



SOUTHERN CALIFORNIA  
ASSOCIATION OF GOVERNMENTS  
900 Wilshire Blvd., Ste. 1700  
Los Angeles, CA 90017  
T: (213) 236-1800  
www.scag.ca.gov

July 3, 2023

The Honorable Lena Gonzalez  
Chair, Senate Committee on Transportation  
1021 O Street, Suite 7720  
Sacramento, CA 95814

**Re: OPPOSITION to AB 1335 (Zbur) – Complicating the Sustainable Communities Strategy.**

Dear Chair Gonzalez:

On behalf of the Southern California Association of Governments (SCAG), I write to inform you of our opposition to Assembly Bill (AB) 1335, as amended in the Senate Committee on Housing on June 20, 2023. Among other things, this bill would require Metropolitan Planning Organizations, including SCAG, to “allocate” the entire Regional Housing Needs Assessment determination in the first eight years of the Regional Transportation Plan/ Sustainable Communities Strategy, thereby disrupting a technical, multi-objective plan and putting tens of billions of federal transportation dollars at risk, with no clear benefits to housing permitting or production in California.

**1. The Regional Housing Needs Assessment (RHNA) and Regional Transportation Plan/ Sustainable Communities Strategy (RTP/SCS) are most effective when their differences are appreciated.**

The RHNA program is mandated by State Housing Law as part of the periodic process of updating Housing Elements of local General Plans. SCAG receives a regional housing need determination from the Department of Housing and Community Development (HCD), which quantifies the existing need for housing based on factors like overcrowding and cost burden rates, and the anticipated need for housing based on population growth projections. SCAG then develops a RHNA allocation plan, which is the process by which all 191 cities and six counties in the Southern California region plan for their share of the region’s housing need and then update their Housing Elements and zoning laws to accommodate their share.

In March 2021, SCAG adopted our 6th cycle RHNA allocation plan, which covers the planning period of October 2021 through October 2029. For the 6th cycle, SCAG received a regional determination of 1,341,827 housing units from HCD, which was comprised of an existing need of

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836,857 new units to address existing housing need (i.e. the “backlog”) and 504,970 new units to accommodate anticipated population growth.

SCAG understands the issues raised by AB 1335 largely as a question of how the existing need or housing backlog portion of a RHNA determination should be addressed in an RTP/SCS, and specifically in the growth forecast. The inclusion of existing need in a RHNA determination was new to the 6<sup>th</sup> Cycle and forced SCAG to think differently about its RHNA allocation methodology. Historically, the RHNA allocations have been targeted to areas where the population is rapidly growing, following existing trends, and within the development pattern of the SCS. In the 6<sup>th</sup> cycle, SCAG’s Regional Council made a transformative policy decision to change the allocation methodology in line with new state requirements to ensure the units planned to address existing need would be in areas where people already live – and are experiencing the greatest overcrowding and highest cost burden. This resulted in a RHNA allocation plan that distributed the existing need of 836,857 housing units to the region’s most transit accessible, job accessible, and high-resource locations as defined by data elements in SCAG’s 2020 RTP/SCS.

This interplay between the RHNA and the RTP/SCS supported by an alignment in planning policies allowed for an incredibly transformative regional policy decision *because* the RHNA was not tied exclusively to the population growth reflected in SCAG’s growth forecast. Rather, the region was able to take a more nuanced approach assigning units to serve the existing population in alignment with the region’s planning policies and RHNA’s statutory objectives. The significance of this dramatic shift in regional policy is captured by the attached November 7, 2019 *Los Angeles Times* article penned by Liam Dillon, *Coastal cities give in to growth. Southern California favors less housing in Inland Empire.*

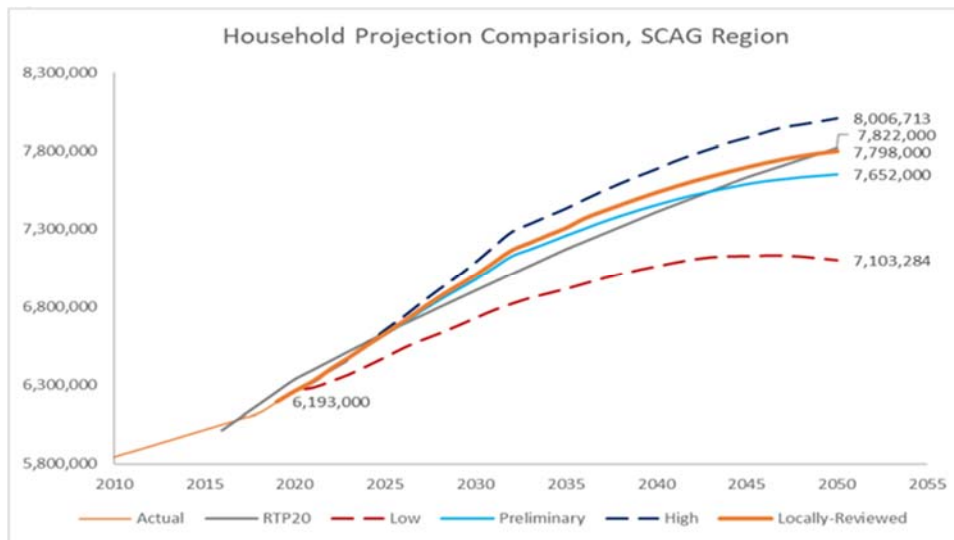
As part of our 2024 RTP/SCS update process, SCAG is now challenged to forecast the impact of local policy changes resulting from the RHNA allocation plan on the long-range growth forecast. For transportation modeling purposes, the most important consideration is where population growth is occurring over the long run, as these are the locations where transportation demand is most rapidly changing. SCAG’s model, however, also needs to be sensitive to increased rate of household formation anticipated as the result of more housing production, because household size also contributes to travel behavior. Households with more people tend to travel less per-capita.

To inform the development of the 2024 growth forecast, as called for by federal guidance, SCAG engaged a panel of technical experts to assess how housing supportive policies at the local level, along with other demographic and economic factors, will impact private development across region. Private development accounts for the vast majority of actual housing development. Beyond local policy, there may be many reasons why housing development does not occur in a given RHNA planning period. These reasons could include access to capital, the level of public subsidies needed for construction of affordable units, availability of labor, or the effect of raw materials costs to name a few.

The figure below illustrates the draft 2024 RTP/SCS household forecast. Given the uncertainty of

what future growth will look like, but to balance all the RTP/SCS’s objectives, SCAG is obligated to maintain a technically reasonable forecast. The range in future possibilities is exceptionally wide – both in terms of total growth and how that growth is arranged (e.g. compact, sprawled, or in between). It is the responsibility of an RTP/SCS to build its **planning** policies within its **projection** obligations. The preliminary projection in the figure represents a reasonable forecast within this range, which increased modestly after feedback was received by local jurisdictions.

As illustrated in the subsequent table, the total growth projection between 2020 and 2030 is 741,000 households, or approximately 74,000 households per year. This high forecast could be achieved under the most optimistic technically reasonable scenario where a variety of market, demographic, and policy factors converge. Even then this would only result in 829,000 additional households. In other words, there is no technically reasonable pathway to forecast achieving the full 6<sup>th</sup> cycle RHNA allocation within the first eight years of the RTP/SCS.



Because SCAG’s forecast must be technically reasonable, the proposed requirements of AB 1335 would be inconsistent with federal transportation planning requirements. SCAG cannot technically justify growth of 1,341,827 million households by 2029 regionwide, which would need an immediate and sustained *tripling* of the current rate of housing production. Given promising trends in housing production, however, and assumptions supported by changes in state and local policy, the region is anticipating a 30 percent increase in households over the next decade when compared to the 2020 plan, as reflected in the table below.

5-year period	Locally Reviewed 2024-2050 RTP/SCS	Final 2020-2045 RTP/SCS
2020-2025	73,400/yr.	57,000/yr.
2025-2030	74,800/yr.	57,000/yr.

<b>Next decade:</b>	<b>741,000</b>	<b>570,000</b>
2030-2035	60,800/yr.	53,400/yr.
2035-2040	45,400/yr.	46,300/yr.
2040-2045	32,200/yr.	46,300/yr.
2045-2050	20,600/yr.	--
<b>3-decade plan horizon:</b>	<b>1,605,000</b>	<b>1,621,000</b>

We support the author’s goal of realizing faster household growth enabled by the changes in local planning policies that are underway as a result of the 6<sup>th</sup> Cycle RHNA. However, this goal is not furthered by changing the federally required practice for preparing a growth forecast for an RTP/SCS. Moreover, had this requirement been in place in 2020, SCAG’s RHNA allocation would have had a far more limited impact on the RHNA program’s five statutory objectives, which need not be constrained by the historical trends that are the foundation of a growth forecast.

The more impactful place to reflect 6<sup>th</sup> Cycle RHNA in the 2024 RTP/SCS update is in the plan’s policies, which are used by local jurisdictions to determine consistency with the regional plan. As SCAG prepares to release the 2024 draft plan, we are revisiting and strengthening the policy language in support of realizing the housing production potential offered by the 6<sup>th</sup> Cycle RHNA.

The 2024 RTP/SCS update will reinforce the commitments we are already seeing from our Southern California cities and counties to address the statewide housing affordability crisis. To assist local jurisdictions through the RHNA and Housing Element update processes, the State created the Regional Early Action Planning (REAP) program in 2019 and the REAP 2.0 program in 2021. These actions represent the first time the State provided funding to regions to conduct the RHNA program and support regional housing planning efforts.

Over the past three years, SCAG has used its REAP 1 grant funding to provide technical assistance to local jurisdictions, create development streamlining initiatives, and develop a housing leadership academy, all to stimulate housing development in the Southern California region. REAP 2.0 takes the program to the next level by aligning our housing and transportation planning efforts. Through the REAP 2.0 program, funding will be made available to accelerate the implementation of regional and local plans by using local knowledge to support housing development in locations that maximize GHG emissions reductions, consistent with our region’s adopted RTP/SCS.

These planning efforts are already paying dividends: During the 2010s, the Southern California region averaged 38,000 new housing units per year, according to the Construction Industry

Research Board. As legislative reforms were taking effect, and despite pandemic disruption, from 2019 to 2022 the region added an average of 48,000 units per year.

105 of the SCAG region's cities and counties have fully compliant Housing Elements as certified by HCD. These 105 Housing Elements represent newly identified, developable sites for 996,319 new housing units in Southern California across all affordability levels. Each of these nearly one million sites must be included in the respective jurisdiction's Housing Element and pass HCD's strict scrutiny for the local jurisdiction's inventory of land suitable for residential development that can be developed within in the eight-year RHNA planning period. These site-level changes are as close to "shovels in the ground" as a planning document can be. This game-changing planning work has given our RTP/SCS expert forecasters the confidence to project 74,000 new units per year over the next decade—by far the highest sustained level in over thirty years.

To summarize, the RHNA is a housing planning requirement while the RTP/SCS growth forecast must be based on a technically credible forecast that considers factors beyond state and local policy. While the RHNA is an important tool to ensure that each jurisdiction is planning for its fair share of the region's housing need, for other objectives of the RTP/SCS it does not always make sense to assume that HCD's determination of housing need is the only factor that determines how much housing will be built in the future. The author's goals are best served through the alignment of planning policies between RHNA and the RTP/SCS. As SCAG updates its 2024 RTP/SCS, we aim to strengthen this policy alignment in support of the region's goal to realize the 6<sup>th</sup> Cycle RHNA planning goals.

## **2. Over-inflating Housing Production Assumptions in the RTP/SCS can Threaten Federal Transportation Conformity and the State's ability to secure Federal Transportation Funds.**

Communities use RHNA for land use planning and to prioritize local resource allocation, such as where housing can be built by right, where fire stations should be located, or where bus rapid transit lines should be established, to name only a few examples. As the construction of housing units are assumed in the RTP/SCS, federal regulations require SCAG's transportation models to make commensurate and realistic planning assumptions on available transportation funding, economic indicators, and population changes.

As amended on June 20, 2023, AB 1335 establishes a region's RHNA determination as the minimum housing projection for the first eight years of the roughly 30-year RTP/SCS planning period. For Southern California, AB 1335 requires the assumption that the SCAG region will construct an average of 167,500 housing units a year. This compares to an average of less than 45,000 units over the last decade and 54,000 new housing units in the SCAG region for 2022 (the highest year since before the Great Recession).

The 2024 RTP/SCS, which is currently under development, contains an extremely optimistic – yet technically supportable – assumption that an average of 74,000 units will be built each year over the next decade in the SCAG region. SCAG's accelerated growth assumption is a reflection of the expanded capacity anticipated from the 6<sup>th</sup> Cycle RHNA as well as the state's many pro-housing

policies, such as SB 35 (2017), AB 68 (2019), AB 2011, 2097, SB 7, SB 8, SB 9, and SB 10 (2022), and more, which have resulted in meaningful changes to how housing is planned for and constructed in Southern California.

Along with considering housing development, SCAG's RTP/SCS must demonstrate that the total emissions from on-road travel in the Southern California region's transportation system are less than or equal to emissions "budgets" established by California's State Implementation Plan (SIP). A SIP is the state's air quality plan for meeting the National Ambient Air Quality Standards, a compilation of legally enforceable rules and regulations prepared by CARB and submitted to the federal Environmental Protection Agency (EPA) for approval.

Regional emissions are estimated according to projected travel on existing and planned highway and public transportation facilities. This must be based on the latest available information and the latest EPA-approved emissions model. For transportation conformity, projected emissions from highway and public transportation use must "conform" to the allowable budget. In other words, the emissions budget acts as a ceiling on emissions from the transportation sector.

As mentioned previously, the purpose of the RTP/SCS is not a single-objective housing planning document, but a multi-objective plan that links transportation planning with growth and development. To the extent that AB 1335 requires certain assumptions on the development of housing, those assumptions may not be supported by facts on the ground used to inform the rest of the emissions model. For example, if the RTP/SCS assumes a certain level of development that is not supported by housing development permits, housing construction, the availability of labor and capital, available transportation options, or planned infrastructure improvements, federal air quality conformity will not be achieved.

If a region fails to achieve federal air quality conformity, federal transportation funds, including those from the recently passed and historic Infrastructure Investment and Jobs Act (IIJA) or the climate-protecting Inflation Reduction Act (IRA), which are funding numerous projects in the SCAG region, will be threatened. If a conformity determination is not made, a 12-month grace period may be applied and, during this time, the use of Federal transportation funds is severely restricted.

In summary, Federal regulations require that the RTP/SCS be based on projected travel on a region's existing and planned transportation network. AB 1335 would threaten the Southern California region's ability to demonstrate transportation conformity by dictating unrealistic factors that inform the emissions model.

**3. RTP/SCS consistency is demonstrated by policies and strategies, not a numerical growth forecast. RHNA reform should be directed through HCD's current effort to revamp the RHNA process and methodology.**

The bill author and sponsor suggest that some CEQA streamlining benefits may not be available to a project sponsor if the project is deemed inconsistent with the RTP/SCS. CEQA streamlining

is an important tool for the development of housing, however, consistency with the RTP/SCS is demonstrated by policies and strategies contained within the plan and not by the numerical growth forecast. Furthermore, SCAG is not aware of any examples of a housing projects that have been stopped or delayed based on these grounds.

SCAG recommends that efforts be directed to HCD's current RHNA reform process to ensure that the RHNA program continues to be mutually reinforcing with the RTP/SCS and transportation planning, or on CEQA reform itself.

Lastly, SCAG sincerely appreciates the dialogue the author and his staff have afforded on this highly technical yet important bill. We agree that promoting housing development is a moral imperative and we are committed to providing accurate planning information and technical assistance to help Southern California do its part to address the State's housing affordability crisis. Unfortunately, AB 1335 neither provides a silver bullet nor appears to make any meaningful advancement toward its intended goal. On the contrary, this legislation would have severe consequences, and ultimately, deleterious effects on the ability to link housing and transportation planning.

Because of the reasons listed above, we respectfully oppose AB 1335. If you have any questions, please contact Mr. Kevin Gilhooley, State and Federal Legislative Affairs Manager, at (213) 236-1878 or via e-mail at [gilhooley@scag.ca.gov](mailto:gilhooley@scag.ca.gov).

Sincerely,



Kome Ajise  
Executive Director

cc: Members of the Senate Committee on Transportation  
Assemblymember Rick Chavez Zbur

Attachment: Coastal cities give in to growth. Southern California favors less housing in Inland Empire. November 7, 2019. Liam Dillon, Los Angeles Times.



CALIFORNIA

# Coastal cities give in to growth. Southern California favors less housing in Inland Empire



BY LIAM DILLON

STAFF WRITER |  FOLLOW

NOV. 7, 2019 6:22 PM PT

In a dramatic shift to how Southern California cities plan to grow over the next decade, a regional agency decided Thursday to push for more housing in coastal rather than inland communities.

Under the plan, communities in Los Angeles and Orange counties will have to accommodate more than 1 million new houses — more than triple the amount of both Riverside and San Bernardino counties. Culver City, for example, will have to zone for 3,300 new homes, more than double the number than under an alternative plan, which would have given a much larger responsibility for new housing to the Inland Empire.

“This is a moment of our growing up,” Los Angeles Mayor Eric Garcetti said after the vote. “I understand the fear where people are like: ‘No, just keep [housing] out and maybe my traffic won’t get worse.’ Well, we’ve tried that for three decades and it’s failed. This is a new beginning.”

Thursday’s vote by the Southern California Assn. of Governments was required under [a 50-year-old state law](#), which tells cities and counties to plan every eight years for enough growth in their communities to meet projected population increases and to



account for other factors that could indicate a need for more development.

[The law has been criticized as toothless](#) because it does not ensure the construction of planned housing. But it could push local governments to zone for more growth than they'd like because it mandates that there be enough land to meet the state's housing projections.

Those advocating for growth along the coast on Thursday cited a desire to build more housing near transit and jobs centers, meeting the intense demand for new homes and reducing the long commutes that lead to increased carbon emissions.

Culver City Mayor Meghan Sahli-Wells said she supported the coastal plan because climate change is an emergency.

“This is the Titanic,” Sahli-Wells said during the meeting. “It is not too late to steer away from death.”

In contrast, officials from communities that wanted more growth inland cited the already exorbitant housing costs along the coast in cities with little vacant land. Peggy Huang, a member of the Yorba Linda City Council in Orange County, said higher-density housing is likely to be too expensive for many residents and so the region should work instead to encourage job growth in more far-flung areas where it's more affordable.

“We should be encouraging companies to go out there,” Huang said. “Don’t look at us. Go over there.”

Thursday’s vote comes amid months of intense wrangling, both between Gov. Gavin Newsom and officials in Southern California, and among cities in the region.

Representatives from local governments make up the board of the Southern California Assn. of Governments, a public agency that represents 19 million residents in Los Angeles, Orange, Imperial, Riverside, San Bernardino and Ventura counties. The choice they faced was stark.

In the plan that would have pushed growth to the Inland Empire, the desert city of Coachella would have had to zone to accommodate 15,100 new homes while Orange County’s Huntington Beach would have to set aside enough land for 3,600. The alternative plan that sends more growth toward the coast requires Coachella to plan for 7,800 houses while Huntington Beach will be responsible for 13,300 homes.

Overall, the coastal-growth plan will require Los Angeles and Orange counties to plan for 124,000 additional houses compared to the alternative plan, which largely would have shifted those homes to Riverside and San Bernardino counties.

There is still a long way before cities and counties will have to rezone land to accommodate the new housing figures, though. The California Department of Housing and Community Development now must review the approved plan. The Southern California Assn. of Governments also agreed to examine an alternative put forward by members of the L.A. City Council that could push even more growth toward the coast. The regional agency hopes to finalize the formula early next year.

But in the meantime, Newsom and other state officials are likely to welcome Thursday's decision. They have been encouraging local governments to zone for a lot more housing, especially near jobs and transit.

Led by Orange County representatives, the Southern California Assn. of Governments [told the state in June](#) that the agency would like to zone for only 430,000 new homes through 2029. At the time, local government officials lambasted the state for pushing policies that would diminish their power, including [a now-stalled bill](#) that would have required cities to allow greater development in many neighborhoods zoned only for single-family homes and those near transit lines. They worried that a large allocation from the state would provide momentum for those policies.

Newsom [responded two months later](#) by tripling the region's housing allocation to 1.3 million homes.

Since then, Los Angeles city officials have gotten much more involved in the planning effort, arguing that neighboring job-rich communities along the coast needed to accept more housing. On Thursday, Garcetti and 11 council members showed up to vote in favor of the coastal-growth option. At the June vote, only Councilman David Ryu attended the meeting.

Traditionally, Southern California has responded to growth mandates by pushing homes toward the Inland Empire. But that stance was increasingly becoming untenable, said Bill Fulton, publisher of the California Planning and Development Report and author of "The Reluctant Metropolis," a book on growth in the region.

Fulton said demands to increase housing density because of climate change and to increase investments in transit rather than new highways have created a new voting bloc. That paved the way for Los Angeles officials to align with representatives from the Inland Empire to approve the coastal-growth option on Thursday.

“If there is a tacit agreement on the part of elected officials in the region to push the growth to L.A. and Orange County,” Fulton said, “that’s unprecedented certainly with respect to housing.”



Liam Dillon

Liam Dillon covers the issues of housing affordability and neighborhood change across California for the Los Angeles Times. You can hear Dillon and CalMatters housing reporter Manuela Tobias chat about the latest developments in California housing policy and interview key newsmakers and other reporters on their “Gimme Shelter” podcast on [Apple](#), [SoundCloud](#), [Spotify](#), [Google](#) and [Stitcher](#) podcast platforms.