

The Economics of Land Use



Housing and Economic Development: Finding the Solution

presented to CALED by

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moderated by

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Session Overview: Mega-trends

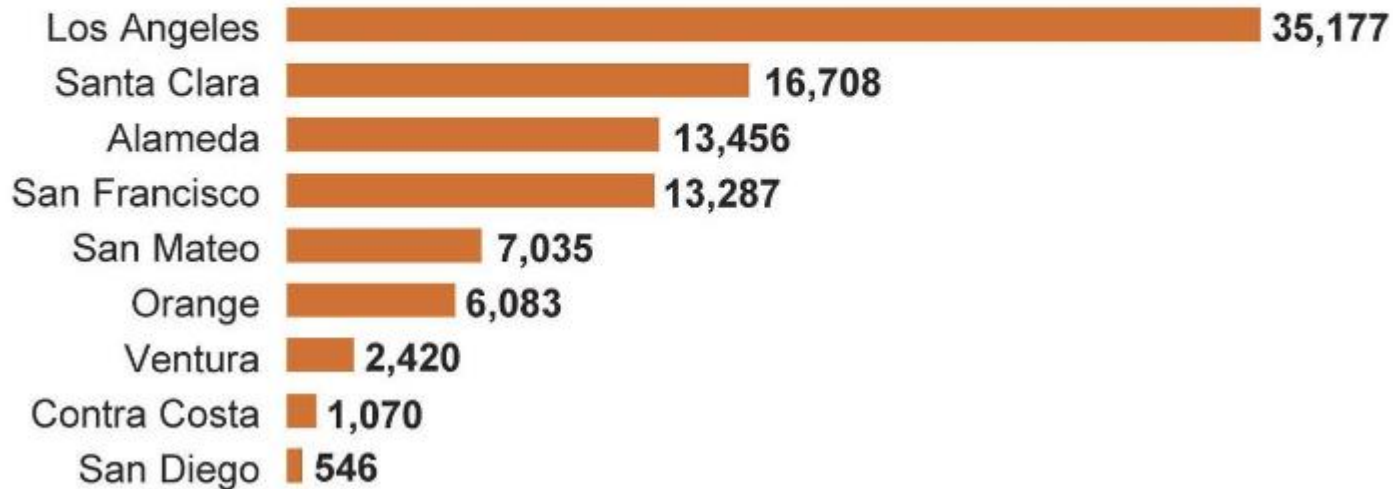
Why focus on housing as a central ED strategy?

- California has **lagged below needed production** thresholds for all types of housing.
- Preferences for **complete communities** are becoming stronger.
- The regional health of our local economies depends on establishing **strong urban cores**.
- Market rate and affordable housing **demand in the infill context has increased in post-Redevelopment era**.
- **A multitude of factors threaten the emergence of key projects** such as cost escalation, rising interest rates, and community attitudes.

The Challenge

More houses needed

California has high housing prices in part because of a supply shortage. Below are the additional units counties would have needed to build each year over the last three decades to keep pace with housing costs nationwide.



Source: Legislative Analyst's Office

@latimesgraphics

Economic Rationale

Recent research* indicates the magnitude of the challenge:

- 3.5 million homes needed in California by 2025;
- Residential prices have increased 15% since 2009 while incomes have increased only 5%;
- California loses \$140 billion in output annually due to housing shortage;
- A focus on “housing hot spots” should target urban vacant land.

**McKinsey, A Tool Kit to Close California's Housing Gap, 2016*

Infill Housing: Convergence of Factors

- Aspects of **Place-Based ED** approach:
 - Attract **key labor force concentrations** (e.g., tech/creative and services)
 - Recognize **fundamentals of real estate investment, fiscal outcomes, and urban form**
 - Strong housing pro forma can help cross-subsidize office, R&D, retail, entertainment uses.
 - Address demand among **multiple market segments** (e.g., age cohorts and incomes)
 - **Public safety and consumer spending benefit** from increased 24/7 dynamism and eradication of homelessness

Mixed Use New Construction

Theater Square | Petaluma, CA



Powerhouse 16 | Sacramento, CA



Adaptive Reuse – Mixed Use

Foundry Lofts | Washington, DC



Temple Art Lofts | Vallejo, CA



Mixed Use Planned Concepts

Franklin Street, East River | Detroit, MI



The Stranger | Seattle, WA



Headwinds

- Required **pricing and affordability** issues:
 - **Labor cost** and availability (e.g., Santa Rosa, South Lake Tahoe)
 - **Percentage of income** spent on housing approaching or exceeding max levels
- **Loss of Redevelopment** and need for effective new tools and techniques
- Calibration and certainty of **entitlement, fees, and exactions** (time and expense)
- Urban **school districts** (millennial choices will be telling)
- New **transportation** epoch: driverless vehicles, HSR, dramatic changes in parking and infrastructure
- Dedicated and consistent funding support promoting **social equity and economic mobility**
- Addressing **community misperceptions** and opposition

Jason Rhine, League of CA Cities

Jason Rhine covers housing, community, and economic development issues as Legislative Representative for the League of California Cities.



The League is an association of California city officials who work together to enhance their knowledge and skills, exchange information, and combine resources to influence city policy decisions.

Before joining the League of California Cities, Jason served as Director of Advocacy for the California Outdoor Heritage Alliance.

Meea Kang, Related Companies

Senior Vice President for Related California, Ms. Kang is responsible for business development, strategic planning and creative financing mechanisms for Related's affordable residential developments.



Over 20 years of experience in affordable housing finance and development and has entitled and constructed more than 2,500 affordable multi-family housing units in California worth over \$500 million.

Ms. Kang is an expert in navigating California's complex land use entitlement processes, forging innovative public-private partnerships, and structuring multi-layered financing bringing difficult projects to fruition.

Sean Spear, City of Los Angeles

Sean has served in community development roles in the cities of New York, San Francisco, Los Angeles, and in Sacramento for the State of California.



At the Los Angeles Housing & Community Investment Department, Sean is responsible for managing and directing the operations of its Housing Development Bureau.

The Bureau facilitates the financing of housing development projects with its business and community partners, leveraging its resources to the maximum benefit of the City's residents and neighborhoods.