

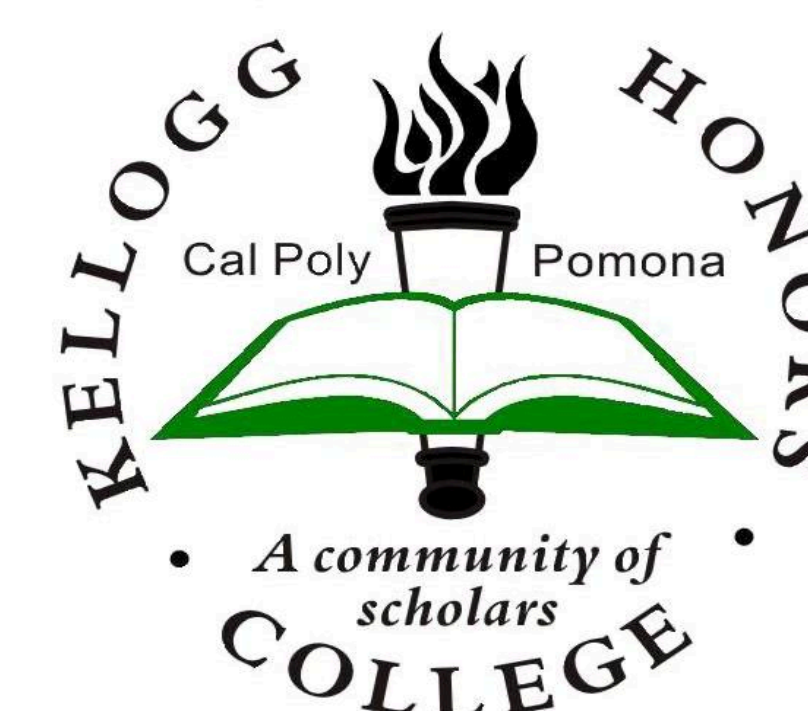
California Housing Crisis: Evidence, Trends, and Policy



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Kellogg Honors College Capstone Project



Project goal: Review academic literature and quantitatively analyze the housing market data in order to find recent patterns, and look at the ways the housing situation in California is affected by market forces and policy.

CURRENT HOUSING MARKET

- Classic market failure: supply and demand do not meet
- Increasing unaffordability of housing with inadequate supply
- Median property requires \$113k household income, while actual median income--\$57k
- No magical policy to fix housing crisis

WHAT THE LITERATURE SAYS

Academic literature allows one to see behind-the-scenes of policymaking and how market forces drive housing

The City's Wealth and the City's Limits

- Despite electorate's consensus, constant pushbacks 1976-2011
- Liberal policies: nonprofit housing, displacement protection
- Actors against policies: interest groups, state government, NIMBY.

Unaffordable Housing and Local Employment

Growth: Evidence from California Municipalities:

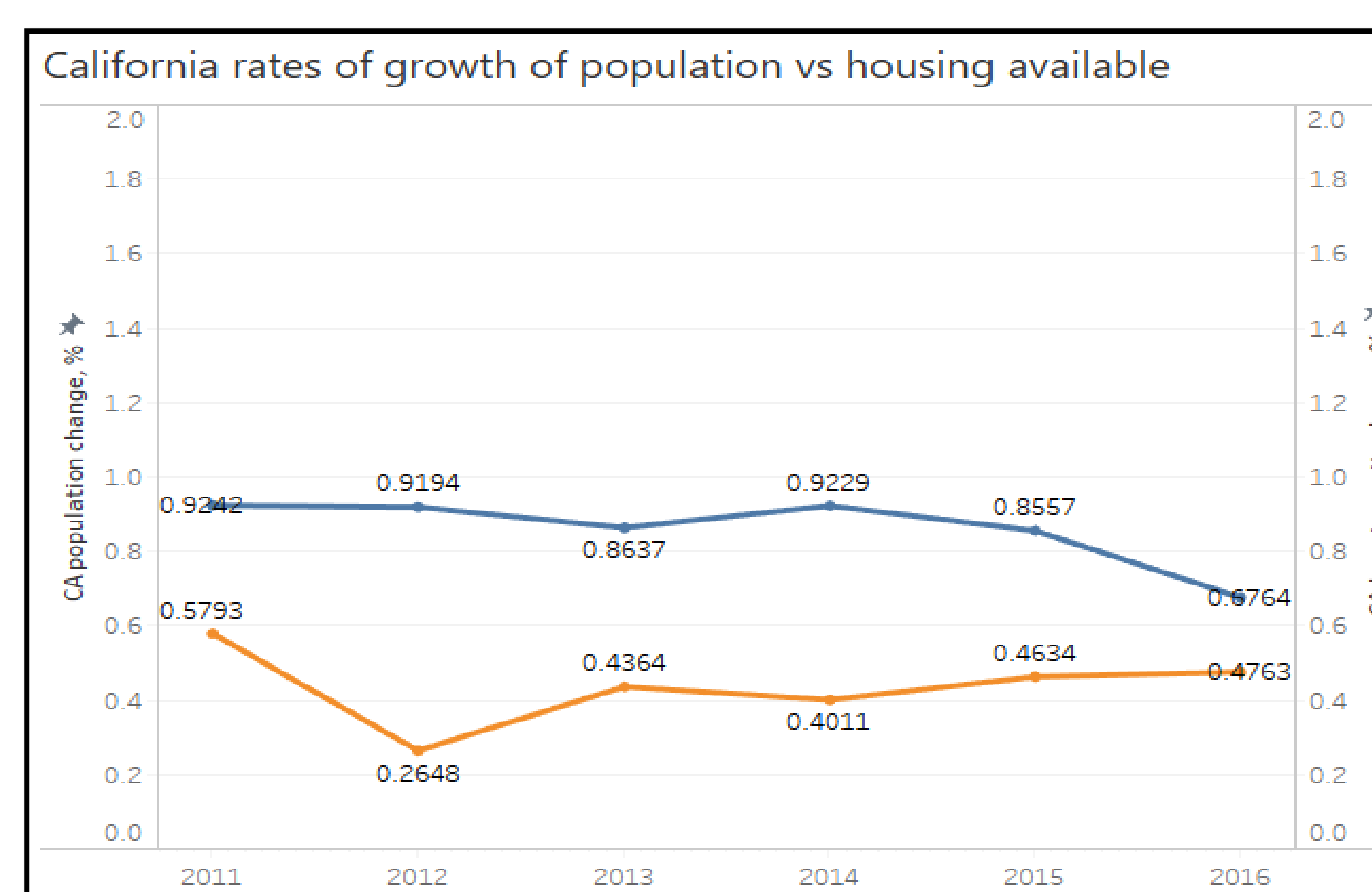
- Data from 115 CA cities, used 2-stage regression analysis
- Unaffordable housing slows local employment growth
- Expensive housing correlated with tight land-use regulations
- Warning signs for Bay Area and Los Angeles Metro

Sand Castles Before the Tide? Affordable Housing in Expensive Cities

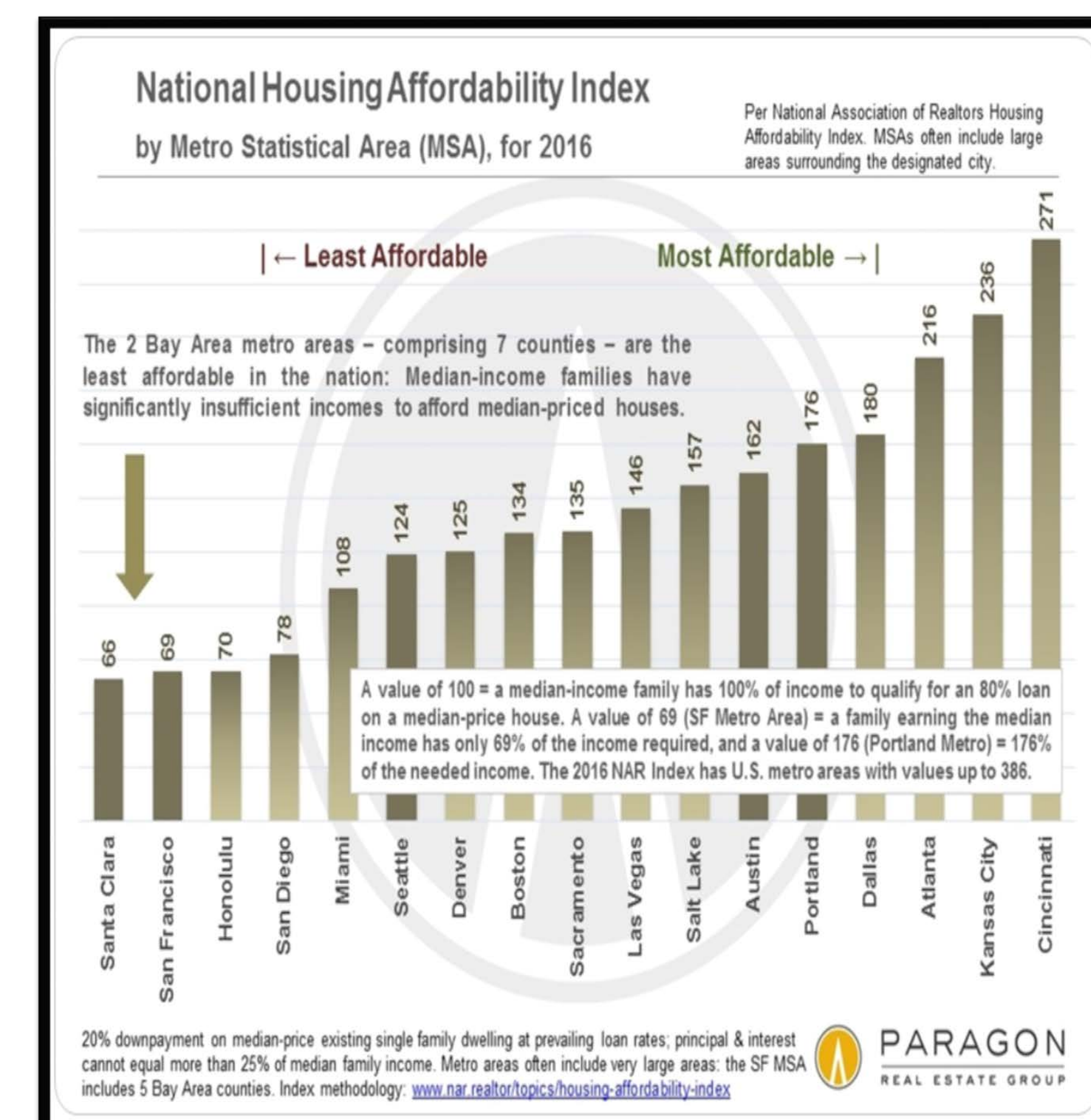
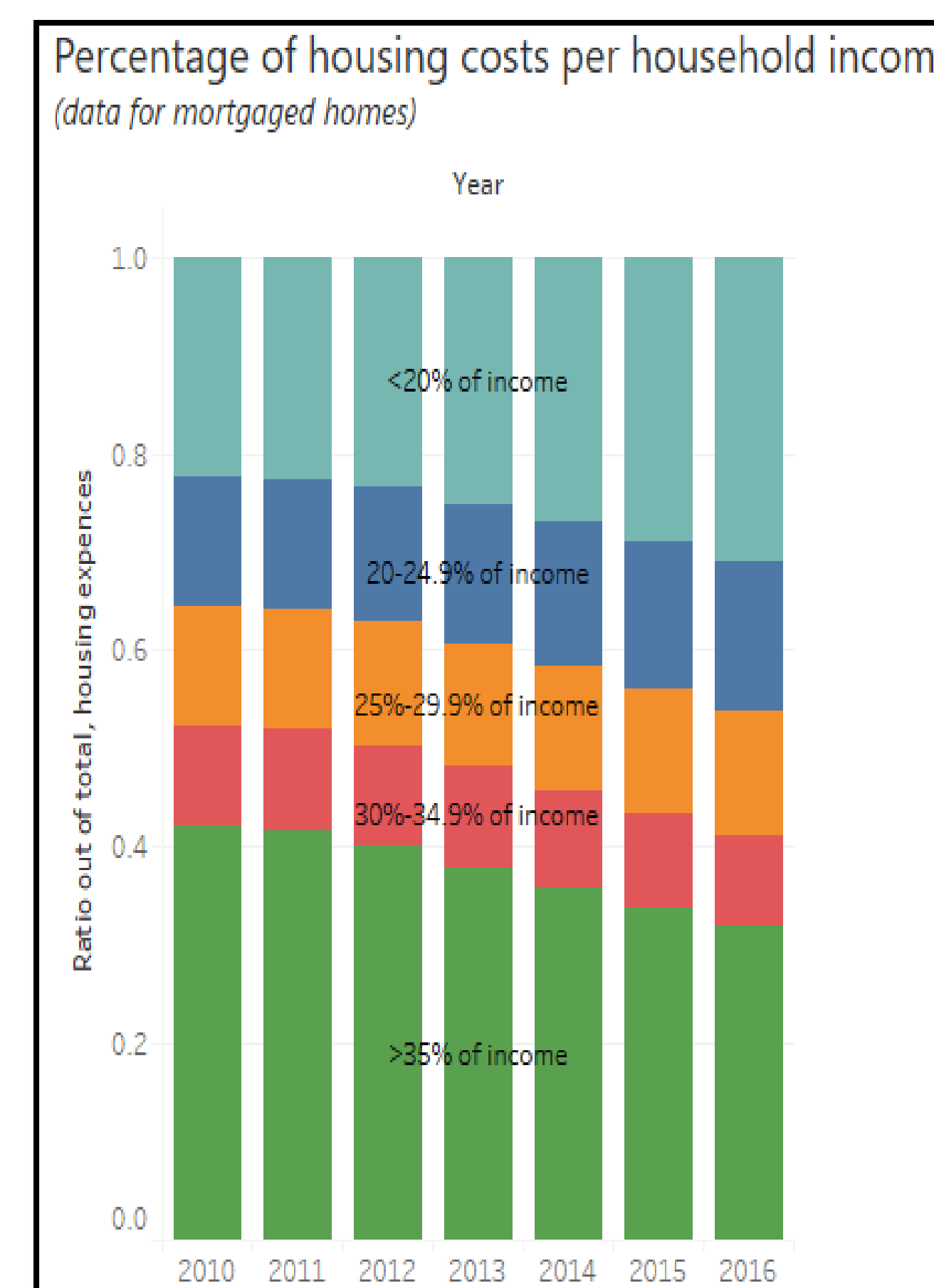
- Data on US cities 1996-2006 that saw increase in real estate value
- Main driving factor—exclusionary land policies
- Affordable housing roles—no significant impact
- Solution: higher building density

Conclusion: The housing market in California is not near an equilibrium market point that connects the demand from state's residents and supply from real estate developers. This mismatch occurs due to a combination of political struggle that sees development of new housing units stalled or delayed and the market conditions where the housing is unaffordable for both renters and homebuyers.

EMPIRICAL EVIDENCE



Year	Renter-occupied houses %	▲%Renter-occupied houses
2016	45.90%	0.44%
2015	45.70%	1.09%
2014	45.20%	1.11%
2013	44.70%	1.57%
2012	44.00%	1.59%
2011	43.30%	1.62%
2010	42.60%	



REMEDY IN POLICY

- *California Proposition 10 (2018)* – failed; aimed for repeal of *Costa-Hawkins Rental Housing Act (1995)* – no rent control on year of 1995+ structures
- *California Senate Bill 827 (2018)* – failed; aimed to increase height limit, remove parking spot requirement for residential zones 0.5 mile within transit hubs: LA – 50% of area affected; SF – 96%
- SB 167 – increased burden of proof to deny low-income housing development
- SB 35 – simplified approval process for development with low supply