



WHO WE ARE

We are the Building Industry Association of Southern California, Los Angeles/Ventura Chapter. We are the creators of housing, the providers of shelter, the makers of *home*.

BIA-LAV is one of four chapters – Los Angeles/Ventura, Orange County, Riverside, and Baldy View (San Bernardino County) – that make up the Building Industry Association of Southern California, which addresses issues throughout the region and oversees activities of the Chapters. BIA-LAV is also affiliated with the statewide California Building Industry Association (CBIA) and the National Association of Home Builders (NAHB).

Our non-profit trade association is made up of thousands of industry professionals, technicians, and craftsmen and their member companies who have extensive knowledge and experience in building and development.

We support safe, healthy, and sustainable growth that keeps up with population demand, and support measures that assure an adequate supply and range of housing for all incomes and lifestyles.

The organization's leaders and members advocate for policies that promote and protect appropriate development and redevelopment. We facilitate business opportunities, and increase awareness about the importance of housing and those who provide it. We support homes for all people including the homeless, by leveraging our member's talents at no charge to our charity, Home Aid a national organization established to help shelters house the homeless.



THE MISSING MIDDLE

ISSUE

Too often, California and its localities adopt and maintain community development policies that deprive the state's hard-pressed middle class of appropriate housing opportunities. Hundreds of thousands of hard-working families and individuals cannot afford to live where they work and are facing a housing cost burden, defined as paying more than 30% or more of their income on housing.

As an example, most Los Angeles area teachers earn too much to qualify for subsidized affordable housing, but also earn too little to buy a home in the communities that they serve. They are then left to compete against other households for the scarce market-rate units that become available.

Increases in housing production costs push these hard-working individuals further from housing affordability and creates the "missing middle" housing gap. The costs contributing to the problems derive from the four L's; Land, Labor, Lumber (materials), and Laws. These expenses continue to rise, making housing too expensive to build and still deliver a product that's affordable to middle-income earners.

EXISTING LAW

Los Angeles County is presently the subject of a 2014-2021 Regional Housing Needs Assessment (RHNA) which projected the need for 28,273 new moderate-income units for all LA County. Unfortunately, the municipalities in Los Angeles County are failing to meet such housing production goals.

Through 2017, halfway thru the RHNA cycle, less than 5% of the projected total LA County moderate-need had been met. The City of LA itself only permitted 1.9% of its projected middle-income housing need. The situation in unincorporated LA County is even more severe with not one single moderate-income unit permitted.

Public subsidies are an attempt to address the housing shortages that affect lower-income households. Subsidies or any other kind of help are, however, nearly non-existent for middle-income households. The "middle-income" earners group is continually squeezed out as housing costs become more expensive. Reducing the costs and barriers to

produce more naturally-occurring middle-income housing would reduce the burden on both lower and moderate-income families by creating more housing opportunities.

SOLUTION

Below are recommendations to alleviate the costs associated with producing housing:

Ways to Reduce Costs/Fees:

- Implement a moratorium on all proposed municipal fees or policies that would increase housing costs or decrease housing production
- Implement a cap on total fees that is scaled and based upon the location and type of development
- Prohibit the imposition of new exactions on projects that have already submitted a complete development application
- Limit fees imposed on new residential projects to only those fees local governments post on their fee schedule on the internet
- Require local municipalities to publicize, in a user-friendly format, full individual accounting of each type of impact fee, showing money collected & spent by month and YTD by project as well as the overall balance of the fund
- Defer the payment of impact fees until the close of escrow for homes sold, and until Certificate of Occupancy for homes rented, since there is no impact until the unit is occupied

Ways to Shorten the Development Process:

- Require local municipalities and utilities to publicize actual review times of steps in the permitting process on an annual basis
- Require local municipalities and utilities to develop and follow enforceable turnaround times for critical milestones in the development process

Ways to Increase Land Availability and Incentivize Housing:

- Require local municipalities to provide and publicize on their websites a monthly measure of (a) units applied by type; (b) units approved by type; (c) permits issued; (d) Certificates of Occupancy issued; (e) units demolished; and (f) actual housing units created
- Amend the State's Housing Element law to expand RHNA categories for middle-income housing up to 200% AMI for high-cost areas



MAKE AFFORDABLE HOUSING PROJECTS AFFORDABLE

ISSUE

Affordable housing developers already face mountainous challenges to ensure project delivery, including increased construction costs, a decrease in subsidized financing, decrease in tax credit pricing, a lack of available land, and community opposition. Piling on additional costly and unnecessary requirements increase the amount of government funding needed, which in turn limits the number of affordable units created with limited funding. In addition, these added costs can kill even a well-designed and well-planned project that would be valuable to the community.

BACKGROUND

A new report from the Government Accountability Office highlights stark disparities in the cost to build affordable housing that qualifies for tax credits comparing states like California, which has more land-use regulations, and Texas, where it is much easier to get approval to build. A typical unit for a low-income family in San Francisco and Los Angeles costs around \$400,000 to build. In Texas, where land-use regulations are more streamlined, the cost is about a third of that. In addition, most affordable housing projects underway in Los Angeles are costing more than \$500,000 per unit.

Affordable housing developers aim to deliver a project with as many community benefits as possible without breaking the bank. But today, in addition to amenities such as community rooms and robust services for all residents, cities often request excessive—and unaffordable—amenities, which either jeopardize funding or kill the project. These may include herb gardens, gyms, public art, local hire, teenager activity rooms, rooftop decks, parking in excess of the zoning, offsite upgrades to sidewalks and utility lines for cities, music in stairwells, excessive cabinetry, a car sharing service, on-site child care, public parks, public transportation centers, public bike storage, retail office space, and union requirements.

Oftentimes a City will also request a ground lease for City land and ask for a high percentage of developer cash flow generated from income after debt. The magnitude of these special requests increases construction costs, which, combined with the lack of income potential and city subsidy to pay for these

special requests, often renders the project financially infeasible, and results in an abandoned project.

SOLUTION

Cities and counties can obtain the attractive affordable and equitable housing projects they seek for their communities, and their constituents can have a place to call home, if we consider ways to decrease development costs, making sure those projects always come to fruition. This can be achieved by:

- 1. Decrease parking requirements.** It is quite common for decision-makers to request additional parking beyond the requirements of zoning; however, this should be the inverse, especially when one considers that 1) housing near transit often negates the purpose of owning a car, and 2) in the case of homeless housing, residents do not own cars.
- 2. Remember that community space means a loss of residential space.** When reviewing any project—and certainly an affordable project—one must always ask what is most important. Today, our region faces thousands of people on the streets. Above all, it is imperative that we house those people. If the amenity in question takes away liveable space, no matter how small, we must weigh our options and remember which is most important. Let's only provide the space and services truly necessary, so we can make room for more units.
- 3. Promote Safe, Decent, Basic Housing that Is Easy to Maintain.** The focus for affordable housing production should be on generating the largest amount of safe, decent and basic affordable housing as possible.
- 4. Limit Government requirements.** Government requirements add cost to affordable housing construction and lead to fewer units being built.
- 5. Bring Back Tax Increment Financing Mechanisms That Are Effective at Generating Affordable Housing.**



INCLUSIONARY ZONING

ISSUE

Many jurisdictions are under pressure from the State and the public to meet affordable housing Regional Housing Needs Assessment (RHNA) Numbers. This pressure is leading some to consider Inclusionary Zoning (IZ) ordinances. In its broadest sense, IZ requires housing developers to sell or rent a percentage of their units below market rate. Correspondingly, a city/county often provides incentives to the developer as a means of defraying the cost of generating the below-market units. Developers in some IZ jurisdictions also have the option of paying a fee rather than building the units themselves (“in-lieu of” fund).

BACKGROUND

Nearly 200 cities in California have adopted IZ ordinances. Notwithstanding its widespread use in the State, the jury is still out as to whether inclusionary zoning policies actually work in practice. It is extremely difficult to adequately offset the IZ financial burden with equal benefits to homebuilders, and most cities have not. If a municipality imposes inclusionary zoning costs on housing that are not sufficiently offset, the rate of new homebuilding will ultimately decrease. Lack of new construction results in increased competition for homes, chokes off housing choices, inflates prices, and overall results in reduced affordability.

EXISTING LAW

The traditional offsets offered by most cities are not enough to compensate for the increased costs of IZ. Expedited permitting operates better in theory than in practice, and modified development standards, height increases, and reduced parking requirements, while helpful, can lead to community NIMBY opposition, forcing even more delays and costs. A study conducted by San Jose State University in 2012 on IZ affirmed these findings and concluded that it made most housing less affordable. Per the study, cities with IZ ordinances ended up with 8% fewer homes and 9% higher prices between 1980-1990, and 7% fewer homes and 20% higher prices between 1990-2000.

These findings are consistent with a more recent analysis by Capitol Matrix Consulting in 2016 that estimated a 15% IZ requirement applied to all new housing built in California in 2015 would result in a

\$67,000 increase to the price of the remaining market-rate units. These higher home prices and rental rates will have two main effects. First, the increase in housing prices will cause 405,000 (or 3.5 percent) of households statewide to be priced out of the real estate market. Second, the higher rents will push about 125,000 additional households below the poverty threshold in California.

SOLUTION

An IZ housing program should aim to increase the affordable housing supply without decreasing the supply of housing or increasing the overall cost of housing projects. Therefore, an IZ program should be a voluntary, incentive-based program and should:

- 1. Exempt for-sale housing**
- 2. Applicability** – Exempt projects that meet any of the following: submitted a complete development application; have a Development Agreement or are within a Specific Plan; or with affordable housing requirements included in the conditions of approval.
- 3. Threshold Number of Units** – Only apply to projects greater than 50 units. Small and medium size projects less than 50 units have a much more difficult time taking advantage of economies of scale and possible incentives.
- 4. Alternatives** – Offer flexible incentives to offset the increase, in affordable unit cost production, ensuring financial feasibility. This includes but is not limited to:
 - a. Off-site affordable housing production
 - b. An equitable and fair affordable housing in-lieu fee option
 - c. A menu of incentives to offset affordable unit construction costs such as increased buildable area, higher density options, reduction of open space, reduction or elimination of government fees, reduced outdoor or common space requirements, reduced setbacks, reduced or exempted parking requirements, increased Floor Area Ratio (FAR), etc.
- 5. Duration of Affordability** – It is important that the duration of affordability be set such that it helps address today’s affordability crisis while also incentivizing ongoing affordable housing development. Covenants should be removed after 15 years or when a tenant voluntarily vacates.



PROMOTE UTILITY PARTNERSHIPS FOR HOUSING

ISSUE

Builders are often faced with uncertainty when it comes time to interface with utilities during the development process. On the front end of a project, builders endure long and uncertain processing times to obtain project approval and, dramatically increasing development cost which ultimately delays the availability of housing units for desperate home seekers. Development processing often exceeds one and a half or even two years.

On the back end of a project, builders must rely on utilities to “energize”—or provide power—to a project, as well as installation and enabling water and gas meter usage. Because this is the last step a builder must perform before Certificate of Occupancy can be given and a homeowner/renter can move in, delays during this crucial crunch time result in homeowners/renters left in the lurch: new residents have already scheduled movers and/or terminated leases, and new homebuyers/renters have locked-in a credit rate which expires shortly after closing. Delays past this expiry date could mean a homebuyer loses their credit rate, and worse, could mean they must scramble to find a temporary place to stay until their home becomes available.

BACKGROUND

Due to labor shortages and cumbersome hiring procedures, utilities are extremely understaffed. This contributes to project bottlenecks in multiple departments. Furthermore, utilities may need to adhere to strict union hiring and working standards, which require several procedural layers of red tape to perform simple tasks. Finally, some utilities operate on antiquated software systems—and still use paper, in some instances—compounding an already strained workforce.

SOLUTION

Utilities should partner with local municipal agencies/departments and the building industry to find solutions that help overcome the issues described above to help bring housing units online with fewer delays. It will also add certainty to the process, therefore reducing costs to provide housing, and ultimately encouraging additional investment in residential projects.

1. Increased Manpower = Well Paying Jobs.

Cumbersome hiring procedures and staff shortages have led to the current backlog of projects. This can be addressed by increasing the labor pool and allowing flexibility within hiring procedures. This would take pressure off both existing management personnel and construction crews, and additionally, be good for the local economy and housing availability.

2. Remove red tape pertaining to hiring and overtime processes: encourage creative and flexible structures and systems for handling workload and management issues. Staffing shortages could be tackled in two potential ways: by enabling applicant design, and/or by temporarily rehiring and/or contracting with retired utility workforce.

3. Encourage jurisdictions to partner with utilities to identify and reduce or eliminate delays and inefficiencies. This may include examining all current processes for streamlining opportunities, such as modifying restrictive street access times for utility infrastructure project work done in City streets.

4. Establish realistic timelines and work to establish written standards on how long processes should take. Adhere to clear, guaranteed timelines for project delivery. Create metrics to monitor whether these standards are being met.

5. Develop new/improved IT systems that better manage communications and allow builders to track online applications, design status, permitting status, billing and project management.

6. Review population and anticipated growth maps, and plan to upgrade resources in those areas.

7. Establish a cost cap on utility upgrade costs of 5% of building valuation for housing projects.



ENCOURAGE CREATIVE HOUSING OPPORTUNITIES

ISSUE

As the building industry struggles to meet our population's housing needs, the lack of adequate residential development sites has stymied housing production efforts and increased development process time, costs and uncertainty as developers are forced to pursue zone and plan amendment changes to accommodate housing.

BACKGROUND

Many parcels of land have essentially been taken off the market for residential development due to downzoning and other restrictive zoning policies. In addition, many landowners have higher money-making, non-residential development uses on their land that could potentially be used for residential but are not willing to sell at prices low enough to make housing projects feasible; this makes residential developable land even scarcer.

SOLUTION

The Los Angeles region will grow from its current level of 10.2 million residents to nearly 11.2 million residents by 2035. To meet the projected need for housing, we will need to build hundreds of thousands of units to accommodate all income levels. New opportunities can be created if we:

- 1. Adequately Update Planning/Zoning Documents.** General Plans and other zoning documents are sorely outdated across the region. We can increase housing development sites while still maintaining community character during zoning document update processes by realistically accommodating housing needs and standing up to calls for NIMBYism.
- 2. Local & State Government Entities Should Sell/Lease Their Surplus Land and Eliminate/Ease Zoning Restrictions on Them.** Many local governments and agencies have numerous parcels of land that sit blighted or underdeveloped. Auctioning off this land with a mandate to develop diverse residential housing types would create additional housing stock. Furthermore, cities and counties could enact local legislation which eases or eliminates costly regulatory or zoning barriers on their formerly owned parcels.
- 3. Establish More By-Right Development.** Streamlined, ministerial approval processes for development *work*: we have seen the proof in Los

Angeles' Transit-Oriented Communities (TOC) program. Encouraging by-right residential development, rezoning commercial and under-utilized industrial zones for residential use, and supporting state legislation that will increase height/density near transit will naturally increase housing production by removing costly and onerous regulations.

4. Work with City/County Agencies to Find Creative Solutions to Develop Available Land.

TOD is usually defined as being within ½ mile of public transportation. However, many jurisdictions are much more restrictive. For example, LA City TOC defines a "major bus stop" as "an intersection of 2 bus lines with 15-minute peak headways." Many Metro bus routes intersect only every 16 minutes! TOC maps could be expanded by revising the definition of a major bus stop such that it does not require two bus lines to intersect. Currently, TOC areas cover only 9% of the City of LA.

5. Update Local Density Bonus Laws. More incentives should be offered to encourage additional density and affordable housing. The City of LA's TOC program could serve as a model to emulate. However, more attention should be paid to the 80-120% category. Additionally, a separate category should be added to the affordable housing scale: that of the missing middle, at 120-200% AMI. This would prevent middle-class housing and luxury housing from being characterized as the same monolithic category.

6. Maximize Housing Opportunities in Single-Family Zones. Accessory Dwelling Units (ADUs) have been given the green light by the State, however, many localities intentionally provide obstacles to prohibit ADU development. For example, requiring new footings on all ADU garage conversions. In addition, ADU permitting fees are the biggest deterrent with some cities keeping them high to discourage development. Housing opportunities can also be maximized by expanding the housing types that can be built in traditional single-family zones to allow up to two ADUs per parcel or to include up to 4 units.

7. Allow for Creative Building Types. Shipping containers and modular homes may decrease the cost of the building equation related to labor and materials. Promoting the Production of Micro-Units and Cohabitated Living offer innovative housing typologies with higher occupancy rates.



CLIMATE CHANGE and HOUSING

ISSUE

Legislative and regulatory efforts to combat climate change are a major priority for political leadership both locally and statewide. Governor Newsom has promised to establish California as *the* leader in the fight against climate change. It should be noted that even though California is the fifth largest economy in the world, the state emits less than 1% of global greenhouse gases (GHG). In contrast, California ranks top in the United States for poverty and homelessness – both of which are largely attributable to the housing supply shortage and sky-high housing prices that are nearly 3 times above the national average. Balancing climate change efforts should not negatively impact housing needs.

BACKGROUND

Pursuant to Senate Bill 375 (2008) (SB 375), the metropolitan planning organizations (MPOs) – locally, SCAG – must update their federally-required, regional transportation plans, known as a Sustainable Communities Strategy (SCS), every four years. The SCS is supposed to depict future regional land uses and all transportation activities, and intelligently inform local and regional decisions about growth in each.

When it enacted SB 375, the Legislature instructed the California Air Resources Board (CARB) to establish “achievable” GHG-reduction targets for each MPO, and take into account foreseeable population growth, the need for economic vitality, and the need to better provide housing for California’s residents. Each MPO must then submit to CARB an SCS that meets its prescribed GHG-reduction target or admit its inability to do so.

CARB also prescribes the basic methodology by which the MPOs must analyze their data to determine whether they can demonstrate compliance with their respective GHG-reduction targets.

At CARB’s direction, MPO’s must show that they can meet their SB 375 GHG-reduction targets primarily through demonstration of projected reductions in per capita vehicles miles traveled (VMT). For example, SCAG’s 2016-2040 RTP (Regional Transportation Plan)/SCS modeled that it could achieve a 16% reduction in per capita GHG emissions by achieving

roughly a 10% reduction in per capita VMT between 2005 and 2035. SCAG is not on track to meet this target.

SOLUTION

Promote and support “All Types of Housing” not just high-density, transit-oriented development (TOD). We are very supportive of TOD, but it alone will not solve our housing emergency.

The kind of exclusively high-density, transit-oriented development patterns that CARB wants to impose have failed to reduce per capita VMT at all in the Bay Area region, which adopted very aggressive growth control and density measures in its two prior SCSs. The Bay Area’s attempts have resulted in an explosion of “mega commuters” – estimated at 170,000 daily workers – who suffer three-hour or four-hour daily commute times to their jobs. Public transit ridership has also fallen, notwithstanding high concentrations of jobs in transit-served locations such as downtown San Francisco. The Bay Area MPO, in the early planning stages of its next SCS, has acknowledged the failure of prior SCSs to producing either adequate or economically attainable housing supplies.

Adding costs and restrictions on certain types of housing will only lower production, make housing less affordable, and increase the poverty rate. It will have the opposite desired effect, as the traditionally more affordable, non-TOD projects are taxed for being farther away from transit. As housing becomes more expensive to produce it becomes less affordable to the middle class, and people will simply choose to move out of state.



RENT CONTROL

ISSUE

California is experiencing an unprecedented housing crisis. Skyrocketing costs are crushing California families, who are finding it harder and harder to find a safe, affordable place to live.

Unfortunately, many people feel that rent control is the best solution to this crisis. However, rent control is a flawed approach that would only make our current housing crisis worse. It would lead to less affordable housing being built, create incentives for current landlords to take existing rental properties off the market, and make it harder for those looking for affordable housing.

BACKGROUND

Proposition 10 was a state initiative that was on the ballot in 2018. If passed, it would have allowed local jurisdictions unlimited ability to implement rent control. The initiative failed to pass with nearly 60% of Californians voting NO.

Top economists from around the country have shown how solutions like those offered by Prop. 10 have failed, time and again. In its analysis of Prop. 10, the State's nonpartisan Legislative Analyst's Office warned that Prop. 10 could hurt homeowners by driving down property values. That's because

Prop. 10 would have opened the door to rental caps on single family homes, as well as radical rent control proposals that would keep price controls in place, even after a tenant moves out.

Rent control also puts new pressure on the housing market, and on state and local governments which could see a shortfall of up to hundreds of millions of dollars if rent control measures are passed. That means less money for key public services like education, healthcare and public safety, and more pressure to increase taxes to make up the shortfall.

What's worse, studies show that most of the economic benefits of rent control would go to high-income earners, and that it could disproportionately hurt those who are looking for rental housing.

SOLUTION

California's housing situation is a crisis that needs to be addressed. The first step in any crisis is to make sure we don't make it worse. Unfortunately, making it worse is exactly what rent control would do.

Therefore, we need to focus on increasing housing production and decreasing housing production costs instead of looking to rent control as the answer.



CEQA RELIEF FOR HOUSING

ISSUE

The California Environmental Quality Act (CEQA) was established under Governor Reagan in 1970 to disclose significant environmental impacts created by development projects so policy makers can make informed decisions. Unfortunately, what began as a well-intentioned law to protect the environment has been used by many, including labor unions and no-growth advocates, as a tool to delay and block construction, especially housing. This has severely hampered the entire development process by adding expense and delay, thus contributing to the housing crisis we are experiencing today.

BACKGROUND

The State is facing a housing shortage of 3-4 million units and is not on track to meet that demand. CEQA delays further exasperate this shortage. In 2018, bills that encouraged greater housing opportunities through density and streamlined efforts failed passage because of special interest and local jurisdictional opposition. Over 80 percent of the construction projects challenged under CEQA are higher density infill construction projects that are already located in developed areas, arguably less impactful to new environmental concerns.

Even affordable housing projects face CEQA challenges. In 2018, one property owner and a firm of attorneys delayed the construction of a 20-unit housing project in downtown Redwood City by Habitat for Humanity. The case was eventually resolved in favor of the project, but the housing delivery was delayed, and project costs increased.

EXISTING LAW

Projects that fall under CEQA not only include any development that requires discretionary review by a jurisdiction, but also Municipal Plan updates that jurisdictions undertake to alleviate the housing crisis. These projects often require the preparation of a costly and time-consuming environmental impact report (EIR). Virtually any entity or individual can file a CEQA lawsuit to challenge an EIR, and litigant groups often hide the identity of their members and/or litigation funding source.

Often these suits appear frivolous and are the source of CEQA abuse. This can delay a project for years until a decision is made by the court and can be extremely costly. Even when a case is resolved in favor of the local agency and applicant, the costs, delays and fees incurred must be absorbed by the developer and are ultimately passed on to the homeowner/renter in the form of higher housing costs.

SOLUTION

The following recommendations address the ways CEQA relief can be applied to housing during an emergency housing crisis:

Local

- Update guidelines for thresholds of significance and implement all applicable statutory and categorical exemptions

State – Support California Building Industry Association (CBIA) strategies:

- Extend CEQA benefits previously set-aside for high-profile development projects, such as sports stadiums, to all housing projects
- Eliminate multiple lawsuits against the same project, and limit CEQA lawsuits by applying federal standing rules to CEQA petitioners
- Create a presumption of compliance with other environmental laws
- Provide more transparency and disclosure in CEQA litigation by requiring the identities of those who financially support CEQA litigation
- Eliminate CEQA review duplication for projects that are already contemplated by existing EIRs
- The Office of Planning & Research (OPR) should also be directed to update the CEQA Guidelines to clarify and encourage the use of "tiering" to eliminate duplicative environmental review for projects that comply with previously adopted plans that were implemented after CEQA review
- Establish response times for all public agency permits