

California Housing Mess: Causes and Consequences

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YIMBY (Yes In My Backyard) activist Sonja Trauss speaks at the Housing Forum hosted by the California Apartment Association (CAA). Photo: CAA

Stories about California's outrageous housing prices are told in city halls around the country like ghost stories told around a flickering campfire. And, in California itself, San Francisco has become emblematic of the problem: escalating regulation that chokes housing supply while demand grows. The result is higher prices, and that sparks a demand for regulation including price controls. Of course this results in slower and more costly production and then higher prices. Repeat. I call it the San Francisco Death Spiral, and the disease has spread all over California. The California Apartment Association hosted a forum on the problem in late September (you can now download the full report). I attended and was on a panel. What stood out was the non-partisain corroboration of the problem and the solution from the Legislative Analyst's Office (LAO), and the recognition that environmental laws are being misused to stymie housing production by local communities wanting to stop growth.

First, the corroboration. The LAO "serves as the 'eyes and ears' for the Legislature to ensure that the executive branch is implementing legislative policy in a cost efficient and effective manner." In a report issued two years ago and highlighted at the conference, the LAO found that

Not enough housing exists in the state's major coastal communities to accommodate all of the households that want to live there. In these areas, community resistance to housing, environmental policies, lack of fiscal incentives for local governments to approve housing, and limited land constrains new housing construction. A shortage of housing along California's coast means households wishing to live there compete for limited housing. This competition bids up home prices and rents. Some people who find California's coast unaffordable turn instead to California's inland communities, causing prices there to rise as well. In addition to a shortage of housing, high land and construction costs also play some role in high housing prices.

The LAO estimates that California must produce at least 100,000 additional units on top of the 140,000 annual production to keep up with demand. It's just a matter of numbers and simple economics: **big demand, lagging supply means higher prices.**

But California is also realizing what housing advocates in Seattle have seen going on for a long time, the use of environmental regulations to block new housing construction. In Washington its called the State Environmental Policy Act or more commonly, SEPA and it's been used frequently to block everything from super green office buildings to backyard cottages. Along with the State's Growth Management Act (GMA), SEPA was intended to manage growth and ensure that it did more good than harm. Instead, local attorneys like Jeff Eustis (ironically on the board of environmental organization and GMA champion Futurewise) have created a cottage industry in filing process appeals against housing projects on behalf of angry Seattle neighbors. In a bizarre twist, lawyers and neighbors are successfully slowing the supply of more housing,

something that would prevent climate changing sprawl, using laws designed to prevent sprawl and concentrate growth in cities.

California is experiencing the same twist with it's California Environmental Quality Act also known by it's acronym CEQA. The report from the housing forum concluded based on the conversation among a wide array of stakeholders and opinion leaders that, "Good policies like CEQA and the design-review process have into dangerous weapons used by 'not in my backyard' forces to stop nearly all new development." Something of an overstatement. Development of housing can be delayed, but it usually does end up getting built but *at a much higher cost*, a cost that inevitably gets passed on to consumers of housing in the form of higher prices, and longer, costlier commutes. Worse, people looking for housing must spread out, making their home farther from their work, driving and polluting, impacts that environmental laws like and SEPA and CEQA were designed to slow and stop.

What's the solution? Obviously areas in the country creating lots of jobs and demand for housing need to be unfettered from regulation. One idea is to create more pressure from state level legislation on local governments. California State Senator Scott Wiener has proposed doing just this and this idea is one of the recommendations in the CAA report. In Seattle, I've suggested that the State Legislature consider taking away housing subsidies and tax credits from local jurisdictions that pass inflationary measures like Mandatory Inclusionary Zoning (MIZ). The idea is to put more outside pressure on local governments that cave to demands by angry neighbors fighting to preserve their own investment at the expense of newcomers. As I've point out before, protecting single-family equity is the agenda lurking behind most protectionist measures against more housing. The choice is simple, build more housing or make life worse for hardworking families seeking a future in our cities.