

HOW WOULD CALIFORNIA'S NEXT GOVERNOR FACE THE HOUSING CRISIS?

BY **Dan Walters** | *CALmatters Commentary*

So how would the next governor of California deal with the state's most serious policy issue, its acute and ever-growing shortage of housing, particularly for low- and middle-income families?

Hundreds of affordable-housing advocates filled a cavernous ballroom in Sacramento's convention center March 8, with that question on their minds, hoping to hear answers from the six candidates for governor.

They couldn't hear much due to the room's horrendous acoustics, but as the six were questioned by Sacramento Bee journalist Angela Hart, they delivered responses that were all over the map.

Predictably, the two Republicans, Huntington Beach Assemblyman Travis Allen and San Diego businessman John Cox, talked mostly about cutting red tape.

Predictably, too, the four Democrats—Lt. Gov. Gavin Newsom, former Los Angeles Mayor Antonio Villaraigosa, state Treasurer John Chiang and former state schools superintendent Delaine Eastin—talked mostly about more direct governmental actions, such as bond issues and tax credits.

Interestingly, however, only Cox directly addressed the biggest factor: the immense gap between the state's horrendously high costs of building new housing and the incomes of the 40 percent of Californians who are mired in poverty or near-poverty, largely due to their crushing housing costs.

Cox noted that he has built two-bedroom apartments in Indiana for about \$80,000 per unit and rented them for \$700 to \$800 a month, while construction costs in California are many times higher.

He cited \$300,000 per unit in Fresno, \$500,000 in San Diego and \$700,000 in San Francisco, which comports with the state's own data. The current state budget says the average cost of building an "affordable" housing unit in California is \$350,000.

California is building about 100,000 units of new housing a year now, but the state says we need to be building 180,000 new units a year. At a \$350,000 unit cost, that means we need to be spending \$63 billion a year on housing construction.

Some of the candidates want even higher levels of construction. Newsom and Villaraigosa have talked about building 500,000 new units a year to attack the backlog of unmet needs. But that would mean coming up with \$200 billion a year in construction funding.

As last year's housing finance legislation demonstrated, state and local governments can generate, at best, a tiny fraction of those immense numbers. So obviously the solution to California's housing dilemma, if there is one, lies in reducing construction costs and making private investment in housing more attractive.

That would, in turn, require California to severely reduce costly red tape for projects and compel local communities

to accept the denser housing developments their residents tend to oppose, known as the not-in-my-backyard syndrome, or NIMBY.

Furthermore, the Democratic candidates are becoming entangled in an intra-party conflict over rent control.

The ascendant left wing of the state Democratic Party, dubbed Berniecrats, is making repeal of the Costa-Hawkins Act, which limits the reach of local rent-control ordinances, a litmus test for candidates.

Eastin endorses repeal, but the three other Democrats danced around the issue, quite aware that subjecting new housing to rent control is a sure way of killing private investment.

Newsom, who leads in the polls, punted by saying he would hope to "find some common ground." Villaraigosa, No. 2 in the polls, said he would use the threat of repealing Costa-Hawkins as "a bargaining chip" to compel developers to include more affordable units in their developments.

Dealing with California's housing crisis will require some very difficult political decision making, and whether it eases or grows worse will be a hallmark test for the next governor, whoever it might be.

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