

Thank you for the opportunity for the SBCCOG to comment on the RHNA allocation options. While several of the South Bay cities are submitting their comments individually, the SBCCOG is taking this opportunity to widen the lens and review the bigger picture of RHNA. The State and its cities have had conflicts over the process since its introduction in 1969. This is especially true of this 6<sup>th</sup> cycle because of the aggressive totals required.

Other commenters have similarly proposed RHNA reforms. See for an academic perspective, A Flawed Law: Reforming California's Housing Element, Lewis Center for Policy Studies, Monkkonen, Manville and Friedman, 2019 (<https://www.lewis.ucla.edu/2019/05/10/rhna-flawed-law/>).

From a perspective on the ground and based in 15 years of research and demonstration, the SBCCOG recommends that the state reform the RHNA process in two ways.

1. Develop a new collaborative process between cities and State. Complement the current strategy of assigning targets with a process by which HCD and other state agencies work together to collaborate with local jurisdictions so that housing actually gets built with appropriate affordable components (very low, low, and moderate) and is a component of creating complete neighborhoods.
2. Add a requirement that new housing development perform sustainably. Ensure new housing is sited consistent with a zero emission mobility option so as to reduce GHG emissions generated by the residents' mobility choices. Reducing carbon emissions is as critically needed as building housing to achieve the State's goals addressing climate change.

### RHNA should facilitate complete neighborhoods

The RHNA and subsequent housing legislation such as SB 50, should include regulations, incentives and tools that will facilitate local jurisdictions to plan, zone and implement complete communities regardless of proximity to public transit or job centers. This is a complicated challenge so that more planning will be needed, not less. Collaboration between state agencies and local jurisdictions is the path to making that happen.

### **Collaboration**

The question is, what process will result in actually building the sustainable housing needed in the variety of development patterns found throughout California, mostly suburban?

The RHNA assigns housing production targets to regions based on demographic projections and political negotiations. The MPOs allocate those totals to individual cities.

Local jurisdictions resist state incursion into land use policies. Failure to comply results in penalties. HCD is the sole arbiter of appeals. Conflict stalls re-zoning progress.

A process of collaboration between state agencies and local jurisdictions will produce better results with less friction at lower costs. The key is to promote a model of development that helps cities solve an existing problem in a way that will not add congestion and diminish the quality of life for existing residents.

RHNA Cycle 6 is supported by several narratives which need to be addressed as part of the argument for a new process.

The following quote from the Los Angeles Times neatly summarizes the narratives that are repeated in the press whenever housing policy is the topic:

“For decades some local governments have looked for ways to shirk that responsibility ([for fair share housing], bending to complaints from NIMBY groups that want to minimize traffic, discourage development and preserve the region’s low-slung suburban character. That’s one reason California is in a deep housing shortage that is fueling poverty, displacement and homelessness.”

Housing advocates are pushing SCAG to assign most of the new housing to coastal urban centers, where there are jobs and more extensive transit systems – and where housing costs have skyrocketed. These are also the areas that tend to fight density and new development most vociferously.” (“Gavin Newsom tells Southern California NIMBYs to expect new housing in their backyard,” Kerry Cavanaugh, August 23, 2019)

The main themes

- NIMBY neighborhoods and their elected representatives in local government stifle the rezoning that is necessary to accommodate each city’s fair share of the projected population growth
- The failure for coastal cities to zone for enough housing has resulted in unaffordable prices with a number of adverse outcomes.
- Borrowing from the provisions of proposed legislation SB 837 and SB 50, housing advocates have seized on the idea that single family neighborhoods present the zoning problem and that they must be up-zoned to allow more density.

Addressing the reality of those themes will lay the groundwork for a re-designed RHNA

### Theme 1: Cities are demonized as NIMBYs

NIMBY is a derisive term for residents who *selfishly* oppose adding density to their neighborhood, such as through dense pockets of transit oriented housing.

Clayton Nall, a Stanford University political scientist offers the following alternative characterization: “Established residents often see themselves as long-term shareholders in their community, As such, they feel a responsibility for protecting the community against perceived threats, which might include pollution, crime, and the undesirable effects of over-development. Indeed, back in the 1960s and 70’s, NIMBYs were the people fighting highways and oil refineries in their back yards, not fourplexes. In battling up-zoning some NIMBYs are animated by the fear of a takeover of their neighborhood by commercial interests. “ (Quoted in The NIMBY Principle, Laura Bliss, CityLab July 26, 2019)

Is that irrational? Probably not when investment firms like Blackstone are the largest owners of real estate in Los Angeles and other California markets.

Cities resist approving high volumes of housing for an important reason unrelated to neighborhood objections. According to leading financial consultant, Larry Kosmont, “What happens in the eyes of the city manager or city council is that housing – at almost any density – just doesn’t provide the revenue to support the services that housing requires.” (Planning Report, August 29, 2019). Cities don’t want to go broke and so resist initiatives that would move them in that direction.

The state may observe rising housing prices and a slow pace of housing construction, however there is no on-the-ground evidence that lack of multi-family zoning is responsible. There are other important factors in play.

#### Developers are the builders and have their own problems unrelated to zoning

Housing markets are still recovering from the “once-a-Century” recession of 2008. Essentially builders are concerned that they cannot make a profit, it simply costs too much to build VS the ability of consumers to pay. “Builders cite the high costs for land, labor materials and government fees, as well as the tariffs on many building products and appliances. Over the last year, they said, the potential profit on many new projects has shrunk to the point where it doesn’t make sense for builders or their financiers to take the risk.” “Housing crisis may worsen: Home builders pull back” (Andrew Khouri, Los Angeles Times, August 9, 2019)

The role of perceived risk cannot be overstated. Instability in labor and materials increases risk. Labor costs and in some cases outright shortages are exacerbated by federal immigration policies. Tariffs have affected the availability and cost of building materials.

Ironically, decreasing housing costs can also increase risk.

“Lots of people talk about wanting more affordable housing in CA, but the creation of relative bargains with price cuts on existing homes often scares off the same house hunters who claim they want to pay less. Why? These wannabe owners can get scared of overpaying as a price slide begins. Or they’ll wait to buy, hoping the discounts only get steeper. That wait and see mentality

can amplify an already souring situation.” (Bubble Watch: California’s home prices now among the nation’s biggest losers, Jonathan Lansner, Daily News, August, 2019)

Home buyers do not want to purchase in a declining market because the house is a high valued asset. Expected appreciation is essential to purchase.

Consistency of demand also factors into developer risk and foreign investment plays a role. When it appears and especially when it suddenly disappears.

“Mainland Chinese last year accounted for 34% of the home purchases in California. In the case of Irvine, Chinese investors made about half of the home purchases. Chinese home buyers would typically offer all cash over the asking price.

However, the Chinese government recently limited the cash that can leave the country for each family member This retreat has resulted in a 1.6% decline in the median home price in Irvine.” (See “Homes for Sale: Chinese investors are purchasing fewer US houses, Yan Zhang, USA Today, August 26, 2019).

Fear of a recession can also erode investor confidence. Builders are painfully aware that over-building housing was a factor in accelerating the 2008 recession, a great deal of money was lost as a result.

Add to that the specter of Artificial Intelligence and robots replacing jobs. This is just not a time to expect hot market for new construction,

## Theme 2: The slow rate of housing construction is responsible for unaffordability

“Unaffordability” is most often used as the indicator that a housing shortage exists. This is explained by a product of simple market dynamics – demand exceeds supply and so prices increase. According to the narrative, the response is to build more housing; and strategy for doing that is to up-zone single family neighborhoods.

The coastal counties of Orange and Los Angeles, as major job centers, are the targets for increased density as housing prices are among the highest in the state.

However, affordability is more complicated than simple gross level of supply. The millennials’ lack of resources is part of the problem. They cannot afford to pay what previous generations paid at the same age.

“For Millennials (age 22 to 38) the 2008 recession never really ended. They graduated into the worst jobs market in 80 years, resulting in a decade of lost wages. They also are carrying a trillion dollars of educational debt. The toxic combination of lower earnings and higher student-loan balances, combined with tight credit in the recovery years – has led to millennials getting shut out of the

housing market.” (“The Next recession will destroy millennials,” Annie Lowrey, The Atlantic, August 26, 2019

The reality of being a job center in the digital economy is also part of the problem. A large segment of those jobs is high paying. When demand for housing is driven solely by the most affluent renters and buyers in a marketplace, home prices and rents are bound to run away to astronomical heights. A narrow focus on the supply of housing is misleading.

Blackstone’s corporate investments, mentioned above, are another source of housing price escalation. Entities with resources simply outbid those without. Cities up-zoning can’t really fix the resulting mess.

#### Housing affordability fluctuates by product and location

Affordability is a function of location: Perhaps it is an inconvenient truth for density advocates but a portion of the those who are priced out of some markets are seeking a single-family home, the very product that residential up-zoning will replace. A recent survey of Google search terms for housing found that the top request was for ranch homes. A 1,000 square foot apartment adjacent to a rail stop failed to register.

In contrast, a 4 bedroom house loaded with amenities is available in the southwestern Riverside County City of Murietta for \$400,000. Families with children will opt for that option and “pay” with their time and mobility costs. That Murietta is one of the fastest growing cities in California suggests that the demand for the single family home is strong. Such a home could cost upwards over \$ 1 million on the westside of Los Angeles.

The land values, not the zoning, make it impossible to build affordable single family houses in Orange and Los Angeles counties. Ironically, up-zoning will reduce the supply of single family neighborhoods. In the supply-demand framework of the current discussion, the cost of single family housing in these areas will become even more unaffordable. Why is this a good idea? What interests are driving single family densification? Who benefits? Why aren’t the other options being explored?

#### Conclusions about the narrative themes

Housing supply and affordability are complicated phenomena. Are local governments really the problem or are they the scapegoat for poor state policy, structural problems with the economy and risk averse developers?

The attack on local governments deflects attention from the other factors, especially state policies. Blaming locals saves the state from accepting responsibility for its part of the dysfunction. The goal should be to develop a process that will actually result in housing that will meet the needs of low- and moderate-income residents while protecting the environment

### Basis for Collaboration: Help cities solve growing problems

Use housing to solve growing city problems, vacancies on commercial arterials and worsening street congestion.

The chances of not only more housing zoning but also more house building will be maximized when the cities and the state share goals. This can be accomplished by characterizing housing development as a key component of a strategy for reducing traffic by reshaping the suburban development pattern to complete neighborhoods that depend on zero emission micro-mobility rather than automobility.

The most logical place to look for land to build housing is the commercial and industrial districts in most cities that are underperforming and rapidly becoming obsolete. That land should be analyzed for potential to redevelop into housing. Rather than transit orientation, the new housing should be used to create “complete neighborhoods” with a high mode share by active transportation and zero emission micro-mobility. Plans for “complete communities” should also speed permit approval because cities understand their local benefits.

In 2018, SCAG and the Orange County Business Council collaborated on a study of the potential for redeveloping commercial and retail structures. While .5% of the county’s total acreage is vacant, there are several thousand acres of commercial or retail zoned properties that are good candidates for repurposing. They contain structures that are 40 to 60 years old. That land has more than five times the redevelopment potential of other land use types.

The SBCCOG. Land Use–Transportation Chapter of its 2018 Climate Action Plan modeled how carbon emissions can be reduced by consolidating retail, commercial, educational, government and medical destinations into a system of compact neighborhood centers now located on arterial strips and in single function centers, and re-use their current locations with housing at townhouse densities, around 12 DU per acre. The result would be a system of neighborhoods where 25% of trips can be walked and 90% of the rest cycled or taken in a zero-emission local use vehicle. The planning study for adding sustainable housing in order to create complete communities is currently underway, without state support but in a partnership with SCAG.

Using the South Bay as an example, there are about 20,000 acres of commercial strips in the South Bay. Assuming only 10%, about 2,000 acres, were redeveloped by 2029, at a townhouse density of 10DU/Acre, 20,000 houses could be added VS the 21,934 total units from SCAG’s distribution Option 3 of the RHNA. The needed analysis would determine the priority locations that would contribute to complete neighborhoods and the phasing of redevelopment.

The availability of sites for housing that do not disrupt existing neighborhoods but add to their sustainability seems a clear alternative to up-zoning single-family communities.

Replace the derisive word NIMBY with a complementary term as neighborhoods and cities welcome housing when it is strategically sound; a term that reflects the wisdom of conditional approval – like “thoughtful.”

## **Sustainability**

### Housing generates trips

New housing will generate lots of trips. The SBCCOG’s electric vehicle demonstration projects, found that each participating household averaged over 40 VMT per day. If that average approximates the travel behavior in the region, the 1.3 million housing target for the SCAG region will generate 19 trillion VMT per day at build-out, and in excess of 100 trillion VMT cumulatively over the 8 year development period of Cycle 6 – just for the new housing needed to reach the the SCAG region’s RHNA target.

It is critically important to the state’s GHG reduction goal and to the global community that a large portion of those trips be walked, cycled or taken in some form of zero emission vehicle. In other words, in order to be sustainable, a low carbon mobility strategy must accompany every housing development.

The RHNA requires housing development include a target number of affordable units (very low, low and moderate income) that address housing equity. It is now imperative to also address housing sustainability

### Public transit is not the answer

State housing policy addresses zero emission mobility through reliance on public transit – build housing adjacent to high quality transit corridors (HQTC). That strategy may work in certain urban contexts, but not in predominantly suburban Southern California.

Trends in ridership is one indicator of why transit is a poor choice to anchor to a carbon-free mobility strategy. (provide links to White Papers I and II for other reasons). Transit ridership has been declining nationally and specifically in Los Angeles County. Bus ridership is down 24% since 2013, which is significantly higher than drops in public-transit usage in other major cities like New York, Chicago, Denver and Phoenix. Metro’s rail ridership declined 5% in the same period, despite the opening of new rail lines. Transit mode share in the South Bay sub-region is around 3%.

Building housing around public transit corridors made sense in earlier eras when there were less attractive on demand alternatives, but not in the 21<sup>st</sup> Century. This policy insisting on transit-oriented housing is one of the reasons that most cities don’t want to zone for it – they know it won’t work.

### Job center proximity is desirable but requires granular analysis

It makes good sense environmentally and socially to locate housing adjacent to job centers. The journey to work is typically the longest and most frequent trip taken by most households.

The challenge on the ground is that land proximate to job centers is often expensive with housing prices and rents unaffordable to all but the most highly compensated. While the reforms described at the conclusion to these comments propose a strategy for building affordable housing in the South Bay sub-region and its various job centers, the fact of housing product preference is also a factor.

Whatever housing is built in the South Bay will not be at a higher density and will not include single family products. Some people simply prefer single family housing for reasons that range from space for a growing family to privacy. Those people choose to live further out where single family homes are affordable and they absorb the time and cost of commuting.

Building new housing to match the ability to pay in each sub-region will require very fine-grained analysis based on workforce projections, rent schedules, redevelopment potential of parcels, and so forth. Simply building housing in general proximity to job center is too coarse a strategy to succeed.

Building housing in large scale urban centers is one way to get by with a coarse-grained approach because the large number of jobs and houses will somehow sort themselves out. A regional telework program will work for some of those who choose more distant housing.

#### Sustainability requires electric vehicles

The path to carbon-free mobility, in new housing as well as established neighborhoods, depends on electrification of the private vehicle fleet and the vehicles used in the growing market for “mobility as a service” (MaaS). The way to stimulate electric mobility through private markets is by local governments investing in EV infrastructure, especially for the many local use vehicles available in the growing micro-mobility space. Private LUVs deliver the high-quality door-to-door, on-demand service preferred by households at a fraction of the cost of automobiles, even EVs.

This key infrastructure consists of ubiquitous Level 1 charging and a “local travel network” to accommodate these short range, slow speed, small devices that include e-scooters, Segways, e-bikes, NEVs and many others. Unlike rail transit systems that cost billions to build and more to maintain, micro-mobility infrastructure costs only a fraction and deploys in months, not decades.

#### Land use zoning supports fleet electrification through micro-mobility

In addition to infrastructure, land use zoning plays an important role supporting micro-mobility. The SBCCOG’s Research and Demonstration Program discovered that destination density, not residential density, is the key to a zero emission mobility,

especially through high walking and cycling mode. A system of compact neighborhood centers with many destinations per acre will also support the adoption of micro-mobility devices that provide the backbone for low carbon mobility that transit did in a previous era. Call this a system of “complete neighborhoods” (Portland adopted a version).

Ironically, RHNA and proposed legislation like SB50 redevelop the built environment into dense nodes adjacent to transit infrastructure incompatible with suburban development patterns while reducing the role of local planning essential to developing complete neighborhoods.

Adding density to auto neighborhoods simply doubles down on auto use. For example, the Accessory Development Unit policy may add some affordable units but from the environmental perspective it also adds cars to the neighborhood which produce carbon emissions and congestion while clogging street parking over-night.

## **Recommendations**

“To succeed at housing, the state will have to do better at directing that behavior. If they mandate it, over induce it, or over constrain approvals, is going to result in resistance rather than cooperation. And if the state wants to deliver on achieving its own drastic clean air standards, it has another reason to help cities reach an acceptable density equation, which is to induce a reduced statewide carbon footprint.” (Larry Kosmont, Planning Report, August, 2019)

While there are numerous ways to proceed, some keys are technical, financial and administrative. And there are numerous policies that will support the housing and sustainability goals that do not specifically

### Technical

Cities and developers??? need assistance identifying the retail/commercial sites with the most redevelopment potential that can be used to plan complete communities, and the policy tools for implementing those plans. The idea would be to work from local redevelopment potential for sustainable housing to state-wide housing needs.

Ask cities which are built-out with no remaining vacant properties to determine the potential for housing development in under-performing commercial and industrial parcels, especially strip retail. Assume densities that will be compatible with community standards. This might be townhouse densities, 10 to 12 units per acre.

### Financial

The State needs to figure out how to be in a collaborative partnership with local government and help create special financing districts, such as enhanced infrastructure financing districts (EIFDs), CRIAs and others, that can truly help cities use tax increment financing to support housing production. (Larry Kosmont, Planning Report, August, 2019)

More granular planning will be required by cities and sub-regional COGs. The State should provide funding for these expanded responsibilities.

### Administrative

The process will be for a consortium of state agencies (to avoid silos), perhaps led by the Strategic Growth Council which exists today as such a consortium, to work with SCAG and the 16 sub-regional Southern California COGs to work with individual cities and unincorporated county in order to plan how to use housing to form complete neighborhoods. State funds will be needed to support SCAG, the COGs and especially local planning capabilities.

SCAG should convene developers to provide advice and discuss opportunities in each sub-region as well as provide guidance on how to improve the investment potential.

Ask cities to identify the support needed from the State to succeed in those redevelopment efforts i.e. tax increment financing, eminent domain to consolidate ownership when fragmented. Let the cities identify what policies are needed.

Recognize that housing development should not be pursued in a silo. Perhaps make the Strategic Growth Council the lead agency in order to capture the cross disciplinary relationships necessary for successful collaboration. The SGC mission and goals are compatible with this shift to city collaboration.

### Supporting Policies

Support the continued economic development of housing rich sub-regions

Facilitate first time home-owners purchasing on the periphery.

Fund a regional telework program that will reduce congestion for those who must report to a central workstation and improve the quality of life for those who don't.

Offer incentives to business start-ups and those needed to expand to locate outside of the metropolitan core.

Encourage land use planning for complete neighborhoods in the exurbs where agricultural land will not be affected.

Require 20% affordable – require developers to provide quantities in each of the [price categories.