Housing Underproduction in California: Economic, Fiscal, and Environmental Impact of Enabling Transit-Oriented Smart Growth to Address California’s Housing Affordability Challenge
Last 10 years have produced the fewest housing units on record

U.S. Housing Starts, Annual and Trailing 10 Year Average

- Multifamily
- Single Family
- 10 Year MA

Housing production decreasing since 2016

Source: U.S. Census Bureau and HUD
Policy choices determine housing cost vs. sprawl

A Classification of American Cities
1980-2010

Change in real home values (percent)

Expansion of developed residential area (percent)

Legacy

Expensive

Expansive

Source: Build Zoom
CA Only West Coast State with Negative Domestic Migration

NET DOMESTIC MIGRATION

NET DOMESTIC MIGRATION PER 1,000 RESIDENTS, JULY 1, 2016 — JULY 1, 2017

-14.7 - 9
-9 - 6
-6 - 3
-3 - 0
0 - 3
3 - 6
6 - 9
9 - 14.6

SOURCE: US Census Bureau

BUSINESS INSIDER
Housing Costs by State

Adjusted for inflation, California has had the second-highest home prices for decades

Hawaii's land constraints, high building costs and desirable setting push up prices.

Source: Bloomberg, U.S. Census
Rent has increased 15% faster than median income since 2010

1 Bedroom Apartment Average Rent (Affordability by AMI%)
35%+ of Households Cost Burdened in most of CA

Percent of households that spend more than 30% of gross income on housing in 2017

Source: St. Louis Federal Reserve, GEOFRED
CA cost burdening high at all income levels

<table>
<thead>
<tr>
<th>Income</th>
<th>California metro areas</th>
<th>Metro areas in other states</th>
<th>U.S. Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $15K</td>
<td>85.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$15–30K</td>
<td>79.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$30–45K</td>
<td>70.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$45–75K</td>
<td>58.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over $75K</td>
<td>16.4%</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Harvard Joint Center for Housing Studies
Rent Strongest Predictor of Metro Homelessness Rate

3 of the top 5 highest rates of homelessness are in CA metro’s

Source: ECONorthwest calculated using data from the U.S. Department of Housing and Urban Development, Point-In-Time count and the U.S. Census Bureau ACS
Housing production has not matched household formation

U.S. Housing Starts to Household Formation
(5 year moving average)

1.1 is the long run ratio of housing starts per household formed nationally

Underproduction from 2011 to 2018

Source: U.S. Census Bureau and HUD
During the 1980's CA produced more than most states

**Housing Permits Per Capita**
California's supply of new housing has not kept pace with its population

Permits per 1,000 people

California ranked #7 in housing permits per capita in 1986...

...but had fallen to #37 by 2018

Source: U.S. Census
From 2010 to 2016 in California, 7.4 housing units were produced for every 10 households formed.
In 2010 there were 1 job per housing unit statewide (primary job counts, does not include people with more than 1 job)
7.3 million Housing Units Under Produced from 2000 to 2015

Source: ECONorthwest calculation, U.S. Census
California Market is Supply Constrained

Price Elasticity of Supply

- California: 0.47
- Nevada: 0.77
- Oregon: 0.84

(% change in supply)  (% change in price)

ESTIMATED REDUCTION IN STATEWIDE HOME PRICES
IF ALL UNITS WERE PRODUCED OVER 20 YEARS

<table>
<thead>
<tr>
<th>State</th>
<th>Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>21.7%</td>
</tr>
<tr>
<td>Nevada</td>
<td>15.8%</td>
</tr>
<tr>
<td>Arizona</td>
<td>13.4%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>8.0%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>7.7%</td>
</tr>
<tr>
<td>Maryland</td>
<td>7.0%</td>
</tr>
<tr>
<td>Utah</td>
<td>6.3%</td>
</tr>
<tr>
<td>Oregon</td>
<td>5.5%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5.4%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>5.0%</td>
</tr>
<tr>
<td>Florida</td>
<td>4.5%</td>
</tr>
<tr>
<td>Washington</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Source: ECONorthwest Calculations, REMI
Where are Accessible Growth units located?
Target underutilized transit corridors, + high opportunity areas with low vehicle miles travelled

Source: Up for Growth, ECONorthwest Calculations
Underutilized Land Around Transit Stations an Opportunity

The McKinsey Global Institute has found that California has room to build 5 million new units in housing “hot spots”, 3 million of which could be located near transit hubs.

Source: U.S. Census, ECONorthwest Calculations
50% of units built in the state since 2010 have been multifamily

Source: Up for Growth, ECONorthwest Calculations
Accessible Growth reduces vehicle miles travelled by 35%

<table>
<thead>
<tr>
<th>State of California</th>
<th>Median Housing Density</th>
<th>Median VMT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside 1/4 Mile Transit Corridor</td>
<td>3.9</td>
<td>34</td>
</tr>
<tr>
<td>Inside 1/4 Mile Transit Corridor</td>
<td>6.0</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Up for Growth, ECONorthwest Calculations
Accessible growth produces $170+ billion in GDP over 20 years

Source: Up for Growth, ECONorthwest Calculations, REMI
Takeaways

- Long run affordability requires sustained production of housing units
- Building units at lower costs, in transit accessible, high opportunity neighborhoods key to improving equity in the region
- Leveraging existing infrastructure through smart growth is fiscally sustainable for local governments
- Smart growth increases state economic and fiscal impacts over 20-year production periods