

Presented by BizFed Institute & Milken Institute

October 21, 2022



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BizFed Institute's 4th annual Housing Forum, produced in partnership with Milken Institute and with the generous support of the sponsors listed below, couldn't have been convened at a more critical juncture in California's shifting economic and legislative landscape. The state's housing affordability and availability have been steadily worsening for decades. This year, California's median home price exceeded \$800,000, setting a new record and pricing out an estimated 75% of households in California. More than 360,000 people left the state in 2021, accelerating the exodus of jobs and other opportunities; many ex-Californians cite skyrocketing housing costs as their reason for leaving.

It's high time for change. We're proud to be on the frontlines with a diverse cadre of public and private sector partners, untangling the regulatory challenges that make it harder to build, connecting subject matter experts with policymakers and voters, and amplifying actionable solutions that dramatically increase the number of available units in an affordable and sustainable way. We thank YOU for joining us in our mission to build a brighter future for the Golden State. The first step toward getting more roofs over heads is getting more industry intel into the heads of policymakers and other stakeholders. We encourage you to share our key takeaways from this forum within your own networks.



Kevin Harbour
BizFed Institute President

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HOUSING FORUM: OPENING REMARKS

— “
The housing crisis
is a challenge but
I'm certain we can
meet this moment.
We all have a role
to play.
” —



AG ROB BONTA
California Department of Justice

California Attorney General Rob Bonta kicked off the Housing Forum by doubling down on his commitment to using every legal tool at his disposal to advance housing access, affordability, and equity. Under his leadership, the DOJ is stepping up its enforcement tactics to stop cities from violating affordable housing laws and sidestepping other housing supply mandates. Bonta created a **"Housing Strike Force"** in 2021 within the Department of Justice to stop cities from violating affordable housing laws. The intersectional initiative relies on attorneys specializing in land use, conservation, consumer protection, civil rights, and environmental justice law to guide its core functions:

- Enforcing state housing and development laws
- Enforcing mortgage servicing, tenant rights, and other consumer protection laws
- Issuing consumer alerts to empower homeowners and tenants with intel about their legal protections
- Defending state housing and tenant laws from legal challenges
- Advocating with the state legislature, federal agencies, and other state agencies to advance housing rights.

California has a once-in-a-generation opportunity to address its housing crisis, thanks to historic housing and homelessness investments in this year's budget. But must local governments must cooperate by zoning and permitting new housing.

Bonta called on business leaders to step up as partners, reminding the group that public and private sector leaders of all stripes should be united by the same mission: ensuring the safety, health, and well-being of our people, communities, and economy. In order to move forward together, builders in all jurisdictions should feel empowered and protected by housing laws that are evenly and ethically enforced.

HOUSING FORUM: KEYNOTE REMARKS

— “
**What's next?
Allocating funding
for affordable
housing is a key
critical issue we
must address.**
— ”



ASM. BUFFY WICKS
Housing & Community Development Committee Chair

Assemblymember Buffy Wicks delivered rapid-fire keynote remarks that spanned alarming data, major legislative victories, and her methodical three-pronged approach to tackling the state's housing shortage emergency. The lifelong community organizer said her "fierce sense of urgency" on the housing issue was fueled by a moral imperative to solve root causes of California's exploding homelessness crisis.

- On any given night, more than 170,000 people in California are unhoused. That's approximately 27% of the entire nation's homeless population.
- A report commissioned earlier this year by Wicks found 73% of single mothers are housing insecure.
- Insufficient income and lack of affordable housing are the leading causes of homeless, according to the National Law Center on Homelessness and Poverty.

Wicks hit the ground running during her first year as Chair of the Assembly Committee on Housing & Community Development, authoring legislation to unlock commercial real estate for new housing development and fighting valiantly to win over a diverse coalition of supporters. **BizFed was an early and vocal backer of her bill, AB 2011.** It specifically boosts infill building along heavily transited commercial corridors by letting developers build housing "by right" if they pay workers union-level wages and offer benefits such as health care.

Governor Newsom signed her bill into law in September, paving the way for the accelerated production of approximately 2 million units of affordable and mixed-income housing. Wicks cited Asm. Laura Friedman's AB 2097, which lifts parking requirements for new development within a half-mile of major transit stops, as another exciting legislative tool. **AB 2097 was also supported by BizFed and signed into law this fall.** But the fight isn't over. After embarking on a statewide housing tour with 30 other legislators, Wicks proposes focusing on three key goals.

- Housing the homeless and providing wraparound services.
- Preventing new homelessness by keeping at-risk people in their homes.
- Keeping the cost of housing down.

A critical issue? Shortage of funding for affordable housing. There is no permanent funding for affordable housing in California baked in anywhere, she explained. It's at the discretion of the governor and legislature. Wicks proposes allocating 5% of the General Fund budget for 10 years for affordable housing, which creates ongoing funding to the tune of approximately \$10 billion – without tax increases.

Housing Flash Poll Takeaways

PRODUCED IN PARTNERSHIP WITH EMPLOYERS GROUP



42 professionals (more than half of whom work in the housing industry) shared their perspectives on the current state of California's housing crisis, as well as strategies for advancing much-needed development of all forms of housing to improve affordability. Findings confirm and underscore our hypothesis that housing access and equity are inextricably linked to overall prosperity and quality of life in California, and must be addressed with a variety of partnerships, legislative tools, funding strategies, and supportive programs at all levels of government. The housing crisis cannot be separated from other challenges, particularly those relating to infrastructure.

Nearly two-thirds of poll respondents identified housing as "one of the top three business concerns."

This is a game-changer and will have a positive impact on the supply of affordable housing.	29%
There are better ways to solve the housing shortage.	29%
The requirements to adhere to more stringent labor standards, including prevailing wage and the use of skilled and trained workers will primarily benefit organized labor.	26%
This is positive because it demonstrates that Sacramento is taking a pro-housing approach	26%
This is a positive move toward reducing inhibitors that have been blocking or slowing down housing production.	26%
I don't know enough about these pieces of legislation to answer.	23%
This will require that local governments adopt comprehensive implementation ordinances for both new laws in order to be successful.	20%
The conversion from commercial real estate to residential will put a detrimental strain on already limited infrastructure including water, electricity, broadband and transportation.	14%
The conversion from commercial real estate to residential will be good for the environment.	14%
The requirements to adhere to more stringent labor standards, including prevailing wage and the use of skilled and trained workers will benefit the local workforce.	3%

Variety, affordability, and expediency appear to define "progress" among Flash Poll participants. More than half of respondents equate progress with an increase in production of all types of housing (including ADUs, affordable housing, workforce housing, and transit-oriented housing). 49% said **CEQA reforms** would constitute progress. No respondents felt California has "already made sufficient progress" in addressing the state's housing crisis.

Flash Poll respondents had mixed views on **AB 2011** (Wicks) and **SB 6** (Caballero), two housing bills supported by BizFed that were signed into law by Governor Newsom on September 30, 2022. Both pieces of legislation will unlock commercial real estate for new housing development. 29% of respondents called the bills a "game changer" that will have a positive impact on the supply of affordable housing, while another 29% of respondents said there are "better ways to solve the housing shortage."

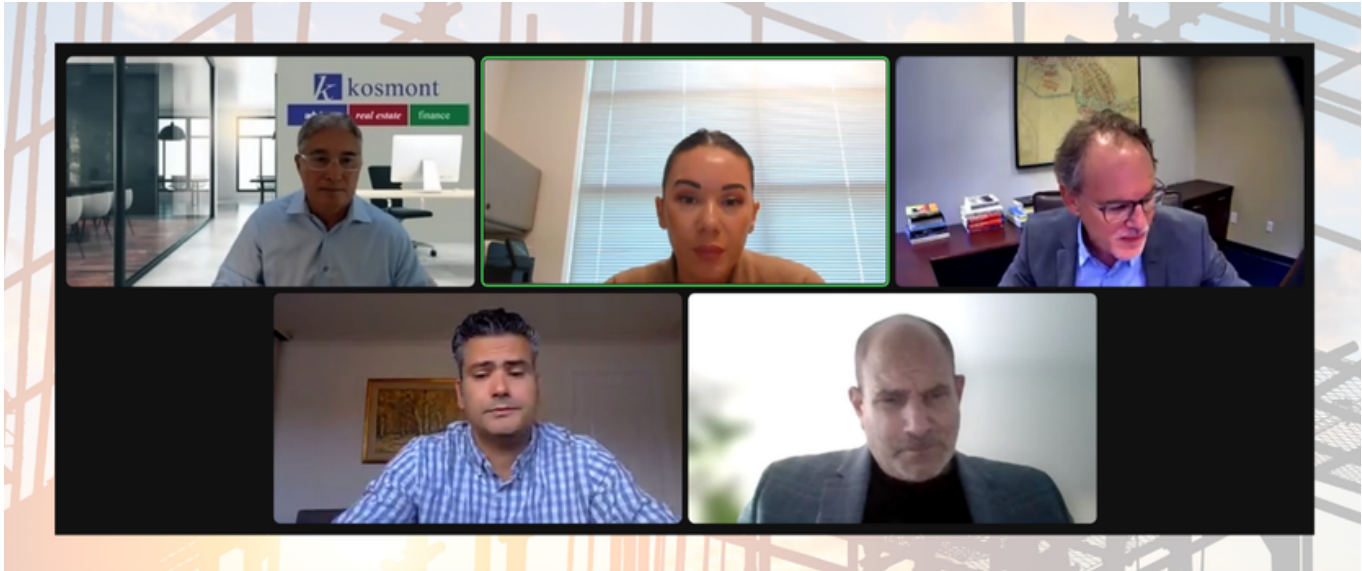
When all types of homes are being built, including accessory dwelling units, affordable housing, urban infill, workforce housing, transit-oriented, etc.	57%
When the scope of housing has been sufficiently expanded to address all income levels.	57%
When the California Environment Quality Act (CEQA) has been reformed.	49%
When the time it takes to process building permits has been significantly reduced.	49%
When sufficient incentives and funding are available to lower the cost to build.	43%
When the production of housing along transit corridors has been incentivized.	23%
When the importance of jobs in strengthening the regional's economy through housing has been recognized.	20%
When local governments have sufficient resources to handle it.	17%
When creative financing is available for builders and designers.	14%
When the aid of community-based organizations has been enlisted.	14%
We have already made sufficient progress.	0%

PANEL 1: Achieving Housing Goals

Moderated by Larry Kosmont – Kosmont Companies

Panelists:

Michael de la Torre – National CORE
 Rachel Freeman – Tejon Ranch
 David Grunwald – SDS Capital Group
 David Kersh – Carpenters/Contractors Cooperation Committee



KEY TAKEAWAYS

- We're now in our 6th cycle of Regional Housing Needs Allocation (RHNA), which determines the total number of new homes every California region must plan for at different affordability levels. Only 73 of 191 SCAG cities are in compliance, meaning nearly two-thirds of Southern California cities and counties failed to meet the state housing plan deadline on October 15th.
- Local governments without an approved RHNA housing plan and completed rezoning can lose access to housing and transportation grants, have less control over future developments, and face fines.
- Innovative funding models – such as SDS Capital's impact fund for supporting housing – that don't rely on government subsidies can dramatically expedite development. The fund's goal is to develop 3,000 units of permanent supportive housing for homeless individuals (with accompanying services) over the next 6 years.
- SDS Capital has already completed 8 projects consisting of 438 units at a cost of approximately \$200,000 per unit. They have another 930 units in the pipeline set to be built by the end of 2023. None of it is funded with government money.
- Most residents initially resist density. Communities consistently resist growth in California. However, residents and local government leaders want economic development. The key is to reshape messaging to tie housing to economic development.
- Legal, regulatory, and public perception issues continue to pose challenges. Developers must understand the unique needs and concerns of every community before attempting to get projects approved.
- Passage of AB 2011 and SB 6 reflect progress at the state level, but cities and counties still need to get on board with new laws and initiatives. More outreach, listening, and intel sharing must be done to engage local government leaders who feel like local authority in the housing space has been usurped.

PANEL 2: CEQA & RHNA CHALLENGES
Matt Horton - Milken Institute

Panelists:

Leonora Camner - Abundant Housing LA
Chris Hannan - LA/OC Building Trades
Jennifer Hernandez - Holland & Knight



KEY TAKEAWAYS

- Water infrastructure and drought resiliency cannot be addressed in a silo separate from housing, especially since water availability can be effectively weaponized as a growth control mechanism. California's current water system is only sufficient to support approximately half the state's population.
- "Opposition to water can be equated to opposition to people," said Holland & Knight partner Jennifer Hernandez. She also cited challenges created by clashing laws.
- Since 1983, CEQA has applied to housing projects even if they comply with local zoning laws and general plans, effectively creating 5 to 6 layers of legal requirements that must be met in urban areas.
- A three-year study of CEQA lawsuits found the top target is still multi-family housing. More than half of the state's total housing production in 2020 (110,000 units) was challenged under CEQA. Water projects are not challenged nearly as frequently under the state environmental law.
- Some affordable housing advocates feel local communities need to double or triple housing production. But current RHNA standards are already not being met. Will engaging with local leaders help increase compliance?
- The state auditor released a scathing report earlier this year on the RHNA process. Cities must standardize their counting methodology. Overestimating ADUs and using filtering strategies to meet legal tests is a problematic bandaid fix that won't help the state reach its housing goals.
- YIMBYism doesn't mean saying "yes" to every project. Thoughtful development requires thinking more intersectionally and considering both economic and racial equity.

PANEL 3: INFRASTRUCTURE TO SUPPORT HOUSING

Chris Wilson - BizFed

Panelists:

Jason Foster - Destination Crenshaw
Robert Jystad - Crown Castle
Nancy Sutley - Los Angeles DWP
Deven Upadhyay - Metropolitan Water District



KEY TAKEAWAYS

- Building out our infrastructure - especially water infrastructure - is essential to solving California's housing shortage. We cannot sustainably grow neighborhoods by building housing units alone.
- Recycled water programs will increase local drought resilience and significantly improve livability in communities that currently rely on imported supplies.
- Recessionary impacts to water, energy, transportation, and broadband investments will stall progress in the housing sphere. We must shore up federal and state funding and ensure the money is spent wisely.
- Quality of local infrastructure often determines where businesses choose to set up shop, invest resources, and grow jobs. Infrastructure, housing, and economic growth are all linked.
- Internet access cannot be overlooked as we expand housing in communities with poor quality connection. Broadband infrastructure is a key part of the equation for successful development as remote work remains popular.
- How can we align the affordability of new housing development with the existing economic conditions of communities?
- Transportation investments such as Metro's K Line will encourage millions of people to participate in the local economy and play a role in spurring area housing development.
- Developments are increasingly requiring EV charging sites, solar power, and other additions, creating another layer of challenge for some builders to navigate.
- We must take full advantage of an influx of \$10 billion of federal funding to build resilient communities.

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