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# Orange County Housing Summit

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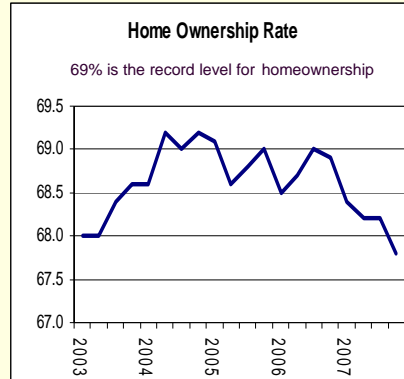
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## Housing Benchmarks and Progress Report

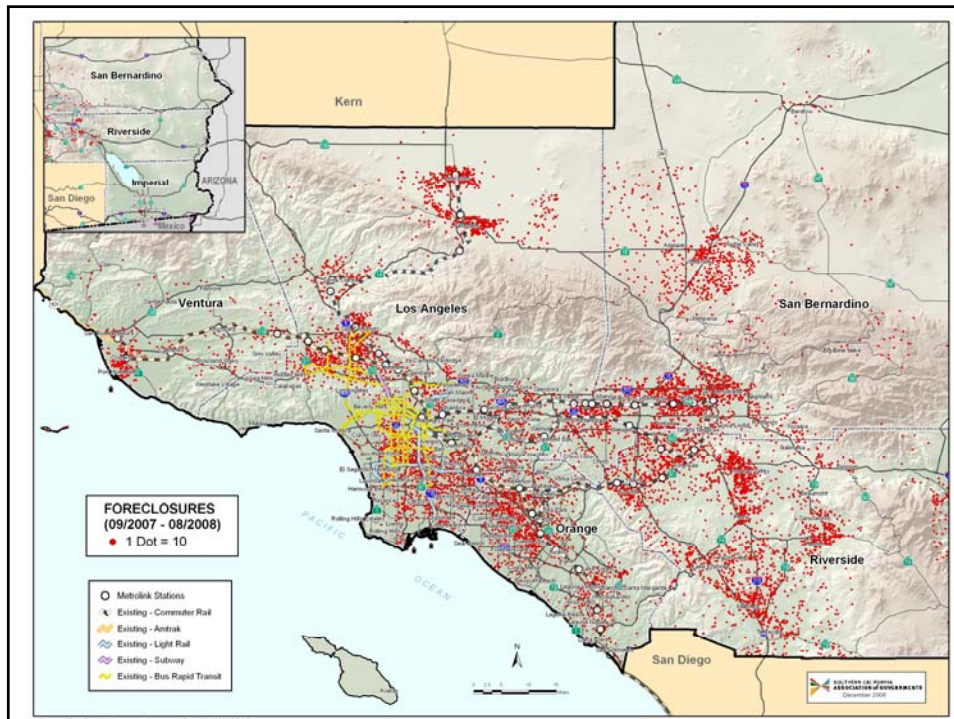
**The Bad News!**

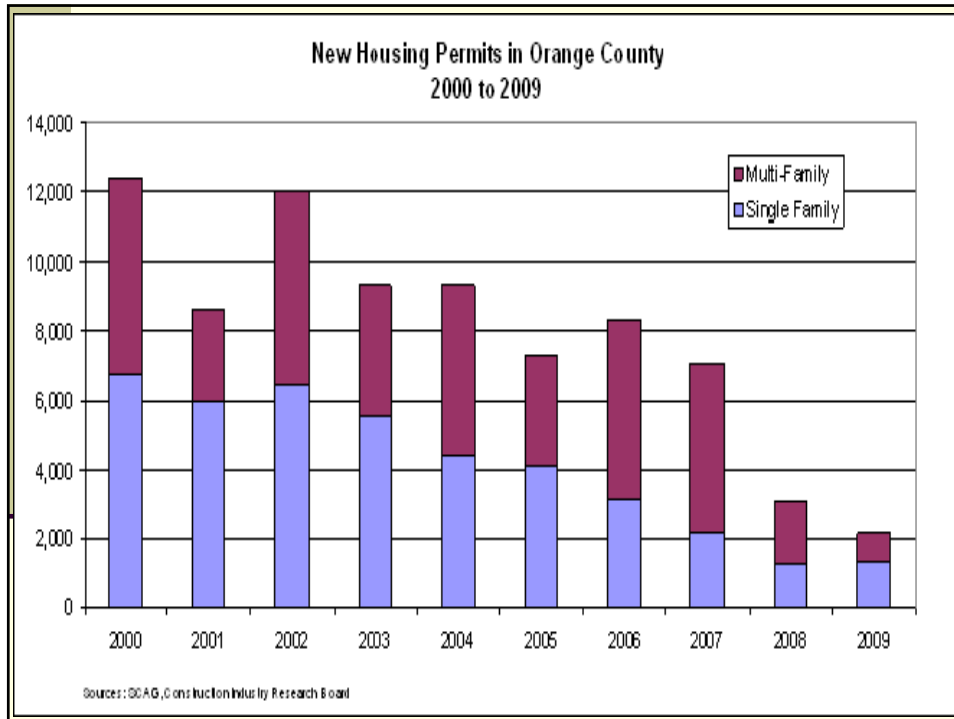
# Impact of the Current Housing Market Downturn

“Six million or more households will have been forced out of their homes by the current wave of foreclosures by the end of 2010 with more in 2011, over 15% of all households with mortgages.”



Source: Housing in America the Next Decade, John McIlwain, Urban Land Institute, January 2010 and SCAG





## Housing Benchmarks and Progress Report

**The Good News!**

# Housing Affordability is Up!

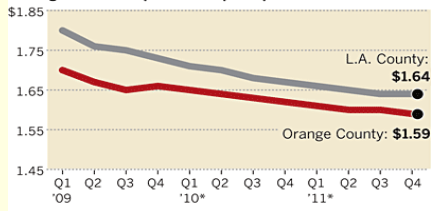
## First-time Buyer Housing Affordability Index

California	64
California - Condos	68
United States	77
High Desert	84
Los Angeles County	53
Monterey Region	65
Northern California	65
Northern Wine Country	58
Orange County	53
Palm Sprgs/Lwr Desert	74
Riverside/SBernardino	78
Sacramento County	79
San Diego County	57
San Francisco Bay	50
San Luis Obispo County	48
Santa Barbara Area	50
Santa Clara County	52
Southern California	63
Ventura County	59

Source: CA. Assoc. of Realtors - Q4 2009



Average rents for apartments, per square foot



Source: USC Lusk Center for Real Estate \*All data after 2009 are forecasts  
Los Angeles Times

# ...But Median Home Prices Are Rising!

All homes	Sales Volume			Median Price		
	Mar-09	Mar-10	%Chng	Mar-09	Mar-10	%Chng
Los Angeles	5,971	6,747	13.0%	\$300,000	\$329,000	9.7%
Orange	2,433	2,652	9.0%	\$385,000	\$432,000	12.2%
Riverside	4,409	4,156	-5.7%	\$187,000	\$198,000	5.9%
San Bernardino	2,897	2,955	2.0%	\$150,000	\$152,000	1.3%
San Diego	3,020	3,227	6.9%	\$285,000	\$330,000	15.8%
Ventura	776	739	-4.8%	\$326,000	\$375,000	15.0%
<b>SoCal</b>	<b>19,506</b>	<b>20,476</b>	<b>5.0%</b>	<b>\$250,000</b>	<b>\$285,000</b>	<b>14.0%</b>

Source: Dataquick

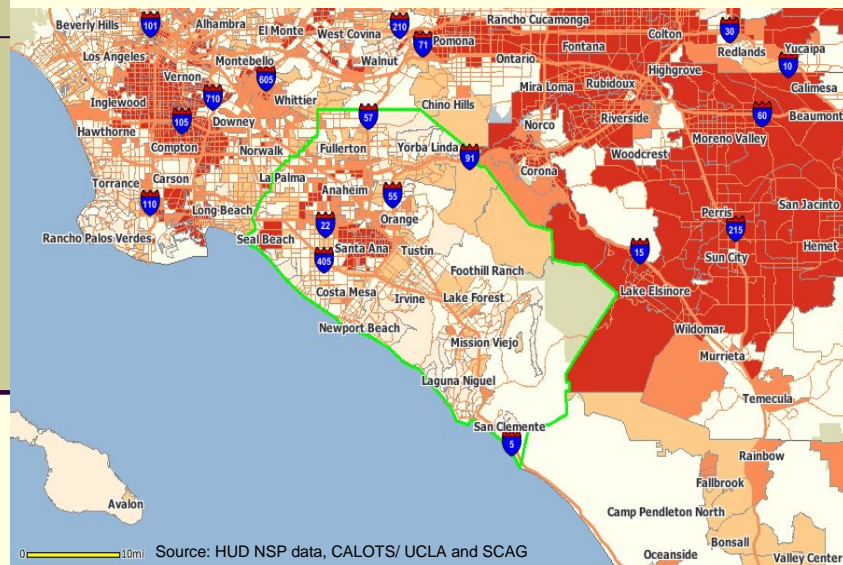
## Apartments still Out of Reach in 2010

- The Out of Reach in 2010 report measures the housing wage needed to afford a two bedroom rental at the prevailing HUD Fair Market rent with no more than 30% of income
- **Orange County is among the top ten most expensive metropolitan jurisdiction in the nation.** The housing wage (hourly wage a family must earn to afford rent and utilities) in Orange County for a two-bedroom market-rate apartment (\$1,594) is \$30.65.

<http://www.nlihc.org/oor/oor2010/data.cfm?getstate=on&getcounty=on&county=2257&state=CA>

Source: Out of Reach report 2010. Jointly released by the National Low Income Housing Coalition and Housing California

## And Foreclosure Hot Spots are still a Problem



## Yet Household Overcrowding is way down!?!

### Orange County Household Overcrowding by Persons per Room

	Moderate – 1.01+	Severe – 1.51+
1990	10.5%	6.1%
2000	15.7%	10.0%
2005-2007	8.8%	2.9%

**2000 to**

**2005-2007**

**-44%**

**-71%**

Source: 2000 Census, 2005-2007 Annual Community Survey, SCAG and **Dramatic Decline in Household Overcrowding? An analysis of California and Los Angeles** by Paul Ong and Jonathan Ong, UCLA, October 2009  
<http://www.lewis.ucla.edu/publications/workingpapers/Dramatic%20Decline%20in%20Overcrowding%20Oct%2014%202009.pdf>

## The Challenges Ahead

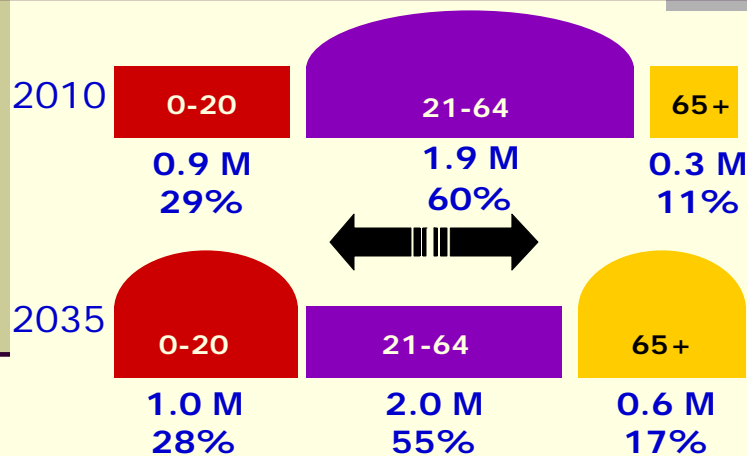
Housing Supply, Demand and  
Affordability

# The Housing Supply Challenge

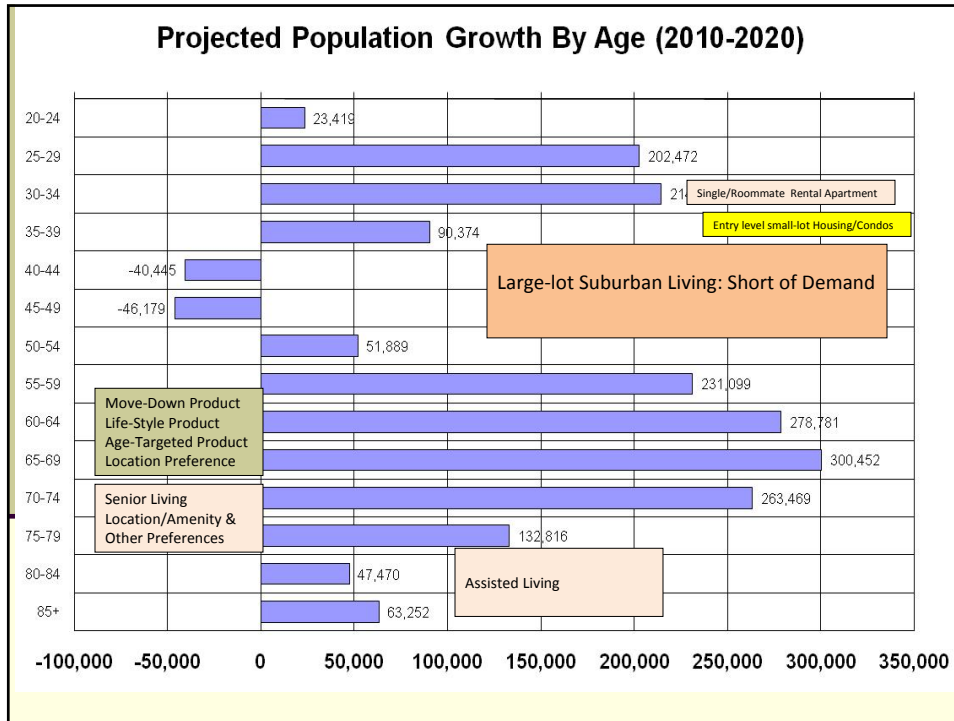
*Long term trends favor rental housing and multifamily housing in general because of:*

- The falling homeownership rate
- The wave of Generation Y deferring home ownership
- Growing urbanization, even in suburbs to accommodate Aging Baby Boomers moving down
- The demand for Workforce housing created by Generation Y moving into apartments and starter homes
- Building more homes in location efficient areas

# Orange County Population Growth 2010-2035



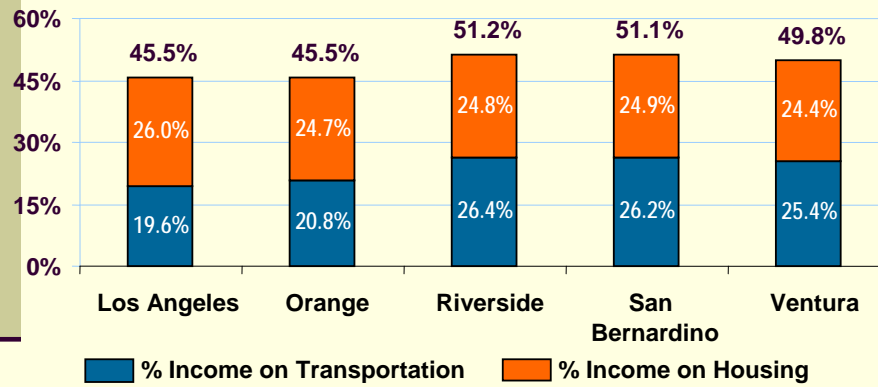
Percentages do not add to 100% due to rounding  
Source: SCAG, Local Input/General Plan Growth Forecast, March 2010



## The Affordability Challenge

- Aging Sellers will outnumber Move Up Buyers seeking Suburban homes while More Multifamily Supply will be Needed by both the Young and the Old
- Differences in average wealth and education between the generations may increase affordability problems even as there is downward pressure on suburban home prices
- A workforce gap between the number of retiring college graduates and younger minority graduates is emerging
- Barriers to providing affordable rental and multifamily housing must be overcome for both seniors and those entering the workforce
- The location and affordability of homes should be measured by combining housing plus transportation costs

## Combined Costs of Housing and Transportation – A New Way to Look at Affordability



\*Due to the unavailability of data, Imperial County has been excluded from this chart.

## Workforce Housing

An Indicator of Economic Vitality



## Regional Commute Patterns are often Driven by Home Ownership Demand

Commuting Flow of Workers by Place of Residence & Place of Work, 2008

2008*	Place of Work												
	Los Angeles	Orange	Riverside	Imperial	San Bernardino	Ventura	San Diego	Santa Barbara	Kern	San Luis Obis	Overseas	Rest of CA	Total
R	4,188,377	190,023	13,435	74	61,190	36,578	5,517	1,067	8,243	734	4,857	20,965	4,531,060
E	184,358	1,234,117	14,271	0	12,652	560	12,846	376	585	315	625	7,947	1,468,652
S	49,640	67,006	615,238	428	108,097	388	37,625	0	618	182	800	5,585	885,607
I	262	270	1,340	50,986	175	0	1,540	0	94	0	880	393	55,940
D	128,120	36,497	69,097	72	605,683	727	1,388	102	1,862	204	252	4,579	848,583
E	69,029	1,769	155	0	384	291,178	158	13,326	0	177	142	2,316	378,634
N	6,754	15,841	7,268	763	1,930	500	1,370,557	113	404	253	3,568	8,610	1,416,561
C	1,586	141	0	0	0	1,450	0	178,187	540	8,196	0	1,720	191,820
E	11,568	119	76	33	780	1,192	2,535	454	288,625	330	140	9,205	315,057
	1,404	103	0	0	153	103	0	8,665	478	110,354	80	2,768	124,108
	11,396	2,566	591	104	1,619	783	3,298	1,151	8,293	1,150	4,876	6,566,474	6,602,301
Total	4,652,494	1,548,452	721,471	52,460	792,663	333,459	1,435,464	203,441	309,742	121,895	16,220	6,630,562	16,818,323

\* 2008 American Community Survey

## Travel Times have Increased for those Spending more than 60 minutes on the Road

- The proportion of workers who spent over 60 minutes for work travels has slightly increased from 11.1% (2000) to 11.7% (2008) in SCAG region.
- The proportion of workers who spent over 60 minutes for work travels has increased in all counties **except in Orange and San Bernardino.**

Travel Time to Work for All Workers in 2008

	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	SCAG
Less than 15 min.	45.4%	20.4%	23.1%	24.0%	25.5%	29.5%	22.4%
15 - 30 min.	31.2%	33.7%	38.7%	30.5%	35.4%	34.3%	34.4%
30 - 45 min.	15.6%	24.4%	23.4%	20.0%	18.4%	18.6%	22.8%
45 - 60 min.	2.0%	9.6%	6.8%	8.7%	7.8%	7.8%	8.7%
Over 60 min.	5.8%	11.9%	8.0%	16.8%	12.9%	9.8%	11.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Census Bureau, 2008 ACS PUMS

## Job Based Housing Demand Formula

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**1.5 Jobs = 3 People = 1 Unit**



## Job Housing Measures

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*A hypothetical match may not achieve desired objectives, but are useful in the context of broader strategies to balance development and improve mobility for both communities in central and outlying locations*

- Wage differentials by occupation – inter county commuters earn more on average
- Price/ land differentials per square foot
- Unsold inventory and vacancy rates
- Permit issuance: residential and non-residential
- Household income to home price ratios
  - First time buyer
  - Traditional
- Employment to worker, household and housing unit ratios

## Benefits Typically Attributed to Jobs-Housing Balance

- Reduced driving and congestion – integrating land use and transportation planning matters!
- Expanded housing choice
- Fewer air pollution emissions
- Lower costs to businesses and commuters
- Lower public expenditures on facilities and services
- Greater family stability
- Higher quality of life



The "El Toro Y". Interstate 5 at the south end of Interstate 405 in Irvine. At one point this is 26 lanes across.

## Barriers to Workforce Housing Production

- Land costs
- Development costs
- Parking standards
- Financial analysis shows that with lower land costs and lower parking requirements, some workforce housing scenarios would be feasible



## Defining Roles & Reporting Progress

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- For Profit and Non Profit Builder
  - Product, land acquisition and community design
  - Project finance and consumer mortgage finance – seeking low income housing tax credits
  - Sales marketing, tenant selection and education
  - Project and consumer management
  
- Public role
  - Financial assistance – CDBG, HOME funds, Redevelopment Low & Mod. Inc. housing expenditures
  - Affordability covenants
  - Entitlement and zoning
  - Development standards and enhancements – infrastructure

## Measuring and Reporting Progress – Evaluating the Public Role

RHNA and Housing Element

## Regional Housing Needs Assessment (RHNA)

*For use in updating the housing element of General Plans*

- Determines development capacity each local government must identify and zone for during the housing element planning period
- A policy based projection of household growth, with vacancy and replacement housing allowances
- Addresses the housing needs of all income groups resulting from population and employment growth and change – “Fair Share Plan”



## Local Record Keeping Issues

Double entry measurement is often needed:

- Net density - accounting for up zoning, down zoning and mixed use zoning
- Net permit issuance - accounting for new construction less demolitions



## More Local Record Keeping Issues

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Be careful how you measure and what you measure against:

- Straight line performance against RHNA targets versus accounting for the ups and downs of real estate cycles
- Permits versus housing occupancy - What if it does not get built?
- Addressing affordable housing goals through the conversion of existing market rate homes often does not count against new construction targets
- Low Income Housing need often exceed resources for affordable housing
- Housing demand may be less than anticipated for market rate and affordable homes because of the condition of the economy
- **RHNA targets address land use capacity and are not building quotas!**

## Qualitative Measures

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*Qualitative Measures should carry more weight in the Public and State HCD review*

- Permit streamlining and procedural reform
- Community design with varied parking standards supporting mixed use, transit and affordable housing
- Affordable Housing Ordinances
- Workforce Housing Ordinances
- Mixed Use and other land use ordinances
- Incentive based inclusionary housing ordinances
- Community land trusts
- TOD districts, etc.

## State HCD reviews for "substantial" compliance - not the COG

### Housing Element Review Status

- The burden falls on a locality if it does not meet the HCD Substantial Review standard in case of a lawsuit
- Eligibility and bonus points for Incentive housing and non-housing funds are at stake when a locality does not have a Housing Element in Substantial Compliance
- Growth caps restricting the fair share allocation are not permitted
- RHNA consistency with the longer range Sustainable Community Strategy housing distribution pattern is mandated
- Annual Housing Element progress reports are now required
- An experienced housing staff and good consultant can facilitate and expedite the review process in the locality and with State HCD

## Progress Reporting to State HCD

- Densities of housing developments do not on their own describe affordability for the purposes of crediting units against the jurisdiction's RHNA targets
- To credit units affordable to lower- and moderate-income households against the RHNA, a jurisdiction must demonstrate the units are affordable based on at least one of the following:
  - Subsidies, financing or other mechanisms that ensure affordability (e.g., MHP, HOME, or LIHTC financed projects, inclusionary units or Redevelopment Agency (RDA) requirements - e.g. 15% inclusionary housing, for instance);
  - Actual rents; and
  - Actual sales prices
- Government Code Section 65400 requires local governments to prepare an annual progress report on implementing the housing element - calendar year 2009 reports were due **APRIL 1, 2010**

## AB 2348 (Mullins) Default Density for Affordable Housing

You need to be careful with this measure because:

- Localities need to adjust for project approvals at less than maximum allowable density during the planning period
- The HCD default density may not necessarily achieve affordability, efficient transportation or social equity goals
- A Working group has been established by State HCD to address site, zoning and other Housing Element issues



Higher Density



Higher Density

## What is the Housing Element Compliance Picture in Orange County?

What are your recommendations for improving housing element compliance and progress reporting?

## Orange County Housing Element Compliance Status – April 2010

*By Population and AB 2348 default density – at least 30 units an acre*

### Population greater than 25,000

- ALISO VIEJO - IN REVIEW
- ANAHEIM - IN
- BREA - IN
- BUENA PARK - IN
- COSTA MESA - IN
- CYPRESS - IN
- DANA POINT - IN
- FOUNTAIN VALLEY - IN
- FULLERTON ADOPTED - IN REVIEW
- GARDEN GROVE - IN
- HUNTINGTON BEACH - IN
- IRVINE - DUE
- LA HABRA – OUT
- LAGUNA HILLS - IN
- LAGUNA NIGUEL - DUE
- LAKE FOREST - IN REVIEW
- MISSION VIEJO - IN
- NEWPORT BEACH - OUT
- ORANGE - OUT
- ORANGE COUNTY - OUT
- PLACENTIA - IN REVIEW
- RANCHO ST. MARGARITA - IN
- SAN CLEMENTE - OUT
- SAN JUAN CAPISTRANO - OUT
- SANTA ANA - IN REVIEW
- STANTON - IN
- TUSTIN - IN
- WESTMINSTER - IN
- YORBA LINDA - OUT

**In = 15; OUT= 7; In Review = 5; Due = 2**

## Orange County Housing Element Compliance Status – April 2010

*By Population and AB 2348 default density – at least 20 units an acre*

### Population less than 25,000

- LA PALMA - OUT
- LAGUNA - OUT
- LAGUNA WOODS - IN
- LOS ALAMITOS - IN
- SEAL BEACH - DUE
- VILLA PARK - OUT

**In = 2; OUT= 3; In Review = 0; Due = 1**

# Thanks

For More Information on Housing Market Trends Visit SCAG at:

<http://www.scag.ca.gov/Housing/trends.htm>

Email your comments on housing benchmarks and progress reporting to  
Joseph Carreras, SCAG Housing Program Manger

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