



HOUSING CRISIS: FAST FACTS

Highlights from “California’s High Housing Costs: Causes and Consequences”

Mac Taylor ∞ California Legislative Analyst’s Office ∞ March 17, 2015

California’s Home Prices and Rents Higher Than Just About Anywhere Else.

Between 1970 and 1980, California home prices went from 30 percent above U.S. levels to more than 80 percent higher. Today, an average California home costs \$440,000, about 2 ½ times the average national home price (\$180,000). Also, California’s average monthly rent is about \$1,240, 50 percent higher than the rest of the country (\$840 per month). The gap is wider in coastal communities where homes are now more than three times more expensive than the rest of the country.

Building Less Housing Than People Demand Drives High Housing Costs.

Not enough housing exists in the state’s major coastal communities to accommodate all of the households that want to live there. 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 inland communities, causing prices there to rise as well.

High Housing Costs Problematic for Households and the State’s Economy.

Many households make serious trade-offs to afford living here. Households with low incomes, in particular, spend much more of their income on housing. High home prices here also push homeownership out of reach for many. Faced with expensive housing options, workers in California’s coastal communities commute 10 percent further each day than commuters elsewhere, largely because limited housing options exist near major job centers.

NIMBYs, CEQA, Local Government Finance Structure to Blame for Housing Shortage.

When residents are concerned about new housing, they can use the community’s land use authority to slow or stop housing from being built or require it to be built at lower densities. CEQA’s complicated procedural requirements give development opponents significant opportunities to continue challenging housing projects after local governments approve them. Local government finance structure typically gives cities and counties greater incentives to approve nonresidential development or lower density housing development.

Development Fees Levied On California Builders Substantially Higher Than Elsewhere.

A 2012 national survey found that the average development fee levied by California local governments (excluding water-related fees) was just over \$22,000 per single-family home compared with about \$6,000 per single-family home in the rest of the country.

California Needs to Build An Additional 100,000 Homes Per Year.

On top of the 100,000 to 140,000 housing units California is expected to build each year, the state probably would have to build as many as 100,000 additional units annually—almost exclusively in its coastal communities—to seriously mitigate its problems with housing affordability.

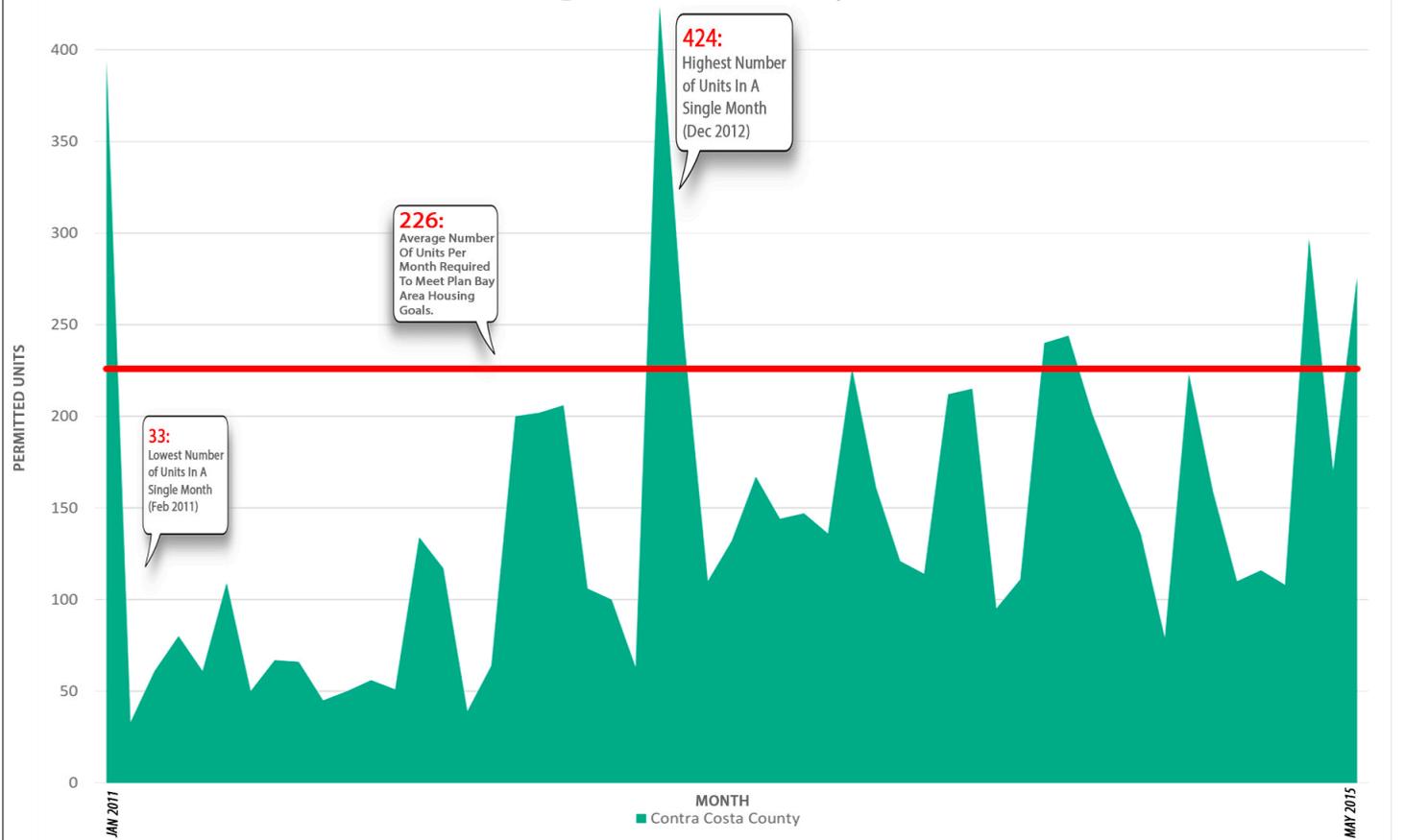
Download the full report at <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>

January 2011 through May 2015

CONTRA COSTA COUNTY

BY THE NUMBERS: Contra Costa County and its 19 cities are falling further and further behind when it comes to providing an adequate housing supply for their new workers. While the county is exceeding by ninefold its Plan Bay Area projections for new jobs, it is failing to produce enough houses, condominiums and apartments.

Housing Permits By Month



HOUSING

New units needed:
11,975

Actual Units Permitted:
7,640

-56.7%
BEHIND
PROJECTIONS

JOBS

New jobs projected:
18,030

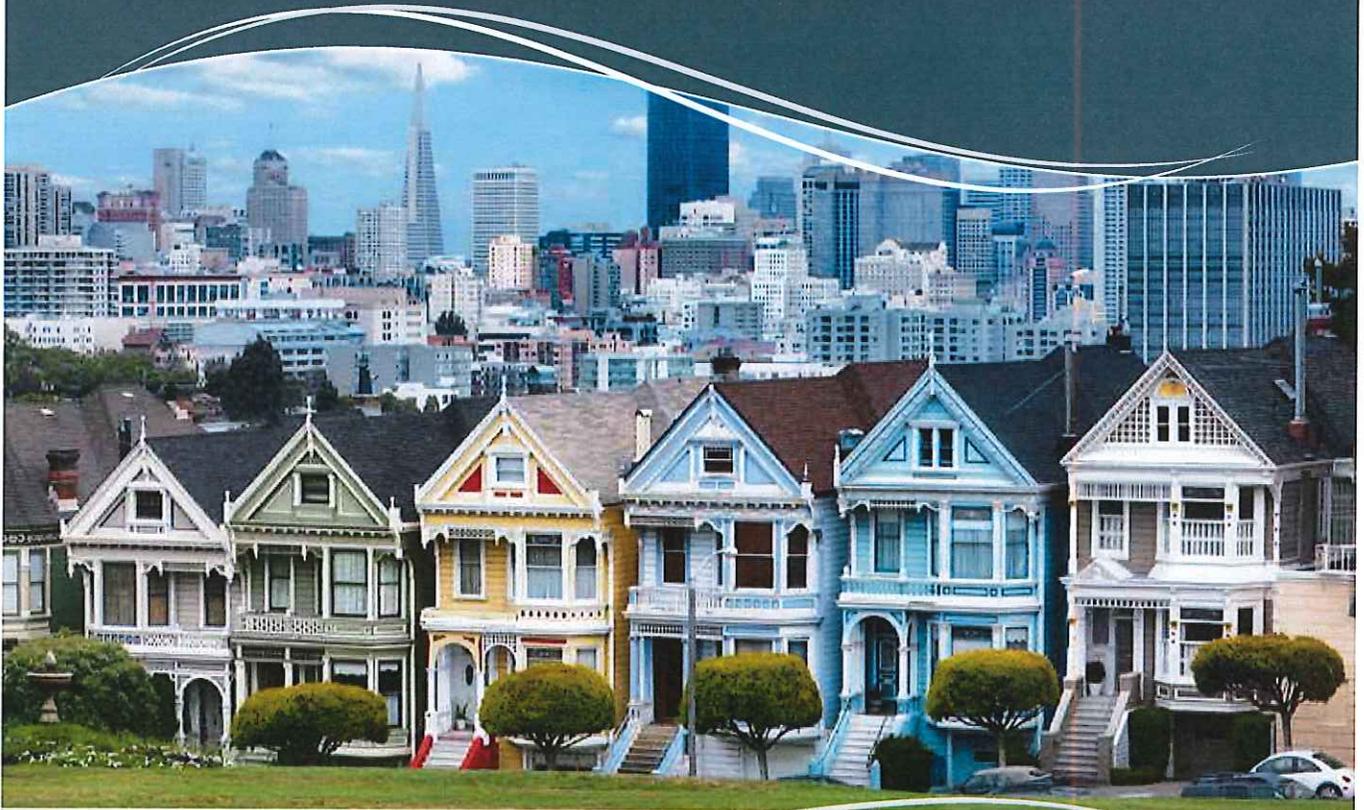
Actual New Jobs:
176,380

878%
BEYOND
PROJECTIONS

VS

California's High Housing Costs

Causes and Consequences



MAC TAYLOR • LEGISLATIVE ANALYST • MARCH 17, 2015

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EXECUTIVE SUMMARY

California's Home Prices and Rents Higher Than Just About Anywhere Else. Housing in California has long been more expensive than most of the rest of the country. Beginning in about 1970, however, the gap between California's home prices and those in the rest country started to widen. Between 1970 and 1980, California home prices went from 30 percent above U.S. levels to more than 80 percent higher. This trend has continued. Today, an average California home costs \$440,000, about two-and-a-half times the average national home price (\$180,000). Also, California's average monthly rent is about \$1,240, 50 percent higher than the rest of the country (\$840 per month).

Building Less Housing Than People Demand Drives High Housing Costs. California is a desirable place to live. Yet 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.

High Housing Costs Problematic for Households and the State's Economy. Amid high housing costs, many households make serious trade-offs to afford living here. Households with low incomes, in particular, spend much more of their income on housing. High home prices here also push homeownership out of reach for many. Faced with expensive housing options, workers in California's coastal communities commute 10 percent further each day than commuters elsewhere, largely because limited housing options exist near major job centers. Californians are also four times more likely to live in crowded housing. And, finally, the state's high housing costs make California a less attractive place to call home, making it more difficult for companies to hire and retain qualified employees, likely preventing the state's economy from meeting its full potential.

Recognize Targeted Role of Affordable Housing Programs. In recent decades, the state has approached the problem of housing affordability for low-income Californians and those with unmet housing needs primarily by subsidizing the construction of affordable housing through bond funds, tax credits, and other resources. Because these programs have historically accounted for only a small share of all new housing built each year, they alone could not meet the housing needs we identify in this report. For this reason, we advise the Legislature to consider how targeted programs that assist those with limited access to market rate housing could supplement broader changes that facilitate more private housing construction.

More Private Housing Construction in Coastal Urban Areas. We advise the Legislature to change policies to facilitate significantly more private home and apartment building in California's coastal urban areas. Though the exact number of new housing units California needs to build is

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uncertain, the general magnitude is enormous. On top of the 100,000 to 140,000 housing units California is expected to build each year, the state probably would have to build as many as 100,000 additional units annually—almost exclusively in its coastal communities—to seriously mitigate its problems with housing affordability. Facilitating additional housing of this magnitude will be extremely difficult. It could place strains on the state’s infrastructure and natural resources and alter the prized character of California’s coastal communities. It also would require the state to make changes to a broad range of policies that affect housing supply directly or indirectly—including policies that have been fundamental tenets of California government for many years.

<http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>