Goals of Presentation

- Provide Education/Background
  - Statistics of Situation of Housing and Labor Shortage
  - Understanding Municipal Finance
- Provoke Thought Among Attendees on Issues of:
  - Housing Shortages
  - Labor Shortages
- Ideas for Solutions
If YOU Do Work, You SHOULD EAT?

Myron Howell, Drummer for Jake Owen

Premise

- Construction of Housing in California is not keeping up with demand (increasing population)
- Housing Affordability continues to decline (percentage of families that can afford a house or even basic housing costs)
- California relies on both immigrants and low-skilled workers as part of its labor force (agriculture, transportation, tourism and others)
- Fastest Growing professions in CA are service and lower pay professions
- Labor Force participation rates are generally on the decline (especially among younger workers)
Statistics

- 18% of Adults (25+) in California lack High School Education / GED
- 15.3% of Total California Population lives in Poverty
- Since 2010 1 Home Built for Every 5.25 Person Increase in Population (Historic Ratio Population/Home is 2.72)
- Median Income LA County: $56,196 affords a $235,000 home
- LA County Median Home Price (April, 2017): $520,000 (Only one community is affordable: Littlerock (Unincorporated Area 30 min east of Palmdale along Highway 138))

Economics 101
Result

- Workers that can’t afford housing WILL go elsewhere (PHX/LAS)
- Labor shortages to support economy
- Industries that CAN leave California (due to labor shortages) will
- Price increases to consumers will occur as labor costs increase (on the surface helping labor, but often the vary price increase is ALSO passed on to workers)
Municipal Finance 101

- Cities Funded by:
  - 1% Local Share of Sales Tax ($30,000 car = $300 to City)
  - 8%-12% (Generally) Hotel Tax Rate (100% goes to Cities)
  - 10% (on Average) of Property Tax ($500,000 home = $5,000 in Prop 13 base property tax = $500 to City)

- Cost of Local Government:
  - DMG, Inc. cities $650-$1,000 per person in municipal service costs (2/3 of which are public safety)

- Result
  - Each NEW Home generally means City loses: $1,500-$2,500 (expenses outpace revenue)

Municipal Finance 101 Part 2

- Cities Financially Struggle
  - Proposition 13
  - ERAF 1, ERAF 2 (Shifted Property Tax from cities to schools)
  - Loss of Redevelopment ($7 billion a year total, $1.4 billion a year dedicated to low to moderate income housing) @$100 psf construction costs, enough for 10,000 1,400 square foot homes per year
Ideas for Solutions

- Recognize that ALL jobs propel the economy: Value contributions of immigrant labor (especially for lower pay / lower skill jobs that are not desired)
- Reconstruct Tax Structure in California that rewards communities for low income / restricted income housing (larger share of property tax?)
- Recreate Redevelopment / Tax Increment Financing to produce infrastructure and low to moderate income housing
- Reinvent guest worker programs in specific industries (especially lower pay / lower pay) similar to Bracero Program of 1950’s
- Economic System MUST reward work with pay.. If you do work, you do eat. Full-time employment MUST pay a wage for people to live on at a minimum level