



ECONOMIC ANALYSIS  
OF

FUTURE  
HOUSING  
NEEDS IN  
THE  
**CITY OF  
LONG  
BEACH**  
2040



JANUARY  
2018

This publication was prepared by Beacon Economics, LLC for the Long Beach Downtown Development Corporation



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# PURPOSE OF STUDY

The Long Beach Land Use Element was last updated in 1989. The City is currently in the process of updating the Land Use Element of its General Plan. The January 2018 proposed Land Use Element (LUE) along with the Urban Design Element Place Type and Heights Maps lay the foundation for future land use decisions over the next few decades, and are tasked with providing a roadmap for additional housing in the City, and in particular, expanded affordable housing options.

As with all jurisdictions in the SCAG (Southern California Association of Governments) Region, the City faces a housing mandate known as the Regional Housing Needs Assessment (RHNA). Based on the City's evaluation of its RHNA and other housing-related mandates, the City estimates that it must build approximately 28,000 units by the year 2040.

The purpose of this study is to develop and present an independent analysis of the future housing needs of the City of Long Beach through the year 2040. Beacon Economics proposes to conduct an analysis of projected housing needs that will be based on a combination of existing data and projections, plus its own forecasting models of the economy, local industries, demographics, and housing.

# EXECUTIVE SUMMARY

**This study consists of three main components: 1.) An independent projection of the city's future housing requirements through the year 2040, 2.) An assessment of the City's stated estimate of housing needs by 2040, and 3.) An evaluation of the January 2018 proposed Land Use Element (LUE) and Urban Design Element Place Type and Heights Maps.**

Beacon Economics conducted an analysis of projected housing needs that was based on a combination of existing data and projections, plus its own forecasting models of the economy, local industries, demographics, and housing.

**The City of Long Beach estimates 28,524 housing units are needed by 2040. This includes 7,048 units as specified in the City's Regional Housing Needs Assessment (RHNA) and the City's estimate of 21,476 overcrowded housing units.** It should be noted that the City's housing need is a static estimate derived from adding the number of overcrowded housing units based on the 2010 Decennial Census and the housing allocated from the RHNA for the fifth cycle which extends to the year 2021.

The Beacon projections extend the City figures by formally projecting housing needs to the year 2040, and by updating the estimate of overcrowding with more recent data from the 2016 Census Bureau's American Community Survey. **Beacon Economics developed projections under two scenarios: a baseline population growth scenario and an employment growth scenario.**

Under the **Baseline Population Growth Scenario**, Beacon Economics estimates that:

- 26,442 units are needed by 2040, consisting of an additional 6,601 units as a result of population and household growth, and 19,841 overcrowded units.
- This scenario largely assumes a status quo pattern of development and population changes, hence is roughly equivalent to the City's estimate.

Under the **Employment Growth Scenario**, Beacon Economics estimates that:

- 75,235 units are needed by 2040, consisting of 55,394 units in conjunction with job growth among the city's residents and the same number of overcrowded units as in the previous scenario.
- Together, the Beacon scenarios estimate a range of potential growth paths that is quite conservative to the extent that they are predicated on a continuation of recent growth trajectories in population and employment.

Table ES1. Housing Needs Projections Plus Overcrowding

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

Source: SCAG RHNA and City of Long Beach; Calculations by Beacon Economics

Long Beach’s historical land use patterns have contributed to a noticeably different housing profile compared to similar cities in California. After normalizing the dwellings units per acre (DUA) and permitted density, the percent of land zoned for High/High Medium Density Multi-Family (56+ units/acre) is **0.02% in Long Beach compared to 6.17% in San Diego and 12.05% in Oakland.**

A side-by-side comparison of Long Beach and Oakland can illustrate some of the challenges in Long Beach’s current and proposed land use plan. Long Beach and Oakland are both core cities in larger regions that grew rapidly in the 20th Century. Both now have little open space and only infill available, however, Oakland has a substantially larger percentage of land zoned for high or high/medium density.

Table ES2. Residential Zoning Summary: Long Beach vs. San Diego vs. Oakland

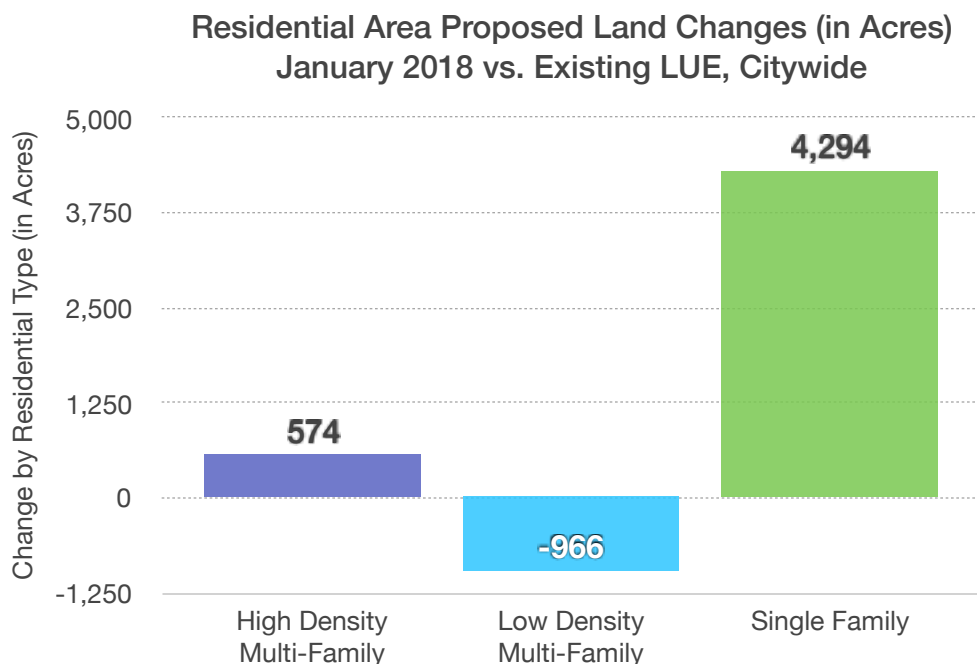
	Long Beach	San Diego	Oakland
<b>Percent of Total Land Dedicated for Residential Use</b>	43.3%	47.9%	43.0%
<b>Percent of Total Land Zoned for Single-Family Residential</b>	32.9%	38.7%	30.1%
<b>Percent of Land zoned for Multi-Family that is zoned for High/High Medium Density Multi-Family (56+ units/acre)</b>	<b><u>0.02%</u></b>	<b><u>6.17%</u></b>	<b><u>12.05%</u></b>
<b>Percent of Land for Low Density Multi-Family (2,000 sf land/unit or less)</b>	6.05%	4.72%	5.98%

Source: City of Long Beach, City of San Diego, and City of Oakland; Calculations by Beacon Economics

The January 2018 proposed Land Use Element (LUE) and Urban Design Element Place Type and Heights Maps resulting from the deliberative process provide inadequate opportunities to accommodate future housing needs.

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.** The increase in single-family residential land use comes at the expense of drastically reduced land areas for commercial and industrial spaces.

Figure ES1. January 2018 Proposed Land Use Changes for Residential Area Summary



Source: Long Beach Land Use Element; Calculations by Beacon Economics

Note: Low density multi-family includes: Duplex / Triplex / Fourplex / Low Multi-Family, Neighborhood-Serving Center or Corridor - Low, and Transit-Oriented Development - Low. High density multi-family includes: 5 Units+ / Multi-Family - Moderate, Neighborhood-Serving Center or Corridor - Medium, and Transit-Oriented Development - Medium.

The January 2018 proposed LUE's lack of opportunity for increasing the housing supply through focused density will continue exacerbate the housing shortage. It is unlikely the proposed LUE will enable the City to meet the City's own 28,524-unit goal by 2040. Moreover, if housing needs track Beacon's historical employment scenario the lack of capacity in the LUE will exacerbate a continuing housing shortage that **drive rents higher, push vulnerable residents out, and ultimately stifle economic growth.**

The City of Long Beach, like other communities across California unnecessarily limit their economic growth potential by inadequately planning for and meeting the housing needs of their residents and local workforce.

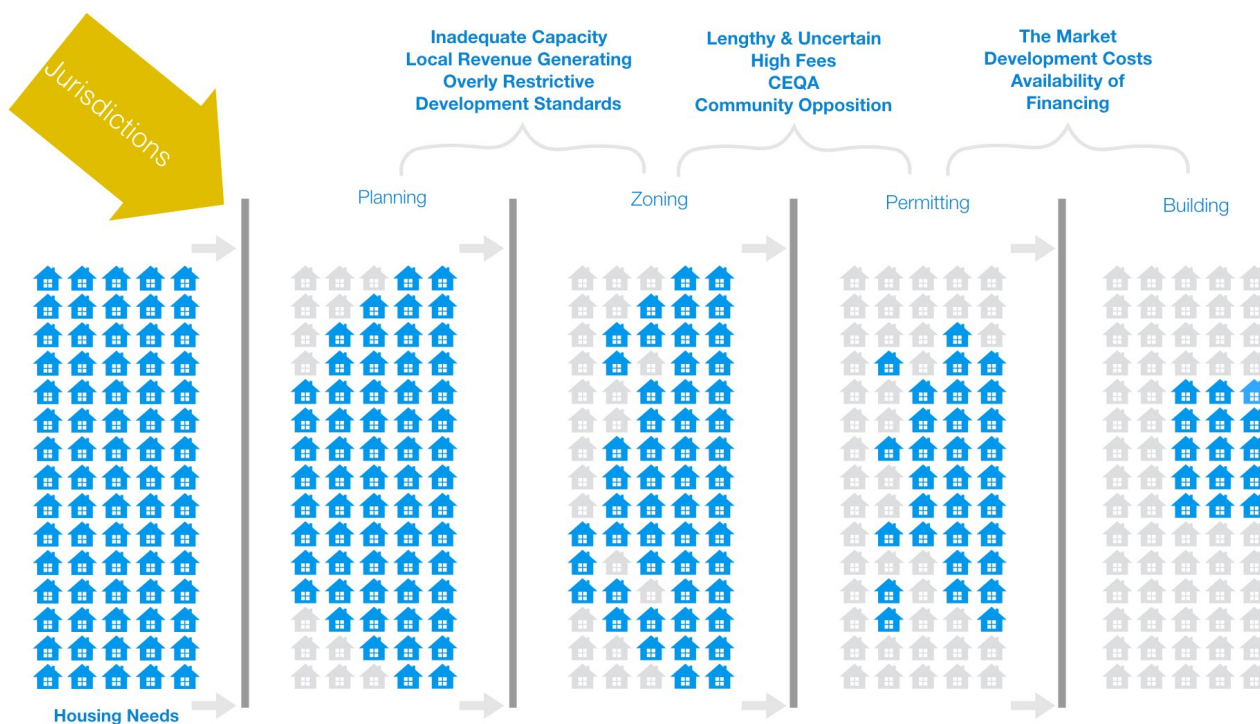
The January 2018 proposed LUE’s lack of opportunity for increasing housing supply through focused density has the potential to adversely impact goals set out in the Affordable Housing Recommendations recently approved by the City Council.

Increasing density for the most cost effective types of multifamily construction has the potential to allow units to be added without significantly increasing the construction cost per unit. The additional density allows more projects to be financially feasible and increase the probability of completion.

Local fees and units from inclusionary housing policies are only able to help achieve their affordable housing goals if housing development is financially feasible. The most progressive policies can’t help alleviate housing supply issues if projects are not feasible to be built.

The City of Long Beach must rely on a set of well-reasoned land use and permitting regulations in conjunction with a clear understanding of the market incentives that can encourage housing production. As the figure below highlights, the path of housing production is complicated and presents many barriers and obstacles that prevent new housing coming online. For local jurisdictions, barriers such as CEQA and the availability of developer financing are outside the jurisdiction’s control, however, the Land Use Element is not. Rather than self-imposing an additional obstacle that will exacerbate the gap between local housing needs the number of units ultimately built, **the City of Long Beach should use the Land Use Update as an opportunity to drive targeted housing development in an attempt alleviate the local housing crisis.**

Figure ES2. Housing Pipeline Flowchart









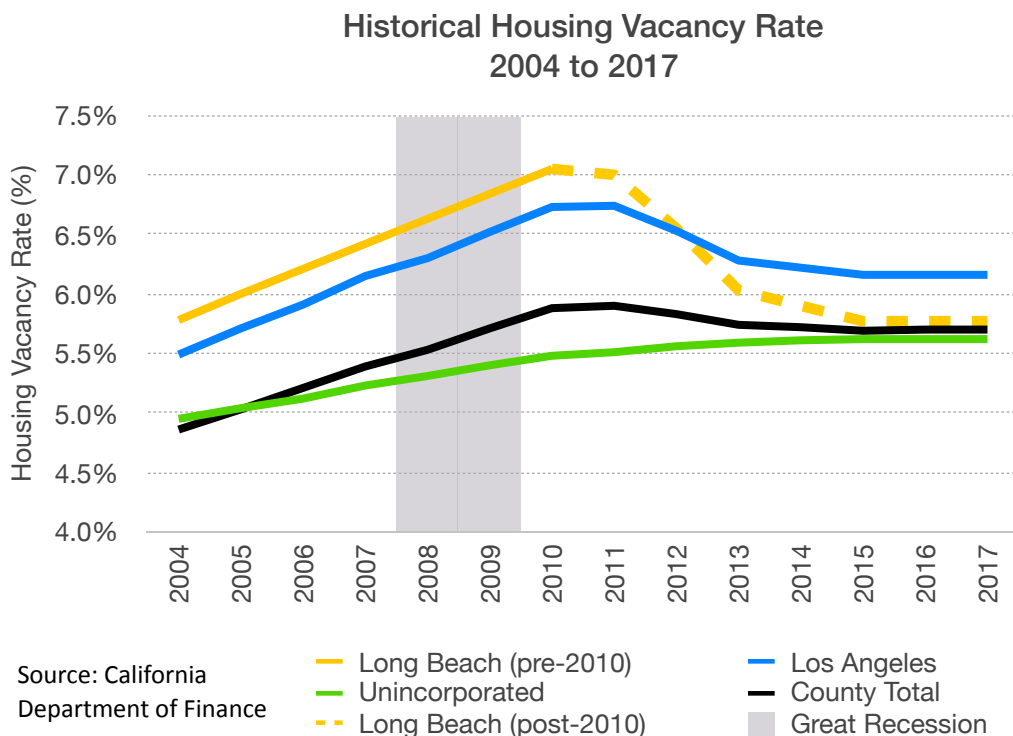
# HOUSING SITUATION (CRISIS) IN LONG BEACH

Over the past few years, the housing market in Long Beach has been marked by declining vacancy rates, relatively slow growth in housing stock, rapid increases in home prices and rents, and relatively high levels of overcrowding - all of which are signs of a constrained housing market.

## **Declining Housing Vacancy Rate**

Following the Great Recession, the City of Long Beach has seen quickly falling housing vacancy rate. Data from California Department of Finance indicates that from 2010 to 2017, housing vacancy rate in Long Beach has dropped from 7.1 percent to 5.8 percent. Historically, the vacancy rate of Long Beach has erred on the high side compared to the City of Los Angeles and Los Angeles County (see Figure 1.1). **Since 2012, however, Long Beach's housing vacancy rate has dropped below that of the City of Los Angeles and is now about the same as the County level.**

Figure 1.1. Historical Housing Vacancy Rate in Long Beach and Los Angeles County



The rapidly declining vacancy rate in Long Beach is significant given that its household population growth has actually lagged behind that of Los Angeles County. From 2010 to 2017, household population grew by 3.8 percent in Long Beach, whereas the growth rate was 4.3 percent in Los Angeles County during the same period.

Table 1.1. Household Population Growth: Long Beach vs. Los Angeles County

Year	Los Angeles County	Long Beach
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>

Source: California Department of Finance

So far, data from California Department of Finance has painted an unfavorable picture of Long Beach’s housing market. According to U.S. Census data, the situation is even worse. **From 2010 to 2016, housing vacancy rate in Long Beach dropped by half from 9.1 percent to 4.6 percent** – far sharper than both Los Angeles County and California. Note that while both Los Angeles County and California have also experienced falling vacancy rate, which signals that falling vacancy rate is a statewide phenomenon, the decreases are more modest in comparison (0.9 percent for Los Angeles County and 1.4 percent for California). The following tables present data on vacancy rates and housing units in Long Beach and a few comparison regions:

Table 1.2. Vacancy Rates and Housing Units, 2010 vs. 2016

Vacancy Rate					
	United States	California	New York State	Los Angeles County	Long Beach
<b>2010</b>	13.1%	9.3%	11.2%	7.0%	9.1%
<b>2016</b>	12.4%	7.9%	12.4%	6.1%	<b>4.6%</b>
Housing Units (in Thousands)					
	United States	California	New York State	Los Angeles County	Long Beach
<b>2010</b>	131,791.1	13,683.0	8,108.2	3,444.9	174.2
<b>2016</b>	135,702.8	14,061.4	8,232.0	3,520.8	168.6
<b>Change</b>	3,911.71	378.40	123.83	75.94	<b>-5.64</b>
<b>Percent Change</b>	3.0%	2.8%	1.5%	2.2%	<b>-3.2%</b>

Source: American Community Survey 1-Year Estimates

As indicated from the table above, **Long Beach was the only region where housing stock decreased between 2010 and 2016** – a loss of 5,648 units or 3.2 percent of total housing stock. Undoubtedly, the destruction of housing stock contributed to the significant decrease of housing vacancy rate during the same period. By comparison, total housing units have decreased modestly in both Los Angeles County (+2.2 percent) and California (+2.8 percent).

Table 1.3. Number of Households, 2010 vs. 2016

Housing Units (in Thousands)					
	United States	California	New York State	Los Angeles County	Long Beach
<b>2010</b>	114,567.4	12,406.5	7,196.4	3,202.4	158.4
<b>2016</b>	118,860.1	12,944.2	7,209.1	3,305.6	160.8
<b>Change</b>	4,292.6	537.7	12.6	103.2	2.4
<b>% Change</b>	3.7%	4.3%	0.2%	3.2%	1.5%
<b><math>\Delta</math>Units/<math>\Delta</math>HH</b>	0.911	0.704	9.807	0.736	<b>-2.370</b>

Source: American Community Survey 1-Year Estimates

At the same time, the number of households increased in Long Beach during the same period, albeit at a slower rate than Los Angeles County and California. At minimum, for the number of vacant housing units to stabilize, one housing unit should be added for every new household. In both Los Angeles County and California, a shade above 0.7 housing units were added for each household gained. The situation in Long Beach is considerably more acute. Given that Long Beach lost 5,648 housing units and gained almost 2,400 households simultaneously, Long Beach effectively lost 2.37 housing units from 2010 to 2016.

### Comparative Over-Crowdedness

#### Comparison with Cities of Similar Population

While Long Beach is a relatively large city in itself, much of the discussion about housing is often conflated with Los Angeles, a much bigger city in close proximity to Long Beach. This section seeks to compare Long Beach with cities of similar population size - namely Sacramento, Fresno, and Oakland.

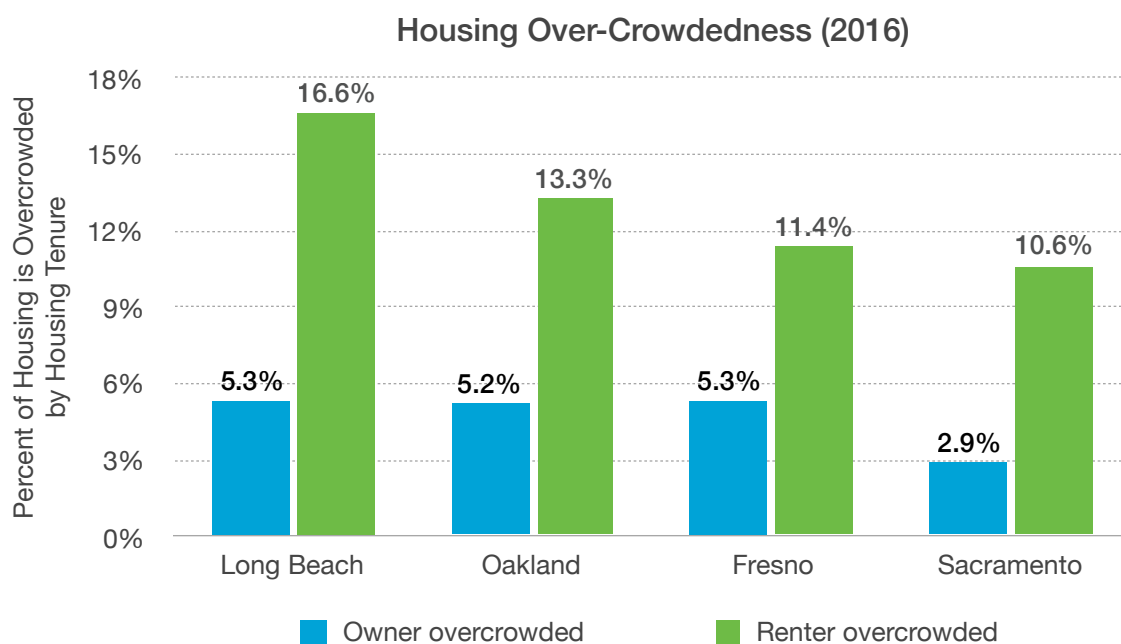
Table 1.4. Household Over-crowdedness, 2016, Long Beach vs. California Cities with Similar Population Size

City	Sacramento	Fresno	Long Beach	Oakland
Year	2016	2016	2016	2016
Number 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
Percent of All HHs Overcrowded	5.11	8.57	<b>12.34</b>	10.22
Percent of Owner HHs Overcrowded	1.36	2.46	2.01	1.99
Percent of Renter HHs Overcrowded	3.74	6.1	<b>10.33</b>	8.23
Percent of All HHs Severely Overcrowded	1.54	1.51	<b>5.70</b>	4.68

Source: American Community Survey 1-Year Estimates

Between these cities, Long Beach has considerably more overcrowded households<sup>1</sup> (12.34 percent) than Oakland (10.22 percent), Fresno (8.57 percent), and Sacramento (5.11 percent). Similarly, Long Beach also has the highest share of households that are severely overcrowded (5.70 percent), compared to Oakland (4.68 percent), Fresno (1.51 percent), and Sacramento (1.54 percent). Furthermore, household over-crowdedness is especially severe among renters. Although there are more renter households in Long Beach than other comparison cities, this does not account for **renter households making up more than 83 percent of overcrowded households (10.33%/12.34%) in Long Beach** - more than Oakland (80.5 percent), Fresno (71.2 percent), and Sacramento (73.2 percent).

Figure 1.2. Housing Over-crowdedness by Housing Tenure, 2016



Source: American Community Survey 1-Year Estimates

Breaking down household over-crowdedness by housing tenure reveals a more diverging picture in Long Beach than in comparison cities. With the exception of Sacramento, where over-crowdedness among owner households (2.9 percent) is notably lower than other cities, the percentage of over-crowdedness among owner households in Long Beach (5.3 percent) is similar to that of Oakland (5.2 percent) and Fresno (5.3 percent). On the other hand, among renter households, one in six are overcrowded in Long Beach, compared to Oakland (13.3 percent), Fresno (11.4 percent), and Sacramento (10.6 percent).

#### Comparison with Nearby Cities

Compared to cities nearby,<sup>2</sup> Long Beach still scored on the high side in terms of overall over-crowdedness. This is true even though Long Beach has the lowest share of Hispanic population (who tend to have larger households than other races) and the highest share of non-Hispanic White

Table 1.5. Average (Mean) Household Size by Housing Tenure, 2016

Tenure	Bellflower	Downey	Inglewood	Lakewood	Long Beach
Owner-occupied	3.71	3.80	3.25	3.24	2.94
Renter-occupied	3.11	3.16	2.58	3.32	2.83

Source: American Community Survey 1-Year Estimates

The table above indicates that Long Beach has the smallest owner-occupied household size (2.94 persons per household) and the second smallest renter-occupied household size (2.83 persons per household), which should indicate that Long Beach is less overcrowded than the other cities in this section. However, Table 1.6. (below) indicates that this is far from the case.

Table 1.6. Household Over-crowdedness, 2016, Long Beach and Nearby Cities

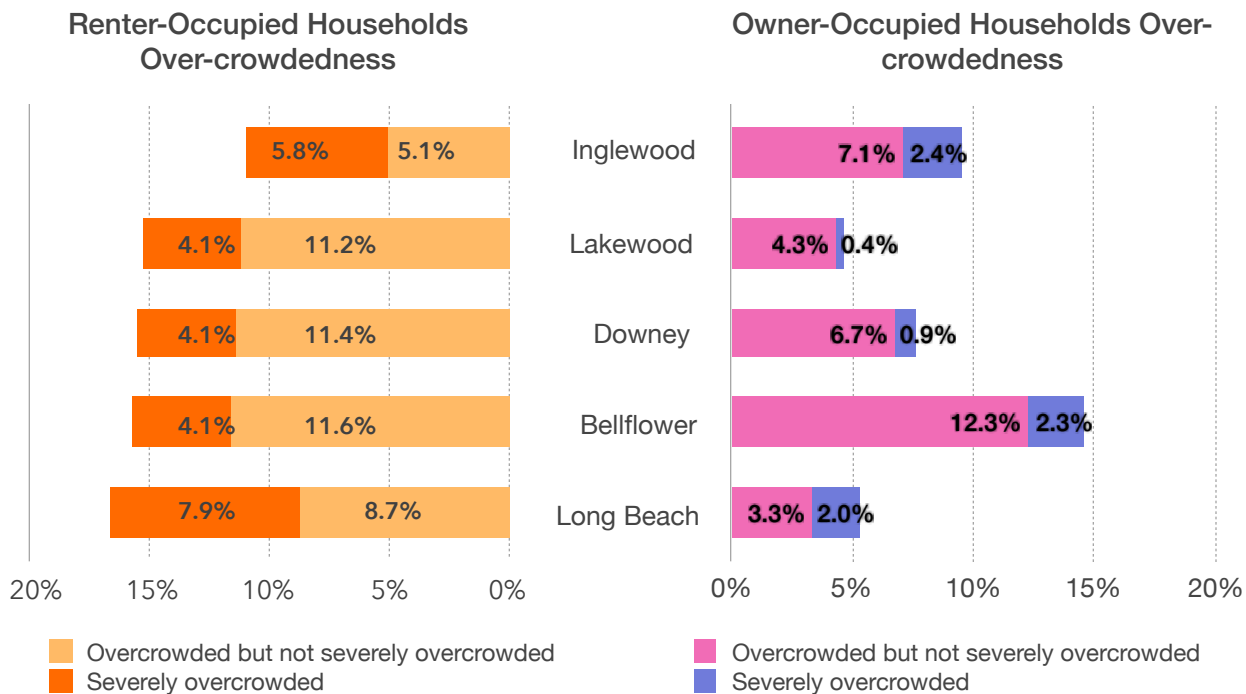
City	Long Beach	Inglewood	Downey	Lakewood	Bellflower
Year	2016	2016	2016	2016	2016
Number of Households (HHs)	160,769	38,724	32,646	24,806	23,038
Total HHs Overcrowded	19,841	4,023	3,891	1,880	3,518
Percent of HHs Overcrowded	12.34	10.39	11.92	7.58	15.27
Percent of HHs Severely Overcrowded	5.70	4.56	2.65	1.40	3.40
Percent of HHs Overcrowded (Owner)	2.01	3.47	3.41	3.42	5.64
Percent of HHs Overcrowded (Renter)	10.33	6.92	8.51	4.16	9.63

Source: American Community Survey 1-Year Estimates

Once again, over-crowdedness among renters is more pronounced in Long Beach than the nearby cities. Furthermore, although Long Beach had a lower percentage of overcrowded households than Bellflower (15.27 percent), it had the highest percentage of severely overcrowded households (5.70 percent) compared to the other cities, which ranged from 1.40 percent to 4.56 percent).



Figure 1.3. Housing Over-crowdedness by Housing Tenure, 2016



Source: American Community Survey 1-Year Estimates

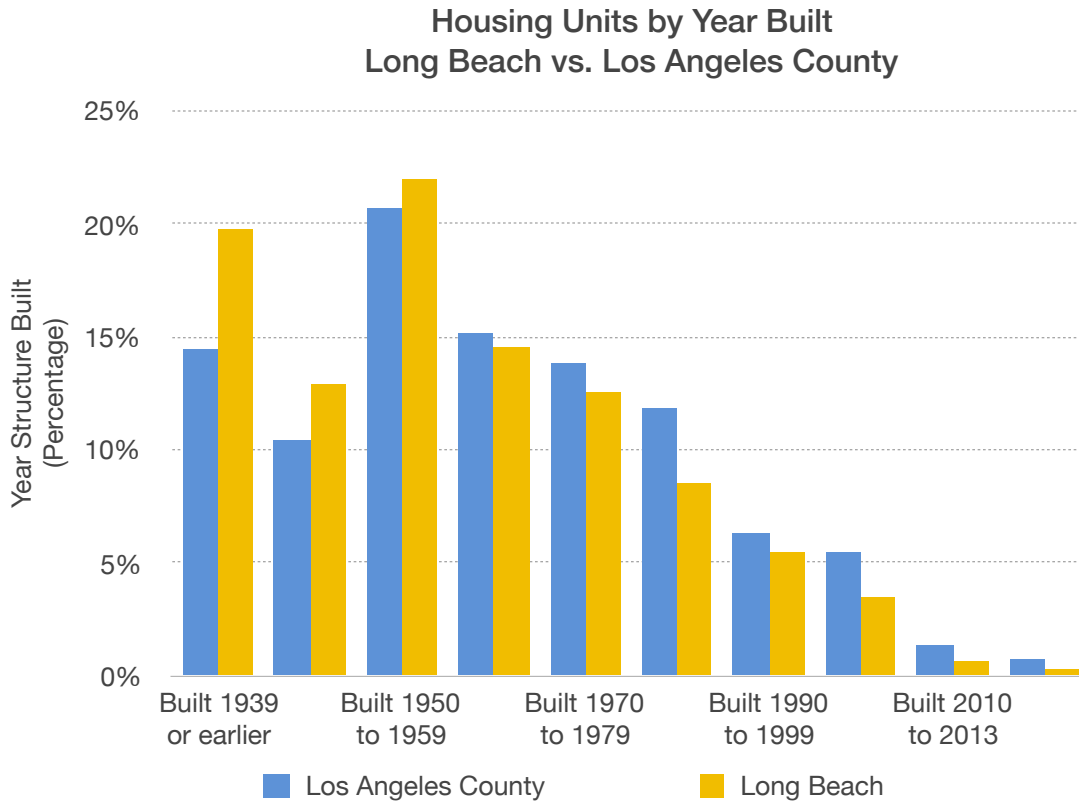
Despite having the second smallest average renter-occupied household size, **Long Beach actually has the highest percentage of renter households that are overcrowded (16.6 percent in total) than cities nearby.** Furthermore, almost half of the overcrowded renter-occupied households are actually severely overcrowded, compared to just 26 to 27 percent of overcrowded renter-occupied households in Bellflower, Downey, and Lakewood. By comparison, although slightly over half of the overcrowded renter-occupied households are severely overcrowded in Inglewood, there are significantly fewer overcrowded renter households in Inglewood (10.9 percent) compared to Long Beach’s 16.6 percent.

Finally, having the highest percentage of renter-occupied households that are overcrowded, but the second lowest percentage of owner-occupied households that are overcrowded, suggests that the inequality between homeowners and renters is more acute in Long Beach.

## Lagged Housing Additions and Consequences

There is little doubt that Long Beach residents – especially renters – are feeling more overcrowded when compared to cities nearby or to cities of similar population size. The combination of declining housing vacancy rate and the high percentage of overcrowded households suggest a lack of new housing additions in recent years.

Figure 1.4. Housing Units by Year Built, Long Beach vs. Los Angeles County



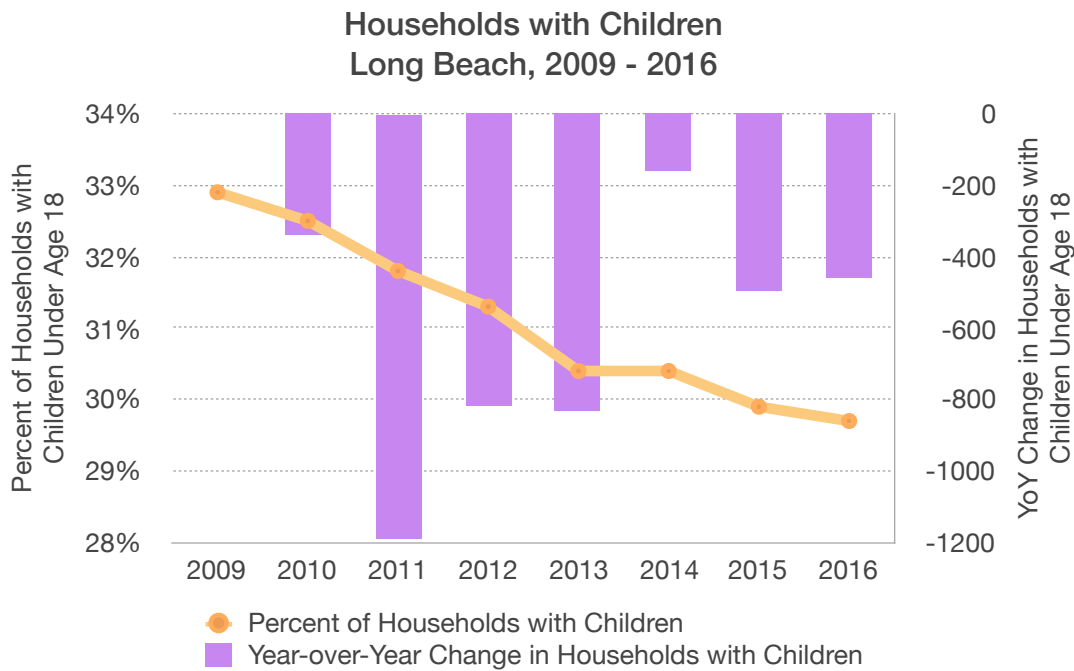
Source: American Community Survey

Compared to Los Angeles County, Long Beach has a substantially higher percentage of older housing stock but a much smaller percentage of newer housing stock. Specifically, 54.6 percent of Long Beach housing units was constructed before 1960, compared to just 45.5 percent in Los Angeles County. In addition, just 4.2 percent of the housing stock in Long Beach was built in 2000 or later, compared to 7.4 percent in Los Angeles County. The difference is even starker for housing units built in 2010 or after. Percentage-wise, at 2.0 percent, Los Angeles County has 2.5 times more than Long Beach’s 0.8 percent.

### Declining Family Households with Young Children

The lackluster addition to housing stock in Long Beach has had an adverse effect on its residents. The previous section on over-crowdedness demonstrated that renter-occupied households are disproportionately more overcrowded than owner-occupied households. Given that young people are less likely to be homeowners, this means Long Beach’s lack of housing stock additions may disproportionately affect its young residents. One consequence of this is young families moving out of the city.

Figure 1.5. Exodus of Young Family Households with Children in Long Beach



Source: American Community Survey

Note: 5-year estimates used due to the small sample size with 1-year estimates

Table 1.7. Households with Children Under 18 Years of Age, Long Beach and Nearby Cities

City	Long Beach	Inglewood	Downey	Lakewood	Bellflower
Year	2016	2016	2016	2016	2016
Number of Households (HHs)	160,769	38,724	32,646	24,806	23,038
Total HHs Overcrowded	19,841	4,023	3,891	1,880	3,518

Source: American Community Survey 5-Year Estimates

From 2009 to 2016, more family households with underage children left and dissolved rather than moved to or formed in Long Beach, resulting in a cumulative net loss of 4,300 households with underage children. While this is partially due to falling birth rates in recent years, this does not explain why more households with minors are leaving Long Beach than all nearby cities except Inglewood. As a result, the percentage of households with young children has fallen from 33 percent in 2009 to 30 percent in 2016.

### Declining Household Headship Rate

Another consequence is the decrease in household headship rate.<sup>3</sup> When assessing housing needs, it is important to examine household headship rate, as new household formation is one of the drivers of housing demand. Headship rates by age group and year for Long Beach were tabulated using data on the average number of workers per household from the American Community Survey (ACS) Public Use Microdata Sample (PUMS). An approximation of the City of Long Beach was constructed using Public Use Microdata Areas (PUMA) in the PUMS data, and employment and housing characteristics were extracted using the resulting geographic aggregate as the reference point. While the custom aggregation does not line up precisely with the City boundaries, it is the closest approximation possible with the available data.

Table 1.8. Household Headship Rate by Age Group, 2009 vs. 2016, Long Beach

Age Group	2009	2016	Change in Headship Rate
18 to 24 years old	22.2%	16.8%	-5.4%
25 to 29 years old	38.8%	33.8%	-4.9%
30 to 34 years old	50.9%	48.3%	-2.6%
35 to 44 years old	56.4%	50.7%	-5.7%
45 to 54 years old	58.7%	55.8%	-2.9%
55 to 64 years old	60.4%	58.4%	-2.1%
65 and above	64.6%	61.2%	-3.3%

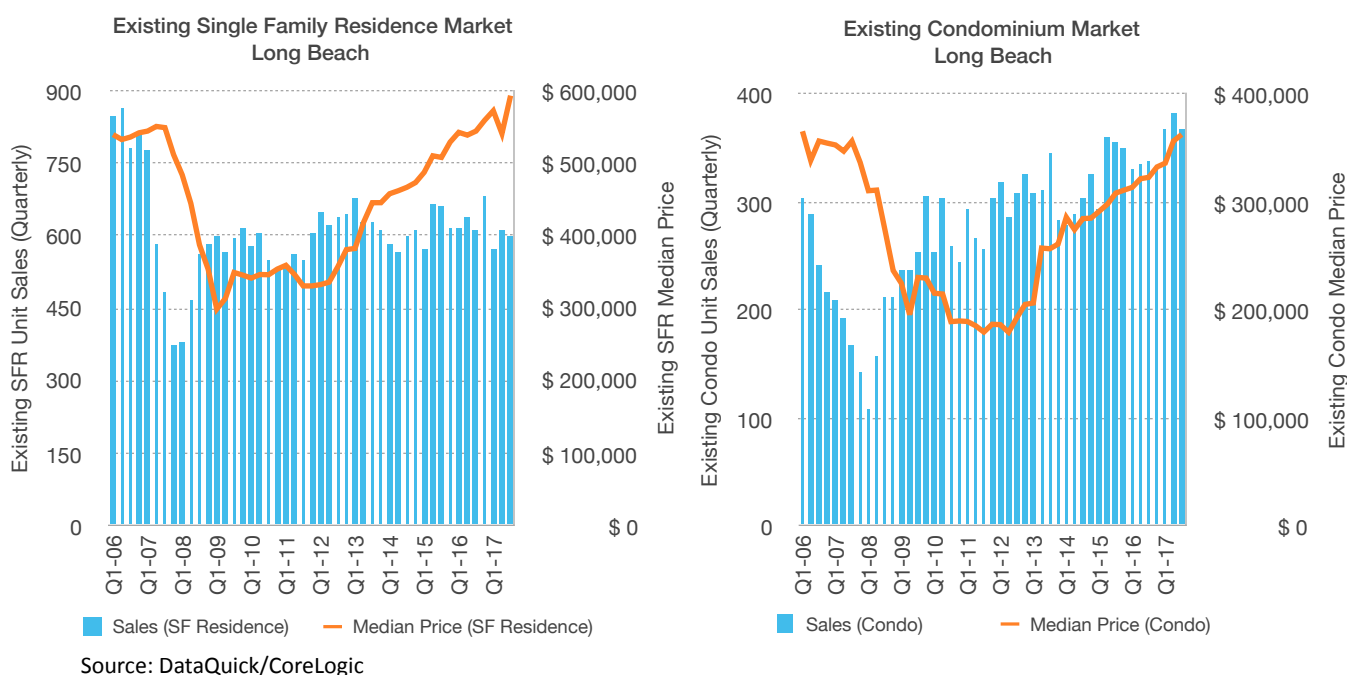
Source: American Community Survey Public Use Microdata Sample; Calculations by Beacon Economics

Compared to 2009 - the height of the Great Recession - household headship rate decreased for all age groups in 2016 when the economy drastically improved, which is in contrast to the conventional economic theory that as the labor market recovers, household formation (and headship rate) returns to trend (Paciorek, 2013). In addition, the decline in headship rate is more pronounced among residents less than forty-five years old.

While detailed examination of headship rate trends is beyond the scope of this report, the steadily decreasing headship rates indicate that there are unaccounted for exogenous factors at work, which residents of Long Beach may have little control over. Given that the housing bust was a primary driver of the Great Recession, housing prices saw sharp declines throughout the United States, especially in California. As the labor market improves, housing prices have also rebounded and actually outpaced household income post-recession.

Figure 1.6.1. Existing Single-Family Residence Housing Market, Long Beach

Figure 1.6.2. Existing Condominium Housing Market, Long Beach



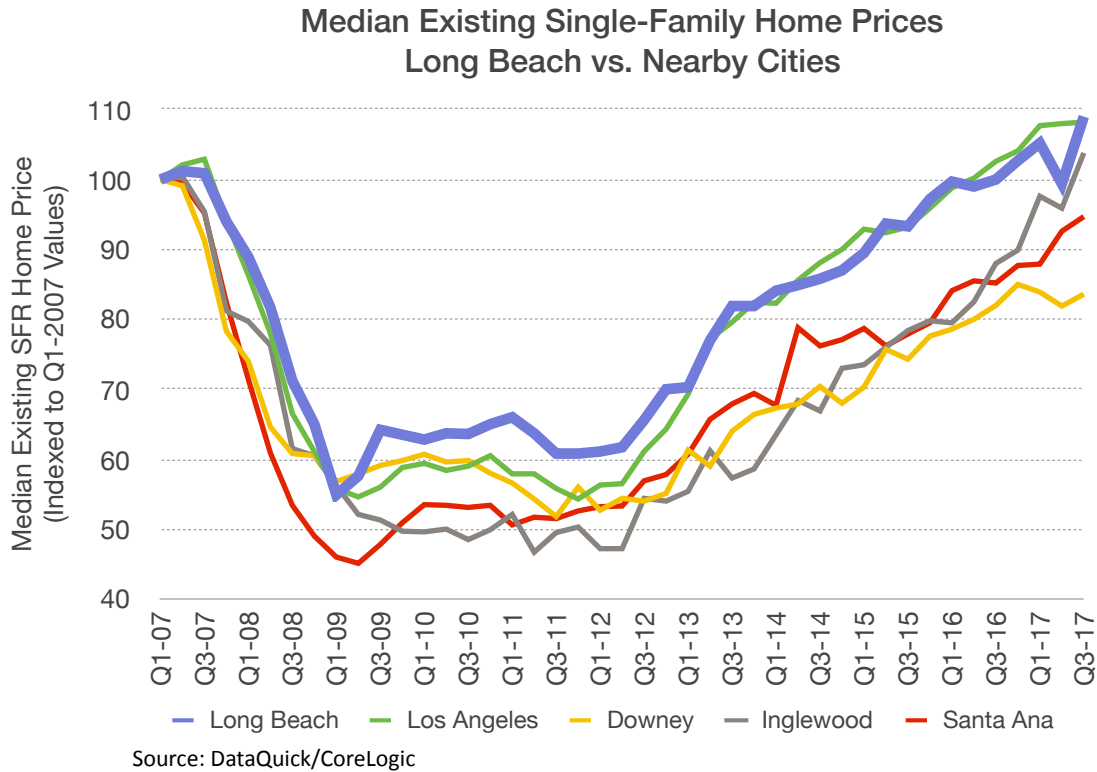
Source: DataQuick/CoreLogic

Although the median home price trends for single family homes and condominiums follow the same broad trend – steady increases reaching pre-recession level prices, unit sales trends have diverged. As of the third quarter of 2017, the median home price of a single-family home in the City of Long Beach was \$593,437, up 8.0% from ten years earlier – the pre-recession peak. The median price surpassed the pre-recession peak in the fourth quarter of 2016. Meanwhile, the median price of a condominium was \$362,976 in the third quarter of 2017, up 1.7% from ten years ago. Compared to the county as a whole, home prices in Long Beach have generally increased at a faster rate over the past five years.

Condominium sales have increased steadily, surpassing the sales level before the Great Recession, but single family home sales have remained flat for the last few years. Since single family homes are more expensive than condominiums, people are increasingly forgoing owning single family homes in favor of condominiums.

For Long Beach, housing prices rebounded much faster than employment and household income. The lack of new housing in recent years has constrained the supply of homes and has further propelled price increases. While this might be welcome news to existing homeowners who have been recovering lost equity over the last few years, it poses a clear challenge to buyers, especially first-timers.

Figure 1.6. Median Single-Family Home Prices (Indexed to Q1-2007 Values), Long Beach vs. Nearby Cities



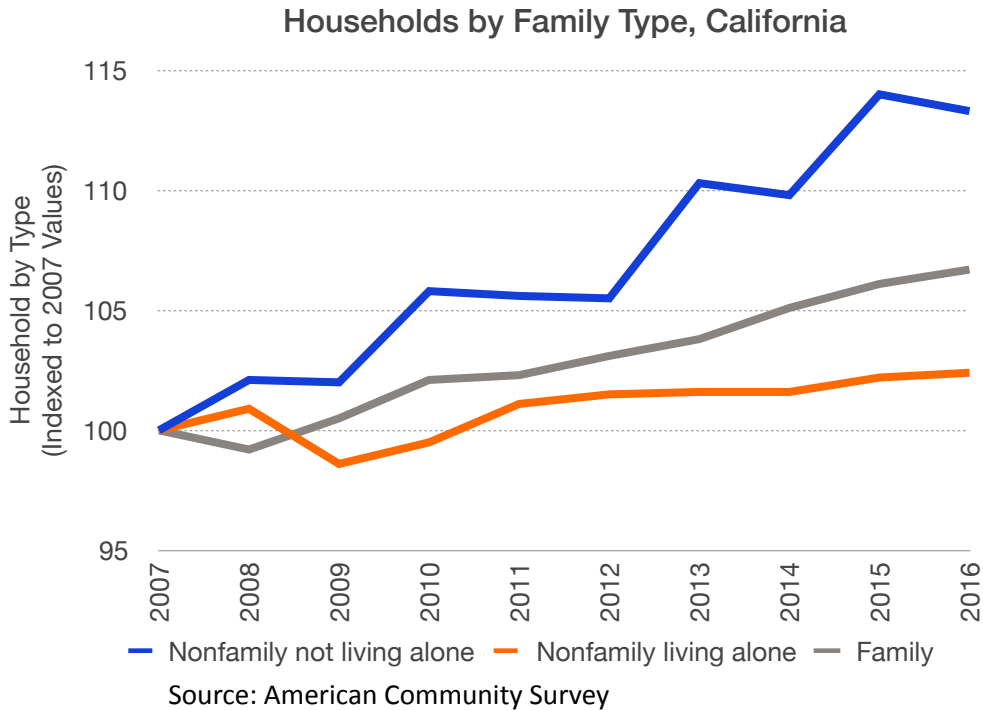
As of the third quarter of 2017, median single-family home prices in the City of Long Beach has surpassed pre-recession levels. Furthermore, within the past ten years, the median single-family home price in Long Beach has risen faster than in nearby cities, as well as Santa Ana, which is notorious for its high percentage of overcrowded households.



## Rise of Non-Family Households

People economize when housing becomes a more difficult challenge to them. One such way is to move in with roommates who are not family members, thus forming non-family households. In California, even as the economy improved, the share of non-family households has continued to rise.

Figure 1.8. Households by Family Type, California, 2007 to 2016

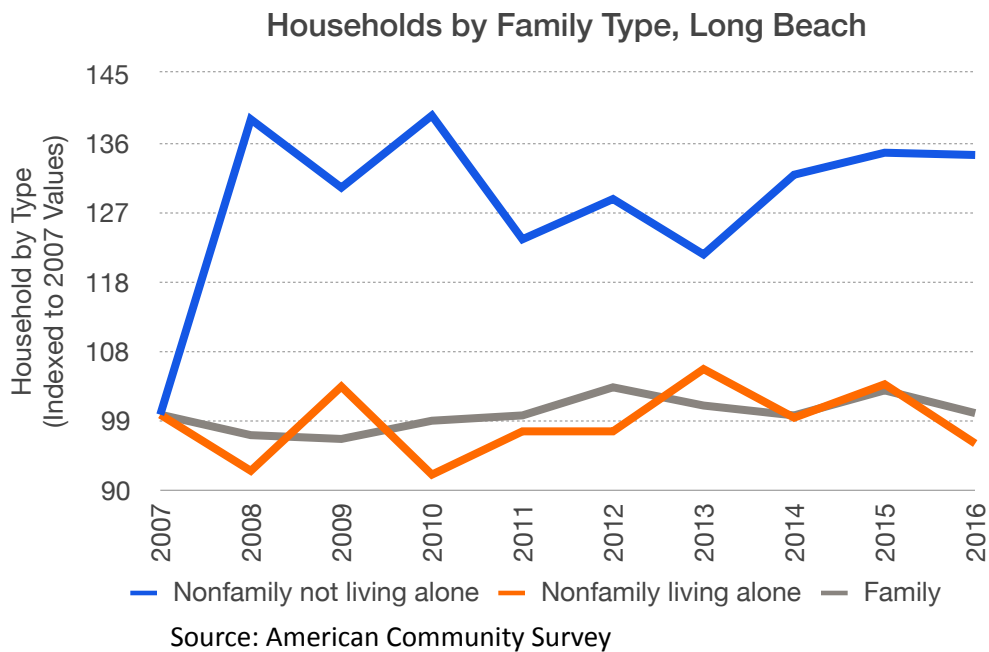


Compared to 2007, in 2016 non-family not living alone households have increased 13.3 percent in California, outpacing non-family living alone households (which grew by 2.4 percent) and family households (which grew by 6.7 percent) during the same time period.





Figure 1.9. Households by Family Type, Long Beach, 2007 to 2016



As for Long Beach, non-family not living alone households spiked immediately following the Great Recession, decreased slightly until 2013, and gradually increased since 2013. Compared to 2007, **in 2016 non-family not living alone households have increased 34.2 percent in Long Beach**, which outpaced non-family living alone households (which decreased by 3.8 percent) and family households (which grew by 0.2 percent) during the same time period.

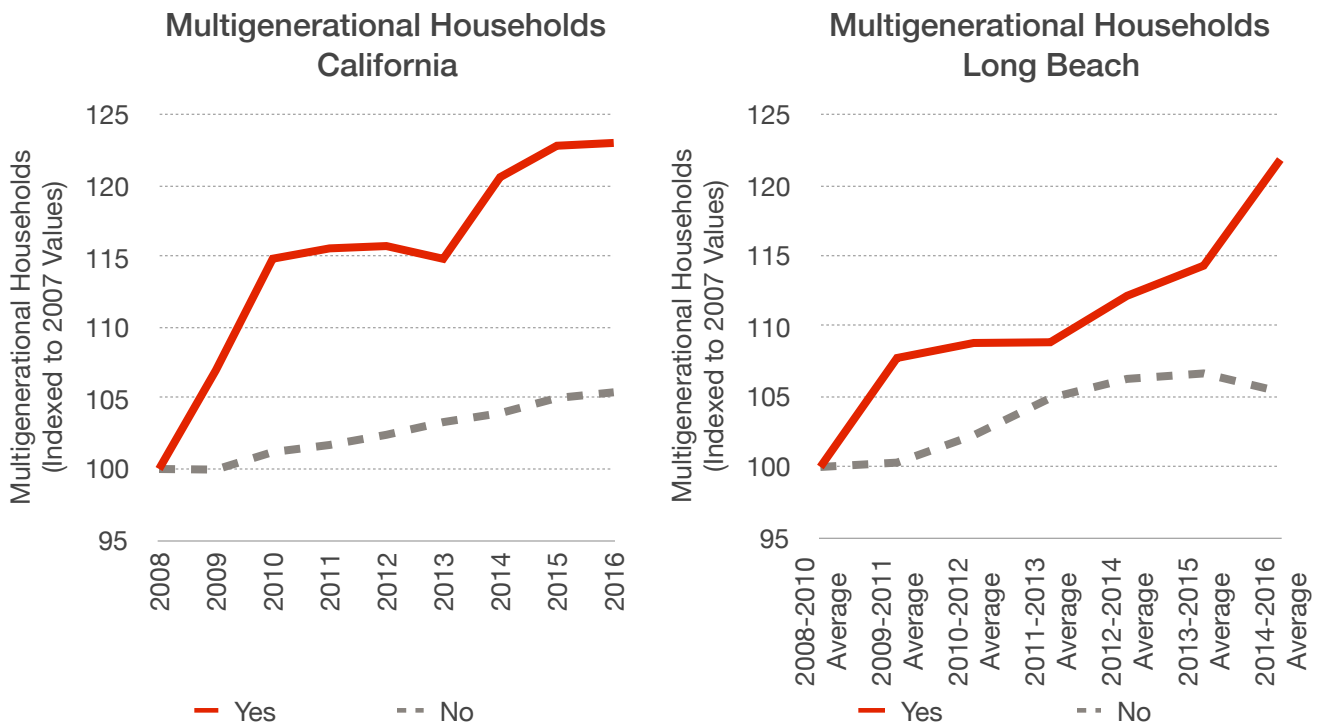
## Rise of Multigenerational Households

As people feel the housing crunch, an increasing number of them move back with family members (typically back to their parents), forming multigenerational households. **Between 2008 and 2016, multigenerational households increased by 23.0 percent** while non-multigenerational households increased by just 5.4 percent in California.

Similarly, multigenerational households have also emerged faster than non-multigenerational households in Long Beach. **Compared to 2008 to 2010, multigenerational households have risen by 21.8 percent in 2014 to 2016**, far outpacing the 5.3 percent increase for non-multigenerational households during the same periods.<sup>4</sup>

Figure 1.10.1. Multigenerational Households, California, 2008 to 2016

Figure 1.10.2. Multigenerational Households, Long Beach, 2008 to 2016



Source: American Community Survey Public Use Microdata Sample; Calculations by Beacon Economics



# HISTORICAL LAND USE PATTERNS IN CONTEXT

The emergence of non-family (and not living alone) households and multigenerational households as well as families with young children moving away are all signs that Long Beach may have a housing shortage. The discussion based on data from the Department of Finance and Census Bureau suggests that this is true. However, all of these observations are symptoms of a greater problem - fundamentally, there are many current regulatory constraints on housing development in Long Beach that hinder the city's growth. For example, its Land Use Element (LUE) has not been updated since 1989 and the changes to the proposed January 2018 LUE actually exacerbate the constraints.

## Comparison: Long Beach vs. Oakland

This section examines current land use patterns between Long Beach and Oakland. Beacon Economics' choice of Oakland to compare to Long Beach is due to many similarities between the two cities.

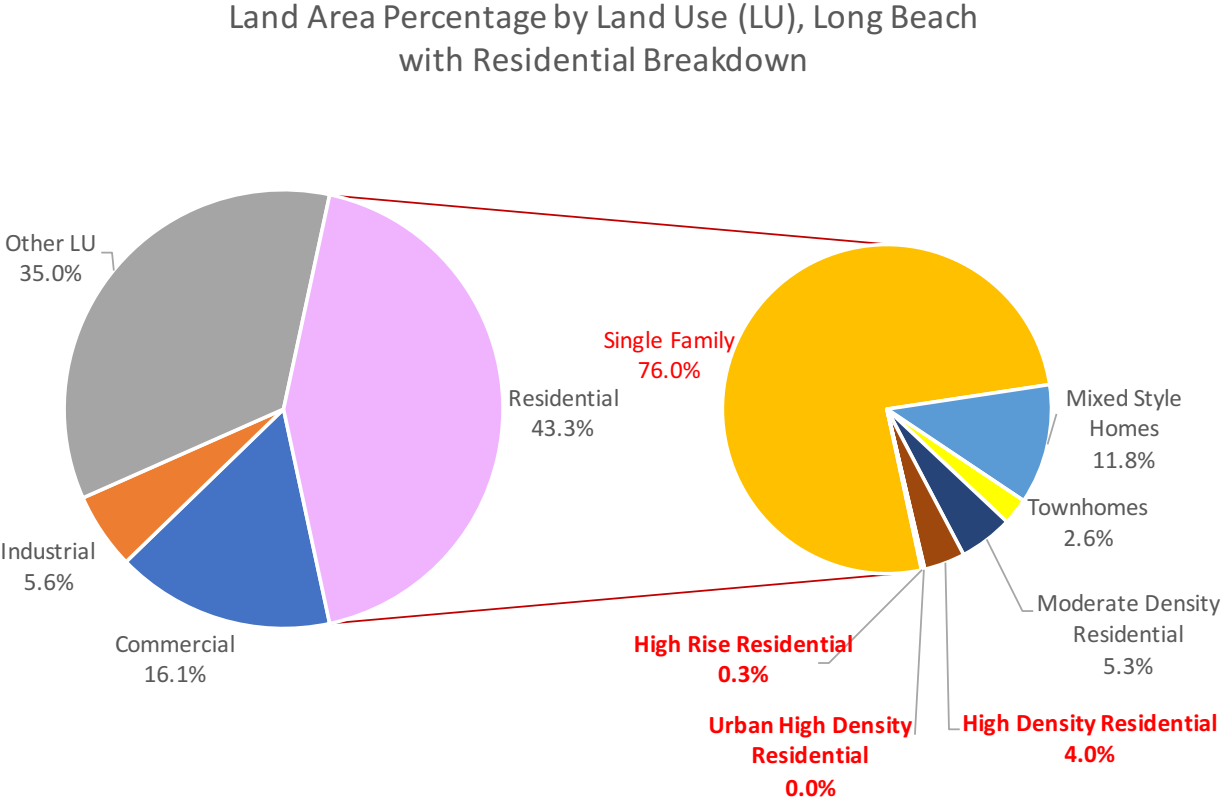
1. Both cities are built out. Both Long Beach and Oakland are core cities in larger regions that grew rapidly in the 20th Century, with little or no open space. This means only infill is available and any future development projects will rely heavily on infills.
2. Both cities have similar population sizes. Based on U.S. Census data, in 2016, there are 470,130 residents occupying 160,769 households in Long Beach. Oakland is marginally smaller with 420,005 persons in 158,084 households.
3. Both cities have similar housing tenure. According to U.S. Census, in 2016, 62.3 percent of households are renters in Long Beach, which is very similar to Oakland's 61.7 percent.
4. Proximity to mega cities. Long Beach borders Los Angeles to the southeast while Oakland is a short train ride from San Francisco.
5. Both are major California port cities, which means both have a large industrial base.

Nevertheless, both cities have notable different land use patterns, which contribute to different housing profiles. For example, as discussed earlier, there is a slightly higher percentage of overcrowded households in Long Beach (12.3 percent) than in Oakland (10.2 percent) in 2016. Long Beach also has a higher share of severely overcrowded households (5.7 percent) than Oakland (4.7 percent).



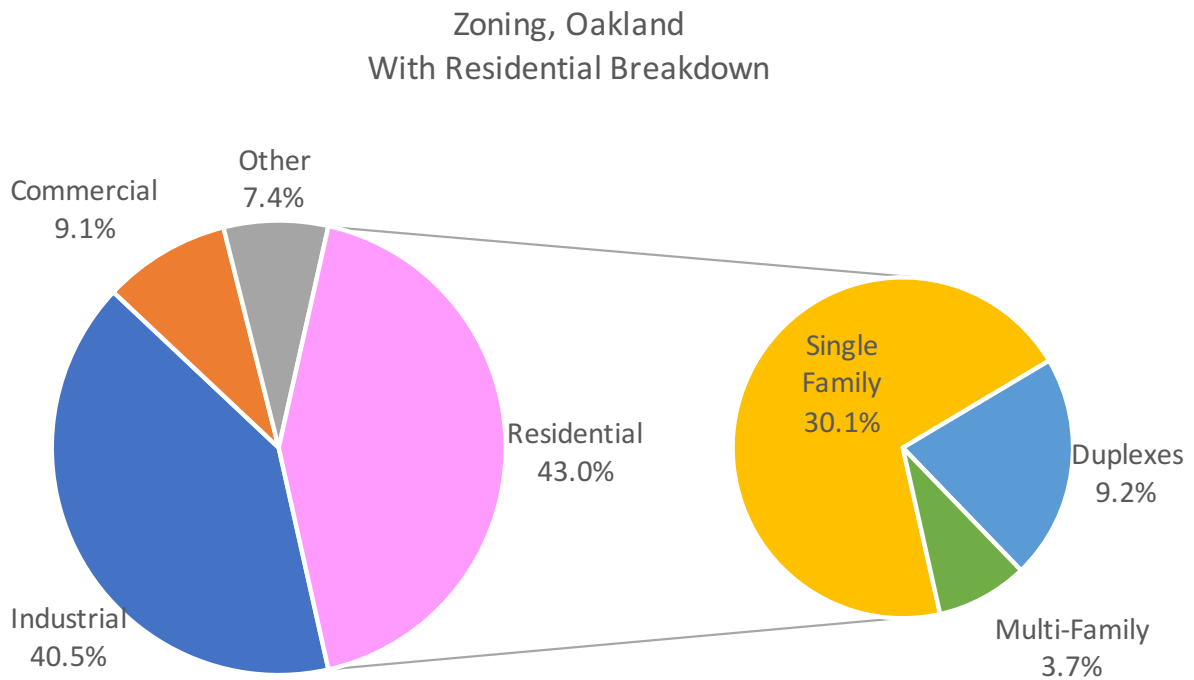
Below is a breakdown of Long Beach’s land areas by land use with further breakdown on residential land area based on its 1989 Land Use Element:

Figure 1.11. Land Use Element, Long Beach



And here is the breakdown for Oakland:

Figure 1.12. Zoning, Oakland



Outwardly, both cities appear to have the same percentage of land area dedicated to residential uses (43 percent). However, **a higher percentage of residential land area is dedicated to single-family housing development in Long Beach<sup>5</sup> (76 percent) than in Oakland (70 percent).**

The above graphic for Long Beach indicates that it has some residential land areas zoned for high density/high rise multi-family housing. High density residential, however, is a misnomer as cities can have very different definitions of high-density housing. For example, the City of Long Beach defines high density residential (Land Use District No. 4) as having 44 dwelling units per acre (DUA) maximum.<sup>6</sup> In contrast, land zoned for a maximum of 44 DUA would be regarded as “low- to mid-rise density”.<sup>7</sup> Long Beach’s definition of “high-density residential” would therefore be a misnomer at best.

For a more equal comparison, Beacon Economics normalizes the DUA and permitted density of both cities based on the development standard of the City of Los Angeles. The normalized permitted density per acre is as follows:

Table 1.9. Zoning Ordinance Densities, City of Los Angeles<sup>8</sup>

Land Use Designation	Corresponding Zones	Dwelling Units Per Net Acre
Low	RD 3, RD 4, RZ 2.5, RZ 3, RZ 4, RU	10 - 17
Low Medium	RW 1, RD 1.5, RD 2	18 - 29
Medium	R3	30 - 55
High Medium	R4	56 - 109
High	R5	110 - 218

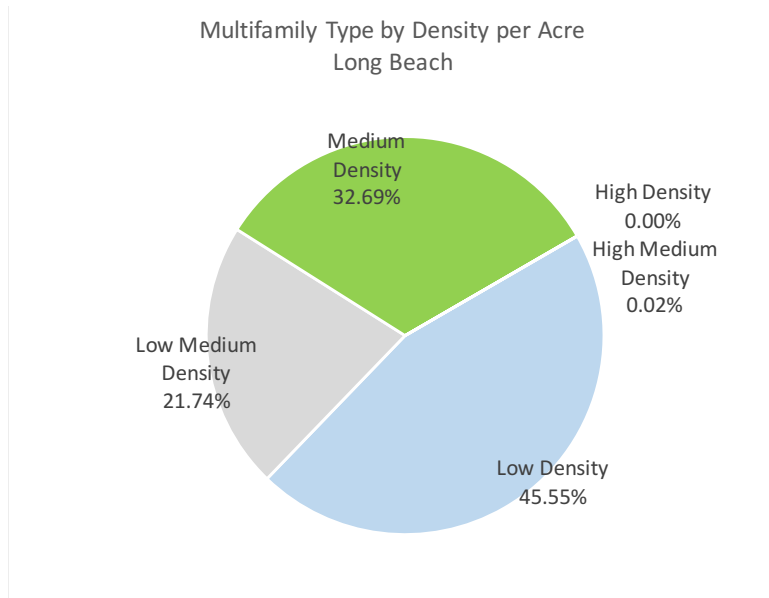
Source: Department of City Planning, City of Los Angeles

Based on the table above, High Density Residential zone (max 44 DUA) would be considered medium density based on the standard for the City of Los Angeles. Therefore, excluding the 4.0% of residential zoned for “high density” residential, only 0.3% of residential land (“Urban High Density Residential” and “High-Rise Residential”) is truly high density. Furthermore, Urban High Density Residential/Land Use District No. 5 (108 DUA) would be considered as high-medium density and High-Rise Residential/Land Use District No. 6 (249 DUA) would be considered as high density.



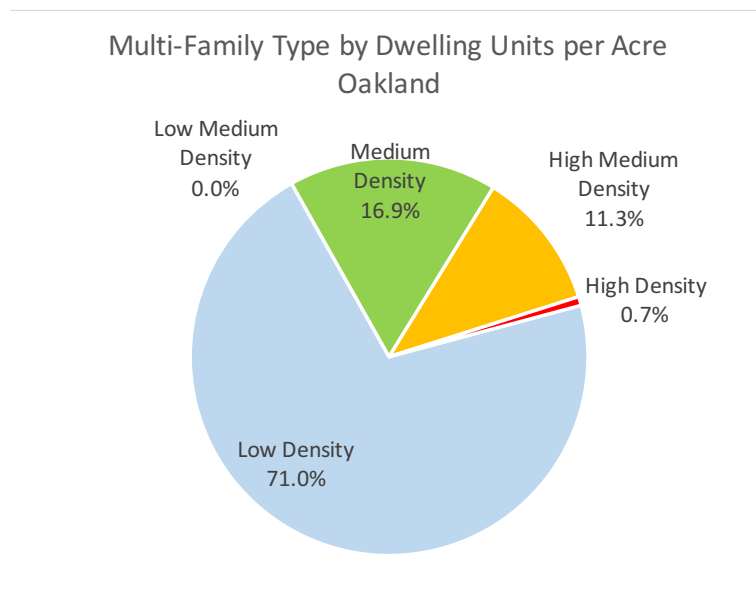
Implementing Los Angeles' standard gives the following multi-family breakdown of the Long Beach LUE:

Figure 1.13. Multi-Family Breakdown of Zoning, Long Beach



Which compares unfavorably with Oakland's breakdown of zoning for multi-family residential:

Figure 1.14. Multi-Family Breakdown of Zoning, Oakland





Although Long Beach has a significantly lower percentage of low-density multi-family residential land area (45.5%) compared to Oakland (71.0%), it has only 0.02% and 0.0% of residential multi-family land zoned for high medium density and high-density structures, respectively. In contrast, 12.0% of residential multi-family land area is zoned for high medium-density or high-density structures.

Beacon Economics has also compared Long Beach with San Diego, another major coastal city, and found the following results: Compared to Oakland and San Diego, 1.) Long Beach has a substantially lower percentage of land zoned for high or high medium-density and 2.) Long Beach has a slightly higher percentage of land zoned for low-density multi-family. Specific results are summarized in the table below.

Table 1.10. Residential Zoning, Long Beach vs. San Diego vs. Oakland

	Long Beach	San Diego	Oakland
<b>Percent of Total Land Dedicated for Residential Use</b>	43.3%	47.9%	43.0%
<b>Percent of Total Land Zoned for Single-Family Residential</b>	32.9%	38.7%	30.1%
<b>Percent of Land zoned for Multi-Family that is zoned for High/High Medium Density Multi-Family (56+ units/acre)</b>	<b>0.02%</b>	6.17%	12.05%
<b>Percent of Land for Low Density Multi-Family (2,000 sf land/unit or less)</b>	6.05%	4.72%	5.98%

Nevertheless, these are maximum dwellings per acre; therefore the City allows dwellings that are below the maximum DUA allowed. For example, at the corner of Ocean Blvd and 1st Pl, where it is zoned for High Rise Residential (maximum 249 DUA), there is a single-family home next to several multi-family structures, creating an inconsistency in the neighborhood’s character.

Figure 1.15A. Existing Land Use Map, Land Use Districts No. 4 – 6, Long Beach

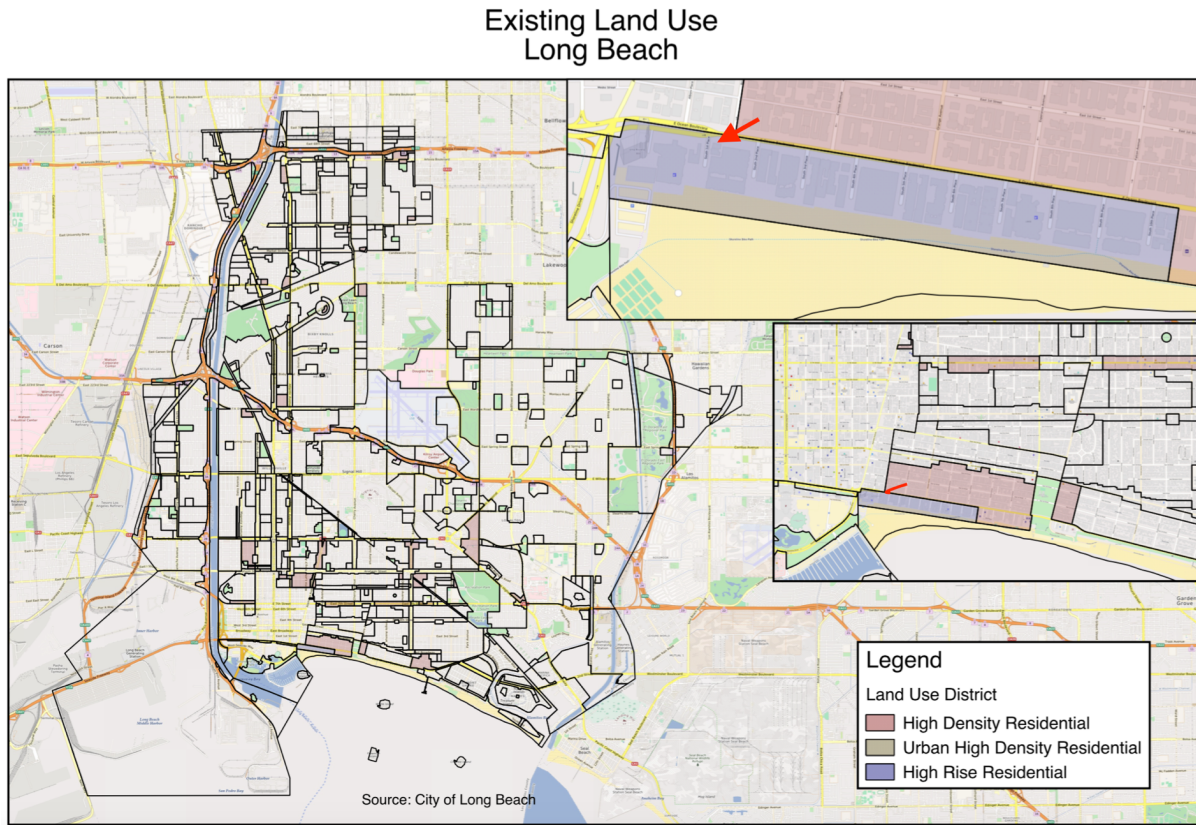


Figure 1.15b. Land Use Inconsistency Example (Single Family Home in Area Zoned for High Rise)



Ocean Blvd and 1<sup>st</sup> Pl, where it is zoned for High Rise Residential (maximum 249 DUA)

Finally, as major industrial cities, Long Beach has substantially less space dedicated to industrial use (6%) than Oakland (41%). Since 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.



# 2040 HOUSING NEEDS PROJECTIONS

The current 2040 housing needs assessment prepared by the city staff is based on adding the number of overcrowded housing units from the 2010 Decennial Census and the housing allocated from the Regional Housing Needs Allocation (RHNA) for the fifth cycle running from 2014 to 2021. This section analyzes the City's methodology and discusses its shortcomings. Beacon Economics has developed a dynamic housing needs assessment model driven by long run employment demographics and discusses the findings.

“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

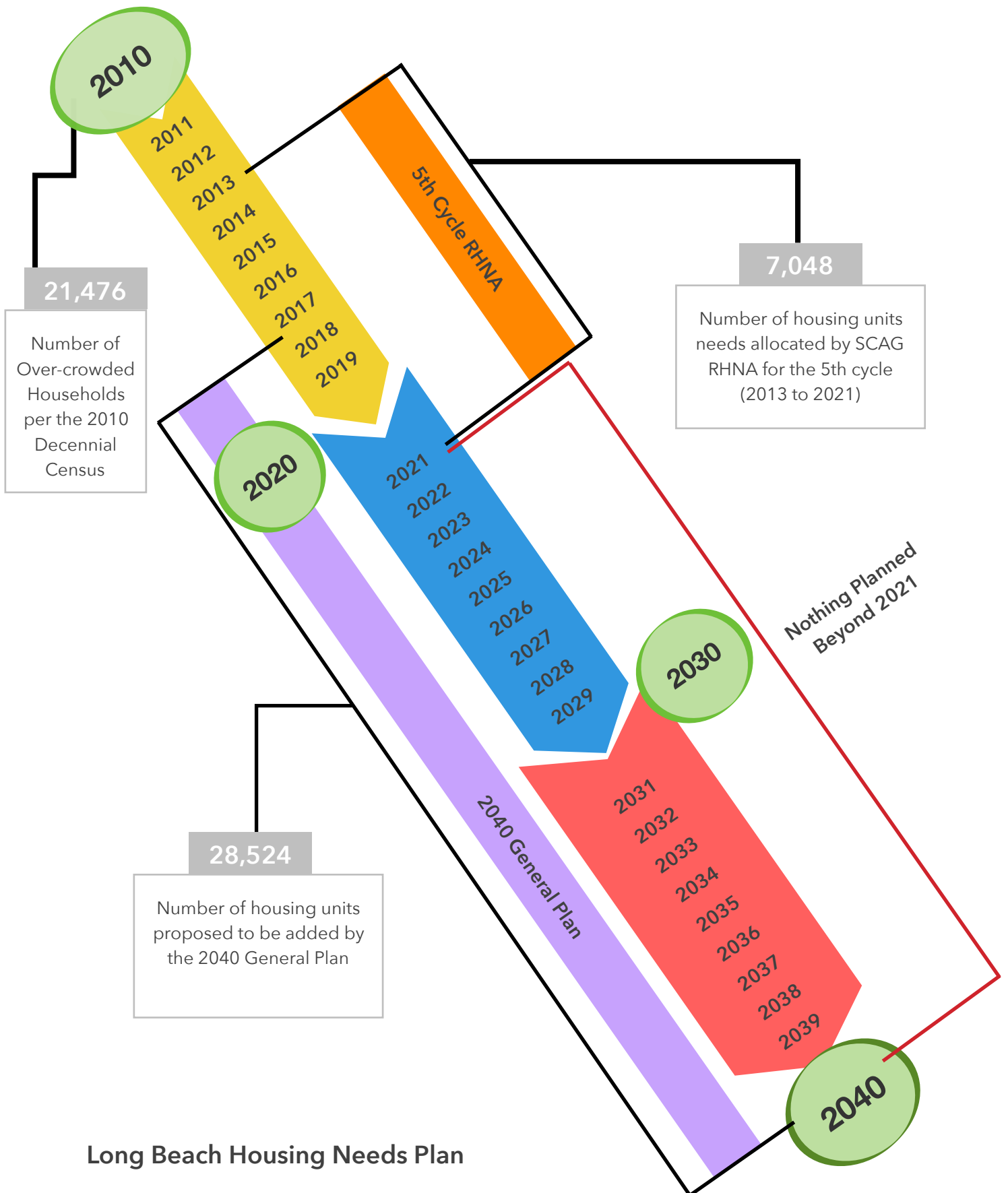
Long Beach city officials estimate that the city needs to build slightly over 28,000 housing units in the next 23 years to accommodate anticipated population growth, according to city documents. A unit could be anything from a studio to a two- or three-bedroom condo.

The housing need estimate is derived from adding the number of overcrowded housing units based on the 2010 Decennial Census and the housing allocated from the Regional Housing Needs Allocation (RHNA) for the fifth cycle. The methodology employed by the city staff is illustrated below.

Table 2.1. Long Beach Housing Needs City Staff Estimate and Details of Estimation

City Staff Estimate		Details of Estimate
<b>2010 Decennial Census: Overcrowded Units</b>	21,476	In 2010, there were 21,476 households in Long Beach that were crowded (1.01-1.50 occupants per room) or severely overcrowded (1.51+ occupants per room).
<b>2014 - 2021 (5th Cycle) Long Beach RHNA Allocation: New Construction</b>	7,048	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.
<b>Total Units:</b>	28,524	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.

The figures estimated by the city staff are problematic for several reasons. First, the methodology only takes up to 2021 (the end of the 5th RHNA cycle) into account - there is nothing beyond that for the next 19 years. In addition, the current RHNA process fails to account for the fact that housing is a predominantly market-based system. The current RHNA process is static such that it uses 20-year household formation rate trends to project and allocate housing needs. This means the RHNA process itself may actually underestimate the true housing needs. The next section provides a more detailed discussion of the RHNA process.



# BEACON ECONOMICS PROJECTION

In the assessment of housing needs for the City of Long Beach, Beacon constructed two scenarios, one driven largely by long run employment demographics, the other by historical trends for employment growth. Within each scenario there are implicit assumptions regarding the growth of the housing supply in the city, highlighting the range of growth paths the City could embark on.

The baseline scenario makes use of the California Department of Finance's (DOF) long run projections for Los Angeles County overall. Using an econometric model, population projections for the City of Long Beach were estimated using the DOF County projections. The DOF projections for the County exhibit a continued slow-down in population growth, consistent with trends in recent years. Implicit in this projection is that the current housing shortage in the County continues into the future, thereby restricting population growth. By using this County projection as the primary driver for our City population projection, the "status quo" of the housing shortage in the City is assumed to continue.

The second scenario is driven by employment trends and carries the assumption that housing will not restrict job growth in the City and is able to maintain historical average growth into the future. So, while the baseline scenario assumes that the City's population, and subsequent employment for the City's residents, is restricted by the housing supply, this employment trend scenario represents the other end of the spectrum. It assumes that growth in the region is not constrained by housing and depicts the City's housing needs if it wants employment growth in line with historical trends.

## **Methodology and Data Sources**

### ***Baseline scenario***

As mentioned above, the baseline scenario uses the DOF population projections for Los Angeles County as a starting point. The City of Long Beach population projections were obtained through an econometric estimation with the County projection as the driver.

In order to translate the City population projections into housing needs, a projection of average household size was produced using an autoregressive process, producing an estimate in line with historical trends. The City population projection was then divided by the average household size to obtain a projection of total occupied housing units. The historical data for both the City population and housing were obtained from the DOF.

Employment projections in the baseline scenario were produced using data on the average number of workers per household from the American Community Survey (ACS) Public Use Microdata Sample (PUMS). An approximation of the City of Long Beach was constructed using Public Use Microdata Areas (PUMA) in the PUMS data, and employment and housing characteristics were extracted using the resulting geographic aggregate as the reference point. While the custom aggregation does not line up precisely with the City boundaries, it is the closest approximation possible with the available data. The 2016 ratio of 1.32 workers per household was then applied to the projection for the number of occupied housing units in the City to arrive at the number of employed residents in the future.

Finally, projections for the number of households per industry, and by tenure and number of units per structure were produced using housing profiles obtained through the 2016 ACS PUMS, using the same PUMA aggregate described above as the reference point. The percent of households in each industry, and by tenure and units in structure, was calculated, and these figures were applied to the projections for occupied housing units to disaggregate the top-level number into number of households per industry.

### ***Employment Trend Scenario***

The employment trend scenario was driven primarily by assumptions regarding employment growth in the future, which was informed by an analysis of historical job growth trends. Data on employment among the City's residents was obtained from the ACS from 2005 to 2016, and an analysis of historical trends yielded an average 0.7% annual growth, which was also in line with historical growth for the larger Los Angeles County over the same period. Future job growth was then assumed to be at this 0.7% annual rate.

The number of future occupied housing units was produced, in line with to the Baseline scenario, by applying the average number of workers per household to the resident employment projection. One difference in this Employment Trend scenario, however, that the ratio of 1.32 used in the Baseline scenario gradually declines to the historical average of 1.25. This concurs with the assumption that growth in the City is not constrained by the supply of housing, and that employment and number of workers per household revert to historical trends.

As with the Baseline scenario, disaggregated housing projections (housing by industry, units in structure, and tenure) were obtained by applying the ratios obtained from 2016 ACS PUMS data for the City approximation to the occupied housing forecast.



## Scenario Results

In the Baseline scenario, it is estimated that the number of occupied housing units that would be needed, if the “status quo” were maintained, would be 6,601 from 2014 to 2040. This is notably lower than the 7,048 units estimated in the Regional Housing Needs Assessment (RHNA) for the 2014 to 2021 time period, and highlights the consequences of the current state of housing growth. Given that the Baseline scenario represents a continuation of current building trends implied by recent population growth, it highlights the fact that the growth in the housing supply called for in the RHNA will not come to pass unless changes are made to clear obstacles to residential development.

Historically, there is a greater share of renters in the City than owner occupied housing, and as such the housing projections in the scenario call for a greater number of renter occupied units through 2040. Out of the 6,601 occupied housing units in the baseline projection, 4,056 would be renter-occupied housing and 2,544 owner-occupied housing. The City currently has more multi-family structures, and this pattern is carried forward in the projections as well. Of the total, 3,652 units would be in multi-family structures and 2,884 would be single-family structures.

Table 2.2. 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

In the Employment Trend scenario, the total number of occupied housing units that are needed to keep up with historical employment growth trends is 55,394 from 2014 to 2040. This is considerably more housing units needed compared to the baseline scenario, and highlights the strong need for new housing if the City is to continue to grow in line with historical norms. Of the 55,394 occupied housing units in the baseline projection, 34,041 would be renter occupied and 21,353 owner occupied. Of the total, 30,647 units would be in multi-family structures and 24,205 would be single-family structures.

The current distribution of housing by industry is tilted primarily to Education and Health Services (20.8%) and Professional and Business Services (10.7%). Accordingly, these industries are assumed to make up a significant number of occupied housing units through 2040. Housing for people not in the labor force, mostly retirees, and the unemployed make up a substantial share (19.0%) of total housing as well.

**Table 2.3. Employment Trend Scenario: Housing Needs by Units and Tenure**

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

Source: Beacon Economics, American Community Survey

One final consideration for the housing needs projections is the number of overcrowded units in the City. As of 2016, there was an estimated 19,841 overcrowded units in the City of Long Beach, according to the American Community Survey. If the City wanted to alleviate overcrowded housing, thereby improving quality of life for local residents, these units would need to be added to the projected housing needs in the Baseline and Employment trend trajectories. This would yield a grand total of 26,442 housing units needed in the Baseline scenario, and 75,235 in the Employment Trend scenario.

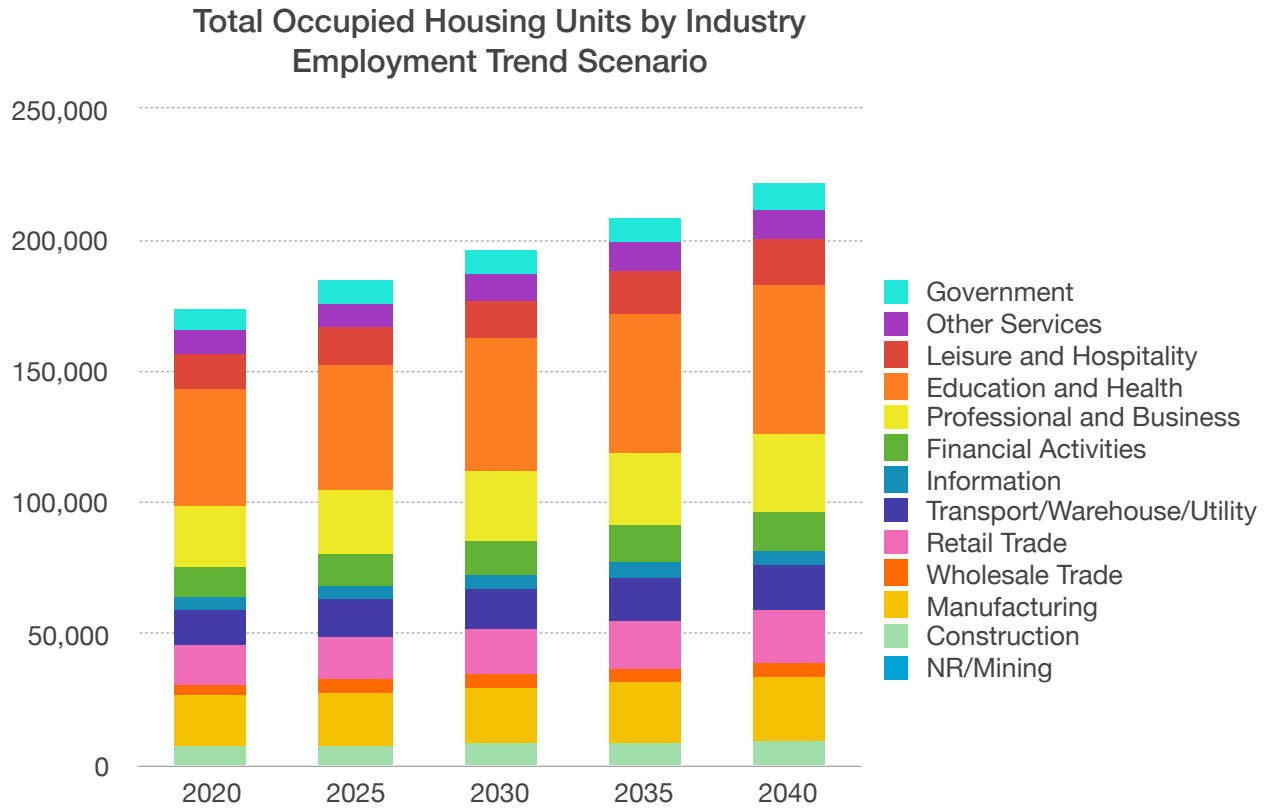
## Detailed Tables

Table 2.4. Employment Trend Scenario: Resident Housing Needs By Industry, Units in Structure, and Tenure, 2014 to 2040

Industry	Total Workforce Units	Single Family Units	Multi Family Units	Owner Housing	Renter Housing	Median Income
<b>Total All Industries</b>	55,394	24,205	30,647	21,353	34,041	\$32,000
<b>NR/Mining</b>	128	26	101	26	101	\$72,000
<b>Construction</b>	2,174	1,262	917	747	1,425	\$32,000
<b>Manufacturing</b>	5,998	2,734	3,145	2,524	3,481	\$36,000
<b>Wholesale Trade</b>	1,403	585	817	522	881	\$44,000
<b>Retail Trade</b>	5,004	2,017	2,926	1,523	3,467	\$25,000
<b>Transport/Warehouse/Utility</b>	4,273	1,531	2,731	1,279	2,981	\$35,000
<b>Information</b>	1,433	843	569	956	490	\$60,000
<b>Financial Activities</b>	3,771	1,868	1,904	2,048	1,743	\$50,000
<b>Professional and Business</b>	7,301	2,883	4,329	2,557	4,736	\$40,000
<b>Education and Health</b>	14,206	6,420	7,646	6,338	7,897	\$41,200
<b>Leisure and Hospitality</b>	4,281	1,261	2,913	818	3,436	\$20,000
<b>Other Services</b>	2,863	1,233	1,627	603	2,243	\$18,000
<b>Government</b>	2,560	1,544	1,022	1,413	1,161	\$60,000

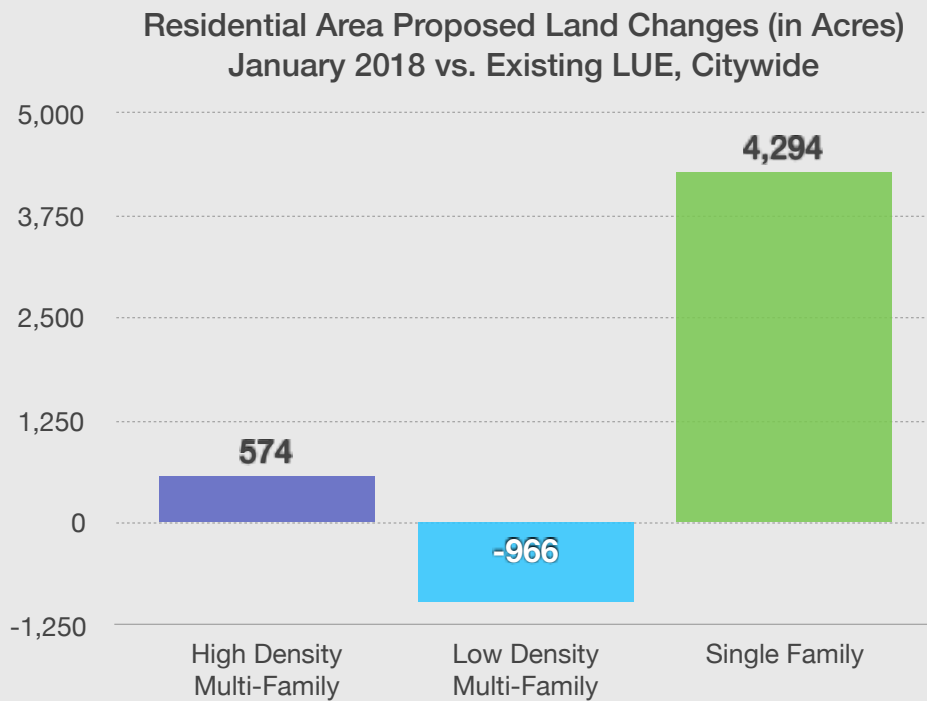
Source: American Community Survey Public Use Microdata Sample; Calculations by Beacon Economics

Table 2.5. Employment Trend Scenario: Total Occupied Housing Units by Industry



Source: Beacon Economics, American Community Survey; Calculations by Beacon Economics

# THE JANUARY 2018 PROPOSED LAND USE ELEMENT



Source: Long Beach Land Use Element; Calculations by Beacon Economics

Note: Low density multi-family includes: Duplex / Triplex / Fourplex / Low Multi-Family, Neighborhood-Serving Center or Corridor - Low, and Transit-Oriented Development - Low.

High density multi-family includes: 5 Units+ / Multi-Family - Moderate, Neighborhood-Serving Center or Corridor - Medium, and Transit-Oriented Development - Medium.

# PROPOSED LAND USE ELEMENT

The newest proposed changes to the Land Use Element based on the maps released on 18 January 2018 display a problematic use of land in Long Beach. Despite proposals to rezone more land area for residential use, single-family homes will take more than the lion's share of the added land area. Furthermore, the increase in residential land use areas will mean drastically reduced land areas for commercial and industrial spaces.

Table 3.1. January 2018 Proposed Land Use Changes (in Acres) vs. Existing Land Use Element Comparison, Residential Area, 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%
Total Residential	3,902.64	26.7%

Source: Proposed Long Beach Land Use Element (January 2018 Version)

The proposed changes citywide would add 3,903 acres of land to be rezoned for residential uses. Furthermore, the 3,903 acres added would consist of a net gain of 4,294 acres rezoned for single-family residential and 574 acres rezoned for high density multi-family,<sup>9</sup> but a loss of 966 acres rezoned from low density multi-family.<sup>10</sup>

Examining the proposed changes by council districts reveals a more startling pattern: Council Districts 1 and 2, where Downtown Long Beach is located, should have denser residential zones in the January 2018 revision. Yet both council districts would see an increase in land area zoned for single-family residential and a decrease in land area zoned for low-density and high-density multi-family residential.

Table 3.2. January 2018 Proposed Land Use Changes (in acres) vs. Existing Land Use Element Comparison, Residential Area, Council District 1

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>

Source: Proposed Long Beach Land Use Element (January 2018 Version)

Table 3.3. January 2018 Proposed Land Use Changes (in Acres) vs. Existing Land Use Element Comparison, Residential Area, Council District 2

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>

Source: Proposed Long Beach Land Use Element (January 2018 Version)

Council District 1 would see a gain of 105 acres of single-family residential land area at the expense of 50 acres of high-density multi-family land area and 72 acres of low-density multi-family land area – a net loss of 17 acres of land zoned for residential purposes. In addition, both council districts would lose significant land area currently zoned for commercial uses (-260 acres for Council District 1 and -327 acres for Council District 2).

There are numerous land use inefficiencies in the proposed January 2018 revision. For example, Council District 3, which encompasses California State University, Long Beach, would increase land area zoned for single-family residential (+699 acres) while simultaneously decreasing land area zoned for low-density (-101 acres) and high-density multi-family residential (-203 acres). The proposed land use changes concerning Council District 3 is an especially troublesome choice since CSULB students are finding it increasingly difficult to obtain on-campus housing due to rapidly increasing enrollment.<sup>11</sup> The East Long Beach/Los Altos submarket where CSULB is located already faces the lowest apartment vacancy rate compared to the North Long Beach/Lakewood/Artesia and West Long Beach/Signal Hill submarkets. As students continue to have difficulty in obtaining on-campus housing, they will be forced to either squeeze in extra roommates or seek off campus housing, which depletes available housing space in the neighborhood.

Table 3.4. Apartment Vacancy Rates, Long Beach Submarkets, Q3-2017

Submarket	Apartment Vacancy Rate
East Long Beach/Los Altos	3.3%
North Long Beach/Lakewood/Artesia	4.1%
West Long Beach/Signal Hill	5.7%

Source: REIS





Other City Council Districts have likewise seen a reduction in allowed densities that would otherwise help to alleviate the City's housing shortage. Below are more examples of proposed inefficient land use changes.

- 1) Council District 2: 7th Street between Walnut and St. Louis streets, reduce proposed building height from five stories to three stories to remain consistent.
- 2) Council District 4: Sears site at Atherton Street and Bellflower Boulevard - change proposed land use from mixed-use to community commercial to prevent housing, but maintain proposed three-story building height. Traffic Circle area - revert land use designation to community commercial for properties flanking the Traffic Circle and reduce proposed building height from six stories to four stories, but keep the proposed mixed-use designation on parcels farther away.
- 3) Council District 5: Lowes/Kmart site at Bellflower Boulevard and Spring Street - change proposed land use from mixed-use to community commercial to prevent housing, and reduce proposed height from three stories to two.
- 4) Council District 6: Pacific Avenue between 20th and 25th streets - reduce proposed building height from four stories to three stories, Pacific Avenue between 19th and 20th streets - reduce proposed building height from five stories to four stories.

There were further suggested changes for District 6, all of which have been advanced to the council for consideration:

- 1) Reduce height from five stories to four outside the Midtown Specific Plan border, roughly bounded by Pine and Earl avenues and Burnett and Willow streets.
- 2) Reduce height from five stories to two stories in area bound by Earl and Pacific Avenues (alley behind) and 25th Street, and change use from transit-oriented development to single family.
- 3) Reduce height from five stories to four stories in area east of Midtown Specific Plan, bounded by Pasadena and Linden Avenues and Nevada and Vernon Streets.
- 4) Reduce height from four stories to three stories on Pacific Ave. between 25th and 28th streets (outside of the Midtown Specific Plan) from four stories to three stories and change use from transit-oriented development to neighborhood mixed-use low-density.

Overall, seven out of nine Council Districts intend to displace low-density multi-family spaces in favor of single-family spaces.

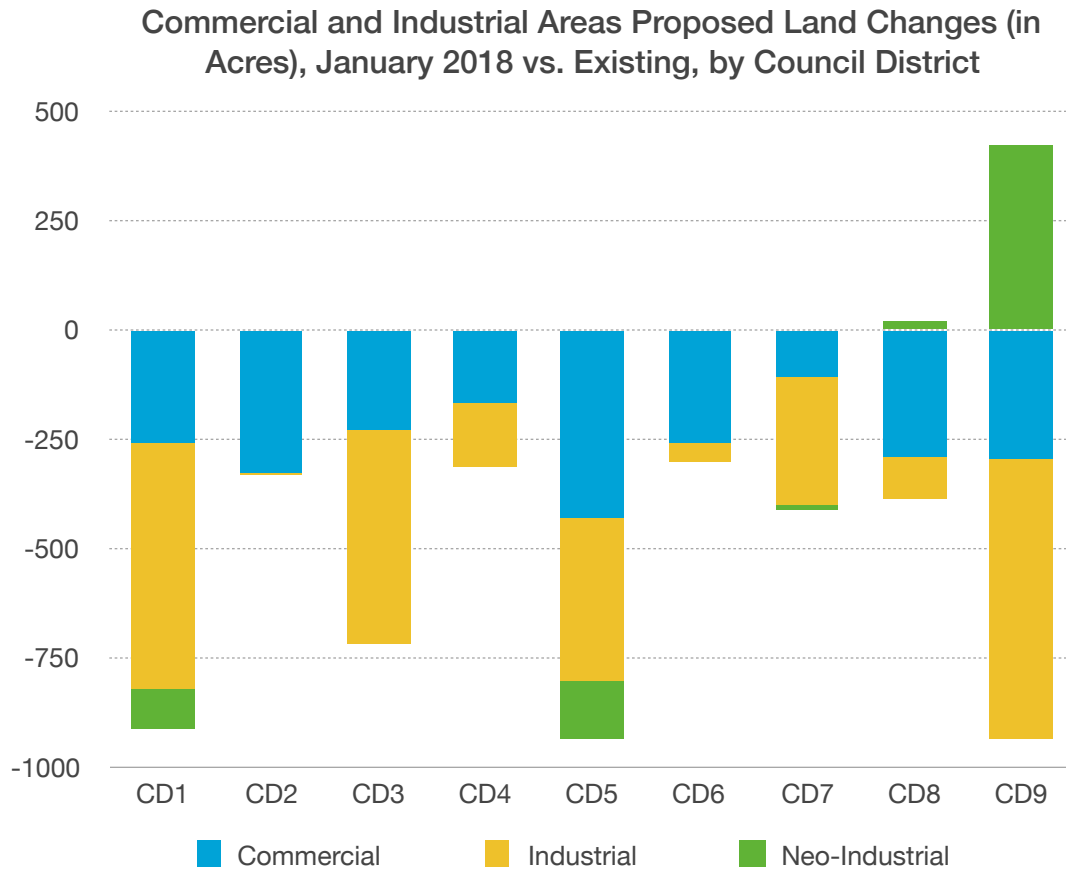
Table 3.5. Residential Land Use Change Summary by Council District

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

Source: Proposed Long Beach Land Use Element (January 2018 Version)

Finally, the proposed changes to the current Land Use Element would spell potentially great economics losses by reducing land areas for commercial and industrial uses in all nine council districts.

Figure 3.1. Proposed Land Use Element Changes to Existing Commercial and Industrial Areas (in acres), by Council District

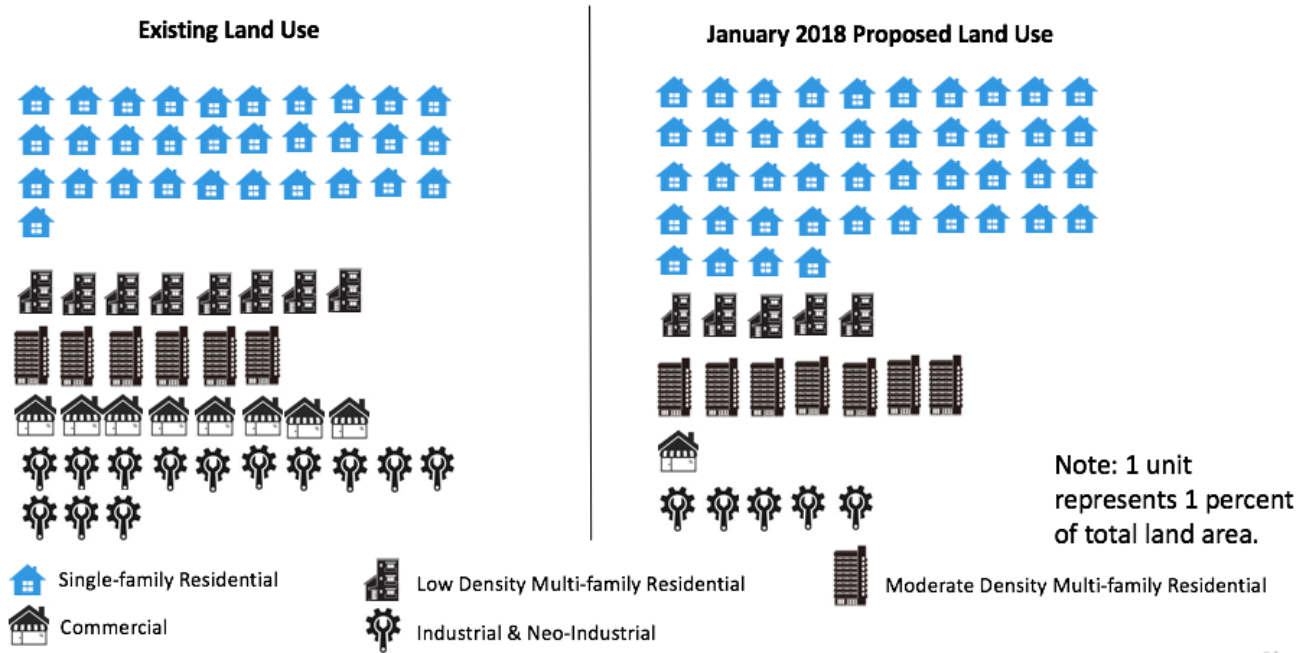


Source: Proposed Long Beach Land Use Element (January 2018 Version)



Figure 3.2 below summarizes the overall January 2018 proposed changes to the existing land use element by place type.

Figure 3.2. Proposed Changes to Current Land Use Element by Place Type Summary



The planning commission outlines several goals in the January 2018 revised land use element. Particularly, the first goal seeks to “Implement sustainable planning and development practices,” and the fifth goal seeks to “Diversify housing opportunities.”<sup>12</sup> Yet the findings so far present significant conflicts with these goals.

# BRIEF REVIEW OF POLICY SOLUTIONS

The Final Recommendations are a synthesis of research, best practices, and input from Long Beach City Council, the Study Group, and the public. Beacon Economics has reviewed the 29 Final Recommendations from the City Staff and has made the following recommendations:

## ***Section 1: Policies to Implement Immediately***

### **1.1 Encourage the preservation of existing affordable housing stock, consistent with the City's adopted Housing Element.**

The housing element estimates for housing are not very reliable, and severely underestimate the amount of housing needed for the City of Long Beach. A more reliable figure should be addressed to help promote the affordable housing stock.

**Beacon Economics' Recommendation: Neutral.**

### **1.2 Encourage Project-Based Vouchers in new affordable developments.**

The success of the housing choice voucher (HCV) program has been rather inconclusive. The project-based voucher falls under the HCV program, however, it differs in that the people seeking homes to rent do not get a say in where they live. There is no evidence that promoting this program will further bring down housing affordability or help with low income housing areas.

**Beacon Economics' Recommendation: Neutral.**

### **1.3 Continue to waive developer impact fees for new affordable developments in accordance with the Long Beach Municipal Code.**

Continuing to waive developer impact fees incentivizes developers to come up with residential housing projects in the area, which would help alleviate the overcrowding problem occurring in Long Beach.

**Beacon Economics' Recommendation: Positive.**

### **1.4 Promote the City's Density Bonus Program to all multi-family housing developers.**

Accelerating the density bonus program would give incentives for housing developers to build without the many restrictions for size of complexes. Multi-family housing developers, who require larger space to build new housing, would be able to meet their requirements without legislation limiting them to smaller developments and extra costs.

**Beacon Economics' Recommendation: Positive.**

**1.5 Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources, such as Metro, federal, State, county, etc., for affordable housing development, support services, and mobility enhancements and programs that support new housing development.**

Continuing to work with third party resources and stakeholders will help maintain programs that enable low-income households to find affordable housing. It will also help developers gain financial incentives to build more housing projects.

**Beacon Economics' Recommendation: Positive.**

**1.6 Explore the potential development of student and workforce housing on school and college/university campuses and other adequately zoned sites.**

With limited available areas in the City for housing, and a growing student population, development of student housing on campuses would help alleviate some of the pressure from off-campus housing, which would help increase housing options.

**Beacon Economics' Recommendation: Positive.**

**1.7 Track federal and State legislative activities and support legislation that increases funding for affordable housing.**

Most of the programs for affordable housing, specifically ones designed for low income households rely heavily on State and federal funding to succeed, and an increase will not only help bring in a wider array of people, but also help ensure that those already in the program have a longer period of funding accessibility.

**Beacon Economics' Recommendation: Positive.**

**1.8 Support California Environmental Quality Act (CEQA) reform through the City's legislative actions that encourage the production of affordable and workforce housing.**

The CEQA abuse has blocked developers from building new housing and commercial projects. CEQA reform will help limit unnecessary lawsuits filed against these developers, shifting the focus to genuine environmentally problematic projects.

**Beacon Economics' Recommendation: Positive.** The current CEQA process is subject to severe abuse. Opponents to housing development often use the CEQA process to delay or force cancellation of a development project.

### **1.9 Create and maintain a database of publicly held land that may provide opportunities for affordable and workforce housing development.**

With an organized database in place, accessibility and information regarding areas that are suitable for affordable housing development would be easier to find, and would therefore benefit both administrative and governmental purposes, as well as developers wishing to start new projects.

**Beacon Economics' Recommendation: Positive.**

## ***Section 2: Existing Legislative Requirements and Pending Initiatives in Process***

### **2.1 Adopt an ordinance that supports the development of accessory dwelling units in accordance with new State law.**

Developing accessory dwelling units would significantly help individuals who are seeking affordable housing. ADU are an affordable, space-maximizing solutions for individuals such as students who can't afford to rent their own apartments or houses.

**Beacon Economics' Recommendation: Positive.** Adding accessory dwelling units is a great way to increase housing stock without rezoning land, issuing zoning variance, or using up additional land to meet demand.

### **2.2 Implement State law that reduces parking requirements for affordable housing projects near transit.**

Parking requirements burden potential renters/homeowners as well as developers with additional costs. Reducing parking requirements means more space to develop extra housing units, or larger ones. Implementing a law reducing these requirements would not only mean more affordable housing, but also a larger supply.

**Beacon Economics' Recommendation: Positive.** By itself, a reduction in parking requirements allows developers to build more housing units. However, there is a caveat. Southern California residents continue to be reliant on private vehicles for much of their transportation needs. While the impact of services such as Uber and Lyft on vehicle ownership have yet to be determined, public transportation ridership in Los Angeles County has experienced a trend decline over many decades, despite expansion of rail capacity. Ultimately, a balance must be struck between the need for more housing units and the recognition that many residents will continue to rely on, and need space for, private vehicles.

**2.3 Conduct a financial analysis and nexus study to review the viability of the Coastal Zone in-lieu fee (LBMC 21.61), and consider revisions to the fee structure.**

Possible revisions to the fee structure indicate a likelihood of higher costs, which would hinder potential housing projects. This could also increase costs, leaving the housing options unaffordable, specifically for low-income households.

**Beacon Economics' Recommendation: Neutral.**

**2.4 Review and update the Condominium Conversion Ordinance (LBMC 21.60); include first-right or opportunity to purchase; limit conversions when vacancy rates are low; consider directing resulting fees into Housing Trust Fund.**

Limiting conversion for condominiums when vacancy rates can disrupt people who are trying to avoid rental rates rising, and would hinder the affordability of rent options on individuals and households in general. Furthermore, by adding more housing restrictions, this would simply make additional housing supply more difficult.

**Beacon Economics' Recommendation: Negative.**

***Section 3: New Initiatives for Development and Implementation***

**3.1 Begin exploring a local bond measure as a one-time source to capitalize on the Housing Trust Fund Ordinance.**

This policy proposal does not have any possible consequences - bonds do not really harm or remove incentives from any party in the case. However, there is a possibility that it just might not be as effective as proposed in financing any major developments.

**Beacon Economics' Recommendation: Positive.** However, even if the City secures funds to build, its ability to harness those funds will be constrained by a restrictive Land Use Element.

**3.2 Immediately begin the development of an inclusionary housing policy to encourage mixed-income housing. Focus an inclusionary ordinance to homeownership units until such time as the legality of rental units is determined.**

The proposal that mixed-income housing provides affordable housing and a solution to problems associated with low-income housing neighborhoods is questionable. And there is no conclusive evidence to suggest that inclusionary housing policy actually encourages mixed-income housing. There are several areas to cover with mixed-income housing for it to work, and incorrect planning and determining what "mixed-income" is could result in an ineffective and wasteful project.

**Beacon Economics' Recommendation: Negative.**



### **3.3 Investigate the possibility of establishing a local document-recording fee to fund affordable housing (Philadelphia model)**

Any concept of a fee for fund-raising purposes, even if it is for affordable housing, will likely not succeed because developers would often have to pay it, resulting in lower incentives to build projects in the area.

**Beacon Economics' Recommendation: Negative.**

### **3.4 Investigate the possibility of dedicating resources from the City to support the production of affordable and workforce housing during the annual budget process.**

The main issue with the City housing shortage is not necessarily lack of resources; rather it is significant constraints on housing, including regulations and space restrictions for developers. More resources would be helpful in developing more housing, however they would not be effective without the removal of unnecessary regulation.

**Beacon Economics' Recommendation: Positive.**

### **3.5 Modify the Housing Trust Fund Ordinance to include a more equitable distribution of resources amongst income categories (EL, VL, L, and Mod.) in conjunction with the establishment of any new revenue sources. Modernize the Ordinance to ensure that it promotes economic diversity while addresses the needs of the community's most vulnerable residents; and**

### **3.6 Modify the moderate-income definition from 80% to 120% of area median income (AMI) to 80%-150%.**

While the cost of rental accommodation and house prices continue to rise - even for higher income brackets - expanding the range to which the Housing Trust Fund Ordinance pays out resources would be problematic to the low-income households who really struggle. It would be more prudent to increase State or federal resources to help with affordability than to redistribute resources from the Housing Trust Fund.

**Beacon Economics' Recommendation: Neutral** (for both 3.5 and 3.6).

**3.7 Encourage the adoption of specific plans with program environmental impact reports (EIRS) as applicable throughout the City, which provide regulatory relief and more rapid entitlement procedures.**

Implementation of this policy would help accelerate housing projects because of relaxation of regulation, while keeping in accordance with the guidelines and report recommendations from the EIRS for environmental purposes.

**Beacon Economics' Recommendation: Positive.**

**3.8 Consider expanding one-for-one replacement of lower-income units (currently offered in Coastal Zone only through LBMC 21.61).**

This would be a very hard policy to implement correctly because the exact replication of a lower-income unit would be difficult to trace and manage in terms of standard and process, and there are a lot of potential problems that could prolong any completion (essentially bureaucratic procedures).

**Beacon Economics' Recommendation: Negative.**

**3.9 Develop and offer first-time homebuyer programs (including Police, Fire, and Teacher, down payment, and second mortgage) as permitted by new revenue sources.**

This would have the effect of increasing the demand for housing, particularly on the part of many deserving public employees, but it will do little good if the supply of housing is not increased. Moreover, first-responders and teachers have the income to secure a mortgage in many instances. The issue at hand is for the low-income families who cannot afford it. This policy would be addressing a few of the symptoms rather than solve the bigger picture.

**Beacon Economics' Recommendation: Neutral.**

**3.10 Encourage adoption of regulations to allow and incentivize the use of shipping container construction for housing.**

Implementing this policy would have a number of consequences. Primarily, it would limit the prospect of larger, multi-family units and discourage developers. Also, the space needed to house a significant number of people in containers would be impractical. What is needed is taller building to maximize space.

**Beacon Economics' Recommendation: Neutral.**

### **3.11 Develop a plan to include micro-units as a method for encouraging housing production.**

Micro-units, like accessory dwelling units, are great solutions for individuals requiring little space. Not only are they a good development solution, because many spaces can be built, but they are much more affordable than a regular apartment.

**Beacon Economics' Recommendation: Positive.**

### **3.12 Support separate efforts to study the potential for short-term rental (vacation rentals) regulations.**

Short-term rentals, specifically vacation rentals, often put a strain on the housing market because of increased prices. Regulations would limit the number of vacation rentals available, meaning the affordability of houses will not be effected as much.

**Beacon Economics' Recommendation: Positive.** However, this measure runs the risk of interfering with private property rights.

### **3.13 In accordance with the adopted Housing Element, ensure sufficient resources remain available to implement the City's Proactive Rental Housing Inspection Program (PHRIP).**

There needs to be a review and a restructuring of the Housing Element and the RHRIP because of the controversial assessments done by the inspection in predicting housing needs. Before any policies can be implemented through the PHRIP, the actual methodology must be questioned and updated to reflect a more accurate housing assessment.

**Beacon Economics' Recommendation: Neutral.**

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

Proposed structures such as the EIFD will be helpful to use through the Housing Trust Fund Ordinance in allocating the proper resources if researched and implemented properly, and would be a great asset for lower-income households in finding affordable housing through regional cooperation with infrastructure and investment.

**Beacon Economics' Recommendation: Positive.**

**3.15 Explore and propose an Article 34 referendum to ensure maximum leveraging of State resources for affordable housing developments.**

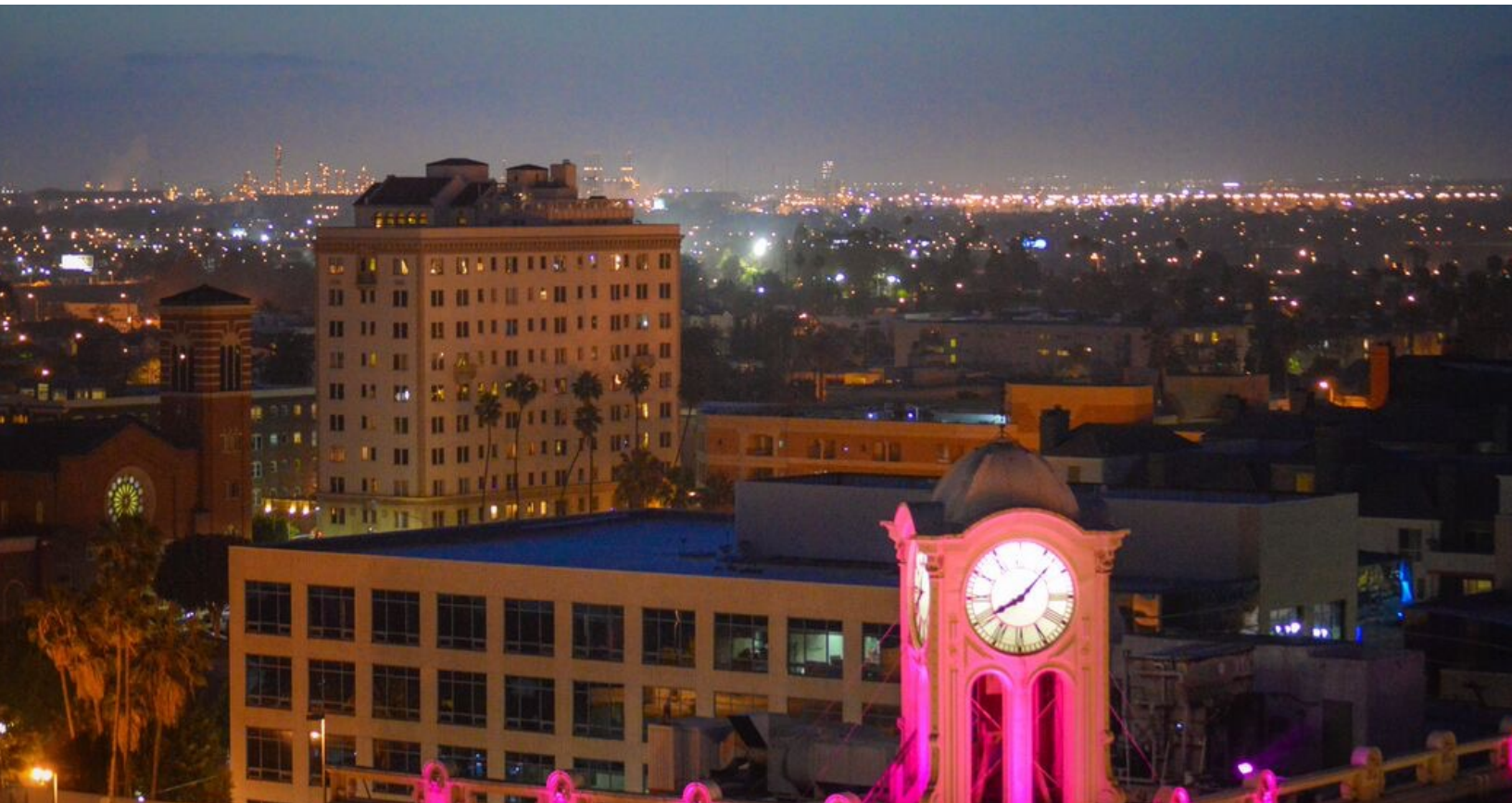
With the housing shortage becoming a bigger problem as the population grows and demand increases, the State will be required to input as much financial resources as it can to help increase the number of houses and make the market more affordable.

**Beacon Economics' Recommendation: Positive.**

**3.16 Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by these policy recommendations through the annual budget process as resources allow.**

In order for these policies to work, the City needs proper management to ensure that the right amount of housing is being constructed to match demand, and that prices are not becoming unaffordable. Furthermore, proper management of budget is needed to make sure resources aren't being wasted.

**Beacon Economics' Recommendation: Positive.**



# DETAILED DISCUSSION OF SELECTED PROPOSED POLICY SOLUTIONS

Drawing on relevant literature and empirical studies, this section seeks to critique the “Produce and Promote” and “Other Policy Recommendations” strategies.

## **Mixed-Income Housing (Not Recommended)**

Among the array of solutions put forward to address housing issues, mixed-income housing is one that is discussed heavily. While it is a frontrunner for solving low-income housing crisis, planners should be careful with the implementation of the procedure, as much of the studies done on the effectiveness of mixed-income housing have been inconclusive.

There are several issues that hamper the effectiveness of mixed-income housing as a housing strategy. First, and most importantly, the term “mixed-income” housing is often not clearly defined (Vale and Shamsuddin, 2017), and assumes a wide range of meanings whether from the income aspect or the housing aspect. In order to establish an effective strategy, a clear and concise definition of what constitutes “mixed-income” housing must be outlined. With that in mind, there also needs to be realistic goals and expectations set regarding the housing plan. It is essential to have proper expectations regarding the total number of houses proposed and the prices set for them, specifically when taking into consideration low-income units with regards to market rate developments (Hoving, 2010).

Proper research, consulting and implementation would help avoid the issues that have confronted low-income household areas in the past, and with the proper funding, mixed-income housing could bring in better public services to those areas (Hoving, 2010). Furthermore, important changes to these communities can be brought on by proper induction of mixed-income housing such as behavioral modification, social control and a more diversified political economy (Joseph, 2006).

## Section 8 HUD Program (Not Recommended)

The Section 8 voucher program was designed to assist low-income households, the elderly and the disabled to find housing of their choice. The house in question must meet specific regulations and requirements set by the Federal government.

As with most of the solutions proposed with regards to housing, there are several issues with this program. The stance taken by Section 8 seems to be that choosing a house has been the issue with low-income households. In fact nowadays, it lies mostly with supply. HCD states that in California, not one region has seen housing supply alleviate demand. This means that the available houses skyrocket in price, leaving low-income households struggling, even with the voucher program.

Section 8 voucher program is attractive at first glance because it enables the city to use federal funds that are available for the local problem of low income housing. The problem is Section 8 housing is already in short supply and will not get any better until more supply overall is produced. Supporting Section 8 housing demand without increasing supply only drives more scarcity and higher rents/prices.

Funding is another issue that cannot be overlooked. Households require the payments to be done consistently, and if there is sudden loss of funding for even a few months, low-income renting households are at risk of losing their homes. Costs and budgets need to be planned accordingly so as not to affect the households that have moved in. Because of the uncertainty of the matter, many landlords and rentals often reject vouchers, which adds to the strain of supply as it is.



### Relax Minimum Parking Requirements (Strongly Recommended)

One of the ways to truly help ease the constrained housing supply is to apply fewer parking requirements. The cost associated with parking requirements for new residential buildings have meant lower affordability for the consumer, even those who do not own a vehicle. In addition to the economic costs associated with parking requirements, there are also several environmental consequences.

Parking spots can be highly expensive, and they impact smaller properties as well. For example, there is a 37% decline in maximum density for 500 square feet homes versus 13% for 2,000 square feet homes. Seeing as low-income households tend to live in smaller areas due to affordability, the extra parking requirements place a strain on their budget. Cost of adding one parking spot means an additional 6.3% cost for development, while two shoots the price up to 16%. The added cost of parking spots consequently affects housing prices and rent. Consumers face a minimum of 12.5% increase in prices per space, and an added spot might increase cost for potential residents up to 25% (Litman, 2016).

Limiting parking restrictions can mean higher affordability for potential consumers, easier traffic congestion and lower vehicle ownership. Not only do these improve costs, but in turn have a positive environmental effect. Solutions to parking restrictions can be through shared parking spaces, creating flexible requirements per building (i.e. proposed buildings for students don't need as many spaces), and finally unbundled parking, where homeowners or renters who do not have vehicles do not need to be burdened with the cost (Litman, 2016).

For the City of Long Beach, parking spaces have outpaced population growth between 2000 and 2010: total population in Long Beach held steady while parking space increased by 6.4 percent.

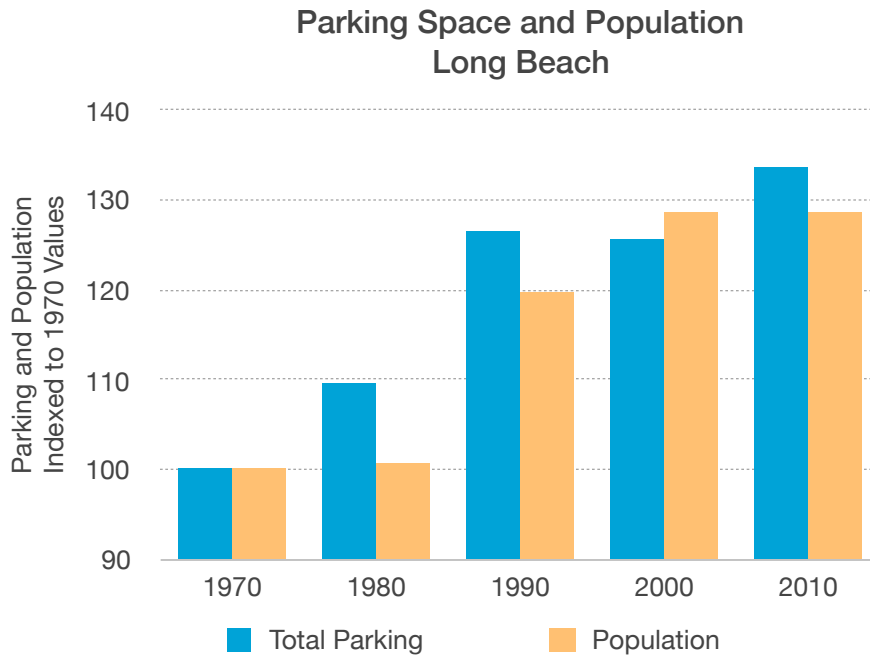
Table 3.6. Parking and Population Growth, 2000 vs. 2010, Long Beach

Parking and Population	2000-2010 Percent Change
Residential Off Street	+3.0%
Non-Residential Off Street	+12.6%
On Street	+0.0%
Total Parking	+6.4%
Population	+0.2%

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

In fact, population growth has tapered off at the turn of the 21st Century in Long Beach. The spike in land dedicated for parking is not only counterintuitive but also increases the cost of housing and in no way accommodates strategic growth and change (goal no. 3 of the overarching land use goals in the revised Land Use Element draft).

Figure 3.3. Parking Space and Population, Long Beach



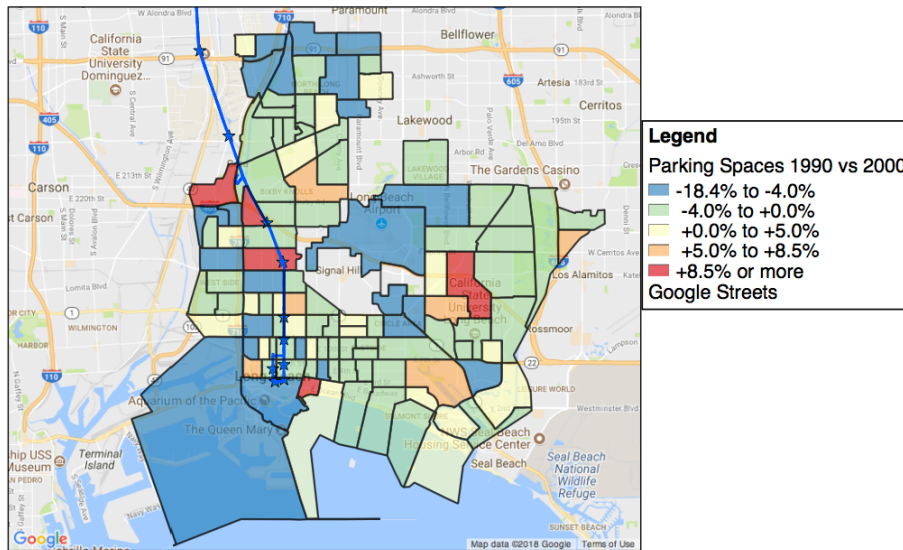
Source: Chester et al. (2015) and U.S. Census Bureau; calculations by Beacon Economics



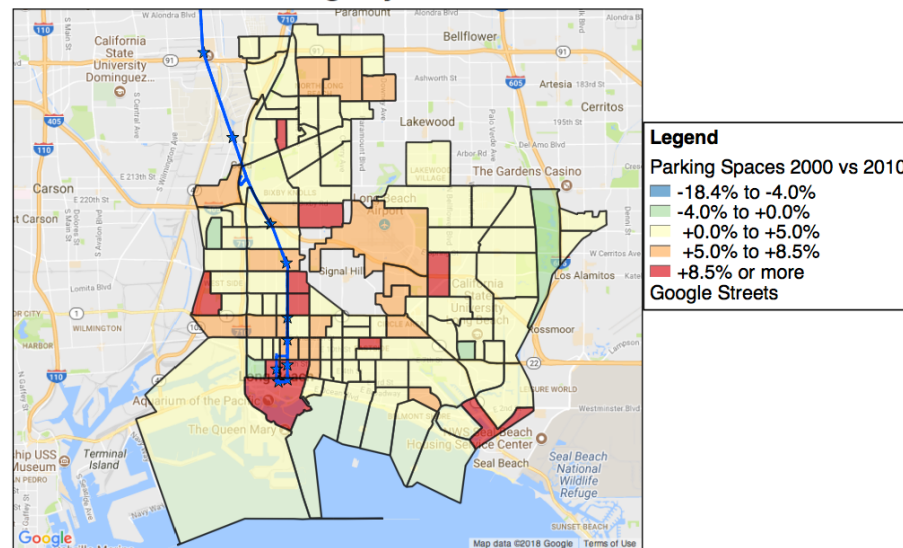


An analysis at the census tract level indicates that from 2000 to 2010, of the 112 census tracts in Long Beach, 108 had an increase in parking spaces, two had no change, and two had a reduction in parking spaces. This directly contrasts the period from 1990 to 2000, when only 32 had an increase in parking spaces and 78 had a decrease in parking space. Furthermore, the three census tracts surrounding the Blue Line stations in Downtown Long Beach all had varying degrees of increase in parking spaces (from +10.4 percent to +22.0 percent) from 2000 to 2010. This is not how one should plan for a vibrant and walkable Downtown.

### Parking Spaces 1990 vs. 2000 Percentage Change by Census Tract



### Parking Spaces 2000 vs. 2010 Percentage Change by Census Tract



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

### **Support CEQA Reform (Strongly Recommended)**

Housing restrictions do not rest on parking regulations alone. To allow people more options and increase housing supply, the California Environmental Quality Act (CEQA) needs to be reformed or altered so that the upcoming residential projects are not restricted or turned down completely. CEQA allows anyone to challenge proposals or projects whether they are commercial, residential or even transit based. “Special interest groups” have used CEQA to further agendas far removed from environmental concerns.

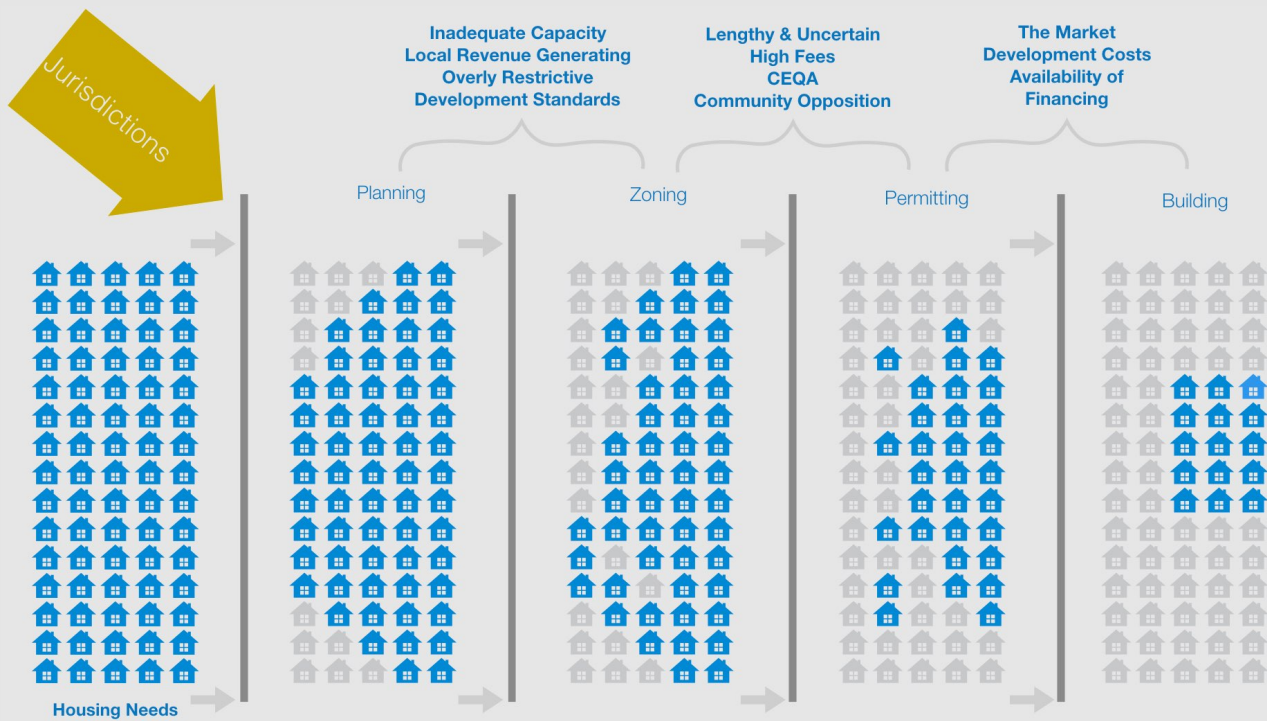
Since lawsuits can be filed anonymously, it is relatively easy to challenge a project. NIMBYs are the primary challengers to housing plans, and constitute the largest faction that is involved in “litigation abuse” via CEQA (Hernandez et al, 2015). Through litigation transparency, the abuse of CEQA would go down, as challengers would be required to disclose the purpose of their lawsuit. Furthermore, not allowing duplicate lawsuits, so that projects that have already completed the CEQA process could go on as planned (Hernandez et al, 2015). Effectively implementing these plans would lower unnecessary lawsuits, help CEQA focus on what it was implemented to do, and help projects go through more smoothly.

“Bias begets blindness: NIMBY use of CEQA lawsuits against multifamily infill housing to protect the “character of their community”—too often used as a code word for excluding “those people”—should have been roundly condemned by environmental advocates who routinely espouse a commitment to equity and environmental justice.”

— J. Hernandez, *Hastings Environmental Law Journal*, Vol. 24, No. 1, Winter 2018, pp. 49

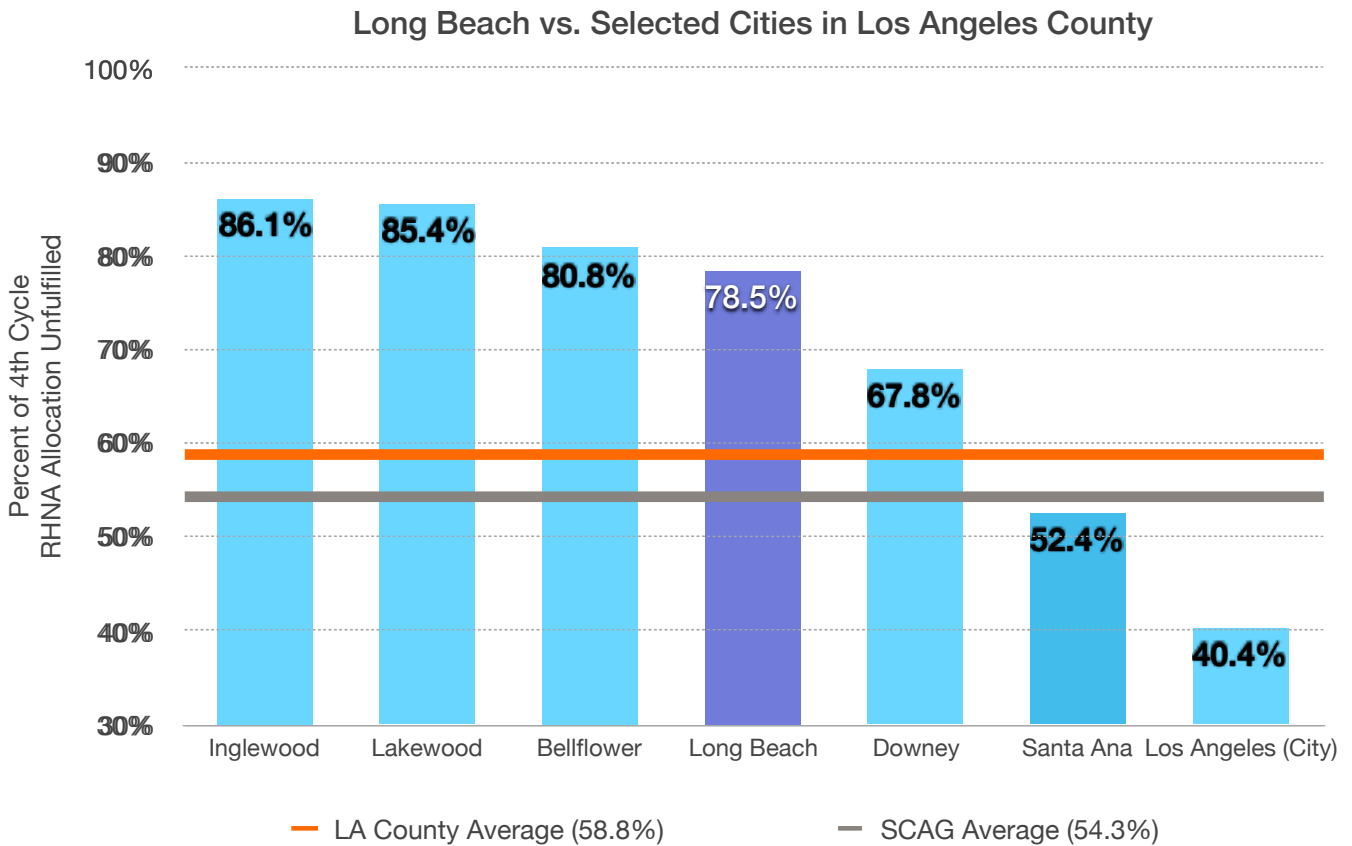
# REVIEW OF 4TH CYCLE RHNA ALLOCATIONS

Population growth drives housing requirements. As things currently stand, however, policies limit the amount of housing that is built. As a result, the actual amount of housing built is often only a small fraction of the amount needed.



One can clearly see how the amount of housing units built often falls short of housing needs by examining previous Regional Housing Needs Allocation cycle results. The following chart presents the percentage of housing needs unfulfilled<sup>13</sup> for Long Beach and cities nearby.

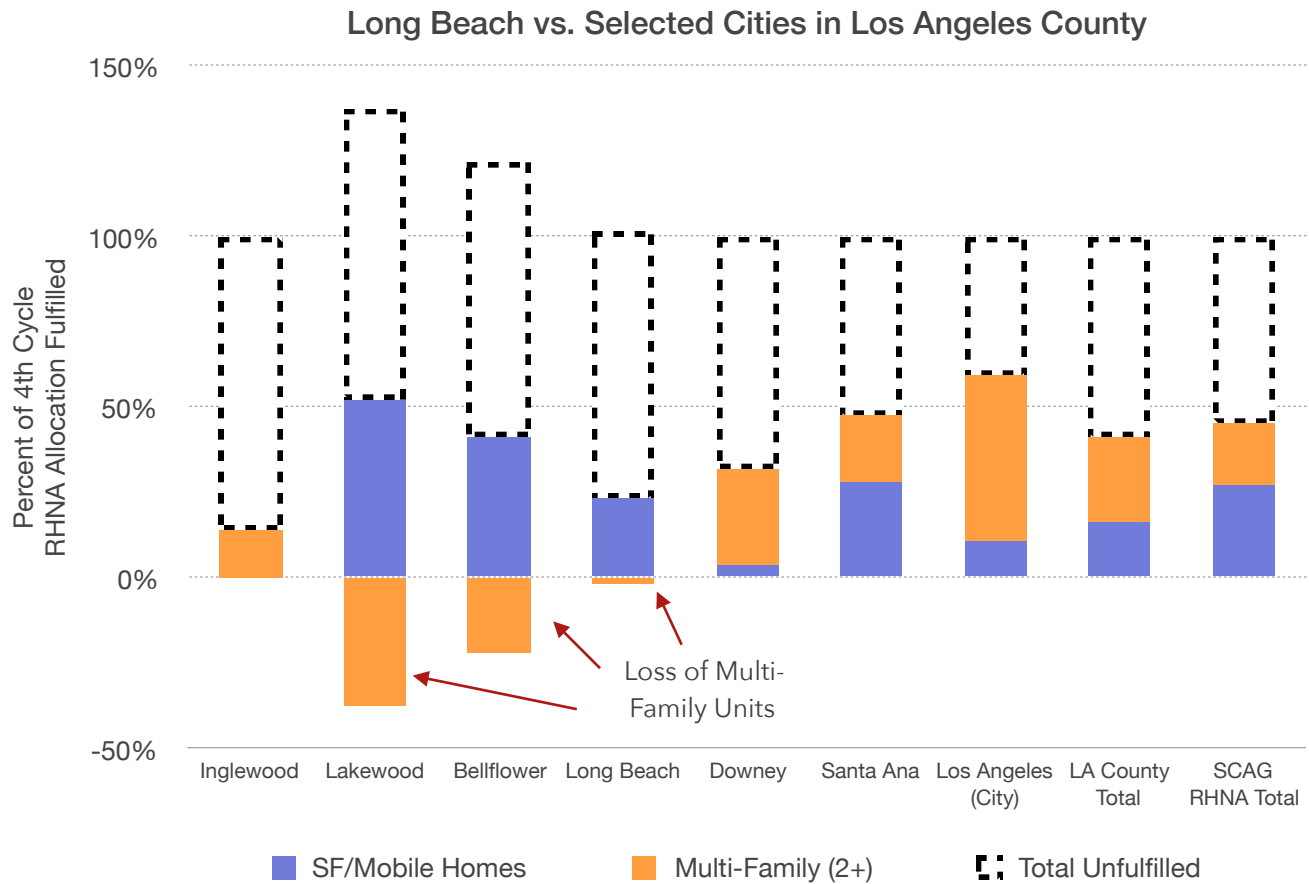
Figure 3.5. Percent of Fourth RHNA Cycle Allocation Unfulfilled



Source: Brown, Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development, Jan. 2017

Of the 9,583 housing unit needs allocated for Long Beach during the previous RHNA cycle, which ran from January 2006 to June 2014, only 2,060 housing units were added. **This means Long Beach failed to fulfill 78.5 percent of the housing unit needs allocated.** Long Beach performed similarly compared to nearby cities (Bellflower, Downey, Inglewood, and Lakewood) and performed worse than the Los Angeles County average as well as the Southern California Association of Governments (SCAG) average. Even Santa Ana - which is notorious for being overcrowded - performed considerably better than Long Beach.

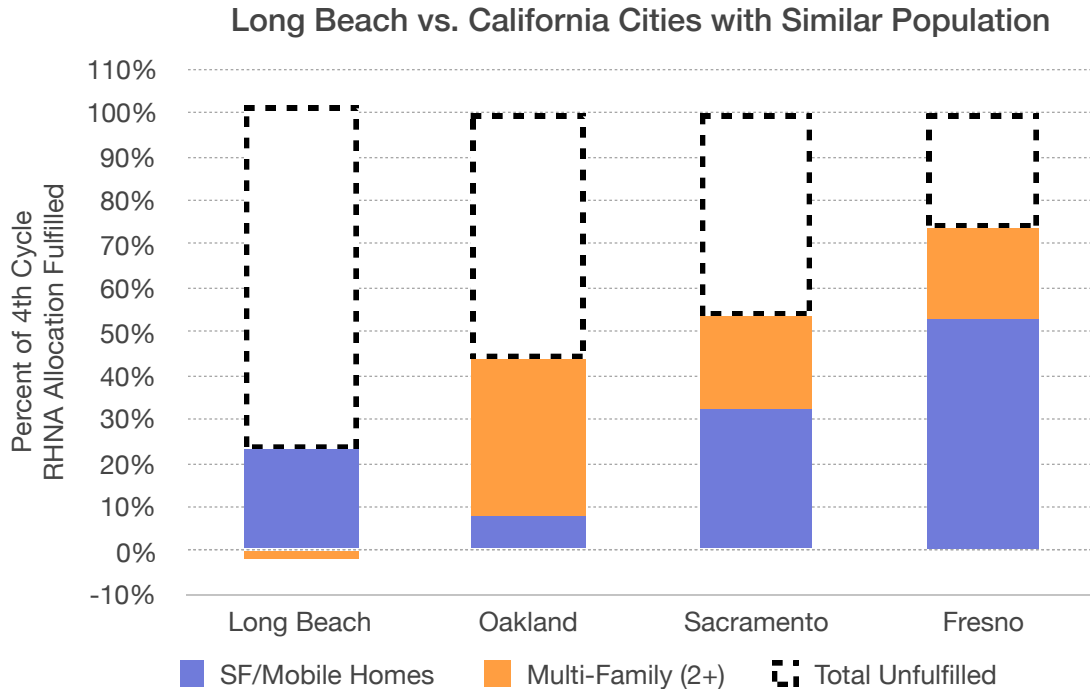
Figure 3.6. Fourth RHNA Cycle Fulfillment Breakdown, Long Beach vs. Nearby Cities



Source: Brown , Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development , Jan. 2017

Figure 3.6. above illustrates housing units fulfilled by type during the previous RHNA cycle. The dotted portion represents unfulfilled housing needs. Of the 22.5 percent fulfilled, the lion's share came from an increase in single-family housing stock. **Long Beach actually lost 171 multi-family units during the fourth RHNA cycle.**

Figure 3.7. Fourth RHNA Cycle Fulfillment Breakdown, Long Beach vs. California Cities with Similar



Source: Brown , Edmund G, et al. California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development , Jan. 2017

Compared to California cities with similar population sizes, Long Beach performed abysmally. Not only did **Long Beach have the highest percentage of unfulfilled housing needs (78.5%)** compared to Oakland (56.0%), Sacramento (46.5%), and Fresno (26.6%), it was also the **only city that saw a net housing stock loss for multi-family housing units.**

# STATEWIDE HOUSING LEGISLATION

Despite its flaws, the Regional Housing Needs Allocations can be useful to the state in anticipating future housing needs. Unfortunately, very few cities meet the overall RHNA numbers. Furthermore, it is possible for a city to not meet RHNA outcomes by income level if the wrong type of new housing units were added (e.g. luxurious housing built instead of housing targeted at low-income households). There is little doubt that local barriers to housing development - most particularly from NIMBYs - have impeded Long Beach and cities throughout California from providing adequate housing.

“Local policies acting as barriers to housing supply include land use restrictions that make developable land much costlier than it is inherently, zoning restrictions, off-street parking requirements, arbitrary or antiquated preservation regulations, residential conversion restrictions, and unnecessarily slow permitting processes.”

--- Exhibit B3, California Department of Housing and Community Development, California’s Housing Future: Challenges And Opportunities January 2017 Draft

Prior to the passage of the housing bills package in September 2017, cities had little incentive to uphold the RHNA numbers. The prevailing law governing RHNA, which was passed in 1967, requires cities to produce elaborate plans every eight years or so to fulfill housing needs. However, enforcement of RHNA goals was nonexistent prior to the passage of Senate Bill 35. Furthermore, there have been no rewards for cities that achieve RHNA goals.

Below is a list of housing bills passed in September 2017 that hold jurisdictions and cities accountable for achieving their assigned housing goals.

**Senate Bill 35** (Planning and zoning: affordable housing: streamlined approval process), passed in September 2017, establishes a streamlined, ministerial review process for certain multi-family affordable housing projects that are proposed in local jurisdictions that have not met regional housing needs, until 2026. SB35 creates an enforcement mechanism to facilitate needed housing construction in cities that have not met their fair share of RHNA goals. As a result, Long Beach's inability to achieve the fourth Cycle RHNA allocation goals may require different strategies for the 5th Cycle RHNA (and future cycles) as state enforcement mechanisms change.

**Senate Bill 166**, which concerns residential density and affordability, requires that a local jurisdiction accommodate its remaining unmet need at all times continuously throughout the housing element planning period. Furthermore, the bill modifies the existing No Net Loss Zoning law by ensuring that as housing development occurs, local jurisdictions assess their ability to accommodate new housing on the remaining sites in their inventory and make adjustments to zoning if needed.

**Assembly Bill 72** requires the Department of Housing and Community Development to review (in)action by a local jurisdiction that it determines to be inconsistent with an adopted housing element. If HCD found that a local government downzoned a site listed in the housing element inventory of sites and the site can no longer accommodate the level of housing needed to meet local governments RNHA, HCD could make findings to revoke their original finding of substantial compliance. AB 72 also allows HCD to refer violations of housing law to the Attorney General.

**Assembly Bill 879** mandates local jurisdictions to include an expanded analysis of nongovernmental constraints on housing development that create a gap between the locality's planning for the development of housing for all income levels and the construction of such housing in their housing elements. Specifically, the bill would require an expanded analysis on requests to develop housing at lower densities than zoned, length of time to complete permitting, and local ordinances that impact the cost and supply of housing development. The bill also requires these local jurisdictions to make attempts to mitigate these nongovernmental constraints.

**Assembly Bill 1397** (Local planning: housing element: inventory of land for residential development) states that housing elements can only list land as a potential site to accommodate new housing if the land has a realistic capacity for housing development. Specifically, AB 1397 limits the reliance of local governments on sites that do not have a realistic capacity for the development of housing and thereby strengthens state Housing Element Law.



## Potential Bills that Would Facilitate Better, More Efficient Housing Goals:

### **Senate Bill 828**

Senate Bill 828, a bill related to land use that was introduced in January 2018, seeks to reform RHNA. Specifically, the bill argues that 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. As a result, more and better local data will make future RHNA Cycles more transparent to stakeholders, resulting in a better-informed process.

### **Senate Bill 827**

Senate Bill 827, also introduced in January 2018, mandates denser and taller zoning near transit. Currently, 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. Cities 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.<sup>14</sup> Therefore, as discussed in the previous section Proposed Land Use Element, 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.

# ENDNOTES

**1** Over-crowdedness is determined on the basis of persons per room. In this report, a household is considered to be overcrowded if there is more than one person per room. A household is considered to be severely overcrowded if there are more than 1.5 persons per room.

**2** Specifically, the cities near Long Beach are Bellflower, Downey, and Lakewood – all of which (including Long Beach) are located between the I-605 and I-710 freeways.

**3** Household headship rate HS is defined as the number of household heads H to the size of the adult population P. The Census Bureau defines a housing unit as “a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters.” In this report, Beacon Economics seek to examine household headship rate by age group across different periods of time t. Following the household headship rate model in Paciorek (2013), Beacon Economics define household headship rate for age group a in time t as:  $HS(a,t) = H(a,t)/P(a,t)$ .

**4** Due to the small sample size in the PUMS dataset, a three-year average is shown for Long Beach in order to identify the overall trends.

**5** Land areas zoned for single-family housing are called “Founding/Contemporary Neighborhood” place type in Long Beach.

**6** Information on the maximum dwelling units allowed per acre based on land use district can be found in item 5 at: <http://www.lbds.info/civica/filebank/blobdload.asp?BlobID=3580>

**7** More specifically, low-rise to mid-rise density encompasses a range of 39 to 54 DUA maximum in Oakland, which corresponds to residential area zones RU-1 and RU-2. In RU-1 and RU-2 zones, the permitted densities for regular dwelling units are 1 unit per 1,100 square feet and 800 square feet, respectively. Dividing 1 acre (43,560 square feet) by the permitted densities yield 39.6 DUA and 54.5 DUA, respectively. The zone-specific standards can be found in Chapter 17.19.050 of the RU Urban Residential Zones Regulations can be viewed at: <http://www2.oaklandnet.com/oakca/groups/ceda/documents/report/oak027098.pdf>

**8** This is a reproduction of Table 3.3, Chapter 3 – Land Use. It can be viewed at: <http://cityplanning.lacity.org/cwd/framwk/chapters/03/03202.htm>

**9** High density multi-family consists of these place types: "Moderate Density Apartment and Condominium Buildings (MFR-M)", "Neighborhood-Serving Center or Corridor - Medium (NSC-M)", and "Transit-Oriented Development - Medium (TOD-M)."

Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx>

**10** Low density multi-family consists of these place types: "Duplex/Triplex/Garden Apartment Housing (MFR-L)", "Neighborhood-Serving Center or Corridor - Low (NSC-L)", and "Transit-Oriented Development - Low (TOD-L)."

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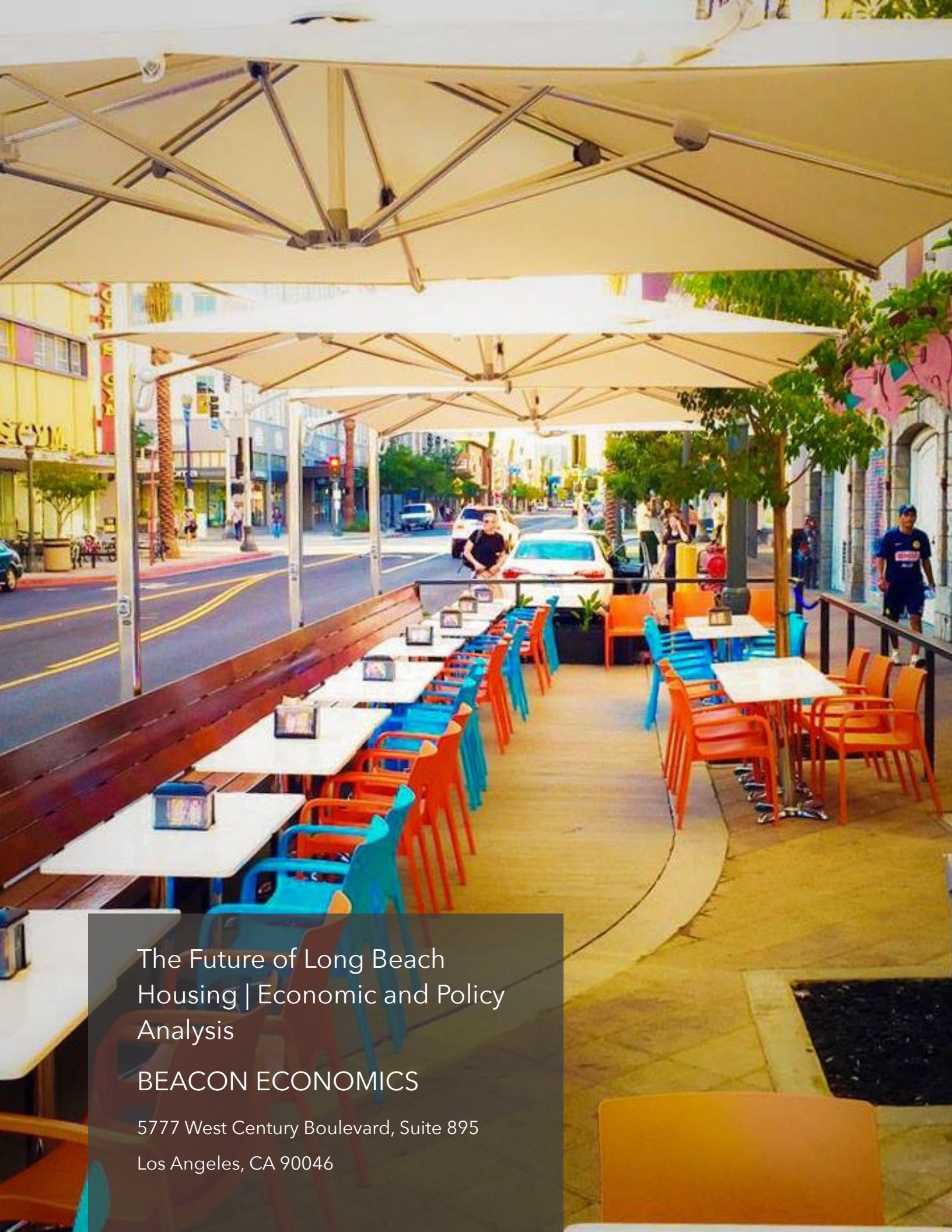
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