



Why Haven't the State Housing Laws Produced Housing Relief?

State Takeover of Local Zoning – Intent

Transfer of local planning authority from Cities to State / Developers

The Idea that Launched 150 State Laws

1. If developers earn higher profits building housing, they'll build more
2. State eliminates most **Zoning**
→ increase developer profits on housing
 - Zoning = local limits on building size, location, design standards, etc
3. Quantity will drive down market prices

← True, above a threshold

← Zoning not a major cost factor

← Only as long as market prices drop less than profit increase

Housing Affordability in California



The Promise: Trade Local Control for Housing Affordability

Communities Would

Give Up

Zoning, Planning and Input



In Return, Californians Would

Gain

Housing Relief

- Building locations, sizes, setbacks ...
- No community input on housing projects
- Massive administrative effort to comply with State requirements

– \$Billions statewide; HCD alone \$1B grants

<https://shou.senate.ca.gov/sites/shou.senate.ca.gov/files/MK%20Panel%201%20Joint%20Hearing.pdf>

- ✓ Lower Housing Costs
- ✓ Lower Homelessness
- ✓ Increased Housing Production

The Pledge:

“SB 9 won’t single handedly solve our housing crisis, but it will help address housing affordability”

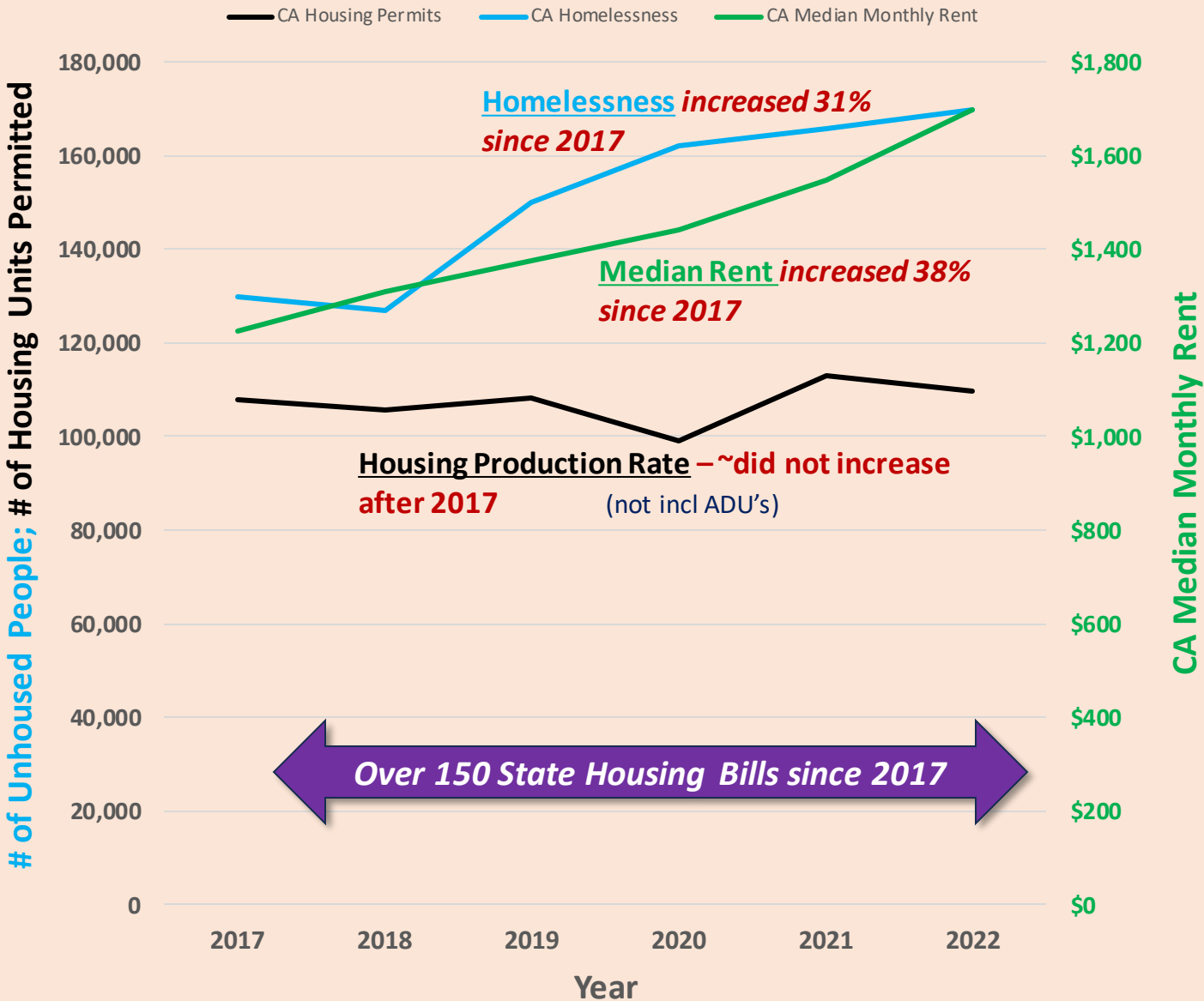
Marc Berman, State Assembly (District 23) – Aug 26, 2021

The Promise: Trade Local Control for Housing Affordability

- 1. Results \neq Expectations**
- 2. Housing Economics**
- 3. Policy formulation**

Results: Lots of Housing Laws, Not Much Housing

CA Housing Statistics Before/After the 150 New Laws



No impact on
Affordability,
Homelessness,
 or
Housing
Production

Except: ADU production increased

Results: Lots of Housing Laws, Not Much Housing

Turner Center 2023

“Are California’s new laws **actually producing more housing** here? The short answer is **no.**”

- David Garcia

UC Berkeley Turner Center for Housing Innovation, May 2023

“When you look at the numbers, you don’t see what you expect to see after all that activity ...

Housing Unaffordability remains high, and production relatively stagnant.”

- Ben Metcalf

UC Berkeley Turner Center for Housing Innovation, February 2023

Media Coverage 2023

The Mercury News
Housing | California has nearly 100 new housing laws. Are...
NEWS > HOUSING • News
California has nearly 100 new housing laws. Are they fixing the affordability crisis?
“We’re coming up short,” or
#HOUSING
Newsom campaigned on building 3.5 million homes. He hasn’t gotten even close
BY MARCELA TORRES
OCTOBER 31, 2022

The Mercury News
Housing
NEWS > HOUSING • News
SUBSCRIBER ONLY
Apartment construction in Silicon Valley grinds to a halt amid cost crunch
After adding thousands of apartments in recent years, development is slowing across the Bay Area

THE SACRAMENTO BEE
Part of the McClatchy Media Network
News Sports Politics Opinion Obituaries • Personal Finance Food & Drink Bee Curious Equity Lab Capitol Alert Shopping
CAPITOL ALERT
Capitol Alert
California eliminated single-family zoning to encourage more housing. Why it hasn’t worked
BY MAGGIE ANGST
UPDATED JANUARY 01, 2023 4:36 PM

Independent San Francisco news + culture
CLICK TO DONATE NO
Lots of housing laws. Not much housing
Hearing, data show how the state’s ‘streamlining’ supply-side approach is failing.

<https://www.mercurynews.com/2023/05/10/opinion-are-any-of-californias-housing-laws-actually-working/>

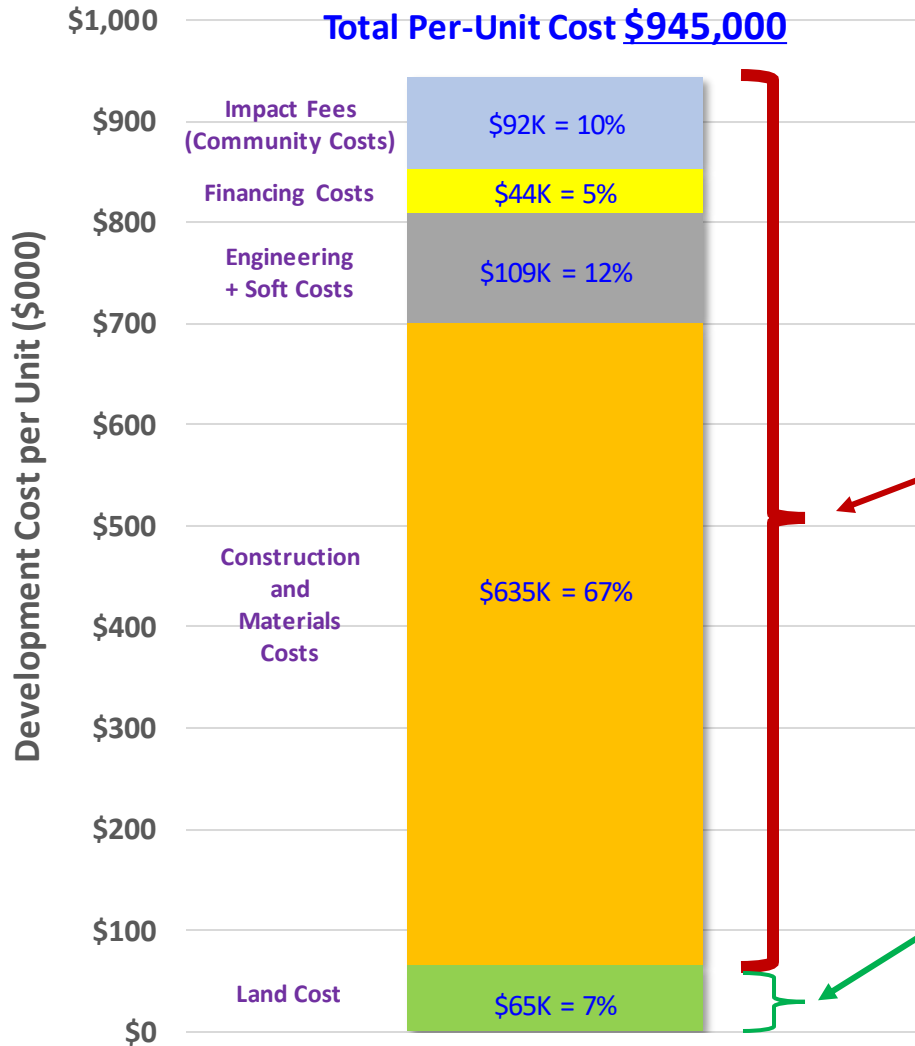
<https://shou.senate.ca.gov/sites/shou.senate.ca.gov/files/2.28.23%20Metcalf%20-%20Housing%20Informational%20Hearing%20Slides.pdf>

Zoning Doesn't Affect Housing Economics (Much)



High-Density Market-Rate Housing – Cost Per Unit

900sf Apartment, 7-Story Multi-Unit Building, San Jose CA



High-density market-rate:
**93% of Development Costs
not affected by Zoning**

**What makes Housing
expensive to produce**

**State Zoning Laws
Affect Only This Much**

Zoning changes (building size, setbacks, density etc) affect only "land cost" component of Housing; zoning doesn't affect the other costs

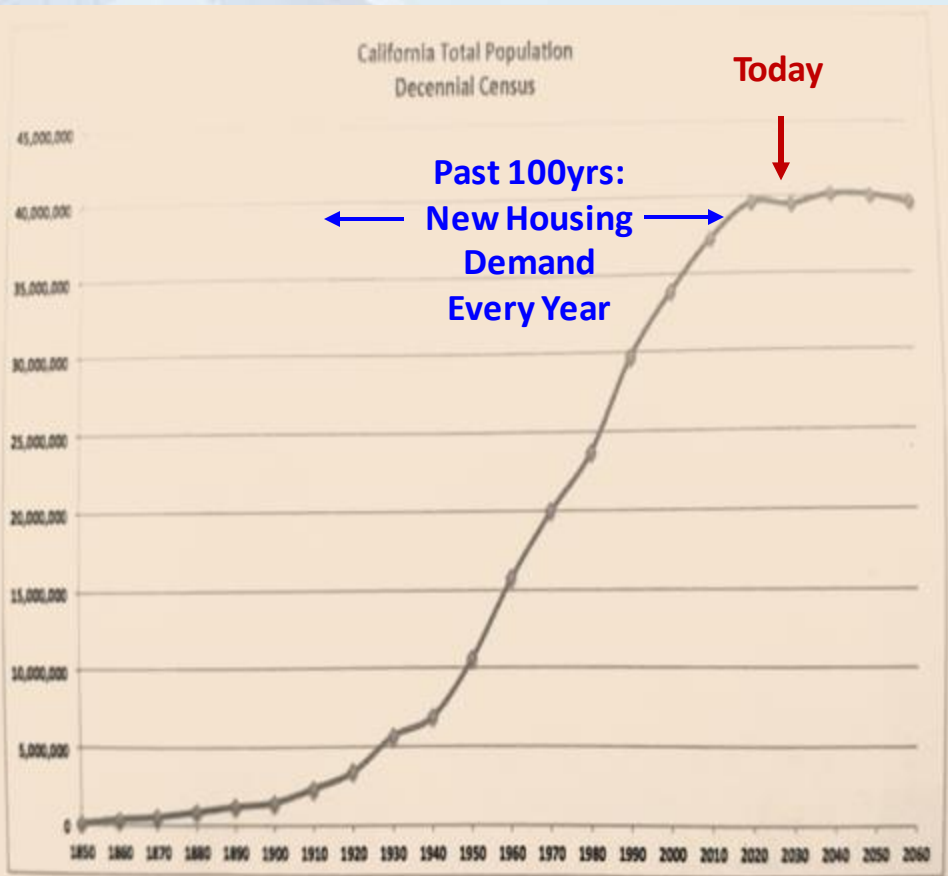
Developers will not lose money: can't reduce market prices w/o reducing the \$945K

Production Depends on Supply of “\$1M Condo” Tenants

“There’s just not enough upper middle class incomes.”

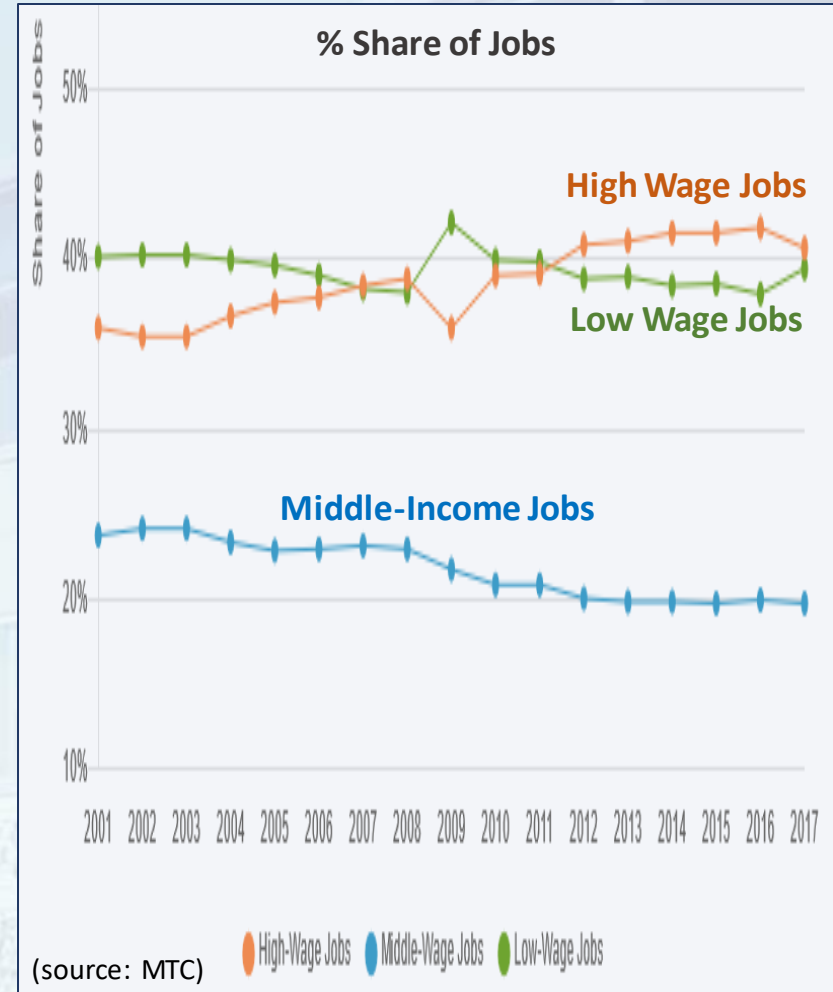
Dan Dunmoyer, CEO, California Building Industry Association, Dec 2022

California Population Not Growing



Historical population estimates (1850-2020) from U.S. Census Bureau. Projections (2030 - 2060) from California Department of Finance.

Bay Area – High Inequality



Recap: Why the State Housing Plan Hasn't Worked

A. The State Plan – new housing laws, RHNA targets, Builder's Remedy, etc – intend that:

- i. Higher developer profits on housing will spur more construction, driving market prices down
 - Concept: achieve this through zoning changes to allow higher density projects in more locations
- ii. Most new development in California should be multi-unit infill construction in urban areas; vs single family homes in sparse regions, ADU's, mobile home parks, etc

B. However: in multi-unit infill development, it's very hard for zoning to affect Market Prices

1. Zoning affects building density and location; but not construction, materials and other costs.
2. In urban multi-unit buildings, all these other costs heavily outweigh density and location differences. So changing or even eliminating zoning saves only a few percent of total costs.
3. A few percent change in project costs may spur developers to build more. But if prevailing market rents ever fall as much as the few-percent cost change (or even fail to keep up with inflation), developers stop building. Private real-estate investors will not lose money.

C. Without a reduction in total costs, housing production will not accelerate without new high-wage residents who can afford our high Market Prices

- California's 100 years of population increases have stalled; out-migration > in-migration
- If high-wage in-migration to California ever resumed, new housing construction might accelerate again, but would still not produce Affordability because of (B).

Why Would State Assembly Spend So Many Years of Time, Effort and Money on <7% of the Problem?

New Housing Costs



**What
Zoning
Affects**

Politics of Zoning Bills

1. Appeal to special interests (developers, trade unions ...)
2. Let politicians claim to be taking action on Housing
3. Just passing bills is cheap

Not included: "Solve the Problem"

"A Strategy of Avoidance"

“To address **zoning** ... you have to ask why is this **the one thing** that we’re really willing to do anything about?”

“My read is you have in favor of a bill like [SB9], some very powerful interests that have a lot of pull ... enough political muscle to overcome the strong opposition, and quite legitimate opposition in some cases, of local government.

“And so because it’s Sacramento interests on one side, and just local government on the other, that’s a battle we’re willing to fight.

“But in order to address any of the other parts of the housing problem, suddenly then you have Sacramento special interests on both sides, and you have even more powerful special interests on the opposition side. And so we’re not willing to fight those battles.

“I’ve started to ask myself, am I, you know, enabling a **strategy of avoidance**, where **we look like we’re doing something to address housing, but actually avoiding the much bigger issues** that are responsible for us having by far the worst housing situation in the country.”

- Kevin Kiley, State Assemblyman (District 6), June 22, 2021

<https://www.assembly.ca.gov/media/assembly-housing-community-development-committee-20210622/video>

State Takeover of Local Zoning – Unsuccessful

Local Control



Trade

for

No plan
to get here



Housing Affordability



Housing Prices *increased*



Homelessness *increased*



Housing Production *“stagnant”*

Who Lost?

- Almost everybody: communities, renters, voters, low- and mid-wage earners, housing advocates, city budgets

Who Won?

- Developers: Slightly higher profits on ~ same amount of Housing
- Sacramento: State elected officials extol passing many Housing Bills
- Consultants: \$Billion* windfall from cities' and state need to satisfy myriad administrative and compliance requirements

“Where’s Our Affordability?”

- **What to do with an Expensive program with no useful results, and little chance of reaching them on its current track?**
- **Why the 150 laws / RHNA fail: Issue = Economics, not Zoning**
 - State has failed both on “Local-Control” and “Housing-Crisis”
- **Common factor – accountability and competence in State Government**
 - “Do something cosmetic and hope the Problem goes away by itself” not acceptable in the Private Sector, why accept in government?
 - Housing, PG+E, K-12 education, HSR-to-nowhere, \$32B to fraudsters ...



Backup



Voters Prefer Housing Decisions Made Locally

Bay Area YIMBY Index Key Findings Report

17. Which of the following comes closest to your view?

Bay Area Voters	%
State officials should take action when policies by local officials prevent new homebuilding and development within their own communities	26
Local officials should have the right to control the type and pace of homebuilding development within their own communities	53
Don't know / not sure	21

State Plan Itself May Drive People Out

Top Reasons to Leave the Bay Area*

State Housing Actions

1. High cost of Living and Housing

No Impact Here

2. Quality of Life

3. High taxes

4. Traffic and congestion

*Make These Things
Worse*

* Source: Joint Venture Silicon Valley, 2021

Uncharted Territory



“In San Francisco we need the rent to go **up** in order to get housing to work”

Corey Smith

Executive Director, Housing Action Coalition

San Francisco Planning Commission Meeting

18-Jan-2024

[https://sanfrancisco.granicus.com/player/clip/45234?view_id=20
&redirect=true&h=f680ce7fabcf7bf06b73b11180ef5307](https://sanfrancisco.granicus.com/player/clip/45234?view_id=20&redirect=true&h=f680ce7fabcf7bf06b73b11180ef5307)

34:05