

Some California Sanity on Housing

A case study in why homes are unaffordable, and a possible solution.

By The Editorial Board

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Good news from California, of all places. The city of Santa Ana is trying to do something about its housing shortage, and other cities in the state should take note.

For years, Santa Ana has required anyone building a multi family complex with 20 or more units to offer some apartments at a discount or else pay a penalty. Since 2015 that “in-lieu fee” has been a whopping \$15 per habitable square foot, but last week the City Council voted 5-2 to cut that to \$5. The proposal must pass a second reading next month, but low- and middle-income residents will benefit if the councillors can resist special-interest lobbying to dilute the reform.

Santa Ana’s ordinance was intended to encourage affordable housing. Instead, high compliance costs have discouraged developers from building larger units or within city limits. Since 2011, a mere 33 affordable units have been developed on-site as a result of the ordinance’s requirements, and Santa Ana has collected no in-lieu fees in the last fiscal year, says Councilman Phil Bacerra.

Santa Ana's construction has lagged even compared to its fellow Orange County cities. Overall the stock of multifamily units within the county increased 20.1% over the past 20 years, but in Santa Ana the supply grew 7.5%, according to the nonprofit Up for Growth. The American Community Survey estimates that Santa Ana added a meager 3,000 or so housing units between 2010 and 2018, and the share of multifamily developments with 20 or more units dropped to 14.4% from 16.6%

Santa Ana’s labor unions say if the City Council cuts the in-lieu fee from \$15 to \$5, it should mandate construction with union workers. But this would drive building costs right back up. Local affordable-housing activists are also fighting this reform, but population growth means demand exceeds supply across the region, and Up for Growth reports Santa Ana rents rose 42% since 2010, compared to 36% county-wide. The best way to drive rent down is to drive supply up.

The federal Bureau of Economic Analysis examined the most pricy metropolitan areas across the U.S. and concluded last year that California is home to nine of the 15 most expensive regions, in no small part because of housing costs. Overregulation and strict zoning rules are to blame across the state, so here’s hoping the Santa Ana winds blow in more reforms.