



UPDATE ON CALIFORNIA'S AFFORDABLE HOUSING CRISIS:



The Critical Role of Housing Access and Affordability in Reducing Poverty

APRIL 2015



HIGH HOUSING COSTS ELEVATE CALIFORNIA TO #1... IN POVERTY

As Californians, we are proud to live in a state that boasts world-renowned innovative high-tech, cultural diversity, a major film and television industry, beautiful weather, and vacation destinations like Lake Tahoe, Yosemite, San Francisco and San Diego. As the largest and wealthiest state, we lead the nation. But, our severe shortage of affordable homes has made us a leader in areas in which we would rather not lead. We lead the nation in the number of people experiencing homelessness. We lead the nation in poverty rates. We lead the nation in overcrowded rental homes and severely rent-burdened households. We lead the nation in the largest shortage of affordable rental homes. Is this really how California wants to lead the nation?

IMPOSSIBLE CHOICES: Rent or Groceries? Rent or Medication? Rent or a Bus Fare to Work?

CALIFORNIA HAS THE HIGHEST PERCENTAGE OF PEOPLE LIVING IN POVERTY OF ANY STATE WHEN HOUSING COSTS ARE FACTORED IN

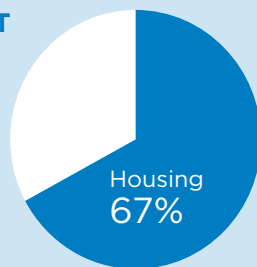
Housing costs play a critical role in the economic stability of lower-income families as well as their physical and psychological wellbeing. For those renters with lower incomes, high housing costs consume a large and growing portion of their earnings, leaving little to spend on other essential needs like transportation, food, and healthcare, driving more households into poverty.^{1, 2} Lack of an affordable home can undermine family health and children's educational attainment and future opportunities.^{3, 4} For other vulnerable groups such as disabled adults and seniors on fixed-incomes, lack of affordable housing can lead to loss of independence and higher costs to the public due to increased need for emergency healthcare or placement in nursing homes.^{5, 6}

CALIFORNIA HOUSEHOLD EXPENDITURES BY INCOME

HOUSEHOLDS IN LOWEST INCOME QUARTILE

Food, Transportation, Health Care, and other needs:

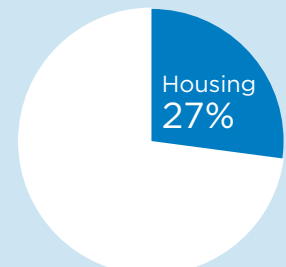
33%



MEDIAN INCOME HOUSEHOLD

Food, Transportation, Health Care, and other needs:

73%



Source: LAO Report "California's High Housing Costs: Causes and Consequences", 2015.

1 IN 4 CHILDREN IN CALIFORNIA IS LIVING IN POVERTY

It should be of great concern to our state's leaders that when the cost of housing is accounted for, California has the highest percentage of people living in poverty of any state in the nation.^{7, 8} Even when the effects of social safety net programs are considered, California's poverty rate is more than 22%, meaning that more than eight million people in the nation's largest and richest state are living in poverty, including one in every four children.⁹ Since the vast majority of these households rent their homes, this report will focus on the relationship between the supply of affordable rental homes and their availability to lower-income Californians.

KEY FINDINGS

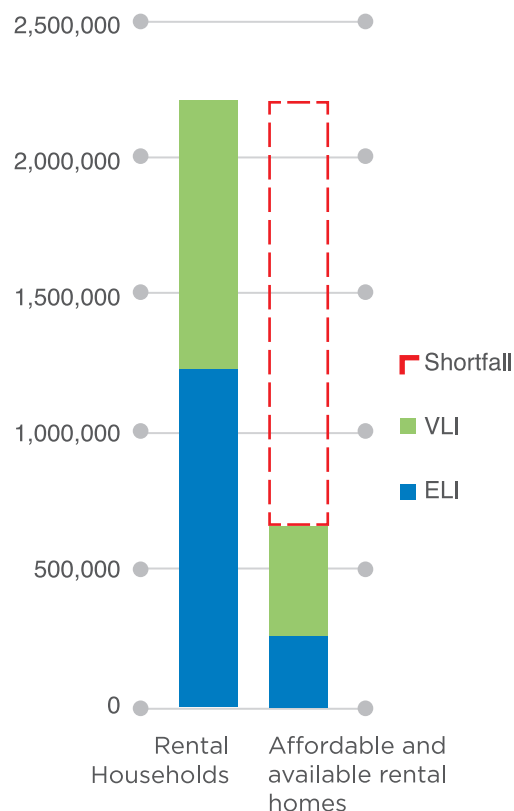
- The state's shortfall of 1.54 million rental homes for extremely low-income (ELI) and very low-income (VLI) renter households contributes substantially to California's 22% poverty rate, the highest poverty rate of any state.
- Three quarters of ELI and VLI households without access to an affordable home pay more than 50% of their income on rent, leaving inadequate funds to pay for other basic necessities like food, transportation, and healthcare.
- Since 2000, rents have increased by 21%, while renters' incomes have declined by 8% (accounting for inflation).
- California has the worst renter overcrowding in the country, resulting in significant, negative impacts on health and academic achievement.
- State and federal investment in the production and preservation of affordable housing in California dropped 69% since the great recession.

HOW FAR BEHIND ARE WE? More Than 1.5 Million Affordable Rental Homes Needed

California's 2.2 million ELI and VLI renter households are competing for only 664,000 affordable rental homes.¹⁰ This leaves more than 1.54 million of California's lowest income households without access to affordable housing in a state with 21 of the 30 most expensive rental housing markets in the country.¹¹ VLI households are those that earn less than 50% of the area median income, while ELI households earn less than 30%. There isn't a single county in California that has a sufficient number of affordable rental homes for these households.

THERE ISN'T A SINGLE COUNTY IN CALIFORNIA THAT HAS A SUFFICIENT NUMBER OF AFFORDABLE RENTAL HOMES FOR ELI AND VLI HOUSEHOLDS.¹²

SHORTFALL OF AFFORDABLE AND AVAILABLE RENTAL HOMES

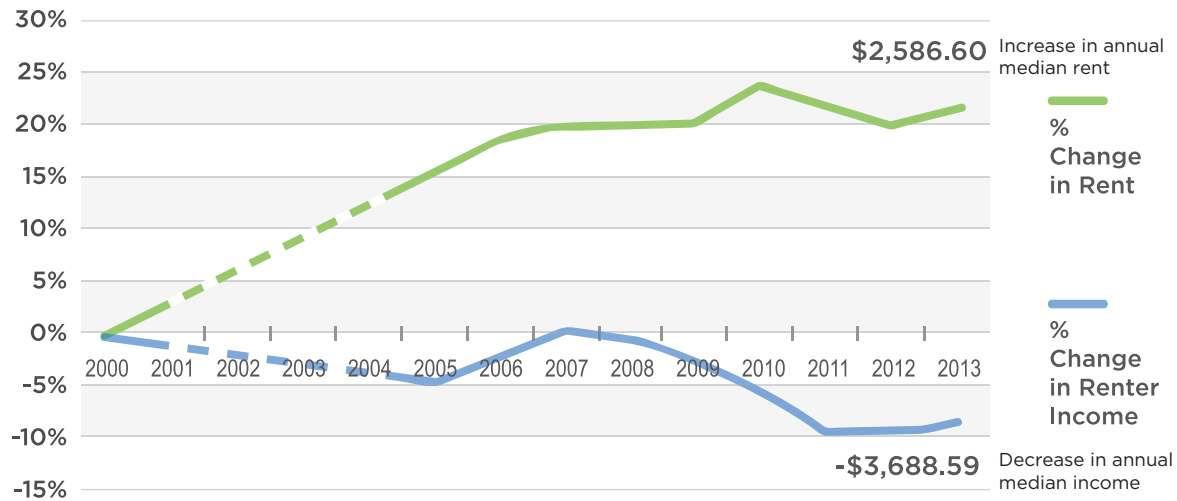


Source: NLIHC Analysis of 2013 ACS PUMS.

For more explanation of this year's data compared to last year's, see endnote 13.

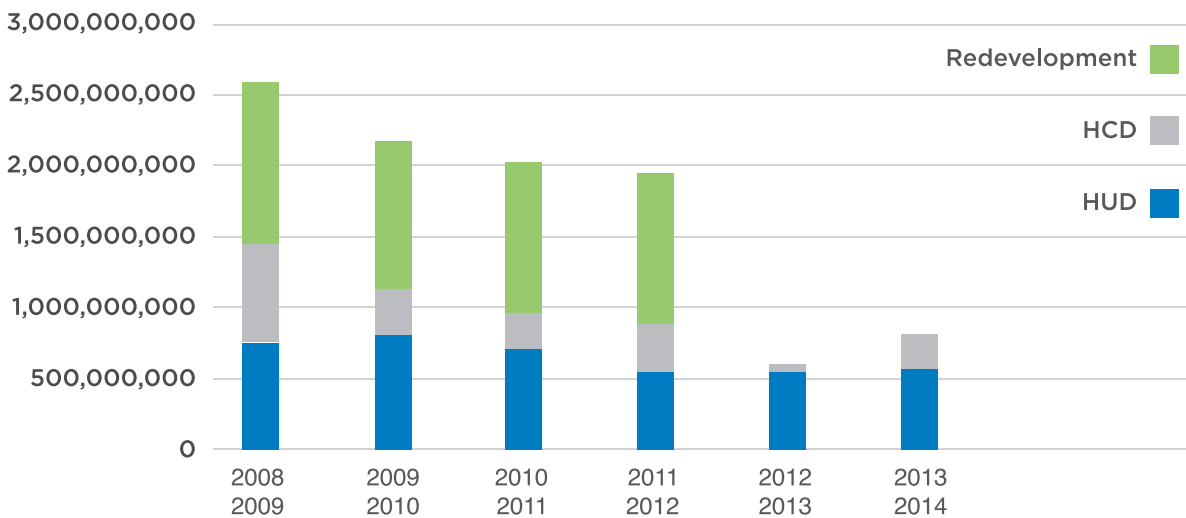
The current shortfall in affordable homes is due in part to the 8% decline in California renters' median incomes and simultaneous 21% increase in rents since 2000.¹⁴ Another primary factor is the 69% overall decline in state and federal investment since 2008, including the \$1 billion in annual redevelopment funding that was eliminated in 2012.¹⁵

CHANGE IN INFLATION ADJUSTED MEDIAN RENT AND RENTER INCOME 2000-2013



Source: CHPC analysis of 2000-2013 of Census and ACS data. Median income and rent from 2001-2004 are an estimated trend.

STATE AND FEDERAL INVESTMENT IN AFFORDABLE HOUSING



FUNDING SOURCE	FY 2008-2009	FY 2013-2014	% CHANGE
Redevelopment	\$1,142,555,324	\$0	-100%
HCD	\$680,429,821	\$245,937,092	-64%
HUD	\$778,782,375	\$561,051,019	-28%
Total	\$2,601,767,520	\$806,988,111	-69%

Source: CHPC analysis of 2000-2010 annual HCD Redevelopment Housing Activities Reports 2010-2011, 2011-2012 are estimated; 2002-2014 annual HCD Financial Assistance Programs Reports; and 2001-2015 annual HUD CPD Appropriations Budget data.

THE SHORTFALL OF AFFORDABLE RENTAL HOMES IS EXACERBATING POVERTY IN CALIFORNIA COUNTIES

The counties with the largest shortfalls of homes affordable to ELI and VLI renter households are spread throughout the state in both coastal and inland areas. The largest shortfalls of affordable rental homes occur not just in the most populated counties but also in those with high housing costs relative to ELI and VLI incomes. In Orange County, for example, there are only 18 affordable and available homes per 100 ELI and VLI renter households.¹⁶ This means that the vast majority of low-income renters in Orange County are forced to pay housing costs beyond their means, leaving little left for other basic necessities.

The relationship between high housing costs and poverty is clearest when the federal government's official poverty measure (OPM), which does not factor in housing costs, is compared to poverty measures that do. In contrast, the California Poverty Measure (CPM), developed by the Public Policy Institute of California and Stanford University, incorporates housing costs as well as assistance from social safety-net programs. Comparing the OPM and CPM poverty rates in the 10 counties with the largest shortfalls in affordable rental homes reveals that the exclusion of housing costs significantly underestimates poverty levels in 8 of 10 counties.¹⁷ The state's poverty rate increases from 16.2% to 22% after factoring in housing costs.

Illustrating the importance of including housing costs to obtain a true measure of poverty, Orange County's poverty rate nearly doubles from 12.8% to 24.3%. Though generally considered one of California's wealthiest counties, Orange County actually has one of the highest poverty rates in the state. For Santa Clara County, one of the highest income counties in the country, the poverty rate also nearly doubles from 10.2% to 18.7%, well above the national average. The adjusted poverty rate in Los Angeles County is perhaps most telling, as it jumps from a moderately high 18.2% to the highest in the state at 26.9% when housing costs are factored in. In other words, nearly 3 in 10 households in California's most populous county are in poverty with high housing costs being a primary cause.

10 COUNTIES WITH LARGEST SHORTFALL IN HOMES AFFORDABLE & AVAILABLE TO ELI AND VLI RENTERS

COUNTY	Shortfall of Homes Affordable and Available to ELI and VLI Renters	Affordable and Available Homes per 100 ELI and VLI Renters
Los Angeles	-527,722	23
San Diego	-142,564	22
Orange	-102,266	18
Santa Clara	-67,576	33
Riverside	-66,409	28
Alameda	-64,428	47
San Bernardino	-63,720	29
Sacramento	-62,449	37
Fresno	-40,727	28
Contra Costa	-36,759	44

Source: NLIHC analysis of 2013 ACS PUMS data.

10 COUNTIES WITH LARGEST SHORTFALL AND ADJUSTED POVERTY RATE

COUNTY	OPM: Unadjusted for Housing Costs	CPM: Adjusted for Social Programs & Housing Costs
Los Angeles	18.2%	26.9%
San Diego	14.9%	22.7%
Orange	12.8%	24.3%
San Bernardino	18.4%	19.5%
Alameda	12.4%	18.4%
Riverside	15.9%	20.4%
Sacramento	17.5%	17.1%
Santa Clara	10.2%	18.7%
Fresno	25.3%	20.2%
Contra Costa	12.5%	18.6%

Source: Stanford University Center on Poverty and Inequality, with the Public Policy Institute of California.

THE STATE'S POVERTY RATE INCREASES FROM 16.2% TO 22% AFTER FACTORING IN HOUSING COSTS.

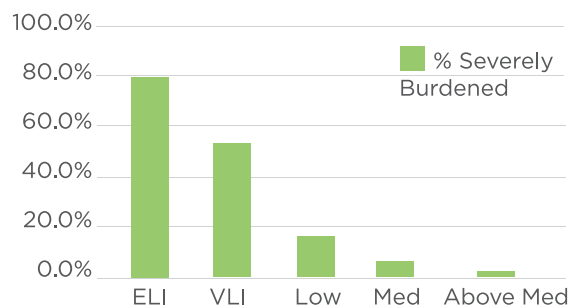
LACK OF AFFORDABLE RENTALS LEADS TO SEVERE RENT BURDEN FOR LOW-INCOME CALIFORNIANS

In 2013, households in the bottom quartile of California's earners spent an average of 67% of their income on housing.¹⁸ Those who pay more than 50% of their income on housing are considered "severely rent burdened." Households with the lowest incomes make up the vast majority of severely rent burdened households.¹⁹ Of the ELI and VLI households who do not have access to an affordable home, 76% are severely rent burdened, meaning they pay 50% or more of their income on rent.²⁰

Compared to ELI and VLI households who do have affordable homes, severely rent burdened ELI and VLI households spend hundreds of dollars less per month on transportation, food, healthcare, and retirement savings.²¹ These households spend 39% less on food and 65% less on healthcare, underscoring the connection between high housing costs, health, and hunger/malnutrition.²² On the other hand, access to affordable rental homes can improve health outcomes for these households because they have more resources to pay for food and healthcare, as well as lowered stress and improved quality of life.²³

In the counties with the worst housing shortage, between 70% and 86% of ELI households are severely rent burdened, with those in San Bernardino worst off followed by Fresno.²⁴ Even looking at VLI households in these same counties, the percentage of severely rent burdened ranges from a low of 29% in Alameda County to a high of 75% in Orange County.

SEVERE RENT BURDEN BY INCOME GROUP



Source: NLIHC analysis of 2013 ACS PUMS data.

PERCENT OF ELI AND VLI RENTER HOUSEHOLDS SEVERELY RENT BURDENED FOR COUNTIES WITH LARGEST SHORTFALLS OF AFFORDABLE HOUSING

COUNTY	% ELI Severe Rent Burden	% VLI Severe Rent Burden
Los Angeles	81%	56%
San Diego	83%	56%
Orange	83%	75%
San Bernardino	86%	50%
Alameda	73%	29%
Riverside	84%	54%
Sacramento	80%	38%
Santa Clara	79%	41%
Fresno	85%	48%
Contra Costa	70%	38%

Source: NLIHC analysis of 2013 ACS PUMS data.

THE PEOPLE WHO ARE PRICED OUT OF THE RENTAL MARKET ARE KEY TO OUR COMMUNITIES

There are 4.7 million workers in California who could qualify as VLI – 32% of the state's workforce. These people are key members of our communities, including home health aides, nursing assistants, and teachers' assistants. They are hardworking people who care for people's parents in their homes and children in day care centers, who clean hotel rooms, work in department stores, and wait tables. Despite working full time, these individuals often have so little left after paying exorbitantly high rents that they easily fall under the poverty line when housing costs are factored in.²⁵

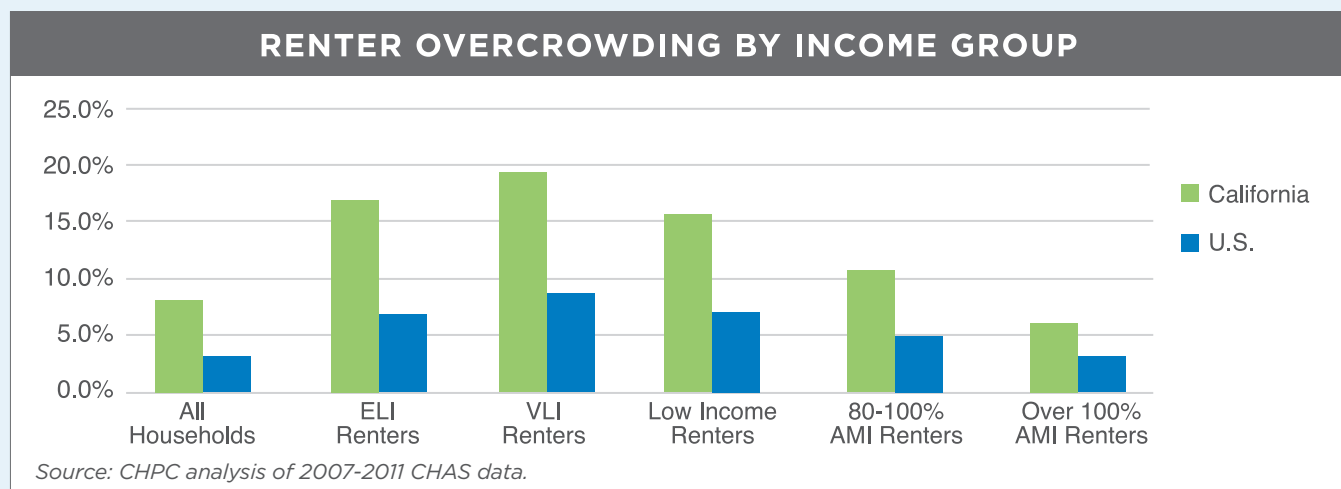
50% OF STATE MEDIAN INCOME FOR A 3-PERSON HOUSEHOLD: \$31,350

Job Category	Median Income in CA
Teacher Assistants	\$29,280
Nursing Assistants	\$28,210
Home Health Aides	\$23,090
Childcare Workers	\$23,000
Maids and Housekeeping	\$22,110
Cashiers	\$20,600
Waiters and Waitresses	\$18,920

Source: CHPC analysis of 2013 BLS data and 2015 HUD data.

CALIFORNIA: A LEADER IN OVERCROWDING

Underproduction and high housing costs not only drive households further into poverty, but also lead to overcrowded living conditions. Overcrowding is defined as more than one person occupying each room in the home (not just bedrooms). While California is home to 12% of the U.S. population, it houses 30% of the nation's overcrowded renter households. California has the second highest percentage of overcrowded households of any state and, not surprisingly, the worst renter overcrowding in the country.²⁶ Low-income renters in California suffer overcrowding more than twice as often as their peers in the rest of the country and three times as often as California renters earning median income or above.



Overcrowding results in serious, negative impacts on Californians' physical and mental health and children's educational achievement. Because of greater exposure to infectious diseases and daily stressors, people living in overcrowded homes have higher blood pressure and experience more psychological distress and helplessness.²⁷ Children living in overcrowded conditions are more likely to fall behind in school and less likely to graduate from high school.²⁸ We cannot expect our investments in healthcare and education to produce the outcomes we seek until we invest in housing affordability that reduces overcrowding.

ENDNOTES

1, 21 Joint Center for Housing Studies of Harvard University. "America's Rental Housing: Evolving Markets and Needs." 2013. http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/ahr2013_05-affordability.pdf

2, 8, 9 Public Policy Institute of California and Stanford Center on Poverty and Inequality. "The California Poverty Measure: A New Look at the Social Safety Net." October 2013. http://www.ppic.org/content/pubs/report/R_1013SBR.pdf. This report primarily cites the California Poverty Measure (CPM) rather than the Supplemental Poverty Measure (SPM- see endnote 7) because the CPM offers county poverty rates. Both the CPM and SPM attempt to improve on the Official Poverty Measure (OPM) with adjusted poverty thresholds that reflect regional cost of living and income figures that account for social programs, taxes and credits, and essential household costs. The CPM uses adjusted social assistance numbers, resulting in lower poverty (22%) than the SPM (23.9%) but both are far above the OPM (16.2%) due to the impact of high housing costs and high cost of living.

3, 5, 23, 27 Center for Housing Policy. "The Impact of Affordable Housing on Health." May 2011. http://nhc.org/media/files/Insights_HousingAndHealthBrief.pdf

4, 28 Center for Housing Policy. "The Impact of Affordable Housing on Education." May 2011. http://www.nhc.org/Education_Insights_finalv4_web.pdf

6 CSH and Economic Roundtable. "Getting Home: Outcomes from Housing High Cost Homeless Hospital patients." 2013. http://shnny.org/uploads/Getting_Home_2013.pdf

7 U.S. Census Bureau. "The Supplemental Poverty Measure 2013." October 2014.

10, 16, 19, 20, 24 NLIHC analysis of 2013 ACS PUMS data.

11 Lovely. "Top 30 Most Expensive Rental Rates In the U.S." January 2015. <http://blog.livelovery.com/2015/01/26/most-expensive-us-rental-rates/>

12 NLIHC analysis of 2007-2011 CHAS data.

13 This year the shortfall includes both ELI and VLI renters; last year's report included only ELI renters. Including VLI renters increases the shortfall from nearly 1 million to over 1.5 million rental homes. The data source is also updated to the more current 2013 ACS PUMS data rather than 5 year CHAS data.

14 CHPC analysis of 2000 Census Data and 2005-2013 annual ACS data. Median income and rent 2000-2004 are estimated trend.

15 CHPC analysis of 2000-2010 annual HCD Redevelopment Housing Activities Reports, 2011 and 2012 estimated using 2010 levels; 2002-2014 annual HCD Financial Assistance Programs Reports; and 2001-2015 annual HUD CPD Appropriations Budget data.

17 The Stanford Center on Poverty and Inequality with the Public Policy Institute of California. "A Portrait of Poverty within California Counties and Demographic Groups." http://web.stanford.edu/group/scspi/poverty/cpm/CPMBrief_CPI.pdf

18 California State Legislative Analyst's Office. "California's High Housing Costs: Causes and Consequences." March 2015. <http://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>

22 Joint Center for Housing Studies of Harvard University. "The State of the Nation's Housing 2014." <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-ch6.pdf>

25 CHPC analysis of 2013 Bureau of Labor Statistics data and 2015 HUD data.

26 CHPC analysis of 2007-2011 CHAS data and 2014 annual ACS data.

RECOMMENDATIONS

Alleviate poverty, activate California's economy, and increase the supply of affordable homes in California by:

- **Passing AB 1335 (Atkins)**, the Building Homes and Jobs Act, to create an ongoing, predictable revenue source for the state housing trust fund with a \$75 document recording fee on real-estate transactions (excluding commercial and residential home sales). AB 1335 could generate up to \$500 million annually for the production and preservation of homes affordable to households with extremely low to moderate incomes; and in the process create up to 29,000 well paying jobs each year.
- **Passing AB 35 (Chiu)** to increase the California Low Income Housing Tax Credit by \$300 million per year and increase the percentage of funding for a development that could come from state tax credits. This would simultaneously lower the gap that must be filled by other diminished housing funds and leverage \$600 million in new federal resources.
- **Passing SB 377 (Beall)** to increase the value of the California Low Income Housing Tax Credit by 40% by allowing credits to be sold separately from an interest in the underlying property, as other states have done with their state tax credits at no additional cost to the State Treasury.
- **Making an immediate general fund investment** in the state's existing Multifamily Housing Program with a focus on providing permanent housing for those most at risk of homelessness.

Give local governments the tools they need to meet their SB 375 obligations to create and preserve affordable homes by:

- **Lowering the required voter threshold for local funding measures** from two-thirds to 55 percent (the same as it is for local school bonds) to help communities raise revenues to fund the development of basic infrastructure including transportation, housing, and parks.
- **Requiring the inclusion of a percentage of homes affordable to low and moderate-income households** in new housing developments by passing into law a successor to AB 1229.

ABOUT CHPC

THE STATE CREATED THE CALIFORNIA HOUSING PARTNERSHIP 25 YEARS AGO AS A PRIVATE NONPROFIT ORGANIZATION WITH A PUBLIC MISSION: TO MONITOR, PROTECT, AND AUGMENT THE SUPPLY OF HOMES AFFORDABLE TO LOWER-INCOME CALIFORNIANS AND TO PROVIDE LEADERSHIP ON AFFORDABLE HOUSING FINANCE AND POLICY. SINCE 1988, THE CALIFORNIA HOUSING PARTNERSHIP HAS ASSISTED MORE THAN 200 NONPROFIT AND LOCAL GOVERNMENT HOUSING ORGANIZATIONS TO LEVERAGE MORE THAN \$6 BILLION IN PRIVATE AND PUBLIC FINANCING TO CREATE AND PRESERVE 25,000 AFFORDABLE HOMES.