process for new multifamily housing projects by eliminating some local government environmental and planning review requirements. Specifically, California's state Planning and Zoning Law has for decades required cities and counties in the state to contribute their "fair share" of new housing to meet regional housing needs—including low and moderate income housing. But that law has not previously contained enforceable sanctions to address local communities' non-compliance. As a result, many local officials have succumbed to often vociferous opposition to new housing projects—and especially to low and moderate income housing proposals—voiced by existing community residents. SB 35 would allow housing developers to avoid substantial local government review of individual housing projects in cities and counties that aren't currently meeting their statutory "fair share" requirements. (Projects in communities that *are* meeting their regional housing obligations, by contrast, would under SB 35 retain their full, currently existing local planning review authority over new housing projects.)

Of this three-bill package, SB 35 has generated by far the most controversy. Predictably, California local government organizations strongly support the new housing funding provisions contained in SB 2 and SB 3. But they vehemently oppose SB 35 on the grounds that it erodes local land use authority, weakens environmental protection and eliminates the ability of local residents to influence community development plans.

Ultimately, however, the California Legislature and Governor Brown should not let the opposition of local governments, homeowners groups and some environmental organizations prevent passage of the three-bill affordable housing package—including SB 35. That measure is an essential component of any viable legislative solution to California's chronic, alarming and ever-growing affordable housing crisis.

Like most Californians, I champion strong environmental values and sensible land use planning. But California's housing crisis can no longer be overlooked or shrugged off. Local governments have for too long ignored their statutory obligation to help address and solve California's statewide housing needs. Having failed to lead, they need to follow or at least get out of the way. 40 million Californians need and deserve a prompt solution to the state's unprecedented affordable housing crisis. Before it adjourns for the year, the California Legislature should pass, and Governor Brown should sign into law, SB 2, SB 3 and SB 35.

