

**We All Care About Affordable Housing in CA, So Why Aren't We Reaching Our RHNA
Targets?**

A Policy Brief on Local Jurisdictions Not Meeting Their CA Housing Elements

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By

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The inspiration for this project comes from the first City Council meeting I attended as a Graduate Student Assistant in the City Manager's Office at the City of Elk Grove in summer 2022. I was brand new to local government, and my boss encouraged me to attend the meeting as an enriching educational opportunity. The room was filled with angry Main Street business owners and residents defending Old Town against a permanent supportive housing development called the Oak Rose Apartments. It was the night the City Council denied the project based on it having residential uses in a commercial zone. After that night, the state accused the City of Elk Grove of using discretionary approval and breaking the law, SB 35, and then the Office of the Attorney General, Governor Gavin Newsom, and HCD sued the City of Elk Gove the following May. Fascinated by the drama of it all, I wanted to explore the issue of housing affordability in California and the reasons we as a state were not meeting RHNA targets.

Thank you to my family, Edna Del Corro Mann, Alan Mann, Kevin Mann, Noah Lystrup, and my fiancé, Patrick Scott, who have supported me throughout my writing process and through the three years I spent pursuing the MPPA. Thank you to my professors and mentors including my former boss Dr. Sara McClellan and my advisor Dr. Rob Wassmer who have challenged, supported, and nurtured me. Thank you to my friends including fellow classmates, Jose Ayala, who provided feedback and insightful comments throughout my process and my dear friend, Nathaly Teran, who I spent many Saturday mornings with at the café in our neighborhood diligently typing away. Finally, thank you to my supportive employer, City of Elk Grove.

I dedicate this to my grandma, Purificacion "Puresa" Casals Ybanez vda. de Manliguez, who joined her Creator on April 11, 2024, and the rest of my ancestors who guide me.

EXECUTIVE SUMMARY

This policy brief examines the current challenges and opportunities in affordable housing production in California. It aims to address issues related to California's lack of success in meeting Regional Housing Needs Allocation (RHNA) targets, leading to legal actions from the state punishing noncompliant cities. The research presented in this report examines the reasons behind California not meeting their RHNA targets and offers policy recommendations for policymakers and administrative bodies concerned with increasing the supply of affordable housing units in their jurisdiction. The report assumes the housing affordability crisis is real and can be alleviated by building more housing for all income levels, including for very low-, low-, and moderate-income families. This topic warrants government attention because housing unaffordability leads to an increase in homeless and housing-insecure individuals, poverty, an exodus of taxpaying residents to other states, and more segregation and racial and economic disparities. Affordable housing is vital to a healthy economy and society.

The key findings from the research indicate the following:

- I) The RHNA process is inherently flawed because it mandates overly ambitious housing goals without providing financial subsidy.
- II) NIMBYs are less impactful in the current policy environment with policies like ministerial approval in place.
- III) A mix of engaging and bypassing NIMBYs is optimal.

- IV) Market forces and the high construction and development costs associated with affordable housing development are the primary reasons California has not been able to meet RHNA targets.
- V) The strategy of compensation, while proven, is not commonly used or trusted nor equitable.

Based on these findings, the brief recommends the following:

- I) Cease legal actions against cities and reconsider approaches to enforcing RHNA compliance.
- II) Educate neighborhood defenders, engage renters, and limit the number of public meetings.
- III) Promote innovative housing types and use of infill land.
- IV) Propose funding mechanisms such as local real estate taxes or regional bond measures.
- V) Strengthen inclusionary zoning laws with incentives and bonuses.
- VI) Reduce construction labor costs by reevaluating prevailing wage laws and implementing workforce development programs.

Effectively implementing these recommendations requires a collaborative, intentional and strategic approach involving various stakeholders. Stakeholders include policymakers at state and local levels of government, with an emphasis on local governments, as well as developers and non-profits. This brief serves as a call to action to bring an end to punitive legal actions against cities and instead, address the urgent need for affordable housing in a constructive way, supporting the California cities prioritizing economic stability and quality of life for its residents.

SECTION I

INTRODUCTION

Too many local jurisdictions are not producing enough affordable housing units, leading to a rise in lawsuits initiated by the state in response to unmet Regional Housing Needs Allocation (RHNA) targets. The RHNA process mandates California cities to meet defined affordable housing production targets over the course of 8-to-10-year housing element cycles. These targets are set by the Department of Finance (DoF) and the relevant Council of Government (COG) for each of California's urban regions, or by counties, for rural jurisdictions, based on factors such as population size and growth rates. In this policy brief, I explore the issue of California regions falling short of their RHNA targets, using qualitative research, or stakeholder interviews, to gain insight into the perspectives of local jurisdictions and other implementing arms of housing policy in California. I then formulate policy recommendations for increasing affordable housing supply based on those insights.

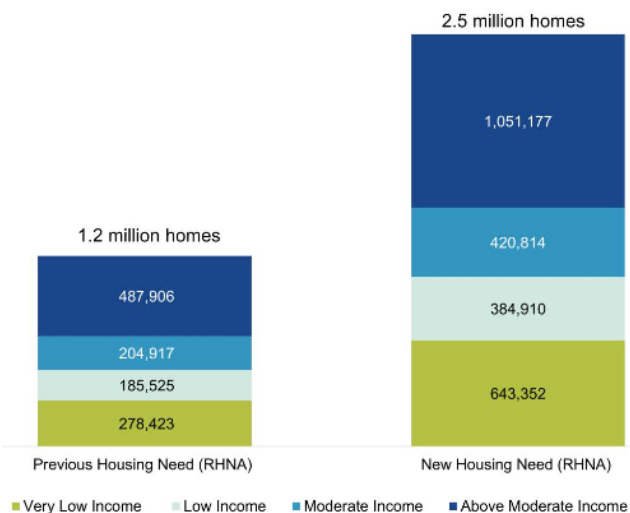
BACKGROUND AND CONTEXT

For decades, supply has not been able to keep pace with demand for new affordable housing units in California, driven by population growth and constraints that make it difficult and slow to build new housing. To meet the growing demand for housing and ease the housing crisis, California needs to build another 2.5 million homes in the next eight years with at least one million of those going to lower-income families. However, California is not on track. In the last eight years, only 588,344 homes were constructed, falling significantly short of the 1.2 million

goal established in 2013 (HCD). Even after factoring in the state’s slowing population growth, California’s housing supply and demand gap persists (Hagerty & Gonzalez, 2023).

Figure I. Housing production goals continuously grow as demand for housing outweighs supply.

Comparison of Previous and New Housing Need (RHNA) Goals

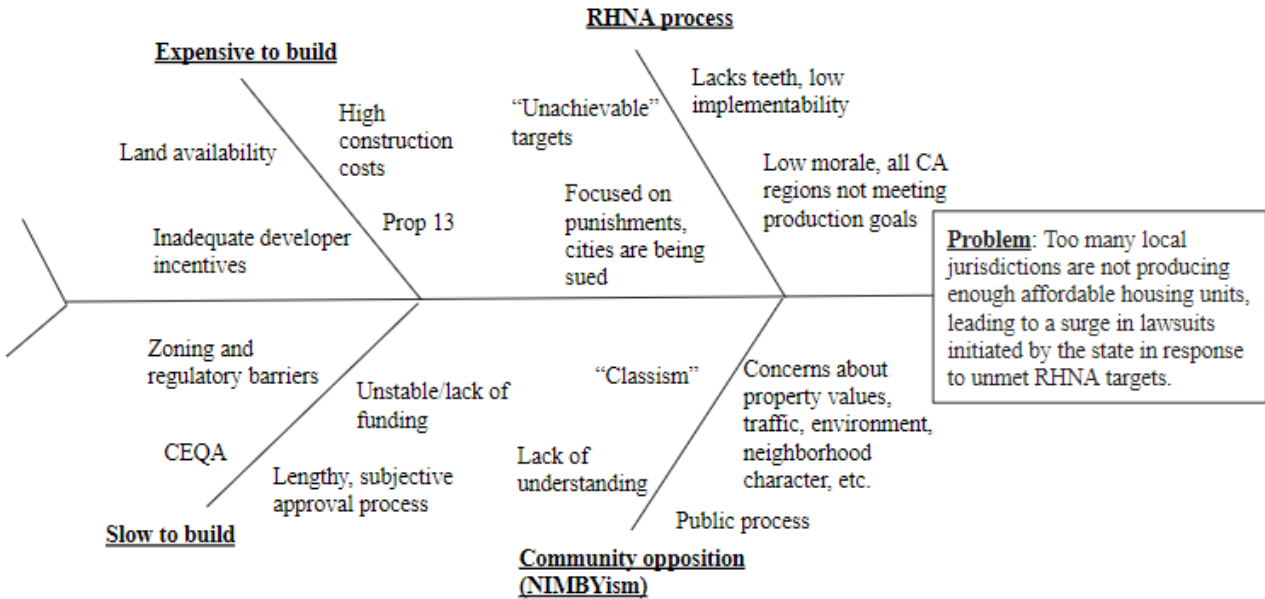


Source: HCD, n.d.

More demand than supply has led to soaring housing costs, making California one of the most expensive places to live in, and creating a housing shortage that disproportionately impacts low-income residents. Some of the reasons that led to this housing shortage include community opposition or NIMBYism, land scarcity, exclusionary zoning restrictions, strict and lengthy approval processes, environmental regulations, high land and construction costs, unstable funding, and capped property taxes limiting local government funds which could be used to invest in the infrastructure and services needed for new affordable housing developments (Turner Center for Housing Innovation at UC Berkeley, 2022; California 100, 2022; LAO, 2015).

Figure II. Conventional fishbone diagram analyzing the central problem and related problems.

Fishbone Diagram



Sources: Turner Center for Housing Innovation at UC Berkeley, 2022; California 100, 2022)

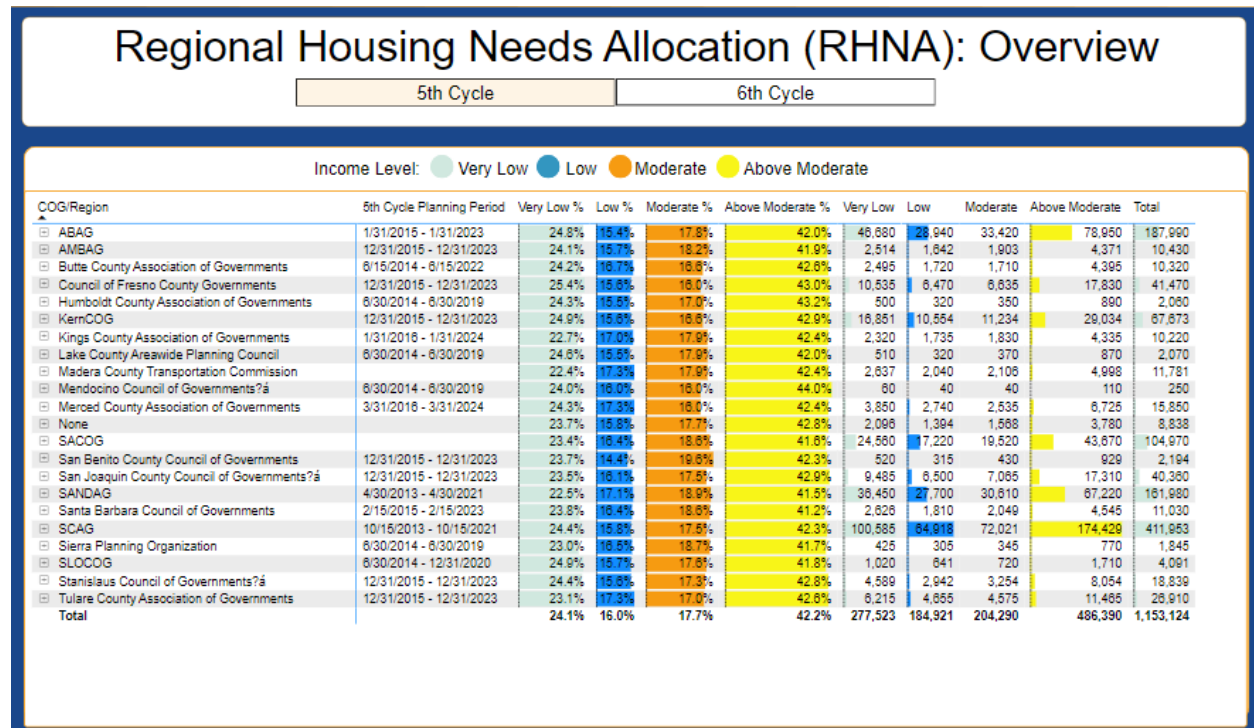
Many attempts have been made to address California’s housing shortage from implementing the Housing Element Law in 1969 which mandated cities and counties to plan for housing needs by establishing RHNA targets to introducing SB 35 in 2017 which streamlines the approval process for certain qualifying housing developments, but regions have still not managed to produce enough affordable housing units to meet their RHNA targets. The inability of local jurisdictions to produce enough affordable housing results in what we call the housing crisis, a multifaceted and highly interconnected public problem. A problem that fosters increased homelessness and housing insecurity, elevated poverty rates, an exodus of taxpaying residents to other states, racially and economically segregated communities, disparities in economic, health, and educational outcomes based on one’s residence, unequal access to resources and amenities, among other consequences (HCD, n.d.; California 100, 2022; LAO, 2015).

In the last year, the State has taken a more assertive approach to enforcing the RHNA quotas, suing cities in regions failing to comply with the law, a measure of last resort that draws significant attention from both the media and the public. These legal actions have led to increased legal costs, strained relationships between the State and local levels of government, and other unintended impacts on local communities. One example of a contentious lawsuit occurred in May 2023, when the Office of the Attorney General Rob Bonta, Governor Gavin Newsom, and HCD sued the City of Elk Grove for denying an affordable housing development, the Oak Rose Apartments despite the SACOG region not being on track to meet their RHNA target. In the 5th Cycle Housing Element Planning Period (10/15/13 - 10/15/21), SACOG (Sacramento County/City of Elk Grove) only attained 28% of its Very Low-Income RHNA target, 19% for Low-Income, and 19% for Moderate-Income. Many other cities in the state are falling short of their targets as well. For example, in 2023, the State also initiated legal action against Huntington Beach and Morro Bay. In the same Housing Element Planning Period, SCAG (Orange County/City of Huntington Beach) only attained 23% of its Very Low-Income RHNA target, 16% for Low-Income, and 18% for Moderate-Income. For SLOCOG (San Luis Obispo County/City of Morro Bay), only 25% for Very Low-Income, 16% for Low-Income and 17% for Moderate-Income were attained (HCD - Housing Element Implementation and Annual Progress Reports Dashboard, n.d.). These examples are not outliers in California's narrative and in fact, all regions in California have significantly fallen short of their affordable housing targets (HDC, n.d.). [Very Low-Income = 0% to 50% of local area median income (AMI); Low-Income = 50% to 80% of AMI; and Moderate-Income = 80% to 120% of AMI (HCD, n.d.).]

Figure III. Examples of RHNA achievement rates in 5th Cycle Planning Period (2013-2022).

COG/Region	Very Low %	Low %	Moderate %	Above Moderate %	Very Low	Low	Moderate	Above Moderate	Total
SACOG (Sacramento County/Elk Grove)	27.5%	19.3%	18.6%	34.6%	2,035	1,427	1,377	2,563	7,402
SCAG (Orange County/Huntington Beach)	23.1%	16.3%	18.3%	42.3%	313	220	248	572	1,353
SLOCOG (San Luis Obispo County/Morro Bay)	25.2%	15.5%	17.4%	41.9%	39	24	27	65	155

Figure IV. All California regions have a shortfall in meeting housing production goals.



Source: HCD, n.d.

Despite the underperformance, there seems to be widespread consensus among Californian politicians and experts on the importance of building affordable housing. Who doesn't believe that producing sufficient affordable housing is crucial to addressing the root

causes of a myriad of societal issues? For example, adequate and affordable housing not only provides individuals with safe and affordable living conditions, but it also reduces the risk of homelessness and housing insecurity, mitigates the effects of poverty, and helps to bridge gaps in economic, health, and educational disparities by integrating poor individuals into areas abundant in programs, services, and resources. Furthermore, it promotes inclusive communities by preventing racial and economic segregation, supports the wellbeing of individuals and families, and contributes to the overall economic stability of the state. Without meeting its housing needs, California faces continued challenges in providing equitable opportunities and maintaining quality of life for its residents. Promoting the creation of sufficient affordable housing is something many can agree on and do agree on. It is something Californian politicians, experts and administrators prioritize. So, I ask: what factors have contributed to the current situation where regions are failing to meet RHNA targets, leading to legal actions against cities? Additionally, what steps can be taken to address this issue?

PURPOSE AND OBJECTIVES

In this policy brief, my focus is on groups that are key to carrying out state housing policies, such as HCD, local governments, state policymakers and locally elected officials, and their staff. Other relevant stakeholders include private and non-profit housing developers and non-profits. Assuming a shared commitment to affordable housing, I explore why regions are struggling to meet their RHNA targets. What obstacles do elected officials, and their staff face in pushing forward affordable housing projects for very low-, low-, and moderate-income families? How can we overcome these obstacles to speed up the creation of affordable homes? I also explore ways to get local elected officials, city staff, and those opposed to new housing (NIMBYs) more

on board with affordable housing efforts. What strategies would enhance understanding and advocacy of affordable housing policies? Additionally, the brief questions whether we can keep local control while still boosting affordable housing production.

In the first section of this report, I provided background and context related to my research and described its purpose and objectives. In Section II, I present a literature review and synthesize and compare existing literature related to the housing crisis in California, the RHNA, NIMBYs, and the construction and development costs associated with affordable housing development. In Section III, I introduce the methodology behind my research, including research design, participant selection, and data collection and analysis methods. In Section IV, I reveal the findings from the research, summarizing and organizing information from the interviews into five thematic categories. In Section V, I propose policy recommendations and briefly evaluate them against a set of criteria discussed by Meltzer & Schwartz (2019). In Section VI, I conclude.

SECTION II

In this section, I conduct a literature review to unpack the housing affordability crisis. I provide a brief overview of the history of the housing crisis and discuss affordable housing policies, including the RHNA, that have been implemented to address the problem. I explore why California regions are not meeting their RHNA targets, ultimately focusing on NIMBYs (Not In My Backyard) as a main barrier. I analyze the NIMBY syndrome in detail and then examine three policy approaches that address the NIMBY: engage, compensate, or ignore. I conclude the literature review with a segment on the high construction and development costs related to building affordable housing, which I added after several interviewees mentioned this topic as another main, and arguably most important, barrier to achieving affordable housing goals.

I. The Housing Affordability Crisis and its Economic and Social Consequences

The affordable housing crisis is a multifaceted issue that stems from an imbalance of supply and demand and results in several adverse economic and social consequences. Driven by more demand for housing than supply, the average price of a house in California over time has exponentially increased, meanwhile, stagnant wages have not kept pace with rising living expenses. From January 2020 to December 2023, the monthly payments for a bottom to mid-tier home grew by more than 80% while average hourly wages only grew by 17% (LAO, 2024). California homes are also more expensive than homes in other states. In 2019, the median California home was priced nearly 2.5 times higher than the median national home (Baldassare et. al, 2021). Additionally, over 22% of state residents are rent-burdened, paying more than 30% of their total income on rent (Davalos et. al, 2021). High housing costs have led to a rise in homeless and housing insecure individuals, positioned California as the state with the highest

poverty rate, and triggered an exodus of residents migrating to more affordable states (Kimberlin, 2019). In 2021, nine out of ten Californians reported that they considered housing affordability a problem, and nearly one in three Californians reported that they were considering leaving the state because of it (Baldassare et. al, 2021). The departure of low and moderate-income taxpayers, alongside wealthy individuals relocating to areas with lower income taxes, places the financial obligation to support essential public services and social programs directly on the remaining and already strained middle class (Johnson & McGhee, 2024).

High housing costs not only lead to economic challenges but also threaten to erode the social fabric and diversity of California's communities by exacerbating racial and economic disparities, and in some instances displacing low-income families. Housing affordability is about more than providing shelter. Where one lives determines one's access to programs, services, and resources. At a minimum, the lack of affordable housing pushes low-income families and people of color into poorer neighborhoods with limited access to quality schools, jobs, healthcare, and neighborhood amenities, structurally perpetuating social inequities and racial segregation (Lin et. al, 2017). At the extreme, it causes housing overcrowding and homelessness. Therefore, addressing the affordable housing crisis, especially through the lens of mixed-income housing as discrimination management, means dismantling the divide between the haves and have-nots (McFarlane, 2019). Between 2010 to 2022, California saw a net loss of 2.2 million residents, as 8.5 million people left for other states and only 6.3 million moved in. Who is leaving California and who is moving in? California's high living costs are driving away those with lower incomes and worsening economic, social, and racial disparities (Johnson & McGhee, 2024). Such a trend risks making California a segregated, less diverse, and less inclusive state.

II. A Brief History of Affordable Housing Policy and the Regional Housing Needs Allocation (RHNA)

Researchers from the UC Berkeley Turner Center for Housing Innovation and UCLA Lewis Center for Regional Policy Studies identified the origins of the housing crisis in a 2022 report. This research states that the housing crisis has deep historical roots, beginning with the theft and violent dispossession of the ancestral lands of Native Americans, which was the foundation for the state's private property system. It is argued that this approach to land use paved the way for racially discriminatory practices such as racial covenants of the early 20th century and redlining introduced by the Home Owners' Loan Corporation (HOLC) in 1933 and continued in the loan policies practiced by HUD throughout the late 1960s, policies that barred people of color from owning mortgages and living in certain neighborhoods. These practices have contributed to the observable racial disparities in housing that persist to this day.

The California Environmental Quality Act (CEQA) and Proposition 13 have added to the state's housing crisis by restricting housing supply. Initially passed for environmental reasons, people have leveraged CEQA to obstruct housing development, even in instances where environmental issues are minor or not directly related to the project. Proposition 13, intended to keep property taxes low, has led to the unintended consequence of discouraging the sale and development of property and reducing public funds that could otherwise be used for needed infrastructure and public services for housing developments. The limited supply of housing is exacerbated by restrictive zoning laws which further limit housing options and, for example, prevent the viability of high-density, multi-family developments. In summary, several government-supported and state policies have laid the groundwork for the multifaceted

affordable housing crisis we observe today (UC Berkeley Turner Center for Housing Innovation & UCLA Lewis Center for Regional Policy Studies, 2022; Shane et. al, 2022).

A history of state policies aimed at solving the affordable housing crisis exists as well. Coordinated statewide efforts to increase the supply of housing date back to 1969, when state law first required all California cities and counties to include a “Housing Element” in their general plans (HCD, n.d.). The housing element is meant to outline a city’s strategy for future housing growth and must include information on how the city plans to help their region meet their RHNA (Clare, 2019). Initially, each region of the state created its own regional strategy to reach its housing objectives but by 1980, California law had become more prescriptive, mandating the use of state strategies, and diminishing regional ones. The California Housing Element process has not substantially changed since the 1980s (Phillips, 2020). For the last forty years, the process has been as follows. HCD determines the regional housing need for each region’s COG with input from the DoF. HDC and COG analyze data related to demographic trends and housing needs in the region, both existing and projected, and then the COG allocates the housing need among all the cities and counties within that region. Cities and counties then work on land use and regulatory plans to achieve the targets outlined in their respective RHNA plans. (HCD, n.d.). The “fair share” law requires every region to aim for these housing goals: 40% of new homes for very low-income and low-income families making 80% or less of the Area Median Income (AMI), 20% for families with moderate incomes, and 40% for those with incomes above moderate (Phillips, 2020). For years, the Housing Element process has established our housing production goals, with RHNA obligations serving as the benchmark.

Unfortunately, the Housing Element process has not been enough to create sufficient supply of housing, particularly for low-income households (Clare, 2019; Phillips, 2020;

Elmendorf, 2022; Tobias, 2022). The literature on the topic of RHNA states that until recently, there were no true enforcement mechanisms to ensure cities were actually building the assigned amount of housing, thus local jurisdictions did not face penalties for missing their RHNA targets. Additionally, reporting requirements for cities were weak as cities only needed to provide broad descriptions of their housing policies and progress. Before SB 35 passed in 2017, cities were not even required to identify the specific parcels on which housing would be built. With SB 35 in place, cities now must submit realistically suitable parcels.

In response to the glaring ineffectiveness of the law, evidenced by the 97 percent of California cities that are failing to meet RHNA obligations, the legislature has recently made significant efforts in advancing housing policy. In 2017 and 2018, several housing bills (e.g. SB 35, AB 678, SB 167, AB 1515, SB 166, AB 72, AB 879, and AB 1397) were passed to ensure fair distribution, streamline approval processes, improve enforcement mechanisms, strengthen annual reporting requirements, increase HCD's review power, and much more. And while these laws seem promising, community opposition remains a challenge in cases where the public process exists (Wexler, 1996; Eranti, 2017; McNee & Pojani, 2022). For example, NIMBYs were at the center of an effort that led to the Elk Grove City Council denying plans for the permanent supportive housing development called the Oak Rose Apartments. In 2023, the Office of the Attorney General Rob Bonta, Governor Gavin Newsom, and HCD sued the City of Elk Grove for denying the project based on discretionary exercise and not an "objective standard" which put them in violation with the law, namely the Housing Accountability Act (HAA) and SB 35. Elk Grove is one of a handful of noncompliant cities that have been sued. The highly contentious legal actions that the state has taken against cities for denying affordable housing developments while not meeting their RHNA targets is a recent trend that is probably not going away.

The next segment of this literature review will focus on NIMBYism (Not-In-My-Backyard), and its importance in being one of the main reasons cities and counties are failing to meet their RHNA targets.

III. Understanding NIMBYs: Perspectives, Motivations, and Influence

The literature on NIMBYs date back to the 1970s and was referred to as a “syndrome” that was happening all over the world. NIMBYism was described in 1982 as “protectionist attitudes of and oppositional tactics adopted by community groups facing an unwelcome development in their neighborhood... residents usually concede that these ‘noxious’ facilities are necessary, but not near their homes” (Eranti, 2017). NIMBYs, usually white, financially stable people in their 40s-70s who mostly own homes, often display intense emotions and hostility, arguably with limited understanding of the projects they oppose, perhaps not fully grasping the actual risks and benefits (McNee & Poljani, 2021). McNee & Poljani (2021) also propose that some NIMBY opposition is driven by nostalgia for a past era characterized by exclusive socio-spatial privileges associated with whiteness, meaning to say that some white people feel a certain type of entitlement to how land can be used (McNee & Poljani, 2021). LULUs or ‘locally unwanted land uses’ may be developments that are noisy (airports, automobile compacting companies), dangerous (toxic chemical dumps, nuclear plants), smelly (slaughterhouses, brewing companies), ugly (power transmission lines, oil refineries), of questionable morality (casinos, brothels), polluting (incinerators, smokestack factories), or otherwise simply unwanted like low-income housing (Wexler, 1996). Wassmer & Wahid (2019) state the parochial interests of NIMBYs or unwillingness to see beyond one’s own immediate interests include preserving class status, excluding lower income households, limited competition for parking and school placements,

preserving views and open spaces, protecting home values, and the like. In a recent Elk Grove City Council meeting that took place on February 28, 2024, an irate resident in her 60s stated during Public Comment her opposition to the new proposed location of the permanent supportive housing complex, the Oak Rose Apartments. She said, “I’m a property owner here in Elk Grove, and I’m here to discuss the transitional housing that you are trying to put [in my neighborhood]... a 63-unit complex in our neighborhood is way too big, it’s not a win for me and my neighborhoods, it’s a decrease in our home values, it’s congestion, it’s school crowding, it’s crime, it’s blight, it’s police calls. Let’s not forget about the safety. At night in my neighborhood, I’ve always been able to go out in the hot, summer nights and go for a walk. Now, I’m going to have to rethink that...” (Metro Cable News, 2024). In short, the NIMBY syndrome is the highly emotional and oftentimes organized opposition to siting proposals or LULUs that residents of a local community believe will result in adverse impacts for them and their neighbors (Wexler, 1996).

In academic circles, the term NIMBY has a negative connotation but Eranti (2017), Wexler (1996) and McNee & Poljani (2021) argue that we need to understand and even respect NIMBYs for their active participation in the process public rather than villainize them and assume they are ignorant. Eranti (2017) identifies the basis of NIMBY arguments as such: 1) individual interests or arguments based on private interests such as the negative affect on the value of financial assets, 2) public justification such as arguments based on common good (safety, avoiding blight), and 3) familiar affinities such as arguments based on emotional ties to places and objects (nostalgic memories of a place that might be demolished). NIMBYism, a flavor of collective community action, is “arguably one of the most powerful forms of development control” (Clare, 2019) and a “democratic right and a form of freedom of speech”

that can impact planning decisions to the extent that Planning Commissioners base their votes on public comment (McNee & Poljani, 2021). The literature suggests that if we can pay more than lip service to NIMBY arguments and make the effort to understand them, then we can address their frustrations and concerns effectively and even preemptively circumvent community opposition while not relinquishing local control over the siting of LULUs. As Eranti (2017) states, NIMBYs “should be analyzed as citizens participating in democratic processes, not as second-class citizens.” Wexler (1996) also states we should consider listening to NIMBYs carefully instead of dismissing them. The challenge lies in balancing effectiveness with inclusiveness of all residents that city governments aim to serve. Thus, literature suggests that a key strategy to maintain local control while building the affordable housing units needed to fulfill RHNA obligations, avoiding litigation, is to change the hearts and minds of NIMBYs.

IV. Engaging, Compensating, or Ignoring “Neighborhood Defenders” (NIMBYs)

The literature on how to manage NIMBYs can be summarized into three categories: engage, compensate, or ignore (Wassmer & Wahid, 2019; Ross, 2022; Iglesias, 2022; Cui et. al, 2023). The first two advocate for local control when siting LULUs and the third disregards the public process. Ross (2022) and Iglesias (2022) favor maintaining local control by enhancing understanding and advocacy of affordable housing. They propose proactive strategies to counteract NIMBYism because oftentimes it is too late to sway public opinions once opposition to a project has been established. Community organizing is one such proactive strategy which may include launching educational campaigns aimed at persuading NIMBYs and the elected officials that support them to better understand affordable housing and its importance to the

health of the community. Building broad coalition is also crucial because it is unwise for the only proponents of the development to be the developer themselves. Ross (2022) advises that members of the business community, clergy, and likeminded social service agencies should be engaged and have opportunities to promote the development and publicly discuss the value of new affordable housing projects. She suggests potential future residents of the development as convincing advocates. And, if possible, it would be a very strong strategy to recruit a former member of the opposition to speak in support of the development. These opportunities can occur at public forums, town hall or community meetings, through the media, and other avenues.

Iglesias (2022) shares similar perspectives in his article about Managing Local Opposition (MLO) strategies. Iglesias describes an MLO as a proactive, collaborative strategy aimed at anticipating community opposition and managing it before it becomes a problem. Some strategies include doing the research to thoroughly understand local government processes and the decision-making landscape, strategizing to gain support from local government staff, addressing the interests of elected officials, and recruiting and mobilizing allies to do grassroots community organizing. These community organizing efforts can include door-to-door canvassing, holding private meetings with key stakeholders, and delivering presentations to influential groups before any opposition forms. Engaging with NIMBYs like this assumes that it is possible to convince NIMBYs and the elected officials that support them to see the benefits that affordable housing presents to the community in terms of mitigating poverty and protecting workers as well as the social fabric and diversity of our communities. If not, then perhaps it is money that matters.

Wassmer & Wahid (2019) advocate for wider use of compensation to quell NIMBY opposition. Contrary to Iglesias (2022), who does not believe the argument that the value of a

home will decrease if affordable housing is built in proximity to that home, Wassmer & Wahid (2019) prove through hedonic regression analysis that home value does indeed decrease in that way. They argue that it is therefore rational for NIMBYs to be concerned, however, knowing this information provides evidence that a system involving compensation would also appeal to NIMBYs on a rational basis. Compensation can come in many forms from paying direct financial incentives to neighbors to building amenities such as parks, schools, community centers, roads, infrastructure, and other benefits that improve the community and increase home value. So why is compensation not commonly used? Foster & Warren (2021) point out that transaction costs or the expenses incurred during the process of planning, approving, and executing a development project are too high. Developers cannot afford to provide adequate compensation to the community with high transaction costs but if the transaction costs were lower, developers could use those funds to compensate neighbors rather than pay city impact fees, for example.

A third strategy to managing NIMBYs is to simply ignore them. Cui et. al, 2023 suggests that poor communication and essentially not telling the community that a development will be sited there is another method to managing NIMBYs. The literature does not state this, but such a strategy is shortsighted because residents will find out eventually and that could result in increased distrust in government as residents may not react well to this paternal government approach. Missing from the literature is discussion on strategies for community organizing after opposition has already been formed. The literature also lacks discussion on the practicality and implementability of lowering transaction costs to facilitate compensation to neighbors and the proof that that would work.

V. The exorbitant costs of building housing in California

Construction of housing in California, both market-rate and affordable, has become increasingly expensive due to various factors. This warrants attention because with high building costs, developers are rationally more motivated to produce market-rate housing units rather than affordable units to make a return on their investment. On average, the cost of constructing multifamily housing in California rose by 25 percent over a decade, with hard costs per square foot in 2018 being \$44 higher than in 2008-2009, after adjusting for inflation (Raetz et. al, 2020). The primary drivers of this spike are increased materials and labor costs. Since 2010, costs for wood, plastics, and composites have increased by 110 percent after inflation adjustment (Raetz et. al, 2020). But the hard costs of construction are not the only reason for high construction costs. There is a significant construction labor shortage, particularly in coastal and Bay Area cities, leading to fewer skilled construction workers available to take on new projects. The scarcity of skilled construction workers can lead to higher costs for their time as demand outweighs supply of the needed labor, forcing prices to rise. To add to that, prevailing wages drive up the cost of skilled labor although it should be noted that prevailing wage requirements are designed to promote equity by stabilizing employment and benefits for skilled labor (Raetz et. al, 2020).

Reasons for the high costs of building housing can also be found at the local level. Permitting delays due to lack of government staff and capacity to efficiently approve and permit projects contribute to increased development costs, according to a developer interviewed for a March 2020 policy report by the Turner Center for Housing Innovation at UC Berkeley. The developer said, “The biggest drivers of costs are not necessarily what planning staff add to your project, but rather that you have to go through their process and get stuck in a long development

period... The less time we take in entitlements, the cheaper it is. I know that's very obvious. But on a current project, we've had to redesign the building 4 times. If we had just been able to get through the original designs, not only would we have avoided a lot of the construction escalation costs, but we would have saved hundreds of thousands of dollars on the design piece of it." With high costs of holding land in addition to construction iterations, lengthy permitting processes just add to the fees. Some examples of state and local regulations that are reviewed include environmental and sustainability requirements, CEQA review, open space and parking mandates, and other costs. In short, City development fees significantly impact the cost of each housing unit, even for affordable housing projects, contributing to the financial burden on developers (Reid, 2020).

Concerningly, affordable housing developers face complex funding mechanisms that market-rate developers do not deal with at all. Whereas market-rate projects generally draw on two funding sources: equity from an investment partner and debt in the form of a permanent loan from a bank, affordable housing developers usually need to manage multiple funding sources, each with different requirements and timelines (Reid, 2020). Cobbling these resources together is a struggle for many affordable housing developers. Another developer in the same Turner Center for Housing Innovation report said, "You usually need at least three public agency loans or grants and tax credits and a regular bank loan. The process of having to apply for all of those is time consuming, and usually the way it works is that there is a leveraging game that they all play. Everyone wants someone else to put money in the project first, and you have to have your local money before you apply for your state money. And obviously you have to have all your other money before you apply for tax credits. So definitely a costly process that comes along with that (Reid, 2020)."

SECTION III

METHDOLOGY

In this section, I will introduce my methodology, research design, the selection criteria for interviewees, their biographies, and the questions that guided the interview I conducted. I will then share methods I used for data collection and analysis, and the limitations of this research.

Research Design

Through my research, I sought to understand why cities are struggling to meet their RHNA targets and what obstacles local governments and local elected officials face in advancing affordable housing projects, particularly for very low-, low-, and moderate-income families. I aimed to explore how to overcome these problems so more affordable housing units can be built and the different ways to get stakeholders and those opposed to new housing (NIMBYs) more on board with affordable housing efforts. I wanted to uncover strategies that would enhance understanding and advocacy of affordable housing policies and understand whether cities could keep local control while still boosting affordable housing production.

I employed qualitative methodology in this study due to the exploratory nature of this research. Qualitative methodology is suitable for exploratory research because it is an approach that can capture the nuances of perspectives related to a topic, in this case, housing policy. Qualitative research allows for in-depth exploration of diverse perspectives that lead to the identification of themes, similarities, and differences across perspectives. It provides a comprehensive, textured understanding of specific viewpoints. Additionally, according to Shields & Rangarajan (2013), a researcher uses exploratory research to understand an

underdeveloped research topic. My interest in housing issues is relatively new and therefore limited. As a local government professional in Economic Development early in my career, I have mainly gained exposure to housing issues by following the participation of the neighborhood defenders in opposing the now high-profile Oak Rose Apartments affordable housing project in the City I work for, Elk Grove, California. The lawsuit that ensued after the denial of Oak Rose Apartments in Old Town Elk Grove inspired me to seek answers and understanding using a qualitative method that I found most appropriate.

Participant Selection

To ensure a wide variety of perspectives, I assembled a diverse group of participants involved in and knowledgeable about California housing policy at different levels. I interviewed two staff from different local government housing departments, including a senior manager, two staff at the state level from the California Department of Housing and Community Development, including a mid-level manager, one local elected official, one housing advocate, and one reporter focused on housing issues at *CalMatters*, a nonprofit bipartisan news outlet. All participants provided their interview consent, with two out of the seven opting to remain anonymous. The study respected the rights and privacy of all individuals involved. Short biographies of these interview participants are included later in this section.

I chose these participants because they represented different implementing arms of state housing policy or were experts in this policy area. I assumed that individuals operating at different levels of governance, local and state, might offer distinct insights into the challenges and potential solutions for meeting RHNA targets. The different considerations between local and state added a comprehensiveness to this study that would not have been possible without

balanced participation. I included an elected official to incorporate a perspective of someone in power and who can shape the direction of a municipality. His point of view contributed a sense of practicality influenced by a connection to the public that other stakeholders did not have. He provided a grounded perspective on the difficulties of building affordable housing and what to do about it. I selected an advocate due to their passionate engagement in housing policy debates and their ability to communicate concerns that might not be apparent to the broader public. The advocate brought a strong and informed perspective that uniquely enriched the study, particularly about curbing the role that NIMBYs play in stifling the development of affordable housing. They also emphasized a concern about displacement and gentrification, which this report does not fully explore. Finally, I managed to get a *CalMatters* reporter to participate. I chose him due to the unbiased, well-researched information he had about the policy area which provided the study with concrete and complete perspectives. The reporter validated many ideas that others said, particularly on why cities are struggling to meet their RHNA target. Short biographies of the seven interview participants are included below.

Table II.

Short Biographies of Interview Participations	
Sarah Bontrager, Housing and Public Services Manager at City of Elk Grove	Ms. Bontrager has worked in housing for over 20 years, most of it in California. She was inspired to pursue this career after seeing the failure of large public housing projects on the East Coast. Ms. Bontrager plays a crucial role in planning, implementing, and overseeing housing policies and programs within the municipality of Elk Grove.

<p>Jacklyn Joanino-Sipat, Senior Development Officer at City of San Jose</p>	<p>Ms. Joanino-Sipat is an experienced organizer and housing policy expert with expertise in working in diverse and underserved communities in the City of San Jose, where she has worked for 10 years. She currently primarily focuses on housing and homelessness, residential displacement, and racial equity.</p>
<p>Connor Leahy, Homelessness Housing Program Manager at HCD</p>	<p>Mr. Leahy has an educational and professional background in homelessness and affordable housing policy work. He is currently a Homelessness Housing Program Manager at HCD and program manager for Project Homekey, an initiative launched in 2020 aimed at providing permanent, long-term housing solutions for the homeless population. Mr. Leahy’s statements in this research are his own personal opinions and do not reflect the positions of his organization.</p>
<p>An HCD Policy Analyst</p>	<p>An anonymous Policy Analyst at the California Housing and Community Development Department performs analytic work for an agency whose goal is to promote housing opportunities for all income levels through zoning reforms. HCD helps to provide stable, safe homes affordable to veterans, seniors, young families, farm workers, tribes, people with disabilities, and individuals and families experiencing homelessness (HCD, n.d.).</p>
<p>Kevin Spease, District 3 Elk Grove City Councilmember</p>	<p>Councilmember Spease is an Elk Grove native and business owner of a cybersecurity business. A former Planning Commissioner and current local elected official, he is responsible for governing Elk Grove alongside the rest of City Council and the Mayor. Councilmember Spease works with City Council to make decisions on a wide range of issues, such as the city budget, land use, public services, housing, and other priorities of</p>

	the community. He plays a crucial role in shaping the direction and quality of life in Elk Grove and often attends meetings to listen to constituents' opinions.
Ben Christopher, <i>CalMatters</i> Housing Reporter	Mr. Christopher is a reporter at CalMatters, a nonprofit, nonpartisan state news outlet, who covers housing issues. Based out of the San Francisco Bay Area, he has written for San Francisco magazine, California magazine, the San Francisco Chronicle, and Priceonomics. He has a master's in public policy from the University of California, Berkeley.
A Pro-Affordable Housing/Anti-Displacement/Anti-Gentrification Advocate	An anonymous Affordable Housing Advocate who wishes to be recognized for their anti-displacement and anti-gentrification focus is involved with affordable housing policy advocacy at primarily the local level, but also at regional and state levels.

Data Collection

I collected data through a combination of interviews, audio and video recording, emails, and online survey responses. This multimodal approach provided the flexibility for each participant to respond to my questions in a way that felt most comfortable. The online survey option allowed two participants to answer anonymously. Out of seven interviews, one was in-person, three were through Zoom, two were through online survey, and one was through email response. The live interviews lasted approximately 45-60 minutes. Each participant received Sections I and II of this report, background information and a literature review, and then responded to a stakeholder interview questionnaire consisting of one close ended question and seven open-ended questions, however I modified the questionnaire for the elected official, shortening it to be considerate of his time as a busy politician. The complete questionnaire is included below. I worked with my

advisor, Dr. Rob Wassmer, to develop these questions and drew from Shields & Rangarajan (2013) to organize and structure the questionnaire.

Table II.

Stakeholder Interview Questionnaire	
I.	Describe your work and how your career relates to addressing the shortage of affordable housing in California.
II.	On a scale from 1 to 10, how concerned are you about housing unaffordability?
III.	Do you support the CA’s Regional Housing Needs Allocation (RHNA) Process – briefly explain if necessary?
IV.	Between 2013 and 2023 (Fifth Cycle of RHNA) for CA cities, the median achievement of assigned RHNA targets was about 8% of very low-income housing, 22% of low-income housing, 38% of moderate-income housing, and 116% of above-moderate income housing. What do you consider to be the primary reasons for this?
V.	In relation to reasons offered above, how important are the actions of NIMBYs (or “neighborhood defenders”) and the local elected who support them (NIMTOOs) to the slow achievement of CA’s affordable housing goals?
VI.	Any ideas on how to reduce NIMBYism in CA? If given the options of engaging, compensating or ignoring NIMBYs, what do you think would work best?
VII.	If NIMBYism not that important, what is? How should we deal best with impediments to the needed affordable housing in CA?
VIII.	What can city staff (in partnership with other entities) or someone in your position do to advance the creation of more affordable housing in CA over the next 10 years?

Data Analysis

In addition to collecting written responses either through online survey or email, I recorded the four live interviews and transcribed the conversations. After transcribing the verbatim speech into electronic text, I used ChatGPT to summarize interview answers into bullet points, rephrasing key ideas into succinct statements that conveyed the concepts articulated. I used ChatGPT for initial data summarization of my interview notes due to its capabilities in natural language processing and its efficiency in handling large volumes of data. To ensure the accuracy of the summaries, I meticulously cross-referenced the rephrased statements with my original interviews notes until I was confident in the tool. After initial data summarization, I then manually color coded the notes, using 12 different highlighters to mark recurring themes, ideas, keywords, and concepts that emerged from the text. I then grouped the notes together according to color and, after categorizing them into different conceptual frameworks (Shields & Rangarajan, 2013), I ultimately settled on five different themes that incorporated the viewpoints that the participants shared. I wrote complete summaries for each theme based on these notes that I include in the next section of this report, Findings and Analysis. The five themes listed below emerged from the discussions held with interview participants.

Table III.

Themes: Key Insights from Stakeholder Interviews	
I.	Problems with RHNA, overly ambitious and lacks funding
II.	NIMBYism is less impactful when the state enforces RHNA
III.	Market forces and the high costs to build, the primary cause
IV.	Balancing NIMBY engagement
V.	Compensation, not a trusted or equitable strategy

Limitations

This study lacks the perspectives of a developer and a state legislator despite multiple attempts to make contact. Although connecting with a developer was challenging, I included two quotes in my literature review from developers interviewed for a policy report by the Turner Center of Housing Innovation at UC Berkeley to compensate. Future research could benefit from including participation from these stakeholders to provide a more holistic view of the challenges and opportunities in meeting California's RHNA targets. Another limitation of this study is that the questions asked led participants to speak more broadly about why California was not reaching their RHNA targets, and less about NIMBYs obstructing affordable housing developments, which widened the scope of this study more than originally intended. However, from this result, I conclude that the unintentional broadening of the study's scope could be a reflection of the challenges and complexities of conducting research in this field.

SECTION IV

FINDINGS AND ANALYSIS

In this section, I will summarize the five themes that emerged from my interviews and relate the findings to literature previously mentioned in this report. I will also analyze how the interview findings address, contradict, or further complicate the original research questions about why California cities are struggling to meet their RHNA targets, the obstacles that policymakers and local elected officials and staff face in pushing forward affordable housing projects, how to overcome NIMBY sentiment, and other questions mentioned at the onset of this report. I will also touch on some policy implications, leading up to Section V, Policy Recommendations.

Theme I: Problems with RHNA, overly ambitious and lacks funding

Most participants recognized and supported the intent of the RHNA process, however critiqued aspects of it. The main critique of Ms. Bontrager is that RHNA implementation is flawed due to the overly ambitious housing unit allocations for cities and a notable disconnect of expectations. Through the RHNA, jurisdictions have been zoned for a certain percentage of affordable housing, and due to recent legislation, there is now an expectation to build these units and yet the necessary funding to accomplish these housing goals is not being provided. Initially conceived as a planning tool to designate areas for affordable housing, the RHNA has evolved into a mandate that goes beyond zoning, pressuring cities into actual construction without addressing the critical issue of financing these projects.

This finding aligns with existing literature on the topic of RHNA, which states that until recently, there were no true enforcement mechanisms to ensure cities were building the assigned

amount of housing. It also mirrors the literature on how the evolution from a planning framework to an enforceable mandate has exposed the unrealistic expectations of the RHNA process. The contribution that this is unfair due to the lack of funding to implement this mandate is an addition to the literature covered in this report, which is why I amended the literature review in Section II. The RHNA's ambitious nature coupled with the absence of necessary funding is a significant barrier faced by municipalities that consider building affordable housing a key priority.

Theme II: NIMBYism is less impactful when the state enforces RHNA

Historically, neighborhood defenders and the local elected officials that support them have played a significant role in obstructing publicly funded housing development in California. However, recent state legislation has begun to reduce the impact of NIMBYism, significantly limiting the ability of neighborhood defenders to hinder housing projects like they were able to even 5-10 years ago. The state legislature's effort to reduce NIMBYism's impact while enhancing RHNA enforcement is exemplified by Senate Bill 35 and Senate Bill 423 which trigger ministerial entitlement policies in cities belonging to regions that have not met their RHNA targets. Ministerial entitlement refers to a process in land use and development where the approval of a project is based on predefined standards or criteria such as laws, regulations, and ordinances. Unlike discretionary approvals, where decision-makers can deny or approve a project based on subjective judgment or public input, ministerial approvals are more straightforward. If the project meets all the specific, objective criteria required for approval, the project can move forward without subjective judgment or public hearings. This makes it faster and easier for developers to obtain the necessary permits to begin construction. In many ways, ministerial approval is an example of bypassing or ignoring NIMBYs.

Mr. Christopher believes the approach of disempowering neighborhood defenders in this way mirrors a shift in cultural and political attitudes away from NIMBYism towards a broader acceptance of affordable housing development. He added, “Being a NIMBY is no longer politically acceptable. That has become more of a social taboo, which is a meaningful cultural shift... as a result, you see more elected officials that are pro-housing, and in the legislature, you see [certain affordable housing] laws pass more easily than they used to, even at the local level.” In other words, whether beneficial or detrimental, the need to accommodate the concerns of neighborhood defenders is becoming less emphasized in the current policy environment. This observation contrasts with the existing literature cited in this report, which underscores the importance of addressing NIMBY concerns with the assumption they have significant impact.

Theme III: Market forces and the high costs to build, the primary cause

Most participants agreed that market dynamics, not NIMBYs, are the primary cause behind the housing crisis in California. Several participants explained that there exists a need to increase supply of housing to meet demand, but increasing supply of housing is too costly. Ms. Bontrager emphasized that costs associated with construction are escalating, in part driven by state laws and a shortage of construction labor post-the Great Recession. She explained that construction workers leaving the industry circa-2008 and not coming back in full has inflated the cost of construction labor, hindering our ability to meet housing needs operationally and financially. She also mentioned prevailing wage laws drive up the costs of construction.

Even so, in the Fifth Cycle of RHNA, California managed to meet a RHNA housing production goal but only for housing made for above moderate-income families. When asked why developers were achieving housing goals for the well-off but not performing in the low and

very low-income markets, both Ms. Bontrager and Mr. Christopher underscored the profit-driven motivations of developers. Mr. Christopher said, “Market rate housing is easier to build and make a profit off of. It’s very hard in most markets in California to yield high profits in housing that would be affordable to someone making under 100% Area Median Income (AMI).”

Building market rate housing simply generates more profit than affordable housing, therefore a private developer will favor building market or above market rate housing.

In addition, interest rates are increasing making it difficult to borrow. Councilmember Spease mentioned interest rates and added that State legislation has contributed to rising costs. He said, “There are factors that are beyond our control; market conditions and onerous legislation are most concerning...The State of California piles on requirements and fees that cause the prices to increase. The net result is that, without subsidy, developers have difficulty producing affordable housing stock. Fees and requirements increase and the need for higher subsidies increase.” In other words, it is not necessarily public resistance that is hindering the state’s progress towards reaching RHNA targets, but rather that developers are encountering prohibitively high costs of construction and development.

In addition to the profitability gaps, developers, drawn towards projects with high-profit margins, also often overlook affordable housing due to its complex financing requirements. Ms. Bontrager mentioned that affordable housing developers typically need to undergo the arduous task of assembling a patchwork of several funding sources all with different timelines and requirements to generate the resources to fund projects. Without a sustainable source of funding, affordable housing developers are left to find funding on their own.

This finding aligns with Raetz et al., 2020, which emphasizes the high hard construction costs and additional development costs due to local permitting delays and state and local regulations. It also supports Reid, 2020, who underscores the challenges in assembling funding for affordable housing projects. The consistency in these messages imply that the primary insight of this research is the high cost of constructing affordable housing and the critical need for sustainable funding sources.

Theme IV: Balancing NIMBY engagement

All participants viewed engaging community members in the development process of affordable housing as crucial to an extent. Ms. Bontrager and Councilmember Spease underscored the importance of engagement but implied it was challenging to address the prevalent negative sentiments and misconceptions neighborhood defenders uphold. Indeed, some developers have bypassed town hall meeting format community engagement efforts altogether to avoid difficult discussions with angry residents experiencing frustration rooted in fear and misinformation. Ms. Bontrager said, “[A lot of] affordable housing developers aren’t doing community engagement anymore because it’s frustrating. It’s usually people who are unhappy who show up [to community meetings] so they’re mad and the meetings tend to be full of negative sentiment... I’ve heard that affordable housing advocates go into these meetings and are hurt by it. There is an assumption that all the residents are criminals and drug addicts, and it hurts to get that feedback. So, developers are moving away from doing community engagement, but in doing that, they’re also missing an opportunity to educate.”

Despite the hurdles, the value of engagement and education remains an emphasis. Mr. Christopher made the connection that CEQA fees and other costs associated with NIMBY

obstruction can increase development costs highlighting an economic reason to engage neighborhood defenders and mitigate the impacts of NIMBYism. Another participant stated that opposition often diminishes after people live near well-managed affordable housing projects and see firsthand that their fears were unfounded. This observation spotlights the fear-based nature of NIMBYism and suggests that exposure to the reality of affordable housing can change minds.

Mr. Leahy suggested focusing efforts on engaging renters and those who would benefit from affordable housing rather than trying to negotiate with home-owning neighborhood defenders. Mr. Leahy said, “If you spend too much time negotiating with those who have more to gain by holding onto the system as it currently stands, you’re not going to break down someone’s will. Why try to wear down a wall where you can build an irrigation system? You gain a lot more trying to engage people who have so much to gain versus going to people who disagree with you.” Overall, all participants mentioned that it was valuable to some extent to engage and educate the public. Several but not all participants implied that while engaging NIMBYs was important, at some point, other strategies and regulations such as ministerial approval are needed to overcome the people whose opinion remain unchanged. As one participant put it, “Between engaging and ignoring, there are options there.”

Given the significant hurdles in launching affordable housing projects, this finding suggests that when a project gains enough momentum and financial backing, it may be crucial to bypass NIMBY sentiment to prioritize the greater good when community organizing proves ineffective. Although Councilmember Spease emphasized addressing residents’ concerns instead of ignoring or minimizing it, most other participants indicated that the goal is to ideally find a balance between engaging with and bypassing neighborhood defenders to effectively address the

housing crisis and promote the common welfare. For instance, perhaps community members should be able to weigh in on decisions about where LULUs are sited, but to a limited extent.

Theme V: Compensation, not a trusted or equitable strategy

Several participants did not trust the policy option of offering compensation to counteract NIMBY attitudes, for example by including public amenities like parks next to affordable housing developments, partly because it is an uncommon practice. Additionally, as Mr. Leahy pointed out, giving amenities and benefits like schools or tax rebates to appease NIMBY opposition sits uneasily. This policy alternative raises ethical issues about further benefiting homeowners who have already benefited from the housing market, and whether it would be equitable to compensate them. “We’re trying to build [affordable housing] for the people who are worse off... should we [compensate] people with million-dollar homes?” Mr. Leahy rhetorically asked.

Since this last finding suggests that compensating NIMBYs is both an untrusted and arguably inequitable policy and therefore politically infeasible, I have excluded it from the recommendations section of this report. Note that participants may be remiss to distrust the compensation strategy because research such as that of Wassmer & Wahid (2019) demonstrate that home values decrease in areas with affordable housing developments, therefore constructing amenities near affordable housing should indeed boost home or property values.

SECTION V

RECOMMENDATIONS

In this section, I will make policy recommendations that promote affordable housing production based on the research I conducted. I will compare the recommendations to criteria such as equity, effectiveness, implementability, and more, which Meltzer & Schwartz (2019) write about in *Policy Analysis as Problem Solving: A Flexible and Evidence-Based Framework*. The audience for these recommendations includes local governments, HCD, elected officials, and non-profits.

Recommendation I: Cease legal actions against cities and reconsider approaches to enforcing RHNA compliance.

Considering the significant role that high construction and development costs play in hindering affordable housing production, it is unjust to penalize cities for failing to meet RHNA targets. While only cities at later stages of enforcement face severe penalties and legal fees, such punitive measures can nonetheless foster unneeded animosity, and do not address the underlying issues of market forces that contribute to high construction costs. Instead of suing cities, the state should prioritize more constructive approaches that engender a spirit of collaboration. While this recommendation may not be politically feasible in the current policy environment, it is equitable.

Recommendation II: Educate neighborhood defenders, engage renters, and limit the number of public meetings.

Local governments and non-profits should work with the community to educate residents and business owners about the benefits of and need for affordable housing. E.g. online content,

videos, townhall-style meetings, tabling at events, citizens academy programs, and other forms of outreach. If more people understood that affordable housing is vital to a healthy economy and society, there would be less opposition when public input is solicited. The key is to educate residents before opposition starts, engage renters who stand to benefit from the housing projects, and when a project must go through public hearing, limit the number of meetings, putting a cap on the public engagement process. This balanced approach to engage but also streamline aspects of housing approval is highly implementable, politically feasible, and cost efficient.

Recommendation III: Promote innovative housing types and use of infill land.

Local governments should work with HCD to ensure that Accessory Dwelling Units (ADUs), SB 9 and SB 10 units, which allow for higher-density buildings (duplexes, triplexes, fourplexes, etc.), and other innovative housing solutions satisfy RHNA requirements. Building vertically accommodates more units on less land, which makes a difference in cities where land is scarce and expensive. Additionally, higher-density developments on resource-rich infill land are more cost efficient than urban sprawl which often requires new infrastructure and services. Encouraging innovative housing types is highly cost effective and implementable.

Recommendation IV: Propose funding mechanisms such as local real estate taxes or regional bond measures.

Local governments and regional finance authorities should propose real estate taxes or bond measures to create dedicated funds for affordable housing. This ensures a consistent funding stream and shares the financial burden across taxpayers. For instance, due to the efforts of the Bay Area Housing Finance Authority (BAHFA), Bay Area residents could potentially vote

in November 2024 on a regional bond measure to generate \$10-\$20 billion to build more affordable homes and help keep existing homes affordable. Passing new funding mechanisms may not be politically feasible given the high cost of living in California but would be effective if contractual obligations tied developers to using the additional funding for affordable housing rather than profits (e.g. the City could retain ownership of the land for regulatory control).

Recommendation V: Strengthen inclusionary zoning laws with incentives and bonuses.

Inclusionary zoning laws are most effective when not restrictive. City councils and county boards should strengthen inclusionary zoning laws by encouraging incentives or bonuses for developers who include a certain percentage of affordable units in new developments. This would effectively encourage developers to pursue more projects with an affordability component but would be costly for the government providing the incentive. Note that requiring developers to include too many community benefits like affordable housing in new developments could deter them, which is why the strongest forms of inclusionary zoning are incentives and bonuses.

Recommendation VI: Reduce construction labor costs by reevaluating prevailing wage laws and implementing workforce development programs.

State legislators should consider modifying prevailing wage laws for state and publicly funded housing projects to reduce construction costs. While this recommendation may not be the most equitable to skilled laborers, it would be cost efficient and easy to implement. A policy like this could lower construction costs by 20% on average. Local governments and non-profits should also invest in workforce development programs, providing training and certification programs in construction to expand the pool of available construction workers, which would

reduce labor costs over time. This recommendation would be effective over time and is equitable because it also provides valuable career opportunities to individuals seeking well-paying jobs.

Accepting the premise that local governments strive to be good actors and satisfy state laws, it is safe to say that every city in California prioritizes affordable housing and wants to meet RHNA targets. I originally thought that classism and NIMBYism were the primary reasons for our inability to succeed in this area. After my process, I find myself asking, what is really holding us back? Is it NIMBYs, the narrative that the media focuses on to produce sensationalized stories, or is it the exorbitantly high construction and development costs? I ask readers, is it fair to scrutinize cities for not meeting RHNA targets when market forces prevent them from being able to produce enough affordable housing units? I ask readers to think critically about the punitive measures the state is taking on struggling cities. I ask readers to be hopeful about the idea that state and local governments can work together in unison to achieve common goals without one turning against the other. Local governments have a lot to do and must balance many perspectives and priorities. The last thing they need is an adversary.

SECTION VI

CONCLUSION

In this report, I stated that too many local jurisdictions are not producing enough affordable housing units, leading to a rise in lawsuits initiated by the state in response to unmet RHNA targets. I questioned why cities are struggling to meet their RHNA targets and sought to understand the obstacles local governments and local elected officials face in advancing affordable housing projects particularly for very low-, low-, and moderate-income families. I aimed to explore how to overcome these problems so more affordable housing units can be built. I wondered about the role of NIMBYs and wanted to understand how to work with them so they would obstruct less affordable housing projects.

To tackle these questions, I interviewed two staff from local government housing departments, including a senior manager, two staff at HCD, including a mid-level manager, one local elected official, one advocate, and one reporter focused on housing issues at *CalMatters*, a nonprofit bipartisan news outlet. I discovered a narrative that contrasted with my assumption that NIMBYs had significant influence in California's struggle to meet affordable housing goals.

The key findings from my research are I) The RHNA process is inherently flawed because it mandates overly ambitious housing goals without providing financial subsidy; II) NIMBYs are less impactful in the current policy environment with newer policies like ministerial approval in place; III) A mix of engaging and bypassing NIMBYs is optimal; IV) Market forces and the high construction and development costs associated with affordable housing development are the primary reason California has not been able to meet RHNA targets;

V) The strategy of compensation, while proven, is not commonly used or trusted nor equitable. The understanding that high construction and development costs are the primary barriers to producing sufficient affordable housing forms the basis of my recommendations.

The recommendations I put forth in this policy brief are I) Cease legal actions against cities and reconsider approaches to enforcing RHNA compliance; II) Educate neighborhood defenders, engage renters, and limit the number of public meetings; III) Promote innovative housing types and use of infill land; IV) Propose funding mechanisms such as local real estate taxes or regional bond measures; V) Strengthen inclusionary zoning laws with incentives and bonuses; VI) Reduce construction labor costs by reevaluating prevailing wage laws and implementing workforce development programs. These recommendations are meant for an audience of local governments, HCD, elected officials, and non-profits, with an emphasis on local governments. Local governments have a lot to do but also have a lot of levers to pull. We all care about affordable housing, so let us begin pulling those levers. To do so in a supportive environment will make all the difference in reaching our common goals.

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- I used ChatGPT to summarize my interview notes, as mentioned, and for grammar checks.