GOLDEN TOGETHER

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Universal Housing Affordability

Housing affordability is the foundation of the California Dream. It is the prerequisite for equal opportunity, quality of life, and economic growth. Here's how to get it back.

Prepared by Golden Together, a Movement to Restore the California Dream

Foreword

What happened to the California Dream? Home ownership was at the heart of it but now we have the highest housing costs and lowest home ownership in America. It's almost impossible for regular working Californians to get on the housing ladder, and rents are crippling for many individuals and families, contributing not just to California's shocking poverty rate (the highest in the nation), but of course our escalating homelessness crisis too. Housing costs are the number one reason people are leaving California, an exodus that has already cost us representation in the Congress for the first time in our state's history, with further declines projected before the end of the decade.

Our Housing Crisis is not only a disaster in its own right: it underlies so many of the other problems we face. Essential services like schools and hospitals can't recruit the best professionals if there is nowhere nearby they can afford to live. Businesses won't set up operations in California if there's nowhere nearby for their workforce to live. We will never close the racial wealth gap unless we expand home ownership, the surest path for people to achieve upward mobility and build generational wealth.

So we have to turn things around. The good news is that California's Housing Crisis is not some natural disaster or unavoidable accident. It is the direct result of policy choices, many of them well-intended, that have nevertheless combined over the years to make it almost impossible to build homes on the scale we need. But these policies can be changed. We can change the abuse of environmental regulations artificially restricting the supply of housing. We can change the excessive taxes on house building artificially inflating the price of housing. We can move beyond the outdated 'Infill Ideology' that prevents housing being built in the places people want and at the scale we need.

Instead of scarcity, we can have abundance. Instead of politicians telling people where and how to live we can move into a new era of Housing Choice and Homeowner Autonomy. We can solve our debilitating housing crisis with a new approach that is modern, sustainable and more human. **We must plan for, and achieve, Universal Housing Affordability.** This, our second policy report from Golden Together, shows the way.

I'd like to thank everyone who helped with this policy paper, especially Golden Together Advisory Board members Gloria Romero, Joel Kotkin and Mason Harrison. We are also thankful for the tremendous advice we received from our friends in the housing industry and housing policy experts including Randall O'Toole, Marc Joffe, Christopher Calton, Robert Lapsley, Mike Kahoe, John Kabateck, and Dan Dunmoyer. Thanks also to California Policy Center senior fellow Edward Ring who is the lead author on this and all our policy papers.

Steve Hilton
Founder, Golden Together

Key Points:

- Only 15 percent of California households can afford to purchase a median priced home in the state. To purchase a home at the median price in California in 2023, a household would have to have an annual income of $221,000.
- California's median home price of $819,740 has led to the state having the lowest rate of home ownership in America. Only 18 percent of Californians are homeowners.
- California is also the most expensive state in America for renters. To afford the average monthly rent for a two bedroom home, a full time worker would have to earn over $42 per hour.
- According to UC. Berkeley's Terner Center for Housing Innovation, there have been over one hundred separate pieces of legislation on housing in the last five years. Yet the actual number of new homes being built is going down (excluding a relatively small number of ADUs).
- Between 2010 and 2021, lawsuits filed under the California Environmental Quality Act (CEQA) challenged housing plans that would have allowed more than one million new housing units.
- So-called 'Impact Fees' have become a Stealth Tax on housing. Fees per new housing unit of $150,000 to $200,000 are typical. We have even seen reports of fees as high as $300,000 per new apartment unit.
- Eliminating the private right of action under CEQA, and capping Impact Fees, as outlined in the California Homeownership Affordability Act (developed as a Ballot Initiative by Golden Together), would transform the availability and affordability of housing.
- Beyond that, measures outlined in this report focus on taking advantage of the fact that we already have the highest housing density in the nation. There is plenty of room for new housing in California.
- To illustrate the scale of what is possible if we embrace an ambitious approach based on abundance instead of scarcity, simply increasing California's urban footprint from the current 5 percent of the state's land to around 6 percent could provide housing for 10 million new residents, all of them living in homes on quarter acre lots (four person households), with an equivalent area set aside for schools, parks, roads, retail and commercial centers.
- Further investigation should also be applied to other aspects of California's housing framework that artificially reduce housing availability and affordability, for example the role of corporate ownership of housing and the recently passed Proposition 19.
- Capping taxes on housing, changing zoning laws that restrict housing development, and revising well-intentioned environmental protections to better recognize the needs of California's struggling households would go a long way towards making housing affordable again.
- All of this can be achieved while maintaining California's climate goals. There are much better ways to reduce carbon emissions than anti-housing policies that deny working families - in particular families of color - the opportunities of upward mobility and the California Dream.

- We will never solve California's Housing Crisis and achieve Universal Housing Affordability unless we end the war on single family homes. Suburban neighborhoods should be in addition to urban infill; neither should replace the other. By using the latest innovations and technologies, California's new, 21st century suburban neighborhoods can be designed to be beautiful, and most importantly, sustainable.

Introduction

Right up until the final decades of the 20th century, California's allure was simple and beautiful. Move to the Golden State, get a good job, buy a nice house with a yard in a leafy suburb with good schools for the kids, raise a family and live the dream. Millions of people moved here from all across America and the world and thrived. Suburban life was achievable and fulfilling. Anyone willing to work hard could buy their own small piece of paradise.

For most Californians today, however, home ownership is out of reach. California has the highest housing costs in the nation. The median price of a single family home in December 2023 was $819,740, up 6 percent compared to $770,490 a year before. The median household income in California in 2022 was $91,905. Put another way, a family with earnings at the midpoint of the income scale in California would have to spend nearly 9 times their annual gross income to buy a mid-priced home.

Even when interest rates were at historic lows a few years ago, buying a home in California was a stretch. Borrowing $750,000 via a 30 year, fixed rate 3 percent mortgage loan would have generated annual payments of $38,264 - a prohibitive 42 percent of median household income. But today that rate is up to 7 percent, which generates an annual loan payment of $60,439. On top of that, a homeowner must also pay for property taxes, property insurance, mortgage insurance, special district assessments, and the most expensive utilities in the country. The average buyer of a median priced home in California today would have to pay nearly 100 percent of their gross income merely to "own" a roof over their head.

When buying a home is impossible, renting one is the only option. But California is the most expensive state in America for renters. To afford the average two bedroom home rental in California, a full time worker would have to earn over $42 per hour. A study completed in 2023 by the National Low Income Housing Coalition determined that at the minimum wage at that time in California of $15.50 per hour, it would require 2.7 full time jobs to pay rent on the average two bedroom home while also purchasing other basic necessities. No wonder so many families in California are struggling to stay housed.

But it hasn't always been this way.

Even as California's population exploded in the post-war 1950s and 1960s, average home prices here were *less* than in the rest of the United States. In 1950, *adjusting for inflation*, a median priced home only cost $121,336. In 1960, in 2023 dollars, it was $154,520. Even by 1970, a median priced home in California in today's dollars only cost $180,335. These seem like give-away prices today, and back then, people in the rest of the nation took notice. Drawn by a booming economy, great weather, and affordable homes, new residents arrived by the millions. In 1950 the state's population was 10.7 million, by 1960 it had risen to 15.9 million, and by 1970 it hit 20 million. Life was good.

Starting in the 1970s, however, slowly at first but worse with each passing decade, home prices rose faster than the rate of inflation. Much faster. This report will explain the reasons why this happened, and how it can be fixed.

How Housing Became Unaffordable in California

On January 7, 1976, in his annual State of the State Address, Governor Jerry Brown uttered a phrase that perfectly captured the changing consensus in Sacramento and among California's elites:

"We are entering an era of limits," he said, "In place of a manifest economic destiny, we face a sober reassessment of new economic realities; and we all have to get used to it. We can't ignore the demands of social and economic justice or the fragile environment on which we all depend. But, in meeting our responsibility, we are now forced to make difficult choices. Freeways, childcare, schools, income assistance, pensions, health programs, prisons, environmental protection – all must compete with one another and be subject to the careful scrutiny of the common purpose we all serve."

These remarks, and the actions to follow, represented a seismic shift in California's political landscape. Between 1959 and 1967, Jerry Brown's father, Governor Edmund G. "Pat" Brown expanded the state's public works projects to build new colleges and universities, freeways and expressways - and the California Water Project, which remains the most extensive system of water storage and distribution in the world. To this day, Californians still benefit from these public assets. Pat Brown, however, was a product of his time. It was an era when Californians welcomed growth. All of that changed, starting in the 1970s.

The "era of limits" Jerry Brown talked about was partly economic. The first OPEC oil embargo in 1973 caused shortages of gasoline. The deep recession and double digit inflation during the Carter years shook the confidence of business entrepreneurs and working families. But also emerging in the 1970s was the modern environmentalist movement. It found widespread support among Californians who lived in coastal cities, hemmed in by mountains, where the smog from leaded gasoline created dangerously unhealthy air pollution. It resonated with residents in the San Francisco Bay Area, who mobilized to stop developments from filling in the shallow wetlands of the South Bay to build more homes.

But the environmentalist movement has transformed: from what back in the 1970s was a necessary and common sense reaction to air pollution and land development in sensitive areas, into a powerful political lobby that has made significant development of new housing anywhere in California almost impossible.

A series of landmark state laws (each of them spawning additional legislation), and endless rulemaking from state agencies, have created an acute housing shortage with devastating consequences that hit the working class, and the poorest and most vulnerable Californians the hardest.

Some of the causes of California's housing shortage are not solely policy driven. Demographic shifts have altered market demand. In particular, millennials, born between 1981 and 1996, are children of America's baby boom generation, known to demographers as the "pig in the python" because there were so many post-WW2 babies born. Consequently millennials were also born in great numbers in what has been called the "echo boom," and since 2000 these millennials have come of age and want to start families. To do this they want to purchase suburban homes, for which demand greatly outstrips supply.

Even without the demographic phenomenon of millennials boosting demand for homes, there would be a shortage. California's Legislative Analyst's Office released a report in 2015 that estimated the magnitude of this shortage, starting around 1980. They write:

"Between 1980 and 2010, California's major metros added about 120,000 new housing units each year. Our analysis suggests that between 190,000 units per year and 230,000 units per year were needed to keep California's housing cost growth in line with cost escalations elsewhere in the U.S."

Citing this report in a September 2023 *Los Angeles Times* article, LAO housing expert Brian Uhler stated “A couple of years of population loss is not going to be enough to offset three decades or more of undersupply.” To bring supply into balance with demand, California is roughly 2 *million* new homes behind. Campaigning for Governor in 2017, Gavin Newsom pledged 3.5 million new homes by 2025. We are nowhere near meeting that target today.

What kind of homes are missing? Assessing true market demand and homebuyer preference is distorted by the fact that today in California, *nothing* is affordable. Buyers and renters are often forced into the path of least resistance, which can put them in apartments when they’d rather own a condominium, or into condominiums when their dream is a detached single family home with a yard. In a less regulated, more affordable market, supply would adapt to meet demand in order to serve a range of choices, from a cozy apartment in a bustling downtown high rise to a ranch house on a spacious lot in a quiet suburb.

From this perspective, solving the housing shortage requires policies that are open to all types of housing. By offering Californians the freedom to choose the types of housing that best suits their needs and desired lifestyle, the market itself will drive what types of homes are built. With greater competition between home builders in a less regulated market, fewer buyers will be priced out. Some will choose high density and the amenities of a vibrant downtown culture, and others will find suburban living to be more family friendly. But if California creates a policy framework for individuals and families to have control over their lifestyle choices, the question of what types of homes are missing will answer itself. People from all backgrounds, at every point on the income scale, will have greater control over where and how they choose to live.

This is the more human approach that will help us achieve Universal Housing Affordability: Housing Choice and Homeowner Autonomy.

Some critics have suggested that the most popular of those choices for families with children, the choice to live in a suburb, has been one conditioned by the legacy of racial injustice; that suburbs are exclusionary enclaves formed by “white flight” from the urban core. And of course it is true that parts of California, in common with so many places in America, bear the scars of horrific racial discrimination when it comes to housing.

But a 2021 study by the Heartland Institute reported that over 50 percent of America’s ethnic minorities now live in suburbs, and “account for virtually all of the suburban growth over the past decade.” California, with a K-12 student population that is 56 percent Latino and only 20 percent non-Latino white, is America’s most multi-ethnic state. Increasing California’s housing supply to the point of universal affordability is by definition inclusive zoning.

‘Planners’ vs. Market - Unlocking Innovation

The prevailing ‘Infill Ideology’ among policy makers and urban planners in California is that new housing permits should be issued only within existing cities, should exclusively promote high density housing, and whenever possible should be sited adjacent to or within walking distance of mass transit. This approach has been justified as necessary because suburban “sprawl” is unsustainable. But the reasons cited don’t hold up to scrutiny.

Urban infill development can and should occur organically and is part of the natural evolution of an expanding city. But a more human approach based on Housing Choice and Homeowner Autonomy would balance infill development with suburban expansion that addresses the actual preferences of Californians. Building outward removes the pressure on urban real estate to absorb all housing demand at the same time as increasing the overall supply of homes, thereby lowering prices.

In a September 2023 study “Building the New America,” published by the Urban Reform Institute, the authors lead off with a section entitled “Planners Against the People.” They write:

“For generations Americans have voted with their feet—and their dollars—to achieve what has long been called ‘the dream,’ namely, a home of their own, usually in a low- to mid-density community,” but “Over the past half-century, there has been growing pressure from planners and governments to restrict home construction, particularly on the fringes of urban areas.”

While preserving California’s beautiful and essential open space, wildlife and diverse ecosytems is a vital priority, this can comfortably co-exist with expanding our development footprint and welcoming even massive new suburban housing development. California is a vast state, covering over 165,000 square miles, with only 8,000 square miles urbanized. A century ago, California’s population was only 4.7 million; today it is nearly 40 million. Over this period, the vast majority of growth was concentrated around the big coastal cities. Meanwhile, California has over 25,000 square miles of ranchland. Building new homes on quarter acre lots, with four person households, and allocating an equivalent amount for schools, parks, roads, retail and commercial areas would in total only consume 2,000 square miles. This could accommodate 10 *million* new residents.

This fact refutes the belief, embodied in the ideology that currently dominates urban planning decisions and state legislation, that the state is running out of room. If California’s population were to increase from 40 million to 50 million, and every one of those additional 10 million people lived in so-called ‘sprawling suburbs’, it would only increase California’s urban footprint from 8,000 to 10,000 square miles, i.e., from 5 percent to 6 percent of all land in the state. There is plenty of room in California for new housing, including in new suburbs - Sustainable Suburbs.

The conventional wisdom that suburbs are *not* sustainable turns out to be a prejudice rather than fact-based reality. Multistory structures use more construction materials per square foot than one and two story wood framed homes. High density districts lack permeable surfaces to absorb runoff. They lack the cooling impact of trees and other landscaping. On the other hand, new Sustainable Suburbs can incorporate green innovations such as narrower, more reflective roads, and cost-effective insulation and heating/cooling systems. With a higher ratio of rooftop to interior square footage than multistory buildings in high density environments, suburban homeowners can more easily install solar panels to generate a higher proportion of their electricity. Suburbs are not intrinsically worse for the environment than higher density areas, certainly not in spacious California.

There are much better ways to meet California's climate goals and reduce carbon emissions than to deny opportunity to poor and working class families seeking the California Dream. These, more modern and more human approaches to climate policy are a key component of Golden Together's work - reflected, for example, in our first policy report, Modern Forest Management.

Planners continue to claim that suburbs cause more per capita greenhouse gas emissions than high density infill. But the assumption that low density housing causes disproportionate emissions is outdated. Jobs are created within suburbs, employers relocate to new suburbs, people work from home…and vehicles are becoming either zero emission or ultra low emission.

What cities and suburbs may look like in the future should not be limited by planning biases that are increasingly debunked and contrary to what Californians want. Relaxing the restrictions on suburban development outside of established cities would take away a natural negative consequence: artificially inflated land values within the existing city's footprint, yet another significant contributing factor to high home prices. Relaxing restrictions on suburban development can also give rise to far more creative uses of space, once the price of developable acreage descends to affordable levels. Low density suburbs can be havens of greenery and wildlife, with the price of parks, greenbelts and wetlands falling below the threshold that today mandates a developer choose - either build homes with big yards, or set aside development acreage for open space, but not both. With constraints on land acquisition for development reduced or removed, you can have it all.

New suburbs can also be linked to higher density centers in a metropolitan area with new and emerging 21st century technologies that California should be famous for pioneering. The promise of virtual work and the allure of suburbs, the cost per square foot of high rise space, the decline of brick and mortar retail and the explosion of work-from-home choices may mean California's cities cannot simply be revived and expanded in exactly the same way that worked in the 20th century.

But we can create new spaces and new opportunities in the middle of legacy downtowns by repurposing commercial and residential buildings that are no longer economically viable.

There is an optimal synergy that can be found when peripheral suburban development is permitted, allowing downtowns to evolve without the pressure of absorbing 100 percent of California's population growth. Successfully reinventing California's downtowns requires embracing a strategy of decentralization. Ironically, downtown real estate may come down enough in value that cities can become even greater cultural magnets, because the so-called "cultural creatives'' will once again be able to afford to live and congregate there.

To make it all work, the prevailing ideology restricting state infrastructure policies must also be reversed, to deregulate energy and water development so private companies can afford to build new supply infrastructure. **We have an opportunity in California to once again revolutionize our beautiful state, with its incomparable endowment of open space and natural resources, to set an example to the world with extraordinary appeal. With a mindset of abundance not scarcity, with a strategy of Universal Housing Affordability, the possibilities are truly breathtaking.** Expect this version of the future to see flying cars, shared cars, urban cores with lower density, and near self-sufficiency in agriculture, energy and waste management. Expect commercial scale indoor agriculture, growing in converted high rises that feature vertical axis wind turbines to supplement conventional energy on a power grid that embraces an all-of-the-above energy strategy.

This is the modern, more human urban vision that defies the current orthodoxy. It is needed now more than ever. It will usher in the shared prosperity of Sustainable Suburbs side by side with a metropolitan megaboom, benefiting everyone.

The next sections of this report list some of the most significant legislation and policy priorities that have caused California's housing shortage and high home prices. Following a discussion of these, we offer recommendations to repeal, revise, or mitigate each of them.

The California Environmental Quality Act (CEQA)

The state law that has been around the longest, and has done the most damage to the housing opportunity in California, is the California Environmental Quality Act, universally known by its serendipitously phonetic acronym "SEE-kwa." It was passed by the state legislature in 1970, and at that time was the first legislation of its kind in the nation, if not the world. Its original intent was to "inform government decision makers and the public about the potential environmental effects of proposed activities and to prevent significant, avoidable environmental damage."

Over the past half-century, however, CEQA has acquired layers of legislative updates and precedent setting court rulings, warping it into a beast that denies clarity to developers and derails projects. When projects do make it through the CEQA gauntlet, the price of passage adds punitive costs in time and money. Knowing this will happen deters countless investors and developers from even trying to complete a project in the state.

When CEQA was originally passed, it wasn't even intended to affect housing developments. But that was then. According to Dan Dunmoyer, president of the California Building Industry Association, in the 1970s a CEQA report that was only two pages is today going to require over 1,000 pages. For a typical 200 home subdivision project the developer can expect to spend at least $1 million on CEQA reports in a process that will take 2-3 years, and that's best case. If there is any litigation, those budgets and timelines go out the window. But the tentacles of CEQA intersect with other regulatory beasts.

CEQA, in combination with other environmentalist inspired laws, has created a web of regulatory hurdles that are so unclear and so costly that only a small handful of housing developers, government agencies, or civil engineering contractors are big enough to navigate them. Another compounding problem with CEQA (and related laws designed to protect the environment) is that because so many years are required to get approval, by the time the design of a project is approved, it can often become obsolete.

One of the biggest problems with CEQA is that it permits private attorneys to file lawsuits. Ostensibly to ensure development projects are in compliance with CEQA guidelines, often these lawsuits are filed by attorneys with other motives. These include a competitor who wants to delay a project that might take customers or buyers away from their own business or project, a labor union engaging in what has become called "greenmail" to exert pressure on a developer to hire union labor, an environmentalist group that opposes development on principle even if it is badly needed housing, and even entrepreneurial attorneys that are just after lucrative settlements.

Of these, the most egregious abuse of CEQA's "Private Right of Action" that has contributed to the crisis of housing affordability in California is the weaponization of lawsuits to extract "Project Labor Agreements." These typically include elevated labor costs, the forced use of union labor, or both.

As we discuss in our recommendations, there are specific remedies to curb these abuses and restore CEQA to what it was originally intended to be: a productive tool to ensure reasonable environmental oversight on development projects.

The Global Warming Solutions Act

CEQA is only one big part of a consortium of similar regulatory creatures. The Endangered Species Act, the National Environmental Policy Act, the California Global Warming Solutions Act (AB32, passed by the state legislature in 2006), and seemingly infinite laws, executive orders, agency regulations, and court rulings pursuant to these and others, along with CEQA, have combined to make development in California nearly impossible.

For example, a relatively recent regulation pursuant to AB 32 is the requirement that any new housing development calculate the projected annual "vehicle miles traveled" (VMT) the residents will generate. Taking effect in 2018, this new analysis must be done in order to determine how much mitigating fees the developer will be assessed in order to fund mass transit or otherwise offset the anticipated greenhouse gas emissions from vehicles owned by residents of a new community.

In the meantime, developers whose projects have been mired in the CEQA process since well before 2018 are now required to supplement the portions of their Environmental Impact Report that evaluated traffic impacts based on congestion with a new evaluation that estimates vehicle miles traveled. And while this VMT analysis is meant to supersede the traffic congestion as "the new lens for assessing transportation impacts," potential congestion remains grounds for third parties to use CEQA to sue developers to stop their projects.

Changing the rules in midstream, conflicting rules depending on the agency, an approval process that takes years if not decades, financing that dries up or is driven up to punitive levels, excessive, unreasonable fees, projects that take so long that if and when they finally get the green light, either the market or the technology has left them far behind and they have to start over...For all its virtues, and there are plenty of them, environmentalism taken to extremes has helped destroy the California Dream for pretty much everyone except the rich.

Rent Control and Affordable Housing

The California Tenant Protection Act, passed in 2019, limits rent increases for all properties built more than 15 years ago that are not covered by local rent control ordinances. It limits rent increases to 5 percent per year (plus inflation), or 10 percent, whichever is lower. It also bans so-called "no-fault" evictions, meaning that landlords have to have a "valid reason" for evicting a tenant. Rent control lowers the value of rental properties, taking away incentives for landlords to improve their properties. It also lowers the incentive for developers to build new rental properties because they know the annual caps may prevent them in the future from charging market rates.

Rent control restrictions have contributed to California's housing shortage, which has caused rents to soar in properties that haven't yet reached 15 years since they were constructed. Another legislative response to California's housing shortage and consequent high prices has been a plethora of laws that create, in various ways, incentives for developers to build affordable housing. For example, housing developments are exempt from or qualify for streamlined CEQA review, or they qualify for tax credits, if they allocate a percentage of homes or apartment units to be affordable. In practice this means that qualifying low-income families are able to rent or buy the affordable housing, but the remainder of homes or apartments in the development are priced higher in order for the developer to recoup their costs.

In addition, the legislative work-arounds that have been employed in the name of promoting affordable housing have been accompanied by concessions to labor unions that make housing much more expensive to build.

Mandates and Incentives for High Density Housing

Frequently combined with affordable housing incentives is California's State Density Bonus Law. Expanded in 2023, it grants regulatory waivers with reduced allocations for parking if a portion of the housing units, typically at least 10 percent, are restricted to low income or otherwise disadvantaged occupants. Qualifying developments may override local zoning ordinances, exceeding the permitted project density by up to 50 percent, and in some cases up to 80 percent.

The consequences of these laws are not only to bring up the prices for the residents of the unsubsidized portion of the development, but to direct investments into these high density projects instead of into building more single family dwellings. This exacerbates the shortage of single family dwellings, raising prices. Since, as previously noted, detached homes with yards remain the overwhelming preference for young families, rent control, affordable housing mandates, and high density mandates all combine to make families' housing options not only more expensive, but to lock them out of the home ownership they most desire.

SB 375 and enhanced Urban Growth Boundaries

In 2008 the state legislature passed SB 375, which gave the California Air Resources Board (CARB) authority over "sources of greenhouse gas (GHG) emissions, including cars and light trucks." Based on the claim that low density housing caused longer commutes and hence more greenhouse gas, SB 375 established streamlined CEQA review for projects that are consistent with a regional plan that meets greenhouse gas reduction targets. The practical effect of SB 375 was to make it harder to get permits to build low density housing, and at the same time, to accelerate the establishment of more restrictive so-called "urban growth boundaries areas."

These geographic boundaries used to merely define where cities and counties intended to direct growth of residential, commercial and retail districts. But even prior to SB 375's passage, urban growth boundaries were no longer just a practical way to coordinate development among adjacent cities and county governments, and assign special districts to pay for infrastructure improvements. In 1963, in response to concern about urban "sprawl," a desire to protect farmland, and to "encourage the orderly formation of local governmental agencies", the state legislature required California's growing counties to form a Local Agency Formation Commission (LAFCOs). These LAFCOs are run by members of city councils and county supervisors and have the authority to designate urban growth boundaries and prevent or approve annexations of unincorporated land by cities. In practice, because these LAFCOs were controlled by elected officials representing existing cities and counties, they had a vested interest in restricting development in order to grow their own tax base through infill and redevelopment. SB 375 took a problem that was already contributing to a shortage of new homes and made it much worse.

Urban growth boundaries are now a key variable in constraining the growth of cities, because with higher density built into a given urban service boundary, the easier it becomes for developers to get approval for their projects there. As noted, the consequence of this squeeze is to make land within urban service areas artificially expensive, because it is more likely to get a development permit, further elevating housing costs.

Neglected Infrastructure - High Cost of Materials

California's current system of freeways was built between 1958 and 1974. As then Assemblyman Ray Hanes wrote in 2005, "between 1974 and 1982, the years Jerry Brown was governor, California stopped improving its existing freeway system, and made it virtually impossible to plan for new freeways." Starting with Brown's first gubernatorial administration, California also canceled remaining water projects in California. The last major reservoir built in California was New Melones, completed in 1978.

Lack of major new freeways in a state that has grown from 21.2 million in 1974 to nearly 40 million today obviously causes congestion and inconvenience - and greenhouse gas from all those vehicles idling in traffic. But lack of water has directly exacerbated our housing shortage. In 2002 the state legislature passed SB 221, wherein applicants intending to develop "large subdivisions will be required to produce proof of water availability in the form of a written verification from the applicable public water supplier." As California has experienced five multi-year droughts since the 1970s, when work essentially stopped on water infrastructure, vast areas of the state are now effectively off limits to new housing developments.

If lack of available water prevents housing from being built at all, lack of local lumber makes the homes that are built cost much more. California's logging industry used to harvest and mill 6 billion board feet per year. Today, thanks to state and federal regulations that have put most publicly administered forests off limits to logging, lumber has to be imported from other parts of the Pacific Northwest and elsewhere.

Similar restrictions have reduced access to other critical in-state building materials. Sand and gravel is abundant in California, and is necessary to make concrete and pavement, but it takes decades to get permits (and a gauntlet of litigation) before starting or even expanding a quarry. Because of their weight, transportation costs are significant for sand and gravel, and for this reason they are traditionally sourced close to construction projects. But not in California. With the regulatory and litigious environment here, that, too, increases the cost for homes in the state. And of course, contributes to greenhouse gas emissions via additional, avoidable transportation.

Expensive and Protracted Permit Process to Build Homes

California has among the highest permit costs and the slowest permit approval times in the United States. While CEQA reporting can slow projects down for years, even individual home building permits in California can take several months. The worst is San Francisco, where it takes over 600 days on average for the city to issue a building permit. In San Jose, a standard plan check and approval takes 40 weeks "if all goes well." In San Diego, turnaround time is between six months to one year. In Oakland, development planning projects take 12-36 months.

While delays in project approval increase financing costs, as developers have to pay interest on construction loans while they await the final building permits, the amount of the fees also drive up prices.

Builders not only have to pay the city and county (often both) a direct fee for project approval, but also "impact fees." As California's cities and counties redirected operating budgets and bond issuances away from new infrastructure, the costs instead have been passed on to developers - and thereby homeowners and renters. Included in the price of new housing in California today are impact fees assessed to finance the construction of schools, parks, roads, fire and police, environmental impact, and even installation of public art. A 2018 study that evaluated seven California Cities calculated the total cost of permit and impact fees to range between $20,000 and $155,000 per single family home, and between $12,000 and $75,000 per multifamily unit. Overall, they concluded that development fees add between 6 and 18 percent to median home prices in these cities. It is interesting to note that the "single family home" example they researched was at a density of 8.2 homes per acre. Homes with more spacious lots would undoubtedly carry with them even higher development fees.

Today, combined Impact Fees of $150,000 to $200,000 per housing unit are typical - with the highest in the state rising to as much as $300,000 per unit. Obviously, this amount is added directly to the cost of the home. Impact Fees have become a Stealth Tax on housing - and a deeply unfair one at that, since they are levied on the next generation seeking to buy a new home rather than existing homeowners.

The Path Towards Universal Housing Affordability

The starting point on the path towards Universal Housing Affordability is to address the manifest problems created by CEQA and its abuse. It is difficult to overstate how central a role CEQA has played in making housing unaffordable in California. Removing the notorious "Private Right of Action" under CEQA and restricting the ability to file CEQA lawsuits to County District Attorneys or the state Attorney General would eliminate the countless lawsuits filed by activist environmentalist groups, and opportunistic litigators with hidden agendas. This single reform would dramatically reduce the potential for CEQA lawsuits to derail worthy housing development projects, while leaving intact the ability for elected leaders and the people they represent to exercise oversight over new projects and their impact on the environment.

As previously noted, the Global Warming Solutions Act of 2006 is another law that has destructively limited development in California. Enacted in 2006 with a goal of reducing greenhouse gas emissions in the state to 1990 levels by 2020, the law has undergone several revisions, each more aggressive than the last. Fundamental to the law as it affects housing is the claim that single family dwellings and suburban "sprawl" cause more greenhouse gas emissions than high density infill. The consequences of this claim are mandates - such as the Vehicle Miles Traveled assessments and fees required with all new housing proposals - that channel new housing to within the footprint of existing urban areas. This artificially inflates land values inside these “urban service boundaries.” But as noted earlier, the claim that low density housing causes disproportionate greenhouse emissions is outdated. Jobs are created within suburbs, and often employers relocate to new suburbs. People work from home. And vehicles are becoming either zero emission or ultra low emission.

Restructuring or eliminating rent control and subsidized affordable housing, in particular, the special incentives for high density housing, will free up investment to build housing on the scale we need. Similarly, if laws and special exemptions designed to streamline the approval process were fully extended beyond affordable housing and high density housing, the supply of all types of housing would increase.

Investing in infrastructure - water in particular - and lowering the cost of construction materials is critical to increasing the supply of homes and making them affordable, as is expediting the permit process and putting an end to excessive permit fees. Before making more specific recommendations we will consider what else stands in the way of these needed reforms.

Overcoming Obstacles to Affordable Housing

Successfully returning California to a place where housing is universally affordable requires a rebalancing of environmentalist values with human priorities. Environmentalists may hold every acre of greenfield in sacred esteem, but clearly, if that value were prevalent and determinative in the past, urban civilization would not exist.

Cities and suburbs alike, and the infrastructure necessary to supply them with water, energy, transportation, food and waste management, have an inevitable footprint. It isn't at all clear that concentrating humans in city centers is ecologically preferable, even if the formidable economic obstacles could be overcome. But policies to cordon off and densify California's cities are not actually being implemented on environmental grounds alone.

Special interests, rather than the public interest, also play a part. The anti-housing policies of recent years have created an economic incentive for companies, government agencies, utilities, and investors to favor scarcity.

For example, when the supply of land is artificially constrained, property values go up, which increases property tax revenues to existing jurisdictions. Building new cities on raw land redistributes these tax revenues to the new cities. Similarly, when home building is excessively regulated to the point where affordable housing can no longer be profitably constructed and sold at market prices, it creates an incentive for developers to collect billions from the government to build subsidized housing.

And if water and energy consumption is rationed, it relieves the obligation of the government to facilitate new investments in water and energy supply infrastructure despite its feasibility and sustainability. Rapidly transitioning to renewable energy increases costs to ratepayers, as not only solar and wind installations, but also battery farms and thousands of miles of new transmission lines are required. The result is that public utilities, which earn profit on a capped percent of revenue, greatly increase their absolute profits because they are selling the same quantity of electricity while passing through to their customers much higher prices.

These are some of the misaligned incentives that may explain support for high density. But under scrutiny, densification does not have a significant ecological benefit, and it comes with a costly price both economically and in terms of how it limits opportunity and upward mobility for millions of families.

Specific Policy Reforms

Actions to be taken by California's Governor, State Legislature, and State Agencies

(1) End the private right of action under the California Environmental Quality Act (CEQA). The original intent of CEQA was to "inform government decision makers and the public about the potential environmental effects of proposed activities and to prevent significant, avoidable environmental damage." Over the past half-century, however, CEQA has acquired layers of legislative updates and precedent-setting court rulings, warping it into a distortion of its original intent that denies clarity to developers and derails projects. When projects do make it through the CEQA gauntlet, the price of passage adds punitive costs in time and money. Reforming CEQA by restricting the right to file lawsuits to District Attorneys in California's counties and the State Attorney General would deter what are now countless lawsuits that constitute a significant impediment to housing starts.

(2) Require CEQA lawsuits be submitted within 90 days of a project application being received by the permitting agency, with no CEQA lawsuits to be accepted after that deadline expires.

(3) Eliminate the VMT (vehicle miles traveled) analysis currently required for all land use project proposals.

(4) Limit the number of hearings on a housing project, and require hearings to take place within 30 days of the previous hearing. Today, agencies that don't want to approve a project but also don't want to get sued by the developer will ask for project modifications instead of denying the project. The developer may then have the modifications ready within a few weeks, but the next hearing may not be scheduled for another year, and when that hearing arrives, the agency will ask for additional modifications, repeating the delay yet another year. Reducing the time between hearings to 30 days prevents these delaying tactics.

(5) Require Impact Fees for any development to be placed in specific Impact Accounts to prevent agencies from using the proceeds for other budget items. If the Impact Fees are not spent, return them to the project developer.

(6) If Impact Fees are being charged to housing developers and they are not used within two years, they should be returned to the homeowners, and the property tax basis for the homes should be lowered by the amount of the refunded fees.

(7) Once a project permit is granted, no new Impact Fees can be added.

(8) Place a cap on all Impact Fees at 3 percent of the construction cost of the housing, and require the agencies to set priorities for the funds.

(9) Abolish Local Agency Formation Commissions, and eliminate urban growth boundaries.

(10) To fund infrastructure for new cities and new housing developments, permit Municipal Utility Districts to issue tax-exempt bonds to finance roads, water mains, and sewer and wastewater treatment plants. This financing mechanism would enable a more timely and market driven response to demand for housing, and more efficiently coordinate the homebuilder's plans with a simultaneous construction of the necessary infrastructure.

(11) Eliminate the right of cities and counties to subject development applications to discretionary permitting, wherein bureaucrats can deny code-compliant permit applications. If projects are code-compliant, require building permits to be issued automatically.

(12) If building codes or environmental regulations are changed, they shall not apply to projects that have already been approved.

(13) Building codes and environmental regulations shall not be changed more than once every five years.

(14) Revise the California Building Code to make the installation of solar panels, storage batteries, heat pumps, tankless water heaters, and other active energy efficiency systems on new homes optional on the part of the developer. Let the market determine adoption of these innovations.

(15) Restore the net metering rate structure that increases the incentive for homeowners to invest in solar panels and batteries.

(16) Abolish zoning restrictions that incentivize high density as a condition of a streamlined permit process, and abolish urban service boundaries that render abundant developable land off-limits to new homes and new communities.

(17) Restore infrastructure policies that will help increase the availability of housing as well as reduce the ongoing cost to own homes. For example, repealing the laws and regulations that discourage public and privately funded construction of water and energy supply infrastructure.

A New Approach to Housing

The policies recommended here are designed to create the conditions where the private sector can again build affordable homes while still making a profit. The innovations that have occurred in the past few years as well as those that are just around the corner promise to deliver a future where urban centers and suburbs both experience a spectacular renaissance.

If we can loosen the restrictions on land development, as well as the restrictions on development of energy, water and building materials, and if we can significantly reduce the cost and the time required to get building permits, affordable market housing will be just one major dividend of these reforms. **We can recreate the optimism and dynamism of California's 'Golden Age' of building in the 1950s and 1960s, while incorporating the enormous innovation we've seen since then - creating new cities and upgrading our existing cities and suburbs in positive, sustainable ways that we can only begin to imagine.**

Californians should be creating new cities, built for the 21st century, offering an opportunity to incorporate the best new technologies and ideas free of restrictions that inhibit innovation. New cities can incorporate everything we've learned over the past half-century, to engage in mindful development, with thoughtful urban design that always prioritizes its impact on the human experience.

There is plenty of room to build in California while protecting our precious natural heritage. We can give people Housing Choice and Homeowner Autonomy, reviving upward mobility for the working class and restoring the California Dream for everyone.

Cities can be revived. New sustainable suburbs can be built - when thoughtfully conceived, they embody the finest aspirations of the Garden City concept, an idealized vision of town planning where people live in healthy, spacious communities in proximity to open space and wildlife. Building new cities in California that meld Garden City ideals with the latest innovations in architecture and sustainability is the antithesis of much-maligned "sprawl".

When it comes to housing and urban development California can break out of its scarcity mindset, building new cities that embrace both new technologies along with a next-generation cultural identity that is both authentic and unique. This is how California can once again realize its potential, a place where people can live well, an example to the rest of the world.