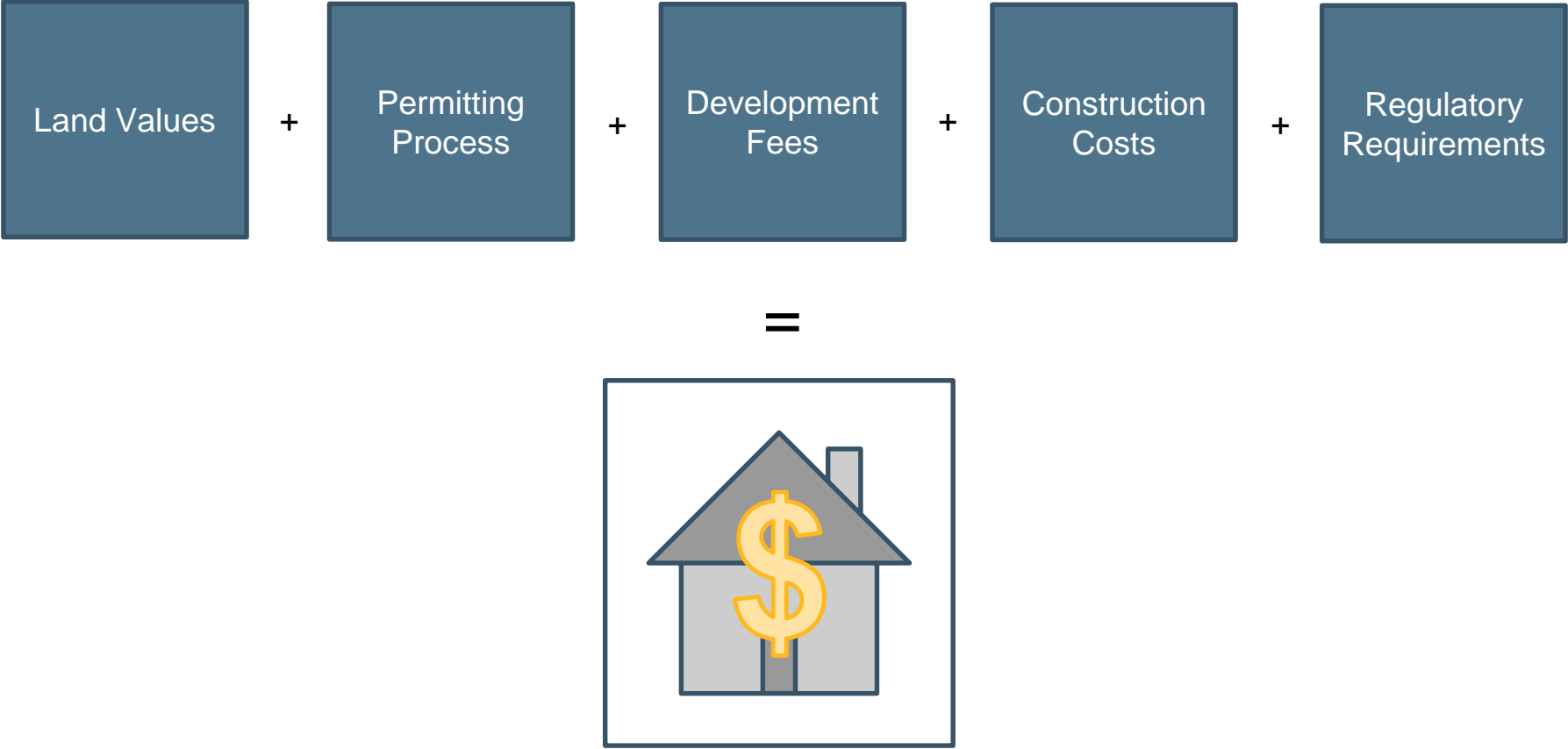


The Costs of Building Housing in California

Carolina Reid & Elizabeth Kneebone
April 12, 2018

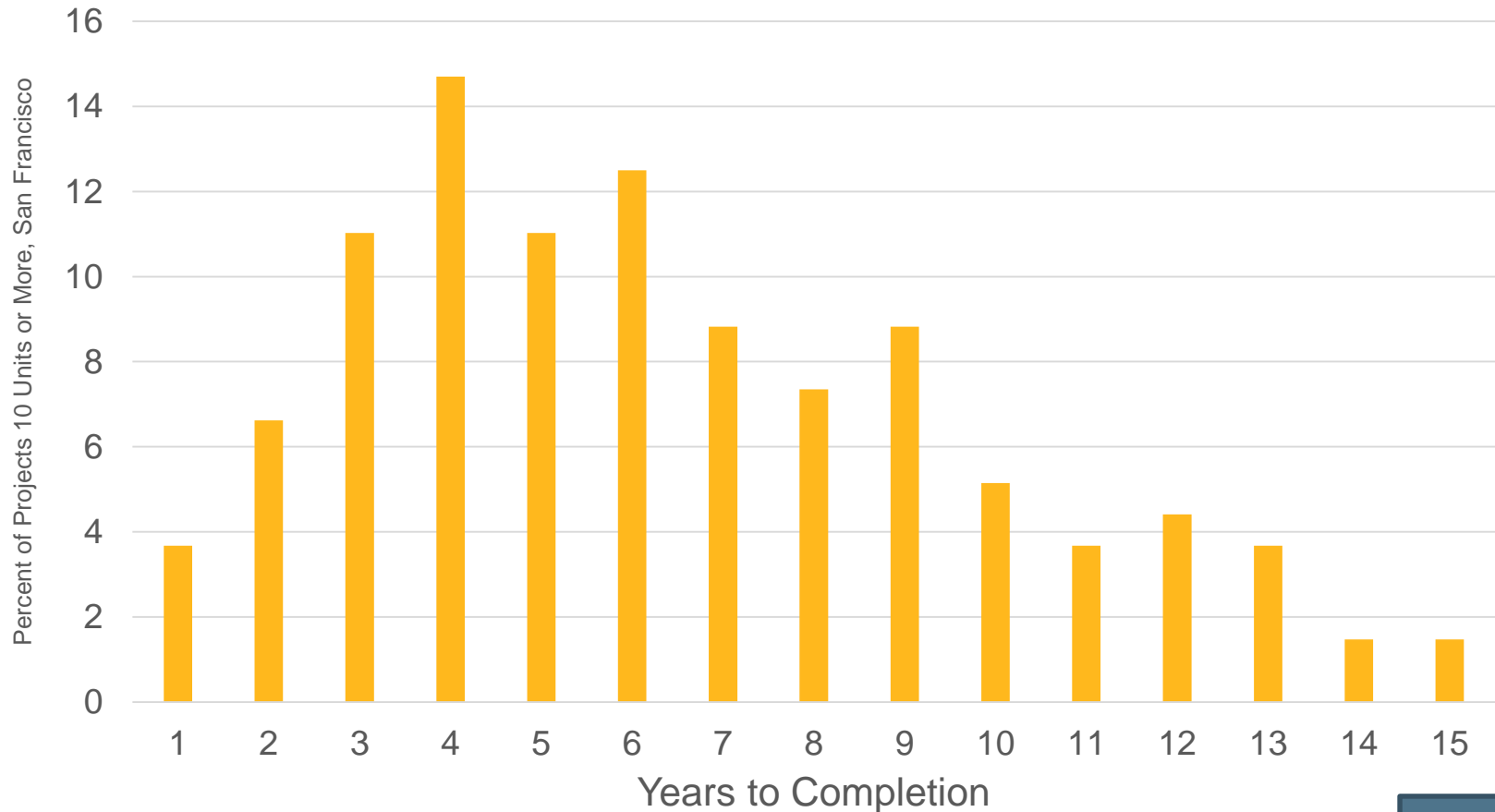
Costs accumulate throughout the housing development process



Builders and developers identified factors that could be driving up costs in San Francisco

- Lengthy and complex city processes
- Building code and design requirements
- Constraints around workforce and procurement rules
- Environmental regulations
- “Death by a Thousand Cuts”

Lengthy development timelines add costs



Note: N=136. Turner Center analysis of SF Development Pipeline Data, 2009 - 2017

Permitting
Process

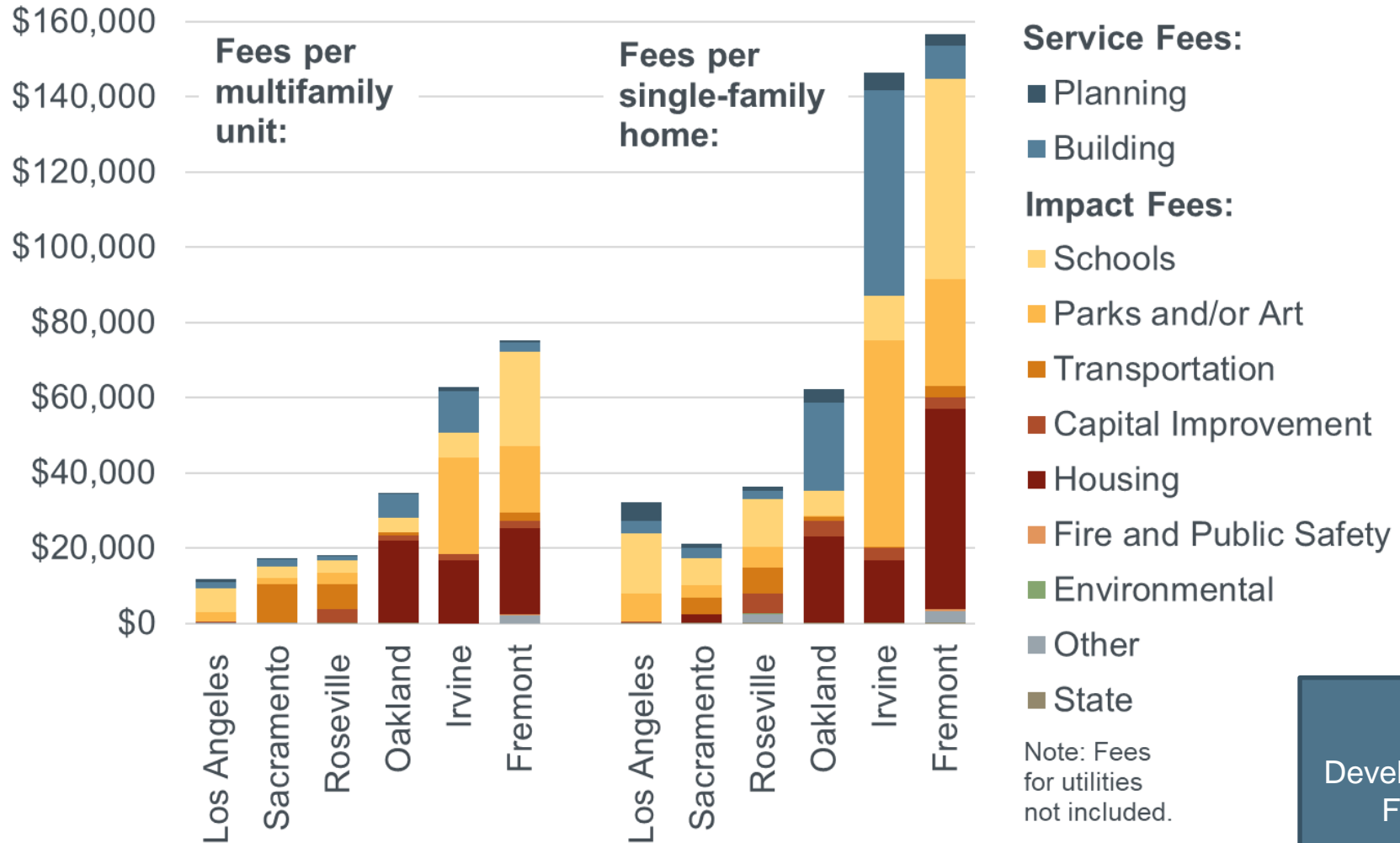
Development fees vary widely across cities and are set with little oversight or coordination

	Los Angeles	Sacramento	Roseville	Oakland	Irvine	Fremont
Schools:	Square Feet	Square Feet	Square Feet, Units	Square Feet	Square Feet	Square Feet
Parks and/or Art:	Units	Square Feet, Bedrooms, Units	Units	Bedrooms	Valuation	Bedrooms, Square Feet
Transportation:		Trips, Constr. Cost, Units	Units	Units	Square Feet, Units	Bedrooms
Capital Improvement:	Units		Units	Units	Valuation	Bedrooms
Housing:		Square Feet		Units	Units	Square Feet
Fire and Public Safety:			Valuation			Bedrooms
Environmental:		Square Feet	Units			

Development Fees

Fees can add up to significantly increase the cost of building housing

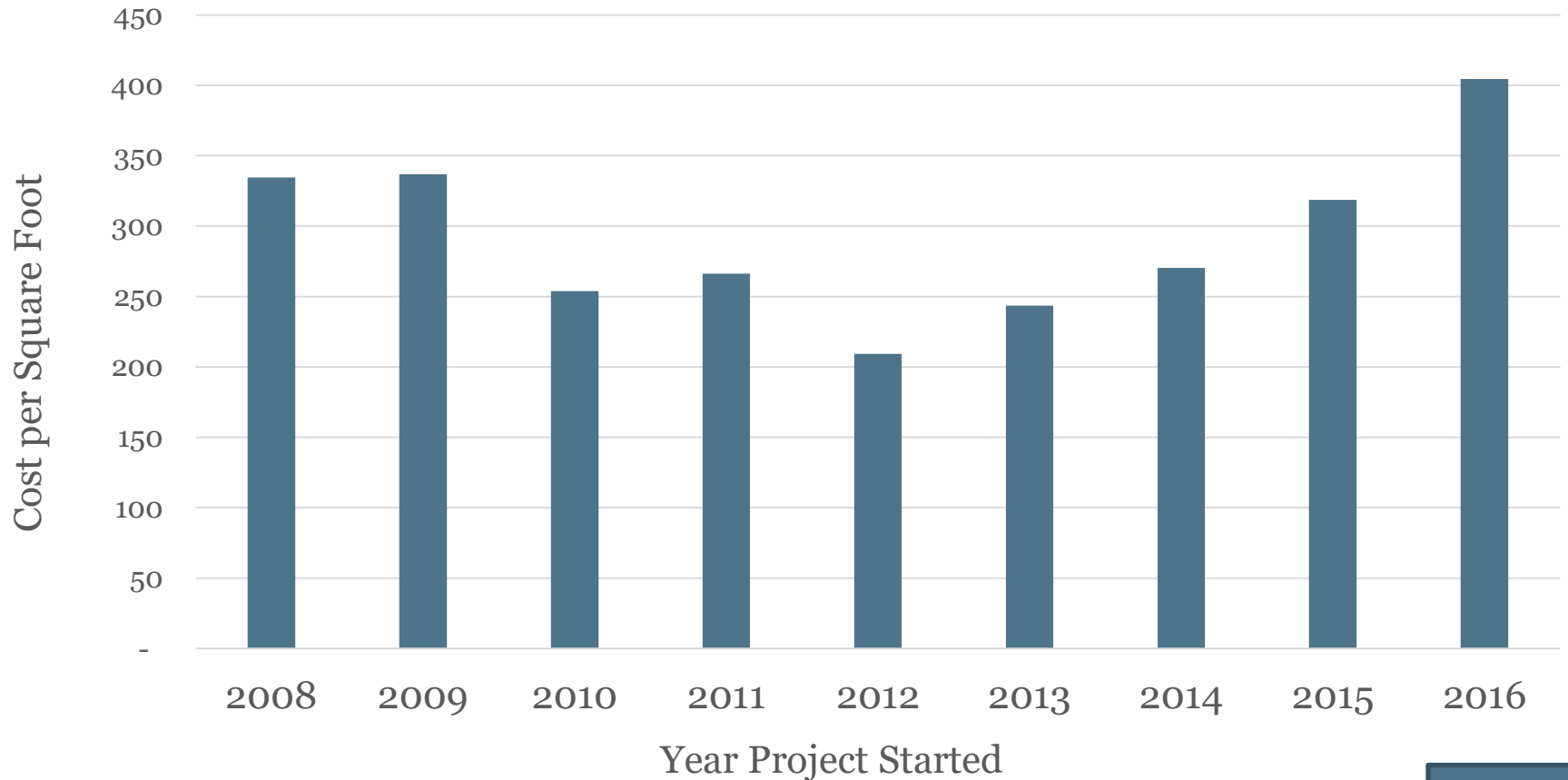
Estimated Development Fees:



We have a project underway to better understand trends in construction costs

- Gathering detailed data on new construction projects built in California since 2010
 - Construction contract/winning bid (estimated costs)
 - Final cost sheet (final costs)
 - Construction schedule (start and end dates)
 - Additional organization and project data (project size, location, prevailing wage, parking, etc.)
- Constructing a database of 120 projects (and counting)
 - 100% Multifamily
 - 90%+ Affordable or contain an affordable component
 - 80%+ Type 5 or 5 over 1
 - 75%+ Subject to prevailing wage
 - 60%+ in the Bay Area, 25%+ in LA

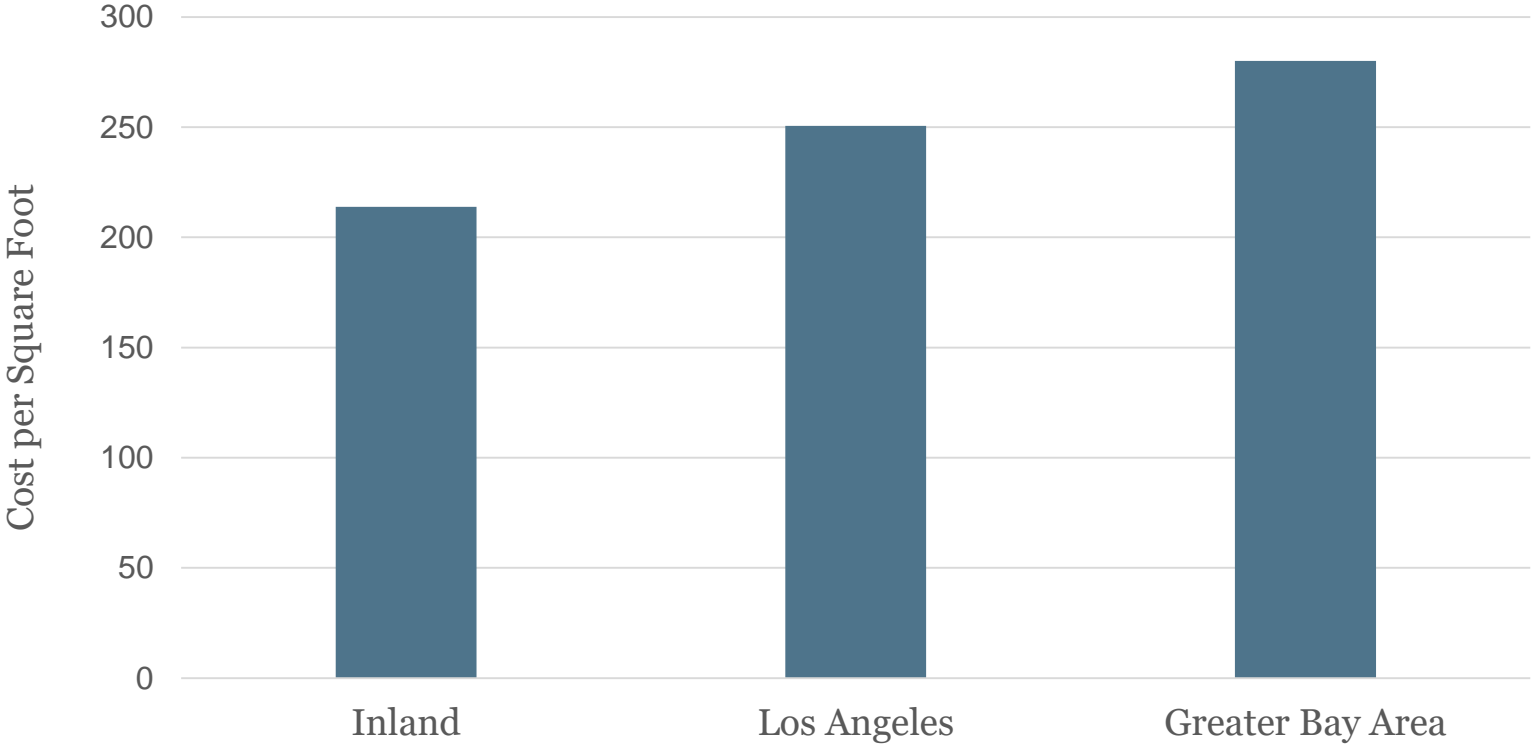
Recent projects in Bay Area suggest a sharp upward trend in construction costs



Source: Turner Center analysis of construction cost sheets, affordable and market rate projects. Data limited to construction types 5 and 1, for projects built in the Bay Area.

Construction
Costs

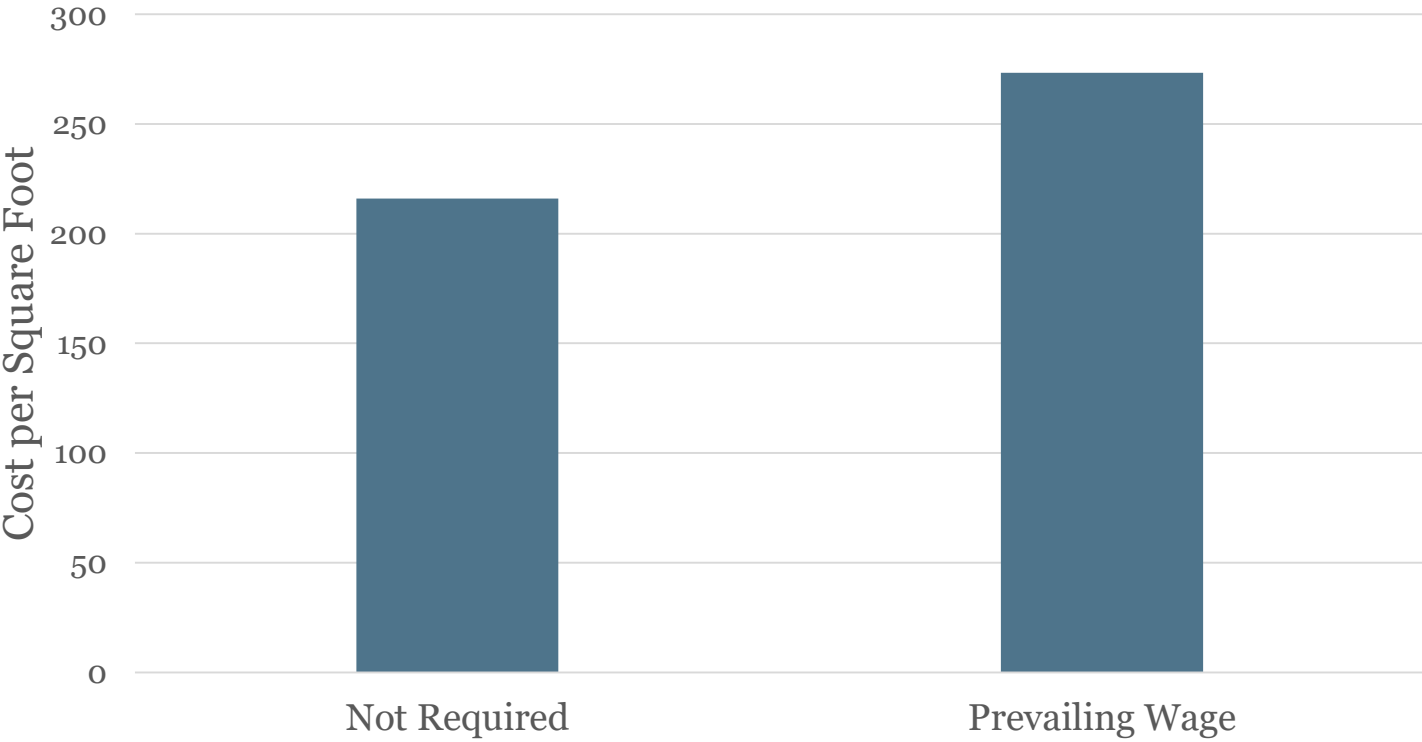
On average, construction costs tend to be higher in LA and the Bay Area



Source: Turner Center analysis of construction cost sheets, affordable and market rate projects. Data limited to construction types 5 and 1, for projects completed between 2010 and 2017.

Construction Costs

Projects subject to prevailing wage posted higher costs on average



Source: Turner Center analysis of construction cost sheets, affordable and market rate projects. Data limited to construction types 5 and 1, for projects completed between 2010 and 2017.

Construction Costs

Next steps on this project, and in this series, include:

- Continued data collection
- Deeper analysis of the construction costs data set to consider how these trends may be affected by:
 - Categories of costs (wages, labor, trades)
 - Regional variations
 - Type of construction
- A related analysis focused specifically on the trends in building costs among LIHTC projects

Yet our work to date already suggests a number of areas for potential local and state policy action to curb building costs

- Streamline permitting processes
 - **Potential solutions:** create city “project managers,” review and simplify code, expand “by-right” designations
- Introduce more flexibility in design requirements, especially for affordable housing
 - **Potential solution:** Remove design element from RFP/RFQ and address later in the development process
- Reduce costs of regulation
 - **Potential solutions:** Improve coordination across agencies, conduct cost-benefit analyses of new and existing provisions, understand environmental impact of reducing costs of higher-density, in-fill development
- Adopt best practices for setting and charging fees and improving transparency in those processes
 - **Potential solutions:** Adopt objective, coordinated standards for levying fees, define when fees can be levied or changed during development, explore other revenue sources to pay for infrastructure

We'd also like to hear from you...

- Do these findings resonate with your experience?
- Are there pieces to this puzzle we're missing?
- What data or analyses would be most useful to you?

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CENTER INNOVATION
UC BERKELEY

Elizabeth Kneebone

Research Director

ekneebone@berkeley.edu

Carolina Reid

Faculty Research Advisor

c_reid@berkeley.edu