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The *SF Chronicle*'s article, "Shortage of homeowners," states that the Sierra Club California "support(s) the development of underutilized urban plots as well as so-called inclusionary housing ordinances" in order to combat California's and especially San Francisco's lagging homeownership rates.

In San Francisco, demand for housing has grown over the years. Unfortunately, housing can only be built on land, which in the City and County of San Francisco represents an exhaustible resource. This shortage in the San Francisco market for land and therefore housing creates problems. Prices are driven up since supply cannot expand to meet demand and many people are priced out of the market and forced to rent. Additionally, few families live in the city (because they are unable to buy or the prices are so high that they cannot compete with the suburbs especially considering bundled goods) and the current shortage of available land ensures that newly built housing will consist largely of expensive, family-unfriendly homes.

The Sierra Club espouses a combination of infill housing and system of quotas for below-market-rate development. Infill housing consists of building housing in unused lots, often utilizing proximity to public transport and reducing urban blight from abandoned lots or parking lots. San Francisco currently is in the planning stages of developing an infill housing program. Inclusionary programs force developers to sell a certain percentage or number of units out of the total number of units they have developed at a below-market-rate price. San Francisco has an inclusionary housing program and several programs that offer subsidies to lower-income (by SF standards, high for the rest of the nation) families.

The question that plagues me is, if we build more housing and reduce prices through increased quantity, below-market-rate prices, and subsidies, what keeps demand from rising and eliminating that progress? The housing market is a local market that can easily be influenced by the regional and countrywide fluxes in housing prices and the movement of people. Furthermore, will these programs allow for a segmented supply curve that supplies the rich and poor with housing and excludes the middleclass?

The land used for housing usually takes time to move into the development sphere and therefore in the short term, supply is nearly inelastic. What is more, in the long term land represents an exhaustible resource and therefore the housing on it is also exhaustible, making the long term supply curve also inelastic within the City of San Francisco. Any tiny shift in supply, movement along the supply curve, or shift in the demand curve has a huge impact on price. Once couples have children, I would assume that the added number of non-housing expenditures would make their demand for housing less price elastic, and that these factors in combination affect San Francisco's housing situation.

#### Bibliography

Zito, Kelly. "Shortage of homeowners, Building industry study ranks California nearly last in the nation." *San Francisco Chronicle* 23 March 2006: C1,C6.

## [Shortage of homeowners Building industry study ranks California nearly last in the nation](#)

- Kelly Zito, Chronicle Staff Writer

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Change
-0.4%
0.0
-0.6



If the Bay Area were to have homeownership rates on par with the rest of the nation, 256,000 more households would need to own homes, according to a new study by a state building industry association that hopes to loosen existing land-use policies. But environmental groups say boosting residential production - while a way to address some of the state's housing problems -- could cost Californians more in traffic, pollution and sprawl.

The study, titled "Homeownership in California," makes the case that the state's 57 percent homeownership rate -- the second lowest behind New York -- lags far behind the national average of nearly 70 percent because a patchwork of environmental policies and legal decisions has choked off new home building and thereby pushed home prices \$300,000 above the national average.

"We may be producing some of America's best college graduates, but we're exporting them to states where owning a home is more than just a fantasy," said Alan Nevin, chief economist at the California Building Industry Association in Sacramento and the author of the study.

In the 1950s and 1960s, California's homeownership rate was equal to the United States' as a whole. But in the 1970s, that changed as the California Environmental Quality Act and other measures were passed, Nevin said.

Now, as a dwindling number of residents can afford even modest homes, the building industry contends the answer is to curtail the use of the quality act by environmental groups to halt development and to force cities to identify and plan for a 20-year supply of new housing.

Amid those and other efforts, the group contends it is possible during the next several decades for California to achieve a homeownership rate closer to the nation's and boost the ranks of property owners by about 1.6 million.

The study coincides with the building association's sponsorship of several bills that would make it easier for builders to access and develop available land.

Environmental advocates, however, say the builders are using the specter of recent, huge housing price increases to attempt to curb important protections for open space and endangered species.

What's more, such measures threaten the state's shrinking supply of prime agricultural land.

Development pressures helped spur the owners of 31,104 acres of protected farmland in 2003 to start the 10-year process to remove their land from a special state program that gives steep property tax breaks for those who promise to keep their parcels in agriculture. That total is up from 25,681 acres in 2002 and 17,148 in 2001.

"We acknowledge the fact that most Californians want to own their own homes, but Californians don't want to see runaway growth, they want planned growth," said Bill Allayaud, state director of Sierra Club California.

Instead, his group and others support the development of underutilized urban plots as well as so-called inclusionary housing ordinances. Such measures, which are already on the books in many cities including San Francisco, require builders to make a certain portion of any home development affordable to low- and moderate-income households.

However, builders balk at the prospect of shifting costs from one set of buyers to another.

"The cost of inclusionary housing is ultimately borne by the other, market-rate buyers," said Layne Marceau, president of the Northern California Division of Shea Homes. "It's a good program in theory, but in practice it's not achieving a long-term solution."

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Homeownership rates by county

County	2000	2005	Change
Alameda	54.7%	54.3%	-0.4%
Contra Costa	69.3	69.3	0.0
Marin	63.6	63.0	-0.6
Napa	65.1	65.8	0.7
San Francisco	35.0	34.4	-0.6
San Mateo	61.4	61.0	-0.4
Santa Clara	59.8	59.2	-0.6
Solano	65.2	65.3	0.1
Sonoma	64.1	63.8	-0.3

Source: California Building Industry Association, U.S. Census, Claritas

