

LOS ANGELES

It costs \$500K to build one affordable housing unit in LA

Building costs scrutinized as city wrestles with housing shortage

TRD LOS ANGELES /

February 24, 2020 01:00 PM

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Regulatory fees are culprit in housing building costs. (Credit: iStock)

Homelessness and the related matter of housing supply are the top [political issues](#) in California, with Gov. Gavin Newsom using the annual “state of the state” speech last week to mostly discuss California’s more than 150,000 homeless residents.

Scrutiny placed on housing the homeless has produced reporting on the cost of new residential real estate development, including a [New York Times story](#) that building an affordable housing unit in California costs three times that of other populous states including Texas and Illinois.

The Times, citing federal government data, puts the average cost of building an affordable housing unit in Los Angeles at \$500,000. That figure jibes with a city of Los Angeles [controller’s report](#) last October on Measure HHH, the local initiative to build 10,000 supportive housing units throughout L.A., that put the cost of building one supportive housing unit at \$530,000.

Building one affordable unit is even more expensive in the Bay Area, with the median cost \$750,000 in San Francisco and \$600,000 in Oakland.

Why is it more expensive to build in California?

The answer — per the Times article plus the controller’s audit and recent studies from the Turner Center for Housing Innovation at the University of California Berkeley — has some to do with the tangible costs of actual construction, like paying for building materials and labor.

But California’s added costs are mainly because of fees shelled out to state, county, and municipal bodies monitoring new development. An additional expense is for each project to comply with the California Environmental Quality Act, or CEQA, and also defend possible lawsuits from project opponents who use CEQA as a means to block development.

These fees and legal costs, according to [Turner](#), are more expensive in cities with less multi-family

zoning. The biggest sustained state effort to override local single-family zoning laws, Senate Bill 50, recently died in the [legislature](#) amid concerns new construction would displace current single-family home residents.

Housing development expenses are not just hitting those using tax credits and subsidies to build affordable housing. A Los Angeles Economic Development Corporation [report last week](#) noted that, partly due to building costs, the median housing price in Los Angeles County is more than seven times the area's median income. [\[NYT\]](#) — *Matthew Blake*