

HOW HOUSING LAWS SABOTAGE AFFORDABLE UNIT PRODUCTION

And how to calculate the damage

THIS PRESENTATION SHOWS:

- ▶ RHNA doesn't creating affordable housing; it's a "market rate machine," as described by Marc Verville
- ▶ How to easily calculate the bloating of your town's RHNA with 20% and 10% inclusionary units
- ▶ How you can explain the problems to others using real world examples

RHNA: Regional Housing Needs Assessment

Numbers given to every locality in the state – showing the amount of housing they must plan for and see built over an 8 year cycle

Cities are penalized if they don't comply, rezone, and approve projects. All RHNA at link below:

<https://www.hcd.ca.gov/sites/default/files/2022-06/annualprogressreport.xlsx>

Here's the RHNA chart for Marin County.
Find yours on your city's housing element.

Jurisdiction	VERY LOW INCOME (<50% of Area Median Income)	LOW INCOME (50-80% of Area Median Income)	MODERATE INCOME (80-120% of Area Median Income)	ABOVE MODERATE INCOME (>120% of Area Median Income)	TOTAL
MARIN COUNTY					
Belvedere	49	28	23	60	160
Corte Madera	213	123	108	281	725
Fairfax	149	86	71	184	490
Larkspur	291	168	145	375	979
Mill Valley	262	151	126	326	865
Novato	570	328	332	860	2,090
Ross	34	20	16	41	111
San Anselmo	253	145	121	314	833
San Rafael	857	492	521	1,350	3,220
Sausalito	200	115	114	295	724
Tiburon	193	110	93	243	639
Unincorporated Marin	1,100	634	512	1,323	3,569

There are 4 categories of housing by income type

VERY LOW INCOME (<50% of Area Median Income)	LOW INCOME (50-80% of Area Median Income)	MODERATE INCOME (80-120% of Area Median Income)	ABOVE MODERATE INCOME (>120% of Area Median Income)
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- ▶ We are going to focus on the first three:
 - ▶ Combined they're also called **BMR** and **affordable**. I'm going to use "affordable" in this presentation.
- ▶ The fourth category: Above Moderate income
 - ▶ also called **AM**, **Market Rate**, and **luxury housing**. I'm going to use "market rate" in this presentation.

If RHNA was about creating low income housing, it wouldn't demand that 40% gets built as luxury housing



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Who builds low income units? The private market is expected to build most of them

- ▶ Affordable (below market rate) units aren't as profitable to rent or sell, but they cost the same to build as luxury housing
- ▶ For-profit developers don't want to build them
- ▶ Cities are desperate to get these built and offer bonuses and concessions as sweeteners

Common incentives cities offer, most by law:

- ▶ Ministerial review — expedited approvals
- ▶ Waiving of design review, CEQA, citizen input
- ▶ Impact fee waivers, reductions, and postponements
- ▶ Waiver of local height restrictions
- ▶ Waiver of setbacks; build to the sidewalk
- ▶ Require little to zero onsite parking
- ▶ Density bonuses required by law

Questions

What are inclusionary units?

- ▶ Inclusionary units are the percentage of below-market-rate — affordable — units a developer has to add to a project in exchange for incentives
- ▶ Developers choose from a menu of incentives based on the percentage and type of affordable units they include

Inclusionary percentages usually range from 25% (high) to 5%

- ▶ **This is where the problems start; the inclusionary percentage sabotages attempts to create below market rate units — affordable units —to satisfy RHNA**

RHNA is divided roughly like this:

30 % very low income units

15 % low income units

15 % moderate income units

40 % above moderate income units

But that's not the way they get built;
developers only add the minimum affordable
units to get the bonuses they want

Yes, this is totally confusing

- ▶ There is a disconnect between the fixed RHNA and the outcome in the real world
- ▶ Constraints to housing production are eliminated by laws taking away local control, and replaced with incentives and concessions cities are required to offer
- ▶ The desperation of cities to comply has forced them to negotiate with developers
- ▶ Cities are dropping affordability requirements because they're frowned upon as a constraint to housing production
- ▶ That's how the inclusionary percentages got so low. That's what we're going to talk about.

Questions?

If you only had a RHNA of 100, 60 affordable units would be built in. When using a 20% inclusionary rate: For every 80 market rate units, add 20 affordable column until you reach the 60 required by the RHNA

▶ Market	Affordable	Total Built
▶ 80	20	100
▶ 160	40	200
▶ 240	<u>60</u>	300

Instead of the 100 RHNA units, you've got to build **300** just to yield the 60 affordable units

▶ Market	Affordable	Total Built
▶ 80	20	100
▶ 160	40	200
▶ 240	<u>60</u>	300

At 20% inclusionary rate you end up with

240 market rate units and only **60 affordable units**.

▶ $240 \text{ market rate} + 60 \text{ BMR} = 300$ $20\% \text{ of } 300 = 60$

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern, layered effect on the right side of the slide.

Questions?

It gets much worse at 10%, which is the inclusionary percentage used in many projects

If you only had a RHNA of 100, 60 affordable units would be built in. When using a 10% inclusionary rate: For every 90 market rate units, add 10 affordable until you reach the 60 required in the RHNA

▶ Market	Affordable	Total Built
▶ 90	10	100
▶ 180	20	200
▶ 270	30	300
▶ 360	40	400
▶ 450	50	500
▶ 540	<u>60</u>	600

You started out needing 100 total, and now you're at 600

▶ Market	Affordable	Total Built
▶ 90	10	100
▶ 180	20	200
▶ 270	30	300
▶ 360	40	400
▶ 450	50	500
▶ 540	<u>60</u>	600

At 10% inclusionary rate:

540 market rate units and **60** affordable units.

540 market rate + 60 affordable = 600. 10% of 600 = 60

Questions

The real RHNA is not a simple 100. The RHNA assigned to cities is huge — enough to grow your housing by about 15%.

The numbers are crushing and most projects are approved with about 10% inclusionary units, so that's what we'll use

AN ACTUAL CITY EXAMPLE:

- ▶ San Rafael's total RHNA: **3,220 units**
- ▶ **Market Rate 1,350 units** (40% of total RHNA)
- ▶ **Affordable 1,870 units** (60% of total RHNA)
(moderate 521 + low 492 + very low 857)

With big numbers, adding 10 affordable for every 90 market rate *really* changes things

AM	BMR	Total Built
90	10	100
180	20	200
270	30	300
360	40	400
450	50	500
Skip to		
900	100	1,000
990	110	1,100
1080	120	1,200
1170	130	1,300
1260	140	1,400
<u>1350</u>	150	1,500

Etcetera...

When you've gotten to
your market rate target of 1350,
You've only got 150 affordable!

You need 1,870

- ▶ The numbers keep going until San Rafael has a whopping **18,700** units
- ▶ **16,830** market rate just to satisfy the **1,870** affordable units for RHNA

At 10% inclusionary units,
San Rafael's RHNA EXPLODES!

How does that affect San Rafael?

- ▶ Current population: 60,000
- ▶ 18,700 new dwelling could add 45,000 people (about 2.5 per unit)
- ▶ The population could go from 60,000 to 105,000 in eight years, with less than 2,000 affordable units added

THINK ABOUT THIS HAPPENING IN
EVERY CITY IN THE STATE.

Impossible

Questions?

Figure out the impact of RHNA on your city:

- ▶ Add up your very low, low, and moderate units
- ▶ Make a running total chart as a visual aid
- ▶ At 20%: For every 80 market rate add 20 affordable and keep going until you hit your total affordable RHNA requirement
- ▶ At 10%: For every 90 market rate add 10 affordable and keep going until you hit your total affordable RHNA requirement

ACTUAL APPROVED PROJECT

San Rafael at Fourth and D streets



162 apartments, 13 affordable

City concessions

- ▶ Ministerial (automatic) approval, no public or planning input relevant, no CEQA
- ▶ 7-8 stories in 1-2 story neighborhood, no setbacks
- ▶ 179 on-site parking spaces for over 250 tenants
- ▶ 8,900-square-foot commercial space added
- ▶ Density bonus: 162 units on a 0.88 acre lot (32.5% density bonus by law)

What does the city get after those concessions? Besides a monster building, increased traffic and a big parking headache?

► **13 affordable units**

Think of it this way:

San Rafael needs **1,870** affordable units for RHNA

This project created **13** of them

It would take 144 more projects like this to get to 1,870

1,870 divided by 13 = 144 13 units x 144 projects = 1,870

Cities are set up to fail

- ▶ Developers don't care about the RHNA chart, they make decisions based on their bottom line
- ▶ If developers don't add the right type and number of affordable units, the city still needs more or it will be out of compliance

You can now calculate the damage to your city and describe it in 2 ways:

1. Huge increase in units to yield affordable RHNA — the combination of very low, low, and moderate units — at a 10% inclusionary rate
2. Use the imagery of:
“how many more projects like it”

How to show the huge increase in units to yield affordable RHNA – the combination of very low, low, and moderate units – at a 10% inclusionary rate

- Find your RHNA chart.
- Add up the three below market rate categories
- Calculate the increase in total units using 10% and 20% (pages 12 and 15)
- Show the long table with units added until affordable RHNA is reached
- How many people live in your city now?
- How many more would be added?
- (use about 2.5 people per unit)

Questions?

USE THE IMAGERY OF “HOW MANY MORE LIKE IT”

Pick a large, local project that was approved against community pushback

How many affordable units were included?

Divide your city's affordable RHNA by the number of affordable units included in your chosen project

That's how many more projects like it that your city would need to yield the combined affordable RHNA units

USE THIS INFORMATION

Your local government and community need to know that they'll fail RHNA no matter how hard they try.

The inclusionary process swamps our towns with luxury units while creating a fraction of the affordable housing needed.

Use emails, Next Door, letters to the editor, phone calls, Facebook, conversations, whatever you can to get the word out.