

Opinion: Reno housing not keeping up with jobs

By Mike Kazmierski

I hate to sound like Chicken Little, but this is not a new message. In July 2015, yes, over 18 months ago, I wrote an article titled "The Impending Housing Crisis." That article talked about the 50,000 new jobs we were expecting in the region and the 30,000 to 40,000 new housing units we would need to accommodate that growth.

According to the Bureau of Labor Statistics, we have added more than 20,000 new jobs since then, but added just 4,000 new housing units over the same 18 months. This is a problem. At 1.5 jobs per housing unit, a common jobs to housing ratio, we should have produced 13,000 new housing units. Is there any wonder why our housing prices have doubled, our rental rates are up 30 to 50 percent and our vacancy rates are at record lows?



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So, yes, the sky is actually falling and the adverse impacts of failing to meet these growing housing needs will hurt us all. So what can we do?

The first thing we must do is understand that this is not a bubble. We need to acknowledge that this is not the last

housing boom, which was built off of speculation, but one based on real sustainable job growth. Additionally, we must recognize that this has become a genuine crisis and we have frittered away the time we had to slowly accelerate our construction efforts to accommodate this growth. There is little doubt we will add nearly 30,000 additional jobs to the region in the next three years, so our failure to address this very real need, as a community, is a recipe for disaster. It would be as if we just got notified by the weather service that due to the heavy rains in the mountains we could expect to see a major flood in a week, but then we choose to do nothing to prepare for it.

Some may say fine, we don't want this growth anyhow. To those that ignore the warnings, like a flood, failure to prepare will just make the impacts of this critical shortage of housing that much worse. Those who will be hurt the most are the vulnerable in our community; minimum wage citizens; the working poor, our elderly, the retired, and our college students. The affordable housing they are now in will soon be gone.

The market is all about supply and demand, and as a community we have failed to keep up on the supply side, so as demand continues to go up, so will the prices. As prices go up, we also encourage more urban sprawl and associated traffic with the longer commutes. A growing housing shortage can build a real pricing bubble that will at some point make it too expensive to live here, driving the jobs and our talent away and forcing us into a localized recession of our own doing.

There are many things we can do to avert this crisis. The key players must get on the same sheet of music and work together to find a way to get our new housing starts up – dramatically. We were at over 6,000 housing starts in 2005 and averaged over 5,200 new housing units in the six years before the recession. Yet over the past eight years we averaged just 1,350 units a year with our peak of just under 3,000 last year, which is

still a fraction of our pre-recession rate.

Here is what we are hearing from our construction and development industry. "The costs of everything are going up. There is an increasing shortage of construction workers, land prices are increasing and the land that was ready to go has been absorbed, so it will take longer to get more housing developments and apartment projects through the planning process. Additionally, it is taking much longer to get government approval to build housing and the increasing scrutiny by our elected officials, even after approvals are received by their planning commissions, is further slowing the process and increasing the costs. It is almost like charging triple and requiring weeks of paperwork to draw and fill sandbags just days before the flood."

So now is the time to embrace this challenge as a region. We did it when our schools were overcrowded and falling apart by passing WC-1. It will take the same community effort and government's realization that it can no longer be "business as usual" when it comes to housing.

Reducing fees, fast tracking housing developments and encouraging, even incentivizing infill of housing projects, are all things to consider.

The development and construction industry must also look at ways to get affordable housing up as fast as possible. It will take a collaborative effort between local governments and the private sector to address this crisis. Now let's start filling those sandbags because the flood is coming.

Mike Kazmierski is president and CEO of the Economic Development Authority of Western Nevada.