



#HousingTheBay

Plan  
Bay Area  
2040

# CALLING THE BAY AREA HOME

Tackling the Housing Affordability and Displacement Challenge  
February 20, 2016

# CALIFORNIA'S HOUSING CRISIS:

## CAUSES AND SOLUTIONS

# Coastal California: Highest Housing Costs in the Country



## HIGHEST RENTS IN THE COUNTRY

Here are the highest priced median rents for a typical one-bedroom apartment across the United States. The San Francisco Bay Area has 15 cities on the list including the top three in the ranking: Palo Alto, San Francisco and Cupertino.



1. Palo Alto, CA	\$3,645
2. San Francisco, CA	\$3,488
3. Cupertino, CA	\$3,136
4. Santa Monica, CA	\$2,815
5. New York, NY	\$2,800
6. San Mateo, CA	\$2,728
7. Redwood City, CA	\$2,700
8. Mountain View, CA	\$2,700
9. Hoboken, NJ	\$2,650
10. Sunnyvale, CA	\$2,616
11. Cambridge, MA	\$2,550
12. Weston, FL	\$2,448
13. Santa Clara, CA	\$2,446
14. Pleasanton, CA	\$2,445
15. San Jose, CA	\$2,400
16. Newton, MA	\$2,400
17. Daly City, CA	\$2,400
18. San Rafael, CA	\$2,351
19. Boston, MA	\$2,350
20. San Ramon, CA	\$2,350
21. Santa Cruz, CA	\$2,300
22. Fremont, CA	\$2,297
23. Berkeley, CA	\$2,295
24. Somerville, MA	\$2,275
25. White Plains, NY	\$2,220
26. Washington, D.C.	\$2,200
27. Miami Beach, FL	\$2,199
28. Brentwood, CA	\$2,195
29. Santa Barbara, CA	\$2,150
30. Irvine, CA	\$2,130

SOURCE: LOVELY

**Of the 30 US cities with highest rents, 20 are in California.**

# Why? The Perfect Storm.

- **Not Building Enough; Fast Enough**
  - Zoning Restrictions
  - Approvals Processes, CEQA, etc.
- **It's Costly**
  - Fees / exactions
  - Conditions, e.g. parking requirements, density
  - Labor
- **Surge in Demand; Especially Rental**
- **Incomes Stagnant or Declining**

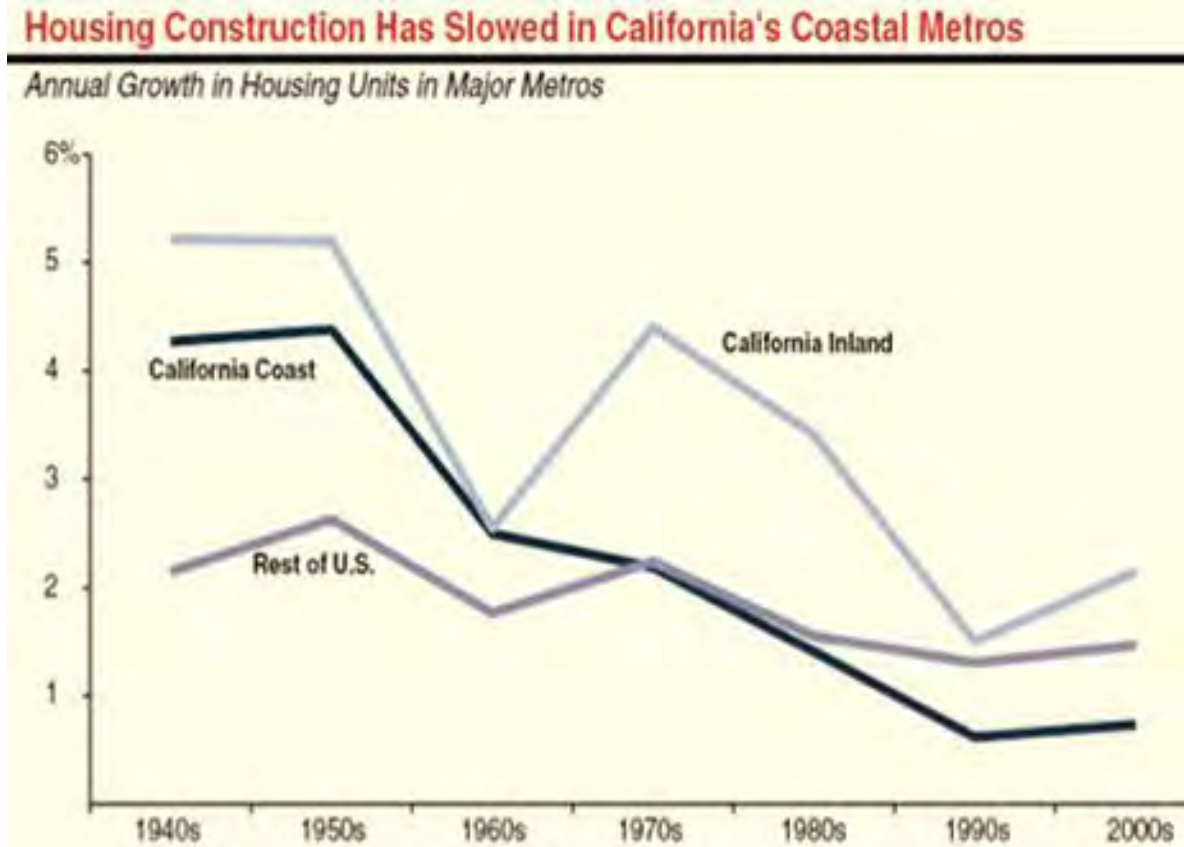
# Coastal Areas Have Produced Less Housing than Anywhere else in CA or Nation for Decades

## California Home Prices

1940 – 20% above US

1980 – 80% above US

2015 – 150% above US



Source: LAO, 2015

## Restrictive Zoning

### Reduces Housing Supply Near Good Jobs

### – Harming Social Equity, Economy and Environment

Restrictive zoning “**impedes mobility and thus contributes to rising inequality and declining productivity growth**...allow a small number of individuals to capture the economic benefits of living in a community, thus **limiting diversity and mobility** ...restricting the supply of housing...**increase its cost** ... make it difficult for individuals to move to areas with better-paying jobs and higher-quality schools.

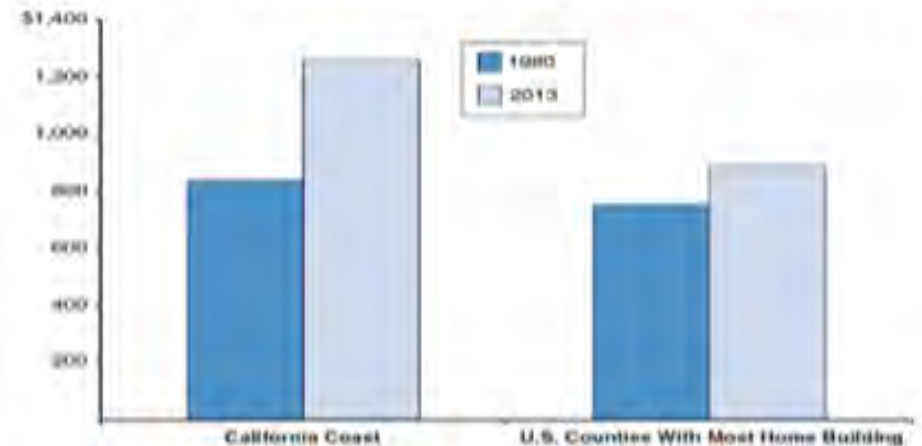
- Jason Furman, Chairman, Obama Council of Economic Advisors, 2015

### Zoning laws lead to racial and economic segregation:

“A new study from UCLA provides confirmation...that government restrictions are causing **income segregation** in U.S. cities. In particular, the wealthy are being separated from the upper-middle class, who in turn are being isolated from the working class. **The more zoning a city has, the more segregated it is.**”

- Bloomberg 2016

**Places With More Building Saw Slower Growth in Rents for Poor Households**  
Rents Paid by Low-Income Households in Urban Counties (In 2013 Dollars)



Source: LAO, 2016

# Why Don't We Build More, Affordably?



## Shattuck Ave, Berkeley

At BART in a PDA

35+ hearings, 5+ years

Ballot initiative defeated to downzone

Approved 2015

\$15 MM in Community Benefits for floors above 75':

\$50,000/door plus mitigations

CEQA suit filed 2015

Plan Bay Area allocates 1000's

hi-rise homes to this 10 block area

- **Community Resistance:** 80% of CEQA lawsuits are against Infill; 25% against Infill Housing- California only state with CEQA type regulatory layer- litigation and approval delays add time and cost
- **“Fiscalization” of Land Use:** Commercial development brings in more tax revenue
- **Limited Infill Land** with Economies of Scale
- **Infill Density more expensive;** especially with planning local requirements

# Development is Expensive

**Market Price: \$750,000**

Less Soft Costs/Indirect: \$60,000  
Less City/Utility fees: \$60,000  
Less Construction Cost: \$400,000  
Less Structured Parking: \$50,000  
Less Financing/Carry: \$50,000  
Less Equity Return/Profit: \$80,000

**AVAILABLE FOR LAND: \$50,000**

Times 200 units - \$10,000,000

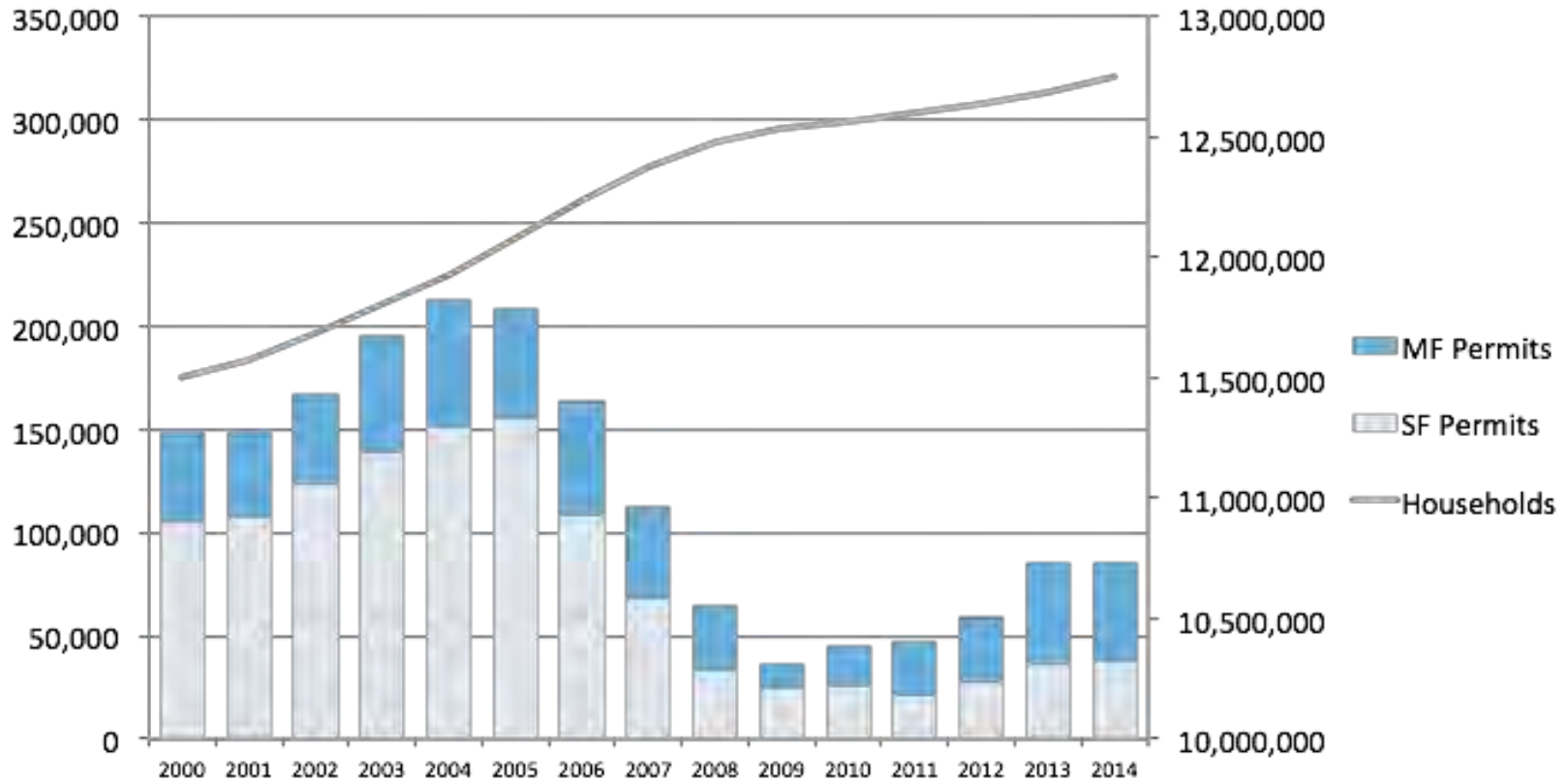
**Market Price: \$750,000**

Less Soft Costs/Indirect: \$60,000  
**Less Fees (+20k affordable fee) \$80,000**  
**Construction costs rise 10% \$440,000**  
Less Structured Parking: \$50,000  
Less Financing Costs: \$50,000  
Less 10% Equity Hurdle/Profit: \$80,000

**AVAILABLE FOR LAND: -**  
**\$10,000**

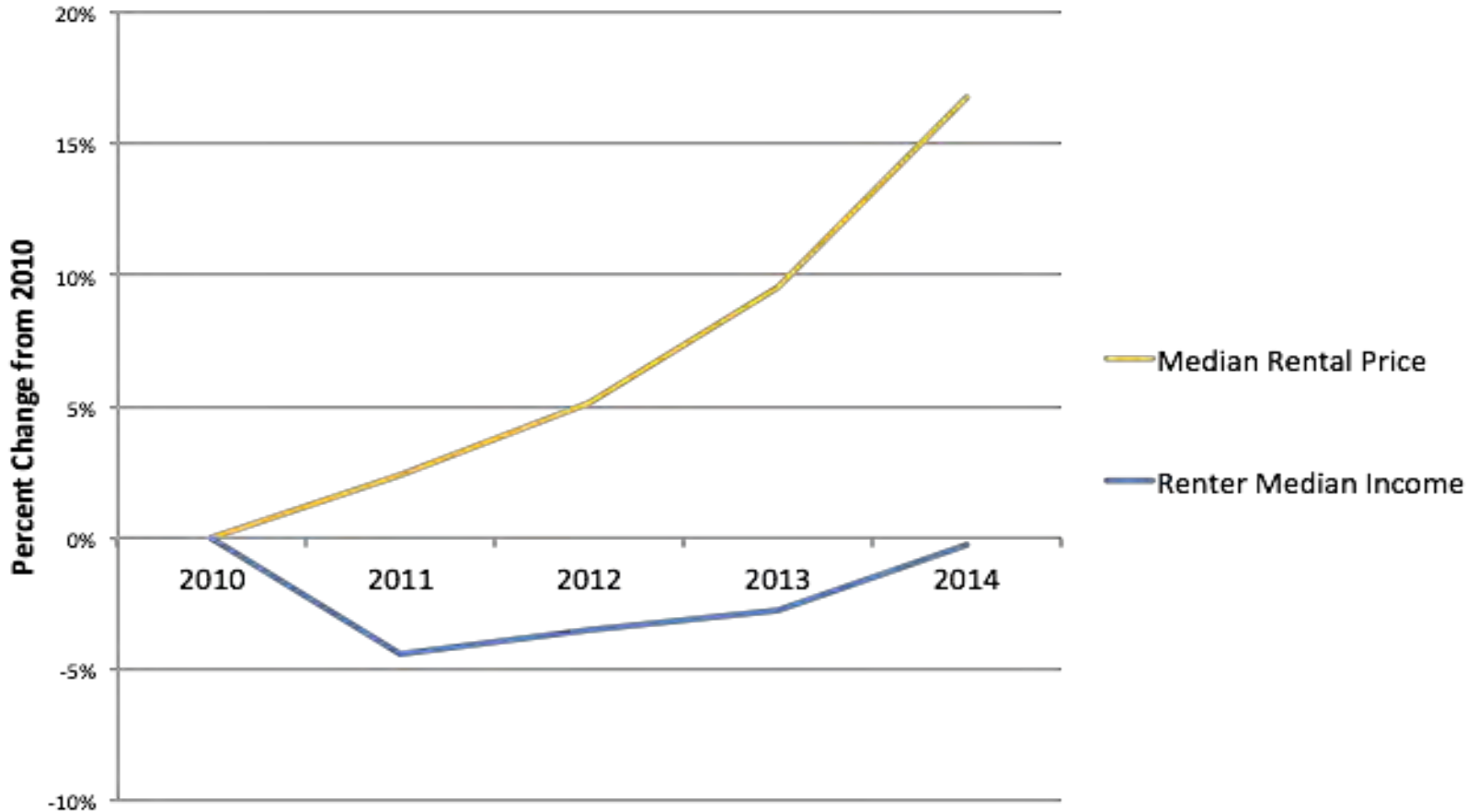


# Rate of Housing Growth Far Slower than Demand

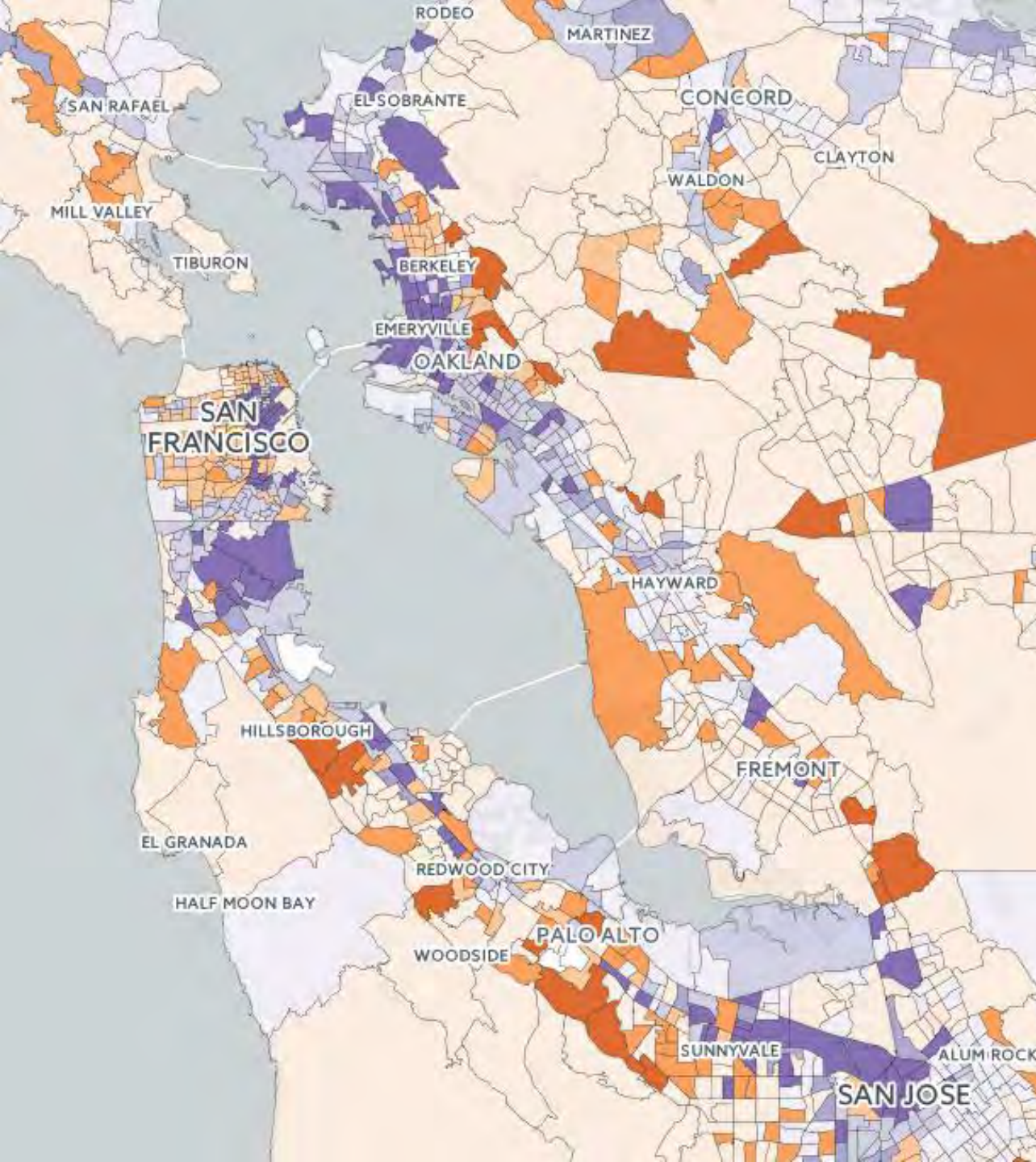


Source: Construction Industry Research Board/California Homebuilding Foundation and DOF 2014.

# California Rents Outpacing Incomes



Income Data Source: 2010, 2011, 2012, 2013 ACS 1-Year Estimates, Table B25119.  
Rental Price Data Source: Zillow Rent Index, All Homes, 2010-2013.



## What is the Impact?

- Gentrification
- Displacement

Data Source: UC Berkeley,  
[www.urbandisplacement.org](http://www.urbandisplacement.org)

# What About Immediate Solutions?

### Rent Stabilization



### Just Cause for Eviction



Data Source:  
UC Berkeley,  
[www.urbandisplacement.org](http://www.urbandisplacement.org)