

Housing costs in the Bay Area and Los Angeles continue to get a lot of attention in the press and academic literature. [This New York Times article](#) highlights [this recent paper](#) from Ed Glaeser at Harvard and Joe Gyourko at Penn – the paper’s analysis concludes that land-use regulations have significantly increased the price of housing in cities like Los Angeles and the Bay Area.

I don’t want to take issue with the underlying economic analysis in the Glaeser/Gyourko paper, but instead with how the conclusions of that analysis are framed. There are two major sources of regulation for high-density residential construction in California’s urban areas: local land-use regulation that is enacted at the city or county level, and the California Environmental Quality Act (CEQA) which is a state law that requires all state and local government agencies to analyze and mitigate the negative environmental impacts of projects they approve. The question is, which of these regulations is the major source of barriers to construction in California’s urban areas. The article and the paper seem to imply that both local land-use laws and CEQA are significant contributors to the undersupply of development.

[Here’s](#) the NY Times article (and a longer version is available [here](#)):

The paper argues that most of that difference is caused by regulatory hurdles like design and environmental reviews that can add years to a project’s timeline and suppress the overall housing supply. The result is overpayment on a grand scale for the few homes that do get built.

[The paper itself](#) goes into more detail, arguing that in addition to local land-use regulations, the requirements of environmental review pursuant to CEQA are a major driver of the legal barriers to housing construction in California:

To illustrate this point [that California’s regulations do not consider the impacts of forcing construction to other locations], consider environmentally motivated restrictions on building in California. The environmental impact reviews that have been required for larger projects since the 1973 Friends of Mammoth case [a major case significantly expanding the scope of CEQA] consider only the local environmental impact of a new project. Yet, denying a permit also creates an environmental impact because building elsewhere likely is a substitute for building in California.

Together with collaborators here at Berkeley, we are currently examining whether, how, and why local land-use and/or CEQA serve as major legal barriers for residential construction. We have begun by looking at projects in San Francisco and surrounding cities, and will be expanding to look at other cities in California as well. Our research is just beginning, but we hope to have useful insights soon. The answer to these questions are important – if the primary problem is local land-use law, for instance, then making major changes to CEQA would have minimal impacts on our housing crisis, but have major negative impacts on the most important environmental law in the state.