

Contact:
John Grubb
Bay Area Council
415-981-6600
jgrubb@bayareacouncil.org



SEVEN-YEAR BAY AREA HOUSING CYCLE ENDS WITH 17 PERCENT SHORTAGE OF PERMITS ISSUED FOR THE REGION'S MARKET NEED, LEAVING A 38,629 UNIT SHORTAGE, BAY AREA COUNCIL FINDS

Shortage Affects Affordability, Environment, Transportation and Economy of Region

SAN FRANCISCO, July 19, 2006 — The *Bay Area Housing Profile*, a study by the Bay Area Council of the region's 101 cities and nine counties, found that jurisdictions permitted only 83 percent of the housing needed to meet assigned levels for the seven-and-half-year, January 1, 1999 – June 30, 2006, time period. Although a total of 184,076 units were permitted overall in the region, the Bay Area's cities and counties fell 38,629 units short of the amount set by the Association of Bay Area Governments (ABAG) to meet population and job growth. The permitting pace actually slowed in the two years since the last *Profile* in 2004, when the pace was 87 percent.

Today, the Bay Area is the most expensive place to live in the United States. According to DataQuick, in the past year, the Bay Area median sale price has increased 12.2 percent from \$549,000 to \$616,000. The region's current median home sale price is almost triple the 1990 price of \$208,000. Further, the region's cities and counties permitted only 42 percent of the "affordable" units they should have, based on ABAG's determination of needs, aggravating the negative impacts of the most expensive housing region in the country. One very noticeable exception to the trend was San Jose, which produced an impressive 113 percent of their share of affordable housing, or more than 16,000 units, the bulk of which were for very low income residents.

Overall, more than 60 percent of Bay Area jurisdictions are not meeting their "fair share" of permits issued. State law requires the regional council of governments, in this case the Association of Bay Area Governments, to assign housing obligations to cities and counties. Each jurisdiction's Regional Housing Needs Determination is often called their "Fair Share housing allocation."

Under-permitting has helped Bay Area home prices escalate at faster pace, by 9 percent per year, than similar metropolitan regions in the United States in the past ten years such as Seattle (7.3 percent per year) and Charlotte (4.7 percent) according to the *Bay Area Economic Profile*. The result is that an average professional worker earning \$70 thousand a year in the Bay Area pays an annual "fee" of \$19,000 to live here versus in Seattle and a \$22,000 "fee" versus in Charlotte.

Under-permitting also has environmental and transportation impacts. Escalating housing costs have caused many new and current Bay Area residents to leave the region or move to its edge despite holding jobs in the centers of the region, increasing commuting time and distances, exacerbating regional traffic congestion, increasing air pollution, and further segregating households by income.

“The Bay Area is growing far flung suburbs at a torrid pace, erasing farmlands and open space, plus building an impending traffic nightmare with this under-permitting,” said Jim Wunderman, President and CEO of the Bay Area Council. “Whenever city or county leaders permit less housing than their ‘fair share’ they cause environmental and economic damage to the rest of the region. Those that do their share should be rewarded and those that do not need to answer to the rest of the Bay Area.”

The best performer on overall production was Hercules, near the waters of the Bay in the western part of Contra Costa County, which permitted 2,074 units or 271 percent of their “fair share.” Among large cities, San Jose stands out as having permitted 24,234 units, which was a well balanced 96 percent of their “Fair Share.” The worst performer of the 110 jurisdictions in the Bay Area was Larkspur in Marin County which produced only 13 percent of their “fair share.”

The only county to exceed its total production requirement for the time period analyzed was Contra Costa County, which produced over 40,000 housing units and exceeded its “fair share” by almost 7,000 units. Solano County was the next most successful in meeting its overall production goal, falling short by just 725 units. San Francisco County and Sonoma County earned grades in the “B” range, achieving 86 and 81 percent of their housing production goals, respectively.

The remaining counties fell short of their goals, with Alameda County showing the largest deficit of more than 15,000 units.

Unfortunately, these Bay Area trends will likely worsen in future years. According to the Association of Bay Area Governments (ABAG) *Projections 2005*, the region will continue to grow, adding almost 600,000 households and 1.6 million jobs in the next 25 years. Employment forecasts indicate that the ratio of jobs to housing (i.e., jobs/housing balance) will deteriorate, meaning more jobs for each housing unit; this will force workers to commute into the region from outlying areas at an increasing pace unless more Bay Area housing is produced.

The Bay Area Council is working with the Governor and state legislature on a 5-point housing initiative to:

1. Accelerate the building of new homes in the right place, by having cities identify sites and zone locations today to meet the needs they will face for new population and jobs in 20 years.
2. Synch California regions’ internal plans for transportation spending with their plans for new housing locations.
3. Modernize the California regulatory framework so that it supports – rather than hinders – construction of new homes in existing urban areas that are consistent with local plans, plus avoid duplicative, time-consuming and unnecessary analysis.
4. Give cities the ability to get money to improve their infrastructure – such as sewage, water, electricity, etc. – to accommodate new “infill” housing.
5. Develop a permanent source of supportive funds to increase the supply of housing for very low and low income households, which requires public investment.

Wunderman explained, “Much of this 5-point plan is included in a major bill we co-sponsored this year called SB 1800. While we do not think that it will pass this year, we will go for it again next year. Our region demands it, and we plan to deliver.”

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About the Bay Area Council

Founded in 1945, the Bay Area Council (www.bayareacouncil.org) is an advocate for strong economy, a vital business environment and a better quality of life for everyone in the nine-county Bay Area. Led by CEOs, the Bay Area Council presents a strong, united voice for more than 275 of the largest employers throughout the Bay Area region who employ more than 495,000 workers, or 1 of every six private sector employees in the Bay Area.