



FEBRUARY 26, 2022



Is California Housing policy helping California residents?

UNITED NEIGHBORS



JEFF GRITCHEN — STAFF PHOTOGRAPHER

Housing supply is not the problem

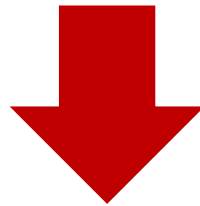
UNITED NEIGHBORS

Overall state and local housing supply does not appear to be materially out of balance

California Census Data shows:

 **2.88 people per housing unit in 1960**

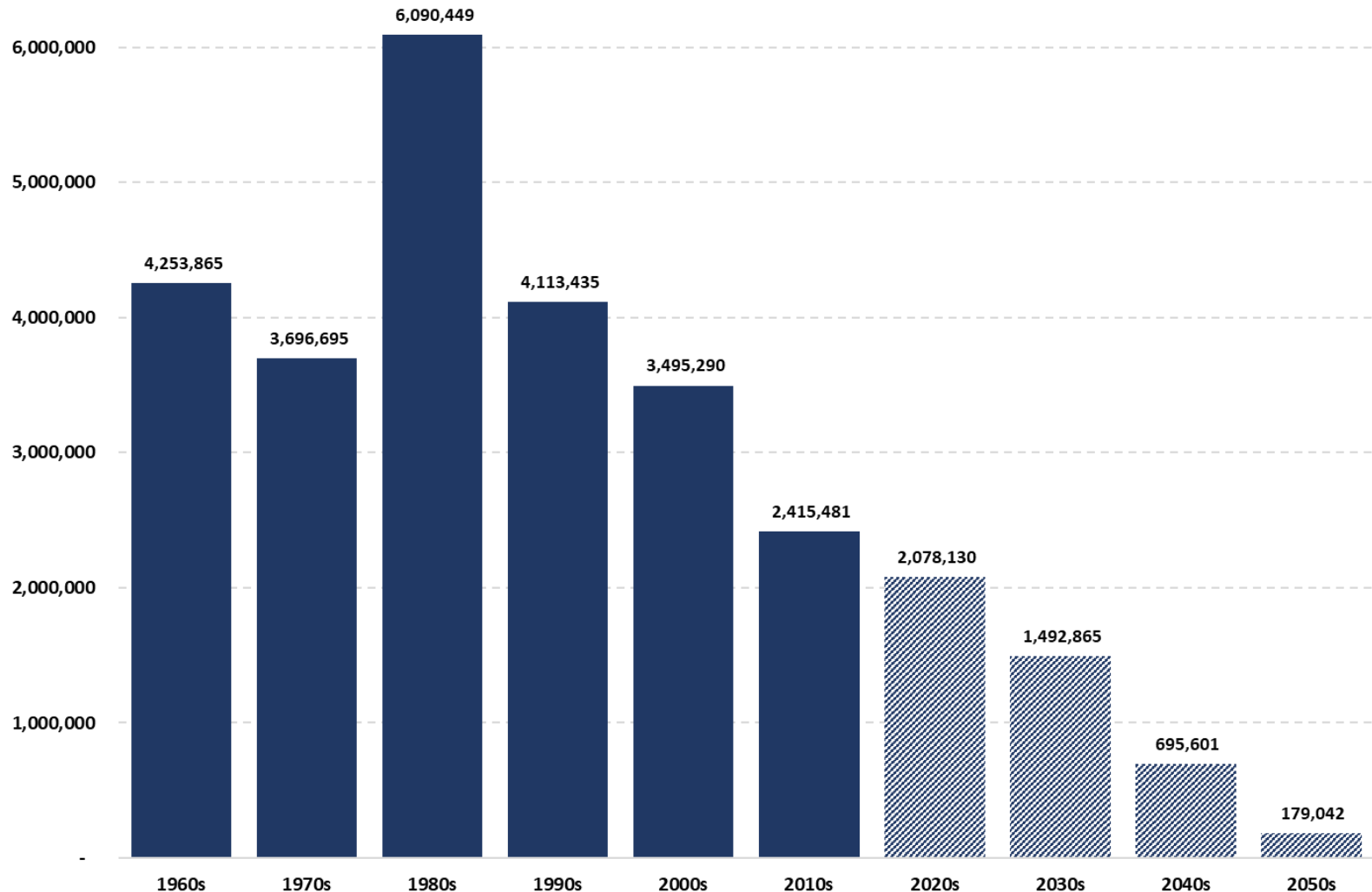
 **2.74 people per housing unit in 2020**



We had no supply OR affordability issues in 1960

California's Population Growth Is Experiencing A Historic Deceleration...

- The forecasts are very optimistic - there is no support for the 2020s growth to be 86% of the 2010s...
- Since 2019, the implied 10-year population growth rate has fluctuated from +0.4 million to **(1.8)** million



Sources:

US Census

California Department of Finance (DoF)



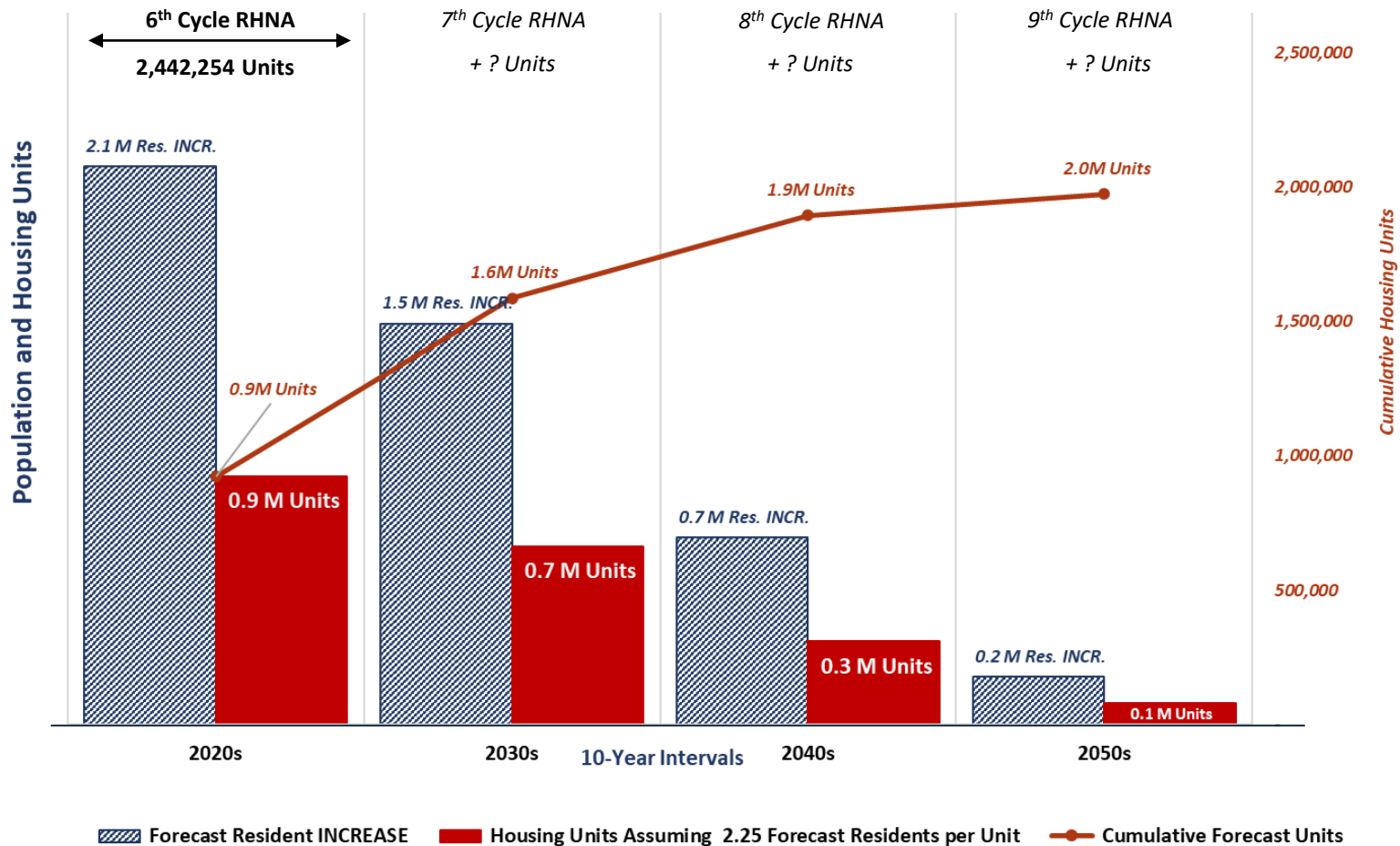
Actual (Census)



Forecast (CA DoF)

Even the highly optimistic growth scenario indicates the housing supply over the medium and long term is entirely sufficient without RHNA...

- The existing 2021 homebuilding start rate of over 117,000 units per year (1.2m per decade) suggests supply will easily meet demand



Source:
California Department of Finance.
Demographic Research Unit, July 2021

Note:
Housing units estimated at conservative 2.50 vs 2021 CA DoF estimate of 2.74

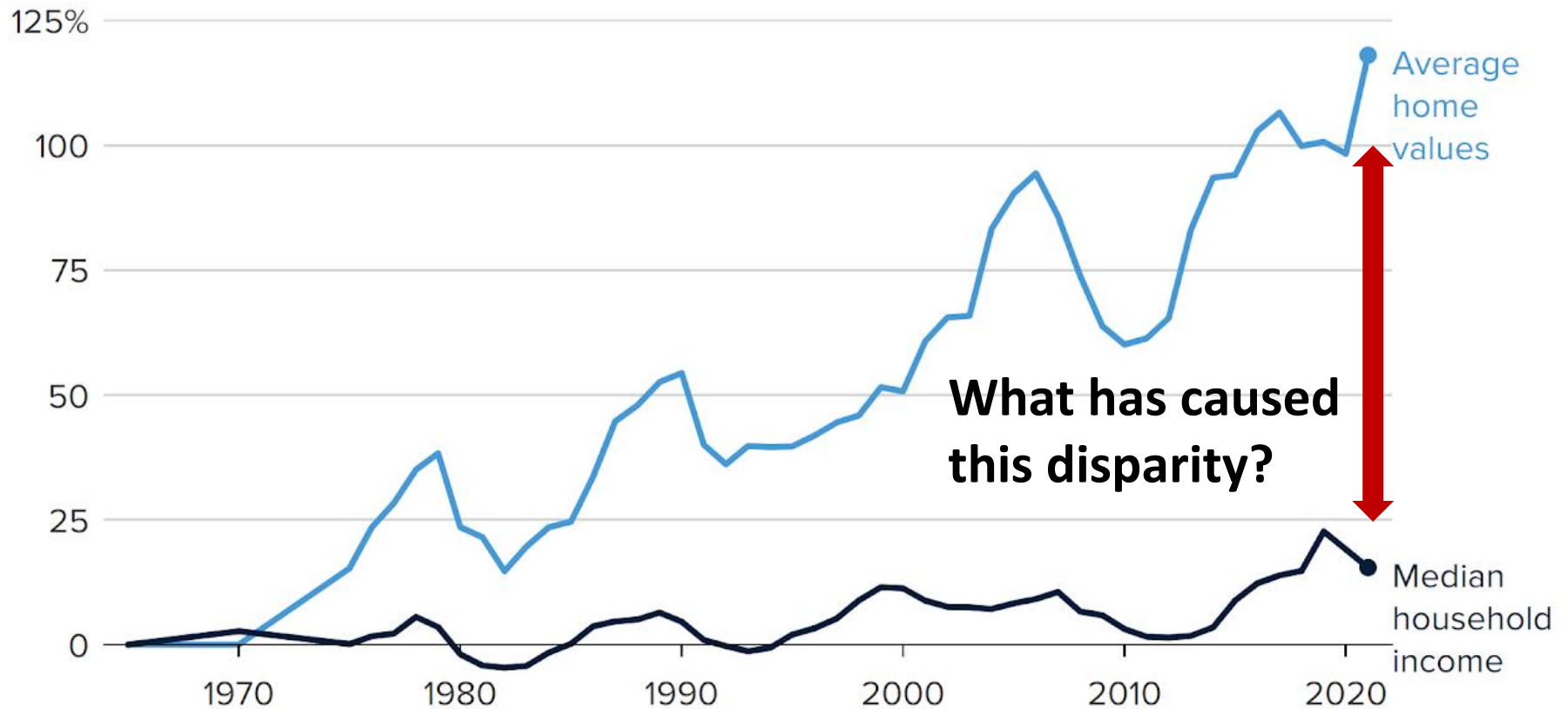


Source: KADVACORP

Housing affordability is the problem

Growth in U.S. home values outpaces that of incomes

Change since 1965



Source: Real Estate Witch analysis of U.S. Census Bureau data



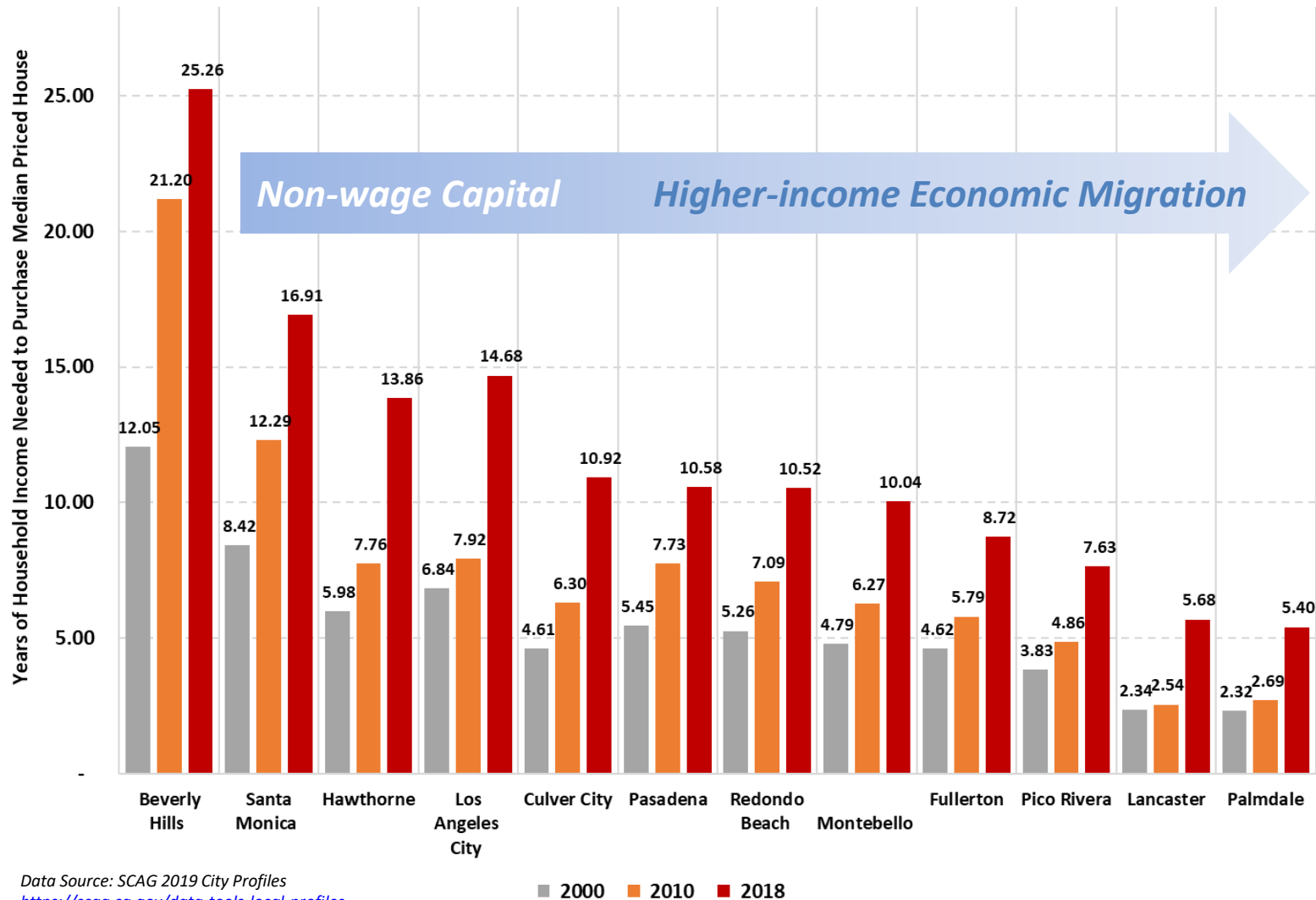
Average house-price-to-income ratio:

Recommended ratio	= 2.6
Average U.S.A. ratio today	= 5.4
Average California ratio today	= 8.7
Average Los Angeles ratio today	= 14.7

Source: Real Estate Witch House Price to Income Ratio Study, 2021
Los Angeles, 2018 SCAG

Southern California illustrates the impact across a high-demand region

- Scale of the increases is entirely out of scale of wage-based bidding
- Residential appreciation trends have rippled through the SoCal area
- Affordable locations impacted by migration from higher income residents



Non-wage capital, especially institutional and private equity, is entering the single-family market in unprecedented amounts.

California housing costs have subsequently **inflated** at such a rate that housing costs **have completely decoupled** from their historical wage-based income basis.

THIS IS NON-WAGE CAPITAL

- **Institutional investors (traded funds, pension funds)**
- **Private equity investors**
- **International Investors – entities and individuals**
- **Equity-based individual compensation in Tech and Entertainment (likely not captured in median Income measures)**

THIS IS WHY FAMILIES CANNOT AFFORD A HOME

Lennar is launching a **\$4B platform** that will buy single-family **homes to turn into rentals reducing housing stock for middle class homeowner**

California State Teachers' Retirement System formed a **\$1B joint venture to invest in the build-to-rent sector**

Institutional buyers are flooding the single family market dropping a record **\$77B on homes** in the past 6 months.

“73% of houses permitted in 2020 statewide were affordable only to high income households.”

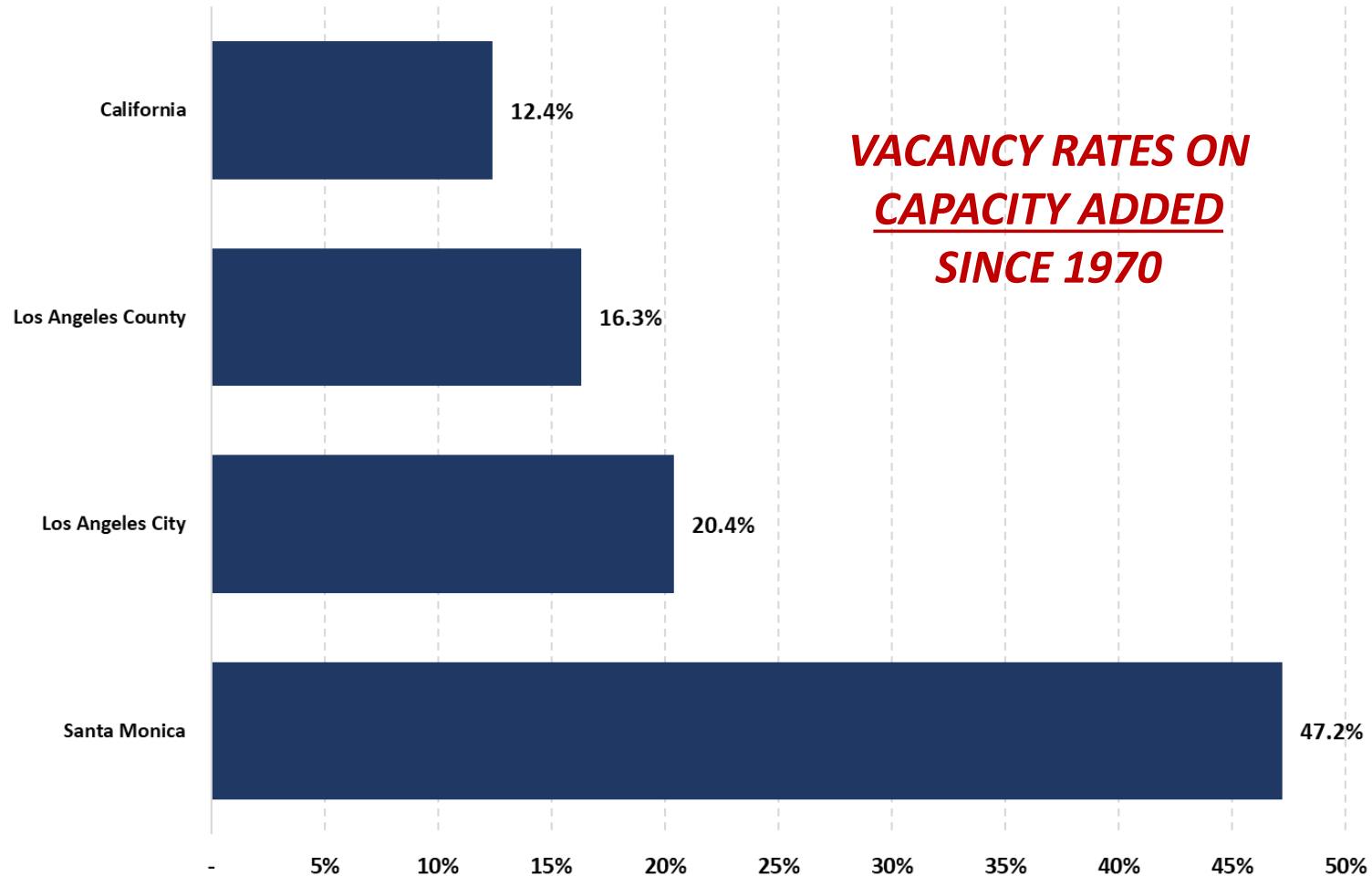
- *Report card (5th Cycle RHNA) shows how badly California is failing on affordable housing; LA Daily News 11-28-2021*

“Only 1,050 homes permitted statewide last year were considered affordable for purchase by people who live in the State’s 5.3 million low and very low-income households.”

- *Report card (5th Cycle RHNA) shows how badly California is failing on affordable housing; LA Daily News 11-28-2021*

**With housing becoming a corporate investment asset,
land value appreciation is what matters...**

INVESTORS CAN AND DO LEAVE PROPERTIES VACANT



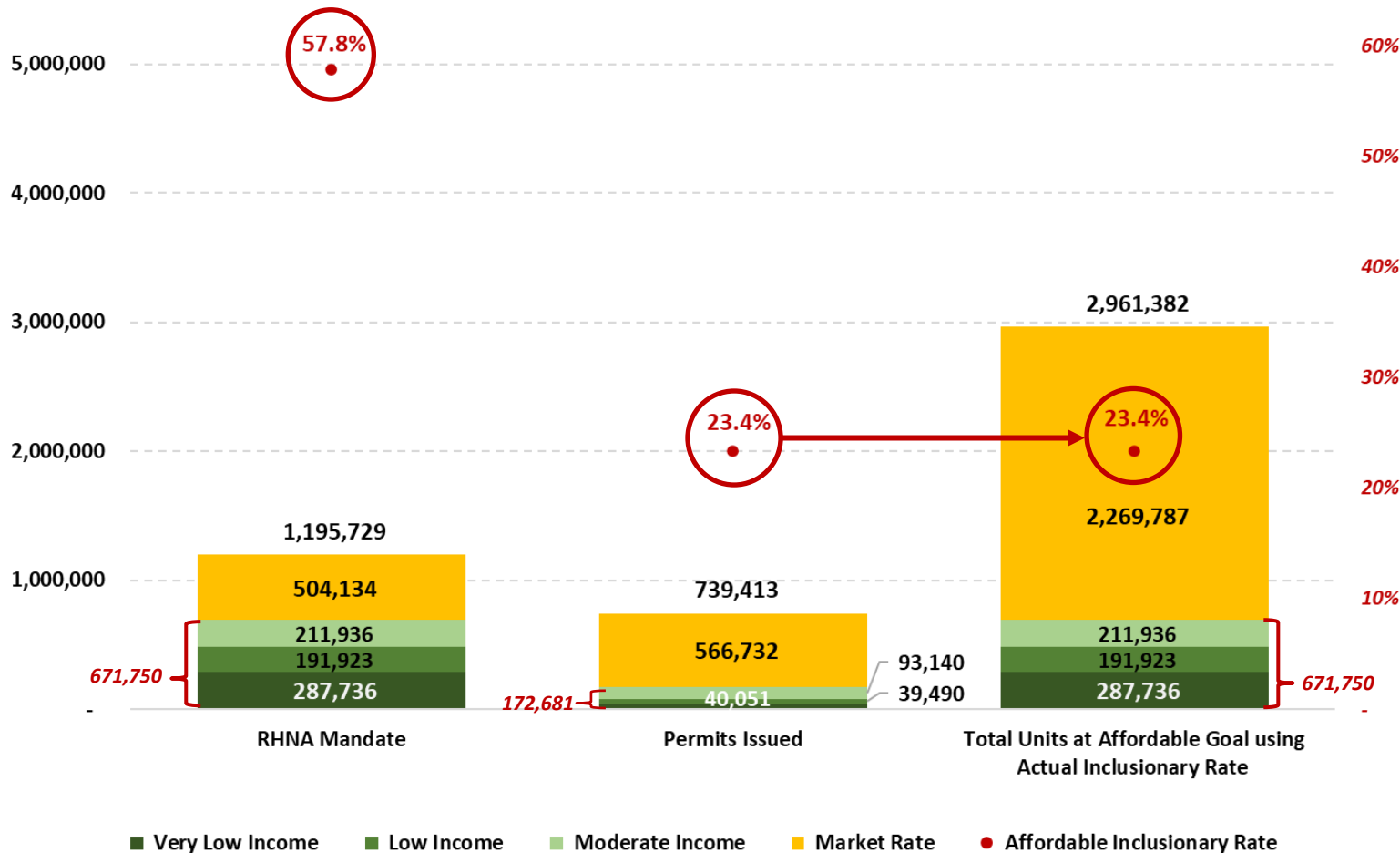
Data Source: 2020 US Census



Is RHNA Really About Providing The Needed AFFORDABLE HOUSING?

The stated 5th Cycle RHNA Mandate required a 58% Affordable unit to total unit ratio which was economically infeasible without direct subsidies.

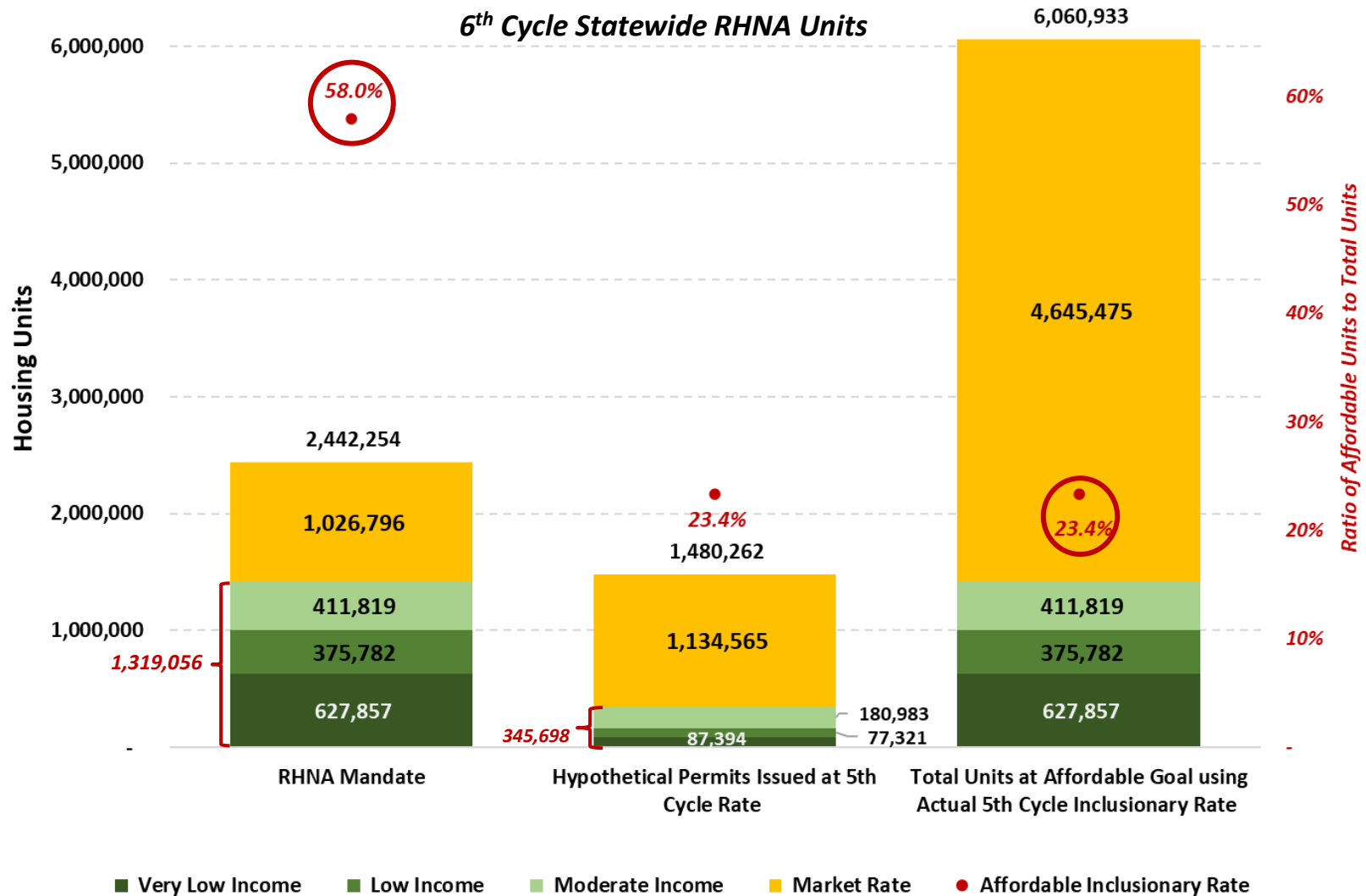
5th Cycle Statewide RHNA Units



Data Sources:
RHNA Mandate: CA HCD <https://www.hcd.ca.gov/community-development/rhna/index.shtml#6thcycle>
Permits: <https://www.dailynews.com/2021/11/28/report-card-shows-how-badly-california-is-failing-on-affordable-housing/>

Overproduction of Market Rate units in the 6th Cycle RHNA will accelerate!

- RHNA targets were DOUBLED in the 6th Cycle to coincide with the implementation of ministerial approvals and upzoning...



Data Sources:

RHNA Mandate: CA HCD <https://www.hcd.ca.gov/community-development/rhna/index.shtml#6thcycle>

RENTS ARE IMPACTED BY HOUSING PURCHASE COST ESCALATION

The Dallas Federal Reserve Bank concluded that single family home prices were a leading indicator of an area's rental prices with a two-year lag. Consequently...

Policies that increase single family housing costs (e.g., upzoning) impact renters!

Affordable housing crisis is World-wide



“Across the world, families are being outbid on homes, and tenants struggle with steep rent increases and evictions. Homelessness is now a global problem, even in countries with strong social support safety nets. Non wage capital flooding into the housing markets is driving prices higher. Seemingly logical solutions like increasing housing supply and density only exacerbate the problem.” Sharon Byrne

Countries are scrambling to legislate against corporate take-over of their housing

Profitization Pushes People Out.



- **Homelessness.** 10m estimated globally
- **Speculation:** institutional investors acquiring vast amounts of homes – Spain, UK, China, Germany, US, Canada
- **Rapidly Rising Housing costs:** S Korea, Australia, NZ, UK, Canada (400% in 20 years).
- **Displacement:** “golden visas”, apartments being taken over, tenants evicted, corporate homes left vacant, AirBNB / STR, social housing converting to market rate
- **Vacant foreign-owned homes,** while locals can't find a home



As Pandemic Evictions Rise, Spaniards Declare 'War' on Wall Street Landlords

Protesters in Barcelona are pushing back against foreign investment firms that have bought up thousands of homes over the past decade and are forcing out residents who can't pay the rent.

World Governments' Responses:

Legislation	Initiative Target	Territory
Housing As A Human Right	Housing Access	New Zealand; Spain; France; Scotland; South Africa; Canada
End blind-bidding	Affordability	Canada
Ban foreign investment in homes (2 years)	Affordability	Canada
Limiting 'golden visas' to avoid displacement	Displacement, Affordability	Portugal; UK
Expropriation of corporate-owned homes	Affordability, Supply	Barcelona; Berlin
Vacancy and second-home taxes	Supply	Barcelona; Oakland, CA
Municipal rental inventory tracking system	Supply	Santa Barbara, CA
Eviction restrictions on newly purchased buildings	Displacement, Affordability	Amsterdam
Restricting financing that fuels speculation	Affordability	China
Adaptive Reuse	Supply	Seoul, South Korea

A Bigger Vision:

CITIES FOR ADEQUATE HOUSING

Municipalist Declaration of Local Governments for the Right to Housing and the Right to the City

01

More powers to better regulate the real estate market

We demand more legal and fiscal powers to regulate the real estate market in order to fight against speculation and guarantee the social function of the city.

02

More funds to improve our public housing stocks

We demand more resources and commit increased investment to strengthen the public housing rental stock in all of our neighbourhoods.

03

More tools to co-produce public-private community-driven alternative housing

We are committed to boosting mixed residential solutions, which are neither solely government-driven nor purely based on commercial gain.

04

An urban planning that combines adequate housing with quality, inclusive and sustainable neighbourhoods

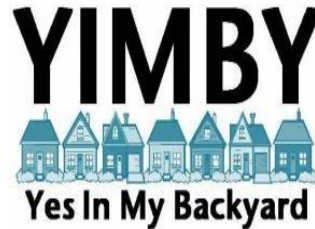
We are committed to planning mixed, compact and polycentric cities where housing benefits from a balanced context and contributes to the social, economic and environmental sustainability of the urban fabric.

05

A municipalist cooperation in residential strategies

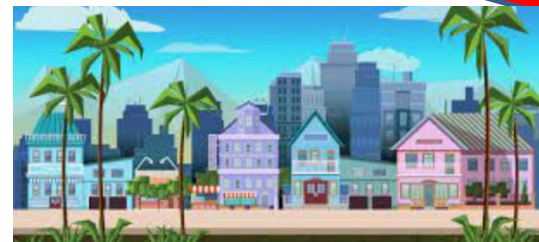
We want to enhance cooperation and solidarity within city networks that defend affordable housing and equitable, just, and inclusive cities by boosting long-term strategies on a metropolitan scale.

California Focus: Deregulate and build more (luxury)



LEGISLATION

Demonize and
override



'NIMBY' Cities, SFR Neighborhoods



CoC, Housing Justice

CA's supply-side-only strategy feeds the speculator



Build more, they'll just eat more. Net supply added will <100% of what gets built.

Speculation is the problem.

So why not give our local governments tools to deal with that?

**So, while proactive positive steps
are being taken internationally to
address the AFFORDABILITY
problem...**

**CALIFORNIA
has chosen to
ACTUALLY, MAKE IT WORSE...**

All the prior housing bills like SB35 SB9 and SB10 will not solve the affordable housing problems.

Neither will 2022 bills like these:

AB 1910: Public Golf Courses into Housing

AB 2053: Social Housing Act: California Housing Authority

AB 2097: Parking Requirements

AB 1910

Converting public golf courses and other public recreational areas into housing is inequitable and will have a negative environmental impact.



CONCEPTUALLY

AB 1910 could allow as many as 20,000 homes on this site.



Requiring only 15% open space, an insufficient amount of affordable housing and would result in a huge adverse environmental impact.



Bus Line Parking

New Dealership Cars Stored
On Publicly Owned Land

Unhoused Encampment
On Publicly Owned Land

But, public lands currently used for parking can be built upon for mixed income housing while still supplying public parking.



Another Public Parking Lot storing dealership cars.
We do not need to destroy public recreational sites for housing.

AB 2053 Social Housing Act

New State agency can take over underutilized parcels for development based on meeting over inflated RHNA numbers.

Publicly developed housing as proposed here will replicate the failures of current private developers who have to over build market-rate housing to reach an inadequate number of affordable units. We will never catch up with need.

Public housing policy needs to state the percentage of affordable units, must comply with local zoning and design guidelines in an effort to create equitably designed communities. Needs to be state funded and cannot use eminent domain of private property without very strict guidelines.

AB 2097 Parking Requirements

No parking required in residential, commercial or any other developments with ½ mile of public transit.



Transportation tied to a bus line is not equitable and limits options for education, work and social outings.



This is the future for those who can afford it.

Reducing the cost of development will not lower rents.
It only increases profits.

AB 2097 Parking Requirements

- This bill removes another tool for adding affordable housing. Reduction in parking minimums is one of the major incentives for developers to build affordable housing.
- Eliminating parking and therefore cars, tying families to phantom mass transit limiting their ability to access jobs of their choice, schools of their choice, recreational opportunities and the ability to visit friends and family is inequitable and immoral.
- First the community needs to establish a viable mass transit system and/or supply community parking with free shuttle service.

California should pursue and incentivize building affordable, equitable, mixed income housing projects on underutilized commercial corridors, repurposing of big box retail and adaptive reuse of office buildings. This would result in a significant amount of housing where infrastructure already exists to handle development.



We support policies that incentivize the development of equitable, affordable housing

- 1.) **Policies** that do not allow speculators/investors from outbidding working families for housing.
- 2.) **Policies** that do not eliminate parking requirements that hurt working class families by tying them to phantom mass transit limiting their ability to access jobs of their choice, schools of their choice and ability to visit family.
- 3.) **Policies** that correct RHNA methodology so that the overbuilding of market rate housing stops and the focus shifts to adding more affordable housing.
- 4.) **Policies** that address vacancy rates created by speculative investments and reduce the available housing supply.

5.) **Policies** that protect open space, trees, permeable surfaces and public recreational areas.

6.) **Policies** that mandate affordable housing requirements on all residential developments including single family zones.

7.) **Policies** that protect older, more affordable residential stock in single family and multi-family housing.

8.) **Policies** that develop opportunities for first time buyers to enter the housing market.

9.) **Policies** that reinstate redevelopment funding for cities to fund affordable housing.



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