

Regional Housing

From: Paavo Monkkonen <paavo.monkkonen@ucla.edu>
Sent: Sunday, October 6, 2019 11:28 PM
To: Ping Chang; Regional Housing
Subject: Graphs for tomorrow's meeting
Attachments: Technical Note RHNA CEHD Regional Council Sept 5th.docx; RHNA Subcommittee October 7 Meeting.docx

Hi Ma'Ayn and Ping,

Looking forward to tomorrow's discussion. I would like to refer to the graphs in the technical note I submitted to the committee on August 5th (attached) in our discussion. Would it be possible to print this out for the committee members or have it uploaded on the computer there?

Additionally, I have created another memo, also attached, I would like to submit to be printed for tomorrow's committee or possibly included in the agenda packet?

Apologies for the late request!

Paavo

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Paavo Monkkonen
Associate Professor of Urban Planning and Public Policy
UCLA Luskin School of Public Affairs
<http://luskin.ucla.edu/person/paavo-monkkonen/>

August 31, 2019

Honorable Bill Jahn
President, Regional Council
Southern California Association of Governments (SCAG)
900 Wilshire Blvd., Suite 1700
Los Angeles, CA 90017

via email: housing@scag.ca.gov

Re: Regional Housing Needs Assessment (RHNA) Allocation Methodology

Dear President Jahn,

This technical note explains why increasing zoned capacity in cities with housing high demand is important if increasing overall housing production is a regional goal – and several reports and presentations by the Southern California Association of Governments say that is. Little housing is built in cities with low demand, and currently there is relatively little zoned capacity in cities with high demand.

Figure 1 shows the problem. The figure sorts SCAG's cities into four groups of similar population size ranked by their median rent (as reported in the American Community Survey). For each group, I report population, recent permitting activity, and zoned capacity (taken from each city's 5th cycle Housing Element). I separate the City of Los Angeles from the rest because it is such an outlier in terms of size, construction, and zoned capacity.

The figure clearly shows that in the lower rent cities, there is relatively more zoned capacity and very little housing construction. In the higher rent cities, in contrast, there is relatively less zoned capacity but relatively more housing construction. The City of Los Angeles is in a category by itself - it accounted for almost half of the region's permits between 2013-2017 despite being only one fifth of the regional population.

The major takeaway from Figure 1 is that demand matters. Despite their lower zoned capacity (and their tendency towards more burdensome permitting processes), more housing is built in cities with higher rents. Adding zoned capacity in these cities is therefore likely to create more housing production than adding zoned capacity in low demand cities.

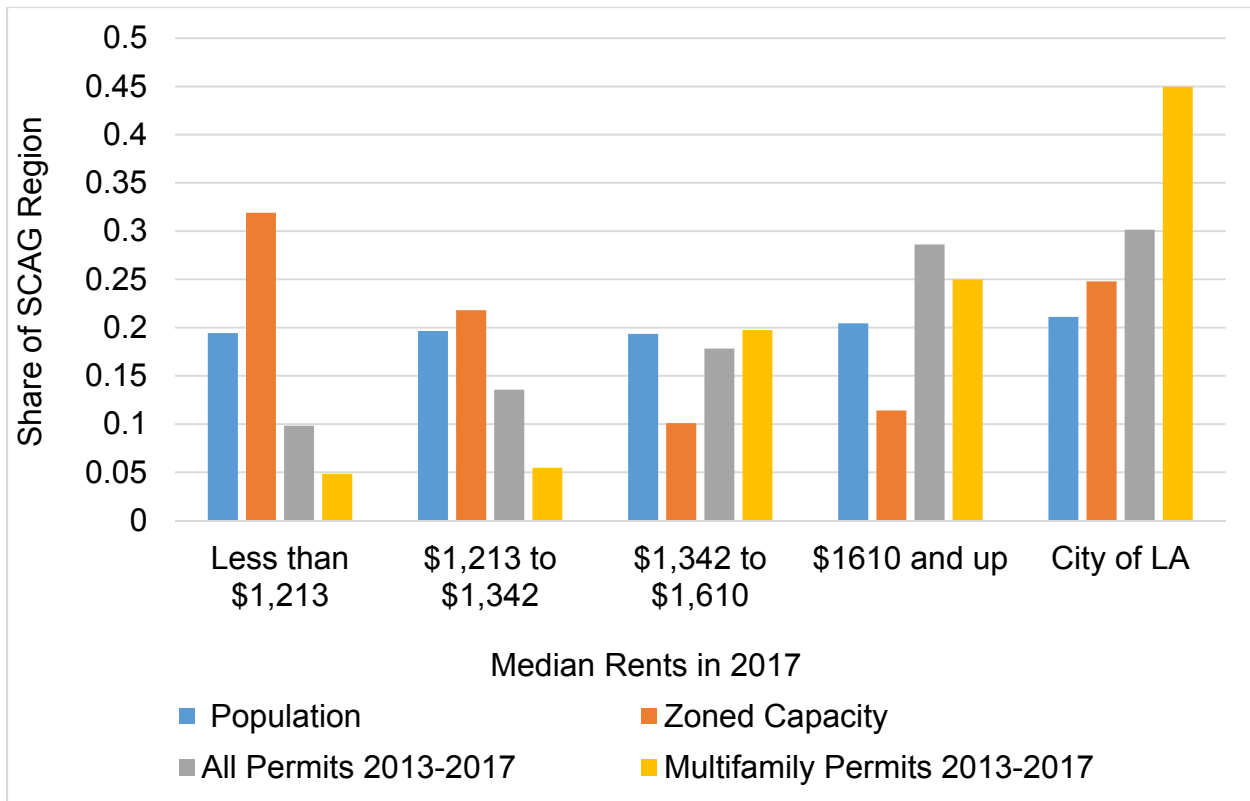


Figure 1. Population, Zoned Capacity, and Permits 2013-2017 for Cities in SCAG region, grouped by rents. *City of LA separated because it is an outlier.

To quantify this relationship between demand, capacity and production, I first regress the log of permitting activity between 2013 and 2017 on the log of rent and the log of zoned capacity (for 186 of SCAG’s jurisdictions with data), controlling for population. The results show that an increase in rent of 1% is associated with an increase in permitting of 1.1%. An increase in zoned capacity of 1%, meanwhile is associated with a smaller increase in permitting, of 0.3%.

As Figure 1 suggests, however, these two-way relationships tell only part of the story. The relationship between zoned capacity and permitting is conditional on rents (which are a measure of demand). To estimate this relationship, I regress the permitting activity between 2013 and 2017 on rents and zoned capacity as well as an interaction term of the two variables. Figure 2 below is a contour plot that shows the results of this model. The different colors indicate different levels of permitting activity at different combinations of rents and capacity.

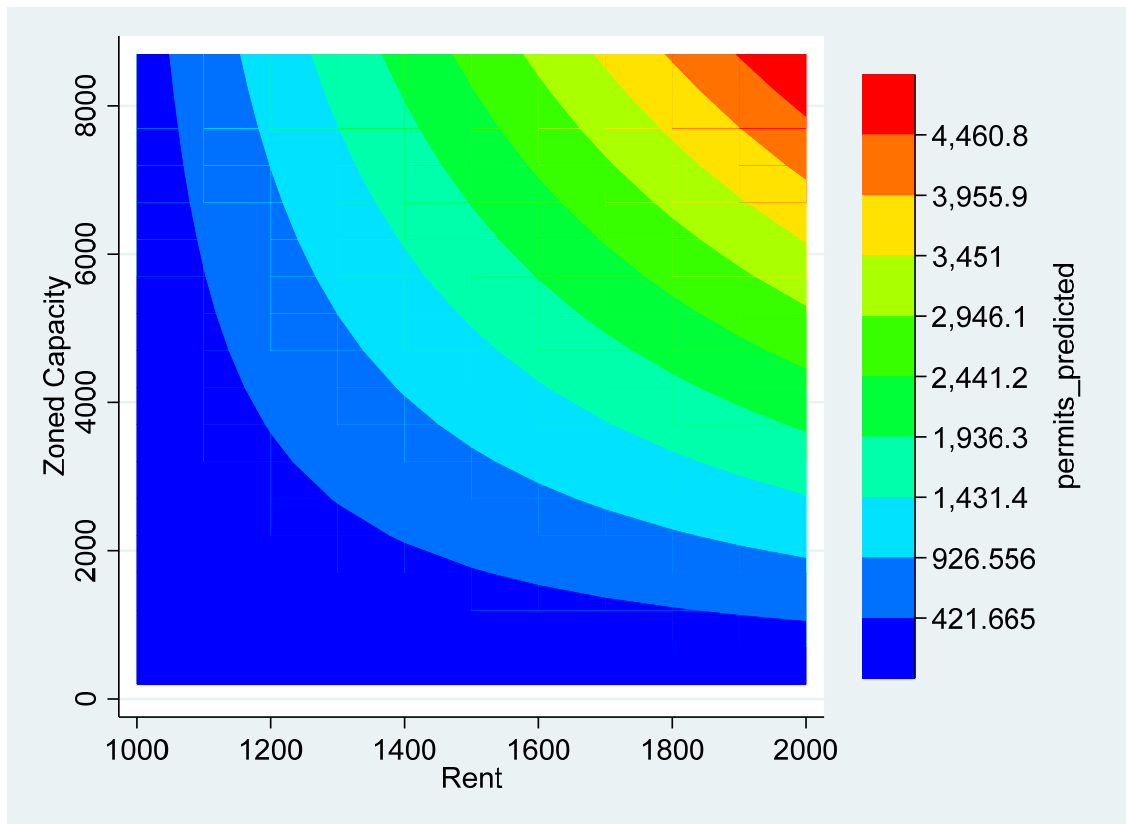


Figure 2. Results from a Regression of Permits 2013-2017 on Rents, Zoned Capacity, an Interaction of the two, and Log Population for 186 cities in SCAG

What does Figure 2 show? Imagine a city with a rent of \$1,200. If it went from a zoned capacity of 2,000 units to 6,000 units, its permitting rate would roughly double, from around 400 to 800. However, if a similar city with rents of \$1,800 saw the same zoned capacity increase (from 2,000 to 6,000 units), its permitting would almost quadruple, jumping from 800 to 2,800. Zoned capacity packs a lot more punch when demand is higher.

In the past, SCAG has allocated disproportionate amounts of its regional housing need to cities with existing zoned capacity – and low demand for housing. This has likely had no effect on housing production. Fortunately, if the allocation of regional needs in the 6th cycle follows statutory guidelines – especially reducing cities’ jobs housing imbalance – it can increase the needed housing production in our region.

Sincerely,

Paavo Monkkonen
 Associate Professor of Urban Planning and Public Policy
 Vice-Chair, Department of Urban Planning
 UCLA Luskin School of Public Affairs

Date: October 6th, 2019

To: RHNA Subcommittee, Southern California Association of Governments

From: Paavo Monkkonen
Associate Professor of Urban Planning and Public Policy
UCLA Luskin School of Public Affairs

Subject: Proposed Regional Housing Needs Assessment (RHNA) Allocation
Methodology released September 23rd 2019

This memo provides evidence that using Projected Household Growth as a basis for allocating housing among cities in the Southern California Association of Governments (SCAG) works *against* the goals of the Housing Element Law – increasing housing supply, equitably distributing housing, and affirmatively furthering fair housing – and the stated goals of SCAG itself – especially environmental sustainability, and works at cross-purposes to the other elements of the proposed methodology. In the SCAG region, **cities with greater Projected Household Growth have significantly worse access to jobs, access to transit, lower incomes, and lower housing costs.**

To see these relationships, I use SCAG data to create three scatterplots of data in the Draft Allocation Methodology Released on September 23rd. In the graphs, each dot represents a city. They demonstrate that the components of the Draft Allocation Methodology work at cross purposes. Using Projected Household Growth for effectively 2/3 of the allocation means ***the end result of the proposed methodology is to place more housing need in cities with worse access to jobs and lower incomes.***

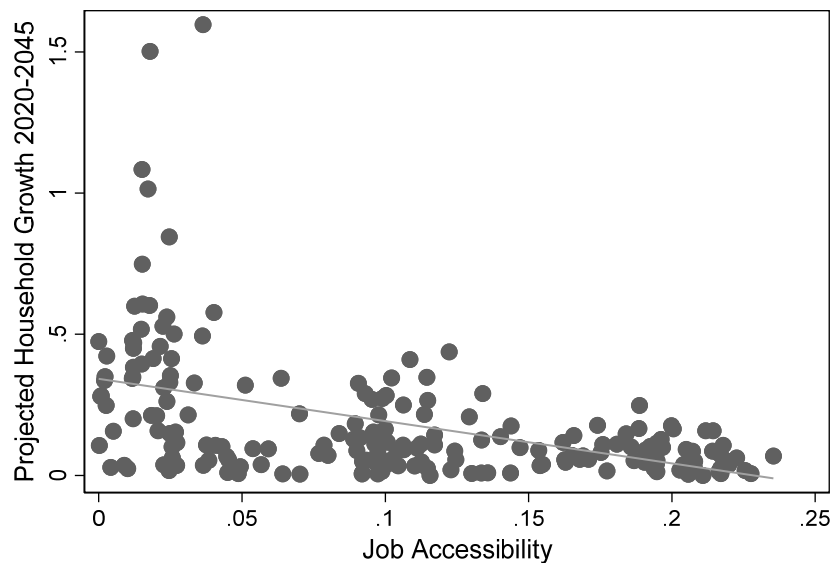


Figure 1. Cities with Higher Projected Household Growth Have Worse Job Accessibility

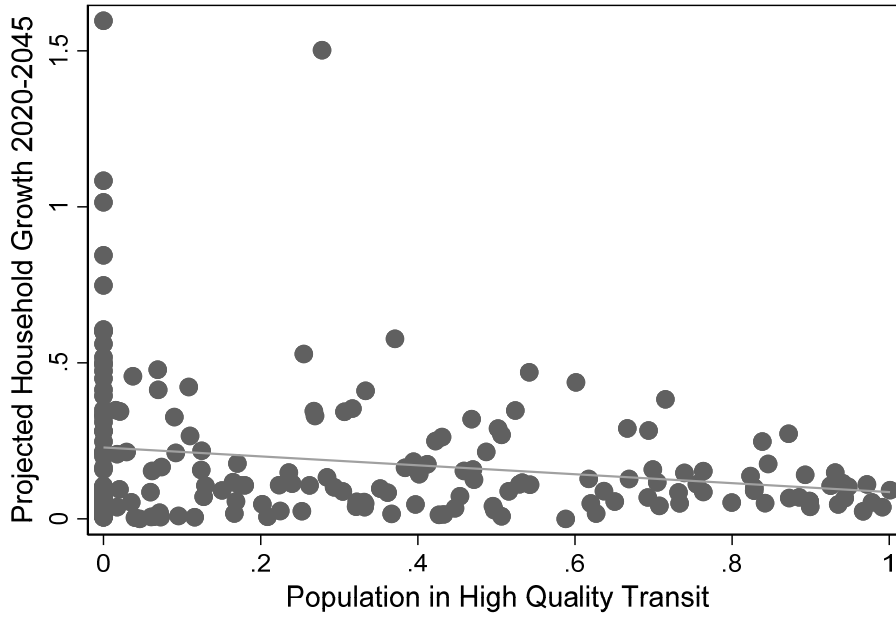


Figure 2. Cities with Higher Projected Household Growth Have Less Population in High Quality Transit Areas

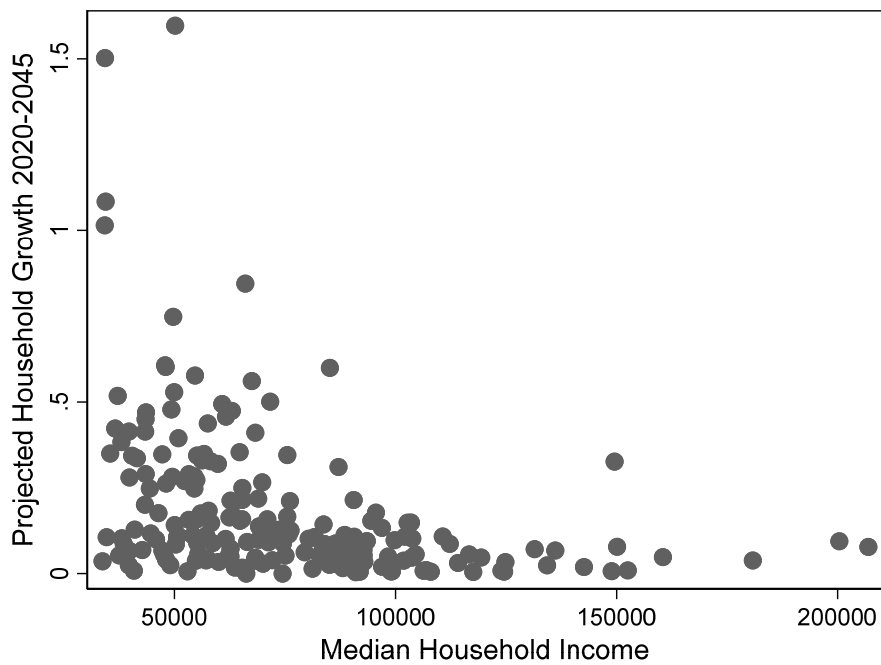


Figure 2. Cities with Higher Projected Household Growth Have Lower Median Incomes