# California is paying for this housing crisis, and not just in mortgages and rents

*The Sacramento Bee, by F. Noel Perry and Adam Fowler, Special to The Sacramento Bee, May 24, 2018, 04:00 am*

The "California Dream" of homeownership is not yet dead, but it's on life support.

As housing prices continue to hit record highs, economic divisions are deepening across the state. The details are intricate, but the overall picture is clear: Our strong but dysfunctional economy is driving away families the state needs for sustainable economic growth.

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New research from the San Francisco-based Next 10 and the Los Angeles-based Beacon Economics offers a snapshot of a state economy that is increasingly becoming defined by its housing shortage.

It's no secret that California's home supply severely lags demand. Since the trough of the recession in 2009 through last year, an average of 73,000 new housing permits were issued each year. This is down from an average of 135,000 permits issued annually between 1991 and 2007.

If these trends continue, we could see a housing backlog of 3.4 million units by 2025. And even if we maintain the uptick in new construction that the state experienced last year, we'll still face a backlog of 2.8 million units.

For California families, the housing shortage means choosing between the second-highest rent burden in the nation and long commutes, or moving out of state. For California companies, it means difficulty recruiting and retaining top talent. For California's economy, this may mean a shortage of local workers in key areas. And for the state's future, it might mean a brain drain, as young people figure their prospects are brighter elsewhere. Our inability to build new housing is constraining our economic growth, jeopardizing our climate change goals, and preventing healthy diversity in our population.

There's also a broader risk to California society: We are effectively sorting ourselves by economic class, especially in cities, where opportunities tend to be the greatest. People who own homes in cities have a natural incentive to resist local growth to ensure their property values continue to increase. However, the impacts of discouraging development don't remain local, instead they ripple out across the state's urban areas and beyond.

Discouraging growth hikes housing prices and skews city residency toward people with higher incomes and more education. It also has the practical effect of discouraging anyone living below a certain income level from moving to the state, and drives low- and middle-income Californians out.

While there is no one solution to California's housing crisis, we can start by acknowledging the root of the problem: our housing need projections are based on an incomplete baseline. The state's Regional Housing Needs Assessment (RHNA) allocations are driven by population forecasts that don't account for a backlog of housing needs we haven't yet met, nor the lack of population growth in communities that have previously avoided development.

Housing estimates that attempt to solve California's affordability crisis have to address our fundamental lack of supply. If we base calculations and subsequent policy on the status quo, we will continue a cycle of exclusion that perpetuates high housing costs and overcrowding in certain areas and will one day leave us with a California that looks much less diverse than the one we enjoy today.

The class stratification we're seeing within and between the state's regions, and between its urban and non-urban areas, is becoming increasingly acute. We hope the research we're sharing will illuminate just how much of an impact the housing shortage is having. We must regain a housing balance in California to lay a sustainable foundation for a strong and diverse economy that will thrive for decades to come.

*F. Noel Perry is a businessman and founder of Next 10, a nonprofit nonpartisan think tank. Adam Fowler is director of research at Beacon Economics, an independent research and consulting firm. Reach them at noel@next10.org and adam@beaconecon.com.*