California’s Housing Crisis

AEP Institute 2018
In California...

- CA’s poverty ranking is 1st among all states when housing costs are considered.
- Nearly 1 in 4 homeless Americans reside in CA.
- 1.5 million CA renter households pay 50% or more of their income for rent.
- CA’s homeownership rate has dropped from just under 57% in 2000, to less than 54% in 2015.
- Today, just 31% of California households can afford the median-priced home (Q1 2018).
- The housing crisis impacts CA’s access to health care, increases GHG emissions from long commutes, and threatens our long-term prosperity.
Today we will talk about:

- Affordability Gaps
  - Rental Households
  - Ownership Households
- Demand Trends
- Production Shortfall
- Key Issues:
  - Pace of Supply
  - Homelessness
Affordability Gap

Rental Households
High Household Incomes, Also High Poverty Rates

CA & US

2016 American Community Survey
US Census

CA
$63,783
14.3%

US
$55,322
12.7%

CA has higher median household incomes but also greater % of people living in poverty than US
Minimum Wage to Afford Rent

CA is 2nd highest in US (after Hawaii)
In many high-cost markets, the amount of rent federal Housing Choice Vouchers will cover is capped based on the Federal Housing and Urban Development (HUD) Fair Market Rent, which can fall significantly below the market rent. This, combined with too few available rentals and landlords who are unwilling to accept vouchers at all, is exacerbating the problem.

Sources: 2016 Fair Market Rents – HUD, 2016 2-Bedroom Median Rents -- Zillow
Rent Burden by Household Income Category

California’s Renter Households Experiencing Severe Rent Burden
Total renter households paying more than 50% of income toward housing costs

- Extremely Low-Income/Below Poverty Line Households: 1,080,429
- Very Low-Income Households: 389,754
- Low-Income Households: 190,662
- Moderate-Income Households: 31,344
- Above-Moderate Income Households: 17,761
Rent Burden by Race

Housing Cost Burden is Distributed Unevenly Across Race and Ethnicity
Average Housing-Cost Burden by Race and Ethnicity 2009-2013

<table>
<thead>
<tr>
<th>Race</th>
<th>Average Housing-Cost Burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black or African-American alone, non-Hispanic</td>
<td>59%</td>
</tr>
<tr>
<td>Hispanic, any race</td>
<td>57%</td>
</tr>
<tr>
<td>Pacific Islander alone, non-Hispanic</td>
<td>51%</td>
</tr>
<tr>
<td>Other (including multiple races, non-Hispanic)</td>
<td>51%</td>
</tr>
<tr>
<td>American Indian or Alaska Native alone, non-Hispanic</td>
<td>51%</td>
</tr>
<tr>
<td>White alone, non-Hispanic</td>
<td>48%</td>
</tr>
<tr>
<td>Asian alone, non-Hispanic</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: HUD CHAS Data Sets based on 2009-2013 ACS. Graphic by HCD.
Who Is Impacted by Severe Rent Burdens?

- **Families with Children**: 669,207
- **Seniors**: 332,821
- **Disabled Persons**: 250,185
- **Veterans**: 94,603
Estimate of Current Affordable Rental Supply Gap

1.5 Million Shortfall of Rental Units Affordable and Available to Very Low- and Extremely Low-Income Renter Households in California

Source: 2016 National Low Income Housing Coalition tabulations of 2014 American Community Survey Public Use Microdata Sample (PUMS) housing file. Graphic created by California Housing Partnership.
Affordability Gap
Ownership Households
CA Affordability Index
2006-2018

Percent of California Households That Can Afford Median House Price 2006-2018

% Of Households That Can Buy A Median-priced Home
Low and Declining Ownership Rates

Recent Homeownership Rates Nationally and in CA 2005-2015

CA Homeownership by Race

Homeownership Rates Vary by Race and Ethnicity
California Homeownership Rates by Race and Ethnicity 2011-2015 Average

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>White (Non-Hispanic)</td>
<td>64%</td>
</tr>
<tr>
<td>Asian/Pacific Islander</td>
<td>57%</td>
</tr>
<tr>
<td>Multi Racial Households</td>
<td>46%</td>
</tr>
<tr>
<td>American Indian/Alaskan native</td>
<td>45%</td>
</tr>
<tr>
<td>Latino or Hispanic</td>
<td>43%</td>
</tr>
<tr>
<td>Other</td>
<td>38%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>35%</td>
</tr>
</tbody>
</table>

Rising House Prices

CA Median Price Reached a New Record High

California, June 2018: $602,760, +0.3% MTM, +8.5% YTY

P: May-07 $594,530

T: Feb-09 $245,230 -59% from peak

Jun-17: $555,410
Jun-18: $602,760

SERIES: Median Price of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
Rising House Prices

Median Sale Price:
$483,400 as of June 30, 2018

Rising Rent Prices

Median Rent List Price:
$2,795 / month as of June 30, 2018

CA Homeownership Compared to Other States

California Has the Second Lowest Homeownership Rate Among the 50 States

Source: 2015 American Community Survey 1-Year Estimates; Table B25003 – Tenure. Graphic by HCD
Demand Trends
Through 2025, the highest percentage of household growth is expected to occur in the Bay Area, Southern California, and Central Valley communities.

Between 2014 and 2015, approximately 25 percent of population growth came from migration from other states and countries; and 75 percent of population growth was attributable to births within California.
Strong CA Employment Growth

CA & US

FIGURE 1.1  Rate of Employment Change
US, California, and Bay Area (1991-2013 and 2014 Estimate)

Source: ABAG from California Employment Development Department and US Bureau of Labor Statistics data
Modest Income Growth

Real Median Household Income in California

- Forty-three percent of all Californian households are lower-income (incomes that are 0-80 percent of AMI for their county), but the percentages differ between renter and owner households: 29 percent of owner households and 61 percent of renter households in California are lower-income.

- Households in each income category that are rent burdened, paying more than 30 percent of income toward rent, and severely rent burdened, paying more than 50 percent of income toward rent.
Increasing Inequity in Household Incomes
CA & US

Household Income in California (State)

High Poverty Rates
CA & US

- Studies show that a child’s adulthood earning potential is reduced every year a child grows up in neighborhoods of poverty in comparison to children who reside in better neighborhoods.

- Demonstrates the mismatch between job availability and where past housing production occurred. The land use decisions of the State’s areas of greatest opportunity affect the economic mobility opportunities for the rest of the State if California continues these growth trends, the inland and disadvantaged communities will continue to see high household growth during the next 10 years.
Rising Homelessness

Chronic Homelessness Remains Steady in California Despite National Decline


CALIFORNIA

34 in every 10,000 people were experiencing homelessness

112,756 individuals
21,522 people in families with children
15,458 unaccompanied homeless youth
11,472 veterans
35,798 chronically homeless individuals

Total Homeless, 2017: 134,278

Production Shortfall
New Housing Supply

- CA used to build more housing per year; peak year – 1986 (over 300,000 units)
- Recovery has only grown to ~100,000 units per year level

**Housing Permits 1954-2016**
Shortfall per SB35 RHNA Report

Latest SB 35 Determination
(Including APR data received by June 1st)

- **30% (162 jurisdictions)** have not submitted their 2017 APR
- **61% (327 jurisdictions)** are falling behind on addressing their above-moderate income housing need
- **35% (187 jurisdictions)** are on track to meet their above-moderate income housing need and submitted their 2017 APR, but are falling behind on addressing their lower-income housing need

- **338** must offer streamlining for developments with ≥ 10% affordability
- **187** must offer streamlining for developments with ≥ 50% affordability

Recent Production and Future Shortfall
All Regions Have a Shortfall in Meeting Production

The Geography of Housing Production Shortfalls
4th Housing Element Cycle

Planned and Built Growth
4th Housing Element Planning Period (2003-2014)
- Planned Growth Not Built
- Single Family Unit Change
- Multifamily Unit Change

Sources: HCD Regional Housing Needs Allocations; DOF ES Population and Housing Estimates for Cities, Counties, and the State; Graphic by HCD.
Shortfall Most Severe for Low-Income Households

Home Production Is Lowest for Lower-income Households

Causes of the Housing Crisis

- Stagnant or declining household incomes
- Scarce land supply/ resistance to density
- High development costs (especially in coastal areas)
- For affordable housing, declining federal funding and loss of CA Redevelopment $
- Complex entitlement processes
- Mismatch between new units and incomes
Possible Policy Solutions

For existing housing supply:

- Raise minimum wage
- Expand rent controlled supply
- Expand ownership subsidy programs (silent 2nds, down payment assistance, etc.)

For new development:

- Utilize publicly owned lands
- Streamline/incentive approvals process
- Recent 2017/2018 housing laws focus on these policies
- Invest in infrastructure
- Refine and scale pre-fab production
- Subsidize affordable housing production
- Expand Inclusionary Housing programs