

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

## RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND ORANGE COUNTY

Orange County has the third 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. 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 Orange County's affordable housing crisis.

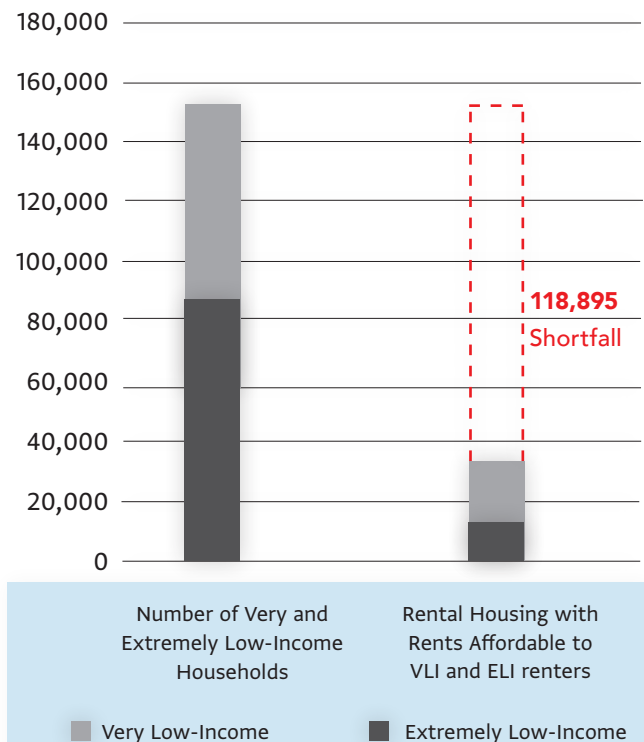
### KEY ELEMENTS OF ORANGE COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 118,895 homes** affordable to Orange County's very low-income (VLI) and extremely low-income (ELI) households.
- **Median rents in Orange County increased by 19 percent between 2000 and 2012**, while the median income declined by 10 percent, significantly driving up the percentage of income that households must spend on rent.
- 79% of very low-income households spend **more than half their income on rent**.

**90%** of very low-income households in Orange County spend more than 30% of their income on rent.

SOURCE: NLIHC Analysis of 2012 American Community Survey PUMS data

FIGURE 1: SHORTFALL OF AFFORDABLE AND AVAILABLE HOMES IN ORANGE COUNTY



SOURCE: CHPC Analysis of 2007-2011 CHAS data

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

Rent is considered affordable when it consumes no more than 30 percent of household income. Orange County is home to 85,830 extremely low-income (ELI) renter households — those earning 30 percent or less of the metro area's median income. There are affordable rental homes available to fewer than 20 percent of those households.<sup>1</sup> Very low-income (VLI) households, who earn up to half of the area's median income, fair only slightly better; fewer than 30 percent of VLI households are able to find an affordable and available home in Orange County.

More than half of ELI households are elderly or disabled, while VLI households are more likely to include low-wage workers.<sup>2</sup> In Orange County alone, there are 645,121 workers who earn less than half the county's median income. TABLE 1 provides examples of working adults in Orange County who are unable to afford the fair-market rent on a two-bedroom apartment.

While increasing the minimum wage would certainly help, the affordable housing shortfall cannot be offset by living-wage initiatives alone.

TABLE 1: WHO IS BEING LEFT OUT OF ORANGE COUNTY'S HOUSING MARKET?

50% of HUD Area Median Income (AMI) in Orange County for a 3-person household: **\$40,650**  
Total workers earning < 50% AMI: **645,121**

Salary needed to afford Fair Market Rent: **\$65,760**

JOB CATEGORY	MEDIAN INCOME IN ORANGE COUNTY
Metal Health Counselors	\$40,530
School Bus Driver	\$35,140
Preschool Teachers	\$30,780
Nursing Assistants	\$27,590
EMTs and Paramedics	\$25,370
Maids & Housekeepers	\$20,760

SOURCE: See Endnote 3

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

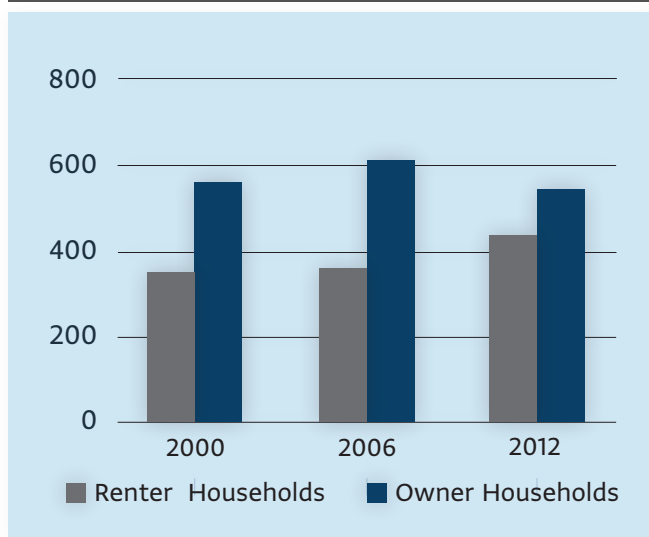
Rents in Orange County are high and have remained so in spite of the Great Recession. In fact, according to analysis by the National Low Income Housing Coalition, Orange County is the fourth most expensive metro housing market in the country.<sup>4</sup>

After adjusting for inflation, median rents increased 19 percent between 2000 and 2012, while median household income declined by 10 percent in that same time period. FIGURE 3 illustrates the growing gap between household earnings and rental housing costs.

Coupled with stagnant wages, increasing housing costs have pushed many low-income households' budgets to the breaking point. According to the California Poverty Measure, the poverty rate in Orange County is 24.3 percent, more than two percentage points higher than the state as a whole.<sup>5</sup>

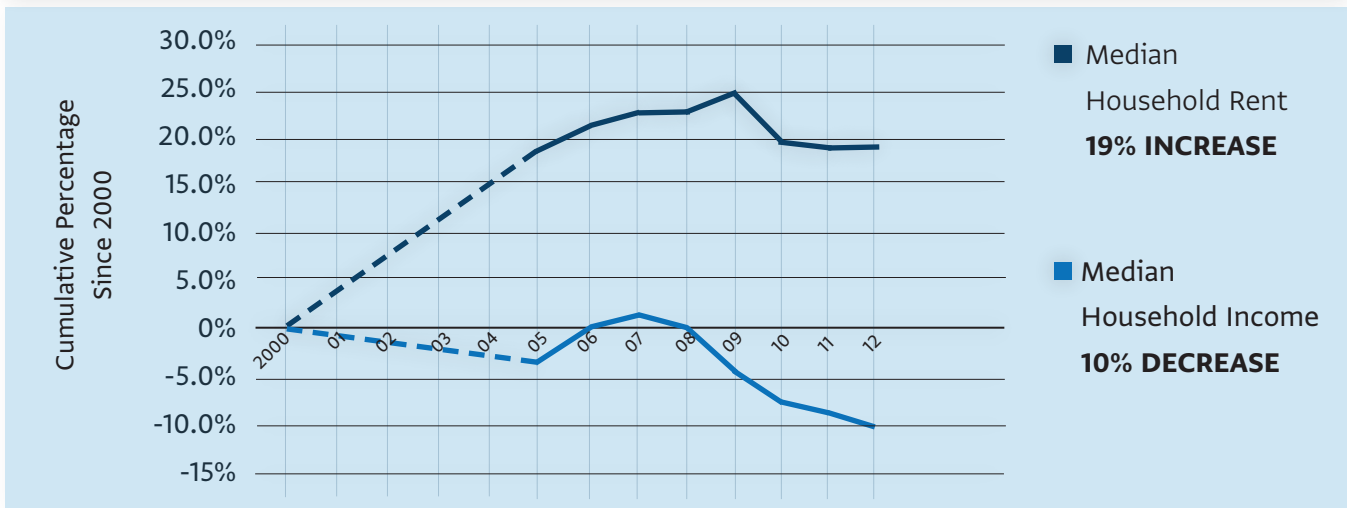
Rents increase in response to demand. While the overall population increased by just 2 percent between 2006 and 2012, the percentage of renter households increased by 17 percent,<sup>6</sup> exacerbated in part by displacement caused by the foreclosure crisis.

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



SOURCE: 2000 Census SFI, Table H004; 2006 ACS, Table DP04; 2012 1-Year ACS, Table DP04.

FIGURE 3 : CUMULATIVE PERCENTAGE CHANGE IN INFLATION-ADJUSTED MEDIAN INCOME AND GROSS RENT PAID IN ORANGE COUNTY OVER TIME



SOURCES: 2000 U.S. Census, SF3 Table H063; 2005 American Community Survey Table B25064; 2006-2012 1-Year ACS, Table B25064. Median rents and incomes for 2001-2004 are estimated.

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

Even as Orange County's shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing programs dramatically. State housing bonds funded by Propositions 1C and 46 are exhausted, resulting in the loss of \$7.8 million in annual investment to provide homes to low- and moderate-income households in Orange County. Moreover, the elimination of

Redevelopment has led to the forfeiture of nearly \$91 million annually in affordable housing investment.

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 \$10.3 million per year in funding since 2008. TABLE 2 highlights the loss of state and federal funding for affordable homes in Orange County since 2008.

**76% DECREASE**  
in state and federal funding for affordable homes in Orange County since 2008.

TABLE 2 : CHANGE IN ORANGE 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*	\$10,296,382	\$2,500,000	-76%
Redevelopment Funds for Affordable Housing	\$90,725,567	\$0	-100%
Federal CDBG Funds	\$31,647,726	\$26,388,226	-17%
Federal HOME Funds	\$10,809,256	\$5,718,810	-47%
<b>Total</b>	<b>\$143,478,931</b>	<b>\$34,607,036</b>	<b>-76%</b>

SOURCES: CHPC tabulations of HCD's Annual Report of Financial Assistance Programs and Redevelopment Housing Activities Report. \*Prop. 46 and Prop. 1C spending for FY 2007/2008 and 2012/2013 provided by HCD.

# RECOMMENDATIONS to the leaders of the State of California, Orange 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.
  - Continue investing at least \$100 million per year in general funds in existing state affordable housing programs.
2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
  - Lowering the voter threshold required to pass infrastructure bonds for housing, transportation, 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.
  - Permitting local jurisdictions to require that new housing developments include a percentage of homes affordable to low- and moderate-income households.
3. Continue to invest a minimum of 10 percent of Cap-and-Trade auction revenues in the production and preservation of affordable homes that help California meet its GHG reduction targets.<sup>7</sup>

## LOCAL Policy Recommendations

1. Create an Affordable Housing Strategic Plan that commits to an affordable housing production goal and funding sources that would produce homes affordable to low-income households in each city and the county as a whole.
2. Make discretionary approval for new residential development contingent on designating 15% of new homes as affordable to low-income families.
3. Authorize by-right approval for 100% affordable housing developments by implementing “Affordable Home Zones” in local plans.
4. Set aside one-time and recurring residual Tax Increment funds for affordable housing funding.
5. Create an Affordable Housing Land Trust and prioritize use of city-owned surplus and underused land for affordable housing development.

*For more information about local policy solutions in Orange County contact:*



[www.kennedycommission.org](http://www.kennedycommission.org)

<sup>1</sup> California Housing Partnership analysis of 2007-2011 CHAS data.

<sup>2</sup> 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](http://nlihc.org/sites/default/files/HS_3-1.pdf).

<sup>3</sup> TABLE 1 Sources: HUD 2014 Income Limits; Bureau of Labor Statistics 2012 Occupational Employment Statistics from Orange County (2012); National Low Income Housing Coalition, “Out of Reach,” 2014.

<sup>4</sup> National Low Income Housing Coalition, “Out of Reach,” 2014, pg. 12

<sup>5</sup> 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.ppic.org/content/pubs/report/R\\_1013SBR.pdf](http://www.ppic.org/content/pubs/report/R_1013SBR.pdf).

<sup>6</sup> California Housing Partnership analysis of 2006 1-year American Community Survey (ACS) and 2012 1-year ACS.

<sup>7</sup> California Housing Partnership 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>.