

HOUSING

THEME

- Assembly Republicans want to bring back access to homeownership for all Californians. For a modern California, Republicans are working to reform antiquated mandates and prioritize flexibility. This will reduce costs, speed up development timelines, and incentivize more housing. Many Californians hope to own a home in the state we love, so we are fighting to build more homes to meet those demands.
- California's new housing has fallen short of population growth according to the latest PPIC report. The state added 3.2 times more people than housing units over the last 10 years. There are now 2.93 Californians for every occupied housing unit, behind only Utah (3.09) and Hawaii (2.93), and far above the average of all other states (2.53).

ISSUE – According to the CA Assn. of Realtors, the October 2021 statewide **median home price was \$589,770, up 5.6% from 2018**. Demand has been partly driven by families migrating to suburban and rural areas due to COVID. Only 24% of households can afford that price.

- The median rent for a 1-bedroom apartment in San Francisco as of December 6, 2021 is \$2,825; a 6% increase from last year. In Houston, TX, it is \$1,149.
- **53% of renters and 88% of low-income renters are rent-burdened**, meaning they pay more than 30% of their income towards rent. In fact, *none* of the 1.09 million extremely low-income renter households in California—those earning 30% of area median income (AMI) or less—can afford average asking rents in any California county. In contrast, median-income households—defined as those earning 100% of AMI—can afford average asking rents in all 58 California counties.
- **Causes:** Environmental laws that have been hijacked by special interests, rent controls, inclusionary zoning, high fees, prevailing wages, permit requirements, open-space land set-asides, and construction defect litigation.

SOLUTIONS -- Build our way out of the problem. An increased housing stock will ease the upward price trend, improve access, reduce homelessness, and speed-up wildfire recovery for millions of Californians who desperately need relief.

- **Make it easier to build homes.:** Anti-housing obstructionism in the state often wears pro-environment disguises. The California Environmental Quality Act (CEQA) no longer serves its original purpose and is the single biggest impediment to residential housing development in the state. Start by allowing infill developments to proceed without CEQA reviews.
- **Eliminate rent controls and inclusionary zoning:** They discourage housing by making it less profitable. Such measures act like a tax on homebuilders, property owners, and market-rate homebuyers, thereby decreasing housing availability..
- **Limit expensive development impact fees:** Local fees average more than \$22,000 per single-family home, about three-and-a-half times the national average of \$6,000, according to the Legislative Analyst's Office. Cities should reduce impact fees and use private provision of services.
- **Dispense with unnecessary state building codes:** The solar panel mandate for new homes, which went into effect January 1, 2020, is the latest example of costly state regulation. *Some estimate that it will raise new home prices by \$10,000 to \$30,000.*
- **Drop prevailing wage requirements:** Project labor agreements and “prevailing wage” requirements undercut freedom of contract, discriminate against non-union workers, and increase construction costs by 20% according to the Turner Center for Housing Innovation. Many more low-income units could be built, especially in San Francisco where such units cost almost \$700,000.
- **Curtail time-consuming permitting:** In many parts of the country, a developer can build multiple projects in the time it takes to permit and build one project in California.
- **Reduce open-space set-asides:** A basic economic axiom of supply and demand is that when land is set aside for open space and parkland on the periphery of a city, less land is available for construction. The value of the remaining land goes up. Over two-thirds of cities and counties in California's coastal metros have adopted urban limit lines explicitly aimed at limiting housing growth, which particularly hurts the poor.
- **Encourage entrepreneurial innovation:** Entrepreneurs would provide fast and affordable housing if only they could enter markets, compete, and build units at the price points demanded by consumers. Examples of quick, inexpensive, and increasingly high-quality housing include modular or “prefabricated” homes, so-called “tiny homes,” and futuristic 3D-printed homes, which in some cases can be built in 24 hours for as little as \$5,000.

- **Make building housing a constitutional right:** The quickest exit from the regulatory thicket might be to amend the California Constitution to establish an individual right to build residential housing. Then, if housing opponents wished to alter or end a development project, they could do so only through the voluntary agreement of builders.

REFERENCES FOR THE PRIOR CATEGORIES

SUMMARY

For details of PPIC's report and related graphs and charts [see email of 12/6/21]
<https://www.ppic.org/blog/new-housing-fails-to-make-up-for-decades-of-undersupply/>

ISSUE

For more details on recent housing data as of December 8, 2021, please go to:
<https://www.car.org/en/aboutus/mediacenter/newsreleases/2021releases/oct2021sales>

and

[CHPC-Policy-Brief-2021_12-WhoCanAffordtoRentinCA.pdf \(netdna-ssl.com\)](#)

Inclusionary zoning: Mandates a certain percentage of low-income housing in new developments upon developers as a condition for development. Inclusionary zoning requirements are a form of legalized blackmail. For instance, say a developer wants to build 100 units on his property. A zealous planner then says, "OK, Mr. Developer, we will let you build your 100 units but we are going to require you to set aside 15 of them as low-income." The 85% end up subsidizing the 15% -- socialized land use.

Prevailing wage: A 2005 study produced by the Program on Housing and Urban Policy at UC Berkeley estimated that union-scale prevailing wage requirements signed into law in 2001 increased costs on state-subsidized low-income housing from 9% to 37%, cutting the construction of more than 3,100 housing units each year. As noted in the study, "While some supporters argue that prevailing wage laws increase the efficiency or stability of construction labor markets, these claims remain unsubstantiated. Rather, redistribution of income appears to be the ultimate goal, and the principal effect."

SOLUTIONS

CEQA barriers: The state Legislative Analyst's Office in 2015 [concluded](#) that CEQA appeals delay a project by an average of two and a half years. Some delays are much longer. A [report](#) in 2017 found that of the 14,000 housing units that had CEQA-based challenges, 98 percent of the challenged units were located in existing community infill locations and 70 percent were located within one-half mile of transit services.

Permitting and other regulatory barriers: A [study](#) of land-use regulations and the California housing market from economists at the University of California, Berkeley, found that the degree of regulatory stringency was positively associated with higher house prices and residential rents.

Impact fees: National Association of Home Builders Chairman Granger MacDonald calls California "the most heavily regulated state in the country." Review his [indictment](#) for details on fees and other regulations.

Prevailing wage costs: Review another [report](#) on its pernicious effects as well as other regulatory costs.

Pre-fabricated and tiny home revolution: An example of the speed and low cost can be found [here](#) and [here](#).
