

POLICY DIGEST

A monthly snapshot of housing-related policy research



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IN THE NEWS

California Becomes First State to Order Solar on New Homes (May 2018)

The Golden State became the first in the U.S. to require solar panels on almost all new homes. Most new units built after Jan. 1, 2020 will be required to include solar systems as part of the standards adopted by the California Energy Commission. While that's a boost for the solar industry, critics warn that it will drive up the cost of buying a house by almost \$10,000.

It's clear that rooftop solar is becoming a mainstream energy source, with California -- the nation's largest solar market -- paving the way.

Read more: <https://www.bloomberg.com/news/articles/2018-05-09/california-votes-to-require-rooftop-solar-power-on-new-homes?stream=top-stories>

STRUGGLING TO STAY AFLOAT: THE REAL COST MEASURE IN CALIFORNIA 2018

June 2018 | United Ways of California

The federal government's official poverty measure vastly understates poverty. Established over 45 years ago, the Federal Poverty Level (FPL) has two primary flaws: (1) its formula is primarily based on the cost of food, and in the decades since it was created, the costs of housing, transportation, child care, health care, and other family necessities have risen far more rapidly than food costs, and (2) it neglects regional variations in cost of living. Since most Californians live in high-cost areas, the real cost measure that this report uses accounts for household budgets and neighbor-level demographics.

KEY FINDINGS

1 in 3 households struggle:

33% of California households do not earn sufficient income to meet basic needs. Half of all California households with young children live below Real Cost Measure (RCM).

Working hard, but not earning enough:

Of the estimated 3.3 million households in California that fall below the RCM, 9 in 10 have at least one working adult (when you control for households led by seniors and people with disabilities).

Single mothers:

Over 7 in 10 single mothers in California (72 percent) fall below RCM.

High housing costs are a major burden for struggling households:

Nearly 4 in 10 households in California (38%) pay more than 30% of their income on housing. Households living below the Federal Poverty Level report spending a staggering 79% of their income on housing.

Foreign-born householders have more trouble staying afloat:

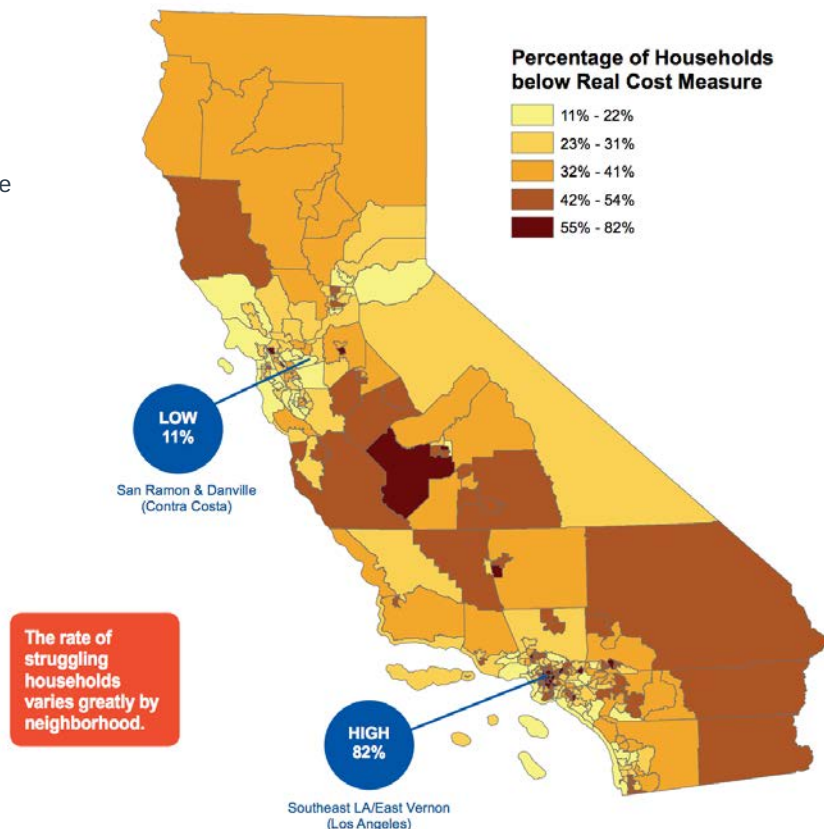
45% of households led by a person born outside the U.S. are below the RCM, and that number rises to 63% when the householder is not a citizen. Households led by Latino non-citizens struggle the most, especially if the household does not include someone over 14 years of age who speaks English well (82% below RCM).

Households of all ethnicities struggle, but rate is higher for Latinos and African Americans:

While poverty is often portrayed in the media and culturally as primarily a problem for minorities, the reality is that families of all ethnicities struggle. However, Latino households are more likely to struggle compared to other ethnic groups.

As education rates increase, the rate of struggling households falls but benefits of education lag for women and householders of color:

Nearly three-fourths of California householders without a high school diploma or equivalent (71%) fall below the RCM compared to those with at least a high school diploma (48%), at least some college education (33%), and at least a bachelor's degree (15%).



Read more: <https://www.unitedwaysca.org/images/RealCostMeasure2018/Struggling-to-Stay-Afloat-Full-Report.pdf>



LINK BETWEEN AFFORDABLE HOUSING AND ECONOMIC MOBILITY

THE EXPERIENCES OF RESIDENTS LIVING IN LOW-INCOME HOUSING TAX CREDIT PROPERTIES May 2018 | Turner Center at UC Berkeley

The Low Income Housing Tax Credit (LIHTC) is an important source of funding for the creation and preservation of affordable rental housing. LIHTC includes two types of federal tax credits—nine percent and four percent—which refer to the approximate percentage of a project’s “qualified basis” an investor or bank may deduct from their annual federal tax liability in each of the ten years that follow an investment or loan. This paper focuses on the 9 percent program which generally goes toward new construction.

This study surveyed residents at multi-family LIHTC housing units in lower and higher poverty units and found the following trends.

LIHTC IMPROVES HOUSING AFFORDABILITY, STABILITY, QUALITY, AND MOBILITY

Research has highlighted concerns that LIHTC tenants may still be cost burdened. However, overall residents—even those experiencing cost burdens—felt that their rent was “affordable.” Moving into LIHTC was not specifically associated with affordability but rather the higher quality of the building—not to mention an eye toward longer term stability and community building through mission-oriented landlords.

“I lost my job last year, and I couldn’t make my rent payments. Before, I would have had to move. Here, I went and talked to the resident manager, and we came up with a reduced payment plan so I could get back on my feet. They want you to succeed, so they help you when you need it.”

Stable income opened up opportunities for adults to pursue educational opportunities and build their professional skills. Researchers found a strong relationship between housing quality and more intangible feelings around the motivation to succeed.



Nearly 90% of survey respondents reported that their **housing had improved** after moving into a LIHTC property.



90% of residents said that they could **easily access public transportation**.



85.4% of survey respondents reported that they thought their **current rent was affordable**.

Read more: <https://turnercenter.berkeley.edu/links-between-affordable-housing-and-economic-mobility>



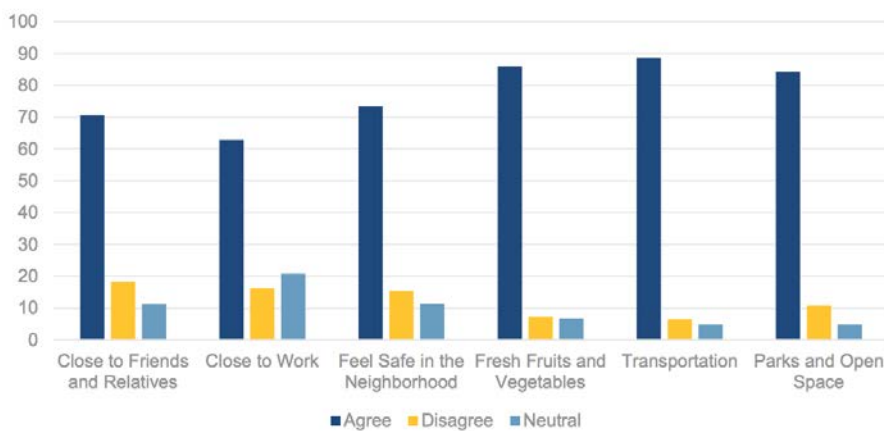
Interviews revealed the important role of secure housing and resident services in creating an environment where college was not only attainable but expected.

OPENING EDUCATIONAL OPPORTUNITIES FOR LIHTC YOUTH BUT CHALLENGES STILL REMAIN

Investments in buildings need to be coupled with investments in human capital. Housing stability was the most important factor that parents attributed to their children’s success, but there was a significant share of responses (23 percent) that highlighted parental concerns about neighborhood schools and the lack of investment.

MOST RESIDENTS LIKE THEIR NEIGHBORHOOD, BUT RESIDENTS HAVE A MORE NUANCED VIEW OF NEIGHBORHOOD OPPORTUNITY THAN DATA CAN CAPTURE

Figure 7: Respondent Perceptions of Neighborhood Characteristics



There’s no statistical correlation between those who rated their neighborhood positively and the neighborhood poverty rate and nuances exist because residents have strong place attachment, especially for immigrant respondents, and existing units are preserving affordability in dynamic and multifaceted neighborhoods experiencing gentrification.

OTHER IMPORTANT POLICY IMPLICATIONS

1. LIHTC is working.
2. We need to be more intentional about marketing strategies and connecting residents in high poverty neighborhoods to those new buildings.
3. Unless there is more attention to how to increase the supply of housing, as well as develop new financing mechanisms that can support the expansion of housing for those at 80-120 percent of AMI, it is unlikely that LIHTC units will serve as a platform for mobility into the un-subsidized housing market.
4. Property management really matters to the resident experience, and we found that this could be uneven across the developments.

Read more: <https://turnercenter.berkeley.edu/links-between-affordable-housing-and-economic-mobility>

OUT OF REACH 2018 REPORT

THE HIGH COST OF HOUSING June 2018 | National Low Income Housing Coalition

CALIFORNIA

In California, the Fair Market Rent (FMR) for a two-bedroom apartment is \$1,699. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn \$5,665 monthly or \$67,976 annually or \$32.68 per hour.

5,878,380

Number of renter households (2012-2016)

46%

Percentage of renter households (2012-2016)

Renters would need to work 93 hours per week (13.2 hours per day) at minimum wage to afford a 1 bedroom at FMR or 119 hours per week (17 hours per day), to afford a 2 bedroom at FMR.

LOS ANGELES COUNTY

\$31.98

Hourly wage necessary to afford 2 BR* at FMR**

\$20.59

Estimated hourly mean renter wage (2018)

\$1,663

2 BR* FMR**

\$520

Rent affordable at 30% of AMI

54%

Percentage of renter households (2012-2016)

1,782,269

Number of renter households (2012-2016)

1.6

Full-time jobs at mean renter wage needed to afford 2 BR* FMR**

ORANGE COUNTY

\$36.08

Hourly wage necessary to afford 2 BR* at FMR**

\$20.22

Estimated hourly mean renter wage (2018)

\$1,876

2 BR* FMR**

\$695

Rent affordable at 30% of AMI

43%

Percentage of renter households (2012-2016)

435,506

Number of renter households (2012-2016)

1.8

Full-time jobs at mean renter wage needed to afford 2 BR* FMR**

SAN BERNARDINO COUNTY

\$22.23

Hourly wage necessary to afford 2 BR* at FMR**

\$14.28

Estimated hourly mean renter wage (2018)

\$1,156

2 BR* FMR**

\$494

Rent affordable at 30% of AMI

41%

Percentage of renter households (2012-2016)

253,346

Number of renter households (2012-2016)

1.6

Full-time jobs at mean renter wage needed to afford 2 BR* FMR**

*BR = bedroom
**FMR = fair market rate

Read more:
http://nlihc.org/sites/default/files/oor/OOR_2018.pdf

CALIFORNIA'S HOUSING FUTURE: CHALLENGES AND OPPORTUNITIES IN FINAL STATEWIDE HOUSING ASSESSMENT 2025

2018 | California Department of Housing and Community Development



CHALLENGES

1. Housing supply continues to not keep pace with demand, and the existing system of land-use planning and regulation creates barriers to development.
2. The highest housing growth is expected in communities with environmental and socioeconomic disparities.
3. Unstable funding for affordable home development is hindering California's ability to meet the state's housing demand, particularly for lower-income households.
4. People experiencing homelessness and other vulnerable populations face additional barriers to obtaining housing.
5. High housing costs have far-reaching policy impacts on the quality of life in California, including health, transportation, education, the environment, and the economy.

LONG-TERM RECOMMENDATIONS

1. Reform land use policies to advance affordability, sustainability, and equity.
2. Address housing and access needs for vulnerable populations through greater inter-agency coordination, program design, and evaluation.
3. Invest in affordable home development and rehabilitation, rental and homeownership assistance, and community development.

HOUSING ACTION PLAN

1. Streamline Housing Construction

— Reduce local barriers to limit delays and duplicative reviews, maximize the impact of all public investments, and temper rents through housing supply increases.

2. Lower Per-Unit Costs

— Reduce permit and construction policies that drive up unit costs.

3. Production Incentives

— Those jurisdictions that meet or exceed housing goals should be rewarded with funding and other benefits. Those jurisdictions that are not meeting housing goals should be encouraged to do so by tying housing planning and permitting to other infrastructure-related investments.

4. Accountability and Enforcement

— Strengthen compliance with existing laws, such as state housing element law and Housing Accountability Act.

5. Dedicated Housing Funding

— Establish sources of funding for affordable housing and related investments.

Read more:
http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf

HOUSING UNDERPRODUCTION IN THE US

April 2018 | Up for Growth National Coalition, Holland Government Affairs, and ECONorthwest

KEY FINDINGS

The study determined that from 2000 – 2015, 23 states fell 7.3 million units short of meeting the housing needs of a growing population. This shortage represents over 5% of the total housing stock in the U.S. These are often in coastal and Sunbelt states home to booming job centers, but also in the Midwest and Northeast. Such a shortage restricts economic growth, raises rents and housing prices, hurts quality of life, and has negative environmental impacts.

The research focused on addressing housing underproduction through three different methods:

1. **More of the Same.** This scenario distributes housing proportionally based on a state's current share of single family homes, podiums (mid-rise apartment buildings), and towers.
2. **Max Density.** This approach assigns additional housing units through a top down approach, filling in the densest existing block groups first, and working down to the least dense blocks.
3. **Smart Growth.** The preferred and most effective method for meeting housing needs would assign new housing based on a formula of existing density, distance to transit stops, and the share of commuters in a given area who drive their own vehicles to work.



BENEFITS OF SMART GROWTH

Using only 25% of the land required in the “More of the Same” approach, Smart Growth could produce 7.3 million units. Because housing is distributed more densely and closer to transit stations, Smart Growth could reduce vehicle miles traveled by 28%, if California patterns hold. Taking cars off the road improves quality of life and cuts CO2 emissions. Based on a dynamic, 20-year economic model, the report estimated that growth in a Smart Growth approach would create an additional \$400 billion in GDP relative to “More of the Same.” Economic growth will spur additional tax revenue by an additional \$128 billion in federal income and payroll taxes over the same 20-year period. Local tax revenue, particularly property taxes, would also increase under Smart Growth.



POLICY IMPLICATIONS: REPORT'S RECOMMENDATIONS

1. **By-Right Approval:** Establish “by-right” high-density residential development in a half-mile radius around a transit station.
2. **Impact Fee Recalibration:** Ensure that impact fees paid to develop high-density properties reflect the actual infrastructure cost for such development.
3. **Property Tax Abatement:** Use 10-year property tax abatement as a gap-financing tool for new affordable housing production.
4. **Value Capture:** Establish mechanisms to capture the value created by new development, and use as dedicated funding for a range of housing programs.

Read more:
https://docs.wixstatic.com/ugd/336283_2d8fcafe99fa4aa181dc9884864eb750.pdf

IN THE NEWS

The early June primaries have narrowed the California gubernatorial candidates down to two: Gavin Newsom and John Cox. Here are their stances on state housing policy:

John Cox (Republican)

What's his housing plan? Cox, who owns a real estate investment and property management company, has a goal for developers to build 3 million new homes over the next decade. He said that the state needs to reduce regulations on builders, including replacing its primary environmental law governing development, the California Environmental Quality Act, with a less comprehensive measure. Cox also wants to allow Californians to be able to take the property tax benefits they receive under Proposition 13 with them when they move.

What's his homelessness plan? Cox believes the state should rely more heavily on nonprofits and other private providers for assistance.

Read more on Cox's housing stance:

<https://johncoxforgovernor.com/ca-housing-john-cox/>

Gavin Newsom (Democrat)

What's his housing plan? Newsom wants developers to build 3.5 million homes from when he takes office through 2025, which would be an unprecedented building boom compared with modern California history. He wants a five-fold increase in a state tax credit to finance low-income housing. And Newsom supports eliminating regulations that he contends make it difficult for developers to produce middle-income homes.

What's his homelessness plan? Newsom has said he would appoint a Cabinet-level homelessness czar who would be responsible for ensuring the state's housing, criminal justice, healthcare, and welfare departments work together on the issue.

Read more on Newsom's housing stance:

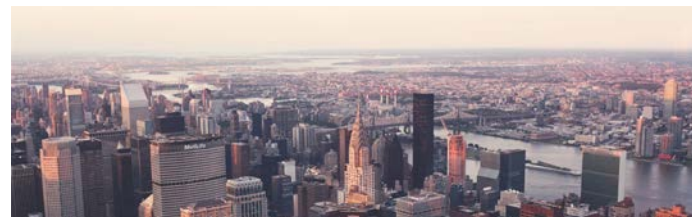
<https://gavinnewsom.com/housing>

WHAT UNITES AND DIVIDES URBAN, SUBURBAN AND RURAL COMMUNITIES

May 2018 | Pew Research Center

This new research provides an insightful overview of America's changing demographics and how our particular community life impacts political leanings and exposure to those who are different from us.

For example, nonwhites are now a clear majority of the population in urban counties while solid majorities in suburban and rural areas are white. And urban and rural communities are becoming increasingly different from each other politically. Adults in urban counties, long aligned with the Democratic Party, have moved even more to the left in recent years. For their part, rural adults have moved more firmly into the Republican camp. More than half (54%) of rural voters now identify with or lean to the GOP.



Furthermore, urban residents place a much higher priority on living in a community that is racially and ethnically diverse than do those in suburban and rural areas: 70% of city dwellers say this is very or somewhat important to them, compared with a narrower majority of those in suburbs (59%) and about half in rural areas (52%).

When it comes to the number of people living in poverty, the suburbs have seen much sharper increases since 2000 than urban or rural counties – a 51% increase, compared with 31% in cities and 23% in rural areas.

Read more: <http://www.pewsocialtrends.org/2018/05/22/what-unites-and-divides-urban-suburban-and-rural-communities/>