



**PROPERTY  
OWNERS  
ASSOCIATION  
OF  
RIVERSIDE  
COUNTY**

PRODUCTION OF LOWER-PRICED HOUSING

In general, homebuilders prefer to build for the lower and middle-income segments of the market. Although profit potentials are greater per unit for higher-priced housing, the luxury market is much smaller, sales rates are slower, risks are greater, and total profit volumes are far less than in the mass market.

Thus, the shortage of lower-priced housing cannot be blamed on the builders and developers. They are willing and able to build all of the lower-priced housing the market can absorb (and then some), if only they are not prevented from doing so.

The fault, then, lies elsewhere.

HUD's View

According to HUD's 1991 report on housing barriers, the culprit clearly is local government:\*

"The cost of housing is being driven up by an increasingly expensive and time-consuming permit-approval process, by exclusionary zoning, and by well-intentioned laws aimed at protecting the environment and other features of modern-day life. The result is that fewer and fewer young families can afford to buy or rent the home they want."

"The American dream is a universal dream. But all too often this dream of ownership, of decent and affordable housing, is being denied to first-time homebuyers and low-and-moderate income families. Government rules and red tape are regulating the dream out of existence."

"Unnecessary regulations at all levels of government stifle the ability of the private housing industry to meet the increasing demand for affordable housing throughout the country."

\* - Not in My Back Yard---Removing Barriers to Affordable Housing, U.S. Department of Housing and Urban Development, July 8, 1991

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"The negative impact of overregulation has caused concern in the affordable housing debate for several decades. In the past 24 years, no fewer than 10 federally-sponsored commissions, studies, or task forces have examined the problem, including the President's Commission on Housing in 1981-1982. These study groups have made many thoughtful recommendations, usually to little avail. In the decade since 1981, the regulatory environment has if anything become a greater deterrent to affordable housing: regulatory barriers have become clearly more complex, and apparently more prevalent."

#### SCAG's View

The Southern California Association of Governments (SCAG), of which Riverside County is a member, has also long expressed concern over the shortage of lower-priced housing. It has studied the causes of the shortage and concluded that local government is indeed to blame. Here are some of its findings:\*

#### Underlying Causes

##### Land-Use Policies

"On the local level, land-use policies and regulations (such as zoning ordinances and growth controls) work to diminish the number of units built and to raise production costs as well."

"Large-lot zoning limits the number of units on a parcel of land and thus affects overall supply; it also tends to increase land cost per unit ---."

"Larger or more expensive lots induce developers to produce more costly buildings."

"Because developers may attempt to achieve a ratio between the value of the land and the structure, high land costs may encourage additional construction costs."

"Often developers find that if they raise prices to offset increased costs (due to regulation), the marketability of projects declines. Therefore, developers shift the orientation of projects to high-income consumers."\*\*

\* - Costs, Causes and Consequences of the Housing Shortage, October 19, 1981, and Methods to Increase Housing Supply, December 8, 1981.

\*\* - Paragraph quoted by SCAG from Land- Use and Environmental Regulations, Dowell, David. Contained in Housing Policy for the 1980's, Montgomery and Marshall eds., Lexington, 1980.

"---because of the municipal propensity for large-lot zoning, the result is an oversupply of large lots and a shortage of small lots. The surfeit of large lots relative to demand causes a reduction in the price which large lots command. Further, the shortage of small lots places the few available lots at a premium, thus greatly increasing their per unit cost."\*

#### Subdivision Regulations

"Subdivision regulations, like zoning ordinances, can increase the housing production costs ultimately borne by consumers. Although they may contribute to the quality of neighborhoods, such ordinances can also create problems of affordability."

"These (regulations) may:

- 1) Mandate increased and/or excessive requirements (e.g., larger-than-necessary streets, excessive side lots, etc.).
- 2) Shift public service costs to the developer.
- 3) Increase administrative, engineering, and planning costs."

"Excessive subdivision requirements have long been cited as impediments to affordable housing. The Kaiser Commission study conducted 13 years ago reached this conclusion, as have later analyses."

"A survey by the National Association of Realtors shows that California now has the most restrictive local government policies regarding housing construction."

"Together, the direct costs of zoning, growth controls, subdivision requirements, and administration can account for great increases in the cost of producing housing."

#### Infrastructure Costs\*\*

"One of the major causes of the increase in housing costs, particularly over the last few years, has been the redirection of the cost of providing the community infrastructure from traditional taxing or funding sources to homebuilders."

\* - paragraph quoted by SCAG from Housing Costs and Governmental Regulations: Confronting One Regulatory Maze, Seidel, 1978, Center for Urban Policy Research.

\*\* - quoted by SCAG from Coordinating Public Efforts to Reduce the Cost of Housing, Western City magazine, League of California Cities, Sacramento, July, 1981.

"Perhaps the most glaring example of this shift is in the area of roads. Ten years ago, the traditional road user taxes --- provided a level of revenue such that housing developers provided only the internal roads necessary to serve their subdivisions. Today this source of funding is rapidly diminishing ---."

"The housing industry has been looked to by many local agencies to make up this deficit in the capital road program. More and more frequently, conditions are placed on developers to construct or widen off-tract roads and even to modify state freeway access ramps and crossing structures."

"In addition to roads, traditional funding sources for other services are declining, and developers are being asked to make up the difference."

#### Implications and Outlook

"The problems facing California communities in meeting the need for affordable housing are fast approaching crisis proportions."

"Average lot costs in California far exceed averages in other states, and land cost per square foot is two to six times that of other states."

"--- the trend is crystal clear: if restraints to growth are not lessened and economic growth continues, housing prices will continue to spiral upward. Obviously only the very rich will be able to afford new housing if this scenario continues into the future."

#### Recommendations

"Implicit in the Council's findings was the suggestion that market trends, if allowed to express themselves, have the potential for effecting more efficient communities, more affordable housing, and perhaps greater environmental quality as well --- less regulation, rather than more, may be the answer to many public problems."

"County and municipal governments should revise regulations to achieve compact development; allow increased densities; reduce lot and yard size requirements, setbacks, and street widths ---."

"State governments should discourage local 'population caps', large-lot zoning, 'gold-plated' subdivision standards, or unjustified development fees ---."

"State and Federal agencies should initiate an immediate review of existing land and housing impacting regulations and procedures to eliminate those that are unnecessarily costly compared with the benefits derived. This is particularly needed in environmental policies."

#### State Law

Like SCAG, the State Legislature recognizes that local government is largely to blame for the inadequate supply of lower-priced housing. State law is therefore explicit:

#### Section 65913.0

"The Legislature finds and declares that there exists a severe shortage of affordable housing, especially for persons and families of low and moderate income, and that there is an immediate need to encourage the development of new housing, not only through the provisions of financial assistance, but also through changes in law designed (1) to expedite the local and state residential development process and (2) to assure that local governments zone sufficient land at densities high enough for production of affordable housing. The Legislature further finds and declares that the costs of new housing developments have been increased, in part, by the existing permit process and by existing land use regulations and that vitally needed housing developments have been halted or rendered infeasible despite the benefits to the public health, safety, and welfare of such developments and despite the absence of adverse environmental impacts. It is, therefore, necessary to enact this chapter and to amend existing statutes which govern housing development so as to provide greater encouragement for local and state governments to approve needed and sound housing developments."

#### Section 65913.1

"In exercising its authority to zone for land uses, a city, county, or city and county shall designate and zone sufficient vacant land for residential use with appropriate standards --- to meet housing needs as identified in the general plan."

"For purposes of this section, 'appropriate standards' shall mean densities and requirements --- which contribute significantly to the economic feasibility of producing housing at the lowest possible cost ---."

#### Section 65913.2

"In exercising its authority to regulate subdivisions ---

a city, county, or city and county shall: (1) refrain from imposing criteria for design --- or improvements --- for the purpose of rendering infeasible the development of housing for any and all economic segments of the community --- (and) --- (b) consider the effect of ordinances adopted and actions taken by it with respect to the housing needs of the region ---."

#### Response

Riverside County pays lip service to these and other provisions of the law. The Housing Element of its Comprehensive General Plan, for example, recites various State requirements, including the following:

"The housing element will consist of 'standards and plans for the improvement of housing and for the provision of adequate sites for housing' and make 'adequate provision for the housing needs of all economic segments of the community'."

In the same vein, a goal of most every community plan is "the development of affordable housing in order to promote a balance of employment and housing opportunities ---."\*

In practice, however, the County:

1. Imposes large-lot zoning on all of its rural and outlying areas, making lower-priced housing impossible to produce.
2. Opposes the opening of new areas for moderate density development, thereby restricting the supply of subdivision land and driving up its cost.
3. Restricts the available residential land supply further through its excessive open-space policies.
4. Imposes increasingly heavy mitigation fees and other developer fees on individual projects.
5. Requires developers to pay for most or all of the public infrastructure, under standards and requirements that are growing ever more stringent and costly.

#### Land Supply

Table 1 on the next page shows the uses to which land in the unincorporated area of the county was consigned as of 1985, the latest year for which inventory data are available.

\* - quoted from the Lake Mathews Community Plan

Table 1

LAND USE IN THE UNINCORPORATED AREA  
OF RIVERSIDE COUNTY

Land Use	Square Miles	Percent of Total
Public and private land designated open space:		
Water resources and flood control Preservation of wildlife and vege- tation	181.8 46.6	2.7 .7
Sensitive desert land	2,120.4	31.2
Mountainous areas	1,865.1	27.4
Parks and forests	1,270.7	18.7
Agricultural uses	661.2	9.7
Mineral-resource preservation and management	11.0	.2
Stringfellow hazardous waste disposal site	.1	-
Subtotal, open space	<u>6,156.9</u>	<u>90.6</u>
Developable land:		
Adopted Specific Plans	59.2	.9
Rancho Villages	5.9	.1
Other land presently zoned for resi- dential use	343.0	5.0
Remaining land potentially available for urban uses (i.e., not desig- nated open space)	<u>231.4</u>	<u>3.4</u>
Subtotal, developable land	<u>639.5</u>	<u>9.4</u>
Total, unincorporated area	6,796.4	100.0

Sources:

Riverside County Planning Department (open-space allocations); Housing Lands Inventory Addendum, 1985, Housing Element, Riverside County Comprehensive General Plan

Contrary to popular belief, there is no shortage of open space in Riverside County. The unincorporated area encompasses 6,796 square miles. Of that, 6,157 square miles, or 91 percent, are classified "open space".

As shown in Table 2, privately-owned land occupies 2,500 square miles, or just 37 percent of the total. Of that, 1,861 square miles, or almost 75 percent, have been designated "open space". Thus, only 640 square miles, or 9 percent of the unincorporated area, are available for urban use.

#### Land Available for Lower-Priced Housing

Not only is the total supply of buildable land in the unincorporated area limited, Table 3 shows that very little of it is available for lower-priced housing (i.e., for multifamily housing, manufactured housing, or conventional single-family housing on lots smaller than half an acre.) Furthermore, as indicated in Table 4, most of this higher-density zoning is concentrated in the Western Coachella Valley, mainly the Palm Springs resort area.

Table 5 shows the number of dwelling units permitted in the various unincorporated planning areas, and the ultimate densities envisioned for each of them. The average for the area as a whole is only 1.8 dwellings per developable acre. In comparison, the density ratio for the City of Riverside is 4.2; for Mission Viejo it is 4.3; and for Beverly Hills the figure is 7.0.

Table 6 gives a breakdown of each area's dwelling unit capacity by density category. Only 16 percent of the total capacity is on land that is zoned for residential densities of 4 units per acre or more. Yet it is not economically feasible to build "affordable" single-family homes at densities less than 4 units per acre, and 5 or 6 units per acre often is the minimum requirement.

It should be noted, too, that much of the higher-density land inventory has either already been developed or may not become available for use for a number of years, if ever. Rarely is all of the buildable land in an area fully developed; too much can happen to delay development or preclude it.

To keep home prices reasonably low, then, it is necessary for the County to do much more than just achieve an apparent quantitative balance between projected housing supply and demand. Only when land zoned for moderate-priced housing is in abundant supply (even over-supply) will competition among both landowners and builders be sufficient to keep home prices at a level that most people can afford.



Table 2

STATUS OF PRIVATELY-OWNED LAND  
IN THE UNINCORPORATED AREA  
OF RIVERSIDE COUNTY

Status	Square Miles	Percent of Total
Designated open space:		
Water resources and flooding	11.0	.4
Sensitive desert land	283.4	11.3
Mountainous land	970.1	38.8
Agricultural land	596.2	23.8
Subtotal, open space	1,860.7	74.3
Developable land:		
Adopted Specific Plans	59.2	2.4
Rancho Villages	5.9	.2
Other land presently zoned for residential use	343.0	13.8
Remaining land potentially available for urban uses (i.e., not designated open space)	231.4	9.3
Subtotal, developable land	639.5	25.7
Total	2,500.2	100.0

Source: Same as Table 1

Table 3

DISTRIBUTION OF DEVELOPABLE LAND  
BY USE CATEGORY  
Unincorporated Area

<u>Use</u>	<u>Acres</u>	<u>Percent of All Privately- Owned Land</u>
Adopted Specific Plans	37,888	2.4
Rancho Villages	3,776	.2
Land zoned for multifamily housing	3,776	.2
Land zoned for manufactured housing	2,304	.1
Land zoned for conventional single-family residential use (i.e., lots smaller than one-half acre)	43,549	2.7
Land zoned for low-density, large-lot residential use	169,920	10.6
Remaining land potentially available for urban uses (i.e., not designated open space)	<u>148,096</u>	<u>9.5</u>
Totals, developable land	409,309	25.7

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Note: For the total breakdown of privately-owned land, see Table 2 (Page II - 3).

Sources: Riverside County Planning Department (open-space allocations); Housing Lands Inventory Addendum, 1985, Housing Element, Riverside County Comprehensive General Plan

Table 4

DISTRIBUTION OF LAND  
ZONED FOR CONVENTIONAL RESIDENTIAL USE  
Lots Smaller than One-Half Acre  
Unincorporated Area

<u>Planning Area</u>	<u>Zoned Land</u>	
	<u>Acres</u>	<u>Percent of Total</u>
Edgemont-Sunnymead	2,554	5.9
Riverside-Corona-Norco	228	.5
Lake Mathews-Temescal Canyon	16	-
Perris Valley	1,591	3.7
Hemet-San Jacinto	336	.8
Southwest Territories	783	1.8
San Gorgonio Pass	179	.4
Idyllwild	183	.4
Chuckwalla	3	-
Jurupa	4,215	9.6
Western Coachella Valley	28,983	66.6
Eastern Coachella Valley	<u>4,478</u>	<u>10.3</u>
Totals	43,549	100.0

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Note: Excludes adopted Specific Plans

Source: Housing Lands Inventory Addendum, 1985,  
Housing Element, Riverside County Comprehensive  
General Plan; Community Plans for Jurupa,  
Western Coachella Valley, and Eastern  
Coachella Valley.

Table 5

PERMITTED RESIDENTIAL DENSITIES  
IN THE UNINCORPORATED AREA OF RIVERSIDE COUNTY

By Planning Area

<u>Planning Area</u>	<u>Developable Acres</u>	<u>Permitted Dwelling Units</u>	<u>Density (Dwelling Units Per Acre)</u>
Edgemont-Sunnymead	15,015	21,803	1.45
Riverside-Corona-Norco	7,383	3,502	.47
Lake Mathews-Temescal Canyon*	6,357	7,573	1.19
Perris Valley	36,787	54,165	1.47
Hemet-San Jacinto	9,910	11,285	.88
Southwest Territories	30,581	58,970	1.93
San Gorgonio Pass	9,702	7,657	.79
Idyllwild	12,655	4,017	.32
Chuckwalla	634	440	.69
Jurupa	14,852	49,648	3.34
Western Coachella Valley	70,760	162,184	2.29
Eastern Coachella Valley	9,191	24,220	2.64
Totals	<u>223,827</u>	<u>405,464</u>	<u>1.81</u>

\* - For area included in the Lake Mathews Community Plan, data are as follows: gross acres, 42,386; authorized dwelling units, 13,138; density .31 units per acre.

Sources:

Housing Lands Inventory Addendum 1985, Housing Element, Riverside County Comprehensive General Plan; Community Plans for Jurupa, Western Coachella Valley, and Eastern Coachella Valley.

Table 6

INVENTORY OF LAND ZONED FOR SINGLE-FAMILY HOMES  
Unincorporated Area

Dwelling Unit Capacity by Density Category

	Mini- Ranches	Ranchettes	Estate Lots	Low-Density Lots	Conventional and Higher Density Lots	
Units/Acre	.05-.2	.3-.4	.5-2.0	2.5-3.5	4.0-8.0	
Lot Size (Acres)	5-20 Ac	2-4 Ac	.5-2 Ac	.3-.4 Ac	.125-.25 Ac	Area Totals
Edgemont- Sunnymead	942	168	3,374	350	10,716	15,550
Riverside- Corona-Norco	449	240	1,994	-	725	3,408
Lake Mathews- Temescal Canyon	175	108	7,245	-	32	7,560
Perris Valley	1105	74	43,203	-	6,930	51,312
Hemet-San Jacinto	644	8	5,489	29	1,576	7,746
Southwest Territories	720	192	41,651	106	3,059	45,728
San Gorgonio Pass	570	3	5,930	-	370	6,873
Idyllwild	144	-	3,000	26	730	3,900
Chuckwalla	45	-	312	-	13	370
Jurupa	77	91	19,050	-	24,134	43,352
Coachella Valley	892	3,688	36,709	117,113	7,027	165,429
Totals	5,763	4,572	167,957	117,624	55,312	351,228
Percent of Totals	1.6	1.3	47.8	33.6	15.7	100.0

Sources: Housing Lands Inventory Addendum, 1985 Housing Element, County of Riverside; Jurupa and Eastern and Western Coachella Valley Community Plans.

### Exclusionary Practices

Taken together, the County's practices reduce materially the supply of housing that families of lower and middle income can afford. The practices are therefore exclusionary; they prevent minorities, the elderly, young people, single parents, and others of moderate income from living in particular areas.

The Lake Mathews Community Plan is a case in point. Fifty-five percent of the land is zoned for parcels of 5 acres or larger; 31 percent is zoned for lots of 2 or 2 1/2 acres; and the remaining 14 percent is zoned mainly for 1-acre lots. The smallest single-family lot permitted in the area is half an acre, and multifamily housing is prohibited altogether. In addition, there are no provisions for local employment sources, and only 32 acres have been zoned for commercial use. Yet the Plan covers 44,000 acres, or 69 square miles, an area larger than the Cities of Riverside, San Francisco, or Washington, D. C.

In effect, the County has decided to preserve this huge area and other "rural" areas as exclusive enclaves for upper-income families. Despite the provisions of State law and the stated objectives of its own Plans, the County has excluded from these future residential areas most people of lower and moderate income.

Some or most of the Cities have adopted policies similar to those of the County. As a result, homebuilders are increasingly hard-pressed to find places in Riverside County where they can produce housing at affordable prices.

### Large-Lot Zoning

Wherever the County has imposed large-lot zoning, affordable housing cannot be built. Not only is the cost of lot production too great, the homes themselves must be relatively large.

Small houses generally cannot be marketed on large lots. Market competition is based mainly on price per square foot of house, not lot size. To be able to sell their products, builders have to keep their square-footage prices approximately in line with those of their competitors. Large lots force them to obtain a higher price for their homes to begin with, and that in turn makes it necessary to increase the size of the house. Only in that way can they offer comparable prices per square foot.

### Subsidized Housing

To local Government, "affordable" housing has a narrow meaning. The term generally refers to lower-priced units that are subsidized by builders in return for certain density

bonuses mandated by the State, or that are built with public funds. But these governmental programs necessarily have limited scopes and resources and can satisfy only a small fraction of the housing need. Essentially, moreover, they miss the point.

There is no inherent need for subsidies of this kind. Given an ample supply of buildable land, adequate densities and reasonable governmental fees and regulations, builders can produce privately-built non-subsidized housing that is truly affordable.

#### Basic Requirements

In order to build for low and moderate-priced markets, home-builders must be able to:

1. Buy relatively inexpensive land.
2. Build at densities that are great enough to recover the cost of required public fees and improvements at a reasonable charge per dwelling unit.

Land can remain inexpensive only so long as large quantities are available for homebuilding and land markets are highly competitive.

Home prices can otherwise be kept "affordable" only when governmental fees and public-improvement requirements imposed on builders are not excessive, and densities allowed are sufficient to spread the costs over an adequate number of units.

#### NIMBY\* Syndrome

As emphasized in HUD's report, control of land-use planning has progressively shifted to local residents. In response to their voting strength, and through such devices as Community Plans, the political process has increasingly catered to their desires and blocked developments of which they disapprove.

Few residents of an area are willing to support new development that they feel might reduce their property values or alter their lifestyles. Many, in fact, are opposed to any new development at all. Thus, the solution lies in limiting the degree to which local residents are given a voice in local planning. While their views should certainly be considered, planning must take into account everyone's needs, especially those of the great majority of families who understandably want to be able to buy a new home at a price they

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\* - "Not in My Back Yard"

can afford. Thus, at least the basic economic requirements that make affordable housing possible should be set forth firmly in City and County General Plans and made inviolate.

#### Actions Required

The present shortage of lower-priced housing has been caused almost entirely by governmental land-use policies and can therefore be corrected by reforming those policies. Governmental actions required are as follows:

1. Eliminate large-lot zoning (i.e., do not require single-family lots larger than, say, 7,200 sq.ft. anywhere in the county except on hillsides where somewhat larger lots may be necessary from an engineering or safety standpoint, and do not permit oversized lots unless they are specifically requested and justified by the developer).
2. Ensure that all community and general plans make ample provision for multifamily housing, manufactured housing, and conventional single-family homes at densities of 4 to 6 dwelling units per buildable acre, and the plans are otherwise "balanced" in terms of the mix of land uses and housing price ranges they allow.
3. Encourage the creation of large inventories of land available for residential development by eliminating restrictions on the amount of land zoned for housing use (i.e., zone much more land for residential use than the market technically needs.)
4. Do not buy scarce buildable land for noneconomic uses such as open space or wildlife protection. Instead, keep these preservation demands at reasonable levels, and obtain the desired land by negotiating open-space dedications with landowners during the development review process. Encourage these dedications by permitting density transfers and development clustering, and by ensuring that the landowners are made "whole" economically (i.e., that they are allowed sufficient additional density on their remaining land to offset the value of their open-space dedications).
5. Ensure that "Growth Management" does not become "Growth Control". Any actions that constrict the supply of housing or reduce the availability of land for housing use will drive up housing prices and defeat affordability objectives. Thus, Growth Management policies should recognize the inevitability of growth and be designed to accommodate it and mitigate its effects rather than slow the rate or volume of housing construction.



6. Do not draw lines beyond which urban development will not be permitted. To keep the price of housing down, it is essential to add large quantities of low-priced "rural" land to the available homebuilding inventory, and avoid confining development to any particular areas.
7. Permit more extensive development of hillside areas in order to help preserve the flatter lands for housing of more moderate price. As it is throughout most of Southern California, development should be allowed on slopes exceeding 25 percent so long as reasonable engineering and safety standards are met.
8. Simplify the development review process in order to expedite project approvals and reduce their cost.
9. Eliminate or modify nonessential or excessive public improvement requirements and building standards, and limit the homebuilder's responsibility for providing public improvements.
10. Stop requiring housing developers to bear the cost, either directly or through mitigation fees, of out-of-tract public improvements and environmental protections from which the general public benefits and for which the community at large should pay.
11. Establish regional or countywide mechanisms for financing the public infrastructure (i.e., out-of-tract public improvements) through special taxes and additional revenue sources other than developer fees, and restore the historic role and authority of the responsible public agencies for planning, funding, and constructing these improvements.\*
12. Finally, and most importantly, in zoning land or approving development projects, allow sufficient density to ensure that the cost of all required public improvements and developer fees can be recovered at a relatively low charge per dwelling unit. Unless this fundamental requirement is met, homes of moderate price cannot be built.

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\* - we have prepared a paper on this subject.