

California Dreamin’

Examining the Legacy of
the Great Tax Revolt
in Chula Vista, California

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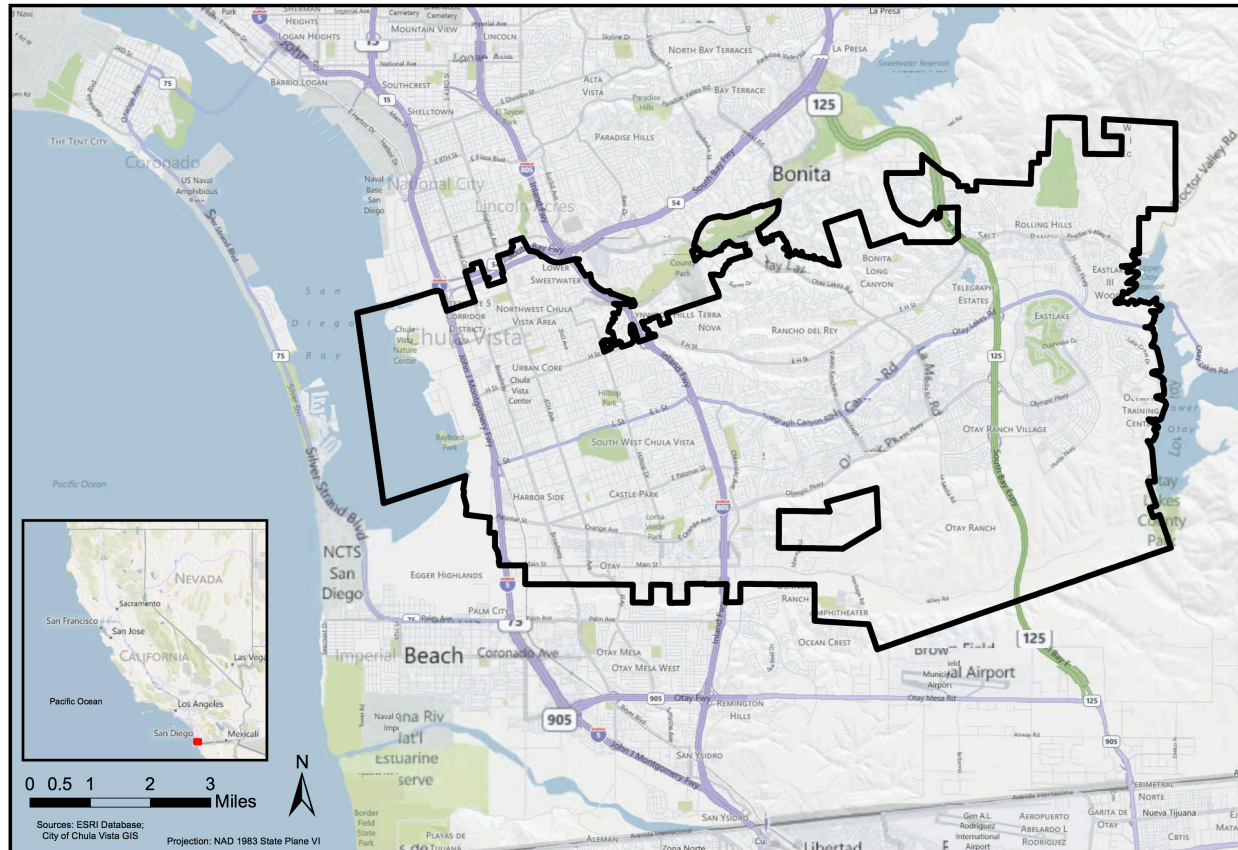
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Chula Vista, California



Abstract

In 1978, the passage of The Jarvis-Gann Act, better known as Proposition 13, cemented further the suburban low-density culture that had developed in California's cities. Prop 13 bound property taxes in the state of California to one percent of each property's acquisition value, and resulted in extreme revenue loss for municipalities and the state government. This severe drop in revenues compromised the fiscal stability of cities and counties in the years following 1978, but still maintains a plurality of support. The objective of my project is to explore Proposition 13's lasting and diverse effects on residential development and the residential experience in Chula Vista, California. First, I investigate the legacy of the "Great Tax Revolt" from its foundations and observe how anti-tax paradigms common across the state of California were represented in Chula Vista. I discuss the immediate after-effects of the law in terms of development and city services. Second, I examine the intervening three years between the passage of Proposition 13 and the passage of the Mello-Roos Act, which had further effects on the development process in California. I then discuss its practice and effects in Chula Vista. Third, I outline the parallel paradigms of development practice, which began in the sixties, and follow them to current times, studying how the privatization current interacts through time with the discussed legislative forces. Finally, I consider the state of Chula Vista today in terms of spatial demographics and stated paradigms, viewing the way residents situate themselves in the community within those viewpoints.

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Preface

In early 2004, the *San Diego Union-Tribune* ran a series of five articles on the rapidly growing city of Chula Vista, then the seventh fastest growing city in the nation. Chula Vista was at a crossroads: City Council elections were approaching in June, and candidates made growth, development, and redevelopment the campaign's primary issue. This put the growing divide between east and west in center focus, and highlighted views that generally split geographically across Interstate 805. The city's east side was booming, with over 40,000 new residents moving in to newly completed homes in the previous five years, and there was a growing sense that the locus of the city's identity was shifting. West side residents were offended that new, expensive east side developments were being marketed by community name—EastLake, Otay Ranch, Rolling Hills Ranch, Rancho del Rey—rather than as extensions of Chula Vista.

They were even more upset at being left behind; while brand new schools, recreational centers, parks, and semi-private pools and community centers (which required special community identification cards) were being constructed across the freeway, the same amenities were falling apart in the West. Further, redevelopment by the city was impossible because of budget constraints (to be discussed in Chapter 1), and infill development by developers was improbable at best due to the difficulty of securing public financing in an already populated area

(combined with the ease of securing it in unpopulated areas—to be discussed in Chapter 2). People wanted to know: How did we get here? And, where do we go from here?

There were few answers offered. The articles, and opinions expressed within them, displayed a lack of historical understanding. It was easy for City Council candidate Rudy Ramirez to campaign on the principle that the council had approached development too passively, but that belief ignored the 35 years of precedent and pattern set in motion with the passage of Proposition 13 in June 1978 (Oakes 2004, February 7, p. B-1). Not only does its passage serve as an important marker of a consolidated reversal of political consciousness and institutional preference on the part of the public (and then by the public on its elected officials), but it acted as a catalytic force for the legislative process governing growth and development in California's cities.

To truly understand how we arrived at 2012, or indeed 2004, we must trace these two entangled narratives from before the passage of the Jarvis-Gann Initiative. We must examine them as they intermingled and compelled, separated and constrained each other through the last two decades of the twentieth century and into the twenty-first. We must unpack the legacy of Proposition 13.

Introduction

The passage of Proposition 13 in 1978 created a new reality; one in which new developments could not pay for themselves. That is, new development that would occur in California's cities would be a net cost to its city. Developer fees were raised by cities to recuperate costs—and kill development. This in turn led to the passage of a work-around bill, called the Mello-Roos Act of 1982, that allowed for the creation of special bond districts, unregulated by Proposition 13, called community facilities districts (Schrag 1998, p. 118-19).

Those who lived in these districts would pay a supplemental annual fee that would go towards paying off bonds taken out by developers in order to pay for the construction of schools, roads, sewers, parks and other public infrastructure in the area. In essence, the Mello-Roos Act created private tax districts that would be exploited by developers as they sought to minimize the risk of real estate development. Further, it promoted and crystallized a system of “leapfrog” development: cities could not provide public financing themselves to entice infill development, and existing residents were unlikely to approve Mello-Roos financing.¹ Most importantly, Mello-Roos funded the construction of “public” infrastructure in these new areas, which only added to a city's maintenance burden. In a post-Prop 13 California, cities could not afford to

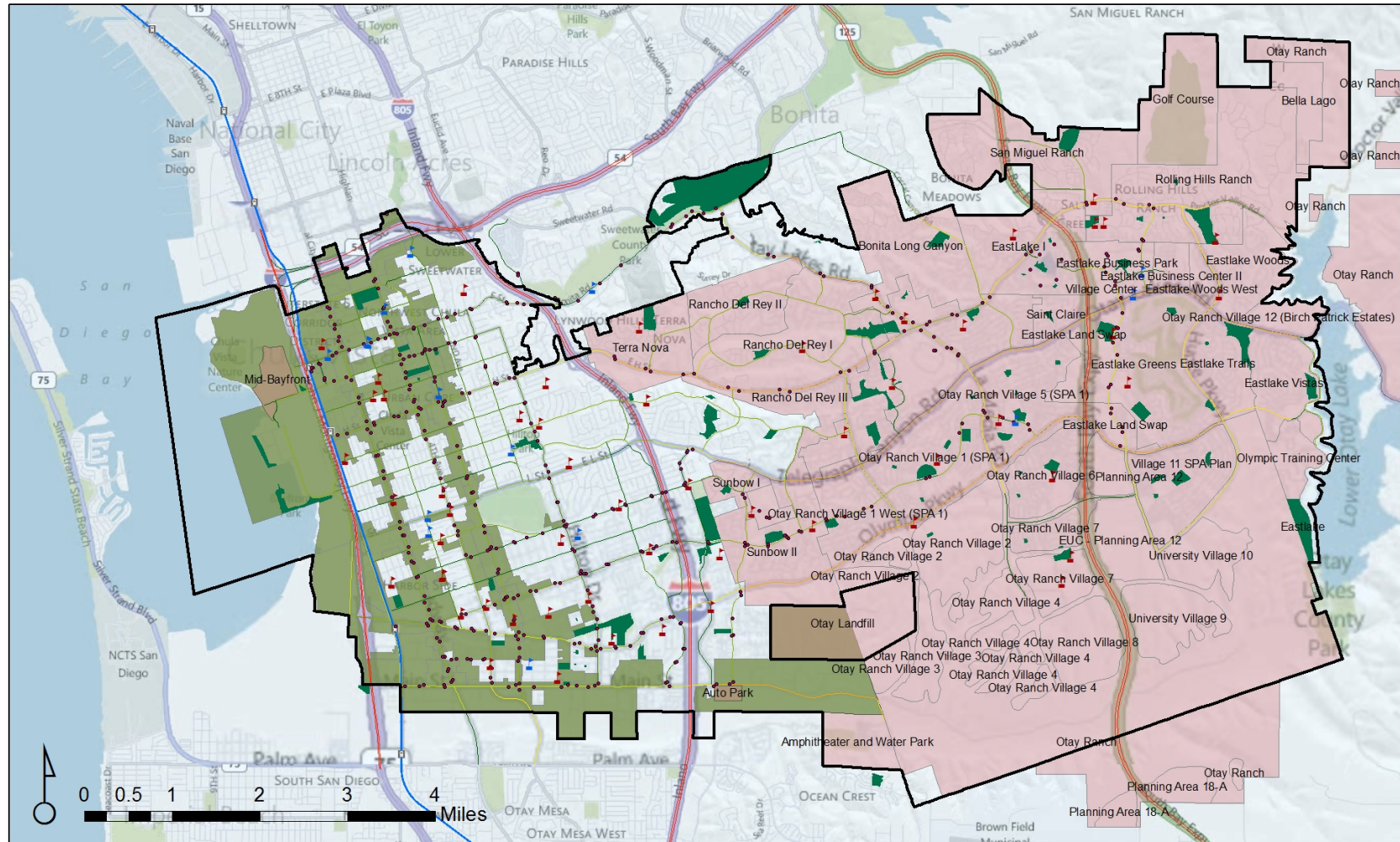
¹ California Assembly Bill 811, which created municipal redevelopment agencies in California, was passed in 2008. It provided a short-lived—it was abolished in late 2011 by Governor Jerry Brown to salvage the state's finances—tax-increment capturing mechanism for cities to provide public funds for the redevelopment of blighted areas.

maintain the infrastructure they already had in place, let alone these new “public” amenities. In this way, California’s cities became complicit with the proliferation of private residential governments (McKenzie 1994, p. 105). With other entities responsible for the management of new pools, parks, road medians and recreational centers, cities could still (marginally) profit from development and expansion.

The homeowners’ association, a development practice first encouraged by the FHA in the early 1960s had created an atmosphere in which municipal services were no longer valued by a growing number of middle class Americans. This laid the groundwork for the movement that passed Proposition 13 (later causing the Mello-Roos Act), which in turn solidified these damaging development practices as the only viable solution for growth. Then, these master-planned subdivisions were laid out as part of a private land planning process led by developers that set the contours of California’s cities “establishing residential patterns based on class and race that persist today” (1994, p. 42).

Today Proposition 13 still maintains support. A 2008 survey by the Public Policy Institute of California found that 59% of adult Californians believed Proposition 13 to be “mostly a good thing” for California (PPIC 2008). This support comes at a great cost, even though I often found these costs to be ignored. Chula Vista had an existing and vibrant community to which, over time, new lands featuring the newest in residential development finance technologies were appended. Today the western half of Chula Vista, which still relies on the municipal government for its services, has been left behind; over 43% of Chula Vista’s land west of I-805 was designated as blight under California’s Community Redevelopment Law (AB 811), which allowed the city to recuperate a property tax increment to be used in funding redevelopment on

Figure 1: Master-Planned Communities and Redevelopment Areas in Chula Vista.



Sources: City of Chula Vista, ESRI, NHGIS.org, SANDAG.

those lands. Governor Jerry Brown has since abolished the law, siphoning off cities' tax increments to alleviate the state's budget crisis. Figure 1 represents both Chula Vista's blighted areas (in lime-green), and its "major projects;" that is, the city's master-planned developments (in pink). Also depicted on the map are the city's public and private schools, bus stops (brown dots) and parks (in forest green). The East has considerably more park area (even as a percentage of total area—see Chapter 4 for detailed statistical measurements). Finally, it is worth noting that the West has substantially more bus stops.

In examining the effects of the Great Tax revolt on the City of Chula Vista, I look towards the revolt's effects on public discourse and narrative around the passage of Prop 13—where the voice of the community stood on the issues to understand the social aspects of the movement. I study the residential development patterns in the city to determine how they fit within the social frameworks championed during the movement and how they have been perpetuated through the proliferation of private residential governments and services juxtaposing the declining service capacity of the municipality as a whole.

Project Methodology

SETTING

Chula Vista, California is located in southwestern San Diego County. The city has about 244,000 residents and has grown rapidly since 1970, when its population was about 70,000. This population growth has been burnished by the development of the city's eastern area between 1986 and today, which brought in relatively wealthy residents to the city on formerly undeveloped lands. In 2000, 83 percent of residential units on the *west* side were developed

before the 1980, while 81 percent of residential units on the *east* side were developed *after* 1980 (CV General Plan 2006, p. AA-23).² At the same time, these new developments were out of reach to many of the city’s existing residents, which has lead to a neat geographic mapping of socioeconomic inequality throughout the city.

Opened in 1975, California Interstate 805 bisects the city, dividing it into two regions. Lemon farmers originally settled the area that is today to the west of I-805 in the late nineteenth century. At the time of Chula Vista’s incorporation in 1911, the city was known as the “Lemon Capital of the World.” It experienced a huge population boom during the Second World War, due to the war industry, and then continued urbanizing at a rapid rate until the middle to late 1970s.

The areas that are today east of I-805 are referred to in city planning documents as “Eastern Communities.” These communities were originally huge swathes of rural land held as ranchos by Spanish colonizers, and then grandfathered in through deed by the American federal government after annexation. The size of these vacant lands allowed the Eastern Communities to be developed as large, master-planned subdivisions (there are seven of them—the largest, Otay Ranch, has over 10,000 units built and hasn’t reached build-out), which were rapidly developed between 1986 and 2007. The real estate market has begun improving once again, and construction has resumed on developments further east than the current city boundary.

While the city has grown geographically, its institutions have not moved. City Hall, the police station, main fire station, the city’s two public pools, its recreation centers, the offices of its elementary and high school districts, and its two library branches all remain on the west side

² More construction on the east side since the 2000 Census means that the percentage listed undervalues the actual percentage of residential units developed on the east side after 1980 as a proportion to all east side units.

of I-805, which would generally mean that public services are ‘better’ west of the freeway. For example, as mentioned, there are substantially more bus stops west of I-805; this fact alludes to the main irony of post-Proposition 13: public services are more prominent on the west side, but no one with the resources to alter the situation cares because they have their own cars to drive. Having been mostly developed with the benefit of the Mello-Roos Act, as well as the benefit of private residential governments, the giant subdivisions east of I-805 have continued to benefit from quasi-public amenities—community pools and recreational centers that require identification upon entrance. The six schools located in one particular subdivision, EastLake (the wealthiest), benefit from a fund called the EastLake Educational Foundation (EEF). Endowed by the EastLake Company, the developer of the project, the EEF provides grants and other assistance, focusing on providing technology and discretionary funds for teachers at those six member schools.

Undoubtedly, the existence of the EEF, and as this paper will argue, the general paradigms of development, have exacerbated wealth inequalities and served to segregate the city along economic lines even further. This paper will explore those inequalities, examining California’s legislative history looking especially at the movement surrounding and following the passage of Proposition 13 in 1978 and the passage of the Mello-Roos Act in 1982 in order to understand their effects on development patterns and the residential experience in Chula Vista.

RESEARCH DESIGN & DATA COLLECTION

Due to the historical nature of the project, my data are largely based on the types of information that were available for my use. That is, rather than approaching the project with, for instance, a set number of interviews, I created a rough structure of themed information for

seeking out. These informational themes included resident perception, tastes, and preferences, the public narrative (created by the press and the community) formed through the discourse of the community's mouthpiece (*The Star-News* [Chula Vista], and later, the *San Diego Union-Tribune*), actual development plans and city ordinances to understand the institutional narrative (that is, the narrative created by the municipal government), and finally, the historical knowledge of municipal employees. These included archival research: newspaper articles, city ordinances, planning documents, development finance documents; and interviews: with key developers, key members of city government, and selected residents. In each case, as I felt more information would be forthcoming with pressure or more effort, I directed my research efforts towards those areas.

My original focus was to be on ethnographic research, which was to be supplemented by the archival portion of the project. This was planned in order to build a narrative that would be people-centric, or, rather, perception centric. That is, to build a broad(er) account, or "truth" from the multitude of individual stories I would encounter through my research. However, once in Chula Vista, I found it much more beneficial to focus my efforts on archival sources in order to build a consolidated history already present in the public sphere, however disjointed, and to rather utilize the ethnographic portion of my research to highlight perhaps differing perceptions, opinions, and residential and governmental paradigms in Chula Vista. In order to build the narrative from the ground up, I found it more beneficial to focus on written histories rather than oral ones.

The majority of my research was geared towards accessing and analyzing archival data. I collected about 150 newspaper articles from *The Star-News* and from the *San Diego Union-Tribune* clustered around the key years 1978 and 1982, and more recent articles including search

terms such as “economic inequality”, “Proposition 13”, “development”, “redevelopment”, “taxes”, and “municipal services and amenities.” These articles range from news blurbs, to editorials, to letters to the editor, all of which provide valuable insight into the community perspectives as desired. For the years 1977 through 1982, I examined the microfilms of every issue of the *Star-News*, looking for articles about budgets, city services, education, Proposition 13, and Mello-Roos. At the time, *The Star-News* was published twice per week (on Thursdays and Sundays) and was widely read in the Chula Vista community. For the years since (where I focused on themed searches rather than exhaustive scanning), The *San Diego Union, Evening Tribune*, and later *San Diego Union-Tribune* proved most useful—The *Star-News* has since faded into obscurity and has very poorly maintained archives. While the *Star-News* tends to lean left editorially (even self-publishing an editorial against Proposition 13 on behalf of the newspaper), the *Union-Tribune* shades to the right. As such, I kept well aware of the limitations of the newspapers, as they were perhaps predisposed to certain editorials and articles. Finally, as with any newspaper sources, I was well aware that the authorship would shade its coverage towards the ideological leanings of its audience. I do believe, though, that this type of work is useful precisely because of the reflexive process in which the paper becomes the voice of the community. That is, the press creates a narrative that is either reaffirmed or denied by its consumers; occasions in which the newspaper published stories that received opinion-editorial responses from the community were especially useful in that respect.

Further, I examined city land use ordinances, general plans, and development plans specific to each development project in order to analyze changes over time in development practice by the city and by developers in response to policy changes. Another key element of the research process was uncovering local history documents. This was facilitated by the city’s

centennial celebration, which took place in July 2011. The City of Chula Vista commissioned a history book and presented several exhibits throughout the month in honor of the centennial.

I supplemented the archival research through semi-structured interviews with municipal employees from the City of Chula Vista's finance and development services departments (both career bureaucrats), as well as with two former city managers (an elected position) and a former assistant city manager (a hired position). I also spoke with the developer responsible for about half of the east side development and to a handful of residents who I believed would provide differing perspectives (and with whom I had a relationship). Interviews generally lasted one hour and were recorded. With city employees, interviews were geared at supplementing my archival research with more detailed knowledge of events, and are therefore absent from the manuscript in explicit terms. The interview with developer Scott McMillin was geared towards understanding his mindset when approaching parcels for development, and the reasons for which he might choose a development practice over another. Finally, with residents, interviews were geared towards understanding the way they situated themselves in the context of the city—their relationship to other members of the “community” (however they might define it) and to the city for services. These diverse stakeholders were able to offer their perspectives in the context of the narrative formed by and framed with the documents. As a result of these interviews, I was able to press for a few different types of documents that will be used to further explore some of the themes presented in the thesis. These include the covenants, conditions, and restrictions (CC&Rs) document that now accompanies most deeds; data on expenditures for the EastLake Educational Foundation; and others. Finally, the above data is bolstered by published demographic data from the United States Census and scholastic achievement records published by the State of California.

ANALYSIS

The bulk of the analysis for this project consisted of synthesizing diverse data and forming a cohesive narrative that runs from the middle of the nineteenth century to 2011, with particular focus on the period between the mid seventies and today. However, some other analysis methods proved useful. I created a series of maps utilizing ArcGIS software and the data from the US Census and annual School Accountability Report Cards (SARCs) to illustrate the inequalities that exist on either side of Interstate 805 in Chula Vista. I looked specifically at the Academic Performance Index (API) by school for the year 2010, as well as median income, educational attainment, and percent below poverty line. Basic algebra was used in determining values such as median home price and median income based on data from the US Census years 1970, 1980, 1990, and 2000. Finally, I utilized some basic spatial statistics available in ArcGIS.

Literature on the Issues

Some historians have explained the rise of suburbia and the suburban-living preference in California (and nationally), and some have described how that preference led to the formation of private communities and a withdrawal from the public sphere. Others have discussed the origins of Proposition 13. However, few if any have put these narratives—settlements with limited density, privatization, and what Peter Schrag called “the Spirit of 13”—together to show their vast connectivity.

In *Coast of Dreams* (2004), California historian Kevin Starr wrote, “When it came to the question of how they should live, Californians had long opted for suburban density...Again and

again, Californians [expressed] their preference for the sub/urban way of life” (Starr 2004, 305). Culture magazines like *Sunset* and *Home & Garden* developed during the early twentieth century (and exist today) to celebrate the detached, single-family home, with its beautiful kitchen and front and backyards—the Californian suburban ideal: what Starr called the California Dream. Indeed, 76 percent of owner-occupied housing in Chula Vista is made up of single-family detached units (Chula Vista General Plan 2006, p. AA-21).

Cities grew and divided through the propagation of different versions of the California Dream, becoming centered on housing developments and shopping centers rather than on central downtown areas with businesses and civic centers. Joel Garreau, in *Edge City: Life on the New Frontier* (1991) wrote about the evolution of suburbs into what he called “Edge Cities,” that take on characteristics different from the outdated conception of the “suburb.” Similarly, Robert Fishman, in *Bourgeois Utopias: The Rise and Fall of Suburbia*, called these same sorts of places “technoburbs.” Both Fishman and Garreau described these places as self-sustaining communities of low to middle density, with light or high-tech, white-collar industry, and organized around shopping centers or malls rather than dense, urban centers. In Chula Vista, the EastLake Development has a commercial/industrial park with, among others, a Toshiba office, a digital security tag manufacturer, and multiple doctors’ office groupings.

In Chula Vista, the expansion was eastward. This eastward expansion, away from its old downtown, moved the physical center of the city and at the same time stretched and diminished its unified psychological identity. California planning expert William Fulton, in *The Reluctant Metropolis* (1997) named this phenomenon “cocoon citizenship,” in which homeowners identify with only those people living in their tract, shrinking the boundaries of citizenship. As the *Union-Tribune* described in their 2004 series, in Chula Vista, everyone outside the neighborhood

is “them.” That is, what residents view as the “public good” has been diminished to only the benefits they personally receive from their paid taxes, and what they experience everyday. Indeed, homeowner’s Associations have proliferated and now manage things like “community pools,” constructed by developers, which require key and identification. Branding, then, becomes very important: the Chula Vista *Star-News*, an important source for this project, today purports to serve “communities of Chula Vista, National City, Bonita, EastLake and Otay Ranch” even when Otay Ranch and EastLake are both master-planned communities wholly within the city boundary (theStarNews.com 2012).

Likewise, Robert Putnam, in “Bowling Alone: America’s Declining Social Capital” (1995), discussed the cocoon citizenship phenomenon in a different context, paying attention to voluntary social associations rather than mandatory political ones. His findings were similar to Fulton’s; Putnam saw the changing urban paradigms of the late twentieth century as the cause of a drop in what he calls “social capital”—PTA membership, bowling leagues, and other local clubs and organizations.

It is important to note that this suburban idealization was also a national phenomenon. Constance Perin, in *Everything in its Place: Social Order and Land Use in America* (1977), argued that during the booms of the mid-twentieth century, Americans were vigorously encouraged by the government and housing industry to believe that homeownership was the highest degree of participation in American society and history. Further, Perin argued that, for Americans, homeownership embodied itself as part of the most correct and logical progression of an individual’s life, falling at the end of the line: birth, education, maturity, family formation, and wealth accumulation through property ownership. The federal government played a key role in sponsoring this ‘ideal’ life narrative. The National Housing Act of 1934 allowed for the

construction of homes with federal funds and acculturated middle class whites to homeownership. The Act shifted the home construction business in California from a small-scale, local business to a business that was geared to homogeneity and mass production. Further, the conclusion of World War II brought hordes of veterans and young families to (mainly Southern) California in search of the (newly created) middle class life. As Doyce B. Nunis (1965) contended in “California: Why We Come; Myth or Reality,” these booms and others solidified the Californian suburban ideal in those who moved to California in search of this better life.

Evan McKenzie, in *Privatopia: Homeowner Associations and the Rise of Residential Private Government* (1994), provided a well-organized history of homeowner associations (HOAs) across the country, tracing what is today a middle class phenomenon back to the first, wealthiest suburbs in New Jersey, where common interest developments (CIDs) were pursued to supplement city services. The CID is a common ownership model that provides quasi-public ownership over certain parcels within a development and usually involves the creation of an advisory board to oversee the holdings. He drew clear connections between the proliferation of private residential governments and the destruction of social capital. McKenzie chronicled the Urban Land Institute’s involvement in promoting CIDs for home value preservation and places this narrative in the context of the discriminatory housing practices of the Federal Housing Authority (FHA) throughout the middle of the twentieth century.

Other scholars have done well to encapsulate the social movement aspects surrounding the passage of Proposition 13 in 1978 and its legacy. The literature surrounding what Peter Schrag calls “The Spirit of 13” in *Paradise Lost* (1998) is as vast as the literature discussing the value of suburbia, and alternatively, suburban values. Schrag discussed the Prop 13 movement

and the circumstances under which Howard Jarvis was able to engineer his “Great Tax Revolt”: namely the results of *Serrano v. Priest II* in 1976, the severe inflation gripping the United States during that time (which hit California especially hard), and the almost \$5 billion surplus over which governor Jerry Brown’s government presided. He, and others, also examined the economic ramifications of the law, and discussed the economic effects on cities. In Chula Vista, the narrative of city finances shifted across the passage of Prop 13 from one of growth to one of constant cuts and trade-offs. Schrag stated that a “fiscalization” of land uses occurred in Californian cities after the passage of Prop 13: There developed a devotion to the sales tax, a “decoupling” of the local economy and city treasury, and drastic developer fee increases, which would eventually lead to the passage of the Mello-Roos Act in 1982.

McKenzie did well to explain this ideology of exclusivity, and as mentioned, tied it to the practices of the Urban Land Institute, FHA, and National Board of Realtors throughout the middle decades of the twentieth century. But, perhaps due to his national focus, he stops short of discussing Proposition 13’s impact on the ease at which the average wealthy resident could rationally justify his need for the HOA, which only seemed to hasten the proliferation of these exclusive private governments. Lastly, while Robert Self, in *American Babylon: Race and the Struggle for Postwar Oakland* (2003), did a wonderful job of recounting the foundations and formation of the Great Tax Revolt, tying them to racial politics and the civil rights movement, he focused on the San Francisco Bay area, and, by bookending his narrative with the passage of Proposition 13, he chose not to pursue its legacy.

A close examination of the intertwined nature of the above listed phenomena (namely: the ideology that surrounded the passage of Proposition 13, the withdrawal of personal wealth

from public institutions, and the proliferation of private government organizations for the upper-middle and middle class that supplement city services) is sorely lacking in existing literature. This paper seeks to use Chula Vista, California, as a case study for putting these divergent types of scholarly work in discussion, and then generating some conclusions about the legacy of Proposition 13 in California: the paradox of expanding inequalities and persistent support for the *Spirit of 13*.

1

The Great Tax Revolt

That sound roaring out of the West—what was it? A California earthquake? A Pacific tidal wave threatening to sweep across the country? Literally, it was neither; figuratively, it was both. That angry noise was the sound of a middle class tax revolt erupting, and its tremors are shaking public officials from Sacramento to Washington, D.C. Suddenly all kinds of candidates in election year 1978 are joining the chorus of seductive anti tax sentiment, assailing high taxes, inflation and government spending.

—Time, June 19, 1978

The conclusion of the Second World War brought rapid population growth, and therefore residential development, to the State of California—more and more Americans and outside immigrants wanted a piece of the California Dream. Large investments from the State and federal governments supported this growth; for example, the Interstate Highway and Defense Act of 1956 sponsored 90 percent of the construction cost of California’s freeways (CDAC 1991, p. 2). The California State Water Project was funded in 1960 and provided for the construction of the California Aqueduct, which finally delivered a sustainable water source to California’s arid south. Development projects were shaped by “speculative purchases of land on the fringe of urban areas,” which resulted in a decentralized, “leapfrog” pattern of development. This development pattern created service delivery problems for smallish local governments: “it was not uncommon for the service demands of rapidly growing areas to exceed the financial or administrative capabilities of existing local governments” (1991, p. 2). This strain on public infrastructure was solved by annexation and taxation.

The Build-up

Because state law allowed, each time a new government entity (e.g. city, water district, fire district, or school district) was formed, it generally levied a property tax to support its activities (1991, p. 3). Average property tax rates in California increased from 1.5 percent in 1955-56 to a high of 2.81 percent in 1972-73, and then more or less stabilized until falling back to 1 percent in 1978-79 with the passage of Proposition 13 (1991, p. 4). The rate stabilized after 1972-73 due to the passage of Senate Bill 90, which “established a comprehensive system of local government property tax limitations, implemented a state mandated reimbursement program for local governments, and reformed school finance to make it less dependent on local property tax revenues” (1991, p. 3). And although rates stabilized, rapid price inflation through the middle years of the seventies resulted in dramatic increases in assessed values, and therefore dramatic increases in property tax bills: between 1975 and 1978, assessed values doubled or more in most owner-occupied homes (Schrag 1998, p. 138).

At the same time, the landmark *Serrano v. Priest* (1971) and *Serrano II* (1976) cases were being contested in California’s courts. The courts found, in 1971, and then reaffirmed in 1976, that the use of local property taxes for the funding of schools was unconstitutional under the equal protection clause of the Fourteenth Amendment (1998, p. 131). For example, it would no longer be acceptable to provide \$1,340 per student in Beverly Hills, while providing \$170 per student in the inner city neighborhood of Baldwin Park (1998, p. 132). Assembly Bill 65, passed in 1977, sought to rectify the unequal funding issue by using the growing state budget surplus, which would reach over \$7 billion by 1978, to even up funding across the state (Oakland in Kaufman & Rosen 1981, p. 41).

The combination of rising taxes, the confluence of immigrants on the state, and *Serrano II* led to a perception in California that a growing share of taxes was “no longer going to schools and cops but to welfare and health, meaning to the poor and to the new foreign immigrants—and that even when it went to schools, it appeared increasingly to be schools for somebody else’s children” (Schrag 1998, p. 139). Howard Jarvis, the movement’s champion would write an article in the *Sacramento Bee* in September 1978 where he explicitly laid out he and his followers’ stance, bemoaning immigrants who “just come over here to get on the taxpayers’ gravy train” (Jarvis 1978, September 17, p. F-5).

At the national scale, the dissolution of the historic Democratic voting block that provided the impetus for the New Deal and its thirty-two year legacy of liberal democracy left too many cracks for the Democratic National Party to patch over, even during the presidency of a Southern Baptist. The rise of the Christian Right, which shrewdly repacked racial issues lingering from the Civil Rights Movement in the coded language of religious tradition and government accountability, was quickly building a substantial movement. The new Christian Republican coalition would influence the 1978 elections at all levels, and then it would control the White House under Ronald Reagan. President Reagan not so ironically made his conservative mettle in the complicated California training ground of race, rights, and taxes between 1966 and 1975. Reagan’s governorship was “dominated by fair-housing controversies, by the free-speech and anti-war movements on campuses, by the aftermath of the massive black riots in Watts, by unprecedented Hispanic (and later Asian) immigration, by battles to reduce exploding welfare rolls, and by the birth of the citizen tax revolt” (Edsall & Edsall 1992, p. 137).

Growth was met by backlash in California's (enfranchised) communities on philosophical grounds as much as on economic ones. It was "homeowner associations and the perceived nexus between taxation and development...spiced by mounting anger against school busing, that became the backbone of the tax revolt of the mid-1970s." Indeed, activist homeowner groups in San Fernando Valley managed to get building height limitations passed on Ventura Boulevard, and in Monterrey Park in 1976, a local initiative passed by 85 percent majority to restrict the construction of condominiums. In communities all across the state, "resistance mounted to virtually anything that threatened to bring more development, more cars, less open space, and new people, especially if they were poorer or browner or blacker" (all Schrag 1998, p. 136-37). Indeed, faced with backlash over the planned construction of affordable housing units, in May 1978, the Chula Vista City Council caved to resident pressure, denying a proposal that would have had affordable housing units scattered throughout planned subdivisions in the city's already-settled west side ("The poor be damned" 1978, May 4, p. D-10). The process would repeat itself, except at a much larger scale, during that same summer.

HOWARD JARVIS

Howard Jarvis, the father of the Great Tax Revolt, had been trying for decades to make his mark on California politics before being made infamous by the passage of Proposition 13. Jarvis had run for Senator in 1962, for the California state Board of Equalization (a tax board) in 1970, and for Los Angeles City mayor in 1977, each time running third. He had tried to pass tax legislation as well, falling short as a junior partner on legislation in 1972, and, working alone to collect signatures, had come just short in 1976. Although he failed, he learned from his mistakes. Over time, perhaps due to repeated exposure, he became extremely well connected in

increasingly active networks of Southern California homeowner and taxpayer organizations. By 1977, he had become a director of a Los Angeles association of apartment house owners, and he was the head of his growing United Organizations of Taxpayers, which was an umbrella group for those homeowner and taxpayer organizations. Finally, he had linked up with the soft-spoken Paul Gann from Sacramento, who was working on his own tax reform initiative (all

Schrag 1998, p. 131-138). He approached the Prop 13 movement with vigor. On his aggression, Jarvis would later say, “We

learned...the best approach to use on someone when you want to get their signature on a petition [is to just say]: ‘Sign this—it will help lower your taxes’” (qtd. in 1998, p. 142). With a bit of serendipity, Jarvis eventually found his name on the byline of a California Constitutional Amendment.

The Release

By the middle of 1978, Californians, particularly homeowners, had had enough. A June 1978 poll found that 69 percent of respondents believed the state government was inefficient in



Figure 1-1: Soon after Proposition 13 passed, Jarvis became a national figure, leveraging his 'Mad as Hell' persona to champion the revolt. He is pictured here on the cover of *Time Magazine's* June 19, 1978 issue. Source: *Time Magazine*

the use of public funds, and 89 percent said the same about the federal government (Citrin and Levy in Kaufman & Rosen 1981, p. 13). Ironically, the federal government would win big with the passage of Prop 13, claiming as much as \$12.5 billion of the \$41.5 billion in tax savings Prop 13 provided California's citizens (Schwadron & Richter 1984, p. 79). Citrin and Levy gave an exhaustive account of the State government's failure to provide tax relief before 1978 considering it an important cause of the public's disillusionment with its leaders:

Jarvis and Gann began circulating petitions for their initiative only after the legislature's efforts to pass a property tax relief bill during its 1977 session collapsed in an atmosphere of acrimony and disarray. These efforts foundered on disagreements among liberal legislators, their conservative counterparts, and Governor Jerry Brown over the amount of tax relief and the extent to which it should be directed to low- and moderate-income families. Uncertainty about the size of the state surplus made it difficult to agree on how much tax relief to provide. And with statewide elections approaching, how to apportion political credit for a tax cut became a bitterly contested issue. Specifically, Republican state legislators suspected Governor Brown of having allowed the state surplus to accumulate in order to be able to provide a tax rebate at the time of his campaign for reelection. Their interest in thwarting the governor's political ambition made them reluctant to accept compromise proposals for tax relief that Brown would be willing to sign. On the Democratic side, meanwhile, the governor's longstanding aloofness from the legislature reduced his ability to force a consensus between the liberal and the conservative members. (1981, p. 7)

The Legislature and Governor finally came to an agreement in early 1978, settling on the Behr Bill, which would become Proposition 8 on the same ballot as Proposition 13. It "proposed a tax cut about half the size that [Prop 13] would require and created the opportunity for the state to tax residential and commercial properties at different rates." But it was too late; the revolt had already left the station and was steaming towards Sacramento. Further, Jarvis was able to

present Prop 8 to his followers, and likewise anyone on the fence, as a hoax created by the politicians directly aimed at, yet again, denying the citizens a tax cut (all 1981, p. 7).

The coffin sealer, though, may have been the property assessment values released in May 1978: citywide, property assessments in Chula Vista increased an average of 15.9 percent (they went up 14.9 percent across the county). City Finance Director Gordon Grant assured citizens that the values were only estimates, with final decisions coming on the usual July 1 fiscal year split, but it wasn't enough ("Assessed values go up" 1978, May 18, p. A-1). In an op-ed published in *The Star-News* titled "Climbing assessments seen reason for 13", city resident Hugh Cristensen argued that the county could finally banish the assessor by passing Prop 13. He further excoriated the "laugh of the year," Proposition 8, which he (mostly correctly) believed would not stop the assessment increases that had no sign of stabilizing (Cristensen 1978, June 1, p. A-4).³

PROPOSITION 13

The People's Initiative to Limit Property Taxation, better known as Proposition 13 or the Jarvis-Gann Act, amended the State Constitution and bound property taxes on commercial and residential properties in California to one percent of each property's acquisition value; rolled back property values to the pre-inflation date of 1975; prevented any jurisdiction from creating special taxes without a two-thirds majority; and prevented the State legislature from passing any new taxes without a two-thirds majority. The implementation of Proposition 13 "reduced property tax revenues by an estimated \$7 billion in a single year. Property taxes in California

³ Proposition 8 would have, in fact, limited assessment increases to an inflation factor, similar to Proposition 13, but that factor would have been variable (unlike Prop 13's two percent limit). With such high inflation, citizens had no desire to leave their property assessments up to that either.

fell from a level more than 50 percent above the national average in fiscal year 1977-78 to a level 35 percent *below* the national average in 1978-79” (Citrin and Levy in Kaufman & Rosen 1981, p. 2). The big winners, as warned by local governments, were the federal government and commercial landowners. For example, the Pacific Telephone Co. received a property tax cut of \$130 million, and as mentioned, the federal government captured 22% of personal property tax savings through higher income taxes (Schrag 1998, p. 152). The general populace didn’t, and still doesn’t seem to care. As we’ll see in Chula Vista, residents vocalized their distrust of ‘thieving’ politicians at the state, and indeed local, levels.

Proposition 13 and Chula Vista

By May 1978, the debate over Proposition 13 in Chula Vista had reached a frantic intensity. Op-eds were published almost daily by both sides of the debate, as were thinly veiled threats by government officials about both the level of services citizens would be able to expect if Prop 13 were to pass and the crippling damage its passage would do to the school system. *The Star-News* was sure to feature the most salacious of the activities and publish the most enraged opinion-editorials. For example, after 300 political signs (all opposing Prop 13) were found to be stolen in one night, *The Star-News* published an “open letter to ‘No on 13’ sign thieves” on June 1, 1978 (just five days before the vote). The op-ed and accompanying article catalogued the systematic removal of ‘No on 13’ signs by the bill’s supporters from the front lawns of those opposed. After stating her defiance, the author, Peggy French, cleverly wrote

If our new [sign] is removed, your black deed will activate a cleverly disguised speaker system with sounds of police and fire truck sirens, a wailing paramedics unit, a school’s glee club and gymnasium cheers, an

organized senior citizens' tournament, the whirring of our public library's film projector and other sounds of civilization, *all of which sounds you apparently would silence or seriously diminish by your dirty tricks against the opponents of Proposition 13* (emphasis added). (1978, June 1, p. A-4)

She made clear what the anti-Prop 13 community felt was at stake in Chula Vista. The Prop 13 opposition also proved to be the more creative faction in Chula Vista, scheduling a 13-mile run against Prop 13 on June 3 ("13 mile run against prop 13" 1978, June 1, p. A-5).

The Star-News, as a civic institution, even declared its position in the matter. On May 11, the paper published an editorial titled "13: Con Game" in which the paper went after Howard Jarvis as a special interest kingpin (he was, remember, president of an apartment-owners' association); decried the coming service outages and the unknown changes abound; and, "for the sake of responsibility," urged "the approval of Proposition 8 and the resounding defeat of Proposition 13" (1978, May 11, p. D-1). The paper published article after article outlining cuts at the county and city levels, as well as cuts to the school districts, often extensively quoting officials representing those institutions.

On June 1, *The Star-News* published a four-page political advertisement called "Yes 8; No on 13," paid for by an organization co-chaired by National City (the city adjacent to Chula Vista) mayor, Kile Morgan, and Norv Richardson, the retired president of the Chula Vista Chamber of Commerce. Designed to look like various news stories, the ad was a last-ditch attempt to convince the community's residents to reject Prop 13 and instead choose the more moderate Prop 8. One section outlined the losses to city employees and therefore the services they could provide, estimating that \$2.4 million in losses would lead to the firing of up to 80 city employees. It stressed that "the staff who coordinate little leagues, librarians, policemen who work with youth crime prevention and volunteer coordinators" were most likely to go, and that

“streets would not be swept as often; trees would not be trimmed; redevelopment and programs to stimulate downtown business would have to be put to rest” (1978, June 1, p. A-9).

Another section tackled the losses to schools and tallied the losses to the elementary, high school, and community college districts to almost \$20 million. This would result in cutting “librarians, nurses, speech and hearing teachers, psychologists, reading teachers, administrators and other personnel” in elementary schools; “eliminating [or reducing] supply and equipment purchases, transportation, summer school, athletics, counseling services and...adult school” at the high school level; and “increasing class size, dismissing some non-teaching employees, reducing bus transportation and curtailing community school programs” at all levels of education. It then plugged Proposition 8, which “would not take anything away from the school districts in spite of providing about 30% reduction in property taxes for homeowners” (1978, June 1, p. A-10). In another section, the ad depicted photos of library doors closed, parks fenced off, and playgrounds empty (1978, June 1, p. A-11).

Finally, the ad quoted various community leaders, all of whom were against Prop 13 and in favor of Prop 8. Each stressed the impending transfer of local authority to the state level as well as the actual benefit package, skewed in favor of commercial landowners. Mayor Will Hyde of Chula Vista called Prop 13 a “simplistic and expensive measure that does more harm than good.” Chula Vista Elementary School District Board member Opal Fuller likened it to a “misleading...surprise box.” Ann Payne, the president of the South Bay League of Women Voters, asserted, “People with the least clout are the ones threatened most by Proposition 13.” Hewitt Diggs, on the UC Board of Regents labeled Prop 13 “disastrous.” John Nagy, from the Homeowners’ Association, attacked the bill, and Howard Jarvis, from a different perspective:

I'm against Proposition 13, but not for the same reasons as city and school officials...This will be more expensive to the local taxpayers. Local property owners should pay for local services. With Proposition 13 the costs of the city and schools will come from a different pocket—the state government. Jarvis even knows this, and has publicly told people they should be contacting their legislators for school money. By and large we still have control over our local services by our tax system. If Proposition 13 passes, these services will be more expensive and further from our control.

What would prove to ring the most true, however, came from Phil Creaser, an insurance salesman in the area, when he prophesized, “The long range effects will be worse than what we have now...[Proposition 13 will only] temporarily benefit homeowners until they find some way to tack on another tax. We'll find ourselves being governed completely by Sacramento with little authority in Chula Vista” (all 1978, June 1, p. A-12).

Three days later, on June 4, *The Star-News* published an article that exhaustively listed the cuts in service threatened by the county in what it called its “worst-case scenario” if Proposition 13 were to pass. The proposed budget catalogued the over fifteen reductions in service the \$87.6 million in cuts to the \$549.7 million budget would cause. They included, among others, 1500 lay-offs; the closure of welfare centers, youth centers, and senior centers; a 75 percent increase in garbage collection fees; a 50 percent cut to “children’s programs”; manpower cuts to the district attorney’s office and courts, which “would cause trial and prosecution delays, cuts to the sheriff’s department including patrols, homicide investigation, and its helicopter unit; a 50 percent reduction in fire protection to unincorporated areas, a 50 percent reduction in library services; and cutbacks in personnel at all county departments, which would mean “less work, done slower” (“County eyes \$87 million cuts, 1500 firings” 1978, June 4, p. A-14).

Also on June 4, the paper provided a venue for the embattled Southwestern College Board president Jerry Griffith, who used the community college's graduation ceremony as a venue to warn the audience against Prop 13. He angrily reacted to the substantial backlash his comments received for "taking advantage of a captive audience" to espouse his political beliefs, saying, "It would have been a disservice to [my] students not to have said anything...I have a responsibility to inform the people. I think it was an appropriate time to do so...They don't realize that graduation has been made possible by an educational institution. And the life of that educational institution is at stake" ("Graduation comments on 13 hit" 1978, June 4, p. A-11). His position, and the statements of the quoted community leaders, illustrated the extent to which the community and its institutions (and those that represented them) differed on the Prop 13 issue. The editorial language that followed the paper's articles throughout the debate didn't stop residents with the opposite opinion from vociferously sharing their perspective.

Residents considered the state to be at a crossroads; government power would either continue to expand, or the people could wrest that control back for themselves. City resident Richard Ferraro wrote,

Either [the people of California] pass a meaningful property tax reform bill—the Jarvis-Gann Initiative—or they face the prospect of higher and higher tax bills that may well mean the loss of their homes or ever-increasing rents.

Legislators have started a fear campaign, warning that other taxes may be doubled or, even worse, police and fire protection would be cut or schools might be closed.

Those statements are simply not true!

We have allowed government to go unchecked, and it has grown completely out of proportion to the real needs of the people. We no longer have government that taxes us to meet its needs. Now government searches for needs for the taxes they collect, but even they can't keep up with the flow of tax dollars. While they loudly complain about the people

wanting to reduce their property taxes, they sit in Sacramento on an admitted three billion dollar surplus of our money, and remember that is our money, not theirs. (1978, June 1, p. A-4)

Ferraro's statements exhibit the fears most common in the movement—namely continued assessment (and therefore property tax) increases leading to a loss of one's home—as well as the engendered belief, in the face of overwhelming public information to the opposite effect, that there would be no substantive cuts caused by the passage of Prop 13. He and others had chosen to believe that their elected officials were who Jarvis presented them to be: liars and thieves. Further, he explicitly states what scholars have considered being the key paradigm shift (partly stemming from large state surplus) of the tax revolt: the government was undeserving of dollars that they didn't *earn*. In the same op-ed mentioned in the previous section, resident Hugh Cristensen reiterated this same stance:

There are four billion other reasons to vote yes on 13. Those are your four billion tax dollars collecting dust in Sacramento. It's time to cut the outrageous spending at the expense of the property taxpayer. Welfare, schools and social programs have no place on the backs of homeowners. Property taxes should go exclusively to service relating to property. Fire, police, street repair, city government, etc., are the only legitimate uses of property taxes. (1978, June 1, p. A-4)

In another op-ed, the prolific Cristensen cited an \$8,000 (41 percent) pay raise for high-level employees in the Sweetwater Union High School District stating, "I've had it! This is just another good reason to vote 'yes' on Prop. 13. Jarvis is right—it's the only way to stop the 'taxpayer rip off'" (1978, May 4, p. D-3).

Another op-ed reiterated residents' belief that the government was a rogue spender that was misappropriating the citizens' demands. Chula Vista resident Molly McCullough wrote, "It's time suppliers, elected officials, and educators stop telling us, 'The public demands' such

and such, when the public only reluctantly accepts the products or services pushed forward as pet projects of some administrator or executive—with unlimited public consumer funds to dispose of.” She concluded, “There will be advantages in the passage of the Jarvis Tax Initiative which your stories and editorial have overlooked...There will of necessity be a forced evaluation of tax-funded programs” (1978, May 4, p. D-3).

Finally, resident Edward Bodge published an op-ed titled “This Taxpayer will Vote ‘Yes’ on 13.” In it, he reiterated the idea that his government had ceased to look out for him and expressed the confusion engendered by each side’s rhetoric during the lead-up to the vote exemplifying the growing tendency to distinguish one’s self as a taxpayer (as opposed to a ‘tax receiver’):

With two years before retirement and the perks of social security...my prime concern is to hold on to what I have worked for all my life, my home.

For years, just before election, legislators have said taxes are too high yet their continued to build empires and feather their nests with higher salaries, more benefits and lush retirements. Public school salaries have continued to soar on the dubious belief that more attracts better, and what have we?

Since 1932, when I first went to work, I have seen civil servants catch up, break even, and surge ahead of the private sector with higher pay, more benefits and opulent pensions. Our own police department is holding up the local taxpayer for 75 percent of their highest salary for pension benefits at age 55. Bluntly speaking, this is called looking out for one’s self. (1978, May 4, p. D-3)

In what must have been the stance of many Chula Vistans, and indeed Californians, Bodge wrote, “Wail at the wall, gentlemen, and shed your crocodile tears to no avail because come June, I have the opportunity to look out for myself for once. I am voting ‘Yes’ on Proposition 13 and letting the chips fall where they may” (1978, May 4, p. D-3). Foresight no longer mattered, only anger and a sense of wronging.

Howard Jarvis, having been there before, was well positioned in 1978 for the run-in to the vote on Proposition 13. As evident with the case of Chula Vista, he, and his United Organizations of Taxpayers, exploited the crippling inflation, exploding property tax payments, racial tensions rising because of the results of *Serrano*, uncertainty about neighborhood stability and security, and rising anger over the ever-growing state surplus to great effect. He presented himself as someone with a plan to put money back in taxpayers' pockets, and homeowners across the state bought in to his plan. On June 6, 1978, Prop 13 passed with 64.8% of voters in support of the measure.

IMMEDIATE AFTERMATH IN CHULA VISTA

It all gets a bit fuzzy immediately following the passage of Prop 13. After wryly summing up the state and Chula Vista's status in an editorial titled "The Morning After," *The Star-News* published articles every week, until the dust settled sometime in August, with updated figures on the city's budget for the 1978-79 fiscal year, as well as updates on the delivery of services in the city.

The schools were hard hit, and the cuts were straightforward. Because the state funded summer schools, the districts believed summer schools would be safe, however "it became clear [the week after Prop 13 passed] the Legislature [would] not fund summer school or many adult school courses. Instead that money [would] go back to the schools for regular programs" ("CV cancels summer school" 1978, June 15, p. A-1). While both the elementary and high school districts cut their summer school programs, the larger Sweetwater Union High School District (SUHSD) was harder hit. The SUHSD board voted unanimously not to fill 44 positions (36 of them teaching positions), created by retirees, in order to save \$1.2 million. The district did,

however, manage to salvage \$5 million of the initial \$11 million in cuts it was facing due to Prop 13, through surplus funds making their way to school districts statewide (“CV hikes utility tax rate” 1978, July 2, p. A-1). Officials made sure to blame Proposition 13 for the cutbacks, though: State Senate President Pro Tem Jim Mills (a Democrat from San Diego) stated at a meeting in San Diego that it was very doubtful that state funding for summer schools would ever be restored under Proposition 13. He reiterated, “The people voted for less government services when they voted for Proposition 13. This is a decision the people made.” (in “CV cancels summer school” 1978, June 15, p. A-1).

On the other hand, coming to a conclusion on the size of the budget cut, tax increases, and which services would receive cutbacks was obfuscated by the City Council. In late June, the City Council increased business license fees (the basic business license fee increasing 100 percent from \$12.50 to \$25 per year), increased the temporary occupancy tax (from 6 to 8 percent—an expected \$52,000 gain), increased the sewer levy 75 cents per month (bringing in \$234,000), raised library overdue fees (to recoup \$20,000), and increased planning fees, building permit fees, and engineering fees to generate \$178,000. Council members also predicted a budget downsizing from (pre-Prop 13 figure) \$18.8 million to \$16.9 million (all “CV ups fees to raise \$500K” 1978, June 22, p. A-1). Cuts to the budget were planned to come from public pool closures, reduced library hours (67 to 51), extinguished streetlights, reductions in the frequency of street cleaning, and the end of services that “could not pay for themselves.” The city also planned to cease paying for the repair of broken sidewalks, instead relying on abutting property owners. And finally, the council voted to fire 36 full-time employees (21 of the positions were vacant) and 24 other part-time positions to save \$1.5 million (all “City votes to fire 36 employees” 1978, June 25, p. A-1).

On June 24, however, Governor Brown had signed into law an emergency relief package, divvying up \$250 million of the state surplus. Though as predicted by local government officials, there were strings attached: there were to be no cuts from cities in fire or police protection services. For fiscal year 1978-79, Chula Vista received about \$700,000. City councilman Frank Scott believed (probably correctly) that the stimulus and “its provision for maintaining present levels of public safety” was a “political maneuver in the face of the November elections.” He said, “Really what’s happening is that we’ll be able to keep police and fire this year...but next year when no one is up for reelection, it will be okay for us to cut police and fire” (1978, June 25, p. A-10).

With the extra money, the City Council weakened in its initial stance, dipping into its general fund to find the money for 57 hours of library service and the continued service of the two pools that were threatened to close. The final budget passed was for \$17.3 million. That article, titled “CV Puts Services Back on Budget” on June 29, notified the public of budget (and therefore service) increases from the initial (post-Prop 13) proposed budget. The article discusses at length the council’s decision to dip into the city’s general fund and reserves to lessen the effects of Prop 13 for 1978-79 (all 1978, June 29, p. A-1).

In another article, reporter Paul Dannison wrote that residents might not notice the cuts in services. In it, though, councilmen Lauren Ergdahl and Frank Scott warned residents of the impending doom, caused by their vote. Ergdahl warned, “It looks pretty bleak for the second year. We’ll have less revenue from property taxes and the state surplus won’t be as healthy to bail the cities out.” Councilman Scott continued, “I think we should try to forecast where we’ll be next year and make cuts accordingly. Cuts will be more palatable this year than next year.

Proposition 13 puts us back to the same level of service we had five years ago” (Dannison 1978, June 25, p. A-10).

The public didn’t know until July, when the county assessor provided their updated assessments, that at that same budget meeting (where it was decided to use city reserves) the council had voted to raise the residential utility tax from four to six percent. This increase provided the city with \$280,700—equal to more than half the ‘extra’ funds the city council had found to revise the budget from \$16.9 million to \$17.3 million (“City hikes utility tax rate” 1978, July 2, p. A-1).

Unfortunate as it was foolish—the cuts to come were actually very real—the council’s decision to raise the utility tax, combined with its (perceived) waffling on the budget, would only serve to strengthen the community’s belief (held at the outset) that cuts were at the discretion of the engorged government and that the officials were using scare tactics (or lying outright) to keep up business as usual. It would also solidify taxation rhetoric that is still recognizable in politics today. Resident Quay Collicott responded to the utility tax rate increase on July 9 using rhetoric comparing taxpayers to slaves, officials to slave owners:

Once again pickpockets are on the loose in Chula Vista, but with a nom de plume, “City Council.”

This group of voter-circumventing bureaucratic (save the two dissenters, better called spineless) councilmen, deprived of their cake and ice cream for a few days by Proposition 13, are now telling the taxpayer get lost sucker we have the whip, so take our new imposed tax on gas and electricity or lump it.

What a pity, the taxpayer can only utter, “Yes massa, yes massa.” (1978, July 9, p. A-4)

Resident Fred Drew, a former City Council candidate, shared his views on the “punishment” politicians were now doling out to Californians:

The ‘tax revolt’ was not really supposed to be a declaration of war, and the public does not now need to be punished for our ‘awful’ deed by seeing the politicians cutting out the most essential public services and by the wholesale firing of public employees who need their jobs.

We voted yes on 13 to force the politicians to cut out the nonsense spending, not to see them throw out the baby while keeping the bathwater.

If the politicians insist on retaliating for the ‘tax revolt’ by their war-like posture against the public, our next ‘operation’ might well be a ‘political revolt’ wherein we should put forth a proposition to declare all California politicians unnecessary and to eliminate them.

So far as I’m concerned, their pay is the biggest waste of tax money anyhow. If they really mean to serve the public the way they say in their campaigns, they ought to do it free of charge or at least—at cost. (1978, July 9, p. A-4)

Drew concluded his op-ed with a call for nationwide action writing, “I would like to see a national taxpayer revolt that would cause the income tax to be a straight 5 percent to rich and poor alike, with no exemptions and no tax dodges for anyone. How do you get a thing like that started?” (1978, July 9, p. A-4).

It became clear, after Proposition 13 passed, that many voters knew what they were doing, and would do it again after the way officials handled the aftermath. The self-interested state government apparatus, Governor Jerry Brown in particular, with the 1980 elections in mind, helped further along the crystallizing opinions of the general public by mitigating Prop 13’s impending disastrous impact on city and state finances. One month after the vote, after the cuts (or lack of them) were realized, *The Star-News* ran a feature titled “We’re Wondering—You Say You Voted for Prop. 13, Would You Vote for it Again? Why or Why Not?” quoting various residents. In the selection below, both Nazi and (surprisingly, or not) Tea Party rhetoric are visible, as well as the rhetoric already discussed:

“Proposition 13 is going to help stabilize the economy even though it’ll affect a lot of different people.”

—Gary Harper, music store manager

“Proposition 13’s good for everybody. I don’t believe our forefathers meant for us to be taxed out of our homes...The state’s blackmailing people, closing schools, cutting jobs, using Nazi scare tactics to force people to vote for something they’re trying to get on the ballot in November.”

—Quint Zuhlke, Realtor and tax consultant

“Sure—apparently they’re trying to keep programs going with alternative funds, but we’ve started the ball rolling...like the Boston Tea Party. We’ve got to curtail waste.”

—Teri Hudson, student

“I’ve lived in my house one year. When I moved in my payments including property taxes were \$453. In one year they jumped to \$552—all because of property taxes.”

—John Powell, electronics technician

“I would. It’s unscriptural the way the government’s dealing out money, wasting money. It just isn’t part of God’s plan.”

—Lynn Bleyle, private school teacher

“I think I would because the government’s getting out of hand. It’s time we let them know we’ll do something about it if they won’t.”

—Kimberly Fickling, housewife

“It’s the best thing ever done for California. Someone’s got to show the politicians how to spend our money.”

—Fred Thompson, orderly

“It’s time for some changes. Time to put our politicians on notice.”

—Marion Kauffman, realtor associate

“I’m sure no one’s going to lose their job and schools won’t close down, but elected officials will possibly stop wasting so damn much money.”

—Pinky Green, travel agent

“I’d vote for it many times over. The one’s against it here are the politicians. As long as they have a negative attitude it won’t work. With a positive attitude it will.”

—Mary Olson, financial manager

“People have had it up to here with ridiculous taxes. We haven’t seen really bad effects yet—we’re not going to see the benefits for a while either. We’re seeing quite a bit of scare tactics by Proposition 13 opponents, though.”

—Paula Mills, store clerk.

(Caine 1978, July 8, p. A-3)

By 1981, when the surplus-cum-stimulus money had run dry and cities like Chula Vista were cutting services for good, the Great Tax Revolt’s rhetoric had become so totally ingrained in the public psyche that there would never be a way back to progressive ideals of growth and wealth sharing. Indeed, In California, “austerity and self-reliance replaced planning and social reform as symbols of legitimacy. Politicians increasingly came to speak the language of trade-offs and constraints rather than growth and progress” (Citrin in Schrag 1998, p. 157). Before that, though, the movement continued, successfully halting plans for growth in Chula Vista.

ANTI-GROWTH SENTIMENT IN CHULA VISTA: THE STORY OF EL RANCHO DEL REY

In 1969, Al Gersten, a developer from the Los Angeles area, bought a huge swath of rancho land on the east side of Chula Vista under the limited partnership Otay Land Co., which he planned to develop. The community responded angrily, over and over, mirroring the rest of California during the time period. In 1971, the City Council adopted a general development plan for the 3100-acre area following Gersten’s proposal allotting 13,200 dwelling units. In October of that year, the council approved the development plans and tentative maps for phase I of the development, now named *El Rancho del Rey*.

The first dispute arose in late 1972 when Gersten sold a portion of his holdings to Leonard Bloom, an area orthodontist and the owner of the short-lived San Diego Conquistadors (who played in the ABA). Bloom planned to develop what he called “Sports World,” which

would include an 88-acre sports arena and commercial recreation area, a 70-acre regional shopping center, and about 1800 dwelling units. The City Council obliged, approving the Sports World amendment to the Rancho del Rey General Plan on July 3, 1973 in the face of citizen protest. Following the amendment, concerned residents organized a group called Citizens Concerned to fight the council on the matter. After the council refused the group's request that the council rescind their decision, Citizens Concerned gathered enough signatures to put the issue on the November ballot as a referendum. On November 6, 1973, the Sports World amendment was narrowly defeated, giving citizens a first key victory in the control over the development of Chula Vista's sphere of influence, east of I-805.

On January 21, 1975, the council approved a 450-acre, 750,000 square foot regional shopping center called Plaza del Rey as an amendment to the general plan. The amendment also created plans for a 20-acre recreational-commercial area and up to 1000 dwelling units on the 450 acres. In response, Citizens Concerned II was formed, and was successful in defeating the Plaza del Rey amendment in a referendum election on May 27, 1975. Having learned its lesson, the City Council formed an eleven-member citizens group to help the city staff come up with an acceptable plan for the area called ACCORD. They met for the first time on October 20, 1975.

The two clear victories by the citizens' group illustrate the extent to which the Chula Vista community was against growth at any density other than at the single-family scale, and the council-created ACCORD illustrates the power over development that the community had learned to grab throughout the 1970s, and they would continue to make their voices heard throughout the planning process, virtually halting the planning process until 1978: citizen influence was high enough that in February 1977, a moratorium on construction was placed on

the project so that the Planning Commission could develop a site specific plan, with the input of ACCORD.

The Planning Commission began its public hearings on May 17, 1978, and by that time, under community pressure, the Planning Commission had whittled down the acceptable specific plan to only 5,817 units on 2,075 acres (leaving the rest for open space) while Gersten requested 8,267 units on those same 2,075 acres, and then accepted a drop to 7,767 units. The Planning Commission worked until June 21, but was unable to come to any different conclusion. A June 25 article in *The Star-News* mentioned that Commissioner John W. O'Neill "tried twice to get fellow commissioners to accept a modified version of the staff plan permitting the developer to construct 20 percent more units if they were in the low and medium-income range," but that proposal was rejected. On the other hand, the Commissioners "agreed unanimously that the general development plan adopted by the City Council in 1971 should be rescinded" ("Planners can't agree on number of Del Rey units" 1978, June 25, p. A-3).

In the end, they sent their plan to the city council for voting on July 9 without a recommendation, although the longstanding ACCORD commission had its vote, recommending the staff plan by a six to two vote. In a reflection of the values spreading across the state, the two 'nays' came from commission members who were against the development entirely ("Del Rey tackled step by step" 1978, July 20, p. A-1). Planning Director Jim Peterson had some thoughts, though, saying to *The Star-News* that the Planning Department wanted to see the "natural topography of the land respected by the developer," the extension of H St. and "a more imaginative development than we have seen in the past in the city." Cognizant of the looming threat of yet another citizens' referendum if his planners didn't get it right, he added, "We hope that whatever plan the City Council approves, it will not cause a third referendum, yet at the

same time be acceptable to the developers.” Further, the community was already sick of the project; in the same article, the author quips, “At the rate development of El Rancho del Rey has progressed, descendants of the owners may be performing ground breaking ceremonies” (all “Rancho del Rey goes to city council” 1978, July 9, p. A-4). A continuation was granted after two hours of discussion at the July 9 meeting proved inconclusive, and a weeklong war of words between Planning Director and Otay Land Co. employees ensued.

Samuel Blick, an attorney representing the Otay Land Co., called the staff plan a “gold-plated Cadillac attempt to create another Rancho Santa Fe” (“Del Rey called Cadillac approach” 1978, July 13, p. A-1). Rancho Santa Fe was developed at the same time, and has become a very wealthy semi-rural community in northern San Diego. Further, Blick noted that Gersten was “willing to build the expensive estate-sized homes the planning director wants for eastern Chula Vista,” but held that a provision was needed for moderate priced housing as well (1978, July 13, p. A-1).

Elliot Lewis, an economic consultant representing Gersten, said that under the planning staff’s proposed development, “the city [would] need 4509 acres of land to keep up with projected growth, adding that under the planning staff proposal, the Otay Land Co. would have to build more expensive homes to realize the same margin of profit (10 percent) as under the developer’s proposal: “We could build more expensive homes. I haven’t said it would produce less profit. What I am saying is that the more expensive homes won’t sell. It won’t fly” (1978, July 13, p. A-1). Lewis further stated that it could take 35 years to sell the homes “or it might be that we could never absorb” the initial \$258 million in “front money,” and he said the \$258 million would be required regardless of what density is approved because of the high cost in completing all the facets of the project, including a three-mile segment of East H St and other

streets, sewers, storm drains, water and other utilities, as well as the price of the land, cost of developing lots and overhead. Finally, Lewis stated, “Gentlemen, multi-family is the wave of the future. Multi-family is not a dirty word. It’s the only way to provide a large segment of the population with affordable housing” (1978, July 13, p. A-1).

In contrast, Jim Peterson held that the Gersten plan called for 65 percent of the development to be apartments, condominiums and other forms of multiple housing, while his own plan centered on single-family housing and included some multiple-housing units. Peterson said he realized the planning staff’s plan would require more expensive housing to be built, but, he added, “I think the staff plan is a realistic plan, which will provide a greater variety of housing types” (1978, July 13, p. A-1). Blick was playing on fears of affordability leveraged during the run up to Prop 13, however, anger over growth density would win in this case.

The two sides played on the two diametrically opposed ideals of (the now recently passed) Prop 13: low density and affordability. Gersten and his associates were trying to convince Chula Vistans that the affordable, ranch-style single family home with a large lot was, in fact, dead, due to rising costs of construction as well as city requirements.⁴ Qualms with density and growth were much stronger than fears of ‘affordability’ (especially for new home construction) as Blick and Lewis would find out. The excerpted op-ed published in *The Star-News* on July 23, gives a scathing review of the developer’s tactics:

[Their argument] is that high density is needed to make housing ‘affordable.’ The more dwelling units jammed onto a piece of land, say

⁴ He had a good point, while Prop 13 would solve the affordability problem for existing homeowners, it would make it impossibly difficult for developers to fund the construction of affordable homes for the general populace. Because the population refused to believe that fact, Prop 13 would successfully kill growth entirely—until there came a solution in Mello-Roos. That mechanism is complex, and will be discussed a bit later in the chapter, and in greater depth in Chapter 2.

the Gersten hirelings, the cheaper they'll be able to sell the houses. Which makes sense, in theory.

But the fact is that the land cost per unit is only a small part of the cost of the home and what determines the price of homes primarily is not cost at all—but good old WTWB (What the Traffic Will Bear)...

There's no reason why the city should have to put up with [density] because of a developer's lust for profits.

The fact is that, whether Gersten is permitted 8400 or 5800 dwellings, they will be expensive either way. Interestingly, the developer has only spoken of home prices in generalities, and has not stipulated his proposed price range, nor how many homes would be in each price range.

The planning staff has recommended a medium-density project because the city already is over-burdened with high-density development. ACCORD...voted [to accept the staff plan].

To permit higher density than the staff recommended would amount to a betrayal of those good citizens who spent months studying the options, and also of the majority of Chula Vista voters who made it clear in two referendums they wanted no part of high-density development in the area.

Gersten's attorney told the City Council at hearings last week that if the staff plan is adopted, 'there will be no development in the area.' We don't know if this was intended as a promise or a threat, but we do not consider it a bleak alternative.

Chula Vista has gotten along just fine without 15,000 or 20,000 more people taxing its roads and burdening its facilities and services...

So we recommend that the council hang tough, and not let itself be suckered into a scheme in which the city can't win and can lose plenty. ("Del rey squeeze play" 1978, July 23, p. B-12)

Further, on July 16, the day of the meeting, Esther Lassman, a leading figure in the two referendum fights against the Rancho del Rey project amendments, notified the Planning Commission that "the people will rise again if they have to" ("Low density pushed" 1978, July 16, p. A-8).

Under pressure from local citizens, the City Council approved four of ten sections of Rancho del Rey under the Planning Commission's development plan ("Del rey tackled step by step" 1978, July 20, p. A-1). On July 23, the rest of the staff plan was tentatively approved. Al Gersten, Jr., attended the meeting on behalf of the company and was clearly spooked by the city

government and it's citizens: "We've based everything on the [economic consultant's] plan. And they predict doom if anything under 8400 is developed." Two days later, on July 27, *The Star-News* tried to ask him about it. He said simply, "I read your editorial...I'm afraid [you'll] misquote me" ("Staff plan for del rey approved" 1978, July 27, p. A-1, 8). The company, however, vowed to take the matter to the courts. Weary councilman Frank Scott stated, "One way we go to the courts, and the other way we go to a referendum" ("Lawsuit threatened over Del Rey" 1978, August 3, p. A-1).

The project would rumble and bumble through the next half-decade, paused because of the nation's economic slow-down in the early eighties, Chula Vista's increasing permit fees (discussed in Chapter 2), and determined opposition that continued until Gersten sold the land in 1985 (Briseno 1985, September 17, p. B-2). After wrangling with the city and community on density plans for his development, Gersten was left so frustrated that he eventually sold his stake to Corky McMillin's McMillin Development and Home Capital Group. McMillin was a local developer that had started small-time in the 1960s, had rapidly institutionalized throughout the 1970s, developing bigger and bigger projects in Chula Vista, Scripps Ranch, and Orange County.⁵ Rancho del Rey would be his biggest to date, and would benefit from Mello-Roos financing.

THE CASE OF PROP H: PROP 13'S LASTING IMPACT IN CHULA VISTA

The rest of this paper will focus on innovations in development practice in California since the Great Tax Revolt, using the perpetual budget crisis to local entities caused by

⁵ McMillin's rapid institutionalization was common to the experiences of other formerly small-time developers that also grew throughout the 1960s and 70s through direct encouragement by the FHA and ULI. This will be discussed in depth in chapter 3.

Proposition 13 as given background information. As such, detailing the long-term economic effects of Jarvis-Gann is mostly outside the scope of this project.⁶ However, it is necessary to illustrate, and not just allude to, the lasting rhetorical shift the Revolt caused in the state (and in Chula Vista). In 2010, a local initiative called Proposition H came on the ballot in Chula Vista. It made updates to the 1970 Telecommunications User Tax law to charge for services that were not in existence when the law was originally created. The update, without a rate increase, would lead to a small portion of the city's residents paying an extra \$1.50 per month, allowing the city to reap \$6 million in revenues. These extra revenues would be particularly useful for the city, since it was facing the prospect of budget cuts for the fourth year in a row, having already slashed \$40 million, and 259 full-time positions from the budget since 2007 (Zúñiga 2010, November 6, p. B-1).

The case of the Proposition H is useful on two levels. First, the need for the bill arose primarily because of the scarcity and volatility of municipal revenue streams: the Great Recession had caused a drastic drop in sales tax revenue, which, in post-Prop 13 California, has become a key revenue source for cities. Second, residents were convinced by a vocal opposition group (this time the South County Chamber of Commerce) to oppose the measure. Prop H's opposition called the measure "just another tax hike" that would "encourage mismanagement" and allow the city government to forestall dealing with its "real issues" (2010, November 6, p. B-1). This time, the issue was government employee pensions, which residents believed were exorbitant. It's supporters believed it would allow the government to, according to mayor Cheryl Cox, "continue [funding] the services we all benefit from: maintaining streets and parks, keeping

⁶ As mentioned in the Introduction, Peter Schrag, in *Paradise Lost* (1998) and William Fulton, in *Reluctant Metropolis* (1997) give good accounts of the long-term economic ramifications for cities in terms of budgeting and service delivery.

libraries open, and the police protection and fire services that keep us safe” (*U-T* Editorial Board 2010, September 27, p. B-5). About 57 percent of voters voted against the measure, and cuts to senior center hours, recreation center and pool hours, library hours, and city department hours began.

Also mentioned in rhetoric on both sides of the debate in the *San Diego Union-Tribune* leading up to the vote were the “select few” individuals who would begin paying the tax under its update. Undoubtedly, since the new tax was for relatively new technologies, the wealthiest Chula Vistans were a part of that “select few.” Since the city’s wealth had already been consolidated on the east side of the city, and since that side of the city had its own privatized community pools and recreation centers, those pending cuts mattered little to the group that was most likely to have voted the measure down.

Conclusion

The Star-News’ editors were shocked at the extent to which the negative voter attitudes were exhibited in the lead up to the June 6 election crossed over into the rest of the initiatives up for vote:

The most shocking results statewide, in our opinion, were in the propositions. Passage of 13 was a foregone conclusion. But the negative voter attitudes reflected in that proposition carried over to relatively innocuous ones, so that minor tax incentives to encourage alternate energy systems and rehabilitate run-down neighborhoods we defeated, and voters only narrowly approved even such a harmless proposal as permitting school district residents to vote on city charter changes affecting them. (“Beyond 13” 1978, June 11, A-4)

Those editors did not understand that the movement surrounding Jarvis-Gann was different; it signified a complete reverse in views of political legitimacy that would have wide-ranging effects in California, and indeed, throughout the rest of the country, in the coming years. The Great Tax Revolt, spearheaded by California's Proposition 13, was a rhetorical catalyst "[opening] up a new schism in American politics, pitting taxpayers against tax recipients" (Edsall & Edsall 1992, p. 129). A political shift occurred, pitting rich, white, and enfranchised voters against the darker, poorer populations they were supporting. Polls conducted in May and August of 1978 showed 67 percent of whites supporting Proposition 13, while only 29 percent of blacks supported it (1992, p. 130). Further, any chance at recapturing the political capital to tax was wasted by the self-interested decisions of officials who were seeking reelection within the next two years—the surplus aid packages convinced voters that the cuts threatened by their elected officials were a farce. The movement was sent on its way. The Great Tax Revolt started in California, but within four years, eighteen other states from Alaska to Maine, had adopted similar measures (1992, p. 131). In 1980, President Reagan brought the paradigms crystallized in California in 1978 to the national scale, and his economic programs had long-lasting effects on the socio-economic statuses of Americans.

While Prop 13 took on national consequence for what it signified, the nitty-gritty effects of the law in California began a chain-reaction on municipal politics and budgeting, and in localized development projects. The binding of property taxes to the acquisition price provided for neighborhood stability, as was desired by most voters, but it also created a situation in which owners of neighboring houses could be paying very different property taxes for similar services.⁷

⁷ This characteristic of the law is worst in very old neighborhoods, where some homes have not changed hands since before the passage of Proposition 13 while others may have been bought/sold during the housing bubble in the middle of the last decade, and in commercial

Further, the severe drop in revenues compromised the fiscal stability of cities and counties in the years following 1978. While cuts were staved off for a few years while the state surplus was exhausted, by early 1981, *The Star-News* was publishing article after article about service cuts coming to the community. By leaving open the possibility of further cuts (Jarvis continued to push more tax limit legislation), Prop 13 instilled a ratchet-down effect. With its strict two-thirds majority requirement for tax changes, repeal was almost impossible; however, it left the door wide open for more cuts moving forward. It's passage, along with the population's slow- to no-growth paradigm, virtually halted development in California for four years after it passed, and had everlasting effects on the development process, as evolved by the Mello-Roos Act in 1982. Tax collection in the state of California had become a zero-sum game, but there would be an attractive (and damaging) way to get around the issue coming soon.

properties, which may never transfer ownership. However, in Chula Vista, assessment values in newer developments have crashed back to reality, in some places at half the value they were at the height of the boom. Downward reassessments have since occurred, evening tax payments between houses.

2

The Great Work Around

To those who question the prudence of invoking Mello-Roos, there is one simple answer: ten years of demonstrable success. For those who wish to delve a little deeper the answers are just as clear. Mello-Roos works... for those who have the know-how to do it right.

—Jerry Skinkard, Principal: Vail Engineering, 1991

1978 was a watershed year for the financing of growth in California. The passage of Proposition 13, and the beginnings of Reaganomics, saw a drastic change in the way municipalities approached growth and development. The changes in tax policy brought by Prop 13 resulted in a 51 percent reduction of local government property tax revenues from the fiscal year 1977-78 to 1978-79 (CDAC 1991, p. 6). In dollars, cities received \$5.9 billion less from one year to the next. These significant changes to municipal revenue structures were exacerbated by Reagan era economic policies. As defense spending grew, taxes and grant appropriations diminished: in 1982 (the year the Mello-Roos Act would pass through the California State Legislature), the Reagan administration consolidated 77 categorical grant programs into nine block grant programs, and reduced the funding for those grants by 25 percent (1991, p. 5). General revenue sharing grants from the federal government to the State of California, the ones that gave the state and municipal governments the most latitude in terms of spending power, decreased by more than 60 percent from 1977 to 1982.

Municipal Responses to Prop 13 for Development Projects (1978 to 1982)

The City of Chula Vista, and other municipal governments were prepared for life after Prop 13. After substantially raising development fees in 1978 (as discussed in Chapter 1), they were then raised again in 1981 (for the fiscal year 1981-82. The continuing effects of Prop 13 (especially after stimulus provided by the state surplus was exhausted) were obvious: the development impact fees for planned unit developments increased by over 300 percent since the last revamp, which was in 1978 just after the passage of Prop 13 (when they were then raised substantially). In a *Star-News* article published December 27, 1981, Dave Byers, an administrative analyst for the city government was quoted stating, “The fees are for services the city provides to special individuals. There’s no reason for all the citizens to bear these costs...The developer makes a profit, and it is appropriate for the developer to bear the cost of the special services provided.” The same article describes a 201-unit planned development’s fee schedule, which increased from \$540 to \$2,310, a 326 percent rise (all “City fees will take big jump” 1981, December 27, p. A-1).

A report published by the California Debt Advisory Commission (CDAC) called “Mello-Roos Financing in California” mentions how in the post-Prop 13 world, “resourceful local governments often tested the limits of untapped funding sources” by making practical significance of the distinctions between taxes, fees, and assessments (1991, p. 7). The power to exact of fees and assessments falls outside the state’s corporate power to tax (and inside the state’s police power to protect the public welfare), so municipalities drastically increased developer fees, school impact fees, and the use of special assessments to recover as much of the revenue losses caused by Prop 13 as possible. Though in negotiating through their own designs for and tendencies toward growth, municipalities had to be careful to keep development fees

within a range that would not completely stave off development. And further, “the courts began to require that local governments demonstrate a ‘rational nexus’ (a strict link) between the burden imposed by development and the financial conditions attached to development approval.” By 1986, the State Legislature had passed a bill codifying the concept virtually eliminating the power of municipal governments to freely raise developer impact fees. Thus, the use of assessments expanded, even against legal challenges (both 1991, p. 14).

Using the rationale outlined above, the courts protected assessments in the face of challenges by parties who held that their use was in violation of Prop 13. In *County of Fresno v. Malmstrom* (1979) the California Appellate Court ruled that special assessments levied to pay for the construction of streets in a subdivision are neither ad valorem property taxes nor special taxes. The court instead held that the assessment (and others like it) was a charge to real property to pay for the benefits that the property has received from a local improvement. Therefore, the special assessment was not subject to the one percent property tax limitation or the two-third-voter approval requirement for special taxes imposed by Prop 13. The Court then defined the term ‘special benefit’ in *Solvang Municipal Improvement District v. Board of Supervisors of the County of Santa Barbara* (1980):

The rationale of special assessment is that the assessed property has received a special benefit over and above that received by the general public. The general public should not be required to pay for special benefits for the few, and the few specially benefitted should not be subsidized by the general public. (in 1991, p. 9-10)

Municipal governments were emboldened to shift as much of the cost of developments off their own books as possible, but were beginning to be stunted from utilizing developer impact fees: the dollar amount of outstanding assessment bonds statewide increased from \$599.5 million in

1977-78 to \$2.05 *billion* in 1984-85, good for a 243 percent increase over seven years (all 1991, p. 9-10).

Limitations to the power of assessments to act as a tool for financing infrastructure existed due to the courts' definition of 'special benefits.' Since assessment acts could only be used to finance projects where a special benefit could be demonstrated, a "tremendous gap" in the capital financing capabilities of local governments developed (1991, p. 11). Assessments could not be used to finance a range of public facilities that conferred a 'general benefit' to the community, but were nonetheless necessary to keep pace with growth. These included fire and police stations and schools. The practical limitations of the financing instruments in use post-Prop 13 necessitated the enactment of another measure. State Senator Henry Mello and Assemblyman Mike Roos stepped in to fill that gap in 1982 with their Community Facilities Act.

The Mello-Roos Community Facilities Act of 1982

In 1987, State Senator Mello and Assemblyman Roos signed an introduction letter to their amended Community Facilities Act in which they were clear about its original intent and foreshadowed its growing importance. The amendments made to the bill largely had to do with clarity and precision, which would make its financing structure more easily utilized.

The Mello-Roos Community Facilities Act allows local governments to raise money for [public works projects] consistent with Proposition 13's strict requirement that new special taxes be approved by a two-thirds local vote. It has been proven workable. There are now over 25 Community Facilities Districts, which, together, have raised over \$270 million for local public projects, and it is likely that many more of these districts will be created. (*Mello-Roos* 1987, p. 1).

The authors celebrate the 25 community facilities districts (CFDs) created between 1983 and March 1987, and there would be 63 more created in the rest of 1987 and 1988 alone (CDAC 1991, p. 19). By the financial year 2008-09, when the last report by California Debt and Investment Advisory Commission (CDIAC—formerly CDAC) was published, there were 1,586 separate CFD bond issuances totaling \$19.6 billion (2009, p. 2).

The Mello-Roos Community Facilities Act, passed in 1982, created special tax districts used to “finance the construction, expansion, rehabilitation, or acquisition of any real or other tangible property with an estimated useful life of five years or more.” In addition to the construction (or acquisition) of capital facilities, Mello-Roos can be used to finance

- (1) Police protection services, including but not limited to criminal justice services. Criminal justice services are limited to services for jails, detention facilities, and juvenile halls.
- (2) Fire protection and suppression, and ambulance and paramedic services
- (3) Recreation program services, library services and all costs relating to the operation and maintenance of parks, parkways, open space, museums, and cultural facilities.
- (4) Flood and storm protection services, including the operation and maintenance of storm drainage systems.
- (5) Removal or remedial action for the cleanup of any hazardous substance released or threatened to be released into the environment.
(CDAC 1991, p. 16)

The above list is comprehensive, but the catch is that services financed by Mello-Roos cannot replace existing services. This makes it politically and logistically difficult for municipal governments to secure financing for items besides capital improvement. Not explicitly listed,

but used quite often, is Mello-Roos financing for school construction. The first CFDs in Chula Vista were those managed by the Chula Vista Elementary School District (CVESD) and Sweetwater Union High School District (SUHSD) in EastLake I and Rancho del Rey. They were created for the construction of campuses in the eastern communities.

The process for forming a CFD can be instituted by any local agency, any two qualifying employees of a local agency, or by the submission of a petition by a group representing 10 percent or more of the population (or in some cases the landowners) of the area to be bounded by the new CFD. Then, the creating agency must pass a resolution on the intention of CFD establishment within 90 days, and finally, there must be a public hearing on the issue, with “sufficient” notice granted in a “local publication.” If, before the hearing, “50 percent or more of the registered voters within the proposed CFD...or the owners of one-half or more of the area of land within the proposed CFD file written protest against the establishment of the CFD,” that legislative body is forced to abandon the proceedings. If these objections do not occur, the levy is submitted for voting at the next general election, or in a special election (all 1991, p. 17-8).

The key stipulation in the formation of a CFD is the way the Mello-Roos Act defines and uses the term “qualified electors.” Those qualified electors are the individuals who determine whether the levy is passed. If the population within the bounds of the new CFD is over twelve, then registered voters are the qualified electors. On the other hand, if there are less than twelve residents within those bounds, the landowners then become qualified electors “with each landowner received one vote per acre” (1991, p. 18). Further, the bill made no restrictions on the borders of a CFD, even for contiguity or simple connectivity.⁸ This means that each district can have two, three, any number of sets of distinct boundaries, and those boundaries can be U- or Z-

⁸ If something is connected simply, a line that passes through it will enter and exit through only two points.

shaped (for example). In Chula Vista, as in the rest of San Diego, San Bernardino, Riverside, and Orange Counties (where Mello-Roos was initially, and still is, most popular, holding the lion's share of the outstanding Mello-Roos bonds), major development projects took place on land consolidated into the hands of a single landowner. EastLake, the first east side development, was held entirely by the EastLake Co. when its first CFD was created.⁹

After the CFD is created, developers use the financing for the installment or construction of the capital improvements listed above, and then they write the payments on the bonds into the deeds of each subdivided lot. Because of Proposition 13, the payments cannot be calculated based on the assessed value of the property. They are instead calculated by a proxy measurement such as lot size or home size (Shanske 2007, p. 715). Since the payments are not tied to a variable value, they remain static (except for an inflationary two percent increase) for the 25-year life of the bond. After a tentative market acceptance period, which was previously intimated, Mello-Roos financing became wildly popular, successfully replacing the limited special assessment bonds as the principal financing mechanism for development projects. In 2003, it was estimated that over 90 percent of new exurban development projects in California utilized Mello-Roos financing (2007, p. 709).

Mello-Roos as a Financing Tool

Although Mello-Roos now enjoys widespread use, there is little existing research on the theoretical value (financial and political) of the Mello-Roos financing mechanism. Darien

⁹ McMillin purchased Rancho del Rey from Gersten in 1985, but didn't begin construction until 1988, when the CVESD and SUHSD Boards of Trustees, like in EastLake, initiated the CFD creation process.

Shanske, in his “Public Tax Dollars for Private Suburban Development: A First Report on a National Phenomenon” (2007), was the first scholar, and only so far, to tackle the issue head-on. He provided a fictional anecdote to illustrate what, by 2003, had become the a common situation found in cities across California (the anecdote rings especially true for Chula Vista):

The year is 2003 and the city council of the fictional city of Natomas Grove is struggling with another year of the California budget crisis. In order to fill a \$2,000,000 budget hole, the council continues a hiring freeze that has been in place since 2001, in effect eliminating twenty additional positions. Fees are increased for parks and other services and a special unit of the local police is disbanded. At the county level, services to the poor are cut, again, as are sheriff’s patrols... The local library cuts hours for the third year in a row and all but eliminates its acquisition budget. The local school district ends its class size reduction program. At all levels of government, ordinary maintenance and repair is deferred another year.

At the same council meeting in which the new budget is adopted, the council approves the levy of \$3,000,000 in annual Mello-Roos taxes for the next thirty years on the residents who will move in to a new community on the edge of town. The authority to collect those taxes is on the basis of an election in which the one current landowner, namely the developer, agreed to be so taxed. These tax revenues will primarily pay for infrastructure for the new community—like roads and sewers, including landscaping—as well as for sidewalks, a public golf course, two parks (one regional), and a highway overpass...The bond issuance will also be designed so that the total amount borrowed is large enough to pay the first annual payment, thereby lessening the amount of Mello-Roos tax that the developer will have to pay as new homeowners move into the community and assume the tax burden. Thus, the new homeowners will pay the vast majority of the tax in the coming decades. (2007, p. 710-11)

Indeed, cities could not pay for development, so the developments would have to pay for themselves. Shanske discussed two ‘buckets’ of theories: first market theories, second, participatory theories.

Charles Tiebout, a market theorist who put forth his theories in the 1950s, before Mello-Roos, posited that a great multitude of local jurisdictions was desirable, precisely because each jurisdiction would be able to use its powers to provide the exact amenity bundle that its citizens

wanted. He further posited that the competition among jurisdictions would eliminate wasteful spending, so that governments would only spend taxes on what its citizens wanted.¹⁰ There are, however, two issues with this theory in the actual practice of Mello-Roos financing. First, local governments are prone to manipulation by developers because of their relative small size (as we will see in the case of Chula Vista). Second, local governments may use their power to create nonoptimal, nonefficient projects for the community. Preferences are hard to determine, unless, for example, a project feature (like the golf course in the above example) has already been refused through a voter initiative (or something of the nature) and then included in the later, larger project.

On the point of efficiency, Shanske showed, through studying 29 issuances from the year 2003 in Sacramento, Placer, and Riverside Counties, that Mello-Roos bonds tend to actually be generally more expensive to secure (because of its associated risks—namely the diffuse returns from many separate homeowners) than a general construction bond. Further, construction cost vs. sale price data supports the idea that the market mechanism for the home price, which Tiebout relied on for his theory, does not function to pair tax burden and amenity bundle. That is, the price of a home is more closely tied to the demand in the market rather than to its construction costs (2007, p. 758).¹¹ This point is very important, because this means that the Mello-Roos bond truly serves the developer, who benefits doubly from significantly lower capital requirements and from passing on costs to consumers that are not reflected in the home price.

¹⁰ See Tiebout, C. (1956). *A pure theory of local expenditures*, 64 J. Pol. Econ. 416.

¹¹ The resale market, where prices of comparable homes equalize, serves to further prove this finding.

Benjamin Barber, who Shanske described as a ‘participatory’ theorist, made the argument that a multiplicity of local jurisdictions provide for greater civic involvement, which in turn facilitates policy that is more closely aligned to local bundles of preferences.¹² With Mello-Roos, though, there is no deliberation possible for citizens who move in to new developments, since the developer can legally install the taxes prior to the creation of the community. As will be discussed for the case of EastLake in Chula Vista, any discussion granted is a gift, and the developer and officials hold the power to make the final decision. Shanske continued, though, in support of the ‘participatory’ theorist:

[There] are ways in which Mello-Roos may be seen as a positive development from the perspective of participatory theorists. Most plausibly, Mello-Roos taxes on new development can be seen as a means of forcing new development to internalize the true costs of development. After all, in post-Proposition 13 California most new residential development is not a net gain to local jurisdictions and so there is no reason for the existing tax base to subsidize new development. To the contrary, Mello-Roos provides a mechanism for local governments to recoup the cost to the existing community of new development. (2007, p. 715)

Further, if Mello-Roos was conceived to mitigate the negative effects of Proposition 13 (namely the above issue and service delivery), its practice should, in fact alleviate those issues.

However, the actual practice of Mello-Roos financing aggravates several of the key consequences of Proposition 13. First, horizontal equity: Mello-Roos taxes represent a further tax burden generally imposed on homeowners in newer neighborhoods, when precisely these homeowners are likely to be paying more in property taxes simply because of the date their home was constructed, assessed, and sold. Second, transparency and political accountability: In newer neighborhoods, the proliferation of Mello-Roos districts, homeowners’ associations, and private school foundations makes it nearly impossible to tell who is responsible for the maintenance of

¹² See Barber, B.R. (1984). *Strong democracy: participatory politics for a new age*.

what and, who exactly is paying for each service. Lastly, the use of Mello-Roos is “deeply consistent with the market-centered perspective on local government—*my* taxes are going to *my* roads.” The use, or indeed the very creation of the bill itself, may presuppose that market-centered paradigm, and it certainly encourages residents to take that view. (2007, p. 715). This issue maps directly to the consolidated inequality, combined with a rejection of proactive change measures, that Chula Vista and other cities face today in California.

The Introduction of Mello-Roos to Chula Vista

Mello-Roos made its entrance to Chula Vista in 1986 when, after being petitioned by the EastLake Co., the CVESD Board of Trustees voted 4-1 to begin the process for the EastLake I development. The SUHSD soon followed suit. Since the EastLake Co. held all the land (the houses were constructed but not sold), the rest of the process was academic; homeowners were to be forced to pay the bond assessments.

The lead-up to the board’s vote wasn’t quite as straightforward, though. Because of Proposition 13, the board members stressed, the future homeowners would be forced to pay for the construction of school facilities through one of two mechanisms, either increased developer fees, which would be passed on in the sale price of the new home, or Mello-Roos assessments, which would be paid off over twenty-five years, by whoever owned the property. Board members wrestled with the idea of either, but reiterated at every turn that it was out of their hands. Each district received \$25,000 from the EastLake Co. to hire consultants for the research, and each board met informally with the prospective homeowners, who had already put a deposit

down—but not signed any contract¹³ (Briseno 1986, May 28, p. B-1). The prospective homeowners were upset; buyer Ray Ramos told the *Evening Tribune*, “EastLake wants us to pay for everything, that’s why the prices of the homes are lower [than Rancho Santa Fe]” (Jefferson 1986, May 28, p. B-1). Homes in Rancho Santa Fe, which wasn’t utilizing Mello-Roos financing, were selling at prices \$30,000 higher than planned for EastLake. The price point was one constantly reiterated by the developer during the process, but was, in fact, inconsequential due to the relatively higher land values in northern San Diego.

In the end, the CVESD board cited the lack of existing or impending state resources to allow for the needed construction of new school facilities in their decision: “I don’t think we will get any relief from the state in the near future,” board President Sharon Giles said. “If we have any option to do something different, we’re going to have to go out and do that ourselves” (Kucher 1986, June 18, p. B-1). Mello-Roos financing was also more attractive due to the speed at which the district could secure the revenue. Because Mello-Roos involves bond issuance, the board would receive the monies faster than if it had relied on developer fees. The board chose also to raise the developer impact fee by \$600 per unit, however, to appease the crowd of 75 prospective homeowners that attended the meeting (1986, June 18, p. B-1). Trustee Opal Fuller cast the lone dissenting vote: “EastLake is not the first developer who will come and be excited about Mello-Roos,” Fuller said. “I believe people should retain an amount of choice. However you look at it, home buyers always pay for schools. But they should have a choice whether to pay an initial fee or whether it will be spread out over 25 years” (1986, June 18, p. B-1).

By the time the SUHSD board was voting on the same issue for Rancho del Rey in 1988, only two years later, homeowners would no longer be given the choice. Legislation had passed

¹³ This was a clever move on the part of EastLake Co., which knew it would seek Mello-Roos financing, but was unsure how the process would play out.

at the state level limiting developer fees to \$1.50 per square foot on each unit (De Salvo 1988, May 4, p. B-7). Each district board knew that no school could be constructed with those revenues, let alone multiple schools for each district. In dealing with angry residents, SUHSD Board president, Nick Aguilar, stated, “We're in the dilemma of providing facilities for future development and [Mello-Roos districts] are the only mechanism left to us by the state.” Board member Steve Hogan reiterated the president’s stance: “We're a victim of circumstances forced again on us by the state. It's unfortunate the blame stops here” (both Hefferman 1988, May 4, p. B-1). Indeed, the two board members were referring to the realities of Proposition 13 and its legacy of shortage in public growth dollars.

The Expansion of Mello-Roos Financing in Chula Vista

Development continued into the nineties and then into the new millennium following a similar pattern. Developers would petition for Mello-Roos financing from the city government or school districts, contribute some funds to the appropriate entity for the study, and officials would vote to provide the financing, citing California’s financial realities and stating that the issue was out of their hands. However, as new home prices escalated, so did the value of each Mello-Roos bond, and thus, so did the assessment on each home. Further, the practice was expanded to pay for more and more types of infrastructure. Guidelines set by the state in 1991 allowed the total value of all extra assessments to reach one percent of the sale price of the home (CDAC 1991, p. 9). Most importantly, as the practice expanded, the value of choice diminished, and so did resident opposition to each measure. On the other hand, resident opposition mattered little since the law was written to allow developers to create the tax for the residents they would

be selling the homes to. As long as someone was willing to buy the home, there could be no real challenge to the practice. Thus, the use of Mello-Roos became an unchallenged norm.

Table 2-1: Relevant Descriptive Statistics in Selected Subdivisions, FY 2011-12.

Location^a	Modal Construction Year	Average BR/Bath	Median Unit Size (sf)	Median Lot Size (sf)	Lowest Assessed Value (2011)	Highest Assessed Value (2011)
EastLake I	1988	5/3	2,579	8,133	\$191,945	\$629,117
Rancho del R.	1991	5/3	2,316	6,804	\$263,078	\$556,000
EastLake II	1994	5/3	2,600	5,653	\$325,890	\$500,000
Otay Ranch	2001	5/3	2,826	10,162	\$338,721	\$547,801
EastLake III	2004	5/3	3,576	13,654	\$533,000	\$1,005,364
Rolling Hills	2004	5/3	2,793	7,936	\$360,468	\$585,000

	Median Assessed Value (2011)	Median Total Tax (2011)	Effective Tax Rate (%)	Mello-Roos (2011)	Total Special Assessments	HOA Dues
EastLake I	\$411,000	\$5,585	1.36	\$970.64	\$1623	\$648
Rancho del R.	\$387,007	\$6,053	1.52	\$1,145.00	\$1,781.82	\$0
EastLake II	\$399,875	\$6,110	1.53	\$1,146.02	\$1,677.50	\$840
Otay Ranch	\$385,029	\$7,811	2.03	\$3,255.54	\$3,581.68	\$1,200
EastLake III	\$600,000	\$10,920	1.71	\$3,487.83	\$3,672	\$1,308
Rolling Hills	\$485,000	\$5,310	1.10	\$0	\$39.64	\$1,176

Source: San Diego County Assessor

As the practice expanded, assessments grew closer and closer to the ‘two percent total’ (remember Prop 13 limits property taxes to one percent) threshold. Table 2-1 illustrates this rising tendency for selected subdivisions across Chula Vista (standardized by mean bedroom/bathroom combination). We see that the highest total assessment burden is in EastLake III, although the highest effective tax rate is in Otay Ranch. Because Rolling Hills Ranch does not utilize Mello-Roos, its effective tax rate is the lowest (the close to \$40 per year is for mosquito abatement, water, sewer, etc). Further, we notice that in EastLake I and Rancho del Rey Mello-Roos assessments make up only a little over half the total amount of special

^a Subdivision groups: EastLake I, 595-253 (50 units); Rancho del Rey, 640-033 (62 units); EastLake II, 595-331 (58 units); Otay Ranch, 642-630 (35 units); EastLake III, 595-093 (35 units); Rolling Hills Ranch, 595-725 (55 units).

assessments levied on the median home. This is consistent with the special assessment practice prior to Mello-Roos adoption—since those neighborhoods were the first adopters, developers still also relied on special open space districts and others to finance maintenance. For Rancho del Rey, without homeowners’ associations, and EastLake I, with an HOA only geared to sponsor the maintenance of the community pools, these open space district assessments were deemed necessary for the maintenance of open space. We see that as Mello-Roos financing grew closer and closer to 100 percent of the levied special assessments, HOA dues also increased in each subdivision.¹⁴ Finally, it is important to notice the change in both unit size and value of the ‘typical’ development through time. This is consistent with another of Shanske’s arguments: Proposition 13, and in turn Mello-Roos financing, encourage the bond issuing city and developers to pursue more valuable projects in order to contribute more ‘cost-free’ developments for the city, which has growth incentives contrary to the already existing community, which can’t benefit from expanded service levels due to service delivery equity requirements.

For fiscal year 2011-12, the median EastLake I resident, whose home was constructed in 1988, will pay \$970.64 in Mello-Roos assessments, which breaks down to \$727.60 for its SUHSD CFD (the district’s first) and \$242.68 for its CVESD CFD (also the district’s first). A similar home in Rancho del Rey, constructed in 1991, pays \$1,145 this fiscal year, which breaks down to \$727.60 for its SUHSD CFD (the district’s third) and \$428.00 for its CVESD CFD (also the district’s third). The median home in EastLake II, constructed in 1994, will pay \$1,146.02 in

¹⁴ The powers and responsibilities of HOAs increased as well. This will be discussed in depth in chapter 3.

Mello-Roos, which breaks down to \$842.86 for its SUHSD CFD and \$303.16 for its CVESD CFD.¹⁵

In contrast, a similar home in Otay Ranch, constructed in 2001, will pay a total \$3,255.54 in Mello-Roos, with \$1,008.14 for its SUHSD CFD (the district's sixth), \$815.40 for its CVESD CFD (also the district's sixth), and \$1,432 in other Mello-Roos assessments.¹⁶ A similar home in EastLake III, constructed in 2003, will pay \$3,487.82 in Mello-Roos assessments for fiscal year 2011-12. The resident in the newer home is within four different CFD boundaries, pays \$794.30 and \$255.76 for the same EastLake school district CFDs, respectively, but pays a total \$3,487.83. Finally, the Rolling Hills Ranch home, constructed in 2004, pays no Mello-Roos.

By 2009, Chula Vista had 17 distinct community facilities districts, all with different corresponding bond values, and some with overlapping boundaries, as illustrated above. The accumulated bond value totals \$261,695,000, ranging from a maximum \$44,875,000 (for "general capital improvements" in Otay Ranch Villages 1, 5, and 1 West; levied in 2002) to a minimum \$1,355,000 (for school facilities in Long Canyon, levied in 1987) (CDIAC 2009, p. A-879 to A-892).¹⁷ Every east side development project since EastLake I, besides Rolling Hills Ranch (constructed between 2002 and 2005), has utilized Mello-Roos financing. Those homes sold at prices \$10,000 to \$15,000 greater than comparable homes in other developments at first

¹⁵ The EastLake Co. petitioned the two school districts for the creation of its Mello-Roos districts for the entire master-planned development in 1986, which means the values for the school districts are relatively constant across time; we see, however, that by the time EastLake III was sold, the developer had created multiple other CFDs.

¹⁶ It would also be useful to notice the increase in the assessments sponsored by each school district over time.

¹⁷ Notice the year each of the specific bonds mentioned was levied.

sale, but have since equalized on the resale market (San Diego County Assessor), in concert with Shanske's findings.¹⁸ There are no CFDs on the west side of Chula Vista.

Conclusion

Mello-Roos expressly filled the gaps left by California's old assessment laws, and conveniently worked, its authors happily stated, within the bounds of Proposition 13. Every stakeholder was satisfied to an extent at which the new status quo prevailed (and continues to prevail): municipal governments no longer had to shoulder the burden of development, citizens of existing developments had been freed from the shackles of their ever increasing tax bills by Prop 13 and from financial involvement in new developments at which they didn't see benefit, citizens in new developments were already paying the extra Mello-Roos taxes and had no incentive to halt its expansion to other developments, and developers were able to push costs onto their buyers without truly making homes more affordable. Developers have perhaps been the most satisfied in the long run, since construction costs (and therefore capital requirements).

However, the installation and expanded use of Mello-Roos financing encouraged and engrained the practice of "leapfrog" development, where each successive development project was initiated at a further distance from the city 'center.' Without the financial wherewithal to encourage (read: provide capital for) infill development, Chula Vista's government could do little to justify attempts to alter what had become the predominant development practice, so it continued. As it continued, so did the expansion of other marketing techniques (namely common

¹⁸ A 2,793 square foot unit in Rolling Hills Ranch with four bedrooms and three bathrooms sold for \$514,500 on September 4, 2003. A 2,739 square foot unit in the Woods at EastLake with four bedrooms and three bathrooms sold for \$500,000 on September 17, 2003.

interest developments with homeowners' associations), a long time in the making, and these combined forces eventually led to a situation where residents in these new communities were less and less economically (and therefore psychologically) tied to the fortunes of their city as a whole. The next chapter will track the rise of the common interest development, completing the policy and practice puzzle that has entrenched geographic inequality in Chula Vista.

3

The Rise of the Homeowners' Association

The continuing debate over whether the wealthy are paying their fair share of taxes obscures a larger issue, with more profound implications for America: the fortunate fifth is quietly seceding from the rest of the nation.

—Rob Reich, Political Scientist, 1991

In 1960, the American Society of Planning Officials published a first report attempting to solve the “monotony of gridiron subdivisions” by proposing a new concept, called “cluster” subdivisions. These had two characteristics: (1) “A characteristic of design and site planning in which several houses are grouped together on a tract of land. Each cluster of houses serves as a module, which is set off from others like it by an intervening space that helps give definition to each individual group” and (2) “the presence of undeveloped land that is held for common enjoyment of the neighboring residents or the community at large” (Rosenthal 1960, p. 5). These cluster subdivisions were then encouraged to make use of a (private) “nonprofit community corporation” in which “restrictive covenants [would be] used in conjunction with privately held common land” and “arrangements [would be] made for a property owners’ association to operate from the beginning” (Rosenthal 1960, p. 25).

By 1963, the Urban Land Institute (ULI) and Federal Housing Administration (FHA) championed the widespread merit of private government organizations in suburban housing tracts. In *Innovations v. Traditions in Common Development* (1963), the ULI stated with regard to open spaces: “Those not living close by and unable to benefit from small local parks should neither be required to support such areas by public taxes nor allowed to invade the quiet and privacy of those enjoying the benefits created by private methods” (ULI 1963). Echoing the sentiment, the FHA published a handbook titled *Planned Unit Development with a Homes Association* (1963). It stated that rapid urbanization had created a situation, which required an “economical single-family living unit adaptable to urban densities, yet keeping many of the attractive features of a suburban home.” The solution, the FHA posited, were “housing subdivisions which incorporate privately owned, open, common areas and provide for the creation of a means of maintaining the common properties.” The handbook continued, stating that “the benefits to be derived from the common properties *will be reflected in the FHA appraisals of the homes, and thus in long-term low-interest home mortgage* [making it] economically possible...to offer the home properties favorably in a competitive market” (all FHA 1963; emphasis added).

In 1964, the ULI published its *Homes Association Handbook*, where it discussed “legal musts,” with regard to the subdivision plat, dedication, covenants, and other recorded agreements, that came with the establishment of a planned-unit development (PUD) or common interest development (CID).¹⁹ According to the handbook, those documents ought to:

¹⁹ These terms have become more or less interchangeable, but perhaps we should consider the CID a subset of the PUD; where the PUD refers writ large to master-planned communities, the CID refers to PUDs with involved HOAs. I will use the term CID for the rest of the chapter, since this subset is the relevant development pattern.

- (1) legally create an automatic-membership nonprofit homes association;
- (2) place title to the common property under the homes association or give definite assurance that it automatically will be so placed within a reasonable, definite time;
- (3) appropriately limit the uses of common property;
- (4) give each lot owner the right to use and enjoyment of the community property;
- (5) place responsibility for operation and maintenance of the common property in the homes association;
- (6) place an association in charge on each lot in a manner which will (1) assure sufficient allocation of funds, and (2) provide adequate safeguards for the lot owners against undesirably high charges;
- (7) give each lot owner voting rights in the association. (1964)

Developers quickly signed on, recognizing that this new form of development would not only serve the FHA's pocketbook, but their own. The FHA would primarily benefit from cheaper mortgage insurance since home prices, in theory, would remain more stable with an assured means of funding maintenance on neighborhood common areas—since the entire neighborhood could not enter disrepair, a single 'bad' homeowner had no chance of beginning the domino effect. Developers would benefit from increased density: since the average common area could be serviced at a level superior to the rest of the municipality, and since middle class preferences for pools, parks, golf courses, rec. rooms, would be prohibitively expensive to provide on an individual basis (and since they were hard to come by after Prop 13), developers could tempt middle class homebuyers to accept less personal land. While this was a harder sell, especially in California (remember Rancho del Rey's planning process), the passage of Prop 13 and then Mello-Roos, made it much easier for a developer to boss his way through the planning stage at the local level, as discussed in chapter 2.

Some saw issues in the spreading policy. In *Privatopia* (1994), Evan McKenzie argued that the rhetorical façade of democratic egalitarianism created by the FHA, ULI and developers, overlaid a “market that targeted the affluent and emphasized exclusivity” (1994, p. 97). Indeed, in 1967, Stanley Scott, a planner, saw that “the lower income brackets are viewed as a likely source of special problems. Policies of exclusiveness are only thinly veiled as efforts to ‘maintain high standards,’ or ‘ensure property values,’ or provide a ‘private community’” (in 1994, p. 93). At the time, Scott believed that the FHA-ULI policy would bring about the excessive control of thousands of inhabitants by private associations manipulated by developers; the institutionalization of segregated housing patterns; and the disenfranchisement of renters—all in the interest of maintaining property values and stabilizing residential patterns for long periods. He pointed out that the twin devices of restrictive covenants and homeowner associations “favor the interests of the developer and lender in almost every way” and anticipated “uniform and national application of such policies to all FHA supported communities built in the foreseeable future” (in 1994, p. 93). McKenzie, with the benefit of hindsight can confirm Scott’s initial beliefs were valid:

The relationship between owners and their private governments is created by contracts that have been standardized by large institutions, including the ULI, the FHA, mortgage insurance companies, and banks, and by the attorneys who represent real estate developers. These contracts are standardized for good reasons. The property they regulate is very valuable, and many people and institutions have economic interests in protecting this value. They want fungibility and stability over time, so they can turn residential mortgages into mortgage-backed securities and trade them in a secondary market. (2011, p. 109)²⁰

²⁰ Here McKenzie hints at one of the other outcomes of the institutionalized development practices sponsored by the FHA and ULI which illustrates the total conflation of the ideas of house as ‘home’ and house as ‘consumer product’; namely the eventual trading of mortgage loans as mortgage-backed securities, which were thought of, in theory, as being no different than other financial instruments. Unfortunately, as the Great Recession has illustrated, homes are, in fact, much more complex entities than other marketable products.

Finally, Scott (correctly) believed,

Our society has important goals other than the creation of high-quality, upper-class, single family, amenity-filled neighborhoods whose property values are secure and whose home owners never fail to meet a mortgage installment—laudable as some of the latter objectives may be. In the next two or three decades residential patterns will be established or rearranged, and many other features of existing and future urban communities determined. The policies under which this is done will influence fundamentally the quality and nature of future urban life. Decisions made during this period will also influence the role, strength, effectiveness and perhaps even the survival of our institutions of *public* local self-government. (in 1994, p. 21)

No party heeded Scott's warning, however, and over the next decade, the FHA and ULI spread the gospel of "better living through planning" to developers and to the middle class.

The FHA and developers created pamphlets to convince prospective homeowners of the merits of living in a CID. They presented the new developments as "the cutting edge of a return to the traditional American 'town meeting' democracy based on ownership of their own community" (1994, p. 82). Developers began marketing their planned communities to prospective buyers who they believed would buy in to the 'lifestyle' that their communities could provide. Neighborhood branding emerged to suite this need. As we'll see in chapter 4, this branding evolved into something much stranger when developers began to conflate product hawking with community building, and their ideas of the house as 'home' and house as 'consumer product' merged. The hard work on the part of agencies and developers would pay off: where there were 500 homeowners associations in operation (HOAs) across the country in 1962, there were 20,000 in 1975.

CIDs and Proposition 13

In *City of Quartz*, Mike Davis pointed out that in 1960, over two-thirds of new housing constructed in Orange County (a large growth center) had been single-family units. In 1970, 60 percent of new units were apartments and condominiums. In the intervening decade, escalating land prices had killed the concept of an affordable starter-home and led to “the clouding of the California Dream”:

On the one hand, the open space amenities that supported the lifestyles and home values of wealthy [Los Angeles area] hillside and beach dwellers were threatened by rampant, large-scale development; on the other, traditional single-family tracts were suddenly inundated by waves of apartment construction. New development was perceived as a threat to the detached culture of low-density residential life. However reluctantly, in the face of entrenched conservative stereotypes and prejudices, elements of the environmental critique advanced by the Sierra Club and California Tomorrow gained currency amongst homeowner activists, who grasped at the notion that the endangered open spaces around their homes—even the “pastoral scatteredness” (aka urban sprawl) of their subdivisions—were conservation values as much as rock piles in Yosemite or wild rivers on remote coasts. (1990, p. 171)

Peter Schrag added that it was “homeowner associations and the perceived nexus between taxation and development...spiced by mounting anger against school busing, that became the backbone of the tax revolt of the mid-1970s” (1998, p. 137). In fact, activist homeowner groups in San Fernando Valley managed to get building height limitations passed on Ventura Boulevard, and in Monterrey Park in 1976, a local initiative passed by 85 percent majority to restrict the construction of condominiums (1998, p. 136).

Indeed, by the mid seventies, the FHA and ULI had in the very least firmly implanted in homeowners an ideology of wealth maintenance as the logical progression from the wealth creation (read: home owning) ideology that was instilled in Americans following the Second

World War. Further, with the most enfranchised voters—whites and other members of the middle class—out of urban areas and beginning to no longer rely upon the services those cities provided, it should come as no shock that, after the a significant level of perceived threat to homeownership arrived, Howard Jarvis was able to mobilize these voters towards the Great Tax Revolt, capped by the passage of Proposition 13. Certainly, McKenzie saw the relationship between privatization and the great tax revolt as a symbiotic one. While privatization may have spurred the Great Tax Revolt, privatization clearly benefitted from the revolt's success:

It is no accident that the use of this particular form of privatization began to increase greatly in the mid 1970s, when local governments found themselves facing demands for more services despite their shriveling revenues. Local tax revolts and reduced federal aid to cities coincided with a deliberate shifting of responsibility for many social and regulatory matters from the national level to state and local government. The result, for many cities, was the specter of budget deficits and potential insolvency. At the same time, the administrations of Presidents Carter, Reagan, and Bush promoted, subtly or explicitly, an existing popular dislike for government and a general confidence in private enterprise. Together, the twin demands of budget deficits and renewed belief in the private sector legitimized a search for new ways to perform government functions. (1994, p. 178)

Prop 13 also probably exterminated the small-time developer's business: rising development costs due to new city requirements (discussed in chapter 1) made capital requirements simply too high for the minimal profit margin and high risk of entitling, building, and selling a single home or a few homes. Developers that had not institutionalized or found financing sources fell by the wayside even quicker in the years following Proposition 13. What became important, though, especially after the passage of the Mello-Roos Act in 1982, was the developer's expanding use of the CID, and its implicit homeowners' association.

The HOA in Chula Vista's Master-planned Communities

Homeowners' associations are nearly omni-present in the master-planned communities that fill Chula Vista's east side, leaving residents little choice over whether to purchase a home with or without an HOA. The various EastLake HOAs are the most influential, so I will focus on those, particularly the Bristolwood at EastLake Greens (EastLake II) HOA.

First, though, it would be useful to notice the upward trend in HOA dues over time as illustrated in Table 2-1 (on page 65). There are two foreseeable reasons for this. First, as discussed in chapter 2, newer developments have been geared towards an ever-wealthier homebuyer, so this increase may reflect the higher cost of an increased *quality* of service. Second, this increase may reflect an increased level of responsibility. I believe the increase stems from a combination of the two factors. The amenities in EastLake III certainly were advertised as being more luxurious than EastLake I and II; however, the rising proportion of Mello-Roos payments to the total amount of assessments levied for each home reflects (as discussed in chapter 2) a *decrease* in the use of open space maintenance assessments for the project. This means that developers, in this case EastLake Co., decided to forego city maintenance services (provided through the creation of said open space maintenance assessment districts), and instead place the responsibilities on their own HOAs for management.

This change, if true, perfectly illustrates the institutionalized social stratification feared by McKenzie, Scott, and scholar Charles Murray, who argued that the cleavage produced by “this differential privatization is intertwined with, and reinforced by, other divisions. These include homeowners v. renters, suburbs v. cities, and the differences in race, class, and age that are associated with home ownership and residence” (in McKenzie 1994, p. 187). McKenzie, citing Murray, continued: “[This schism] is likely to become most apparent in the context of

electoral politics at the state and local level. The specific issues involved in these impending political conflicts will most probably stem directly from the privatization of government services for some and not for others” (in 1994, p. 187). Indeed, as discussed in chapter 1, voters rejected Proposition H, which would have mitigated continuing budget cuts in the city of Chula Vista. Perhaps McKenzie was right in concluding, “Rather than offering a solution to the problems of big cities as...intended, CIDs exacerbate them. The developments take over many municipal functions for those who can pay the price” (1994, p. 21).

The Bristolwood at EastLake HOA governs a small subset of EastLake II, and its residents are bound by restrictions that are constant across the development along with some that are specific to the hyper-localized area. Each resident’s \$54 per month dues, and any fines collected, fund neighborhood projects like mail box replacement, curb painting, and ‘holiday spirit’ contests, as well as paying for a salaried property manager, generally contracted through a larger property management company.²¹ A board of volunteers administers the HOA, like others in the area.

In 2010, the HOA Board decided to refresh its residents on the Covenants, Conditions and Restrictions (CC&Rs) by posting the title to each section of the CC&Rs that governed the community on its online newsletter. The HOA had some sort of regulation governing “permitted uses and limitations”, “residential use”, “commercial use”, “rental of the dwelling”, “the posting of signs”, “nuisances: hazard and waste”, “temporary structures”, “vehicles”, “animals”, “oil and mineral rights” (to precious findings), “unsightly items”, “antennae”, “drainage”, “garages”, “no

²¹ The HOA’s property manager, Teresa Prescher, holds three relevant titles: She is a Certified Manager of Community Associations (CMCA), Association Management Specialist (AMS), and Certified Common Interest Development Manager.

obstructions”, “rubbish”, “fires”, “landscaping”, “right of community association to maintain and install”, “window coverings”, “front yard maintenance”, “driveway areas”, and “maintenance of fences”; among others (Bristolwood HOA 2010, February 17). The website further explains the process for dealing with CC&R complaints made by homeowners upon each other:

Management will notify the board of the complaint. The board then investigates the complaint. If there is a valid CC&R violation the board issues a violation letter. The homeowner has 10-15 days to comply. If the violation is not cleared by the Non-compliant homeowner after letters and a hearing - fines are levied. (2011, February 15)

With hundreds of regulations, the HOA board could most likely find some violation at every one of its residences. However, it pays most attention to some main small ones. The most pertinent to the community are posted permanently on the HOA’s website:

- After pickup on Mondays, trashcans must be off street and stored behind a fence or out of sight from the front yard.
- No commercial vehicles permitted on La Costa Ave.
- When outside dogs must be on a physical leash and controlled by their owner.
- Yards must be maintained by mowing, weeding, fertilizing and watering regularly.
- Architectural changes to a home require approval from Eastlake Greens. (2011)

On the other hand, the HOA’s stance on a rash of instances of speeding in March 2011 exhibits its alarming power. The Board weighed in on the issue, wielding a police power greater than that of actual police: “Speeding on residential roads is dangerous for pedestrians and other drivers. Slow down on La Costa Ave. Speeders will be sent violation letters and possible fines

will be levied” (2011, March 21). Theoretically, if a fine was indeed levied, and the offender refused to pay, the HOA could begin a process of accelerated foreclosure upon that resident, and move in someone who would follow the community’s (read: the developer’s) rules. Finally, it is important to note that *all* of EastLake’s almost 10,000 homes are governed by similar sets of CC&Rs, and while they may differ slightly, Otay Ranch’s 7,000 homes have theirs, and Rolling Hills Ranch’s 2,000 homes have theirs.

There are no publicized examples of violations rising to the level of foreclosure (or ridiculousness) in Chula Vista. However, stories abound from across the country. For example, in Ashland, Massachusetts, a Vietnam War veteran was told that he could not fly the American flag on Flag Day. The board only backed down after the resident called the press and the story appeared on the front page of a local newspaper. In Monroe, New Jersey, a homeowner association took a married couple to court because the wife, aged 45, was three years younger than the association’s minimum age for residency. The association won in court, and the judge ordered the sixty-year-old husband to sell, rent the unit, or live without his wife. In Vista, California (a city similar to Chula Vista in northern San Diego), a lien was put on a woman’s home for \$192.04 it was owed plus legal fees and costs. She resumed paying the dues on time, but when disputing the amount of fees, late charges, and costs (which brought the lien to \$857.13) the association served her with a foreclosure summons (all in McKenzie 1994, p. 15-16).

And yet, residents continue to pursue ownership of these homes. As Ezra Hanono, an EastLake III resident (and my uncle) explained, “You know what you’re signing on for when you sign the paper, and if you don’t you’re stupid. There’s nothing I’m going to be doing that is in violation of the CC&Rs, and I appreciate looking at a nice, clean neighborhood...People want

to know their property value is safe” (2012). Indeed, property value stabilization took its position as the most sought after goal during the Great Tax Revolt and has engrained itself in the Californian psyche since the passage of Prop 13.

Conclusion

As mentioned, by 1970, there were 20,000 HOAs in operation in the United States. By 2000, there would be 225,000, governing 32 million American homeowners (McKenzie 1994, p. 11). They tend to be located in Sunbelt states, where most of the nation’s growth occurred during those decades, and continues to occur. As discussed in the case of Chula Vista, the pattern of CID construction consolidated leaving almost no choice for residents. If they wanted to purchase a new home, it would be in a master-planned community with an HOA that had the power to foreclose on a member for missing his monthly payment, or for the failure to pay fines that resulted from an un-mowed lawn, or any other violation of one of the multitude of rules governing the neighborhood.

However, residents see no problem with their treatment, and cite the security and stability of their neighborhood as the utmost priority, to which all other considerations are secondary. The courts turn the few that do fight the power of their HOAs away: California’s courts have defended the right of the HOA repeatedly in challenges to their validity; after-all, membership and the rules governing the rights of each individual homeowner are tied to each deed.²² With no recourse, residents pay their dues with varying degrees of satisfaction, and seethe over their high taxes (indeed, many of these residents also pay Mello-Roos, and will for the next fifteen to

²² See McKenzie’s *Privatopia* (1994) for a nearly comprehensive list of court cases fought across the country on the subject of homeowners fighting HOAs.

twenty years). Though this was perhaps a predetermined fate; in 1994, McKenzie surmised, “This ‘privatization for the few’ has the potential for creating and amplifying social division and conflict between CID residents and local governments” (1994, p. 186).

Over time, developers and then citizens, internalized the rhetoric sponsored by the FHA and ULI to an extent where these initial movements have been forgotten. In the concluding chapter, we will see the story come full circle, back to a place where residents and developers alike espouse views with rhetoric stemming directly from the practices promoted by the FHA and ULI in the early sixties, and with ideologies governed by the political schism created during the tax revolt of the seventies. However, the discourse preceding this point should arm the reader with enough knowledge to discern the origins of each view. We will also examine Chula Vista demographically, in order to view the outcomes of a process more than thirty years in the making.

4

Consolidated Inequality

EastLake must almost have its own community; they've done a great job over the past 30 years haven't they? It's amazing what the perception of that is. You know, branding and marketing are important in any business, 'cause you are creating; you're marketing to where people are going to raise families and have homes. So lifestyle is a really important component of marketing houses for sale. Lifestyle is just, 'Why do I want to live there?' 'Cause in EastLake you can live, work and play.

—Scott McMillin, developer, 2012

Branding, or indeed, the idea of a consolidated community, has become a significant marketing method to attract new residents to Chula Vista's eastern communities. On the community website, EastLake, which boasts 9,800 residences (about 35,000 people), boasts the top ten reasons for choosing a home in one of its five distinct communities. The website attempts to distinguish itself from competitors, chief of which is Otay Ranch (which began the entitlement process in the mid 1980s and has yet to be built out). Highlights include “private residential parks within each neighborhood” which “may include pools, spas, clubhouses, tennis courts, basketball, picnic areas, and children’s play areas;” retail centers like the EastLake Village Center and EastLake Village Marketplace; the EastLake Educational Foundation; and HOA’s that provide private security patrols, manage the community golf club (“open to the public, but with special privileges to EastLake residents”), and plan vacation day-camps for kids and adults alike (EastLake Co. 2007). It is no wonder then, that Camille Bruno, a longtime Chula Vista (and EastLake) resident values her master-planned community.

Ms. Bruno moved in to EastLake Hills (part of the EastLake I development completed in the early 1990s) in 1986, and then traded that neighborhood for EastLake’s newest and most affluent—The Woods at EastLake—in 2004 when the new home was completed. She said, in 2004, “I know Chula Vista doesn't want this, but EastLake is like its own little city. We have everything out here... It doesn't have that *Chula-Juana* title it used to” (Oakes 2004, January 3, p. B-6). *Chula-Juana* is a portmanteau of Chula Vista and Tijuana, the Mexican border-town, where poverty is ubiquitous and crime is rampant.

This idea of escaping *Chula-Juana*—the west side of Chula Vista—predominates feelings about where one comes from in the city. As the city has grown, a privileged group has seen its collective fate detached from the fate of those on the west side of I-805, who continue to rely on the City of Chula Vista for municipal services. A growing city may develop distinct neighborhoods with distinct personalities, but Chula Vista’s differences track neatly along class lines. More importantly, Ms. Bruno’s statement hints at the strategic marketing factors the EastLake Corporation was so adept at cultivating: building a brand for the subdivision became a key way to differentiate the *community* from the others around it, and especially from the impoverished west side of Chula Vista, to the municipality’s detriment. Ms. Bruno went on to discuss initially being chided and discouraged from moving into Chula Vista because of its reputation.

Angelique Williams, a resident of one of the poorest neighborhoods in Chula Vista—a trailer park on Broadway Avenue, the city’s western-most corridor (once a booming economic zone due to cross border traffic—before Interstates 5 and 805 took its traffic), was also interviewed: “We are basically the bad people of Chula Vista...We are kind of forgotten.” The author of the piece, Amy Oakes, explains: “Many west-side residents complain the city

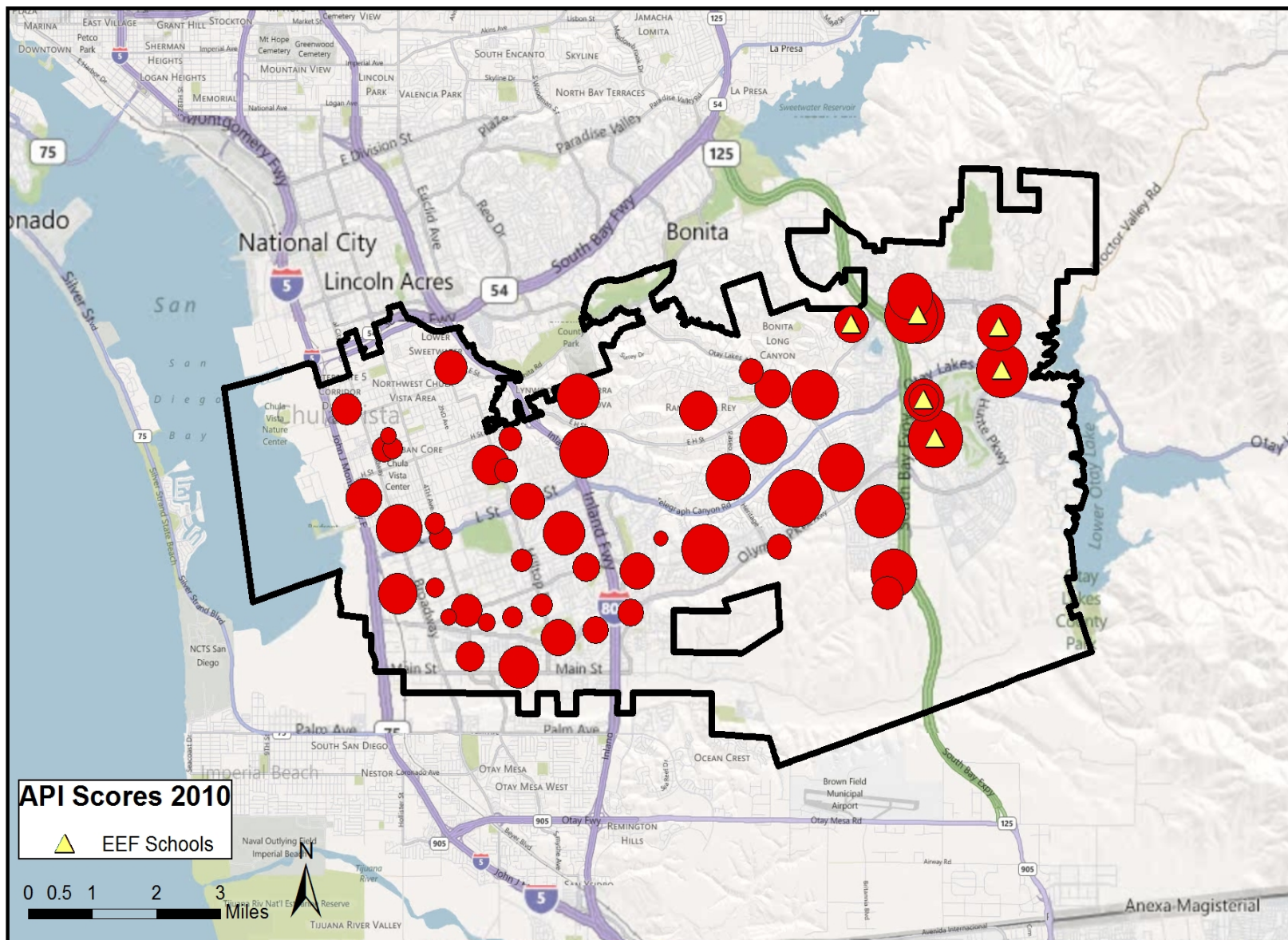
government focuses solely on what happens across town. Every time a new park is built or a restaurant opens there, the division deepens. [Williams] says the city hasn't dealt with health and safety code violations in her park and was slow to respond to her concerns. She would move, but with a family of five living on one income, it's tough to beat the \$400 monthly rent” (both 2004, January 3, p. B-4).

Developer-Sponsored Education

The EastLake Educational Foundation (EEF) is both the EastLake Co.’s crown jewel, and the most damning feature of the post-Prop 13, post-Mello-Roos paradigm of growth. Geared towards grants for technology, the EEF states that it funds “programs that are either poorly funded through traditional means or have no existing funding base through the public school districts” (EEFkids.org 2011). This is to say that it has provided over one million dollars in supplemental aid to precisely the programs that which no other students at the 42 other elementary schools, 10 other middle schools, and 12 other high schools in the Chula Vista Elementary School District (CVESD) and Sweetwater Union High School District (SUHSD) have access.

CVESD is the largest elementary school district in California, and SUHSD is one of the largest secondary districts in the state, serving 46 and 23 schools respectively. Having school districts that are so large poses a certain set of problems, primarily dealing with the quality of education that exists across the economically diverse city. Those west of I-805 attend worse achieving schools. The “Academic Performance Index” (API), which the state of California uses to measure scholastic achievement from 2nd to 11th grade averages 769 on the west side of I-805,

Figure 4-1: API Scores by School, SUHSD & CVESD.



Sources: City of Chula Vista, CVESD, SUHSD, NHGIS.org

while averaging 844 on the east side including the six EEF schools; the figure drops to 832 without the help of the EEF schools. The EEF schools average 869, with three of the four elementary schools topping the coveted 900-number that distinguishes California's very best schools. The State of California deems schools that score above 800 as "proficient." Figure 4-1 shows the location of each public school (elementary, middle, and high school) within the Chula Vista's borders; the graduated symbols represent relative achievement on the California Standardized Tests measured in API. The disparity makes some sense: studies have long shown a correlation between wealth and scholastic achievement.

Further, the initial endowment for the foundation was created by the EastLake Co, and three-quarters of a percent of the sale price of a home in EastLake Trails (an EastLake II neighborhood) is contributed to the organization each time the house is sold. It may come at no surprise that a developer that set up private governments for its residents to administer its pools and parks as city parks and pools saw severe budget cuts or were closed also created a privatized school fund to supplement the dwindling state budget for education. This is exactly the type of situation that post-Prop 13 California faces—the social safety net is too small to provide an actual level playing field, or at least a playing field in which the wealthiest groups don't feel compelled to supplement their child's public education.

Live, Work, Play

It would also be useful to understand the perspective of one of the region's preeminent developers. Scott McMillin, President and CEO of McMillin Homes and McMillin

Communities, shared his thoughts on branding, the use of Mello-Roos' community facilities districts, and the distinction between homebuilding and community building.

Scott's father Corky founded McMillin Homes in 1960 as a family home-builder, working on single home contracts and later on the subdivision of lots in (what is today) western Chula Vista. As developers began to institutionalize at the encouragement of the FHA and ULI (as discussed in chapter 3) so to did Corky McMillin. After securing Asian investment partners, McMillin Homes (then McMillin Development and Home Capital Group) was able to purchase the entitled Rancho del Rey master plans from Al Gerston, a Los Angeles-based developer, who eventually grew frustrated by the growth policies of the City of Chula Vista and chose to sell. McMillin continued to develop with this now standard larger footprint, and participated in some capacity (either as master developer or home builder) in four of the seven major east side master-planned communities. After Corky passed away in 2001, Scott and his brother Mark took over and continued the business. McMillin Homes has an entitled 210-acre mixed-use project called Milenia, due for completion some time in 2015.

I asked Scott McMillin what he thought about Ms. Bruno's sentiments, namely her escape from *Chula-Juana*. He was coy about the question, so I repeated it in different words.

GERAD: Do you feel like developments would have been as successful if they were marketed as Chula Vista developments?...[T]hey've been annexed, but really, people don't say, 'Hey, I live in Chula Vista;' they say, 'Hey I live in EastLake.'

SCOTT: EastLake must almost have its own [community]; they've done a great job over the past 30 years haven't they? It's amazing what the perception of that is. You know it...it [chuckles]. Branding and marketing is important in any widget that you do, 'cause you are creating, you're... you're marketing to where people are going to raise families and have homes. So that's that is lifestyle, is just a really important component of marketing houses for sale. So umm, lifestyle is just you know, 'Why do I want to live there?' 'Cause you can...in EastLake you can live, work and play.

GERAD: Isn't that their slogan?

SCOTT: Yep, I think it is. It's 'cause of the parks, 'cause of the ball fields. You know, it's because of the great schools; it's because of the proximity to the regional assets, to the regional amenities, you know, [it's] close to downtown, so that's [stammers], you know. So branding that and giving it an identity all the way down to your individual product, because buying houses is all emotion. Its still very emotional, an emotional decision. (2011)

Having been a main player in the less successful Otay Ranch development, Mr. McMillin seemed to be envious of the way EastLake was able to separate itself from the rest of the competition, and from the rest of the city. I asked him about why he believed Otay Ranch, and more specifically, his Milenia project in the master planned development did not get the chance to get off the ground prior to the market collapse in 2007. After citing the financial problems the builders adjacent to his parcel had, and identifying other issues, he spoke about Chula Vista's image.²³

It is the image of Chula Vista, okay, it's the image to the rest of the county, and [stammers] you know, businesses grow where CEOs want live. That's why you know the best office market in the area here is in Del Mar [a community in northern San Diego County]. You know that's where everyone wants to live. Why did everyone want to live there? Quality of life, but one of the biggest things is schools and school districts and where they want their kids to go to school. And when South Bay started growing and putting in new high schools and having better test scores that was the chicken and egg thing that grew the South Bay. And as San Diego was growing with jobs and people moving here with jobs and more educated jobs, you know we actually went through an economic restructuring in San Diego from manufacturing to biotech and high tech industries. And when that happened they all went to where the CEOs wanted to live and where the people wanted to live, and that was schools. And now South County is getting some of those. You know the EastLakes, Bonita, Chula Vista,

²³ Current development practices are such that often a master developer completes the entitlement process, completes the installation of infrastructure (sewers, roads, etc.) and then sells the finished lots as products to a home builder that then markets and sells the homes at specifications outlined by the city-approved development plans.

the blue ribbon—the test scores are phenomenal in the elementary schools so that’s a major component of housing development. (2011)

He later mentioned that western Chula Vista was not doing its part in development—it was holding Chula Vista’s forward movement back with its anti-growth philosophy. Clearly, one of EastLake’s main successes was separating itself from the rest of Chula Vista and creating an environment in which the ‘CEO’ lifestyle was readily available.

He shared his thoughts on the evolution of home development with respect to the proliferation of private government associations and the widespread use of Mello-Roos in new developments upon prompting:

GERAD: Do you feel that [the use of Mello-Roos] might create an equality issue? Versus, I mean with east side developments that use Mello-Roos that have a higher standard of amenities because they’ve been able to use this public financing versus obviously the older sections of Chula Vista that don’t have it or don’t have that option and are relying on the city? I mean obviously they’re newer so they’re going to be nicer no matter what, but do you feel like there’s even a step beyond that because of Mello-Roos?

SCOTT: No, you know, I think, you know, newer dev... New cars you know—they didn’t have electric windows forty years ago, and they have electric windows today, and why? Because they found that consumers preferred that. Or, you know, the needs of fuel efficiency; fuel efficiency in a vehicle today is much better than it was forty years ago, because of *need*. You know, because of resource need, I [stammers], well, there is just more knowledge and more experience and more understanding of a community’s needs, you know, of what are the parks that are required for how many household formations are created, which is a different formula than it is today. Now, the taxes go to the [stammers] parks and [recreation], so the money goes to the cities, you know, that support those [programs]. So, you know, within their budget and their allocation, they [stammers], you know, support those projects, or you know, maintain and sustain those amenities and surfaces in the community. (2011)

Firstly, became obvious that Mr. McMillin understood that he needed to speak carefully. After he evaded a first question on the advantages of public financing for developers, I continued

prodding a bit about a project, Rolling Hills Ranch, in which McMillin Homes chose to forgo the option (it had already been entitled by another developer when McMillin purchased the land and development plans). He admitted that developers would be unlikely to develop in the future without public financing because after Proposition 13 passed, cities “began to look at the larger effects of a development. They began to require constructing infrastructure either concurrently or before the project could be built” (2011).

More interestingly, in his analogy to energy needs of cars with respect to the need to use public financing, he alluded to both developer need—because of the climate created after the passage of Proposition 13—and a consumer preference/need that developed, if he was right, between the 1960s and today. Further, he got it wrong when he asserts that Mello-Roos bonds, in general, are paid back to the city. In most cases, homeowner contributions go only towards paying off the principal and interest of the bond taken out by the developer for a development project. Property taxes contributed by these residents will end up in the city’s hands, but only after the county collects them and sends them to the State of California for redistribution (Shanske 2007, p. 714).²⁴ He was right in one respect though, about the city’s responsibility to maintain the amenities and surfaces—generally, Mello-Roos bonds only provide for the construction of such amenities and not their maintenance, unless another special open space district is created.

Lastly, we can juxtapose his analogy between the technological advancement of cars and the financial advancement of housing with his assertion that EastLake’s success was in its

²⁴ Generally, each county gets back 100% of each tax dollar collected. However, due to the *Serrano* decisions (discussed in chapter 1), the state collects and redistributes so that school funding can be equalized across the state. Orange County, for example, is a ‘donor’ county, meaning that some of its property tax dollars distributed for education fund schools in other counties.

developer's determination to build and market a *community*. He made an important distinction between the divergent tasks of homebuilding and community building: "Homebuilding is a commodity market. Homebuilding is...but developing a community is not" (McMillin 2011). This, combined with his other statements, seems to insinuate that Mr. McMillin is very aware of the developer's power to plan and shape a community based on its economic calculations, although Mr. McMillin denied any culpability for inequality in the city.

East and West, by the Numbers

For the U.S. Census year 2000, Chula Vista communities east of I-805 had almost twice the median income, three times the educational attainment, and a quarter of the poverty the communities west of I-805 had. Further, the east side's schools achieved higher test scores, it has twice the available park area (as a percent of total land) and less than a tenth the amount of blight (as a percent of total land) as the west side of Chula Vista. We can examine these statistics at higher resolution by examining census tract maps for educational attainment, poverty, and median income. Figures 4-2 through 4-4 depict the statistics summarized in Table 4-1. Values are split along natural breaks to portray the drastic differences between east and west in each map. Further, it is important to note that the poverty series (1970-2000) utilizes differing scales; this is in order to display the changing maximum income levels for considering 'poverty' over time in the city. The series shows a drastic increase in poverty on the west side of Chula Vista over time. Finally, I ran Getis Ord Gi* hotspot analysis, a feature of the ArcGIS program, in order to determine the spatial autocorrelation (clustering) and statistical significance

Table 4-1: Statistical Comparison of Eastern and Western Chula Vista, Divided by I-805.

	Mean API Score (2010)	Median Income (2000, \$)	Pop. with B.A. (% over 25)	Park Area (% total)	Poverty (% total pop.)	Redevelopment Area (% total)
West	769	37,179	11.7%	1.4%	12.0%	43.3%
East	844	68,965	32%	2.9%	3.1%	3.4%

Sources: City of Chula Vista, US Census 2000, NHGIS.org, CVESD, SUHSD

Table 4-2: Statistical Breakdown of Poverty Clustering in Chula Vista, 1970 to 2000.

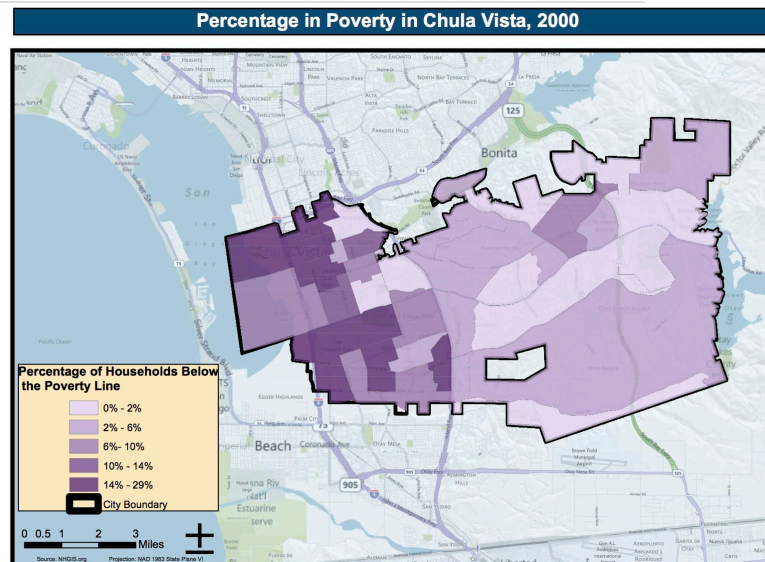
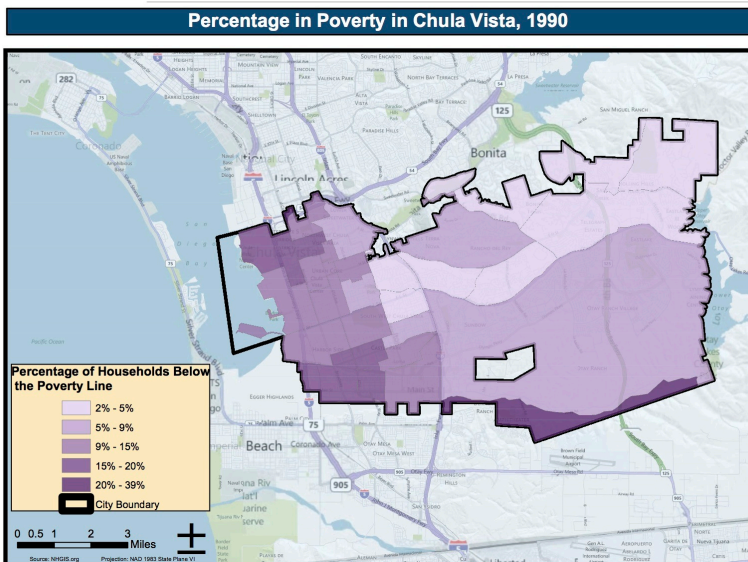
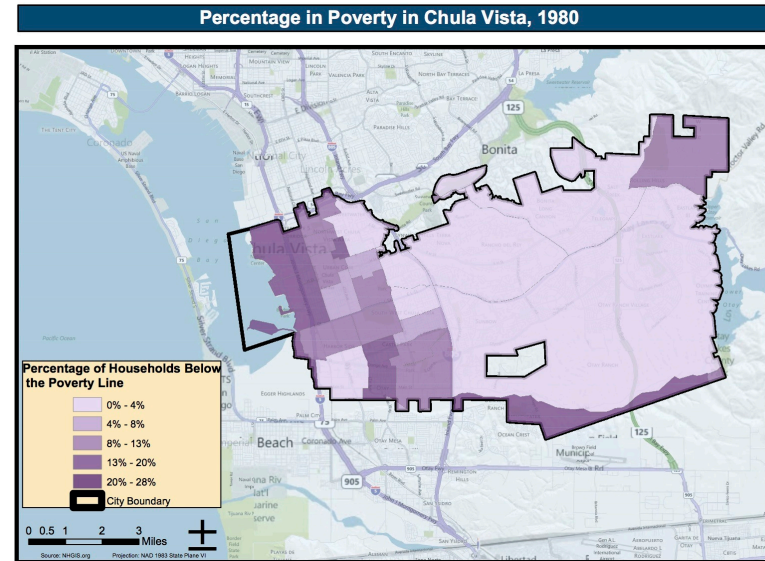
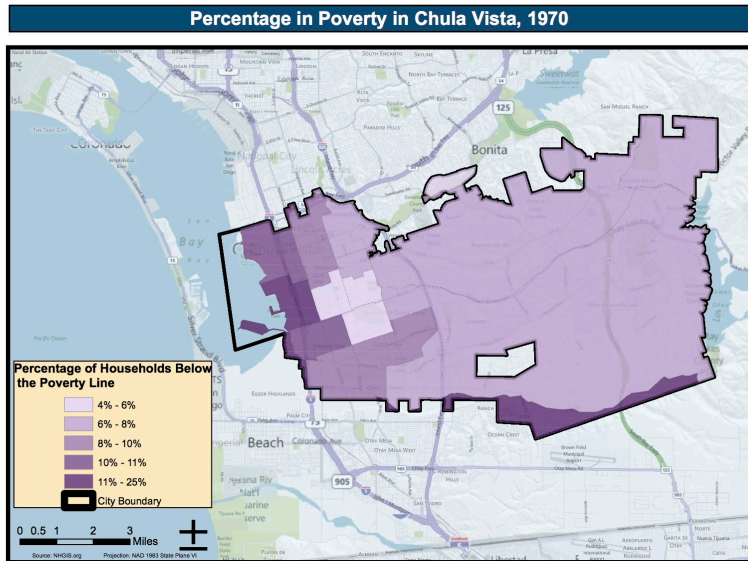
	1970	1980	1990	2000
z-score ^a	0.018	1.606	1.686	4.305
p-value ^b	0.986	0.108	0.092	0.000017

Sources: US Census, ArcGIS

^a The z-score is the output value of Getis Ord Gi* hotspot analysis; it is a measure of spatial autocorrelation, or clustering. For statistically significant z-scores, there is a positive correlation between z-score and clustering—as clustering increases, so does the z-score.

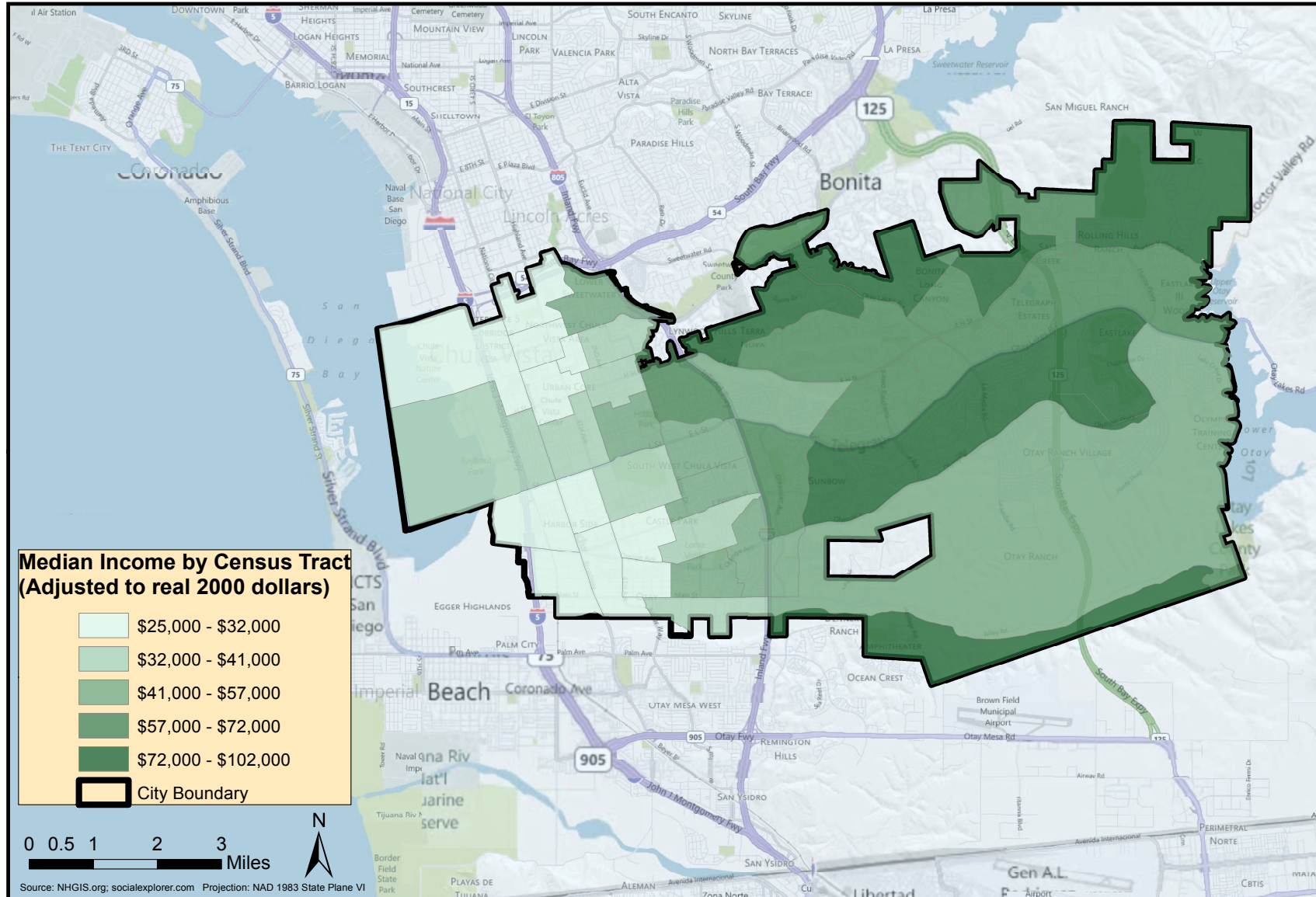
^b The p-value is a measure of confidence: $p < .10$ means there is 90% confidence in the variable's statistical significance; $p < .01$ means there is 99% confidence.

Figure 4-2: Percent Poverty by Census Tract, 1970 to 2000.



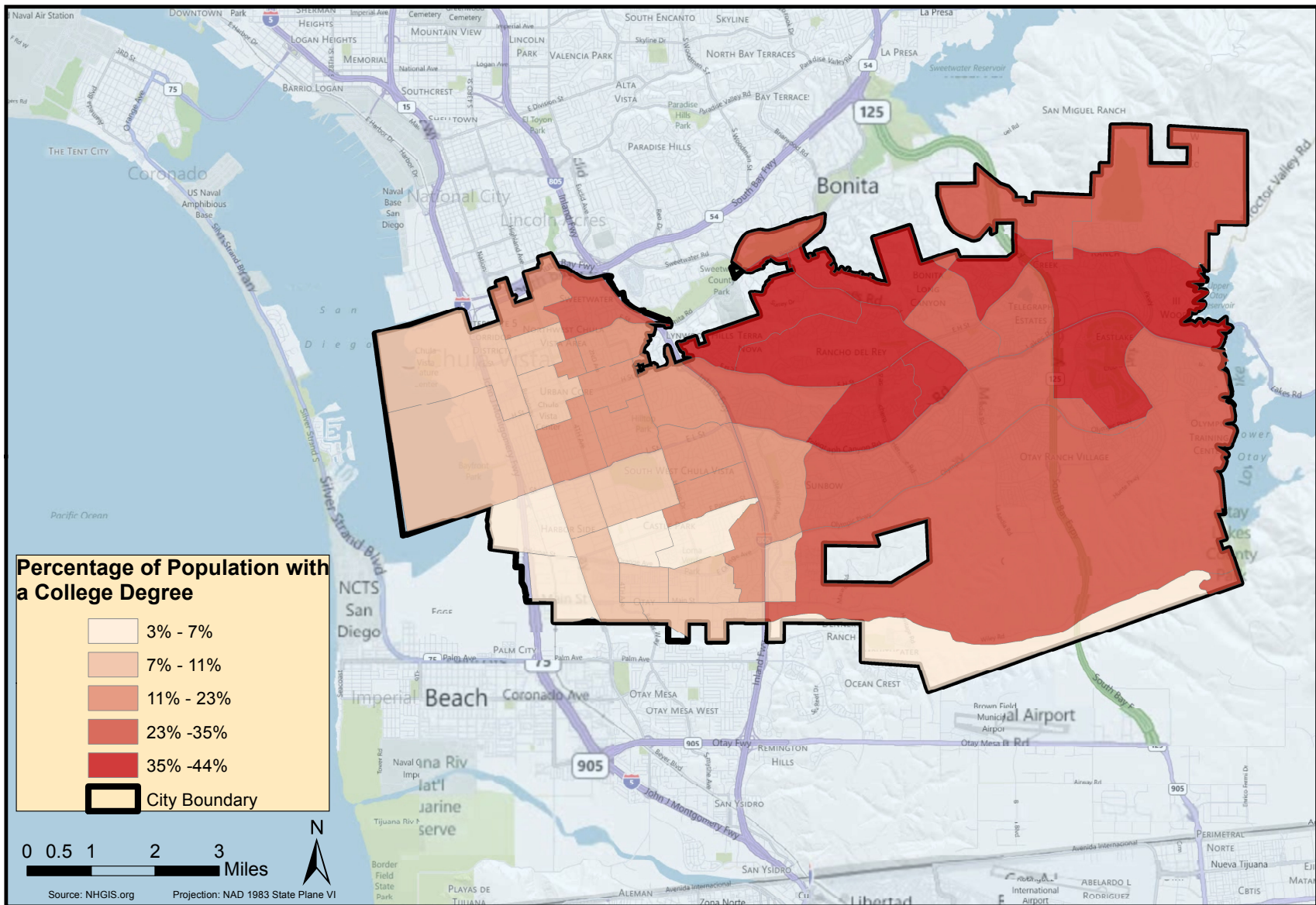
Sources: NHGIS.org, City of Chula Vista, US Census 1970-2000

Figure 4-3: Median Income by Census Tract, 2000.



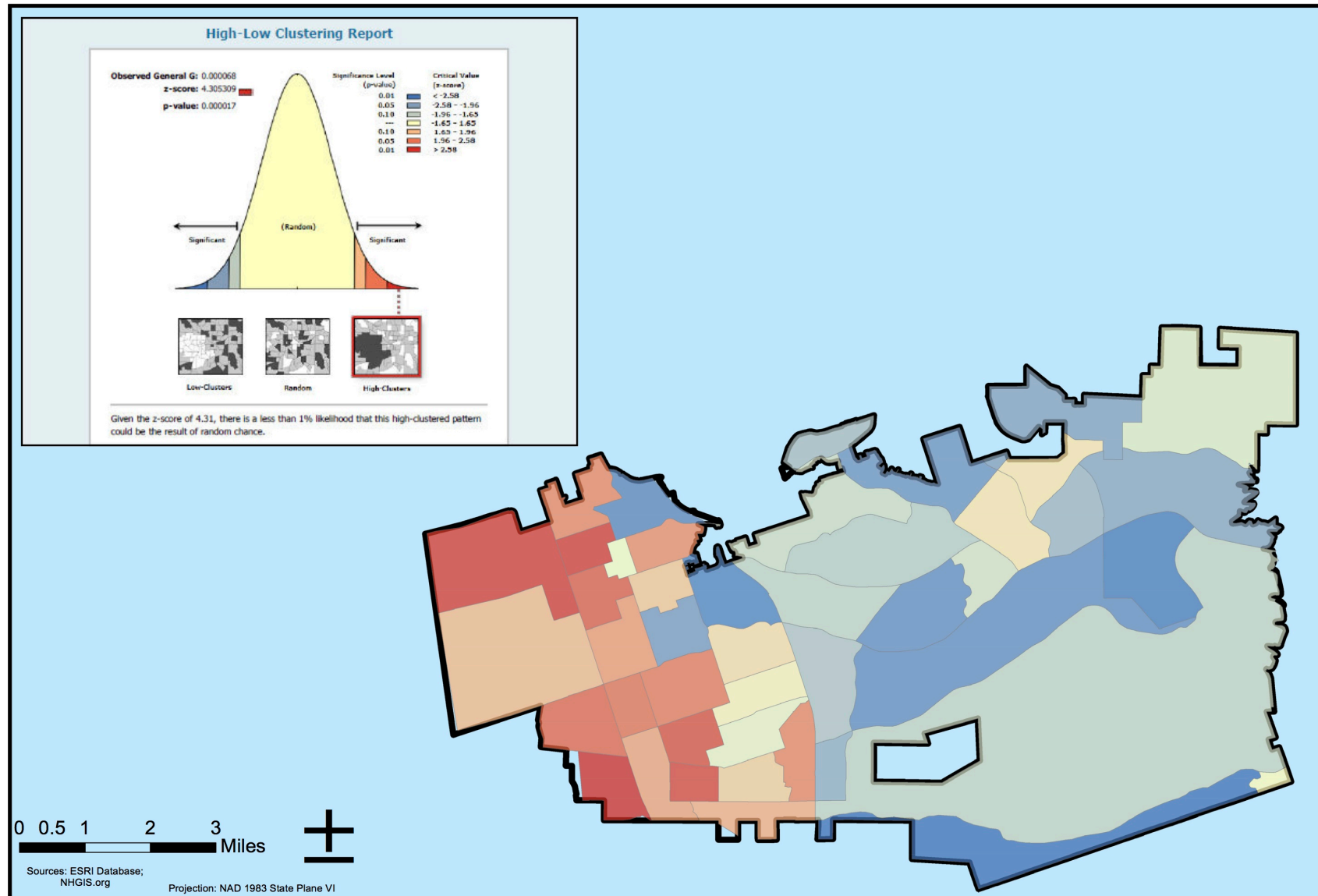
Sources: City of Chula Vista, NHGIS, US Census 2000

Figure 4-4: Educational Attainment by Census Tract, 2000.



Sources: City of Chula Vista, NHGIS.org, Census 2000

Figure 4-5: Z-Scores by Census Tract, 2000.



Sources: ESRI, City of Chula Vista, NHGIS.org, Census 2000.

of poverty in Chula Vista over time.²⁵ Figure 4-5 illustrates the results for the U.S. Census year 2000, and Table 4-2 summarizes the change over time.

The hotspot analysis provides clear evidence that poverty has indeed consolidated on the western side of Chula Vista over time since the passage of Proposition 13 in 1978. The key finding here is the dramatic change over time in the spatial segregation of the poor from the non-poor in Chula Vista over time. In 1970, before Prop 13 and Mello-Roos, there was no local clustering of poverty. By 2000, there was dramatic clustering, confirming the hypothesis that Mello-Roos financing allowed new communities to build their own semi-private infrastructure and to thereby isolate themselves from the western, downtown part of Chula Vista. For the year 2000, the data shows that there is a less than 1% chance that the clustering is statistically insignificant. Clearly, the development practices in vogue contributed to the consolidation of wealth in the East and poverty in the West.

Conclusion

Although certain sections of the community celebrate them, Chula Vista's master-planned projects, and the developers who planned and built them, have contributed to expanding inequality in the city and have led to the consolidation of poverty in the area west of I-805. There is no sign of that trend ending as development once again picks up in the ever-expanding city border. How could there be, when the City of Chula Vista requires five percent of new homes built in the master-planned communities to be low-income housing and five percent to be

²⁵ For a detailed analysis of the pertinent spatial calculation, see: (2005) Mitchell, A. *The ESRI Guide to GIS Analysis*, Volume 2. ESRI Press.

moderate income housing (Ordinance 19.001 1991, p. 7)?²⁶ With twenty percent of the west side community below the poverty line, and with a median income that is just over half of that of the east side, there is just not enough housing on the east side to allow the average west side resident to move into those new communities. So those on the west of I-805 will continue to fall behind those in the eastern communities, until the city demands more of developers, or can attract large-scale redevelopment projects on the west side. Due to the well-engrained development practices and policy, however, neither scenario seems plausible.

²⁶ ‘Low income’ is defined as those who are within 120% of the poverty line; ‘moderate income’ is defined as those who have a household income between 80% and 120% of the median income of the region.

Conclusion

This project sought to unpack the legacy of Proposition 13 and the surrounding Great Tax Revolt, using Chula Vista as its case study, through a close examination of the intertwined nature of the ideology that surrounded the passage of Proposition 13, the withdrawal of personal wealth from public institutions, and the proliferation of private government organizations for the upper-middle and middle class that supplement city services.

While the last forty years have been fraught with complex change, we have certainly been able to discern some macro shifts in the building blocks of community. As city-sponsored growth wound down due to the financial realities of post-Prop 13 California, developers' sponsorship, and indeed drive to grow, sped up with the help of key innovations in development finance (namely Mello-Roos) and development practice. We saw that while the middle and upper classes were able to begin drawing on these private sources of community to continue thriving, those at the bottom, those at the mercy of the ever-embattled city budget, indeed those in Chula Vista's older West, were systematically left out of the growth so richly enjoyed by the wealthier East. We saw that, at the same time, the rhetoric that swept across California during the Great Tax Revolt, and certainly the entire country in the years and decades after, became entrenched in paradigms of government as wasteful, privatization as beneficial, and the

‘nontaxpayer’ undeserving of aid. Finally, we saw both the origins and logical progression of the ‘home price stability as best and highest good’ ideology.

On the developer side, we saw the complex origins of the destructive leapfrog development pattern, which characterizes much of Sunbelt development over the past thirty years, in (1) FHA and ULI policies that encouraged planned-unit development, (2) an original anti-growth stance by residents that sought to limit building densities (especially in California), and (3) innovative financing in Mello-Roos that allowed developers to largely bypass both resident and municipal growth paradigms.

Finally, I intimated the Great Tax Revolt that began in California swept across the country ushering in a new national era of explicit destruction of state and municipal institutions that has continued to present day. The Neo-Conservative rhetoric that served Ronald Reagan’s presidency was very much the same rhetoric that Howard Jarvis and Paul Gann utilized in their march towards tax change across California. Today, the a wide segment of Americans share a deep-seated skepticism of government spending tied to coded language of accountability, ‘good business practices,’ and “my money, my taxes” belief systems.

Together, these slow movements have helped break the American system: privilege builds upon and serves itself, congratulating itself and basking in its wealth as the disenfranchised continue to go without, only falling further and further behind.

Directions for Future Research

I would like to think of Chula Vista as a case study for the rest of California’s cities and counties that grew rapidly in the last two decades of the twentieth century (Bakersfield, Orange

County, the Carmel Valley area of San Diego County, Walnut Creek, Dublin, Pleasanton to name a few), since an estimated 90% of new developments in California utilize the public financing provided for by Mello-Roos. However, the case of Chula Vista may be particular because the new communities that utilized these private features were annexed into a city with an already established community, which led to possibly unique challenges not faced by others—namely a neat geographic divide of wealth and resources. Further, the existence of large ranchos as holdovers from the American annexation of California allowed the opportunity for such large subdivisions to be built. Thus it would be perhaps more beneficial to examine the way Chula Vista is situated within the context of Post-Prop 13 California. This would require more work to be done on different cities within the state, in order to examine whether Chula Vista's narrative is common to at least a plurality of other Californian cities, or whether it is, indeed, only an outlier.

It would also be useful to determine to what extent the Great Recession, precipitated by the housing bubble burst, has changed perspectives on the value of homeownership and of programs, policies, and practices that are geared solely towards the maintenance of property values. While baby-boomers still show preference for the conventional single-family suburban home, many more are turning to townhomes, small-lot homes, and multifamily homes in walkable neighborhoods with easy access to shops and restaurants. A recent poll of Southern California voters showed that 64% of respondents would prefer to live in pedestrian-friendly communities over automobile-dependent communities, and 65% of respondents would trade larger homes and longer commutes for smaller homes and shorter commutes. For these reasons, some scholars have suggested that California's current supply of conventional single-family suburban homes has already exceeded the demand for the next 25 years.

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