

# Economic Analysis of Future Housing Needs in the City of Long Beach-Phase I

Prepared for: Downtown Development Corporation

January 15, 2018



**BEACON**ECONOMICS

## Purpose of Study

## Executive Summary

### Part 1: Long Beach Housing Needs

- 1.1 Housing Crisis in Long Beach
- 1.2 Current Regulatory Constraints
- 1.3 2040 Housing Needs
  - 1.3.1 City Staff Estimate
  - 1.3.2 Beacon Economics Projection

### Part 2: Challenges and Opportunities

- 2.1 Proposed LUE
- 2.2 Proposed Policy Solutions
- 2.3 Housing Legislation

# Purpose of Study

- Like many cities in Southern California, Long Beach must periodically establish and update its goals for housing.
  - The City is currently in the process of updating its Land Use Element
  - City staff have estimated that it must build 28,000 units by 2040 to meet its future housing needs
- The purpose of this study is to
  - Evaluate the City's housing needs estimate
  - Develop independent projections of the City's future housing requirements based on various scenarios
- Conduct a policy analysis of the City's proposed Land Use Element and other related housing policy proposals that have been put forth by the City

# Executive Summary

# Executive Summary

- City of Long Beach 2040 housing needs estimate is static
  - RHNA 2014-2021
  - Overcrowding estimate based on 2010 Census
- Beacon Economics derived 2040 outlook based on two scenarios:
  - Baseline: follows recent demographic trends
  - Alternative: follows trend in resident employment
  - Augment scenarios with overcrowding estimates

# City Estimate Comparable to Status Quo, Short of Trend Implied by Employment Growth

- 2014-2021 RHNA number for Long Beach roughly approximates incremental housing requirement based on current population trend
- City of Long Beach overcrowding number is roughly unchanged from 2010 and 2016
  - City of Long Beach based on 2010 Census: 21,476 units
  - Beacon based on 2016 ACS: 19,841 units
- 2040 Projections show that City estimate is close to status quo but falls short of housing requirements as implied by employment growth:
  - City of Long Beach: 194,523
  - Population Trend: 192,455
  - Employment Trend: 241,248
- Employment trend trajectory implies much greater housing requirement for resident workers than population-based trend
- If population-based trend is pursued, will constrain potential job and economic growth in City economy

# Land Use Comparison: Long Beach v Oakland

- Both cities built out.
  - Core cities in larger regions that grew rapidly in the 20<sup>th</sup> Century, with little or now open space, only infill available
- Similar populations (2016 Census)
  - Long Beach: 470,130 persons, 160,769 households
  - Oakland: 420,005 persons, 158,084 households
- Similar housing tenure
  - Long Beach: 62.3% of households are renters
  - Oakland: 61.7% of households are renters
- Slightly higher percentage of overcrowded households in Long Beach (12.3%) than in Oakland (10.2%)

# If These Places Were the Size of Long Beach...

	Long Beach	San Diego	Oakland
% of Total Land Dedicated for Residential Use	39.3%	47.9%	43.0%
% of Total Land for SF Residential	29.4%	38.7%	30.1%
Percent of Land zoned for MF zoned for High/High Medium Density MF (56+ units/acre)	0.02%	6.17%	12.05%
Percent of Land for Low Density MF (2,000 sf land/unit or less)	6.05%	4.72%	5.98%

- Compared to Oakland and San Diego:
  - Long Beach has much smaller percentage of land zoned for high or high medium density
  - Long Beach has slightly higher percentage of land zoned for low density multi-family



# Policy Analysis

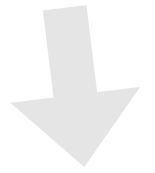
Beacon Economics evaluated the policies contained in the proposed Land Use Element (LUE), with evaluation was organized along the lines of the LUE's 4 broad strategies:

1. Plan and Prioritize
  2. Protect and Preserve
  3. Produce and Promote
  4. Other Policy Recommendations
- Please see body of report for analysis

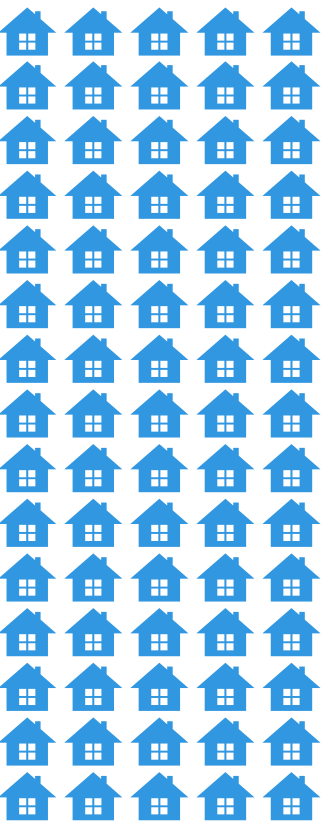
# Policy Analysis Assessment

- One must account for the feedback loops that result from the LUE deliberations process
- Downzoning that has occurred as the City has moved through its LUE deliberations has meant that
  - Fewer parcels may fall under policies such as inclusionary
  - But the burden on the remaining parcels will be greater as a result
- More generally, the entire sequence of decision making from planning to permitting to building successively reduces the the number of parcels that may be developed, and in turn, the number of housing units that may be delivered to meet the needs of the City's residents.

Population Changes  
Economic Growth



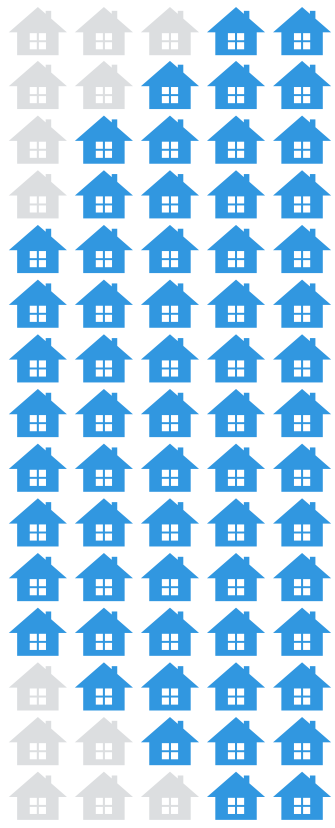
Housing Needs



Beacon Economics

Inadequate Capacity  
Local Revenue Generating  
Overly Restrictive  
Development Standards

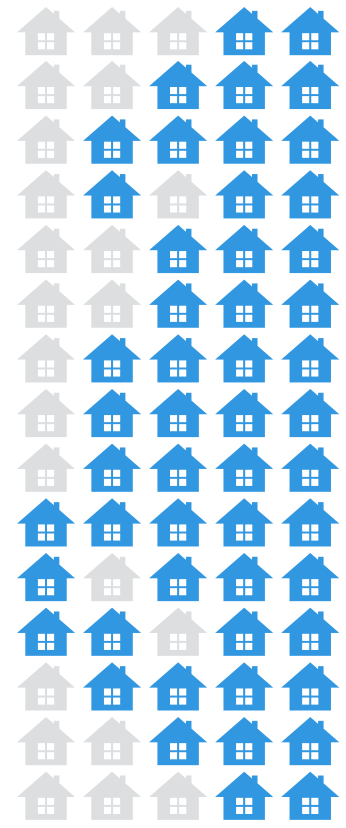
Planning



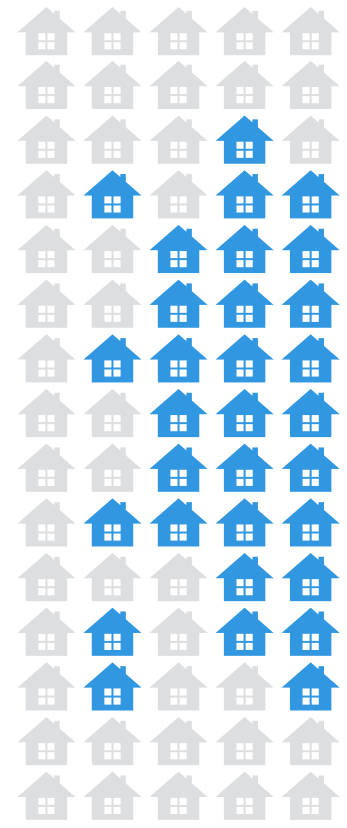
DRAFT – Economic Analysis of Future Housing Needs in the City of Long Beach Phase 1

Lengthy & Uncertain  
High Fees  
CEQA  
Community Opposition

Zoning

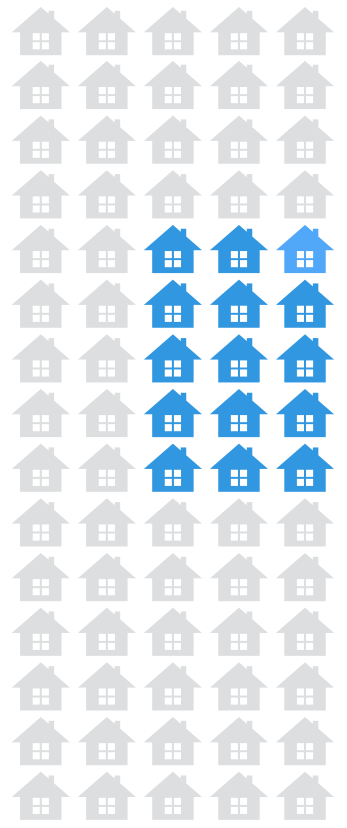


Permitting



The Market  
Development Costs  
Availability of Financing

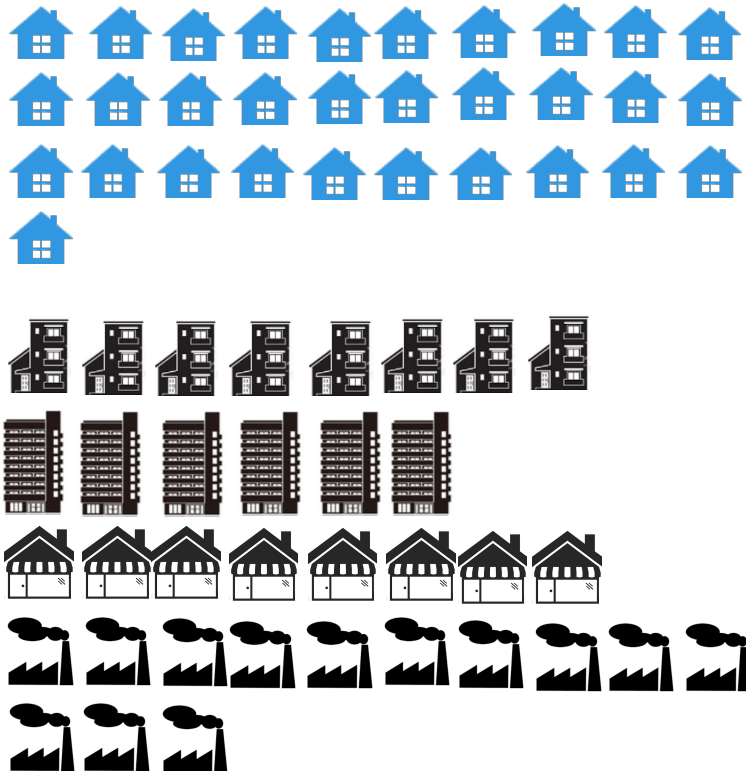
Building



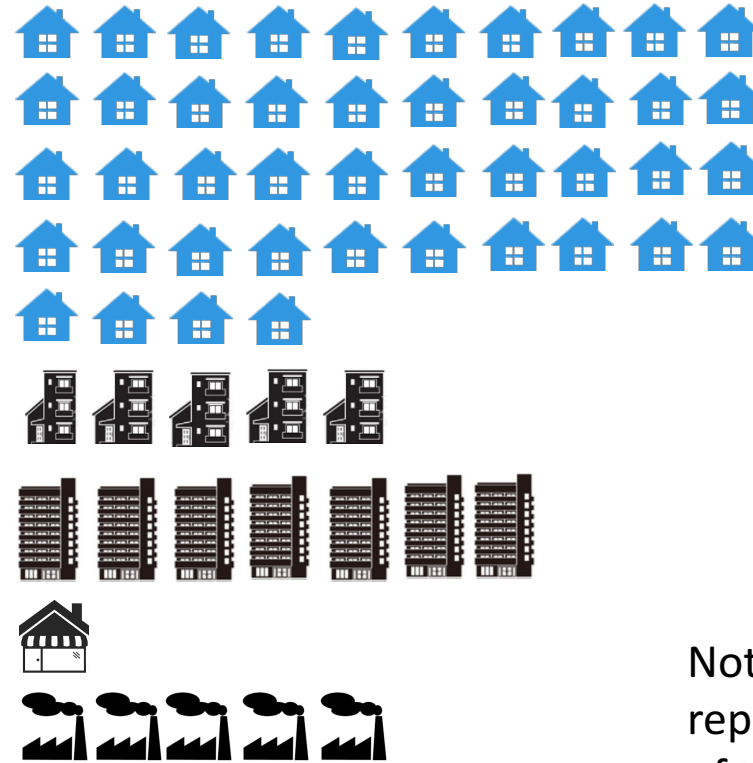
- The newest proposed changes to the LUE based on the January 2018 updates conflict with goals originally outlined in the Revised Land Use Element: Citywide Goals, Strategies, and Policies (Nov 2017 – Exhibit H).
  - Despite more land area proposed to be rezoned for residential uses, single-family homes will take more than a lion's share of the added land area.
  - Furthermore, the increase in residential land use areas will come at the expense of drastically reduced land areas for commercial and industrial spaces.
- Specific conflicts:
  - **Goal No. 1: Implement Sustainable Planning and Development Practices.**
    - Promote compact development and higher density development along transit corridors
  - **Goal No. 5: Diversify Housing Opportunities**
    - Long Beach will offer an increasingly diverse housing stock. Policies and practices will continue to promote and expand affordable housing options by accommodating a range of housing types and by providing opportunity for an increased supply of housing through focused density throughout the City.

# The Result: A Continuing Housing Crisis


Existing Land Use



January 2018 Proposed Land Use




Note: 1 unit represents 1 percent of total land area.

 Single-family Residential

 Low Density Multi-family Residential

 Moderate Density Multi-family Residential

 Commercial

 Industrial & Neo-Industrial

# 1.1 Housing Situation in Long Beach

# 1.1 Current Housing Situation in Long Beach

- Long Beach Housing Market is marked by
  - Declining vacancy rates
  - Relatively slow growth in housing stock
  - Increases in home prices and rents
  - Relatively high levels of overcrowding
- Current conditions
  - Escalate the cost of housing
  - Deter young workers and families from moving to the city
  - Constrain economic growth

# Falling Housing Vacancy Rate Despite Slower Population Growth Compared to LA County

Vacancy Rate: Long Beach vs. LA County

Year	LA County	Long Beach
2010	5.9%	7.1%
2011	5.9%	7.0%
2012	5.8%	6.5%
2013	5.7%	6.0%
2014	5.7%	5.9%
2015	5.7%	5.8%
2016	5.7%	5.8%
2017	5.7%	5.8%

Household Population Growth: Long Beach vs. LA County

Year	LA County	LB
2011	0.6%	0.6%
2012	0.8%	1.1%
2013	0.6%	1.0%
2014	0.7%	0.5%
2015	0.6%	0.4%
2016	0.3%	0.1%
2017	0.6%	0.1%
<b>2010-2017 Growth</b>	<b>4.3%</b>	<b>3.8%</b>

- From 2010 to 2017, housing vacancy rate in Long Beach has dropped from 7.1% to 5.8%, whereas that of LA County stayed about the same during the same period.
- This is despite household population growth in Long Beach lagging behind that of LA County.

Source: Department of Finance Population Estimates



# Falling Housing Vacancy Rate in Long Beach

Vacancy Rate					
	US	CA	NY (State)	LA County	Long Beach
2010	13.1%	9.3%	11.2%	7.0%	9.1%
2016	12.4%	7.9%	12.4%	6.1%	4.6%
Housing Units (in thousands)					
	US	CA	NY (State)	LA County	Long Beach
2010	131,791.1	13,683.0	8,108.2	3,444.9	174.2
2016	135,702.8	14,061.4	8,232.0	3,520.8	168.6
Change	3,911,710	378,399	123,828	75,941	-5,648
% Change	3.0%	2.8%	1.5%	2.2%	-3.2%

- The story is even worse if ACS data used instead of DOF data
- From 2010 to 2016, housing vacancy rate in Long Beach dropped by half from 9.1% to 4.6%.
  - While Los Angeles County has also experienced falling vacancy rate, the drop is more modest in comparison.
  - Furthermore, **Long Beach has actually lost housing units** while LA County's has increased modestly.

Source: American Community Survey 1-Year Estimates

# Falling Housing Vacancy Rate in Long Beach

Number of Households (in thousands)					
	US	CA	NY (State)	LA County	Long Beach
2010	114,567.4	12,406.5	7,196.4	3,202.4	158.4
2016	118,860.1	12,944.2	7,209.1	3,305.6	160.8
Change	4,292.6	537.7	12.6	103.2	2.4
% Change	3.7%	4.3%	0.2%	3.2%	1.5%
$\Delta$ Units/ $\Delta$ HH	0.911	0.704	9.807	0.736	<b>-2.370</b>

- At minimum, for every new household, 1 housing unit should be added.
  - Both LA County and California fell short, having added just 0.7 housing unit per one new household.
  - In Long Beach, however, for every new household, **2.37 housing units were lost.**

Source: American Community Survey 1-Year Estimates

# Comparative Over-Crowdedness

Between cities with similar household populations, Long Beach had considerably more overcrowded households

- The problem is especially acute among renter households.
- Among overcrowded HHs, 46.2% (5.70/12.34) are severely overcrowded in Long Beach, more than the comparable cities.

City	Sacramento	Fresno	Long Beach	Oakland
Year	2016	2016	2016	2016
No. of Households (HHs)	183,212	166,288	160,769	158,084
Owner HHs Overcrowded	2,498	4,098	3,226	3,151
Owner HHs Severely Overcrowded	623	744	1,210	708
Renter HHs Overcrowded	6,861	10,145	16,615	13,011
Renter HHs Severely Overcrowded	2,193	1,770	7,949	6,691
Total HHs Overcrowded	9,359	14,243	<b>19,841</b>	16,162
% HHs Overcrowded	5.11	8.57	<b>12.34</b>	10.22
% HHs Severely Overcrowded	1.54	1.51	<b>5.70</b>	4.68
% Owner HHs Overcrowded	1.36	2.46	2.01	1.99
% Renter HHs Overcrowded	3.74	6.10	<b>10.33</b>	8.23

Source: American Community Survey

# Comparative Over-Crowdedness

Compared to cities near Long Beach:

- Long Beach still erred on the high side in terms of overall over-crowdedness
- Although Long Beach had a lower percentage of overcrowded HHs than Bellflower, it had the highest percentage of severely overcrowded HHs.

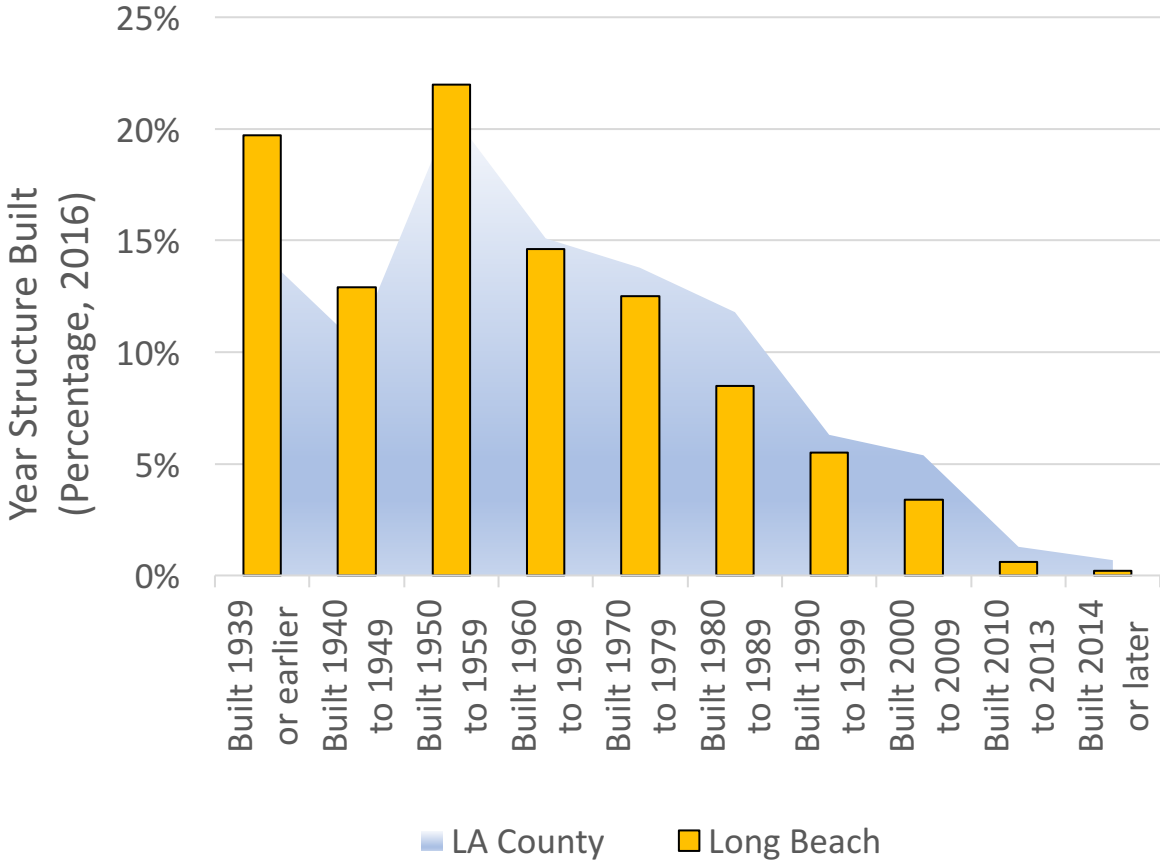
City	Long Beach	Inglewood	Downey	Lakewood	Bellflower
Year	2016	2016	2016	2016	2016
No. of HHs	160,769	38,724	32,646	24,806	23,038
Total HHs Overcrowded	19,841	4,023	3,891	1,880	3,518
% HHs Overcrowded	12.34	10.39	11.92	7.58	15.27
% HHs Severely Overcrowded	5.70	4.56	2.65	1.40	3.40
% Owner HHs Overcrowded	2.01	3.47	3.41	3.42	5.64
% Renter HHs Overcrowded	10.33	6.92	8.51	4.16	9.63

Source: American Community Survey

# New Housing Units Addition Lagging Behind

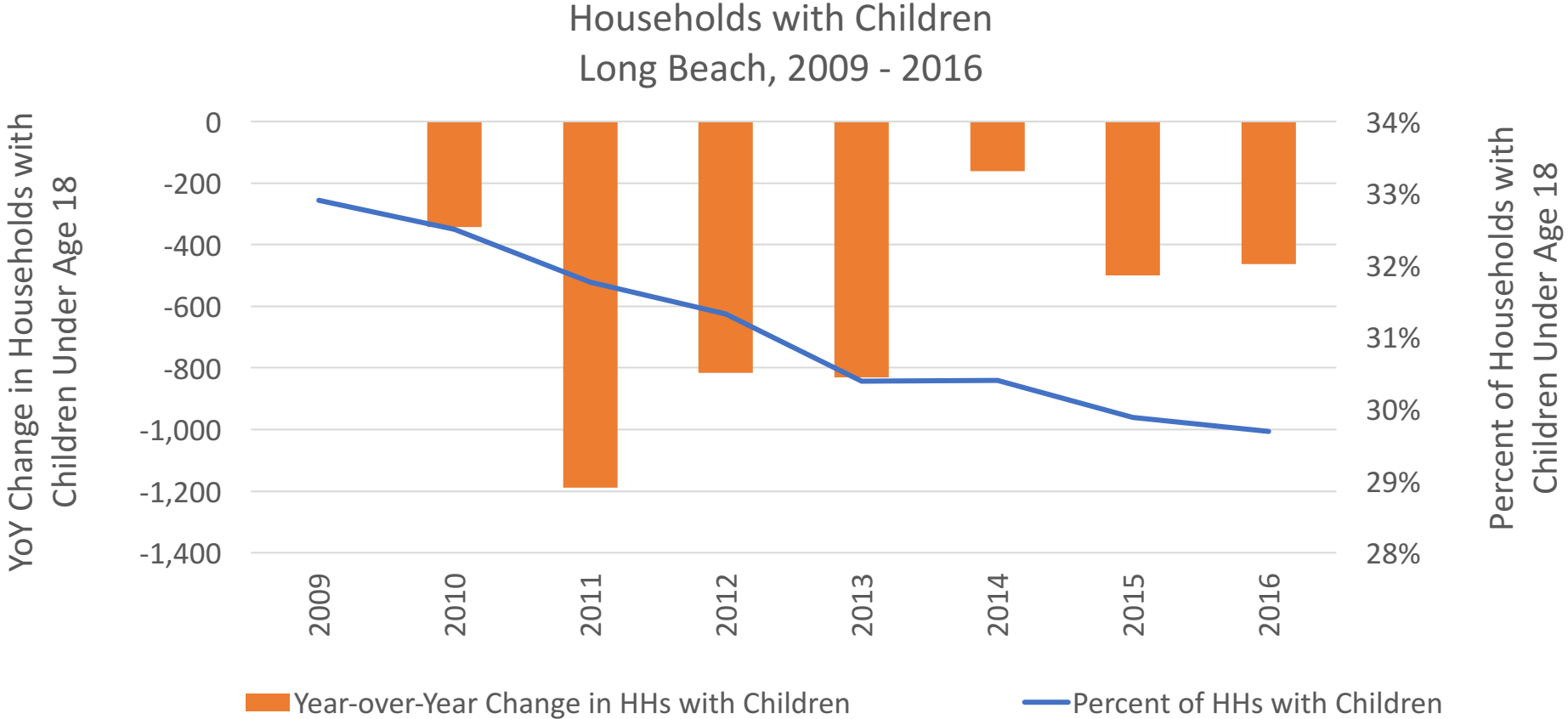
Year Built	LA County	Long Beach
Built Before 1960	45.5%	54.6%
Built 2000 or Later	7.4%	4.2%
Built 2010 or Later	2.0%	0.8%

Long Beach has a substantially higher percentage of older housing stock but a much smaller percentage of newer housing stock compared to Los Angeles County.



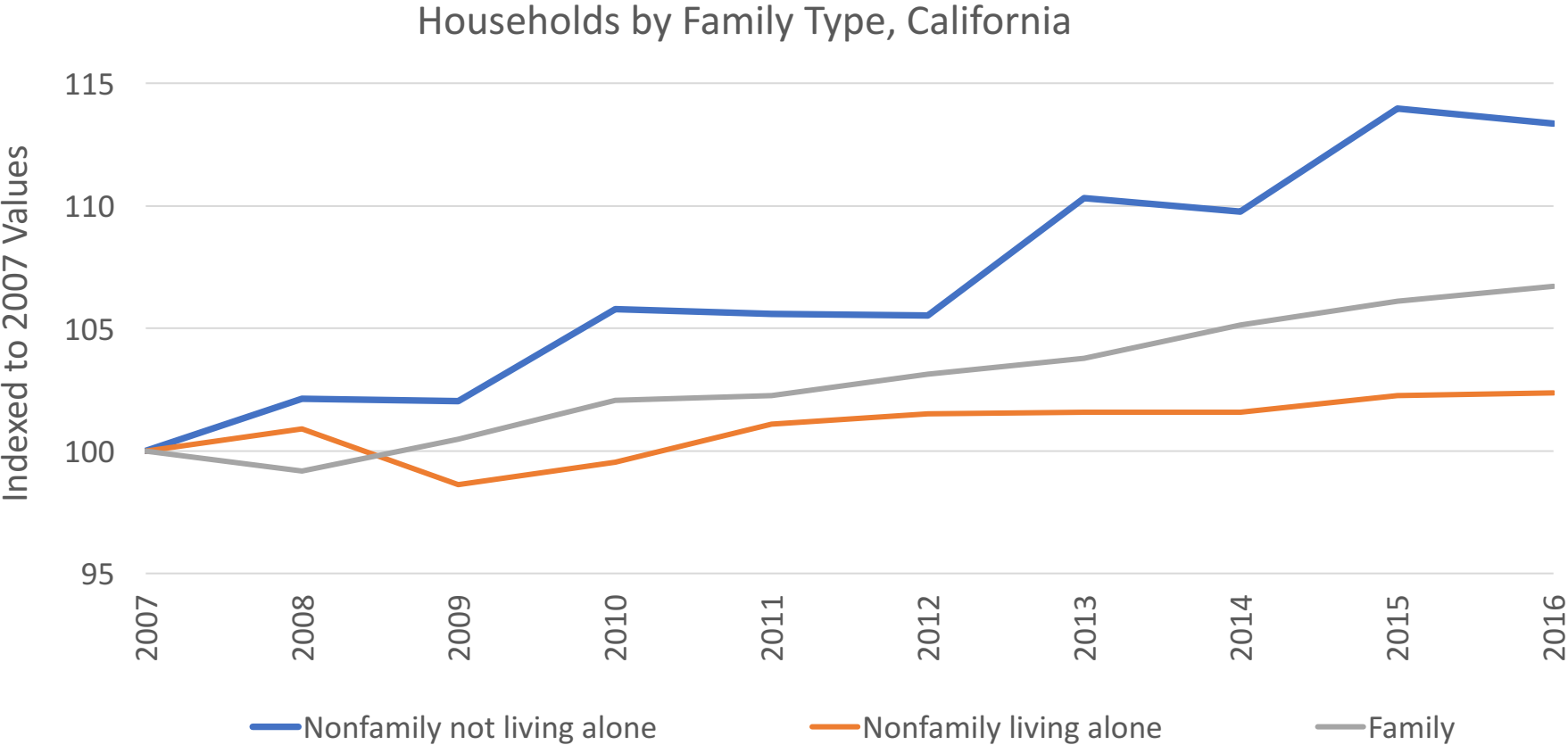
Source: American Community Survey

# Lack of Housing Driving (Young) Families Away



Source: American Community Survey  
 Note: 5-year estimates used.

# The Share of Nonfamily Households Increasing



Source: U.S. Census ACS PUMS

# 1.2 Current Regulatory Constraints

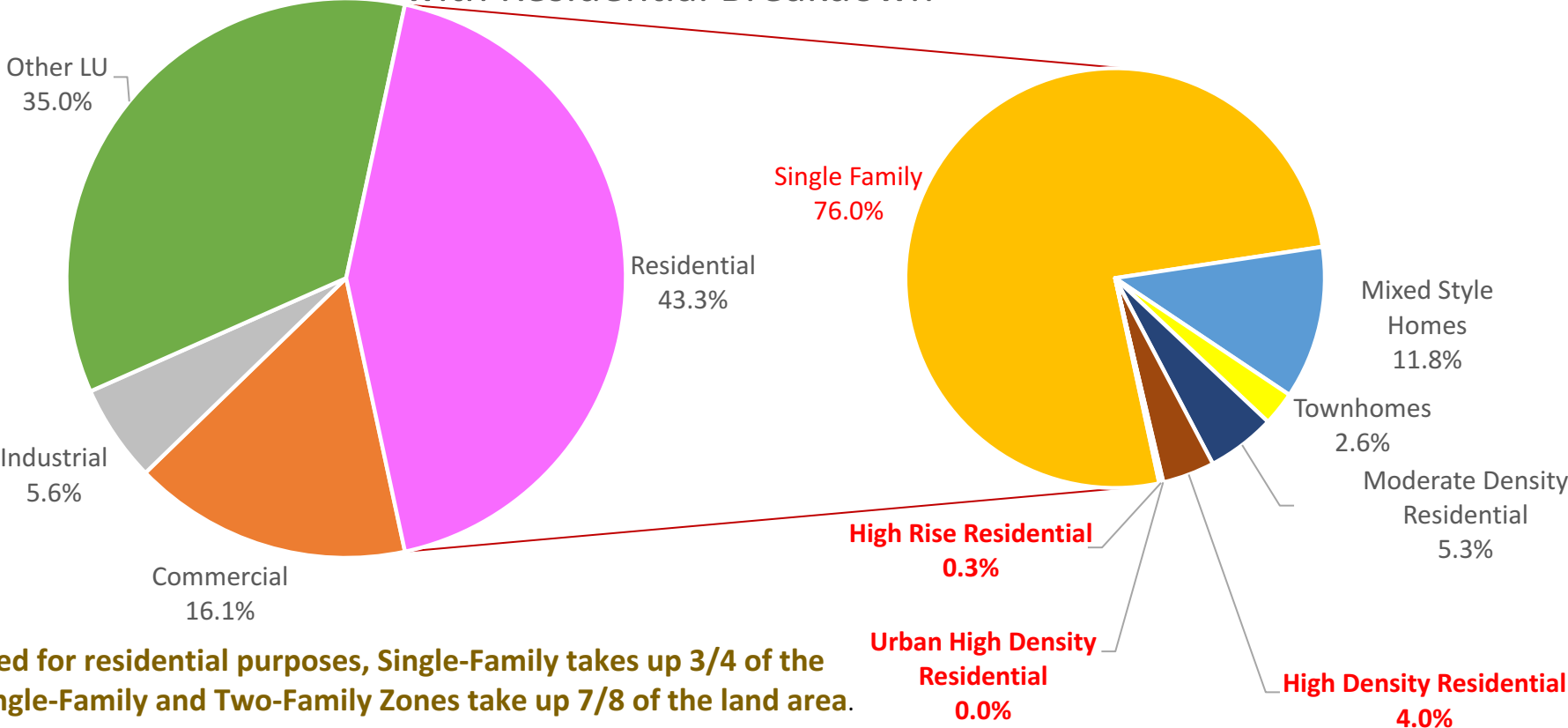


# Comparing Long Beach v Oakland

- Both cities built out.
  - Core cities in larger regions that grew rapidly in the 20<sup>th</sup> Century, with little or now open space, only infill available
- Similar populations (2016 Census)
  - Long Beach: 470,130 persons, 160,769 households
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- Similar housing tenure
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  - Oakland: 61.7% of households are renters
- Slightly higher percentage of overcrowded households in Long Beach (12.3%) than in Oakland (10.2%)

# Long Beach's Land Use Policy (1989 LUE)

Land Area Percentage by Land Use (LU), Long Beach with Residential Breakdown



Of the areas zoned for residential purposes, Single-Family takes up 3/4 of the land area and Single-Family and Two-Family Zones take up 7/8 of the land area.

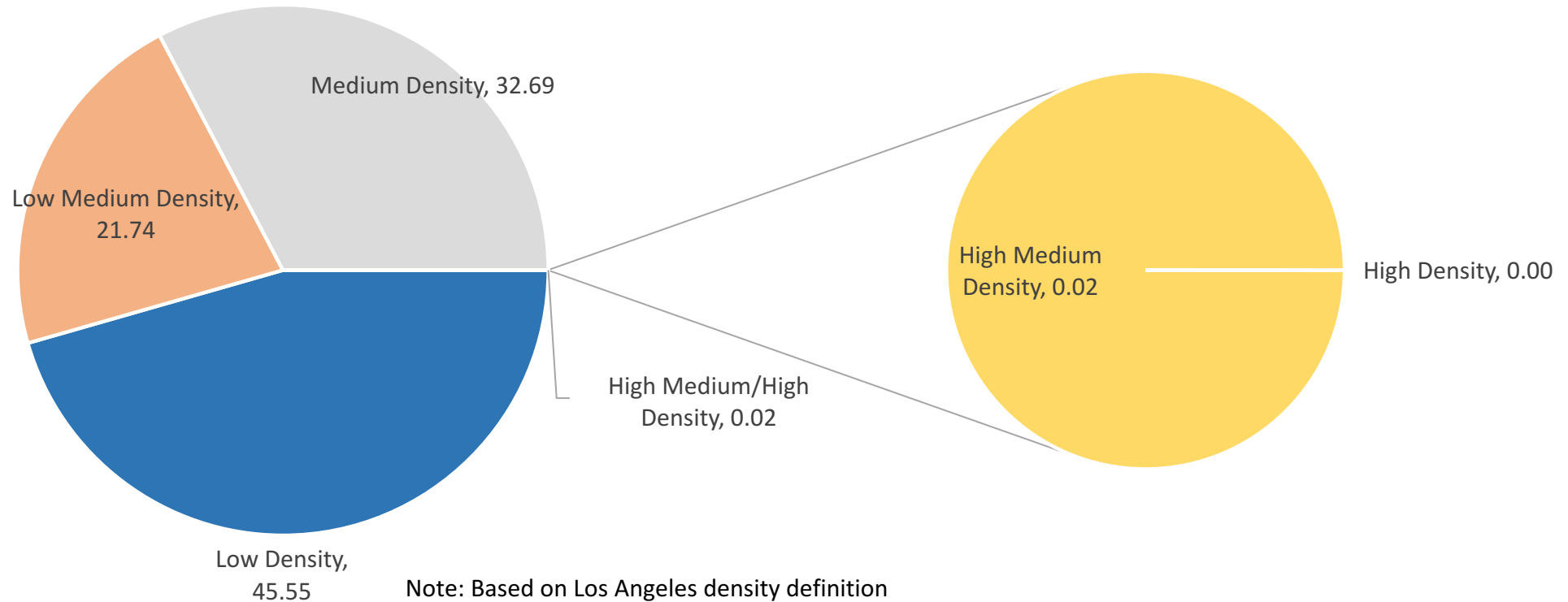
Despite the continuous housing short fall, less than 2% of the land area is zoned for high density or high rise residential (Land Use codes 400, 500, and 600).

# “High Density Residential” is a Misnomer

- The City of Long Beach defines Land Use District No. 4 as “high density residential” – or 44 dwelling units per acre (DUA) maximum.
- The same 44 DUA would be considered as:
  - Los Angeles: Medium density (30 – 55 DUA)
  - Oakland: Low to Mid Rise (39 – 54 DUA)
- Therefore, excluding the 4.0% of residential zoned for “high density” residential, only 0.3% of residential land (Urban High Density Residential + High-Rise Residential) is truly high density.
- In the following comparisons, zoning requirements for Long Beach and Oakland will be normalized according to the City of Los Angeles’ definition of multi-family density, which is more detailed.

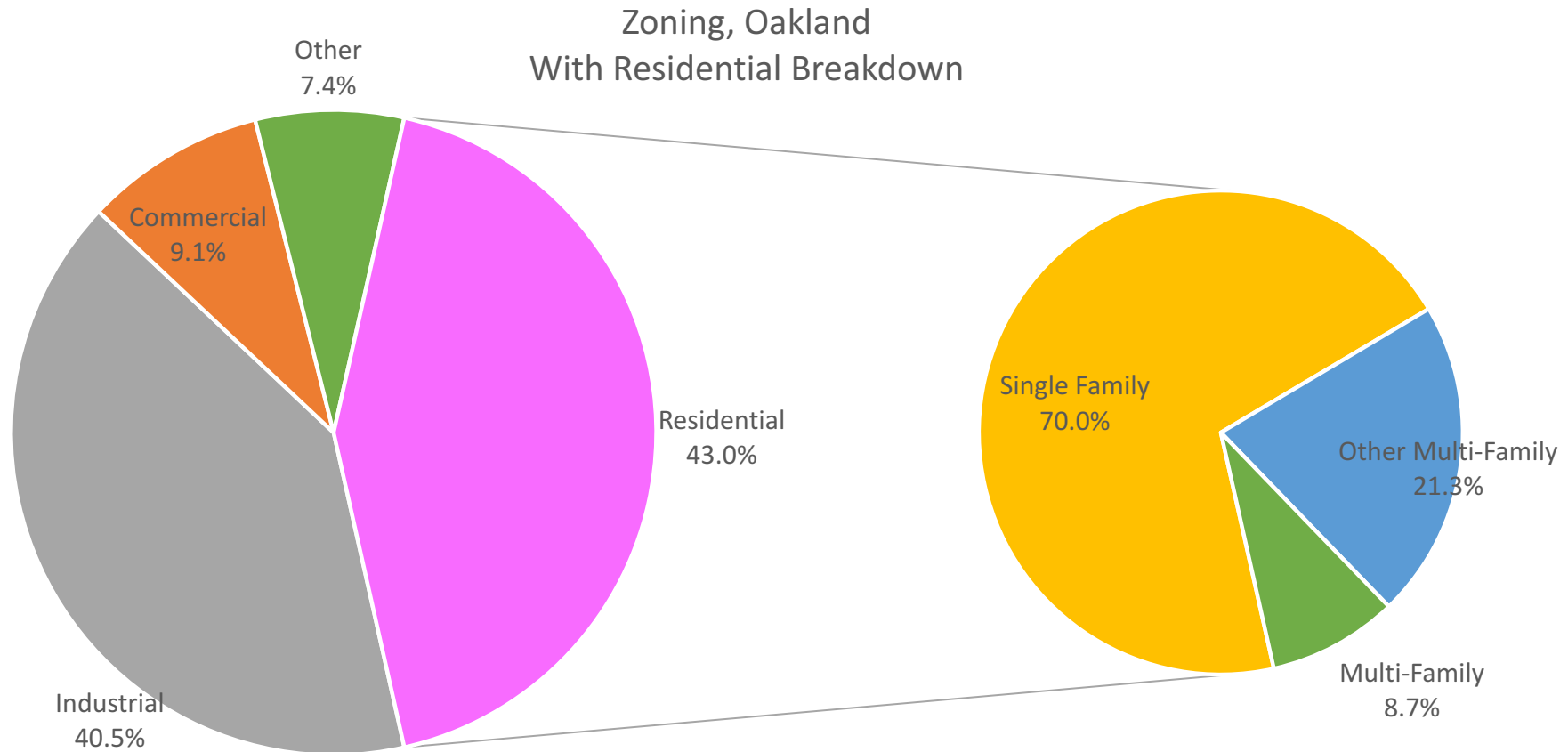
# Long Beach's Land Use Policy

Multifamily Type by Density per Acre  
Long Beach



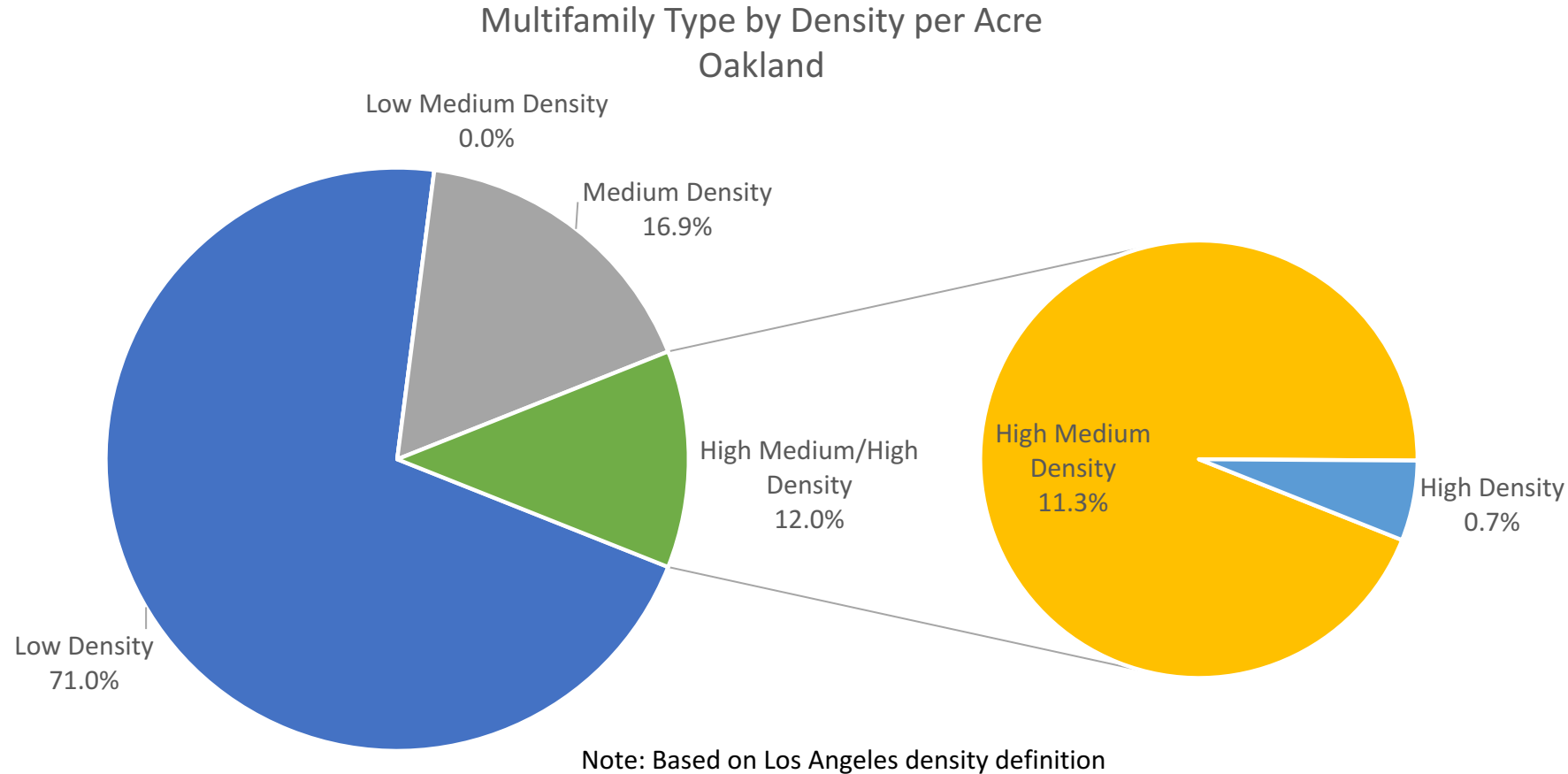
However, Long Beach's definition of "high density" or "high rise" are actually not very high compared to the Los Angeles density definition.

# Comparison City: Oakland, CA



Outwardly, similar residential zoning profile compared to Long Beach.

# Comparison City: Oakland, CA



Overall, a much higher percentage dedicated to high medium/high density residential than Long Beach

# If These Places Were the Size of Long Beach...

	Long Beach	San Diego	Oakland
% of Total Land Dedicated for Residential Use	39.3%	47.9%	43.0%
% of Total Land for SF Residential	29.4%	38.7%	30.1%
Percent of Land zoned for MF zoned for High/High Medium Density MF (56+ units/acre)	0.02%	6.17%	12.05%
Percent of Land for Low Density MF (2,000 sf land/unit or less)	6.05%	4.72%	5.98%

Note: LB has much less space dedicated industrial use compared to Oakland:

Long Beach: 6%

Oakland: 41%

Both cities allow for adaptive reuse. The (much) larger industrial base in Oakland means more opportunities to convert to residential usage than Long Beach, while Long Beach stands to lose economic opportunity with further loss of industrial zoning.

- Compared to Oakland and San Diego:
  - Long Beach have substantially less percentage of land zoned for high or high medium density
  - Long Beach have slightly higher percentage of land zoned for low density multi-family

# 1.3 2040 Housing Needs



# 1.3.1 City Staff Estimate

Officials now estimate the city needs to build approximately 28,000 housing units in the next 23 years to accommodate for anticipated population growth, according to city documents. A unit could be anything from a studio to a two or three-bedroom condo.

“Based on our estimate we may not be able to hit the 28,000 number that’s listed in your staff report,” Advanced Planner Christopher Koontz told the commission. “But that is the goal, and what is in front of you is an important step forward toward that goal.”

- Long Beach Press Telegram, December 12, 2017

City Staff Estimate	
2010 Decennial Census: Overcrowded Units	21,476
2014 - 2021 (5th Cycle) Long Beach RHNA Allocation: New Construction	7,048
Total Units:	28,524

Details of Estimate
In 2010 there were 21,476 households in Long Beach that were crowded (1.01-1.50 occupants per room) or overcrowded (1.51+ occupants per room).
7,048 units is the total jurisdictional RHNA allocation for Long Beach for new construction from January 1, 2014 to October 1, 2021 from HCD and SCAG.
The Long Beach 2040 General Plan Land Use Element is aimed at guiding Long Beach into a more sustainable future over the next 23 years.

# 1.3.2 Beacon Economics Projections

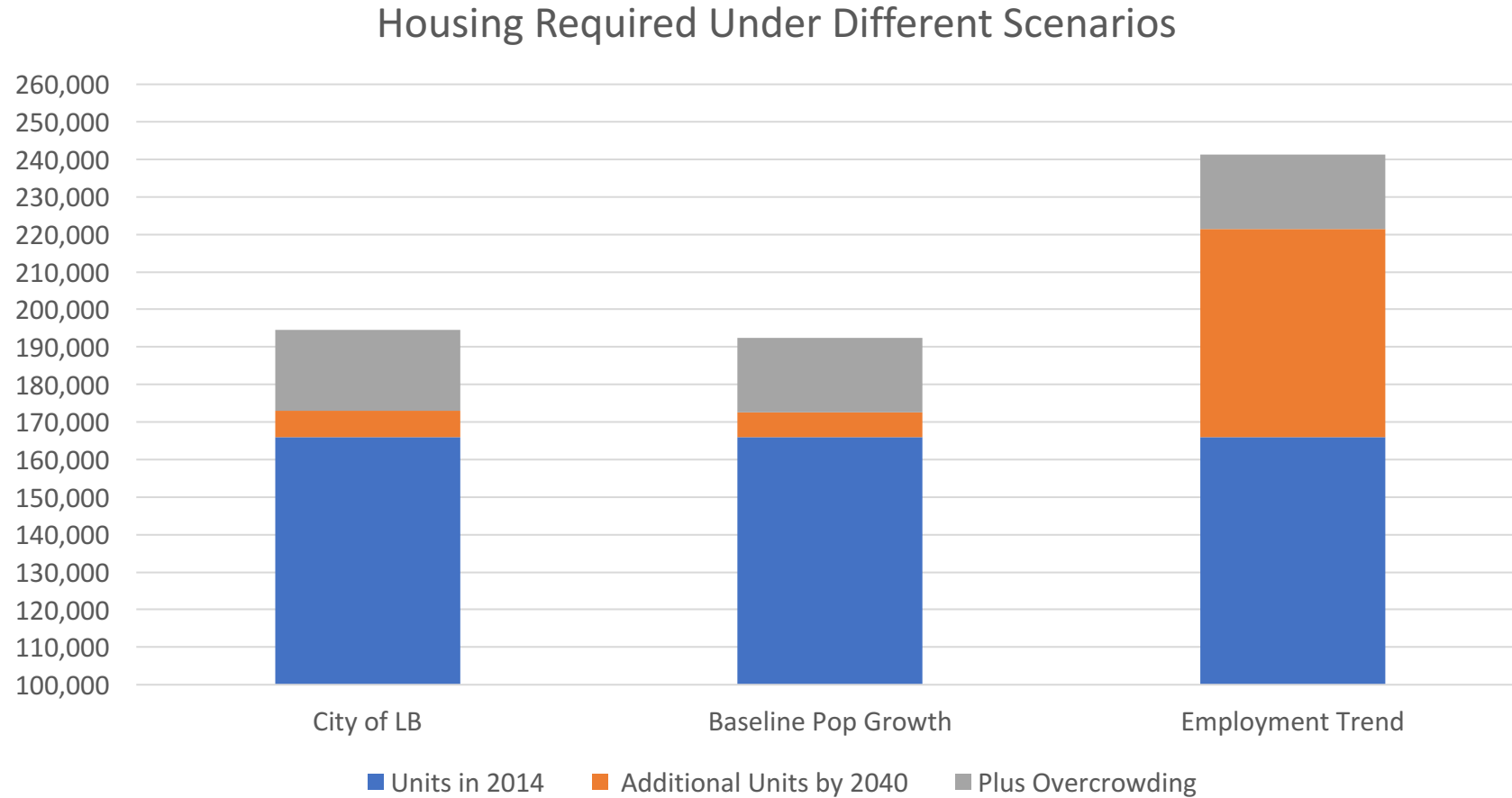
# Section Introduction

- City of LB 2040 housing needs estimate is static
  - RHNA 2014-2021
  - Overcrowding estimate based on 2010 Census
- 2040 outlook described by scenarios:
  - Baseline: follows recent demographic trends
  - Alternative: follows trend in resident employment
  - Augment scenarios with overcrowding estimates developed by Beacon

# Methodology

- Population-trend Scenario
  - Long Beach population projections driven by Los Angeles County projections from DOF
  - Status Quo Projection: DOF projections based on historic population trends that are constrained by limited growth in housing
- Employment-trend Scenario
  - Long Beach employment projection follows long run trend
  - Workers per occupied housing unit decreases from 2016 level (1.32) to average (1.25) during forecast horizon
  - Scenario follows conservative employment growth trajectory and produces corresponding housing requirements to accommodate that trajectory

# Comparing City Estimate to Projections

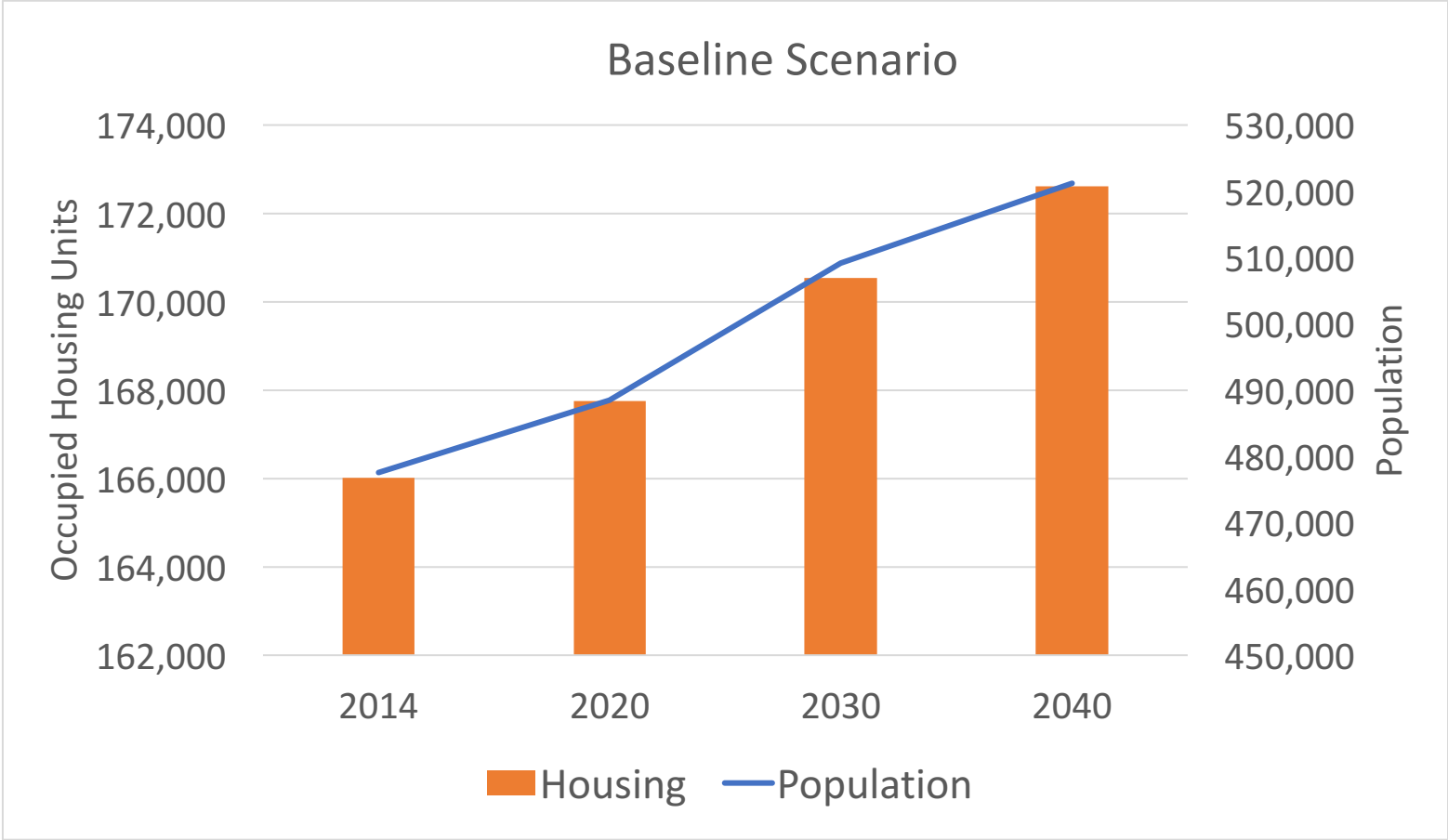


# Baseline Scenario

- Population-based projections of housing
- Long Beach population trend driven by CA Department of Finance (DOF) projections for Los Angeles County
- Status quo implied by explicit and implicit model assumptions
  - DOF implicitly assumes historical trends
    - Population trends
    - Building patterns
    - Household size
- Population and household size projections used to estimate future occupied housing units



# Baseline Projection

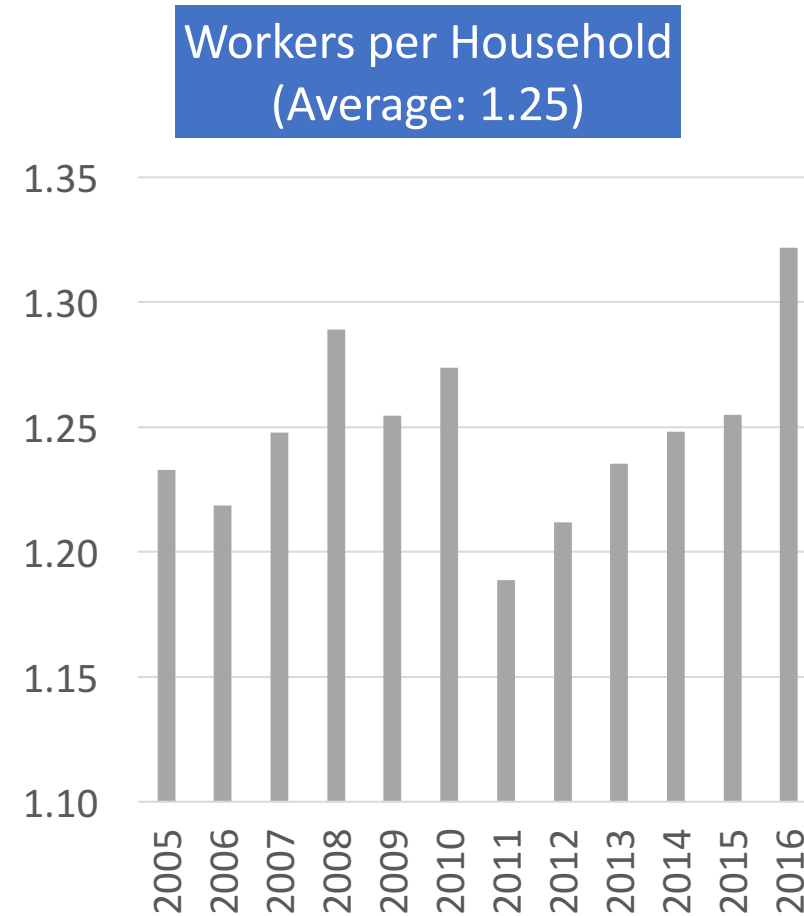


# Trend Employment Scenario

- Driven by employment growth assumptions
- Resident employment assumed to grow by 0.7%, in line with historical growth in the city and surrounding metropolitan areas.
- Workers per household assumed to revert to historical average of 1.25
- Employment and workers per household projections used to estimate future occupied housing

# Comparative Statistics

Civilian Employment Average Annual Growth Rate by Region (1990-2016)	
Region	Growth Rate
Los Angeles County	0.60%
Long Beach	0.70%
United States	0.90%
California	0.93%
US Metro Areas	1.00%
Top 25 Metro Areas	1.10%



# 2016 ACS Housing Profiles

- Data from the 2016 American Community Survey was used to project housing distributions
  - distribution for single-family and multi-family housing
  - owner/renter distribution.
  - housing characteristics and projections by industry in final report
- Public Use Microdata Sample (PUMS) allows for granular analysis of housing characteristics by employment industry.

**2016 Home Values for Owner Occupied Housing**

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Under \$200,000	12.0%
\$200,000 to \$299,999	10.6%
\$300,000 to \$399,999	21.0%
\$400,000 to \$499,999	17.6%
\$500,000 to \$699,000	23.4%
\$700,000 and above	15.4%

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Source: American Community Survey

**2016 Household Income**

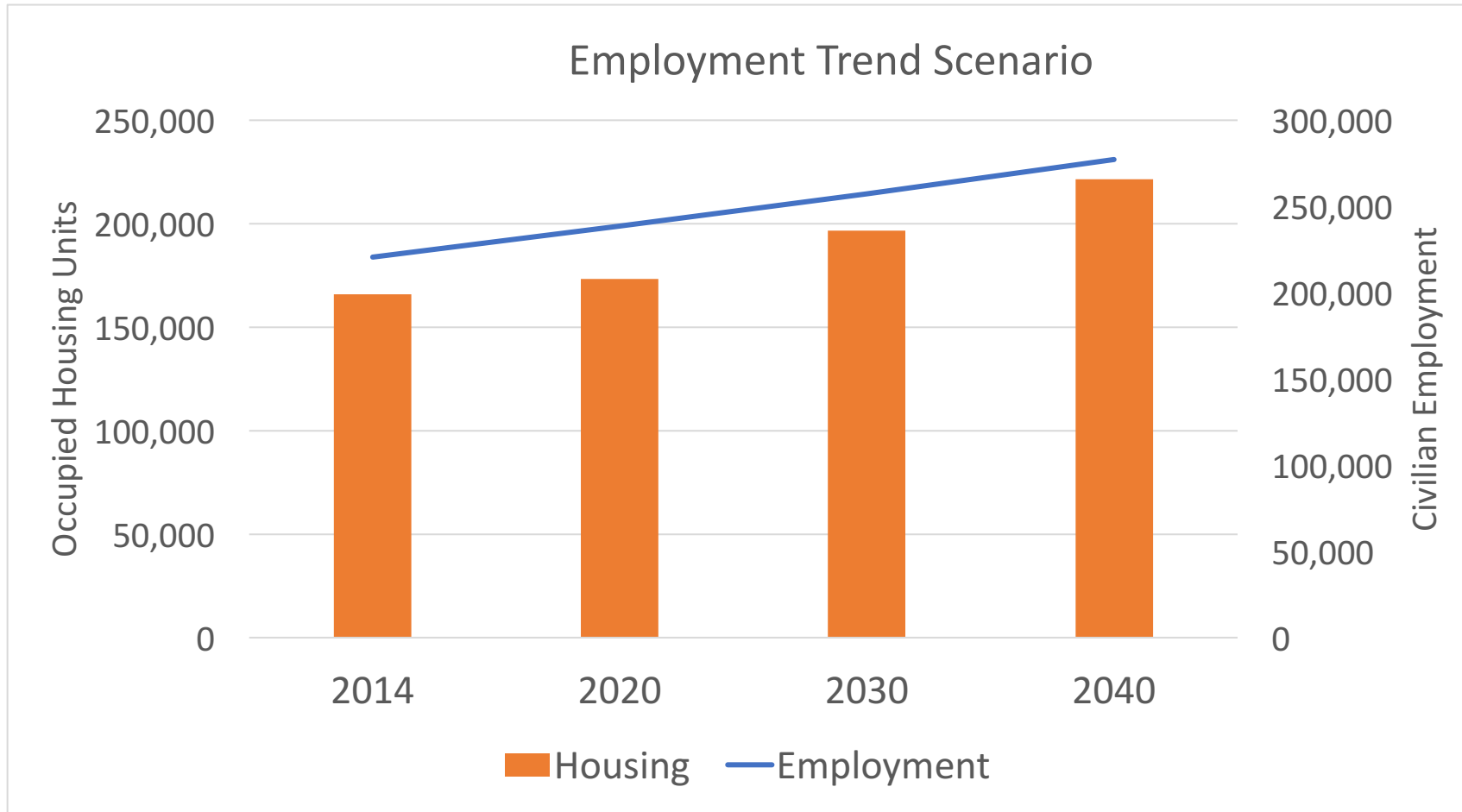
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Under \$25,000	23.6%
\$25,000 to \$49,999	23.3%
\$50,000 to \$99,999	28.8%
\$100,000 and above	24.3%

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Source: American Community Survey

# Trend Employment Scenario



**Baseline Scenario: Housing Needs by Units and Tenure**

Type	2014	2040	Change
Total Occupied	166,013	172,614	6,601
Single-Family	72,541	75,426	2,884
Multi-Family	91,849	95,501	3,652
Owner	63,993	66,538	2,544
Renter	102,020	106,076	4,056

Source: Beacon Economics, American Community Survey

**Alternative Scenario: Housing Needs by Units and Tenure**

Type	2014	2040	Change
Total Occupied	166,013	221,407	55,394
Single-Family	72,541	96,746	24,205
Multi-Family	91,849	122,496	30,647
Owner	63,993	85,346	21,353
Renter	102,020	136,061	34,041

Source: Beacon Economics, American Community Survey,

# Projections + Overcrowding

	City of Long Beach	Baseline Pop Growth	Employment Trend
2014 Total	166,013	166,013	166,013
Required by 2040	7,034	6,601	55,394
Reduce Overcrowding	21,476	19,841	19,841
2040 Total	194,523	192,455	241,248



# Summary-Projections

- 2014-2021 RHNA number for Long Beach roughly approximates incremental housing requirement based on current population trend
- Long Beach overcrowding reduced lower between 2010 and 2016
- 2040 Projections:
  - City of Long Beach: 194,523
  - Population Trend: 192,455
  - Employment Trend: 241,248
- Employment trend trajectory implies much greater housing requirement for resident workers than population-based trend
- If population-based trend is pursued, will constrain potential job and economic growth in City economy

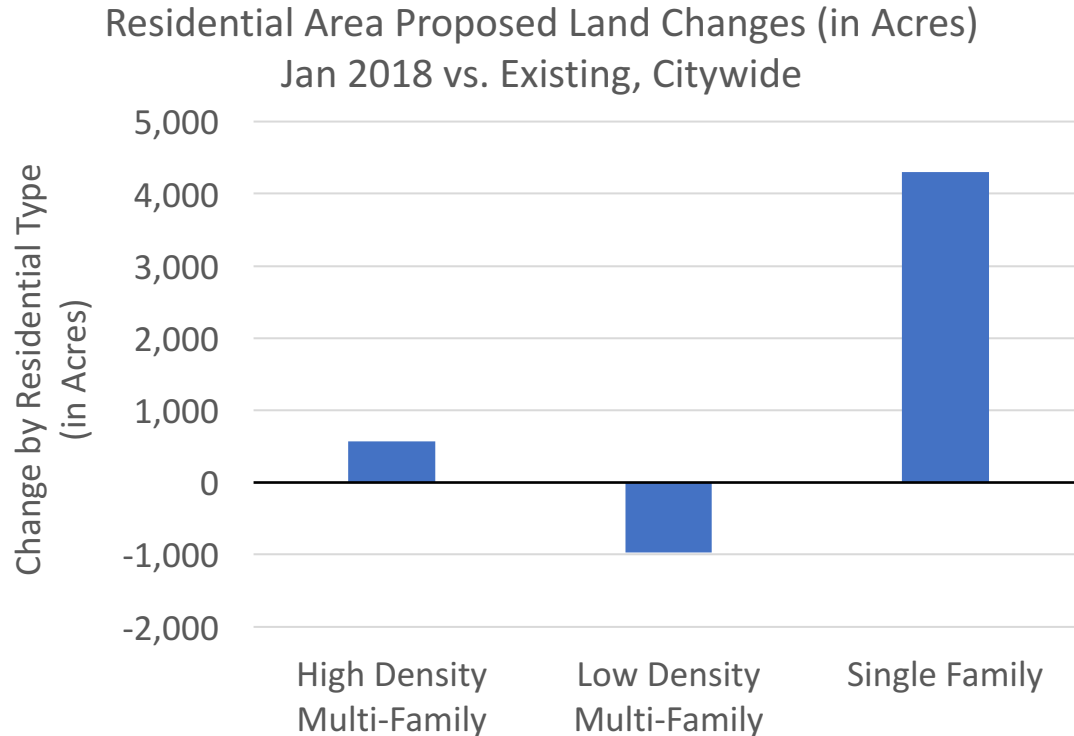
# Part 2: Challenges and Opportunities

# 2.1 Proposed LUE

# Proposed LUE Changes – January 2018

The newest proposed changes to the LUE based on the maps released on January 18, 2018 display a problematic use of land in Long Beach. Despite more land area proposed to be rezoned for residential uses, single-family homes will take more than a lion's share of the added land area. Furthermore, the increase in residential land use areas will come at the expense of drastically reduced land areas for commercial and industrial spaces.

# Citywide

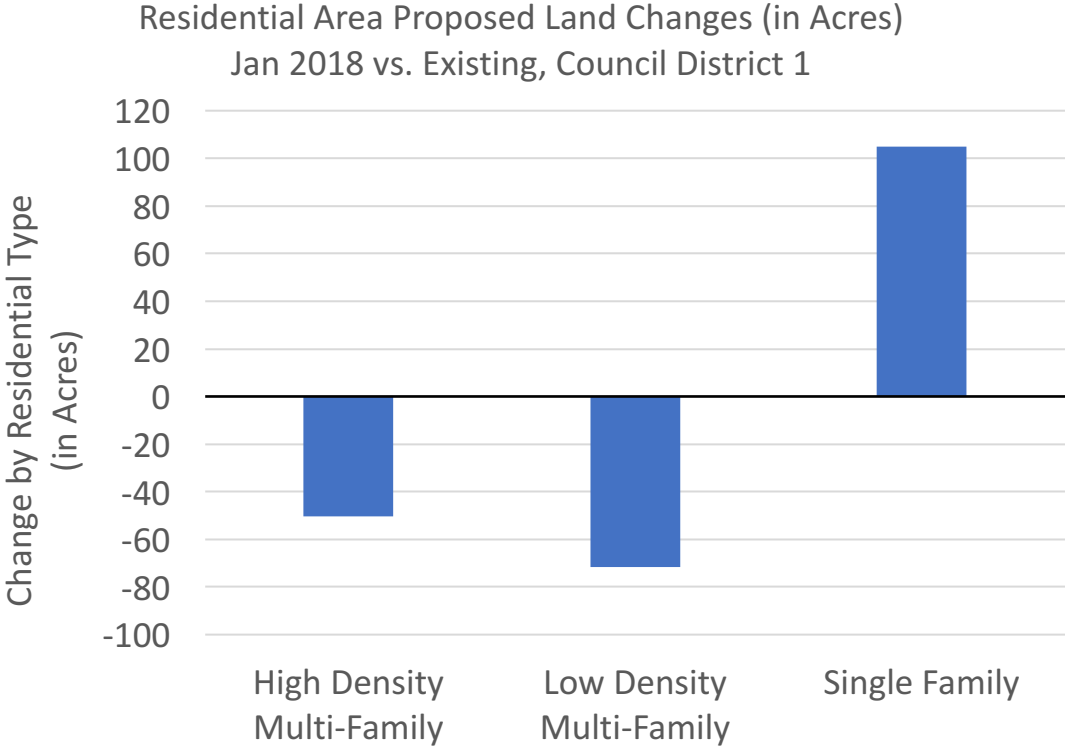


Type	Change in Acreage	Percent Change
High Density Multi-Family	574.44	30.8%
Low Density Multi-Family	-965.99	-38.8%
Single Family	4,294.20	41.7%
<b>Total Residential</b>	<b>3,902.64</b>	<b>26.7%</b>

Low Density Multi-family housing units consist of: Duplex/Triplex/Garden Apartment Housing (MFR-L), Neighborhood-Serving Center or Corridor – Low, and Transit Oriented Development – Low.

High Density Multi-family housing units consist of: Moderate Density Apartment and Condominium Buildings (MFR-M), Neighborhood-Serving Center or Corridor – Medium, and Transit Oriented Development – Medium.

# Near Downtown – Council District 1

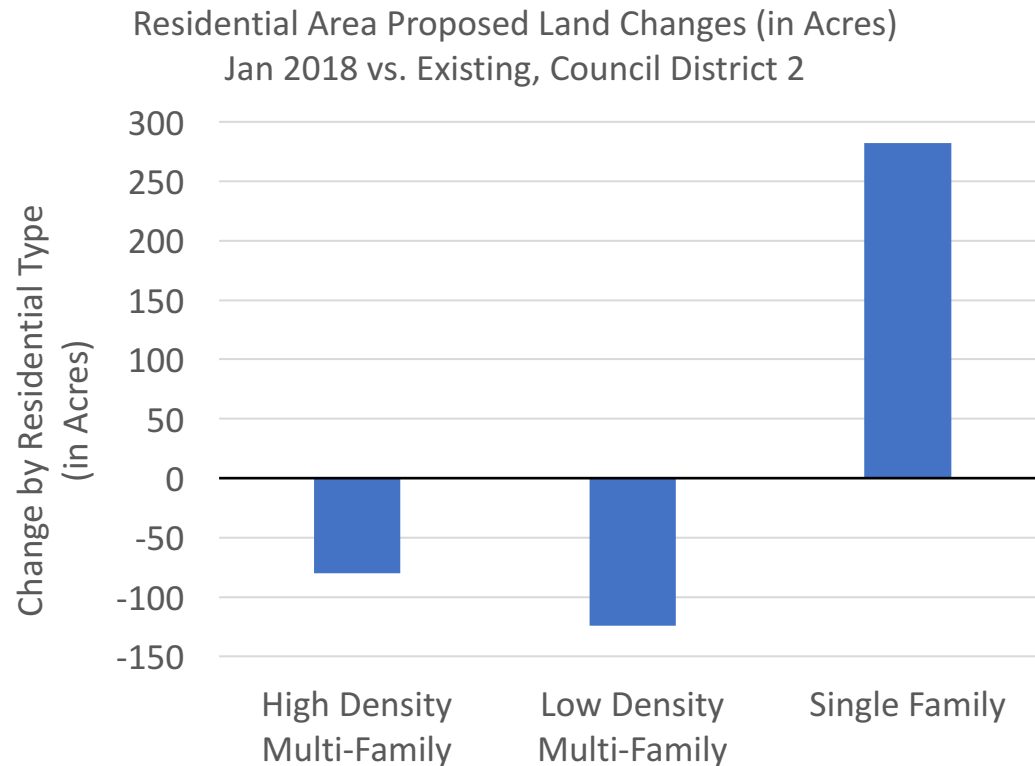


Type	Change in Acreage	Percent Change
High Density Multi-Family	-80.22	-23.4%
Low Density Multi-Family	-124.07	-47.4%
Single Family	282.14	139.3%
<b>Total Residential</b>	<b>77.84</b>	<b>9.6%</b>

Low Density Multi-family housing units consist of: Duplex/Triplex/Garden Apartment Housing (MFR-L), Neighborhood-Serving Center or Corridor – Low, and Transit Oriented Development – Low.

High Density Multi-family housing units consist of: Moderate Density Apartment and Condominium Buildings (MFR-M), Neighborhood-Serving Center or Corridor – Medium, and Transit Oriented Development – Medium.

# Near Downtown – Council District 2

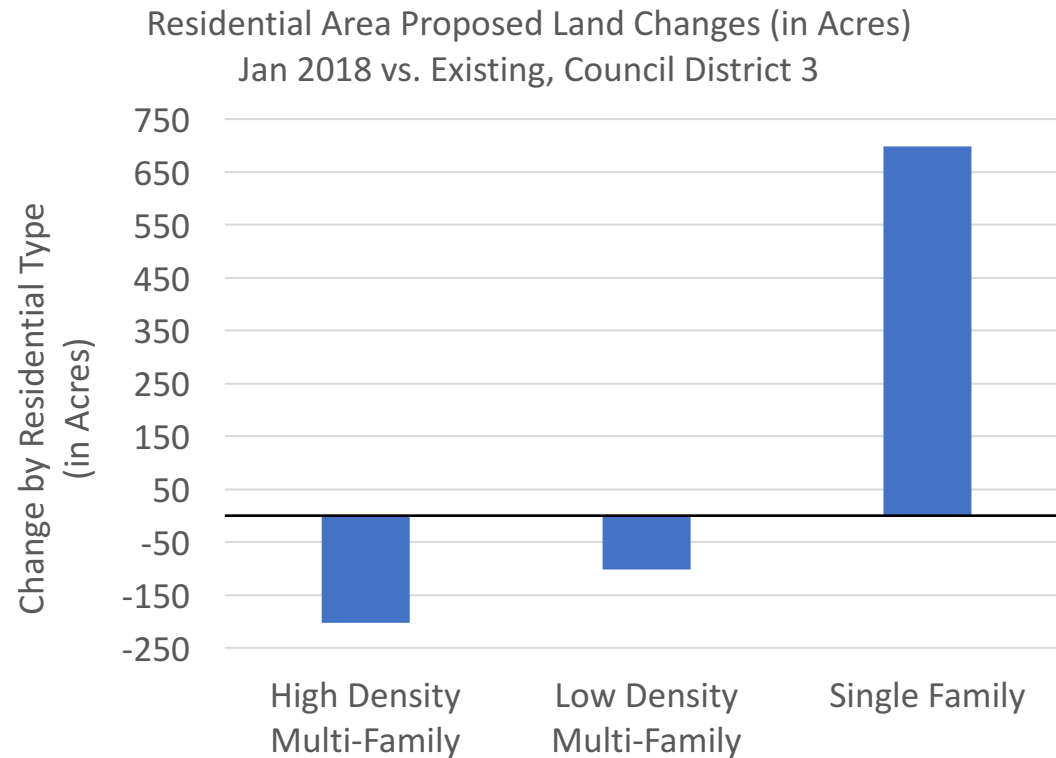


Type	Change in Acreage	Percent Change
High Density Multi-Family	-50.18	-21.3%
Low Density Multi-Family	-71.80	-44.0%
Single Family	104.92	95.7%
<b>Total Residential</b>	<b>-17.06</b>	<b>-3.4%</b>

Low Density Multi-family housing units consist of: Duplex/Triplex/Garden Apartment Housing (MFR-L), Neighborhood-Serving Center or Corridor – Low, and Transit Oriented Development – Low.

High Density Multi-family housing units consist of: Moderate Density Apartment and Condominium Buildings (MFR-M), Neighborhood-Serving Center or Corridor – Medium, and Transit Oriented Development – Medium.

# Council District 3



Type	Change in Acreage	Percent Change
High Density Multi-Family	-203.42	-65.3%
Low Density Multi-Family	-100.99	-18.0%
<b>Single Family</b>	<b>698.62</b>	<b>49.0%</b>
<b>Total Residential</b>	<b>394.21</b>	<b>17.1%</b>

Low Density Multi-family housing units consist of: Duplex/Triplex/Garden Apartment Housing (MFR-L), Neighborhood-Serving Center or Corridor – Low, and Transit Oriented Development – Low.

High Density Multi-family housing units consist of: Moderate Density Apartment and Condominium Buildings (MFR-M), Neighborhood-Serving Center or Corridor – Medium, and Transit Oriented Development – Medium.



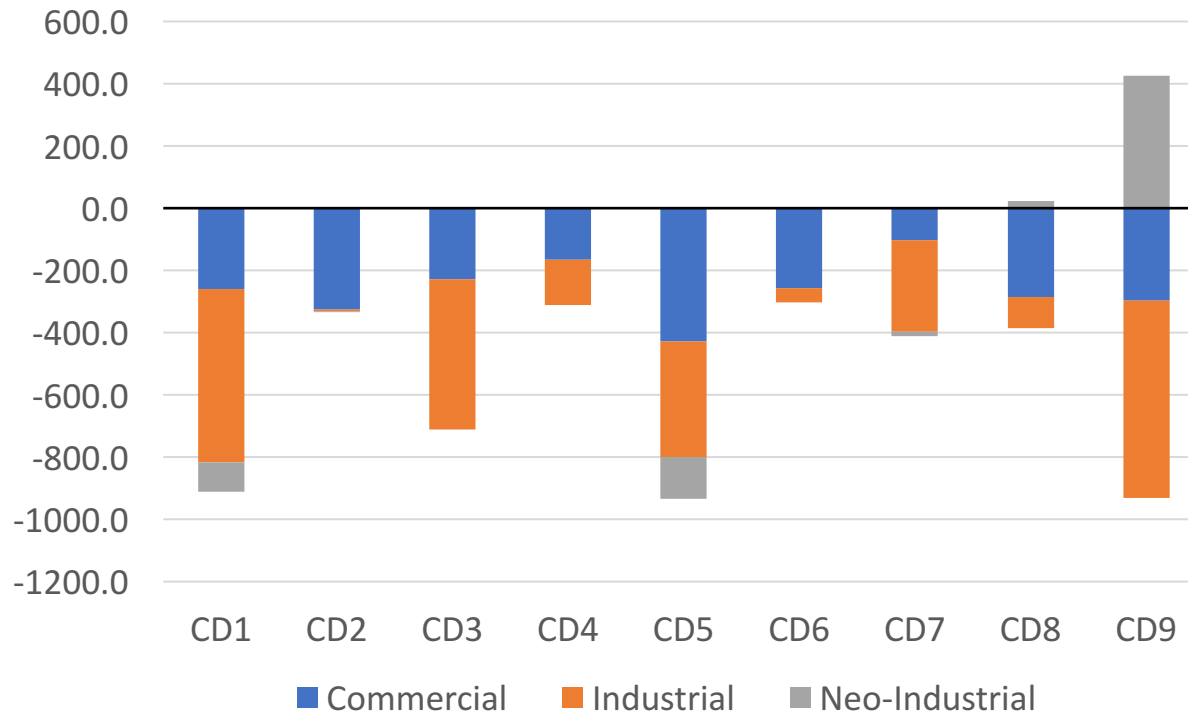
# Residential Land Use Change Summary

Council Districts	High Density Multi-Family	Low Density Multi-Family	Single Family
CD 1	-50.2	-71.8	104.9
CD 2	-80.2	-124.1	282.1
CD 3	-203.4	-101.0	698.6
CD 4	196.8	-170.3	522.4
CD 5	70.2	28.8	778.1
CD 6	165.1	-89.3	411.6
CD 7	-34.3	11.1	501.9
CD 8	298.4	-260.2	514.6
CD 9	212.1	-189.3	479.9
City Total	574.4	-966.0	4,294.2
No. of CD Gains	5	2	<b>9</b>
No. of CD Losses	<b>4</b>	<b>7</b>	<b>0</b>

7 out of 9 Council Districts intend to displace low density multi-family spaces in favor of single family spaces

# Loss of Commercial and Industrial Land Areas

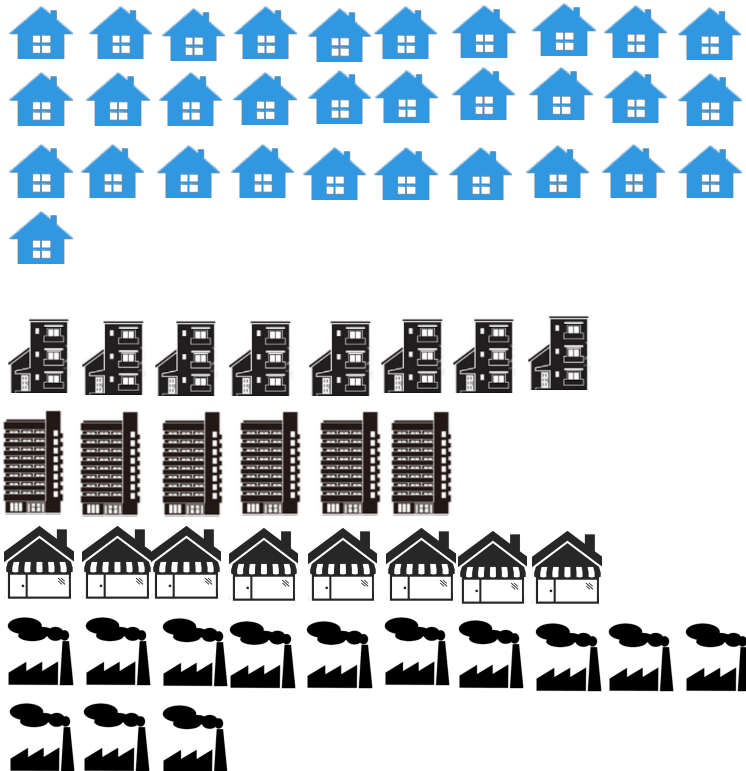
Commercial and Industrial Areas Proposed Land Changes  
(in Acres), January 2018 vs. Existing, by Council District



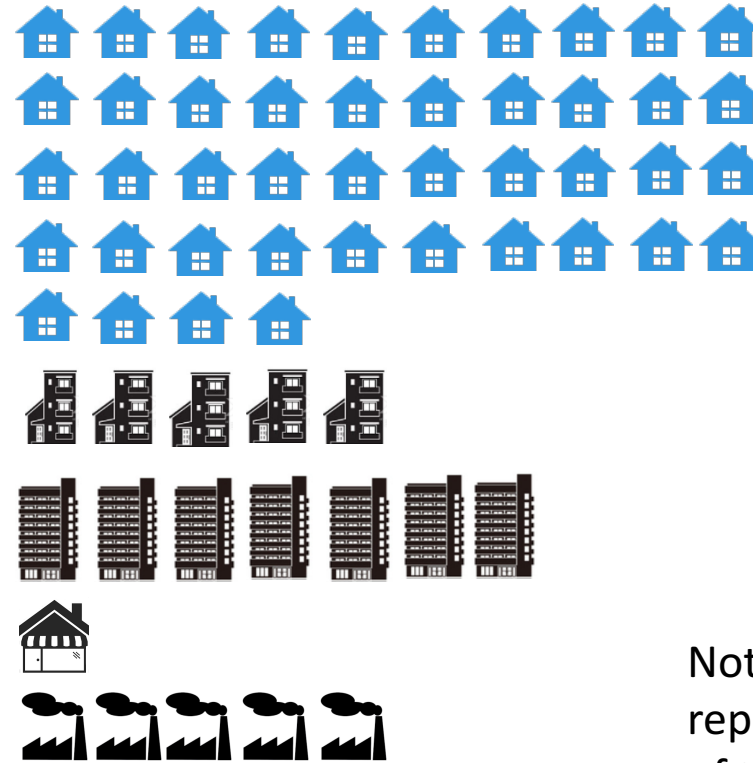
- The January 2018 proposed revision will reduce land areas for commercial and industrial uses in all nine Council Districts.
- The overall slight gain in neo-industrial land area (+212.4 acres citywide) is paltry compared to the loss of commercial space (-2354.8 acres) and traditional industrial space (-2,638.4 acres) citywide.

# The Result: Continued Crisis

Existing Land Use



January 2018 Proposed Land Use




Note: 1 unit represents 1 percent of total land area.

 Single-family Residential

 Low Density Multi-family Residential

 Moderate Density Multi-family Residential

 Commercial

 Industrial & Neo-Industrial

# Revised Land Use Element: Citywide Goals, Strategies, and Policies (Exhibit H – Nov 2017)

- **Goal No. 1: Implement Sustainable Planning and Development Practices.**
  - Promote compact development and higher density development along transit corridors, in neighborhood hubs and in areas that can support additional residential density, while ensuring adequate transitions to adjoining low-density neighborhoods.
- Strategy No. 1. Support sustainable urban development patterns
  - Support high-density residential, mixed- use and transit-oriented development within the downtown, along transit corridors, near transit stations and at neighborhood hubs.
- **Goal No. 5: Diversify Housing Opportunities**
  - Long Beach will offer an increasingly diverse housing stock. Policies and practices will continue to promote and expand affordable housing options by accommodating a range of housing types and by providing opportunity for an increased supply of housing through focused density throughout the City.
- Strategy No. 12: Diversify Long Beach’s Housing Stock
- Strategy No. 13: Facilitate Housing Type Distribution
- **Key Observation: The proposed January 2018 LUE maps conflict with Goal No. 1 & Goal No. 5 outlined in the Revised Land Use Element: Citywide Goals, Strategies, and Policies (Nov 2017 – Exhibit H).**

## 2.2 Proposed Policy Solutions

In the February 21, 2017 Affordable and Workforce Housing Study Session, the Housing Study Group advocated these broad strategies:

1. Plan and Prioritize
2. Protect and Preserve
3. Produce and Promote
4. Other Policy Recommendations

Each of these broad strategy has more specific sub-strategies. Drawing on relevant literature, this section seeks to critique the “Produce and Promote” and “Other Policy Recommendations” strategies.

## Strategy #1: Plan & Prioritize

+

Neutral

-

With a combination of data and story, build the “case” and “shared vision” for investing in tools and resources that create high quality affordable housing in Long Beach.

Celebrate Long Beach’s successes as it relates to affordable housing. Coalesce and mobilize community support around the “case.”

Synthesize the City’s Housing Action Plan, Housing Element, other relevant City planning documents, and Affordable Housing Study Group Policy Recommendations into unified, coherent “plan” or roadmap for affordable and workforce housing that enjoys broad community support.

Consider the plans and priorities of other public agency stakeholders such as the County of Los Angeles and State of California.

## Strategy #1: Plan & Prioritize

+

Neutral

-

Ensure that the plan is the centerpiece of a Community Investment System that establishes priorities, contemplates a pipeline of opportunities, and promotes the adoption of enabling conditions.

Maintain a database of opportunities involving publicly held land (i.e., current City owned parcels, Metro owned lots, underutilized publicly owned lots).

Commit to the Community Investment System and Collective Impact methodologies by adopting policies and goals that are “SMART”(Strategic, Measurable, Actionable, Relevant, and Time-Bound).

Establish an “interdepartmental” backbone role which features a mechanism for community feedback and public accountability to ensure plan implementation.

Pursue foundation funding to fund this backbone role.



## Strategy #2: Protect and Preserve

+

Neutral

-

Consider a policy to limit condo conversions when vacancy rates drop below a certain percentage.

One-for-one replacement of all housing lost to redevelopment.

Preserve stock of existing affordable housing within the community.

In the February 21, 2017 Affordable and Workforce Housing Study Session, the Housing Study Group advocated these broad strategies :

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4. Other Policy Recommendations

Each of these broad strategy has more specific sub-strategies. Drawing on relevant literature, this section seeks to critique the “Protect and Preserve” and “Produce and Promote” strategies.

Encourage mixed income housing through adoption of an inclusionary housing policy and establishment of incentives for developers. Subsidize or mandate mixed income housing through inclusionary zoning program, or payment of adequate “in lieu” fees.

- Hoving (2010) finds that empirical studies on whether mixed-income housing stipulates housing options and improve communities have been inconclusive. Planners should be cautious in endorsing mixed-income housing as a tool to assist low-income residents.
- Another major problem is lack of precise definition as to what “mixed-income” pertains to. Planners should clearly define the term “mixed-income” and provide specific intentions when recommending a “mixed-income” strategy.
  - Furthermore, policy makers and developers should be clearer about their expectations and priorities for any mixed-income development they undertake (Joseph, 2006).
- With proper funding and planning, mixed-income housing can help poverty alleviation, however, planners need to have realistic expectations.
  - For example, short- to medium-term effects in terms of social order and increased quality of goods and services may be reasonable (Joseph, 2006).
- **Key Observation: These measures increase the cost per unit of production in a market that already has a shortage, thus will drive up prices to consumers.**

Source:

Hoving, Kimberly. Mixed-Income Housing: Assumptions and Realities. California Polytechnic State University, June 2010.

Mark L. Joseph. Is mixed-income development an antidote to urban poverty?, Housing Policy Debate, 17:2, 209-234. 2006

## Encourage the project-basing of Section 8 vouchers for supportive housing developments.

Empirical research finds that there are a few complications that hinder the success of this program.

- The most prominent issue is **the lack of housing in itself**.
  - Although the RHNA states the developments needed for housing to match population growth, The HCD finds that in the period between 2003-2014, not one region built enough housing to meet the demand required.
- Even with a certain amount subsidizing the households' rent, there are many households that are still unable to find the affordable homes to meet the requirement.
  - The rent covered by the vouchers is capped based on the HUD Fair Market Rent, which often is severely underestimated.
  - Many landlords and rentals often refuse to accept vouchers.
- Uncertainty and instability of funding towards these low-income housing programs.
  - Because low-income housing production needs to be planned accordingly, funding uncertainty makes it hard to “identify and separate the cost impacts of location, construction, fees, and program requirements...”
  - Federal funding for home allocation towards low-income households has decreased over the years, which impedes jurisdictions' ability to develop newer homes.
- **Key Observation: While Section 8 is funded federally, the funding isn't stable and the number of units available for program is limited**

Source: Brown , Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development , Jan. 2017. < <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Full-Public-Draft.pdf>>

### Strategy #3: Produce and Promote

+

Neutral

-

Through voter approval of a local bond measure, establish a “one time” source of capitalizing the City’s Housing Trust Fund. Bond proceeds would be invested over a finite time period (i.e., 10 years) in projects that meet specific local priorities and needs.

Encourage mixed income housing through adoption of an inclusionary housing policy and establishment of incentives for developers. Subsidize or mandate mixed income housing through inclusionary zoning program, or payment of adequate “in lieu” fees.

Address zoning and regulatory impediments that serve as barriers to the creation of affordable housing. One successful example is the adoption of specific plans (i.e., community plans) that feature master EIRs which provide regulatory relief, greater environmental certainty, and more rapid entitlements.

### Strategy #3: Produce and Promote

+

Neutral

-

Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro resources, State AHSC funding, County resources, and other Federal grant/loan programs.

Encourage the project-basing of Section 8 vouchers for supportive housing developments.

Adopt ordinance that paves the way for the development of accessory dwelling units.

Address the housing needs of college students through promotion of student housing on university controlled or university adjacent land.

### Strategy #3: Produce and Promote

+

Neutral

-

Communicate the City’s State and local legislative priorities as it relates to affordable housing. Promote the engagement of interested City stakeholders in an effort to maximize the flow of external resources into the City.

Pass local Article 34 referendum to ensure maximum leveraging of State resources on local affordable housing developments.

Explore the feasibility and mechanics of using new structures such as the enhanced infrastructure financing district (EIFD) tool to capitalize the Housing Trust Fund with new resources for the creation of affordable housing.

Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by this set of policy recommendations.

In the February 21, 2017 Affordable and Workforce Housing Study Session, the Housing Study Group advocated these broad strategies:

1. Plan and Prioritize
2. Protect and Preserve
3. Produce and Promote
4. Other Policy Recommendations

Each of these broad strategies has more specific sub-strategies. Drawing on relevant literature, this section seeks to critique the “Protect and Preserve” and “Produce and Promote” strategies.



## Support CEQA reform.

There are major problems associated with CEQA per research findings from Holland & Knight (Hernandez et al., 2015).

- **Litigation Abuse.** About half of all CEQA lawsuits target business and private sector sponsors, the balance being directed at taxpayer-funded projects.
  - CEQA litigation abuse is primarily the domain of Not In My Backyard (NIMBY) opponents and special interests such as competitors and labor unions seeking non-environmental outcomes.
- Projects designed to advance California's environmental policy objectives are the most frequent targets of CEQA lawsuits
  - Housing, particularly high density housing, is the most frequently challenged type of private sector project.
- Any individual can file a CEQA lawsuit to delay or even completely eliminate a competing project, without any basis on environmental purpose.
  - Only 13 percent of all CEQA lawsuits filed are actually related to environmental groups.
- **Key Observation: Some CEQA litigation is legitimate and warranted, but in general it slows down the project approval process, with the potential to derail efforts to build more housing, and drives up fixed costs for a housing development.**

Source: Hernandez, Jennifer L, D. Friedman, and S. DeHerrera. In the Name of the Environment. Holland and Knight, Aug. 2015. <<https://www.hklaw.com/publications/in-the-name-of-the-environment-litigation-abuse-under-ceqa-august-2015/>>

## Support CEQA reform.

There are major problems associated with CEQA per research findings from Holland & Knight (Hernandez et al., 2015).

- NIMBYs compromised the largest number of opponents towards projects, such as infill projects.
  - Usually characterized as older, wealthier and less ethnically diverse.
  - Usually going against “projects for urban schools, parks and multifamily housing.”
- While special interests groups such as NIMBYs often claim that CEQA combats sprawl, analysis of the type of litigation exposes their charade.
  - Projects such as infill projects - that actually combats sprawl and accommodate economic and population growth - are the overwhelming target of CEQA lawsuits.
  - Of all the infill projects targeted, 25 percent of them are residential, and 28 percent of them are public service & infrastructure projects such as schools, universities, and workforce training facilities.
  - Furthermore, CEQA litigation is overwhelmingly used in cities, targeting core urban services such as parks, schools, libraries and even senior housing.

Source: Hernandez, Jennifer L, D. Friedman, and S. DeHerrera. In the Name of the Environment. Holland and Knight, Aug. 2015. <<https://www.hklaw.com/publications/in-the-name-of-the-environment-litigation-abuse-under-ceqa-august-2015/>>

## Support CEQA reform.

Holland & Knight's recommendations for CEQA reform:

- **Litigation transparency.** Require those filing CEQA lawsuits to disclose their identity and environment or non-environmental interests.
- **Eliminate duplicative lawsuits** aimed at derailing plans and projects that have already completed the CEQA process.
- **Fix it, don't derail it.** Fix the technical study gap, require more public disclosure and comment, require more mitigation if appropriate under the corrected study, and hold decision makers accountable for their final actions.

Source: Hernandez, Jennifer L, D. Friedman, and S. DeHerrera. In the Name of the Environment. Holland and Knight, Aug. 2015. <<https://www.hklaw.com/publications/in-the-name-of-the-environment-litigation-abuse-under-ceqa-august-2015/>>

## Reduce Parking Requirements.

Placing parking requirements affects both renters and buyers, specifically those who are in the lower income bracket.

- Generous parking requirements reduce housing affordability and impose various economic and environmental costs.
- Each parking space per unit increases costs by roughly 12.5 percent.
- Increasing the land needed per residential unit caused by parking requirements disproportionately decreases the maximum potential development density for smaller housing units.
  - Examples of perverse incentives by unit size (impact is larger for smaller units):
    - 500 sq.ft. apartments: 37% decline in maximum density.
    - 2,000 sq.ft. townhouses: 13% decline in maximum density.

Source: Litman, T. Parking Requirement Impacts on Housing Affordability. Victoria Transport Policy Institute. August 24, 2016.  
<<http://www.vtpi.org/park-hou.pdf>>

## Reduce Parking Requirements.

Other problems associated with minimum parking requirements:

- Higher vehicle ownership
- More traffic congestion
- Poor air quality
- More household spending on mobility
- Unrecognized equity issues
  - The real costs of providing parking are incorporated into the price of other goods and services purchased by a wide variety of consumers who may not have used those parking facilities.
- Underused land

Source: Mikhail C., A. Fraser, J. Matute, C. Flower & R. Pendyala (2015). Parking Infrastructure: A Constraint on or Opportunity for Urban Redevelopment? A Study of Los Angeles County Parking Supply and Growth, Journal of the American Planning Association, 81:4, 268-286, DOI: 10.1080/01944363.2015.1092879

## Reduce Parking Requirements

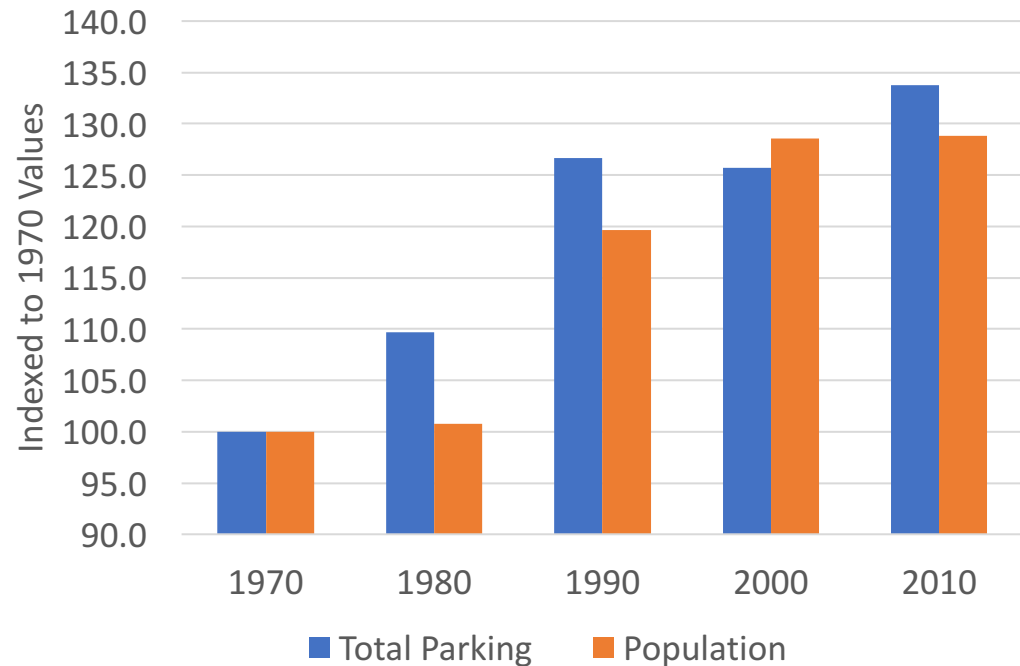
### Proposed Solutions

- Instead of blindly increasing parking supply, planners should **recognize the need to provide adequate parking, but value strategies that result in more efficient use of parking resources** and reduce the amount of parking needed at a particular location.
- **Create flexible requirements per building**, where it is determined based on demographics, geographic and management factors.
  - For example, housings for students and the elderly need fewer parking spaces compared to other demographic groups.
- **Shared parking** facilities may increase efficiency and flexibility.
- **Unbundle** parking with building space. Occupants are not forced to pay for parking they do not need, and consumers can adjust their parking supply to reflect their needs.

Source: Litman, T. Parking Requirement Impacts on Housing Affordability. Victoria Transport Policy Institute. August 24, 2016.  
<<http://www.vtpi.org/park-hou.pdf>>

# Parking Space Outpacing Population

Long Beach Parking vs. Population Growth



Between 2000 and 2010, total population in Long Beach held steady while parking space increased by 6.4%.

Parking and Population	2000-2010 Pct. Change
Residential Off Street	+3.0%
Non-Residential Off Street	+12.6%
On Street	+0.0%
<b>Total Parking</b>	<b>+6.4%</b>
<b>Population</b>	<b>+0.2%</b>

Source: Chester, M., A. Fraser, J. Matute, C. Flower, and R. Pendyala (2015); U.S. Census Bureau

## Other Staff Recommendations

+

Neutral

-

Modify moderate-income definition from 80-120% of AMI to 80-150%.

Support CEQA reform.

Reduce parking requirements.



## 2.3 Housing Legislation

# Population Growth Drives Housing Requirements...

- ...but policies limit actual amount of housing that is ultimately built

- **PLANNING**

- **ZONING**

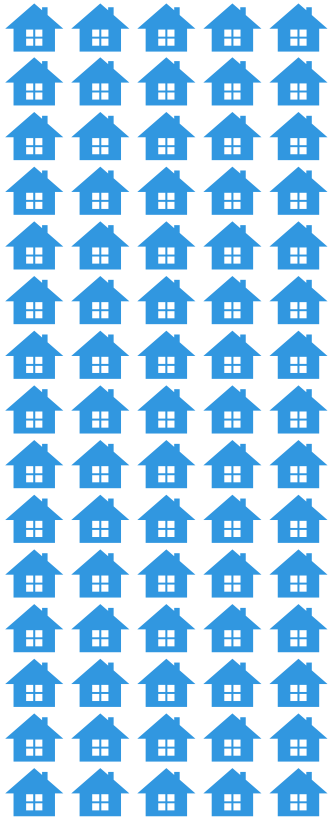
- **PERMITTING**

- **Building**

Population Changes  
Economic Growth



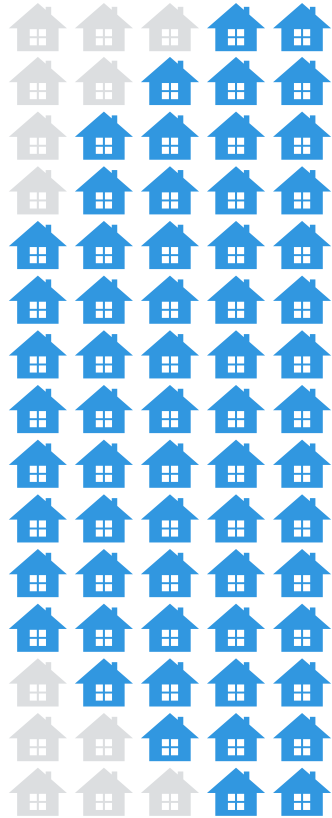
Housing Needs



Planning



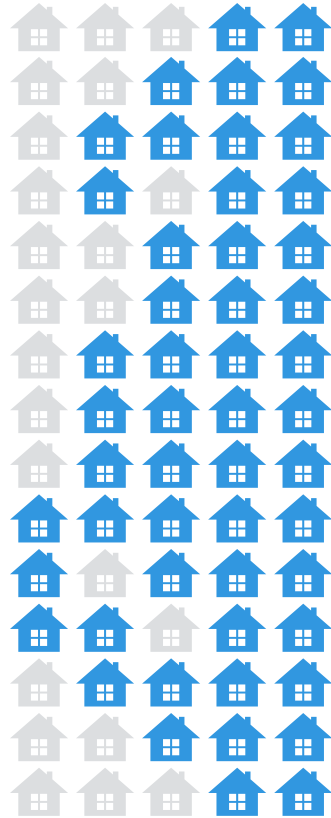
Inadequate Capacity  
Local Revenue Generating  
Overly Restrictive  
Development Standards



Zoning



Lengthy & Uncertain  
High Fees  
CEQA  
Community Opposition



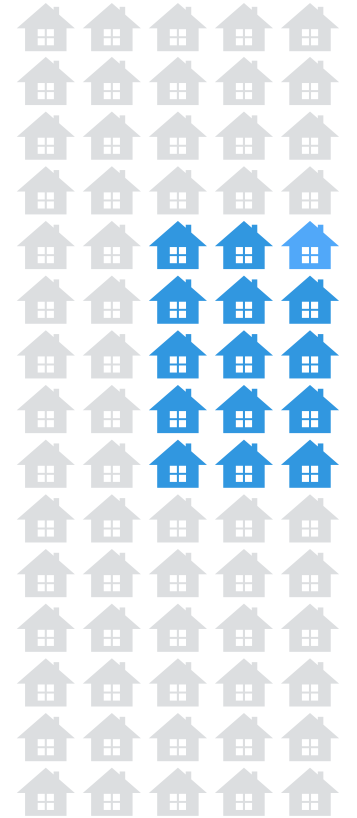
Permitting



The Market  
Development Costs  
Availability of Financing

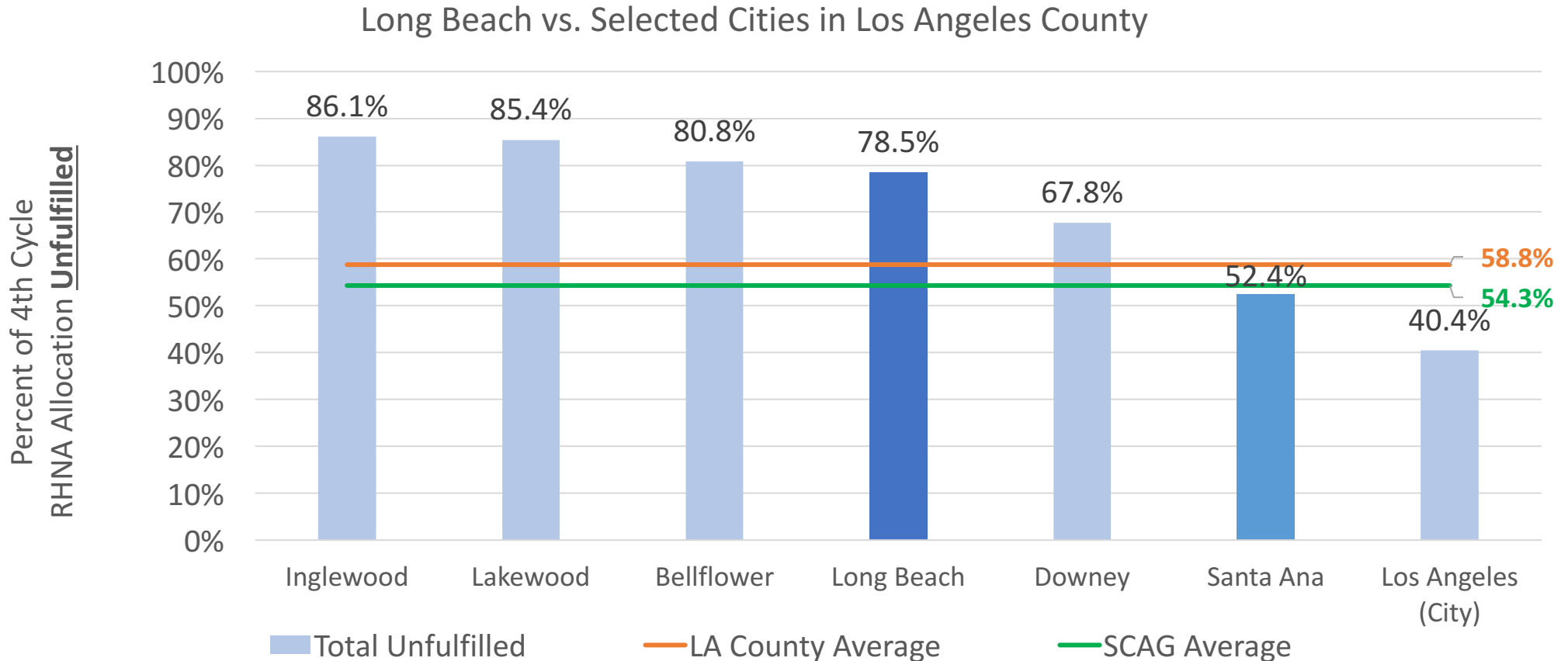


Building



Beacon Economics

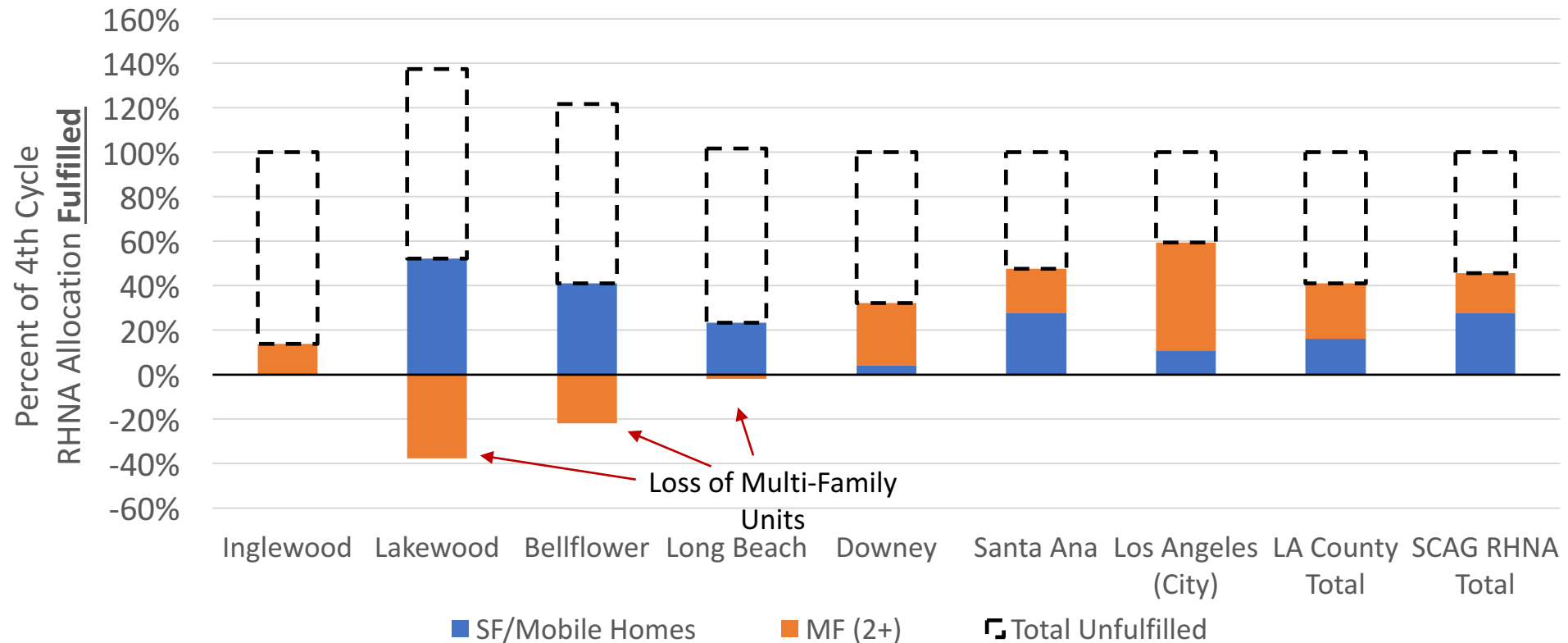
# CA Cities Often Fall Short of RHNA Goals: Results from the 4<sup>th</sup> RHNA Cycle



Source: Brown , Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development , Jan. 2017. < <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Full-Public-Draft.pdf>>

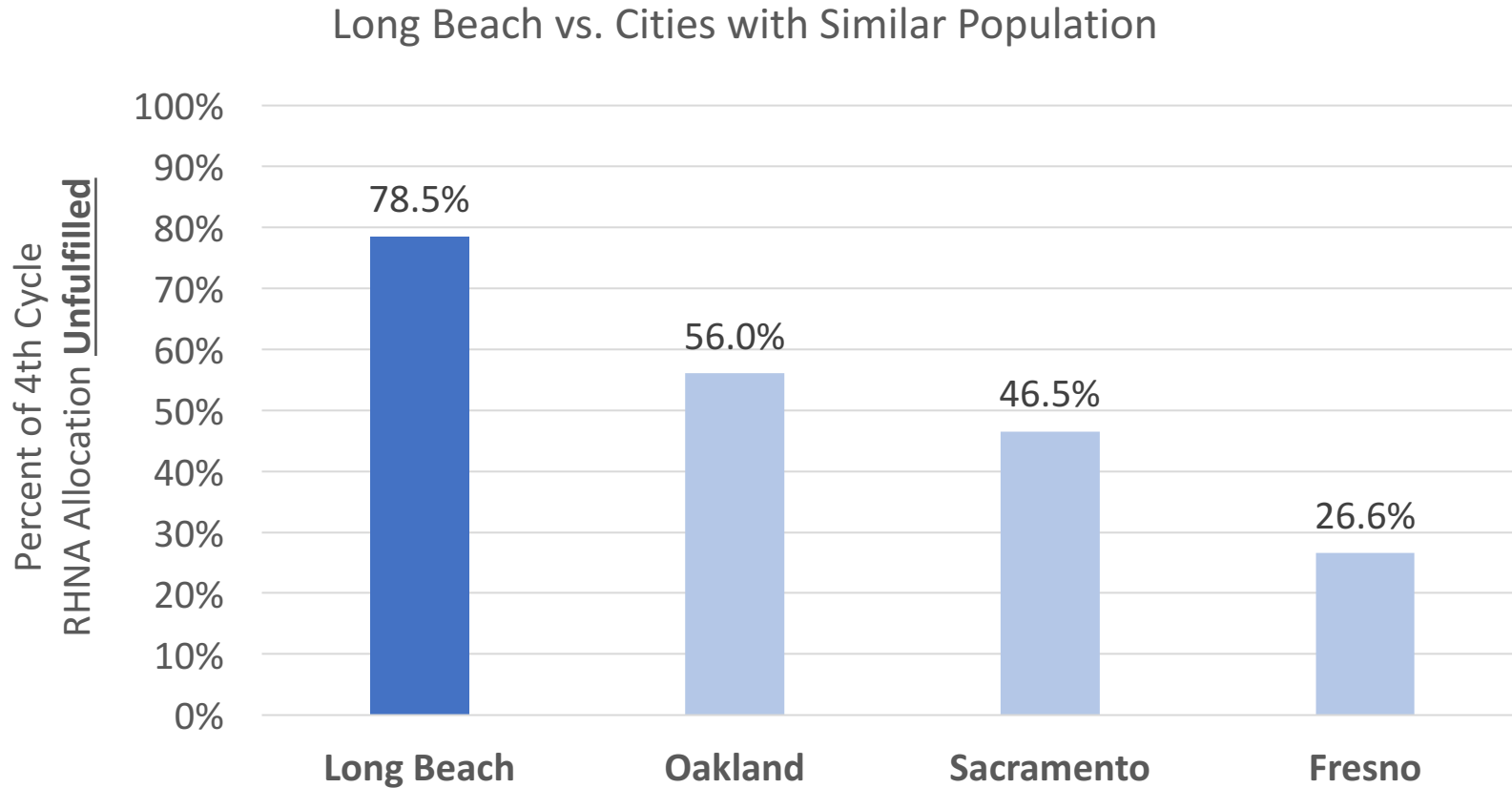
# Results from the 4<sup>th</sup> RHNA Cycle - Detailed

Long Beach vs. Selected Cities in Los Angeles County



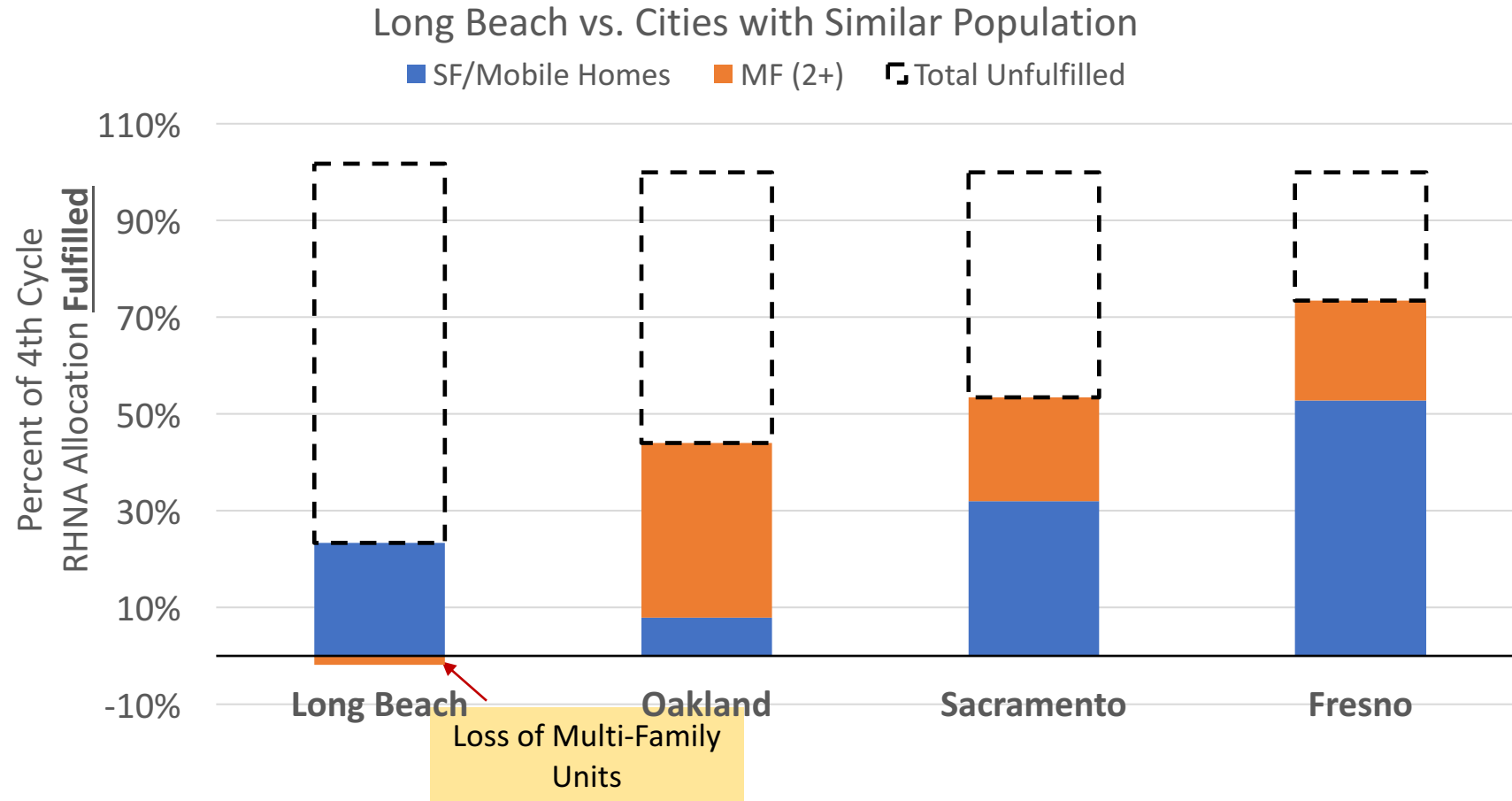
Source: Brown , Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development , Jan. 2017. < <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Full-Public-Draft.pdf>>

# Results from the 4<sup>th</sup> RHNA Cycle



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# Results from the 4<sup>th</sup> RHNA Cycle - Detailed



Source: Brown , Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development , Jan. 2017. < <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Full-Public-Draft.pdf>>

## SB 35: 2017 Legislative Session

Planning and zoning: affordable housing: streamlined approval process.

- The housing element law uses population projections from the DOF to estimate how many new housing units will be needed in the state. Regional COGS allocate these units to cities and counties, which are then required to update the housing element of their General Plans to accommodate future housing needs.
- The enforcement of RHNA housing goals was nonexistent prior to SB 35.
- Cities that fail to meet their RHNA allocation have faced no consequences, and cities that achieve them have reaped no rewards. SB 35, created an enforcement mechanism to facilitate needed housing construction in cities that have not met their fair share RHNA goals.
- **Key Observation: Long Beach's inability to achieve 4<sup>th</sup> Cycle RHNA allocation goals may require different strategies for the 5<sup>th</sup> Cycle RHNA (and future cycles) as state enforcement mechanisms change.**



## SB 828: 2018 Legislative Session

### RHNA Reform: Relying on Data, Not Politics, in Projecting Housing Needs

- The Regional Housing Needs Assessment (RHNA), which is how California determines how much housing each local community should build, is based on a flawed methodology that significantly underestimates population growth and how much housing will be needed. In addition, the current RHNA allocation process is non-standardized, insufficiently connected to actual data, and highly politicized, thus giving some communities advantages when assigning state housing goals.
- SB 828 creates a clearer, fairer, more data-driven, and more equitable process for how the state and regional bodies assign RHNA numbers to local communities. It does this by requiring a more data-focused, objective process and by creating stronger guardrails, thus reducing the wiggle room jurisdictions use to lower their RHNA allocations. SB 828 also requires communities to begin making up for past RHNA deficits.
- **Key Observation: More and better local data will make future RHNA Cycles more transparent to stakeholders, resulting in a better-informed process.**

## SB 827: 2018 Legislative Session

### Mandating Denser & Taller Zoning Near Transit

- The state of California and Los Angeles County continue to invest in public transportation, but too often the areas around transit lines and transit stops are zoned at very low densities, even limiting housing to single family homes around major transit hubs like BART, Caltrain, Muni, and LA Metro stations.
- Requiring low-density housing around transit makes no sense. Transit-rich areas are \*exactly\* where we should be putting dense housing. We must build more housing near transit so that we can reduce reliance on cars. Building dense and tall housing around transit is not only sound environmental, economic, and equity policy – it is also one of California’s most promising sources of new housing, according to a recent California analysis by the consulting firm McKinsey
- **Key Observation: Recent changes in the LUE from Transit Oriented Development to lower density (e.g. Neighborhood Mixed Use Low Density) are at odds with legislation introduced to increase density around transit.**