

California needs to build a staggering number of homes and we are way behind

San Gabriel Valley Tribune, by Kevin Smith, 01/04/17, 5:29 PM PST

It's no secret that California is grappling with a housing shortage, but a new report quantifies how serious the problem is.

Developers are building an average of 80,000 new California homes a year, but that falls well below the 180,000 that are needed, according to the California Department of Housing and Community Development.

The department's "California Housing Future: Challenges and Opportunities" report shows new home construction is being constrained by a variety of factors, including regulatory barriers, high permitting costs and diminishing public resources.

California will need more than 1.8 million additional homes by 2025 to keep pace with the state's ever-growing population. The state housing and community development department and state Department of Finance determined the state's housing need based on population projections and household formation data.

California's current population of 39 million people live in 13 million households scattered across 58 counties and 482 cities.

The state's population is expected to swell to 50 million by 2050.

Nearly 40 percent of those new residents will live in Southern California. That population surge will fuel the need for more than 68,000 new homes each year in the region.

Homebuilders point to several reasons for the shortage of new homes.

"The biggest constraint is a lack of available land," said Bill Holman, vice president of land development for [Christopher Homes](#) and for [Rosedale Land Partners](#), master developer of the 1,250-home planned community of [Rosedale](#) in Azusa. "Southern California is pretty spread out and opportunities for large-scale developments are often far from where people want to live.

Many developers have also pointed to the [California Environmental Quality Act](#), which requires state and local agencies to identify significant environmental impacts that projects would create. Developers must avoid or mitigate those impacts whenever possible.

"The approval process can take years to get through, so a real estate cycle could have come and gone by the time you get your master plan approved," Holman said.

The resulting shortage in homes has boosted home prices and whittled housing affordability to the point where many Californians can't afford a home. Mel Wilson, broker and owner of [Mel Wilson & Associates Realtors](#) in Northridge, witnesses that phenomenon nearly every day.

"We have a tremendous housing shortage in Southern California," he said. "If a home is listed at or below the median price we're getting four or five offers. And this is creating a lot of pressure for the workforce. People are going farther out where homes are cheaper, so they're driving 30 minutes to 1 1/2 hours one way each day to get to their jobs."

All of these factors are eating away at the state's economy.

The [McKinsey Global Institute](#) estimates that California's housing shortage is costing the state \$143 billion to \$233 billion in lost economic output, primarily from consumption that's crowded out by high housing costs and lost construction activity.

Recent figures from CoreLogic reveal how much home prices have risen over the past year.

Azusa's median home price for September was \$449,250, up nearly 20 percent from the year-ago price of \$375,000. But bigger year-over-year increases were seen in such cities as Foothill Ranch (26.9 percent), Westlake Village (25 percent), La Cañada Flintridge (22.3 percent) and Chino Hills (20.4 percent), among others.

High prices and a lack of inventory have also led to overcrowding in homes and increased homelessness, which disproportionately affect seniors, low-paid farm workers and people with disabilities.

On any given night in 2016 more than 118,000 people experienced homelessness in California. That accounted for 22 percent of the nation's entire homeless population.

[Beacon Economics](#) released a trio of reports last year that said the search for more affordable housing is sending low and middle-income workers out of the state, while higher-wage workers continue to move in.

"California has an employment boom with a housing problem," Christopher Thornberg, a founding partner with Beacon, said when those reports were released. "The state continues to offer great employment opportunities for all kinds of workers, but housing affordability and supply represent a significant problem."

The "California Housing Future: Challenges and Opportunities" report shows that California's homeownership rate has fallen below the national level with a significant gap that has persisted since the 1970s.

In 2014, the California's rate stood at 53.7 percent — the third-lowest in the nation.

Between 2006 and 2014, the number of homes that were owner-occupied fell by nearly 250,000 in California, while the number of renter-occupied units increased by about 850,000.

The report advocates a number of options that would boost the pace of home construction, including:

- Streamlining the permitting process with strong public engagement and early environmental reviews
- Increasing regional coordination in land-use planning
- Strengthen state oversight of housing laws to boost local housing production at all income levels

The "California Housing Future: Challenges and Opportunities" report was compiled with input from [UC Berkeley](#), [USC](#), the [Governor's Office of Planning and Research](#) and a variety of other state agencies.