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The following document was provided by Mike Rawson, Regional Targets Advisory Committee (RTAC) member, for consideration by the committee.

AFFORDABLE HOUSING FACTORS & SOCIAL EQUITY CONSIDERATIONS IN DETERMINING GHG REDUCTION TARGETS

I'm sorry I could not attend the July 22 meeting, and I appreciate the committee's willingness to continue consideration of this important issue to the August 5 meeting.

As many RTAC members have pointed out, existing data contains critical gaps and current modeling tools vary and need substantial upgrading, consolidation and testing before they will provide reliable projections. The relative absence of social equity factors like housing affordability from the data and the modeling provides a stark example of these inadequacies.

We cannot credibly recommend factors and methodologies to the ARB for setting GHG reduction targets that are ambitious yet feasible and reasonably achievable if we do not incorporate housing affordability into the calculations. And, any factors and methodologies that do not account for and credit mitigation of the potential displacement and gentrification effects of smaller development footprints cannot be said to be feasible or *reasonably* achievable. Fortunately, GHG reduction and other social equity considerations are not inherently inconsistent.[1]

In summary, the factors and methodologies recommended to the ARB should incorporate the following:

1) Quantification of the effect of housing affordability on GHG emissions (including affordability in relation to wage levels);

2) Projections, by region, of the relative increase or decrease in affordable housing (particularly in the availability of below-market-rate housing sector) and attendant effect on GHG emissions over the target period;

3) Crediting regions that exceed the housing affordability projections with quantified GHG reductions; and

4) Analysis of the potential and actual displacement from compacted development, quantification of the effect of displacement on GHG emissions and GHG reduction credit to regions that prevent or mitigate displacement.

With some retooling work, these calculations, except possibly the fourth, can be accomplished using existing and evolving methodologies as explained below. The first two are more relevant to the setting of the initial target and the third would become more

[1] My social equity focus here is affordable housing and potential displacement, but there are other factors directly related to GHG target setting that should also be factored in, the most obvious been mass transit availability and pricing.

prominent when the targets are adjusted four or eight years on. The fourth, of course, is relevant now and down the road.

The Affordable Housing/ Social Equity Question

Years of sprawl zoning coupled with still prevalent economic and racial segregation has caused exclusion of lower income and minority households from most of the more desirable communities. Both state legislatures and courts have pushed back against these effects establishing "fair share" housing requirements like California's Housing Element Law. In conjunction with these obligations local governments have begun instituting "smart-growth" planning that incorporates affordable housing and the nonprofit housing development community has successfully advocated for increased financial resources to develop housing available at below market rates. The problem, however, is systemic and chronic and will take years to overcome. The RTAC has the opportunity to take another step in the right direction when it makes its recommendations.

On June 3, we stated the affordable housing/ social equity question this way:

> **2) Social Issues**—Should the target methodology be designed to explicitly avoid or minimize negative impacts on social equity and affordable housing goals?

The question implicitly recognizes that shrinking the development footprint will increase the prices of land and housing. So, the answer must be yes, based on our statutory obligation, our commitment to modeling accuracy and our commitment to social equity. But, the real question, as pointed out by Andy Chesley, is "how?" To help us get there we first need to reframe the question so that social equity and affordable housing in particular are considered as factors actively *affecting* GHG levels, rather than just innocent bystanders that may be swept away in GHG reduction fervor:

> **Social Issues**—Should the target methodology be designed <u>to account for the effects on GHG levels of housing affordability and other social equity factors and</u> to explicitly avoid or minimize negative impacts on social equity and affordable housing goals?

<u>Housing Affordability and GHG Levels.</u> The affordability of housing, like fuel and transit prices, affects housing choices and attendant commuting needs. Efforts to achieve a simple jobs/housing balance will miss that lack of a jobs/housing "fit" because the jobs proximate to the housing more often than not offer wages inadequate to pay for the housing. And the reduction in commute costs from closer proximity of housing and workplace is generally insufficient to overtake the increase in land values and housing price caused by a smaller development footprint. Accordingly, increasing affordable housing in a designated smart-growth area will have a measurable effect on GHG emissions and must be factored into the equation. And as explained below, the

methodologies and data for making measurements, albeit nascent, seem to be out there and need to be incorporated into the ARB calculations.

Impacts of Compact Growth on Social Equity. By the same token, the reduction in housing affordability caused by compacting development will lead to displacement and gentrification of lower income communities (and increase in VMTs by the displaced households) unless counter-balanced by inclusion of sufficient below-market rate housing. [*cf*. the presentation of Professor Elizabeth Deakin, 4/7.] This can be accomplished by local incentives and funding, regulation and increases in state and federal housing financing. The existing and projected availability and use of these tools and resources must be incorporated in the methodologies employed by the ARB.

Relevant Statutes

The statutory requirements pertinent to our task provide a solid basis and mandate for the RTAC recommending factors and methodologies that both account for the effect of housing affordability on GHG emissions and include potential effects on lower income segments of the community when assessing feasibility.

- The RTAC "may consider any relevant issues, including, but not limited to ….the impacts of regional jobs-housing balance on interregional travel and greenhouse gas emissions, economic and demographic trends, the magnitude of greenhouse gas reduction benefits from a variety of land use and transportation strategies…." §65080(b)(2)(A)(i)[2]

- In preparing the SCS, the MPO must identify areas sufficient to house all the population, including all economic segments, and to house the regional housing needs for all economic segments of the community pursuant to the Housing Element Law. §65080(b)(2)(B)(ii) & (iii)

- The SCS must meet ARB GHG targets "if there is a feasible way to do so." §65080(b)(2)(B)(vii)

- "Feasible means capable of being accomplished in a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors." §65080.01(b)

- The MPO must also consider the state housing goals specified in Sections 65580 and 65581, which include:

[2] All citations are to the Government Code

- 65580 (a) ….the early attainment of decent housing and a suitable living environment for every Californian, including farmworkers, is a priority of the highest order
- 65580 (c) The provision of housing affordable to low- and moderate-income households requires the cooperation of all levels of government.
- 65580 (d) Local and state governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.

Some Methodologies and Data Currently Available or In Development

There are many, many studies and methodologies out there (*e.g.* references in Ewing, et. al (J. Walters) *Growing Cooler* (ULI 2008)). Most pay little or inadequate attention to housing affordability, displacement, jobs/housing fit and other social equity factors. But, many present a methodological framework that could be expanded to incorporate social equity metrics. The ones listed below seem to get the closest to where we need to go, and I'm sure I've missed many.

Methodologies/ Studies

- *The Affordability Index Toolbox* (Reconnecting America /CTOD, sponsored by SCAG Compass Blueprint Demonstration Project (March 2008))
  - Provides a methodology for assessing the affect of housing costs and transportation costs on housing choice/location by income level
- Carbonell, I., et al. *Smart Growth Policies: An Evaluations of Programs and Outcomes* (Lincoln Institute of Land Policy, May 2009)
  - Looks at four states with comprehensive smart growth policies (Oregon, New Jersey, Florida and Maryland) and finding that statewide smart growth programs are likely to contribute to reduced affordability for renters and owners except to the extent affordable housing was required and provided
- Lipman, B et al., *A Heavy Load* (Center for Housing Policy, National Housing Conference (October 2006)
  - Presents two studies. The first by the Center for Neighborhood Technology and Virginia Tech analyzes how housing transportation and cost burdens affects housing choice of lower income families and, in turn, their quality of life in 28 metropolitan areas including, San Diego, Los Angeles and San Francisco
  - The second, by the Institute of Transportation Studies at U.C. Berkeley focuses on the housing and transportation tradeoffs of working families

- SACOG, *Blueprint Transportation and Land Use Study*. I repeat this harbinger of SB 375 only because I would think its sophisticated scenario modeling capabilities would lend itself to expansion of factors easier than older models.
- ABAG evolving methodology. (Paul Fassinger, et al.) I understand that ABAG is developing a matrix that will permit calculation of more precise jobs/housing balance, which factors in relative wages and density and correlates these to relative GHG emissions.

Factors to Consider in Establishing Targets and Evaluating Achievement

Much of this list is culled from studies and reports that have attempted to address the affordable housing/ social equity impacts of smart growth planning. For initial target setting these factors would help determine the feasibility of the targets. For evaluation and target adjustment, these factors would be correlated to GHG reduction.

- Planning for Affordable Housing
  - Existing and projected housing needs
  - Population covered by HCD approved housing elements
  - Zoning that favors or requires affordable housing
- Funding for Affordable Housing
  - State and federal funds available to the region (e.g. bond funds, tax credits and state housing trust fund monies)
  - Prevalence of linkage requirements—impact fees paid by commercial developments for the development of housing affordable to new workers
  - Amount of local redevelopment funds set aside and available for affordable housing development
  - Dedicated local affordable housing trust funds (other than local redevelopment funds)
- Production of Affordable Housing
  - The number of affordable units (particularly dedicated below market rate units)
- Jobs/Housing Balance
  - Degree of overall balance
  - Degree of jobs/housing fit (affordability of housing to local workforce)
- Displacement
  - The number of displaced households attributed to smart growth policies
  - Displaced households provided with replacement housing within the SCS footprint
  - Change in the race, ethnicity or income of households in the SCS footprint