



Mayor L. Dennis Michael | Mayor Pro Tem Lynne B. Kennedy
Council Members Ryan A. Hutchison, Kristine D. Scott, Sam Spagnolo
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CITY OF RANCHO CUCAMONGA

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September 10, 2019

The Honorable Peggy Huang, Chair
RHNA Subcommittee
Southern California Association of Governments 900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017

RE: PUBLIC COMMENTS REMITTED BY THE CITY OF RANCHO CUCAMONGA CONCERNING THE DRAFT REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) METHODOLOGY PROPOSED BY THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS (SCAG)

Dear Ms. Huang:

The City of Rancho Cucamonga appreciates the Southern California Association of Governments (SCAG) and the RHNA Subcommittee for their dedication to develop a fair and appropriate methodology for the six-county region. We recognize that this important work is complex and complicated in nature and would like to provide our perspective on how we believe the Draft RHNA Methodology (Draft Methodology) will impact the City of Rancho Cucamonga. Our concerns with the proposed methodology are heightened by the recent release by State Housing and Community Development (HCD) of a significantly expanded housing target for Southern California. We are in full support of SCAG's effort to appeal the recent methodology used by HCD to significantly increase the allocation of units to the overall SCAG Region. We are asking that our concerns be addressed as part of the upcoming 6th cycle RHNA allocation process.

In past RHNA cycles the City of Rancho Cucamonga has worked hard to reach its RHNA allocations. Although we generally fell short in overall numbers, thanks to the assistance of our active Redevelopment Agency we were able to fund significant amounts of housing in the various income categories, with a particular focus on families and seniors. Now, with the elimination of redevelopment, the public funds needed to buy down the cost of housing units and guarantee affordability are gone and the City does not have any discretionary funds not needed for infrastructure or maintenance. Nothing in the current discussion indicates that the State is considering a replacement for the public funds. Without those funds, there will be minimal production of affordable housing particularly at the lowest income levels because there is no source of funding to buy down the cost, especially in higher cost (land value, labor, cost of living) areas of the state.

Further, nothing in the current discussions address the increase cost of tariffs on raw and finished materials used on housing construction. Recent data indicates the tariffs have added \$20,000 - \$40,000 to the cost of a single-family home and those costs are passed directly to the consumer. That is, the tariffs add cost to the price of the home, assuming there is sufficient skilled and unskilled labor to construct the home on a timely basis. During the Great Recession no industry was hit harder than construction. Those jobs have never been replaced and it is extremely common for most large construction projects to lag 4-8 months behind schedule,

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adding costs along the way, due to skilled labor shortages. From 2007 through 2017 nearly two million construction jobs were lost nationwide according to the Bureau of Labor Statistics. Those lost construction jobs have still not been re-filled to the level they were prior to the Great Recession. The current labor market is insufficient to meet current construction demands in a timely basis; so who and what will meet the increased demand for all the new housing desired by the State?

As if that was not enough, for 20+ years the focus of RHNA has been the elimination of barriers at the local level to the production of housing. And yet, largely the effort has objectively failed, and that was before the challenges noted in the preceding paragraphs even existed. Perhaps it is time to re-examine the fundamental assumptions underlying this approach. When the State wanted to increase the sales of electric vehicles, it regulated automobile manufacturers to produce a certain percentage of zero emissions vehicles rather than mandating local government allow EV chargers or install public charging infrastructure. It's time to employ a similar strategy with respect to housing as was employed on electric vehicles. The State should consider requiring housing developers, or incentivize those developers with tax credits, to produce a certain percentage of affordable units that complement the market rate units they produce.

We suggest that to address all the above challenges, HCD and the State work together with the Building Industry Association, the League of California Cities, economists and other stakeholders to convene a discussion about a new approach; a different methodology. Albert Einstein famously said the definition of insanity is doing the same thing over and over and expecting a different result. We urge HCD to end the insanity, the arguments, the divisiveness and bring everyone together in a new approach to achieve these important objectives. Let's find a way, together, to lower the cost of housing, increase production to record levels, find a source of public funds to help with affordability and make a real difference in providing housing for all state residents. This can be accomplished, and it can be done in a timely manner, but it will require the cooperation of all stakeholders in the process and there is no one-size fits all solution in a state as diverse and widespread as California. If the City can be of assistance in this effort, we will be glad to lend our efforts including our relationship with the BIA and the League of California Cities.

Sincerely,


John R. Gillison, Esq., ICMA-CM
City Manager