

Dan Walters: California has big housing shortage

By Dan Walters

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California's severe housing crisis is easy to describe – supply too low, prices too high.

The state's population is still growing, albeit slowly, and as it adds about 350,000 bodies each year, it needs at least 150,000 new units of housing to keep pace.

We're not meeting that standard. Housing construction, as high as 213,000 units in 2004, plummeted to 36,000 in 2009.

It has since rebounded somewhat and now approaches 100,000 units, mostly rental apartments, but that's still well short of demand.

Therefore, the demand-supply gap still widens, particularly in coastal areas. Both prices of single-family homes and rents have skyrocketed, hammering low- and moderate-income families.

During the 2010-14 period, for example, Los Angeles County's population grew by nearly a quarter-million, but it added fewer than 40,000 housing units. During the same period, San Francisco, despite its geographic limitations, grew by nearly 50,000, but built fewer than 10,000 housing units.

The obvious solution would be to build more housing.

However, as [a recent report](#) from the Legislature's budget analyst, Mac Taylor, points out, our development and construction costs are very high.

Moreover, many coastal communities are very hostile to new projects they see as generating more traffic and other environmental effects.

California politicians talk a lot about directly underwriting new low-income housing, but their proposals are, at most, marginal. They may be inclined, however, to force developers to set aside some of their new units for sale or rent at below-market prices.

About 200 cities already have some form of "inclusionary housing" to require set-asides. Their use has increased because housing money no longer flows from redevelopment, which Gov. Jerry Brown and the Legislature abolished.

In June, the state Supreme Court declared, [in a case involving San Jose](#), that such ordinances are legal for housing meant to be sold.

The court likened them to local zoning ordinances, as exercises of police powers, and spurned developers' pleas that forcing them to sell houses below market would be a form of uncompensated seizure.

The San Jose decision may rekindle efforts to overturn [a 2009 Supreme Court ruling](#), upholding an appellate court decision, that inclusionary housing mandates for rental projects violate state rent-control laws.

Two years ago, San Diego Democrat Toni Atkins, who is now speaker of the Assembly, carried [Assembly Bill 1229](#) to overturn the 2009 ruling and authorize local government inclusionary housing requirements for rentals.

However, Brown vetoed the bill, saying, "As mayor of Oakland, I saw how difficult it can be to attract development to low- and middle-income communities. Requiring developers to include below-market units in their projects can

exacerbate these challenges, even while not meaningfully increasing the amount of affordable housing in a given community.”

Brown left the door ajar, saying he wanted to see what the Supreme Court would say about other inclusionary laws. Although the court has now acted, however, Brown seems to be somewhat averse to them.

At best, given the overall low rate of housing construction, such laws would have only a tiny impact on the vicious supply-demand-cost circle. And they could, as Brown suggests, even discourage development.