

From: Connor Medina <cmedina@ocbc.org>
Sent: Tuesday, August 27, 2019 12:51 PM
To: Regional Housing
Cc: Alicia Berhow
Subject: RHNA Comments - Orange County Business Council
Attachments: SCAG RHNA Comment Letter from Orange County Business Council.pdf;
OCBC_Workforce_Housing_Scorecard.pdf

Good afternoon,

Please note Orange County Business Council's written comments on RHNA. This includes the attached letter, OCBC's 2019-20 Workforce Housing Scorecard, and OCBC's 2018 [Retail Study](#). Thank you.

Connor Medina

Government Affairs Specialist
Orange County Business Council

2 Park Plaza, Suite 100 | Irvine, CA 92614
Tel: 949.794.7209
Fax: 949.476.9240
Cell: 559.960.4692
cmedina@ocbc.org



The Art of Business.
The Business *of Art*.



August 27, 2019

VIA ELECTRONIC MAIL: housing@scag.ca.gov

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

RE: Comments on Southern California's Housing Future: Regional Housing Needs Assessment

Dear Director Ajise,

Thank you for the opportunity to comment on the Southern California Association of Governments' (SCAG) proposed allocation methodology for the sixth cycle of the Regional Housing Needs Assessment (RHNA). Southern California is in position to substantially remedy its housing crisis, and Orange County Business Council (OCBC) appreciates your consideration of all stakeholders' public comments. OCBC is submitting the following comments.

OCBC represents and promotes the business community, working with government and academia, to enhance Orange County's economic development and prosperity in order to preserve a high quality of life. One of OCBC's four core initiatives is increasing the supply, choices and affordability of workforce housing which we define as the full-spectrum of housing for anyone with a job, not just traditional "affordable" housing definitions. In addition to advocating for new housing development in California, OCBC advocates for housing projects, develops a biannual housing scorecard for the county assessing jobs/housing balance and advocates for a permanent source of funding for workforce housing while seeking regulatory reform to make production of housing less costly.

Sufficient workforce housing is critical to the long-term success of this county and to the economic health and growth of California, and therefore, OCBC looks forward to collaborating with SCAG to ensure that Orange County, Southern California and the state as a whole overcome one of the most significant challenges facing California residents. The sixth cycle of RHNA presents an opportunity to prepare for the future and mitigate shortcomings from prior RHNA cycles. OCBC respectfully urges SCAG to plan for a higher number of new units than the roughly 430,000 the Regional Council seeks to formally propose. This number of units is too low to meaningfully address region-wide workforce housing shortfalls.

1. General Comments

The RHNA methodology will affect all six counties encompassed by SCAG. Notably, Orange County is uniquely situated within the region. Orange County is the

second-densest county in California—significantly denser than the third-densest county, Los Angeles County—and while job growth continues amid a prospering and diverse economy, it is outpacing housing unit construction at an alarming rate. Median home prices and rents are increasingly pushing vital segments of the population out of Orange County, particularly younger members of the workforce, slowing the region’s overall growth. Additionally, Orange County’s current population is aging. Since older residents are less likely to sell their homes or move, the availability of housing is further constricted. The consequences of these conditions are already visible, but its impact will become more severe without bold and swift action.

OCBC is thoroughly familiar with Orange County’s workforce housing trends. Since 2008, OCBC has published the biannual “Orange County Workforce Housing Scorecard” (“the Scorecard”). The most recent iteration, the 2019-20 Scorecard, https://www.ocbc.org/wp-content/uploads/2019/07/Scorecard_PAGES_2019_Master-WEB.pdf, which we ask be included as part of OCBC’s comments, illuminates modern trends in workforce housing and captures an accurate snapshot of all aspects of the county’s housing market. The Scorecard accounts for the complex relationships between economic growth, job creation, housing stock, affordability, population growth, density, projected new housing construction, and the crucial ratio of sufficient new housing production to meet demand created by new job growth. OCBC requests that SCAG consider the findings of the Scorecard while preparing for this RHNA cycle, especially the following:

- The ideal jobs-to-housing ratio is 1.5 jobs created for each new housing unit. First established by research led by former University of California, Berkeley City and Regional Planning Department Chair John Landis, the state applies this ratio broadly. However, the California State University, Fullerton Center for Demographic Research (CDR) estimates that Orange County’s population will increase by 354,994 while adding 270,286 jobs and 124,319 housing units between 2016 and 2045. The ratio for Orange County during this period would be 2.17 jobs for each new housing unit.
- This forecast indicates a workforce housing shortage of approximately 55,872 between 2016 and 2045, based on the 1.5-workers-per-housing-unit ratio. Coupled with the existing shortfall of 58,000 units, the shortfall would likely grow to roughly 114,000 units by 2045.
- Consistently high housing demand makes living in Orange County even more expensive, pricing out younger residents and decreasing its future talent pool. Median home prices reached \$825,000 in April 2019. Average rent has risen 25.3 percent from 2010-2018, reaching \$2,431 on average for a two-bedroom unit in 2018. This shortage will be further exacerbated unless a substantially higher number of new housing units are planned.
- Residents and planners alike persistently perceive Orange County as “built-out”. Many cities are comprised of detached, single family homes that take up much more space than other types of housing; however, obsolete and inefficient land uses hinder development unnecessarily. In 2018, OCBC released “Inside Orange County’s Retail E-volution”, a report

analyzing the growing number of brick-and-mortar retail stores struggling to produce local revenue in light of growing e-commerce trends. That report discovered more than 6,800 acres of infill potential that could be repurposed for workforce housing and mixed-use spaces. This strategy could be highly effective at retaining Orange County's millennial workforce, as well as future young employees. Please include the report as part of OCBC's comments: http://www.ocbc.org/retail-study-book/OCBC_Retail_Study_Book_Final.pdf.

It is also worth noting Governor Gavin Newsom champions bold solutions to the housing shortage. Since his campaign, Governor Newsom has emphasized housing affordability and availability as crucial to the state's success. In his State of the State address in February 2019, the Governor described housing as "...perhaps our most overwhelming challenge right now." His plan to create 3.5 million housing units by 2025 is reflected in the state's budget, which allocates \$1.75 billion to the construction of new homes. SCAG consists of some of California's most populous counties, representing nearly 19 million residents and 191 incorporated cities. Almost half of the state's population lives in the SCAG region. In order to achieve the Governor's goals, SCAG and its member cities and counties will need to similarly aim for accelerated housing unit production.

2. Specific Comments on the RHNA Cycle

The following are OCBC's comments on SCAG's RHNA plans going forward, considering the data provided by the Scorecard and the general needs of the region:

- **New Units Proposal:** The SCAG Regional Council determined on June 6, 2019 that SCAG would formally propose a total regional housing need determination for the sixth cycle RHNA period of July 1, 2021 to October 1, 2029 of only **430,289 units**. This is markedly fewer units than an earlier proposal of roughly 660,000 units. In light of the Scorecard's findings, similar trends in unaffordability and unavailability throughout Southern California, and the state's firm commitment to substantially increasing the development of workforce housing, OCBC finds that this proposed number of units is insufficient and would need to be higher to adequately address the SCAG region's housing shortage.

3. Conclusion

OCBC greatly appreciates the opportunity to offer input on the upcoming RHNA cycle and encourages SCAG to consider these comments in future planning. Orange County and the SCAG region will suffer economic and human consequences in the coming decades without creative and comprehensive strategies during the sixth RHNA cycle. The SCAG region has the opportunity to play a decisive role in the state's push to provide housing affordable to its workforce. SCAG is key to addressing the housing shortage at the statewide level. It is pivotal that SCAG act

Mr. Kome Ajise
August 27, 2019
Page 4 of 4

immediately and innovatively, as the sixth RHNA cycle could be formative for the state's future decades from now.

Please review both the general and specific comments as SCAG evaluates the proposed RHNA methodology options. OCBC is happy to provide SCAG with hard copies of both the Scorecard and "Inside Orange County's Retail E-volution" upon request.

Sincerely,



Alicia Berhow
Senior Vice President of Government Affairs

cc: The Honorable Peggy Huang, Chair, SCAG Regional Housing Needs Assessment Subcommittee
Members, SCAG Regional Housing Needs Assessment Subcommittee
Members, SCAG Executive Administration Committee
Members, SCAG Regional Council
Members, SCAG General Assembly