



CITY OF CERRITOSSM

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OFFICE OF THE CITY MANAGER
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September 11, 2019

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

Subject: **PUBLIC COMMENTS REMITTED BY THE CITY OF CERRITOS
REGARDING SCAG'S PROPOSED RHNA METHODOLOGY**

Dear Ms. Huang:

The City of Cerritos appreciates the opportunity to remit public comments for consideration by the Southern California Association of Governments (SCAG), in response to SCAG's proposed Regional Housing Needs Assessment (RHNA) methodology ("Draft Methodology") which was released for public comment on August 2, 2019. The City of Cerritos would like to acknowledge SCAG, its staff, and the RHNA Subcommittee for its diligent efforts in establishing three (3) draft methodology options in calculating and determining each jurisdiction's RHNA allocation for the SCAG region. The City acknowledges the existing housing crisis in the State of California and appreciates SCAG's efforts in addressing the need for housing development by way of the RHNA allocation process. In addition, the City of Cerritos recognizes the importance of ensuring that the most appropriate and equitable approach is considered for implementation by SCAG for the entire Southern California region.

Upon reviewing SCAG's Draft Methodology, the City of Cerritos would like to take this opportunity to express the City's concerns with several underlying factors that currently impact housing development, which were not considered in the preparation and establishment of SCAG's Draft Methodology. While these underlying factors were discussed in significant detail in a public comment letter, dated September 5, 2019, submitted to SCAG by the Gateway Cities Council of Governments (Gateway Cities COG), the City of Cerritos' comments contained herein reflect several of the same concerns and are expressed as follows:

- **The City of Cerritos has produced a significant amount of housing units during past RHNA cycles and continues to address housing affordability. The Draft Methodology should give RHNA allocation credits to jurisdictions that have facilitated housing production during all previous RHNA cycles.**

The Draft Methodology should take into account the total number of housing units produced by each individual municipality during prior RHNA cycles when assigning new housing unit allocations for each city in the Gateway Cities COG region. In

doing so, cities that have previously produced affordable housing units would receive credit for doing their part to produce units. Specifically, the RHNA methodology should take into account the total number of units built by each respective municipality during prior cycles in order to equitably assign a greater number of housing units to those cities that have failed to produce their fair share. Simply put, cities that have constructed affordable housing units should be rewarded for their work and not categorized and/or treated the same as cities that have not. Failure to account for the production of housing units in past RHNA cycles undermines the significant efforts that jurisdictions have previously undertaken to facilitate the construction of affordable and market-rate housing.

- **The City of Cerritos faces constraints in the development of housing units, including built-out conditions, and a significant amount of land area dedicated to freeways and industrial/warehouse land uses. The Draft Methodology should be adjusted to account for these constraints and geographical conditions that are not conducive to the development of sensitive residential land uses.**

The City of Cerritos is fully built-out and is bisected by the 91 and 5 freeways and possesses a significant amount of land area dedicated to industrial/warehousing uses that are not conducive to the development of sensitive residential uses due to potential health risks. In accordance with the California Environmental Protection Agency/California Air Resources Board's (CARB) 2005 Land Use Handbook, residential development is not recommended to be constructed within five hundred feet (500') of a freeway due to potential health hazards, as living in close proximity to freeways leads to greater adverse health effects beyond those associated with regional air pollution in urban areas. In a document produced by the County of Los Angeles dated March 2019, it was reported that people residing as far as 1,000 lineal feet from freeways are susceptible to adverse health effects caused by traffic pollution. In addition, the City of Los Angeles recently established a requirement for a 1,000-foot buffer separating freeways from residential land uses in an attempt to minimize pollution exposure to sensitive receptors. As such, the expansive freeway system, in and around the City of Cerritos effectively prohibits the development of sensitive residential land uses within 1,000 lineal feet of freeways, further limiting suitable areas for housing construction due to potential health hazards.

Further, it is also recommended that sensitive residential land uses maintain a buffer of 1,000 lineal feet from incompatible land uses such as industrial/warehouse uses due to the greater potential for exposing sensitive receptors to the harmful byproducts associated with industrial/warehouse uses, as exhibited in a recent United States Environmental Protection Agency (EPA)/South Coast Air Quality Management District (SCAQMD) case in the City Cerritos. Specifically, Heraeus Metal Processing, an industrial/warehouse use, was located adjacent to and/or in close proximity to sensitive residential and educational land uses located in the City of Cerritos, and required extensive intervention from the EPA/SCAQMD to implement measures to mitigate potential harmful byproducts of these uses, including but not limited to, maintaining a physical buffer between sensitive residential land uses and incompatible industrial/warehouse uses in future developments. Due to the

significant area of land dedicated to industrial/warehouse uses required to support the needs of the Port of Los Angeles and Port of Long Beach, less land area is suitable and/or available for the construction of sensitive residential land uses in the City of Cerritos.

- **The City of Cerritos is adversely affected by various economic factors that impact the City's ability to produce housing. The Draft Methodology should take into consideration all economic factors that are beyond the control of local jurisdictions.**

The City of Cerritos experienced significant economic challenges presented by the dissolution of redevelopment in 2012 (Dissolution), which had previously provided significant funding to support the promotion and creation of affordable housing. In addition, the recession (Great Recession) adversely affected the production of housing in the City of Cerritos. In addition, other economic factors, such as interest rates, inflation, and property values, have a direct impact on the production of housing. As such, historical economic trends, together with projected economic forecasts should be reflected in the Draft Methodology in order to establish realistic and attainable housing goals for the region.

- **The City of Cerritos is a "no low" property tax city, and does not have the financial capacity to displace existing sales tax generating uses to accommodate residential development. The Draft Methodology should consider local jurisdiction's source of funds, receipt of property tax, and the financial impact of new residential development on local services and programs.**

As a no-low property tax city, the City of Cerritos lacks the financial incentive and assistance to facilitate the production of housing, and rather compete with neighboring cities for sales tax revenue generating uses. New residential units will result in an increase in population, which in turn creates an added demand on local services and programs provided by the City of Cerritos. These ongoing costs are not covered by existing one-time funding sources that are intended to assist with the facilitation of housing by way of subsidizing the cost of property and construction for the financial benefit of the developer. Local jurisdictions, including the City of Cerritos, must be provided the means to financially support the production of housing.

Although funding sources exist, they are insufficient and have yet to be made available by the State of California to all local municipalities regardless of the financial status of the community for funding the cost of property acquisition and construction. One-time monetary funding must continue to be provided to all communities for subsidizing the acquisition of property and construction, while on-going revenue generated by way of property tax reform must be made available to local municipalities to cover the increased cost of providing core city services for new residents in perpetuity.

New Housing Paradigm

In addition to aforementioned concerns, the City of Cerritos contends that the manner in which the State of California goes about the facilitation of housing by way of mandating local municipalities to produce housing is ineffective and that further regulations, penalties and the loss of local land use control will continue to produce less than desirable numbers. The housing crisis in the State of California has been brought about by unintended consequences of Proposition 13, which limits the assessment placed on real property to one percent annually despite property values increasing exponentially over time. The cap placed on property tax in turn limits the amount of property tax revenue generated by local municipalities restricting their ability to fund core city services, which continue to increase in cost. To make matters worse, the City of Cerritos is a "no low" property tax city that receives nearly one third of the property tax generated by property tax cities. It is estimated that "no low" property tax cities generate property tax revenue equaling less than five percent of their respective operating budgets, while property tax cities are able to fund over fifteen percent of their respective budgets pursuant to the provisions of Proposition 13.

Due to the lack of financial incentive for both no-low property tax and property tax cities to facilitate the production of housing, cities have been forced to compete with neighboring jurisdictions for sales tax revenue generating commercial uses at the expense of residential development. As a result, local municipalities are conditioned to perceive residential uses as a drain on local revenue sources. Specifically, new residential units result in an increase in population, which in turn places an added demand on local services and programs on an ongoing continuous basis. More importantly, these ongoing costs are not covered by existing one-time funding sources that are intended to assist with the facilitation of residential development by way of subsidizing the cost of property and construction for the financial benefit of a developer.

In order to facilitate the reuse of existing land uses for residential purposes and for the housing crisis in the State of California to subside, local municipalities must be financially incentivized to promote the creation of housing units. Accordingly, the existing housing model employed by the State of California must be discarded to make room for a new housing paradigm, which enables local municipalities to receive their fair share of revenue along with their fair share of housing units. One-time funding sources are insufficient, yet must continue be made available by the State of California to all local municipalities regardless of the financial status of the community for subsidizing the cost of property acquisition and construction. Additionally, long-term revenue provided through property tax reform must be made available to local municipalities for offsetting the added cost of providing required city services and programs to support the influx of new residents in perpetuity.

In summary, the City of Cerritos encourages SCAG to consider the aforementioned factors in its creation and adoption of the Draft Methodology for the upcoming RHNA planning period. By re-evaluating and adjusting the proposed Draft Methodology to incorporate the consideration of economic factors, existing infrastructure in the region, potential health, safety, and welfare constraints, and housing production over previous RHNA cycles, the City of Cerritos is hopeful that the SCAG region, and all jurisdictions within the region, can

facilitate the production of housing in a fair and equitable manner. Please be assured that the City of Cerritos is committed to continuing its support of SCAG in its endeavors to appropriately allocate required housing units throughout the region, with the aforementioned factors considered.

Again, the City of Cerritos appreciates the opportunity to provide public comments pertaining to SCAG's Draft Methodology, and would like to thank you in advance for your consideration of the City's comments and concerns. Should you have any questions, or would like to discuss any of the comments provided herein, please feel free to contact me at (562) 916-1311.

Sincerely,



Art Gallucci
CITY MANAGER

cc Cerritos City Council
Mark Steres, City Attorney
Torrey Contreras, Senior Assistant City Manager
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Nancy Pfeffer, Gateway Cities Council of Governments