Opposition to Housing: Origins and Consequences

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California’s housing crisis is so bad people are living in cars

California housing crisis may lead to economic one, says report
New reports from Next 10 underline economic pains felt from housing shortage
By Patrick Slevin | May 4, 2018, 10:02am EDT
Why the Housing Crisis Persists

• Solution to a housing shortage is more housing
• But the conditions that cause a housing crisis can also obscure its source
• Housing comes to seem like the problem
• Hard for many people to believe that development can be a solution to anything
• We reinforce that impression with our policies
How All This Happens:

• Natural aversion to change is empowered by law, and amplified by growing financial interest in housing values
• Development in many places becomes harder if not impossible
• Housing prices rise
• People who rent suffer
• People who own housing see their wealth increase
• Cities thus face some pressure to build, but a lot of pressure not to
How All This Happens

• Cities compromise: allow new housing, but only in some places, and with lots of conditions

• Resulting development is big and expensive, often requires special approval

• Makes new development seem *illegitimate* and *immoral*, and makes it look like it *causes* the crisis (and many other problems)

• Even many renters turn against it
We Confuse Two Crises

• *The Poverty Crisis*: State has many low-income people who have difficulty paying rent, and are vulnerable to unscrupulous landlords

• *The Supply Crisis*: The state has not matched its growing economy and population with new housing, and especially new housing where demand is highest.

These crises are *separate but related*. Building more housing by itself will *not* solve the first crisis. But it will help. *Failing* to build more housing will make the first crisis worse. New housing is *necessary but not sufficient* for fighting poverty.
People Have Always Opposed New Housing

- Motivated by concerns about
  - Traffic
  - Street parking
  - Crowding in other amenities (schools, parks, etc)
  - Aesthetics
  - Demographics (classism, racism)

All of these fears are exacerbated as development gets more intense
Someone Probably Hated Your House

“...That was the McMansion, and it came to be identified with vulgar, excessive, conspicuous consumption.” Architectural historian Sarah Burns, on attitudes toward the Victorian house 1870-1890

“Tradition has broken down, and taste is utterly debased.... The old trees and hedgerows...have given place to concrete posts and avenues of telegraph poles, to hoardings and enamel advertising signs.” Planner Thomas Sharp, on early bungalows and “bungalow disease”
What Changed?

• New laws--environmental, preservation, etc--empowered neighbors and cities against developers. Process got more veto points.

• Tax limitation limited cities’ revenue from existing housing

• Local land use control rose as local fiscal control fell

• Cities in response begin using exactions on developers to help finance themselves

• Oil crisis and inflation combined to make housing value balloon
1970: Housing is 21 percent of household wealth
1980: 30 percent
2000: Housing is a majority of wealth for most households
Housing is *Not* an Ideal Investment Asset

- Immobile
- Indivisible
- Volatile
- Highly dependent on behaviors of fellow citizens, appearance and appeal of other structures nearby
- Reinforces impulse to control *and* constrain housing market
  - Restrict heights, require more parking, increase setbacks or minimum lot sizes, designate neighborhoods historic, restrict multifamily building, sue developers
  - All of which has become easier in the name of preservation or environmentalism
A Frozen City: Rules Become Stricter, and then Ossify

A lot of multifamily housing, new and old, is not technically supposed to be there
One Result: Development Slows, but Development \textit{Intensity} Rises

1980-2000

2000-2016

Of new homes built, the greatest share was in:
- 50+ unit structures
- 2-49 unit structures
- Single-family homes
- Almost no construction

Towers Rise, “Missing Middle” Fades

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How do Large Developments Get Built in Downzoned Areas?

• Often discretionary permissions—a waiver from the zoning
• Allows cities to exact payments or contributions in return
• System lets zoning stay strict (and avoids painful process of changing rules) but gives some parcel-level flexibility
• Also allows zoning to become a way around tax limitations
• Housing as a vehicle to other goals, not a goal itself
500 Broadway, Santa Monica

249 housing units

Conditions of approval include:

- Cap on PM peak period trips (or pay fees)
- Contribution to parks and recreation
- Historic preservation contribution
- Early childhood development contribution
- LEED platinum status
- Local hiring program
- Community meeting space
- Donate land for, and entitle, 64-unit affordable housing development nearby
The Trouble With Discretion

• New developments “break the rules”
• Land values get distorted, so prices rise
• Long approval process and lots of conditions means that only deep-pocketed, aggressive developers will be able to build, and
• That housing built will tend to be high-end
• Combined, reinforces idea that developers are adversaries of public interest, and that housing is a burden demanding mitigation, not a solution or source of opportunity
• Implicitly dismiss the idea that market rate housing has social benefits
When Many New Developments are Visibly Expensive

• People think new development makes housing expensive

• They blame development for the housing crisis

• It is easier to notice that a shiny new big building is expensive, than that a shabby old building has become expensive
Expensive New Housing is a Consequence, not a Cause, of the Housing Crisis

• Most new housing is expensive (or a lot is)
• Most expensive housing isn’t new
• The hallmark of a housing crisis is the rapidly increasing price of older housing
• Housing that was once affordable becoming expensive

650 SQ FT, BUILT 1937 - $2,500 per month
California’s Coastal Metro Areas

• Los Angeles, San Francisco, San Diego, San Jose
• 7 percent of US population
• 36 percent of all homes valued over $1 million
• 14 percent of aggregate housing value
• 14 percent of aggregate rents
• There isn’t enough new building for new building to have caused this
### Housing Prices and Rents, and Age of the Housing Stock, Large California Metro Areas

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<td>Share $2,000/month or more</td>
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<td>24%</td>
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<td>Share Built Since 2010</td>
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<td>3%</td>
<td>6%</td>
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<td>1%</td>
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ACS 2016, Summary File Data. Age data reflects year structure was built.
Where are LA’s Million Dollar Homes?

- Homes built since 2006 are *more likely* to be $1 million or more
- But they account for only about 6 percent of the city’s million dollar homes, because they are only 4 percent of the housing stock.
- Units built before 1960 are 50 percent of the city's million dollar homes
Developers Are Not the Primary Beneficiaries of the Housing Crisis

- People who own property are landlords and homeowners
- Developers make money in their role as landlords
- Most developers are landlords, but most landlords are not developers
- In their role as developers, developers devalue existing housing
- Developers are not the capitalists here, they are threats to the value of existing, scarce housing capital
• The homeowners, especially the longtime homeowners, are the capitalists

• Their gain is renters’ pain

• We have worked *very hard* to avoid that reality – lots of political reasons to want policies that will help poor renters but not cost homeowners money (in taxes), or wealth (new market-rate housing) or changed neighborhoods

• The result is some *very weird* policies designed to address the housing crisis
People in new housing buy things, which employs low income people, and makes low-income people need affordable housing.

How can we justify forcing developers to build affordable housing?

Residential fees for affordable housing apply to market rate units, and are based on the “nexus” or relationship between the occupants of a market-rate unit’s spending in the economy, and the portion of this spending that generates workers’ low income households needing affordable units.
For this Logic to be Valid:

• New housing must *cause* high-spending rich people to show up and create jobs for poor people
  • We can revitalize Detroit by covering it with luxury towers
• *Only* new housing can have this effect
  • A person making $150K who moves into a historic home must somehow spend differently than a person with the same income moving into new housing
  • If *spending* is creates the need for affordable housing, shouldn’t we tax sales?
• Creating jobs for lower-income people must be a *bad* thing
  • Low-income people must only need housing if they are employed, *or*
  • There must be no unemployed or underemployed current LA residents, meaning that
  • All low-income people who take new retail jobs must move into LA do so
According to the resolution, the city has already taken “substantial steps toward planning for future housing,” pointing to a new “linkage fee” adopted in January, which requires developers to pay into an affordable housing fund and a planned overhaul of the city’s 35 community plans as evidence of such.

LOS ANGELES—Los Angeles City Councilmember David Ryu (Council District 4) today introduced a resolution to formally oppose San Francisco Democrat Senator Scott Wiener’s SB 827 legislation, part of a package of affordable housing bills, which would allow California developers to flout local zoning codes to build taller and denser buildings near public transit in the interest of increasing the state’s affordable housing stock.

The city “must make every effort to expand affordable and middle-income housing, but not at the expense of local control over land use and community-driven planning,” the resolution reads.
Summary

• We have internalized the idea that housing is a source of problems, right when housing is an important solution

• We ask too much of new housing
  • Finance parks, improve labor standards, accomplish environmental goals, provide our welfare state
  • and not enough of existing housing

• We ask too little of people in existing housing
  • Indulge their opposition to change
  • We only lightly tax their massive capital gains
  • We tacitly reassure them with policies that blame development
Getting out of this mess

- Legalize midsized multifamily housing in more places, especially in single-family home neighborhoods, in cities and suburbs
Getting out of the Mess

• Legalization minimizes the negotiations and exactions that make development look corrupt – approve housing by-right

• Finance the welfare state with *broad-based* taxes

• Instead of linkage fees or inclusionary zoning, use progressive real estate transfer fees – capture the gains from housing scarcity and don’t discourage housing supply

• Change the discourse around housing – recognize that what is an imposition to one person is an opportunity to others
Los Angeles Luxury Housing

Unit 19w: Sold for $2 million in 2005
Sold for $2.9 million in 2018; 12 percent increase

Built in 1930
Sold for $729,000 in 1998
Sold for $2.3 million in 2018
Currently valued at $2.4 million
More than doubled in value in real terms in 20 years