MISSION IMPOSSIBLE?

MEETING CALIFORNIA'S HOUSING CHALLENGE

October/2016

SCAG™

INNOVATING FOR A BETTER TOMORROW

SCAG™

INNOVATING FOR A BETTER TOMORROW

MISSION IMPOSSIBLE?
MEETING CALIFORNIA'S HOUSING CHALLENGE

Released in conjunction with

CALIFORNIA HOUSING SUMMIT: THE COST OF NOT HOUSING

October/2016

please recycle 2736 2016.10.07

TABLE OF CONTENTS

- FOREWORD 2
- EXECUTIVE SUMMARY 4
- HOUSING CRISIS & CAUSES..... 6
  - Snapshot of the Housing Crisis
  - How Did We Get To This Point?
  - Imbalances & Distortions in the Marketplace
  - The Cost of Not Housing
- SOLUTIONS TO BUILD MORE HOUSING & IMPROVE AFFORDABILITY 25
  - Fiscal Strategies
  - Planning & Local Strategies
  - Barrier Removal Strategies

FOREWORD

by SCAG President Michele Martinez

When a crisis affects a part of our community, local leaders and members of the community often band together to get through the crisis. We may hold fundraisers, increase community awareness, or even push through legislation to address the problem and try to ensure that other people are not affected later. So when a crisis affects our entire community, it should follow that the crisis deserves more attention and more resources, particularly when the crisis will have reverberating impacts on future generations.

At the local, regional, and statewide level, California has a housing crisis. For a long time, the crisis has been framed as only affecting low income families, but in fact the housing crisis is affecting all segments of the population. From the dual income couple that cannot afford to live within an hour's drive from where they work to the fixed income senior citizen to the low income family that takes on extra jobs to afford rising rents, the housing crisis is affecting all of us.

Since 2000, median household incomes in the State have dropped by 8% while median rents have increased by 28% and home prices have increased by almost 40%. This is not sustainable, and our dwindling middle class are struggling to put roots in the ground. And they are not alone. Many employers cite housing costs as a major factor in their reasons for leaving California. Our younger generations who would have started families here are now looking outside the State to purchase a home. Their departure will deprive the State of the young, skilled workers who could have helped strengthen our State's economic competitiveness. We will feel the social and economic impacts of the crisis for years unless we start taking action today.

One of the major contributors to the crisis is that for far too long we as a State have been saying no to housing at the local level. We need to increase housing supply and promote affordability in our own communities – we need to say YES to housing. Some may argue that building housing adds to problems, such as traffic congestion and overcrowding, but supporting housing development can mean strengthening community character and addressing existing and future needs. In fact, encouraging housing can help further a community's overall vision, all while remaining sensitive to community concerns. Saying YES to housing can go a long way towards improving our overall quality of life.

This publication, "Mission Impossible? Meeting California's Housing Challenge" is being released in conjunction with the California Housing Summit on October 11, 2016 held by SCAG and 34 statewide partners. The purposes of the publication and Summit are to discuss how we got to this point and why, and to discuss strategies and tools for leaders to consider when confronting the housing crisis. Saying YES to housing will require collaboration among stakeholders, sound planning, strategic communications, and political will at the local level. Housing for the sake of housing is no longer enough; it must be part of each city's long-term aspirations – sold not on the benefits it affords a few, but its value to the community as a whole.

WE HAVE A CRISIS STATEWIDE

The housing crisis in California is due to a combination of both a housing shortage and a lack of affordability, and the problem is not limited to housing for low-income families.

MEDIAN PRICE HOME
$460,800
IN CALIFORNIA

HOME PRICES ARE
2.5x
THE NATIONAL AVERAGE

FROM 2000-2014

28%
MEDIAN RENT IN CALIFORNIA

FOR RENT

MEDIAN HOUSEHOLD INCOME IN CALIFORNIA
8%

MORE THAN 60%
OF VERY LOW-INCOME FAMILIES SPEND
OVER HALF OF THEIR INCOME ON HOUSING

Sacramento

Bay Area

AFFORDABILITY IS A LOCAL AND REGIONAL PROBLEM

MEDIAN PRICE HOME
$507,886
IN THE SCAG REGION

Ventura
Los Angeles
San Bernardino
Orange
Riverside
San Diego
Imperial

TO SAVE FOR A TRADITIONAL **20%** DOWNPAYMENT

A FAMILY WOULD NEED TO SAVE ALMOST
$1,700
A MONTH

IN THE SCAG REGION, A HOUSEHOLD EARNING THE MEDIAN INCOME WOULD NEED TO SET ASIDE
34% OF THEIR GROSS INCOME

FOR **5** YEARS TO SAVE FOR THE DOWNPAYMENT OF A MEDIAN PRICE HOME

HOUSING SUPPLY HAS NOT KEPT UP WITH POPULATION GROWTH

1970-1980 — 1 NEW UNIT PER 1.74 PERSONS ADDED

1990-2000 — 1 NEW UNIT PER 4.52 PERSONS ADDED

A DROP IN HOME BUILDING

2010-2014 — 1 NEW UNIT PER 2.64 PERSONS ADDED

IT'S COMPOUNDED BY A DEMOGRAPHIC SHIFT

HOUSING SUPPLY ↓ + DEMANDS OF MILLENIALS SEEKING HOUSING ↑ = HOME + RENTAL PRICES ↑

WHAT'S HOLDING UP NEW HOUSING CONSTRUCTION?

UNDER CONSTRUCTION

01 LACK OF FUNDING OR FISCAL INCENTIVES

Many jurisdictions do not have permanent funding to build housing. Subsidized housing may not produce enough revenue and other forms of land use may be preferred.

02 REGULATORY BARRIERS

There are a number of regulatory requirements, such as CEQA, that can delay or kill residential projects. They can also add to the cost of a project.

03 LOCAL ZONING REQUIREMENTS

Local zoning requirements, such as parking, can restrict the number of units or render them unaffordable for many.

04 NOT IN MY BACK YARD (NIMBYism)

Misinformation and fear can lead to community opposition to residental projects.

THE COST OF NOT HOUSING

The higher the housing costs, the lower the amount a family can use toward other costs. This can impact future savings, particularly for families that are close to poverty. High housing costs also mean less money that could be spent on local businesses, personal health or recreation.

DISPLACEMENT

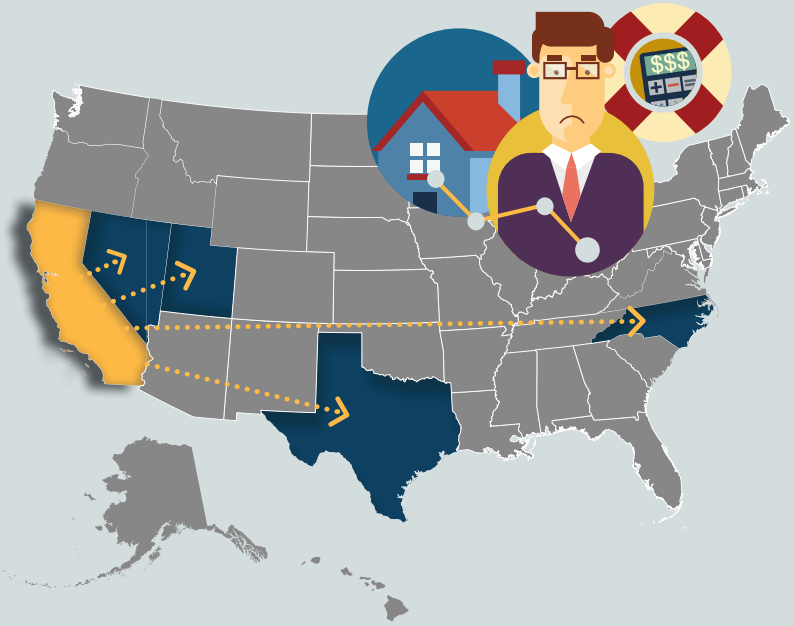
OVERCROWDING

OUTMIGRATION AND LOSS OF YOUNG TALENT

Due to stagnant wages or difficulties finding a secure entry-level or mid-level job, and rising costs in rent, millennials represent over half of the outmigration from the most expensive metro areas despite representing only a quarter of the population.

ECONOMIC IMPACTS

High housing costs also impact wider economic growth and are an increasing factor in decision-making for employers. A number of major employers are leaving the state or reducing operations, citing the lack of housing for their employees as one of the top reasons for leaving.



EXECUTIVE SUMMARY

The housing crisis in California is due to a combination of both a housing shortage and a lack of affordability. The problem is not limited to housing for low income families. The goal of the Housing Summit and the Housing Publication is to get decisionmakers to say "YES" and build housing with actionable options.

Both home prices and rental costs are growing throughout the State. The SCAG region median home price is $507,886, an increase of over 58% over the past 20 years. The median rental price in the SCAG region is $1,321, an increase of over 20% over the past 20 years. Household income did not increase to keep up with rising housing costs. In fact, the median household income has actually decreased by over 5% in the last two decades.

In comparison to the last few decades, housing building has significantly decreased. New home construction in the last decade in the SCAG region is 38% lower compared to the prior decade and over 50% lower than the decade between 1976 and 1985. Additionally, over the four major metropolitan areas, over 28,000 units are at-risk of losing their affordability for low income households. Housing construction is slowing and the supply of affordable housing is shrinking.

The lack of housing affordability is not limited to low income families and there are also generational differences that can affect housing affordability. A typical younger millennial household is less likely than their older baby boomer counterpart to own a home or have a higher income to purchase one. Retiring baby boomers who rely on social security may also face high housing costs relative to their income, causing a strain on society.

There are several reasons contributing to the high cost of housing. The costs from the entitlement and permit approval process can represent up to 19% and governmental regulatory costs can add up to 7%. Extensive locally-required changes as a result of the public hearing or design review process can increase costs and uncertainty for residential projects, and may end up reducing, delaying, or halting the project entirely. Regulatory barriers to housing development include the State-mandated California Environmental Quality Act and local parking requirements.

A lack of funding and fiscal incentives also contribute to high housing costs. The lack of revenue adds to the general reluctance of local governments to support new residential projects, especially when confront with community opposition. Local opposition may be due to misinformation or emotional fears.

There are a variety of consequences caused by the housing crisis. The more household incomes are spent on housing, the less money there is available for families to spend on discretionary purchases or even basic necessities. It can also cause families to save less money, putting low income households at risk for poverty. Low income families also face the extra pressure of displacement from neighborhoods previously available to low income groups due to rising housing costs. Public health and safety issues are also a concern due to overcrowding from a lack of affordable housing.

In terms of economic growth, high housing costs have been a major factor in employer decision making. Several large employers have left California or are focusing growth elsewhere in the U.S. citing the cost of housing as a factor in their business decisions. It is no coincidence that the areas in California with the highest number of business disinvestments are also places of high housing costs.

The solutions and strategies to address the housing crisis can be implemented at the State, regional, and local levels. There is no one-size-fits-all approach to address the crisis, but decisionmakers should consider strategies and tailor them to the unique challenges and opportunities faced by each community.

Fiscal incentives, such as Enhanced Infrastructure Financing Districts and Community Revitalization Investment Authorities, were created by State legislation and can be used to set aside funding to develop affordable housing and associated infrastructure. Other regulations, such as CEQA, can also turn out to be opportunities for exemption and streamlining of residential projects that are within urban infill areas. These strategies can be implemented in the context of regional plans and partnerships to strengthen their viability and funding opportunities.

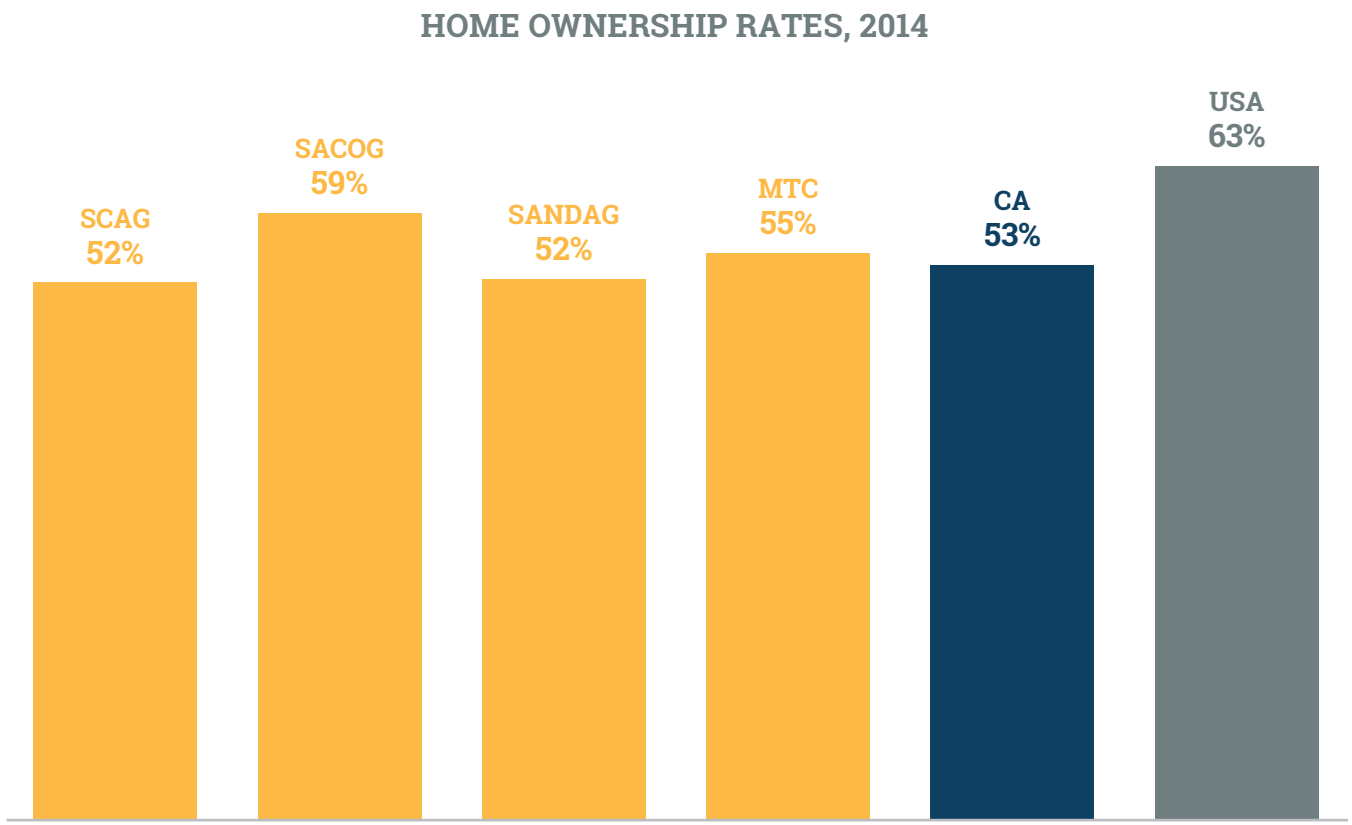
Local tools to develop more housing address various levels of affordability. These include rent stabilization, anti-displacement policies, inclusionary zoning policies, and density bonuses. Other strategies, such as streamlining or expediting the entitlement process, can lower the cost of housing and encourage residential development, including affordable housing, within communities.

Finally, misconceptions and emotional fear regarding housing, particularly affordable housing, is one of the largest obstacles to increasing the supply of housing. Decisionmakers should consider various strategies to address these fears and misconceptions. These strategies include mythbusting, partnering with various organizations, and building relationships with opponents. Combined with technical strategies and policies, strong and committed leadership can create a resilient force to tackle the housing crisis.

HOUSING CRISIS & CAUSES

The housing crisis in California has gripped the State and is now at the forefront of critical discussion among policymakers, business and community leaders, and advocacy groups. Traditionally, housing challenges have focused on affordable housing for low income families and discussions centered on solutions to address this need. While housing for low income families is critically important when discussing the housing crisis, the crisis itself is no longer limited to one segment of the State's population. The California housing crisis is a problem that crosses economic, demographic, and geographic segments and has impacts that reverberate across local, regional, and Statewide levels.

The housing crisis is a two-part problem – a shortage of housing and a lack of affordability. The shortage of housing is a lack of supply since there is not enough housing to meet population needs. The second problem, lack of affordability, is the mismatch of household incomes to the price point of housing that is available. This publication, Mission Impossible? Meeting California's Housing Challenge, will review the causes and consequences of the housing crisis throughout the State and share real life stories of its impacts. Although there is not a "one size fits all approach" to solve the housing crisis, better understanding will lead to better solutions that can be tailored to different communities, and this publication will explore strategies and tools that policymakers and communities can implement to address the housing crisis.



Source: ACS (1-year estimates)

SNAPSHOT OF THE HOUSING CRISIS

Home & Rental Price Trends

So how bad is the California housing crisis? There are a number of metrics that illustrate to the current situation. One of the most widely used benchmarks is pricing, both home prices and rental prices.

The median housing price in California has increased by 51% over the past 20 years, reaching $460,800 in 2016. In contrast, the national median housing price reached $185,057 in 2016 and increased only 21% over the same period.

Housing prices within California also vary considerably by region. For example, in the Southern California Association of Governments (SCAG)[1] region, the median home price in the first half of 2016 was $507,886, an increase of over 58% over the past 20 years. This dramatic trend upward is reflected in other parts of the State. For example, the San Francisco Bay Area Metropolitan Transportation Commission (MTC)[2] has grown over 64% since 2016 with the most recent median housing price hitting $691,782 in the first six months of 2016.[3] For the nation, the median home price in 2016 was $239,900. Assuming a

1 The SCAG region represents six counties in Southern California: Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

2 The MTC region represents nine counties in the San Francisco Bay Area:Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

3 The SANDAG region covers San Diego County. The SACOG region covers 6 counties in Sacramento: El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties.

THE COST OF NOT HOUSING: REAL-LIFE STORIES

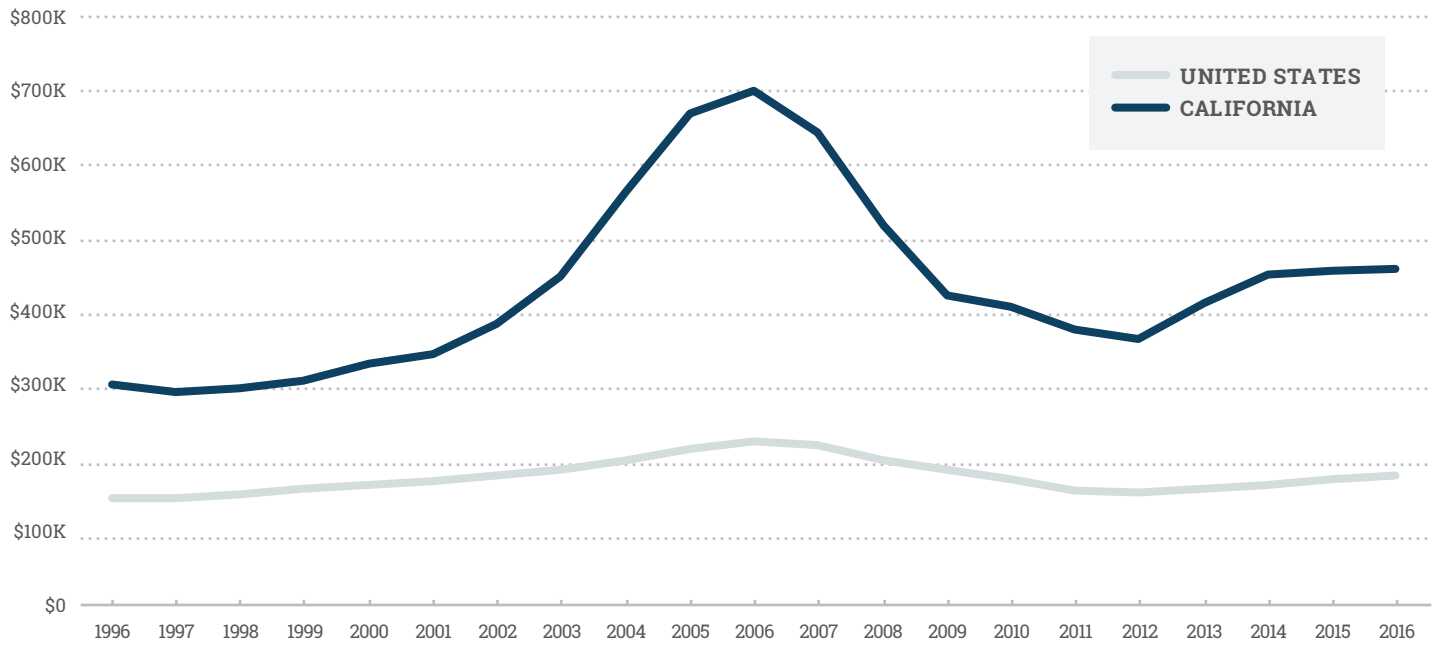
Name: Marisela Manzo

Resident of: San Bernardino County

Background: Ms. Manzo lives in the city of Fontana, and balances working a full-time job in nearby Rancho Cucamonga with being a student and a single mother to a young daughter. She is also a veteran of the United States Army, where she served for 8 years.

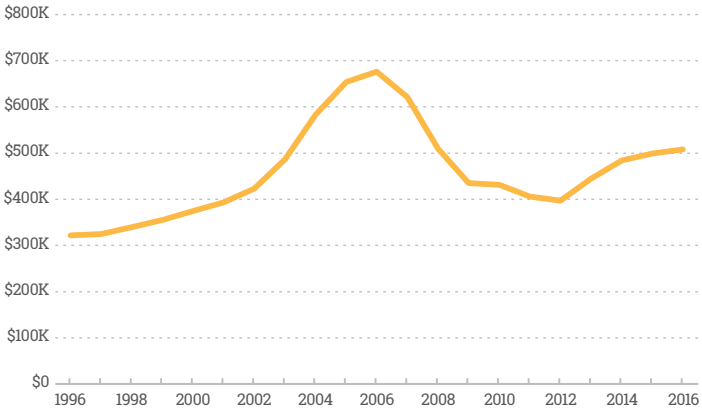
How is the housing crisis impacting her? "I've been trying to search for housing for about 2 years. I've struggled finding anything that's affordable in a decent neighborhood with a nice school system, somewhere I can bring up my daughter. I currently live with roommates, and with that there are a lot of privacy issues. I have to coordinate anything from a birthday party or to having guests over. I have to worry if my daughter is being too loud, or if I'm up too late and making too much noise because I'm doing homework. It makes it a struggle living with roommates and not having my own place."

MEDIAN HOME PRICE: CALIFORNIA & UNITED STATES, 1996-2016



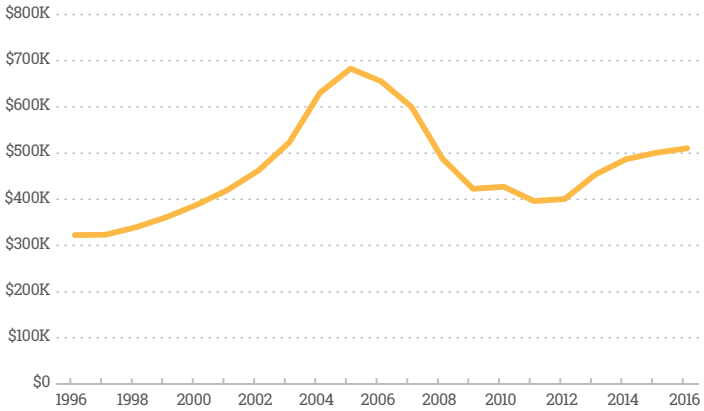
Source: Zillow

MEDIAN HOME PRICE: SCAG REGION 1996-2016



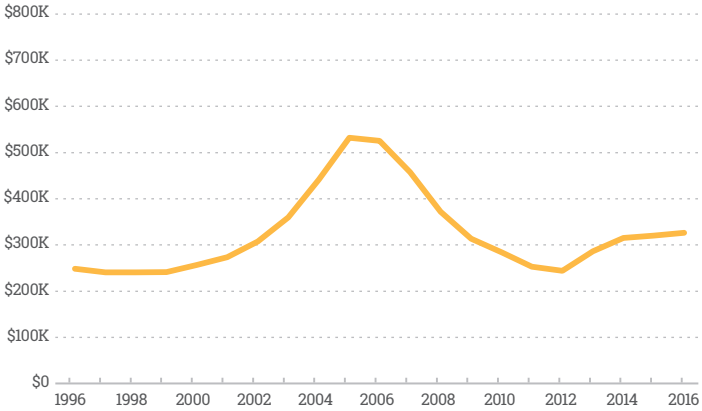
Dollars adjusted for inflation to match value in 2016/Source: Zillow

MEDIAN HOME PRICE: SANDAG REGION 1996-2016



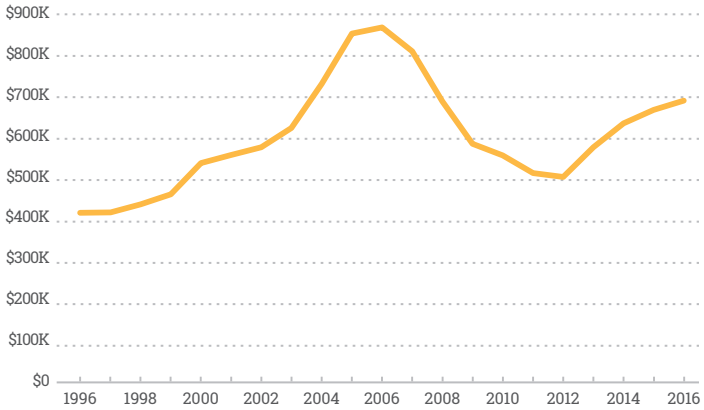
Dollars adjusted for inflation to match value in 2016/Source: Zillow

MEDIAN HOME PRICE: SACOG REGION 1996-2016



Dollars adjusted for inflation to match value in 2016/Source: Zillow

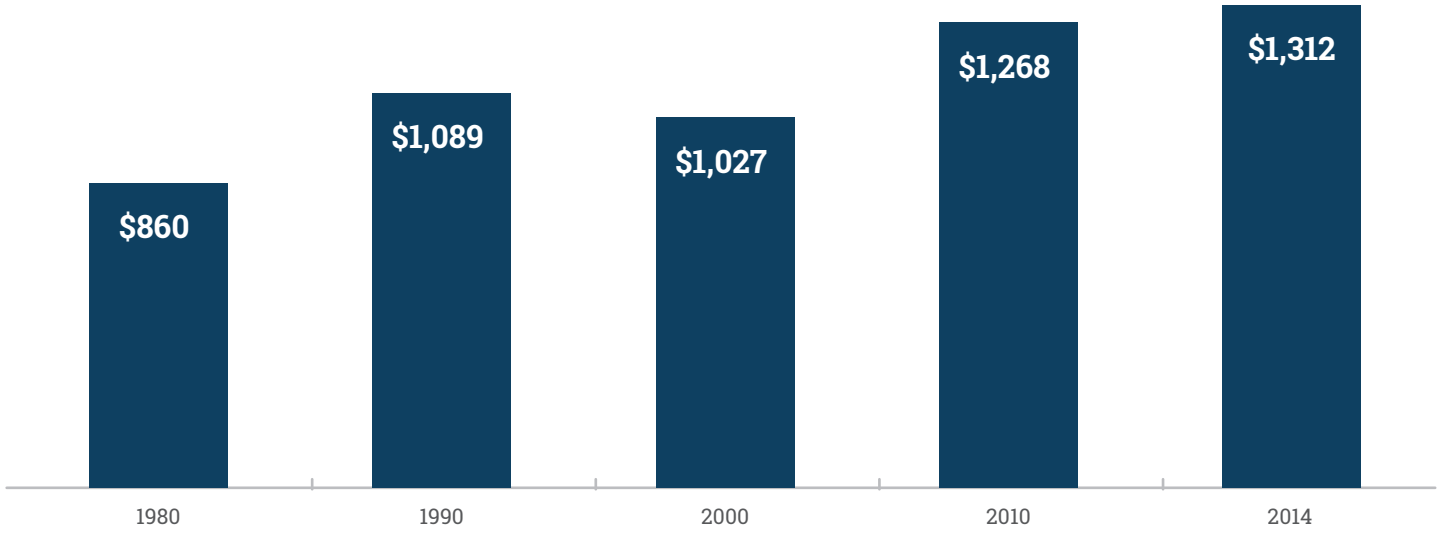
MEDIAN HOME PRICE: SFMTC REGION 1996-2016



Dollars adjusted for inflation to match value in 2016/Source: Zillow

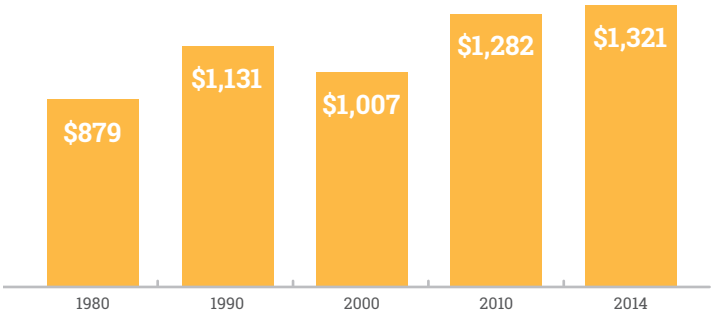
MEDIAN GROSS RENT: CALIFORNIA , 1980-2014

Gross rent is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) if these are paid by the renter. Gross rent is intended to eliminate differentials that result from varying practices with respect to the inclusion of utilities as part of the rental payment.



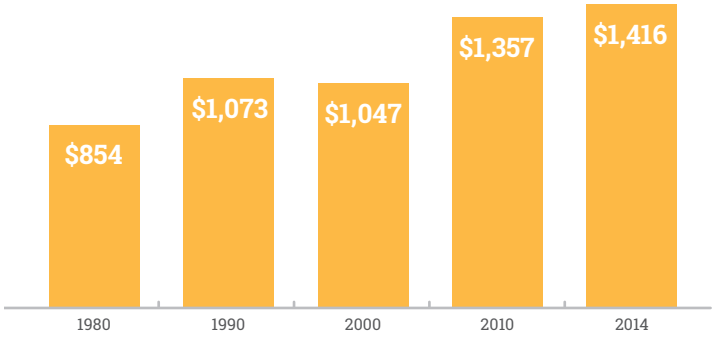
Dollars adjusted for inflation to match value in 2014.

MEDIAN GROSS RENT: SCAG REGION 1980-2014



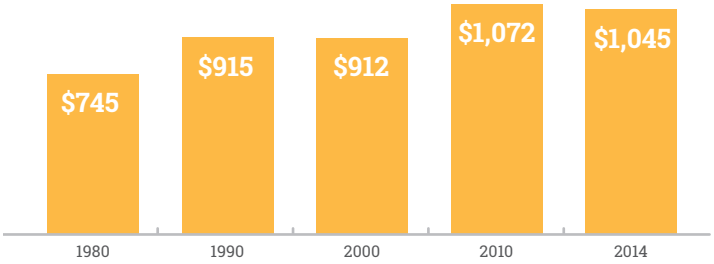
Dollars adjusted for inflation to match value in 2014

MEDIAN GROSS RENT: SANDAG REGION 1980-2014



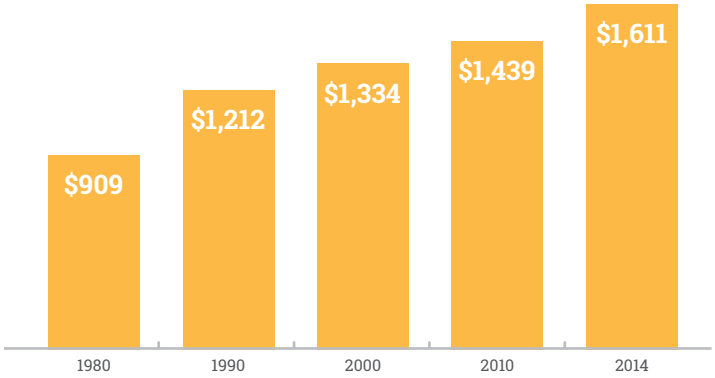
Dollars adjusted for inflation to match value in 2014

MEDIAN GROSS RENT: SACOG REGION 1980-2014



Dollars adjusted for inflation to match value in 2014

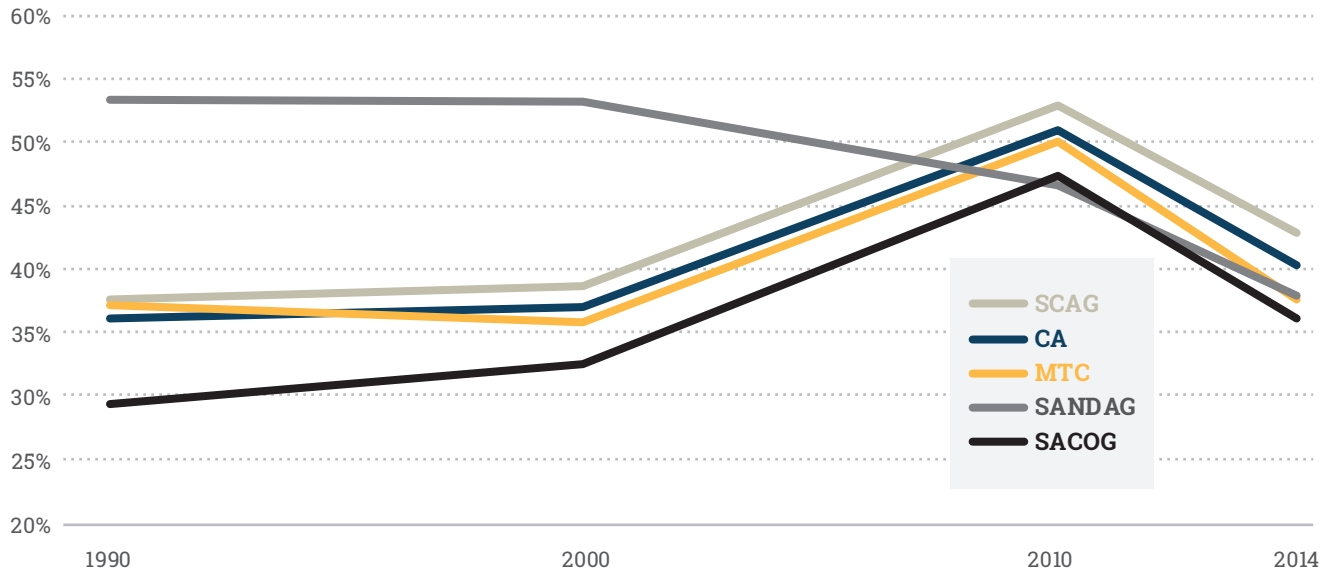
MEDIAN GROSS RENT: MTC REGION 1980-2014



Dollars adjusted for inflation to match value in 2014

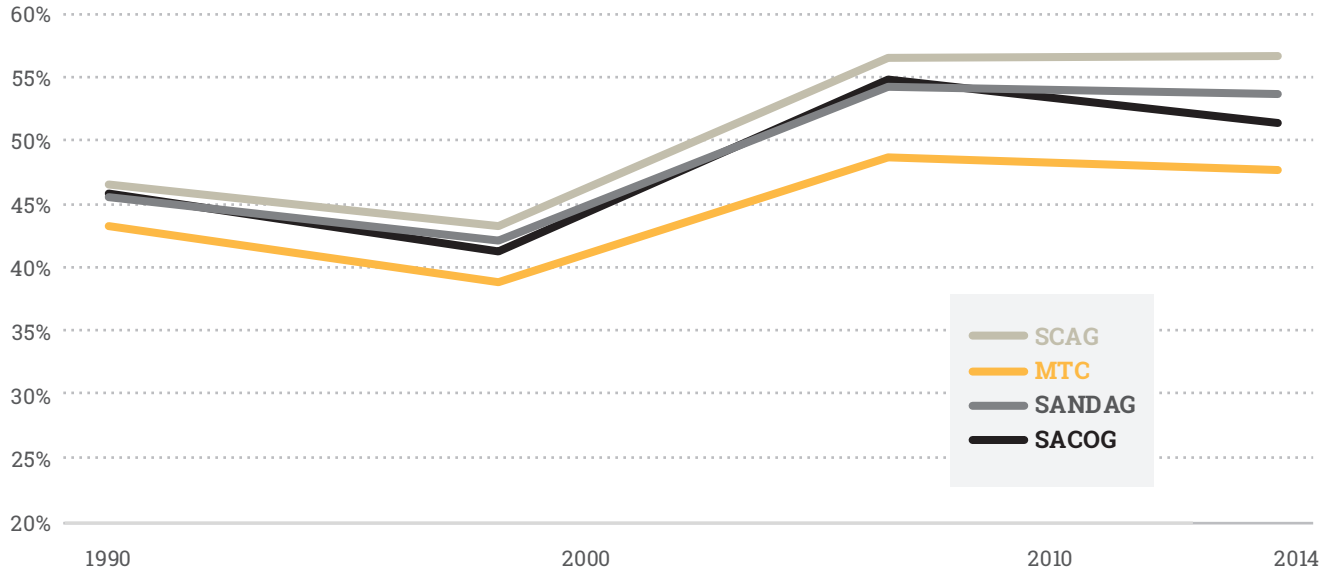
PERCENT OF MORTGAGED OWNERS 1990-2014

Owners who spend ≥30% of Household Income on Housing



Source: Census (1990, 2000), ACS 1-Year Estimates (2006-2014)

RENTER HOUSEHOLD WHO ARE OVERPAYING 1990-2014



Source: Census (1990, 2000), ACS 1-Year Estimates (2006-2014)

buyer purchased the median priced home in the SCAG region with a 20% down payment and received a favorable interest rate of less than 4%, the mortgage on this home would be $1,921 every month. As discussed later in this publication, affordability relative to income is increasingly out of reach for a large number of Californians.

A 20% downpayment on a SCAG median priced home is over $101,000. To afford this, a family would need to save almost $1,700 a month or $55 every day for five years. Putting it in a daily perspective, a family would need to set aside the equivalent of 11 premium coffee drinks every day to afford a median priced home in the SCAG region.

Another indicator of high housing costs is the rate of homeownership. A snapshot of current homeownership rates indicates that the major metropolitan areas of California lag far behind the national average of 63%. While the Sacramento Area Council of Governments (SACOG)[4] region has a homeownership rate of 59%, the SCAG and SANDAG regions have the lowest rate of homeownership at 52%, which is less than the State average of 53%.

For those priced out of the home buyer market, Rental prices also reflect the dramatic change in housing affordability. The median rental price of a 2-bedroom apartment rental in California was reported as $1,312 per month, which represents an increase of 53% between 1980 and 2014. All four major metropolitan areas in California echo this trend, with MTC rental rates increasing over 77%, followed by SANDAG with a 66% increase, followed by SCAG and SACOG at 50% and 40%, respectively.

So how bad really is the California housing crisis? While trends show prices increasing, this only scratches the surface of the housing crisis in California. Looking a little further, other metrics indicate deeper issues beyond the sale or rental price of a home.

4 The SACOG region covers six counties in the Sacramento area: El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba counties.

THE COST OF NOT HOUSING: REAL-LIFE STORIES

Name: Karen Aceves

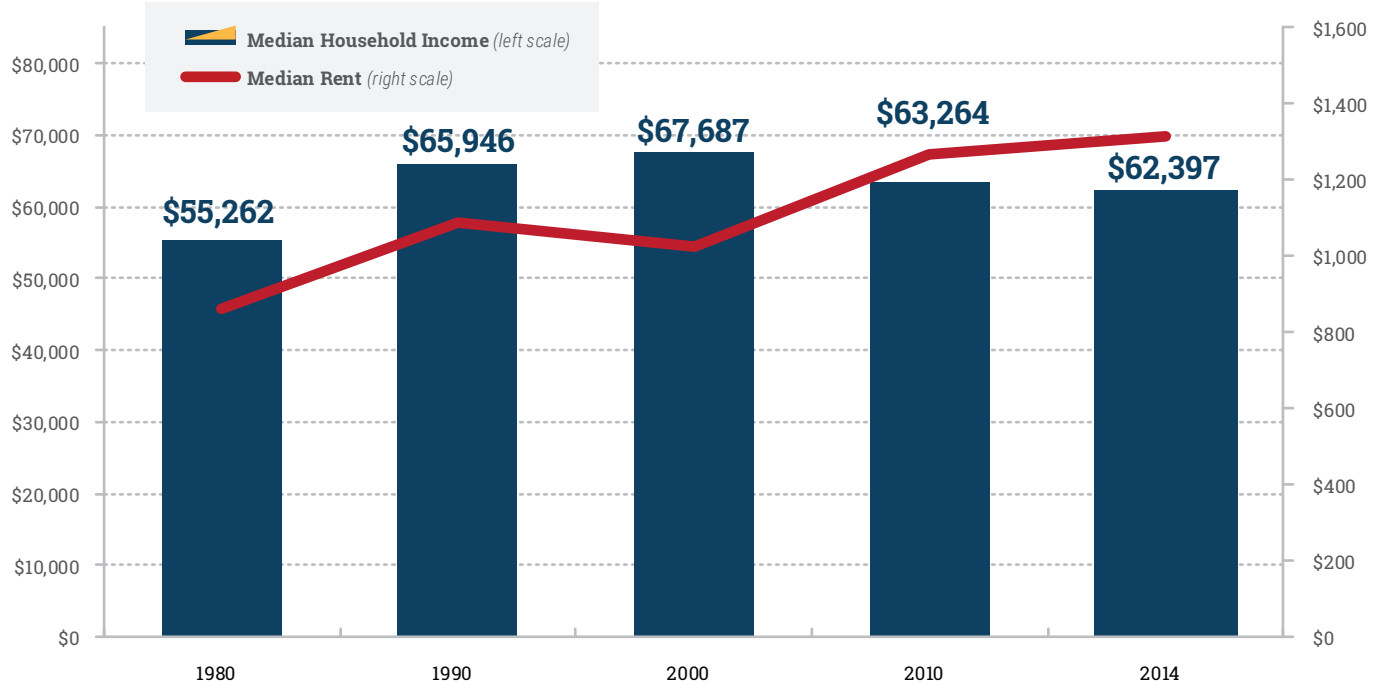
Resident of: Los Angeles County

Background: Ms. Aceves lives in the city of Azusa, and commutes every day to her full-time job in downtown Los Angeles.

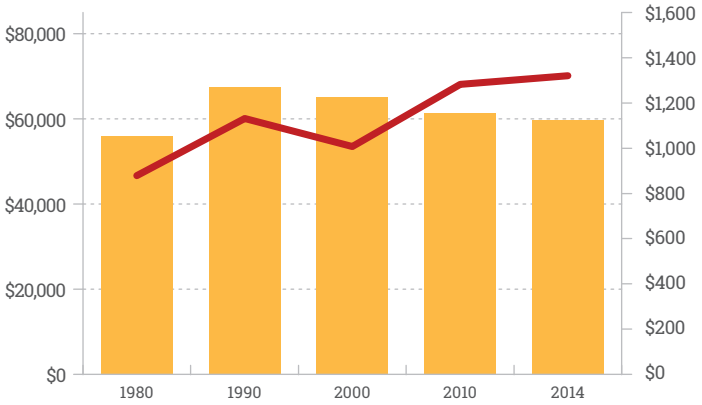
How is the housing crisis impacting her? "When I first began looking for a home I was just out of college, a renter in the city of Pasadena. I signed up for LA County's Home Ownership Program, which provided a home buyer education course and helped me find a real estate agent and mortgage broker. I started looking in Pasadena and near LA, but it became really evident early on that it wasn't going to happen and I had to move my search further east. Finally, after making something like 30 offers and getting priced out, I was able to purchase a home in Azusa. Although my commute right now is about 2 hours each way and ideally I would like to live closer to Pasadena again, I really am grateful that I'm able to be a homeowner especially with the housing shortage that we're currently facing."

MEDIAN HOUSEHOLD INCOME VS. MEDIAN GROSS RENT: CALIFORNIA, 1980-2014

Gross rent is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) if these are paid by the renter. Gross rent is intended to eliminate differentials that result from varying practices with respect to the inclusion of utilities as part of the rental payment.

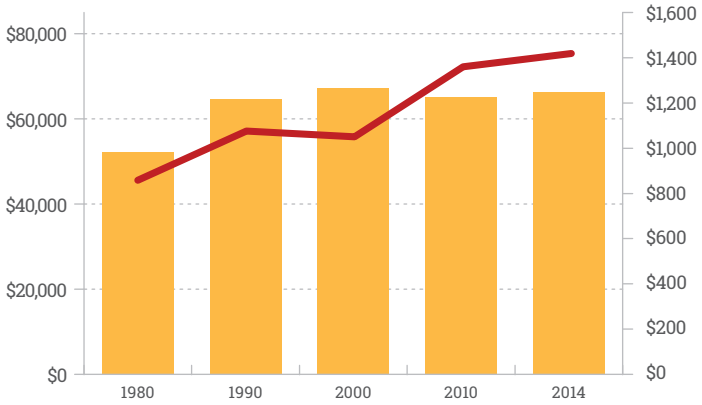


HOUSEHOLD INCOME VS GROSS RENT: SCAG REGION



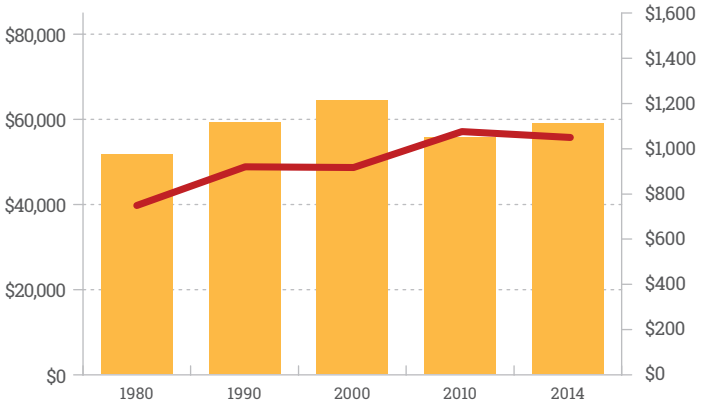
Dollars adjusted for inflation to match value in 2014/Source: Census 1980, 1990, 2000, ACS 2010, 2014

HOUSEHOLD INCOME VS GROSS RENT: SANDAG REGION



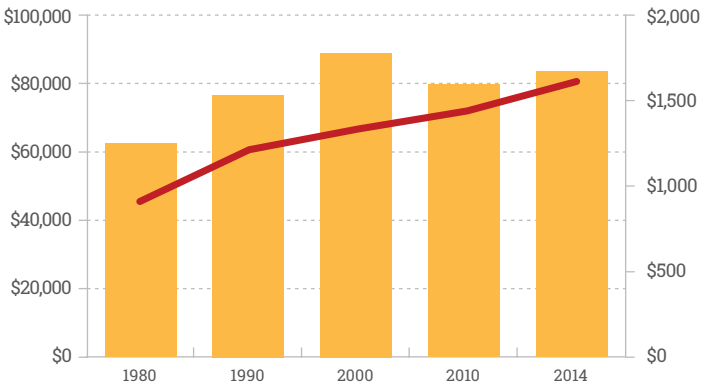
Dollars adjusted for inflation to match value in 2014/Source: Census 1980, 1990, 2000, ACS 2010, 2014

HOUSEHOLD INCOME VS GROSS RENT: SACOG REGION



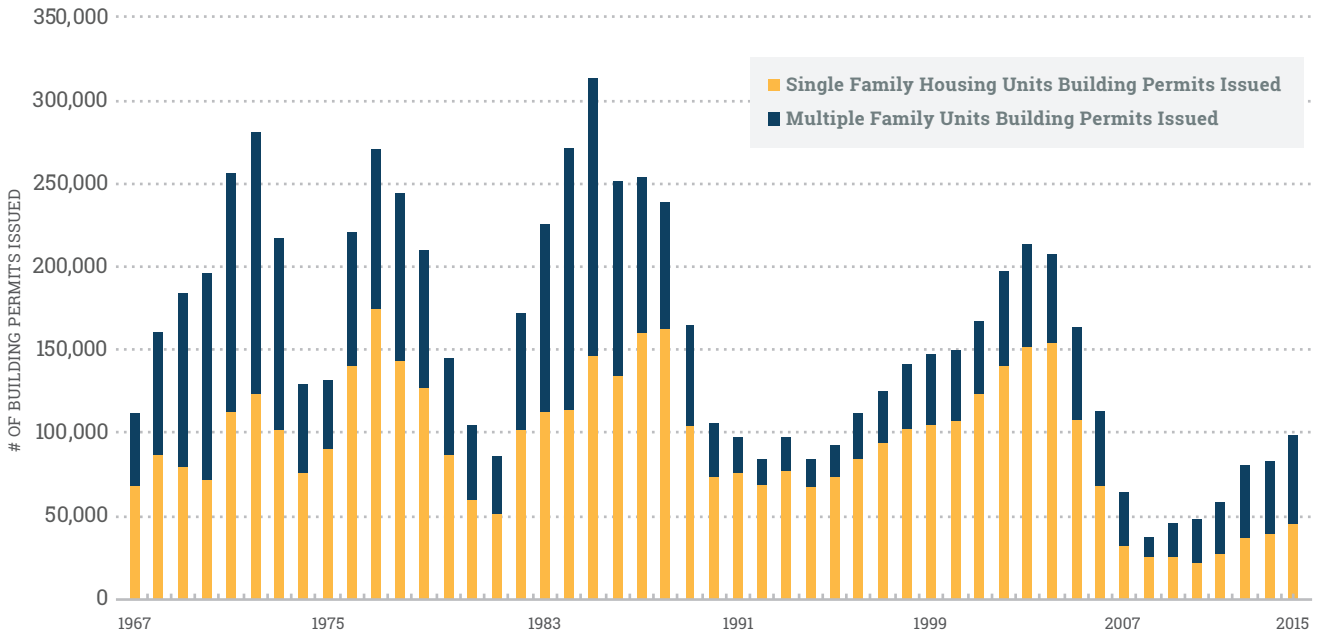
Dollars adjusted for inflation to match value in 2014/Source: Census 1980, 1990, 2000, ACS 2010, 2014

HOUSEHOLD INCOME VS GROSS RENT: MTC REGION



Dollars adjusted for inflation to match value in 2014/Source: Census 1980, 1990, 2000, ACS 2010, 2014

ALL NEW HOUSING UNITS BUILDING PERMITS ISSUED: CALIFORNIA 1967-2015



Overpaying Households

A conventional indicator of housing affordability is the percent of household income spent on housing. Housing expenditures that exceed 30% of household income have historically been viewed as an indicator of a housing affordability problem, both for rental and owner-occupied housing.[5] Households that spend more than 30% of their income on housing are considered "overpaying" and will have less income to spend on both essential needs, such as food and transportation, and discretionary purchases.

Looking at owner-occupied homes, 29% of households in California who own their own homes are paying more than 30% of their income for housing. For households with mortgages, 40% of households dedicate more than 30% of income to housing. For the SCAG region, over 31% of all homeowner households are overpaying while of those with mortgages, almost 43% are overpaying. SCAG has a higher percentage of overpaying mortgaged households, with 38% mortgage holders overpaying in the MTC region and SANDAG region, and 36% in the SACOG region. In comparison to the nation as a whole, only 31% of mortgaged households in the US pay more than 30% of their income toward housing.

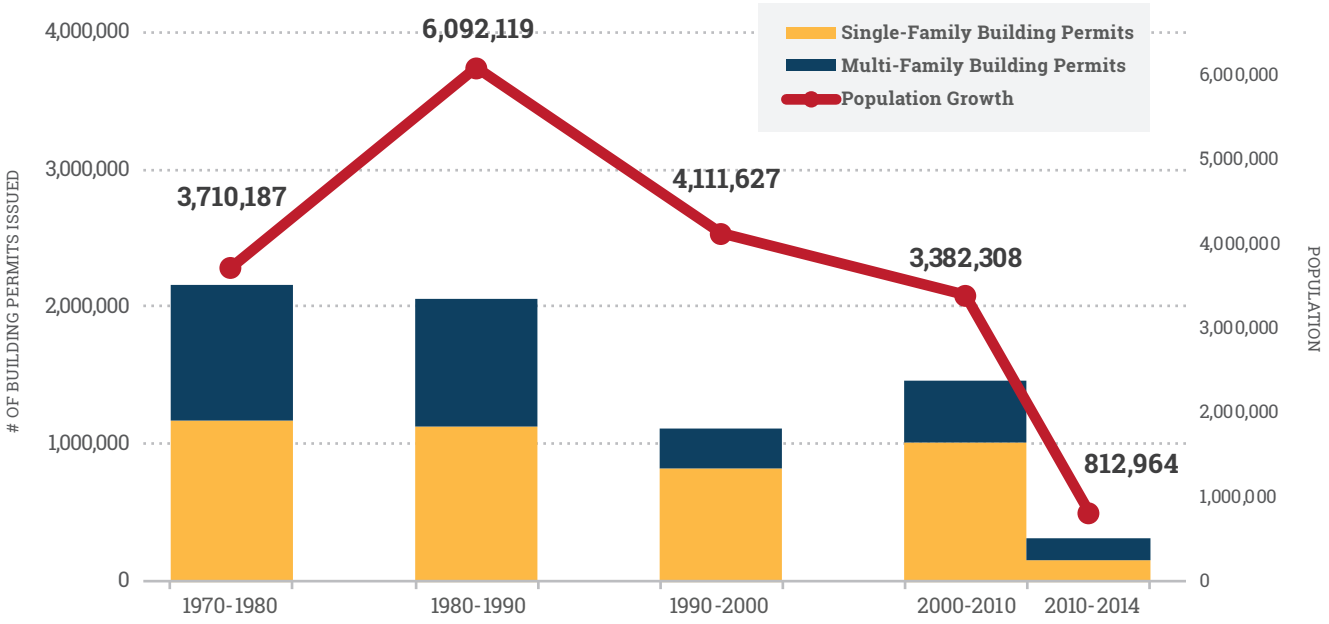
Out of 5.9 million renter households, the State of California has over 3.1 million renter households who spend over 30% of their income on housing. In the SCAG region, over 1.6 million out of 2.8 million renter households fall into this category. This means that over 54% of the renters in the State and 57% of renters in the SCAG region overpay for housing. In 1990, less than half of renter households both Statewide and in the SCAG region were paying more than 30% of their income toward housing costs. Similar to households that are overpaying for mortgages, the SCAG region has a higher percentage of overpaying renters. Fifty-four percent of SANDAG renters overpay for housing, followed by SACOG with 52% and MTC with 48%.

Combining the statistics of overpaying households for owners and renters in California illustrates a major affordability problem in California. Based on the data discussed above, 41% of households in California are paying more than 30% of household income to just housing costs. The SCAG region surpasses this Statewide percentage and the other major MPO regions with over 44% overpaying for housing. In the SANDAG region, 38% of households overpay for housing while both 37% of households in the MTC and SACOG regions are overpaying.

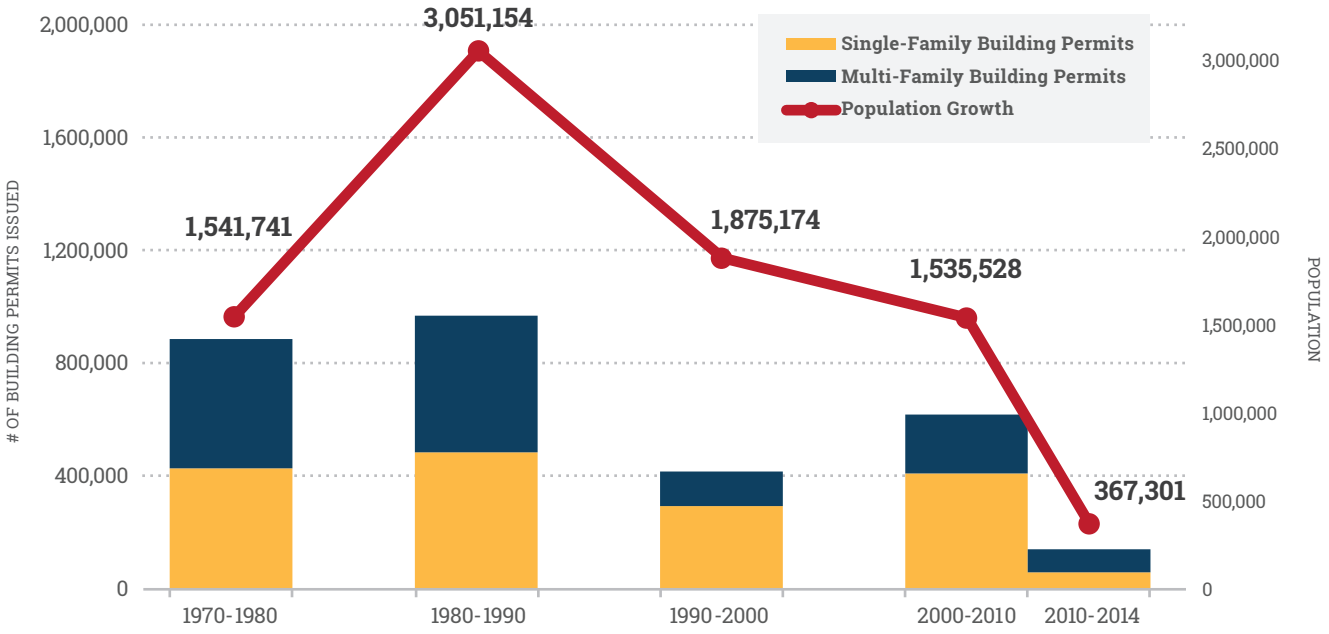
Severe overpayment, or housing costs that

5 US Census Bureau. Who Can Afford To Live in a Home?: A Look at Data from the 2006 American Community Survey. By Mary Schwartz and Ellen Wilson. US Census Bureau, n.d. < https://www.census.gov/housing/census/publications/who-can-afford.pdf >. 10 Aug. 2016.

COMPARING NEW HOUSING BUILDING PERMITS WITH POPULATION: CALIFORNIA 1970-2014



COMPARING NEW HOUSING BUILDING PERMITS WITH POPULATION: SCAG REGION 1970-2014



account for over 50% of household income, is a particular burden for low income families. In California, 60% of households with an annual income under $35,000 pay over half of their income toward housing. In the SCAG region, 63% of these households pay more than half of their income toward housing.

Affordability is exacerbated when income does not increase alongside housing costs. The median household income at the State and regional level has not only failed to meet increases in housing costs, but has actually decreased since 2000 after adjusting for inflation. This decline in median household income while the cost of housing increases is creating an affordability crisis that cannot be resolved on its own.

Housing Overcrowding

A lack of housing does not decrease the demand for housing. For families who want to reduce housing costs but cannot find affordable local housing options, many turn to sharing housing units with other households or reside in homes that are too small for their household size. These situations lead to overcrowding problems in local communities that face either lack of affordable housing, a shortage of housing, or both.[6]

Compared to the rest of the United States, California renters are four times more likely to live in overcrowded housing.[7] High housing prices have kept many renters from purchasing homes, which adds higher demand on our current housing supply. Rent has continued to increase despite some attempt to increase supply. The causes behind the upward trend of increasing home prices and rents in California does not show signs

6 According to the United States Department of Housing and Urban Development, "overcrowded is defined as more than 1.01 persons per room in a housing unit."; Department of Housing and Urban Development. Glossary. HUD User. Office of Policy Development and Research, n.d. < https://www.huduser.gov/portal/glossary/glossary_all.html>. 24 Aug. 2016.

7 Legislative Analyst's Office. California's High Housing Costs: Causes and Consequences. By Mac Taylor. Legislative Analyst's Office, 17 Mar. 2015. <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>. 19 Aug. 2016.

THE COST OF NOT HOUSING: REAL-LIFE STORIES

Name: Pánfila Rodriguez

Resident of: Los Angeles County

Background: Ms. Rodriguez is a long-time resident of the Boyle Heights neighborhood of Los Angeles, where she lives with her partner and two sons. She works two jobs, one on weekends and one during the week.

How is the housing crisis impacting her? "After 11 years in a home in Boyle Heights, rental prices began to rise and we had to leave because we no longer had enough work or income. We didn't have a home and ended up in shelters during the night. It is difficult to find viable places to live, first because it is expensive, and some do not allow children. We had to find an apartment, a studio, where all of us live. We had to ask our church for help with the deposit, and this is where I live now with my family though our living conditions are not the best. I currently have two jobs and now have a little money for rent, but I don't want to keep living paycheck-to-paycheck or fear that I will end up homeless each month. My greatest wish is for my sons to have comfort and privacy. It doesn't matter what happens to me, but my sons come first."

of abatement, meaning that problems will only continue to worsen if action is not taken.

Overcrowding can lead to a variety of challenges in local communities. Many communities experience a large number of unpermitted housing units, such as illegal garage conversions or substandard housing construction. These units can pose health and safety risks to the surrounding community, as they increase the risk of poor sanitation, fire hazards, and other dangerous conditions.[8] These issues can be difficult to mitigate without addressing its root cause -- the need for more housing options that are affordable.

Homelessness

According to the U.S. Department of Housing and Urban Development (HUD), California has a homeless population of about 116,000 people, which is more than 20% of the nation's total while the State's general population share is roughly 12%. Of this number, HUD estimates that more than 29,000 are chronically homeless and that many suffer from mental illness.[9] Homelessness is exacerbated by a lack of affordable housing options and many individuals and families have needs beyond housing, such as mental or social support services, to keep them in permanent homes. While it is an important issue at the local, regional, and State levels, fully addressing the issue of homelessness goes beyond the scope of this publication due to the unique factors that can cause homelessness and the targeted strategies to address the problem. SCAG and its California Housing Summit partners are exploring ways to highlight this topic and discuss strategies for its challenges.

8 Bell, Jonathan P. "Converting Garages into a Dissertation: A Conversation with Jacob Wegmann." Web log post. URBDEZINE LOS ANGELES. N.p., 17 June 2014. < http://losangeles.urbdezine.com/2014/06/17/converting-garages-into-a-dissertation-a-conversation-with-jacob-wegmann/>. 10 Aug. 2016.

9 The U.S. Department of Housing and Urban Development. Office of Community Planning and Development. The 2015 Annual Homeless Assessment Report (AHAR) to Congress. By Meghan Henry, Azim Shivji, Tanya De Sousa, and Rebecca Cohen. N.p.: n.p., 2015. <https://www.hudexchange.info/resources/documents/2015-AHAR-Part-1.pdf>. 31 Aug. 2016.

HOW DID WE GET TO THIS POINT?

Housing prices, overpaying households, overcrowding data, and similar metrics offer only a surface look at the housing crisis. For a truly comprehensive perspective of how much of a problem it is, a much deeper look is needed.

Building Permit Trends

Currently, there are almost 14 million individual homes throughout the State of California. Of those, 8.1 million, or 58%, are single family detached homes while over 5 million, or approximately 40%, are multi-family homes. The SCAG region has over 4.0 million single family homes (62%) and 2.2 million (34%) multi-family homes.

The housing shortage in particularly illustrated by overlaying historical residential construction against population growth. Between 1970 and 1980, building activity was at its peak. The ratio of population growth to housing permits issued was 1.71, or in other words 1 permit was issued for every 1.71 persons added to the population. By the last decade of the 20th century, housing building severely slowed, with only 1 housing permit issued for every 3.72 persons added. This ratio has been improving so far into the second decade of the 21st century, with a ratio of 1 permit issued for every 2.58 persons added, but there is a historical backlog of population growth far outpacing permits issued. Current housing building activity, while improved since the 1990s, is over 50% slower than between 1970 and 1980 in comparison to population growth.

This historical housing shortfall is also reflected in the data for the SCAG region. Between 1970 and 1980 in the SCAG region, 1 permit was issued for every 1.74 persons added to the population. Between 1990 and 2000, this ratio ballooned to 1 permit issued for every 4.51 persons. While building activity has increased in recent years to a ratio of 2.64, the SCAG region, like the State, has not resolved its historical housing supply shortfall.

At-Risk Units

Exacerbating the housing shortage is the loss of housing designated for low income households. Many homes designated as affordable for low

income households are reserved for these households for a certain number of years, usually at least 30 years, in order to be eligible for subsidies under governmental programs for building or operating costs. At the end of this time period, these units are eligible to change from low income to market rate housing, putting them "at-risk" of losing a valuable source of affordable housing.[10]

Across the State's four major metropolitan areas over the next five years, over 28,000 units are at-risk of losing their affordability for low income households. The SCAG region has the most units with 18,660 at risk of losing affordability to low income families, followed by MTC with 5,335 units, and SANDAG and SACOG with 2,482 and 1,556 units, respectively. Low income households are more likely to experience overpayment toward housing than higher earning households, particularly in a market where sale and rental prices continue to increase. While the potential conversion of at risk units to market rate units does not diminish the overall housing supply, it contributes to the lack of housing supply that is affordable and can worsen overpaying and overcrowding challenges faced by local communities.

10 "Identification and Analysis of Developments At-Risk of Conversion." California Department of Housing and Community Development (HCD). N.p., 12 June 2014. <http://www.hcd.ca.gov/housing-policy-development/housing-element/ehn_atrisk.php>. 10 Aug. 2016.

Demographics

Understanding the housing shortage also requires an understanding of the population affected by it. Metrics such as age, employment, income, and debt provide a sense of who these households are, their housing preferences, and how the housing crisis affects them. While demographic data can provide a snapshot of general characteristics of a typical home buyer or renter, this section also includes real life stories of families who are affected by California's housing crisis and the challenges they face. Moreover, the housing crisis is not limited to low income families – millennials, seniors, two income earning

THE COST OF NOT HOUSING: REAL-LIFE STORIES

Name: Roland Ok

Resident of: Los Angeles County

Background: Mr. Ok lives in the City of Alhambra, where he rents a small house with his wife and newborn baby. Both he and his wife are full-time professionals.

How is the housing crisis impacting him? "Because I'm married I'm fortunate enough to have a dual income, but we are also juggling childcare costs and student loans. I'm paying rent for a small house and we're making do, but over the past few years rent prices have gone up dramatically. Ideally I would like to purchase a home that's in a safe and nice neighborhood with a decent school district and a decent commute for me and my wife. But home prices are also going up every year, and whatever we're saving isn't meeting the demands for a down payment. Because of that we have to continue renting a home, and because renting is also becoming more and more expensive, we now can't save to buy a home. So it's becoming this vicious cycle, which is really frustrating."

households, and others are all affected by the lack of housing supply and affordable options. This publication will also discuss in a later section how to combat the myth that the housing crisis is only limited to certain economic groups.

Generational Differences: Millenials & Baby Boomers

The two largest demographic groups today are the millennials and baby boomers. Although there is not an official standard definition of a millennial, the group is typically described as the generation born between 1980 to 1999, or between 17 and 36 years old. On the other end of the generational spectrum, "baby boomers" are described as the generation born between 1946 and 1964, or between 52 and 70 years old. In California, 15% of the State's population of 39 million are between 25 and 34 years old while 12% were between 55 and 64 years old. In the SCAG region, the former group represents 15% of the population with approximately 2.8 million people while the latter group represent 11%, or 2.1 million.[11]

According to a 2014 surveyed conducted by the California Association of Realtors, 41% of millennials are renters while over one-third live with their parents. For the 20% that are homeowners, the average tenure in the home was 2.8 years. In regard to buying a home, 42% responded that they would not be able to afford to purchase a home in their current neighborhood given the difference in cost of renting versus owning. Sixty-seven percent of millennial renters responded that the main reason they rent is that they cannot afford to purchase a home.[12]

The millennials who manage to secure a job that

11 Southern California Association of Governments. The 2016-2040 Regional Transportation Plan/ Sustainable Communities Strategy. N.p., Apr. 2016. Web. <http://scagrtpscs.net/Documents/2016/final/f2016RTPSCS.pdf >. 10 Aug. 2016.

12 Appleton-Young, Leslie. "Overview of California Home Buying Trends." Southern California Association of Governments 27th Annual Demographic Workshop. California Science Center, Los Angeles, CA. 13 June 2016. Web. < https://www.scag.ca.gov/calendar/Documents/demo27/Demo27Panel01_Appleton-Young.pdf >. 24 Aug. 2016.

THE COST OF NOT HOUSING: REAL-LIFE STORIES

Name: Frank Zerunyan

Resident of: Los Angeles County

Background: Mr. Zerunyan lives in the city of Rolling Hills Estates, where he serves as a councilmember and has lived for many decades. He is also a professor of the practice of governance at the University of Southern California's Price School of Public Policy.

How is the housing crisis impacting him? "Affordability has become an issue for not just anybody but also people of our community. That includes me. I would be unable to purchase my own home today. My children are unable to afford to come back to the community where they were raised and went to school from kindergarten on. Housing is an issue for almost all categories of people throughout the urban Los Angeles area."

can pay rent are still threatened with the rising cost of housing. Utilizing U.S Census American Community Survey data, Trulia published a report which highlights "out migration" trends, within the Top 10 most expensive metro areas. According to the report, out of the Top 10 most expensive metro areas, California holds six of those spots (Los Angeles, Oakland, San Diego, San Francisco, Orange County, and San Jose). In these cities, rents have increased on average by 13% and home values have risen 12.5% from 2010 to 2014. At the same time, the number of households who can afford to live in these areas (income of $100,000/yr) have only increased by 3.6% during the same time period. Due to stagnant wages or difficulties finding a secure entry level or mid- level job, and rising costs in rent, millennials made up 51.1% of households who left their metro areas despite representing only 24.8% of total households.[13]

In contrast, according to a California Association of Realtors survey conducted on baby boomers the same year as the millennial survey, over 75% of baby boomers owned their home. Seventy-one percent of baby boomers have stayed in the same residence for an average of 16 years[14].

The differences between these two generational groups can have implications on housing affordability and the types of homes that will meet different needs. For example, since over half of millennials are single, they are less likely to be able to afford to purchase a home compared to older generations who are more likely to be married. Additionally, millennials may still be paying off student loan debt, which can hinder the ability to save for a down payment or devote to rent increases. In 2015, the average monthly student loan debt for those between 20 and 30 years old was $351. When adjusted for inflation, this amount is almost 50% higher than it was in 2005. A millennial with average student loan debt, paying median rent, and saving for a down payment on a median priced home is dedicating over $3,300 every month to those costs alone. It is no wonder that home ownership is out of reach for many millennials.

ANNUAL MEAN SALARY BY OCCUPATION CALIFORNIA, 2015

Occupation	Annual Salary, CA (as of May 2015)
Registered Nurse	$101,260
Middle School Teachers	$69,020
Fire Fighters	$67,920
Social Workers	$64,040
Construction Workers	$55,240
Postal Service Carriers	$53,010
Food Service Manager	$50,790
Bus Driver, Transit & Inner City	$41,530
Administrative Assistant	$40,050
Dental Assistant	$38,730
Farmworkers	$30,170
Restaurant Cook	$26,190
Food Processing Worker	$24,050

Source: http://www.bls.gov/oes/current/oes_ca.htm

Retiring baby boomers may find themselves in similar financial constraints. The average monthly social security check for all retired workers in 2016 is $1,341 monthly.[15] Those that rely solely on social security benefits for income can be limited in affordable housing options, particularly if they are renters. A retired senior citizen whose only income is the average social security benefit and pays the median rent in the SCAG region would be devoting over 97% of their income to housing costs alone.

Employment & Income

Housing affordability is also dependent on annual income, which in turn is influenced by industry employment. For example, an administrative assistant earning a salary of $40,050 would be dedicating almost 40% of his income to the

13 Uh, Mark. "Cant afford housing in your expensive city?" Apr. 2016 http://www.trulia.com/blog/trends/priced-out-migration/ 30 Aug 2016.

14 2014 Baby Boomers Survey." California Association of Realtors, <http://www.car.org/marketdata/surveys/other/2014boomers/>. 28 Sept. 2016.

15 "2016 Social Security Changes." Social Security. Social Security Administration, < http://www.bibme.org/bibliographies/159824706?new=true>. Web. 19 Aug. 2016.

median SCAG area rent. A middle school teacher earning a salary of $69,020 would have to spend 33% of her income on her median SCAG area mortgage. For families with dual high incomes, there are more possible affordable housing options but for families with only one breadwinner or that have lower incomes, the options for housing without overpaying are limited.

IMBALANCES & DISTORTIONS IN THE MARKETPLACE

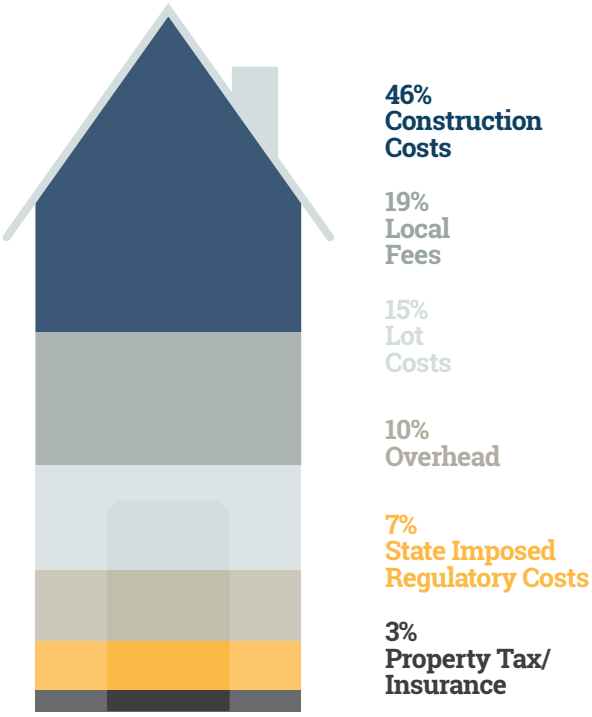
In addition to increased demand from a growing population, there are several other factors that impact housing affordability and overall supply. Marketplace factors, such as the cost of construction, regulatory barriers, and lack of funding and local fiscal incentives can all drive up the cost of housing and limit opportunities to build. This section will provide an overview of these marketplace imbalances and the impacts they have on the California housing crisis.

The Cost of Building a Home

The largest cost of building a housing unit, excluding land price, is the cost of construction. According to surveys conducted by the California Building Industry Association (CBIA) construction costs represent around half of a home's total cost. Construction expenses may fluctuate depending on the cost of materials and labor. Other costs, such as permit fees and costs from entitlements, are more dependent on the planning and approval process. Costs from the entitlement and permit approval process vary, but several analyses indicate it can represent up to 19% of a home's final sale price, while state imposed regulatory costs can add up to 7%.[16]

A separate study conducted by the California Department of Housing and Community Development (HCD) focused on construction costs of affordable housing, defined as housing units developed at least in part with public subsidies and reserved for low income residents. Similar to data reported by CBIA, construction costs make up the majority of the cost to develop an affordable housing project, excluding the cost of land. Of those surveyed, over 33% reported that local design review added at least 5% to total costs. Even after controlling for other factors that influence costs, these projects were on average 7% more expensive to develop relative to projects that did not undergo such extensive locally-required changes. Additionally, projects with 4 or more community meetings were on average about 5% more expensive to complete relative to projects with fewer than 4 meetings.[17] The level of uncertainty during the entitlement process may also discourage developers from considering future residential projects in that community in the future.

COST OF BUILDING A HOME



Source: California Building Industry Association (CBIA)

16 LaMotte, Steven C. "Cost of Home Construction Data." Received by Ma'Ayn Johnson, 4 Aug. 2016. E-mail.

17 The California Department of Housing and Community Development ("HCD"), the California Tax Credit Allocation Committee ("TCAC"), the California Housing Finance Agency ("CalHFA"), and the California Debt Limit Allocation Committee ("CDLAC").Affordable Housing Cost Study Analysis of the Factors That Influence the Cost of Building Multi-Family Affordable Housing in California. The California Department of Housing and Community Development, Oct. 2014. Web. <http://www.hcd.ca.gov/housing-policy-development/docs/finalaffordablehousingcoststudyreport-with-coverv2.pdf>. 19 Aug. 2016.

Outside of construction costs, land prices can significantly add to the cost of building a home. When considering the cost of land, California's land prices confirm the realtor adage "location, location, location." The average cost of land per acre in the United States is $43,714. In comparison, the average cost of land per acre in the State of California is $167,973. For the Los Angeles metropolitan area, land was valued at $218,704 an acre while an acre of land in San Francisco was $654,531.[18]

Regulatory Barriers

There are several other causes of imbalances and distortions that add to the already high cost of housing. Particularly in California, regulatory barriers such as the California Environmental Quality Act (CEQA) often pose a challenge to projects due to required public agency review of possible environmental impacts and potential mitigation measures to address them. These reviews often result in fewer housing units being built than the initial proposal or add additional costly delays to projects due to legal challenges.[19] In the SCAG region between 2013 and 2015, residential projects were the most targeted type of projects in CEQA litigation in the SCAG region with one-third of CEQA-related lawsuits. The legally challenged projects represented 13,946 housing units and 99% of them were located in infill areas surrounded by existing buildings or existing communities. Among the 99% of targeted infill housing units, more than twice as many multifamily/mixed-use housing units (71%) as single family units with some multifamily/mixed-use (27%) were targeted.[20]

18 United States Census Bureau / American Housing Survey. "Housing Costs-Owner Occupied Units." 2013 American Housing Survey. U.S. Department of Housing and Urban Development, 2013. Web. 31 Aug 2016. <http://www.census.gov/programs-surveys/ahs.html>.

19 Legislative Analyst's Office. California's High Housing Costs: Causes and Consequences. By Mac Taylor. Legislative Analyst's Office, 17 Mar. 2015. <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>. 19 Aug. 2016.

20 Hernandez, Jennifer David Friedman and Stephanie M. DeHerrera. In the Name of the Environment: Litigation Abuse Under CEQA. Holland & Knight. 2015. < https://issuu.com/hollandknight/docs/ceqa_litigation_abuseissuu?e=16627326/14197714 >. 19 Aug. 2016.

Other regulatory barriers that can limit housing building can be found at the community level, such as parking requirements. Many jurisdictions have minimum parking requirements that are based on the number of bedrooms in a unit. For example, a jurisdiction may require one parking space for each bedroom in an apartment, which would result in 3 parking spaces for a 3 bedroom apartment unit even if the unit is only occupied by 2 adults and 3 non-driving children. Housing units may be removed from project in order to accommodate the local minimum parking need. Parking spaces can also be costly to add to a project, particularly if parking is only feasible if placed underground.

Lack of Funding & Fiscal Incentives

The lack of local funding for affordable housing contributes to California's overall housing shortage. Prior to 2012, redevelopment funds generated by economic development allowed many cities and counties in California to contribute to the financing of affordable housing State law required that at least 20% of redevelopment agency funds be set aside for this purpose. In 2010 legislation passed, and was later upheld by the California Supreme Court in 2012, that dissolved over 400 redevelopment agencies. Since then, many communities have faced difficulty finding a steady stream of resources to build and preserve affordable housing.

One element of the lack of housing supply is the fiscal disincentive for local agencies to approve housing. One of the impediments to the approval of market-rate and affordable housing is the small share of local property tax revenue allocated to a city. Unlike commercial development, which contributes to the property tax and generates sales tax, housing development is less attractive to local governments concerned about long-term fiscal sustainability. In addition, as more affordable units are built by non-profit organizations, such housing is exempt from the property tax since it qualifies for the so-called "welfare exemption" contained in the California State Constitution.

According to data from the State Controller, the share of the property tax allocated to cities in the SCAG region varies widely –the average sub-region receives just over 10% of local property tax

TOP 10 CALIFORNIA COUNTIES WITH THE HIGHEST NUMBER OF DISINVESTMENT* (2008-2015)

Source: Spectrum Locations Solutions Study[25]
*Disinvestment events are defined as companies that (1) relocate entire offices and facilities to an out-of-state location, (2) remain in the state but expand elsewhere with facilities that heretofore were built in California, (3) close completely with production moving to competitors in dispersed locations, (4) shift work to a foreign nation through offshoring, outsourcing or relocation, (5) cancel a project after it has been announced, or (6) were considering a California location but rejecting it after studies favor a location outside of the state's borders.

revenues -- but they range from 5% in some areas to as much as 24%. These calculations do not include the percentage of property tax revenues that back fills the reduction in the Vehicle License fee. This lack of revenue adds to the general reluctance by city officials to support new housing projects, especially when confronted with community opposition. Local urban development polices often focus on commercial development instead since such uses generate more tax revenue than market-rate or lower-priced affordable housing.

Fiscal incentives alone will not generate housing development on the scale needed in the region. But if incentives can be paired with other adjustments to regulatory and environmental assessment processes, known to raise housing costs and stymie housing growth, the combination could have a dramatic impact on housing supply. This would encourage local governments to approve more housing, while also reducing the time, cost, and uncertainty that makes building housing so expensive.

Local opposition

Public hearings and meetings allow for stakeholders and residents to participate in the local zoning and project approval process. However, certain stakeholders do not want additional housing, particularly affordable housing, in or near their communities. A common perspective among anti-housing stakeholders is that additional housing means higher densities that affect quality of life, increase traffic congestion, and lower property values. Much of this opposition can be based on misinformation (e.g., everyone who lives in affordable housing is an unproductive member of society or is dangerous) and cause confusion and possibly fear among residents. Some stakeholders unabashedly use governmental process requirements such as CEQA to delay or stop a project. If enough stakeholders voice opposition to their local elected officials, the project might not receive its required approvals and cannot proceed.

Opposition to building more housing in the face of the State's housing shortage is not the only

challenge faced by many local elected officials. While building housing, including affordable housing, is an important local issue there are also competing priorities for elected officials to pursue. Building housing is an important component of a sustainable community, but it does not always have a "catchy" campaign compared to "creating more jobs" or "saving open space." Some elected officials are dedicated to finding solutions to the housing crisis, but it requires commitment and the understanding that it is not always a top priority for others.

THE COST OF NOT HOUSING

The prior section provided an overview of how the housing shortage and lack of affordability are creating a Statewide housing crisis. On the surface, the consequence of the crisis is that much of our population cannot find adequate housing to meet its needs. How does that translate in our everyday lives?

From an economic perspective, more income spent on housing means less money to spend on necessities such as food and transportation, and less money to spend on discretionary purchases that can stimulate a consumer-based economy. In 2013, the median household in the United States spent 23% of its household income on housing while the median California household spent about 27% of its income on housing. Using the same data source, the median household in the Los Angeles metropolitan area spent 30% of their income on housing.[21]

For lower income families, there are even lower percentages of household income available for non-housing costs. In California the 25% of households who earned the lowest income in comparison to the general population spent 67% of their income on housing, compared to about 55% for the rest of the United States.[22] Less money available for non-housing costs can translate into less savings, which can put households at risk of poverty or prevent them from escaping it.

Low income communities also face the pressure of gentrification due to the overall trend in rising housing costs. Gentrification usually occurs due to rising land values from revitalization or improvement efforts in neighborhoods that are often home to traditionally low income or minority communities. Middle income households in need of more affordable housing options in a high cost metropolitan area will seek less expensive housing in these disadvantaged areas, driving up home prices and rents and rendering them unaffordable for the community's original low income residents. Concurrent infrastructure or amenity improvements to these communities, such as a new transit stop or public park, can exacerbate the market-driven pressure on home values and rents. Low income households that cannot afford the gentrifying neighborhood must either pay for a higher percentage of their income for housing or find less expensive housing in a housing market that is increasingly unaffordable for middle class households.

In addition to the public safety issues associated with overcrowding, there are also quality of life impacts associated with overcrowding. Several studies that address the health impacts of overcrowding indicate that substandard housing conditions, including overcrowding, can lead to or exacerbate health and behavioral problems in children and adults. These problems range from increased risk for asthma and poorer school performance in children to obesity and stress-related behavioral problems in adults.[23]

Economic Consequences

High housing costs also impact wider economic growth and are increasingly becoming a factor in decision making for employers. In recent years, a number of large employers have left or relocated their headquarters outside of California

21 Legislative Analyst's Office. California's High Housing Costs: Causes and Consequences. By Mac Taylor. Legislative Analyst's Office, 17 Mar. 2015. <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>. 19 Aug. 2016.

22 Ibid.

23 Solari, Claudia D. and Robert D. Mare. "Housing Crowding Effects on Children's Wellbeing." Social Science Research, vol. 41, no. 2, 2012, pp. 464-476. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3805127/>. Accessed 19 August 2016. Park, Alice. "Change Your Neighborhood, Improve Your Health." Time. 20 October 2011, <http://healthland.time.com/2011/10/20/change-your-neighborhood-improve-your-health/>. Accessed 19 August 2016.

to other states, such as Texas. One of the top reasons cited for the decision to move was the cost of housing. For example, in late 2015 one major car manufacturer in Southern California announced that it was planning to move its U.S. corporate headquarters and 3,000 employees to Texas, citing housing costs as the main driver for its decision. The company's research found that local housing costs were three times the cost per square foot at its new location in Texas and that many of its employees would be willing to move due to its wider choice of housing options.[24] Additionally, other companies remain in place but expand divisions and therefore jobs in other states instead of locally. Besides Texas, other states that are destinations for their lower cost of living include Nevada, Arizona, and Colorado. It is no coincidence that the counties in California that are experiencing the highest number of business disinvestments are also places of high housing costs.[25]

As mentioned earlier, many individuals who are priced out of their nearby metro areas are leaving at a rapid rate. This also has dire economic consequences for the State of California. Occupations that are out-migrating the most are in Education, Health and Social Services (22.4%), Professional, Scientific Management, Administrative and Waste Management Services (15.9%), Retail (9%), Finance (9%), and Arts (8%). As a result, cities are experiencing a brain and cultural drain within their respective areas.[26] Additionally, companies that choose to stay are having a difficult time finding educated, created and competent workers who can research, teach and serve the residents of California. If this trend continues, this could result in less competitive companies and stagnant education for the children that reside in this State, which could result in smaller and inadequately prepared workforce.

The housing crisis is increasingly becoming a national economic issue as well. According to a recent Housing Development Toolkit published by the White House, the inability for workers to move to the jobs where they would be most productive is resulting in an increasing drag on national economic growth. Local constraints to housing supply in high productivity regions, such as major metropolitan areas, mean a lower supply of workers and a lower economic output. Over time, this effect can be large enough to meaningfully reduce the nation's overall economic output.[27]

24 Hetchcock, Bill. "Here's the main reason Toyota is leaving Torrance." L.A. Biz, 14 December 2015, <http://www.bizjournals.com/losangeles/news/2015/12/14/heres-the-main-reason-toyota-is-leaving-torrance.html>. Accessed 19 August 2016.

25 Vranich, Joseph. California Business Departures: An Eight-Year Review 2008-2015. Spectrum Location Solutions. 14 January 2016. < http://www.spectrumlocationsolutions.com/pdf/Businesses-Leave-California-.pdf>. 19 Aug. 2016.

26 Uh, Mark. "Cant afford housing in your expensive city?" Apr. 2016 http://www.trulia.com/blog/trends/priced-out-migration/ 30 Aug 2016.

27 The White House. Housing Development Toolkit. The White House, Sept. 2016. Web. 3 Oct. 2016. <https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing_Development_Toolkit%20f.2.pdf>.

SOLUTIONS TO BUILD MORE HOUSING & IMPROVE AFFORDABILITY

The challenges of the housing crisis discussed in the previous section have impacts found at the local, regional, and Statewide levels. Because its causes encompass a variety of factors, there is not a one-size-fits-all approach in solving California's housing crisis. This section provides an overview of different strategies and tools to increase housing supply and help housing affordability, and includes relevant case studies from different regions in the State that employ these strategies. These strategies can be used in conjunction with others depending on needs and resources available. The solutions in this section are intended to promote all types of housing and while many can be used specifically for developing low-income housing, decisionmakers should consider these strategies in their respective short- and long-term housing policies and tailor them as needed.

As such, this section is divided into three different strategies to increase housing supply and improve housing affordability: (1) Fiscal strategies; (2) Planning and Local Strategies; and (3) Mythbusting.

These inter-related strategies correspond to the breakout session panels on the California Housing Summit agenda. While the three strategies outlined in this publication are inter-related, they can only be implemented through strong local leadership.

FISCAL STRATEGIES

Fiscal Strategies Allowed Under State Legislation

There are a variety of potential solutions that can provide greater fiscal incentives when the land use choice is between housing and commercial land uses. As noted below, some will require state action and some can be implemented by agreements among local agencies in housing markets.

Enhanced Infrastructure Financing Districts (EIFD)

Enhanced infrastructure financing districts are governmental entities, authorized under the 2014 Senate Bill 628 (Beall), which can be used to finance the construction and/or rehabilitation of public infrastructure and certain private facilities. The powers and authorities of EIFDs are governed by a public financing authority (PFA) made up of representatives of participating agencies. An EIFD can be established pending a public hearing and the complete dissolution of any former redevelopment agency that the primary taxing entity may have belonged to, including the payment of all successor debts incurred while a part of the redevelopment agency. The district, upon agreement of the participating entities, acquires funding from a portion of the growth in the property tax of properties within the district.

The funding of a wide variety of infrastructure projects can be accomplished using EIFDs. These publicly funded upgrades and enhancements can help serve affordable housing projects by providing them with quality, well-maintained infrastructure, the cost of which would otherwise have to be paid for by the developer. Meanwhile, the funding can be used directly to subsidize the development of moderate, low, and very low-income housing units in mixed- income developments, particularly those located in transit-priority project, as well as reimburse developers for the permitting fees and other costs associated with developing affordable housing units within the district. The funding may also be directed to such facilities that provide child care or house providers of consumer services and goods to indirectly assist residents in the development(s).

EIFDs also add a safeguard to ensure that any housing destroyed or removed in a development process is replaced, particularly affordable units.

Any affordable units must be replaced on a one-for-one basis, all other units on a one-to-four basis, and relocation benefits must be allocated to displaced tenants. Furthermore, replacement affordable units must be ensured affordable status under covenant for 55 years for renter-occupied units and 45 years for owner-occupied units for low and moderate-income tenants.

One new way to use this new authority could be through the creation of a countywide or subregional housing affordability trust fund. For example, entities involved would provide for an agreed upon portion of the growth in the property tax over a wide area (a defined housing market for example) to be set aside for affordable housing or infrastructure associated with new housing development. While assessed value in the SCAG region has grown by over 16% since 2010, the range of property tax growth in the SCAG subregions has varied from 8 to 29%. Still, in many subregions a significant amount of that growth is attributable to improvements and investments in property. In a growing real estate economy, most property tax growth is attributable to housing. A portion of that growth (for example, 10% of the growth over 4%) could be allocated to a countywide or subregional housing trust fund. Capturing a portion of the growth in the property tax on a subregional basis so it reflects a housing market can be implemented using the authority in the EIFD statute. The California Infrastructure and Economic Development Bank could be a partner in this effort providing needed financing of infrastructure that would support housing development.

CASE STUDY

WEST SACRAMENTO BRIDGE DISTRICT PROJECT [SACOG REGION]

The Bridge District project in West Sacramento was initiated in 2010 and was originally intended to use redevelopment funding. The project was established to finance a variety of facilities of communitywide significance. This included the deindustrialization of the Bridge District, and reconstruction, realignment, and repair of several roadways and the reconstruction of a grade-separated freeway. The new facility provides safe multi-modal (including active transportation) access into the Bridge District and constructs two new at grade intersections at 5th Street and 3rd to connect the adjacent Washington Neighborhood. These roadway improvements are also required to support construction of the Downtown/ Riverfront Streetcar project.

Park projects were also included in the redevelopment of the District. Park improvements include:

- Garden Park: A 28,000 square foot neighborhood garden framed by a development of urban townhomes
- Riverfront Promenade Path and Plaza: An approximately 4,770 linear foot shared-use (walking and biking) asphalt path along the river with shade structures, patios, lighting and furnishings.

Under this project, over 700 housing units were completed or under construction within the District. While the option to establish an EIFD through SB 628 is fairly recent, the City is considering the formation of an EIFD that covers the district area to help finance two new bridges across the Sacramento River.

Source:
City of West Sacramento – Bridge District Facts:
https://www.cityofwestsacramento.org/civica/filebank/blobdload.asp?BlobID=6943
http://www.cityofwestsacramento.org/civica/filebank/blobdload.asp?BlobID=11983

Community Revitalization and Investment Authority (CRIA)

In addition to EIFDs, another financial tool that decisionmakers can consider is a community revitalization and investment authority (CRIA) authorized under Assembly Bill 2 (Alejo). The creation of a CRIA allows the establishment of local government entities to invest in communities that exhibit high crime and unemployment rates as well as deteriorating, aging, or inadequate infrastructure and buildings. CRIAs can be created by a city, county, jointly by a city and county, or by a combination of local governments through a joint powers authority.

To qualify for the creation of a CRIA, 80% of households in the prospective district must have a median income of less than 80% of the State's median household income. Additionally, three out of the four following requirements must be satisfied:

- An unemployment rate at least 3% higher than the Statewide median
- A crime rate of at least 5% higher than the Statewide median
- Deteriorated or inadequate infrastructure; and
- Deteriorated commercial and residential structures.

CRIAs freeze property taxes in the respective district at the time of approval and collect the corresponding tax increment increases to fund projects. This may involve including provisions for the receipt of expenses made by the CRIA. All taxing entities within the district have to consent to their tax increments being diverted for community redevelopment funding.

The primary focus of a CRIA is the provision of funds for affordable housing. At least 25% of all tax revenues generated by a district must be diverted to a fund with the purpose of the creation

CASE STUDY

LOS ANGELES COUNTY SETS ASIDE $100 MILLION-A-YEAR FOR AFFORDABLE HOUSING PROGRAMS [SCAG REGION]

To address growing homelessness and the shortage of affordable housing in the region, the Los Angeles County Board of Supervisors voted unanimously in October 2015 to gradually set aside up to $100 million per year in a dedicated Affordable Housing Program budget unit within the County General Fund to construct, maintain, and subsidize affordable housing. The County will initially identify $20 million in funds in fiscal year 2016–17, with a goal of reaching $100 million-per-year by fiscal year 2020–21. A minimum of 75% of the funds will be dedicated for the preservation, rehabilitation and creation of affordable housing. The remaining funds will be used to cover administrative expenses and for rental and moving assistance. Further, the County will establish an Affordable Housing Coordinating Committee to evaluate all County housing programs, document progress on achieving regional housing needs and provide guidance on needed policy changes. The Committee will also be tasked with specifically evaluating the housing needs of priority populations, including low income families, seniors, the homeless, transition age youth, people exiting jails, child-welfare involved families, extreme low income persons with physical disabilities, veterans, domestic violence survivors and users of County health and social service programs. Finally, the motion requires that Community Development Commission (CDC) to prepare a report within 150 days that provides the recommended policy or administrative actions needed to facilitate the effective use of the CDC's Affordable Housing Program resources.

Source:
Recent Affordable Housing Developments in California and the Los Angeles Region, Katten Muchin Rosenman,LLP
https://www.kattenlaw.com/Recent_Affordable_Housing_Developments_in_California_and_the_Los_Angeles_Region

and rehabilitation of low and moderate-income housing. Additionally, CRIAs may allocate funding toward the rehabilitation, repair, construction or upgrading of public infrastructure within the district, the acquisition and transfer of real property, the issuance of bonds, and to other mechanisms that indirectly contribute to affordable housing.

Tie State & Regional Transit Funding to Housing

Transit funding can be connected to housing production to encourage cities to develop vacant land infill locations and increase density of existing, underutilized properties. Counties could also create regions-based tax-sharing systems to support housing through a variety of approaches. Models include the One Bay Area Grant Program administered by MTC, which rewards jurisdictions that produce more housing with federal transportation funds, or SANDAG Board Policy No. 033, which sets aside a portion of discretionary funds for local agency projects that comply with Housing Elements and provide housing affordable to lower income households.

Fiscal Strategies Requiring State Legislation

While the proposed fiscal strategies discussed can be implemented at the local, subregional and regional levels, other potential fiscal strategies require state-level legislative changes. The listed strategies below, along with other legislative approaches, will be further discussed at the California Housing Summit.

1. **Increase the share of the property tax provided to local agencies providing services.**
   As noted above, cities in the SCAG region in particular receive a low share of the property tax generated by investment in housing. The state could create a fiscal incentive that would increase the community's share of property tax revenue for housing development approvals—for example, augmenting resources for those communities that approve development of all types of housing under a community's median price. This increased share of the property tax could also be used to offset the infrastructure cost that are attributable to housing development.
2. **Reimburse local agencies for the property tax loss due to the property tax exemptions available to non-profit housing.**
   Currently, many cities require the affordable housing developers to make a payment in lieu of property taxes that increases the cost of the development. This authority could be replaced by a new approach that encourages cities to approve affordable units by providing local governments with a state subsidy equivalent to the share of property tax revenue these properties would produce without their tax exemption.
3. **Provide local agencies with new revenue authority dedicated to affordable housing.**
   Local agencies committed to supporting increased housing development could also be provided with enhanced powers to raise local revenue for services associated with this new housing. For example: 1) Within a subregion that is meeting or exceeding RHNA requirements, regions could be given new authority to capture incremental growth in sales tax revenue (including a portion of the state sales tax rate) to support housing and transit investments; (2) the state could also provide a uniform system for a subregion with new authority to use a parcel tax for different classes of property that would be dedicated to affordable housing; (3) by constitutional amendment, provide a lower vote threshold for local general obligation bonds allocated for countywide affordable housing.

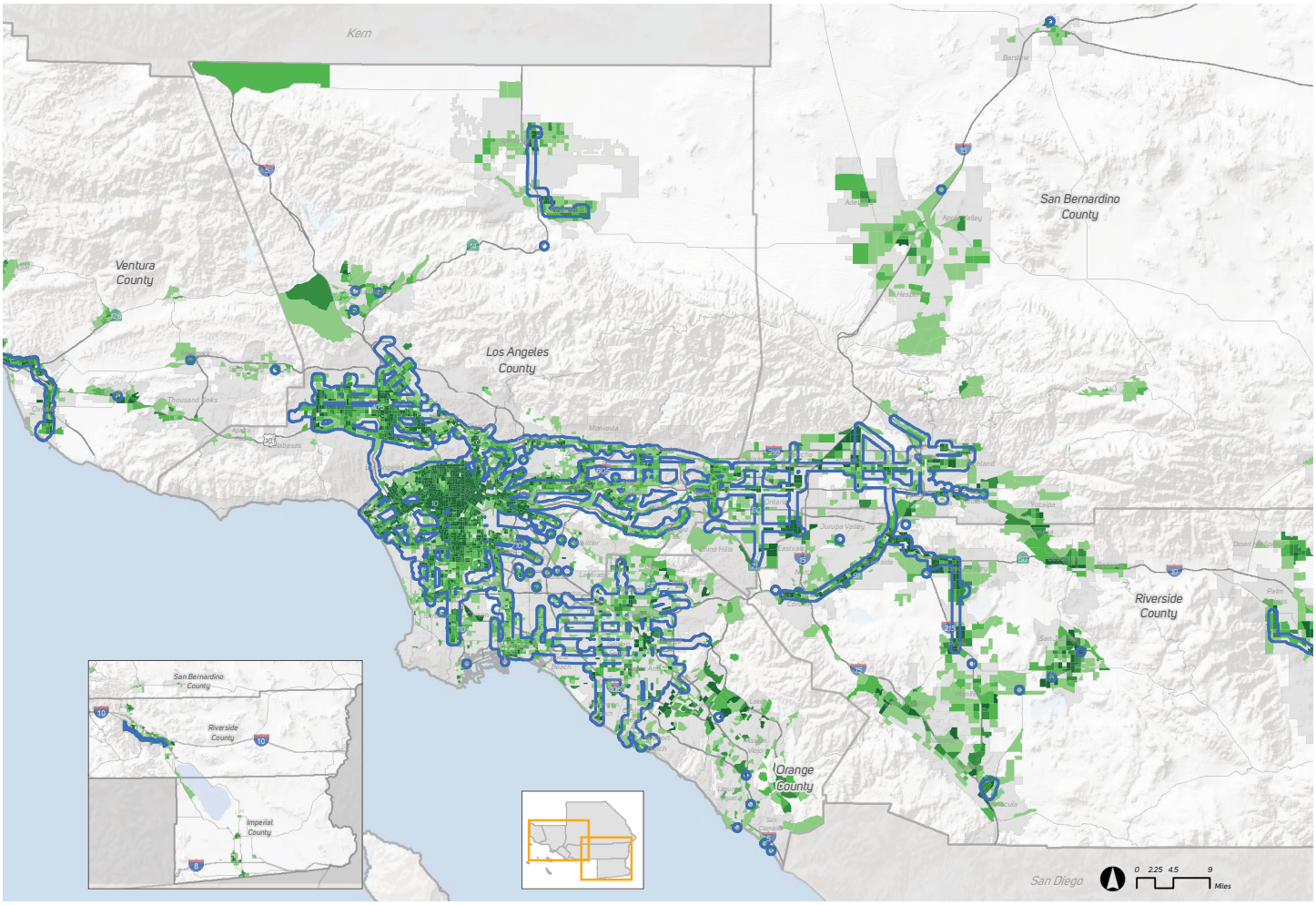
PLANNING & LOCAL STRATEGIES

Linkages with Regional Plans

At the regional level, there are several policy strategies that can increase housing supply and promote affordability. The goals of these policies can tie in with the long-range transportation plans prepared by MPOs throughout the State. Policies proposed include:

- **High Quality Transit Areas (HQTAs)**
  HQTAs are areas within one-half mile of a fixed guideway transit stop or a bus transit corridor where buses pick up passengers at a frequency of every 15 minutes or less during peak commuting hours, as defined in the SCAG 2016 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS) Plan. While HQTAs account for only 3% of total land area in the SCAG region, they are planned and projected to accommodate 46% of the region's future household growth and 55% of the future employment growth. Encouraging growth in areas with existing and planned infrastructure can reduce traffic congestion, promote efficient

HOUSEHOLD GROWTH FROM 2012 TO 2040 PLAN WITH HIGH QUALITY TRANSIT AREAS



(Source: SCAG)

land use practices, and improve quality of life. For low income households, HQTAs can lower household transportation expenses by promoting transit use. Between 1988 and 2013, over half of affordable housing developments that utilized Low Income Housing Tax Credits (LIHTC) were within an HQTA.

- **Livable Corridors**
  Livable corridors are arterial roadways where jurisdictions may plan for a combination of the following elements: high-quality bus frequency; higher density residential and employment at key intersections; and increased active transportation through dedicated bikeways.
- **Neighborhood Mobility Areas (NMAs)**
  NMAs are strategies to provide sustainable transportation options for residents of the region who lack convenient access to high-frequency transit but make many short trips within their urban neighborhoods. NMAs are conducive to active transportation and include a "Complete Streets" approach to roadway improvements to encourage replacing single- and multi-occupant automobile use with biking, walking, skateboarding, neighborhood electric vehicles and senior mobility devices.

Local Strategies & Planning Tools

There are various strategies and planning available at the local level to increase the supply of housing and improve affordability. While some of these tools are specifically geared toward increasing or preserving the housing supply available for low income families, they nevertheless are important to the overall goal of addressing the housing crisis. The strategies and tools discussed below are not one-size-fits-all and jurisdictions looking to increase their housing supply, particularly for low income families, should consider their unique circumstances to

CASE STUDY

VERMONT/WESTERN STATION NEIGHBORHOOD SPECIFIC PLAN (SNAP)/KOREATOWN, CITY OF LOS ANGELES [SCAG REGION]

The Vermont/Western Station Neighborhood Area Plan (SNAP) provides height and density bonuses for mixed-use developers and floor area bonuses for community centers within 1,500 feet of a Metro station, as well as a 15% reduction in parking requirements. A prime example of the effectiveness of the SNAP is Koreatown, Los Angeles.

The historic core of Koreatown spans approximately one square mile, from approximately 6th Street on the north to 12th Street on the south, and from Western Avenue on the west to Vermont Avenue on the east. Since the late 1990's, and due to public and private investments, Koreatown has experienced an unprecedented building boom. The neighborhood's prominent location and excellent accessibility have started to attract new luxury condominiums, high-end retail and entertainment centers, and trendy restaurants and nightlife. With expansion of MTAs redline subway and the adoption of the SNAP and Wilshire Community Plan, the City further encouraged high-density, mixed use development. Between 2000 and 2006, 5,335 housing units were constructed Koreatown. The wide variety of uses planned in the area will sustain investment over the next several years.

Source:
Vermont/Western Station Neighborhood Area Plan:
http://planning.lacity.org/complan/specplan/pdf/VermontWesternTOD.pdf

SCAG Region: Compass Blueprint Case Study/Koreatown:
http://www.reconnectingamerica.org/assets/Uploads/htai_koreatown.pdf

determine the best local strategies to tackle the housing crisis.

Preservation of Affordable Housing

It costs 25% to 40% more to develop a unit of subsidized rental housing through new construction than through the acquisition and rehabilitation of existing housing units – a common rental preservation strategy. Most rental housing preservation efforts focus on units whose owners participate in one or more housing subsidy programs. There are two primary reasons for this. First, subsidized units are often easier to preserve than unsubsidized units. Second, many existing subsidized housing developments include "deep" subsidies (such as project-based Section 8 assistance) that support very low income and extremely low income renters. Given that most units affordable to low-income households are subsidized, preservation policies targeting unsubsidized units are also an important part of an affordable housing policy package.

Rent Stabilization

Rent stabilization, also known as "rent control" is a form of rent regulation that specifies that once an initial rent is set for a particular unit covered by the program through a lease between the owner and a new tenant, it can increase only by a specified amount each year. While these policies generally allow rents to rise to market prices each time a new resident is admitted – and thus do not guarantee a new tenant will be offered a below-market rent – they do promote housing stability for existing residents. These policies are especially helpful for people with limited ability to adjust to sudden rent increases, such as older adults on fixed incomes or very low income renters. These policies are typically adopted through ordinances at the local level by city or county councils. They can be administered by any number of different agencies, such as a Rental Stabilization Board or the local housing department.

Anti-Displacement

Often used concurrently with rent stabilization and control policies, just cause eviction ordinances require that landlords are able to provide evidence of a just cause for evicting a tenant. Just cause eviction policies or ordinances are integral in preventing tenants from being evicted for innocuous reasons, such as a landlord moving in a tenant willing to pay a higher rent. A well-written just cause eviction ordinance is essential to any policy seeking to prevent the displacement of tenants and preserve affordable housing. This strategy can address the displacement of low income households in areas experiencing gentrification and loss of affordable housing.

CASE STUDY

JUST CAUSE EVICTION ORDINANCE CITY OF GLENDALE [SCAG REGION]

To alleviate pressure on renters at risk of being displaced, the City of Glendale enacted a Just Cause Eviction Ordinance. The Ordinance outlines 12 legal reasons for evictions within the City. With a few exceptions, all rental units in the City are covered by the Ordinance, which is intended to provide a selected level of protection to tenants particularly in an increasingly unaffordable housing market. The Ordinance also outlines a requirement for landlords to provide tenant relocation assistance in certain instances, such as tenant eviction due to conversion of the rental unit to owner-based condominiums or commercial use.

Source:
City of Glendale – Just Cause Eviction Ordinance: http://www.ci.glendale.ca.us/pdf/JCEBulletin_Eng_10.2008.pdf

Inclusionary Zoning

One of the most common strategies that municipalities employ toward the production of affordable housing is the mandating of inclusionary housing or zoning policies. These policies require that a certain number or percentage of units in qualifying residential development be designated as affordable. Some policies permit developers to include these units off-site, while others require their inclusion in the same building as market rate units. Policies differ as to whether their requirements establish the minimum based on number or percentage of units, whether they apply to renter or owner-occupied housing, or whether the required affordable housing units are proportioned by income level. It is common for inclusionary policies to establish that a minimum of 10% to 15% of units in any development be affordable, and/or to have a base minimum number of units, usually four to

CASE STUDY

RENT STABILIZATION POLICIES, CITY OF BERKELEY [MTC REGION]

Since 1980 Berkeley has tried to protect its tenants from unnecessary rent increases by regulating rents, but beginning in 1999 the State of California required Berkeley to allow "vacancy decontrol", meaning that when tenants move out the landlord sets the initial rent for the new tenants without restrictions and only future increases on the same tenant are regulated. Today the average decontrolled rent is up by over 50% after adjusting for inflation. Compared to 1998 rates, 53% pay more than 30% of their income for rent, up from 41% in 1998. Twenty-eight percent pay more than half of their income for rent, up from 20% in 1998.

Significant affordability was provided for approximately 3,300 pre-1999 tenants whose apartments have never qualified for a vacancy decontrol increase. Berkeley's Rent Stabilization Program continues to enforce rent ceilings for these apartments that are significantly below the current market rate. Approximately 2,200 of these tenants are low income, and 1,200 are elderly or disabled. Although the number of pre-1999 tenants continues to decline as tenant's age and move out, "old rent control" remains one of the City's largest affordable housing programs.

The City found that stability is provided to almost all Berkeley tenants under the Rent Stabilization and Eviction for Good Cause Ordinance. In addition to the 3,300 "old rent control" tenants, there are another 15,700 apartments, for a total of about 19,000, where rent stabilization limits future rent increases as long as the tenant remains in the apartment. Additionally, a tenant can petition for a reduction in rent to compensate for persistent housing code violations that are not addressed. In May 2016, the City's Program was recognized by the University of California, Berkeley with the UC Berkeley's Chancellor Award in Public Service for its contribution to the quality of life in the local community.

Source:
Rent Stablization and the Berkeley Rental Housing Market 15 years after Vacancy Decontrol
http://www.ci.berkeley.ca.us/uploadedFiles/Rent_Stabilization_Board/Level_3_-_General/Summary%20of%20Economic%20Studies%20Part%20I.pdf

City of Berkeley Rent Stabilization Program Receives UC Berkeley Chancellor's Award for Public Service
http://www.cityofberkeley.info/uploadedFiles/Rent_Stabilization_Board/Level_3_-_General/INFO_June%202016_Chancellor's%20Award_Press%20Release.pdf

ten, that trigger the requirement for affordable units. Additionally, it is common for inclusionary housing policies to offer an "in lieu" fee for developers to pay to exempt them from providing affordable housing in their developments. The proceeds from this fee can then be allocated toward other affordable housing projects. Inclusionary housing and zoning policies work best in strong housing markets. They are generally easy to pass at minimal cost to a municipality and do not require new tax funding or the allocation of general funds.

Density Bonus

Instead of explicitly requiring affordable housing units, another way for municipalities to incentivize their development is through offering a density bonus to developers who include affordable units in their projects. California's Density Bonus Law allows a developer to build at a density that exceeds the limits otherwise imposed on the space. Density bonuses work well in areas already appropriate for high density, such as transit- oriented development projects, especially when combined with an easing or removing of parking requirements for the developer. Density bonuses act as a cost offset, allowing the developer to earn extra revenue from the additional units to make up for the lost revenue in the affordable units. In return, the local community is able to offer more affordable housing to its residents.

BARRIER REMOVAL STRATEGIES

CEQA Strategies

Originally developed with the sole intent of mandating developers and agencies to disclose and possibly mitigate environmental impacts that a project may have, the California Environmental Quality Act (CEQA) has drawn substantial controversy surrounding its use as a litigation tool to stall or halt development. However, existing CEQA provisions offer both exemption and streamlining opportunities to encourage housing developments. Examples of CEQA exemption strategies include:

CASE STUDY

INCLUSIONARY HOUSING ORDINANCE, CITY OF PASADENA [SCAG REGION]

In 2001, the City of Pasadena enacted their Inclusionary Housing Ordinance as part of their Zoning Code and designated certain sub-areas for this ordinance. The Ordinance applies to housing developments that consist of 10 or more units. For rental projects, 10% of the units are reserved for low income households while 5% are reserved for moderate income households. For condominium or "for sale" projects, 15% moderate income units must be provided. Developers have the option to provide fewer units but at a deeper affordability level (e.g, 1 very low income in-lieu of 2 moderate income units). Additionally, the ordinance mandates affordable housing deed restrictions. For rental units, these income-level restrictions are in perpetuity while for-sale units have restrictions up to 45 years.

Several options are available to developers seeking to build residential projects within the City. Developers can provide inclusionary units within the development, provide the units on a different property site, pay an inclusionary in-lieu fee, or donate land with value equivalent to the in-lieu fee. Because the primary goal is to directly produce more affordable housing options, the City provides incentives to developers who opt to provide inclusionary units on-site. Such incentives include a density bonus, discounted residential impact fee, partially waiving a building permit fee, or a discounted traffic impact fee. Since the enactment of their Ordinance, the City has produced 456 inclusionary units and more are under construction or permitted to include more units.

Source:
City of Pasadena, Inclusionary Housing Ordinance:
http://cityofpasadena.net/WorkArea/DownloadAsset.aspx?id=6442460420

- Statutory exemptions for residential infill and other housing projects;
- A special CEQA provision to exempt residential projects pursuant to a specific plan;
- Residential projects that meet the exemption requirements in Senate Bill 743; and
- Categorical exemption (Class 32) for infill development projects (not limited to residential projects).

In addition to exemptions, CEQA also provides opportunities for streamlined review. The streamlining strategies help reduce the burdens of CEQA reviews and document preparation by eliminating duplicative and repetitive discussions of the same issues, reducing the length of the CEQA documents, thereby saving time and money. Examples of CEQA streamlining opportunities include:

- Projects (not limited to residential development projects) that are consistent with a general plan, a community plan or zoning;
- Infill projects for meet the streamlining requirements in Senate Bill 226; and
- A special CEQA provision to streamline the greenhouse gas emissions analysis for residential, mixed-use, or transit priority projects.

Streamlining the Local Permitting Process

The previous section illustrated the costs of a new home construction, including typical costs to obtain entitlements such as the permitting process. Based on a number of studies, the entitlement and permitting process can total up to 19% of the cost of building a new home. While it is not fiscally feasible for jurisdictions to waive the fees associated with a project's entitlement, a potential strategy to lower costs is to streamline the process. For example, a jurisdiction might consider lowering permitting fees for affordable housing projects or create an expedited program for residential projects that include an affordable housing component.

Mythbusting

There are a wide range of misconceptions regarding housing, particularly toward projects with higher density or subsidized affordable housing units. These misconceptions and myths about housing, along with emotional fear, can reduce the number of units in a residential project or stop the project altogether. Strong leadership among decisionmakers is crucial in challenging these myths and education and engagement are key tools in mythbusting.

CASE STUDY

EXPEDITE PROGRAM FOR AFFORDABLE HOUSING/INFILL AND SUSTAINABLE BUILDINGS [SANDAG REGION]

The City of San Diego has an Expedite Program to provide expedited permit processing for projects that promote affordability, infill development, and sustainable building. To be eligible for expedited permitting, a project must meet a minimum percentage of affordable housing units for varying income levels and can include infill and mixed-use projects. Projects that meet certain sustainability standards may also qualify for the Program.

The Expedite Program is an optional service available to applicants who desire expedited permit processing, and requires a supplemental fee in addition to any other standard applicable fee or deposit. Projects opting for this Program receive a more aggressive processing timeline and is achieved by providing mandatory initial review meetings for early staff feedback, funding the environmental study at initial review, and at the applicant's request, scheduling a public hearing immediately upon completion of the environmental document. Utilizing this expedited service can significantly reduce costs associated with the entitlement process and potentially reduce the overall cost of constructing homes.

There are many reasons cited by community members who are opposed to local housing development, particularly those that reflect a Not In My Backyard (NIMBY) perspective. A review of planning commission and city council meetings of a random sample of SCAG region jurisdictions highlighted several key concerns of community members who were opposed to non-single-family residential projects.[28] These concerns include increased traffic congestion and parking problems, impacts on safety, decreased property values, lowering the quality of life, and destroying community character.

28 Minutes and video recordings of public hearings from city council and planning commission meetings were reviewed for 5 local jurisdictions of the SCAG region, which were sampled using a random number generator.

Based on the information and analysis in the prior section of this publication, it is clear that there is a housing shortage and a lack of affordable housing options and the challenge lies in planning for this need while remaining sensitive to the concerns raised by the community. These voiced concerns should not be quickly dismissed since valid perspectives can be raised during the public engagement process. Rather, there should be a concerted focus on addressing misinformation as well as a potential information gap and tying back the need for all types of housing with the needs expressed by the community.

CASE STUDY

RENAISSANCE PROJECT, CITY OF SAN JOSE (MYTHBUSTING EFFECTS ON PUBLIC SERVICES AND TRANSPORTATION INFRASTRUCTURE) [MTC REGION]

In 1991, Renaissance Associates, a partnership between General Atlantic Development and Forest City Development, proposed with the landowners that San Jose rezone the site for over 1,500 moderate -- and high-density rental apartments and for-sale town homes, neighborhood retail, and a day-care center. The project developers started work early with neighbors living in an existing single-family development on the site's northern boundary to provide appropriate transitions into Renaissance, while making best use of the large existing road. In response to neighbors' concerns, the developers located the lowest-density town home component adjacent to the existing residences, and provided ample setbacks between the new attached homes and existing vintage single-family homes.

The City of San Jose's ambitious plans for employment development in the area led the City to require the construction of more infrastructure than was eventually necessary both on the site itself and in neighboring areas of the City. Later, the City determined that it could alleviate traffic throughout its road network by shifting the location of new residences and workplaces.

The composition of over 250 affordable apartments, market-rate apartments, and attached ownership units further assures balance between the housing and Silicon Valley's new jobs. The site design, which features pedestrian-friendly walkways and easy connections to the Tasman Light Rail, allows Renaissance Village residents to leave their cars in their garages altogether. The development also shows that, with advance planning and sensitivity to neighbors' concerns, NIMBY sentiments can be prevented. The neighbors and the developers displayed an attitude of openness that ensured both a smooth approval process and a better project. This high-density development shows that often repeated myths about the effects of high-density housing on public services and transportation are not always true.

Source:
Myths and Facts about Affordable and High Density Housing:
http://www.hcd.ca.gov/housing-policy-development/mythsnfacts.pdf

Overcoming NIMBY and Strategies for Leadership

Often the best laid out plans are reasonable and align with the vision of the City or County. However, emotional fears from the community members who oppose additional housing or zoning that promotes housing affordability often result in the reduction of housing units in a project or the project getting scrapped altogether. The California Department of Housing and Community Development (HCD) has developed a series of strategies[29] for leaders and decisionmakers to consider for addressing NIMBY-related concerns while encouraging a sustainable housing policy.

29 Strategies were excerpted from Myths and Facts about Affordable and High Density Housing: <http://www.hcd.ca.gov/housing-policy-development/mythsnfacts.pdf>

1. Educate Thoughtfully

Too frequently, fears that affordable housing reduces nearby property values are based on lack of information or misinformation. While bias and prejudice may not yield to facts, getting the facts out is an important and necessary step. Contemporary affordable housing is not well known among some decision makers and planners, much less the general public, so some questions should be expected. Even when these queries are accompanied by a hostile tone, it is best to calmly convey pertinent information or arrange a later time and place when it can be provided.

While educating neighbors is important, education is more likely to be effective with

CASE STUDY

HOUSING FOR AGRICULTURAL WORKERS, MUTUAL HOUSING AT SPRING LAKE, CITY OF WOODLAND (MYTHBUSTING: TYING ENVIRONMENTAL SUSTAINABILITY WITH AFFORDABLE HOUSING DEVELOPMENT) [SACOG REGION]

Promoting affordable housing is often perceived as conflicting with the vision of a city's General Plan. However, in many cases, building affordable housing can help achieve sustainability goals already adopted by the city. Mutual Housing at Spring Lake, completed by Mutual Housing California in 2015, helped the City of Woodland comply with its mixed income housing policy and is the first permanent, year-round housing built for agricultural workers and their families in Yolo County. The 62-unit project, which has obtained LEED for Homes certification at the Platinum level, is also the first rental housing in the nation to be certified as a 100% Zero Energy Ready Home by the U.S. Department of Energy. With these two "firsts," Mutual Housing is bridging the green divide by bringing the health and economic benefits of sustainably developed housing to hard working families with a great need for affordable housing.

The photovoltaic solar system developed at Mutual Housing at Spring Lake is expected to produce as much energy as is used in the all-electric buildings. The project design and construction team was successful in achieving a ZNE design by first giving exacting attention to energy-efficiency measures and then by designing and installing a solar system sized to meet the reduced energy demands of the housing. Each apartment is equipped with a color-coded energy monitor that shows real time energy usage with a method that is user-friendly to residents of all ages. The sustainability features promoted in this affordable housing project align with the goals of the City's Climate Action Plan, which was adopted in 2014 and aims to promote energy efficiency and wise stewardship of natural resources.

decisionmakers and the media. To some degree, early education can address concerns from decisionmakers about issues that arise regularly, and while they may still respond to the concerns from political reasons they are able to consider these concerns with appropriate facts. Early education of the media, including providing background materials on typical issues, may lead to useful investigative stories, reporting which includes references that question the concerns raised, or at least stories which also include the developer's point of view.

2. Humanize the Target

Many fears are ultimately based on stereotypes of prospective residents. In some cases, meeting prospective residents can calm these fears by replacing abstract concerns with a human face and a compelling story. Housing tours and testimony at public hearings are two opportunities for introductions. The longer and more deeply the prospective residents have been involved with the proposal, the more powerful their impact. Before involving a prospective resident in this work, it is critical to warn them that opponents may treat them in a hostile and offensive manner, especially at community meetings when decision makers or the media are not present. Consider including neighbors of existing developments in testimonies – their support can provide a much different perspective than the "sky is falling" story put forward by opponents.

3. Enlist Support from Trusted Authorities

Reassurance about a development from a trusted and credible authority can help some projects significantly. In some communities, a respected leader from local government, the faith community, or business or local civic organizations will support the proposal in a letter, in public testimony or as a spokesperson to the media. These leaders often do need to be more educated on the issue and have their own concerns met before lending their reputation. If they are convinced however, they can become highly successful advocates.

4. Build Relationships with Opponents

Building a relationship with former skeptics can turn them into very powerful allies. Always treat opponents with respect. Recognize and seek to understand their legitimate concerns. Unfortunately, many people see a nonprofit affordable housing sponsor as an unskilled, incapable developer, or consider developers universally intent on destroying their community. Engaging opponents in a professional and proficient approach is needed to effectively deal with fears and dispelling a negative reputation.

Some developers, especially community-based developers, view education and other strategies as part of building a relationship with the local community. The scope of this relationship may only extend to winning project approval, or it may extend to future cooperation in other community-building efforts.

Often building a relationship means listening to and acknowledging fears in a sympathetic manner without agreeing that they are factually valid and not blaming the questioner for not being properly informed. Sometimes a developer can earn trust by using its contacts to focus local government's attention on pre-existing neglected neighborhood problems that are now being used as issues to oppose the proposed development. Invitations to the developer's office and previous developments are common ways of establishing a relationship. During long delays, keeping in touch with opponents regularly may head off suspicion.

The goal is not becoming "friends," but engaging opponents in a series of conversations and a consistent pattern of interactions, including making and keeping promises, so that, by virtue of actually knowing who they are dealing with, they will withdraw opposition and give your development a chance to demonstrate that common fears will not be realized.

PARTNERSHIPS

Finally, one of the most important strategies in addressing the California housing crisis is partnerships. Increasing housing supply and affordability in the State is an escalating problem and efforts to go it alone are proving not only time and resource intensive, but exhausting as well. Partnerships can include other organizations, such as public, private, and non-profit organizations that represent a variety of stakeholders, such as housing advocates, business and community leaders, and environmental and public health groups. This can offer an opportunity to combine resources, elevate the issue, and create concerted strategies to address challenges. The California housing crisis is affecting all of us at every level and a collaborative effort can unify unique approaches in solving a collective problem.

QUICK REFERENCE: COMMON MYTHS ABOUT HOUSING & COUNTERPOINTS

» **Myth No. 1**
High density housing is affordable housing; affordable housing is high density housing.

False. Not all high density housing is affordable to low income families, and there are different housing products that are affordable that are not high density.

» **Myth No. 2**
High density housing and affordable housing will cause too much traffic.

False. People who live in affordable housing own fewer cars and drive less. Many new high density projects also promote less car use by locating in walkable transit-friendly areas.

» **Myth No. 3**
High-density development strains public services and infrastructure.

False. Compact development offers greater efficiency in use of public services and infrastructure.

» **Myth No. 4**
People who live in high density housing and affordable housing won't fit into my neighborhood.

False. People who need affordable housing already live and work in your community. Additionally, there is growing demand for the other types of housing beyond a single family home on a large lot.

» **Myth No. 5**
Affordable housing reduces property values

False. No study in California has ever shown that affordable housing developments reduce property values

» **Myth No. 6**
Residents of affordable housing move too often to be stable community members

False. When rents are guaranteed to remain stable, tenants move less often

» **Myth No. 7**
High-density and affordable housing undermine community character.

False. New affordable and high density housing can always be designed to fit into existing communities.

» **Myth No. 8**
Tools and policies that promote housing development mismatch the vision of the General Plan

False. Strategies to help build housing can be tied to economic development, traffic reduction, health benefits, and overall quality life envisioned in a General Plan.

Source: <http://www.hcd.ca.gov/housing-policy-development/mythsnfacts.pdf>

QUICK STRATEGY & TOOLS REFERENCE GUIDE FOR DECISIONMAKERS

Local leaders are encouraged to consider the tools and policies discussed in this publication and determine the best strategies to promote housing supply and affordability for their communities. Below is a quick reference guide of the strategies and tools along with a suggested timeframe for implementation. While strategies require more time than others to fully implement, many can be started today.

STRATEGIES & TOOLS	TIMEFRAME
Educate local stakeholder groups	TODAY
Build relationships with housing opponents	TODAY
Meet with locally based leaders on housing issues and projects	TODAY
Partner with organizations sharing common goals	TODAY
Streamline local building permit process	Short-term (6 months to 1 year)
Inclusionary zoning	Short-term (6 months to 1 year)
Anti-displacement policies	Short-term (6 months to 1 year)
Rent stabilization	Short-term (6 months to 1 year)
Consider reduction of parking requirements	Short-term (6 months to 1 year)
Review local density bonus	Short-term (6 months to 1 year)
Partner with subregions to establish EIFD	Long-term (more than 1 year)
Establish CRIA	Long-term (more than 1 year)
Connect housing goals with General Plan goals for economic development and public health	Long-term (more than 1 year)
Legislative CEQA Reform	Long-term (more than 1 year)

ACKNOWLEDGEMENTS

HOUSING SUMMIT STEERING COMMITTEE MEMBERS & PARTNERS

Hon. Wendy Bucknum
City of Mission Viejo
Orange County Council of Governments

Hon. Margaret Finlay
City of Duarte, District 35

Hon. Vartan Gharpetian
City of Glendale, District 42

Hon. Bill Jahn
City of Big Bear Lake, District 11

Hon. Clint Lorimore
City of Eastvale, District 4

Hon. Joe Lyons
City of Claremont
San Gabriel Valley Council of Governments

Hon. Michele Martinez
City of Santa Ana, District 16

Hon. Carl Morehouse
City of San Buenaventura, District 47

Hon. Pam O'Connor
City of Santa Monica, District 41

Former Councilmember Ed P. Reyes
City of Los Angeles 1st District

Hon. Cheryl Viegas-Walker
City of El Centro, District 1

Hon. Frank V. Zerunyan
City of Rolling Hills Estates
South Bay Cities Council of Governments

American Institute of Architects-Los Angeles
Will Wright

BizFed
Tracy Rafter

Building Industry Association Southern California
Mike Balsamo

California Association of Councils of Governments
Bill Higgins

California Department of Housing and Community Development
Lisa Bates

California Forward and California Economic Summit
Fred Silva, Justin Ewers

California Renters Legal Advocacy and Education Fund
Sonja Trauss

Climate Resolve
Bryn Lindblad

Fivepoint
Greg McWilliams

Gateway Cities Council of Governments
Nancy Pfeffer

Inland Empire Economic Partnership
Paul Granillo

Kennedy Commission
Cesar Covarrubias

Kosmont Companies
Larry Kosmont

LA n Sync
Ellah Ronen

LA Thrives
Thomas Yee

Lewis Group of Companies
Randall Lewis

Los Angeles Business Council
Adam Lane

Los Angeles Housing and Community Investment Department
Claudia Monterrosa

Metropolitan Transportation Commission
Steve Heminger, Ken Kirkey

Mobility 21
Jenny Larios

Move LA
Denny Zane

National Community Renaissance
Steve PonTell

Orange County Business Council
Lucy Dunn

Orange County Council of Governments
Marnie O'Brien Primmer

Sacramento Area Council of Governments
Mike McKeever, Greg Chew

San Diego Association of Governments
Gary Gallegos, Susan Baldwin

San Gabriel Valley Council of Governments
Phil Hawkey

South Bay Council of Governments
Jacki Bacharach

Southern California Association of Nonprofit Housing
Alan Greenlee

Southern California Leadership Council
Richard Lambros

University of Southern California Sol Price School of Public Policy, Executive Education Forum
Prof. Frank V. Zerunyan

Urban Land Institute Los Angeles
Gail Goldberg

Western Riverside Council of Governments
Rick Bishop

SCAG MANAGEMENT

Hasan Ikhrata
Executive Director

Debbie Dillon
Deputy Executive Director, Administration

Joann Africa
Chief Counsel/Director, Legal Services

Huasha Liu
Director, Land Use & Environmental Planning

Naresh Amatya
Acting Director, Transportation Planning

Darin Chidsey
Director, Strategy, Policy & Public Affairs

Basil Panas
Chief Financial Officer

Catherine Kirschbaum
Chief Information Officer

DEPARTMENT MANAGER

Ping Chang
Compliance & Performance Monitoring

PROJECT MANAGER

Ma'Ayn Johnson
Housing & Land Use Planner

PROJECT CORE TEAM

Anita Au
Assistant Regional Planner

Ludlow Brown
Senior Graphics Designer

Diana Chamberlain
Senior Graphics Designer

Margaret de Larios
Public Affairs Specialist

Julia Heidelman
SCAG Intern

Jeff Liu
Manager, Manager of Media and Public Affairs

Roland Ok
Senior Regional Planner

Frank Wen
Manager, Research & Analysis

REPRODUCTION

John Barrett
Office Services Specialist

Patricia Camacho
Office Services Specialist

ACKNOWLEDGEMENTS

Assistance from the following SCAG staff members is also recognized:

John Cho
Associate Regional Planner

Melody Gu
SCAG Intern

Carolyn Hart
Lead Graphics Designer

Byoungjun Kim
SCAG Intern

Tyler Lindberg
SCAG Intern

Fred Silva
Consultant

Lijin Sun
Senior Regional Planner

Qiaoyi Yu
SCAG Intern

Special thanks to the other three MPOs (MTC, SACOG & SANDAG), the cities of Berkeley, Glendale, and West Sacramento, and the California Housing Partnership in providing case studies and data for the publication.

REGIONAL COUNCIL OFFICERS

Hon. Michele Martinez
President, SCAG
City of Santa Ana

Hon. Margaret E. Finlay
First Vice President, SCAG
City of Duarte

Hon. Alan Wapner
Second Vice President, SCAG
San Bernardino Associated Governments

Hon. Cheryl Viegas-Walker
Immediate Past President, SCAG
City of El Centro

REGIONAL COUNCIL MEMBERS

Hon. Michael D. Antonovich
County of Los Angeles

Hon. Sean Ashton
City of Downey

Hon. Rusty Bailey
City of Riverside

Hon. Glen Becerra
City of Simi Valley

Hon. Bob Blumenfield
City of Los Angeles

Hon. Mike Bonin
City of Los Angeles

Hon. Art Brown
City of Buena Park

Hon. Joe Buscaino
City of Los Angeles

Hon. Gilbert Cedillo
City of Los Angeles

Hon. Steven Choi
City of Irvine

Hon. Ross Chun
Transportation Corridor Agency

Hon. Margaret Clark
City of Rosemead

Hon. Jonathan Curtis
City of La Cañada/Flintridge

Hon. Gene Daniels
City of Paramount

Hon. Mitchell Englander
City of Los Angeles

Hon. Eric Garcetti
City of Los Angeles

Hon. James Gazeley
City of Lomita

Hon. Vartan Gharpetian
City of Glendale

Hon. Jeffrey Giba
City of Moreno Valley

Hon. Lena Gonzalez
City of Long Beach

Hon. Curt Hagman
County of San Bernardino

Hon. Jan Harnik
Riverside County
Transportation Commission

Hon. Marqueece Harris-Dawson
City of Los Angeles

Hon. Carol Herrera
City of Diamond Bar

Hon. Steven Hofbauer
City of Palmdale

Hon. José Huizar
City of Los Angeles

Hon. Steve Hwangbo
City of La Palma

Hon. Jim Hyatt
City of Calimesa

Hon. Bill Jahn
City of Big Bear Lake

Hon. Jim Katapodis
Orange County
Transportation Authority

Hon. Barbara Kogerman
City of Laguna Hills

REGIONAL COUNCIL MEMBERS (CONTINUED)

Hon. Paul Koretz
City of Los Angeles

Hon. Paul Krekorian
City of Los Angeles

Hon. Randon Lane
City of Murrieta

Hon. Antonio Lopez
City of San Fernando

Hon. Clint Lorimore
City of Eastvale

Hon. Victor Manalo
City of Artesia

Hon. Ray Marquez
City of Chino Hills

Hon. Nury Martinez
City of Los Angeles

Hon. Larry McCallon
City of Highland

Hon. Ryan McEachron
City of Victorville

Hon. Dan Medina
City of Gardena

Hon. Barbara Messina
City of Alhambra

Hon. L. Dennis Michael
City of Rancho Cucamonga

Hon. Keith Millhouse
Ventura County
Transportation Commission

Hon. Fred Minagar
City of Laguna Niguel

Hon. Judy Mitchell
City of Rolling Hills Estates

Hon. Carl E. Morehouse
City of San Buenaventura

Hon. Gene Murabito
City of Glendora

Hon. Kris Murray
City of Anaheim

Hon. Steve Nagel
City of Fountain Valley

Hon. Frank Navarro
City of Colton

Hon. John Nielsen
City of Tustin

Hon. Pam O'Connor
City of Santa Monica

Hon. Mitch O'Farrell
City of Los Angeles

Hon. Linda Parks
County of Ventura

Hon. Sam Pedroza
City of Claremont

Hon. Erik Peterson
City of Huntington Beach

Hon. Gregory Pettis
City of Cathedral City

Hon. Curren D. Price, Jr.
City of Los Angeles

Hon. Carmen Ramirez
City of Oxnard

Hon. Mary "Maxine" Resvaloso
Torres-Martinez Desert
Cahuilla Indians

Hon. Rex Richardson
City of Long Beach

Hon. Mark Ridley-Thomas
County of Los Angeles

Hon. Deborah Robertson
City of Rialto

Hon. David Ryu
City of Los Angeles

Hon. Ali Saleh
City of Bell

Hon. Andrew Sarega
City of La Mirada

Hon. John Sibert
City of Malibu

Hon. Marty Simonoff
City of Brea

Hon. José Luis Solache
City of Lynwood

Hon. Karen Spiegel
City of Corona

Hon. Michelle Steel
County of Orange

Hon. Tri Ta
City of Westminster

Hon. Jack Terrazas
County of Imperial

Hon. Chuck Washington
County of Riverside

Hon. Herb J. Wesson, Jr.
City of Los Angeles

Hon. Michael Wilson
City of Indio

Mr. Randall Lewis
Business Representative,
Ex Officio

MISSION IMPOSSIBLE?

MEETING CALIFORNIA'S HOUSING CHALLENGE

SCAG™

INNOVATING FOR A BETTER TOMORROW

818 West 7th Street, 12th Floor
Los Angeles, CA 90017
Phone: (213) 236-1800
Fax: (213) 236-1825
www.scag.ca.gov

REGIONAL OFFICES

IMPERIAL COUNTY
1405 North Imperial Avenue, Suite 1
El Centro, CA 92243
Phone: (760) 353-7800
Fax: (760) 353-1877

RIVERSIDE COUNTY
3403 10th Street, Suite 805
Riverside, CA 92501
Phone: (951) 784-1513
Fax: (951) 784-3925

ORANGE COUNTY
OCTA Building
600 South Main Street, Suite 1233
Orange, CA 92863
Phone: (714) 542-3687
Fax: (714) 560-5089

SAN BERNARDINO COUNTY
Santa Fe Depot
1170 West 3rd Street, Suite 140
San Bernardino, CA 92418
Phone: (909) 806-3556
Fax: (909) 806-3572

VENTURA COUNTY
950 County Square Drive, Suite 101
Ventura, CA 93003
Phone: (805) 642-2800
Fax: (805) 642-2260