The Framework for California

CHAPTER 1: HOUSING ABUNDANCE

CALIFORNIA YIMBY EDUCATION FUND

Introduction

The Housing Theory of Everything

High housing costs don't just harm the health and economic well-being of residents. They also make any number of our other social and environmental goals harder to achieve.

"Once you see the effects housing shortages have on things as wildly different as obesity, fertility, inequality, climate change and wage growth, you start to see them everywhere," wrote John Myers, Ben Southwood, and Sam Bowman in "The housing theory of everything," their seminal 2021 essay. The housing theory of everything is exactly what it sounds like: Myers, Southwood, and Bowman posit "that housing shortages may be the biggest problem facing our era," because of how these shortages exacerbate virtually every other major social problem we face.

Recent California history would seem to confirm their theory. The state's housing crisis has directly worsened a cascading series of other major crises: homelessness, inequality, population decline, and even climate change.

Homelessness, Inequality, and Population Decline

Let's begin with the obvious. Hundreds of thousands of Californians go homeless each year; fully half of America's unsheltered homeless population resides in California. Unsurprisingly, California voters consistently rank homelessness as the most urgent problem facing the state.

And to quote the researchers Clayton Page Aldern and Gregg Colburn, homelessness is a housing problem. As they have demonstrated, the primary determinant of large-scale homelessness is high housing costs driven by housing shortages.

Similarly, there is a clear link between high housing costs and economic inequality. According to the Public Policy Institute of California, "California is slowly sorting into a higher-education, higher-income state" as sky-high rents and home prices push out non-wealthy residents — with the exception of those who can't even afford to move. This dynamic has helped to entrench California's persistent racial wealth gap.

California's population decline isn't just the result of migration. High housing costs may also be suppressing birth rates in the state, because many households can't afford family-sized homes. Nor do many of them have access to childcare—a consequence, in part, of home prices that make it near impossible to get by on a caregiver's salary.

Climate Change

California's housing shortage also exacerbates pollution from the transportation sector, worsening climate change. Because California does not have enough housing in major job centers, many middle- and lower-income residents are getting forced into outlying areas. Those same residents then usually need to drive long distances to get to work, and the vast majority still drive gasoline cars. All that driving leads to worse climate pollution.

Many of the people displaced from California's major cities by high housing costs have found themselves in the cross-hairs of the climate crisis: wildfires, extreme heat, flooding, drought, and poor air quality. **The same parts of the state most insulated from these climate disasters – our coastal cities – tend to be the ones with the most pronounced housing shortages.**

Similarly, California's population decline, driven largely by its housing crisis, has hobbled the state's economic growth. According to research from economists Chang-Tai Hsieh and Enrico Moretti, housing shortages in just three metropolitan areas — New York, San Francisco, and San Jose — "lowered aggregate US growth by 36 percent from 1964 to 2009."

If present trends continue, and California continues to lose population as a result of its high housing costs, the long-term consequences could be nothing short of catastrophic. It could break the student attendance-based funding formula that supports the state's schools; drag down tax revenues and send the state into a budget crisis; and end California's long tenure as a global center of cultural output and economic innovation.

The Solution: Housing Abundance

Now for the good news: Because so many of California's problems can be largely traced back to housing costs, we can fix many of them through smarter housing policy.

By building more housing, we can create vibrant neighborhoods with naturally affordable homes, where people from all walks of life mingle and live alongside one another. More low-cost housing will also prevent countless households from slipping into homelessness—and make it easier for the state to re-house people who are currently homeless. The homelessness crisis is solvable, and more housing will help us solve it.

The same goes for climate change. By building more homes near jobs and transit, we can reduce how much Californians are forced to drive (measured by "vehicle miles traveled" in transportation policy) —a precondition for meeting California's climate goals, according to the state's Air Resources Board. Building in the right places also means protecting California's woodlands, wetlands, and other natural

areas from development—a boon not only for the state's natural beauty and ecological diversity but for its ability to fight climate change with natural carbon sinks.

Unleashing Prosperity

The benefits of housing abundance don't end there. Abundant housing will make it easier to raise a family in California; pro-housing policy is pro-family policy. So is making homes affordable to teachers and other caregivers.

And restarting population growth — both by making it easier to move here and by making it easier to raise a family here — will make everyone who already lives in California better off. It will enrich the state culturally (through greater diversity and vibrant arts communities), financially (through economic growth and tax revenues), and technologically (as many of the newcomers will continue California's tradition of innovation and experimentation).

Relieving the housing crisis won't just make California more affordable. It will make it a more joyous, prosperous, equitable place to live.

In this chapter, we outline our plan for getting there. On its own, more housing won't solve every problem that California faces; subsequent chapters of this framework outline other elements of our urban abundance agenda, including our anti-displacement and transportation agendas.

This chapter begins the framework where the YIMBY movement begins: with a recipe for guaranteeing that housing is abundant—and that everyone has a place to live.

Recommendations

Incremental

Clean up state duplex law

The passage of SB 9 (2021) was a watershed moment for the State of California: hailed as the effective end of single-family-only zoning in the state, it provided for the creation of up to four homes on lots that previously allowed only one.

Unfortunately, the law has led to the production of very little new housing. Unlocking more SB 9 housing is going to require a series of technical adjustments that will make it more user-friendly and overcome local attempts to undermine the law. SB 450 (2023) represents an important step toward realizing SB 9's full potential. The bill includes the following key provisions:

- It applies an "application shot clock" that requires local governments to either approve or deny an application for a new SB 9 unit or lot split within 60 days; it also requires that local agencies provide reasons and recommendations to applicants whose applications they denied.

- It requires consistency in local objective zoning, subdivision, and design standards to prevent local governments from discriminating against SB 9 projects.

The legislature should pass SB 450 and do even more in subsequent clean-up legislation. In particular, the legislature should take the following additional steps:

- Direct HCD to provide guidance on how local agencies may finalize lot splits.
- Remove the SB 9 owner-occupancy requirement.
- Direct HCD to draft a model local SB 9 ordinance and establish a “preclearance” standard for any jurisdiction that would like to stray from this standard (with jurisdictions that fail to adopt an HCD-cleared ordinance effectively ceding their SB 9 permitting power to the department.)
- Add a cap on impact fees, similar to the cap on fees for accessory dwelling units.
- Remove language from SB 9 that prevents the bill from being utilized on adjacent lots.
- Block cities from imposing excessively low floor area ratio requirements on SB 9 projects.
- Increase the allowable square footage for SB 9 units from 800 to 1,400 square feet.
- Eliminate local bans on the use of “flag lots” (long, narrow land parcels).

Create a state-level board of appeals for permitting

When a city rejects a proposed project for arbitrary or spurious reasons, the would-be builder usually has no recourse other than expensive litigation—even if the proposal is for badly needed housing.

Developers should be able to appeal local permitting decisions that appear unjust or contrary to the needs of the surrounding community. To that end, the legislature should create a permitting board of appeals, to be housed within the Department of Housing and Community Development. Developers who have a discretionary permit rejected or delayed for longer than a specified period of time could submit an appeal to this board.

The board would have the power to overturn local permitting decisions and levy financial penalties on cities found to have improperly delayed or rejected residential projects. Developers would retain the right to sue local governments, regardless of whether they chose to petition the state board of appeals.

Direct HCD to conduct a review of international building codes

Strong building codes are essential to ensure that all new housing is safe, energy efficient, and structurally resilient. However, many of California’s building code requirements have lagged behind the times.

As builders elsewhere adopt new practices and construction materials, it is important for the state to keep up. Otherwise, outdated building codes could drive up the cost of construction without improving resident safety. (In fact, to the extent that outdated building codes prevent the construction of new housing, they can make residents less safe by forcing them to remain in deteriorating structures.)

The state has already taken a step in the right direction with AB 835 (2023). This bill directs the State Fire Marshal to research standards for multifamily single-stair buildings, which could be a valuable source of larger, family-sized apartments. While accommodating single-stair apartment buildings in California's building code is a necessary change, it is not the only one the state should consider.

California has much to learn from other states, and even other countries, that permit different building methods while maintaining equivalent or superior safety records. To gather information on best practices, the legislature should ask the Department of Housing and Community Development (HCD) to produce a report that looks at building codes in regions with lower construction costs, comparable safety risks from fires, flooding, and earthquakes, and better safety records.

HCD should have the option of contracting out the production of this report to a trusted third party. This report would seek to understand how, for example, Japan is able to maintain a greater level of housing affordability while still protecting residents from earthquake-induced building collapses. It should include a series of recommendations on how California can modernize its building codes to maintain or improve safety while lowering building costs, particularly with regard to the following:

- Vertical circulation (including both staircases and elevators)
- Flammability of various building materials
- Heat pumps
- Earthquake resistance

The report should also consider local barriers to the development of single-room occupancy buildings and modular housing. Easing restrictions on these types of developments while keeping reasonable safety rules in place could unlock a critical source of naturally affordable housing.

Direct HCD to create rules and guardrails around nexus studies

Many jurisdictions charge developers impact fees for their projects, so named because they compensate the city for the projected impact of new housing on public infrastructure like schools and transportation networks.

While it is reasonable for local officials to seek more funding they can use to accommodate new residents, many of these fees are assessed using subjective, opaque, or arbitrary criteria. As a result, fees on new housing construction can far exceed the actual impact that a new development would have on the surrounding area and serve as a major impediment to homebuilding.

To combat impact fee bloat, the state should set objective standards for the nexus studies that localities use to assess impact fees — for example, by specifying the formula that local governments should use to model traffic impacts from new development. These guidelines should specify that nexus studies must result in impact fees that only cover the actual impacts of new development. Furthermore, local governments should be required to specify in advance which potential impacts will be evaluated in their nexus studies.

The guidelines should incorporate some of the Terner Center's recent work on improving nexus study methodology. Lastly, local nexus studies should be continually updated, perhaps with each new general plan housing element.

Direct HCD to provide guidance on representative “community input” models

California’s current system of community input is broken. Because the default in most California cities is to gather such input on a project-by-project basis, even projects that fully conform to a city’s general plan can be stymied by parochial, neighborhood-based opposition. Research shows that people who provide “community input” at public hearings are older, whiter, and more likely to own property than the community at large.

As a result, the most well-off residents of a city are often able to block needed housing at the expense of everyone else—all under the guise of a “democratic” process that is, in fact, profoundly undemocratic.

The Department of Housing and Community Development (HCD) should assist California cities in moving toward truly democratic and representative community input processes. HCD can do this by providing models of optimal community input processes and offering technical assistance to cities that seek to implement these models. These models should apply community input to the citywide planning process, with site-specific approvals happening by-right.

The models may include one or more of the following elements:

- Polling and surveys of a representative sample of city and neighborhood residents.
- Focus groups or deliberative planning processes involving a randomly selected group of residents, similar to jury duty.
- Proactive outreach to groups or neighborhoods that have been historically underrepresented in the planning process.

Where state law requires that local agencies hold public meetings, the state should specify that the above approaches can be used to satisfy that legal requirement. State funds should not be used on community input processes that do not conform to this guidance.

Direct LAO to study existing housing law and provide recommendations for simplification

The legislature has made a number of significant changes to state land use law over the past few years; this framework proposes several additional changes that would radically reshape the legal environment in which local planning departments operate. While these changes are necessary to end the housing crisis, the details of some recently enacted laws may be overly complex, duplicative, or contradictory of existing law. A planning department acting in good faith might get confused by unduly complicated state mandates.

To mitigate this risk, the legislature should direct the Legislative Analyst’s Office to conduct a comprehensive review of state laws affecting building and land use. The purpose of this review would be to identify opportunities for simplifying state law without compromising the state’s commitment to building more homes.

Eliminate bans on separate conveyance of ADUs and require ministerial approval for subdividing ADUs

Accessory dwelling units (ADUs, also known as granny flats) have been an important source of new housing over the past few years. But while recent reforms to ADU permitting have led to the creation of new rental housing, they have not created many new opportunities for homeownership.

ADUs typically cannot be sold separately from the home with which they share a parcel. Allowing "separate conveyance" of ADUs — that is, allowing an ADU and the land it sits on to be sold separately — could provide a pathway to homeownership by making smaller, naturally affordable homes available for purchase. AB 1033 (2023) allows local governments to permit separate conveyance; we recommend that the state go further by authorizing separate conveyance statewide, preempting governments that don't take advantage of AB 1033.

Ensure that cities use historic preservation as intended

While historic preservation plays an important role in safeguarding California's architectural heritage, many local governments abuse historical preservation in order to prevent the development of new housing. For example, SB 9 (2021) — which legalized building up to four units on some single-family-only lots — cannot be used in historic districts. As a result, some cities added new historic preservation designations after SB 9's passage to thwart the law's intent.

In order to prevent historic preservation abuse, the legislature should set guardrails around how local jurisdictions create new historic designations. These guardrails would include:

- Removing the historic district exemption from SB 9, while including standards requiring that SB 9 projects in historic districts keep exterior facades intact.
- Clarifying that, for historic districts, the US Interior Secretary's Standards for the Treatment of Historic Properties applies to exterior facades; modifying interiors to convert single-family buildings into multi-family ones does not damage building characteristics that "are important in defining the overall historic character of the setting."
- Requiring the consideration of other factors, including whether a historic designation would negatively impact housing affordability and fair housing goals, as a mandatory element of the historic district designation process.

Additionally, California should change how historic districts are defined. Currently, the historic designation effectively halts all future development within a given district. Instead, historic designations should protect only some of the lots in a district from redevelopment; more flexible standards would be permitted on vacant and "non-contributing" lots that do not have historic structures.

Expand opportunities for lower-cost homeownership

Homeownership is a powerful tool for promoting middle class stability and helping households build wealth. As such, the state should work to make lower-cost homeownership available to more middle-class, working-class, and low-income households.

The legislature should enact statewide minimum lot size reforms to allow for the kind of small-lot family sized townhomes that have helped keep Houston affordable to the middle class while preventing displacement.

As noted in another of this chapter's recommendations, the state should also build on AB 1033 (2023), which enabled cities to allow the sale of accessory dwelling units (ADUs) as condos. Instead of letting cities opt into this policy, the state should allow separate sales statewide. (See another recommendation from this chapter, "Eliminate bans on separate conveyance of ADUs and require ministerial approval for subdividing ADUs," for more.)

As for homeownership in multifamily buildings, the state legislature should revisit condo defect law. That means amending the 2002 Right to Repair Act, which provided robust consumer protections for condo buyers but the unintentional effect of making new for-sale multifamily housing prohibitively expensive to build. Because of this perverse outcome, nearly all new multifamily housing is for rent.

The state should find a new balance to encourage the construction of new for-sale multifamily housing, whether by instituting a New Jersey-style warranty system or by creating a state-backdrop insurance program, wherein the state can act as the insurer of last resort.

Limit local floor area ratio restrictions

Floor area ratio (FAR) is a supplemental tool that is used in addition to or sometimes in place of zoning to determine the density of a building. It works by measuring the ratio between the square footage of a building and the square footage of its respective lot. For example, a FAR of 1.0 means that the floor area of a building may equal the lot area; a FAR of 5.0 means that the floor area of a building may be up to five times as large as the lot area; and a FAR of 0.5 means that a building may be no more than half the lot area.

FAR limits can be utilized to constrict density without imposing detailed development standards. For example, conflicts between FAR and maximum building heights can stunt development, leading to fewer units of housing than a lot allows on paper.

To limit abuse of FAR, the state should do the following:

- Impose FAR minimums that prioritize a high ratio to allow for dense residential development where appropriate.
- Give local agencies the authority to allow for developments comprising multiple buildings and uses to exceed the normally permitted FAR.

Furthermore, the state should implement FAR minimums. For example, SB 294 (2023) would have prevented local jurisdictions from implementing a FAR of less than 2.5 on housing developments between 11 and 20 units. It would have also barred local agencies from implementing a FAR of less than 1.25 on a housing project of more than 20 units.

While bill author Sen. Scott Wiener withdrew SB 294 from consideration in the 2023-24 legislation session, the legislature should pass it in a future session.

Promulgate model zoning codes

A single city's zoning code may have dozens — even hundreds — of different zoning classifications. Los Angeles, for example, slices and dices its zoning code so thinly that even a simple R1 lot (that is to say, one zoned only for single-family homes) might be a listed as R1V1, R1V2, R1F1, R1R1, and so on.

These exceptionally narrow categories can make a zoning code highly inflexible and difficult for non-professionals to parse. They're also unnecessary, as other places with much simpler zoning codes demonstrate: the entire country of Japan, for example, has just 12 zones in its code.

The legislature should direct the Department of Housing and Community Development (HCD) to produce a model zoning code that California cities would have the option of adopting. If deemed necessary, HCD may produce multiple model codes, with each one reflecting the needs of a specific type of municipality: for example, one code for rural communities and another for major cities. Each of these codes should have no more than 15 distinct zones. All the model zoning codes should follow a shared format, making them as readable as possible.

In addition, HCD should produce model implementation ordinances, so as to make it as easy as possible for cities to adopt the model zoning codes.

Adopting a model zoning code would be optional, but HCD should provide incentives to encourage their adoption. In particular, HCD could offer streamlined housing element approval to any city that adopts a model code. Because their zoning maps would be simpler and easier for HCD to interpret, it should be relatively easy to offer conforming cities an expedited approval process.

Reform environmental review for housing

Despite repeated attempts at narrow reform, the California Environmental Quality Act (CEQA) remains a major barrier to infill housing construction, even as it fails to constrain environmentally harmful sprawl. It's time to change course.

Under current CEQA rules, environmental review happens at the citywide planning level and then again when an individual project is proposed. Cities should instead do a single environmental review to determine the impact of all potential development in their general plan. Projects that are compatible with this plan should then proceed without additional review.

In other words, California should undertake comprehensive environmental planning. Washington State offers a particularly good example of how this would work in practice because its planning regime is superficially similar to California's.

Washington's Growth Management Act (GMA) operates like California's Regional Housing Needs Assessment (RHNA), with its emphasis on mandating regional plans to accommodate urban population growth. And the State Environmental Protection Act (SEPA) is roughly equivalent to CEQA in its focus on environmental review of specific projects.

But GMA mandates a far more comprehensive planning process than the one required by RHNA. Under the GMA, cities and counties are not just required to plan for adequate housing supply; they also need to preserve open space, encourage efficient transportation systems, and protect the environment. (Many of these requirements are similar to the rules governing the non-housing elements of a California local government's general plan.) Failure to submit a GMA-compliant plan can result in the state withholding a good deal of tax revenue from the offending local government.

As part of the GMA planning process, counties must identify "urban growth areas" that may span multiple municipalities. These urban growth areas are where Washington prioritizes homebuilding, with the express intent of reducing car pollution and preventing sprawl into environmentally sensitive areas.

This is where SEPA comes in. Like CEQA, SEPA includes an exemption for some urban infill development, but SEPA's exemption is considerably stronger and applies to a broad range of projects in Washington's urban growth areas. Essentially, all residential or mixed-use developments — and even some commercial developments — are exempt where the proposed intensity of development is equal to or less than what the relevant local government has already planned for. In other words, dense development is permitted where counties have already determined that density serves the state's environmental goals. And while county plans receive some review under SEPA, the individual projects that conform to those plans do not.

Critically, SEPA does not have anything like CEQA's private right of action. A permit applicant or government agency may appeal a decision pursuant to SEPA, but this right of appeal is far more limited than the one provided by CEQA, which allows for virtually anyone to challenge an Environmental Impact Report.

Standardize the post-entitlement process statewide

Getting a project entitled is often just the first stage of getting it fully permitted. Developers then usually need to apply to the local government for building permits, demolition permits, grading permits, and so on. The process can be maddeningly opaque: developers may submit an application for a permit and have no idea how it is being evaluated, how long the evaluation will take, or even which department is doing the evaluating.

California needs to create some kind of uniformity in post-entitlement permitting, with clear deadlines and transparent procedures. The legislature should direct the Department of Housing and Community Development to create benchmarks for local governments around post-entitlement permitting, including requirements for inter-departmental communication at the local level regarding permit requests.

Take San Diego's successful ADU Bonus program statewide

Pursuant to AB 671 (2019), San Diego developed an accessory dwelling unit (ADU) bonus program in 2020. The program works as follows:

- For every deed-restricted affordable ADU built, property owners may add an additional market rate ADU.

- The deed-restricted ADU must either be affordable to households earning up to 110% AMI for 15 years or households earning up to 80% AMI for up to 10 years.
- In most of San Diego, a property owner may build one deed-restricted ADU and one market rate ADU on each property, in addition to the ADU and junior ADU (JADU) allowed under state law. In Transit Priority Areas, there is no cap on the total number of units.
- For a small fee, the San Diego Housing Commission will screen applicants for deed-restricted ADUs on behalf of the developer.

According to a recent study by the Terner Center, San Diego's ADU bonus program kicked off an ADU building boom, producing hundreds of additional deed-restricted affordable and market rate ADUs.

The bonus program should be adopted statewide. Local permitting agencies should be directed to follow San Diego's lead by doing the following:

- In all areas of the state, property owners should be allowed to build one additional market rate ADU in exchange for building a deed-restricted ADU, on the terms established in San Diego.
- In areas within a half-mile of transit or walkable areas, property owners should be allowed to build an unlimited number of bonus ADUs pursuant to this program.
- Local permitting agencies should likewise follow San Diego's lead in charging a small fee to screen and verify incomes of potential tenants, removing a significant compliance hurdle for small developers.

Transformative

Add dense housing near transit, universities, and in walkable communities

To end its housing shortage, California must legalize dense, multifamily housing near transit, universities, and in walkable communities.

Transportation accounts for most of California's contribution to climate change; the state cannot meet its climate goals unless it legalizes housing development at scale where it will most reduce pollution. (See Chapter 3: Mobility for more on transportation policy as climate policy.)

SB 827 (2018) and its successor bill, SB 50 (2020) would have upzoned transit-rich and job-rich areas of California. The legislature did not pass either of these bills. But it should pass legislation like the original version of SB 827.

In fact, the state should go further than SB 827 by applying its upzoning provisions to within a half mile of a college campus entrance and applying SB 50's "job rich" upzoning provision to walkable communities.

Create a state-level entitlement pathway

To encourage the development of badly needed housing and circumvent local NIMBYism, California should move more entitlement decisions from the local level to the state level. This move could begin with only certain types of relatively small-scale projects — for example, the state could begin by offering a state-level entitlement pathway just for accessory dwelling units — but it should gradually scale up to include any project specifically enabled by state law.

Eventually, all developers should have the option of applying directly to the state Department of Housing and Community Development (HCD) for entitlement. HCD would be empowered to approve new projects as it sees fit, provided the proposed projects comply with local and state objective standards. While this wouldn't entirely eliminate the role of local governments in the permitting process, it would give developers a fallback option in cases where a city is being needlessly intransigent. This entitlement pathway could replace the state-level permitting board of appeals recommended in the "Incremental Reforms" section of this chapter.

Create a simplified statewide zoning code

One of our incremental recommendations is for the Department of Housing and Community Development (HCD) to create a set of model zoning codes that cities could adopt. Over time, the state should transition from recommending adoption of these models to making adoption compulsory. Under this system, cities would have their pick of a few pre-approved model codes, so they could choose the one best suited to their needs. But the era of countless boutique, convoluted local zoning codes would be over.

California's statewide zoning system would therefore come to resemble Japan's national model. As in Japan, localities would have the flexibility to design their own zoning maps (provided their maps meet other requirements in state law), but the entire state would draw from the same pool of flexible, adaptive zoning categories.

Eliminate subjective or discretionary design reviews

Many jurisdictions subject proposed developments to prolonged design review processes. Design review rules may take the form of cosmetic standards for new buildings, an extended discretionary review process, or both. This review process focuses on the aesthetic components of a project instead of health and safety standards or affordability.

Design review committees and processes don't just slow down the approval process; they can also discourage new development entirely by driving up the cost. What's more, these processes do not necessarily result in more attractive developments: the arbitrariness of design review often means that the final product turns out uglier than the architect's initial vision.

Some agencies have acted to remove certain elements of their discretionary review process to help speed up the approval of affordable housing projects, while others have provided streamlined approval processes for projects that conform to specific objective development standards. Ultimately, the

state should remove discretion on individual projects from design review entirely and require that all local design review processes adhere to objective standards. Removing these barriers statewide would make it easier to build housing, reduce the cost of development, and allow for a wider variety of building types.

Establish objective affordability goals, with automatic triggers for cities that fail to meet them

Much of California's recent pro-housing legislation has focused on blocking municipalities from creating overly restrictive zoning rules or failing to zone for a sufficient amount of housing. This strategy has been fairly successful, but it can also work like a game of whack-a-mole, with exclusionary jurisdictions endlessly finding clever ways to subvert state laws. What's more, the state's housing targets are divorced from market realities, which means they aren't set to achieve broad-based housing affordability.

To end the whack-a-mole and establish an outcome-oriented oversight system, the legislature should adopt a framework that focuses on specific, measurable outcomes, with automatic triggers for cities that fail to achieve those outcomes. The primary metric that we recommend is home prices in a given jurisdiction as a function of median income across the region. (For example: the ratio of median home values in Santa Monica to median income across the Los Angeles metropolitan area.)

Jurisdictions that exceed a certain threshold could automatically be subject to certain rules, with the level of state intervention scaling up for even more unaffordable jurisdictions. For example, consider the following classification system:

- An "Inclusive Jurisdiction" is one where the median home value is **no more than five times the surrounding metro area's median income**. No additional state intervention is required in these jurisdictions.
- An "At-Risk Jurisdiction" is one where the median home value is **five to ten times the surrounding metro area's median income**. Here, some moderate state intervention would be required.
- An "Exclusionary Jurisdiction" is one where the median home value is **ten to fifteen times the surrounding metro area's median income**. The state would intervene in these jurisdictions more aggressively.
- An "Extremely Exclusionary Jurisdiction" is one where the median home value is **more than fifteen times the surrounding metro area's median income**. These jurisdictions would receive the most aggressive state intervention and oversight.

The tiers of state oversight could be structured in a number of different ways. For example, At-Risk Jurisdictions could lose only some of their control over discretionary permitting, whereas Extremely Exclusionary Jurisdictions may essentially be subject to a form of state land use receivership, with the Department of Housing and Community Development (HCD) asserting control over all local zoning and permitting decisions until housing in the area becomes more affordable. A more specific and detailed proposal is forthcoming.

Improve how we create subsidized affordable housing

The stated intentions behind most inclusionary zoning (IZ) — the practice of requiring developers to offer a percentage of new housing units at below market rents — are good. But many cities have used IZ as a tool to block new housing development altogether by setting the affordability requirements so high that building becomes financially infeasible.

IZ mandates, unless accompanied by external subsidies, rely entirely on market rents to cross-subsidize affordable units. This cross-subsidy only works if the market rents are high enough to produce the necessary surplus. In other words, IZ mandates are only workable when market rents far exceed the cost of construction, which only happens under conditions of housing scarcity.

In cases where market rents aren't high enough to allow for cross-subsidization, landowners will usually opt out of building multifamily housing. Perversely, this means IZ can actually exacerbate an area's housing shortage and lead to more displacement.

In fact, the very logic of IZ is flawed. The construction of more housing, including more market-rate housing, benefits the public. But IZ is premised on the notion that developers reap all the benefits from building new housing, and that the public needs a mechanism for extracting some benefit of its own. In the process, IZ ends up needlessly discouraging the production of a good that California needs more of. Further, IZ places the entire financial burden of funding subsidized housing on renters who live in multifamily housing while letting the truly wealthy — who overwhelmingly live in single-family homes they own — off the hook.

Eliminating IZ would not mean eliminating affordable housing production. Instead of requiring private actors to bear the cost of housing subsidies, the state should subsidize affordable housing itself. This would lead to a win-win situation: more housing overall, including more affordable housing. See Chapter 2: Housing Stability for recommendations on how to subsidize and encourage the production of affordable housing.

Mandate ministerial approval statewide for any project that conforms with existing zoning

While the state has mandated ministerial approval for certain kinds of projects that meet specific conditions, its ultimate goal should be to transition away from a discretionary permitting system entirely.

Extensive community input should take place during the creation and regular update of a city's general plan—not on a project-by-project basis. This community input would need to conform to guidance provided by the Department of Housing and Community Development on how to solicit democratic input (see this chapter's incremental recommendations for some more information).

Repeal Proposition 13

In 1978, California voters approved Proposition 13, which amended the state constitution to cap the amount of revenue that local governments could expect to collect in property taxes. In the year following Proposition 13's passage, statewide property tax revenues plummeted by 60 percent. Since then, the constitutional amendment has continued to do significant damage to local budgets; furthermore, the structure of Proposition 13 has exacerbated the racial wealth gap by giving preferential tax treatment to longtime (disproportionately white) homeowners.

California must repeal Proposition 13 and replace it with a more robust, equitable property tax system. The property tax revenues unlocked by repealing Proposition 13 could then help to support many of the other recommendations in this framework.

We acknowledge that many longtime homeowners would find a blunt force Proposition 13 repeal financially destabilizing, because their property taxes have been kept so low for so long. Managing the transition to a post-Proposition 13 legal regime will be critical; this transition should be implemented gradually, to avoid causing major year-over-year increases in property tax bills for longtime homeowners. Lower-income homeowners should be able to defer higher property tax payments until title transfer of their home — or their death, in those cases where ownership of the home transfers to a trust.

Replace impact fees with state to local fund transfers

Ultimately, the state's impact fee system should be replaced by a more direct capital outlay mechanism, where the state grants local agencies the funds needed to accommodate new residents and improve public infrastructure. Germany has already implemented a successful version of this model, called "fiscal equalization."

Adopting this approach would appropriately align the cost of new development with the benefits: because the primary beneficiary of more housing is society as a whole, taxpayer dollars should fund the creation of public infrastructure to support that housing. In addition, the state could structure this outlay mechanism to encourage the sort of infrastructure development that will support dense, climate-friendly infill construction.

While this will lead to increased costs for the state, those costs may be partially offset by the tax revenues generated from population growth and increased economic productivity in areas that are building more housing. Tax reform to ensure that the state is capturing more revenue in property taxes from new housing developments can go a long way toward making this proposal cost-neutral.

Require preclearance for zoning code changes

Many cities will try to circumvent new housing production laws by approving zoning changes that undermine the law's intent. For example, San Francisco's Board of Supervisors attempted to undermine SB 9 (2021), which allowed duplexes in single-family zones, by upzoning all of its single-family-zoned lots — thereby making them ineligible to become SB 9 projects — while also imposing development

restrictions that virtually guaranteed nothing denser than a single-family-home would ever be built on one of those lots.

While San Francisco's mayor vetoed that proposal, it points to a troubling trend among local jurisdictions. To prevent similar attempts at undermining state land use reform, the legislature should require that the Department of Housing and Community Development (HCD) preclear any local government's proposed zoning changes, provided the zoning change would apply to more than a certain number of parcels. In particular, HCD should have the power to veto a zoning change that would clearly undermine the state's housing production laws within the relevant jurisdiction.