



**Executive Officers**

- Nadine Watt, Chair  
Watt Companies
- Jacob Lipa, Immediate Past Chairman  
Micropolitan/Psomas
- Antonio Manning, Vice Chairman  
Affordable Living for the Aging
- Alan Rothenberg, Vice Chairman  
1<sup>st</sup> Century Bank
- Thomas Flintoft, Vice Chairman  
Kindel Gagan
- Robert Jernigan, Vice Chairman  
Gensler
- Richard Ziman, Founding Chairman,  
Rexford Industrial Realty
- Mary Leslie, President  
Los Angeles Business Council
- David Sears, Treasurer  
FivePoint, LLC
- Linda Bernhardt, Secretary  
AMBOO Corporation

**Chairman's Circle**

- Javier Angulo, Walmart
- Rick Bartlett, Unisource Solutions
- David Borger, STV Group, Inc
- Chris Bullinger, Hecate Energy, LLC
- Kasey Burke, Meta Housing Corporation
- John Choi, Airbnb
- Marcia Choo, Wells Fargo Bank
- David Cobb, HDR
- Andy Cohen, FAIA, Gensler
- Brad Cox, Trammell Crow Co.
- Joquin de Monet, Palisades Capital Realty Advisors, LLC
- Daniel Delaney, Haworth
- Mark DiNapoli, Suffolk Construction Co.
- Alex Drake, Cypress Creek Renewables
- John Ek, Ek & Sunkin
- Donna Estacio, American Airlines
- Amy Freilich, Armbruster Goldsmith & Delvac LLP
- Ron Frantz, Teknon
- Virginia Grebbien, Parsons
- Ron Griffith, Century Housing Corporation
- David Hart, Steinberg
- Clyde Holland, Holland Partner Group
- Adrian Jayasinha, The Walter J. Company
- Deborah Kallick, Cedars-Sinai Health System
- Janet Lamkin, Bank of America
- Shane Martin, Loyola Marymount University
- John Marshall, Westfield, LLC
- Greg McWilliams, FivePoint, LLC
- George Mihalsten, Latham & Watkins
- Jerry Porter, CresaPartners
- Kevin Ratner, Forest City
- Dennis Rodriguez, Siemens
- Kirk Rose, HMC Architects
- Michael Rosenfeld, Next Century Associates, LLC
- Jake Saperstein, AT&T
- Sarah Shaw, JMB Realty Corporation
- Patti Shwayder, Aimco
- Ted Tanner: AEG
- Lori Tierney, IIDA, Tierney Management, LLC
- Jon Vein; The Gotham Group, LLC
- Christian Wentzel, Ontario Solar Provider Inc.
- Phil Williams, Delos
- David Wright, LA Dept. of Water & Power
- Gillian Wright, Sempra Energy Utilities

The Honorable Edmund G. Brown  
Governor  
State of California  
c/o State Capitol, Suite 1173  
Sacramento, CA 95814

The Honorable Toni Atkins  
Senate President pro Tempore  
State of California  
State Capitol, Room 205  
Sacramento, CA 95814

The Honorable Anthony Rendon  
Speaker of the Assembly  
State of California  
State Capitol, Room 219  
Sacramento, CA 95814

**Re: Los Angeles Business Council Opposition to the Affordable Housing Act**

Dear Governor Brown, Senate President pro Tempore Atkins, and Speaker Rendon,

The Los Angeles Business Council (LABC) would like to express its strong opposition to the proposed Affordable Housing Act that would be placed on the statewide November general election ballot as we believe it will further constrain much needed housing supply to address the state’s housing crisis. We would also like to express our unequivocal support for the Veterans and Affordable Housing Bond Act of 2018 that will replenish critical revenue streams for some of the state’s most impactful affordable housing programs through a \$4 billion general obligation bond.

The LABC is a research and advocacy organization, representing over 500 members across greater Los Angeles, in pursuit of economic sustainability. For over a decade the LABC and its research arm, the LABC Institute, have been dedicated to addressing California’s housing crisis through joint research with major academic institutions, such as UCLA and USC, and through dedicated advocacy that has helped push the successful passage of local and state measures aimed at refueling funding for affordable housing programs and expediting the development of low- and middle-income housing.

Housing affordability throughout California has reached a crisis point, with polling showing that the issue is a top concern for residents and causing a significant decrease in quality of life across all economic levels. A repeal of Costa Hawkins under the Affordable Housing Act attempts to address a symptom of our housing affordability crisis, rather than the root cause -- a lack of supply driving up rental and homeownership costs.

Our chief concern is that repealing the state’s protections of rent control laws would not help address affordability. Instead, it would lead to a patchwork of restrictive, local rent control policies that discourage housing investment in California at a time when we critically need more housing.

Without an accompanying framework to incentivize the development of future housing stock and boost supply in a significant way, this ballot measure would only benefit a small percentage of current tenants at the expense of millions of future tenants and potential homeowners who will bear the brunt of unacceptable housing costs. This is simple supply/demand economics, which the repeal of Costa Hawkins overlooks.

According to a 2016 McKinsey Global Institute (MGI) report, the State of California needs to produce 3.5

million new homes by 2025 to keep up with population growth and to fulfill the unmet demand for new housing units.<sup>1</sup> And on a local level, Los Angeles County faces a shortfall of nearly 600,000 affordable units to cover its over 800,000 renter households that would qualify for affordable housing if it were available.<sup>2</sup> This housing shortfall has cost the state economy upwards of \$233 billion when considering reductions in consumption, construction activity and the cost to address our homeless crisis.<sup>3</sup>

In Metropolitan Los Angeles, households earning nearly \$70,000 annually, or 115% area median income, can barely afford the cost of housing.<sup>4</sup> This shortfall of affordable units has led to an inability to support middle-income households, rising difficulty for Los Angeles business to maintain its workforce, and an ever growing increase in LA's homeless population.

It is important to note that 80% of the City of Los Angeles is already under some form of rent control and that cities with the strictest rent control laws, such as Santa Monica or San Francisco, experience some of the highest rents across the State. A December 2017 analysis from the nonpartisan California Legislative Analyst's Office found that rent control policies lead to reduced property values (and in turn property tax revenue), a decrease in new housing construction, and poorer maintenance of rent controlled properties.<sup>5</sup> The analysis also finds that renters in rent-controlled units are discouraged from moving even when doing so may be beneficial.<sup>6</sup>

Better policy options exist and should be pursued vigorously. The MGI report highlighted that the state has the capacity to meet its demand of 3.5 million homes by capitalizing on opportunities to build on vacant and underutilized land, land within ½ mile of transit, and through better aligning incentives to localities' ability to meet their housing demand. Instead of encouraging the expansion of a tool that would essentially freeze new housing construction, the state should look to develop policies that provide incentives for affordable housing development.

The Veterans Housing Bond on the November ballot would provide a valuable tool by replenishing funding for existing affordable housing programs and the veterans homeownership program (CalVet). It also includes a Transit-Oriented Development Implementation Program: \$150 million to provide low-interest loans for higher-density rental housing developments close to transit stations that include affordable units and as mortgage assistance for homeownership.

State leadership took a step in the right direction last session with the passage of a package of legislation that streamlined and increased funding for affordable housing production. It should look to build off of this success by further increasing funding for rent subsidy programs aimed at low- and middle-income earners, utilizing innovative models, such as accessory dwelling units and modular housing, focusing on high opportunity areas such as transit hubs, and reforming the historically lengthy approval process by improving CEQA.

As such, the LABC expresses its opposition to the Affordable Housing Act and its strong support for the Veterans and Affordable Housing Bond Act of 2018. We welcome the opportunity to work with state officials on alternative solutions to addressing our housing crisis. Please feel free to reach out to the LABC with any questions. We thank you in advance for considering our position.

Best,



Mary Leslie  
President  
Los Angeles Business Council



Nadine Watt  
Chair  
Los Angeles Business Council



Brad Cox  
Chair  
LABC Institute

<sup>1</sup> <https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx>

<sup>2</sup> <https://1p08d91kd0c03rlxhmtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2018/05/Los-Angeles-2018-HNR.pdf>

<sup>3</sup> <https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx>

<sup>4</sup> <https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx>

<sup>5</sup> <http://www.lao.ca.gov/ballot/2017/170629.pdf>

<sup>6</sup> <http://www.lao.ca.gov/ballot/2017/170629.pdf>