

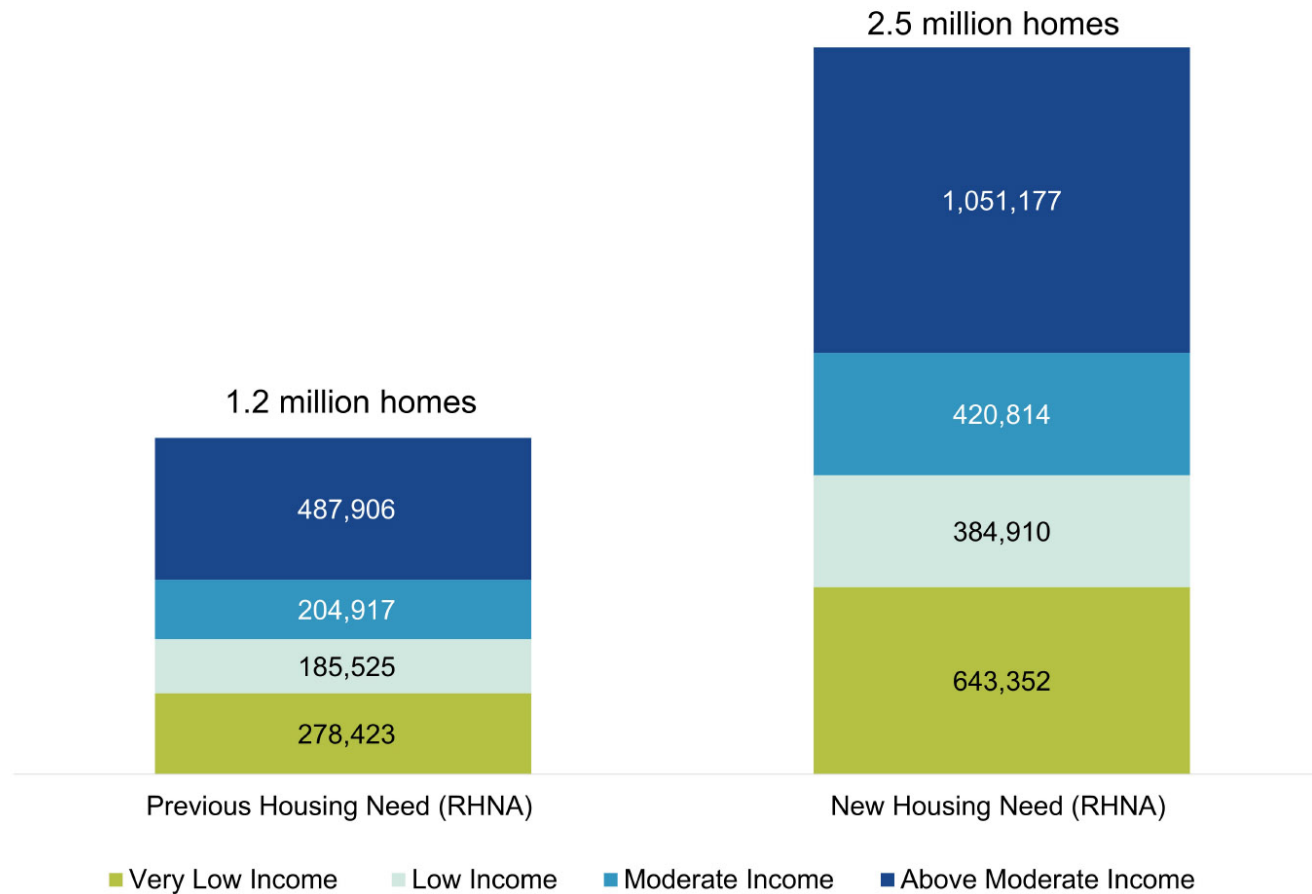
A home for Every Californian 2022 Statewide Housing Plan

- The California Dept. of Housing and Community Development (HCD) has issued its 2022 Statewide Housing Plan.
- The expensive internet interface and all the pretty photos hide an ugly underlying reality. HCD's 8-year Regional Housing Needs Assessment (RHNA) is a scam. The numbers are so absurd that no serious analyst could take them seriously them.
- The RHNA goals have been politicized to please Governor Newsom, who has staked his political future on solving the California's housing affordability problem, a problem his predecessor, Jerry Brown, felt the state could not solve.

California has never met the RNHA affordable housing goals

- Due to the lack of subsidies, especially since the demise of redevelopment funding in the Great Recession, the state does not have the funds needed to fulfill the RNHA affordable housing goals.
- The 6th cycle RNHA goal is one million new affordable housing units in the next eight years. At a cost of \$750,000 each, the total bill would be \$750 billion. Even with wildly optimistic assumptions, this cost cannot be reduced enough to be realistic.
- Due to the interaction of RNHA with density bonus law, the state is actually moving in the wrong direction, reducing the percentage of affordable housing being built.

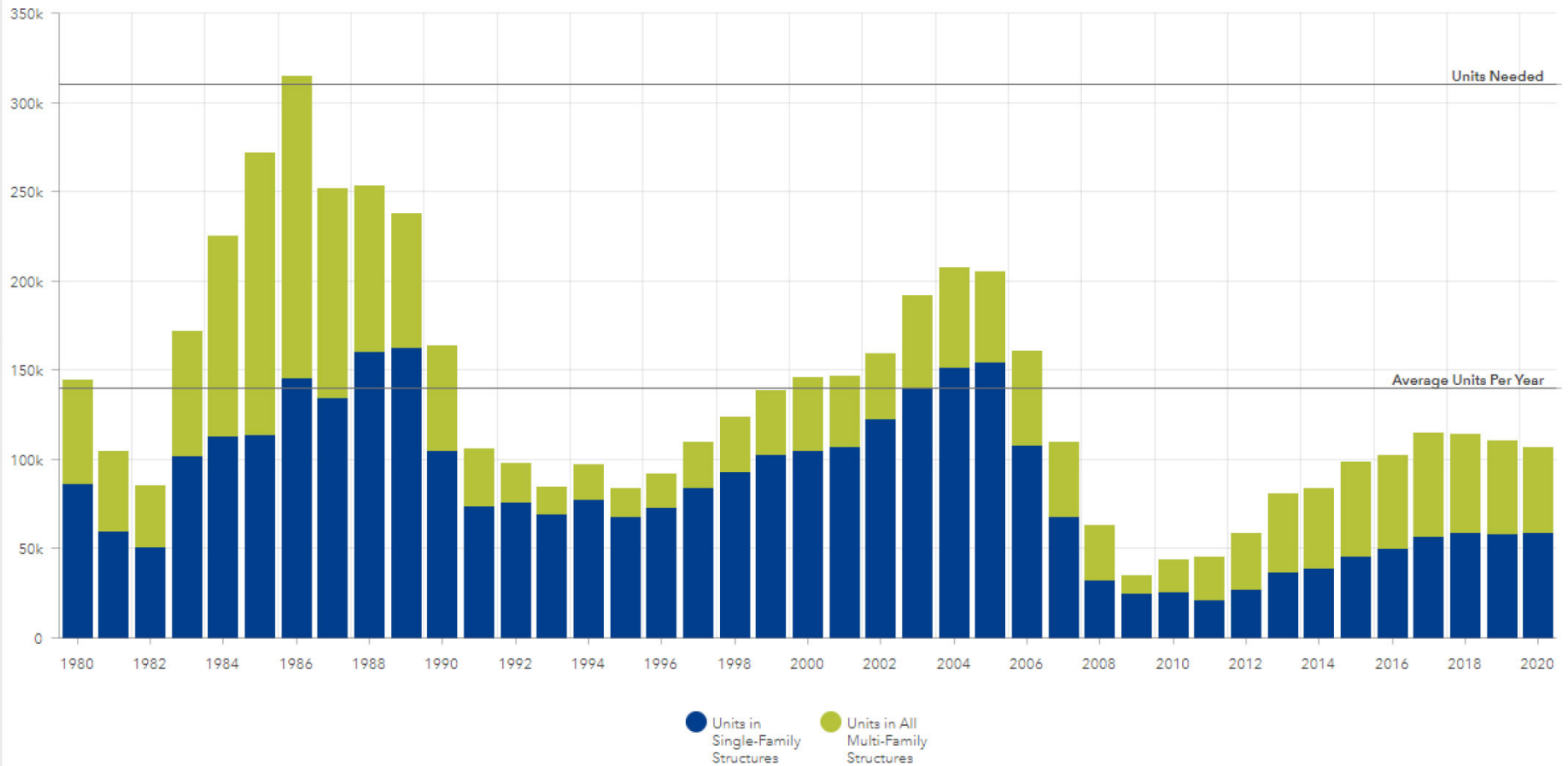
Comparison of Previous and New Housing Need (RHNA) Goals



California can't build 2.5 million housing units in the next eight years.

- The RHNA goals call for 2.5 million housing units to be built in the eight-year 6th RHNA cycle. That would require the building of 312,500 units annually for eight years. This level of building has only occurred in one year since 1980, in 1986.
- After the Great Recession of 2008, the housing market collapsed, and along with it the building industry and its workforce.
- Currently California produces a little more than 100,000 housing units annually. It is not possible to quickly triple production and hold it at that level for eight years.

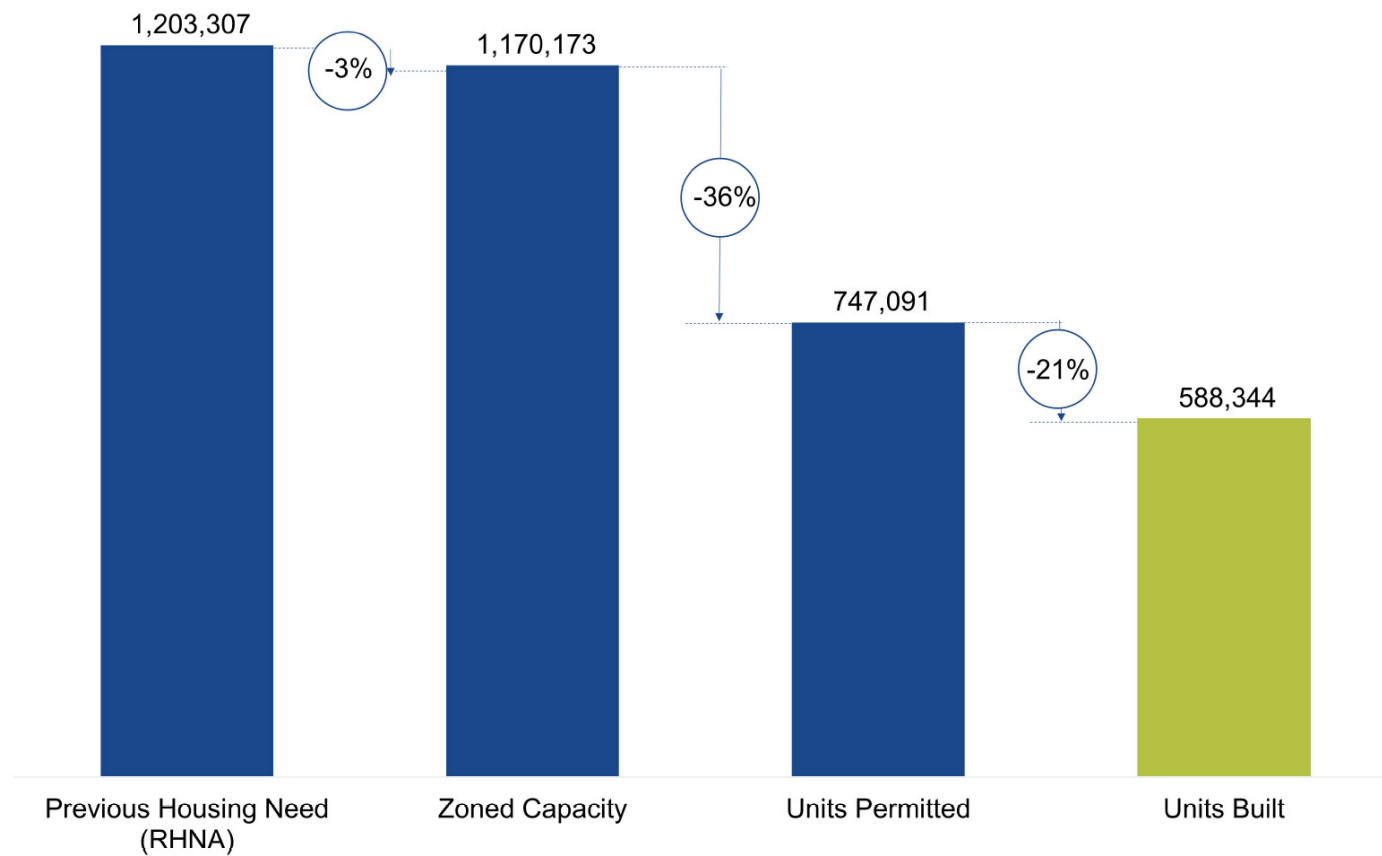
New Permitted Units in California by Year and Structure Type



We live in a market economy, not a command economy

- In the 5th RHNA cycle the cities did their job and zoned for almost all of the housing goals. But was developers who failed to pull permits, and even when they did, failed to build. Developers face many constraints beyond the control of cities.
- In a decentralized economy property owners can't be forced to sell, and developers can't be forced to build if it is not profitable. There is no gun cities can hold property owners' and developers' heads to force them to build.
- HCD now says that the RHNA goals are an eight-year production plan, not just a planning process. This is similar to the five-year plans of the old Soviet Union. But that was a command economy where the state owned the means of production. We live in a market economy.

Progress Towards Previous Housing Need Goal



More than just being a high number or an aspirational goal, the new housing need (RHNA) target is a legal obligation that cities and counties must abide by. The state helps cities and counties meet this goal through a combination of funding for housing planning and implementation activities, education, and technical assistance. While education and technical assistance is always the first step in the state's accountability efforts, the state holds jurisdictions accountable for their housing obligations and compliance with state housing laws.

Through the implementation of a number of meaningful accountability reforms passed by the Legislature and signed by the Governor in recent years, California's 2.5 million unit target is no longer a paper exercise – it's an expectation for the zoning, permitting, and construction of real, new housing units.

Where do we go from here?

- Abandon the RNHA process. It's a waste of time and money, and always has been. RHNA was not designed to provide production targets. Pam Lee's RHNA lawsuit could help speed its demise. Cities have very little to lose.
- Stop trying to tinker with our capitalist market economy. The hundreds of housing bills the legislature has passed will not deflect the course of our housing markets. The private sector is not capable of solving our affordable housing problems.
- If the public wants affordable housing for those who need it, the public sector needs to figure out a cost-effective way to provide it. There are lots of good options out there, we need to explore them.