



## THE MISSING MIDDLE

### ISSUE

Too often, California and its localities adopt and maintain community development policies that deprive the state's hard-pressed middle class of appropriate housing opportunities. Hundreds of thousands of hard-working families and individuals cannot afford to live where they work and are facing a housing cost burden, defined as paying more than 30% or more of their income on housing.

As an example, most Los Angeles area teachers earn too much to qualify for subsidized affordable housing, but also earn too little to buy a home in the communities that they serve. They are then left to compete against other households for the scarce market-rate units that become available.

Increases in housing production costs push these hard-working individuals further from housing affordability and creates the "missing middle" housing gap. The costs contributing to the problems derive from the four L's; Land, Labor, Lumber (materials), and Laws. These expenses continue to rise, making housing too expensive to build and still deliver a product that's affordable to middle-income earners.

### EXISTING LAW

Los Angeles County is presently the subject of a 2014-2021 Regional Housing Needs Assessment (RHNA) which projected the need for 28,273 new moderate-income units for all LA County. Unfortunately, the municipalities in Los Angeles County are failing to meet such housing production goals.

Through 2017, halfway thru the RHNA cycle, less than 5% of the projected total LA County moderate-need had been met. The City of LA itself only permitted 1.9% of its projected middle-income housing need. The situation in unincorporated LA County is even more severe with not one single moderate-income unit permitted.

Public subsidies are an attempt to address the housing shortages that affect lower-income households. Subsidies or any other kind of help are, however, nearly non-existent for middle-income households. The "middle-income" earners group is continually squeezed out as housing costs become more expensive. Reducing the costs and barriers to

produce more naturally-occurring middle-income housing would reduce the burden on both lower and moderate-income families by creating more housing opportunities.

### SOLUTION

Below are recommendations to alleviate the costs associated with producing housing:

#### Ways to Reduce Costs/Fees:

- Implement a moratorium on all proposed municipal fees or policies that would increase housing costs or decrease housing production
- Implement a cap on total fees that is scaled and based upon the location and type of development
- Prohibit the imposition of new exactions on projects that have already submitted a complete development application
- Limit fees imposed on new residential projects to only those fees local governments post on their fee schedule on the internet
- Require local municipalities to publicize, in a user-friendly format, full individual accounting of each type of impact fee, showing money collected & spent by month and YTD by project as well as the overall balance of the fund
- Defer the payment of impact fees until the close of escrow for homes sold, and until Certificate of Occupancy for homes rented, since there is no impact until the unit is occupied

#### Ways to Shorten the Development Process:

- Require local municipalities and utilities to publicize actual review times of steps in the permitting process on an annual basis
- Require local municipalities and utilities to develop and follow enforceable turnaround times for critical milestones in the development process

#### Ways to Increase Land Availability and Incentivize Housing:

- Require local municipalities to provide and publicize on their websites a monthly measure of (a) units applied by type; (b) units approved by type; (c) permits issued; (d) Certificates of Occupancy issued; (e) units demolished; and (f) actual housing units created
- Amend the State's Housing Element law to expand RHNA categories for middle-income housing up to 200% AMI for high-cost areas