

This wealthy California city just flirted with bankruptcy to avoid new housing

[Emily Hoeven](#)



A view of part of the proposed expansion area of the San Gabriel Mountains National Monument, with downtown Los Angeles visible in the background, on April 16, 2024 near La Cañada Flintridge, Calif.

Mario Tama/Getty Images

A new Rorschach test for NIMBY California cities and counties has been unlocked: How big of a hole are you willing to blow in your budget to block new housing?

This question confronted La Cañada Flintridge last week when a judge issued the wealthy Los Angeles County community a stark ultimatum: It could stop fighting a proposal for an 80-unit mixed-income development with hotel and office space, or it could post a \$14 million bond and continue its yearslong legal battle.

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Given that La Cañada Flintridge's [budget for the current fiscal year](#) is about \$42 million, the choice seemed like a no-brainer.

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What responsibly governed city would be willing to flirt with the possibility of bankrupting itself to fight a project that would boost the local economy and generate hundreds of thousands of dollars in impact fees for schools and other community benefits — and provide much-needed new housing in a region racing to rebuild after [devastating wildfires destroyed thousands of homes](#)?

Then again, La Cañada Flintridge had already demonstrated that it was willing to go to absurd lengths to block the project, which would be the city's first multifamily housing development in more than a decade.

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Among other spurious tactics, the city [argued in court](#) that a California law designed to desegregate historically exclusionary communities was unconstitutional due to the U.S. Supreme Court striking down affirmative action in college admissions.

The city also claimed that it wasn't subject to the "builder's remedy," a provision in state law that says [developers can bypass local zoning and design restrictions](#) for projects with affordable units in jurisdictions without state-approved housing plans.

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When development company Cedar Street Partners proposed the project, La Cañada Flintridge hadn't yet secured state approval for its plan to accommodate a [whopping 612](#) of the 2.5 million homes California needs by 2030.

But the city refused to process Cedar Street Partners' builder's remedy application, arguing — absurdly — that it had approved its own housing plan and was therefore in compliance with state law.

This prompted Attorney General Rob Bonta and Gov. Gavin Newsom's Department of Housing and Community Development to [file a motion to intervene](#) in a separate builder's remedy lawsuit against the city by a pro-housing organization called the California Housing Defense Fund.

La Cañada Flintridge "is without the legal authority to declare that its own housing element 'substantially complies' with state law," Bonta said in the filing.

And yet, even after a trial court ordered La Cañada Flintridge [to process the project application](#), the city didn't back down.

It appealed the ruling — leading to [the Feb. 28 order](#) from Los Angeles County Superior Court Judge Stephen I. Goorvitch directing the city to either drop its appeal or post the \$14 million bond.

That amount represented Cedar Street Partners' total potential losses due to La Cañada Flintridge's holdup of the project, including lost profits, inflation, the increasing cost of materials and interest and utility costs, Goorvitch

determined.

Goorvitch's order was a direct result of [newly strengthened state laws](#) that, for the first time, put a price tag on the steep cost of failing to build the housing California desperately needs. Although NIMBY local governments used to be able to leverage frivolous lawsuits and bad-faith delays to slowly kill projects they disliked, they now have to put their money where their mouth is — including by [posting bonds](#) if they continue to appeal court decisions.

More local governments are discovering they can't afford to play hardball.

In 2020, for example, Los Altos was ordered to post a \$7 million bond after it appealed a trial court's decision requiring it to approve a 15-unit housing project. [The City Council promptly voted to drop the appeal](#), noting that [it could](#) "severely impact the city's ability to provide even basic municipal services," and [later settled with the developer](#) for \$1.2 million.

And in 2021, Berkeley was ordered to post a \$15 million bond after multiple courts, [including the California Supreme Court](#), found it illegally denied a developer's application to build a 260-unit project on a parking lot atop an ancient Ohlone burial site. After a complex series of legal battles, Berkeley [was fined \\$4 million](#) and reached a [deal with the developer](#)

[to permanently transfer the land to Indigenous peoples.](#)

On Tuesday, the La Cañada Flintridge City Council became the latest to begrudgingly end its appeal.

“The financial cost associated with the appeals process outweighs the potential outcomes of further litigation,” the city said [in a press release](#). City officials did not respond to my request for comment.

What the city didn’t mention, however, is that taxpayers likely will still be on the hook for millions of dollars.

That’s because, once the city’s [formal motion](#) to drop the appeal receives court approval, La Cañada Flintridge will almost certainly be held responsible for paying not only its own legal fees, but also those of the California Housing Defense Fund and Cedar Street Partners.

Dylan Casey, an attorney and executive director for the California Housing Defense Fund, told me his group has racked up hundreds of thousands of dollars in legal fees. Alexandra Hack, a principal at Cedar Street Partners, told me its legal costs are in “the millions of dollars.”

Hack and Garret Weyand, another principal at Cedar Street Partners, told me the development company also plans to seek damages for losses incurred during La Cañada Flintridge’s appeal — which could total as much as \$7

million.

For Dave Rand, a prominent Southern California land-use attorney who's sued numerous cities for violating state housing laws, the takeaway from La Cañada Flintridge's legal saga is clear:

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For "resistance pockets of California municipalities" that want to continue baselessly denying housing projects, "you're going to have to think twice about doing this — because there's an astronomical cost and burden to going down this road," Rand told me.

La Cañada Flintridge taxpayers just learned that lesson the hard way.

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