

# CONNECT SOCAL 2024

The 2024–2050 Regional Transportation Plan/Sustainable Communities Strategy  
of the Southern California Association of Governments

# Housing

TECHNICAL REPORT

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# Housing

## TECHNICAL REPORT

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## 1. EXECUTIVE SUMMARY

Housing is an integral part of regional planning and is one of the most fundamental elements of local communities. Planning for housing is not only crucial for transportation and land use planning, but also to further equity. Addressing the housing crisis is also addressing equity.

In the State of California, Housing Element Law is the major driver for housing policy at the local level. One mechanism by which housing need throughout the region is determined is through the Regional Housing Needs Assessment (RHNA) process, a statutory process to allocate a regional housing allocation to the local jurisdictional level. Jurisdictions are required to update their housing element through sites and zoning analysis to accommodate their allocated need.

This Technical Report outlines the history of housing policy and resulting racial disparities in the region, legislative and statutory requirements that guide housing policy, existing conditions and challenges faced by the SCAG region, and elevate the regional planning policies and implementation strategies that the Southern California Association of Governments (SCAG) is advancing in the 2024-2050 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS), Connect SoCal 2024 or the "Plan", to meet this need. Moreover, the additional issues of climate change have created new challenges in meeting regional housing need and have required the consideration of additional strategies in regional planning. This report focuses on housing need and strategies that can support housing production and is complemented by the Land Use and Communities Technical Report which guides where and how development, including housing, should occur in the region in alignment with Connect SoCal 2024.

Existing housing conditions illustrate a housing crisis that has been decades in the making. A shortfall of housing to meet the needs of the SCAG region have created issues such as cost-burden and overcrowded households. The shortfall production of housing combined with these issues has led to an increase in homelessness throughout the SCAG region and the State overall. These impacts disproportionately burden historically underserved communities that experience displacement pressure due to market conditions and without additional housing in these areas may result in further segregation and reduced accessibility to resources. There are numerous barriers to housing production at all points in the process. Barriers such as a lack of resources, community opposition, increasing construction costs, and the fiscalization of land use can delay, reduce, or prevent housing production.

Strategies to address the housing crisis can be implemented at the State, regional, and local levels. Funding is available from the State to implement plans and projects at the regional and local levels. In the past few years, SCAG has created a variety of tools and technical assistance to support jurisdictions in planning for housing. Jurisdictions can also implement a variety of tools to increase housing production. SCAG's long-term strategies for housing include supporting efforts to produce and preserve housing, promoting housing in priority development areas, and prioritizing key communities such as low-income and communities of color. Long term SCAG implementation strategies include providing technical assistance to housing element implementation, coordinating infrastructure projects that support housing, and continuing its outreach and education efforts.

Over the past few years, SCAG has developed a regional housing program to address the needs of our region and for the first time, a housing-focused Technical Report is included in the RTP/SCS. This Technical Report will outline the existing conditions of housing in the SCAG region, the challenges in addressing it, and affirmative strategies that seek to counter the impacts of historic practices.

## 2. WHY HOUSING MATTERS

A lack of housing, including affordable housing, can lead to a variety of problems that affect our society at different levels. Despite market fluctuations, housing production has not kept up with demand. The housing crisis is an accumulation of decades of not building sufficient housing.

However, the impacts of the housing crisis disproportionately burden historically underserved communities, such as low-income households and communities of color, and historical inequitable policies at all levels of government have led to the concerning disparities we see today. Institutional and systemic racism experienced by these communities continues to impact their access to more mobile, sustainable, and prosperous futures in Southern California.

In 1934, the Federal Housing Administration (FHA) was established to facilitate numerous tasks, including home financing, improving housing standards, making housing and mortgages more affordable, and increasing employment in the home construction industry in the wake of the Great Depression. However, while its core function was to insure home mortgage loans made by banks and private lenders, the FHA refused to insure mortgages in Black neighborhoods, often forcing them to move into urban housing projects and rendering them unable to build generational wealth that accompanies homeownership. This FHA home-valuation system was known as “redlining” because maps used by the FHA used red to color code neighborhoods where Black residents live to indicate these areas were too risky to insure mortgages.<sup>1</sup> Further exacerbating this inequity, the FHA tacitly endorsed the use of restrictive covenants, which were private agreements attached to property deeds to prevent the purchase of homes by Black, Hispanic (Latino), Asian, and Native American people. While the FHA announced that it would not insure mortgages with restrictive covenants in 1950, redlining lasted until the mid-1960s.

In addition to redlining, people of color still faced many challenges, such as negligent landlords and chronic disinvestment, which intersected with an influx of Black residents seeking homes as part of the “Second Great Migration,” when major populations of Black residents migrated west during World War II.<sup>2</sup> People of color had few choices on where to live, and neighborhoods where they were allowed became overcrowded and often took on unhealthy living conditions. Many of these neighborhoods were located next to polluting industrial infrastructure. As highway infrastructure expanded, these new freeways not only cleared existing neighborhoods, but also contributed to heavy air pollution that has led to ongoing asthma and serious health conditions in remaining residents.<sup>3</sup>

Even in neighborhoods where people of color found housing, urban renewal policies destroyed existing communities and displaced their residents. The Federal Housing Acts of 1949 and 1954 led to the demolition of neighborhoods inhabited by people of color. The Acts enabled the clearing of blighted areas and destroyed affordable housing units in urban areas. A notorious example of these impacts in Southern California is the clearance of Chavez Ravine, a Mexican American community with its own stores, church, and school. Many families lived there due to redlining in other parts of the City of Los Angeles, but with the population expanding the area was viewed as a prime, underutilized location. The City of Los Angeles labeled the area as blighted and approved the construction of thousands of new public housing units in Chavez Ravine. While residents were told they would have first choice for homes in the new units, public housing was never built, and the remains of Chavez Ravine instead became the site of Dodger Stadium.<sup>4</sup>

Today, the quantitative impacts of the housing crisis such as overcrowding, cost-burden, and low home ownership, disproportionately burden communities of color. Addressing the housing shortage not only

means increasing housing supply, but it also means addressing equity and historic segregation patterns. Approaching the housing crisis through this lens is needed to advance equity and diversity across the region. Understanding the disparities resulting from historical inequities is central to SCAG's work as a regional planning organization to plan for a more racially just, equitable future.

For purposes of this report, "affordable housing" is considered as housing that is affordable for lower income households. There are numerous definitions used for affordable housing and depending on the context, geography, and purpose, will have differing quantitative thresholds as a definition. Because of these different definitions and thresholds, this Technical Report does not specifically define a quantitative threshold for what constitutes affordable housing.

### 3. REGULATORY FRAMEWORK

#### 3.1 LOCAL GENERAL PLANS AND HOUSING ELEMENTS

Every city and county in California are required to develop and update a General Plan. A General Plan is a comprehensive long-range document that informs future land use decisions within the jurisdiction. Within the General Plan is a set of goals, objectives, policies, and implementation measures covering topics such as land use, transportation, housing, open space, and natural resources. A jurisdiction's General Plan represents a blueprint for meeting the community's long-term vision for the future and reflects its values and aspirations.

Of the seven State-law mandated "elements" of a General Plan (i.e., land use, circulation, housing, conservation, open space, noise, and safety), a housing element is inarguably the most influential on a jurisdiction's housing goals and strategies. Provisions in the housing element are more specific and directive than other elements and contain detailed guidance and reviews. The law also provides the California Department of Housing and Community Development (HCD) with unique authority over the housing element.<sup>5</sup>

Jurisdictions are required to update their local housing element to demonstrate how they would accommodate existing and future housing need by preparing a sites inventory. The site inventory identifies land that is suitable for residential development that can be developed for housing within the planning period, including vacant sites and sites having the potential for redevelopment. In addition to the sites inventory, the housing element must identify existing and special housing needs, such as units at-risk for conversion, overcrowding and cost-burden households, population and household characteristics, seniors, and people experiencing homelessness.

HCD reviews submitted housing element drafts and provides comments to the jurisdiction, if needed. After any needed revisions, jurisdictions must submit an adopted housing element to HCD for approval of compliance with State housing law. For the most recent cycle, also known as the 6th cycle, the statutory deadline to receive compliance for the SCAG region was October 2021.

While SCAG is not involved in the housing element approval process, SCAG has developed data tools and other technical assistance to support jurisdictions preparing their housing elements.

#### 3.2 REGIONAL HOUSING NEEDS ALLOCATION

As part of its housing element update, a jurisdiction must demonstrate how it would accommodate its allocated housing need for the planning period, also known as the Regional Housing Needs Assessment (RHNA) allocation. The RHNA allocation is a representation of existing and future housing needs by income level for the jurisdiction and is measured by housing units. The allocation for each jurisdiction is developed by a Council of Governments (COG) such as SCAG. The RHNA process is repeated every eight years to ensure that the State's housing needs are being met and coincides with the housing element update period. The 5th RHNA cycle covered planning period October 2013 to October 2021 and the current RHNA Cycle, the 6th cycle, covers the housing element planning years October 2021 to October 2029.

As provided in Government Code Section 65584, the RHNA must further five objectives:

1. Increase housing supply and mix of housing types, with the goal of improving housing affordability and equity in all cities and counties within the region.
2. Promote infill development and socioeconomic equity; protect environmental and agricultural resources; encourage efficient development patterns; and achieve greenhouse gas reduction targets.
3. Improve intra-regional jobs-to-housing relationship, including the balance between low wage jobs and affordable housing units for low-wage workers in each jurisdiction.
4. Balance disproportionate household income distributions (more high-income allocation to lower-income areas, and vice-versa).
5. Affirmatively further fair housing.

Affirmatively furthering fair housing: taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.

The RHNA process begins with HCD providing each COG a regional determination for the RHNA cycle. For the 6th cycle, HCD determined that the housing need for the SCAG region was 1,341,827 units. The regional determination is calculated using several factors, such as population growth, household formation rates, overcrowding, cost-burden, and vacancy needs. In comparison, the 5th RHNA cycle regional determination was 412,137. In addition to the new statutory requirements to factor cost-burden and overcrowded households in its calculation, HCD also placed special emphasis on existing need, which resulted in a noticeably higher allocation than the prior cycle.

After receiving its regional determination SCAG then developed and adopted a distribution methodology to determine the RHNA allocation for each of the region's 197 jurisdictions. The RHNA methodology distributed housing need based on future household growth, access to transit, access to jobs, and included consideration of disadvantaged communities. Together these distribution factors further the five objectives codified in State housing law and strengthens its connection to Connect SoCal 2024. For example, focusing on access to transit and jobs supports the objectives of promoting infill development, encouraging efficient development patterns, achieving the reduction of both greenhouse gas emissions and vehicle miles traveled, and improving intra-regional jobs-to-housing relationship. Meanwhile, these factors strengthen SCAG's Connect SoCal regional strategies of growth near destinations and mobility options, such as emphasizing land use patterns that facilitate multimodal access to work, educational and other destinations and prioritizing infill and redevelopment of underutilized land to accommodate new growth and increasing amenities and connectivity in existing neighborhoods. Additionally, the consideration of disadvantaged communities in the adopted RHNA methodology furthers the State housing law objectives of increasing housing supply and mix of housing types, balancing disproportionate household income distributions across the region, and affirmatively furthering fair housing. Further connecting it to the Plan, the consideration of disadvantaged communities in the methodology

strengthens the Plan’s strategies of preventing displacement and reducing regulatory barriers to streamline the development of various housing types to increase housing supply.

The 6th cycle final RHNA plan was adopted by SCAG in March 2021.

Table 1. SCAG 6th Cycle Regional Housing Needs Allocation Plan

Region	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
Imperial County	4,671	2,357	2,198	6,767	15,993
Los Angeles County	217,273	123,022	131,381	340,384	812,060
Orange County	46,416	29,242	32,546	75,657	183,861
Riverside County	41,995	26,473	29,167	69,716	167,351
San Bernardino County	35,667	21,903	24,140	56,400	138,110
Ventura County	5,774	3,810	4,525	10,343	24,452
SCAG	351,796	206,807	223,957	559,267	1,341,827

Source: SCAG 2021

Together with the General Plan and housing element, the RHNA allocation is a vision of a local jurisdiction’s household need and the ways to accommodate its existing and future need while simultaneously achieving the jurisdiction’s goals.



## 4. EXISTING CONDITIONS

An analysis of existing conditions for the region's housing characteristics provides insight on housing trends, helps identify housing issues communities are facing, and helps determine housing needs of the region. The following section covers key data on housing characteristics including the age of housing structures, rates of homeownership, substandard housing conditions such as lacking kitchen facilities and indoor plumbing, cost-burden, overcrowding, displacement pressures and gentrification, and homelessness. When deemed appropriate, these characteristics were further evaluated based on income, tenure, and race/ethnicity. This deeper analysis allows for more equitable responses across historically disproportionately burdened communities. Evaluating the region's housing existing conditions helps SCAG understand the challenges the region is facing to develop implementation strategies and policies to alleviate these challenges moving forward.

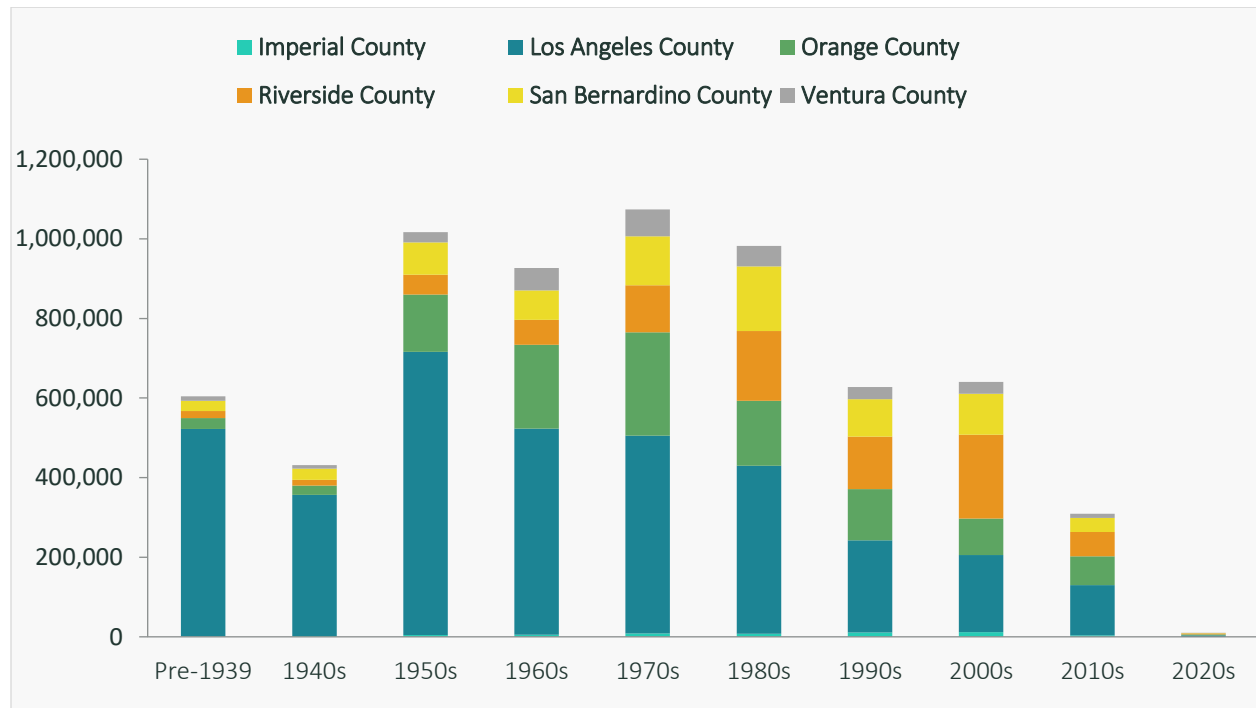
*Note: In this report, tables, charts, and discussion referring to individual races (Native American, Asian, Black, Native Hawaiian/Pacific Islander, White and Mixed/Other) are not of Hispanic/Latino ethnicity, unless otherwise stated.*

### 4.1 HOUSING STOCK

The SCAG region hosts a total of 6,622,509 units in its housing stock (Figure 1). Over half of these units were built before 1980, approximately over 40 years ago. The SCAG region followed California's trend of increasing housing production until 1980 when housing production begins to decrease dramatically each year thereafter, which has led to a housing shortage.

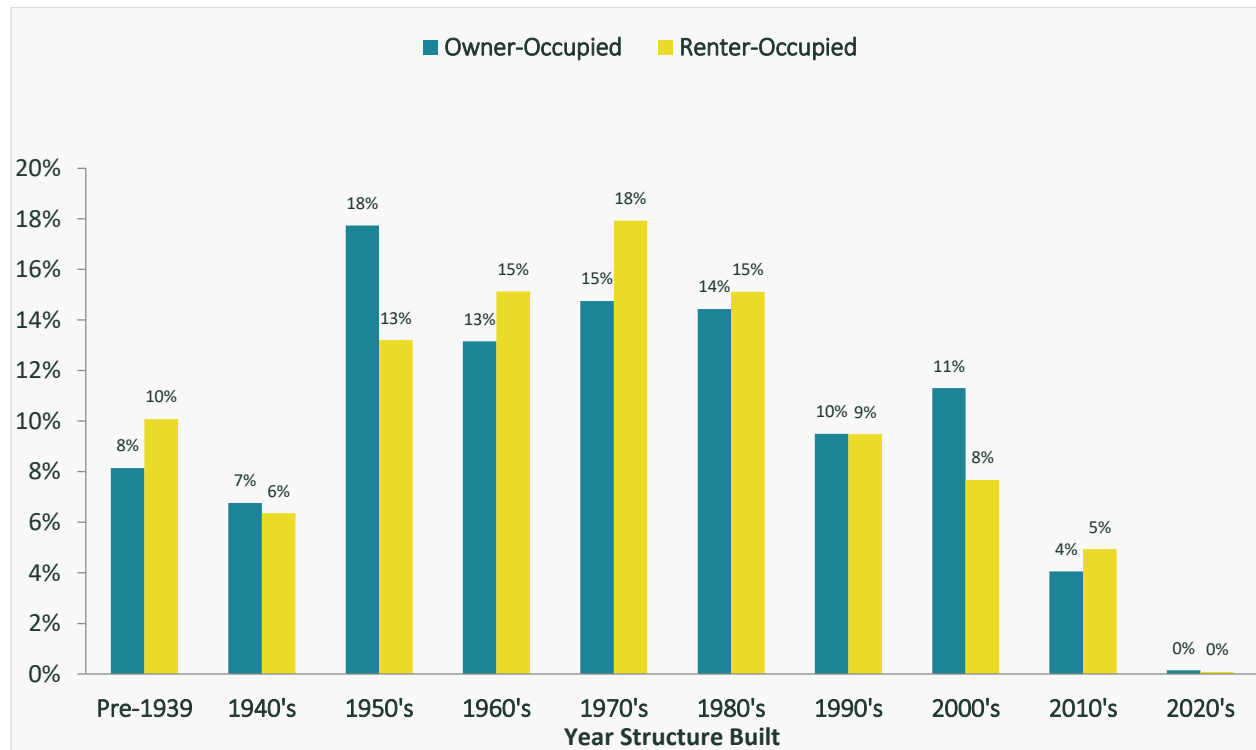
Geographically in the SCAG region, as housing production continued to decrease in Los Angeles County, housing production stayed strong in the Inland Empire, which encompasses Riverside and San Bernardino Counties. Determining where housing is needed is a major challenge. Housing production is needed across the region, and in addition to infill areas and other urban locations, housing is still needed in less dense and connected areas. The underproduction of housing has had negative impacts on people throughout the region, leading to overcrowding and additional cost burden that disproportionately affect communities of color.

Figure 1. SCAG Counties' 2021 Housing Stock by Year Structure Built



Source: U.S. Census Bureau 2021 American Community Survey (1-Year Estimates) Table B25034

Figure 2. SCAG Region 2021 Housing Stock Tenure by Year Structure Built



Source: U.S. Census Bureau 2021 American Community Survey (1-Year Estimates) Table B25036

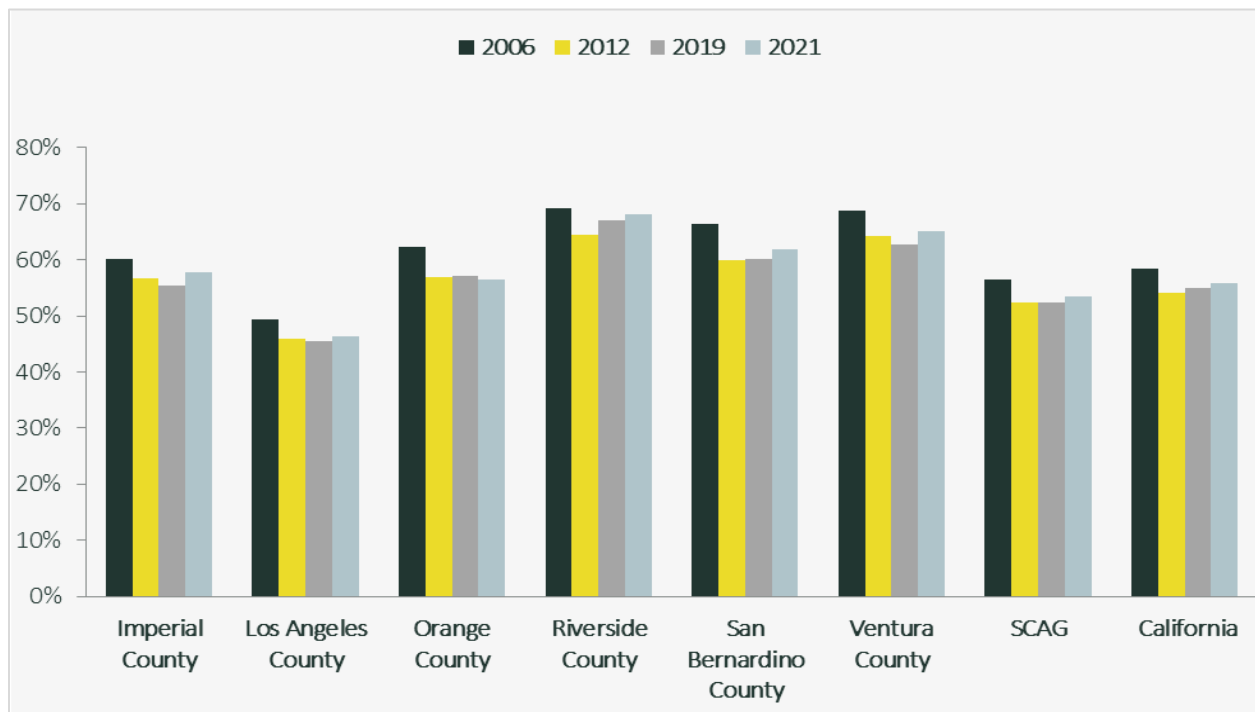
A snapshot of current housing stock reveals that 75 percent of owners and 77 percent of renters reside in a structure built before 1990.

## 4.2 HOUSING TENURE

Housing tenure is an indicator of whether a housing unit is occupied by an owner or a renter. Homeownership is a significant contributor to building wealth. In 2021, 53.5 percent of all occupied housing units were owner-occupied while 46.5 percent were renter occupied. In every county in the SCAG region, there are more homeowners than renters, except for Los Angeles County, which has a 55 percent renter-occupied housing rate. However, a look at housing tenure among communities of color reveals an inequitable distribution of homeownership.

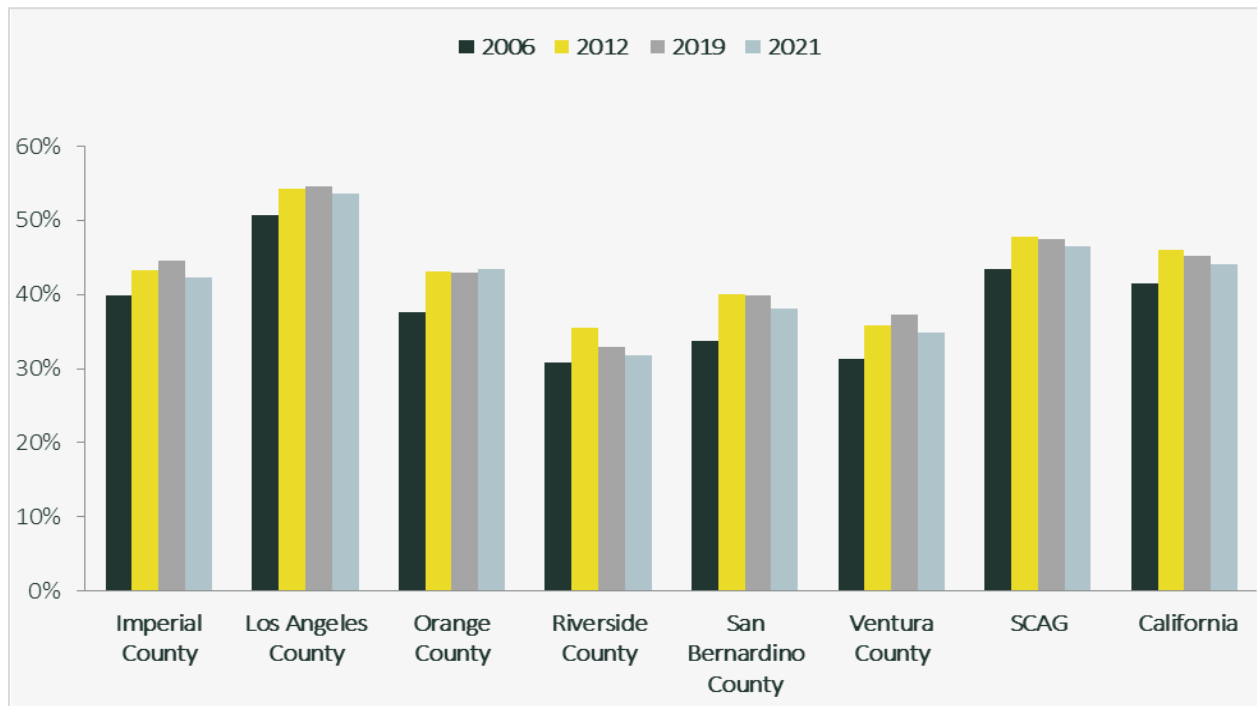
Historically across the United States, families of color faced discriminatory lending practices and restrictive covenants, preventing them from owning a home and building generational wealth. Communities of color today still feel the effects of these discriminatory practices. In the SCAG region, 62 percent of White households owned their home compared to only 59 percent of Asian/Pacific Islander households, 45 percent of Hispanic (Latino) households, 36 percent of Black households, and 49 percent of Native American households. This means that White household homeownership is nearly twice the rate of Black households.

Figure 3. California and SCAG Region Share of Owner-Occupied Housing Units



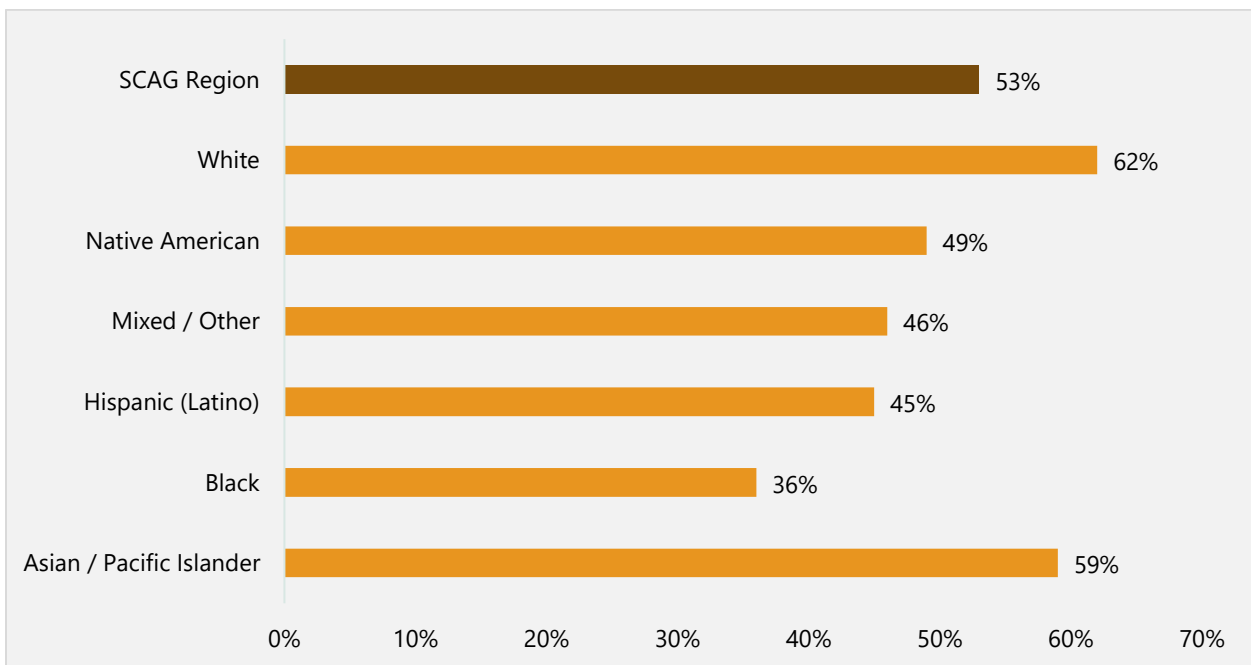
Source: U.S. Census Bureau 2006, 2012, 2019, and 2021 American Community Survey (ACS) 1-Year Estimates Table A10060

Figure 4. California and SCAG Region Share of Renter-Occupied Housing Units



Source: U.S. Census Bureau 2006, 2012, 2019, and 2021 American Community Survey (ACS) 1-Year Estimates Table A10060

Figure 5. Homeownership by Race and Ethnicity



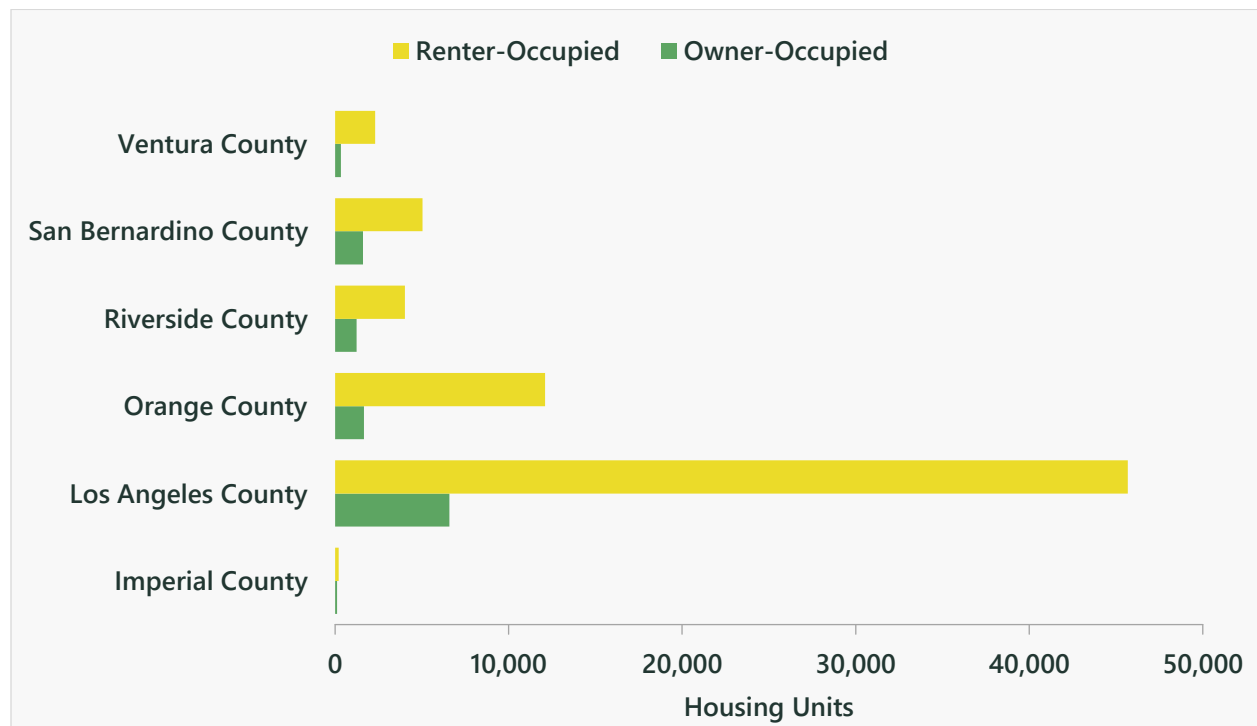
Source: U.S. Census Bureau American Community Survey (ACS) Public Use Microdata Sample (PUMS) 2017-2021

### 4.3 COMPLETE FACILITIES

For standard housing units, a complete kitchen requires a sink with a faucet, a stove, and a refrigerator and complete plumbing requires hot and cold running water, and a bathtub or shower. If a housing unit does not include one of these items, it is considered lacking complete kitchen or complete plumbing facilities. These essential amenities greatly impact a household’s ability to maintain sanitation and quality of life. In addition, households lacking complete kitchen facilities are at greater risk of food insecurity and poor health outcomes. While most of both owner- and renter-occupied units have complete kitchen and plumbing facilities, there are still 80,909 units lacking complete kitchen facilities (Figure 6) and 22,822 units lacking complete plumbing facilities in the SCAG region (Figure 7). These substandard units tend to be renter-occupied rather than owner-occupied.

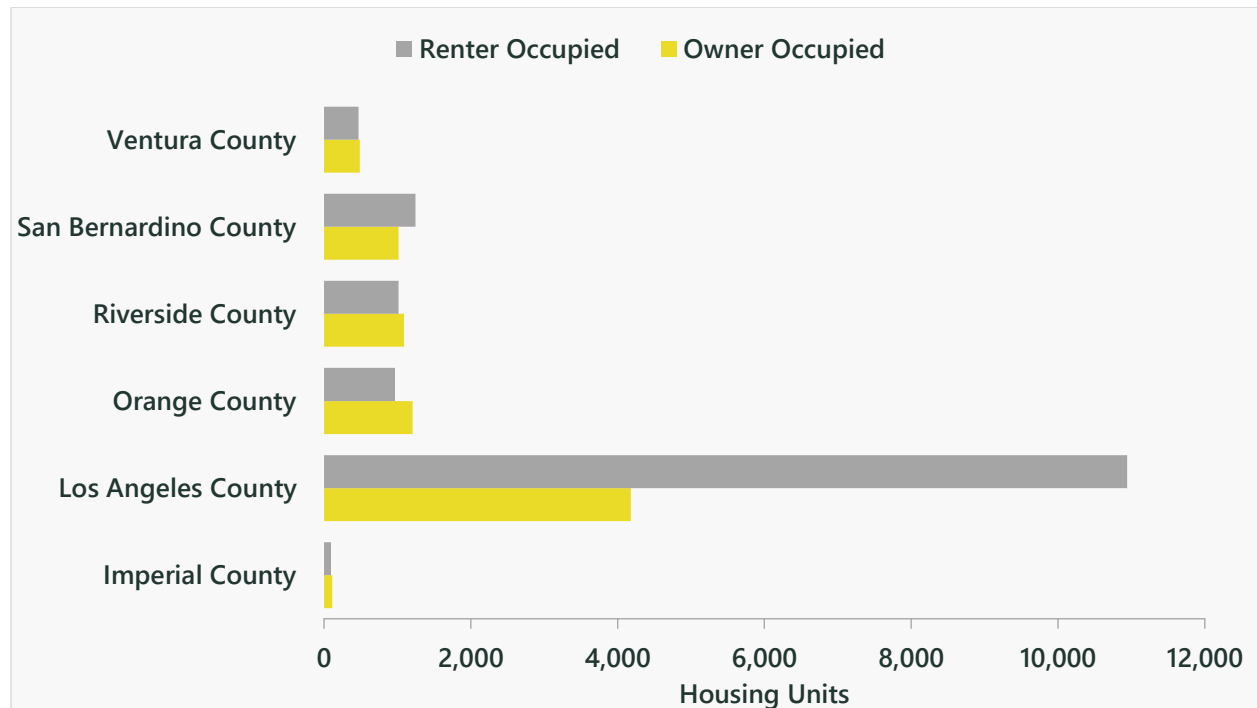
This issue becomes more pronounced when analyzing rates among communities of color and comparing them to White communities and regional averages. In the SCAG region, Native American people were most likely to live in a housing unit without complete kitchen and plumbing facilities at 0.4 percent when compared to all other racial and ethnic groups. Furthermore, Native American, Black, Mixed/Other, Hispanic/Latino people groups had higher proportions of people in poor quality housing compared to the 0.19 percent regional average and Asian/Pacific Islander and White individuals (both at 0.16 percent). The disproportionate rates of substandard housing in communities of color compared to White communities and the overall average suggest that the production of more housing in these communities, especially in rural and non-infill areas, can address historical disparities.

Figure 6. SCAG Counties Households Lacking Kitchen Facilities by Tenure



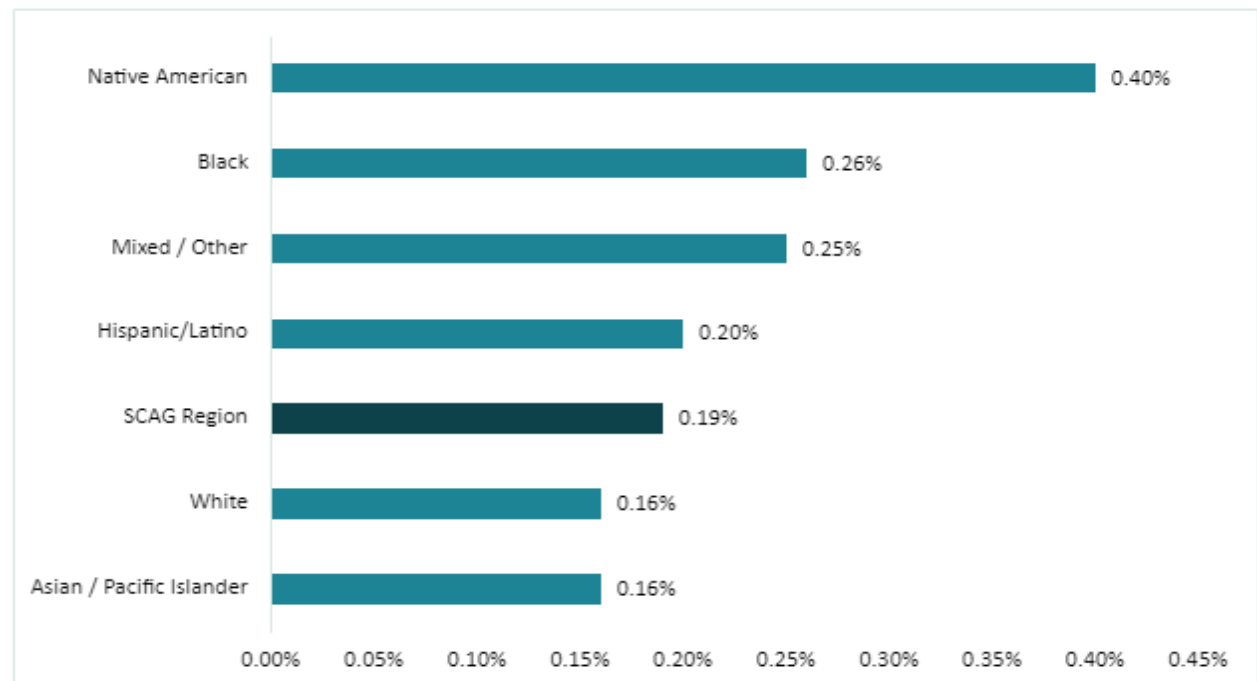
Source: U.S. Census Bureau 2021 American Community Survey (1-Year Estimates) Table B25053

Figure 7. SCAG Counties Households Lacking Plumbing Facilities by Tenure



Source: U.S. Census Bureau 2021 American Community Survey (1-Year Estimates) Table B25049

Figure 8. SCAG Region Households Without Kitchen and Plumbing Facilities by Race and Ethnicity



Source: U.S. Census Bureau American Community Survey (ACS) Public Use Microdata Sample (PUMS) 2017-2021

## 4.4 COST BURDENED HOUSEHOLDS

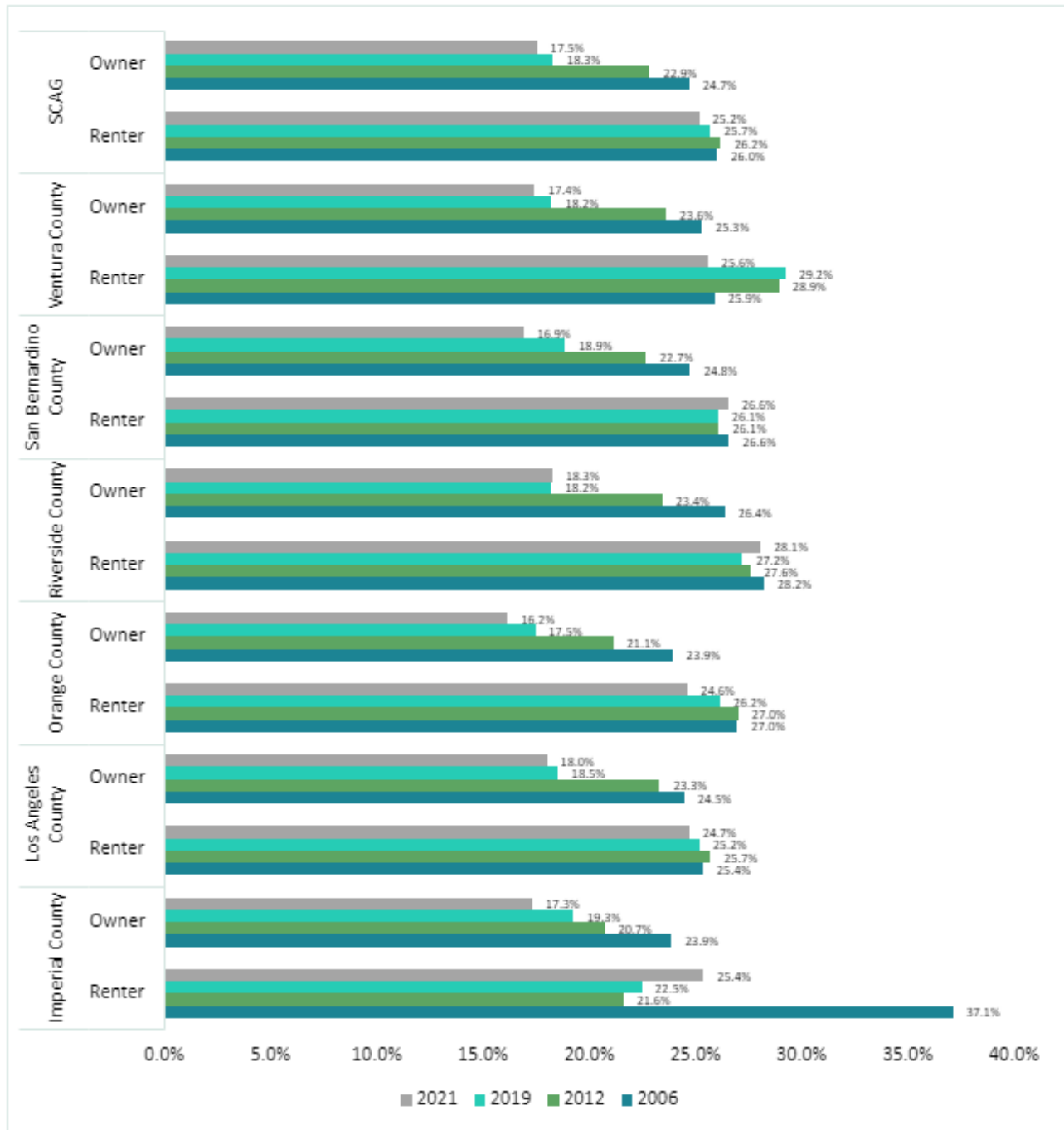
A conventional indicator of housing affordability is the percentage of household income spent on housing. Housing expenditures that exceed 30 percent of household income have historically been viewed as an indicator of a housing affordability problem, both for rental and owner-occupied housing. Households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

Figure 9 shows the breakdown of cost burdened households in the SCAG region that spend over 30% but less than 50% of their income on housing. In 2006, 26.0 percent of SCAG region renters spent more than 30 percent but less than 50 percent of their income on housing. This percentage increased to 26.2 percent in 2012. By 2019, this figure decreased to 25.7 percent and decreased slightly more to 25.2 percent by 2021. In comparison to owner-occupied households in the SCAG region, 24.7 percent were experiencing cost burden in 2006. This percentage decreased as the years went on to 22.9 percent in 2012, 18.3 percent in 2019, and 17.5 percent in 2021. This suggests that while cost-burden is an issue for some homeowners, it is a more dire issue for more renters.

Severe cost burden, defined as households that spend at least 50 percent of their income on housing, represented 27.3 percent of all renters in 2006, 30.8 percent in 2012, 27.7 percent in 2019, and increased back slightly to 29.8 percent in 2021 (Figure 10). For owner-occupied households in the SCAG region, 19.9 percent were experiencing severe cost burden in 2006. This percentage decreased to 17.4 percent in 2012 and to 13.9 percent in 2019. However, it increased to 15.4 percent in 2021, suggesting more homeowners may begin experiencing severe cost burden.

Combining owner- and renter-occupied housing units experiencing cost burden and severe cost burden indicates that of all occupied housing units, 43.2 percent of the SCAG region is considered cost burden.

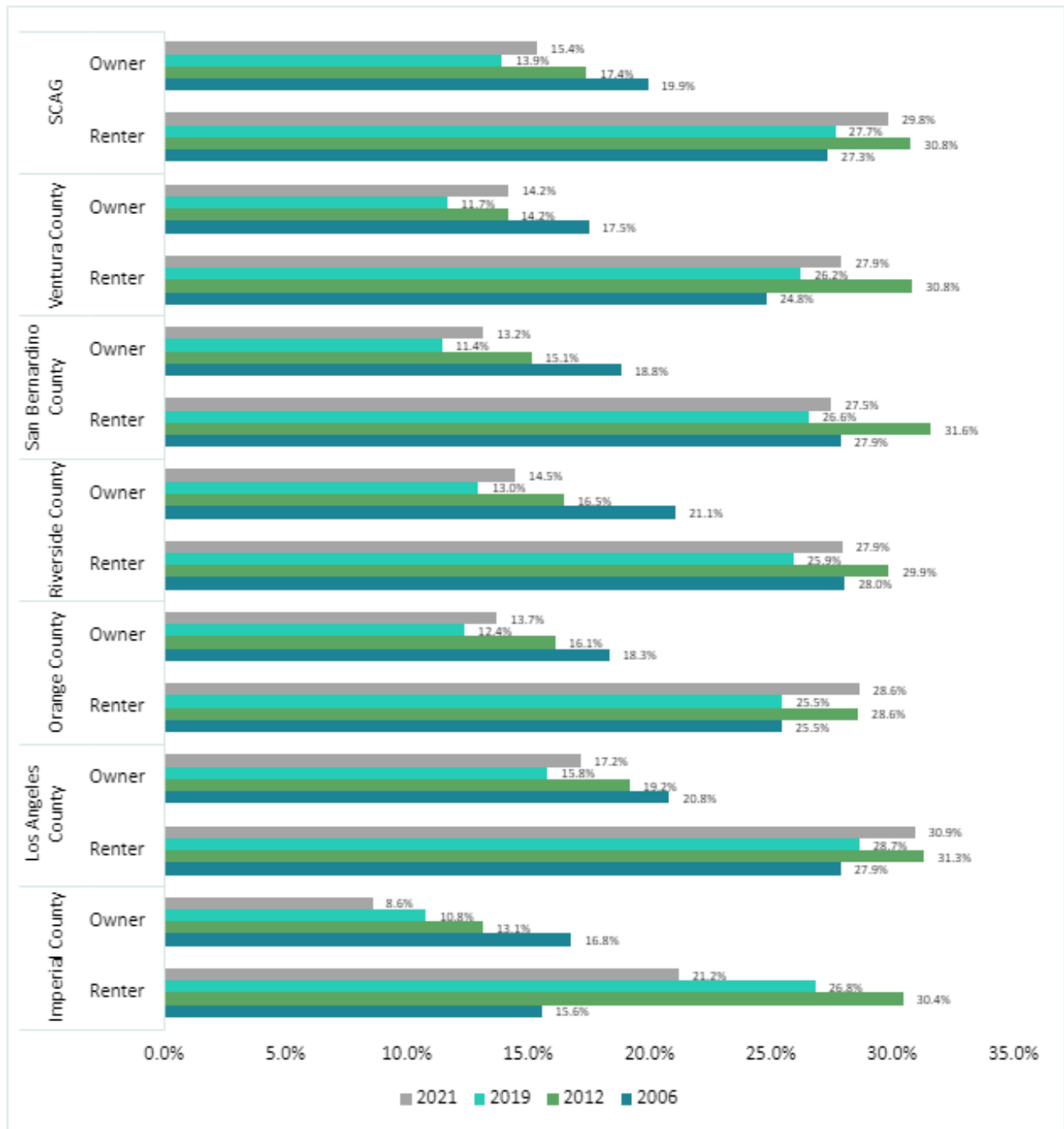
Figure 9. SCAG Counties Cost Burdened Households (over 30% and less than 50%) by Tenure



Source: U.S. Census Bureau 2006, 2012, 2019, and 2021 American Community Survey (1-Year Estimates) Table A18002



Figure 10. SCAG Counties Severely Cost Burdened Households (over 50%)

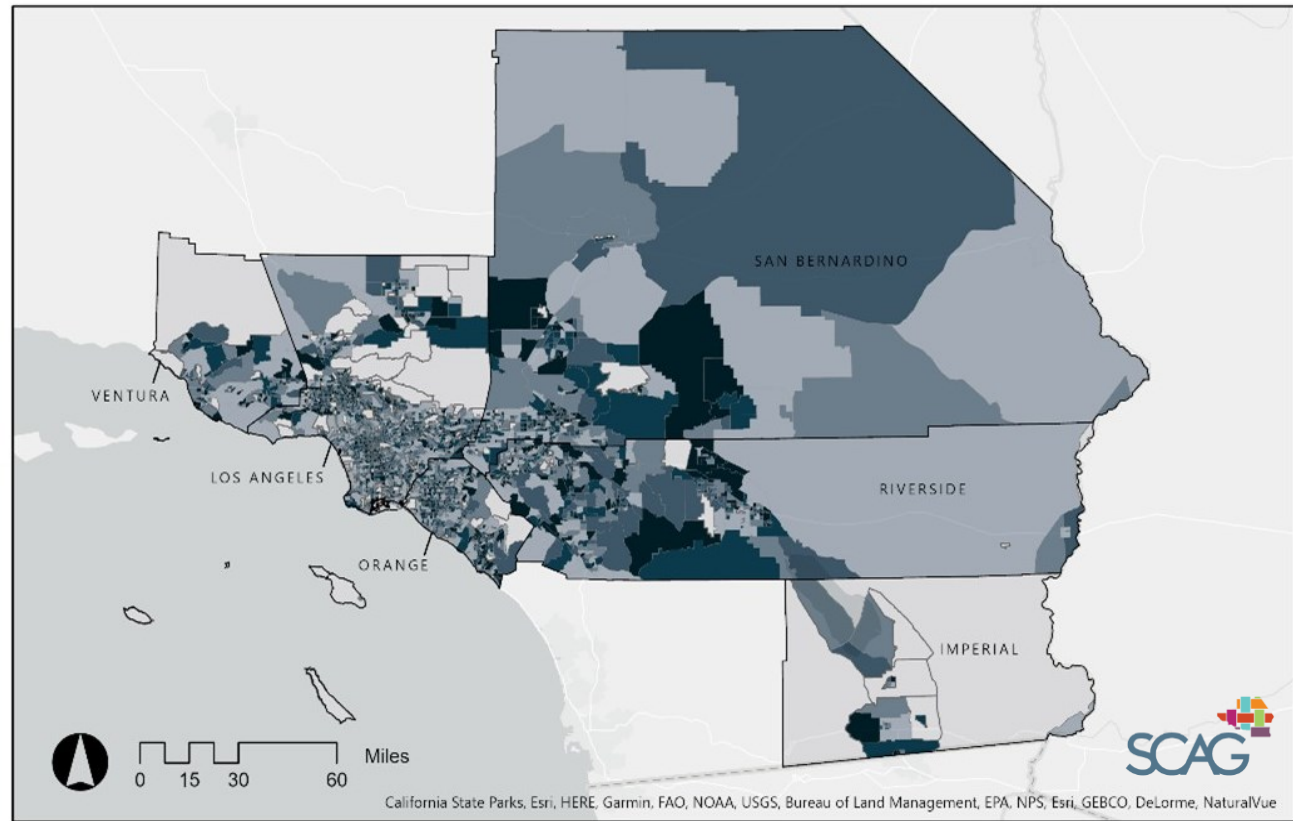
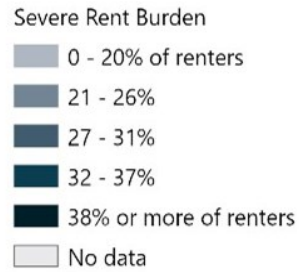


Source: U.S. Census Bureau 2006, 2012, 2019, and 2021 American Community Survey (1-Year Estimates) Table A18002

Map 1. SCAG Region Severe Rent Burden Households (over 50 percent)

## Severe Rent Burden

The percentage of renters paying 50% or more of their income on rent



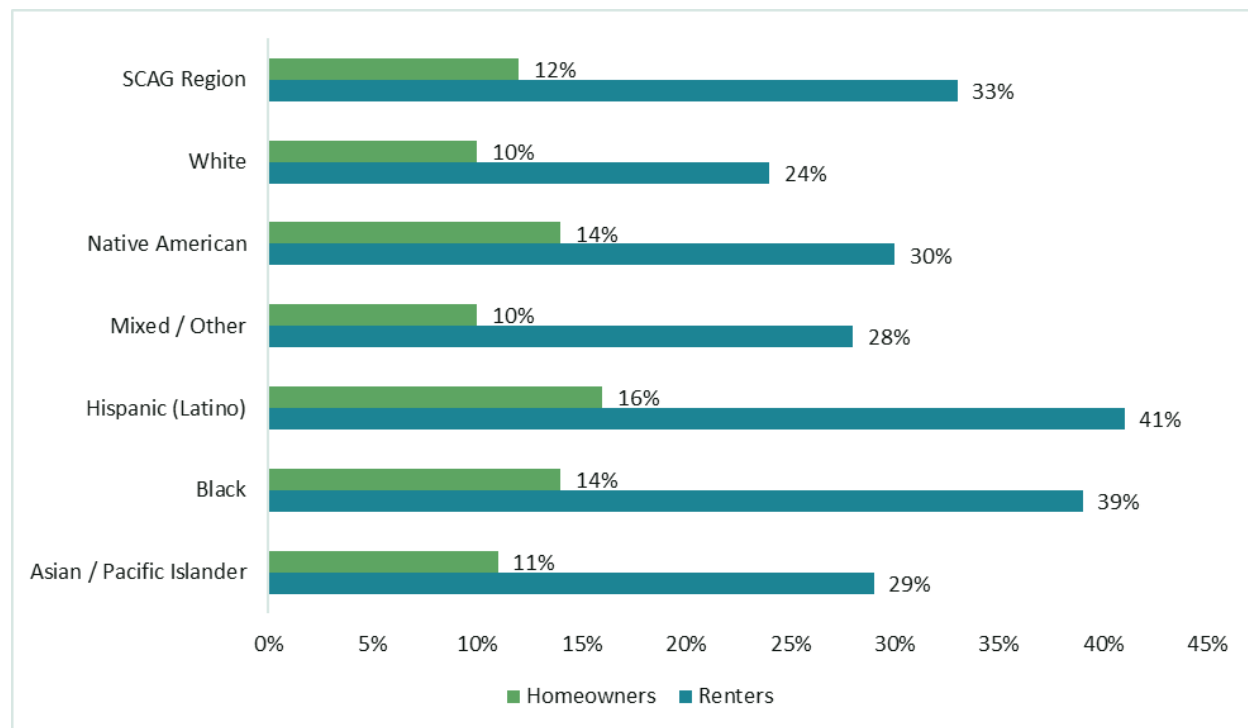
Public Health Alliance of Southern California, SCAG, 2022  
Date: 10/12/2022

California State Parks, Esri, HERE, Garmin, FAO, NOAA, USGS, Bureau of Land Management, EPA, NPS, Esri, GEBCO, DeLorme, NaturalVue

Source: Public Health Alliance of Southern California, SCAG, 2022

Figure 11 shows a deeper analysis of cost burden by looking at renters and homeowners who are living below 200 percent of the federal poverty line experiencing cost burden by race and ethnicity. All other racial and ethnic households experienced greater cost burden regardless of whether they rent or own their homes than when compared to White households. Hispanic (Latino) and Black homeowners and renters experience the greatest cost burden across racial and ethnic households in the SCAG region.

Figure 11. SCAG Region Renters and Homeowners Living Below 200% of the Federal Poverty Line Experiencing Cost Burden by Race and Ethnicity



Source: U.S. Census Bureau ACS PUMS, 2017-2021

For very low-income households, the inequity of cost burden is particularly significant in comparison to other households. Severe cost burden is a particular burden for low-income families, who have extremely limited resources to spend on daily needs such as transportation, food, and healthcare in addition to housing costs. According to the 2021 American Community Survey (ACS) estimates, 62 percent of households that have an annual income under \$50,000 pay over half their income toward housing in the SCAG region.

According to 2017-2021 American Communities Survey (ACS) Public Use Microdata Sample (PUMS) estimates, the highest rates of poverty (below 200 percent of the Federal Poverty Level) in the SCAG region are experienced in Hispanic/Latino (39 percent), Black (37 percent), and Native American (34 percent) communities compared to the White (20 percent) population. Considering that these communities have almost twice the rate of poverty than the White community, cost burden inequities further widen for these communities since fewer resources are available to spend on necessities such as food, transportation, and healthcare. A lack of sufficient income has multiple long-term and potentially generational consequences on health, well-being, and economic success.

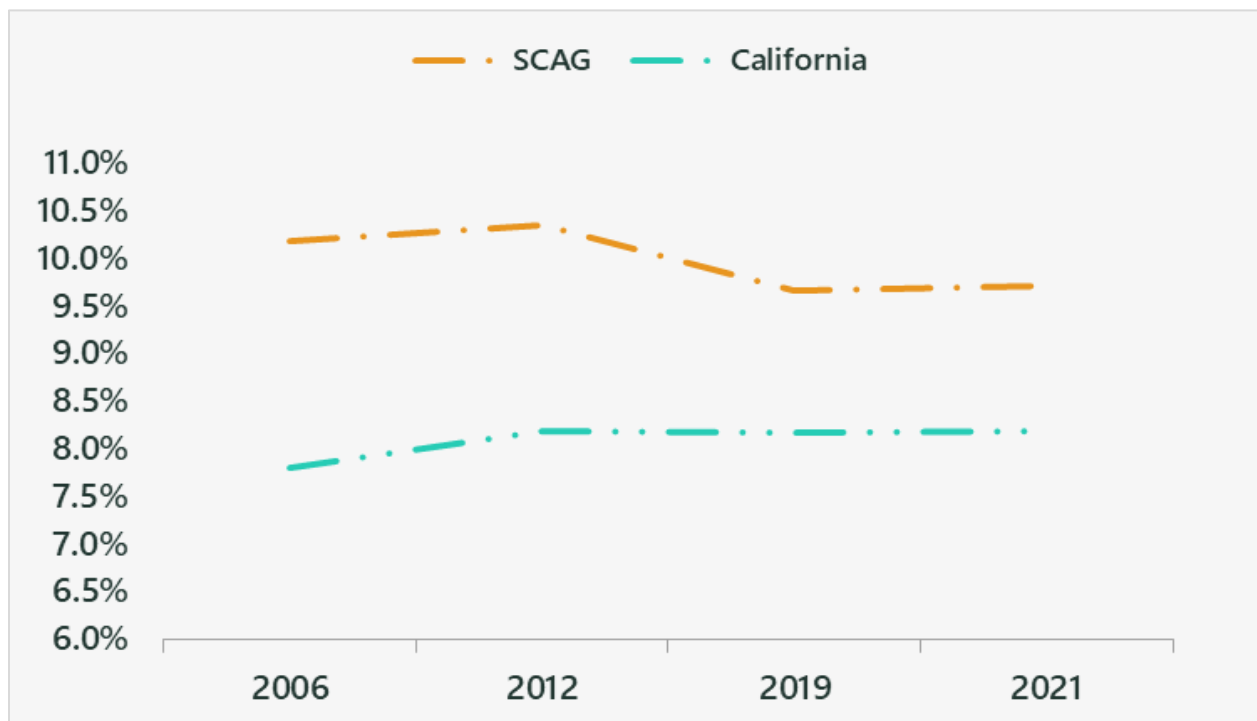
## 4.5 OVERCROWDING

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. The U.S. Department of Housing and Urban Development (HUD) defines overcrowding as more than 1.01 persons per room in a housing unit, excluding bathrooms and kitchens. In certain areas, the definition of overcrowding as mentioned may not be reflective of local or cultural preference, and the definition may overstate existing conditions of overcrowding in some communities.

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. These issues can be difficult to mitigate without addressing its root cause – the need for more housing options that are affordable.

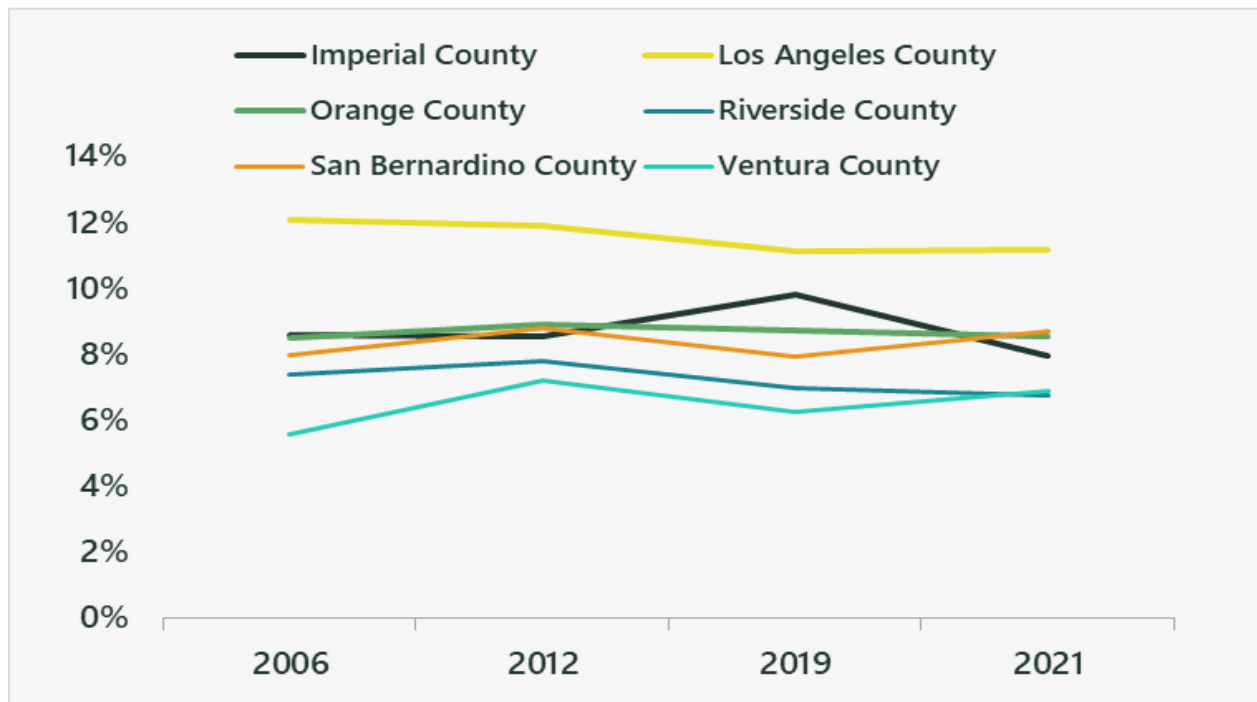
Since 2012, the percentage of all overcrowded units in the SCAG region have slightly decreased (Figure 12). The latest data shows that in 2021, 9.7 percent of all occupied units in the SCAG region were overcrowded. Of that, Los Angeles County had the highest rate with 11.2 percent of units that were overcrowded (Figure 13).

Figure 12. California and SCAG Region Total Overcrowding Percentage



Source: U.S. Census Bureau 2006, 2012, 2019, and 2021 American Community Survey (1-Year Estimates) Table A10028

Figure 13. SCAG Counties Total Overcrowding Percentage

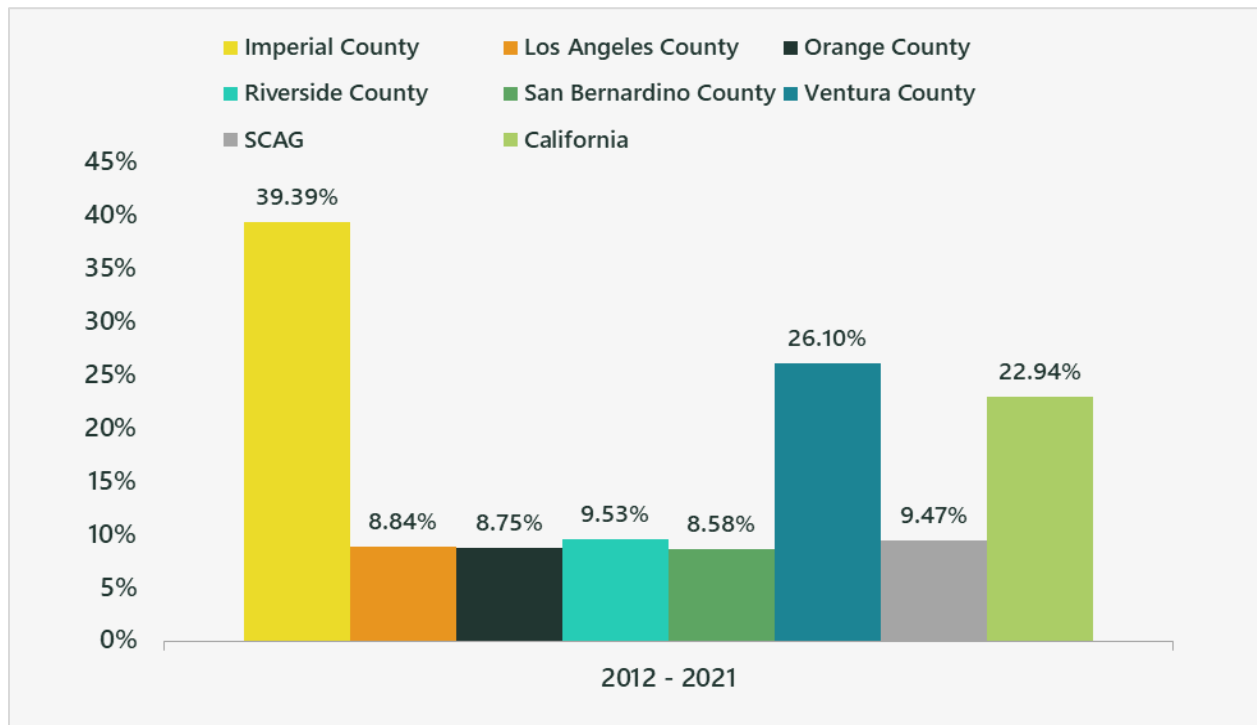


Source: U.S. Census Bureau 2006, 2012, 2019, and 2021 American Community Survey (1-Year Estimates) Table A10028

For overcrowded units that have between 1.01 and 1.49 persons per room, overcrowding fell by 5.1 percent between 2012 and 2021 in the SCAG region. However, a more dire picture is illustrated when comparing this statistic to severe overcrowding, defined as more than 1.50 persons per room (Figure 14). Between 2012 and 2021, the rate of severe overcrowding within the SCAG region increased by 9.47 percent, with Ventura County and Imperial County seeing jumps by 26.1 percent and 39.4 percent, respectively. This geographical disparity highlights the need to support housing policy and production throughout the region including agricultural and rural areas, not just in urban infill locations.

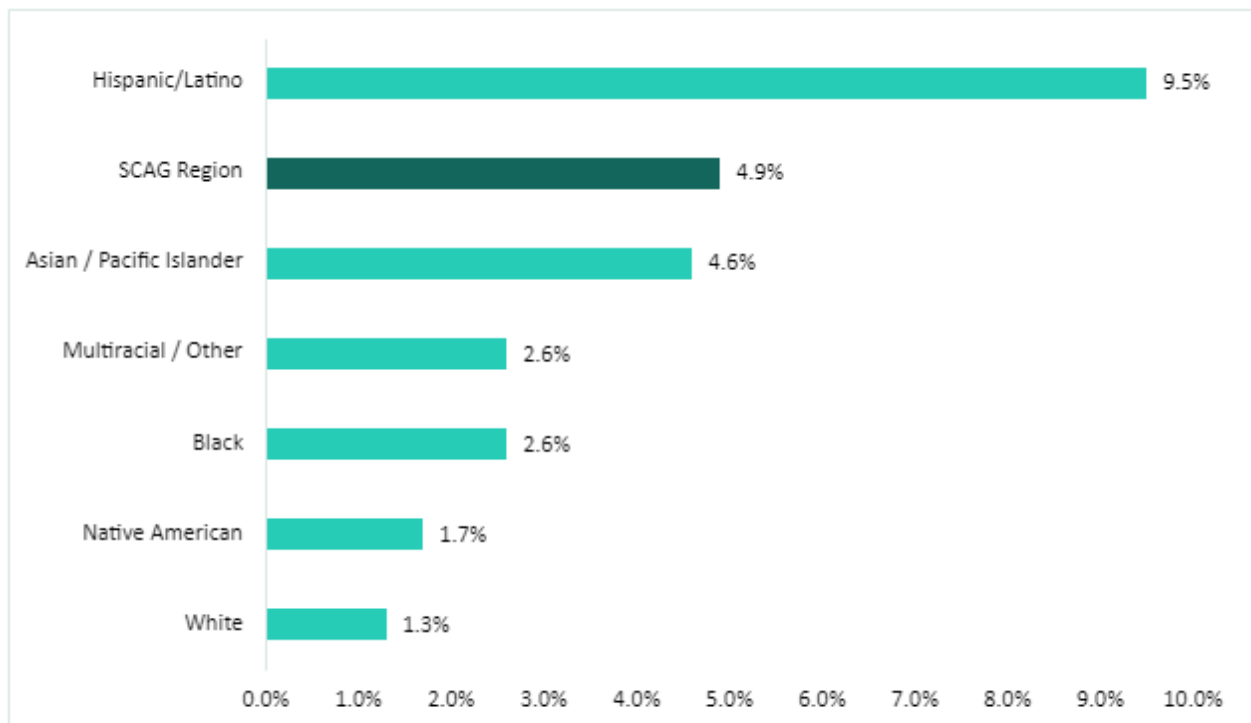
Similar to other data on existing conditions shared in this chapter, communities of color represent a disproportionate amount of the SCAG region’s overcrowding data (Figure 15). Across the region, there is a much higher likelihood for Hispanic and/or Latino households to be living in overcrowded housing with approximately one out of 10 in overcrowded conditions at 9.5 percent, while White households have a rate of about one out of 100 (1.3 percent). While lower than Hispanic and/or Latino households, Black and Asian/Pacific Islander households also have higher overcrowding rates at 2.6 percent and 4.6 percent, respectively.

Figure 14. SCAG Region Severe Overcrowding Households Percentage Change 2012 – 2021



Source: U.S. Census Bureau 2012 and 2021 American Community Survey (1-Year Estimates) Table A10028

Figure 15. Severe Overcrowding Households by Race and Ethnicity



## 4.6 DISPLACEMENT PRESSURES

A shortage of housing supply combined with market forces can lead to displacement pressures in areas with at-risk communities, such as those with a high concentration of lower income households and already experience housing conditions such as overcrowding and cost-burden. As a response to market demand for more housing for all income levels, higher income households might look toward these at-risk communities to meet their own housing needs. Consequently, this could result in an increase of housing prices and rent that is further out of reach for existing residents in these at-risk communities.

This neighborhood change of a lower-income neighborhood transitioning to one of higher income and socioeconomic status, also known as gentrification, is considered as a precursor to rising housing costs and displacement. Additional market forces, including speculation, attract additional attention to these communities, further exacerbating the pressure of displacement, particularly if housing production is insufficient to meet the increase in housing demand. A 2019 study conducted by the UC Berkeley Urban Displacement Project and the California Housing Partnership titled “Rising Housing Costs and Re-Segregation in the San Francisco Bay Area” found that a 30 percent tract-level increase of median rent in the San Francisco Bay Area was associated with a 28 percent decrease in low-income households of color. The same study noted there was no significant relationship between rent increases and losses of low-income non-Hispanic White households.<sup>6</sup>

Displacement pressures can be further exacerbated by major public investments, such as improved infrastructure and amenities. However, in some instances, these major infrastructure investments may come first, and gentrification follows. While public investments are crucial to improving the livability of a neighborhood and revitalizing historically disinvested places, such investments can cause unintended consequences of driving market speculation, drawing individuals with higher resources and placing greater pressures on existing residents. Depending on where these displaced households move to, this also has implications for segregation and access to opportunity. An additional consideration around displacement is the erosion of existing and established communities with deep social ties. In addition, displacement pressures are not solely a housing phenomenon but can also impact small business and cultural institutions. However, for the purposes of this Technical Report, the emphasis is on housing.

It is crucial to note that neighborhood change does not automatically cause displacement. More housing is needed to accommodate both its existing and new residents. Without adding more housing in these vulnerable communities, the existing residents may be ultimately forced out due to the cumulative displacement pressures – contributing to regional inequities.

## 4.7 HOMELESSNESS

People who are experiencing homelessness are those who do not have a physical address or place to live. People experience homelessness due to a variety of issues including poverty, mental illness, eroding work opportunities, and domestic violence.<sup>7</sup> Homelessness is a pressing issue in the SCAG region, given the magnitude of cost-burdened and low-income households.

While the RHNA allocation for jurisdictions does not include units for the unhoused, jurisdictions are still required to designate zoning or sites for emergency shelters and have zoning in place to accommodate transitional shelters and similar types of housing. Data on homelessness suggest that the pandemic had a significant effect on homeless or unhoused populations.

transitional shelters and similar types of housing. Data on homelessness suggest that the pandemic had a significant effect on homeless or unhoused populations.

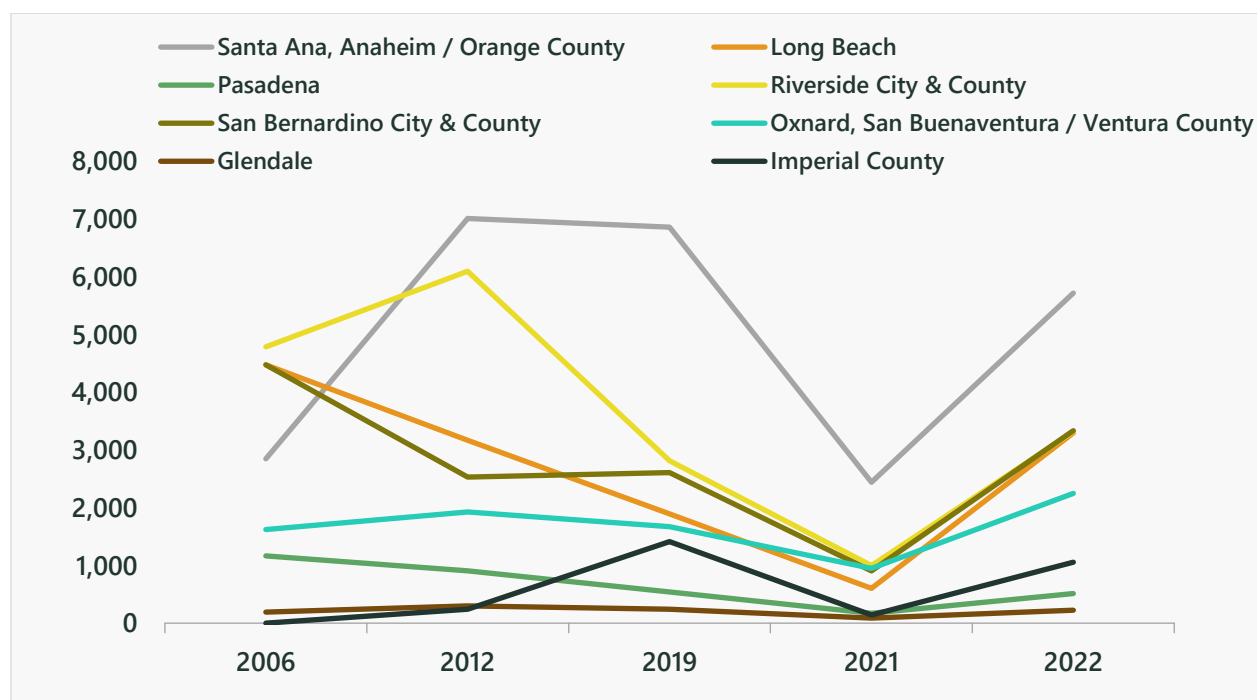
The United States Department of Housing and Urban Development (HUD) requires that Continuums of Care (CoCs) conduct an annual count of sheltered and unsheltered people experiencing homelessness on a single night in January through partnerships with local jurisdictions, community members, and non-profit organizations. HUD defines a CoC as a community plan to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximize self-sufficiency.

Table 2. SCAG Region CoCs People Experiencing Homelessness

Continuum of Care (CoC)	2006	2012	2019	2021	2022
Los Angeles City and County	82,291	31,553	56,257	17,225	65,111
Santa Ana, Anaheim / Orange County	2,848	7,010	6,860	2,441	5,718
Long Beach	4,475	3,170	1,894	603	3,296
Pasadena	1,165	904	542	171	512
Riverside City and County	4,785	6,096	2,811	998	3,316
San Bernardino City and County	4,475	2,532	2,607	905	3,333
Oxnard, San Buenaventura / Ventura County	1,624	1,926	1,669	949	2,248
Glendale	193	299	243	88	225
Imperial County	--	239	1,413	140	1,057
<b>SCAG Region</b>	<b>101,856</b>	<b>53,729</b>	<b>74,296</b>	<b>23,520</b>	<b>84,816</b>

Source: U.S. Department of Housing and Urban Development Continuum of Care Housing Inventory Count (HIC) and Point-in-Time (PIT) Report

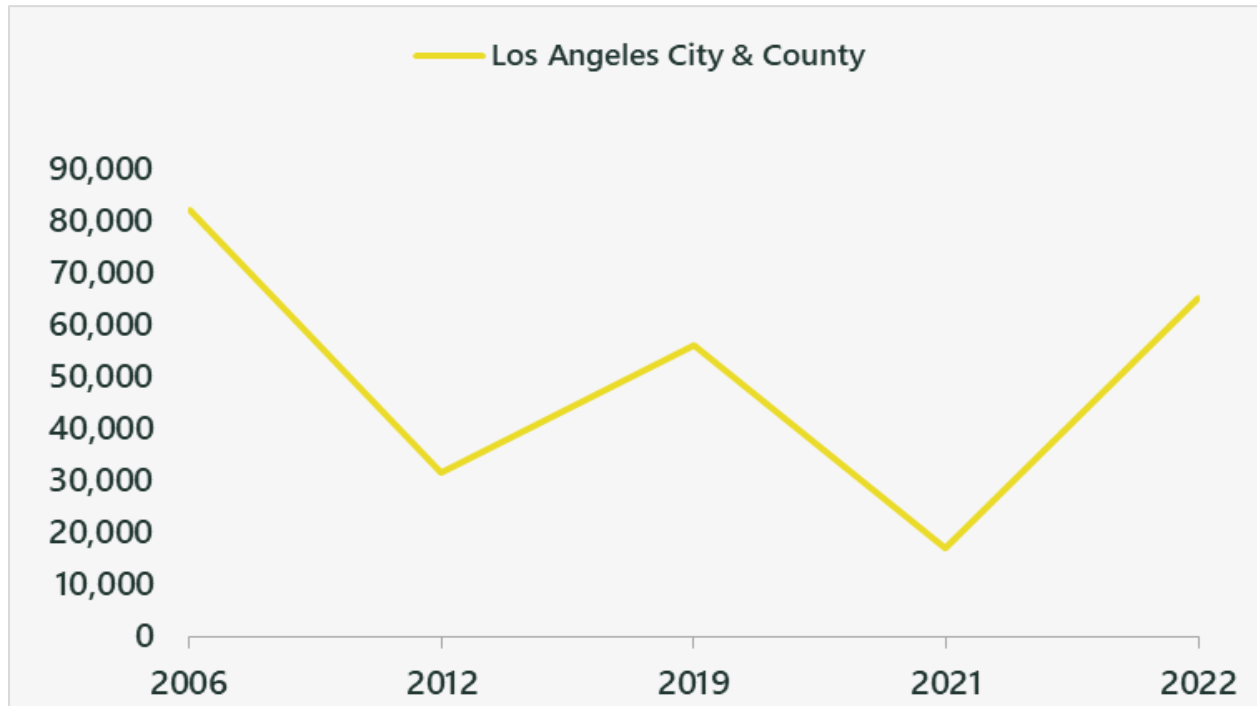
Figure 16. SCAG Region CoCs People Experiencing Homelessness (excluding Los Angeles CoC)





Source: U.S. Department of Housing and Urban Development Continuum of Care Housing Inventory Count (HIC) and Point-in-Time (PIT) Report

Figure 17. Los Angeles CoC People Experiencing Homelessness



Source: U.S. Department of Housing and Urban Development Continuum of Care Housing Inventory Count (HIC) and Point-in-Time (PIT) Report 2006, 2012, 2021, 2022

According to California Continuums of Care, the unhoused population count for CoCs across the SCAG region were 53,729 in 2012 and increased by 38 percent to over 74,000 in 2019. However, in 2021 the count dropped significantly to less than 24,000 and then increased to almost 85,000 in 2022; the unhoused population increased overall by 58 percent in the last decade but is still lower than the 2006 count of 101,856. The reason for the 2021 fluctuation may be caused by undercounting due to the pandemic and associated shutdowns.

Emergency shelters and transitional shelters are only temporary solutions to housing unhoused populations. Long-term solutions to end homelessness require additional affordable housing units that are not currently reflected in a jurisdiction’s RHNA allocation. However, if local housing production does not meet housing need, homelessness will continue to pose a significant problem in the SCAG region.

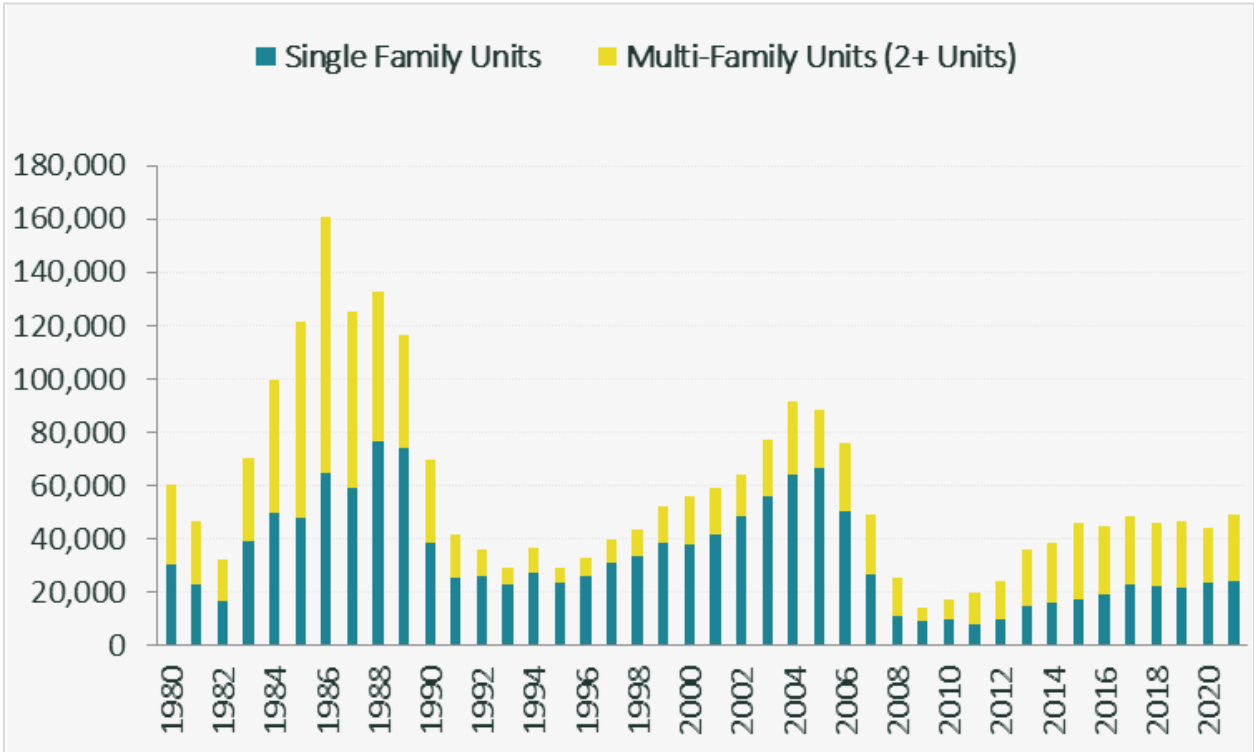
## 5. HOUSING PRODUCTION

Increasing housing production can meet decades of unmet housing demand. However, this is a simplistic approach that does not consider the nuances of housing production activity. To develop effective strategies to address housing need, especially for historically disadvantaged communities, it is crucial to look at what types of housing are being produced and for whom.

### 5.1 PERMITS ISSUED

Between 1980 and 2022, the SCAG region experienced several periods of high building activity and low building activity. In 1986, at the peak of the past four decades, over 160,000 permits were issued for single- and multi-family units in the SCAG region. In contrast, only 14,000 units were permitted in 2009, which was the lowest point peak of the most recent housing recession.

Figure 18. SCAG Region Number of Housing Units Permitted



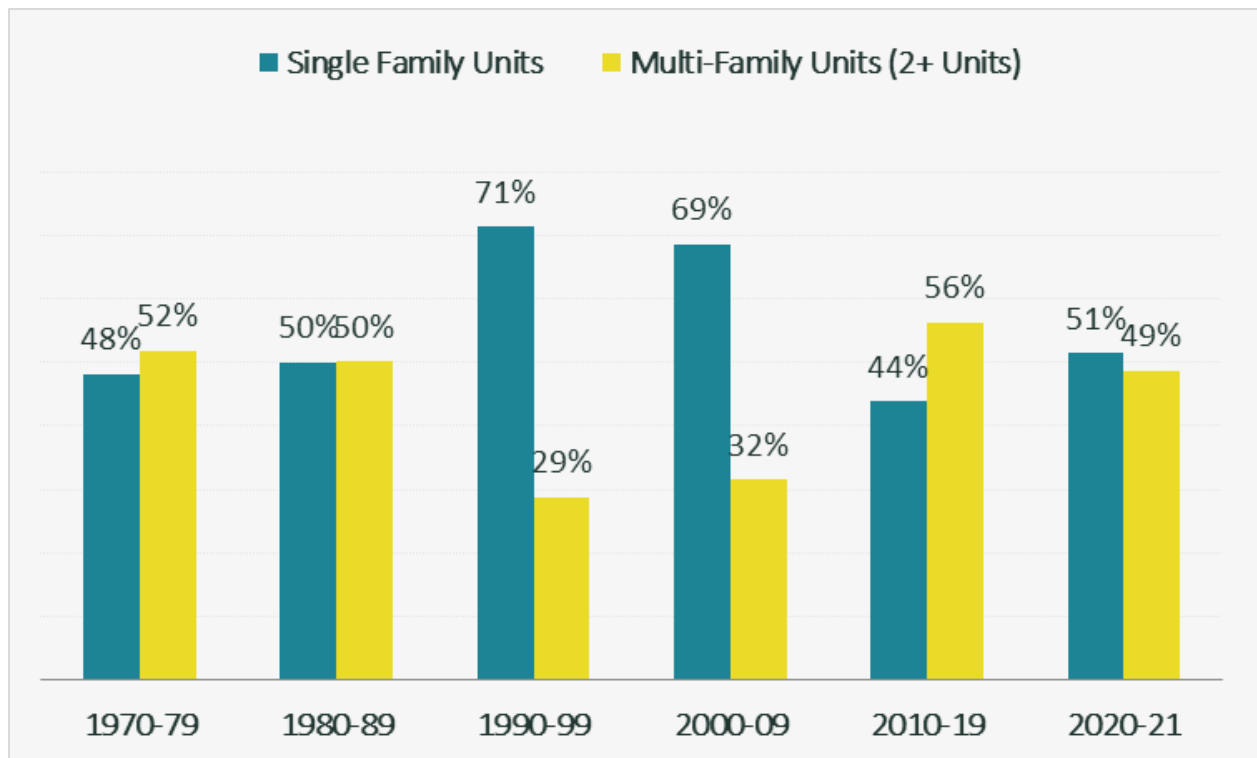
Source: State of the Cities Data Systems (SOCDS), HUD

The share of total permits by housing type also fluctuated over the past four decades. Between 1980 and 1989, single-family and multi-family permits represented 49.9 and 50.1 percent of all building permits, respectively. However, between 1990 and 1999, single-family permits represented 71.3 percent while multi-family permits dropped to 28.7 percent. While this trend slightly flipped back to 51.4 percent for single-family permits, the 2020s again reflect most building permits as single-family at 51.4 percent.

To support a diverse population, housing types must also be diverse. Single-family units may be out of reach for many low-income households, but if that type of housing dominates production, what can result

is either cost-burdened households, overcrowded households, or both. By 2050, Connect SoCal 2024 projects the average household size to drop from 2.99 to 2.63 persons, suggesting an increased demand for smaller units. In addition, producing a diversity of housing types through more compact development, such as multi-family dwellings, townhomes, condominiums, and tiny homes, can also promote housing development in a wide range of community contexts and can further Connect SoCal objectives.

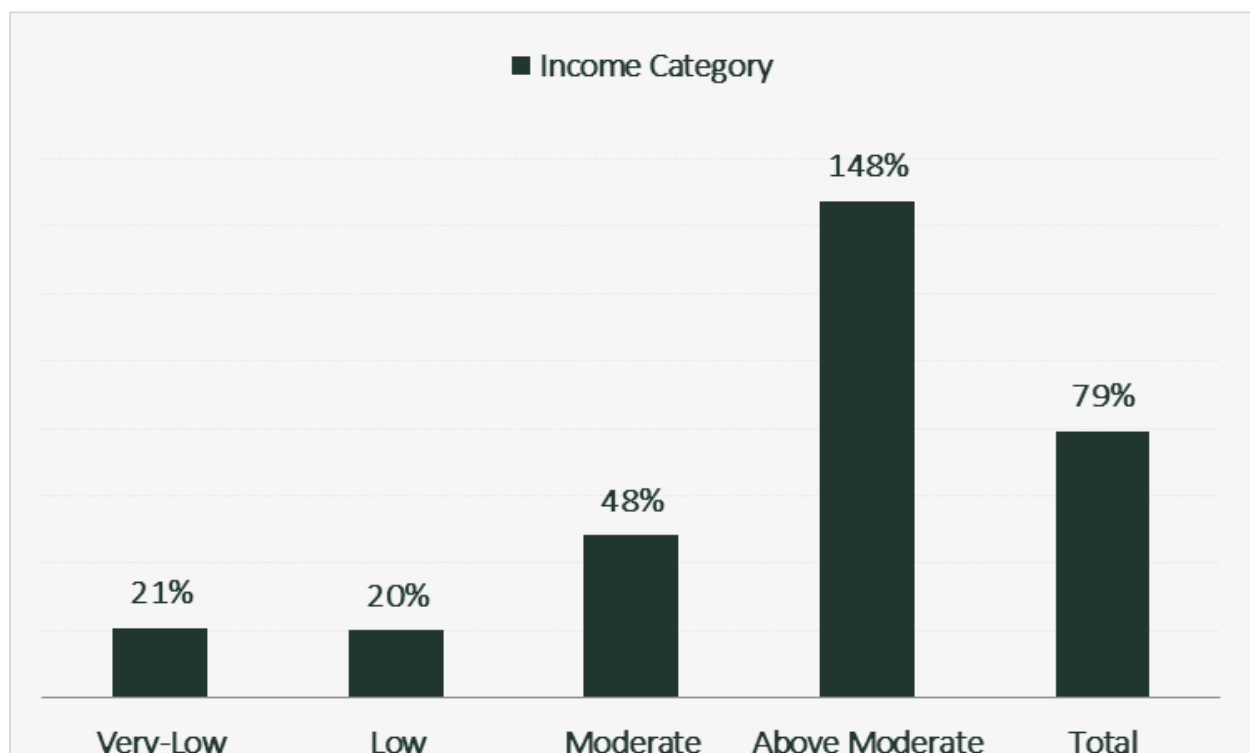
Figure 19. SCAG Region Shares of Housing Units Permitted by Type



Source: State of the Cities Data Systems (SOCDS), HUD

Annual permit data reported by jurisdictions to HCD illustrated a similar trend for residential permitting activity for the 5th RHNA planning cycle, which covered the years 2013-2021. During this period, the SCAG region issued a total of 236,124 residential permits, which represents 79.1 percent of the total RHNA allocation of 412,127. While one could conclude that the SCAG region collectively met a substantial portion of its total housing need, a significant percentage of affordable housing need was largely unmet as illustrated in Figure 20.

Figure 20. SCAG Region 5th Cycle RHNA Share of Income Category Fulfillment Percentage (Units Permitted)



Source: California State Department of Housing and Community Development (HCD)

Jurisdictions met over 147 percent of their above moderate, also known as market rate, RHNA allocation. In contrast, the region met only 48 percent of its moderate-income need and approximately 20 percent of its very low and low, also known as affordable, need. In other words, the region did not meet the needs of 80 percent of its low-income households and barely half of its moderate-income need. While other indicators suggest that over the past couple of years there has been some improvement in cost-burden and overcrowded households, meeting affordable housing need has been a challenge as indicated by permits issued. If this trend continues into the 6th cycle (2021-2029), the existing need of lower income households will perpetually increase into the 7th RHNA cycle and beyond. For lower-income households in an environment saturated with market rate housing, cost burden will only increase, or overcrowding will only worsen, or both.

The trend of producing only a small portion of affordable housing, homelessness, and disproportionate impacts to communities of color (such as lower homeownership rates, increased cost-burden, overcrowding, and substandard housing) suggest a problem that extends beyond supply and demand. To consider appropriate and effective action, one must first analyze the challenges in meeting housing need.

## 5.2 CHALLENGES IN MEETING HOUSING NEED

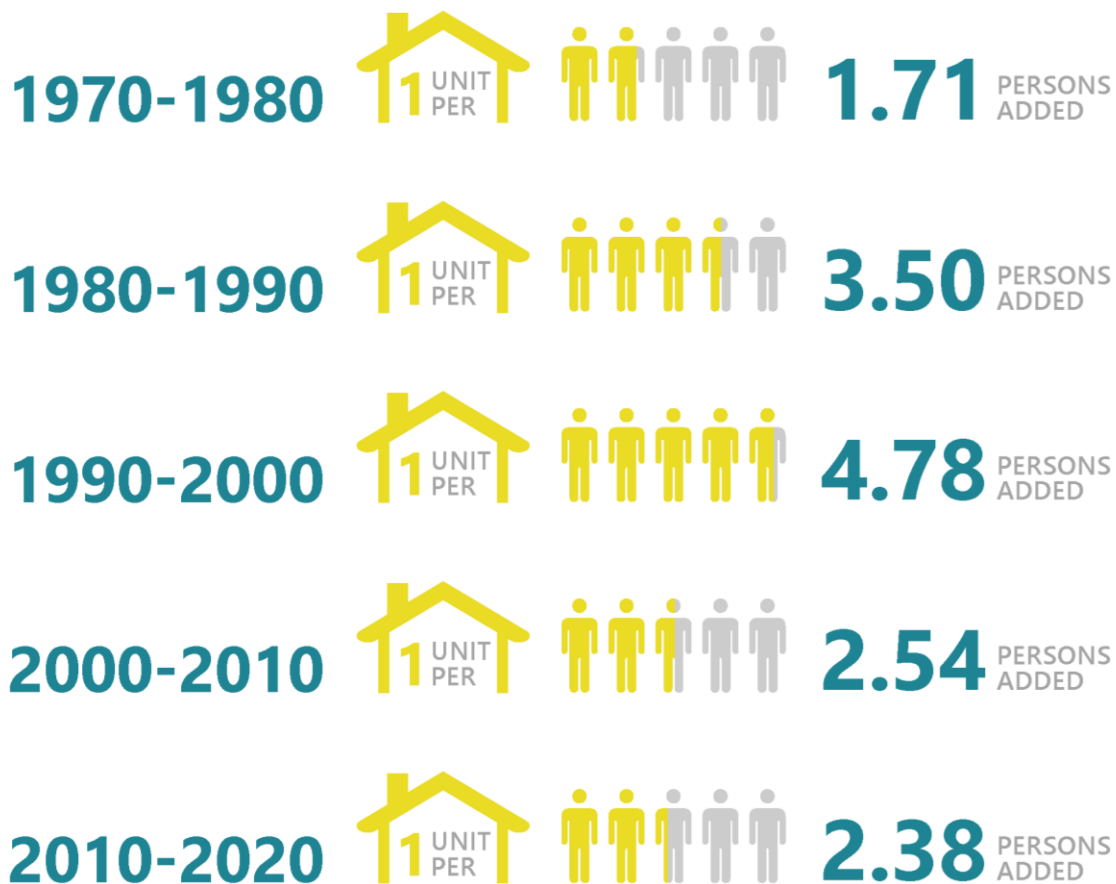
There are numerous challenges jurisdictions, developers, and builders face in meeting housing need. Some challenges have been historical and cumulative over decades while other challenges are more recent.

## 5.2.1 PLANNING

### NEED IS HIGHER

As evidenced by a regional RHNA allocation more than three times as high as the prior cycle, both existing and future housing needs continue to climb.

Figure 21. SCAG Region Housing Units vs. Population Growth Comparison



Source: U.S. Census 1970; U.S. Census 1980; California Department of Finance Population and Housing Estimates

Five decades ago, the SCAG region produced 1 new housing unit for every 1.7 persons added to the population. By the 1990s, the ratio worsened to 1 new unit for every 4.8 persons added. While the ratio has steadily improved over the past two decades, this indicator suggests the region was not building enough units over previous decades.

Exacerbating the cumulative 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, often up to 55 years, to be eligible for subsidies under governmental programs for building or operating costs. At the end of the reservation period, the units are eligible to change from low-income to market rate housing, putting them “at risk” of losing a valuable

source of affordable housing. In the SCAG region, there are over 167,000 units that are deed-restricted to remain affordable to low-income households. Of these, approximately 17,000 units will have their affordability expire by the end of the 6th cycle planning period in 2029 unless their covenants are renewed.

## COVID URGENT PRIORITIES

The COVID-19 pandemic and the corresponding economic fallout exacerbated the housing crisis and, for communities of color, widened the economic gap. Employment loss, particularly for low-income households, resulted in a growing number of households falling behind on their mortgage or rent. As described in a statement from researcher Jung Hyun Choi of the Urban Institute, rising home prices, rents, and interest rates resulting from this period will disproportionately harm households of color, widening the racial homeownership and wealth gap. In response to these unforeseen challenges, local, State, and Federal policymakers prioritized urgent pandemic needs and directed resources accordingly. A 2021 report from the Consumer Financial Protection Bureau titled “Housing insecurity and the COVID-19 pandemic” finds that while immediate responses such as mortgage relief policies and foreclosure and eviction moratoria have had a beneficial impact on households at risk for displacement, housing priorities shifted away from those that increased housing supply and focused more on the urgent needs of the pandemic.<sup>8</sup>

## HOUSING ELEMENT REQUIREMENTS STRICTER

Jurisdictions are required to update their housing elements every RHNA cycle and identify and analyze sites that can accommodate its allocated housing need. Theoretically, a site may be reused in a future housing element provided that it is still available for residential development. The jurisdiction is required to adopt the housing element and receive approval from HCD that it complies with State housing law. Having a compliant housing element allows a jurisdiction to receive housing-supportive grants, which can help the jurisdiction implement its housing element resulting in an increase in housing.

Over the past few years, the laws and requirements for housing element compliance have become stricter compared to prior cycles. New requirements for the sites inventory require that, if certain factors apply, such as whether the site was used in a prior housing element, the availability of utility infrastructure, and considerations for affirmatively furthering fair housing (AFFH), the jurisdiction conduct an additional comprehensive analysis for that site or disallow that site to be considered altogether.<sup>9</sup>

In addition to the new requirements of realistic development capacity, achieving compliance has also become stricter. Jurisdictions in the SCAG region that achieved compliance by October 2022 have until February 2025 to complete any necessary rezonings. Jurisdictions that did not achieve compliance by October 2022 must now complete necessary rezonings before they can receive HCD approval. This poses a problem for jurisdictions that need funding to implement their housing element but cannot achieve the grant requirement of housing element compliance due to the inability to undertake the rezonings.

## LOCATION

The historical development trajectory of Southern California, especially during the significant expansion during the 20th century, has been one of housing growth further and further toward the urban fringe. In the early 21st century, expansion on the urban fringe continued in some places, though the region’s rugged natural landscape—as well as sheer distances—present substantial limits. As a result, there has

been an increase in infill development and a higher share of new housing consisting of multifamily housing in existing communities since the Great Recession.

As such, the region today is locationally constrained. While remaining land along the urban fringe is usually less expensive, it requires infrastructure such as roads, sidewalks, municipal sewer systems, and other utility connections of which costs can be passed on to future residents through development impact fees or other mechanisms. The combined cost of housing and transportation can also be higher—especially considering the value of time spent traveling—since workplaces, non-work destinations, and regional amenities are likely to be further. Accessibility to support networks and social services is an important consideration for affordable housing location in particular.

Conversely, the per-acre cost of land in infill or developed areas is likely higher and the time and cost of addressing additional issues such as parcel assembly, environmental remediation, and developing community support are added challenges. The Connect SoCal 2024 Forecasted Regional Development Pattern uses a combination of Priority Development Areas (PDAs), Green Region Resource Areas (GRRAs), and local review through the Local Data Exchange (LDX) process to build a vision of where Southern California can grow which satisfies housing, transportation, and sustainability objectives. A more detailed description is found in the Land Use and Communities Technical Report.

## 5.2.2 BUILDING

Beyond planning challenges, the availability of land and the cost of building residential units is another primary barrier to meet housing need. Not only does it include construction costs, such as the cost of land, materials, and labor, but jurisdictional processes and environmental requirements can also add cost to the process.

### COST OF CONSTRUCTION

#### Cost of Land

The Turner Center's 2020 *The Cost of Building Housing Series* notes that between 2000 and 2016, land pricing in the United States climbed by 76 percent, almost twice the rate of inflation.<sup>10</sup> This figure is more pronounced in coastal and infill areas, where there is higher demand for land. In Los Angeles, for example, prices tripled over the same period.

#### Supply Chain / Cost of Materials

The National Association of Home Builders' 2022 *Building Material Prices Continued Climb in July* notes that the price for various construction materials such as concrete, softwood lumber, gypsum building products, and steel mill products significantly increased in the past few years, with a surge of 35.7 percent between January 2020 and July 2022, not seasonally adjusted. This surge includes an 80 percent increase between January 2021 and July 2022, not seasonally adjusted. Some materials also reported the largest historical increases and highest historical prices in 2021.<sup>11</sup>

#### Cost of Labor / Labor Shortage

Labor challenges in the past few years have also added to the cost of construction as reported in CBRE's 2022 U.S. Construction Cost Trends. Issues such as a smaller workforce pool after the last recession in

2007, an aging workforce where one in five workers is currently over 55, and strong competition from related industries have affected the industry and are expected to persist for the near term. As demand for housing construction continues to increase, the cost of labor will also continue to increase.<sup>12</sup>

**Table 3. California Construction Cost Index Annual Percentage Change**

	2019	2020	2021	2022
Percentage Change (year-ending)	3.60%	2.80%	13.40%	9.30%

Source: *California Cost Construction Index*

The California Construction Cost Index, which includes the cost of materials and labor using the San Francisco and Los Angeles markets, indicated that the cost of construction increased by 13.4 percent in 2021 and 9.3 percent in 2022. These jumps are a stark contrast to increases of less than 4 percent in 2019 and 2020.

### Lack of Funding or Complex Funding

According to Urban Institute's 2016 *How affordable housing gets built*, non-market rate residential projects almost always require subsidies to build. A lender will loan money for housing development based on a property's expected income, but when rents are set to affordable levels, there is a shortfall between the loans available and the cost of development.<sup>13</sup> Developers must then leverage other sources of funding to finance the cost of their project.

The subsidies available for affordable housing development can have complex requirements and are highly competitive. Most affordable housing financing deals involve a mortgage, tax credits, and two or three other sources of funding. In some cases, developers can rely on upward of 20 financing sources to fund their project. Sources can include the low-income housing tax credit (LIHTC), federal block grants such as the Community Development Block Grant program (CDBG), local trust funds, or local property tax relief. The Urban Institute's 2016 *How affordable housing gets built* found that these funds often run on different timelines and require different applications, which can cause delay and potentially stop the project.<sup>14</sup> To make matters worse, the funding sources may not be consistent in scope or amount year to year, making it risky to anticipate future funding, as stated in the Coachella Valley Housing Coalition's *Finding Solutions to the Affordable Housing Shortage*.<sup>15</sup> It is not unheard of for a project to take up to a decade to navigate through the red tape and assemble sufficient funding to complete the project.<sup>16</sup>

A limited number of subsidies combined with a growing demand for affordable housing created a highly competitive environment for affordable housing developers. In recent years, some funding sources declined awards to qualified projects due to an oversubscription of available funding (Nguyen, C., Carroll, J., and Nious, K. (2021). *Why California Can't Build Affordable Housing*).<sup>17</sup> Some funding sources also require or prioritize projects that are "shovel-ready," which can add considerable delay for projects that are still cobbling together funding sources.

### Jurisdictional Processes

On the municipal side of housing production, there are a number of challenges that add barriers to increasing housing supply. While jurisdictions do not usually construct housing, they create the environment that encourages (or discourages) housing development.



## Permitting

The permitting and entitlement process can extend development timelines and are often unpredictable, adding to the cost of development. Common constraints include lengthy processing time, unclear procedures, layered reviews, multiple discretionary review requirements, and costly conditions of approval.<sup>18</sup>

## Local Zoning and Parking Requirements

As part of the permitting process, a jurisdiction will require a residential development to be consistent with its local zoning. A jurisdiction's local zoning will indicate how a parcel may and may not be used, and will include development standards on density, height limits, floor area ratios, and other constraints. A project cannot receive approval if found inconsistent with local zoning unless it receives a variance or other concession from the jurisdiction. Affordable housing may require higher densities than the zoning code allows to meet the cost of the project. The Turner Center's 2014 study titled "The Cost of Building Housing Series" found that local government design requirements for affordable housing added an average of seven percent in total costs.<sup>19</sup> A developer may need to lower the density and find funding to meet a higher cost, or – if unable make the project financially feasible – abandon the project altogether.

Parking requirements are another zoning requirement that can result in a barrier to housing production. Parking minimums set by a jurisdiction add significant costs to a project and removes land that could potentially be used for additional housing. The average cost of garage parking in California is \$23,000 per space (Friedman, L. and Shoup, D. (2021) *Cities Need Housing. Parking Requirements Make it Harder*).<sup>20</sup> In a high-density infill area such as downtown Los Angeles, parking usually costs developers more than \$50,000 per space to build (Manville, M. (2021) *How Parking Destroys Cities*).<sup>21</sup> Similar to requirements such as maximum densities, if a developer does not receive a variance or other concession, a minimum parking requirement will require higher costs for the developer or require the developer to abandon the project altogether.

## Insufficient Resources

Many jurisdictions promote housing, including affordable housing, within their communities. However, municipalities do not always have sufficient resources (staffing or funding) to implement programs and zoning code needed to support housing production. Streamlining permitting processes and reforming local development and zoning standards may take resources that the jurisdiction does not currently have, representing another barrier to local housing production.

## CEQA

Another challenge encountered in encouraging housing production is the California Environmental Quality Act (CEQA). As all developments in California require CEQA review, including housing units, to inform decisionmakers and the public about potential environmental effects of the proposed project in order to prevent and/or mitigate significant environmental harm, a more predictable and reliable CEQA process can facilitate more housing production.

The Center for Jobs & the Economy found in their 2020 study titled "Anti-Housing CEQA Lawsuits Filed in 2020 Challenge Nearly 50 percent of California's Annual Housing Production" that there were 47,999 housing units, nearly half of the State's average annual housing production in prior years, that were

targeted in CEQA lawsuits.<sup>22</sup> The report notes that between 2010 and 2012, only 13% of CEQA lawsuits were filed by environmental organizations that existed prior to filing their CEQA lawsuit while NIMBY groups, lawyers seeking quick cash settlements, economic competitors, and labor unions comprised the remaining majority. In addition, from 2013 to 2015, higher density (e.g., apartments) on infill locations in wealthier communities were the most frequently targeted housing projects. In 2020, anti-housing CEQA lawsuits alleged failures to properly analyze and/or mitigate greenhouse gas (GHG) emissions from project activities (construction, future building occupancy and resident/guest/vendor vehicular fuel use attributed to a housing project), and vehicle miles traveled (VMT) from passenger vehicles regardless of fuel type, including electric vehicles. It was also found that CEQA lawsuits began exponentially challenging renewable energy and infrastructure resiliency in 2020 including solar, wind, hydropower, water flood, and wildfire management projects. The report noted that the reasoning behind these anti-CEQA lawsuits is often to preserve the status quo or to leverage CEQA lawsuits for other purposes. The uncertainty of the approval process, which includes CEQA-related findings, and potential delays caused by CEQA-related litigation, can add costs to projects, both market rate and affordable.

## COMMUNITY OPPOSITION

Public hearings and meetings allow for stakeholders and residents to participate in the local zoning and project approval process. However, proposed additional housing, particularly affordable housing, is sometimes met with opposition due to the perspective that increasing housing translates to higher densities that affect quality of life, increase traffic congestion, and lower property values. Much of this opposition may be based on misinformation. If enough stakeholders voice opposition to their local elected officials, the project might require a change to its plans such as a reduction of units or not receive approval at all.

## FISCALIZATION OF LAND USE

In 1978, California passed Proposition 13, which limits the amount of tax on a property to a fixed percentage of its base year value. Prior to this, property tax could be cyclically adjusted on the property's assessed value by local governments to fund local services. After Proposition 13's passage, many local governments began to examine the fiscal benefits yielded by different types of zoning and land uses, also known as the "fiscalization of land use".<sup>23 24</sup>

### Housing Seen as a Net Fiscal Loser for Municipalities

On the fiscal side of the housing crisis, increasing housing is not always perceived as financially beneficial to a jurisdiction. The property tax allocation system created to implement Proposition 13 provides many jurisdictions only a small portion of local property tax revenues, and as a result, many jurisdictions are increasingly reliant on other taxes, such as sales and hotel taxes.<sup>25</sup> In addition, while both residents and businesses need government services such as public safety, transportation infrastructure, and utilities, residents also require services such as schools, libraries, and parks. These additional needs coupled with the lack of revenue from sales tax often lead to the perception that zoning for housing would not be fiscally beneficial for a jurisdiction in comparison to zoning for revenue-generating uses.

### Preference for Sales, Hotel, and Utility Tax Generating Uses

In the year before the passage of Proposition 13, local property taxes comprised over 90 percent of jurisdictional tax revenue. Four decades later, that share is less than two-thirds. While jurisdictions can no

longer control property tax to meet local funding needs, they have more control over other local taxes, such as sales, hotel, and utility tax provided they receive voter approval. The preference for non-property tax generating uses is apparent in the growth of these taxes in comparison to property taxes. Between 1978 and 2016, property tax revenue (adjusted for inflation) for jurisdictions increased over 100 percent while hotels, sales, and utility taxes increased over 600 percent.<sup>26</sup>

### Development Impact Fees Add to Project Costs (Parks, Utilities, Schools, etc.)

Jurisdictions have the authority to charge new residential projects a wide range of costs such as development and impact fees that are used to support the approval of the development such as staff time for permitting, inspections, and utility connections, which can add substantial cost to a project.<sup>27</sup> It is estimated that development fees represent between 6 and 18 percent of the local median home price, as reported in the Turner Center's 2019 study titled "Residential Impact Fees in California".<sup>28</sup> To recoup these costs, developers may pass them on to the project's future residents. However, in the case of affordable housing where the rents are capped, these fees can widen its funding shortfall.

Local governments appear to be increasingly using development impact fees to pay for costs associated with new residential development. These fees are seen as an alternative to property taxes due to the cap placed on property taxes from Proposition 13. Impact fees can be used to offset the costs of the new development on the wider community, such as street or utility infrastructure expansions due to additional residents. Sometimes impact fees can be used for other public benefits such as park access for set asides for new affordable housing development. In addition, unlike certain types of taxes, impact fees do not require voter approval and jurisdictions only need to explain the connection between the development project and the imposed fees. While these fees will pay for the additional costs associated with the new development, it will result in additional costs to produce housing, adding another barrier of increasing housing supply.

## 6. REGIONAL BEST PRACTICES

As illustrated in previous sections, multiple factors that are found throughout the planning and building process contribute to the housing crisis. Because there is not one singular cause of the crisis, there is not one singular solution, and a range of strategies is needed to address each challenge. The following section describes a snapshot of funding for planning and building housing, technical assistance offered by SCAG, and strategies implementable by local jurisdictions – all of which may contribute to increasing the housing supply. The local strategies described in this section include the consideration of the location of housing, streamlining the permitting process, preservation of affordable units, and lowering the cost of housing. This section also includes SCAG’s long-term housing policies and implementation strategies, setting the stage for SCAG’s continuing regional housing program.

### 6.1 FUNDING

Over the past few years, there have been a growing number of funding sources available to jurisdictions, public entities, and developers to plan for and build housing and housing supportive infrastructure. Billions of dollars have been made available through various State grants and funding opportunities for jurisdictions, public agencies, developers, and other eligible applicants. These opportunities can be both competitive and over the counter. Despite the various opportunities for jurisdictions to receive funding and technical assistance for projects, jurisdictions report lack of long-term/permanent funding and delays in funding/reimbursement continue to pose as a barrier to housing production. Below is a snapshot of some recent major funding opportunities offered by the State that are intended to fund projects and programs to increase housing supply locally and regionally.

#### 6.1.1 SENATE BILL 2

Senate Bill 2, Atkins (SB 2), also referred to as the “Building Homes and Jobs Act”, was part of a 15-bill housing package signed by Governor Brown in 2017. The package of bills aimed at addressing California’s housing shortage and high housing costs. SB 2 established a \$75 recording fee on real estate documents to increase the supply of affordable homes. In 2018, as a one-time component of SB 2, proceeds from the fee were evenly split between (1) the Planning Grants Program (PGP) and (2) a fund made available to HCD to assist homeless individuals and families. From 2019 onward, SB 2 establishes a permanent source of funding intended to increase the affordable housing stock in California through the Permanent Local Housing Allocation (PLHA) program.

PGP was a non-competitive grants program for cities and counties to update a variety of planning documents and processes that streamline housing approvals and accelerate housing production. In 2019, HCD released the Notice of Funding Availability (NOFA) for approximately \$123 million, and funds awarded in the SCAG region totaled \$42.4 million out of the \$114.5 million total funds awarded statewide. Note, as Ventura County was grouped in with the Central Coast region, their funds were not counted with the funds awarded to the SCAG region. The grant term ended in June 2022.

SB 2 also established the Permanent Housing Allocation (PLHA) Program. Under this grant, the amount of PLHA funding for entitlement jurisdictions is based on the formula funding for the Community Development Block Grant (CDBG) Program for a five-year period, and through a competitive grant program to non-entitlement jurisdictions. As of Round 3, all awarded applicants in the SCAG region were entitlement jurisdictions. Plans and projects funded by PLHA are intended for households at or below 60

percent of area median income or for homeless individuals and families. Annual PLHA amounts are subject to change because funding for the PLHA is generated through a fee on real estate transactions, which may fluctuate from year to year.

In the past few years, PLHA has made approximately \$466 million available across three NOFA rounds for Entitlement and Non-Entitlement Local governments and included the opportunity to apply for retroactive awards. The total awarded amount statewide was approximately \$241 million, of which 24 SCAG jurisdictions were awarded approximately \$104 million.

Under PLHA and other grants, entitled jurisdictions are those that are eligible applicants for the entitlement formula component per HSC 50470(b)(2)(B)(i)(I).

HSC 50470(b)(2)(B)(i)(I) states (b) Moneys in the Building Homes and Jobs Trust Fund shall be appropriated either through the annual Budget Act, or as provided in this subdivision, in accordance with the following:

(2) Moneys collected on and after January 1, 2019, shall be allocated as follows:

(B)(i) Seventy percent of moneys deposited in the fund shall, upon appropriation by the Legislature, be made available to local governments as follows:

(I) Ninety percent of the moneys specified in this subparagraph shall be allocated based on the formula specified in Section 5306 of Title 42 of the United States Code, in accordance with the distribution of funds pursuant to that formula for the federal Fiscal Year 2017, except that the portion allocated to nonentitlement areas pursuant to that section shall be distributed through a competitive grant program, administered by the department, as follows:

(ia) The department shall award priority points to a county that has a population of 200,000 or less within the unincorporated areas of the county, to a local government that did not receive an award based on the formula specified in Section 5306 of Title 42 of the United States Code in 2016, and to a local government that pledges to use the money awarded pursuant to a competitive grant under this subclause to assist persons experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, navigation centers, and the new construction, rehabilitation, and preservation of permanent and transitional rental housing.

(ib) Moneys awarded to a local government pursuant to the competitive grant program shall be used for the purposes specified in subparagraph (D).

### 6.1.2 ASSEMBLY BILL 101 (LEAP, REAP 1.0)

Passed in 2019 as the Governor's housing and homelessness budget trailer bill, Assembly Bill 101 (AB 101) provided \$2.5 billion to address the statewide crisis. Two programs set aside \$250 million as part of a local government planning support grants program: the Local Early Action Plan (LEAP) and the Regional Early Action Planning (REAP) programs.

A total of \$119 million was set aside for LEAP as a formula grant program in which cities and counties are eligible based on population. This program provides over-the-counter grants and technical assistance to

local government to prepare and adopt planning documents, process improvements that accelerate housing production, and facilitate compliance with the 6th cycle RHNA. Out of the maximum \$50.8 million in funding available for SCAG region jurisdictions, only \$39.2 million was awarded as not all jurisdictions applied. The final expenditure deadline is December 31, 2024.

The remaining \$119 million were set aside for REAP as a formula program for which councils of governments (COGs) such as SCAG are eligible based on population. The goal of the program is to fund activities through the preparation and implementation of plans and processes that accelerate housing production and help local governments meet their 6th cycle RHNA need. Under this program SCAG was awarded \$47 million.

### **6.1.3 REAP 2.0**

The success of the REAP program in 2019 led to the creation of REAP 2.0 with more flexibility and broader goals. REAP 2.0 is a partnership program between the State, its regions, and local entities aimed at meeting the State's housing needs and climate commitments. Of the \$600 million available statewide, \$246 million is dedicated to the SCAG region. All funds must be awarded and encumbered by June 2024 and expended by June 2026. Projects and programs funded under REAP 2.0 must seek to accelerate infill housing development, reduce Vehicle Miles Traveled (VMT), increase housing supply at all affordability levels, affirmatively further fair housing, and facilitate the implementation of regional and local plans.

### **6.1.4 OTHER GRANTS**

#### **INFILL INFRASTRUCTURE GRANT**

The Infill Infrastructure Grant (IIG) Program provides financial assistance in the form of grants for gap funding for Capital Improvement Projects (CIP) and infrastructure improvements to facilitate affordable and mixed-income housing. This includes the creation, development, or rehabilitation of parks or open spaces, water, sewer or other utility service improvements, streets, roads, or transit linkages or facilities, and facilities that support pedestrian or bicycle transit. Cities, counties, or public housing authorities with certain jurisdictions are eligible to apply. Since 2016, the SCAG region has received over \$191 million out of \$430 million statewide to invest in infrastructure improvements for housing.

### **AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES**

The Affordable Housing and Sustainable Communities (AHSC) Program is funded by the Greenhouse Gas Reduction Fund (GGRF) which receives Cap-and-Trade auction proceeds. This program provides a combination of grants and loans to achieve greenhouse gas (GHG) emissions reductions and benefit disadvantaged communities. This includes increasing accessibility of affordable housing, employment centers, and key destinations by shortening trip length to reduce VMT and shifting from single occupancy vehicle trips to low-carbon transportation such as taking transit, bicycling, or walking. The most recent NOFA in 2022 made \$750 million in funds available statewide. Projects are eligible for up to \$50 million.

## LOCAL HOUSING TRUST FUND

The Local Housing Trust Fund (LHTF) provides matching grants to local and regional housing trust funds to create, rehabilitate, or preserve affordable housing, transitional housing, and emergency shelters. Since the program first became available in 2019, over \$37 million was awarded to nine applicants in the SCAG region.

## SCAG

The increased availability of funding for housing programs from the State, particularly the REAP program, have provided SCAG an opportunity to develop various programs to help local jurisdictions plan for and build housing. Together these programs represent SCAG's regional housing program and are intended to create collective resources for local jurisdictions, developers, community-based organizations, and other stakeholders to plan for and build housing. Many of these programs were launched using SCAG's REAP 1.0 allocation. More information and resources on these programs can be found on SCAG's housing webpage.

## 6.2 TECHNICAL ASSISTANCE

### 6.2.1 HOUSING ELEMENT PARCEL TOOL (HELPR)

One of the primary components of a local housing element is the identification of sites within a jurisdiction that can accommodate its housing need. To support jurisdictions in preparing their sties inventory, in December 2020, SCAG developed the SCAG Housing Element Parcel Tool (HELPR), an optional web-mapping tool developed to help local jurisdictions and stakeholders understand local land use and site opportunities for aligning housing planning with the State's 6th cycle housing element updates and related guidelines. A HELPR 2.0 was launched in 2021 that added functionality to assess the physical capacity to accommodate accessory dwelling units with user-added assumptions on ADU size, setbacks, and parking requirements.

### 6.2.2 HOUSING SUPPORTIVE GRANT WRITING

As part of its REAP program, SCAG provided direct technical assistance to jurisdictions and Tribal Governments to apply for housing-supportive grants and funding. Jurisdictions and Tribal Governments applied for grant funding for various programs and projects within their communities. Grants included Permanent Local Housing Allocation (PLHA), Infill Infrastructure Grant, Project Homekey, Indian Community Development Block Grant (ICDBG), and Prohousing Designation.

### 6.2.3 OTHER-TO-RESIDENTIAL TOOLKIT

SCAG's Other-to-Residential Toolkit is a unique tool that guides planners and policymakers in facilitating more residential development in their jurisdictions by converting underutilized non-residential, or "other," land uses as opportunity sites for housing. These sites could include gas stations, underused retail commercial, and brownfields. The Toolkit was designed to identify barriers and corresponding solutions, best practices, and implementable actions when reviewing an inventory of non-residential sites that could be candidates for residential development. The Toolkit also provides technical assistance guides for feasibility assessment and strategies to catalyze change.

## 6.2.4 PRESERVATION STRATEGIES

Local efforts to add more housing and improve the quality of life for residents are often accompanied by a need to preserve existing units, particularly those that are affordable. As part of its REAP program, SCAG developed a comprehensive preservation program focused on both current affordable housing with expiring covenants as well as naturally occurring affordable housing (NOAH) at risk of converting to market rate. Preservation of expiring covenants and NOAH is a critical component of a robust Affirmatively Furthering Fair Housing program as it is a powerful anti-displacement strategy. The preservation strategy will include an online cost-benefit calculation tool as part of its technical assistance. As part of its long-term housing policies, SCAG will develop preservation strategies that can be implemented at the regional level.

## 6.2.5 DEVELOPMENT STREAMLINING

As discussed in the prior section, the residential permitting process can represent a barrier to increasing housing production at the local level due to a variety of reasons. To assist jurisdictions and planning and entitlement practitioners expedite the review and entitlement of housing projects, SCAG created a development streamlining toolkit. This toolkit provides technical assistance and guidance on streamlining approvals under CEQA and facilitating opportunities for jurisdictions to expedite review through their processes and procedures.

The development streamlining toolkit includes a CEQA streamlining resource guide and worksheets, a simplified guide on CEQA exemptions, and an advisory guide to approaches to streamlining local administrative processes. As part of the toolkit's development, SCAG held a series of workshops with jurisdictions and practitioners to share resources on CEQA streamlining and administrative review processes. These educational sessions were recorded and are available for public use on the SCAG housing webpage.

## 6.3 OUTREACH AND EDUCATION

A critical component of SCAG's regional housing strategy is outreach and education. Awareness of the housing issues and information on implementable solutions can empower decisionmakers and the public alike in meaningful discourse and local strategies to address the housing crisis. Periodic webinars and housing forums aim to educate stakeholders and the public on specific housing topics while other strategies, such as the quarterly Housing Working Group (HWG), focus on public participation and feedback on SCAG's programmatic efforts. Additionally, SCAG distributes a monthly housing newsletter to over 500 individuals representing a wide range of groups, communities, and industries to maximize stakeholder connection to regional housing news and issues.

## 6.4 LEGISLATIVE ADVOCACY

In 2017, over one hundred individual bills on housing were proposed by State legislators, a stark contrast to the relative lack of housing-related legislation in the prior years. Since then, housing has become an increasingly important legislative priority as reflected in the number of bills proposed. SCAG has advocated on behalf of its jurisdictions and key groups to support their efforts in planning and implementing housing and its own regional efforts in increasing housing supply and accelerating production. Examples include:



- Extension of Housing Funding Programs such as LEAP and REAP; SB 197 (2022)
- Extension of 6th cycle housing element rezoning-related deadline; SB 197 (2022)
- Housing Finance Trusts; AB 687 (Seyarto, 2021); SB 1444 (Allen, 2022)
- Tools and funding opportunities, such as CEQA streamlining, eligibility for grant funding for adaptive reuse projects, and grants for golf course to housing conversions; SB 7 (Atkins, 2021); SB 10 (Wiener, 2021); AB 1695 (Santiago, 2022); and AB 1910 (Garcia, Christina, 2022)

Regarding State funding support, SCAG also advocated for increased investment in the Infill Infrastructure Grant (IIG), which helps provides jurisdictions the funding needed to build infrastructure that supports infill housing production. SCAG successfully advocated for a \$150 million augmentation to the Governor’s original proposal, for a total investment of \$575 million. To support projects in the region, SCAG provided 40 letters of support seeking funding from the programs since 2021 and an additional 10 letters of support for projects applying for the Affordable Housing and Sustainable Communities (AHSC) grant program. SCAG continues to advocate for these programs to prevent budget cuts and seek to increase funding, where possible. At the federal level, SCAG remains committed to protecting vital housing programs and tax credits, such as the HOME Investment Partnerships Program, Community Development Block Grants (CDBG), and the Low-Income Housing Tax Credit (LIHTC).

## 7. BEST PRACTICES FOR JURISDICTIONS AND STAKEHOLDERS

There are a variety of strategies and tools that local jurisdictions and stakeholders can employ to plan for and facilitate the building of housing. Some of these strategies are centered on planning and creating a supportive environment for housing while others focus on the construction. Although many jurisdictions do not directly build units, they have local land use authority and can focus their efforts on supporting plans and policies that increase and preserve housing. The objective of SCAG's Connect SoCal 2024 and Regional Housing Program is to elevate these strategies and provide resources for local governments to accommodate housing need.

### 7.1 TARGETING PRIORITY DEVELOPMENT AREAS (PDA)

Meeting the housing needs of the region includes considering their location and proximity to priority development areas (PDAs). A more in-depth overview of PDAs can be found in the Land Use and Communities Technical Report. In Connect SoCal 2024, PDAs are areas such as transit priority areas, neighborhood mobility areas, spheres of influence, and livable corridors where accessibility and mobility options support achieving greenhouse gas emissions reduction. Strategic focus on housing growth and preservation of units in PDAs not only can accommodate additional housing while lowering VMT, but also increases equitable opportunities and affirmatively furthers fair housing.

However, it is crucial to acknowledge that while a large component of the Plan is to focus growth within PDAs, there is still housing need in areas outside PDAs. Rural areas, agricultural areas, and Tribal Lands all have housing needs that would not be met by solely focusing on PDAs. It is important to recognize that communities across the region face housing shortages, each with unique challenges that need to be met in different ways and that while these communities may not be in a PDA, there may be opportunities to address housing needs in a manner that is sustainable and that can result in reduced VMT.

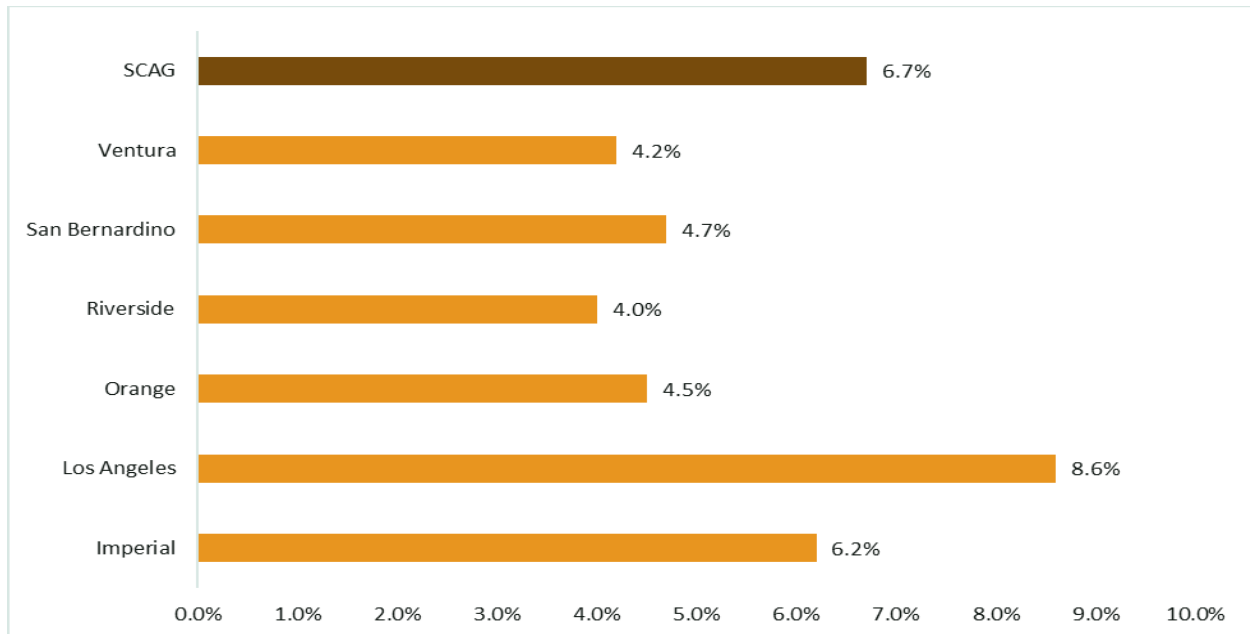
Strategies that address established developed communities outside formally defined PDAs can still promote resilience, equity, and reduction in VMT. For example, the strategy of a "15-minute community", that is defined further in the Land Use and Communities Technical Report, promotes a community in which one can access their most basic day-to-day needs, services, and amenities within a 15-minute walk, roll or bike from their home. This can especially be a critical resilience benefit as it can support improved connectivity and accessibility for the most vulnerable members of a community that may have limited mobility options to have greater accessibility to important resources and destinations through improved proximity of land uses and infrastructure improvements that promote healthier and more sustainable environments (urban greening for example). This strategy can apply broadly to many types of communities across the SCAG region and many neighborhoods throughout the region already have many of the needed characteristics. The 15-minute community concept supports easier access to local parks and businesses, promotes economic diversity, and creates stronger community ties.

15-minute communities draw social and economic resilience benefits that address shocks and stressors including households with limited mobility options, the age dependency ratio, and limited tree canopy/urban heat island effect.

Households without a vehicle are measured by the percentage of occupied housing units with no vehicles available. In the face of a disaster, communities where fewer households have access to a vehicle exhibit less resilience. Transportation access aids households in supporting their livelihoods and provides critical

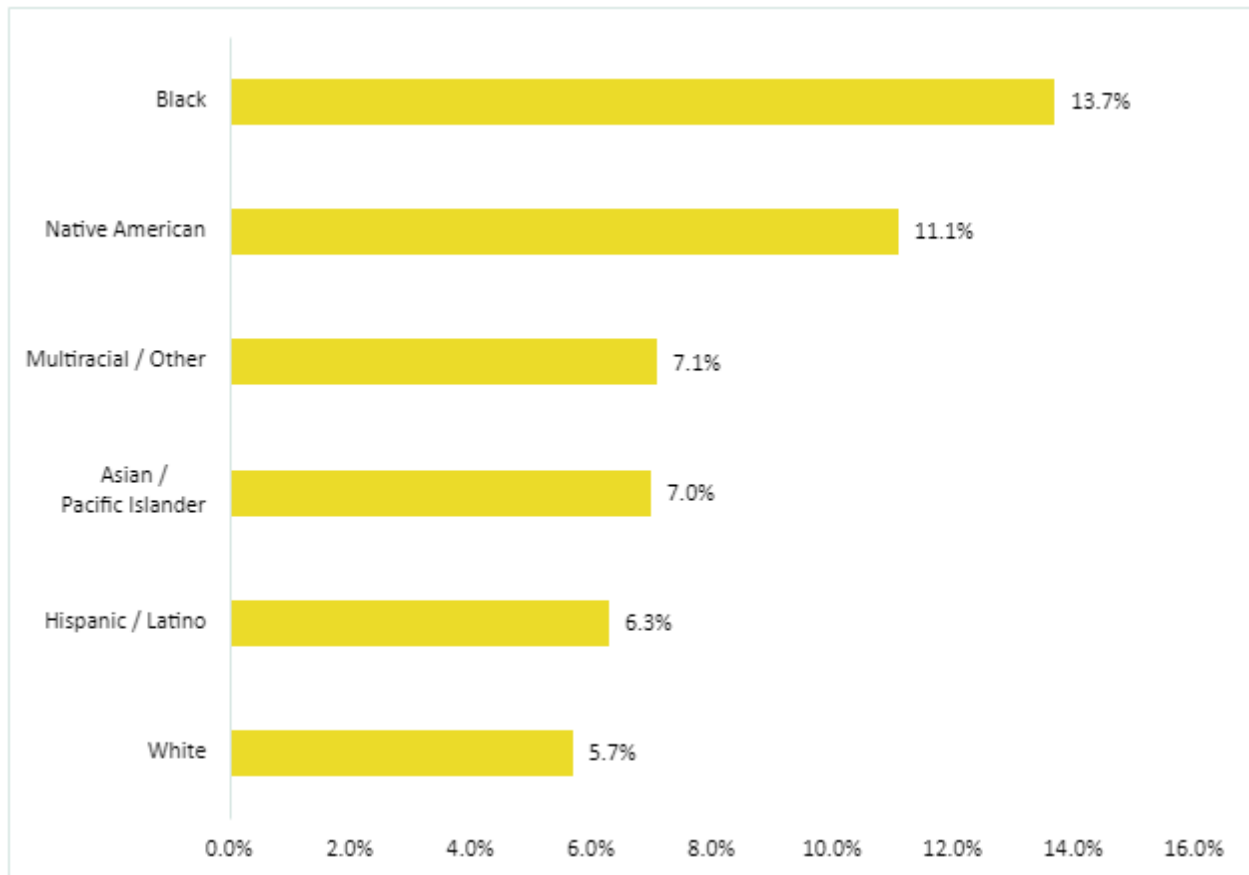
mobility to adapt. Lack of access to a vehicle can be especially problematic for households needing to evacuate in urban areas where automobile ownership is lower, especially among inner city poor populations. Los Angeles County has the highest percentage of households without a vehicle in the SCAG region at 8.6 percent compared to 6.7 percent for the SCAG region overall, followed by the Counties of Imperial at 6.2 percent, San Bernardino at 4.7 percent, Orange at 4.5 percent, Ventura at 4.2 percent, and Riverside at 4.0 percent. Black and Native American households are more likely to not own a vehicle at 13.7 percent and 11.1 percent, respectively, making them more at risk.

Figure 22. SCAG region Percentage of Households Without a Vehicle



Source: U.S. Census Bureau American Community Survey (ACS) Public Use Microdata Sample (PUMS) 2017-2021

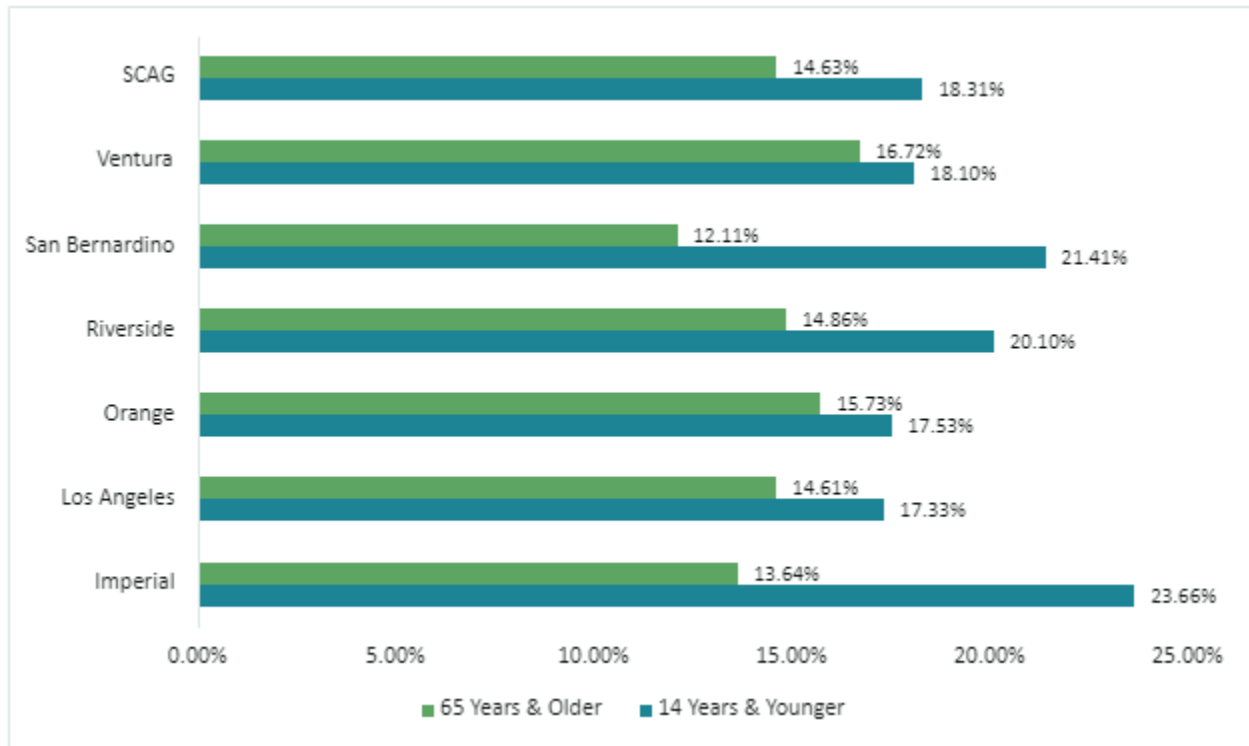
Figure 23. SCAG Region Percentage of Households Without a Vehicle by Race and Ethnicity



Source: U.S. Census Bureau American Community Survey (ACS) Public Use Microdata Sample (PUMS) 2017-2021

The age dependency ratio is measured by the percentage of the population 14 years and younger and 65 years and older. Individuals in this group tend to be less mobile, may find it more difficult to prepare for disasters and to adapt to extreme circumstances, and may require assistance from family, neighbors, and others, which might not be available during a disaster.

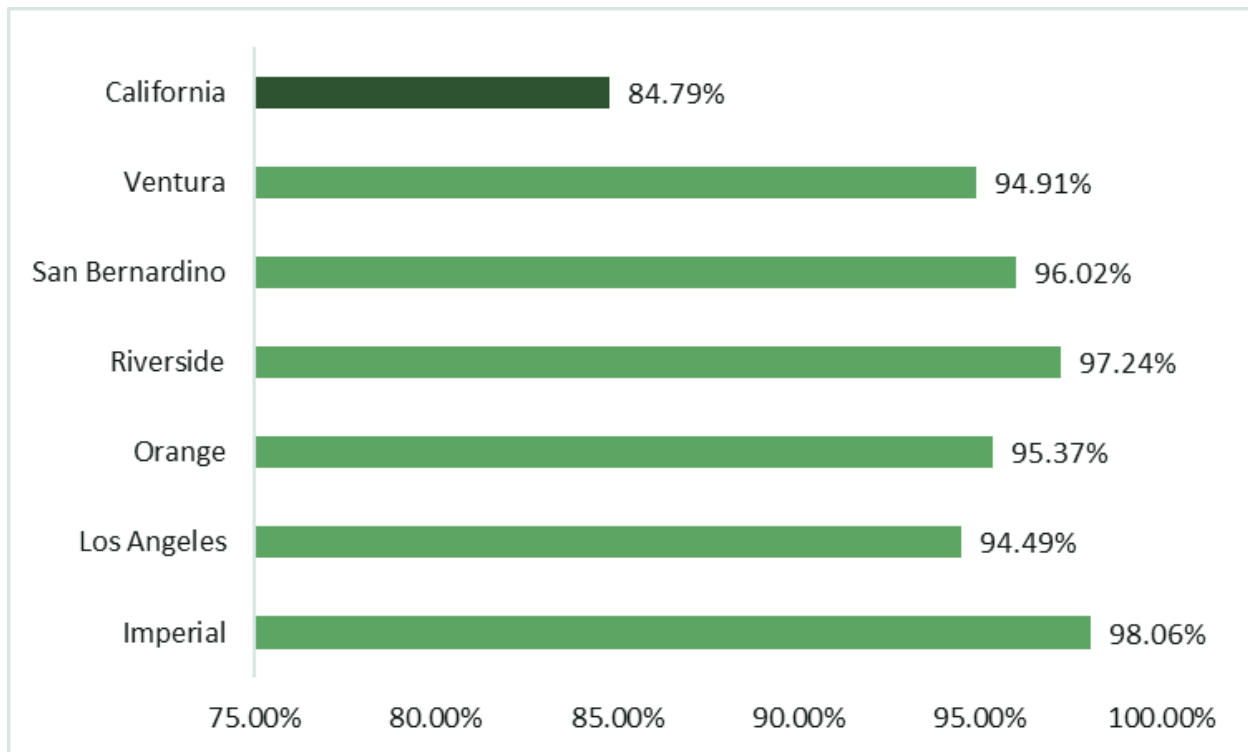
Figure 24. SCAG Region Percentage of People 14 Years & Younger and People 65 Years and Older



Source: U.S. Census Bureau 2021 American Community Survey (ACS) 1-Year Estimates Table A01001

Limited tree canopy and the urban heat island effect go hand in hand. Limited tree canopy is measured by the percentage of area not covered by tree canopy. The greater percentage of area not covered by tree canopy, the greater the effects of the urban heat island effect. SCAG counties all have more than 90 percent of the area not covered by tree canopy, at least a 9.7 percent increase than the state of California as a whole. These communities are more susceptible to the effects of extreme heat events and offer less carbon sequestration, making the community overall a less pleasant place to engage in activities. 15-minute communities aim to establish basic day-to-day needs, services, and amenities within a 15-minute walk, roll, or bike from one’s home. Part of making 15-minute communities an enjoyable experience is including urban greening that provides shade and beauty. Urban greening is a nature-based solution that not only improves aesthetic appearance, but also helps reduce the fiscal and energy costs of heating and cooling a building.

Figure 25. SCAG Region Percentage of Area Not Covered by Tree Canopy 2011



Source: California Department of Public Health and Multi-Resolution Land Characteristics Consortium, National Land Cover Database (NLCD) 2011

Concentrating residents makes it easier and more affordable to ensure that all have equitable access to higher quality services. 15-minute communities help mitigate shocks and stressors, such as not owning a vehicle, the age dependency ratio, or lack of tree canopy cover, while simultaneously meeting the Plan’s goals.

## 7.2 STREAMLINING THE APPROVAL PROCESS

As discussed in Section 5. Housing Production of this report, a lengthy approval process can add significant costs to a project or cause a developer to reduce units or abandon the project altogether. Various strategies are available to help jurisdictions expedite the lengthy permitting process.

Streamlining under CEQA is a process by which an agency can expedite environmental review and approval of a project, such as through an applicable exemption or reliance on previously adopted environmental documents. Traditional CEQA provisions, such as statutory exemptions, categorical exemptions, and limiting the scope of supplemental CEQA documents can reduce the amount of CEQA documentation required to advance approvals and entitlements. Other provisions, such as tiering from prior Environmental Impact Reports (EIR), implementing a specific plan, or streamlining for residential infill projects can avoid unnecessary documentation, prevent redundancy, and promote consistency with environmental documents from prior larger plans.

Improvements to the administrative permitting process can cut down significant time for the building of residential units and indirectly lower the rent or sale price by reducing the developer's project costs. To streamline the permitting process, jurisdictions must first identify where delays exist since inefficiencies will vary by jurisdiction. Once inefficiencies are identified, jurisdictions can implement strategies such as consolidating the review process, allowing for both an online application process and over-the-counter service for building permits, creating an expedited process for certain types of projects such as affordable housing, updating permitting software, and lowering the threshold for project to receive a ministerial permit.<sup>29</sup> A local example of streamlining development to accelerate housing production is the Objective Development Standards project funded by REAP 1.0. Focusing on the Cities of Montebello, Santa Fe Springs, Santa Monica, and South Pasadena, the project centered on accelerating housing production and reducing housing costs through faster permitting and introducing certainty in local design and development standards.

### 7.3 STEWARDSHIP OF FUNDING AND LAND FOR HOUSING

Housing trust funds are dedicated funds that receive ongoing revenues that are used to support affordable housing. These types of funds can be administered by a jurisdiction but can also be administered by a multi-agency organization such as a council of governments or a private nonprofit organization. Dedicated revenues can include housing impact fees, in-lieu fees (in jurisdictions that have an inclusionary zoning ordinance), a share of transient occupancy tax, or contribution funds from major employers. Housing trust funds can provide direct financing or help fill project shortfalls, make low interest loans to developers, provide technical assistance to developers, and preserve and maintain affordable housing. Because they are designed to meet direct local needs and have an ongoing revenue source to do so, administering or having membership in a housing trust fund can be a practical strategy to increase and preserve local housing supply.<sup>30</sup> Under SCAG's REAP 1.0 program, several subregional partners directed some of their subregional project funding toward establishing regional housing trust funds, such as the Gateway Cities Council of Governments and the Westside Cities Council of Governments. Other partners, such as Orange County Council of Governments and the San Gabriel Valley Council of Governments, used program funding to create specific strategies and plans for already established housing trust funds.

Community land trusts (CLT) are a practical strategy to preserve affordable housing in communities facing displacement pressures. They are nonprofit organizations whose primary mission is to steward land property through the use of a ground lease that ensures permanent affordability to its residents.<sup>31</sup> In a traditional CLT model, the nonprofit owns the underlying land while the buildings are owned or leased by residents. This can help address the high cost of land as a barrier to producing housing. Because the mission of the nonprofit organization is to ensure affordability, there are legal provisions in place, such as long-term ground leases or a deed covenant, to maintain long-term affordability. Although jurisdictions do not typically administer community land trusts, they can still take action to support local CLTs. These actions include establishing an inventory of surplus properties, prioritizing land purchase proposals that promise lasting affordability, establishing land banks, and incentivizing lasting terms of affordability through inclusionary zoning policies.<sup>32</sup>

Land banks are nonprofit or public authorities that focus on the conversion of vacant and deteriorating properties to productive use, such as for affordable housing. According to the National League of Cities' 2021 *Community Land Trusts: A Guide for Local Governments*, in areas with a strong housing market, land banks can prioritize these properties for acquisition by a CLT, which can result in more accessibility to resource-rich areas and long-term affordability.<sup>33</sup>

## 7.4 HOUSING SUPPORTIVE INFRASTRUCTURE AND UTILITIES

Utility infrastructure, such as electricity, water, and wastewater, is a basic requirement to deliver housing since investments in basic utility infrastructure are a precursor to any housing being entitled and delivered. Utility investments often drive up the cost of housing production, because of the need to upgrade whole systems beyond the scope of a single project to guarantee service, or simply because of the lack of system capacity. This is particularly crucial for infill and affordable housing projects where production costs are a barrier to development. Another consideration is addressing inequitable investments over time, and in particular the fact that lower income and communities of color are often those communities with inadequate infrastructure and less ability to garner additional investment.

While local housing elements must identify any infrastructure and utility barriers to development, addressing these barriers is challenging. In some instances, utilities such as water service are managed directly by a municipality while in others, it is managed by a larger water district. Strategies to address the barriers will depend on the size of the jurisdiction and who manages and administers the utility and corresponding infrastructure. Moreover, many jurisdictions do not have an up-to-date assessment of their utility infrastructure location, capacity, and maintenance needs. Potential strategies include re-evaluating development impact fees, increasing infrastructure capacity in key strategic housing elements sites such as historically underserved areas, updating local assessments of utility infrastructure, and pursuing grant opportunities that fund housing-supportive utilities and infrastructure. Primary examples of this work to support local jurisdictions were pursued by several subregional partners under the REAP 1.0 program. They include the San Bernardino Council of Governments Infrastructure Pilot Toolkit, which developed infrastructure strategies to provide a growth capacity plan for areas not served by a special utilities district, and the City of Palmdale Digital Utility Data Inventory for Housing Tool, which was developed to reduce uncertainty associated with planning and constructing housing developments and also assist the City in prioritizing Capital Improvement Projects that improve infrastructure to support new housing development.

In addition to addressing equity, implementing housing supportive infrastructure and utilities addresses resilience by promoting sustainable resource management and climate-ready systems. Climate-ready systems include emergency response centers as well as back up water and power for both residents and critical services in the event of a climate disaster. Backup utility sources may be supplied on the individual, jurisdictional, and/or organizational level such as a community-based organization or local school while back up critical services such as hospitals may be supplied through microgrids or generators. These back up services are critical in improving community resilience and addressing the impacts on housing instability and homelessness that a disaster may have. Low-income residents facing cost burden, the majority of which are people of color, have fewer financial resources and are more susceptible to the harmful effects of climate change.<sup>34</sup> Housing supportive infrastructure and utilities promotes the development of affordable housing and provides relief for low-income residents and the unhoused population in the face of climate disasters. The coordination required among various partners to implement these strategies can ensure that goals are implemented in tandem.

## 7.5 PARTNERSHIPS WITH OTHER AGENCIES

Partnership with other agencies can pool together existing resources and address challenges through multi-prong approaches. SCAG's housing outreach strategy emphasizes communication to elevate conversations to facilitate these partnerships.



Examples of strategic partnerships include:

- Partnering with State and federal agencies, such as HCD, Governor’s Office of Planning and Research (OPR), and HUD to align goals of housing production, affirmatively furthering fair housing, reducing VMT and greenhouse gas emissions, and promoting resilience.
- Participation in local subregional councils of government to create a local housing trust fund.
- Joint projects with county transportation commission to develop affordable housing near transit stations.
- Supporting community land trusts by prioritizing land purchase proposals that promise lasting affordability.
- Promoting work with community-based organizations that engage in grassroots-based outreach with marginalized communities.

## 7.6 ANTI-DISPLACEMENT STRATEGIES AND INCREASING AFFORDABLE HOUSING IN HIGH RESOURCE AREAS

As the SCAG region focuses on infill housing development and new transit investments, there is a growing number of affordable housing units converting to market rate, which can create displacement pressures in areas that have traditionally been home to lower income households and communities of color. These “at-risk” units include units with expiring affordability covenants or are existing rental properties that are affordable without public subsidy to low-income households, also known as Naturally Occurring Affordable Housing (NOAH). Paired with production of affordable housing and tenant protections, preservation of these units is a key component of anti-displacement strategies.

SCAG is developing a series of preservation recommendations that include a cost-benefit calculation tool that can be utilized for NOAH or at-risk properties. The tool includes multiple inputs and outputs that can serve as a general guide to determine the net public benefit of this financing tool on an individual preservation proposal and financial thresholds to consider when determining appropriate financing mechanisms for preservation of at-risk units.

## 7.7 LOWERING THE COST OF HOUSING

As previously discussed, the cost of housing construction can significantly impact housing affordability. Several new trends in housing building can help lower the overall cost of construction.

### 7.7.1 NEW CONSTRUCTION METHODS

Mass timber are engineered wood products made of large structural panels that are small pieces of either lumber or veneer that are adhered together. These create large structural pieces that are used for entire floor or wall panels and can be dropped into place onsite. Due to their strength and fire resistance, which is particularly important due to increased fire risk from climate change, they can be a building alternative to steel and concrete. In 2022, California building codes were updated to allow for the construction of mass timber building up to 18 stories tall.<sup>35</sup>

## 7.7.2 PRE-FABRICATION AND MODULAR HOUSING

Pre-fabrication of structural elements and even entire homes is increasing in popularity as production quality improves and costs of constructing housing onsite increase. Manufactured homes, which are also known as mobile homes, are constructed according to a code administered by the U.S. Department of Housing and Urban Development (HUD) and must be constructed on a permanent chassis. Modular homes, which are a type of prefabricated homes, are constructed to the same state and local building codes as on-site built homes. Modular homes can be constructed as either single-family or multi-family residences.<sup>36</sup>

The cost savings from factory construction promote increased affordability for homeowners and renters through reducing construction costs by building off-site, through cost savings will be greatest at higher levels of scale and production. For manufactured homes, the average price for square foot is less than half of a site-built home. Modular construction could achieve an overall savings of up to 20 percent over traditional construction, including for multi-family housing. Both manufactured and modular homes can be constructed as ADUs, which can increase affordable housing supply in tight markets.<sup>37</sup>

## 8. HOUSING THE REGION: POLICY FRAMEWORK

Even if the SCAG region met its housing needs today, it is still essential to meet the housing needs of tomorrow. Looking toward 2050 and beyond requires us to look at strategies that are regional and collective. These strategies are aligned directly with other SCAG strategies, particularly Land Use, and are intended to complement strategies led by local jurisdictions to increase housing production while promoting equity and affirmatively furthering fair housing.

### 8.1 REGIONAL PLANNING POLICIES

SCAG'S Connect SoCal housing priorities address the complex challenges of the housing crisis and its connection to address historic inequity and patterns of segregation and poverty. These priorities focus on the different aspects of housing production, including location, resources, access, preservation, homeownership, and housing the unhoused.

**Encourage housing development in areas with access to important resources and amenities (economic, educational, health, social, and similar) to further fair housing access and equity across the region.**

A diverse range of housing types addresses the diverse range of needs of the region. Living within the same community are residents living alone, large families, nuclear families, seniors, students, homeless persons, and many others. Each of these living situations have different housing needs and a diversity in housing types and choice can help address the mismatch of housing needs and affordability in communities.

**Encourage housing development in transit-supportive and walkable areas to create more interconnected and resilient communities.**

The location of housing matters just as much as the type of housing. Increasing housing closer to jobs and current and future infrastructure can reduce traffic and greenhouse gas emissions, improve accessibility, and promote equity. Walkable neighborhoods emphasize accessibility by encouraging a community that meets the needs of its residents without having to leave it.

**Support local, regional, State, and federal efforts to produce and preserve affordable housing while meeting additional housing needs across the region.**

The production and preservation of affordable housing is a critical part of addressing the housing shortage. Policies across all levels of government can support the preservation and production of affordable housing.

**Prioritize communities that are vulnerable to displacement pressures by supporting community stabilization and increasing access to housing that meets the needs of the region.**

Historical segregation patterns cannot be addressed without prioritizing the inequitable results of displacement on vulnerable communities. Increasing housing, especially affordable housing, in our region's most impacted areas can help address historic inequities while addressing the overall housing crisis.

**Promote innovative strategies and partnerships to increase homeownership opportunities across the region with an emphasis on communities who have been historically impacted by redlining and other systemic barriers to homeownership for people of color and other marginalized groups.**

Homeownership, particularly for people of color and other marginalized groups, can foster long term community building. In communities that have been historically impacted by redlining and other systemic barriers to homeownership, increasing access to homeownership can help stabilize the community and its cultural institutions.

**Advocate for and support programs that emphasize reducing housing cost burden (for renters and homeowners), with a focus on the communities with the greatest need and vulnerabilities.**

Housing cost burden for renters and homeowners can impact a household's quality of life and expose households to financial vulnerability. This is exacerbated in communities facing displacement pressures, particularly for low-income communities of color. Advocating and supporting programs that reduce cost burden for all households can help stabilize communities and minimize displacement.

**Support efforts to increase housing and services for people experiencing homelessness across the region.**

Historically, planning for permanent housing units at the regional and local levels has not focused on the unhoused population, let alone the services to support them. Supporting efforts to increase housing and services for people experiencing homelessness is critical to addressing the housing crisis.

## 8.2 IMPLEMENTATION STRATEGIES

While SCAG does not have local land use decision-making authority, it can partner with and support local jurisdictions and stakeholders to encourage and promote effective and equitable strategies that increase housing at the local level.

- Provide technical assistance for jurisdictions to complete and implement their housing elements and support local governments and Tribal Entities to advance housing production.
- Identify and pursue partnerships at the local, regional, state, and federal level to align utility, transit, and infrastructure investments with housing development and equitable outcomes across the region.
- Identify innovative homeownership models that can reduce costs and increase housing production in the region and identify strategies to engage households of color and communities that are underrepresented as homeowners.
- Develop and deploy community stabilization (anti-displacement) resources that can be utilized to address displacement pressures, such as preservation and tenant protections, for communities across the region and Affirmatively Further Fair Housing.

## 9. CONCLUSION

There is a not one-size-fits-all approach to the housing crisis and addressing its challenges requires the implementation of short- and long-term strategies, along with implementation at the local, regional, and State levels. The accumulation of a housing shortfall decades in the making combined with historical patterns of segregation create a challenging task in ending the crisis. Connect SoCal 2024 helps provide a unifying vision for the future wherein housing targets can be achieved alongside transportation and sustainability objectives, as well as providing an opportunity to remedy past under-supply and current underhousing and historical segregation patterns. At the regional level in SCAG's Connect SoCal 2024, this requires taking the first step – to make housing matter.

## 10. ENDNOTES

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