California is about to embark on Newsom’s housing vision. It must be done smartly

BY MCCLATCHY CALIFORNIA OPINION EDITORS

Construction work continues on Express Homes, a newer housing development in North Natomas, Friday, January 11, 2019. After seven years of price increases, Sacramento’s housing market hit a plateau in 2018. LEZLIE STERLING LSTERLING@SACBEE.COM

Gov. Gavin Newsom wants 2019 to go down in history as the year the middle class started to return to California. How might that happen? By addressing the housing crisis.

Newsom has come out of the gate with the audacious goal of constructing 3.5 million new housing units in the state by 2025. To do that, more than 378,000 homes would need to be built every year statewide — quadruple the current rate of construction. The last time that many homes were built in California in one year was 1954, according to the Los Angeles Times.

Those homes are needed because too many people employed in the state cannot afford housing. Prices for single-family homes are beyond the reach of many, and rents eat up an inordinately high amount of monthly income for a slew of tenants. Homelessness has grown because housing is too expensive. “Simply put, we are experiencing a housing affordability crisis, driven by a simple economic argument,” said Newsom during his campaign for governor.

Kudos to Newsom for having the courage to take on this challenge. He plans to back it up by directing help to counties and cities for planning — and by withholding certain funding from local governments that don’t get with the program.

But this will be a complex goal to meet, and it likely won’t be achieved without protest from current homeowners who like things the way they are. If his housing plans are carried out as comprehensively as Newsom wants, no part of
the charming-yet-expensive cities of San Luis Obispo County to the impoverished small towns in the Central Valley, from the Bay Area to Southern California, new housing must be built.

How that occurs is the rub. The urban areas of the coast don’t have much available open land left, so infill projects will likely be the main way new homes get built. The Central Valley, by contrast, still has an abundant supply of open land at a lower cost. The Valley and the Inland Empire of Riverside and San Bernardino counties will play large roles in the creation of new housing.

Crisis by the numbers

California’s median home price stood at $554,760 at the end of November, according to the latest figure from the California Association of Realtors. The Bay Area led all areas with a median price of $905,000. The next most expensive market was the Central Coast, with a median of $672,500. The Central Valley — which includes Sacramento, Stanislaus and Fresno counties — was cheapest at $320,000.

On the rental front, the majority of tenants in the San Joaquin Valley region pay between 30 to 50 percent of their monthly income toward rent, according to the Leadership Counsel for Justice and Accountability, a Fresno-based nonprofit that works on environmental justice, planning and housing issues. A tenant is considered rent-burdened if rental costs are more than 30 percent.

Fresno’s monthly average rent in December stood at $1,047, according to RENTCafe.com, a national apartment-search website. By contrast, the average monthly rent in San Francisco was $3,600.

Builders excited but have concerns

Not since Pat Brown was governor in the 1960s has the state’s top leader made housing a main issue, said Dan Dunmoyer, President-CEO of the California Building Industry Association.

To achieve the 3.5 million goal, Dunmoyer said all forms of housing types will need to be built — single family, apartments, infill projects and affordable housing.

“The Valley and the Inland Empire are the two best-positioned geographic areas to create large areas of housing that is more affordable than anywhere else in the state,” he said.

Dunmoyer said multifamily construction is taking off because, at long last, there is demand. “For the first time in a long time, we are building more multifamily housing than single-family residences,” he said.

Not all is rosy, however. Dunmoyer said interest rates have risen, making borrowing costs for buyers more expensive. Then there is the labor issue — there are not enough skilled tradespeople. “We need as a state to tell our children it is OK for them to use their hands to be a plumber or a framer,” he said.

A third worry is the long-held “not in my backyard” attitude for which California is famous. Dunmoyer said it’s easier to build a new home in a green state like Washington than California.

“It’s so much easier to build in Seattle than San Francisco,” he said. “There, it’s 18 months, not 18 years.”

New urgency for housing

David Garcia, policy director at the Terner Center for Housing Innovation at UC Berkeley, said the housing issue has reached a watershed moment. “Three or four years ago, we would never entertain the idea of state-level intervention in local planning decisions,” he said.
But new legislation, Senate Bill 50, would create zoning standards to better allow for apartment housing near transit centers.

Newsom’s budget also includes $2.3 billion for housing for low-income and homeless people. Such funding would also help cities rezone and process projects faster to speed up development.

“We have reached a tipping point,” Garcia said. “Not only are individuals suffering from the housing cost, we have politicians understanding it, too.”

Going forward, it will be critical for cities and counties to thoughtfully review and approve development proposals. Especially in the Valley, simply increasing suburban sprawl is not the answer.

Advocates like the Leadership Counsel are calling on cities to make sure their plans provide for low-income people. That means making sure a mix of housing types gets built. In some impoverished cities in the Valley, the sewer and water systems need upgrading before any new homes can be added.

California must also avoid building homes in places where land is cheap but also far away from job centers, creating long commutes. That already happens too much in places like Stockton and Modesto. Housing, jobs and transportation are linked, and that makes the task more complicated. So, if city planning departments need help, they should ask the state for it. Not having in-house expertise is not an excuse for lacking smart planning.

There’s much to figure out. But, bottom line: Newsom has made it clear he’s ready to get to work.
I'll admit, Governor Newsom's plan causes me angst. We'll need to exponentially increase board feet production unless the housing superstructure is some other material. We'll probably shortcut licensing and certification of tradespeople. Developers will take advantage of demand and build substandard housing unless cities make substantial increases in inspectors. There'll probably be gentrification of older neighborhoods and displacement of existing inhabitants. Lastly, the 50's housing boom was fueled by returning veterans and the GI Bill.

Carl Pederson

Kinda' sounds like a modification of FDR's housing act. What was old is now new again.

I'll be anxious to see how the new Governor will apply his modern day progressive Socialism ideas to successfully solving these problems.

William Willis

One thing the State could do to help create more affordable housing is roll back some of the new building regulations that drive the cost up. Another step in the right direction would be to help offset some of the permitting cost. When it can cost upwards of 20,000 just to get a permit to build a single family home, more home buyers are eliminated from the market. For too long new construction has been an easy target for adding any kind of fee you can think of to the permit cost!

Michael Hoskinson

CA is losing far more people than it takes in, especially ones that pay tax. There is no "housing crisis" if the population is declining, this is a fantasy designed to increase government and the tax rolls and payoff special interests.
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