

**STILL LOCKED OUT:
NEW DATA CONFIRM THAT CALIFORNIA'S HOUSING
AFFORDABILITY CRISIS CONTINUES**



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CALIFORNIA BUDGET PROJECT

The **California Budget Project** (CBP) was founded in 1994 to provide Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. A grant from the Ford Foundation supported the preparation of this report. This report was researched and written by Erin Riches. The CBP's original report *Locked Out: California's Affordable Housing Crisis* is available at www.cbp.org or by contacting the CBP.

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INTRODUCTION

Skyrocketing home prices and rents continue to dominate headlines throughout California. The shortage of affordable housing - or of any type of housing in some areas - has serious implications both for California's families and for the future health of the state's economy.

In May 2000, the California Budget Project (CBP) published a comprehensive report on the state's housing problems, *Locked Out: California's Affordable Housing Crisis*. This report analyzed data from both the American Housing Survey (AHS) and the Current Population Survey (CPS), conducted by the US Census Bureau. This update analyzes the 1999 AHS and the 2000 CPS to update some of the key findings detailed in *Locked Out* for the state and Los Angeles County, as well as updating state housing expenditures over the past decade.¹

"The housing shortage that much of California faces is getting worse rather than better...The inability to build sufficient housing for the population is a major economic problem facing this state."

Ted Gibson, Department of Finance
Los Angeles Times, October 27, 2000

MANY CALIFORNIA HOUSEHOLDS SUFFER FROM HOUSING COST BURDENS

Among renter households, about half (49 percent) pay more than the recommended 30 percent of their income toward shelter. Low income renter households, those with annual household incomes under \$15,000, fare even worse; nine out of ten (91 percent) spend more than 30 percent of their income toward rent. Low income renter households also suffer from a shortage of affordable housing, outnumbering low cost rental units (those under \$400 per month) by a ratio of more than 2-to-1 both state-wide and in Los Angeles County. This translates into a statewide shortfall of 581,304 affordable units.

Low Income Renters Outnumber Affordable Units (1999)		
	Ratio of Low Income Renter Households to Affordable Units	Shortage of Affordable Units
Metropolitan California	2.3-to-1	581,304
Los Angeles County	2.3-to-1	257,014

Source: CBP analysis of American Housing Survey data. Low income renter households are defined as those with annual incomes under \$15,000. Affordable units are defined as those renting for less than \$400 per month.

Housing Affordability: Metropolitan California (1999)				
	Renters		Homeowners	
	Percentage of Households	Number of Households	Percentage of Households	Number of Households
Paying more than 30% of income for housing	49%	2,008,696	31%	1,368,844
Paying more than 50% of income for housing	23%	929,691	14%	618,848
Low income paying more than 30% of income for housing	91%	952,768	79%	343,136
Low income paying more than 50% of income for housing	67%	704,274	61%	265,754

Source: CBP analysis of American Housing Survey data. Low income households are defined as those with annual incomes under \$15,000.

Fewer owner households suffer from high cost housing burdens. However, nearly one third (31 percent) of owner households pay more than 30 percent of their income toward housing. Again, low income households suffer more, with more than three-quarters (79 percent) of low income owner households paying more than 30 percent of their income toward housing.

Los Angeles County

Nearly half (49 percent) of renter households in Los Angeles County pay more than 30 percent of their income toward rent. Nine out of ten (91 percent) low income renter households in Los Angeles pay more than 30 percent of their income toward rent.

Nearly a third (32 percent) of owner households in Los Angeles County pay more than 30 percent of their income toward housing costs, while nearly three-quarters (74 percent) of low income owner households in Los Angeles pay more than 30 percent of their income toward shelter.

Housing Affordability: Los Angeles County (1999)				
	Renters		Homeowners	
	Percentage of Households	Number of Households	Percentage of Households	Number of Households
Paying more than 30% of income for housing	49%	800,386	32%	450,726
Paying more than 50% of income for housing	24%	383,122	17%	229,706
Low income paying more than 30% of income for housing	91%	413,818	74%	115,464
Low income paying more than 50% of income for housing	69%	314,633	*	*

*Sample too small to provide a reliable estimate.

Source: CBP analysis of American Housing Survey data. Low income households are defined as those with annual incomes under \$15,000.

Seniors

About two-thirds (66 percent) of senior renter households pay more than 30 percent of their income toward shelter. Most (85 percent) low income senior renter households pay more than 30 percent of their income toward rent.

About one-third (29 percent) of senior homeowner households pay more than 30 percent of their income toward housing costs. In contrast, more than two-thirds (71 percent) of low income senior owner households pay more than 30 percent of their income toward shelter.

INCOMES HAVE FAILED TO KEEP PACE WITH INFLATION AND RISING HOUSING COSTS

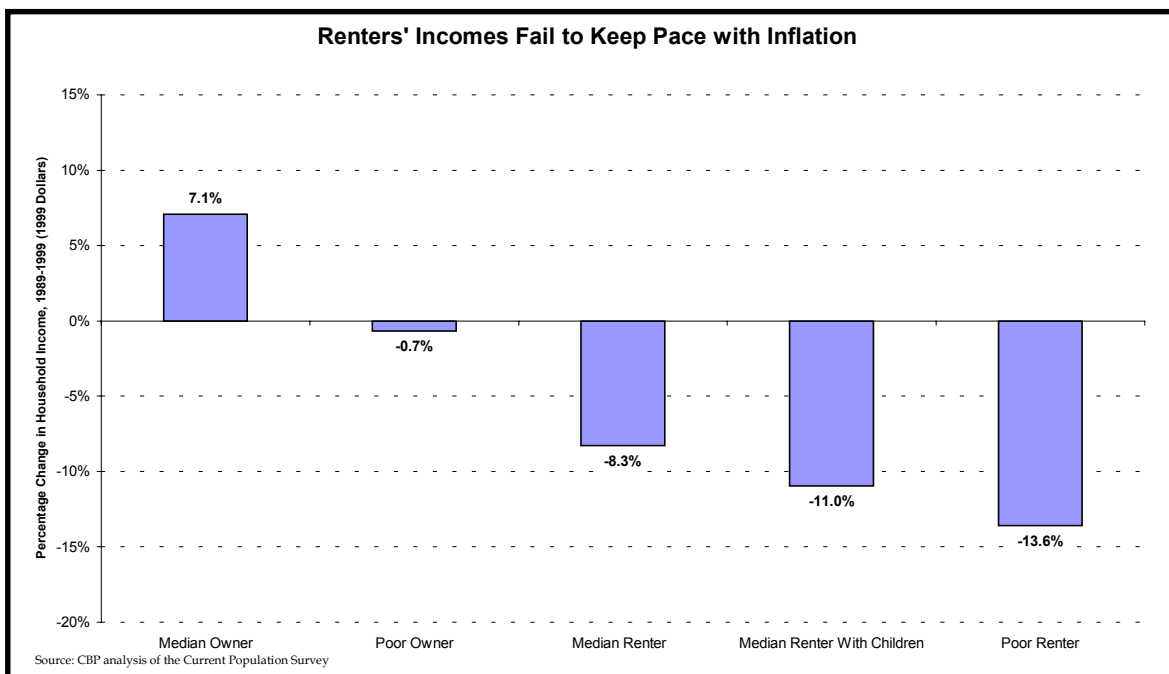
As noted in *Locked Out*, stagnating household incomes have exacerbated the state's affordable housing crisis. While household incomes for owners have increased, the household incomes of renters have failed to keep pace with inflation, falling significantly between 1989 and 1999 in inflation adjusted terms.

The inflation adjusted household income of poor renters, those at the 20th percentile, fell nearly 14

Housing Affordability for Seniors: Metropolitan California (1999)				
	Renters		Homeowners	
	Percentage of Households	Number of Households	Percentage of Households	Number of Households
Paying more than 30% of income for housing	66%	272,831	29%	304,490
Paying more than 50% of income for housing	37%	152,029	15%	152,380
Low income paying more than 30% of income for housing	85%	198,917	71%	167,351
Low income paying more than 50% of income for housing	56%	131,390	46%	109,037

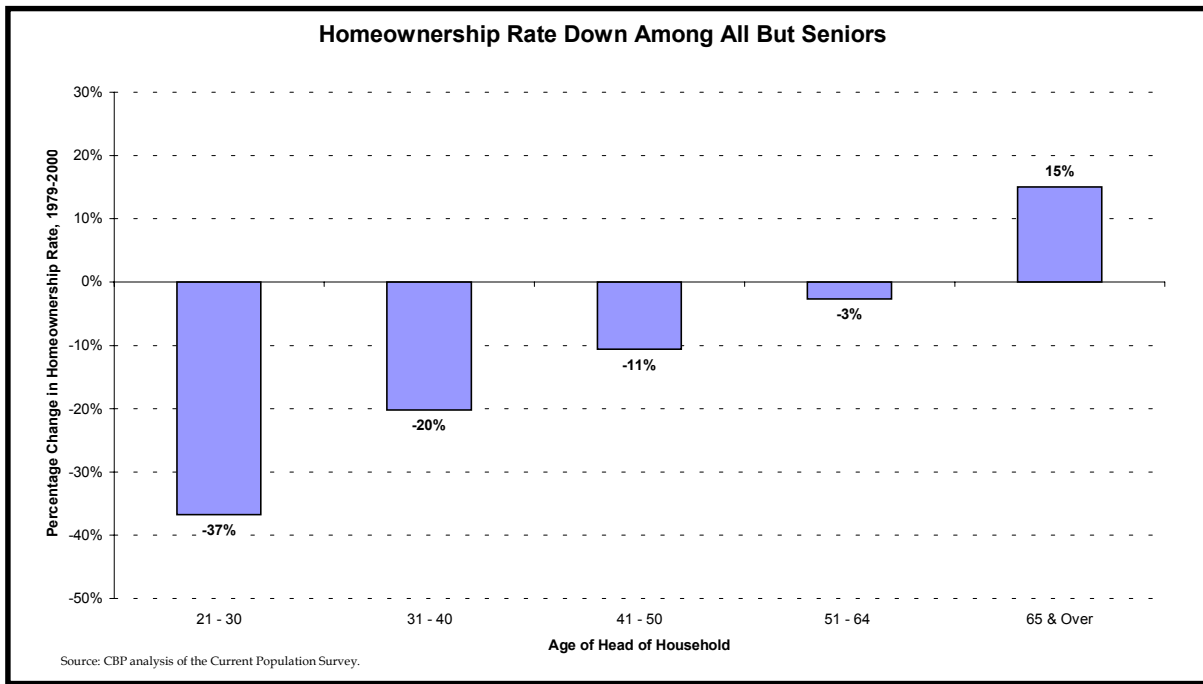
Source: CBP analysis of American Housing Survey data. Low income households are defined as those with annual incomes under \$15,000.

percent, from \$15,273 to \$13,200, between 1989 and 1999. The median household income for renters with children fell 11 percent during the same period, from \$31,357 to \$27,920, after adjusting for inflation.



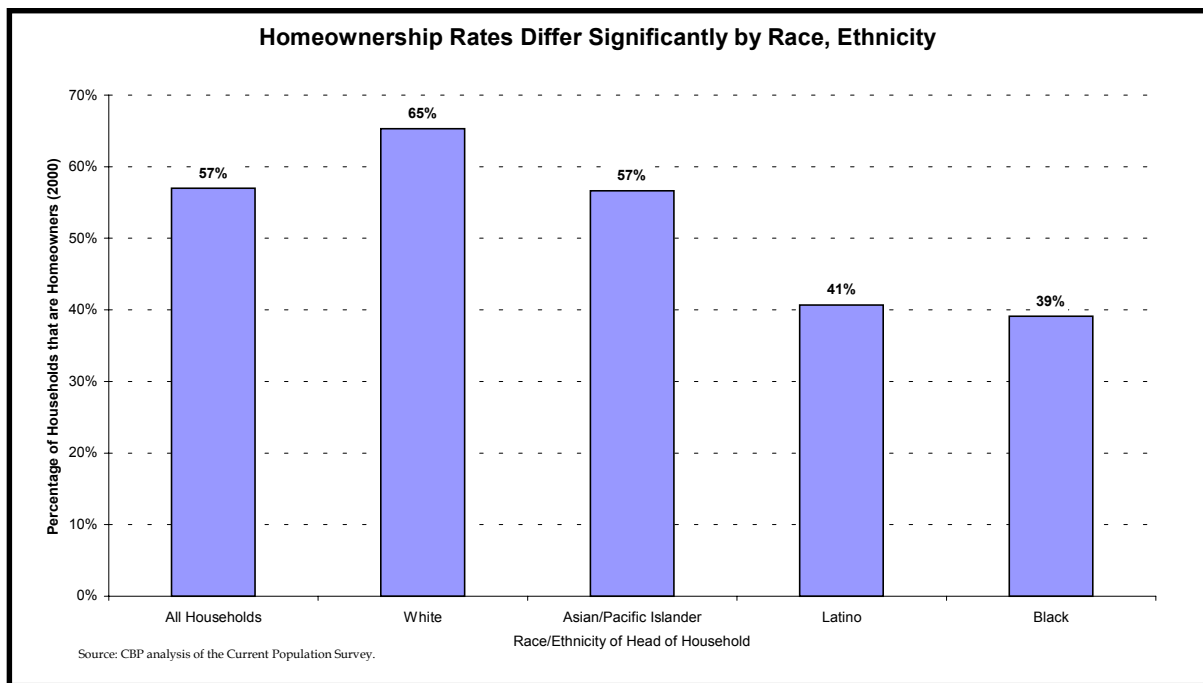
WHO ARE CALIFORNIA'S HOMEOWNERS?

Young families are least likely to own a home, while white households are most likely to own their own homes. Young families - those headed by individuals in their twenties and thirties - are dramatically less likely to be homeowners than they were two decades ago. The share of individuals in their twenties that owned their own homes dropped from 31 percent to 19 percent between 1979 and 2000, while the share of individuals in their thirties that owned their own homes dropped from 61 percent to 49 percent during the same period. Only households headed by persons 65 years and older have enjoyed increasing ownership rates, with the percentage of seniors owning homes rising from 67 percent to 77 percent between 1979 and 2000.



Additionally, households headed by white Californians are significantly more likely to own their own homes than are households headed by African-Americans, Asian/Pacific Islanders, or Latinos.

While 65 percent of the state's white-headed households were homeowners in 2000, fewer than half (41 percent) of the state's Latino-headed households owned their own homes, along with 57 percent of Asian/Pacific Islander-headed households, and 39 percent of African-American-headed households.



WHO ARE CALIFORNIA'S RENTERS?

Renter rates are much higher for nonwhite households, particularly for African-American and Latino households. In addition, close to half (44 percent) of households with children are renters.

Who Are California's Renters? (2000)	
Percentage of Households Who Are Renters:	
All California households	42%
White-headed households	34%
African-American-headed households	60%
Asian/Pacific Islander-headed households	43%
Latino-headed households	58%
Percentage of households with children that rent	44%
Percentage of seniors that rent	22%
Percentage of renter households with 1999 incomes below the poverty line	21%
Median 1999 income of renter households	\$30,200
Median 1999 income of renter households with children	\$27,920

Source: CBP analysis of Current Population Survey data.

OVERCROWDING AND HOUSING QUALITY WORSEN AS HOUSING COSTS RISE

Overcrowding (defined as more than one person per room) is far more prevalent among renter households, with 13 percent of renter households living in overcrowded conditions as compared to 3 percent of owner households.

Overcrowding is particularly prevalent among Latino households, with a third (33 percent) of Latino renter households in California metropolitan areas living in overcrowded conditions. Moreover, Latino households make up 73 percent of the state's total overcrowded housing.

Substandard housing is also much more common among renter households (12 percent) than among owner households (4 percent).

Overcrowded and Substandard Renter Households: Metropolitan California (1999)		
	Percentage of Households	Number of Households
Overcrowded (more than 1 person per room)	13%	550,636
Severely overcrowded (more than 1.5 persons per room)	4%	159,857
Overcrowded Latino households	33%	403,571
Substandard conditions	12%	492,792
Severely substandard conditions	4%	161,110

Source: CBP analysis of American Housing Survey data.

Los Angeles

Overcrowding is a serious problem in Los Angeles County, with 17 percent of renter households living in overcrowded conditions as compared to 13 percent statewide. Overcrowding rates for Latino households are also higher in Los Angeles County than at the state level, with 35 percent of Latino renter households living in overcrowded conditions. Latino households make up a substantial 82 percent of Los Angeles County's total overcrowded households.

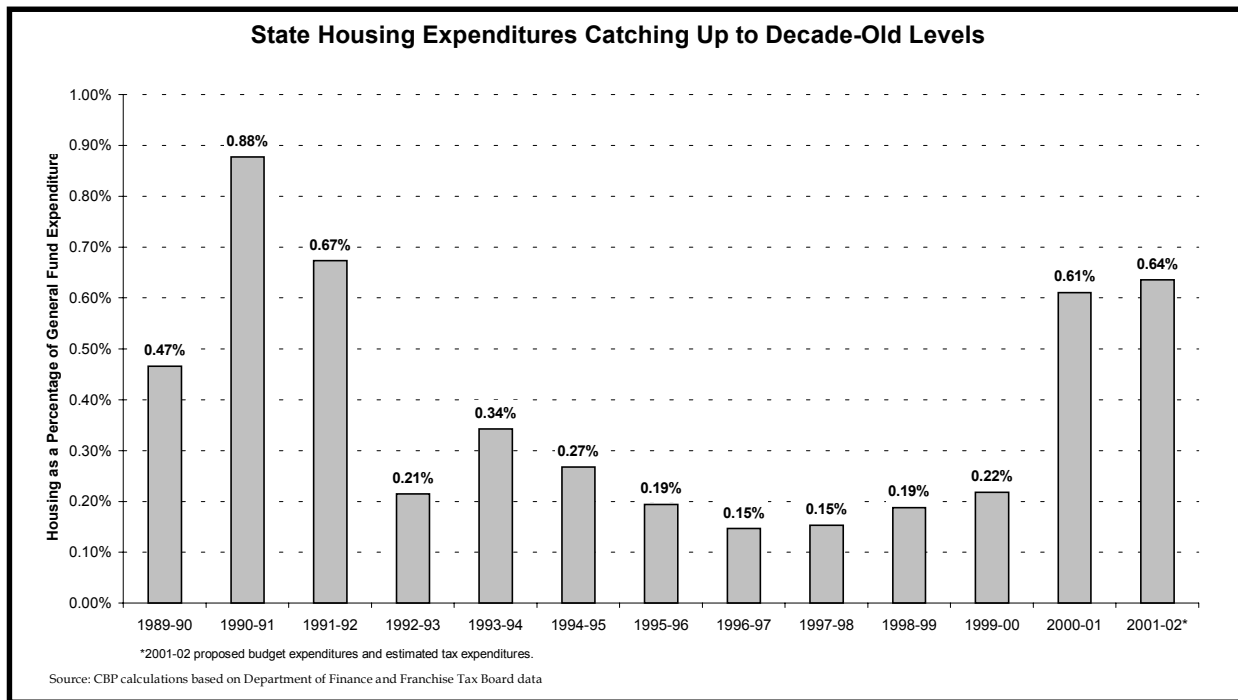
Substandard housing is also a serious problem in Los Angeles County, with 15 percent of renter households living in inadequate housing.

STATE HOUSING SPENDING LAGS NEED

In the 1990s, California went from being a leader in innovative state housing policy to a laggard. The 2000-01 Budget marked a reversal in that trend, with the largest ever allocation of state support for housing. Spending proposed in the Governor’s 2001-02 Budget brings spending for housing back to its 1991-92 level, which is still significantly below 1990-91. Housing spending peaked in 1990-91 as the state spent funds authorized by a series of bond measures in the late 1980s.

Overcrowded and Substandard Renter Households: Los Angeles County (1999)		
	Percentage of Households	Number of Households
Overcrowded (more than 1 per room)	17%	269,194
Overcrowded Latino households	35%	216,875
Substandard conditions	15%	243,684

Source: CBP analysis of American Housing Survey data.



OTHER DATA UPDATES AVAILABLE

In addition to the American Housing Survey and the Current Population Survey, several other key data sources used in preparing *Locked Out* have recently been updated. These include:

Fair Market Rents

Each fall, the Department of Housing and Urban Development (HUD) publishes new Fair Market Rents (FMRs), which are used to determine the maximum subsidy that can be provided through the Section 8 and other federal housing programs. FMRs estimate the cost of rent and utilities, other than telephone service, and are set at the 40th percentile within an area.² In other words, the FMR is the cost below which 40 percent of the housing units in an area would rent for less and 60 percent would rent for a

higher amount. The 2001 FMRs, released in October 2000, are available on the HUD web site at <http://www.huduser.org:80/datasets/fmr.html>.

Rental Data

The National Low Income Housing Coalition's (NLIHC) annual report on rental affordability, "Out of Reach," was released in September 2000 and is available on the web at <http://www.nlihc.org/oor2000/index.htm>. This report includes the 2001 Fair Market Rents by county, comparisons of renter incomes to rental costs, and calculations of the income needed to afford area rents. It also includes estimates of how many households cannot afford to pay the area FMR, and what they would need to earn to pay the rent and keep their housing costs at 30 percent of their income.

Ownership and Affordability Data

The California Association of Realtors (CAR) provides monthly updates on several measures related to homeownership, both for the state as a whole and for major regions of California. The Housing Affordability Index measures the percentage of households that can afford to purchase the median priced, detached single family home. CAR also reports median prices and closed escrow sales of existing detached single family homes. All of this data can be found at <http://www.car.org/newsstand/news/index.html>.

"Growing numbers of Californians, among them teachers and secretaries, professors and paramedics, cops and carpenters -- the middle-income glue of any community -- are finding themselves squeezed out. The costs -- to them, to their employers and to society -- are measured in a steady erosion of the quality of their lives: from constant worries about rent hikes to tedious hours on the road; from the need to leave a satisfying job to the dawning realization that owning a home is just not possible."

Los Angeles Times, January 7, 2001

The National Association of Home Builders (NAHB) provides quarterly updates on the nation's least affordable markets, a measure of the percentage of homes sold that a family earning the median income can afford to buy. NAHB's Housing Opportunity Index updates can be found at <http://www.nahb.com/facts>.

ENDNOTES

¹ The American Housing Survey data in this report is not directly comparable to that reported in “Locked Out,” due to differences in the metropolitan statistical areas (MSAs) surveyed. The 1999 AHS surveyed 16 California MSAs covering 90 percent of the state’s population. The AHS sample analyzed does not include housing units outside of metropolitan areas. Both the AHS and CPS samples are based on 1999 income levels; all data was downloaded from <http://ferret.bls.census.gov>.

² Note: On January 2, 2001, HUD released revised 2001 FMRs, set at the 50th percentile, for 30 metropolitan statistical areas (MSAs) in the US, including six in California. These are available at the web site noted above.

