

How to solve Southern California's housing crisis



A construction worker uses an electric Plane works on a Riverside housing project built by Irvine-based MBK Homes. (Terry Pierson / Staff Photographer)

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POSTED: 07/02/16, 7:09 PM PDT | UPDATED: 2 DAYS AGO

Each year, Southern California adds the equivalent of a new Pasadena, a new Victorville or a new city of Orange to its population.

Yet housing experts say the pace of house and apartment construction isn't keeping up with that growth, generating some of the highest rents and home prices in the nation.

The solution is to build more homes, home builders long have preached. And



A construction worker frames one of the units on a Riverside housing project. (Terry Pierson / Staff Photographer)

to do that, the sermon goes, California needs to prune its thicket of regulations to make it easier to build.

Now several others are joining the choir, including affordable housing advocates, a San Francisco think tank, legislative analysts, economists and, most recently, Gov. Jerry Brown.

In May, Brown unveiled a plan to fast-track construction of apartments and condos if the developments include affordable housing — homes for lower-income families with restricted rents or prices.

A database of housing affordability statistics created by The Associated Press shows Southern California's two main metropolitan regions — Los Angeles/Orange counties and the Inland Empire — consistently rank among the U.S. markets that most stretch household budgets.

Among the 40 largest U.S. metro areas, L.A.-O.C. had the highest percentage of price-stressed owner households, according to census figures from 2014, the latest year numbers are available. The Inland Empire had the fourth-highest percentage.

The Inland Empire also ranked second for rent-stressed households, and L.A.-O.C. ranked third. L.A.-O.C. also had the highest percentage of middle-aged residents renting instead of owning their home.

“We’re just not getting enough supply to the marketplace,” said Ben Metcalf, Brown’s appointee to head the state Housing and Community Development Department. “What the governor basically said is it’s bad enough, the state needs to take affirmative action.”

Not everyone is on board with the governor’s plan, however.

Cities, environmentalists and neighborhood activists complain that under the governor’s plan, local residents no longer have a voice in how some developments affect traffic, property values and their quality of life.

“It sidesteps environmental review,” said Dan Carrigg, legislative affairs deputy director for the League of California Cities. “If an adjoining property owner has an issue (with a development), there’s no forum.”

HOUSING SHORTAGE

The pace of home building in Los Angeles, Orange, Riverside and San Bernardino counties is woefully below the projected need, two sets of data show.

The Southern California Association of Governments projected the region will add 433,000 households from 2014 through 2021, or almost 62,000 households a year.

In addition, the nonpartisan state Legislative Analyst's Office said in a 2015 report the region needs to build roughly 100,000 units annually to keep housing costs in line with national price gains.

But the region averaged fewer than 48,000 units a year from 2000 through 2015, according to building permit data from the California Homebuilding Foundation's Construction Industry Research Board report.

As a result, low-income households are spending more of their earnings on housing, homeownership rates are lower, Californians are four times more likely to live in crowded conditions and commutes are 10 percent longer, the Legislative Analyst's report said.

CEQA AND PROP. 13

The lack of housing supply can be narrowed to two main culprits, said Chris Thornberg, a former UCLA professor and founder of Beacon Economics: the California Environmental Quality Act, or CEQA, and Proposition 13, the voter-backed measure that limits property tax hikes to 2 percent.

Earlier this year, Beacon Economics teamed up with Next 10, a San Francisco think tank, producing a series of reports examining high housing costs' impact on the state.

One of the key conclusions: The solution to the housing shortage is "streamlining the permitting processes and finding a way to reduce concerns about environmental protection policies."

CEQA, which requires environmental impact reports for some projects, is "used and abused by interest groups of all shapes and sizes" to stop or delay developments, Thornberg said. And "it's certainly not restricted to environmental groups."

"Frivolous litigation is the real main problem," added Gordon Nichols, government affairs director for the Inland Empire's Baldy View Chapter of the Building Industry Association. "If you can sue anyone at any time for anything, even though your project does comply with CEQA, you're opening up a can of worms."

Kathryn Phillips, director of Sierra Club California, disagreed.

"The people who have wanted to get rid of CEQA have wanted to get rid of it forever. ... They are using this housing crisis now as a way to pummel CEQA," Phillips said. "I'm confident that CEQA is not the reason we have problems with housing."

The Next 10 report also found that Prop. 13 biases local government against residential development.

Local governments tend to favor commercial development because it generates more revenue through sales and hotel taxes with relatively little demand for municipal services, the report says.

Housing generates less revenue because Prop. 13 restricts property taxes while boosting demand for roads and police and fire protection.

“Cities don’t want housing, particularly workforce housing,” Thornberg said.

Thornberg’s position on Prop. 13?

“Toss it. Toss it. Gone,” he said.

And voters will support Prop. 13’s repeal, he said, if you explain that it’s shifting revenue away from income and corporate taxes.

“That’s obviously utter nonsense,” said Jon Coupal, president of the Howard Jarvis Taxpayers Association, a major Prop. 13 proponent. “Prop. 13 has never been a cause of the housing crisis. The argument presupposes there’s a lack of revenue, and California cities have lots of revenue.”

‘BY RIGHT’ DEVELOPMENT

Gov. Brown seeks to spur home building by giving developers “by right” approval to build if they comply with existing land use guidelines and zoning and have 20 percent of the units set aside as affordable housing.

If the development is within half a mile of a “major” transit stop, just 10 percent of its units must be set aside as affordable housing.

Cities still have the power to set land use guidelines and determine zoning, said Metcalf, the state’s housing director. But that’s done as part of the general plan process, not when reviewing individual projects.

“This is the way it happens, by and large, outside California,” Metcalf said.

Not everyone loves the plan.

Brown’s measure, which is pending before the Legislature, set off a firestorm of protest among cities and anti-development forces.

“We all agree there’s a housing shortage,” said Tony Cardenas, regional manager for the Orange County chapter of the League of California Cities. “But the way the governor is

going about it is stripping away local control and eliminating public transparency. That's problematic."

Carrigg, the league's deputy legislative director, said Brown's plan assumes that all cities have updated their general plans.

"Conceptually, the argument is, hey, your plans are in place — let's move it forward," Carrigg said. "In reality, the plans aren't as updated as they should be."

And it's not just cities that are objecting.

Coastal Commission Chairman Steve Kinsey expressed concern the governor's plan "would eliminate the commission's ability to implement coastal resource-protection policies for multifamily projects" that comply with existing zoning.

ON THE BALLOT

Los Angeles voters will decide in November whether to adopt another plan seeking to encourage affordable housing.

Backed by a coalition of labor and affordable housing advocates, the Build Better LA initiative would require developers to provide affordable housing or pay a fee to support affordable housing when seeking general plan or zoning changes for a new project.

The initiative also would require the hiring of Los Angeles residents and "transitional" workers at prevailing wages.

The measure could be a model for the region, said Alan Greenlee, executive director of the Southern California Association of Non-Profit Housing.

If local government makes land more valuable by rezoning it or increasing a project's size or density, the developer should include affordable housing or pay into an affordable housing fund, Greenlee said.

Meanwhile, other local groups are resorting to the ballot to fight development with initiatives in at least four local cities that would slow new construction.

Residents in Costa Mesa and Santa Monica could be voting in November to require the electorate be given a voice in approving some major developments. Activists in Redondo Beach filed paperwork last week for an initiative to tighten restrictions on development in the 36-acre harbor and pier area.

In Los Angeles, a coalition of community groups is gathering signatures for the Neighborhood Integrity Initiative, a proposed March 2017 ballot measure seeking a two-year "timeout" on "mega-projects" requiring zoning, height or general plan changes.

Developers and affordable-housing advocates maintain, however, that slow-growth measures are part of a misguided efforts to prevent change in the face of enormous population growth and rising housing costs.

“People who have lived in their neighborhoods a number of years and don’t want to see change,” said F. Noel Perry, the founder of Next 10, the San Francisco think tank.

But change is inevitable, housing advocates say.

“I think people who advocate for keeping the world the same are terribly misguided. The world is not the same,” Greenlee said. “We can either ignore (change) or we can get ahead of it.”

Staff writers Neil Nisperos, Kelcie Pegher and Megan Barnes contributed to this report.