

Presented by BizFed Institute & Milken Institute
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BizFed Institute's 6th annual **Housing Forum**, produced in partnership with Milken Institute and with the generous support of the sponsors listed below, brought together diverse roundtables of public and private sector leaders along every segment of the development pipeline. They helped pinpoint today's biggest housing development obstacles in Los Angeles, shined a bright light on innovative funding models with a proven track record of success, and encouraged partnerships between government and business. I want to thank BizFed Institute Chair Kevin Klowden for emphasizing society's fundamental need for housing.

"It is something that everybody needs, as well as a way of measuring prosperity," he said. "It is vital and essential. That's why we do this series of forums."

People's economic futures are inherently tied to housing access. Our supply of housing affects workforce development, homelessness, business growth, and overall quality of life. We encourage you to share the insights, data, and expert sources in our key takeaways within your own networks. I'm confident we can break down barriers and build more housing by connecting thought leaders, decision makers, and resource providers.



Kevin Harbour
BizFed Institute President

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Housing Flash Poll Takeaways

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Nearly 70 professionals (more than two-thirds of whom are directly involved in the housing industry) shared their perspectives on California's housing shortage emergency, as well as strategies for accelerating development of all forms of housing. Findings from our Housing Flash Poll confirmed our hypotheses that optimism about housing solutions is in decline; top challenges include building costs and onerous regulations; and existing infrastructure limitations are creating additional obstacles.

This year, a combined 32% of people who took our poll expressed less housing optimism than people polled the previous year. 57% of this year's respondents said policymakers need to redirect their focus to the broader issue of economic mobility, rather than just affordable housing.

We noted an interested shift in poll respondents' perception of LA's unique housing challenges this year. A combined 37% of respondents this year pointed to **high building costs** (including labor and materials) as the biggest housing hurdle to clear. Last year, 8% of respondents identified labor costs as the biggest challenge, while only 2% of respondents selected materials as the top obstacle. Other challenges (including permitting and regulatory issues) generated similar responses in 2023 and 2024.

Cost & supply are the biggest challenges

Los Angeles faces a unique set of challenges when it comes to addressing affordable housing. Please rate the following 7 challenges

- 37% High cost of building (labor, materials, etc.)
- 19% Limited supply of existing housing units
- 13% County and Municipal Leadership
- 12% Not In My Backyard (NIMBYism)
- 10% Insufficient funding for affordable housing initiatives
- 8% California Environmental Quality Act (CEQA)
- 2% Expansion of gentrification and displacement

CEQA exemptions should be considered for all market segments to maintain the integrity of timelines and to be able to offer housing at affordable price points

Reform must include public policy that excludes unnecessary (frivolous) lawsuits.

60%

Please check any of the statement below about the California Environmental Quality Act (CEQA) with which you agree...

An obstacle that prevents builders from maintaining integrity on their building project management timelines.

53%

Inflates the final cost of housing.

47%

Exemptions considered for all market segments to maintain the integrity of timelines and to be able to offer housing at affordable price points.

49%

Causes permit pulling delays.

42%

Effectively serving its purpose and should continue to be enforced in line with current requirements.

28%

Only 28% of respondents said the California Environmental Quality Act (CEQA) is effectively serving its purpose and should continue to be enforced, while **60% called for CEQA reform** that limits frivolous lawsuits. The majority of poll respondents identified CEQA as a housing impediment for reasons ranging from permitting delays to cost inflation to unnecessary litigation.

FIRESIDE CHAT

FEATURED SPEAKER: Los Angeles Deputy Mayor of Housing **Kevin Keller**

MODERATOR: BizFed Institute President **Kevin Harbour**

INTRODUCTION: BizFed Founding CEO **Tracy Hernandez**



Los Angeles Deputy Mayor of Housing **Kevin Keller** joined us for a fireside chat to detail the city's systematic efforts to streamline production of all types of affordable housing under the Bass administration. The process, Keller told forum attendees, matters as much as the regulations. Today's processes are probably the result of issues that arose in the past. But how productive is this "productive angst"?

It helps to first understand why housing is a top policy priority and diverse stakeholders remain in crisis mode. Housing optimism in Los Angeles County has hit new lows, according to the **2024 UCLA Quality of Life Index**. According to the annual survey:

- 75% of renters said they had no confidence they would be able to purchase a local home in the future
- Nearly 4 in 10 renters countywide had worried about losing their homes and becoming homeless
- Most survey respondents expressed little optimism about the potential of ongoing programs and efforts to eradicate homelessness.

Deep dissatisfaction with LA's quality of life can be traced back to housing unaffordability, which is tied to high production costs and regulatory hurdles. So what is the city doing to lower housing and production costs, and reduce permitting delays? Keller detailed how **LA Mayor Karen Bass** issued **Executive Directive 1** shortly after taking office to require the city to complete affordable housing approval processes within 60 days. After constructive starts, the directive mandates permit, utility, and certificate of occupancy processes to be completed within five days for 100% affordable housing projects and two days for temporary housing projects.

But city reforms alone won't solve a multifaceted problem. Keller also pointed to new focus on cultivating transit-oriented communities, attracting private capital, exploring incentives such as density bonuses, and ensuring neighborhood-led solutions truly serve the people in those neighborhoods. Inclusive, people-first solutions involve building homes that community members can afford. And that calls for creative, collaborative problem solving with the buy-in of public and private sector leaders.

"We're all trying to row in the same direction," Keller reminded business leaders.

PANEL 1: Removing Market-Rate Developers' Obstacles

Moderated by Jennifer Hernandez - Holland & Knight

Panelists:

Sherri Franklin - Urban Design Center

Tom Grable - Tri Pointe Homes

Rochelle Mills - Innovative Housing Opportunities



KEY TAKEAWAYS

- Some developers in California are spending \$2.5 million on each new project before they even break ground - and that comes with no guarantee the project will get approved. Building anything for under \$800,000 per door is impossible in Southern California.
- The only type of housing that has shown significant growth in recent years in California - despite the passage of hundreds of state bills seeking to expand housing access and affordability - is accessory dwelling units (ADUs). If you take ADUs out of the equation, California has logged minimal housing progress.
- There is very little political will to modernize CEQA and quash frivolous lawsuits filed under the state environmental law. Perhaps pivoting to update specific elements of the California Environmental Quality Act would be more effective.
- Focusing on economic mobility means doing more than simply moving people under affordable roofs. Homeownership is an equity tool that can create a trajectory of upward mobility. Moving in isn't the ultimate goal; moving forward and gaining the ability to reach back are.
- We need to recognize the limitations of housing solutions funded only by government money. Effective long-term solutions involve expanding funding sources and reducing the overall costs of creating housing. Are some of the knobs we're turning to accelerate or incentivize production actually increasing production costs?
- The region's largest housing builders aren't even looking at land and in the city of Los Angeles because "it's not worth it" for developers. Are city governments aware of these business considerations and making adjustments accordingly? Do we have a housing crisis or a housing policy crisis in California?

PANEL 2: Affordable Housing

Moderated by Matt Horton - Milken Institute

Panelists:

Michael Anderson - Anderson Barker
 Deborah La Franchi - SDS Capital Group
 Elizabeth Funk - DignityMoves
 John Mimms - The Michaels Organization



KEY TAKEAWAYS

- Interim housing does not have a secure enough revenue stream today to guarantee returns for investors, creating serious challenges for homelessness initiatives focused on moving people inside. Reimagining standards imposed on temporary shelter – and establishing looser regulations than typically imposed on permanent housing – will streamline creation of interim roofs.
- Prefabricated "prefab" housing, which are manufactured off-site in advance in standard sections that can be shipped and assembled, don't ultimately reduce costs. It simply accelerates production timelines so investors get returns faster.
- Government-subsidized housing accounts for only 4% of housing built in recent years. We need to lean into public-private partnerships and find ways to lower development costs, turbocharge delivery, and ensure consumers aren't shouldering infrastructure costs.
- Cities that pass no-camping ordinances can end up paying twice as much in related costs if there aren't enough shelters to house people who previously slept on the street. Housing, infrastructure, and policy shouldn't be implemented in silos.
- If we spent \$650,000 to \$750,000 per homeless person in California today, that would total more than \$100 billion. That's simply not sustainable. As we expand all types of housing and advance pro-housing policies, we must also find ways to stop more people from falling into homelessness.
- A handful of companies including SDS Capital Group are financing and building housing for people facing exceptional challenges – including chronic homelessness – without government subsidies. These private sector developers can lean on underutilized financing such as foundation investment funds, without dealing with the delays and restrictions often associated with government funding.



— “
It looks like we probably need to do this forum a seventh year!
” —

—KEVIN HARBOUR, BIZFED INSTITUTE PRESIDENT

You’ve heard our mantra: “Housing housing housing.” Pro-housing policies are central to pro-business advocacy and pro-people growth. But advancing proposals that make it easier to build more housing must be done with a commitment to both affordability and sustainability.

BizFed Institute President Kevin Harbour closed this year’s Housing Forum by revisiting featured speakers’ strategies to reduce building costs, solidify new partnerships between government and business, improve conditions for investors, and find workarounds for CEQA-related obstacles that are unlikely to be solved through legislative action.

“We had tough questions and issues for our fireside chat guest to tackle,” Kevin remarked. “It looks like we probably need to do this forum a seventh year!”

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