

## The Housing Sky is Falling!

February 14, 2017

I hate to sound like a Chicken Little but this is not a new message. In July of 2015, yes over 18 months ago, I wrote an article titled. “The Impending Housing Crisis”. That article talked about the 50,000 new jobs we were expecting in the region and the 30,000 to 40,000 new housing units we would need to accommodate that growth. According to the Bureau of Labor Statistics, we have added more than 20,000 new jobs since then but added just 4,000 new housing units over the same 18 months. ***This is a problem!*** At 1.5 jobs per housing unit, a common jobs to housing ratio, we should have produced 13,000 new housing units. Is there any wonder why our housing prices have doubled, our rental rates are up 30 to 50% and our vacancy rates are at record lows? So yes, the ***sky is actually falling*** and the adverse impacts of failing to meet these growing housing needs will hurt us all. So what can we do?

The first thing we must do is understand that THIS IS NOT A BUBBLE! We need to acknowledge that this is not the last housing boom built off of speculation, but one based on real sustainable job growth. Then we must recognize that this has become a genuine crisis and that we have frittered away the time we had to slowly accelerate our construction efforts to accommodate this growth. There is no doubt that we will add 30,000 additional jobs in the next three years, so our failure to address this very real need as a community is just reckless. It would be the same as if we just got notified by the weather service that due to the heavy rains in the mountains we could expect to see a major flood in a week - but then we choose to do nothing to prepare for it.

Some may say fine, we don't want this growth anyhow. To those that ignore the warnings, like a flood, failure to prepare will just make the impacts of this critical shortage of housing that much worse. Those that will be hurt the most are the most vulnerable in our community; minimum wage citizens; the working poor, our elderly, the retired, and our college students. The affordable housing they are now in will soon be gone. The market is all about supply and demand and we as a community, have failed to keep up on the supply side so as demand goes up so will the prices. A continued shortage will just build a real pricing bubble that will at some point make it too expensive to live here, driving the jobs and our talent away and forcing us into a localized recession of our own doing.

There are many things we can do to avert this crisis. The key players must get on the same sheet of music and work together to find a way to get our new housing starts up – **dramatically**. We were at over 6,000 housing starts in 2005 and averaged over 5,200 new housing units in the six years before the recession. Yet over the past eight years we averaged just 1,350 units a year and most of those were in the past three years where we averaged 2,350 – A fraction of our pre-recession rate.

Unfortunately it is getting harder not easier to add more housing units according to our construction and development industry. The costs of everything are going up. There is increasing shortage of construction workers, land prices are increasing and the land that was ready to go has been absorbed, so it will take longer to get more housing developments and apartment projects through the planning process. Additionally, it is taking much longer to get government approval to build housing and the increasing scrutiny and demands for union workers by our elected officials even after approvals are received by their empowered planning commission, is further slowing the process and increasing the costs. It is almost like charging triple and requiring weeks of paperwork to draw and fill sand bags the week before the flood!

So now is the time to embrace this challenge as a region. We did it when our schools were overcrowded and falling apart - by passing WC-1. It will take the same community effort and government's realization that it can no longer be "business as usual" when it comes to housing. Reducing fees, fast tracking housing developments and encouraging even incentivizing infill of housing projects are all things to consider. The development and construction industry must also look at ways to get affordable housing up as fast as possible. It will take a collaborative effort between local governments and the private sector to address this crisis. Now let's start filling those sandbags, the flood is coming.