



March 15, 2021

Mayor Rose Espinoza
La Habra City Council
110 East La Habra Boulevard
La Habra, CA 90631

Re: Item 1. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LA HABRA APPROVING ZONE CHANGE 20-03 AMENDING TITLE 18 ("ZONING") OF THE LA HABRA MUNICIPAL CODE (LHMC) BY ADDING CHAPTER 18.82 ("INCLUSIONARY HOUSING UNITS").

Dear Mayor Espinoza and Honorable Council Members:

On behalf of a coalition of business and property rights organizations, we respectfully oppose item number 1, the proposal to consider zone change 20-03 amending title 18 ("zoning") of the La Habra Municipal Code by adding chapter 18.82, Inclusionary Zoning.

Housing remains a critical issue in California with the situation growing more serious with each passing day. Studies show that the State needs over 180,000 new units each year and at best we are producing 80,000. This has caused a cascading spike in home prices across the region.

With this ever-growing deficit, we need to have an honest conversation about Inclusionary Zoning Policies. In total, such policies restrain housing production, increase ownership costs and further complicate attainability for the majority of the region.

In a study by Benjamin Powell, Ph.D. and Edward Stringham, Ph.D., titled, *Housing Supply and Affordability: Do Affordable Housing Mandates Work?*, the authors discovered that in the 45 cities where data was available, new housing production drastically decreased by an average of 31% within one year of adopting inclusionary housing policies. Additionally, the study suggests

that inclusionary housing policies can increase new housing costs by \$22,000 to \$44,000, with higher priced markets increasing by \$100,000.¹

Supporting these conclusions is a recent report from the Legislative Analyst's Office titled *Perspectives on Helping Low-Income Californians Afford Housing*. In this report, it states that “attempting to address the state’s affordability challenges primarily through expansion of government programs likely would be impractical.” Further, that “extending housing assistance to low-income Californians who currently do not receive it – either through subsidies for affordable units or housing vouchers – would require an annual funding commitment in the low tens of billions of dollars. As such, it finds that “many housing programs – vouchers, rent control, and inclusionary housing – attempt to make housing more affordable without increasing the overall supply of housing. This approach does very little to address the underlying cause of California’s high housing costs: a housing shortage.”

To make matters worse, the entire globe has been thrust into the middle of a pandemic. Residents around the Country, especially in California, are being asked to self-quarantine and by extension, limit their access to work. The economic impact of this pandemic will take years to fully comprehend.

We must also address several concerning aspects of this proposed policy that are detailed in the staff report. First, it needs to be clear that approving an inclusionary zoning policy does not help or have an effect on the State mandated Regional Housing Needs Assessment (RHNA) requirements, as cities are only required to zone and plan for the assigned units.

Furthermore, the proposed in-lieu fee is unclear. There is only an example of what the fee could cost and what the fee could be based on at a certain time in the future. Uncertainty can be devastating for a business. However, if we use the example supplied by staff, the inclusionary zoning fee could be upwards of \$20 per square foot for a 40-unit town home project with an average unit size of 1500 square feet. It’s important to note that just recently the City of Santa Ana voted to reduce their Inclusionary Zoning fee by 66% because not one building permit was pulled since they increased the fee in 2015. Their fee was \$15 dollars per square foot.

We ask that the city continue to work with the business and development community on real solutions to add much needed market rate, attainable and affordable housing to the County. Blanket, city-wide regulations can only act as a hindrance, as development proposals vary from lot to lot, and are driven by the market. It’s stated in the staff report that the City uses a variety of tools to add affordable housing, such as Specific Plans, Planned Unit Developments (PUDs), and Development Agreements. We encourage the City to continue these flexible options that ensure both market rate and affordable units move forward. The Building Industry builds and helps fund the majority of affordable housing, but this is only possible through solutions that make sense for both government agencies and the private sector.

Thank you for your thoughtful consideration.

¹ Powell, Benjamin, Ph.D. and Stringham, Edward, Ph.D. Housing Supply and Affordability: Do Affordable Housing Mandates Work? Reason Public Policy Institute. April 2004.

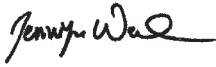
Respectfully,



Steven LaMotte
Chapter Executive Officer
BIA/OC



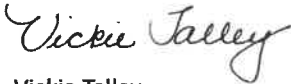
Victor Cao
Vice President of Public Affairs
California Apartment Association



Jennifer Ward
Senior Vice President of
Advocacy and Government Affairs
Orange County Business Council



Carolyn Cavecche
President & CEO
Orange County
Taxpayers Association



Vickie Talley
Executive Director
Manufactured Housing Educational Trust