

Tigist Layne ([00:20:07](#)):

Everyone. Thank you so much for coming. Gimme one second.

Erica C ([00:20:12](#)):

All right, so

Tigist Layne ([00:20:13](#)):

Our panel today is Sacramento versus Small Cities, the Housing Battle. So today we're discussing the state's efforts to encourage and sometimes maybe force cities to make way for more housing and the tension that has caused between the state and the region's small cities. So we're joined today by Encinitas Mayor Tony Kranz, there at the end State Senator Catherine Blakes Spear, who also used to be. And then we have Coronado Mayor Richard Bailey. And then we have Executive director of lisc San Diego, Ricardo Flores. For those who aren't familiar with lisc, it's a nonprofit that provides support to community development projects, including housing projects through grants, loans and investments. Okay. So Senator Blake Spear, we'll start with you. You recently voted in favor of a bill called SB 4 23. SB 4 23 extends the Builder's remedy and some other housing per provisions that were set to expire in 2025.

Tigist Layne ([00:21:30](#)):

The builder's remedy for those who are not familiar, makes it easier for housing developers to build affordable housing projects in cities that don't have a housing plan that's been approved by the state. So the bill that you supported would essentially remove that 2025 expiration date of the builder's remedy and it would expand the streamlining of housing development to the coastal zone, which includes ENC and Coronado. So two questions. Why did you support this bill and do you think these kinds of housing laws that are meant to essentially force cities into approving housing projects are necessary?

Catherine Blakespear ([00:22:11](#)):

Well, thank you for that Great question. Is it working micro?

Tigist Layne ([00:22:15](#)):

Yeah.

Catherine Blakespear ([00:22:18](#)):

So first I just wanna start with saying thank you everybody for being here and thank you to Voice of San Diego for hosting this and just also for reaching out in advance to have a pre-meeting and really make sure that she understood the issue from my perspective. And I appreciate the grant reporting that you do in North County as well. Thank you. So I come from being the mayor before my colleague here, Tony Tran. And I know these two mayors on either side of the extremely well. And although this panel is set up as a state versus local, these are friends of mine. And so I'll be articulating and wearing the hat of the person who represents the almost 1 million people in the Senate district. And also is looking at state level policy because we all have different responsibilities and we wear different hats.

Catherine Blakespear ([00:23:02](#)):

And so I'm no longer a mayor of a coastal community, although I was very pro housing when I was and now as a state senator, I have the responsibility of looking out for the entire state. So I think what, what

we see at the state level is that every city needs to do their part. So we have almost 500 cities in the state of California, and we need to make, we need to have a process whereby there's a large amount of community involvement at the beginning of a planning process with what are the values, what are the things that are most important to you, what do you wanna see in your community? And then we have a process where, where housing can be built. And what we currently have is a huge number of delays at nearly every level from administrative to, to leg to legal to litigation that stops housing.

Catherine Blakespear ([00:23:47](#)):

So it's really the running the gauntlet of those who want to build housing and provide more housing in this state in order to get something billed. So my support of the bill that she was just talking about is really rooted in that It's saying that we need to make it easier for housing that is compliant with state housing element or with, with local housing elements to be constructed. And we also, I start from the premise that we actually do have a housing crisis, which is just a fact, which I think nearly everybody in the state should be aware of. When you look at the affordability and the homelessness epidemic, there are just huge numbers of poverty driven problems that we, we face in our state because of our inability to provide enough housing. So, so coming from that perspective, supporting this, this bill and allowing us to have more housing that's built in coastal communities, which are very much part of the solution as much as inland communities is, is the reason that I'm supported them. Okay,

Tigist Layne ([00:24:43](#)):

Thank you. Mayor Kranz, I know you were a part of a group of city leaders that sent a letter to state lawmakers urging them not to forward this bill. Why were you against it?

Tony Kranz ([00:24:59](#)):

Well I was against, because the effects on the <inaudible>, I think, and I say that as Aly approved from housing approved <inaudible>, S3 five was direct when it exempted the coastal zone. The challenges coastal through our local program are significant. There are already a slew of state laws that impact local authority when it comes to housing. And I didn't think that it was necessary to add this to the list. Encinitas is compliant with the law. We got there by court order. The court gave us no choice but comply with H C D. The history, I won't get too deep into it, but when Catherine was elected mayor in 2016, for the first time I was reelected to the council on that same ballot was a housing element update that the voters were asked to approve and they didn't, which was unfortunate because an approved housing element was part of a settlement agreement that we had with the B I A and another local development.

Tony Kranz ([00:26:23](#)):

So we were in a real box and through Catherine's leadership, we started a housing element task force that I was a part of, which also included two citizens in our community, both of whom were had planning commission experience. And we held about 25 meetings for the next year and a half trying to find sites that we could get the voters to approve. And it will not surprise you to learn that with the need to up zone 15 sites in the city of Encinitas. We were not successful in 2018, which put us back in court. And that's when the judge said, you have no choice but comply with housing law. And it's been very painful, Catherine, and I didn't agree actually on the measure that was put before the voters in 2018, she was one of two votes to oppose the map that we came up with.

Tony Kranz ([00:27:17](#)):

Myself and two other council members approved it. Again, it went to the voters and surprise, it wasn't approved. It's like shooting fish in a barrel. You, you ask the community to approve something that's gonna add th 30 dwelling unit per acre projects to 15 locations in your city. And it's just about guaranteed it won't pass. So the challenge that we had in 2018 is that the legislature was so busy and enact more housing laws for us to figure out how to comply with it was a a nightmare. But we're living the nightmare. We have a housing crisis. I am pro housing as Sunita has become a city of CEOs because the working class people that do the jobs in our city can't afford to look at it. And I think that's a terrible situation. I'm the son of a PE teacher, a Marine, a World War II veteran, fought in battles in the Pacific and he was a teacher.

Tony Kranz ([00:28:18](#)):

I'm one of seven kids. My parents couldn't afford to purchase a home in Encinitas today. So we have a lot of work to do. I don't think necessarily that the legislature is helping us. They should come with money. Money is what we need. People complain about the infrastructure, the woefully and adequate infrastructure, traffic issues, water issues, storm water issues, and the state does nothing to help the city address those issues. They just say build more housing. And I think it is time that they stop and pony up a little bit to help address those issues.

Tigist Layne ([00:28:58](#)):

Regarding that, the, regarding what you just mentioned, the challenges that cities are facing in providing necessary infrastructure and services to support new housing developments. I wanna turn to Mr. Flores as someone who worked closely with developers and other entities and communities, what's your take on this, on this point that small cities can't support a lot of new housing development because of infrastructure challenges? Well,

Ricardo Flores ([00:29:26](#)):

It's an interesting question because the path towards infrastructure is to build and provide more for sale housing. And I'll give you an example. So Encinitas is 95% single family neighborhoods. That means that if you live on a single family lot, you're living on the size of a basketball court with a home right in the middle, that's unsustainable. And if that's your finite pie, then your homeowners are already paying the property taxes that they can support. The only way out of that is to get new homeowners and to think of the land differently. And so the mayor of San Diego had a proposal to subdivide these basketball court sized properties. When you start subdividing these properties, you lower the price point, but guess what? You also create new homeowners, which goes right back into cities for tax revenue. Perfect example of city of San Diego. The city of San Diego collects \$740 million in taxes.

Ricardo Flores ([00:30:24](#)):

The value of real estate in our county is 787 billion. Lemme say that again. The county's tax the counties, the properties of the county are worth residential, all of it, 787 billion. The city collects 740 million. That's not an equal number in any form or fashion. The cities are not collecting their fair share because they have an antiquated system of zoning, which does not allow them to capture the actual revenue that's buried in their cities. So it's an interesting dilemma that they face. And then of course, if they are able to provide for that revenue, they can go to Wall Street and they can say, wall Street, Hey, give us a big bond. And Wall Street says, well, what's new in your city? Well, we're subdividing land to create middle income home ownership opportunities. And Wall Street says, here's a couple billions of dollars. Go ahead and put that into your cities.

Ricardo Flores ([00:31:19](#)):

By keeping your zoning in a certain antiquated way, you are going to not be able to realize the tax base that you have because of Prop 13. And Prop 13 is no one's talking about getting rid of Prop 13, but if we're not gonna get a prop 13, we have to look at our land differently. So it's a, it's a, it's an interesting conversation, but if I was a state, I would be telling cities, you're very profitable. Your real estate's worth a lot. Are you getting what you need out of your real estate? And the answer's no. How can you be when you're prop, when the majority of your real estate is sitting on basketball court sizes of land and a home right smack dab in the middle, you're not going to get what you want out of it. And so I frankly would say to the legislature, they've gotta make these tough decisions, not the legislature, but the local governments need to make these tough decisions.

Ricardo Flores ([00:32:11](#)):

And it was mentioned before about the public. At what point does the public's interest in housing supersede their desire not to have housing? I think every young person in this room would say they need to create more Raz opportunities. And I think that's the biggest problem we have here, is we have two generations. We have a boomer generation, which is my parents, and we have a millennial generation, which is after me. I'm smack dab in the middle. I'm generation X. These are two, two huge generations. This millennial generation is not, is screaming for assistance in how to live in neighborhoods. They just, they grew up in this boomer generation is saying, no, no, no, no. Something is going to give <laugh>, something is going to give. And I can guarantee you the people in my position, the Generation X, we're just watching this massive titans go back and forth and I can guarantee you who's gonna win is the future. Young people are gonna win this fight.

Tigist Layne ([00:33:15](#)):

That kind, that brings me to my next question. There's something we hear a lot from leaders of small cities. I've heard I think all the mayors and former mayor here say it before, is this concept of preserving community character. As mayors and former mayor of wealthy majority white cities, this can sometimes come across as an unwillingness to integrate other income levels into your cities. Is that the underlying message? I'll start with Mayor Bailey, would you like to respond to that?

Richard Bailey ([00:33:53](#)):

I think the question comes down to, well, what is the role of local government and housing? And from my perspective, I believe that the role of local government housing is to create safe and vibrant communities that people actually want to live, work, and visit, given the unique constraints that each city faces. One of the difficult challenges from policies that are kind of we're top down policies from Sacramento down to the local governments is that it's impossible in a state that has over 400 cities to create policies that actually take into effect, take into account unique constraints that each city face. Cities don't actually decide who lives in their cities and who does, right? Like we all face these unique constraints. The market basically sets the prices and whether or not people want to live in any particular city given those market rate prices to terms who lives in some cities.

Richard Bailey ([00:34:47](#)):

I, I do wanna address a point that was, that was made earlier and that was regarding cities doing their part. And I think that's a really important question to answer, like, well, how do we determine which cities are actually doing their part in regards to the housing issues in California? And I'm reminded of a conversation that happened a few years ago when Sandag, our metropolitan planning about

organization was allocating housing units to each one of the United Cities within city county. And the a point was brought up that the city of Coronado is one of the least densely popul cities in San Diego County. We have 35 square miles within our city boundaries, but we only have a population of approximately 25,000 residents. Corona, you should be doing your part. And I had to remind this individual that of those 35 square miles approximately 28 of them were water.

Richard Bailey ([00:35:43](#)):

So no matter how much we invest in our infrastructure, we're not gonna add sands like to Coronado. So 35, 28 of the 35 square miles was water of the remaining seven square miles. Three and a half square miles belong to the US Navy. State of Coronado does not have land use authority over the US state. One half square miles of remaining ballot belong to the state of California. Another half square miles belong to the port of San Diego by California law. The port of San Diego do not build residential units on their land. And so that leaves the city of Coronado with approximately 1.5 square miles of land use authority, where we have currently 25,000 residents that makes Coronado as densely populated as the city of San Francisco. So when I hear people say, oh, well, you know, different cities need to do their part, I totally agree, but I would encourage us all to ask the question, well, what does doing your part look like?

Richard Bailey ([00:36:37](#)):

What metric do we wanna establish as to whether or not a city's doing their part? I think it's also worth noting that although Sand Act was legally responsible for allocating housing units to all the cities within the county, it is up to the state of California to enforce whether or not a city is compliant with their house. And so you have an entity that's allocating resources and then another entity that's kind of playing referee. And we've had high level conversations with state officials and there is a huge disconnect between how Sandag allocates the resources and how the state of California is actually able to account for them. Just a quick example. Corona has 11,000 housing units. We are allocated over 900 units to zone for this year, in large part due to the Navy base and the jobs centers on the Navy base city.

Richard Bailey ([00:37:30](#)):

Cornell cannot count the jobs on the Navy base towards our housing element. And so that unfortunately creates a misalignment of incentives where, and I think the, I think the the objective of creating workforce housing next to workforce centers is certainly it's, it's a positive objective. Certainly a lot of objectives, noble, but unless we have, unless we align our incentives between the state, local governments and these federal installations we're missing a huge opportunity actually to state objectives. So to circle all the way back, we as a city don't actually control lives in our city. We don't set the, we don't set the pricing for these housing units. And I think that's something that we have to take into account when we're setting policies at a stay alone level.

Ricardo Flores ([00:38:15](#)):

If anyone wants to respond or anything, feel free to chime in also. Yeah. One thing I'll say, oh, sorry, <laugh>, one thing I'll just say is that cities have a really big role to play in housing because they actually set what we would call developers would call a fixed rate, which is land. Everybody considers land a fixed rate. Well, it's only a fixed rate because government tells you how much, much you gotta buy in some neighborhoods, you gotta buy a basketball court size piece of land, or you gotta rent it. If government said you don't have to buy 5,000 square feet, you could buy 1000 square feet, that's gonna be cheaper than 5,000 square feet. Government has a big role to play. They don't have a role to play in the, in, in the, in, in, in lumber or labor or all those things, but they set the price for land.

Ricardo Flores ([00:39:02](#)):

And so if they think of the price for land differently, it will lower land. And remember, this is a good problem to have, right? When San Diego passed zoning in 1923, San Diego was a city of about a hundred thousand, right? Here we are a hundred years later, we're a city of 1.3 million. We have a, we have a housing crisis because people wanna live here. That's a good problem to have. Any mayor will tell you that's a good problem that people wanna live in your city. The question is, how can you accommodate for that? And when the local governments are picking winners and losers by saying, you have to buy all of this land to live in more jurisdiction, and there is no health or safety code reasons for that. In fact, the reason why you have to buy all that land is because the city of Berkeley in 1916 wanted to segregate out black, Asian and other immigrants.

Ricardo Flores ([00:39:50](#)):

And so they said, in a certain development, you have to buy 5,000 square feet of land. Never in the history of the United States had we ever heard of a single family zoning law until Berkeley came up with it. And Berkeley was actually pretty forward thinking because just so happened the next year in 1917, the Supreme Court got rid of deeds and covenants. But guess what? We're still with single family zoning and single family zoning is the deeds and covenant restrictions, and they're still alive and being in enforced up and down our state to this day,

Speaker 10 ([00:40:26](#)):

You're getting applause. I'm not, so it's totally <laugh>. Yeah, yeah, yeah. I'm not elected.

Catherine Blakespear ([00:40:34](#)):

I'll just add a couple things that occur to me as my very informed fellow panelists are speaking and sharing their perspectives. So one of them is that I think local government officials are always elected in part on a preserving community character perspective when they represent coastal cities. So having community character people who live in communities self-select, so they, they usually like those communities and they wanna keep the things about them that they like, the reasons they chose those cities. But my perspective is that we can add housing while retaining community character, and in many ways we need to, because if we don't add more housing, community character will change because the diversity will be priced out. So it's diversity of everything in terms in age and income and race and background, ethnicity. We wanna create more opportunities for people to be able to, to, to integrate into communities that they may have been excluded from.

Catherine Blakespear ([00:41:30](#)):

And so adding housing, and in coastal communities like the two on either side of me and many others, it, this is really very incremental. The amount of housing that's being added is, is really, it's not going to transform the community. It's adding accessory dwelling units and just sprinkling density in a gentle density type of way. It's adding a few apartment complexes. It's allowing SSB nine allows for a quad to be built where there used to be just one home. So these are all ways to add housing that largely does not disturb community characters. So I never saw community character as being at odds with adding housing, but I know many people do define it that way in their minds. But it's really important as when you're thinking about solving these big problems, I think that we reorient our, our ourselves in that way.

Catherine Blakespear ([00:42:16](#)):

The other point I wanna make and this is relevant and on top of my mind because the front page of the business section today in the San Diego Union Tribune was about vacancy rates. And what it said was that that there are six, 6% of homes in San Diego County are vacant, and they're vacant for different reasons. Some of them, they're vacation rentals, their second homes, they're on the market to be sold, or people haven't moved into them yet. But my understanding is the city of Coronado actually has a 25% vacancy rate with, with the homes that are there. And some cities have made efforts because they want communities, they want people to live in communities. They have, they have vacancy taxes, and they have efforts to try to create the opportunity for homes. Coronado likens, one of the things that we partnered on, and I was very happy about was pa is passing a a cap on vacation rentals.

Catherine Blakespear ([00:43:05](#)):

So Coronado has a 1% cap, and so do we basically roughly, there's some nuance in there, but, but saying that your housing stock can't all become hotel rooms because we want people to live in communities. And so when you have a vast number that are, that are becoming vacation rentals, then you are losing your neighborhoods. And, and we can see that that can happen at really high numbers if we don't put some type of cap on it, but it's also really important. We have some, right? So we wanna make sure we have that diversity in our neighborhoods of, of some opportunities to rent a home, but also mostly people who live there. So I think when I think about the housing picture, there are, we we're eating away at the problem in many different ways. And so some of these, some of these things, they're relatively small, they're adding density, they're addressing vacancies. But there are ways that we will eventually be able to hopefully solve or at least reduce the housing crisis that we have in the state.

Tony Kranz ([00:44:05](#)):

Yes, community character is important. And I am fortunate I married a woman who had a father who was quite the community character, and he to me that's the most important part of community character is the people. So we wanna focus on having a vertical community character, income-wise as opposed to a horizontal one, which just continues to increase in. Its, and, and, you know, look, I can decry the commoditization of housing. I, I see the problems that has created. Ricardo is terribly out of touch. He has no idea what we're up against. And so don't expect zoning to go away anytime soon. In the meantime, what I will say is that we have done what was required by the law, because I believe in the rule of law, and I look forward to continuing to stay compliant with state housing element law.

Tony Kranz ([00:45:01](#)):

And so we're building apartments. We have just approved a project that involved town Homes for sale. So this was our first for sale project. All the other half dozen were essentially rental projects. So in, in, in the end, this is one of those things that we'll continue to work and comply. I have three children. I have five grandchildren. I'm very much a beneficiary of intergenerational wealth. The house that my wife grew up in, I live in, we've remodeled it. We made room for my mother-in-law. My wife is a nurse. She took care of my mother-in-law to her death in the house. And we're not looking to sell the house. We're looking to have generational wealth to the next generations. My daughter bought a home in the barrio in Oceanside. My son, who's a tech bro, came from Oakland, bought a home in Vista, \$1.1 million starter home.

Tony Kranz ([00:46:03](#)):

How crazy is that? My middle son lives with us. My sister lives with us. I'm fighting the housing battle because I live it. And this notion that I'm trying to avoid building more housing in our community is just

wrong. And I look forward to continuing to fight. The project that we just approved, that is the townhome model. It, it, we were sued for it, approving it. So litigation, it's, it's seems never ending. We've got another project that we approved almost eight, 14 months ago that it's gonna be at a coastal commission hearing coming up next week because the coastal Commission decided to interject and has been holding up the project. So it's one thing after another. And it is very frustrating at times. Finally, let me say that SB nine, we are living with SB nine, but I will point out that that is not gonna move the needle on housing. I live next door to a duplex that recently sold for 2.3 million. The notion that we're gonna be able to build duplexes in as needed that would be affordable is just a, a fantasy. So we have the challenge of the commoditization of land and housing, and we're not gonna get past that anytime soon.

Tigist Layne ([00:47:27](#)):

Mayor Bailey, did you wanna respond? Mary Bailey? Is that which Yes, <laugh>, I do <laugh>,

Speaker 11 ([00:47:35](#)):

I, I think I think

Richard Bailey ([00:47:37](#)):

Tony's spot on, but a lot of his comments are,

Speaker 11 ([00:47:43](#)):

I'm reminded

Richard Bailey ([00:47:44](#)):

Of professor in, and

Speaker 11 ([00:47:49](#)):

The professor said

Richard Bailey ([00:47:50](#)):

That oftentimes the laws of economics, laws of physics, the laws of economic issues, laws of physics, I'm reminded of that because in the context where you might think, Hey, you own a home in Coronado, for example, Delmar, and you can now by right demolish your single family residence and put up four units in this place, you might think to yourself, oh, that'd be a great financial decision. And that might also increase the supply of housing, which then might be reduce the cost of housing. Now some this conversation with a resident of miles and she would be the first to admit, she probably is on the left side of political spectrum and said, you know she would describe herself as a, as a gibe. And she came to her council meeting, she said, Hey, Richard, you know, you need to do more.

Richard Bailey ([00:48:40](#)):

Cornell needs to do more now without, and I asked her, I said, do you still live on this particular block, this avenue? She says, yes. I said, well, just so you know, you are able to tear down your single family home and build four units in place in this place. So you can do that right now by, right. You don't need any approval from the single Coronado. And asked her, would you consider doing that? And she said, well, no, of course not, because I like where I live and I like my single family home. And so I, I just

couldn't help but smile at that. And this, you know, this is a great woman, she's a great community member and I understand where her heart is at. And I understand, I think where every, all of our thoughts are at. And our desires are act to see the price of housing reduced. But once again, the laws of economics tend to be stronger than laws of physics. So if you, you don't have people that are willing to take advantage of S nine, not actually gonna see housing increase in some areas, once again, because of the market conditions specific to areas

Tigist Layne ([00:49:34](#)):

Kind along those lines of what you're saying, mayor, but Bailey Coronado right now doesn't have a compliant housing element. It's not the only city in California that doesn't have a compliant housing element, but do you feel like Coronado's leaders have made a good faith effort to make those strides and get into compliance with state housing laws?

Richard Bailey ([00:49:59](#)):

The short answer to the question is yes, I do. And the reason I say that's because we have submitted housing last year that we're rejected by the state because the state made certain objections. And so we're doing our best right now to be compliant with the state housing online. We are working mostly with the state, and I think within the next two weeks, the city council will be considering a make us. So I do are certainly, I would raise the question to all of us here, including here, what does success look like? It's easy, I think, for all of us to say that we would like housing to be more affordable, but how much more affordable? The average rent in Coronado is \$3,700. The average rent in El Cajon is \$2,000. There are approximately half the households in the United States make less than \$75,000 per year. Is our objective to have housing here in San Diego County and specifically maybe along the coast, affordable for half the households in the US to make less to \$75,000 here? Is that the objective? If not, well, what is the objective like and how do we know we're actually achieving success? So that's the question I would leave up to all of you and everyone up here on the panel. But in, in short, yes, I do think we are certainly doing our part to try to be compliant with the state housing element.

Tigist Layne ([00:51:22](#)):

Okay. And so I guess what I'm hearing you say, do you believe then that Coronado and city governments have an obligation to make sure that there's housing for a variety of income levels?

Richard Bailey ([00:51:39](#)):

It's the city doesn't set the price for with how exists within the city, the, the market does. I'm just curious, like show of hands here, would like to live in Corona? We bucks a month, so would I, so would I, and now who here would like to live in the middle of South Dakota in the winter for, and so this is just a market electrical <laugh>. So this is just a, this is just a market reality that more people on average are willing to pay more for housing along the coast than they are in other places. And so the idea that local government can actually control for set aside housing for certain income levels really kind of ignores as a lot of those, those goals might be really kind ignores the market. Reality is that people generally more people on average wanna live in certain areas. Others? I just one thing. Yeah, just, just really briefly,

Catherine Blakespear ([00:52:37](#)):

I mean, one thing that I think is really important to add to that is that when we have new housing developments,

Richard Bailey (00:52:42):

Most cities have

Catherine Blakespear (00:52:43):

An inclusionary ordinance that requires 10 to 15 to 20% being deemed restricted, affordable. So when we're adding new housing, we in, in, we were really aggressive and we, the two of us spent a lot of time on this specific topic of how much affordability can we require? And because the units still have to pencil in order for a developer to build that, you can't require 50, 50% affordable or 75% affordable. But going as high as possible means that when you do have new housing that's built there is 10%, 20% that is de restricted, affordable. That does give the opportunity for more people to these communities than if, than if housing is not built.

Tony Kranz (00:53:26):

The challenge is the way we count this conversation in this notion of affordable Encinitas has a bunch of businesses that are very retail oriented, lower wage jobs, and therefore difficulty that we have is that most of that workforce cannot afford affordable, because affordable is defined as the area media income, 80% media income, low income. Guess what? My daughter who was a at Starbucks for 10 years didn't get anywhere near low income. She was very low income, and they're not building very many very low income restricted units in Encinitas. And even if there were, there would be 3000 people that wanted to get in them. So it's like, what did the lottery? So the whole gig is just great and we really need to rethink Rena. We need to think the notion of workforce housing. This is, I'm playing by the rules as they were set. Do I wish they were different? Yes. That's why I was very supportive of Catherine getting to Sacramento because she experienced this and I was hoping that we would see some movement towards, you know, a dose of reality and her housing loss, and I think she'll come around. But <laugh>, I've seen a whole lot.

Tony Kranz (00:54:52):

So we, I, I consider all the council members that I've served with more like siblings, so we've made this on some things, but we'll continue to argue and fight and, and advocate for what we think is the right strategy.

Richard Bailey (00:55:12):

I'd like to kind of piggyback off of this notion of aary housing. What we've seen happen here in San Diego County is that the average, the median home price in San Diego County has increased by 83% in the last eight years. So from 2015 to up to today, price media, home price for home in San Diego County today is just under a million dollars. Now prices are a signal to the marketplace, and as prices increase, that tells marketplace produce more of this product. So what would you guess has happened in terms of housing production since 2015? So once again, home prices are up by 83% since 2015. How much do you think housing starts are up in San Diego County since 12 15 0? They're flat on average. San Diego County produces about 10,000 units per year. That should beg the question to all of us.

Richard Bailey (00:56:05):

If the market is saying we need more housing because the price is going up, why aren't we actually seeing more housing? And to that down deeper, why aren't we seeing more middle class housing being built? And I think there's a, there's a couple reasons for that. One of the reasons for, it touches on inclusionary housing and it also touches on where new housing projects are allowed to be milled.

Beginning in around 2000, prior to 2005, when you would look at a board projection, four projection of where housing will be built at San Diego County, like at a map produced by Sandag, what you would find is that there is a lot more new developments in the East county part of San Diego where there's an abundance of land relative to coast. It is cheaper to build where there is, where there's open space than it isn't infield development along the coast.

Richard Bailey ([00:56:53](#)):

We have to deal with a lot more coastal regulations. There's already very expensive developments. So on average developing in East County is cheaper than it is coast. But then around 2015, excuse me, around 2010, when you started looking at these forward looking projections on where new housing was gonna be allowed, what you found is that all of that housing that was previously envisioned to be built on East County has now been relegated almost higher, probably about 85, 90% of it to to almost less than five, like right along the five iPad corridor where there's already a lot of existing developments. So that means that a developer, if they would want to develop on some iPad corridor, they're almost certainly purchasing land that already has expensive developments on it. So they're paying premium for that land to develop. And so what that means is they're gonna have to charge a premium for the units that actually get developed there.

Richard Bailey ([00:57:42](#)):

And so that requires then the developers to build high end homes. So homes for high income individuals with the inclusionary component here, developers are allowed to build, have these density bonuses to build even more units, provided that they build a certain percentage of a per fee restricted low income residents. And that's great. However, what that does is you now have 10%, 15% of these homes that have low income residents, and you have the rest of the homes that have to, just because of how the market works to make these projects expense out, are now only for high income individuals. Meanwhile, the middle class housing that could have otherwise been built has been taken out of inventory because that land is no longer to build on. And I think this is where you have two competing objectives from the state of California.

Richard Bailey ([00:58:33](#)):

Yep. Okay. I think this is where you have an example of two competing, two competing priorities from <inaudible>, the popular guy, <laugh>. This is where you have two competing priorities from the state of California. On the one hand, the state of California says we want to have affordable housing for everyone. On the other hand, they say, Hey, we wanna be really good stewards of the environment and reduce the amount of vehicle miles traveled. Great objectives, but they are sometimes at odds with each other. And this is why, by reducing the number of vehicle miles travels, that projects are allowed to count towards their projects in East County. That takes a lot of that inventory of land makes it unavailable. So in the name of being a good product pro environment, we've removed a lot of this land, but then it has the unintended consequence of reducing the inventory of land, which then drive up prices or <inaudible>.

Tigist Layne ([00:59:31](#)):

Okay, thank you. So we're gonna take a couple questions from the audience, which I have here that you guys have submitted. This is for Mayor Bailey. It's also, I'm adding in kind of a question that I have also. You've mentioned inclusionary housing the concept of, you know, the government doesn't set the prices for homes. The question is, doesn't or don't the housing development policies the city set and enforce

affect how much housing and what type of housing is available, which affects prices and thus who can, and the part that I wanna add is the housing element, the, the, a key part of it is providing or accommodating for housing for a variety of income levels. So because Coronado doesn't have the housing element compliant doesn't that kind of get at, you know, trying to provide the housing for a variety of income levels? I know the government doesn't set the prices, but the housing element is kind of aiming to get at that in order to provide the housing for all income levels.

Richard Bailey ([01:00:42](#)):

Sure, answer is yes. That is the objective of the housing argument and the state spur this <inaudible> a proxy for affordability and the form of density. And so the state recognizes that projects that are at 29 units per acre or greater count towards your, for your afford building score on your house. Show real quick, who's been in Coronado, sorry, in Coronado, if you can imagine just for a quick second, the hotel Dell and just south of the hotel Dell, there are these 10 large towers, kind of, you might be able to picture those. So if those towers did not exist today and the city of Coronado were to include them in our housing element, that would actually count towards our 4 million square. The problem with that, the problem with that is that the cheapest condo you can find in those, in those towers is about two and a half million bucks. And, and so that's where, once again, you know, the city can try our best to accept zoning, even high density zoning like those towers, but the, the market effects probably won't achieve the desired desired resolve despite the best of our or to, despite the best of our efforts.

Richard Bailey ([01:01:54](#)):

I was in Port Auto in, in 1977 for my senior prom, so <laugh> hotel, but I also know that there was a lot of workforce there that is not able to, and that's should be the

Tony Kranz ([01:02:19](#)):

Biggest objective we have right now. The the fact of the matter is we, we've approved projects in Encinitas that have hundreds of units in the pipeline to be built. The only affordable housing that we're getting are the de restricted units. And in fact, all the rest, even in the apartments that have 1200 square foot apartments, they are above moderate income because of the price that is objected to those, those units to rent for. So essentially what we're doing is we're accommodating with all these development projects, the wealthy who will move to our city and enjoy a beautiful city, but the workforce, they still have to drive in from Temecula and other areas around the county that increases BCA miles travel, which greenhouse gases and all of the things that we I recognize are really bad for future generations. So my grandchildren, will they have a planet that is habitable? I, I can't, I can't say that with certainty. So for me, the goal is to create state laws that allow for cities to approve workforce housing that allows for the rooms that the apartments that are, are built to go to people who work in our city. And I think that will go a long ways towards addressing some of the issues that we have with, with no longer the question of affordability, but having a community there has an integrated group of residents.

Catherine Blakespear ([01:03:59](#)):

My father was a chef at Corona <inaudible>, and he commuted from,

Tony Kranz ([01:04:05](#)):

He committed, he commuted from Tijuana because he

Tigist Layne ([01:04:08](#)):

Couldn't, we couldn't afford it. Sorry sir. I have questions over here. Sorry about that. For Senator Blake Spear a question from the audience. If a city has vacant land it owns and wants to develop, what is the purpose of the Surplus Land Act?

Tony Kranz ([01:04:31](#)):

Well, the Surplus Land

Catherine Blakespear ([01:04:32](#)):

Act is

Tony Kranz ([01:04:33](#)):

Designed to move land into housing development, and that's really what its goal is. One, one of the things that concerns me about publicly

Catherine Blakespear ([01:04:43](#)):

Owned land

Tony Kranz ([01:04:43](#)):

Is moving publicly owned land into private ownership. So my preference is always to encourage the 99 year lease or the 30 year lease. But so because the future is uncertain, obviously we don't know what future crises will be and we wanna be able to have public land be available for the uses that the future might need it for. So I think one of the things that's really important to, to his point about work workforce housing, I mean the, the reality that we have to always remember is that the private market produces

Catherine Blakespear ([01:05:17](#)):

Most housing. So the government is not building housing. The government has all these complicated ways of trying to incentivize private developers, but the government bills like prisons, it doesn't build housing, it doesn't build social housing. It also doesn't, we don't bill public housing. So the, and, and when you think about uses of the state money, you know, we have a, a homelessness crisis. We have a border crisis, we have a water crisis, we have a climate crisis. So I don't see an appetite in Sacramento to have large amounts of money go into building public housing. That's, that's not something that's imminent, at least in the state level. And I'm sure people to mind, right? In many ways, people's right would be happy to hear that the government's not about to get involved in building large amounts of public housing. But, but you know, thinking about how do you really build workforce housing when housing is built by the private market that needs to make a profit, if these are the, this is the big struggle. And, and so by providing workforce housing, if we're not doing it by incentivizing more density, we don't wanna sprawl into the back country where there's habitat and we want there to be open spaces. So densifying our communities, at least to some degree, is really the only way that we're able to do that. Can I

Tony Kranz ([01:06:26](#)):

Follow up real quick? The federal government, believe it or not, has a fairly decent program. It's called Section eight and it's run through hud. And we have about a 20 year waiting list for Section eight

housing in Encinitas. Imagine if the state decided that they were gonna start a voucher program where it was a partnership between government and the private market where we could incentivize private property owners to make their rental properties available through this program. I'm not asking the state to get involved in building houses, but I do think that the power of the purse on this particular issue is critical because as I pointed out the majority of our workforce NCS can't afford even very low income housing. So until the government steps up to help with vouchers, I think we're gonna be in this vicious circle of just building, you know, luxury apartments in Encinitas, which is very unfortunate in my opinion.

Catherine Blakespear ([01:07:22](#)):

And just to piggy back off some of those comments, the state of California does provide, has historically provided cities with some amount of funding notably through redevelopment, which expired back in 2012. And a quick story on that. So city of Coronado, we've had just under \$4 million available that we can only use for deed restricted housing. And we actually looked at partnering with other cities that were more affordable cities giving this money to them so they could purchase more housing units within their city. And, you know, in our small way help address the, the housing issues based in the region and how those numbers count towards our goals. And we were told that we couldn't do that. So rather than let this money expire and have to move it back to the state, the city of Coronado, once again trying to, you want get the taxpayer funds, we

Richard Bailey ([01:08:15](#)):

Ended up spending four just under \$4 million on a all intent purposes, a fairly dilapidated duplex on the, one of the busiest streets in Coronado. Now it'll be deed restricted, but there's two units right there for roughly \$4 million. And I don't think any of us in this room that pay taxes, I think that's probably the best use of, of tax dollars. So there, there is a real struggle with getting government funding to build quote unquote affordable housing.

Tigist Layne ([01:08:42](#)):

Mayor Bailey, I have <laugh> question for the audience. What will Coronado's legal strategy be when the Attorney General sues them for their housing element?

Richard Bailey ([01:08:59](#)):

And I, and I mean this sincerely, I really do. The city of Coronado we're, we are making a trade between park, as I mentioned earlier, we're densely populated as the city of San Francisco and to my knowledge most to populated the city. What do you consider land use? The availability of land, use your land use already within your city in the entire county. Now as it relates to that, once again, housing element in each city's unique constraints. One thing that Sandact didn't take into account when we were being assigned our, our units is in Coronado, like <inaudible>, like del Mar entirely within postal zone. So we have a 30 foot height. It also didn't take into account that we have an airport in our city. And so because of FAA regulations and also additional regulations from California, about a quarter of our land authority cannot be identified legally, like state of California prohibits us from increasing over border area to begin with. And so these are the types of unique constraints I'm talking about that make it really difficult to be compliant with the housing element. I am. I will say that we have had a great working relationship with the state of California agencies that are looking into enforcement of the city's housing element. And I'm confident that within the next couple weeks people will have a compliant housing C

Ricardo Flores ([01:10:15](#)):

Okay? One thing to remember about the, the housing elements is they've been around since like the 1960s. So cities have been doing this for decades now. What's different now is that the California IMB movement actually put teeth <laugh> and the legislature put teeth to these old laws that nobody thought about. And that was an incredible strategy. And so much so that we saw in San Diego, for example, they've been on automatic pilot with the arena, is they put an actual cemetery plot as a potential housing site. That's the challenge here is that you have cities, I think, that have been an automatic pilot for so long, and now the discussion is, well, you have to build housing and nobody's talking about making huge investments of infrastructure and things like that. What we're saying is you have to look at your zoning differently and your zoning doesn't cost money to change.

Ricardo Flores ([01:11:01](#)):

It's just staff time, but the staffs are gonna be there in perpetuity. You're talking about a city, and zoning by the way, is just a figment of your imagination. Why do we have to live on a basketball court size home a lot? You don't have to actually. And I think that's the real challenge here, is that it seems like this issue's so complicated and there's so many things we have to do, but the reality is it's not that complicated. It's that we have to change our style of zoning and give people more property rights, which will then increase their value of their property, which will then maybe they could consider subdividing that property for, for money or to build new housing for themselves or their family. Once we get down that path, then we'll start to see the changes we really want. But before we, we talk, we get down there.

Ricardo Flores ([01:11:50](#)):

We, and I think the other thing I wanted to point out too is this housing crisis is so acute that I help build affordable housing. So people who really can't pay or don't have cash flow, that's really what I do and with some of the developers here. But you're not only lumping in people at that level, you're lumping in middle income people. You're lumping in people that actually have money that can't afford a place to live. And again, I stress this and I can't stress this enough. If a city will allow you to buy 1000 square feet of land versus 5,000 square feet of land, the cost will drop significantly. And if you allow that to happen, the market will price it accordingly. And if you allow it through all of your community, you won't distort your community. 'cause You won't have little things here and there popping up.

Ricardo Flores ([01:12:41](#)):

There is a way out of this. It's just that we have a belief historically that we have a way of our neighborhoods looking a certain way. But remember, this is what's fascinating about single family zoning. Very few Americans actually lived in single family zoning. My grandfather who grew up and went to World War ii, he didn't live in a single family home. But guess what, after World War ii, he, my parents, my dad did. I grew up in a single family home. If I had kids, they would be growing up in a single family home. Nowhere in history in American history have we seen that, let alone see that around the world, believe it or not. And again, ask yourself, where did this zoning come from that we're all fighting to preserve? And it came from a very nefarious reason to segregate people. And if it wasn't successful, then we could say like, where I live in Kensington, you could say, well, Kensington's actually a brown and black neighborhood.

Ricardo Flores ([01:13:34](#)):

No, it's not. Nobody in this room believes that there may be brown and black people living in Kensington, myself included. But the picture of our cities remains the same. If you look at the redlining maps in the 1930s, the city of San Diego, the same neighborhoods that were exclusive are still exclusive,

are still expensive, still have the same families in there, still have the same picture of the children going to the same schools. Something is fundamentally wrong and that something is that cities, local cities force us to buy an amount of land that is in excess of what we need to survive and live in a modern society. Mr. Floyd in

Erica C ([01:14:13](#)):

San Diego, I'm so sorry. Alright, it's about that time. So unfortunately I have to wrap it up. But thank you guys so much for joining us. This was a great discussion and yeah, we appreciate all of your time. Thank you so much. To our panelist and totes, I wanted to just give a couple housekeeping things. The next session will begin at 1115, so you have a 15 minute break. Please help us share the word, share the website, [pol.org](#). Sign up for one of our newsletters. Tell a friend thank you for being here.

Speaker 1 ([01:14:50](#)):

Yeah, I'm lucky. Hello. Why do we have to say this?