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Why delivering housing in California will remain difficult even with strong demand

BY ANDREW B. SABEY AND LINDA C. KLEIN



The California housing crisis has reached legendary status. Statewide, the accumulated housing deficit from decades of underbuilding is estimated to be 3.3 million units. Job growth driven by California's dynamic economy has meant relentless pressure to develop housing. At the same time, California's environmental protections restrict the land eligible for development and increase the cost for housing that does get built.

Moreover, existing residents in high-demand areas resist new development — opposing it outright or insisting that new housing deliver “community benefits” to compensate for burdens like additional traffic congestion and noise. They also express more elusive concerns, like loss of “community character.” Developers are at the fulcrum of these competing priorities. Thus, it will only get harder to deliver housing, even while the need has never been greater.

The State Legislature has not found the solution yet, but continues to explore policies that will alleviate the housing crisis. Some trends to watch in 2018, and beyond, include the following:

Limiting Local Discretion

Anyone familiar with California land use will know that the California Environmental Quality Act (CEQA) has been a major factor in slowing housing development. Efforts to “reform” CEQA have largely been unsuccessful, and CEQA review is triggered only when a government agency has to make a discretionary decision. Ministerial decisions do not require CEQA compliance. The state has tinkered with imposing “by-right” or ministerial housing projects, but, thus far, statewide efforts have largely been derailed by opponents. For example, a bill in the state senate (SB 827) that garnered great attention earlier this year would have made high-density housing ministerial at major transit stops

in urbanized areas. That bill was killed in committee.

At the local level, many cities are beginning to see the benefits of conducting advanced planning and review and then allowing individual projects consistent with the agency's plans to proceed as ministerial projects. As jurisdictions grow more comfortable with this approach, it could expedite housing production. Alternatively, it could fail because project opponents will begin opposing the advanced planning, slowing down plan approval the same way they slow project-specific approvals today.

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Emphasizing Infill

To combat climate change, the state is pushing to reduce its greenhouse gas emissions, passing several bills in the last decade that promote “infill” development, particularly near transit, by providing streamlined CEQA review for projects meeting certain criteria. Compared to “greenfield” development, infill development generally results in less driving, and thus less emissions from future residents' vehicles. As an added benefit, infill development takes advantage of existing urban infrastructure, which reduces construction emissions.

But building in existing communities has its own challenges. Many infill sites are contaminated and cannot qualify for CEQA streamlining. Further, by definition, infill sites are surrounded by neighbors who often see only the downsides of new development. Unsurprisingly, 98 percent of housing units challenged in CEQA lawsuits from 2013 to

2015 were infill locations. We do not see this trend toward emphasizing infill development, nor the high degree of neighbor resistance, changing in the near term.

Putting Teeth in the RHNA

For years, State Housing Laws have required each jurisdiction to allocate enough land for housing to meet its Regional Housing Needs Assessment (RHNA), which is an assigned number of units that each community must plan to accommodate to accept its fair share of new housing. Most cities and counties adopt plans, but then fail to approve

housing. For example, during the planning period that ended in 2014, just two of California's 539 cities and counties had met their housing production goals.

SB 828 proposes to change how a jurisdiction's RHNA is calculated. Currently, if a jurisdiction fails to approve sufficient housing to meet its RHNA in a planning period, the deficiency does not carry forward. If SB 828 passes, the state will consider historical underproduction when calculating a jurisdiction's RHNA and require jurisdictions to make land available to meet more than their bare minimum housing obligation. **BD**

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