The Yin-Yang of Housing Affordability and Development in the Bay Area

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Takeaways: Our Yin-Yang is Out of Balance

1. We’re not building enough housing.

2. Perverse incentives of well-intentioned land use policies restrict housing supply.

3. We need to rethink our land use regulatory system and work with developers, not against them.
We’re not Building Enough Housing
Permits per 1,000 CA Households

Permits per 1,000 Households
Permits per 1,000 Bay Area Households

- San Francisco
- San Jose
- Historic Average
We’re not Building Enough Relative to Demand

<table>
<thead>
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<th>Markets with the Lowest Housing Supply Elasticity</th>
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<td>U.S. Metro</td>
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<td>New Orleans, LA</td>
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<td>Pittsburgh, PA</td>
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<td>Los Angeles-Long Beach, CA</td>
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<td>San Francisco, CA</td>
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<td>Buffalo-Niagara Falls, NY</td>
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<td>Scranton-Wilkes-Barre-Hazleton, PA</td>
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<td>New York, NY</td>
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<td>Long Island, NY</td>
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<td>Springfield, MA</td>
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<td>San Jose, CA</td>
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NOTE: Among the 100 largest U.S. metro areas, full data available [here](#). (This chart was updated 7/22 1:50 pm ET to include FHFA price data)
Homebuying Affordability

% of Income Needed to Buy Home

- US
- San Francisco
- San Jose

Rental Affordability

- U.S.
- San Francisco
- San Jose

% of Income Needed to Rent

Million Dollar Homes in S.F. Bay Area

2012
Perverse Incentives
Restrict Supply
Perverse Incentives Arise from Land Use Policies

1. Local “home rule” land use authority
2. Proposition 13
3. CEQA
4. Inclusionary Zoning
Perverse Incentives Arise from Local Land Use Authority

1. What’s good for housing market isn’t always good for local governments
   - Good for housing market: housing development is efficient, easy, inexpensive.
   - Local costs of healthy housing market: traffic, noise, overcrowded schools, loss of open space, sunlight.

2. What’s good for local governments isn’t always good for housing market
   - Good for local government: good provision of public services; low traffic, quiet streets; good mix of jobs and
   - Regional costs of healthy local government: expensive housing, uncoordinated development, public service inequality, regional traffic problems

3. Local control of land use means local preferences beat out housing market efficiency
San Jose Landowner faces pushback building housing for teachers

http://abc7news.com/video/embed/?pid=2024761
Opinion: Downzoning is the wrong solution to a real problem

West Berkeley should be rezoned to its original R-4 zoning. It’s hard enough to find housing so it makes no sense to miss an opportunity to add more housing of the affordable kind.

By Sonja Trauss
Sonja Trauss is the founder of the SF Bay Area Renters Federation and co-founder of the CA Renters Legal Advocacy & Education Fund. She is a proud member of the YIMBY movement, which seeks to increase housing affordability and reduce carbon emissions by promoting dense Infill development in high-opportunity areas.

A few West Berkeley residents, calling themselves “Friends of R1-A” are alarmed by the “problem” of new, large structures being built in their vicinity. They are in the process of asking the city to make it harder to add housing in neighborhoods with R1-A zoning.

On Wednesday, May 17, the Planning Commission met to discuss the neighbors’ proposal. The first speaker spoke in favor of downzoning: “We have a neighborhood protection ordinance because this has happened before: people in small houses have found themselves living next to apartment buildings.”

It’s not unusual for people to feel their neighborhood is being destroyed by housing, especially housing they think will be occupied by people they don’t like. What caught my eye about this campaign is the Orwellian way proponents were arguing for it. As a housing activist, the idea of preventing housing construction during a housing shortage offends me. As a participant in civil discourse, the cynical misuse of good arguments outraged me.
Perverse Incentives of Proposition 13

- Prop 13: disincentivizes new housing supply
  - Housing provides lower tax revenue relative to public service requirements compared to non-residential development over time.
  - Local governments incentivized to zone for less housing growth than market demands.

- Prop 13: disincentivizes existing housing inventory
  - Homeowners benefit from not moving. Effective property tax rates decrease with tenure in home.
  - Lower mobility rates mean fewer existing homes on the market.
EFFECTIVE PROPERTY TAX RATE, 2015
0.07%

PROPERTY TAX PAID, 2015
$1,030

TRULIA HOME VALUE ESTIMATE, 2015
$1,385,066
CEQA Provides Vehicle for Resisting Housing Growth

- Rezoning triggers CEQA review
  - CEQA review can be costly: time + money
  - Slows and/or prevents development

- CEQA review emphasizes environmental quality over housing market efficiency.
  - Probably a net social benefit in environmentally sensitive areas.
  - Probably a net social loss in areas in need of housing.
Inclusionary Zoning: Why Tax the Baker?

• Inclusionary zoning is well-intentioned, but has unintended consequences.
  • Require developers to build X% of units that are affordable
  • Density bonuses may offset some costs. At best a developer builds and market rate portion is more expensive. At worst, they don’t and no housing gets built at all.

• We need to treat affordable housing as a public good.
  • When bread is in short supply, we shouldn’t tax the baker, we should tax bread consumption and use it to subsidize baking.
  • If society benefits from housing lower income households, like we benefit from roads, parks, schools, we should fund it accordingly.
Rethinking Land Use Regulation
(Not So?) Radical Ideas for Reform

1. Strip local land use authority if local RHNA targets not met.
   - We’ve entrusted local governments with the power to meet demand, but constitutional powers rest with the state.
   - Let’s use carrots (state funding) and sticks (removing land use authority) to incentivize housing development.

2. Home sellers should fund affordable housing, not developers.
   - When there’s a shortage of bread, not helpful to make it more expensive for bakers to bake bread.
   - We should tax those that benefit from housing shortage: existing sellers.

3. Property and land use rights: assign to ONE stakeholder.
   - We have a convoluted system of development rights: shared between local governments, landowners, and community.
   - Let’s assign one, and allow others to buy out land use decisions.
Planning Data and Research

- Analysis and Growth Trends
- Land Use/Land Cover
- Land Preservation and Recreation Analysis
- More >

Resources

- Mapping
- PFA Interactive Map
- Other Interactive Maps from Planning
- Reinvest Maryland Toolbox
- Comprehensive Plans Online
- Planning Legislation
- State Clearinghouse

Priority Funding Areas

1997 Planning Legislation capitalizes on the state’s influence on economic growth and development. This law directs state spending to Priority Funding Areas. Priority Funding Areas are existing communities and places designated by local governments that states want to invest in to support future growth. Growth-related projects covered by the legislation include most state programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance and state leases or construction of new office facilities.

The Priority Funding Areas law builds on the foundation of planning visions which were adopted as Maryland policy through 1992 legislation (and updated in 2000). Funding for projects in municipalities, other existing communities, industrial areas and planned growth areas designated by counties receive priority for state funding over other projects. Priority Funding Areas coordinate state and local government efforts to support economic development and new growth.

The following areas qualify as Priority Funding Areas:

- every municipality, as they existed in 1997;
- areas inside the Washington Beltway and the Baltimore Beltway;
- areas already designated as enterprise zones, neighborhood revitalization areas, heritage areas and existing industrial land;

The 1997 planning law recognizes the important role of local governments in managing growth and determining the locations most suitable for state-funded projects. Counties may designate areas as Priority Funding Areas that meet guidelines for intended use, availability of plans for sewer and water systems and permitted residential density. Areas eligible for county designation include existing communities and areas where industrial or other economic development is desired. In addition, counties may designate areas planned for new residential communities which will be served by water and sewer systems and meet density standards.
Chapter 40B Planning

Chapter 40B is a state statute, which enables local Zoning Boards of Appeals to approve affordable housing developments under flexible rules if at least 20-25% of the units have long-term affordability restrictions.

Comprehensive Permit Information

M.G.L. Chapter 40B Guidelines - Subsidized Housing Inventory.
CPA Prequalification List, updated monthly.
Cost Certification Guidance and Forms.

Draft Guidelines for Calculating General Land Area Minimum

Handbook: Approach to Ch 40B Design Reviews

The 40B Design Handbook is a result of a collaborative process of the four Massachusetts housing agencies that are authorized to review and approve site eligibility for Chapter 40B affordable housing developments.

Housing Appeals Committee

Housing Production Plan

Housing Production Plan is a regulation under Chapter 40B that encourages communities to take a proactive approach to affordable housing development.
SCR17-002

Real Estate Transfer Tax For Affordable Housing

Submitting to the registered electors of the state of Colorado an amendment to the Colorado constitution concerning the imposition of a real estate transfer tax of one-tenth of one percent of the value of real property transferred in the state that will be used to finance the provision of affordable housing, and, in connection therewith, allowing the revenues from the tax to be collected and spent notwithstanding any limitation provided by law.

SESSION: 2017 Regular Session

SUBJECT: Housing

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John Kefalas

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Existing Land Use Rights System

- Land Owner/Developer Applies
- Planning Department Reviews
- Elected Officials Review
- Community Reviews
- Approval!

Changes Requested, Approved, or Denied
Alternative Land Use Rights System: Land Owner/Developer

Land Owner Gives Notice of Intent to Develop

Community Reviews

Can buy out development rights

Planning Department Reviews
Alternative Land Use Rights System: Community

Developer can buy development rights

Land Owner/Developer Gives Notice of Intent to Develop

Community reviews, can decide to sell rights

Planning Department Reviews

City can buy development rights
Alternative Land Use Rights System: City

Land Owner/Developer Gives Notice of Intent to Develop

City/Planning Department reviews, can sell rights

Community reviews

Developer can buy development rights

Community can buy development rights
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Thank You