

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

RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND SACRAMENTO COUNTY

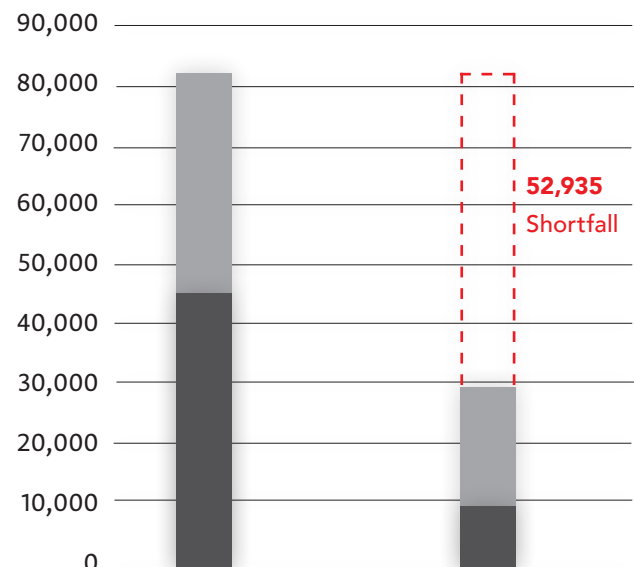
Sacramento County is seventh on the list of counties with the largest shortfalls of homes affordable to low-income families in California. Many of those families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income on rent. The 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 Sacramento County's affordable housing crisis.

KEY ELEMENTS OF SACRAMENTO COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 52,935 homes** affordable to Sacramento County's very low-income (VLI) and extremely low-income (ELI) households.
- **Median rents in Sacramento County increased by 12% between 2000 and 2012**, while the median income declined by 13%, significantly driving up the percentage of income that households must spend on rent.
- **Nearly 70%** of very low-income households **pay more than 50 % of their income in rent.**

90% of all very low-income households in Sacramento County pay more than 30% of income in rent.

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



■ Very Low-Income ■ Extremely Low-Income

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

SOURCE: NLIHC Analysis of 2012 PUMS data

SOURCE: NLIHC Analysis of 2006-2010 CHAS data

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

Rent is considered affordable when it consumes no more than 30 percent of household income. In Sacramento 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 the metro area's median income. The county is home to 45,410 ELI households.¹ Very low-income (VLI) households, those who earn up to half of their area's median income, fair only slightly better: there are affordable and available homes 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.² In fact, there are 156,455 workers in Sacramento County earning less than half the county's median income. TABLE 1 provides some examples of working adults in Sacramento County who are VLI.

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. To afford the current fair market rent for the county, a household needs to earn at least \$42,889 per year.³

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

HUD 50% of Area Median Income (AMI) in Sacramento County for a 3 person household: \$34,250
Total workers earning < 50% AMI: 156,455

JOB CATEGORY	MEDIAN INCOME IN SAC
Nursing Assistants	\$29,520
Preschool Teachers	\$26,970
Security Guards	\$23,300
Restaurant Cooks	\$22,410
Home Health Aids	\$21,750
Waiters/Waitresses	\$18,490

SOURCES: U.S. Department of Housing and Urban Development Section 8 Income Limits for 2012; Bureau of Labor Statistics 2012 Occupational Employment Statistics for Sacramento--Arden-Arcade--Roseville MSA.

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

Census data shows that inflation-adjusted median household income in Sacramento County in 2012 was 13 percent lower than it was in 2000. However, the inflation-adjusted median rent was 12 percent higher.

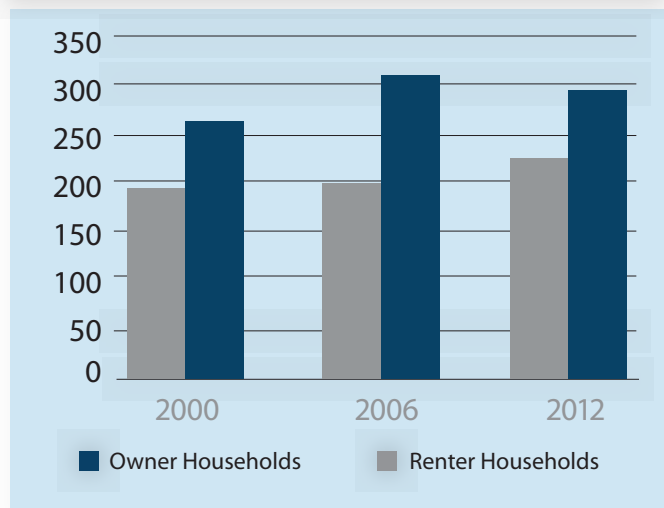
FIGURE 3 shows the imbalance between the growth in median rents and the decline in median income since 2000.

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 Sacramento County is 17 percent.⁴

Rents increase in response to demand. More than 33,000 new renter households have entered the Sacramento market since 2006,⁵ many because of displacement during the foreclosure crisis.

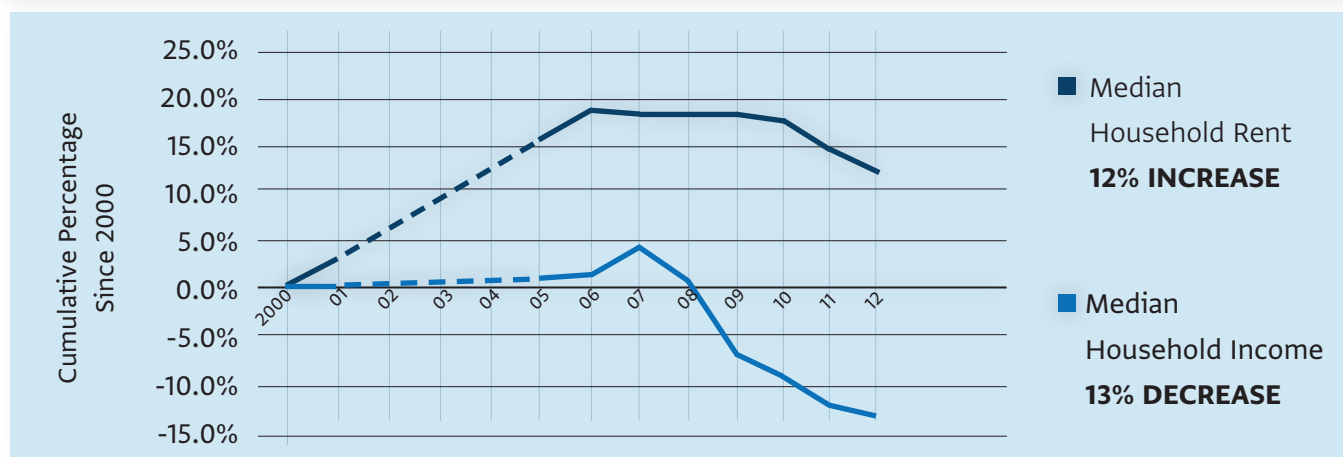
The foreclosure crisis did not create more opportunities for low-income households to find affordable homes.

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 SACRAMENTO COUNTY 2000 TO 2012



SOURCES: US Census 2000 and American Community Survey 2005-2012. Median rents and incomes from 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 Sacramento 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 exhausted, meaning the elimination of tens of millions of dollars in investment to provide homes to low- and moderate-income households in Sacramento. The elimination of Redevelopment funds

led to a loss of more than \$20.5 million annually in local investment in the production and preservation of affordable homes in Sacramento 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 \$5.3 million in funding. TABLE 2 highlights the loss of state and federal funding for affordable homes in Sacramento since 2008.

88% DECREASE
in state and federal funding for affordable homes in Sacramento since 2008.

TABLE 2 : CHANGE IN SACRAMENTO 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*	\$83,859,264	\$0	-100%
Redevelopment Funds for Affordable Housing	\$20,497,218	\$0	-100%
Federal CDBG Funds	\$13,303,283	\$11,032,551	-17%
Federal HOME Funds	\$6,752,998	\$3,719,035	-45%
Total	\$124,412,763	\$14,751,586	-88%

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

*State Housing Bond funding for FY 2007/2008 and 2012/2013 provided by HCD.

CORRECTION: A previous version of this report erroneously listed CDBG funds in 2012/13 as \$4,543,606 and HOME funds as \$1,906,264. The amounts have been adjusted above.

RECOMMENDATIONS to the leaders of the State of California, Sacramento 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.⁶

LOCAL Policy Recommendations

1. Strengthen city and county Inclusionary Housing policies and compliment existing policies with Housing Impact and In-lieu fees.
2. Devote all or a significant portion of Tax Increment revenue returned to the county and cities after the end of Redevelopment ("Boomerang" funds) to affordable housing on an ongoing basis.
3. Support Sacramento Steps Forward's plan to prevent and end homelessness with a range of options including rapid rehousing, permanent supportive housing (PSH) and SafeGround.
4. Identify new local and regional funding sources for affordable housing such as a transient occupancy tax.
5. Expand the Rental Housing Inspection Program developed by the City of Sacramento throughout Sacramento County to address the issue of substandard rental properties.



Sacramento Housing Alliance is a nonprofit coalition that works to ensure that all people in the Sacramento region have safe, decent, accessible and affordable housing in healthy neighborhoods, supported by equitable public policies and practices.

For more information about local policy solutions in Sacramento, please contact Sacramento Housing Alliance at (916) 455-4900.

1 NLIHC Analysis of 2006-2010 CHAS data

2 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

3 National Low Income Housing Coalition. "Out of Reach." (2014) <http://nlihc.org/oor/2014/CA>

4 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

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

6 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>.