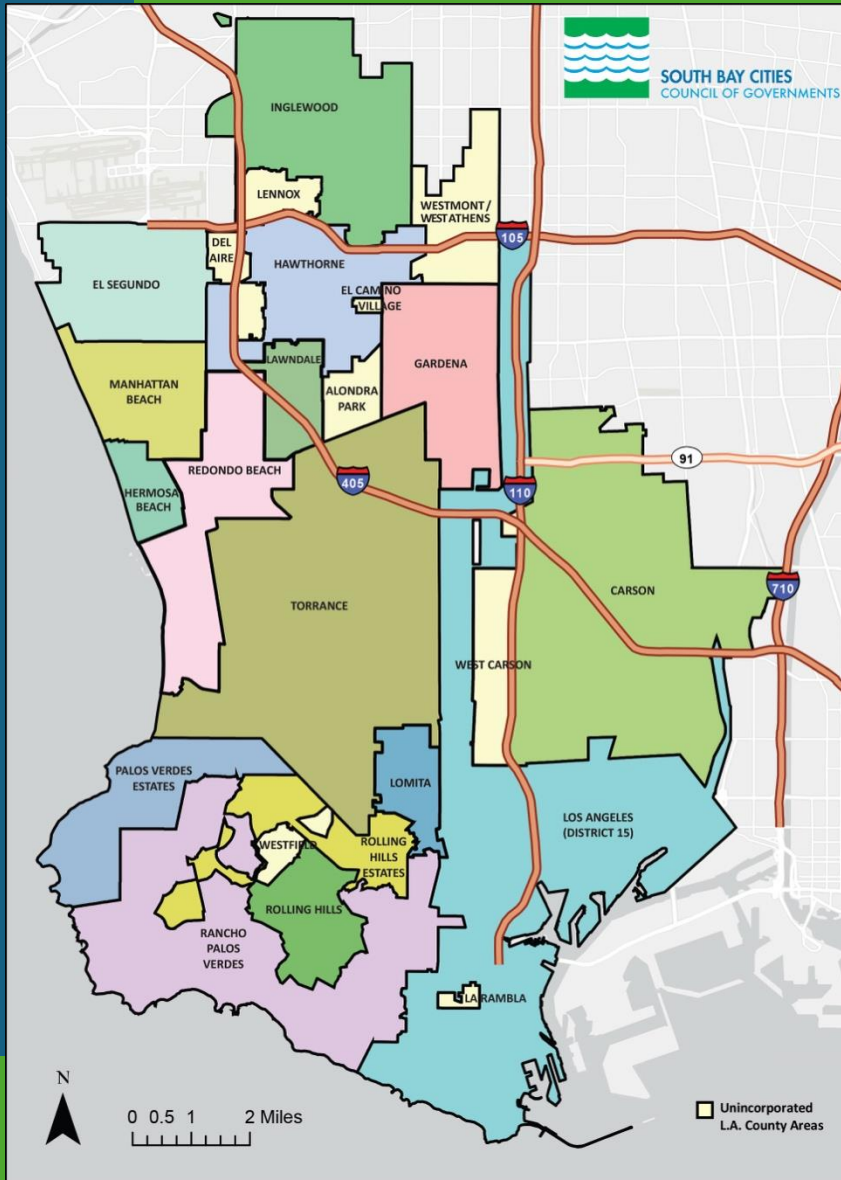


# RHNA Replacement Proposal

---

South Bay Cities Council of Governments

April 2026



# South Bay Cities Council of Governments

- Advocate for South Bay Cities
- Facilitate collaboration between South Bay Cities
- Conduct research & strategic planning
  - **Transportation**
  - **Mobility**
  - **Sustainability**

# Contents

1. The Regional Housing Needs Allocation (RHNA) – Evolution and Current Process

2. RHNA Fatal Flaws

3. RHNA Replacement Proposal: Local and state collaboration based on a bottoms-up planning process

# RHNA Evolution into Current Process

- Federal Fair Housing Act of 1968
  - Passed to address discrimination in suburban new towns (Levittown, New Jersey)
- CA Housing Element Law followed in 1969 (first Reagan CA Administration), established two cornerstones of state role
  - Fair share, every development must be free of discrimination
  - Development required in order to apply fair share
- Anti-discrimination legislation established legitimacy for state government authority in local housing markets

# State Role Continued Expanding Based on “affordability” for legitimacy

- RHNA added to Housing Element in 1979 during Jerry Brown’s second term, formalized a planning process, tightened the “fair share” requirement, justification shifting away from combating racial and religious discrimination to affordability for low paid employees to live near job sites and avoid long commutes; included the Density Bonus provision (Government Code 65915)
- 1990s -- Congress for New Urbanism – architect led design movement advocating urban densities & opposing single family neighborhoods
- Housing Crisis Act of 2019 (SB 330, extended to 2030 by SB 8
  - 1) increase residential unit development; 2) expedite permit processing
  - Blamed local governments for slowing development process
- Construction requirements advanced by 425 laws in the last 8 years (CALCOG), mostly providing incentives to developers and constraining local government authority; examples – eliminated parking requirements, suspended CEQA
- Only one remedy was advanced – housing construction everywhere

# Current RHNA Process

## Two Components

### Assessment

- Department of Finance develops population growth forecast (births, deaths, in and out-migration) along with other black box factors (household formation is key since population gain is minimal to flat)
- Department of Housing and Community Development (HCD) uses DoF projections and combines with MPO land use data to calculate statewide and regional assessments

### Allocation

- MPOs like SCAG submit to HCD a model for allocating its sub-regional assessment to cities
- Once approved, MPOs run the allocation model and notify each city in its region of the state requirements for housing construction assigned to 4 low-income bands

# 1<sup>ST</sup> FATAL FLAW

## RHNA Cycle 6 process unrealistic

---

The RHNA cycle process is too long to be accurate

DoF began calculating the Cycle 6 assessment around 2018 using available data at that time

MPOs, SCAG for South Bay, allocated housing construction requirements to 191 cities in 2020

Cycle 6 implementation began in October 2021 and expires in October 2029

11 years length based on data 12 years or older

# Cycle 6's ten-year horizon plan was unable to include lessons learned from sources of instability

## COVID 19 pandemic

- Congregations of any type became impossible, in-person retail, job sites and public transit became risky locations; homes were forced to increase functionality to include work site, medical clinic, school room, restaurant, exercise gym, and sole entertainment center, yet RHNA promotes density in the commons, in the apartment hallways and elevators and life in smaller DUs

## Climate Crisis/extreme weather

- Cost of \$billions to CA economy, expected to grow as carbon sink tipping points are approached each year with consequences for housing supply; A/C required for all DUs, escape routes vital as density increases

## Rise of AI

- Unknown impacts on employment and the broader economy, with consequences for housing demand

## War with Iran

- Global energy shortage and cost escalation – extent of economic damage as yet unknown with consequences for housing supply, demand and many supply chains, EV transition essential

# RHNA Includes no monitoring or evaluation of the market outcomes of allocations



Progress measured in terms of DUs built, not increase in affordability



Housing market conditions are not monitored or evaluated



Allocations are permanent with no option for mid-term correction for unanticipated events/trends



Rigidity is the enemy of sustainability.

# Methodology is questionable



## The regional determination is a political figure cloaked in data and rational analysis

“Defining and quantifying housing need is an exercise fraught with messy data, guestimation and an inconvenient need for judgment calls”

*Why the housing shortage is so hard to quantify*

See Ben Christopher, September 28, 2025, Los Angeles Times



## The article lists the following published estimates:

2015 Legislative Analysts Office 2.7 million DUs

2016 McKinsey 3.5 million DUs (Newsom campaigned on that)

**2020 2.5 million adopted by HCD for RHNA Cycle 6**

2022 Freddie Mac 820,000 DUs

2024 Up For Growth (non-profit) 840,000 DUs

2025 Moody's Analytics 56,000 DUs

# Example: South Bay RHNA Allocations

- Previous cycle #5 2013-2021 added 860 new homes at below market rents
- Current cycle #6 Oct 2021 – Oct 2029 requires 15,460 below market rents
- **18 TIMES** Cycle 5 construction total
- Plus 5,540 moderate, 13,180 market
- Total 34,180 DUs
- Plus over 60,000 more through density bonuses required to achieve volume of below market rents
- Potential total about 95,000 DUs added to housing stock of 289,000, a **33% increase in just 8 years**

# Investment Required – Designed to Fail

- At \$650,000 per DU \$22.7 billion for meeting Cycle 6 allotment
  - \$10.3 billion for below market cost of production
- Option 1 – Density bonuses -- If the 15,460 is satisfied through density bonuses, then 61,840 additional DUs will be necessary = \$41.1 billion more invested by the developer recouped by market DUs beyond current zoning max
- Option 2 -- If paid for by Measure A, Housing Trust will have Measure A funds through LACAHSAs with an estimated shortfall of \$1.1 billion per year (per Housing Trust consultant)
- Conclusion – RHNA allocation of below market DUs not feasible by either density bonuses nor Measure A funding. HCD could penalize cities with fines and “Developer’s Remedy”
- Planning for Cycle 7 (2028-2037) is beginning now
- **HCD and SCAG should “Do the math!!”**

# South Bay Cities vacant units (12/25) and homeless persons (2/26)

## Vacant Apartment Units

- Studio 319
- 1 bedroom 888
- 2 bedroom 845
- 3 bedroom 214
- 4 bedroom 33

Suggests subsidies & less construction

- Total Vacant 2,361units

*Apartments.com*

Total Homeless 1,387

Unsheltered 906

*SBCCOG homeless count*

## 2<sup>nd</sup> Fatal Flaw

HCD approaches housing in a silo, not connected to other strategies managed by locals

**Mobility:** Housing is a critical component of urban form – it establishes fixed locations of “origins” for which local transportation planners must devise affordable means for connecting to “destinations”

**Sustainability:** RHNA assigns numerical targets and cities identify developable parcels for builders to choose from. Builders systematically choose those with the best profit potential, ignore other factors

## 3<sup>rd</sup> Fatal Flaw

RHNA framework and associated state laws blame local governments – a single cause with a single villain

The actual challenges for housing construction are development economics which depend on costs of construction including land acquisition, labor and materials, financing costs, and feasible market rents at the sites selected. Local economic analysis funded by HCD grants show that not every eligible site will support development

Blaming cities for obstructing construction (for protecting the public interest -- parking requirements, inflexible zoning, 2 stair wells) is one justification for state regulation

## 4<sup>th</sup> Fatal Flaw

RHNA increases housing density with mobility options limited to transit and cycling

---

- This is a one size fits all policy that suits conditions in only a small number of contexts
- Transit has a 3% average mode share in the South Bay and Cycling less than 1% despite investment in bike lanes in several cities
- If HCD was sincere about the transit mode as a backbone, then it would need to eliminate the “fair share” component of RHNA and direct SCAG to allocate the greatest number of DUs to those locations with rail transit service – transit oriented development
- There is very little rail transit infrastructure in the South Bay and bus service is infrequent
- Consequences: Extreme congestion that frustrates residents, damages the sub-regional economy, and encourages online shopping which reduces local retail tax revenues

## 5<sup>th</sup> Fatal Flaw

Focus solely on supply while demand is the structural problem

---

- Affordability means the price-wage gap is small for a majority of residents
- Unaffordability has been increasing in most markets beyond housing -- food, gas and electricity, auto-mobility, health insurance, medical services, etc.
- Cause – wages have failed to increase at the same rate as prices
- **Structural crisis is the extreme concentration of wealth -- we cannot build our way out of it**

# Other Flaws

- Ownership matters – housing has become an attractive asset class for corporations; corporations tend to raise rents higher and faster than mom/pop owners
- Spacious living a desirable quality – density erodes middle class living
- RHNA leads to rental housing, reducing opportunity to build generational wealth
- Increasing density increases the value of land which will increase the cost of housing, build affordable housing on affordable land
- New construction cost \$650,000 per unit in 2025, expected to increase due to impact on construction costs by tariffs on materials and exporting immigrants on labor
- Housing supply is a differentiated good, not a commodity (like russet potatoes) – increased supply will reduce costs only for similar houses

# Replacement Proposal

## City – State Collaboration

- 
- Foundation is that cities and their sub-regional JPAs collaborate to produce a feasibility report with 4 components
    - **Financial feasibility** – in Cycle 6 the SBCCOG expects to receive an allocation from Measure A; the SB Housing Trust will determine most effective actions from an expanded palette of options
    - **Carrying capacity analysis** which identifies shortages that cannot be addressed (water for example) and those that can with investment (aging infrastructure, specifically storm drains, also water distribution pipes) and others with limited capacity (electric grid, land fills for solid waste disposal, open space per capita)
    - **Market analysis** using tools and data that were not available until recently to characterize the immediate needs based on local conditions and transportation patterns, establishes annual monitoring and evaluation process for adjustments
    - **Sustainability analysis** that assures compliance with City and Subregional Sustainability Strategies (developments that contribute to complete neighborhoods with matching ZE mobility strategy)

# Feasibility Reports and Plans for Affordable Housing

## Basis for building new DUs plus additional policies

- The SBCCOG compiles into a Housing Report the city plans based on the feasibility analyses that identify the housing units that the South Bay can reasonably accommodate and strategically site (a new housing policy product)
- Report also identifies infrastructure investments needed to address carrying capacity limitations – e.g., land fill expansion, sewer segment replacements, additional open space; and expansion of budgets for local service delivery such as police and fire
- The feasible housing production along with requests for resources submitted to SCAG which aggregates from its sub-regions and forwards to state HCD for state-wide monitoring

# South Bay Sustainability Strategy (SBSS)

## Cornerstones/Foundation

---

- System of neighborhood centers hosting many destinations with a range of types (retail, medical services, work sites, education services, etc.) densely packed in small spaces with 3 mile radius catchment area
- Co-located with a digital hub (access to broadband, technologies and training) and a mobility hub (for modal transfer) served by a micro grid to provide low cost always-on electricity for center occupants, e-vehicle charging, digital hub, and A/C
- Micro-mobility with purpose-designed devices specialized for distances out to 10 miles owned by individuals or shared as apartment amenity; public transit in the form of shuttles and circulators serving the centers
- Housing built in proximity to a neighborhood center for high levels of walking
- Connectivity through our South Bay Fiber Network
- Economic development programs to reduce the price-wage gap such as skills development with the South Bay Workforce Investment Board and Next Level Workforce Training, and small business formation and growth with the Small Business Development Center and El Camino College
- Implementation requires support from a **suite** of state agencies including HCD, CARB, CPUC, Strategic Growth Council, Department of Technology, CASF, regional agencies including SCAG, SCAQMD, County of Los Angeles and local institutions such as school districts and libraries

# Funding

---

- Request for State to pass REAP 3 (Regional Early Action Planning grant program) dedicated to funding to
  - conduct the feasibility analyses
  - monitor the housing market, success of the mobility strategy and the infrastructure improvements
  - expand the local government capacity to complete the report for SCAG
- Local governments develop into the eyes and ears of the state departments so that they will be able to support and react to the local government programs that produce affordable, sustainable housing
- Provide funding for local Community Development Departments and sub-regional COGs to engage in sustainable housing planning rather than just act as a local agency carrying out the 425 new laws

# Business as Usual Needs to End

---

State should suspend enforcement of Cycle 6 and pause RHNA planning for what would be Cycle 7 until the feasibility studies are complete and local jurisdictions self-determine the housing and mobility systems that fit into their sustainability framework, ensuring that new housing will contribute to GHG emissions reduction and affordability.

## **Public is not fooled:**

- 66% of respondents lack confidence that state government can improve housing affordability, and they express even deeper skepticism toward local government. *Los Angeles Business Council Institute, 2026*
- The county's overall quality-of-life ranking dropped to the lowest point in the survey's 11-year history. Falling satisfaction, in particular, cost of living, traffic and education. *Luskin School of Public Affairs, 2026*