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Response to the SCAG Consultation Package submitted to HCD June 3, 2019

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The Southern California Association of Governments (SCAG) submitted a Regional Housing Needs Assessment (RHNA) Consultation Package to the State Department of Housing and Community Development on June 3, 2019.[1] The package contains SCAG's proposal for a regional RHNA number – the estimate of housing units the region needs - and a discussion of the methodology used to generate that estimate. The method attempts to evade a new state law, SB 828[2], in two major ways, and makes several unsubstantiated arguments for a low regional housing need.

Two parts of the proposed methodology willfully disregard the letter of SB 828, which asks regions to consider existing housing needs as well as projected household needs when generating their RHNA number. Existing needs are specifically listed in SB 828 as based on overcrowding and cost-burdened households.

SCAG, however, has decided to ignore cost-burdened households completely in their estimate of existing need. As they write (page 23), cost-burden “is an income based social condition rather than a specific measure of housing undersupply”. SCAG notes that no clear method has been established to measure cost-burdens, but rather than propose a simple estimate, they ignore this part of the law completely. This should simply not be allowed by HCD.

Second, the SCAG proposal outlines a plan to phase in the existing need estimates over the next three RHNA cycles, i.e. the next 25 years. The reason for this is somewhat unclear; the proposal discusses incentivizing jurisdictions to make “realistic, good-faith efforts to accommodate and foster sustainable, long-term housing development” (page 25). Spreading housing out over many years makes little sense when discussing *existing* need, which suggests the presence of burdened households, who need help sooner rather than later.

Additionally, the package advances a number of arguments about the methodology to put forward a low number. Most of these arguments are unjustified. The more obviously unjustified arguments are as follows:

- The package states that SoCal has lots of overcrowding because of immigrants. This leads them to choose a set of comparable regions based on the % of recently arrived foreign born individuals (page 22). That immigrants overcrowd by choice is a strong assumption that is surprisingly discriminatory for a government agency to make. Moreover, increasing the region's zoned housing capacity will not force anyone to leave their home.
- The package argues for distrust in both the LAO and McKinsey reports on housing needs in California, the package argues that the SCAG region, which houses 49% of the state, should not be required to accommodate 49% of state housing needs, apparently because the Bay Area also has housing affordability problems (page 23). This makes no sense.
- The package explicitly rejects the idea of using headship rates from before 2017 to model future behavior, in an attempt to justify lower projected household formation. Headship rates have been declining steadily, in part because of a shortage of housing. So, the package pointing out the myriad differences between the year 2000 and 2017 is (page 24)
- The package emphasizes the myriad factors that make housing expensive, when the purpose of the RHNA process is specifically limited to ask cities to zone for sufficient housing to accommodate the people of the state (page 26). This is a distracting and unproductive argument.
- The package compares housing supply and affordability to induced demand on freeways (page 23), which they properly note is unlikely to alleviate congestion in the long run. This comparison is not apt, because freeway access is free and housing is not. Congestion occurs when the absence of prices causes a shortage. A housing crisis occurs when a shortage of housing causes high prices. This crucial difference means that new supply is almost useless in the former and incredibly important in the latter.

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