UNAFFORDABLE:

How Government Made California's Housing Shortage a Crisis and How Free Market Ideas Can Restore Affordability and Supply

PRI PACIFIC RESEARCH INSTITUTE

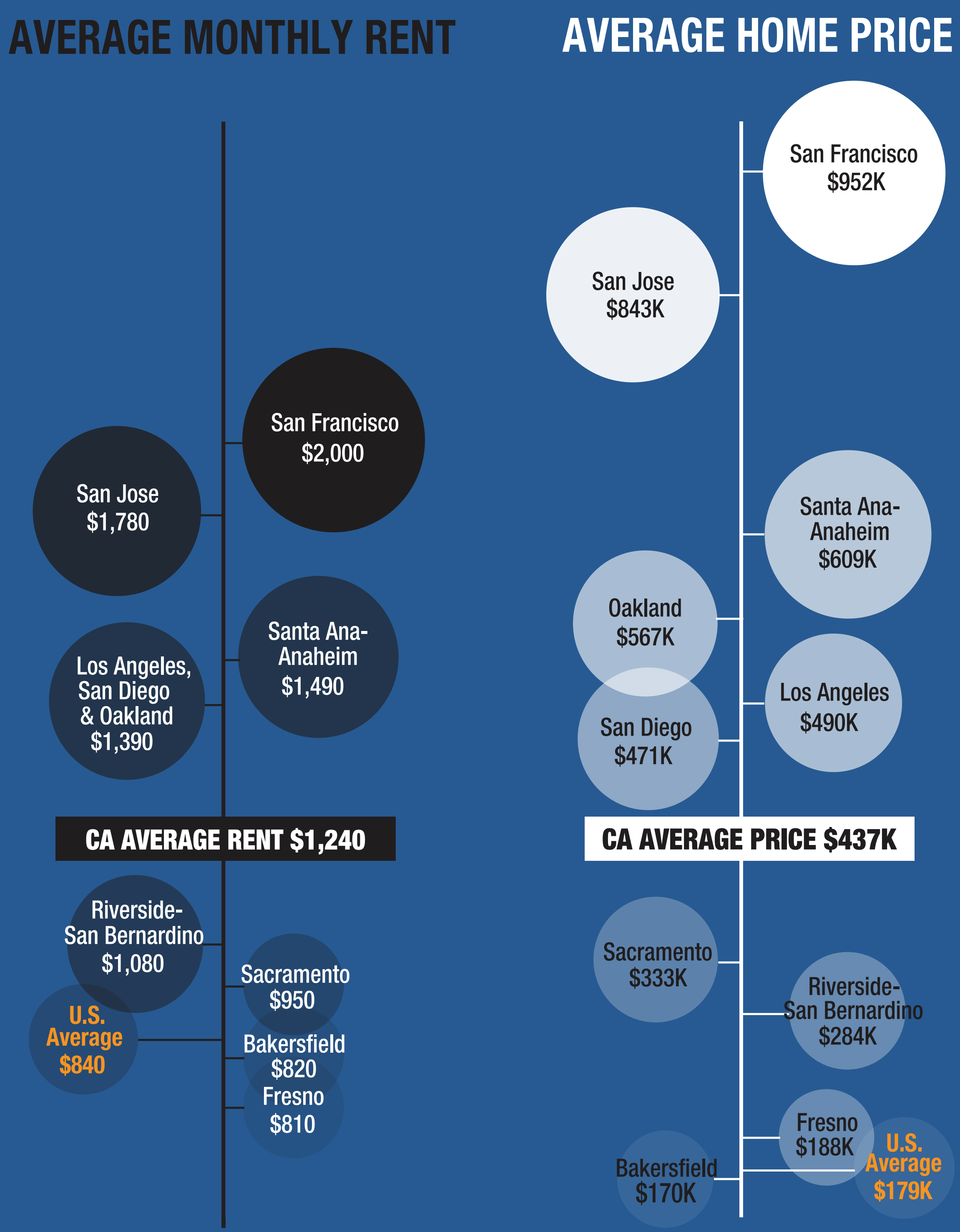
Key Points

- Housing in California is excessively expensive—four of the most expensive housing markets in the U.S. are found in California.
- California housing is expensive because of a severe shortage resulting from government policies that have disincentivized home building.
- The California Environmental Quality Act is the single-biggest hurdle to home building.
- Reform policies that free the market are the only solutions to the state's housing crunch.

Introduction

Living in California carries a steep price. In no other state do residents pay a larger portion of their incomes for housing. Average Californians residing in their own dwellings spend more than a quarter of their incomes on their homes.[1] Renters must pour on average 36 percent of their incomes into housing.[2] Average rent prices in California are $1,240 per month, and in some cities near $2,000 per month. The Legislative Analyst's Office reports that the "majority of low-income households spend more than half of their income on housing."[3]

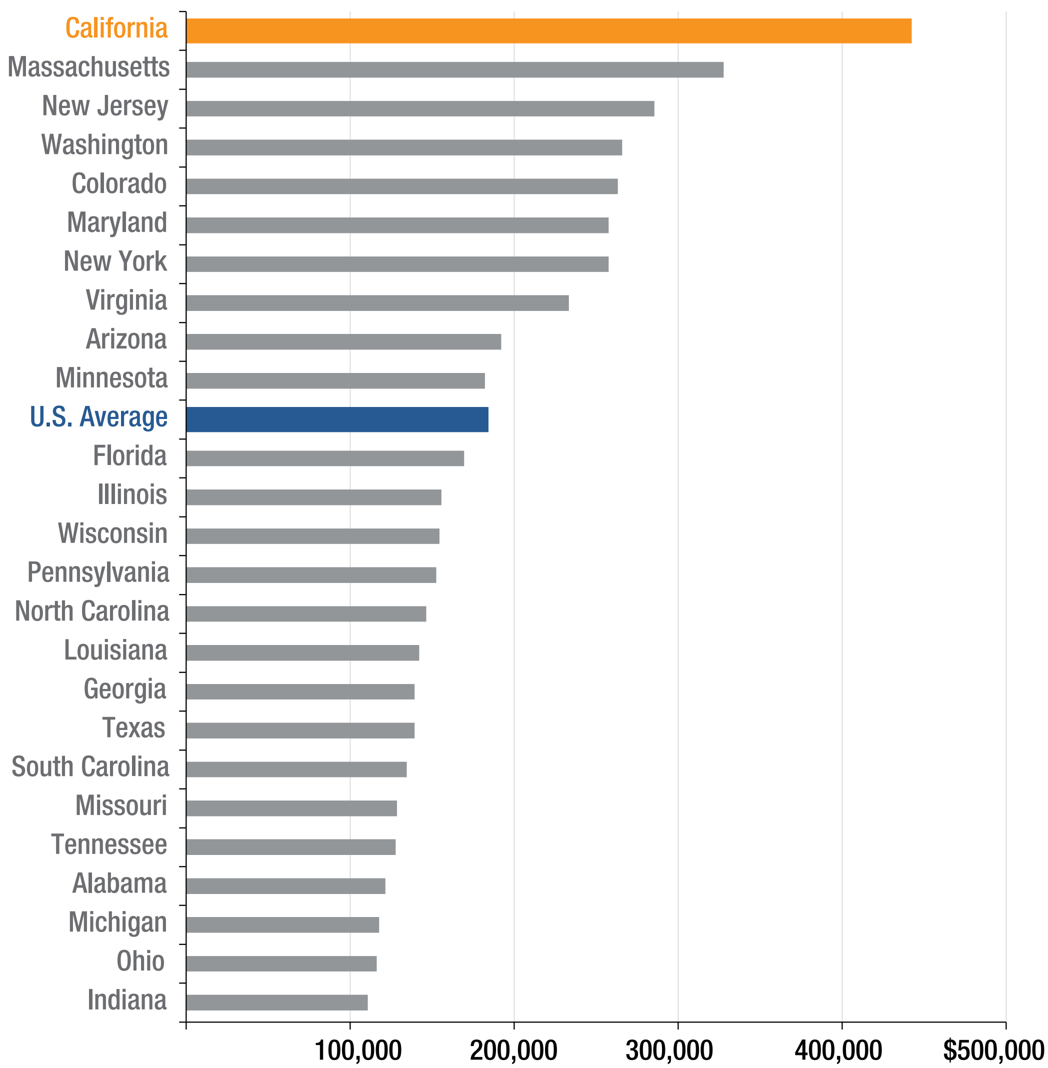
California's Housing Prices Vary, but Most Are Well Above U.S. Levels



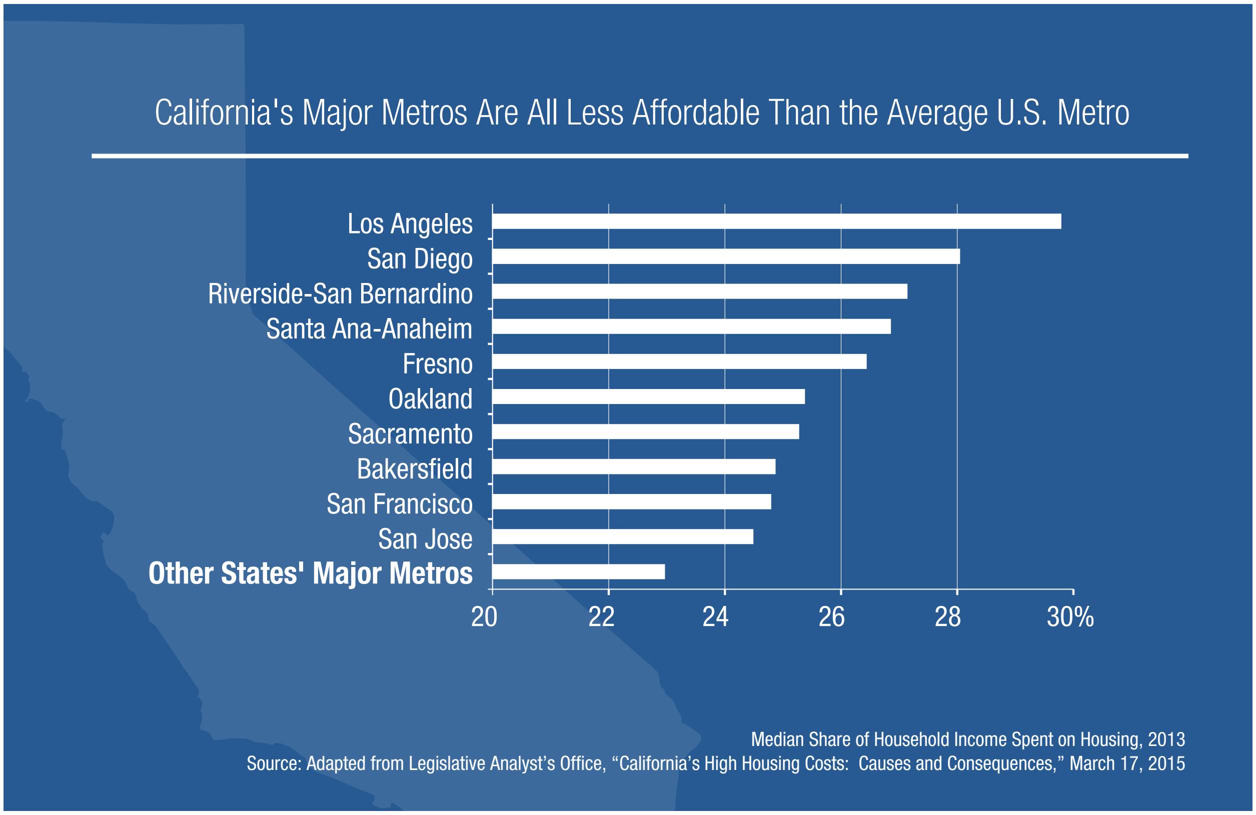
Note: Rents based on 2013 American Community Survey. Prices reflect Zillow data, January, 2015.
Source: Adapted from Legislative Analyst's Office, "California's High Housing Costs: Causes and Consequences," March 17, 2015

California ranked third in the country in median home sales prices from October 2016 to January 2017, at $428,000.[4] San Francisco is the costliest housing market in North America, San Jose is third, Los Angeles is fifth, and San Diego ninth.[5]

Home Prices Higher in California Than in Other Large States



* Median Home Value, January 2015. Figure shows largest 25 states according to population.
Source: Legislative Analyst's Office, "California's High Housing Costs: Causes and Consequences," March 17, 2015



Joel Singer, CEO of the California Association of Realtors, said in November 2016 that "only about one-third of our fellow citizens can afford to buy a median-priced home in the Golden State, down from a peak of 56 percent just four years ago."[6]

The cause is a severe shortage of housing. The Legislative Analyst's Office has determined that, in addition to the 100,000 to 140,000 housing units expected to be built annually, 100,000 new housing units need to be built in the state each year on top of that number if supply is to meet demand.[7] That would be like adding roughly the equivalent of a new Marin County every year.[8]

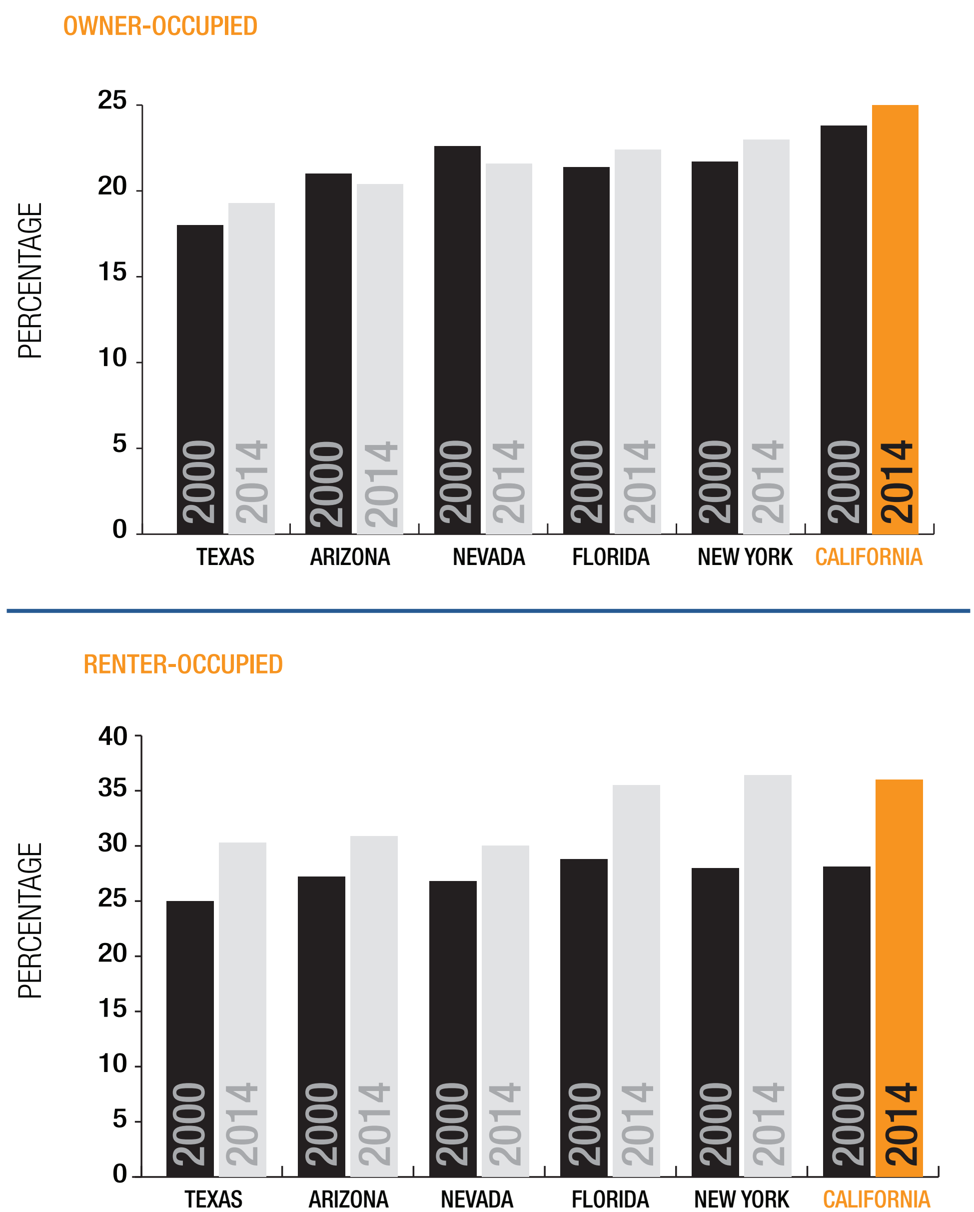
California's housing crisis is caused by public policy that has disincentivized home construction. The costs of building homes in the state are in many cases too steep for builders to realize enough of a return to make it worth their time to build. These costs are artificially inflated by a variety of government-imposed barriers.

Policymakers are not unaware of the problem. In his 2017-2018 budget proposal, Gov. Jerry Brown set aside $3.2 billion for low-income housing. The funds would be used for grants and loans toward affordable home construction, and down payment assistance for buyers.

But Brown said he didn't just want to spend more, recognizing that, "what we can do is cut the red tape, cut the delays, cut whatever expenses we can afford to do without to make housing more affordable and therefore increase the stock and therefore hopefully bring down the costs."

The housing crisis affects more than the supply of homes on the market. The McKinsey Global Institute says the housing crunch costs the state more than $140 billion a year in lost economic output, "including lost construction investment as well as foregone consumption of goods and services because Californians spend so much of their income on housing."[9] Milken Institute scholars have noted that "in the last 20 years California has seen an exodus of almost four million people to other U.S. states. Most of those leaving were young families, the group most likely to become first-time homebuyers."[10]

Average Percentage of Household Income Spent on Housing



Elijah Chiland, "Here's How Serious California's Housing Shortage Has Gotten,"
LA Curbed, March 4, 2016, Chart using U.S. Census Bureau figures
originally posted at Next10.com

Similarly, the Legislative Analyst's Office has found that "the state's high housing costs make California a less attractive place to call home, making it more difficult for companies to hire and retain qualified employees, likely preventing the state's economy from meeting its full potential."[11]

Or in other words, the state's housing crisis "is chasing away young talent," says the Hoover Institution's Loren Kaye.[12]

In this policy brief, we will look at the many hurdles to home construction that state and local policymakers have placed in front of builders, and recommend market-oriented changes that would ease the crisis. With only 21.5 home-building permits issued for every 100 new California residents from 2005 to 2015 (only Alaska had fewer – 16.2 per 100), the state has some catching up to do.[13]

Barriers To Home Construction: The War On Building

Environmental policies: According to the Legislative Analyst's Office, challenges posed by the California Environmental Quality Act (CEQA) "limit the amount of housing – both private and subsidized – built in California." Initially an effort to protect the environment, CEQA, passed in 1970, has become by far the biggest regulatory impediment to new housing. As many as 18 separate concerns, including water, air quality, transportation and greenhouse gas emissions, can be evaluated under CEQA.

The law broadly favors opponents of development. They use it to litigate construction shutdowns when they are able, and to delay projects when a full halt isn't feasible. A Southern California Association of Governments (SCAG) report found that CEQA reviews "often result in fewer housing units being built than the initial proposal or add additional costly delays to projects due to legal challenges."[14] Hoover's Kaye calls it a "tool for abuse."[15]

The "heart"[16] of CEQA is the maze of the environmental impact reports (EIRs), informational documents that notify "the public agency decision-makers and the public generally of" a construction project's environmental impact, according to the California Natural Resources Agency.[17] EIRs must propose "possible ways to minimize significant effects" and offer "reasonable alternatives to the project." They are often onerous and can delay construction by a year and sometimes two.

EIRs are costly, as well. Todd Williams, an Oakland attorney who chairs Wendel Rosen Black & Dean's land-use group, says that an EIR can add more than $1 million to the cost of completing a housing development. The costs and delays have been known to shut down entire projects.
Impact fees: Every state charges fees to builders for public expenses such as utility connections, roads, schools, libraries and emergency services. But in no state do the costs add

> Initially an effort to protect the environment, CEQA, passed in 1970, has become by far the biggest regulatory impediment to new housing.

up as they do in California, where the non-utility fees were nearly $25,000 per single-family detached unit in 2015, more than the next two states combined.[18]

Affordable housing mandates: More than 170 communities across the state impose some type of mandate requiring developers to either build units at below-market value or be fined by government.

"But the net effect isn't more affordable housing for all," Pepperdine economics professor and research fellow at the Independent Institute in Oakland Gary M. Galles wrote in 2016 in the *Los Angeles Times.* "Rather it is a reduction in the construction of new homes, which pushes prices upward."[19]

In a study for the Reason Foundation, economists Benjamin Powell and Edward Stringham reported that in the first year after affordable housing laws – often called inclusionary zoning ordinances – were passed in the Bay Area, housing production fell an average of 30 percent and prices increased by 8 percent due to the imposition of "an effective tax of $44,000 on each new home."[20]

Powell and Stringham previously found that in 33 Bay Area "cities with data for seven years prior and seven years following inclusionary zoning, 10,662 fewer homes were produced during the seven years after the adoption of inclusionary zoning."[21] As a result of the artificially lowered value of homes, "$6.5 billion worth of housing was essentially destroyed."[22]

Local anti-growth policies: More than "two-thirds of cities and counties in California's coastal metros have adopted policies (known as growth controls) explicitly aimed at limiting housing growth," the Legislative Analyst's Office reports.[23] In some cases, there are caps on the number of new homes that can be built in a given year. Sometimes there are limits placed on building heights and densities. Often a supermajority of a local board is required for approval of a new housing project. Each additional growth control is associated with a 3 percent to 5 percent increase in home prices.[24]

Rent control: Government-imposed ceilings on the amount owners can charge for rent actually produce the opposite effect of their intended purpose. Rather than make housing more affordable, they make it more costly as they cut short the quantity and quality of the available stock. Thomas Sowell explained this in his seminal book *Basic Economics.*

> "In an unregulated market there is a potential to make a great return on a real estate investment that has been properly planned. In contrast, it becomes very difficult to profit from residential housing in a city with rent control.
>
> "Furthermore, not only does rent control have an effect on the housing that would be developed, but the housing that currently exists is either reduced in quality or eliminated entirely. Because landlords no longer profit from their property, they are no longer able or willing to make necessary repairs."

More than a dozen California cities, according to the California Department of Consumer Affairs, have rent-control laws.[25] Among them are Los Angeles, San Francisco, San Jose, Santa Monica, and Beverly Hills—all cities where housing is in deep crisis. Three of those cities – Los Angeles, San Francisco and San Jose – rank in the top five most expensive housing markets in the country.[26]

Five Bay Area cities held rent-control ballot initiatives during the November 2016 election. Voters in three cities – Burlingame, San Mateo and Alameda – rejected rent control measures, while voters approved them in Richmond and Mountain View, where some pro-growth city council members were proposing to add 10,000 new units.[27] It's likely that any plans to expand housing there were undermined by the results of the ballot initiative.

Local ballot measures: The Legislative Analyst's Office has found that "more often than not, voters in California's coastal communities vote to limit housing development when given the option."[28] A review of local election data between 1995 and 2011 found that voters in coastal communities limited housing growth, either by supporting a measure intended to curb growth or voting against one that would allow it, in about 55 percent of all cases.[29]

Parking requirements: It's not uncommon for jurisdictions to enforce minimum parking space requirements. For instance, one parking space might be required for every bedroom in an apartment unit, even though there are only two driving-age adults in a residence with three or more bedrooms. The SCAG report says that potential housing units may be removed from a project "in order to accommodate the local minimum parking need."[30]

The Legislative Analyst's Office reports that opponents employ not only CEQA but local land-use policies to block new housing.

NIMBYs: Not every CEQA challenge is based on environmental concerns. Hoover's Kaye says CEQA "provides an easy litigation path to almost anyone who wants to block a development project."[31] The Not In My Back Yard (NIMBY) special interests who simply don't want further development in or near their neighborhoods commonly use CEQA to thwart projects.

The Legislative Analyst's Office reports that opponents employ not only CEQA but local land-use policies to block new housing. This "opposition to new housing appears to be heightened on the California coast" where hesitancy "about new housing can lead residents to pressure local officials to use their land-use authority to slow or block new development or may result in residents directly intervening in land use decisions via the initiative and referendum process."[32]

NIMBYism isn't limited to coastal areas. Carson Bruno, an assistant dean at the Pepperdine School of Public Policy, says "communities up and down the Golden State have successfully prevented countless new development projects."[33] Much of the NIMBY opposition is directed at infill housing and therefore doesn't affect the state's housing stock, but in many instances, the opposition is targeted at new development and therefore restricts needed increases in the supply.

BANANAs: Members of this group want to Build Absolutely Nothing Anywhere Near Anyone. They will use any means they can to block development. A report from the Center for California Real Estate says BANANA tactics "often include writing news releases, letters to the editor, and op-eds; soliciting support from elected officials; testifying at public hearings; calling radio talk shows; organizing and publicizing town hall meetings; conducting petition drives; placing postings on social media sites; (and) establishing coalitions of like-minded citizens."[34] Like NIMBYs, BANANAs help drive the anti-growth policies that in some jurisdictions cap new development and/or give wide latitude to review boards that hold the future of development in their hands.

Permit fees: Pacific Research Institute economist Arthur B. Laffer says that in some parts of the state, "just the permit fees alone are higher than the price of an equivalent home in other regions of the country. Effectively, the construction process for homes has been lengthened considerably as well as having been made generally more expensive."[35]

Financing Hurdles: A National Association of Home Builders 2016 report determined that every $1,000 increase in the median new home price "pushes 15,328 households out of the market" in California.[36] This "priced-out effect" is often a consequence of additional regulation. In no other state is the impact that large.

Recommendations

Given the sheer number of barriers to adding housing in general and producing more affordable housing in particular, there is no single remedy to the state's housing crunch. While the state surely could build its way out of the crisis in the same way the energy industry could drill our way out of high oil prices, in both cases the legal and regulatory frameworks create prohibitive roadblocks. But when markets are free of government intervention, they respond to shortages by either adding supply or increasing prices. In the case of California's housing crunch, the market left alone would sharply boost the housing stock. Laffer and co-author Wayne Winegarden explain it this way:

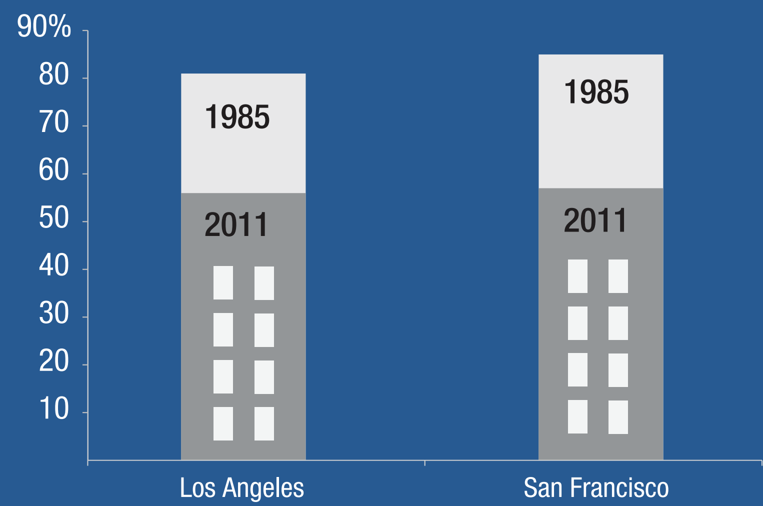
"When the market signals the construction industry that more new homes are warranted, the construction industry starts the process of accommodating that need."

Under current conditions, the channels are so distorted that these signals necessary to a functioning market are either never sent or are misleading when they are.

Lawmakers' recent attempts to address the housing crisis have tended to focus on refining the state's affordable housing programs. But the Legislative Analyst's Office clearly indicates that the real solutions lie beyond that.[37] The energy should be directed at increasing home building in all value ranges, not just housing that is considered "affordable." This is because "building new housing indirectly adds to the supply of housing at the lower end of the market" even though "new market-rate housing typically is targeted at higher-income households."[38] There is a downstream effect as new construction increases the stock of available older housing, which loses its value, making it more affordable. The expanded supply of homes produced by new construction also creates downward pressure on prices and rents.

Housing Becomes Less Expensive as It Ages

Percentile Rank of the Rent for Housing Built Between 1980 and 1985



(Source: "Perspectives on Helping Low-Income Californians Afford Housing," Mac Taylor, California Legislative Analyst's Office, February 9, 2016)

Nevertheless, policy changes are needed and Brown's Streamlining Affordable Housing Proposals from 2016 primarily aimed at multi-family housing could be a starting point for true reform. If passed into law, the proposal, which died in the Legislature, would have:

> "Expedite(d) the local and state-supported residential development process.
>
> "Assure(d) that local governments zone sufficient land at densities high enough for production of affordable housing.
>
> "Assure(d) that local governments make a diligent effort through the administration of land use and development controls and the provision of regulatory concessions and incentives to significantly reduce housing development costs and thereby facilitate the development of affordable housing, including housing for elderly persons and families."

According to Williams, the law would also render qualifying projects "exempt from the California Environmental Quality Act."[39]

Brown followed in 2017 with a number of other reform-minded suggestions within his budget proposal:

> "Streamline Housing Construction – Reduce local barriers to limit delays and duplicative reviews, maximize the impact of all public investments, and temper rents through housing supply increases.
>
> "Lower Per-Unit Costs – Reduce permit and construction policies that drive up unit costs.
>
> "Production Incentives – Those jurisdictions that meet or exceed housing goals, including affordable housing, should be rewarded with funding and other regulatory benefits. Those jurisdictions that do not build enough to increase production should be encouraged by tying housing construction to other infrastructure-related investments."[40]

The real target of policymakers, however, must be CEQA. Reforming the law is vital. Brown has called it the "Lord's work." But as one observer puts it, if it's the Lord's work, then the church pews are empty. There simply is not a large enough swell of support in Sacramento for CEQA reform. The Legislature is largely captured by environmental groups that would aggressively block comprehensive reform. CEQA has been accurately called California's "third-rail" of politics.

Yet lawmakers have ignored the special interests to see through developments that appeal to them. In 2016 they approved a CEQA exemption to streamline the $1.3 billion project to restore, renovate or replace the existing State Capitol Building Annex. In 2013, they passed similar legislation to expedite construction of a new arena for the owners of the NBA's Sacramento Kings. So CEQA reform is politically possible. It helps if it benefits the Legislature.

Rather than pursuing a thorough overhaul that is likely doomed to fail, reform-minded lawmakers would do better to pursue targeted modifications that will promote housing development. These should include:

- **Further efforts to establish policy that would limit the length of CEQA litigation that a housing development would have to endure.** Assemblyman Chad Mayes' Assembly Bill 641 (2015) addressed this, placing a 270-day limit on litigation and prohibiting courts from staying or enjoining a construction project unless it was an imminent threat to public health or safety, or the site contained Native American artifacts, or held historical, archaeological or environmental values. The bill never made it out of committee.

- **Continued support by the Governor for implementing policy that would condense approval times and reduce the regulatory hurdles for multi-family housing projects.** Brown's "by right" proposal didn't make it through the Legislature in 2016, but another run at a cleaner, more market-oriented bill that fast-tracks the housing construction approval process would be welcome. Legislation should omit inclusionary zoning set-asides for low-income residents, as extracting these concessions from builders is a disincentive to build.

- **Streamlining the review process for home construction projects across the board.** The McKinsey Global Institute found that compressing the permit timeline could save $1.4 billion in costs per year and cut approval time 20 percent to 30 percent.[41] Through 2025, "shortening the land-use approval process in California could reduce the cost of housing by more than $12 billion . . . and accelerate project approval times by four months on average. Reducing construction permitting times could cut another $1.6 billion, and raising construction productivity and deploying modular construction techniques up to another $100 billion."[42]

- **Requiring greater transparency in the CEQA process.** Plaintiffs behind CEQA lawsuits should be identified, and their environmental and business interests clearly expressed. In some cases, plaintiffs are businesses using environmental law to obstruct their competitors. A study by the international law firm of Holland & Knight "found repeated examples of intentional efforts to cloak the identity of CEQA litigants behind environmental-sounding names of fake and even unlawful 'associations.'"[43]

- **Elimination of duplicative litigation.** Projects should not have to overcome multiple lawsuits that bring up legal issues that have already been resolved. Holland & Knight says this would remove the "nuclear threat" that has stopped "environmentally beneficial and widely supported projects."[44]

Additional avenues that should not be overlooked include:

- The McKinsey Global Institute suggestion to link the allocation of state funds to cities' performance in building housing.

- Local policies that will harmonize with new state laws that make it easier for homeowners to build additional housing units on their lots or build on to their existing homes. The Bay Area Council estimates that 150,000 of these "granny units" or "granny flats," known officially as "accessory dwelling units," would be built under the new laws if only 10 percent of the region's 1.5 million single-family home owners chose to build.[45]

- Revising the practice of assessing fees on new housing projects to pay for school construction. "Those fees make it more expensive to build and the costs are passed on to homebuyers increasing an already expensive housing market," says Joel Fox, editor of California business and political blog Fox & Hounds, and president of the Small Business Action Committee.[46]

- Modify building codes to increase higher-density developments so more multi-family housing can be built, to allow for smaller units and taller structures, and to end policies – exclusionary zoning – that deliberately promote exclusivity, "preserves for the wealthy," the *Stanford Law and Policy Review* has called them, by raising costs.

- Increased focus on infrastructure to provide the roads, water and sewer connections that development of all types require.

- Bruno suggests "negative" zoning rather than "positive" zoning. Under the former, the rules identify what can't be built rather than specify only that which is allowed to be built. For instance, if a parcel were simply zoned non-industrial, then any type or residential development, or a mix of types, could be built there.

- Cut, and when possible, waive permit fees. Law professor and Hoover Institution senior fellow Richard A. Epstein suggests removing "any and all permit restrictions on housing that are not related to public health and safety, narrowly defined as under traditional nuisance law."[47] Governments that do this will attract homebuilding and enjoy the benefits that come with the increased activity. Laffer and Winegarden note that a boom in homebuilding creates jobs, boosts wages and delivers a general prosperity.[48]

Conclusion

The primary cause of California's housing crisis is politics, which have distorted and strangled the market. The conditions are not the product of a market failure. Additional layers of government rules, even well-intended policies, will aggravate the problem rather than mend it.

Neither will subsidies remedy the issue. Brown himself has acknowledged that "spending more and more tax dollars" results in "getting very, very little."[49] An "all of the above" strategy won't work, either, if any of the solutions require further government involvement.

Only a functioning open market would fully resolve the issues and it's not likely one will ever be permitted in California, nor anywhere else in the United States. The next-best solution is to strip away the built-up political constraints incrementally wherever feasible and allow the market to work as efficiently as possible.

California Real Estate Booms and Busts: A Chain Reaction
by Arthur B. Laffer

Our story, if you'll allow me a little poetic license, begins with the end—the price of the ultimate immovable asset—California's housing market. The changing fortunes of California's housing market are linked to changing population flows, which directly follow from changing incomes and employment opportunities. And these factors result from changes in California's economic policies. Ultimately, a state's economic performance goes through a number of stages concluding with changes in real estate values. Simply described, the process is as follows:

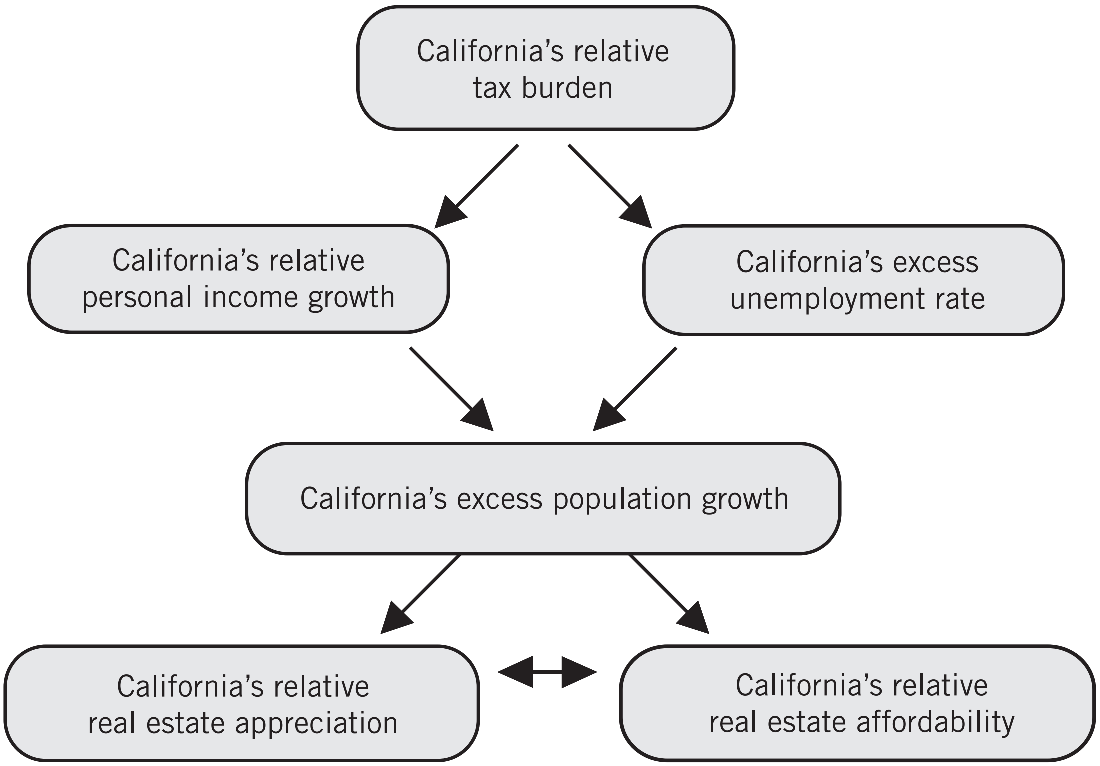
- **California's taxes and regulations affect California's business climate**
- **California's business climate affects California's income growth, economic output, employment growth, and population growth (economic activity)**
- **California's growth in economic activity affects California's home prices.**

Here we attempt to create an economic "cause and effect" picture of California—with all of the appropriate caveats regarding *cause* and *correlation* discussed earlier. With tax increases, higher regulatory costs, and the state's fiscal weakness, it is easy to visualize a continuation of California's economic difficulties. More Californians are choosing to leave the state according to the Census Bureau's measure of net-internal migration, which has been negative in California for many years. Without having to shout or draw pictures, the prognosis for California virtually jumps off the pages. Because population growth and income are stagnant, the consequence will be continued weakness in California's real estate values.

California's relative housing values and housing affordability are key economic welfare measures for California due to the housing market's reflection of a region's underlying economic value...

...

Linkage among California's Economic Conditions, California's Population Growth, Home Prices, and Affordability



...The accelerator principle shows how changes in population and income growth have an exaggerated (or accelerated) impact on output growth which then, in turn, feeds back on population growth. This dynamic feedback loop can have an enormously expansive beneficial effect when it works in the right direction but can also have a devastating impact when it reverses. First the principle.

Imagine a population of 100 families with each family living in one home. In our scenario, homes depreciate by 1 percent per year on average. If population is static, then the housing industry will produce one house per year to offset the 1 percent depreciation on the 100 homes. And that's that. Now, if you would, imagine that there had been no population growth for years and years and that economy was fully stable.

Now if population all of a sudden were to start growing at 1 percent per year instead of zero percent, the housing industry would have to produce two homes per year—one to replace the depreciation and one new home to add to the housing stock. Thus, a 1 percent increase in population growth leads to a 100 percent increase in housing construction. That's the accelerator, but the story doesn't end there.[1]

With a doubling of housing construction more jobs are created, wages rise, housing prices rise and prosperity comes. If you think of a California home costing several hundreds of thousands of dollars and the new resident's annual income being substantially less than that, then each new home creates enough income to employ several new families. And the economy is off to the races. People move to where the action is. Population growth increases even more, and a very powerful dynamic ensues, pushed even further and faster by the accelerator effect. But forever and infinity aren't real numbers. Sooner or later it all comes to an end, usually precipitated by ignorant public policy that panders to you-know-who. Sound familiar?

With building codes, regulations and requirements, inspection schedules, environmental impact statements and the like, the time between recognizing the need for a new home and completing construction of a new home can take as long as seven or more years.

What's exceptionally interesting about housing and the accelerator effect is that it takes a lot longer and costs a lot more to build a house today than it did previously. In some regions of California, just the permit fees alone are higher than the price of an equivalent home in other regions of the country. Effectively, the construction process for homes has been lengthened considerably as well as having been made generally more expensive. Taking far longer to construct homes means that the accelerator process is exaggerated even beyond its natural exaggeration.

When the market signals the construction industry that more new homes are warranted, the construction industry starts the process of accommodating that need. However, by the time those homes actually are available for purchase, a considerable amount of time has elapsed. And, by the way, not only has a lot of time elapsed, but new demands are piled on top of older demands. What these delays cause are exaggerated swings in unfulfilled demands for housing—especially in California.

As you can see, the exaggeration on the upside will cause larger than normal increases in housing prices to allocate the shortage of housing to the existing population. Speculators will get into the fray causing the upswing to be even greater yet. But once the existing population has been sated with houses, demand must taper, especially if population growth begins to slow, as it is today. The housing pipeline cannot be turned off quickly, so new homes will continue to stream onto the market well past the need. So housing prices not only go much higher than warranted in good times but in bad times they go much lower. And in California the housing cycle lasts a long, long time.

Endnote:

1. For those of you who enjoy economics per se this accelerator principle was used by Lloyd Metzler and Ragnar Nurkse along with the Keynesian multiplier to achieve a perpetual self-generating business cycle model.

Excerpt from *Eureka! How to Fix California,* Arthur B. Laffer and Wayne Winegarden, 2012.

Endnotes

1 “Housing crisis a man-made disaster,” Kerry Jackson, *Orange County Register,* January 4, 2017

2 “Housing crisis a man-made disaster,” Kerry Jackson, *Orange County Register,* January 4, 2017

3 “Perspectives on Helping Low-Income Californians Afford Housing,” California Legislative Analyst’s Office, February 9, 2016

4 National home prices, trulia.com, 2017

5 “San Jose third costliest North American housing market — if you believe the rankings,” *Mercury News,* March 11, 2016

6 “Government Regulations Worsen California Housing Shortage,” *California Political Review,* November 19, 2016

7 “California’s High Housing Costs: Causes and Consequences,” Mac Taylor, California Legislative Analyst’s Office, March 17, 2015

8 “Housing crisis a man-made disaster,” Kerry Jackson, *Orange County Register,* January 4, 2017

9 “Closing California’s housing gap,” Jonathan Woetzel, Jan Mischke, Shannon Peloquin, Daniel Weisfield, McKinsey Global Institute, October 2016

10 “Generation Deferred: Millennials’ Perspective On Home Affordability,” Matt Horton, Kristen Keough, *Fox & Hounds,* April 6, 2015

11 “California’s High Housing Costs: Causes and Consequences,” Mac Taylor, California Legislative Analyst’s Office, March 17, 2015

12 “What’s Preventing New Housing In California? The Usual Suspects – Plus CEQA,” Loren Kaye, *Eureka,* Hoover Institution, May 19, 2015

13 “How housing prices are driving low, middle-income families out of California,” Kevin Smith, *San Gabriel Valley Tribune,* March 3, 2016

14 “Mission Impossible? Meeting California’s Housing Challenge,” Southern California Association of Governments, October 2016

15 “What’s Preventing New Housing In California? The Usual Suspects – Plus CEQA,” Loren Kaye, *Eureka,* Hoover Institution, May 19, 2015

16 *County Of Inyo v. Sam Yorty et al.,* Court of Appeal of California, Third Appellate District, June 5, 1973

17 California Natural Resources Agency, CEQA Flowchart

18 National Impact Fee Survey: 2015, ImpactFees.com, prepared by Clancy Mullen, Duncan Associates, Austin, Texas, November 11, 2015

19 "How affordable housing mandates make housing more expensive," Garry M. Galles, *Los Angeles Times* op-ed, January 4, 2016

20 "Inclusionary zoning makes housing less affordable," Benjamin Powell, *The Mercury News,* September 11, 2013

21 "Housing Supply and Affordability: Do Affordable Housing Mandates Work?" Benjamin Powell, Edward Stringham, Reason Public Policy Institute, April 2004

22 "Housing Supply and Affordability: Do Affordable Housing Mandates Work?" Benjamin Powell, Edward Stringham, Reason Public Policy Institute, April 2004

23 "California's High Housing Costs: Causes and Consequences," Mac Taylor, California Legislative Analyst's Office, March 17, 2015

24 "California's High Housing Costs: Causes and Consequences," Mac Taylor, California Legislative Analyst's Office, March 17, 2015

25 List of Cities With Rent Control, California Department of Consumer Affairs, 2012, Appendix 2

26 "North America's Most Expensive Housing Markets," ZeroHedge.com, March 12, 2016

27 "California's Needless Housing Crisis," Richard A. Epstein, *Defining Ideas,* Hoover Institution, November 21, 2016

28 "California's High Housing Costs: Causes and Consequences," Mac Taylor, California Legislative Analyst's Office, March 17, 2015

29 "California's High Housing Costs: Causes and Consequences," Mac Taylor, California Legislative Analyst's Office, March 17, 2015

30 "Mission Impossible? Meeting California's Housing Challenge," Southern California Association of Governments, October 2016

31 "What's Preventing New Housing In California? The Usual Suspects – Plus CEQA," Loren Kaye, *Eureka,* Hoover Institution, May 19, 2015

32 "California's High Housing Costs: Causes and Consequences," Mac Taylor, California Legislative Analyst's Office, March 17, 2015

33 "NIMBY-ism, and the California Housing Shortage," Carson Bruno, *RealClearMarkets.com,* March 24, 2016

34 *Journal of Case Study Research: A Publication of the Center for California Real Estate,* Edward Segal, Volume I: Issue I, Housing Affordability Summer 2016, Chapter IV

35 *Eureka! How to Fix California,* Arthur B. Laffer, Wayne Winegarden, Pacific Research Institute, March 2012

36 "NAHB Releases the 2016 'Priced Out' Estimates," Na Zhao, Eye On Housing, National Association of Home Builders, December 9, 2016

37 "Perspectives on Helping Low-Income Californians Afford Housing," Mac Taylor, California Legislative Analyst's Office, February 9, 2016

38 "Perspectives on Helping Low-Income Californians Afford Housing," Mac Taylor, California Legislative Analyst's Office, February 9, 2016

39 "Governor Seeks to Streamline Approval of Multifamily Housing Projects," Todd Williams, Wendel, Rosen, Black & Dean publications, May 20, 2016

40 Governor's Budget Summary – 2017-18, "Housing in California," Pages 115-122

41 "A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025," McKinsey Global Institute, Exhibit 20, Page 29, October 2016

42 "A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025," McKinsey Global Institute, Page IV, October 2016

43 "New CEQA Study Reveals Widespread Abuse of Legal Process by 'Non-Environmentalists,'" Jennifer Hernandez, *The Planning Report,* December 21, 2015

44 "In The Name Of The Environment," Jennifer Hernandez, David Friedman, Stephanie DeHerrera, Holland & Knight, Page 81

45 "California eases restrictions on 'granny units,'" Queenie Wong, *The Mercury News,* September 28, 2016

46 "Business Rallying to Proposition 51," Joel Fox, *Fox & Hounds,* August 15, 2016

47 "California's Needless Housing Crisis," Richard A. Epstein, *Defining Ideas,* Hoover Institution, November 21, 2016

48 *Eureka! How to Fix California,* Arthur B. Laffer, Wayne Winegarden, Pacific Research Institute, March 2012

49 "Making housing more affordable," Kerry Jackson, *Orange County Register,* July 28, 2016

About the Author

KERRY JACKSON is an independent journalist and opinion writer with extensive experience covering politics and public policy. Currently a Fellow with the Center for California Reform at the Pacific Research Institute (PRI), Kerry writes weekly op-eds on statewide issues and occasional policy papers. He spent 18 years writing editorials on domestic and foreign policy for *Investor's Business Daily* (IBD) and three years as the assistant director of public affairs for the American Legislative Exchange Council. His work has appeared in the *New York Observer,* the *Orange County Register, The Freeman, Forbes,* and on *Fox & Hounds Daily* and *Real Clear Markets.* He has written for the American Media Institute and Real Clear Investigations, and edited "The Growth Manifesto" for the Committee to Unleash Prosperity. A graduate of Georgia State University, Kerry has also served as a public affairs consultant for the George Mason University School of Law and worked as a reporter and editor for local newspapers in the metro Atlanta and northern Virginia regions.

About Pacific Research Institute

The Pacific Research Institute (PRI) champions freedom, opportunity, and personal responsibility by advancing free-market policy solutions. It provides practical solutions for the policy issues that impact the daily lives of all Americans, and demonstrates why the free market is more effective than the government at providing the important results we all seek: good schools, quality health care, a clean environment, and a robust economy.

Founded in 1979 and based in San Francisco, PRI is a non-profit, non-partisan organization supported by private contributions. Its activities include publications, public events, media commentary, community leadership, legislative testimony, and academic outreach.

PACIFIC
RESEARCH
INSTITUTE

Pacific Research Institute
101 Montgomery Street, Suite 1300
San Francisco, CA 94104
Tel: 415-989-0833
Fax: 415-989-2411
www.pacificresearch.org

PACIFIC
RESEARCH
INSTITUTE

www.pacificresearch.org