

HOW LOS ANGELES COUNTY'S HOUSING MARKET IS FAILING TO MEET THE NEEDS OF LOW-INCOME FAMILIES

RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND LOS ANGELES COUNTY

Los Angeles County has the largest shortfall of homes affordable to low-income families in California. Many of those families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income on rent. Many others are homeless. The following report describes the magnitude of the shortfall, highlights those who are affected by cuts to housing programs, and recommends local policy solutions to help mitigate the impact of Los Angeles County's affordable housing crisis.

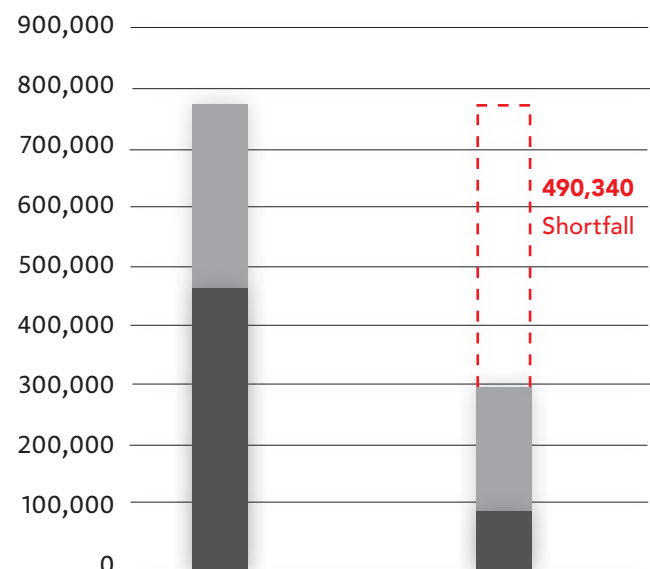
KEY ELEMENTS OF LOS ANGELES COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 490,340 homes** affordable and available to Los Angeles County's very low-income and extremely low-income households.
- **Median rents in Los Angeles County increased by 25% between 2000 and 2012**, while the median income declined by 9%.
- There are currently **39,400 men, women and children facing homelessness** in LA County, and one in nine homeless people is a veteran.¹
- Los Angeles County has **seven of the ten zip codes with the worst housing overcrowding in the nation** and 64 zip codes that are in the worst half percent for housing overcrowding.²

91% of Los Angeles County's very low-income renter households pay more than 30% of income in rent.

SOURCE: NLIHC Analysis of 2012 PUMS data

FIGURE 1: SHORTFALL OF AFFORDABLE AND AVAILABLE HOMES IN LOS ANGELES COUNTY



■ Very Low-Income

Rental Housing with Rents Affordable to VLI and ELI renters*

■ Extremely Low-Income

*Not all units with rents affordable to low-income households are occupied by low income households.

SOURCE: NLIHC Analysis of 2006-2010 CHAS data

THE HOUSING MARKET HAS FAILED TO MEET THE NEEDS OF AN ENTIRE SEGMENT OF LOS ANGELES COUNTY'S POPULATION

Rent is considered affordable when it consumes no more than 30 percent of household income. In Los Angeles County there are homes with affordable rents for only two out of ten extremely low-income (ELI) renter households—those earning 30 percent or less of their metro area's median income. The county is home to 465,985 ELI renter households.³ Very low-income (VLI) households, those who earn up to half of their area's median income, fair only slightly better: there are homes with affordable rents for fewer than four out of every ten VLI households in the county.

More than 50 percent of ELI households are elderly or disabled, while VLI households are more likely to include low-wage workers.⁴ In fact, there are 996,505 workers in Los Angeles County earning less than half the county's median income. TABLE 1 provides examples of working VLI adults in the county. They earn far less than the income required to afford the fair market rent on a two-bedroom apartment.

While proposals to increase the state minimum wage would certainly help, a few more dollars an hour will not be enough to reduce the affordability burden.

TABLE 1: WHO IS BEING LEFT OUT OF THE LOS ANGELES HOUSING MARKET?

HUD 50% of Area Median Income (AMI) in Los Angeles County for a three person household: \$37,950
Total workers earning < 3 person 50% AMI: 996,505

Salary needed to afford Fair Market Rent: \$55,920

JOB CATEGORY	MEDIAN INCOME IN LA
Secretaries	\$36,310
Medical Assistants	\$32,080
Preschool Teachers	\$29,360
EMTs & Paramedics	\$25,570
Retail Salespersons	\$21,080
Waiters/Waitresses	\$18,690

SOURCES: See Endnote 5

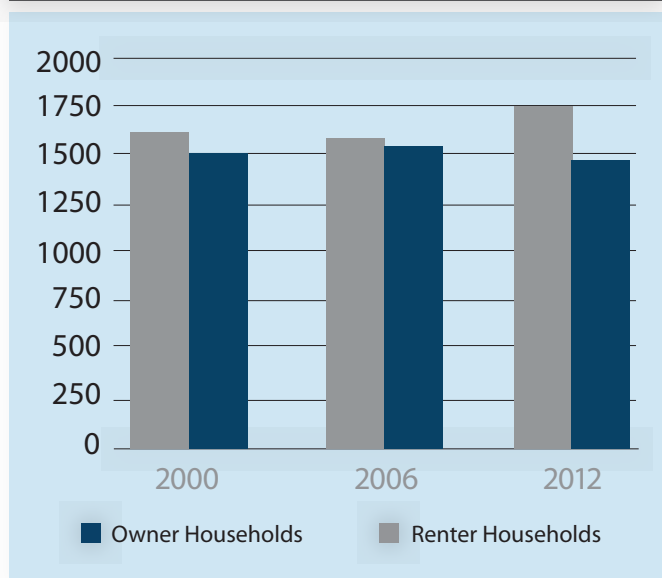
RENTS ARE HIGH AND RISING, ESPECIALLY IN RELATION TO STAGNANT OR DECLINING INCOMES

Rents in Los Angeles County are high and have remained so in spite of the Great Recession. According to a report produced by the Public Policy Institute of California, Los Angeles County is one of the most expensive metropolitan rental markets in the United States.⁶ Census data shows that inflation-adjusted median household income in LA County in 2012 was more than nine percent lower than it was in 2000. However, the inflation-adjusted median rent was 25 percent higher. FIGURE 3 shows the imbalance between the growth in median rents and the decline in median income since 2000.

Together, stagnant wages and steeply increasing housing costs have pushed many low-income households' budgets to the breaking point. According to the California Poverty Measure, the poverty rate in Los Angeles County is 27 percent, five percent higher than the poverty rate in California as a whole.⁷

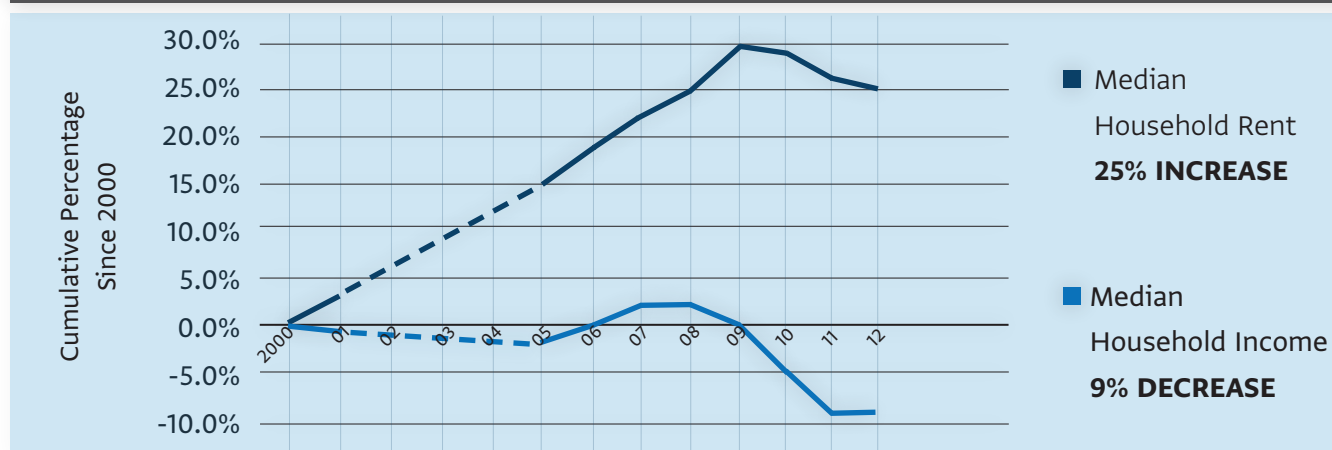
Rents increase in response to demand. **More than 143,000 new renter households have entered the Los Angeles market since 2006,**⁸ many because of displacement during the foreclosure crisis.

FIGURE 2: CHANGE IN OWNER AND RENTER HOUSEHOLDS (in thousands)



SOURCES: 2000 Census, 2006 1-year ACS, 2012 1-year ACS

FIGURE 3 : CUMULATIVE PERCENTAGE CHANGE IN INFLATION-ADJUSTED MEDIAN INCOME AND MEDIAN RENT IN LOS ANGELES COUNTY 2000 TO 2012



SOURCES: US Census 2000; American Community Survey 2005-2012. Median rents and incomes from 2001-2004 are estimated.

STATE AND FEDERAL DISINVESTMENT IN AFFORDABLE HOUSING HAS EXACERBATED THE HOUSING MARKET'S FAILURE TO PROVIDE FOR LOW-INCOME FAMILIES

Even as Los Angeles County's shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing dramatically. State Housing Bonds funded by Propositions 1C and 46 are nearly exhausted, meaning the elimination of tens of millions of dollars in investment annually to provide homes to low- and moderate-income households in Los Angeles. The elimination of Redevelopment funds led to a loss of more than \$251

million per year in local investment in the production and preservation of affordable homes in Los Angeles County.

Exacerbating the state cuts is the simultaneous disinvestment in affordable housing by the federal government. Cuts to HOME and Community Development Block Grants (CDBG) have resulted in the loss of another \$79.4 million in funding. TABLE 2 highlights the loss of state and federal funding for affordable homes in Los Angeles since 2008.

HALF A BILLION
fewer dollars supporting affordable homes in Los Angeles today than in 2008.

TABLE 2 : CHANGE IN LA COUNTY'S MAJOR AFFORDABLE HOUSING FUNDING SOURCES FY 2007/08 TO 2012/13*

FUNDING SOURCES	FY 2007/2008	FY 2012/2013	% CHANGE
State Housing Bonds Prop. 46 and Prop. 1C*	\$247,070,862	\$10,000,000	-96%
Redevelopment Funds for Affordable Housing	\$251,148,877	\$0	-100%
Federal CDBG Funds	\$157,922,670	\$116,347,609	-26%
Federal HOME Funds	\$75,878,411	\$38,060,669	-50%
Total	\$732,020,820	\$164,408,278	-78%

SOURCES: CHPC tabulations of HCD's Redevelopment Housing Activities Report and HUD's CPD program formula allocations by fiscal year.

*Prop. 46 and Prop. 1C spending for FY 2007/2008 and 2012/2013 provided by HCD.

CORRECTION: A previous version of this report erroneously listed CDBG funds in 2007/2008 as \$158,341,789 and in 2012/13 as \$110,275,258 and HOME funds in 2007/08 \$75,878,400 and in 2012/13 as \$36,267,516. The amounts have been adjusted above.

RECOMMENDATIONS to the leaders of the State of California, Los Angeles County, and local jurisdictions


If California is to rebuild a strong and diverse economy that includes low- and moderate-income households, our state must reinvest in affordable homes and develop responsive policy. Simply allowing a broken housing market to run its course is impoverishing and driving away our low-wage workforce, undermining our GHG-reduction goals, and forcing seniors, veterans, and people with disabilities into our shelters and emergency rooms, costing local governments five to ten times more in service costs.

STATEWIDE Policy Recommendations

1. Replace the exhausted state housing bonds (Propositions 46 and 1C) by:
 - Passing legislation to create a permanent source of funding at the state level for the production and preservation of affordable homes.
 - Making a general fund investment in existing state rental housing production programs.
2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
 - Lowering the voter threshold for local funding of basic infrastructure including transportation, housing, and parks from two-thirds to 55 percent, the same as it is for school bonds.
 - Authorizing a new local Tax Increment Financing (TIF) program to fund investment in basic infrastructure including transportation, housing, and parks.
3. Help California meet its GHG reduction targets by investing a significant portion of Cap-and-Trade auction revenues in the California Department of Housing and Community Development's Transit Oriented Development (TOD) Housing Program, and similar programs appropriate for rural areas.

LOCAL Policy Recommendations

1. Replace lost Redevelopment funds by dedicating to affordable housing a significant percentage of the hundreds of millions of dollars in recaptured annual property tax revenue that now go to the County.
2. Expand the supply of permanent supportive housing for homeless individuals, families, and youth by a) implementing "Pay-for-Success" financing for supportive housing, and b) providing the homes and services called for by the United Way's Home For Good plan to end chronic and veteran homelessness in LA County by 2016.
3. Ensure that the Los Angeles County Metropolitan Transit Authority (LACMTA) adopts policies that encourage affordable development on LACTMA-owned land so that the most likely transit riders have access to transit and that environmental goals are realized.

 <p>SCANPH SOUTHERN CALIFORNIA ASSOCIATION OF NonPROFIT HOUSING</p>	<p>SCANPH is a trade association that supports and advocates for those dedicated to the development of affordable homes. SCANPH serves Los Angeles, Orange, Ventura, Riverside and San Bernardino Counties. For questions about local policy solutions in Los Angeles County, contact SCANPH at (213) 480-1249.</p>
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1 The Los Angeles Homeless Services Authority. "Greater Los Angeles Homeless Count: Overall Results for Los Angeles County and Los Angeles Continuum of Care." <http://documents.lahsa.org/Planning/homelesscount/2013/HC13-Results-LACounty-COC-Jan2014.pdf>

2 SCANPH count of zip codes with worst housing overcrowding using Los Angeles Times analysis of 2008-2012 American Community Survey Data <http://graphics.latimes.com/crowding-map/>

3 National Low Income Housing Coalition Analysis of 2006-2010 CHAS data

4 National Low Income Housing Coalition. "America's Affordable Housing Shortage and How to End it." Housing Spotlight 3, no. 2, (2013) http://nlihc.org/sites/default/files/HS_3-1.pdf

5 TABLE 1 Sources: CHPC Analysis of U.S. Department of Housing and Urban Development Section 8 2012 Income Limits and Bureau of Labor Statistics 2012 Occupational Employment Statistics from Los Angeles-Long Beach-Glendale MSA; National Low Income Housing Coalition. "Out of Reach," 2014.

6 Public Policy Institute of California, "California Housing." 2013.

7 The California Poverty Measure is an alternative to the conventional measure of poverty developed by the Public Policy Institute of California and Stanford that takes into account the social safety net and cost of living. http://www.pplic.org/content/pubs/report/R_1013SBR.pdf

8 CHPC Analysis of 2006 1-year ACS and 2012 1-year ACS

9 CHPC has authored and co-authored several reports on the environmental and social benefits of locating affordable homes near transit. A list of reports can be found at <http://www.chpc.net/GREEN/Publications.html>.