

Rising costs of land are often related to the limited availability of buildable land. In Riverside County, which has the largest expanses of buildable land, this has not historically been considered a problem. In fact, much of the recent development pressure in the County has been attributed to lower land costs relative to surrounding Orange and Los Angeles County land prices. There are areas within the County where land prices are increasing rapidly, however, particularly in areas close to larger cities such as Riverside and Palm Springs. Rising land costs tend to directly increase housing costs. Developers may respond to this situation by decreasing the size of lots and houses in order to market a lower priced product, or by increasing the size and options of houses in an effort to keep a balance between land costs and the price of a house.

Construction Costs

The cost of construction depends primarily on the cost of materials and labor, which are influenced by market demand. The cost of construction will also depend on the type of unit being built and on the quality of product being produced. Labor saving materials and construction techniques are available but tend to reduce the quality of the finished product. The cost of labor is based on a number of factors, including housing demand, the number of contractors in the area and the unionization of workers. Labor cost is usually two to three times the cost of materials, thus, the cost of labor represents an estimated 17% to 20% of the cost of building a unit.

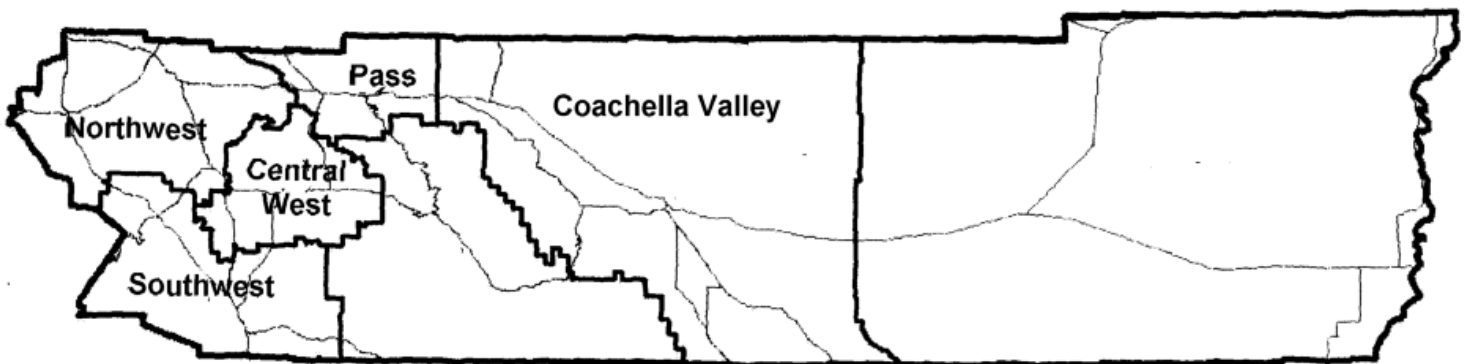


Figure H-1 - Land and Construction Cost Analysis Areas, Riverside County

The preceding Table H-40 lists the overall development costs per unit, inclusive of: land; infrastructure improvements; materials; labor; construction financing; and indirect costs/assessment fees, for a hypothetical 100-unit project. The data indicates that construction costs can constitute 43% to 48% of the cost of a single family detached housing unit. These figures are even more impressive considering that the cost of raw land constitutes only 4% to 14% of the cost of a housing unit.

The construction cost of housing affects the affordability of new housing and may be considered a constraint to affordable housing in the Riverside area. A reduction in the construction costs can be brought about in several ways. A reduction in amenities and quality of building materials in new homes (still above the minimum acceptability for health, safety, and adequate performance)