

Opinion: California's housing crisis only getting worse

By Joe Mathews

California has begun a takeover of local housing policy.

That's the big picture behind the more than 100 housing bills that have been introduced in the Legislature. None of these proposals is up to the task of getting the state to build sufficient housing, especially the affordable kind. But taken together, the legislative proposals—covering production incentives for builders, rental assistance, greater enforcement of state housing laws, even taxation of second homes—clearly signal the state's intention to take a leading role in how California houses itself.



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The prospect of a Sacramento intervention is usually worrisome. But this one should be welcomed. The threat of the state seizing power may be necessary to pressure the biggest obstacles to new housing—local governments—to get out of the way.

One can hardly blame state government for aggressive meddling. California has a nasty history of destabilizing housing calamities: from the 1970s run-up in housing prices that produced the Proposition 13 backlash; to the debt-fueled mid-2000s increases that led to the Great Recession.

Today, California's housing crisis results from a failure to create enough units to meet the population's needs. While the state needs an estimated 180,000 new units a year, it's been getting less than half of that. By one estimate, the resulting shortage is a \$140 billion annual drag on the state economy. Home ownership is at the lowest rate in California since the 1940s.

The crisis also represents a public health issue. Housing costs force Californians into long commutes that damage our health, our infrastructure and the environment. And housing prices are one big reason why California suffers from the greatest homelessness and the highest poverty rate of any state.

A response is difficult because of the bewildering mix of federal, state, and local policies that affect housing. Federal and state programs, which support those who seek housing and those who try to provide it, are tiny compared to the need for subsidies in expensive California.

Local governments add to the shortage by establishing limits on housing development, density, and sometimes rents themselves. This local hostility to housing is fueled by NIMBYism, environmentalism, and a state fiscal system that encourages local governments to pursue retail development (which produces sales tax for local coffers) instead of housing.

The state goal should be straightforward: more housing. That should mean more assistance to those seeking housing, more incentives to produce more housing, and fewer regulations that limit housing. But the politics are wickedly complicated, even by California standards. Housing divides key interests that come together to pass new laws. Among these are labor (split between building trades unions that oppose reforms to lower housing costs, and service-sector unions whose members need lower-cost housing), environmentalists (between those who

embrace denser development and hardliners who oppose all growth), and advocates for the poor (between those who want to revive poorer communities with new housing and those who fear new housing will displace poor people).

Some of the more than 100 housing bills in the legislature could make things worse, by adding to the costs of housing, or creating disincentives for local governments to approve housing. And it's difficult to make even small gains in housing. State Sen. Toni Atkins of San Diego, for example, has built a formidable coalition behind a bill to provide a dedicated funding stream to support below-market housing. Politically, achieving such funding would be a huge breakthrough. But the legislation would produce just \$250 million a year, a fraction of the tens of billions in affordable housing needs statewide.

And subsidized housing reflects only a fraction of our housing market. The state's nonpartisan Legislative Analyst's Office has called for a focus on encouraging additional private housing construction in high-demand coastal areas. Shortages there, the legislative analyst said, have rippled across the state, sending people further inland in search of cheaper housing, and driving up housing costs for everyone in the process.

The housing crisis is urgent and has been years in the making, and the state's legislative efforts to gain power over the problem could take many years, with hiccups and mistakes. Is there any way to go faster? Perhaps, but it would require the politically difficult step of empowering developers.

One model, with a record of success in Massachusetts, gives private developers, nonprofit organizations, and local authorities great powers to challenge land-use regulations that prevent housing development. The developers get an especially free hand in localities that fail to meet state requirements on housing. This puts local governments on the

defensive; they can't just say no to housing projects, but must make plans for housing.

Such pressure from the state may sound extreme. But so are the consequences of our housing shortage.

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