

THE STATUS OF THE HOUSING MARKET: OWNERSHIP AND RENTAL

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Joint Informational Hearing
Committee on Housing and Community Development
And
Committee on Revenue and Taxation
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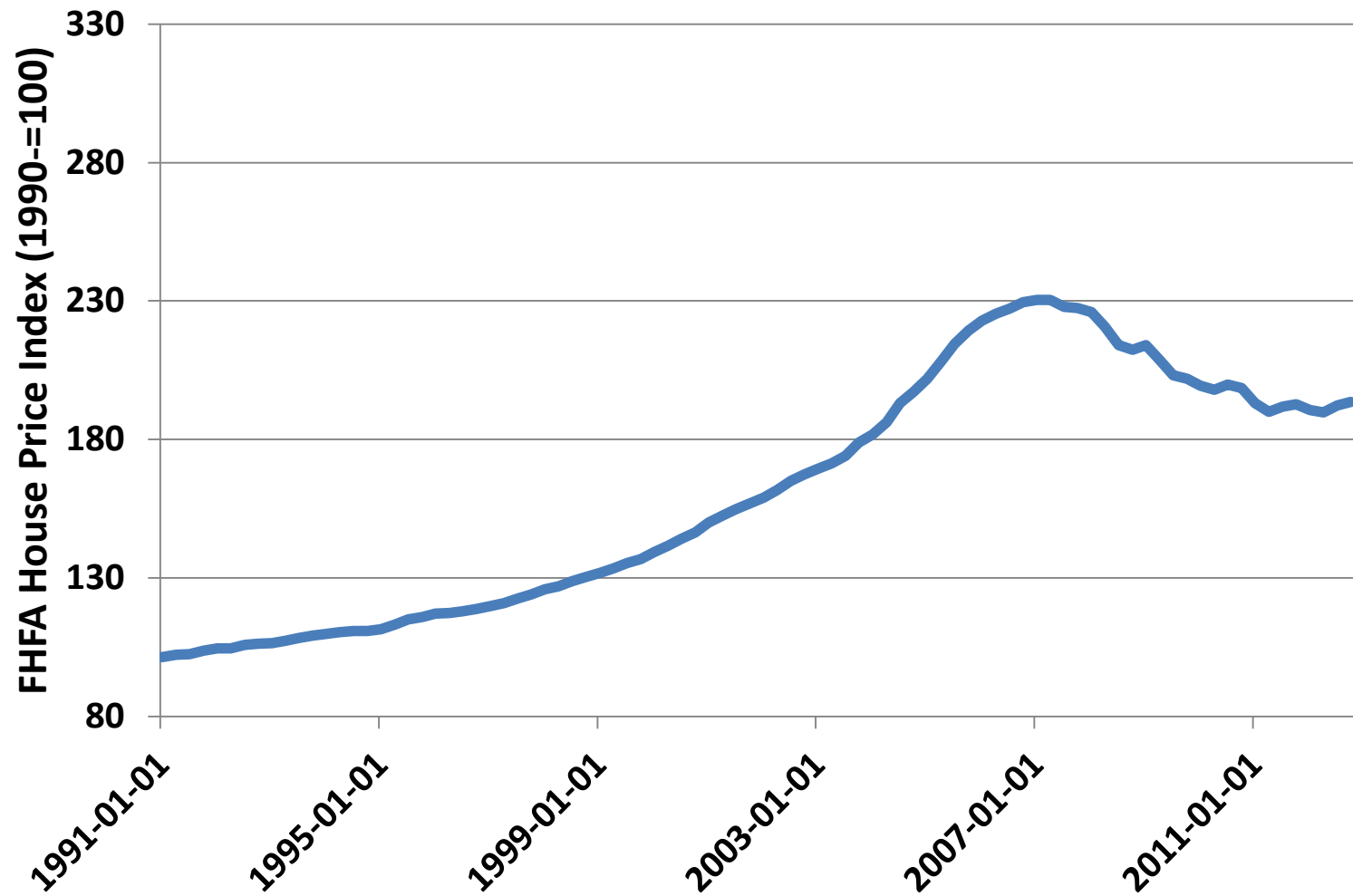
Outline for Today

- Housing in California: Crisis on all fronts
 - Ownership housing crisis
 - Rental housing crisis
- Policy in California: What should be considered?
 - The role of government
 - What does the state need?

HOUSING IN CALIFORNIA



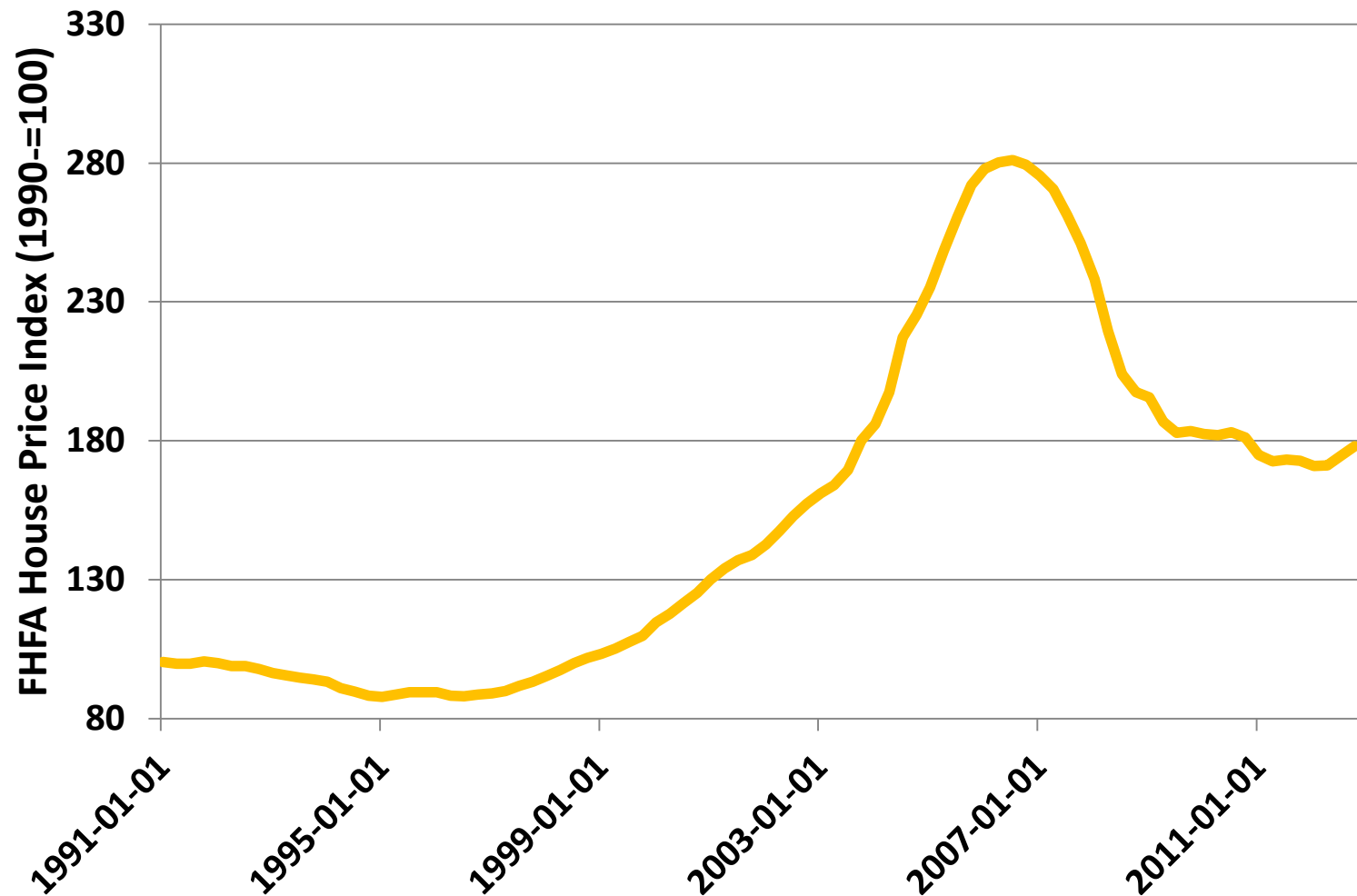
The Past: Housing's Fall



Source: Federal
Housing Finance
Agency



The Past: California's Free Fall



Source: Federal
Housing Finance
Agency

The Present

- Crisis is multi-pronged and continues
 - Homeownership
 - Foreclosure remains a challenge
 - Despite drops, much distress remains
 - Negative equity and delinquency loom
 - Neighborhood-level instability persists

Is There Still an Ownership Crisis?

- Prices appear to be on the rise
 - Case-Shiller reports (2-26-13) prices up 7.3% nationally for 2012
 - Prices up by 10.2% in Los Angeles
- Foreclosures starts in CA are down dramatically
 - RealtyTrac's February report shows 60-80 percent decline
- Is this real? Perhaps not completely
 - Aggressive investors plus limited supply from negative equity have created conditions for prices to rise
 - Homebuyers Bill of Rights has slowed foreclosure starts, but not changed the underlying distress
 - Underwriting remains extremely tight, limiting broad access to mortgages

The Present

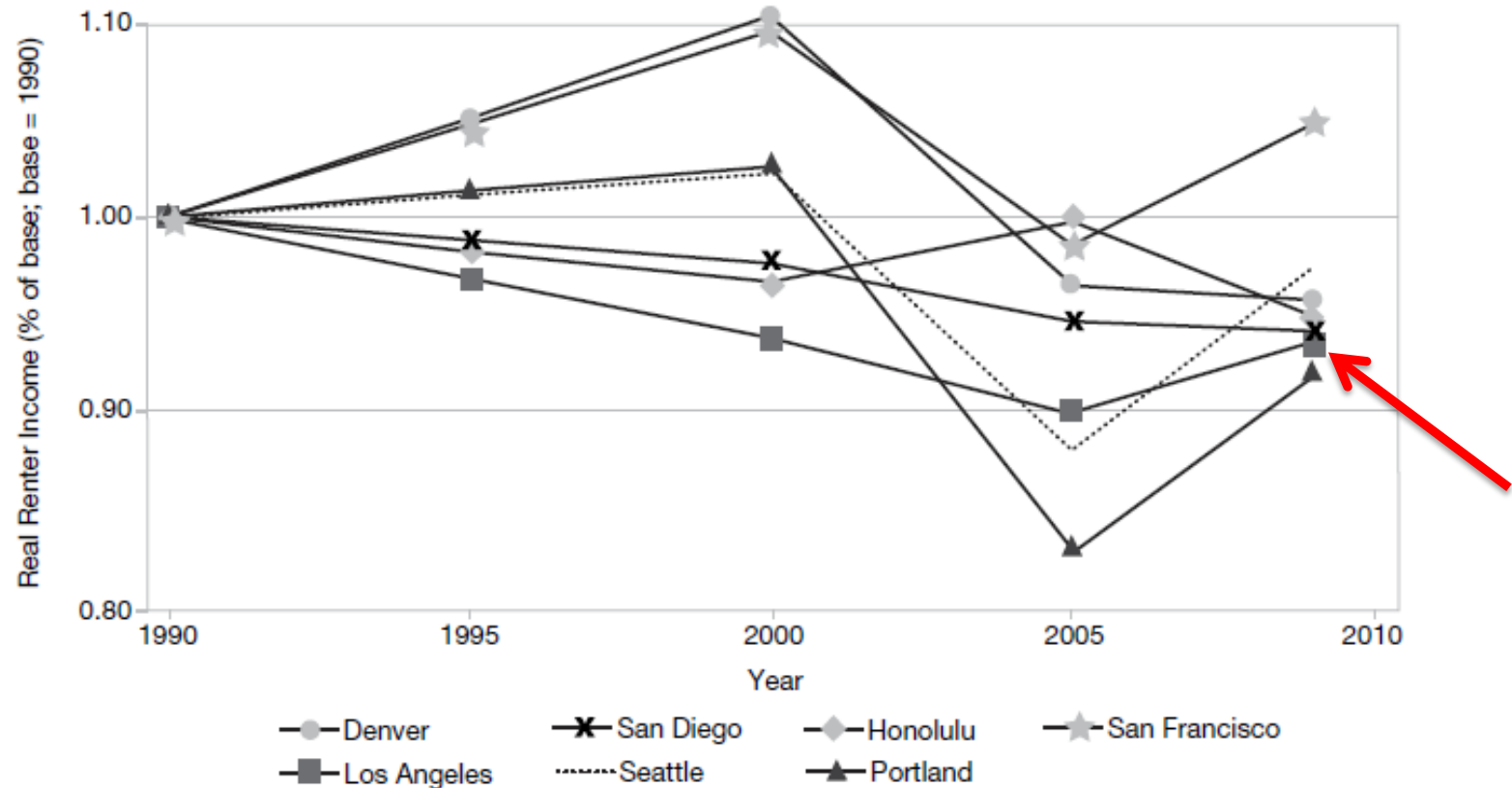
- Crisis is multi-pronged and continues
 - Homeownership
 - Foreclosure remains a challenge
 - Despite drops, much distress remains
 - Negative equity and delinquency loom
 - Neighborhood-level instability persists
 - Rental markets
 - Affordability remains a significant concern
 - Competition for rentals has worsened, not improved, in many communities



Renter Incomes have Fallen

Exhibit 8

West: Real Renter Income by Metropolitan Area



Source: Census Bureau, American Community Survey, Integrated Public Use Microdata Series, 1990, 2000, 2005, and 2009

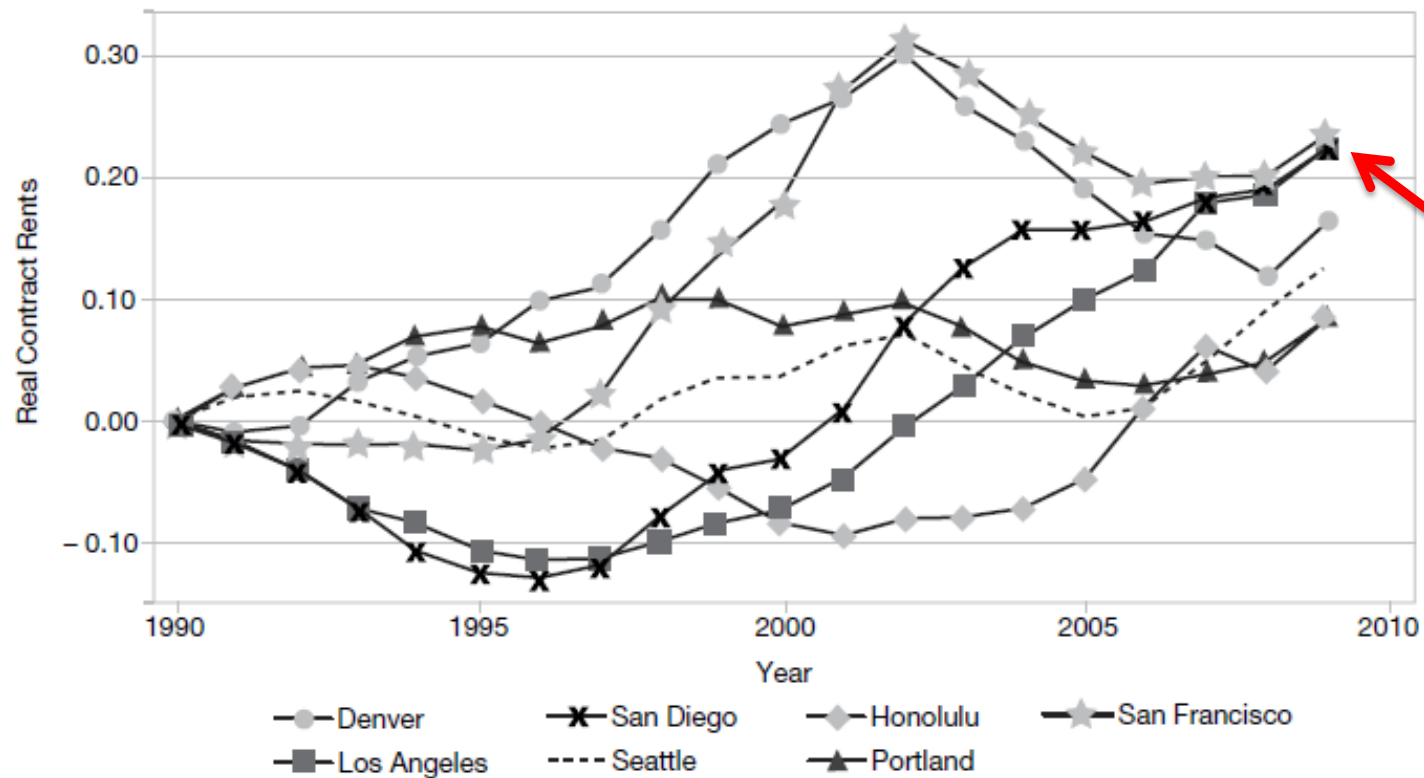
Source: Collinson (2011), *Cityscape Journal*



And Rents are Sharply Up

Exhibit 13

West: Rents by Metropolitan Area



Source: Consumer Price Index (Rent Index/Less Shelter Index), 1990-2009

Source: Collinson (2011), *Cityscape Journal*

Rental Housing: The LA Story



Income Level	Affordable Units	Affordable and Available Units	Renter Households	Aff. and Avail per 100 Renters
30% AMI	213,000	124,000	501,000	25
30-50% AMI	211,000	136,000	374,000	36

Affordable Rental Vacancy Rate, 0-50% AMI	Total Rental Vacancy Rate, 0-50% AMI
3.3 percent	6.1 percent

NOTE: AMI = Area Median Income

Source: Collinson (2011), *Cityscape*, American Housing Survey data

Rental Housing: The SD Story



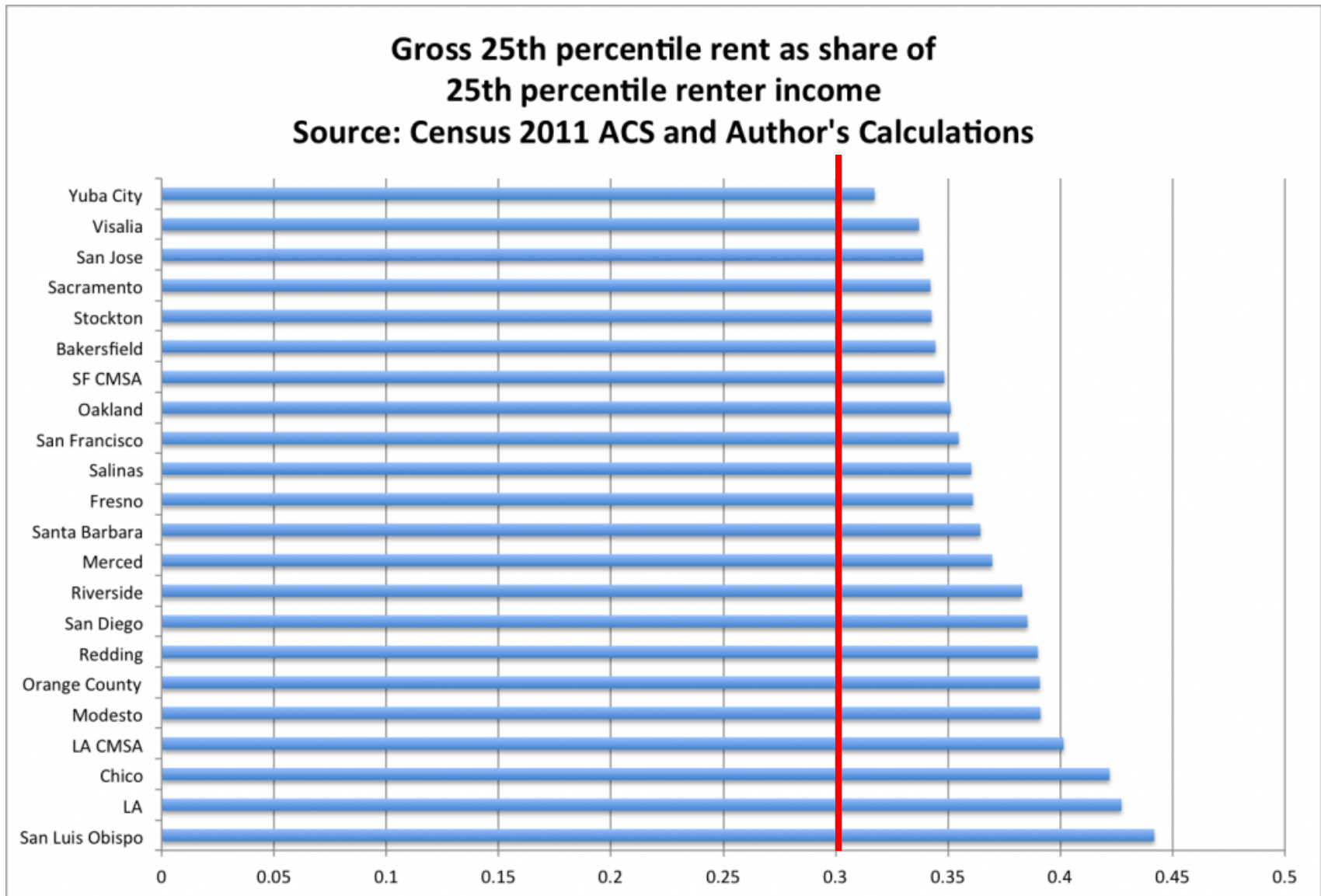
Income Level	Affordable Units	Affordable and Available Units	Renter Households	Aff. and Avail per 100 Renters
30% AMI	39,000	21,000	90,000	23
30-50% AMI	26,000	18,000	74,000	24

Affordable Rental Vacancy Rate, 0-50% AMI	Total Rental Vacancy Rate, 0-50% AMI
3.2 percent	7.1 percent

NOTE: AMI = Area Median Income

Source: Collinson (2011), *Cityscape*, American Housing Survey data

Rental Affordability: A Statewide Problem



Source: Blog of Richard Green, University of Southern California, forbes.com

Implications For Policy

- To address the affordability problem, the supply of units must be increased
- How?

POLICY IN CALIFORNIA

Rationale for Government Action I

- Equity and fairness
 - A response to problems, such as discrimination, that have limited personal and family choice
 - Perhaps there is a “moral imperative” to provide affordable housing
- Key point
 - Effective pursuit of these objectives will require state and federal action

Rationale for Government Action II

- Economic opportunity
 - Economic growth and vibrancy depends on the availability of a workforce
 - High housing costs can impose extreme opportunity costs on families
 - Have increased housing, transport, time costs put California markets at the limit of competitiveness for some?
- Key point
 - The state has a direct interest in this question, and making sure that the answer is ‘No’

Sources of Government Action

- Federal – Not promising
 - Sequester will limit available funds, and tax reform could threaten key vehicles
- California



New Budget Calls for Reallocation of Local Redevelopment Revenue Back to the General Fund

Allen Matkins

Redevelopment Stays Dead

Tax-allocation bond sales.
Dollars in billions



Source: Thomson Reuters

Image:ThinkStock

STATELINE INFOGRAPHIC

How California redevelopment works

THE
LOCAL
CRUNCH

Under California law, when cities and counties declare an area blighted, a redevelopment agency takes responsibility for urban renewal. For 50 years, the agency collects and distributes the additional property tax revenues that accrue from redevelopment of the blighted area.

more than

1 out of 8

of California's property tax dollars fund 397 redevelopment agencies

58% of that \$5.7 billion went toward redevelopment projects, including:

- capital improvements
- land acquisitions
- planning and marketing

Redevelopment agencies often combine resources with other government entities and private developers

20% of redevelopment funding is mandated by California law to go towards affordable housing

22% goes back to localities *

In 2008-09, redevelopment agencies managed

\$5.7 billion

Counties 12%

K-14 schools 6%

Special districts 3% Cities 1%

* Exact amounts vary by redevelopment agency

Source: "The 2011-12 Budget: Should California End Redevelopment Agencies?", State of California Legislative Analyst's Office, February 9, 2011.

Stateline infographic by Mary Mahling

Sources of Government Action

- Federal – Not promising
 - Sequester will limit available funds, and tax reform could threaten key vehicles
- California
 - Recent actions have made conditions more difficult
- But the underlying housing problems remain...

Items to Consider

- Issues and challenges
 - Preservation of existing units
 - Changing demographics – age and ethnicity
 - Regional differences
- Opportunities
 - Identify new “natural partners” (ex., health, schools, private sector, philanthropy)
 - Leveraging transit- and corridor-oriented development
 - Ability to shape and introduce flexibility and innovation

THANK YOU

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Bedrosian Center website:
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