

Framework for Housing Policy 2021
South Bay Cities Council of Governments
November 2, 2020

The Housing Problem

Housing development is needed in the metropolitan regions of the state, particularly in the job-rich sub-regions. The imbalance results in demand exceeding supply near job centers resulting in housing prices that are unaffordable to those employed in many of those centers. This causes sprawl and high volumes of VMT for the commute to work

Legislative Strategies Proposed Between 2018-2020

Recently proposed legislative strategies to address the housing problem have been based on that problem definition. These are some of their flaws:

Local governments are blamed for constraining housing development – they are not the problem

Legislators hold local governments solely responsible for the shortage of housing construction. Specifically, by maintaining single family zoning and by delaying administrative processes. In reality, there are many factors affecting housing construction including costs of labor, materials and land; costs of borrowing for construction and buyer mortgages; complex state laws, and especially market assessments. Making local governments scapegoats and branded as “NIMBYs” fails to address the actual constraints and creates a space hostile to authentic dialogue and negotiation.

There is plenty of housing development in Los Angeles County, however it is dominated by building for the luxury market. Apparently local governments are not impeding those builders.

Affordability is treated solely as an issue of housing supply while ability to pay is also a factor

Affordability is defined by the cost of the product in relation to the ability of consumers to pay. To address the affordable housing shortage, the state should also look for demand-side programs that address household income. The well-documented wealth disparity and the shrinking middle class manifest in many markets, housing being among the most critical. Note that in the fall of 2019 there were more vacant units in Los Angeles County than homeless people. Rents are experienced as too high when incomes are low.

Housing is treated as if it is a “commodity” but it is a much more complex product and price will not respond to supply increases

Increasing supply to lower prices does not apply in a housing market because housing is not a commodity. A commodity is interchangeable with other products of the same type. A barrel of oil or a bushel of grain is basically the same product, regardless of the producer. Increasing the supply -- bringing more of a commodity to market -- will lower its price.

Housing prices are based on complex variables. Location (which can vary from one block to the next) and characteristics (total square feet, number of bedrooms, layout of rooms, number of bathrooms, units per building, direct entrance from outside, parking arrangements and more) make high level comparisons impossible.

Housing supply is just not a commodity and so more supply does not mean lower price as it might with a barrel of oil. Empirical research on the impact of increased supply on housing prices has validated this conclusion.

Location adjacent to job centers or public transit is treated as more desirable to consumers than house characteristics such as internal size.

Another leading theory in addressing housing market failures is that location is more important than product type. Home quarantine in response to COVID-19 has resulted in increased preference for single family living on lots with backyards. Telework has facilitated the out-migration from crowded apartment districts to more spacious areas on the periphery and, in some cases, out of state to places like Montana. Proximity to work is not required for information workers. Long commutes will become increasingly rare.

Public transit service performance in many areas, the South Bay in particular, is so poor that housing in proximity to it does not relieve the auto-dependency that produces GHG emissions.

Living space is highly correlated with wealth. The rich like spacious living. Being middle class means the most affordable option is a modest sized single-family home. Increasing density in single family neighborhoods, especially through by-right privileges, is understood by many as an attack on the middle class itself.

By-right density is justified by the premise that local government's single-family zoning is the main barrier to increasing housing supply but over-riding local zoning violates the public trust, and reduces the possibility that GHG emissions can be controlled.

The SBCCOG opposed SB 827 and SB 50 and all other bills that proposed by-right development. One basis for the opposition lies in the concept of the public trust, a foundation of democratic government, with its idea that within the public lies the true power and future of a society. Local zoning ordinances are a product of a democratic process based on direct public participation. A state policy that negates those public decisions is clearly un-democratic.

Because of the climate crisis and the absolute need to reduce GHG emissions, local planning has never been more important. The goal of South Bay cities is to use housing development to shape "complete neighborhoods" for environmental and social purposes. This is to be achieved through a process we refer to as *Neighborhood Oriented Development* which is the basis for the sub-regional Climate Action Plan – the plan that identifies strategies and policies for reducing GHG emissions in compliance with state established targets.

Over-riding local zoning cedes authority over the urban form to for-profit developers who, without guidance from local policies including zoning, should not be expected to develop a sustainable built environment. This is the wrong time to reduce the significance of the only planning centers that can produce carbon-reducing policies.

The "No Housing" Legislation Option

COVID-19 has in the minds of most policy makers, changed everything. Jobs and housing markets are in turmoil. Many businesses have closed permanently. Transit demand, waning for the last 10 years, has dramatically declined further. New practices like telework, distance education and telemedicine suddenly appeared as adaptations and there is substantial evidence that housing preferences have turned from small and dense to larger and spacious.

Meanwhile, despite having formulated policies over the last several years, housing density advocates are virtually alone in not re-thinking their policies. Buildings have a long life – typically 50 to 100 years – so development policies need to be grounded in reality, not theory. It will be irresponsible of the state legislature to pursue its housing policy arc as if COVID-19 had not happened. The legislature must step back and re-assess housing needs as COVID-19 recovery begins and a new normal emerges.

Specifically, the Department of Finance should be directed to review its population forecast. Key variables that have changed due to COVID include international in-migration, domestic out-migration, deaths over births, and the household formation rate – a significant factor that can be flexibly estimated to reach political objectives and which should be available for broad public scrutiny before re-calculating RHNA targets.

SBCCOG’s Proposed Legislative Responses

The South Bay Cities Council of Governments, on behalf of our 15 incorporated cities, offer this legislative agenda that we believe will more effectively address the housing affordability problem than previous legislative proposals. These are broadly defined initiatives that we intend for our representatives to use as a guide when fashioning specific legislation or offering amendments to proposals submitted by others.

In general, the state is larger than most nations and incredibly diverse – demographically, economically, geographically, etc. Effective housing policy will respect that variety and allow local jurisdictions to adopt strategies that fit their circumstances.

As a consequence of that diversity, local jurisdictions have unique needs. Sub-regions in Los Angeles and Orange Counties need an approach that is different from the IE or North County. The SBCCOG wants to see legislation that addresses those diverse characteristics and meets the needs of the individual sub-regions rather than adopting a blunt instrument of statewide one-size-fits-all policy.

State bureaucracy is organized in silos. However, those silos converge and hit the ground in cities where housing problems are encountered along with GHG emissions, air quality, traffic, schooling, policing, budgets and more. Everything impacts everything else. Cities must use housing development to fit within broader strategy, especially for shaping “complete neighborhoods” through, in our case, a process of *neighborhood oriented development*. State government should not disrespect the analysis and politics that produced this strategy.

Assuming that some form of housing legislation proceeds in 2021, these are the themes that the SBCCOG proposes

1. Assistance to help redevelop under-performing commercial districts into housing. COVID-19 has accelerated a trend of declining physical retail underway for several years and added the prospect of similar impacts on office space. The health of every community requires redevelopment of space that has become obsolete; housing will help revitalize those areas.
2. Funding to assess our current *carrying capacity*. To absorb population growth, our cities must know which systems are in danger of being overwhelmed and need investment to protect quality of life. This will include sewers, solid waste systems, water supply, schools, medical systems, municipal services, broadband capacity, etc. A 2003 SBCCOG study of carrying capacity identified a serious shortage of open space which led one of our cities to develop a new park. Special attention must be shown to protect those most likely to absorb the costs of over-matched services -- our disadvantaged communities.

3. The State sets performance standards to ensure new housing complies with local sustainable policies. It is essential that legislation to stimulate new housing also mandates a companion mobility strategy that will reduce carbon generated by travel choices made by the occupants of those new housing units. The State should require new housing developments to meet zero emission targets established by the appropriate agency. For example, new housing developments above a threshold size could be required to submit a mobility plan showing how 50% of the trips generated will be taken on a zero emission mode. The State should set that standard just as CARB establishes the carbon reduction target that each region's Sustainable Communities Strategy must meet.
4. Policy passed and signed into law should include an evaluation mechanism. Housing policy can impact the built environment for 50-100 years. It's important to get it right and correct wrong assumptions. New legislation should build-in an evaluation within 3 years of adoption. For example, no state agency is monitoring, let alone evaluating, the ADU policies. Since this program allows density increases by-right in single family neighborhoods, understanding its success developing affordable housing should be evaluated before density by-right is expanded.
5. Protect against *gentrification* and flipping by corporate speculators. With density by-right, large private real estate firms will have the incentive to purchase single family homes, (some distressed because of COVID-19) build maximum allowable units and sell as an income property. Should some by-right density legislation pass, it should limit corporate ownership.
6. Local government land use authority and institutional planning capacity is required in order to manage sustainability and resilience at the neighborhood scale. This involves siting decisions that are coordinated with mobility infrastructure and services, consistent with the sub-regional CAP if there is one, or the regional SCS if there is not. Development by-right will produce an entirely different outcome at a time when society cannot afford it. Adding density to auto-dependent single family neighborhoods will simply add carbon to the air and cars to the roads. Whatever might be gained in housing supply will be off-set by environmental damage.
7. Programs to support housing purchases by tenants. Housing purchase programs will help those households build equity to better secure their future. Many South Bay cities, especially those with disadvantaged communities, are home to long-time tenants who pay relatively high rents without the equity and protections afforded to owners. Housing legislation is needed to address this situation.

In addition to these 7 initiatives, the SBCCOG would support legislation that will meet the needs of the counties and sub-regions outside the metropolitan job centers. This includes:

- Develop incentives to form new businesses and generally attract jobs to housing-rich sub-regions.
- Incentivize medical and educational institutions to advance telemedicine and distance education programs for distribution throughout the region, reducing the absolute need for physical access.

- Fund MPOs to develop regional telework programs. Offer incentives to employers with telework programs, especially those that, for example, provide work sites within 3 miles of home for 50% of its workforce at least 2 days per week.
- Build affordable housing on affordable land in order to minimize large public subsidies. Sprawl is a development pattern not a location – auto dependent sprawl will not occur if the development pattern does not replicate sprawl. Legislation should incentivize exurban and low density communities to add housing in the form of complete neighborhoods. It is possible to protect the environment and offer single family housing to all who want it while considering declining commercial properties as good locations for multi-family housing to be developed.