

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

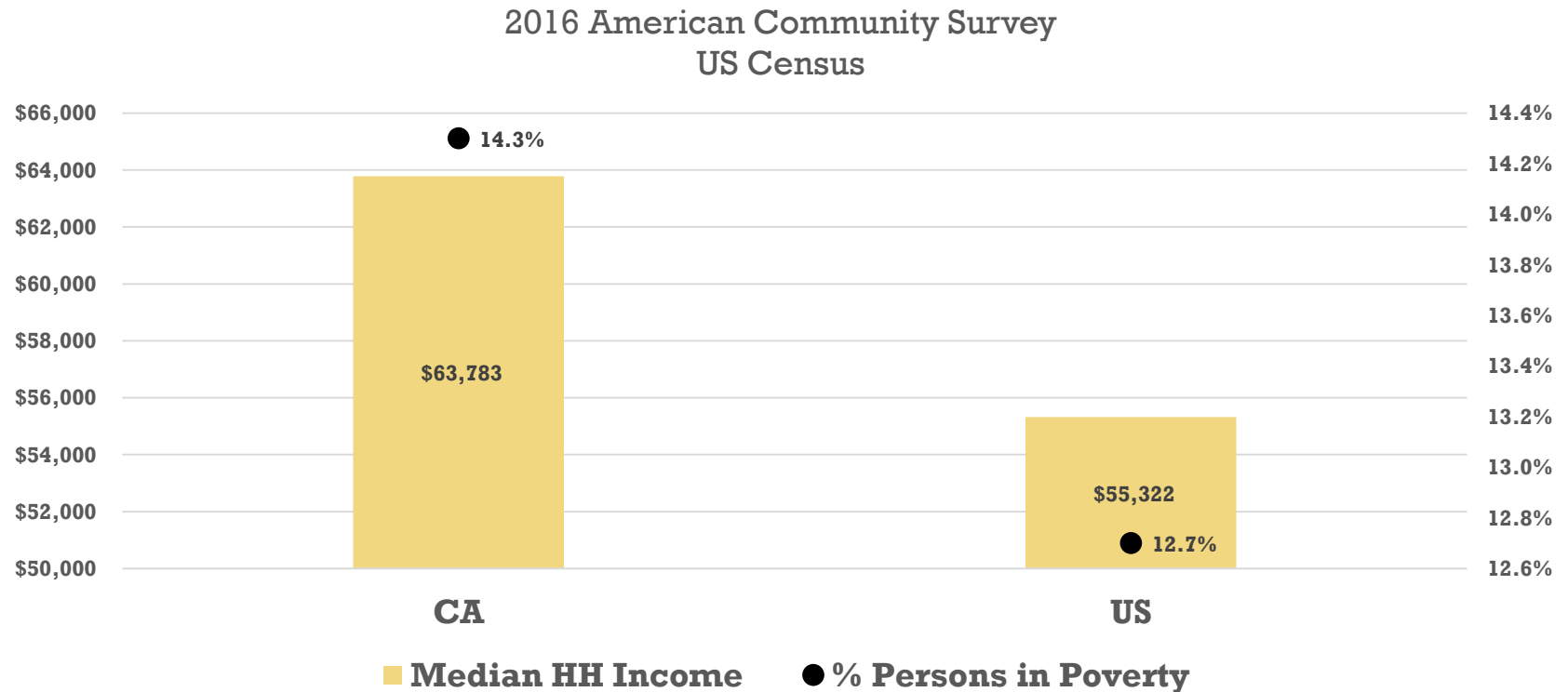


Affordability Gap

Rental Households

High Household Incomes, Also High Poverty Rates

CA & US



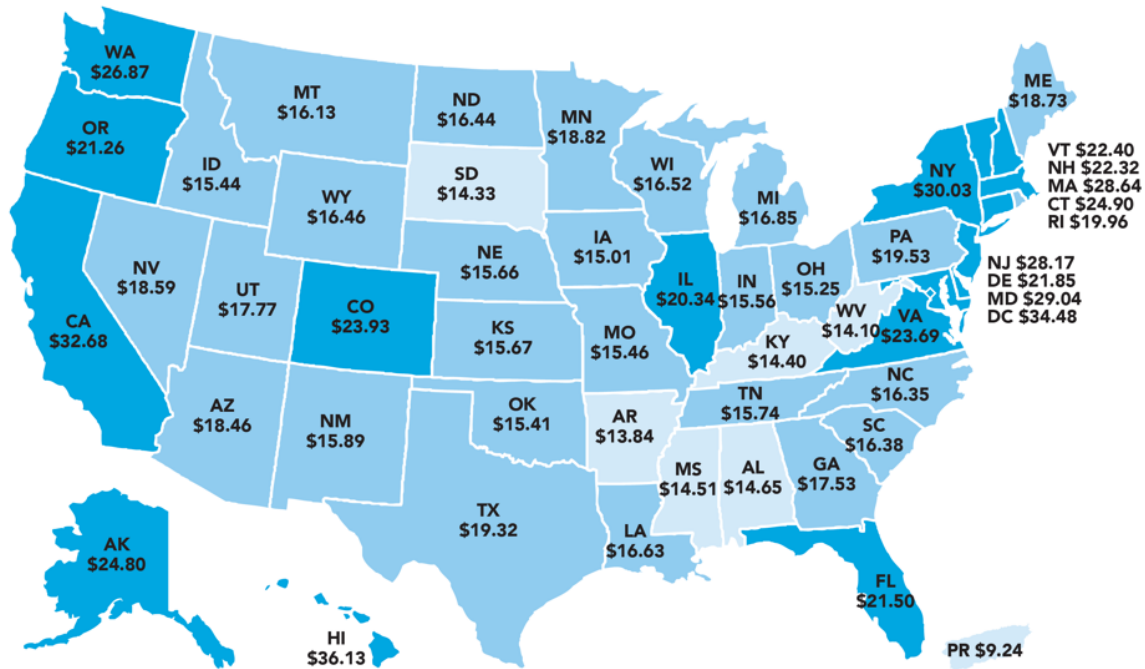
CA has higher median household incomes but also greater % of people living in poverty than US

Minimum Wage to Afford Rent

CA is 2nd highest in US
(after Hawaii)

2018 TWO-BEDROOM RENTAL HOME HOUSING WAGE

Represents the hourly wage that a household must earn (working 40 hours a week, 52 weeks a year) in order to afford the Fair Market Rent for a **TWO-BEDROOM RENTAL HOME**, without paying more than 30% of their income.



Two-Bedroom Housing Wage

Less than \$15.00 \$15.00 to less than \$20.00 \$20.00 or More

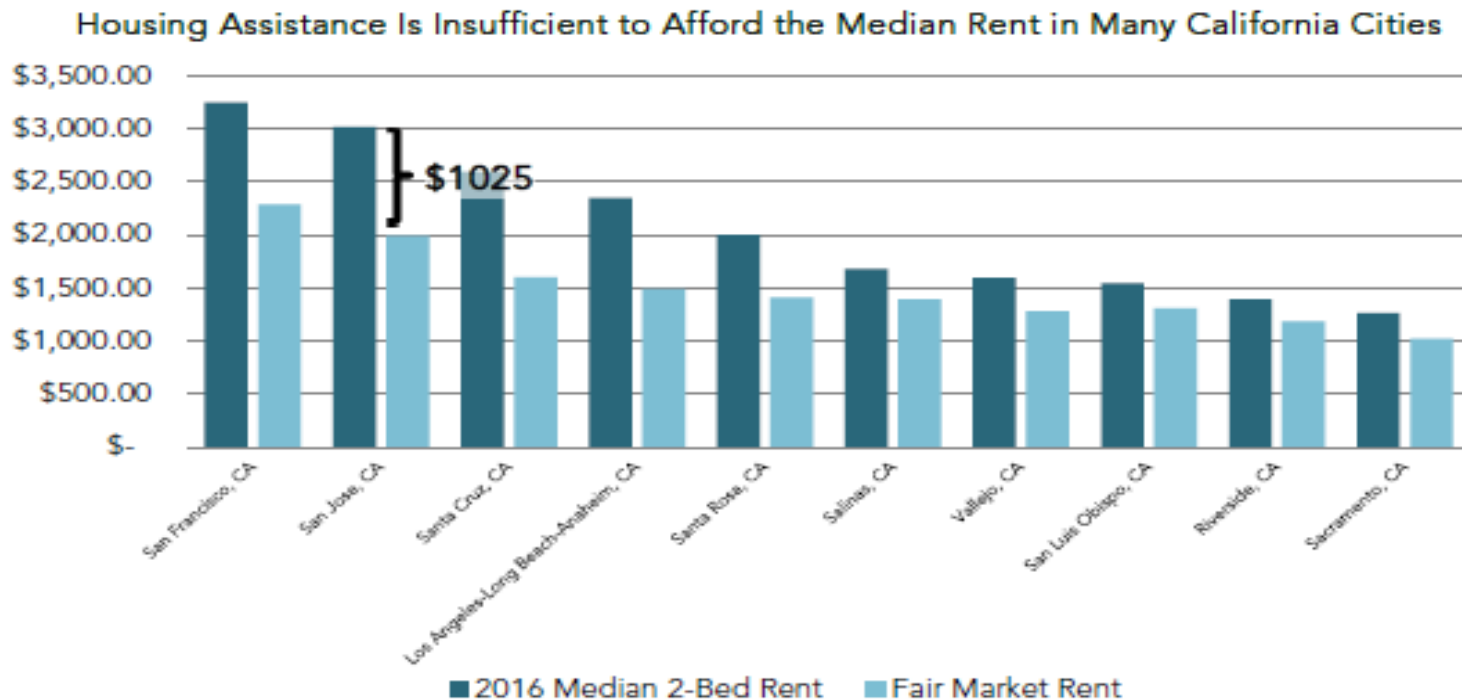
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www.nlihc.org/or



Rising Median Rents

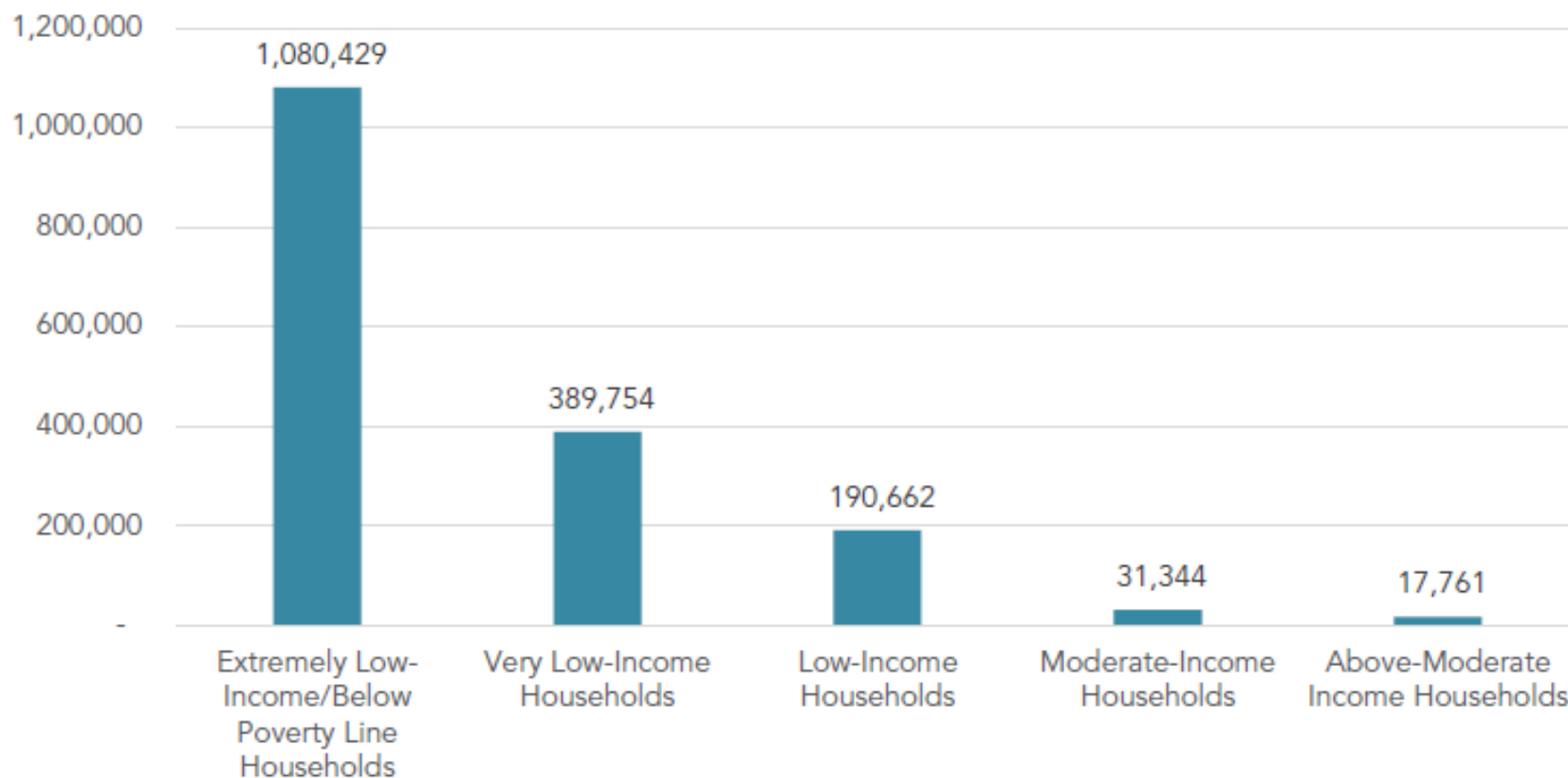
In many high-cost markets, the amount of rent federal Housing Choice Vouchers will cover is capped based on the Federal Housing and Urban Development (HUD) Fair Market Rent, which can fall significantly below the market rent. This, combined with too few available rentals and landlords who are unwilling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



Sources: 2016 Fair Market Rents – HUD, 2016 2-Bedroom Median Rents – Zillow

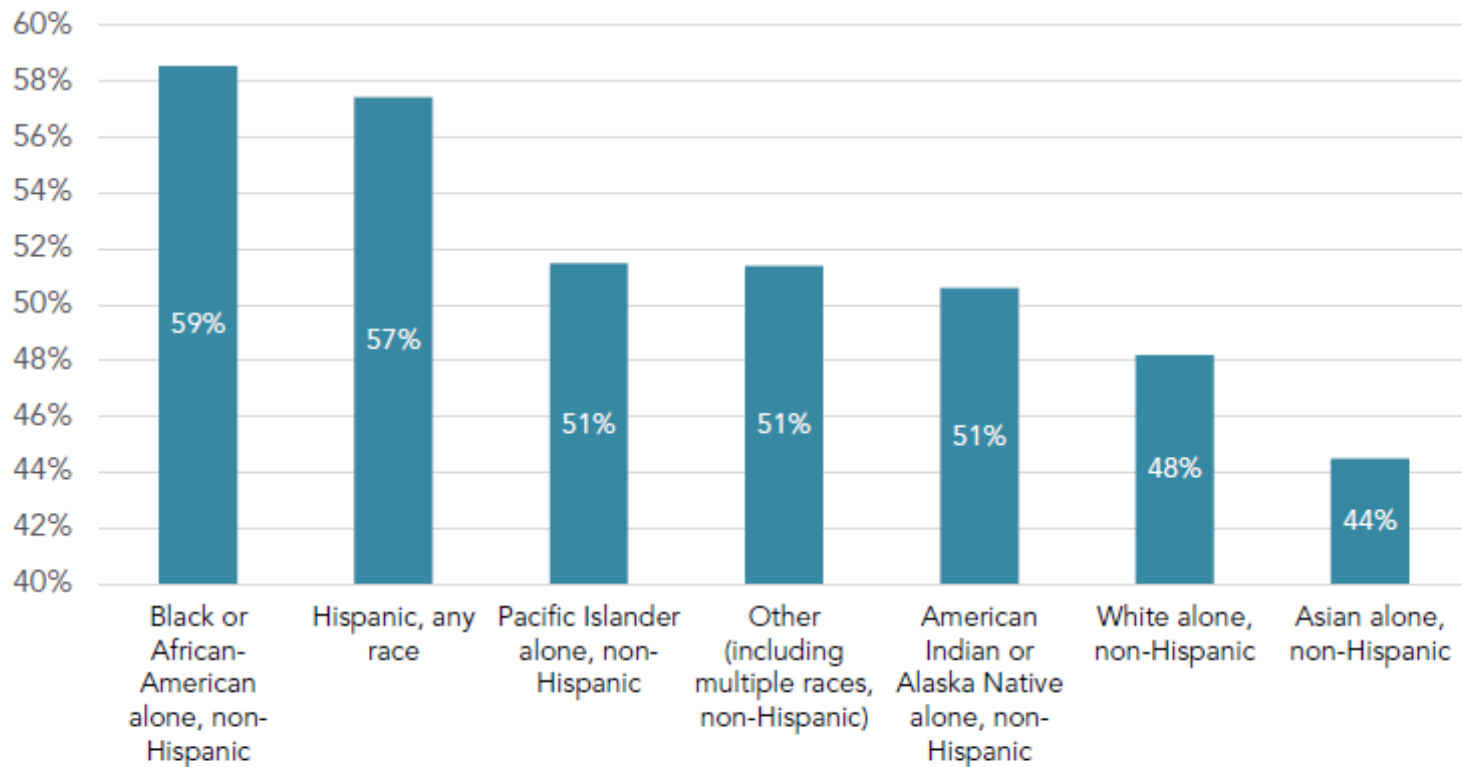
Rent Burden by Household Income Category

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



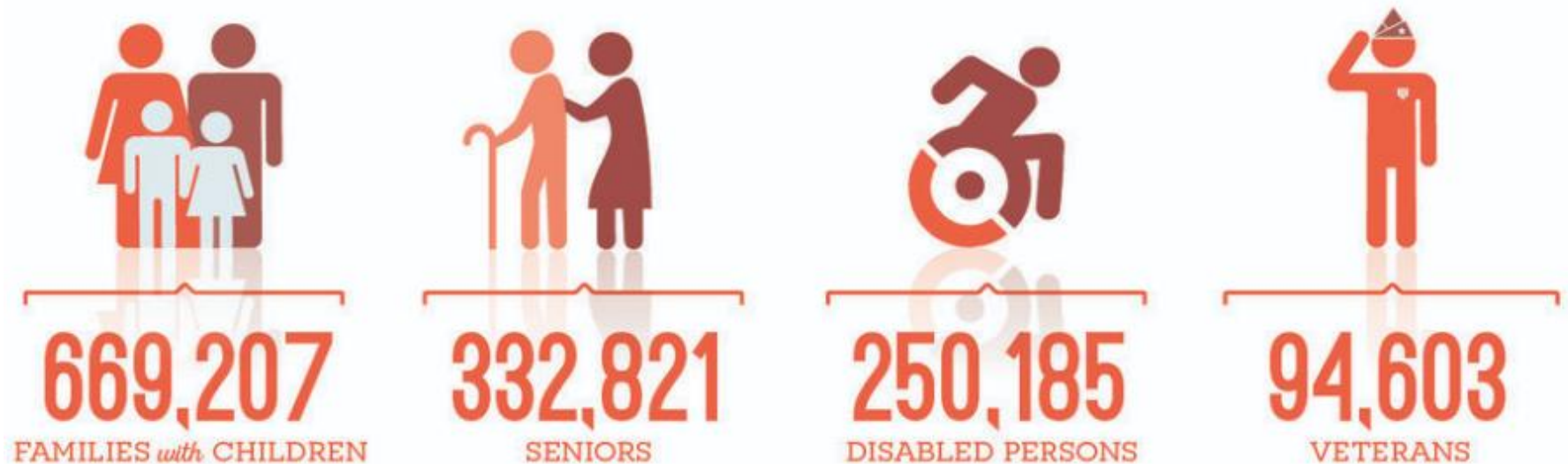
Rent Burden by Race

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



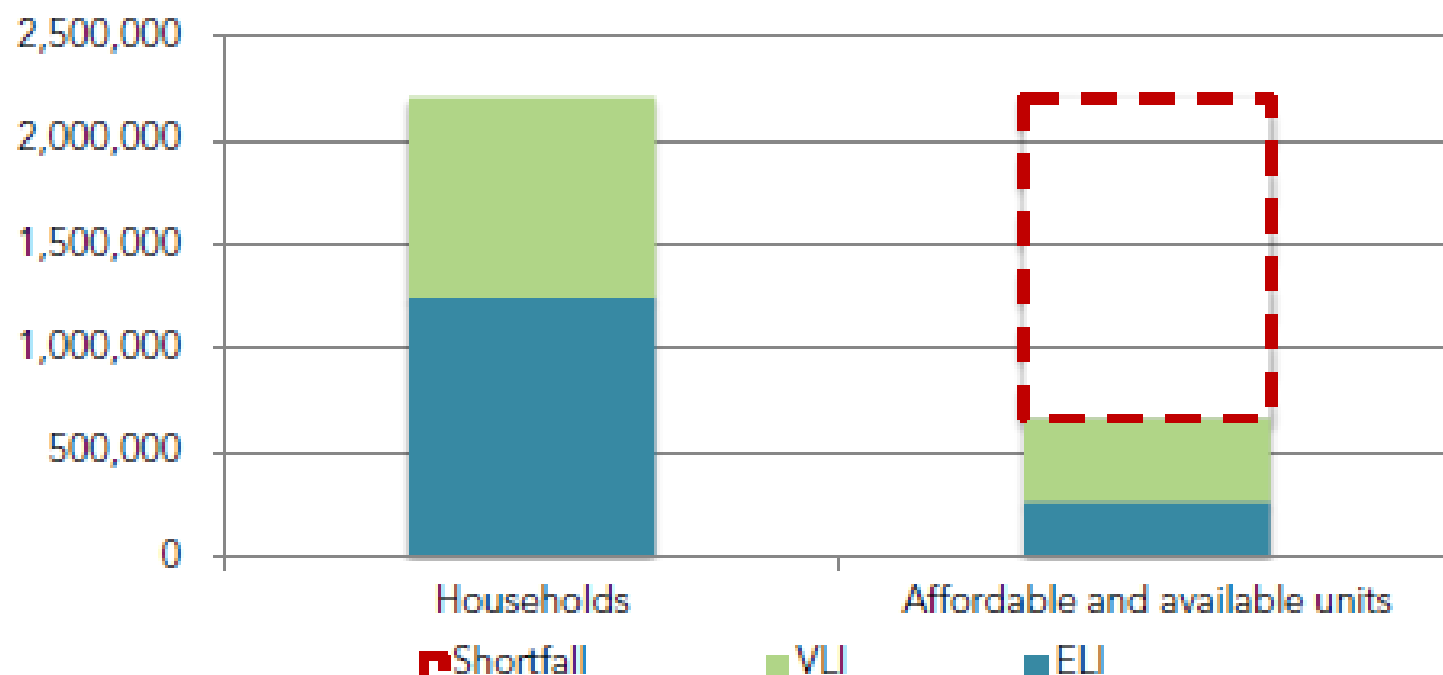
Source: HUD CHAS Data Sets based on 2009-2013 ACS. Graphic by HCD.

Who Is Impacted by Severe Rent Burdens?



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.

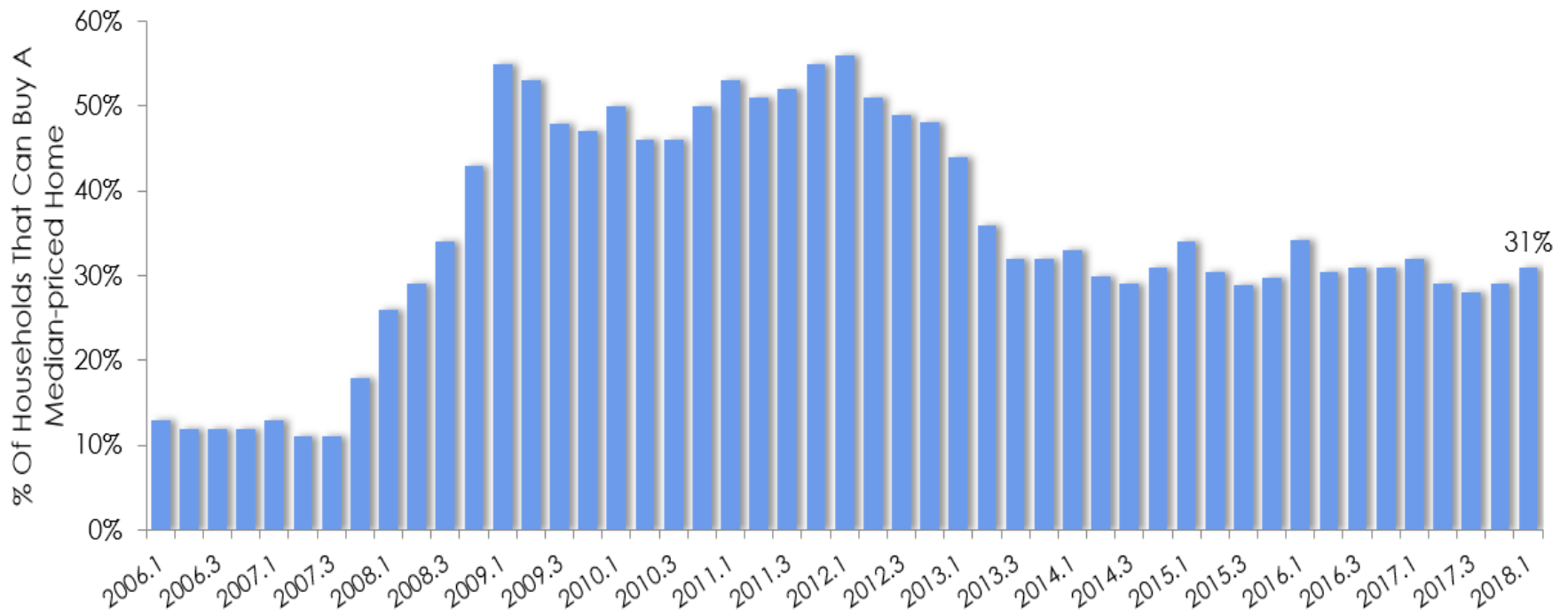
Affordability Gap

Ownership Households

CA Affordability Index

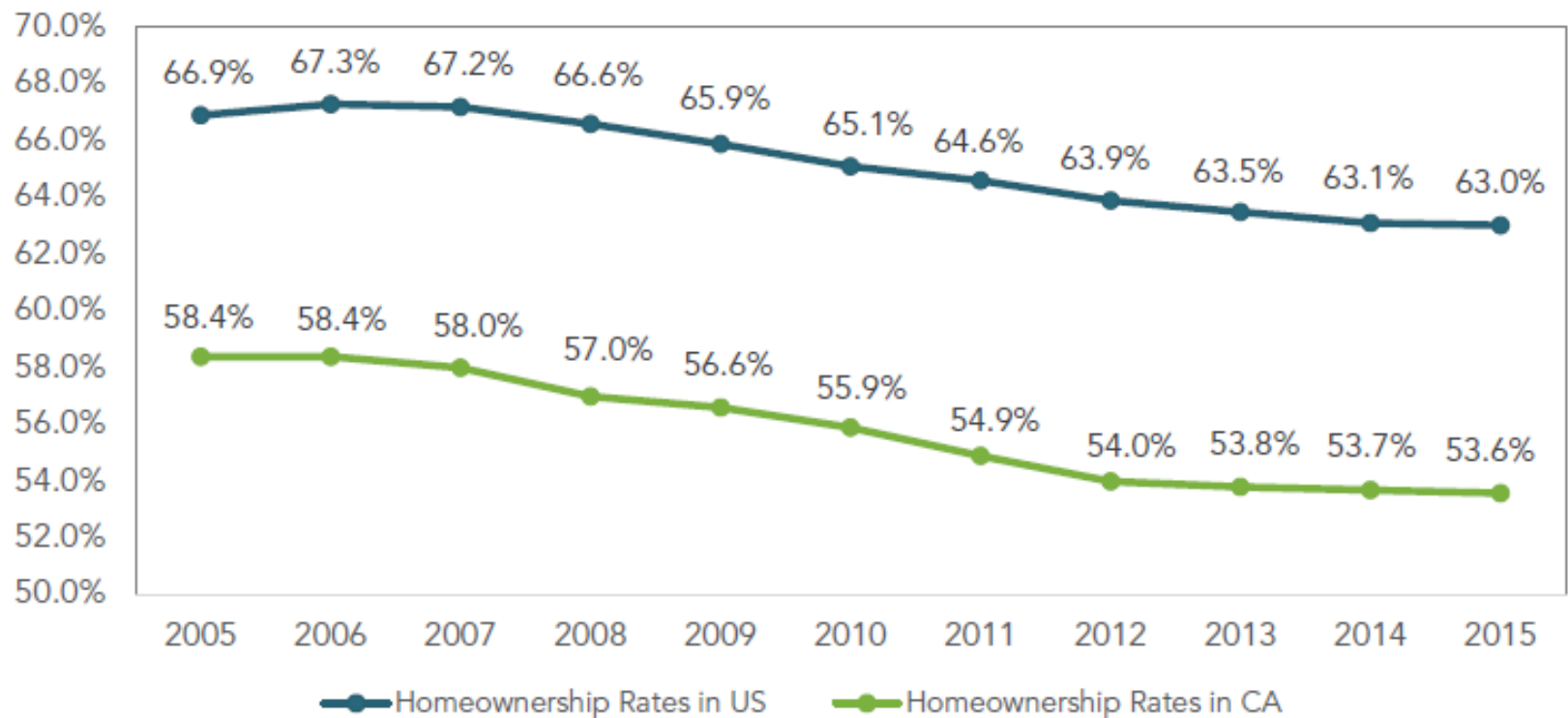
2006-2018

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



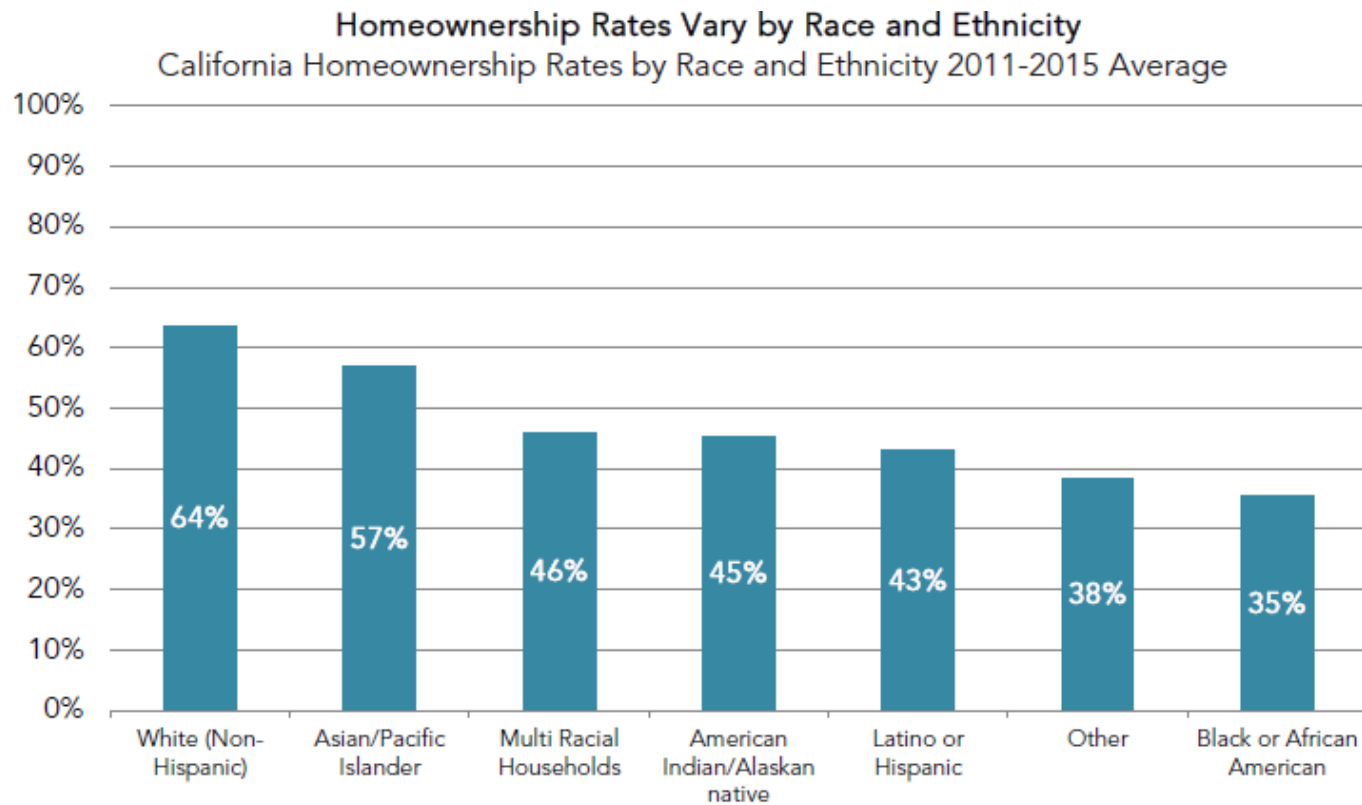
Low and Declining Ownership Rates

Recent Homeownership Rates Nationally and in CA 2005-2015



Source: U.S. Census Bureau, 2005-2009, 2011-2015 American Community Survey 1-Year Estimates, B25003, 2010 Decennial Census, General Housing Characteristics, QT-H1. Graphic by HCD.

CA Homeownership by Race

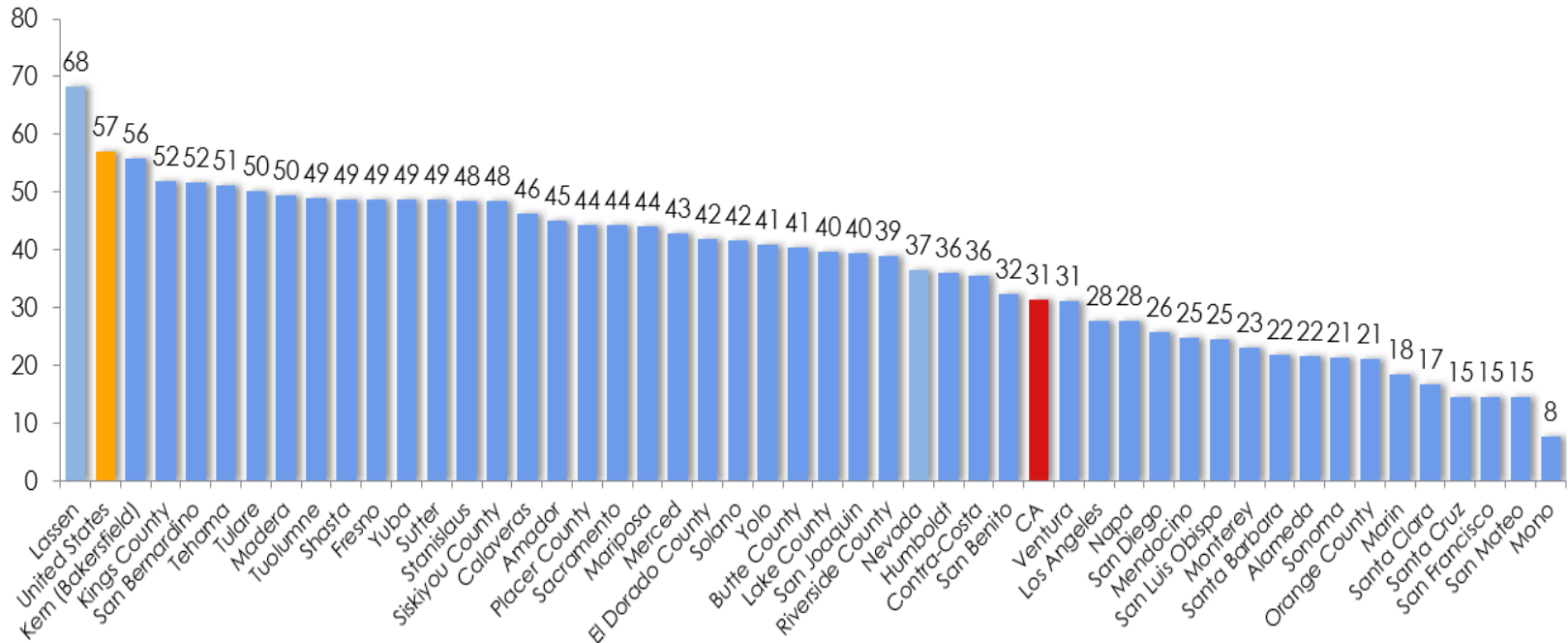


Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates, Tables B25003A-I, Tenure by Race/Ethnicity California. Graphic by HCD.

CA Affordability Index Q1 2018

By Location

Percent of Households That Can Afford Median Sale Price by Location
Q1 2018

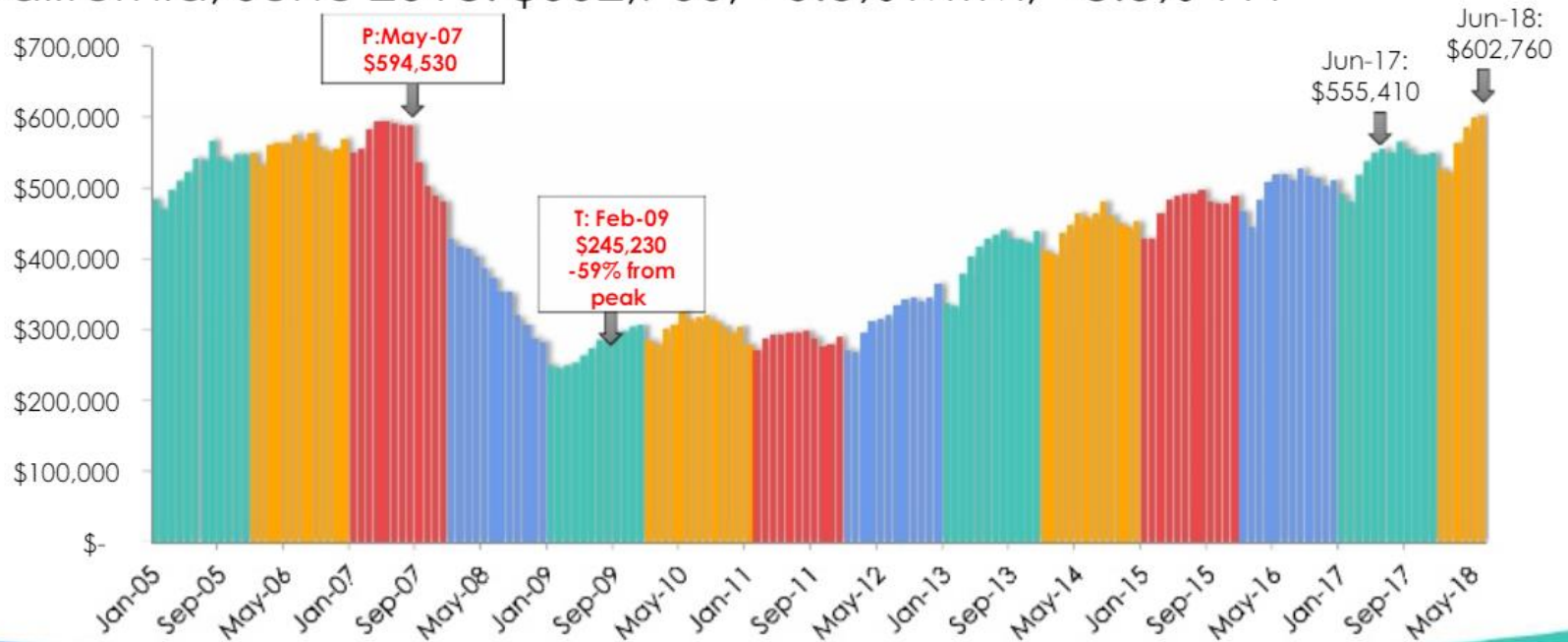


Rising House Prices



CA Median Price Reached a New Record High

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



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

California Market Overview

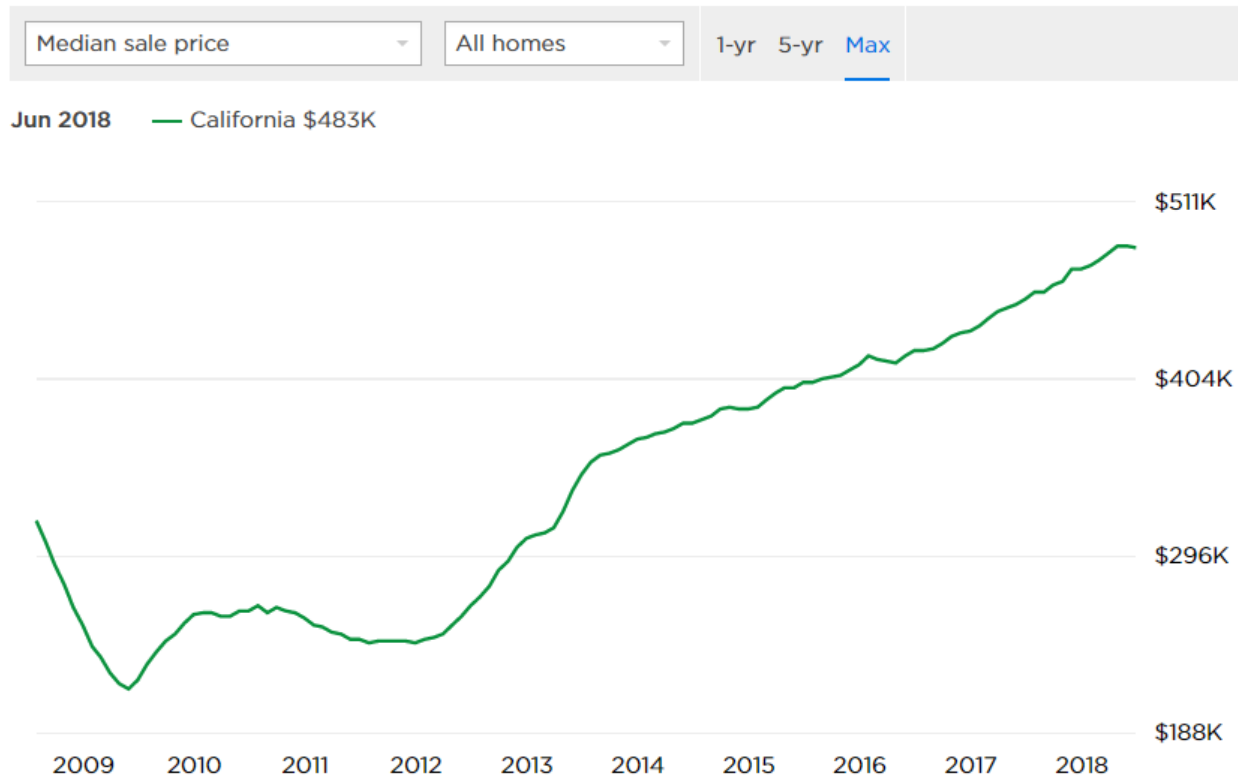
Data through Jun 30, 2018

\$539,800 ZHVI ⓘ

 **9.2%** 1-yr forecast ⓘ (Jun 30, 2019)

\$544,000 Median listing price

\$483,400 Median sale price



Rising Rent Prices

Median Rent List Price:

\$2,795 / month as of June 30, 2018

California Rentals

Data through Jun 30, 2018

ZILLOW RENT INDEX ?

\$2,507



California

\$1,442

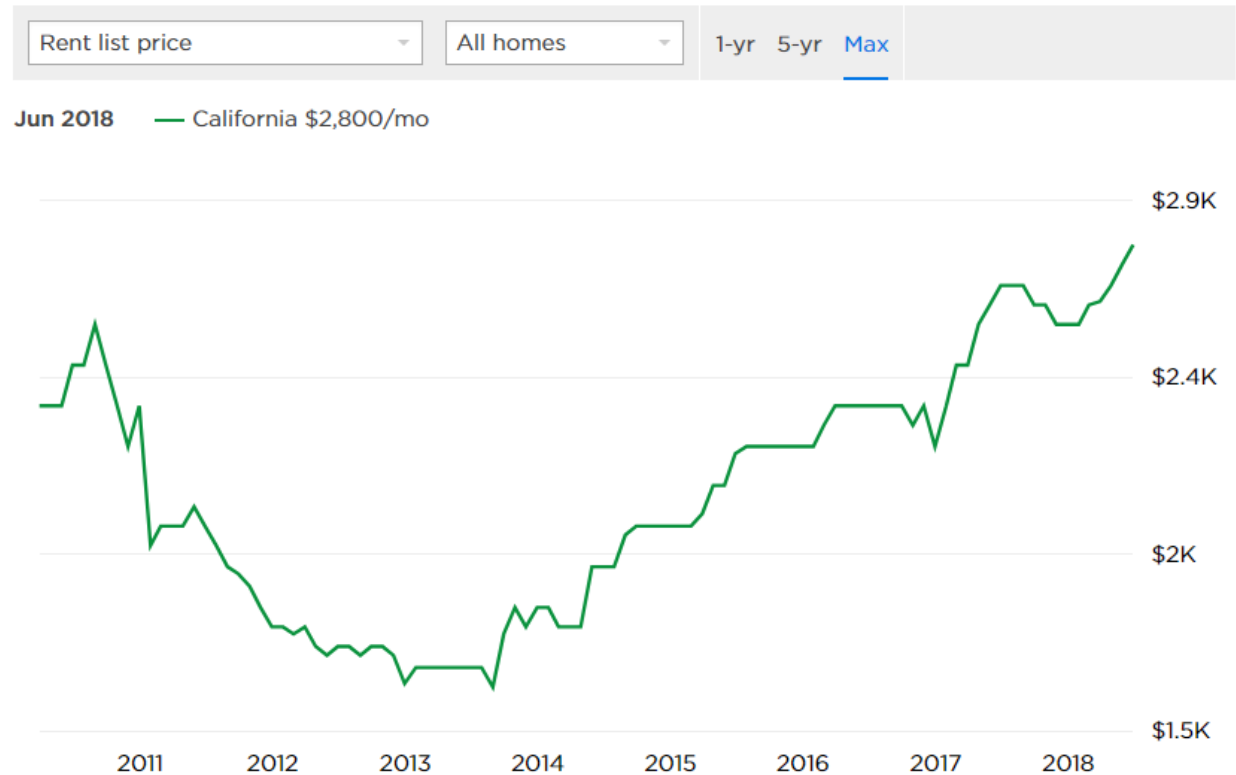


United States

No data Breakeven horizon

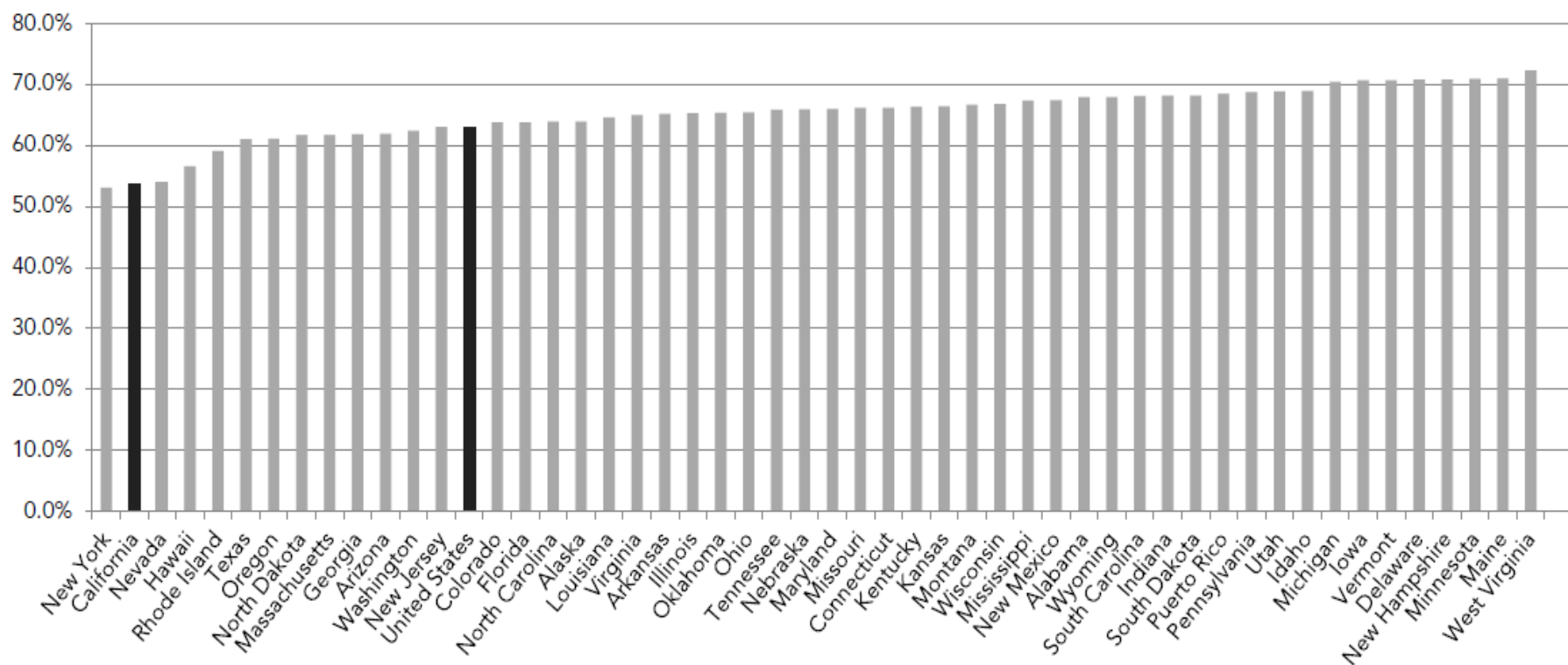
\$2,795 Rent list price

\$1.96 Rent list price / sq ft



CA Homeownership Compared to Other States

California Has the Second Lowest Homeownership Rate Among the 50 States



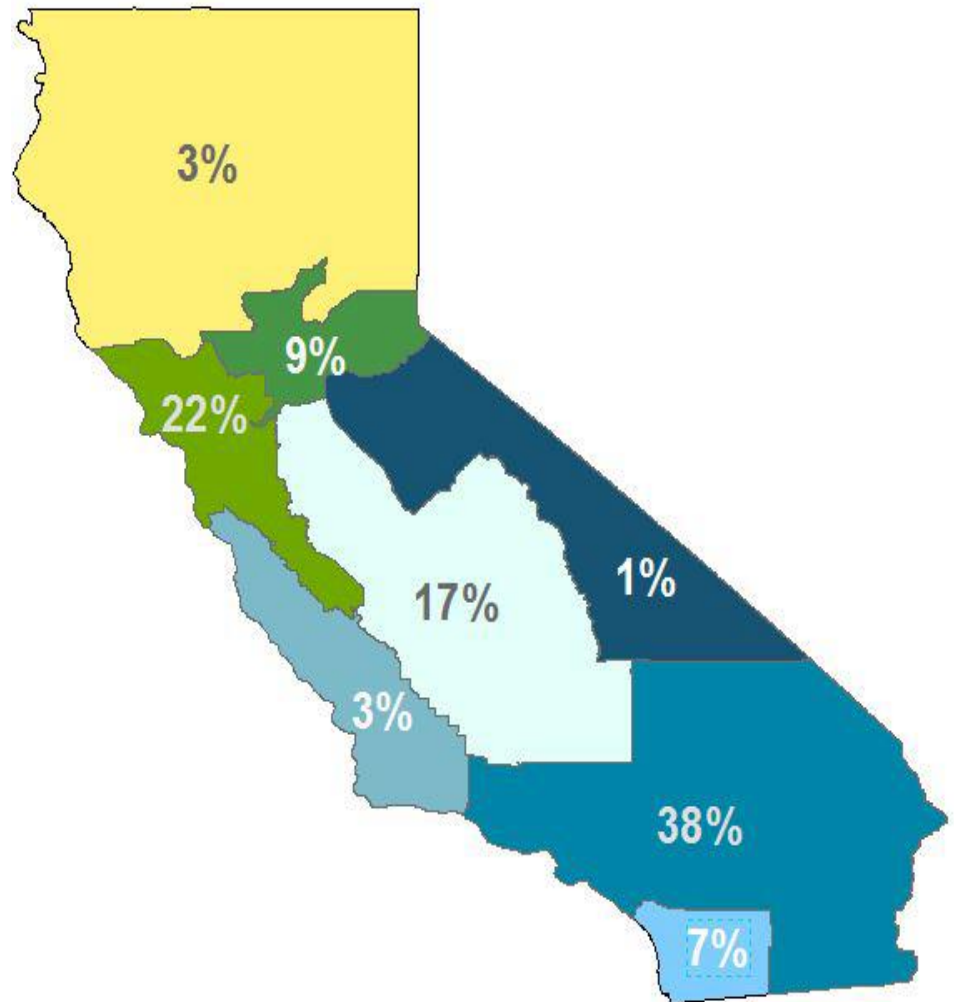
Source: 2015 American Community Survey 1-Year Estimates; Table B25003 – Tenure. Graphic by HCD

Demand Trends

Strong CA Household Growth

CA & US

- 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.

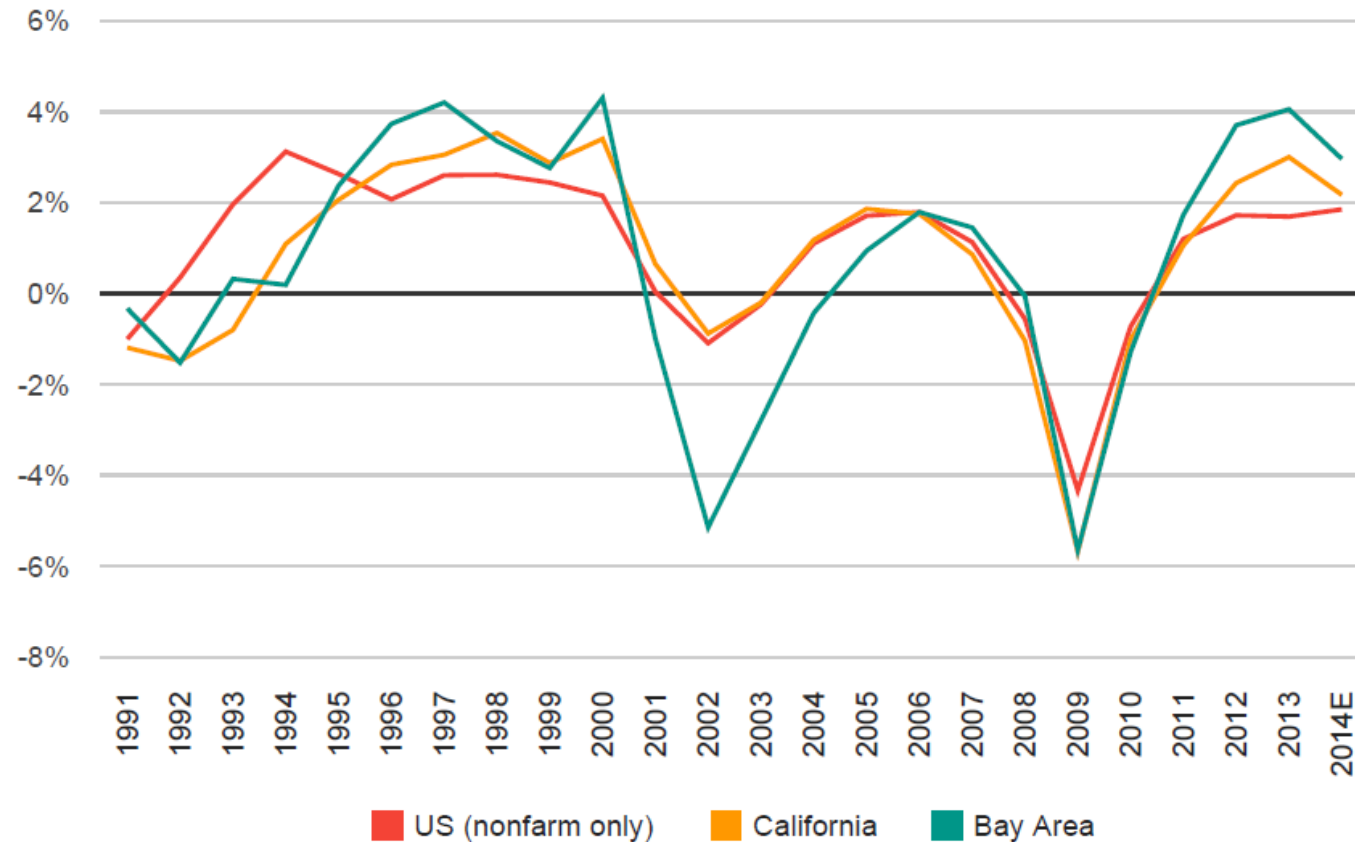


Strong CA Employment Growth

CA & US

FIGURE 1.1 Rate of Employment Change

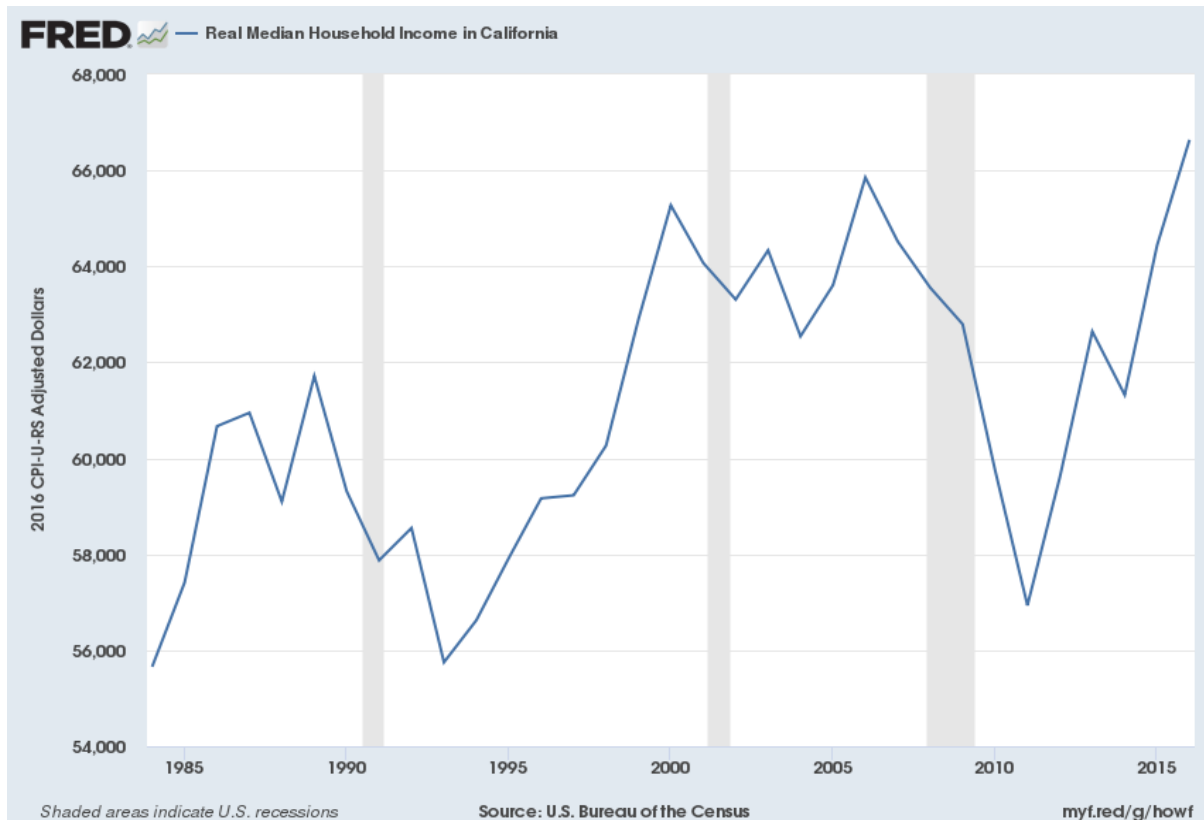
US, California, and Bay Area (1991-2013 and 2014 Estimate)



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.

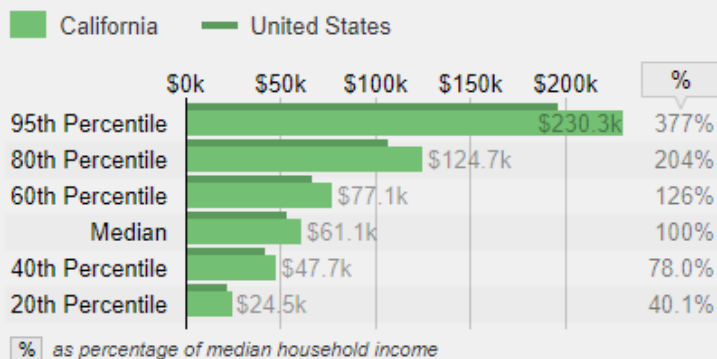
Increasing Inequity in Household Incomes

CA & US

Household Income in California (State)

Household Income Percentiles #1

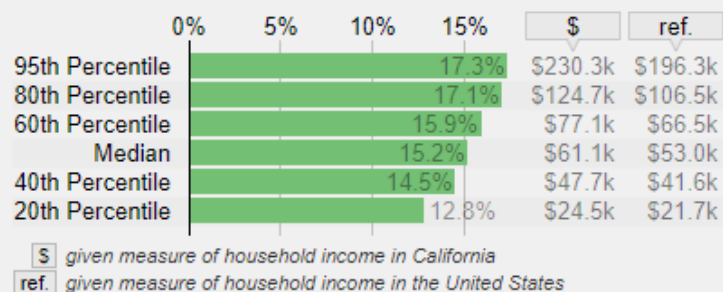
Scope: households in the United States and California



Relative Household Income Percentiles #2

Selected measures of household income in California, as a percentage more or less than the United States at large.

Scope: households in the United States and California



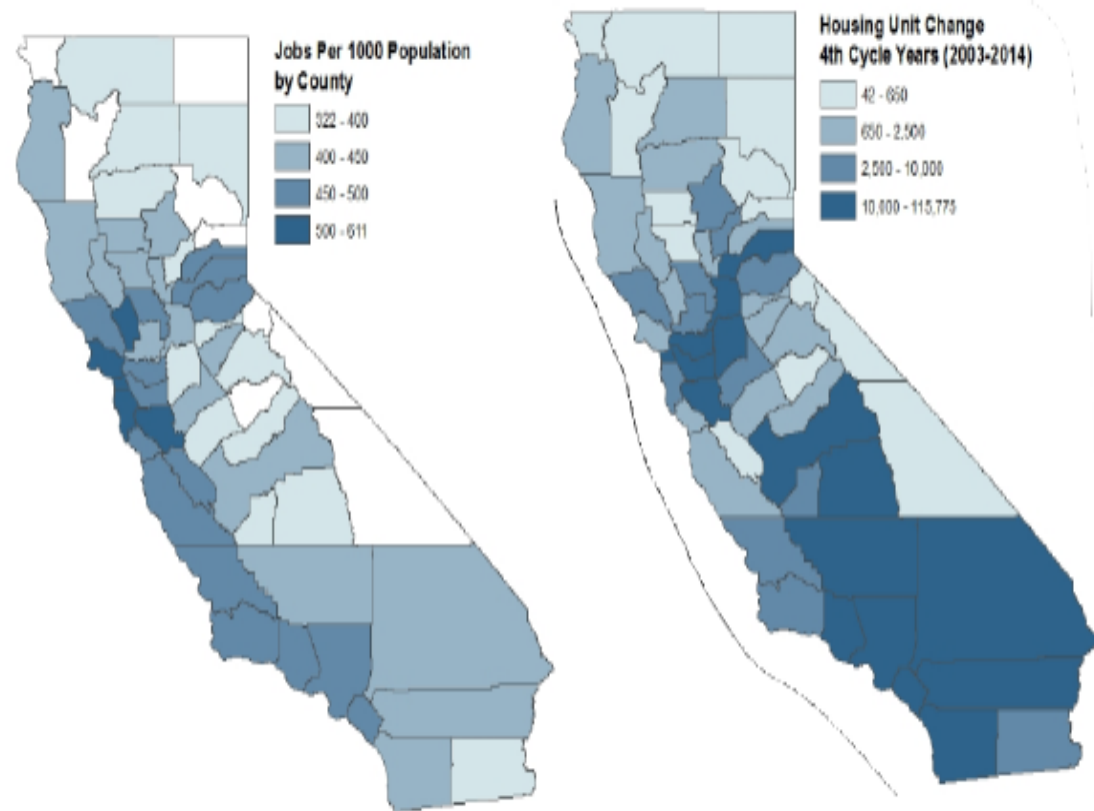
Source: Cedar Lake Ventures, Inc. Data from the U.S. Census Bureau. Updated April 17, 2015. Statistical Atlas. Available at: <https://statisticalatlas.com/state/California/Household-Income> Accessed 2 August 2018.

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.

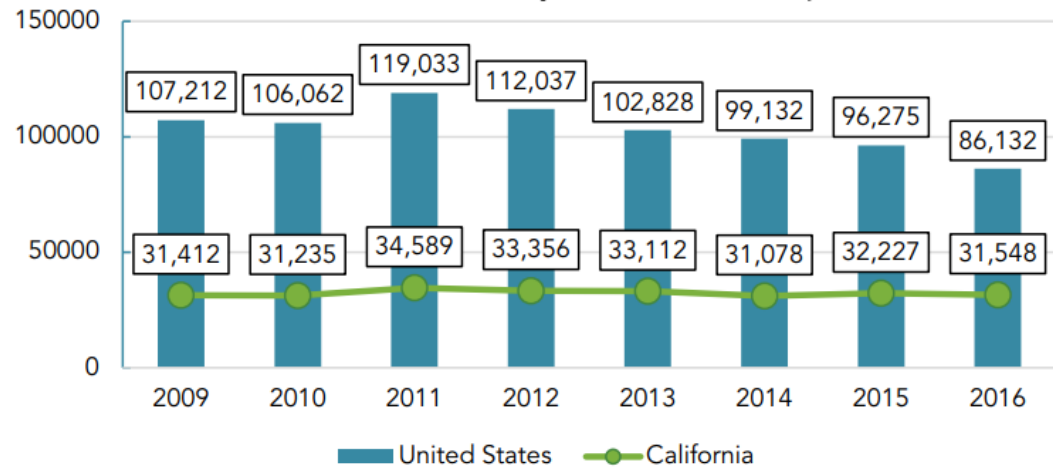
Figure 2.5
Past Housing Production Lower in Counties with High Job Availability



Sources: Population: U.S. Census Bureau, Population Division, 2015 Population Estimates; Labor Force Estimates: State of California Employment Development Department 2015 Labor Force by County, note counties with labor forces under 10,000 were excluded from the map. DOF E5 Population and Housing Estimates for Cities, Counties, and the State; E8 Historical Population and Housing Estimates for Cities, Counties, and the State.

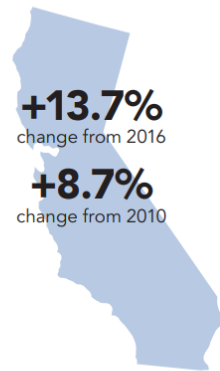
Rising Homelessness

Chronic Homelessness Remains Steady in California Despite National Decline



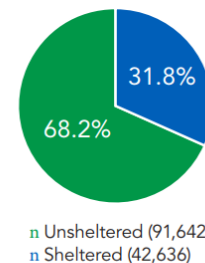
Source: United States Department of Housing and Urban Development, 2009-2016 California and National Point-in-Time estimates of Chronically Homeless Individuals. <https://www.hudexchange.info/resources/documents/2007-2016-PIT-Counts-by-State.xlsx>. Graphic by HCD.

CALIFORNIA



Total Homeless, 2017
134,278

34 in every **10,000**
people were experiencing
homelessness



Estimates of Homelessness

112,756 individuals

21,522 people in families
with children

15,458 unaccompanied
homeless youth

11,472 veterans

35,798 chronically homeless
individuals

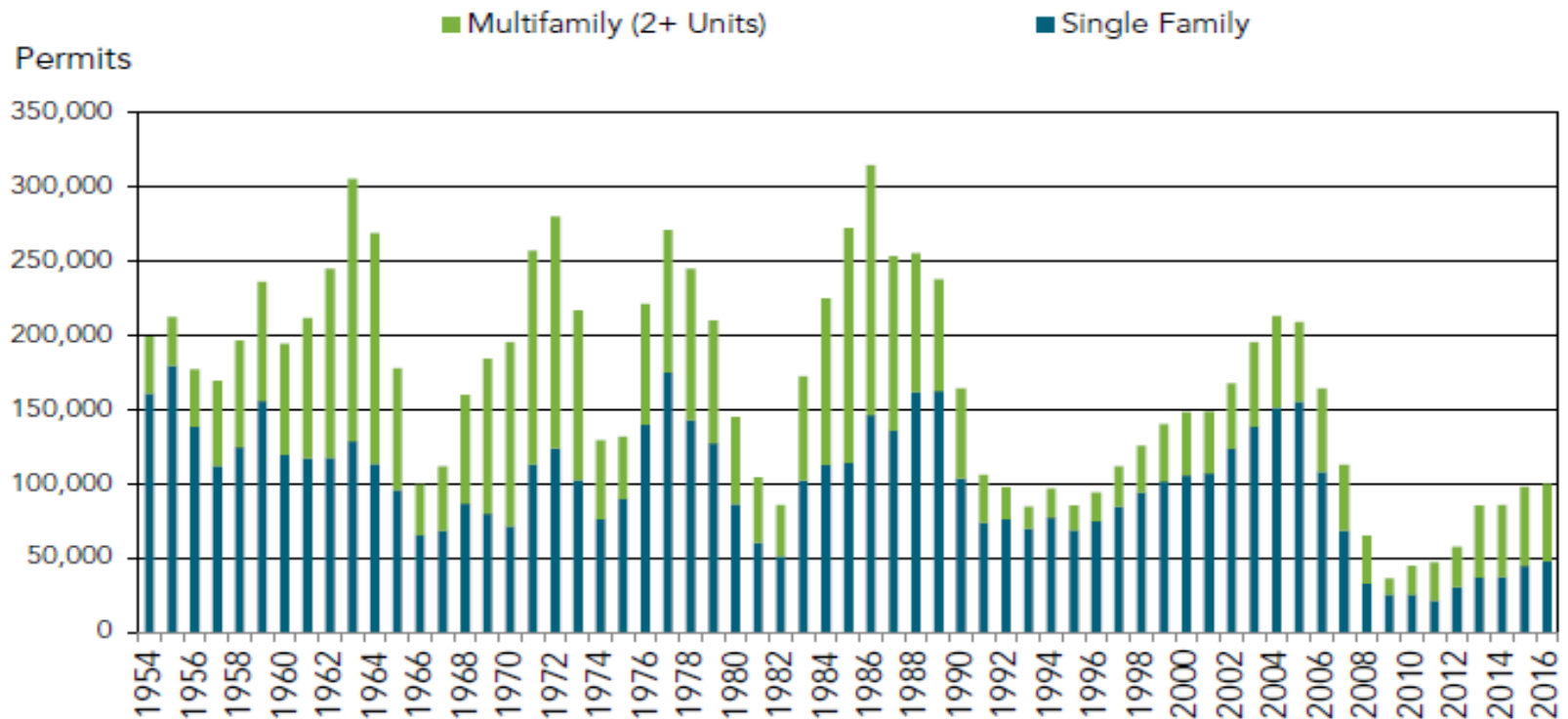
Source: U.S. Department of Housing and Urban Development, Office of Community Planning and Development. December 2017. The 2017 Annual Homeless Assessment Report (AHAR) to Congress. Available at: <https://www.hudexchange.info/resources/documents/2017-AHAR-Part-1.pdf>

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)

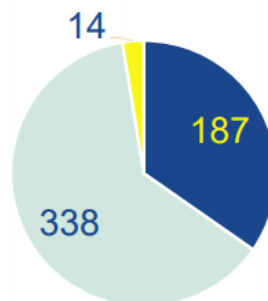
30% (162 jurisdictions)
have not submitted their
2017 APR

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

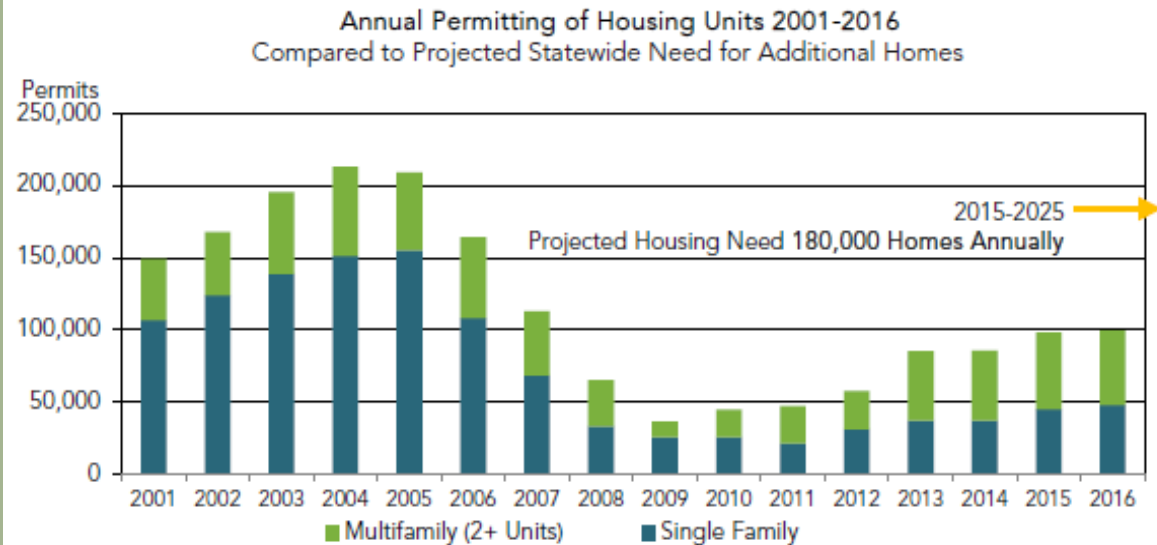
338 must offer
streamlining for
developments with
≥ 10% affordability

187 must offer
streamlining for
developments with
≥ 50% affordability



■ Streamlining at 50% ■ Streamlining at 10% ■ Not currently subject to SB 35

Recent Production and Future Shortfall

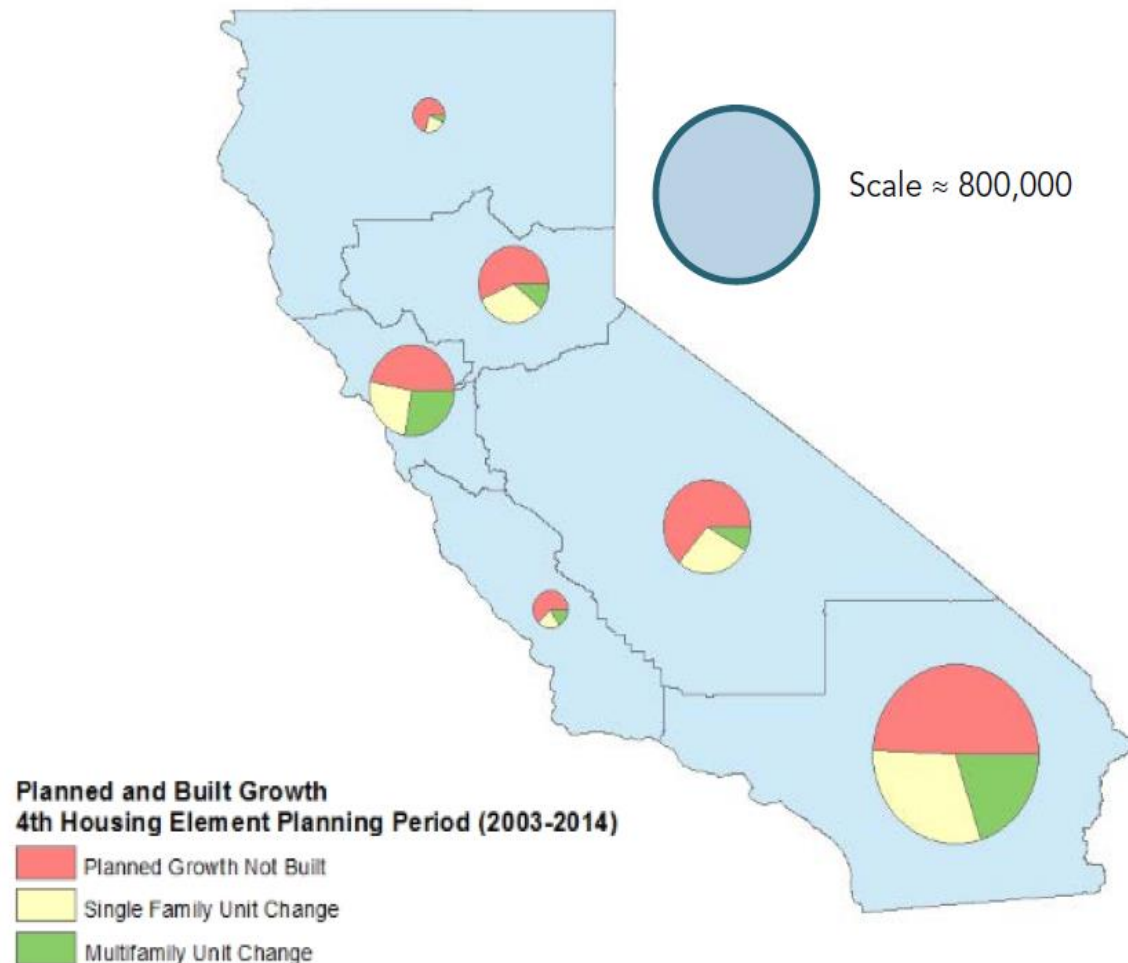


Sources: 2001-2016 New construction housing permit data from Construction Industry Research Board. 2015-2025 Projected Annual Need from HCD Analysis of State of California, Department of Finance P-4: State and County Projected Households, Household Population, Group Quarters, and Persons per Household 2010-2030—Based on Baseline 2013 Population Projection Series. Graphic by HCD. Note: "Raising the Roof" (1997-2020), projected California needed to add an average of 220,000 new homes per year to keep up with projected population increases; updated projected need is less due to lower population increase projections and higher household formation rates.

The Geography of Housing Production Shortfalls

4th Housing Element Cycle

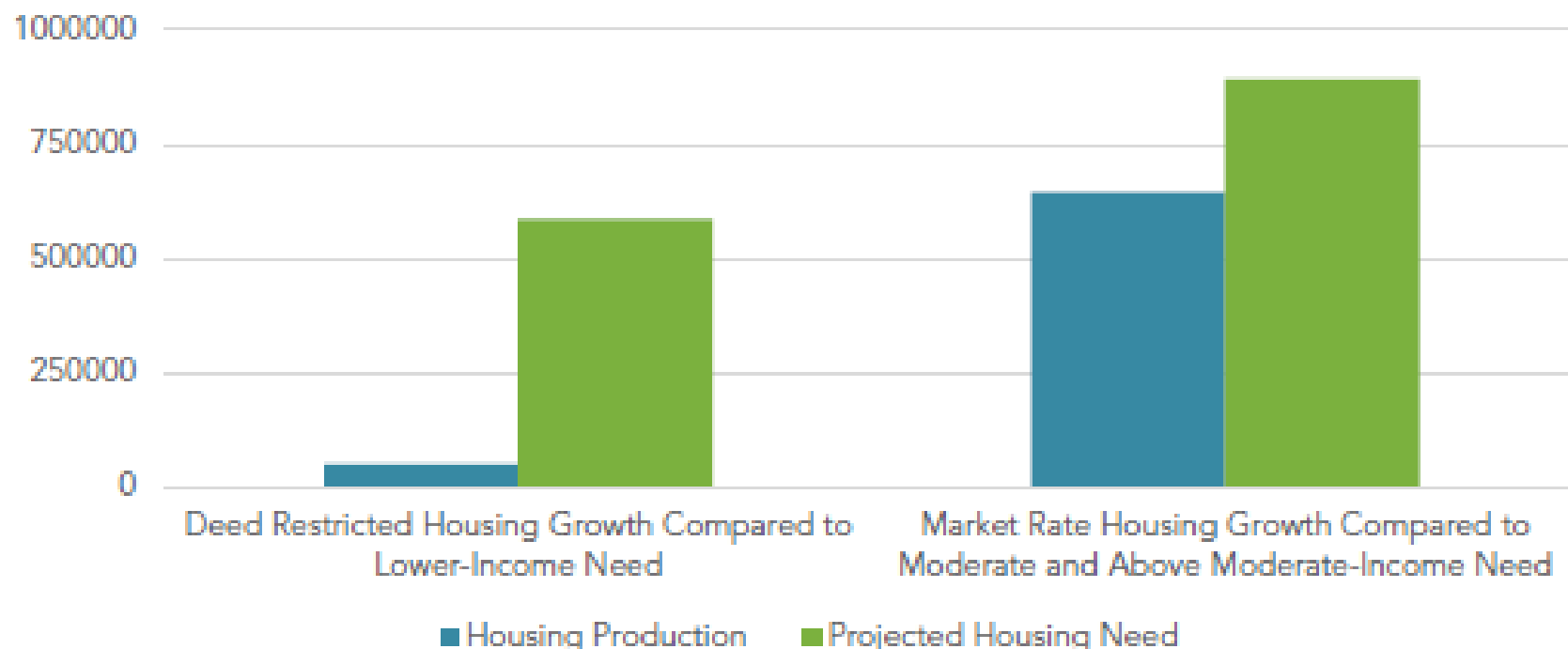
All Regions Have a Shortfall in Meeting Production



Sources: HCD Regional Housing Needs Allocations; DOF ES Population and Housing Estimates for Cit E8 Historical 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 Households⁷



Sources: HCD Regional Housing Needs Allocations 4th Cycle Housing Element (2003-2014); DOF E5 Population and Housing Estimates for Cities, Counties, and the State; E8 Historical Population and Housing Estimates for Cities, Counties, and the State; TCAC Mapped Developments.

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