

SCAG
housing@scag.ca.gov

Friday, September 13, 2019

RE: RHNA 6th Cycle Public Comment

Dear Sirs,

Regarding SCAG's 6th cycle RHNA allocation,

I have been intimately involved in the CA housing issue for over 35 years, 1st as a home remodeler, then as a builder, real estate broker and finally as a Huntington Beach Planning Commissioner.

In 2015 I brought information to the commission that showed Orange County population growth had either stalled or declined in the majority of OC cities. This data rightly halted HB's Housing Element process.

As to RHNA, lets agree that this entire issue revolves around whether Southern California *is* growing and at what rate, who may or may not be moving here and exactly *who* they are.

Both SCAG's determination of 438k and HCD's determination of 1.3 million housing units for the 2021-29 period are wrong. To look forward we need to look into the recent past.

SCAG Region yearly population growth rate averages: Dept of Finance, SCAG and US Census

Department of Finance				
	2010	2019 (est)		
OC	3,014,684	3,236,920		
LA	9,838,592	10,324,698		
Riverside	2,196,103	2,456,153		

Department of Finance				
San Bernardino	2,043,503	2,200,426		
Imperial	175,195	191,457		
Ventura	824,437	859,345		
Total	18,092,514	19,268,999	9 yr increase	6.26%
			9 yr average	0.69%

SCAG				
	2008	2020 (est)		
OC	2,989,000	3,266,000		
LA	9,778,000	10,404,000		
Riverside	2,128,000	2,592,000		
San Bernardino	2,016,000	2,268,000		
Imperial	170,000	244,000		
Ventura	813,000	889,000		
Total	17,894,000	19,663,000	12 yr increase	9.42%
			12 yr average	0.78%

US Census				
	2010	2018 (est)		
OC	3,010,232	3,185,968		
LA	9,818,605	10,105,518		
Riverside	2,189,641	2,450,758		
San Bernardino	2,035,210	2,171,603		
Imperial	174,528	181,827		
Ventura	823,318	850,967		

US Census				
Total	18,051,534	18,946,641	8 yr increase	4.82%
			8 yr average	0.60%

These recent growth rates are anemic and do not indicate a need for expansive growth in the housing sector. Taking these growth rates as steady going forward to 2029 the narrative of “housing crisis” doesn’t square with the data.

Also, HCD & SCAG are taking a “shotgun” approach to mandated housing instead of a scalpel. Some parts of the SCAG region may be growing, others are not...if there is a local need then let the market fix it.

The question is, what hard information does SCAG have that proves Southern California is expecting this wave of new residents in the next decade ? I have reviewed all the publicly available data on migration patterns and find no actual information that indicates or proves that a flood of are people coming to the Southern California region anytime soon. The SCAG region will have to grow faster than half a percent to merit attention.

The State of CA and Governor Newsom are using the McKinsey report “Closing CA’s Housing Gap” as their source for more housing needs and specifically the 3.5 million number the governor has used repeatedly. The report uses Moody’s Analytics estimates of population growth. Lets remember that Moodys was central to the banking meltdown in 2008 when it was discovered that their bond-rating practices were instrumental in overvaluing MBS assets and debtors ability repay, most alarmingly using the metric that if one borrower in a tranche of 100s had a 580+ credit score the entire bond was rated AAA. It was fraud of the highest order and Moody’s was at the center of it; *they cannot be used as a trusted source of data.*

From the McKinsey report: *“Recent history indicates that the primary driver of California’s population growth is a high birthrate. Between 2010 and 2015, the state’s*

population increased by 1.9 million, the bulk of which—1.3 million—is a result of growing families. On a net basis, international migration contributed around 800,000 new residents, and domestic migration resulted in a loss of 200,000 residents who moved to other US states. “

CA Births. Babies born in CA in the last decade will not statistically first purchase housing, per the National Realtors Assn., until they are 31 years old. That means CA is at least 2 decades away from those babies turning into home buyers. More importantly, this “baby boom” may decide to leave CA for college, jobs or might make the choice to live elsewhere by then. Families might look for expanded housing when the babies are born but this doesn’t take into account that the family *leaves* one house for another freeing up space for others. Counting births today as proof of needed housing tomorrow is specious.

Illegals. There is a deep concern that SCAG is including illegal immigrants in their population projections. With the Trump administration’s push to curtail illegal immigration the outlook for people residing illegally in CA is grim. Also, no government agency should ever count illegals and make plans to accommodate them with taxpayer dollars, it’s unethical.

There are cogent voices that disagree with SCAG’s RHNA targets. The Embarcadero Institute’s study “[California’s 3.5M Housing Shortage Number Faces Questions](#)” calls into question the methodology for the McKinsey report and **arrives at a 1.1 million units by 2025 for the entire state, not just SCAG’s region.**

And, Transit Oriented Development will not work as SoCal is severely limited in the range and scope of transit. CA’s transit system wasn’t set up properly when land was cheap and available, there is no practical way to build a world-class transit system now. How will these new residents will be able to move along the most crowded freeway system in the nation.

The most important metric that SCAG and the State of CA are dismissing is Outmigration as this tells the tale for CA’s future.

Reasons for outmigration: All of these are combining to drive people to other states.

- 1) Over regulation/Bad governance. CA lawmakers are more concerned with creating a nanny-state than making CA livable for its residents. They are more concerned with banning straws than easing traffic. Potential new residents see this and are making the choice to live elsewhere. CA lawmakers are making every mistake possible, at breakneck speed.
- 2) High housing cost. SCAG's intention to keep housing prices affordable is failing in HB and most other cities. High Density Housing has raised rental costs across the board. There is no expectation that this works differently in other cities. Landlords compare rents in their market and adjust theirs accordingly, if rents are higher in the new developments they will be higher across the town. Therefore, the imposition of units will have the opposite of the intended outcome.
- 3) Business climate. CA is telling business to go to other states, in no uncertain terms. Roughly 10,000 companies have left CA for other states in recent years.
- 4) Crime. Prop 47 & 57 have raised crime.
- 5) Poverty. Almost four in ten Californians are living in or near poverty. Nearly one in five (18.5%) Californians were not in poverty but lived fairly close to the poverty line (up to one and a half times above it). All told, almost four in ten (36.4%) state residents were poor or near poor in 2017. Also, CA has 1/3 of all welfare recipients in America with over \$1 trillion annually going this segment.
- 6) Homeless Crisis. San Francisco and Los Angeles are the dead canaries in the coal mine. To prove their "compassion" liberal politicians have allowed homelessness to the point that a pandemic is possible. Citizens want leadership to fix this problem and see the political paralysis.
- 7) Traffic. LA has the country's worst traffic and commute times in the nation. SCAG believes that public transportation will cure this but there is no implementation possible as there is no available land to develop a transportation system that can handle the load. California grew as a "car culture", when past leaders had the chance to build a world-class transport system they only built freeways.
- 8) Illegal immigration. 1-in-10 workers in CA are claimed to be illegal.

CA's political mistakes are driving people to our closest neighbors, all are enjoying at least double CA's population growth.

Growth Rates			
State	2010	Current Population	% difference
Arizona	6,392,218	7,171,646	12%
Texas	25,146,114	28,701,845	14%
Utah	2,763,891	3,161,105	14%
Colorado	5,025,395	5,695,564	13%
Nevada	2,700,649	3,034,392	12%
Idaho	1,567,657	1,754,208	12%
California	37,254,523	39,557,045	6%

CA politicians seem to believe that citizens here will put up with endless social experimentation in exchange for mild weather. Outmigration disproves this.

So, the question remains. When you cut out all the unnecessary noise (vacancy, replacement need, social equity adjustment) why would people with resources move to CA ??

What CA is doing by forcing unneeded housing is however a recipe for failure and will result in massive drops in population and property valuations. Without serious soul searching SCAG's prescription for housing will spell doom for CA's future.

SCAG needs to drop the RHNA plan completely and reassess how the state and its legislators are actively driving away the lifeblood of a thriving economy. CA can not afford to live in the "we're the 5th largest economy in the world" fantasy any longer.

Yours Truly,

Michael Hoskinson

