



20285 S. Western Ave., #100
Torrance, CA 90501
(310) 371-7222
sbccog@southbaycities.org
www.southbaycities.org

September 12, 2019

Mr. Kome Ajise
Executive Director
Southern California Association of Governments
900 Wilshire Blvd., Suite 1700
Los Angeles, CA 90017

SENT VIA EMAIL: housing@scag.ca.gov

Dear Mr. Ajise,

Thank you for the opportunity for the South Bay Cities Council of Governments (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 6th cycle because of the aggressive totals required and increased enforcement promised.

Development of housing that addresses income restrictions while reducing carbon emissions per capita is a complex activity which is lagging for multiple reasons. City zoning practices are being held solely responsible as scapegoats. Builders' business practices, consumer preferences, the regional economy performance, uncertain futures including possible recession, and state policies are all part of the problem. These recommendations identify new and more comprehensive steps that state policy can take to improve outcomes by working closely with cities, instead of treating them as adversaries.

From an on the ground perspective based on 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 the State.
Replace the current strategy of assigning targets with a process by which HCD and other state agencies collaborate with local jurisdictions so that housing actually gets built with appropriate affordable components.
2. Add a requirement that new housing developments perform sustainably.
Ensure that 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.

The following comments expand on the recommendations above and the reasoning behind them. More detailed recommendations are presented at the end.

Collaboration

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 often repeated but not validated and which need to be addressed as part of the argument for a new process.

The following quote from the Los Angeles Times neatly summarizes these 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 827 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 that has become a mantra 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 large corporate real estate investment firms are the largest owners of real estate in Los Angeles and other California markets. And, when increasing congestion and aging infrastructure is a reality in their communities.

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 complex and 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, because it simply costs too much to build when considering 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. While government fees are often cited as an issue, 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 California, 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 prices 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 and easing the borrowing requirements allowing unqualified buyers into the market were factors in accelerating the 2008 recession. They lost a great deal of money as a result.

Add to that the specter of Artificial Intelligence and robots replacing jobs. The period of RHNA cycle 6 may not be a time to expect a hot market for new construction, irrespective of local zoning policies.

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 the 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.

Large corporate investors 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 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 from April, 2018 to April, 2019 was for ranch style. Tudor, Craftsman and modern style homes followed. A 1,000 square foot apartment adjacent to a rail stop apparently failed to register. (See “This is the most popular home style of 2019, according to Google,” Chrissy Callahan, Today, August 21, 2019)

In contrast, a four-bedroom house with many 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.

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. History shows that people will still seek this product and will travel to do it. Therefore, why is working to eliminate single family housing a good idea? What interests are driving single family densification? Who benefits? Why aren’t 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 – pursuing a process that has consistently over decades created conflict and failed to produce target housing volumes.

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 other growing problems

Collaboration should be based on using housing to solve other growing city problems, for example, vacancies on commercial arterials and worsening street congestion. Cities and the State can succeed out of mutual self-interest.

The chances of not only more housing zoning but also more housing construction 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 neighborhoods” 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 (like retail malls). Their current locations can be re-used with housing at townhouse densities, around 10-12 dwelling units 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 neighborhoods” is currently underway, without state support but utilizing data support from SCAG.

As an example, there are about 20,000 acres of land on arterial 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.

A start will be to replace the derisive word NIMBY with a complementary term as neighborhoods and cities accept housing when it is strategically sound; a term that reflects the wisdom of conditional approval – like “responsible.”

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.

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 a 50 trillion VMT cumulatively over the 8 year development period of Cycle 6 – just for the new housing needed to reach the SCAG region’s RHNA target. This is counterproductive to meeting the State and Governor’s targets to reducing VMT and greenhouse gas emissions.

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 which recognizes the unique characteristics of each community, such as geologic and topographic conditions.

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.

Proximity to 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 which lacks access to frequent transit service.

Trends in ridership are one indicator of why transit is a poor choice to anchor to a carbon-free mobility strategy. (See White Papers I and II for other reasons -- <http://www.southbaycities.org/sites/default/files/news/2.19%20Housing%20White%20Paper%20--%20SB%2050%20Supplement.pdf>; www.southbaycities.org/sites/default/files/news/State%20Housing%20Policy%20White%20Paper.pdf)

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 destinations were not as dispersed and there were less attractive on-demand alternatives, but not in the 21st 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 is and will continue to be at a higher density and includes very few single-family products. Some people simply prefer single family housing for life style reasons that mean more than job proximity. 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 centers 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 (discussed further under Recommendations).

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). One way to stimulate electric mobility through private markets is by local governments investing in EV infrastructure, especially for the many local use vehicles (LUVs) 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, especially full-speed EVs. They also do not further congest the major arterials.

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, neighborhood electric vehicles and many others. Local use vehicles are a fast-growing market segment while transit ridership is declining. And, 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 modes. 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 has adopted a version of this model).

RHNA redevelops the built environment into dense nodes adjacent to transit infrastructure incompatible with suburban development patterns while ignoring the option of developing “complete neighborhoods”.

Adding density to auto neighborhoods, as proposed in SB 50, simply doubles down on auto use while reducing the role of local planning essential to developing “complete neighborhoods.” 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 over-night street parking.

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, it 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)

There are numerous ways to proceed; these are examples organized into four categories: technical, financial, administrative and related supporting policies. Once the frame of reference changes from target setting to collaboration and from transit related development to complete neighborhoods, new opportunities explode.

Technical

Cities, especially those that are built-out with no remaining vacant properties, along with their sub-regional COGs, 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 establish a baseline of the local redevelopment potential for sustainable housing assuming 10 to 12 units per acre (townhouse) densities which should be more compatible with community standards.

The planning approaches and goals associated with the Land Use and Transportation Chapter of Climate Action Plans (CAP) with the Sustainable Communities Strategy Chapter of the Regional Transportation Plan and the RHNA need to be reconciled. All deal with the interplay between land use and transportation, however the CAP lends itself to sub-regional customization. Models will need to be adjusted to account for cities that prefer to develop complete communities rather than transit-oriented housing.

The State should work with the MPOs and sub-regional COGs to develop sub-regional carrying capacity studies. Siting housing in high volumes in built-out cities stresses sewers, electric grids, school systems, parks, water capacity, solid waste capacity, police and fire emergency services, as well as “other critical systems. Growth requirements should increasingly take account of the limits of carrying capacity if, for no other reason, so that funding can be provided that will help overcome the capacity limits.

Financial

The State needs to figure out how to be in a partnership with local government and help encourage 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)

- The definition of Enhanced Infrastructure Financing Districts should be amended to allow jurisdictions to finance projects within one-half mile of a designated neighborhood center in addition to the current requirement of proximity to a major transit stop.
- More granular planning will be required by cities and sub-regional COGs. The State should provide funding for these expanded responsibilities.
- The State should find equitable means for compensating cities for the added costs of providing services to additional houses. This could require tax code innovations.

Administrative

The process will be for a consortium of state agencies (to avoid silos), perhaps led by the Strategic Growth Council, 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.

More specific actions include:

- MPOs should convene a developers' circle to provide advice and discuss opportunities in each sub-region as well as provide guidance on how to improve the investment potential.
- Cities should be asked 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. Cities will need to identify the policies that are needed.
- Housing development should not be pursued in a silo and will require a comprehensive approach to the multiple issues that are involved. Cross disciplinary relationships are necessary for successful collaboration. The Strategic Growth Council mission and goals are compatible with this shift to city collaboration which should include creating a more robust local input process.
- More non-profit housing corporations should be involved to increase the income-limited housing volume needed.
- A statewide standard on percent of income-limited units in new housing developments should be considered. The circumstances under which 25% limited income units can be required should be assessed.
- Zero-emission VMT targets for new housing developments should be required with a set percentage that must be met.

Supporting Policies

- The continued economic development of housing rich sub-regions should be supported. Incentives should be developed to encourage new businesses to locate in housing rich areas and for businesses seeking to expand in job rich areas to similarly consider locating that expansion in housing rich areas.
- Regional telework programs should be funded to reduce congestion for those who must report to a central work station and improve the quality of life for those who don't. Telework participation rates are currently greater than public transit mode share. Telework programs are relatively inexpensive to implement resulting in high benefit-cost ratios.
- Land use planning for "complete neighborhoods" in the exurbs where agricultural land will not be affected should be encouraged.
- The Clean Vehicle Rebate Program should be expanded by making low cost vehicles such as local use vehicles eligible for the maximum subsidy. This will be far more cost-effective than the subsidy for full speed vehicle.

- “Complete neighborhoods” should also provide local resources. There should be a funding source and other support for the sub-regional development of fiber networks capable of delivering gig/sec speeds to every government facility, public school, library and neighborhood center so that virtual presence can help more trips remain local.
- Multi-family buildings above a threshold size should be required to establish local use vehicle sharing.
- Parking maximums on new housing developments, especially in the complete neighborhood model, should be established and extensive electric charging infrastructure in parking areas should be encouraged.

The SBCCOG is eager to be a partner in working on the comprehensive programs that will be needed to make the State’s goals of housing Californians and reducing greenhouse gas emissions a reality. Please contact SBCCOG Executive Director, Jacki Bacharach @ jacki@southbaycities.org if you have any questions.

With gratitude,

Christian Horvath, SBCCOG Chair
Councilman, City of Redondo Beach