



PUBLIC POLICY
BRIEFING KEYS

KEY FACTS: Finding an Affordable Place to Live in California

Prepared by *Housing California*
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Compared to other states, a high percentage of Californians rent their homes.

- 41.6 percent of California households rented their home in 2006, the second highest level in the country¹.

California workers face a persistent and growing gap between their wages and housing costs.

- A home is considered “affordable” if the rent or mortgage costs no more than 30% of the household’s income.
- A family in California needs to earn on average \$24.01 per hour (\$48,980 annually) to afford a modest two-bedroom apartment and utilities². Workers who earn less than this include:
 - Mail carriers, paramedics, and bank tellers in Contra Costa County³
 - Receptionists, farmworkers, and school bus drivers in Fresno County⁴
 - Social workers, preschool teachers, and dental assistants in Los Angeles County⁵
- From 2000 to 2006, the state median price of a for-sale home rose from \$200,000 to \$470,000⁶. Despite the foreclosure crisis, the median price of \$338,541 in November 2008⁷ still remained out of reach for millions of Californians.

Californians cope with high housing costs by doubling up or paying a high percent of their income for their home. When these strategies are not enough, they live in cars, emergency shelters, or on the street.

- One out of every eight households in California lived in overcrowded conditions in 2006, including more than one-fifth of Latino households (21.1 percent)⁸.
- More than 360,000 men, women, and children are homeless in California on any given night⁹.
 - More than 200,000 school-age children were homeless at some point during the 2007-08 school year, a 26% increase over the prior year.¹⁰
 - Approximately 55,000 veterans are homeless in California¹¹. Based on historic trends, tens of thousands of the 300,000 veterans of the Iraq and Afghanistan wars are likely to become homeless due to physical disabilities, Post Traumatic Stress Disorder, and other service-related injuries¹².
 - Foreclosures are driving an increasing number of families into emergency shelters.

Rising rents and mortgages are largely the result of an imbalance between supply and demand.

- To keep pace with births and in-migration, California needs 220,000 new homes every year¹³, including 52,000 affordable to lower income households¹⁴. Over the last five years, however, the



average number of homes built annually has been only 193,456¹⁵, with 17,000 affordable to lower income households¹⁶.

- Other factors that influence costs are a limited supply of residentially zoned land, especially for multifamily dwellings, rising labor costs, and increasing international demand for construction supplies.

Increasing the supply of homes affordable to all Californians has positive impacts on California's economy, schools, and much more.

- Every 1,000 apartments built creates 1,330 jobs and generates \$7.1 million in local taxes.¹⁷
- Increased variety and choice in the housing market helps employers retain and attract workers and reduces absenteeism. For the last three years, the Silicon Valley *CEO Business Climate Survey* cited creating affordable homes as “the most significant action the state government can take to improve the business climate.”¹⁸
- Students and schools are heavily impacted when families move often to escape rising housing costs. Transient students have lower achievement levels and are less likely to complete high school. Their stable classroom peers are also negatively impacted by the shifting classroom environment. Their schools suffer a strain on resources and budgeting.¹⁹

Government plays a key role in the housing market, but is only part of the solution.

- Government's role is to facilitate a thriving and healthy housing market through:
 - Targeted financing
 - The state's largest investment in homes is the \$6.2 billion spent annually on the mortgage interest and property tax deduction for homeowners.²⁰
 - Since 2002, additional state investment through general obligation bonds has built almost 91,000 affordable apartments, for-sale homes and emergency shelter beds.²¹
 - Making land available
 - Cities and counties zone all land (excluding state and federally owned) as residential, agricultural, industrial, open space or another designation. When residentially-zoned land is in short supply, prices rise.
 - Almost eight million acres of vacant land are located in areas not considered prime farmlands, wetlands, natural hazard zones, or habitat for threatened or endangered species. If it were zoned for homes, more than 15 million homes (60 years' worth) could be built on the land at the current average densities²².
 - Protecting contracts, enforcing fair housing rules, and balancing the rights of renters and landlords
- On the private side, California has one of the nation's most sophisticated affordable-home development communities, comprised of nonprofit and for-profit developers. Every year, they combine government investment with bank loans to build approximately 17,000 homes that will remain affordable to moderate- and low-income households for 30-55 years²³.



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- ¹ *Locked out 2008: The Housing Boom and Beyond*, California Budget Project, Sacramento, CA, 2008, http://www.cbp.org/pdfs/2008/080212_LockedoutReport.pdf.
- ² *Out of Reach 2007-2008*, National Low Income Housing Coalition, Washington, D.C., 2008, <http://www.nlihc.org/oor/oor2008/>.
- ³ *Occupational Employment Statistics Survey*, California Employment Development Department, Sacramento, CA, July 2008, <http://www.labormarketinfo.edd.ca.gov/?pageid=152>
- ⁴ Ibid
- ⁵ Ibid
- ⁶ *Locked Out 2008*, page 3
- ⁷ Derived from data in *Entry-level housing affordability more than doubles*, California Association of Realtors, November 20, 2008, <http://www.car.org/newsstand/newsreleases/Q3housingaffordability/?view=Standard>
- ⁸ *Locked Out 2008*, page 5
- ⁹ *California Housing Markets 1990-1997*, State Housing Plan Update, Department of Housing and Community Development, 1998.
- ¹⁰ "Population of homeless children in inland area and beyond grows," *Riverside Press-Enterprise*, December 18, 2008, http://www.pe.com/localnews/inland/stories/PE_News_Local_S_homeless19.43107b1.html
- ¹¹ *A Study on the Status of Homeless Veterans in California*, California Department of Veterans Affairs, Sacramento, CA, 2002, <http://www.cdva.ca.gov/AboutUs/DocsAndImages/HomelessStudy.pdf>
- ¹² Data provided by Burt McChesney, veterans' advocate, December 2008, burt.mcchesney@gmail.com
- ¹³ *California's Deepening Housing Crisis*, Department of Housing and Community Development, Sacramento, CA, November 17, 2005,
- ¹⁴ Letter from Matt Franklin, then director of the Department of Housing and Community Development
- ¹⁵ *2008 Midyear Housing Forecast*, California Building Industry Association, Sacramento, CA, June 25, 2008
- ¹⁶ Derived by Doug Shoemaker, Non-Profit Housing Association of Northern California, from production data provided by the CA Treasurer's Office and Department of Housing and Community Development, 2005
- ¹⁷ *The Local Impact of Homebuilding in a Typical Metropolitan Area*, National Association of Home Builders, Washington, D.C., October 2005, http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=28002
- ¹⁸ *CEO Business Climate Survey*, Silicon Valley Leadership Group, San Jose, CA, 2005-2007, <http://svlg.net/press/library/index.php>
- ¹⁹ *High Classroom Turnover: How Children Get Left Behind*, "Poverty and Race", May/June 2002, http://www.prrac.org/full_text.php?text_id=748&item_id=7789&newsletter_id=62&header=Families+%2F+Women+%2F+Children.
- ²⁰ *Tax Expenditure Reviews*, Legislative Analyst's Office, Sacramento, CA, November 2007, http://www.lao.ca.gov/2007/tax_expenditures/tax_expenditures_1107.aspx
- ²¹ Data provided by Judy Nevis, Department of Housing and Community Development, December 17, 2008
- ²² *Raising the Roof*, Department of Housing and Community Development, Sacramento, CA, May 2000, page 49
- ²³ Derived by Doug Shoemaker, Non-Profit Housing Association of Northern California, from production data provided by the CA Treasurer's Office and Department of Housing and Community Development, 2005