

A tool kit to close California's housing gap – 3.5 million homes by 2025



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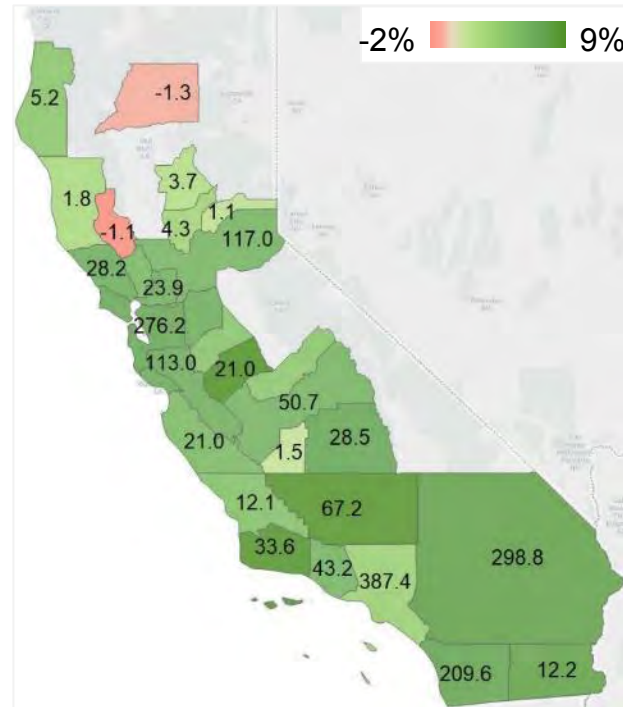
Report exhibits
December 2016

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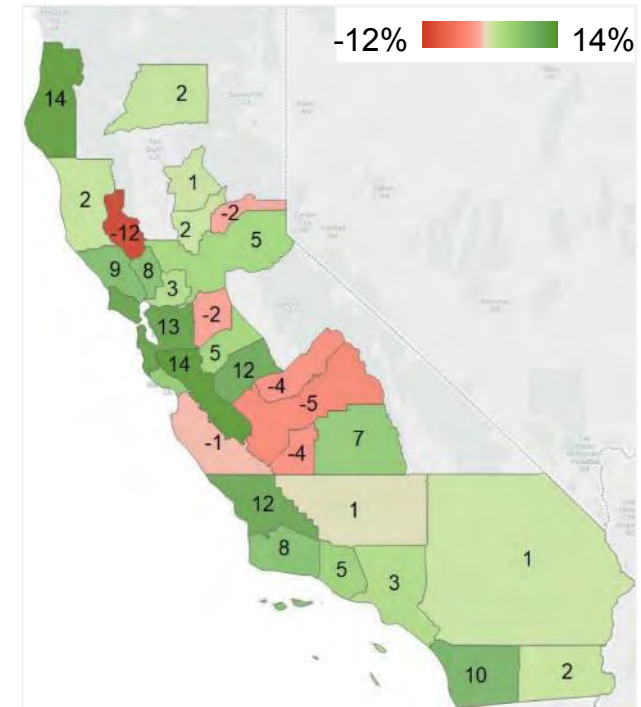
California's population is growing and incomes are rising, creating more demand for housing



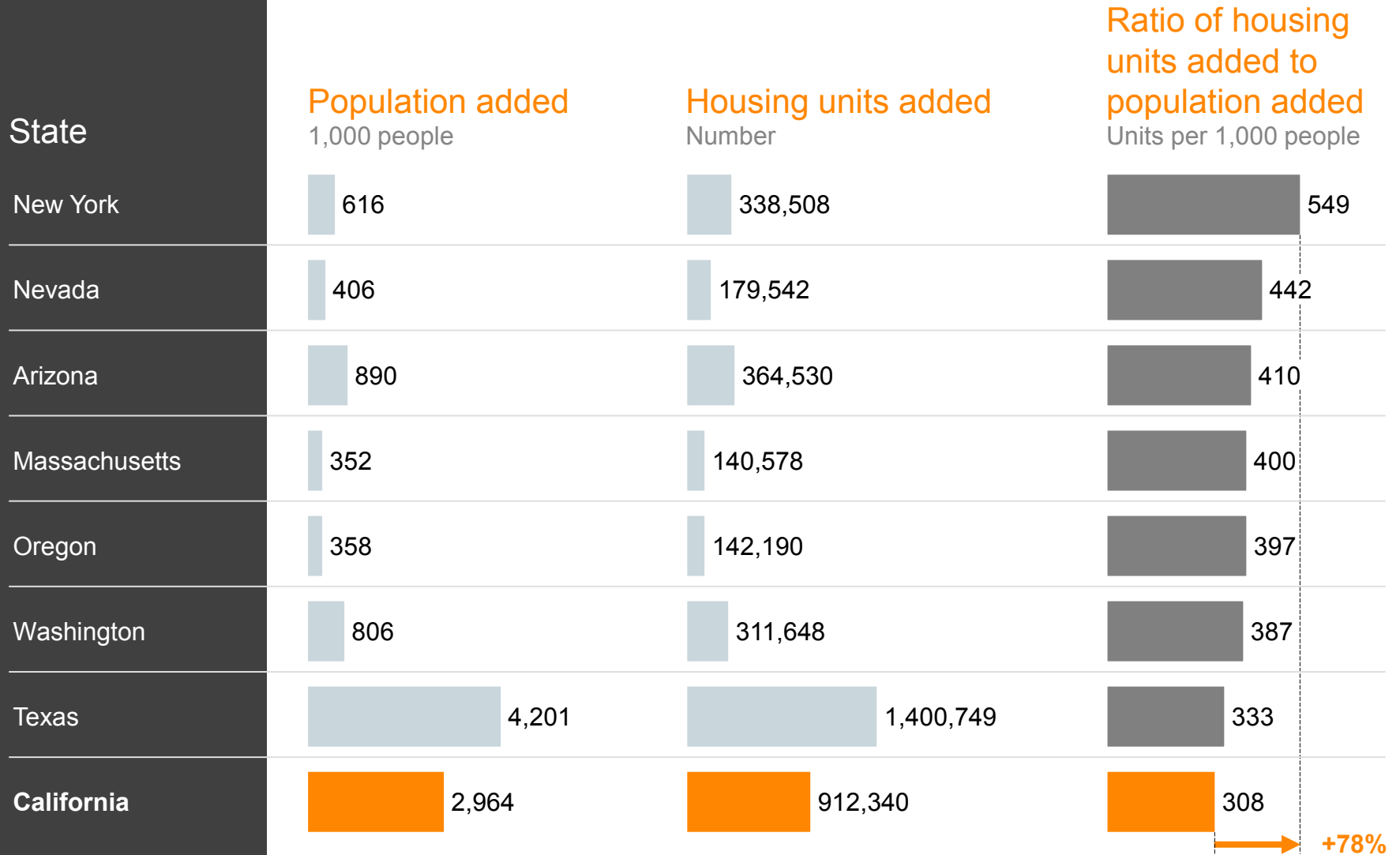
Net change in population, 2009–14,
Thousand people



Change in household area median income, 2009–14
Percent



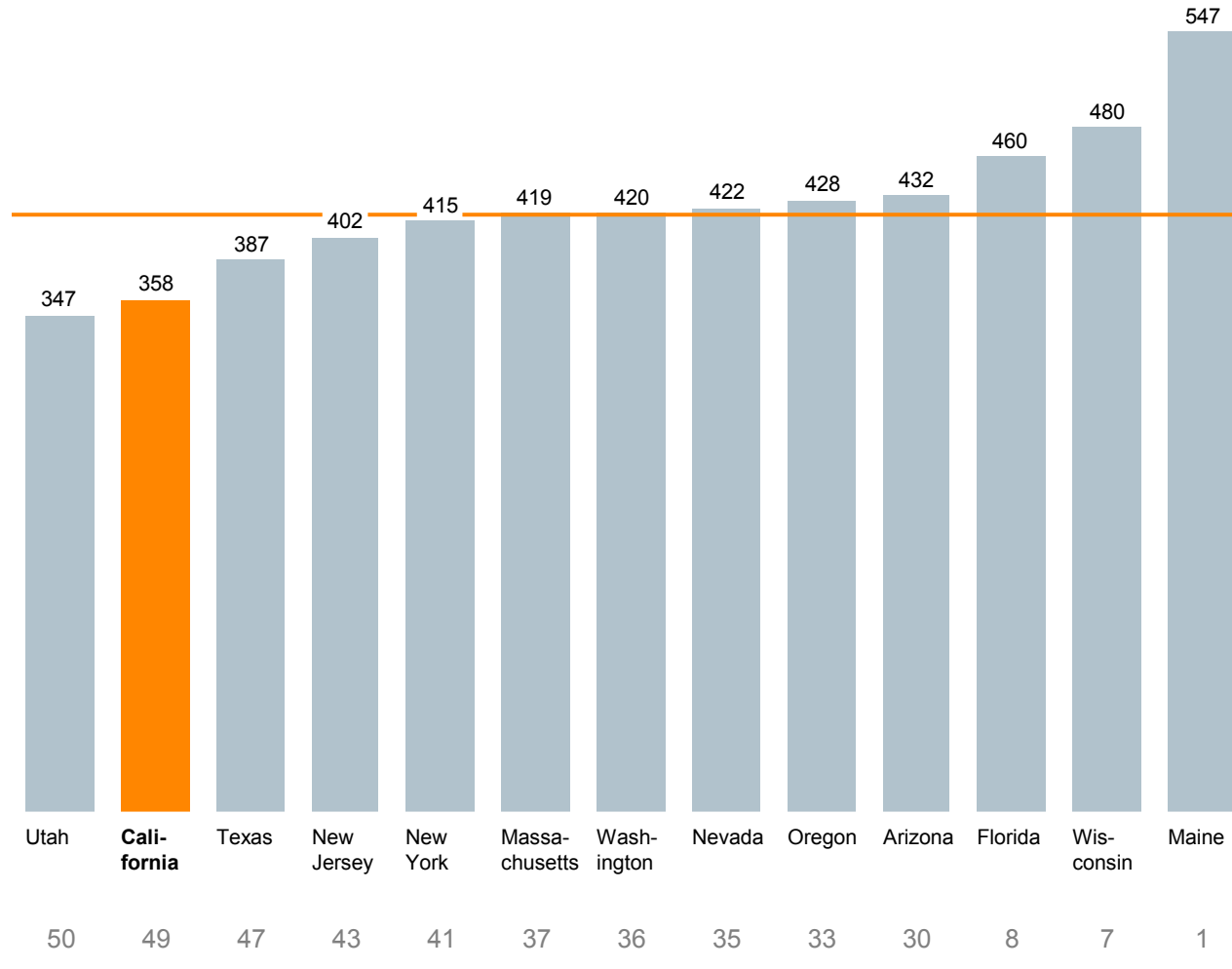
But California has not built enough housing to meet rising demand



Housing units per capita, 2014

Units per 1,000 people

— US average = 419



State ranking

In fact,
California
ranks

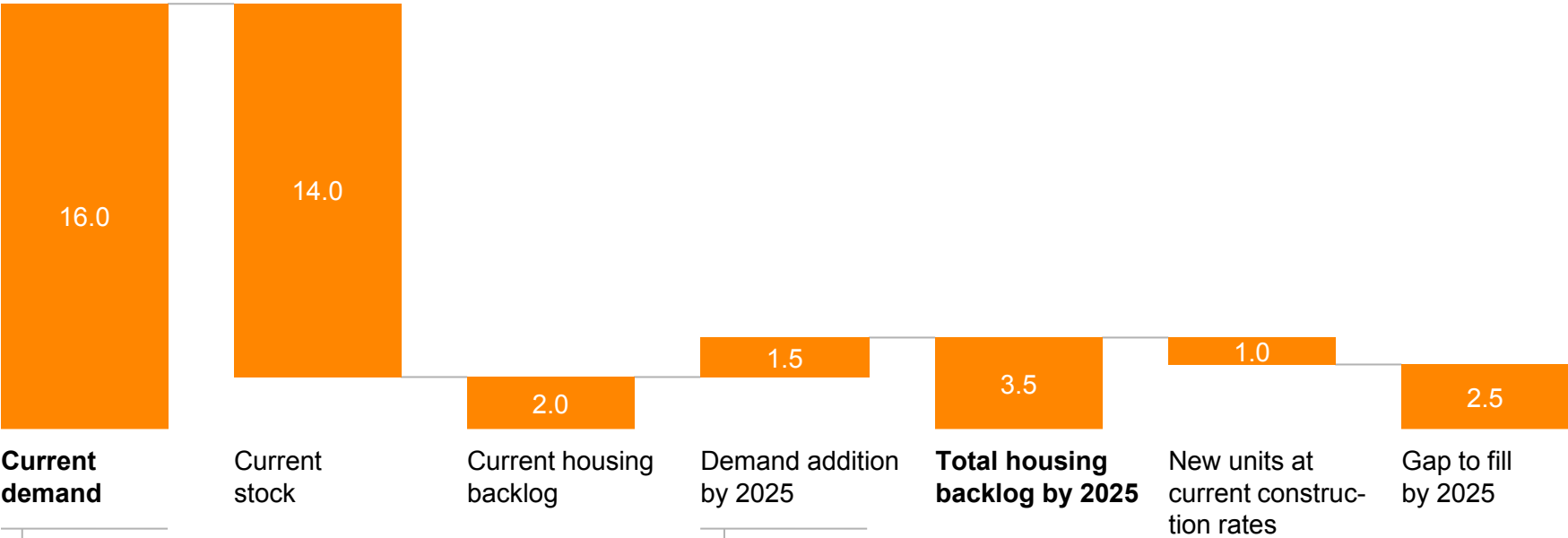
49th

out of 50
states
in housing
units per
capita

We estimate that California would have to add 3.5 million housing units by 2025 to meet pent-up demand and accommodate its growing population



California's housing supply gap, Million housing units



Number of housing units needed in California to supply market at the same per capita rate as New York or New Jersey (i.e., 406 units per thousand people—still significantly less than US average)

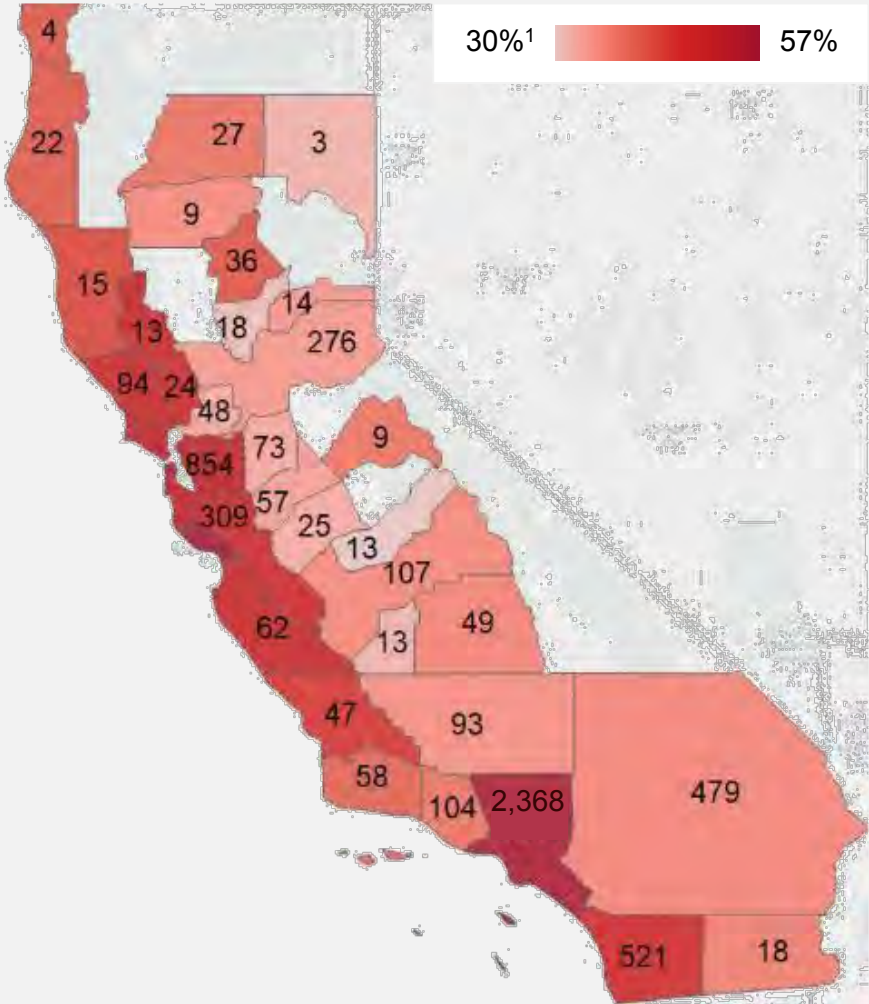
Additional units needed to supply California's population growth through 2025 (at same per capita rate as New York or New Jersey)

Rising housing demand, chronic undersupply, and escalating prices have led to a statewide housing affordability crisis

- Across the state, nearly 50% of California households are unable to afford the cost of housing in their local market
- The problem is pervasive: In every housing market in the state, at least 30% of households cannot afford the local cost of housing
- In cities such as LA and San Francisco where housing prices are most disconnected from average incomes, nearly 60% of households cannot afford the local cost of housing

Households in MSA unable to afford rent

Thousand



The poor are hit hardest — but the middle class is squeezed, too



Income level	Definition % of AMI	Total California households Million	Share of California households %	Percentage unable to afford housing ¹	Percentage extremely unable to afford housing ²
Above moderate	>120	6.1	49	5	0
Moderate	80–120	1.7	13	53	0
Low	50–80	1.8	14	96	40
Very low	30–50	1.6	13	100	97
Extremely low	<30	1.4	11	100	100

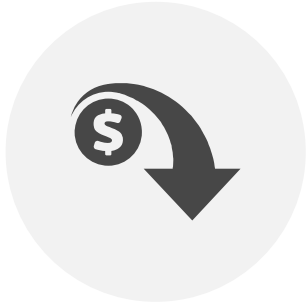
¹ >30% of income required to cover local cost of housing; ² >50% of income required to cover local cost of housing.

In dollar terms, California's housing crisis costs the state more than \$140 billion in lost economic output per year



\$50 billion

Annual housing affordability gap

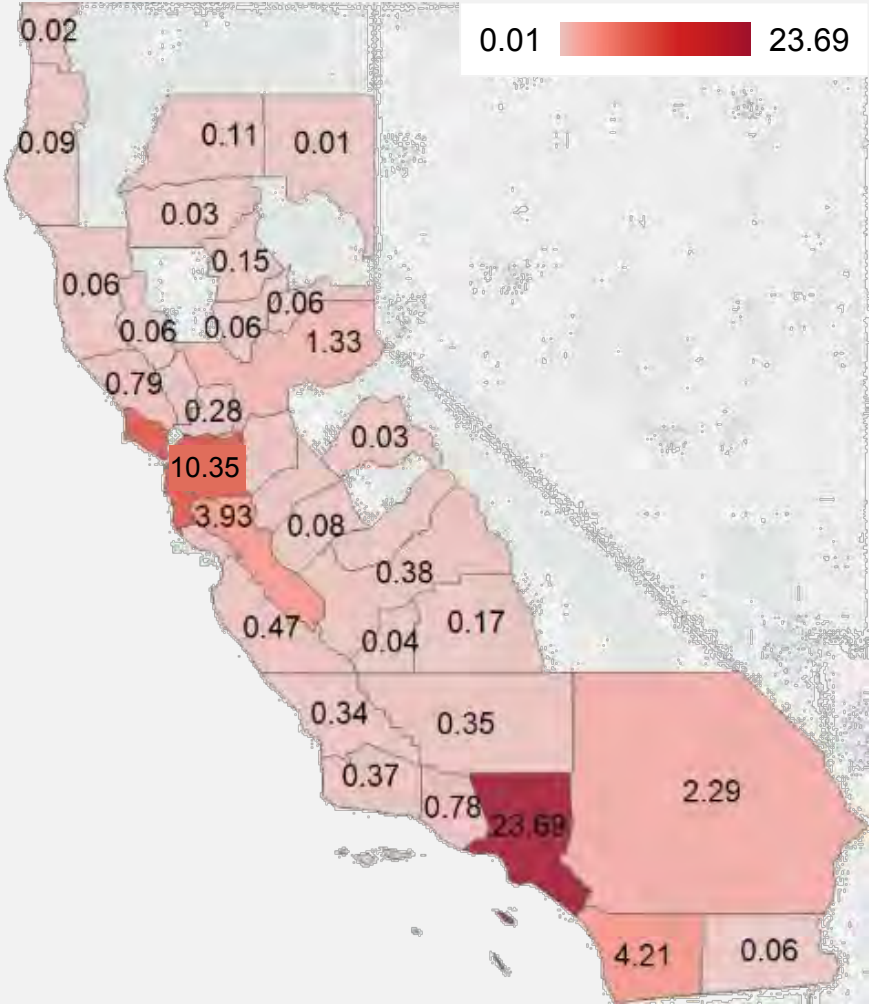


\$140 billion

Lost economic output per year

Distribution of affordability gap

\$ billion per year



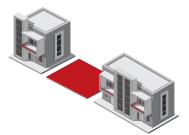
To fix this problem, California could build more than five million housing units in “housing hot spots” — which is more than enough to close the gap

Tool

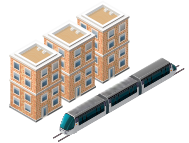
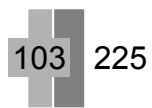
Distribution of affordability gap

\$ billion per year

■ Low
■ High



Build on vacant urban land that cities have already zoned for multifamily development



Intensify housing around transit hubs



Add units to existing single- family homes



Add units to underutilized urban land zoned for multifamily development



Develop affordable and adjacent single-family housing¹



Total 2,856–5,614

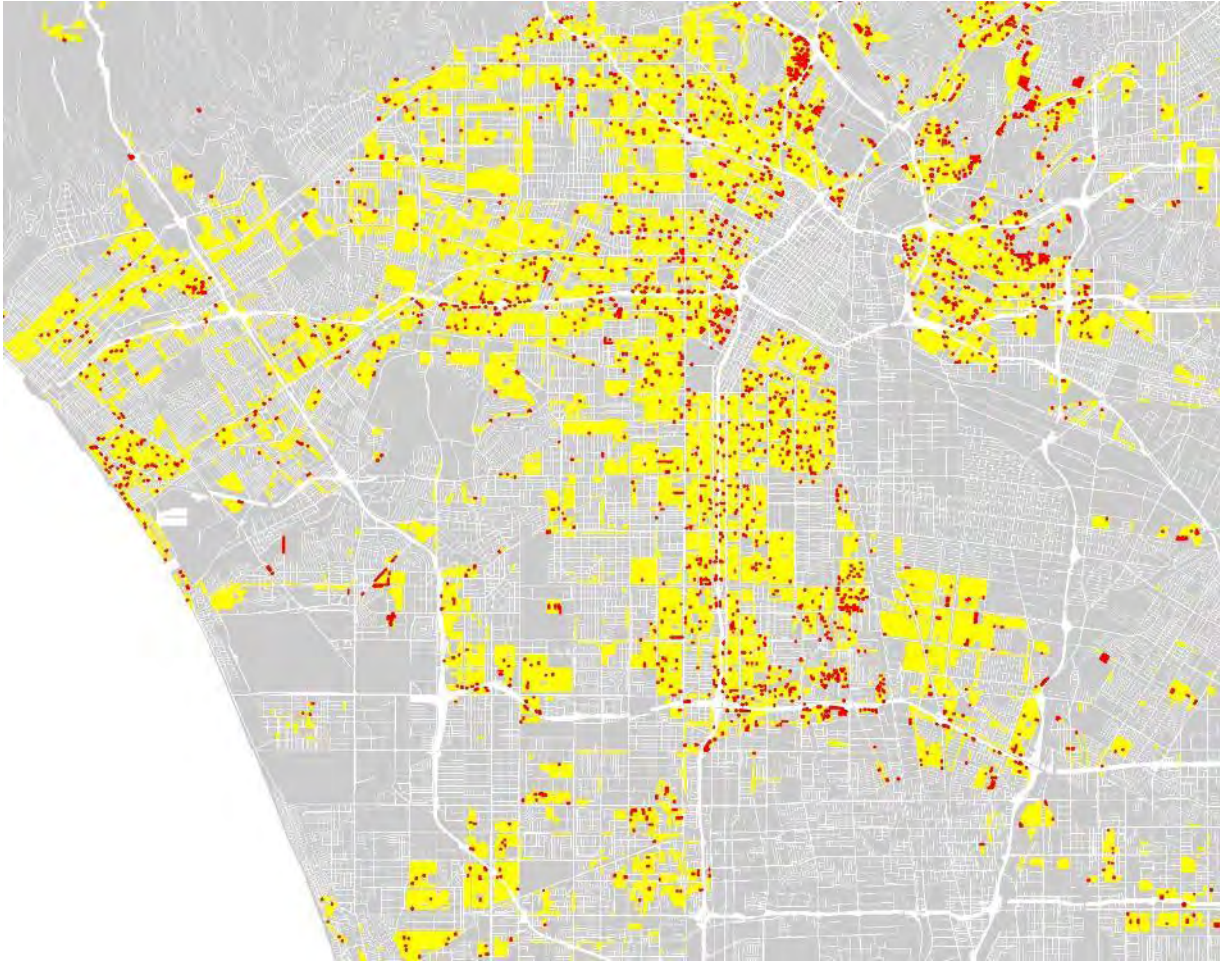
¹ Estimate for single-family potential capacity is highly conservative as it examines only three counties: Sacramento, San Bernardino, and Contra Costa.

HOUSING HOT SPOTS: VACANT MULTI-FAMILY



San Francisco has 373 parcels which are zoned for multifamily use but sitting vacant, with zoned capacity for 4,500 units

- Vacant
- Non-vacant
- Parcels not zoned for multifamily



Los Angeles County has 8,900 parcels zoned for multifamily use but sitting vacant, with zoned capacity for 75,000 units

Parcels zoned for multifamily residence

- Occupied land
- Vacant land

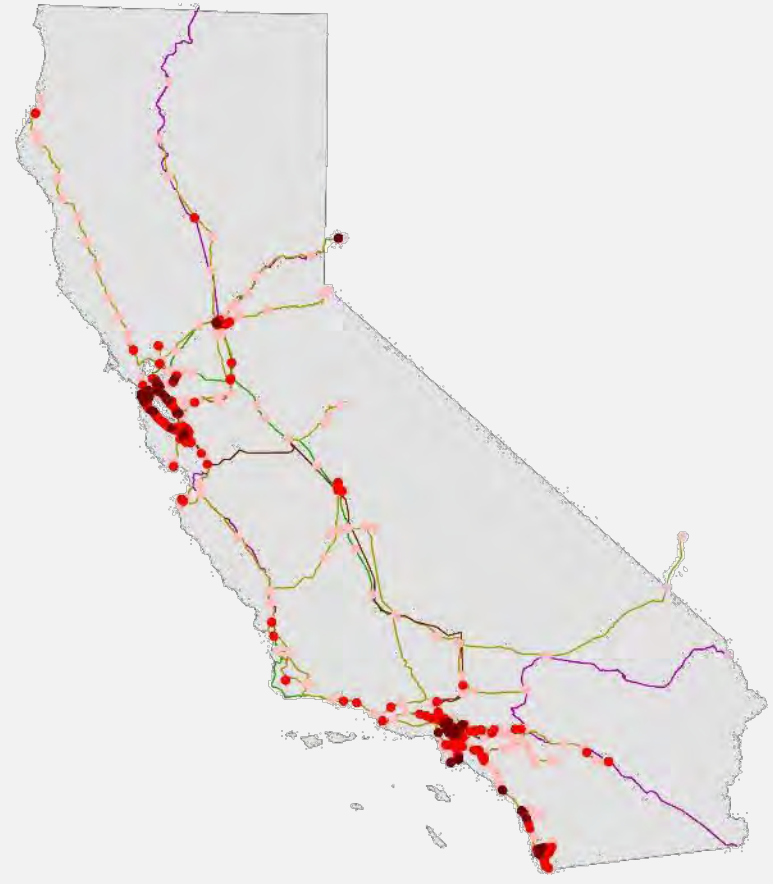
NOTE: Vacant parcels shown larger than actual size to improve legibility.

California has capacity to create between one million and three million housing units within half a mile of transit hubs

Urban type	Existing units Thousand	Additional units ¹ Thousand
● Regional hub >15 units per net acre	563	379
● Urban center 6.5–15 units per net acre	409	3,321 – 938
● Suburban node <6.5 units per net acre	192	516 – 1,672
Total	1,164	1,216–2,989

1 Low end of range assumes one unit per net acre is added for every 100 existing units; high end assumes development to the next urban density level

Potential sites for transit-oriented housing



HOUSING HOT SPOTS: UNDERUTILIZED LAND

In San Francisco, 31 percent of multifamily parcels use less than 50 percent of zoned capacity, with potential to add 70,500 units under current zoning

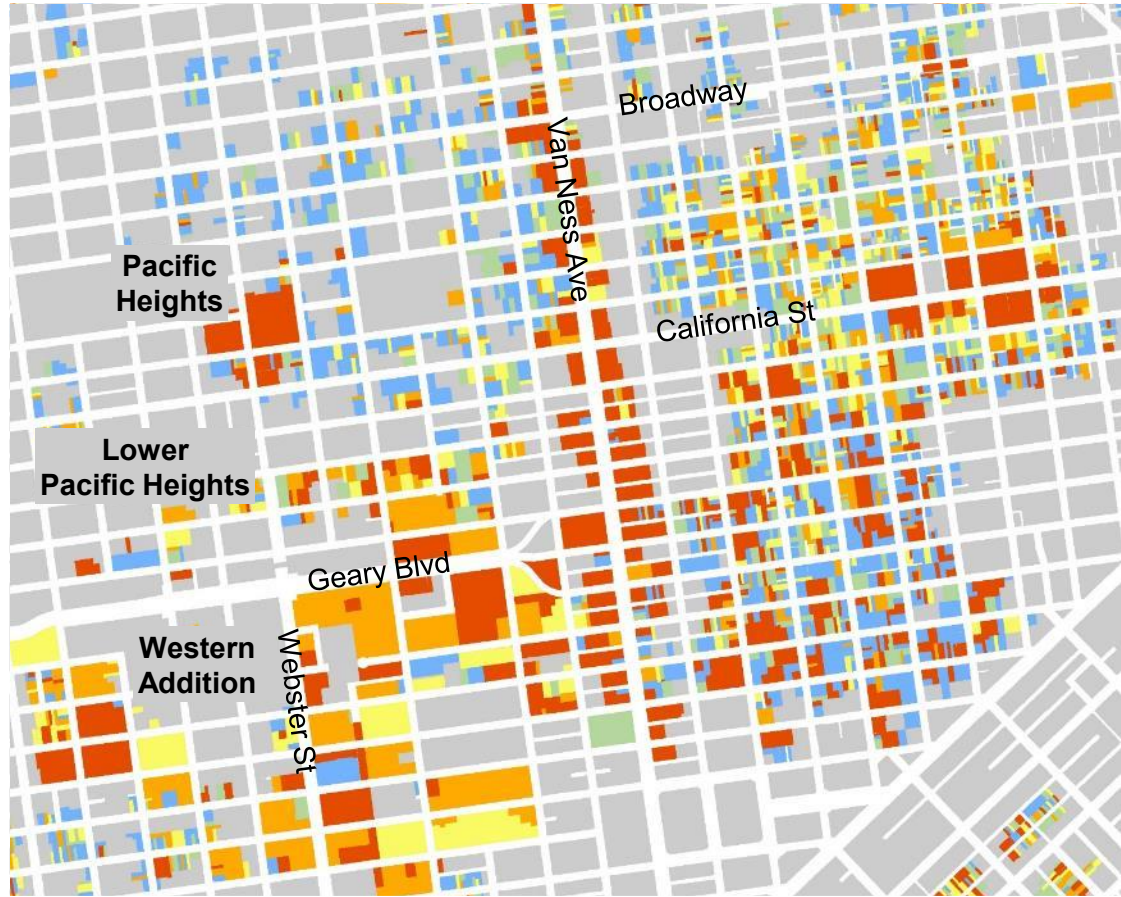
Utilization rate

Percent

- <25
- 25-50
- 50-75
- 75-100
- >100
- Parcels not zoned for multifamily

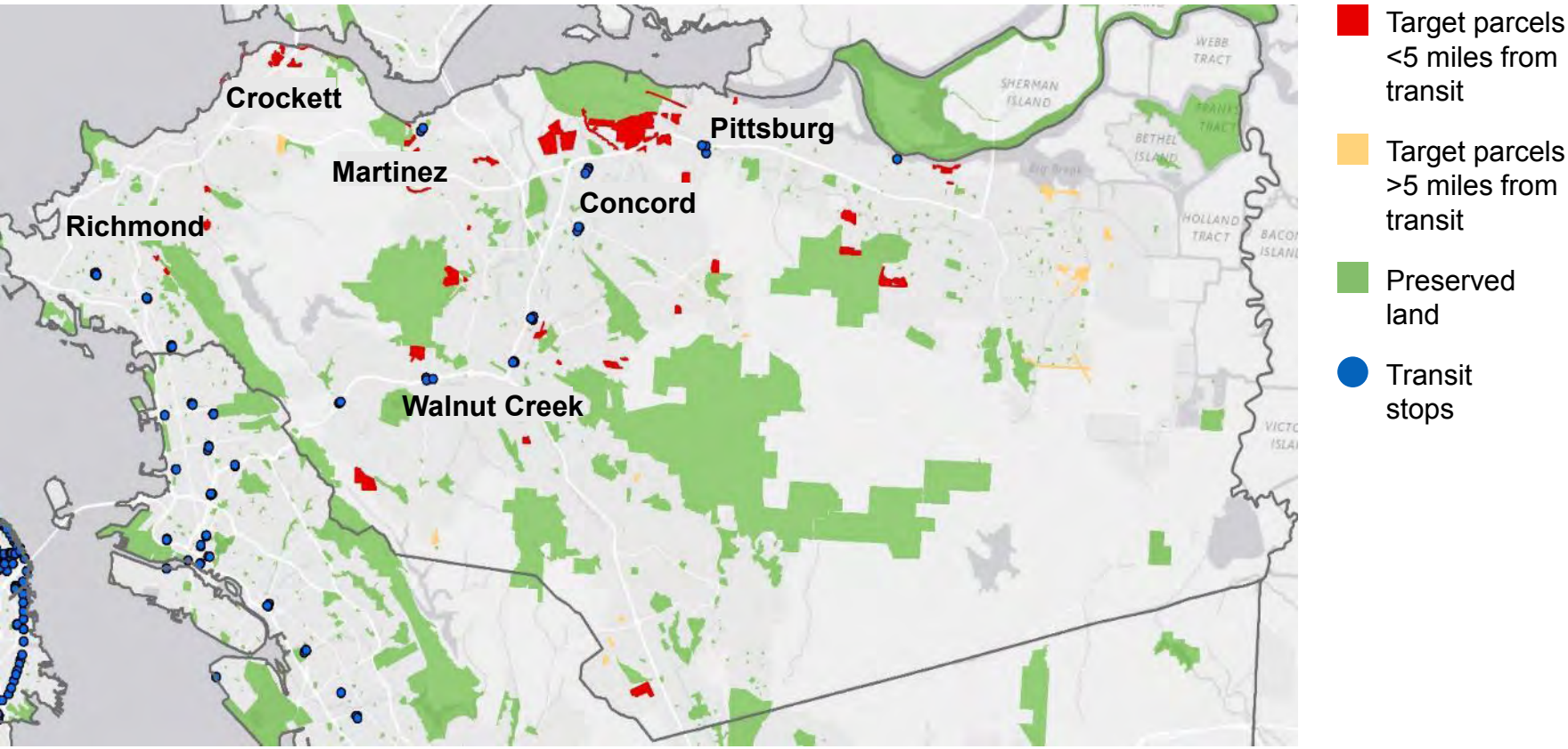


1 A closer look at San Francisco's multifamily utilization



HOUSING HOT SPOTS: GREEN, AFFORDABLE SINGLE-FAMILY

Contra Costa County has 185,000 potential single-family units, with major opportunities in Crockett, Martinez, and Pittsburg

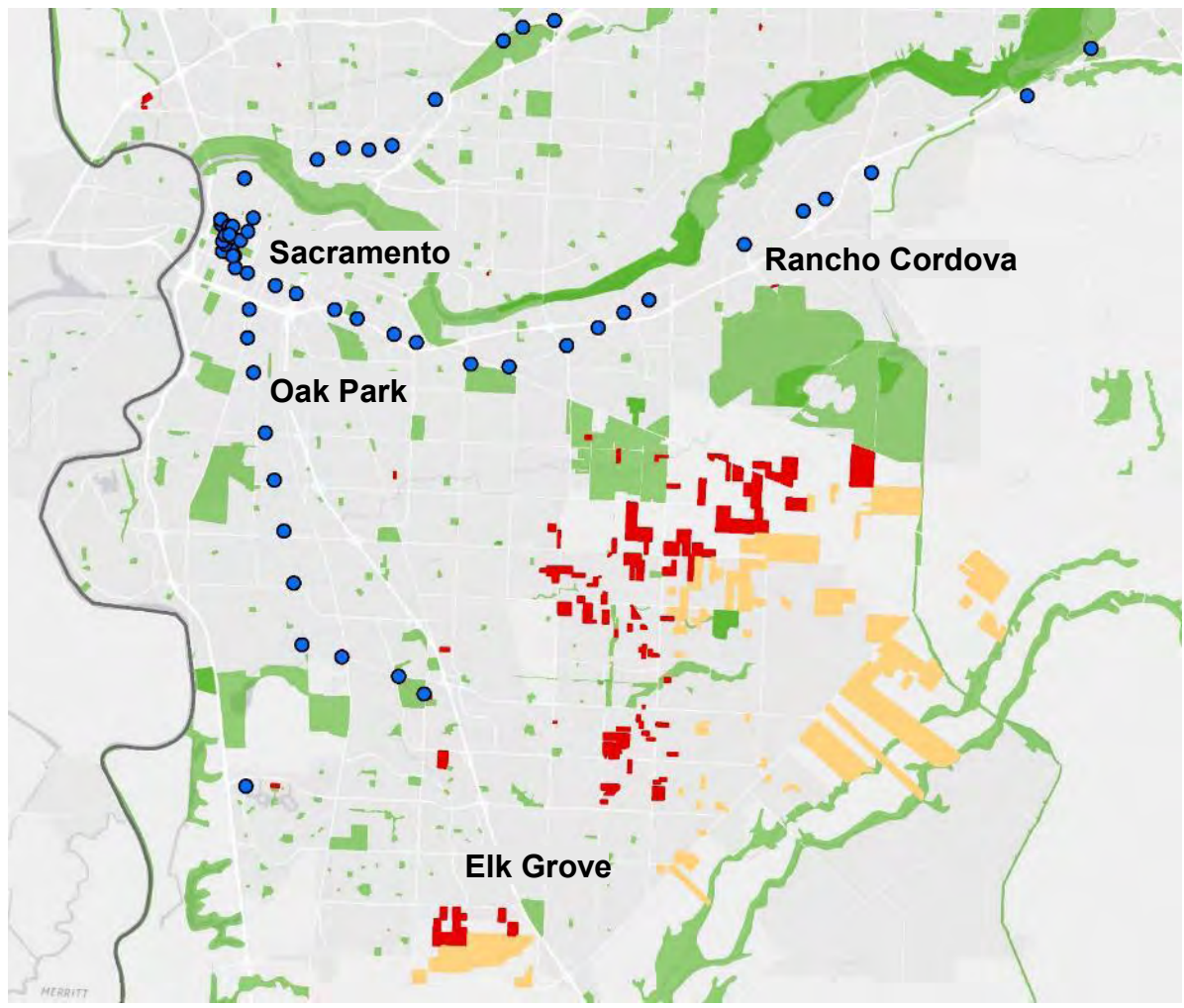


NOTE: Analysis includes parcels either zoned for general agriculture or deemed “unrestricted” under Contra Costa County zoning. Excludes parcels outside Contra Costa County urban growth boundary.

HOUSING HOT SPOTS:
GREEN, AFFORDABLE
SINGLE-FAMILY

Sacramento County
has 61,000 potential
single-family units
clustered between
Rancho Cordova
and Elk Grove

- Target parcels <5 miles from transit
- Target parcels >5 miles from transit
- Preserved land
- Transit stops



NOTE: Analysis includes parcels zoned for general agriculture and not legally preserved, or vacant land deemed ready for development by Sacramento County Planning Department. Excludes parcels outside Sacramento County's urban growth boundary.

We identified five million potential units to close California's housing gap.



**What will it take
to unlock this
supply?**



To close the housing gap, California needs to change the rules of the game for housing approvals, cut the cost and risk of producing housing, and ensure housing access

Change the rules of the game for approving housing on high-potential land

Remove barriers to housing development



Incentivize local governments to approve already planned for housing



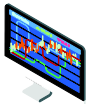
Accelerate land-use approvals

Ensure housing access

Ensure housing access



Prioritize state and local funding for affordable housing



Attract new investors in affordable housing



Design regulations to boost affordable housing while maintaining investment attractiveness

Unlock supply by cutting the cost and risk of producing housing

Unlock supply by cutting the cost and risk of producing housing



Raise construction productivity



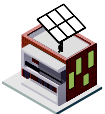
Accelerate construction permitting



Align development impact fees with housing objectives



Deploy modular construction



Reduce housing operating costs

Land-use approvals for housing in California average six months for simple projects and 39 months for complex ones

Easier
↑
Entitlement complexity
↓
Harder

Single family				Multifamily			
Sample projects ^d		Average entitlement process		Sample projects ^d		Average entitlement process	
Number of units	Site size Acres	Duration Months	Number of continuances ²	Number of units	Site size Acres	Duration Months	Number of continuances ²
108	42	6	3	62	5	7	3
249	61	9	7	219	13	9	4
132	52	9	5	187	7	9	6
124	34	21	8	118	6	15	5
124	34	39	n/a	118	6	33	n/a

No rezoning or general plan amendment

Compliant with specific plan (streamlined process)

Zoning change or general plan amendment, but no EIR³

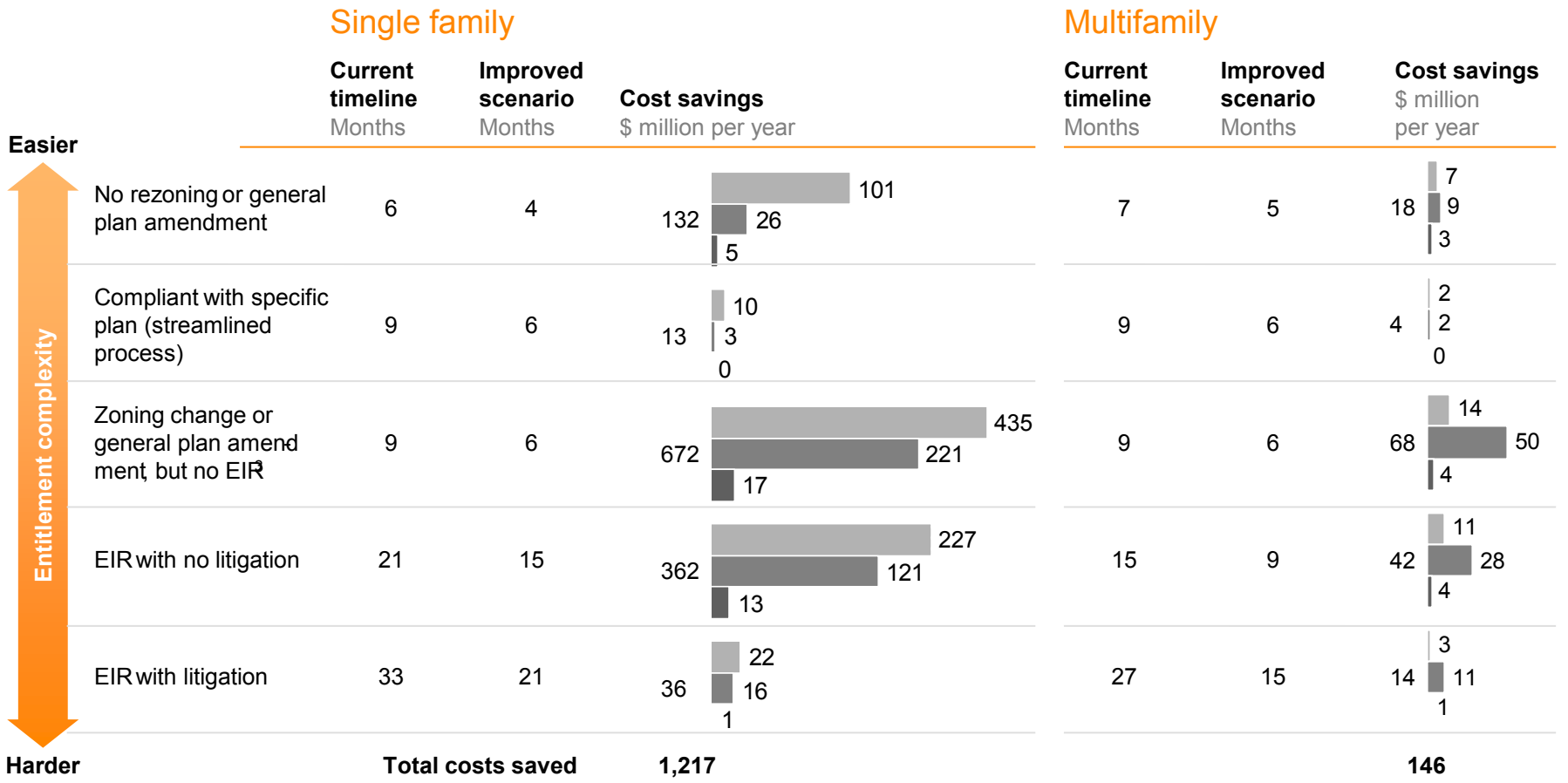
EIR with no litigation

EIR with litigation

1 Based on 2000 report from California Department of Housing and Community Development (see below); 2 Defined as a delay or postponement in the process; 3 Environmental impact report.

Shortening the land-use approval process for housing could save Californians \$1.4 billion a year and reduce approval times by 20 to 30 percent

- Land holding cost
- Professional services
- Staff overhead



1 Environmental impact report.

NOTE: Data labels <1 not shown. Numbers may not sum due to rounding.

Accelerating building permits could save \$180 million a year

Permitting complexity

Complex



Many agencies, complex process (e.g., San Francisco, Los Angeles)

Fewer agencies, average process (e.g., Hayward)

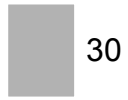
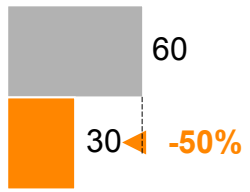
Streamlined process (e.g., Fresno)

Streamlined

Average timeline

Days

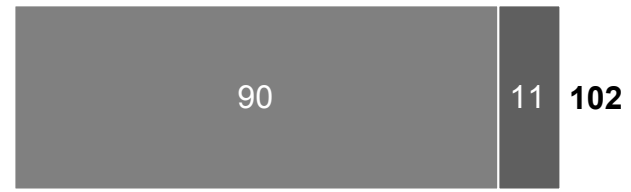
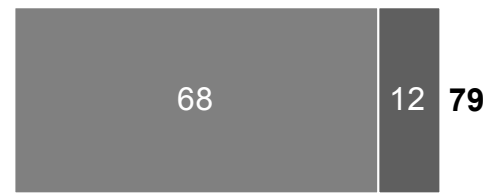
■ Current ■ Streamlined



Cost savings

\$ million per year

■ Land holding ■ Staff overhead



Total cost savings 181

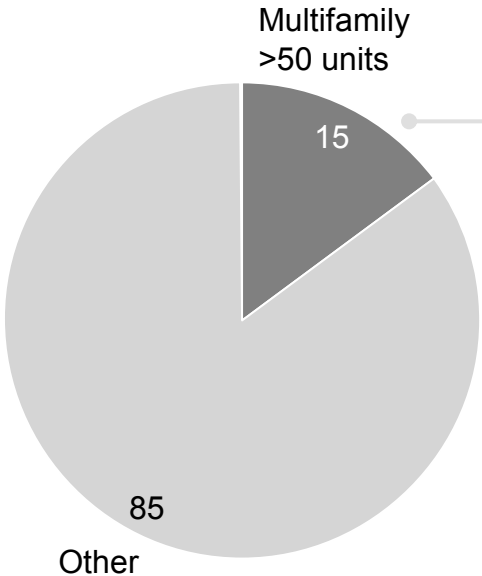
NOTE: Numbers may not sum due to rounding.

Californians could save up to \$1 billion per year by adopting modular construction for big multi-family projects

Cost savings for modular construction of multifamily projects with more than 50 units¹

California's residential market

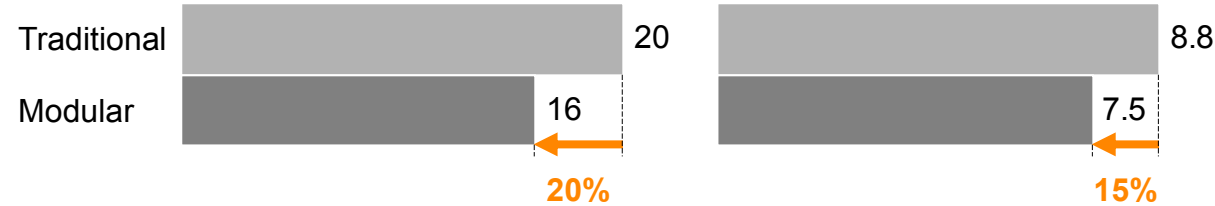
Percent



Savings impact

Faster timeline
Construction time
Months per project

Lower construction costs
Costs in multifamily
>50 units market, \$ billion



10% haircut

Total cost savings
\$ million per year



¹ Based on 350,000 units built in California, 15 percent multifamily projects >50 units, and benchmark construction costs in a standard 970-square-foot (90-square-meter) unit.

Housing will only be solved at the local level —

and we provide a blueprint for government, business, and citizens to work together to close the gap



Step 1

Create a housing delivery unit



Step 2

Define the local problem and its root causes



Step 3

Identify local solutions and map “housing hot spots”



Step 4

Align stakeholders behind a local strategy and vision

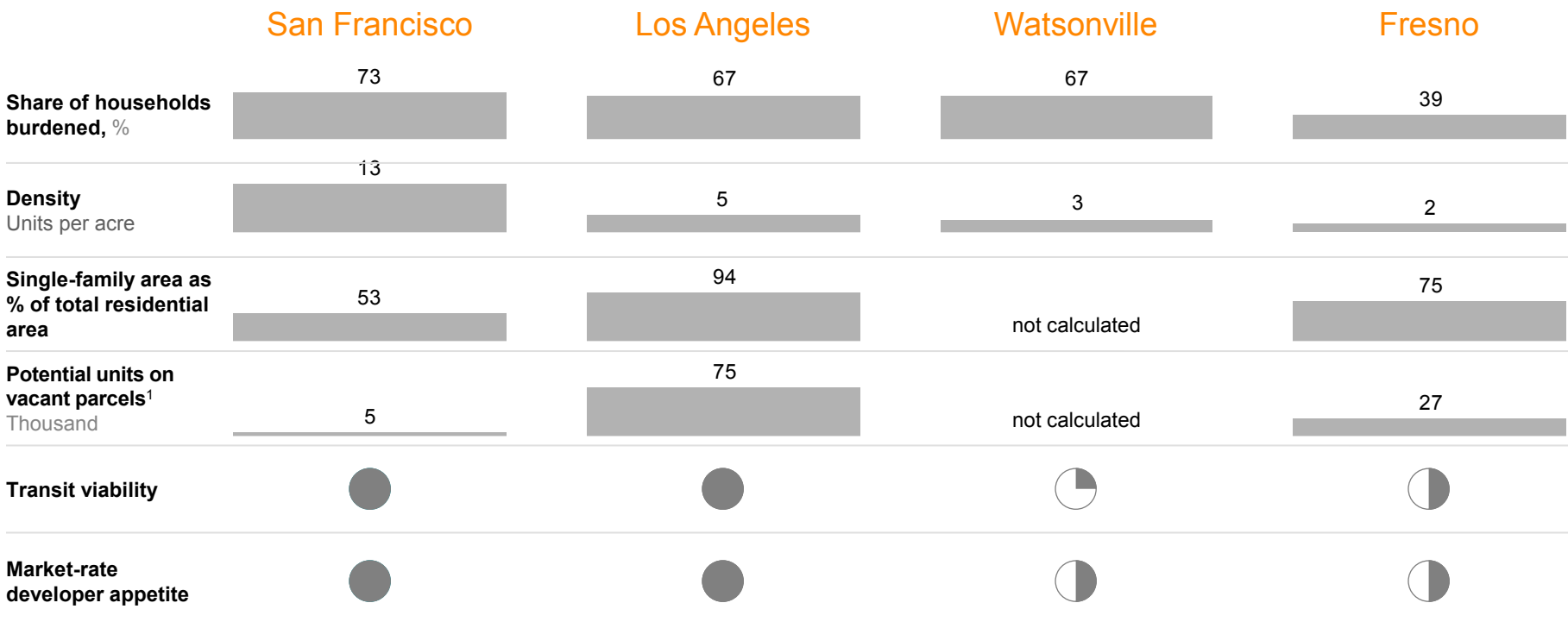


Step 5

Execute strategy and measure performance

There is no one-size-fits-all answer to housing — cities need different solutions

● Low ● High



- | Potential solutions | San Francisco | Los Angeles | Watsonville | Fresno |
|---------------------|---|--|---|--|
| | <ul style="list-style-type: none"> ▪ Land-use and permitting reform ▪ Transit-oriented housing ▪ High-volume density (e.g., towers) ▪ Medium-volume density (e.g., four-story town houses) ▪ Low-volume density (e.g., accessory dwelling units) | <ul style="list-style-type: none"> ▪ Land-use and permitting reform ▪ Activate vacant urban land zoned for multifamily housing ▪ Transit-oriented housing ▪ High-, medium-, and low-volume density | <ul style="list-style-type: none"> ▪ Rezone industrial and agricultural land for housing ▪ Medium- and low-volume density ▪ Affordable single-family housing | <ul style="list-style-type: none"> ▪ High-, medium-, and low-volume density ▪ Activate vacant urban land zoned for multifamily housing ▪ Affordable single-family housing ▪ Low-cost transit solutions |

¹ Conservative—includes potential units only on vacant parcels already zoned for multifamily development.