

Q&A

What you want to know about California's failed housing affordability law

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Our story on California's failed 50-year-old housing law generated lots of questions from Times readers.

The law is the state's primary tool to encourage housing development and address a statewide shortage of homes that drives California's affordability problems. But, as anyone who is trying to afford a home in California knows, costs are continuing to spiral upward.

Why hasn't the law worked? It requires cities and counties to produce prodigious reports to plan for housing — but doesn't hold them accountable for any resulting home building. Decades of tinkering with the law has led to planning requirements that local governments hate so much they've pitched ideas such as letting prison beds count toward low-income housing goals. And now state officials don't have basic information on the law's effectiveness, including how many homes are actually built.

Here's a sample of what Times readers told us they want to know about the law, known formally as the "housing element," and its effects on the state's larger housing problems.

It looks like developers are building enough houses in my city. Why are prices still going up?

The law sets out homebuilding goals for each city and county over an eight-year period to keep pace with projected population growth. The idea is that the supply of new homes will meet the demand.

We included a searchable table in our story for readers to see how many homes were built in their communities compared to the targets. A reader from San Clemente noticed his city had outpaced its housing goals by hundreds of new homes, but costs still were rising. Why?

Housing markets are regional. Even if there's enough new homebuilding in one city, if there's insufficient growth nearby the problem will persist. So while San Clemente met its overall housing goal, the data show, Irvine and Santa Ana missed theirs by thousands.

Also, the housing targets themselves might require reevaluation. The independent Legislative Analyst's Office found recently that Bay Area counties were on track to meet their overall housing goals during the current eight-year period that ends in 2023. But the Bay Area is adding hundreds of thousands more jobs than homes, which is driving up the demand for housing beyond what the targets had anticipated.

What's the reason not enough homes are getting built?

Cities don't build houses. Developers do. Local government rules — including neighborhood opposition to new homes — play a role in housing supply. But many other factors,

such as construction costs and mortgage interest rates for prospective homebuyers, matter a lot. So any state law is limited in forcing homebuilding to happen.

Reader Bruce Ross, who works for Assemblyman Brian Dahle (R-Bieber), had an observation about demand.

He's right. Demand for housing in inland Shasta County is nothing like it is in Los Angeles.

"The greatest need for additional housing is in California's coastal urban areas," concluded a 2015 Legislative Analyst's report — one of many recent studies that found the state's housing shortage is primarily a coastal problem.

Homebuilding along the coast often isn't as easy as inland because there's much less vacant land suitable for development. But there are reasons beyond housing affordability to prioritize growth in Los Angeles and San Francisco instead of San Bernardino and Truckee.

First, that's where the jobs are. The unemployment rate in San Francisco for instance, is 2.7%, while it's 20.5% in Imperial County. Second, if the state wants to meet its goals in combating climate change it has to build a lot more housing in cities. That's because the state needs people to drive much less than they do now. One of the best ways to do that is for people to live near where they work and shop.

"The greatest need for additional housing is in California's coastal urban areas."
— independent Legislative Analyst's Office

Why should the state be allowed to force new homebuilding against residents' wishes?

It's a common complaint when a new development is proposed in an existing neighborhood: Nearby residents don't want the project because they're worried about traffic, parking, school overcrowding, water supply or innumerable other concerns that they fear might affect their quality of life.

We wrote about one such situation in Redondo Beach where city leaders told the state they would comply with the housing supply law by approving a 180-unit apartment complex. But then when the project came before the city council, it was turned away after opposition from neighbors.

A number of readers wanted to know why the state should have any role in that decision.

There can be tension between the state's interest in having enough homes for people and communities not wanting those homes near them. It's a question of balancing the need for housing with the interests of cities and counties in shaping how their communities look.

It's also not clear residents are opposed to limiting some of the existing local control over development. A recent poll by the nonpartisan Public Policy Institute of California found 61% of adults surveyed were in favor of changing the state's environmental and local permitting rules if it resulted in more affordable housing.

Isn't the real problem that all the new housing is getting built for the rich, not low- or middle-income people?

The problem is that there's not enough housing getting built, period. Reports from the state's legislative analyst, the state's housing department and McKinsey Global Institute have

argued developers need to double the roughly 100,000 homes they build each year to stabilize housing costs.

But there is especially a shortage of housing for low- and middle-income residents.

One major issue is that the state's housing supply law is supposed to provide data on how many homes are being built for residents across income levels. But many cities don't turn in those numbers, so the state doesn't know. For that reason we decided to use data from California's construction industry — which doesn't break down production by affordability — in our searchable table.

Tony Kranz, a city councilman in Encinitas, wanted more details.

We can say, based on more complete data from the Bay Area and San Diego cities and counties, that low-income housing production falls way behind new homes targeted for those earning higher wages.

Developers in Bay Area cities and counties, for instance, nearly met the region's goal for above-moderate income housing, compared with building only 28% of the moderate- and low-income housing goals during the eight years leading up to 2014.

Public dollars to subsidize low-income housing have fallen dramatically in recent years. The California Housing Partnership estimates that state and federal funding for low-income housing in California dropped 67% to \$892 million annually between 2009 and 2015. Without a subsidy, it's often difficult for developers to build housing other than at the market rate.

For these reasons, Gov. Jerry Brown and lawmakers have been talking about a package of housing bills this year aimed at increasing funding for low-income housing and streamlining local approval processes to make it easier for developers to build in general. In the piece, we highlighted a bill from state Sen. Scott Wiener (D-San Francisco) that's considered a key part of the housing package and would eliminate multiple planning reviews by local governments that have fallen behind on their housing goals.