EDITORIALS

California's housing crunch costs us big time; how to fix it

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Californians already know how expensive housing is in our state. But a new report from the nonpartisan Legislative Analyst's Office makes it clear that as a state, this ever-growing bill is one we simply can't afford to keep paying.

Housing in California is more expensive than everywhere else in the nation (except Hawaii). The average home price in California is nearly $440,000, a whopping 2.5 times the national average. Median rents of $1,240 are nearly 50 percent more than the national average.

Housing prices in California began to speed ahead of the rest of the nation around 1970 and really gained steam after the passage of Proposition 13.

The past few decades have forced Californians, especially those in coastal areas, to make impossible choices. Our commutes are punishing (10 percent farther than commuters elsewhere), our poverty rates are staggering (the highest in the country when housing is taken into account), and our economy is suffering (because employers can't hire and retain skilled workers here).

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Unfortunately, the culprit is a familiar one: the resistance of Californians, particularly those in coastal areas, to build housing at a level that would make sense for our population and our future.

When California started seeing major spikes in the cost of housing — many decades ago — the state should have responded by building more housing. That's the sensible market approach in the rest of country.

In California, we did the exact opposite. Between 1980 and 2010 — the decades of California's home price surge — construction of new housing units in California's coastal metro areas was low by national and historical standards. So cities like Seattle, which added new housing units at twice the rate as San Francisco and San Jose over the past two decades, got some of our economic productivity and a lot of our bright young minds instead.

Building the housing that we actually need — as many as 100,000 additional units annually, almost exclusively in coastal communities — "would require the state to make changes to a broad range of policies that affect housing supply directly or indirectly — including many policies that have been fundamental tenets of California government for many years."

Top among the Legislative Analyst's Office recommendations is one that's sure to be met with howls of protest from coastal areas.

Because "California's high degree of voter involvement in land use decisions appears to be unique," as the report puts it, the state has to limit the ability of localities to block development. Otherwise, the NIMBYs are going to drive California out of business.

Some of these policy changes can come about by developing new incentives for local governments to encourage dense home building in their areas. Local governments, for example, have noted that they have only a limited fiscal incentive to approve housing.

The tax revenues from commercial and hotel development are more lucrative for them, because they get only a small portion of revenue collected from the property tax.

Changing these incentives would require statewide initiative and could be a good carrot for local governments.

Then there's the stick — reform of the California Environmental Quality Act. As the Legislative Analyst's report notes, the environmental review process has often been abused for purposes that have nothing to do with the environment. California's "level of environmental review for private housing development is uncommon among U.S. states and ... can be used to reduce new housing development." We won't get the housing we need until we reform it.

None of this is going to be easy. The Legislature will need to take a comprehensive approach to these major policy changes, which could take years of consensus building and developing political backbone. But the alternative — a constrained housing supply that's unaffordable to all but the wealthiest — has economic and social costs that California can't afford much longer.