



August 18, 2020

Mayor Miguel Pulido
Santa Ana City Council
20 Civic Center Plaza
Santa Ana, CA 92701

Re: Item 75B. PUBLIC HEARING - ZONING ORDINANCE AMENDMENT NO. 2020-03 TO AMEND CHAPTER 41 (ZONING) RELATING TO THE HOUSING OPPORTUNITY ORDINANCE AND ADOPT AN AMENDMENT TO THE AFFORDABLE HOUSING FUNDS POLICIES AND PROCEDURES

Dear Mayor Pulido and Honorable Council Members:

On behalf of a coalition of business and property rights organizations, we respectfully request revisions to certain sections of Zoning Ordinance Amendment NO. 2020-03, an update to the Housing Opportunity Ordinance (HOO). Specifically, we ask that an "Entitled Residential Project" of 20 units or more receive an in-lieu fee option of \$5.00 per habitable square foot compared to the proposed \$10.00 (An option discussed at Planning Commission). Additionally, that said "Entitled Residential Projects" be given 12 Months to be eligible for the suggested \$5.00 in-lieu fee, compared to the proposed April 2021 deadline (A recommendation of the Planning Commission). Furthermore, we are in strong support of reducing the current \$15.00 in-lieu fee to the City Staff proposed \$5.00. Lastly, we would like to add caution to mandating any specific forms of labor through this policy process, and encourage a detailed review of the cost impacts of any such proposal.

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

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

In a study by Benjamin Powell, Ph.D. and Edward Stringham, Ph.D., titled, *Housing Supply and Affordability: Do Affordable Housing Mandates Work?*, the authors discovered that in the 45 cities where data was available, new housing production drastically decreased by an average of 31% within one year of adopting inclusionary housing policies. Additionally, the study suggests that inclusionary housing policies can increase new housing costs by \$22,000 to \$44,000, with higher priced markets increasing by \$100,000.¹

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

The fact of the matter is seemingly clear in the City of Santa Ana. At the June 2, 2020 City Council meeting, city staff stated that during the period of 2016 – 2019, the time period immediately following the 2015 increase of the HOO fee, 2900 units were approved by the City, yet not one permit has been pulled to trigger paying the higher fee.

To make matters worse, the entire globe has been thrust into the middle of a pandemic. Residents around the Country, especially in California, are being asked to self-quarantine and by extension, limit their access to work. The economic impact of this pandemic will take years to fully comprehend. Yet contained in the staff report, city staff paint a stark picture to this effect, detailing not just the delays in development activity on approved projects, but the overall damage to housing construction and how it may harm Santa Ana's local economy.

That is why we are asking that "Entitled Residential Projects" be treated like any other planned or proposed residential project, and also be given the option of the staff proposed \$5.00 per square foot in-lieu fee. Residential projects that have been approved by the city have most likely spent years in the entitlement process, spending significant capital in the hopes of building in the City of Santa Ana. If a proposed incentive based economic stimulus policy is to encourage much

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

needed housing units, we can't think of a reason why a higher in-lieu fee would be proposed for those projects so close to construction.

Furthermore, as stated in the staff report, significant delays are being felt not just in the City planning departments, but in the private sector and development community. It is for this reason, that we ask those "Approved Residential Projects" receive 12 Months from the implementation of this policy to be eligible for the proposed \$5.00 in-lieu fee as recommended by the planning commission. This is a slight change from the proposed deadline of April 2021, and if building permits are not pulled within this year time frame, the higher \$15.00 in-lieu will be paid – offering a strong incentive to pull permits and start construction.

We want to thank city staff for the proactive and business minded proposed amendments to the Housing Opportunity Ordinance. The logic and reasoning behind the proposed lowering of the fee is exactly what the development community needs during these rare and uncertain times. We also feel that this proposal and our requests equate to a reasonable compromise between the current fee and the recently discussed moratorium of the HOO fee. These changes will ensure that construction moves forward and affordable housing dollars that were otherwise not materializing, will be paid to the city.

Thank you for your thoughtful consideration.

Respectfully,



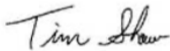
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