

CALIFORNIA BUDGET PROJECT

Housing in California: An Overview

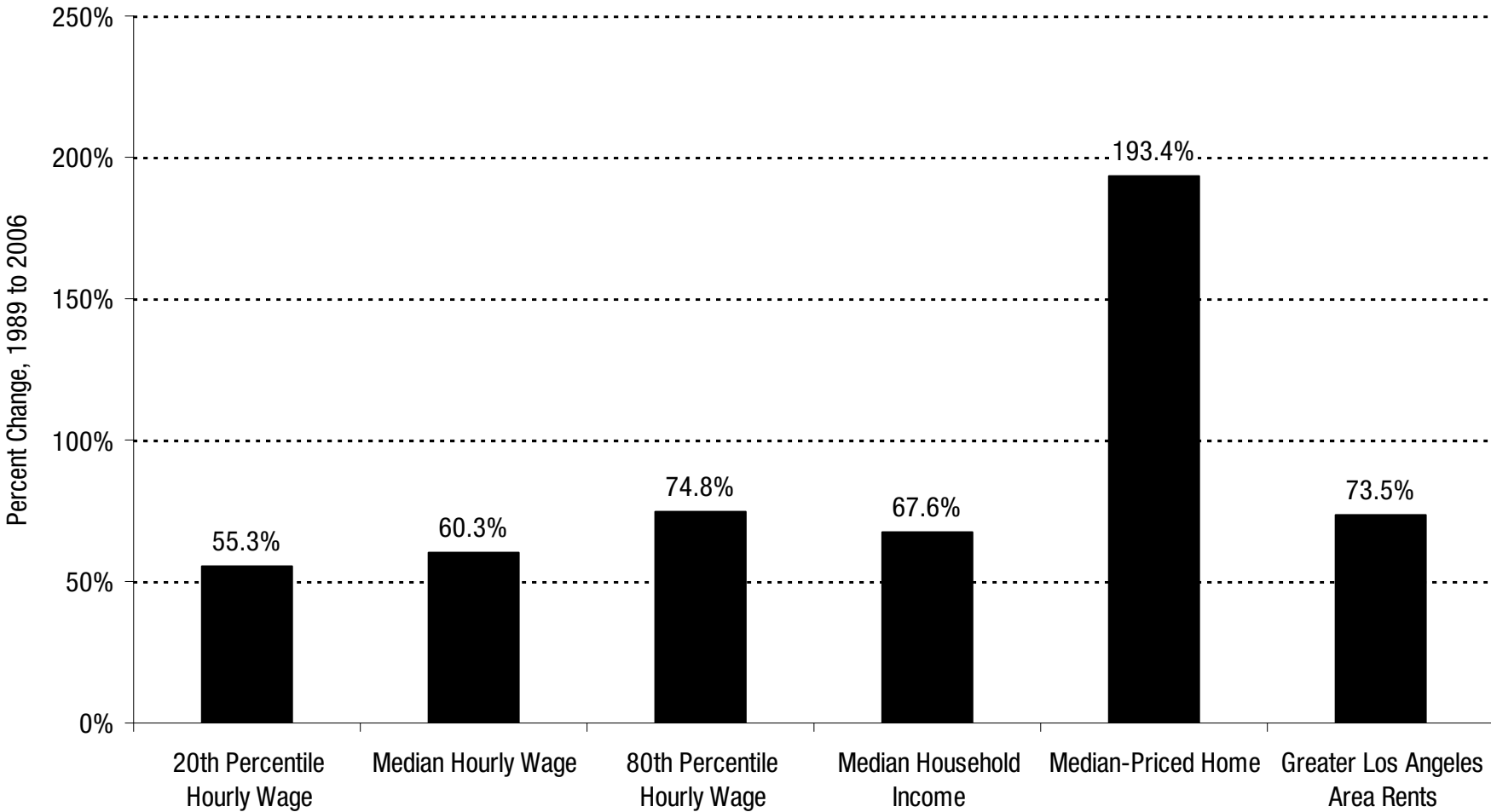
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A PRESENTATION BY
SCOTT GRAVES, SENIOR POLICY ANALYST
March 2008



California's High Cost of Housing

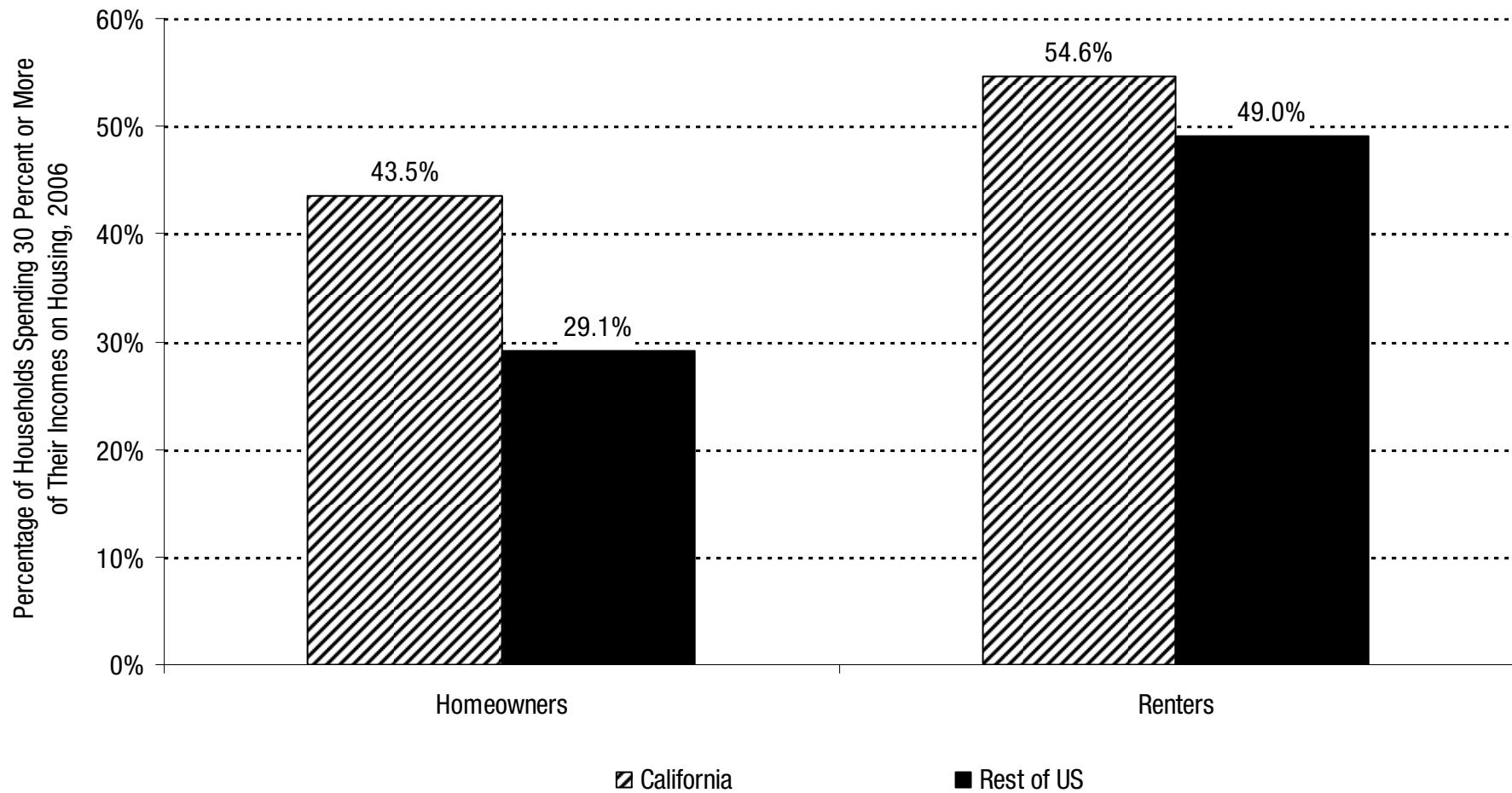
Housing Costs Have Outpaced Many Californians' Wages and Incomes



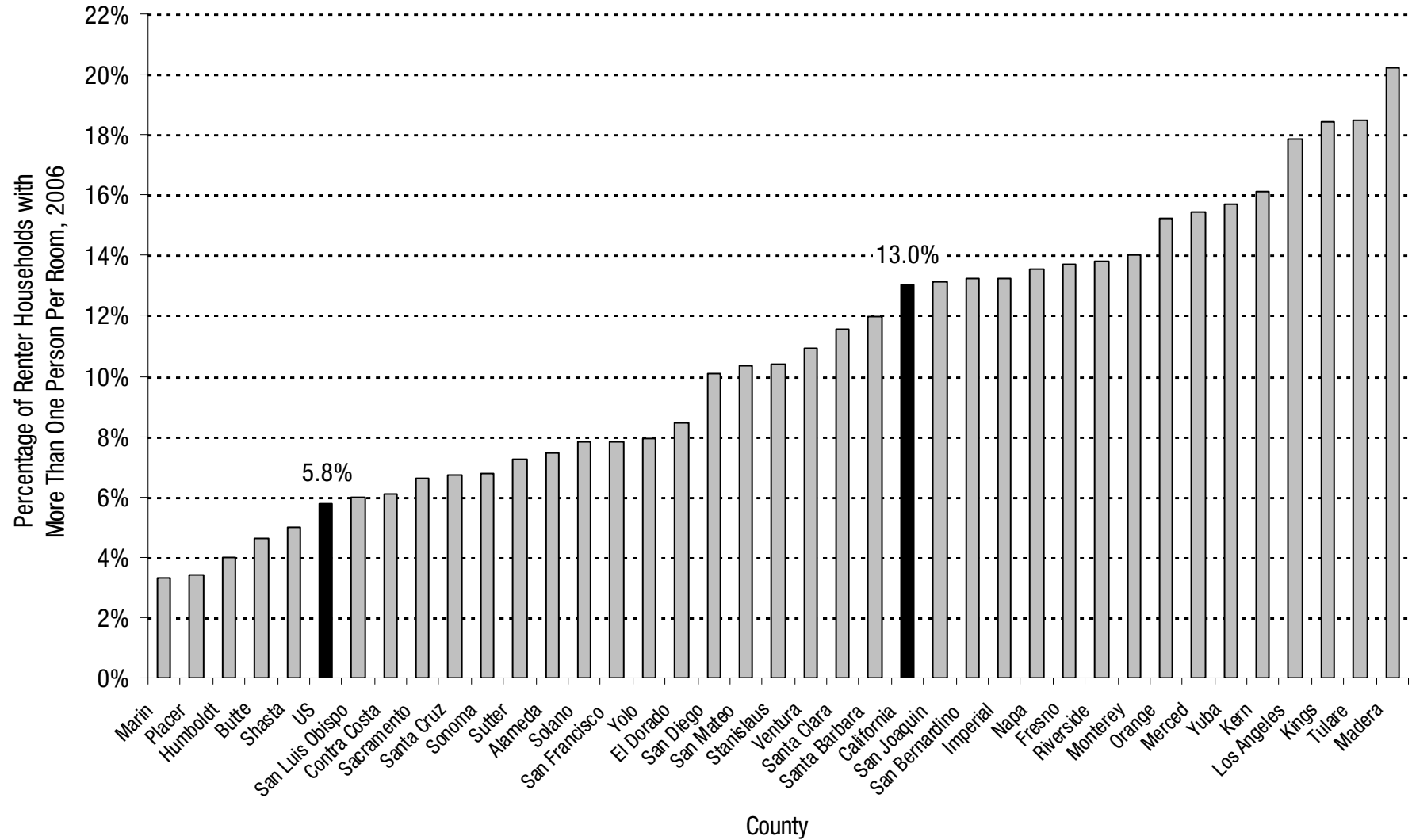
Note: Data are not adjusted for inflation.

Source: DataQuick Information Systems, US Bureau of Labor Statistics, and CBP analysis of US Census Bureau data

California Homeowners and Renters Are More Likely Than Their Counterparts in the Rest of the US to Spend a Large Share of Their Incomes on Housing



Many California Renters Live in Overcrowded Conditions



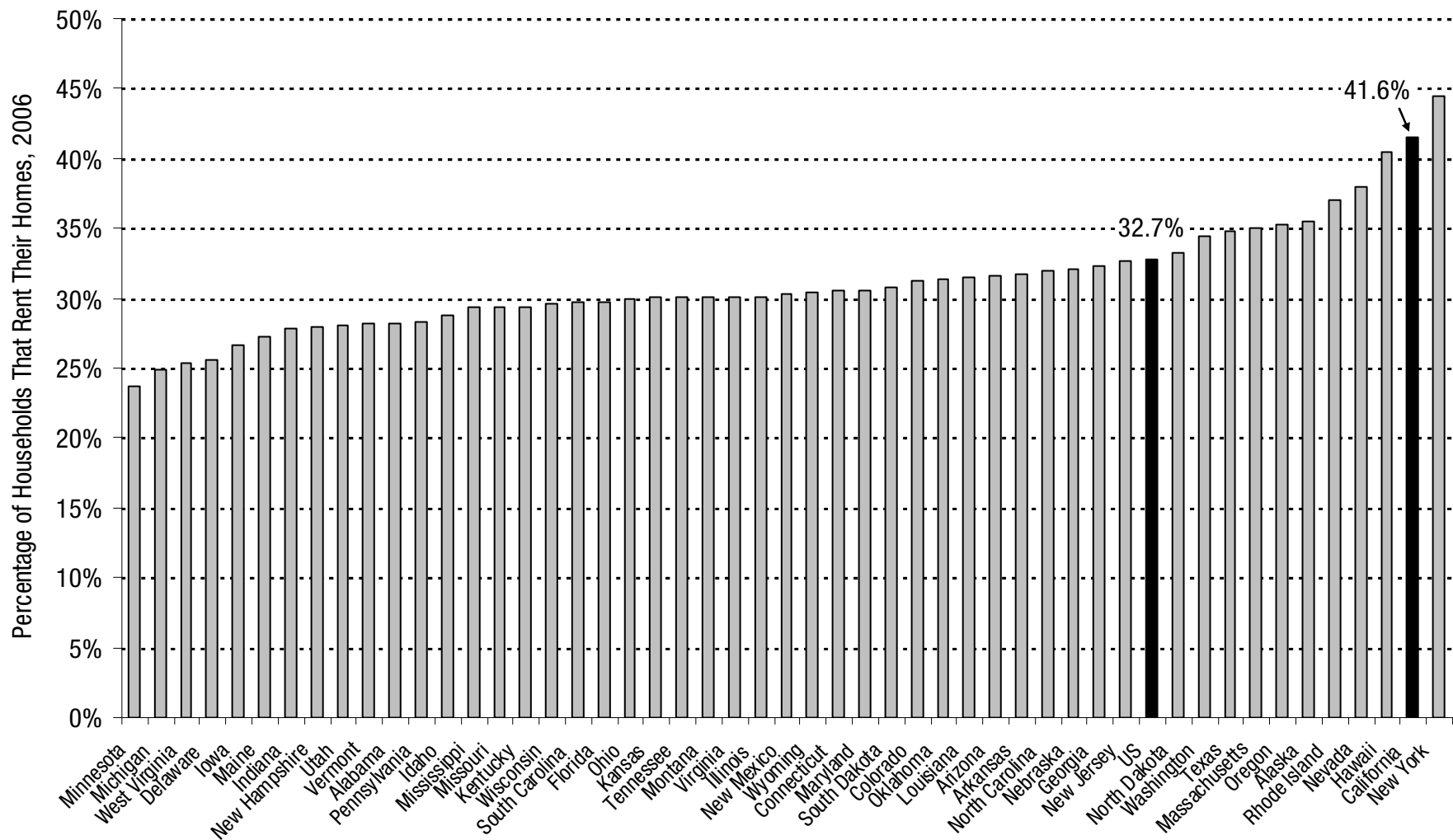
Homeless Californians Face the Most Severe Housing Crisis

- Estimates suggest that more than 500,000 Californians are homeless at some point each year.
- A recent study found that:
 - California has the third-highest rate of homelessness in the nation,
 - Homelessness is prevalent throughout California, and
 - Many families with children are homeless.

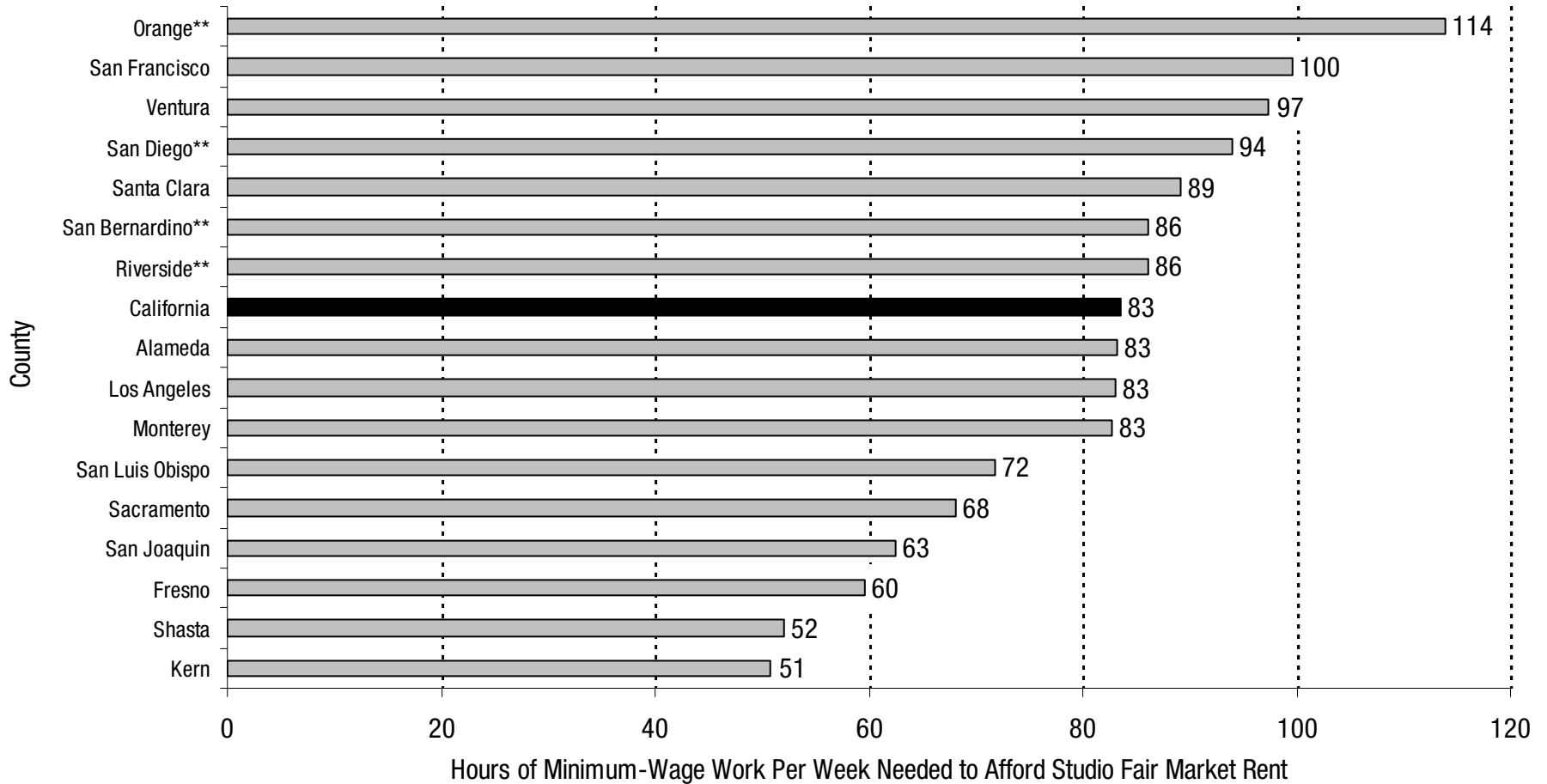


California's Renters Face Significant Affordability Challenges

California Has the Second-Highest Share of Renter Households Among the 50 States



Minimum-Wage Earners Must Work Overtime to Afford a Studio Unit



* Based on California's minimum wage of \$8.00 per hour effective January 1, 2008 and 2008 Fair Market Rents (FMRs).

Assumes an individual works year-round and spends 30 percent of his or her income on rent.

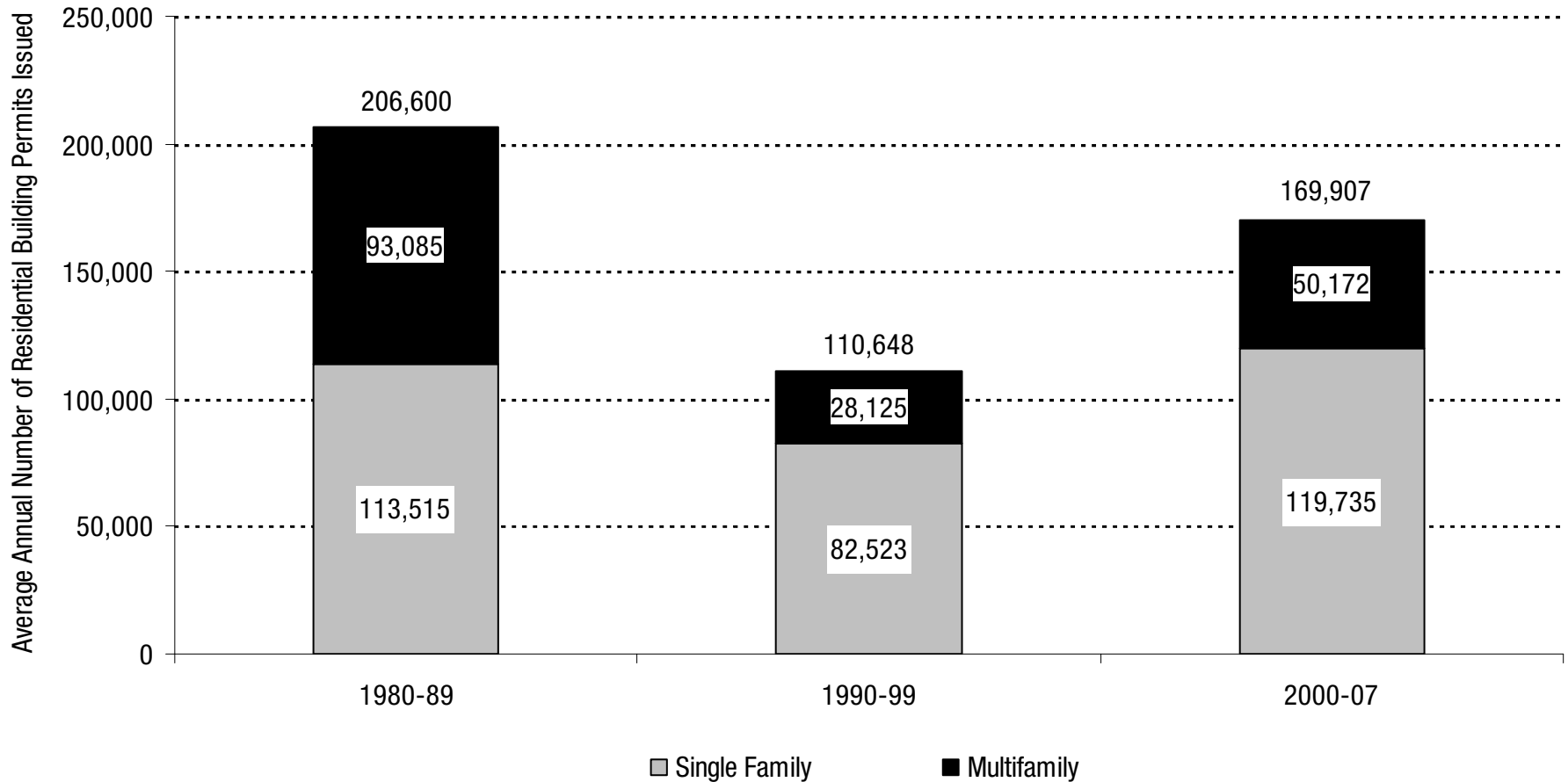
** FMR set at 50th percentile to reflect an insufficient number of low-rent units and a concentration of individuals who receive federal rental assistance. In general, HUD sets FMRs at the 40th percentile, meaning that 40 percent of an area's rents are lower than the FMR.

Source: CBP analysis of US Department of Housing and Urban Development data

California Could Lose Tens of Thousands of Federally Subsidized Rental Units

- The federal government provides subsidies to owners of rental housing to keep rental units affordable.
- Much of this affordable rental housing is at risk of being lost in California because:
 - Many rent-subsidy contracts are expiring, and
 - Many rental property owners are prepaying their low-cost mortgages.
- California already has lost more than 17,000 federally subsidized rental housing units since 1996.
- Another 93,000 affordable units could be lost by 2017.

Overall Housing Construction in California Rebounded in the 2000s, but Multifamily Construction Continues to Lag Behind Its 1980s Level



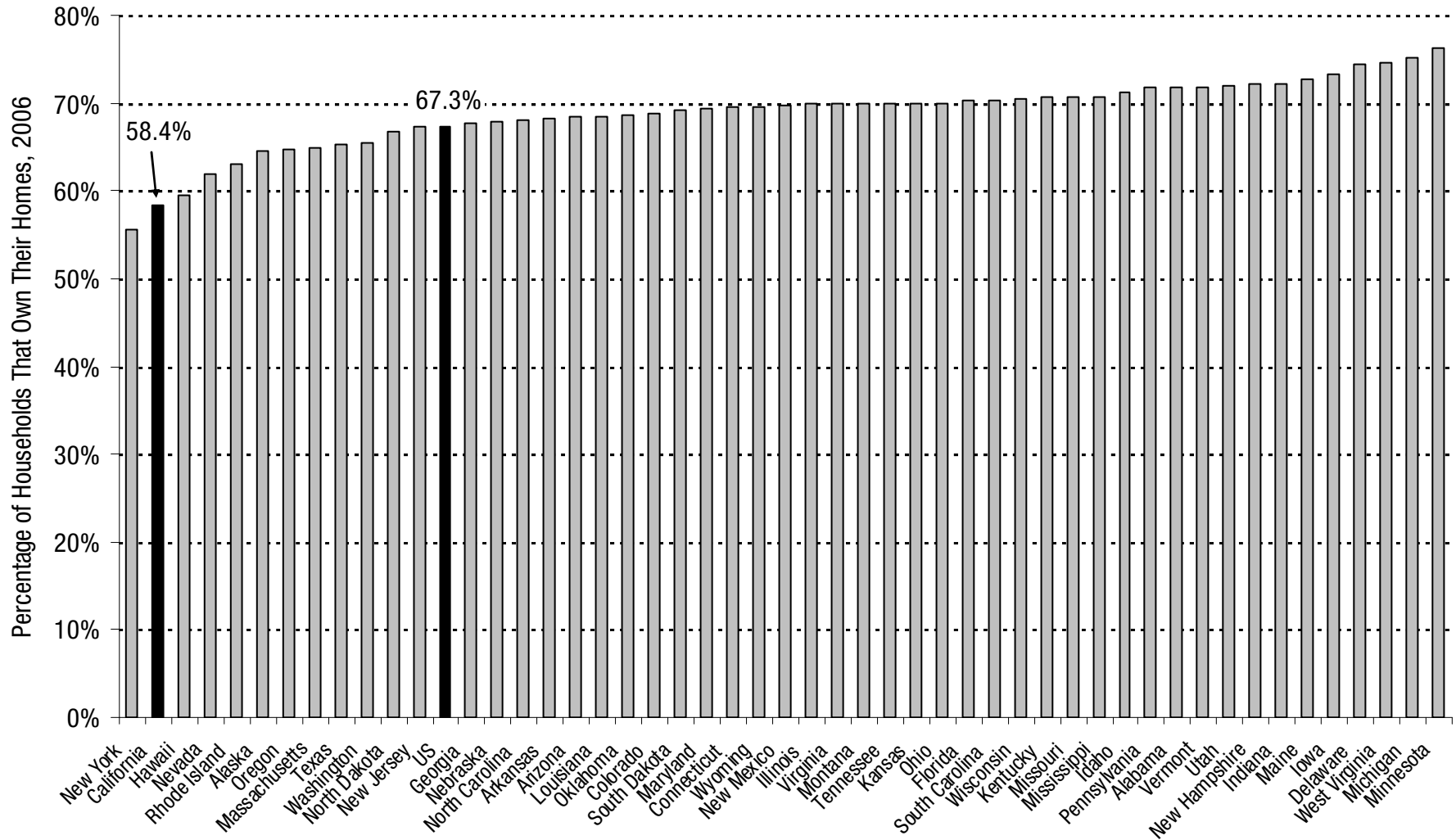
Note: Multifamily units generally include apartments and condominiums located in multistory buildings. Data for 2007 are preliminary.

Source: Construction Industry Research Board

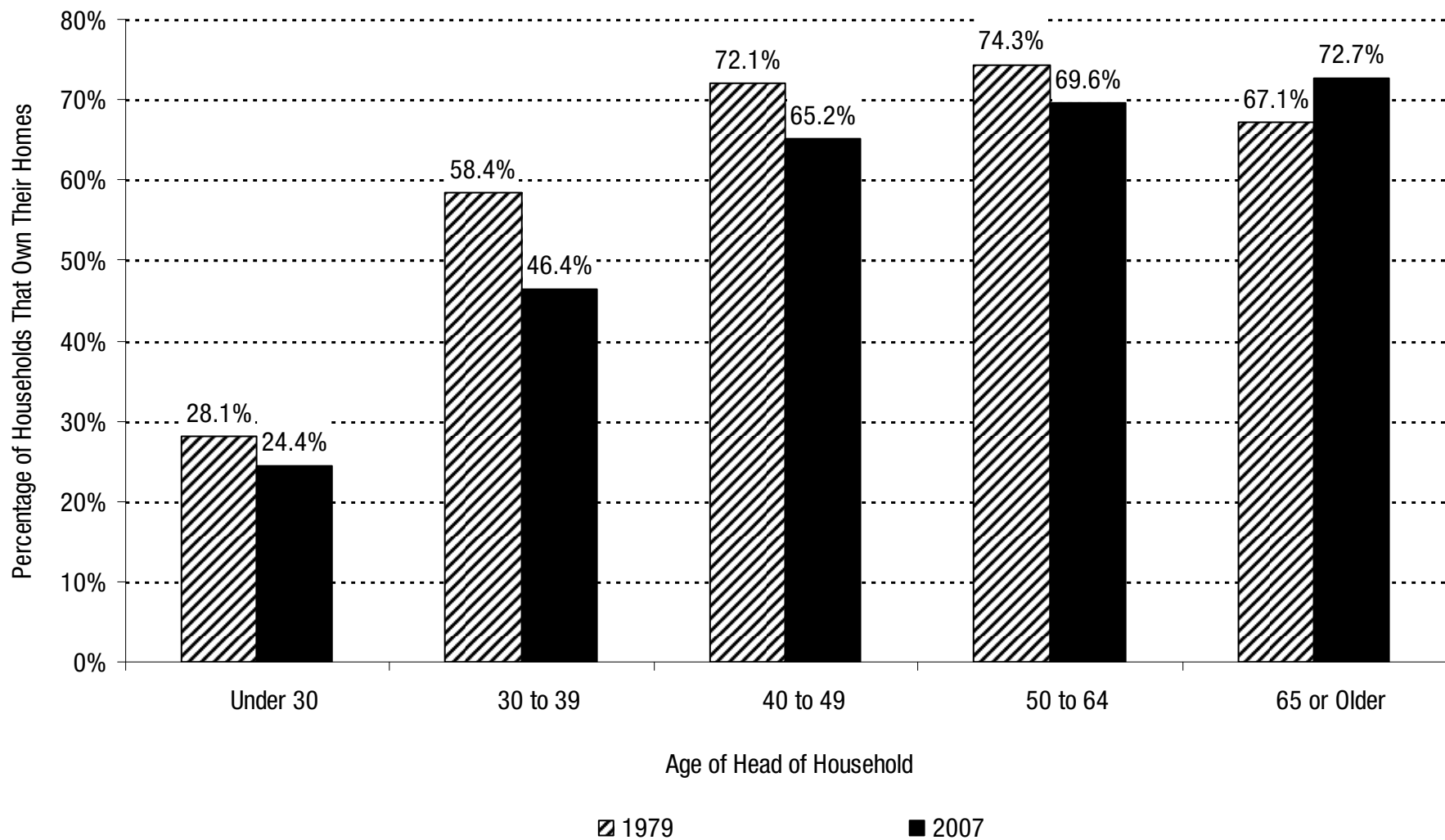


The Ups and Downs of Homeownership in California

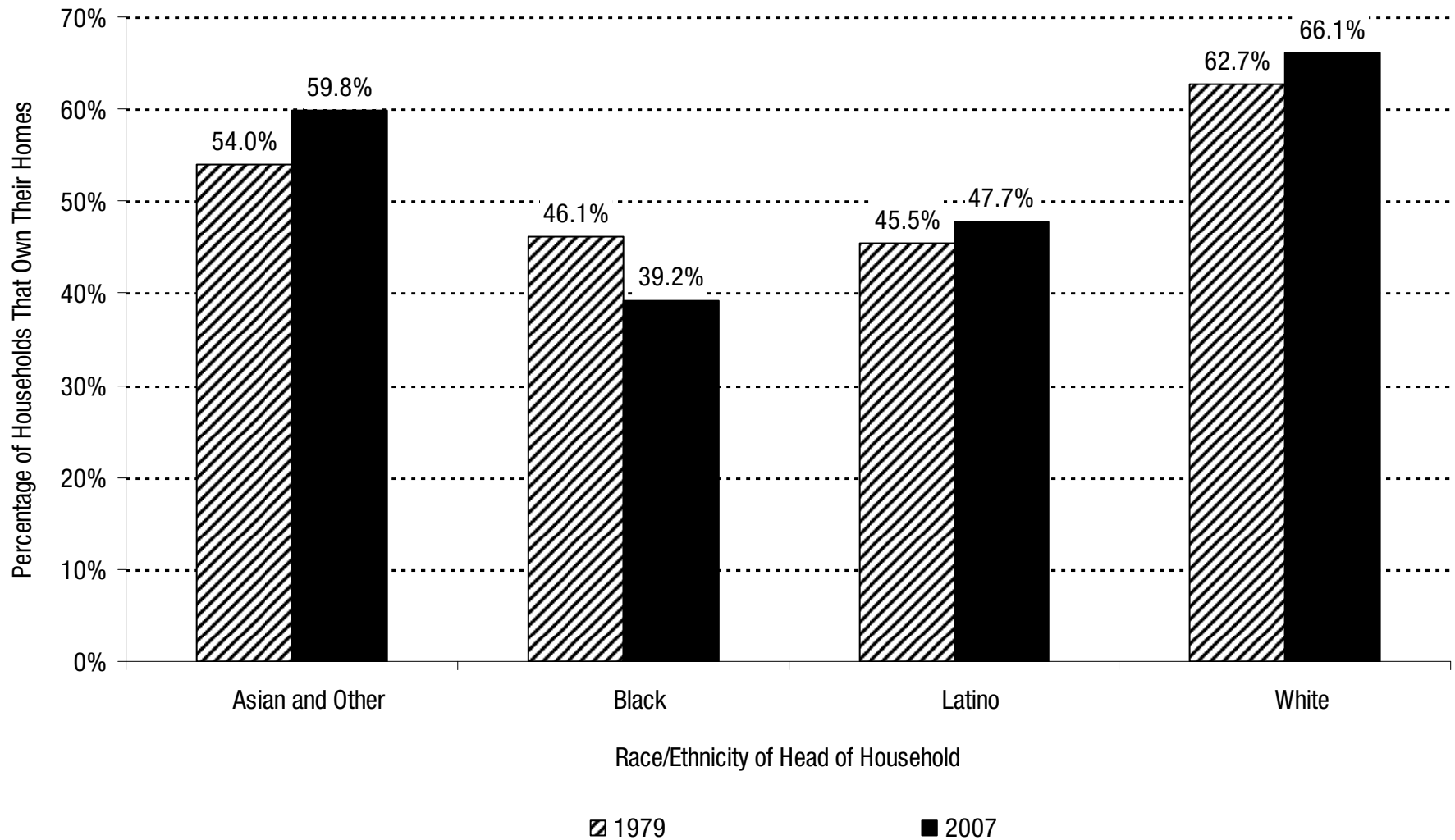
California Has the Second-Lowest Homeownership Rate Among the 50 States



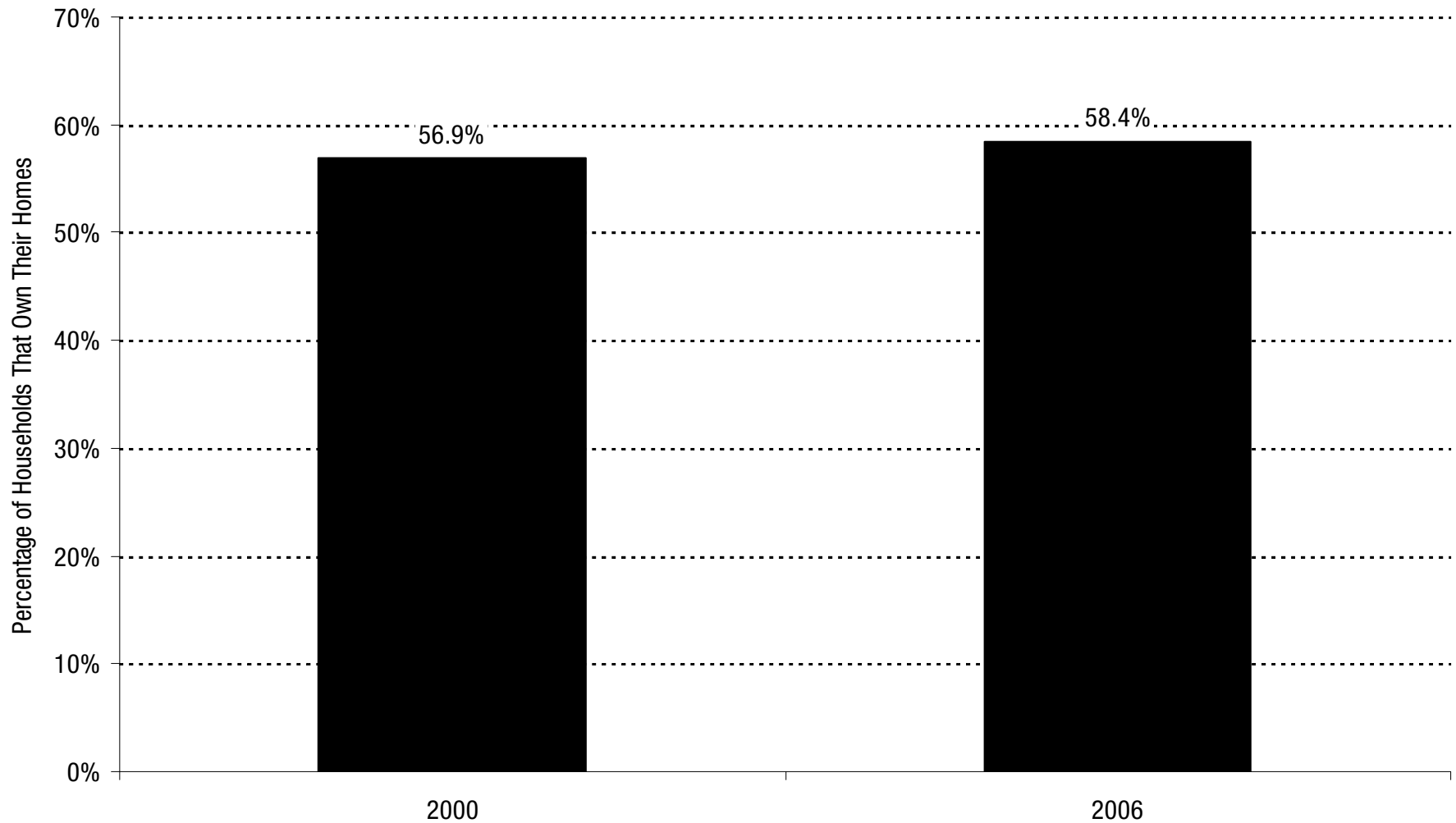
Homeownership Rates Have Dropped Among All California Age Groups Except Seniors Since 1979



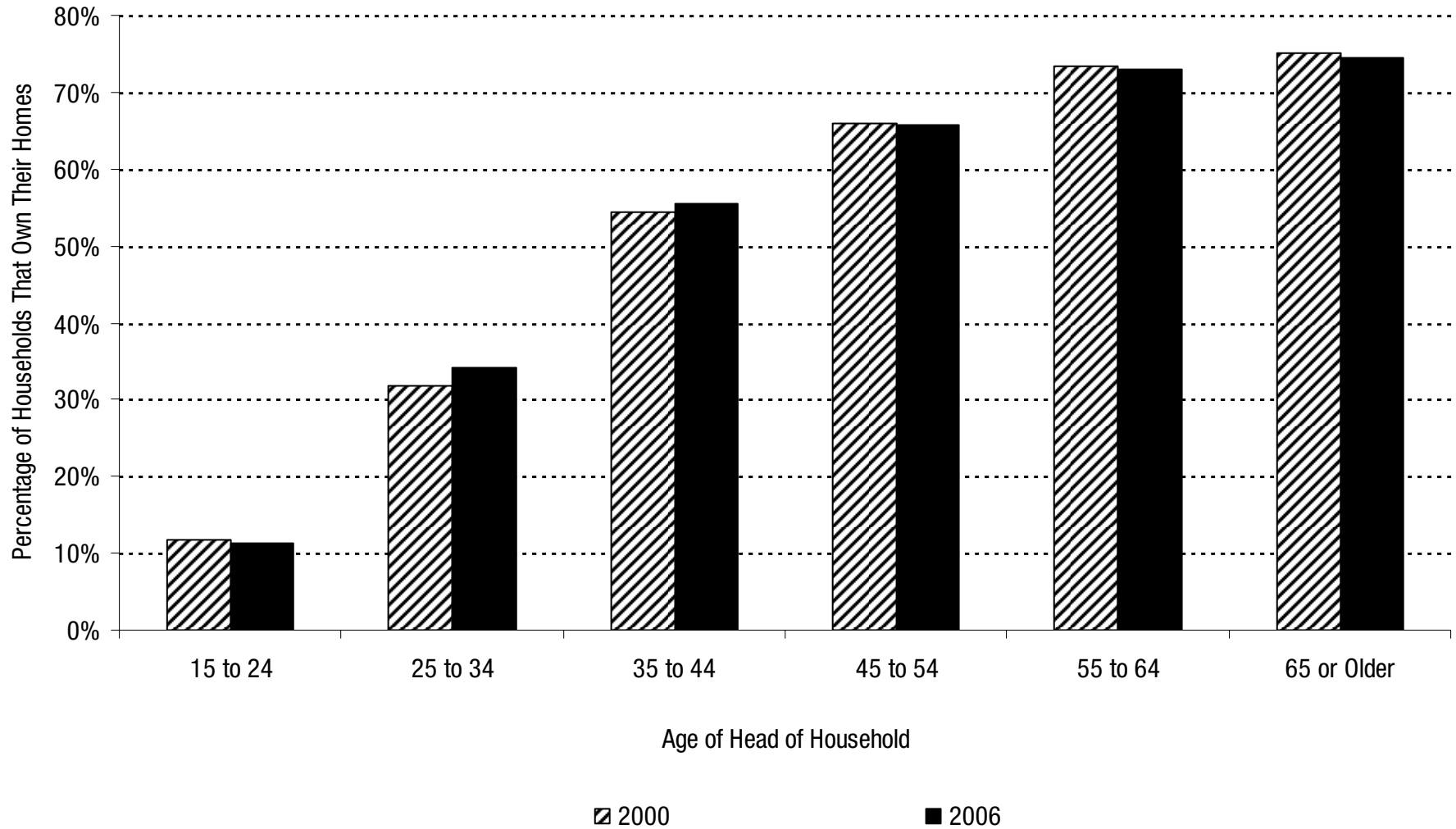
The Share of California's Black Households That Own Their Homes Has Declined Since 1979



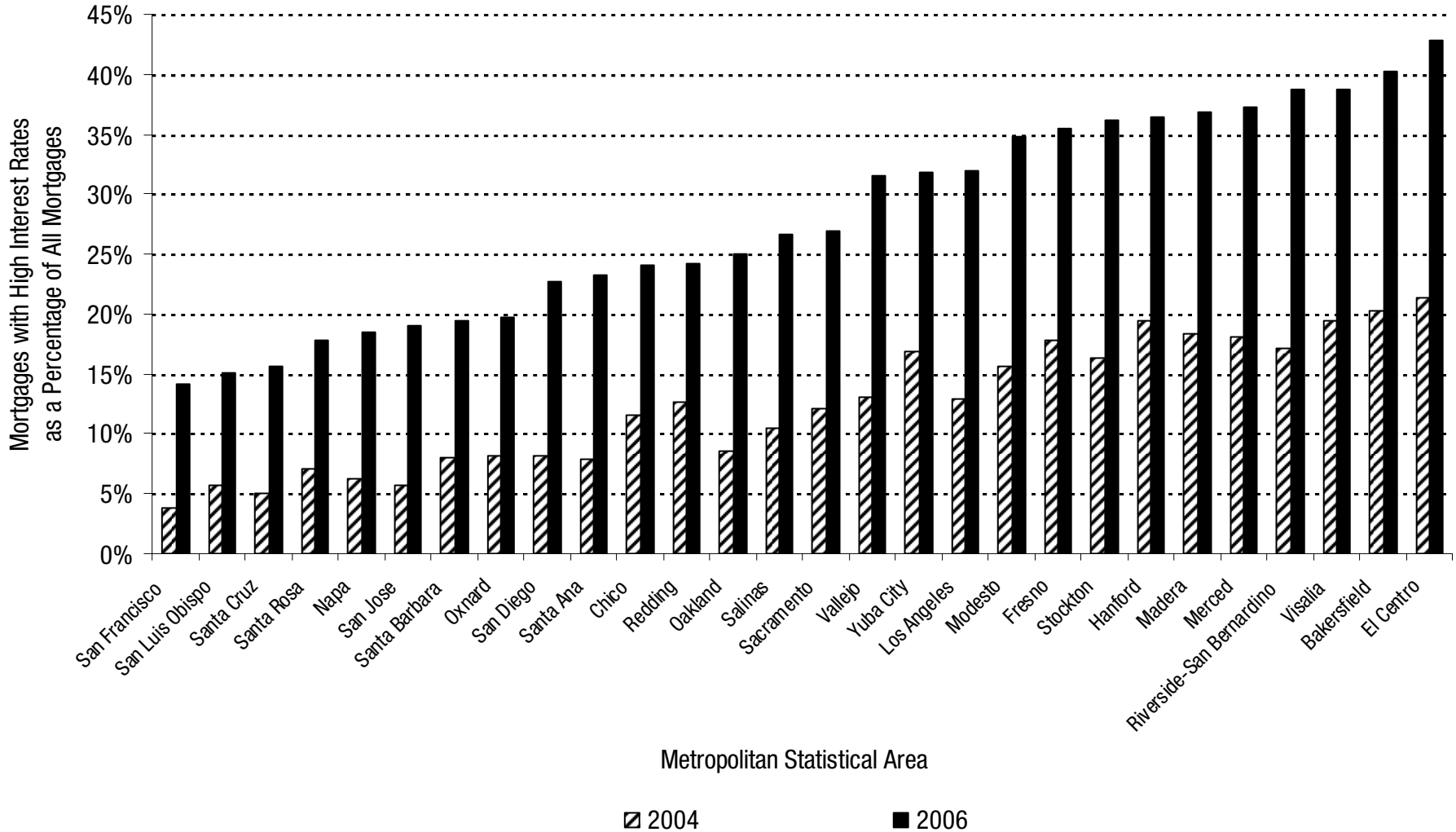
Homeownership Increased Modestly in California During the Housing Boom, 2000 to 2006



Homeownership Increased Modestly Among Californians Age 25 to 44 Between 2000 and 2006



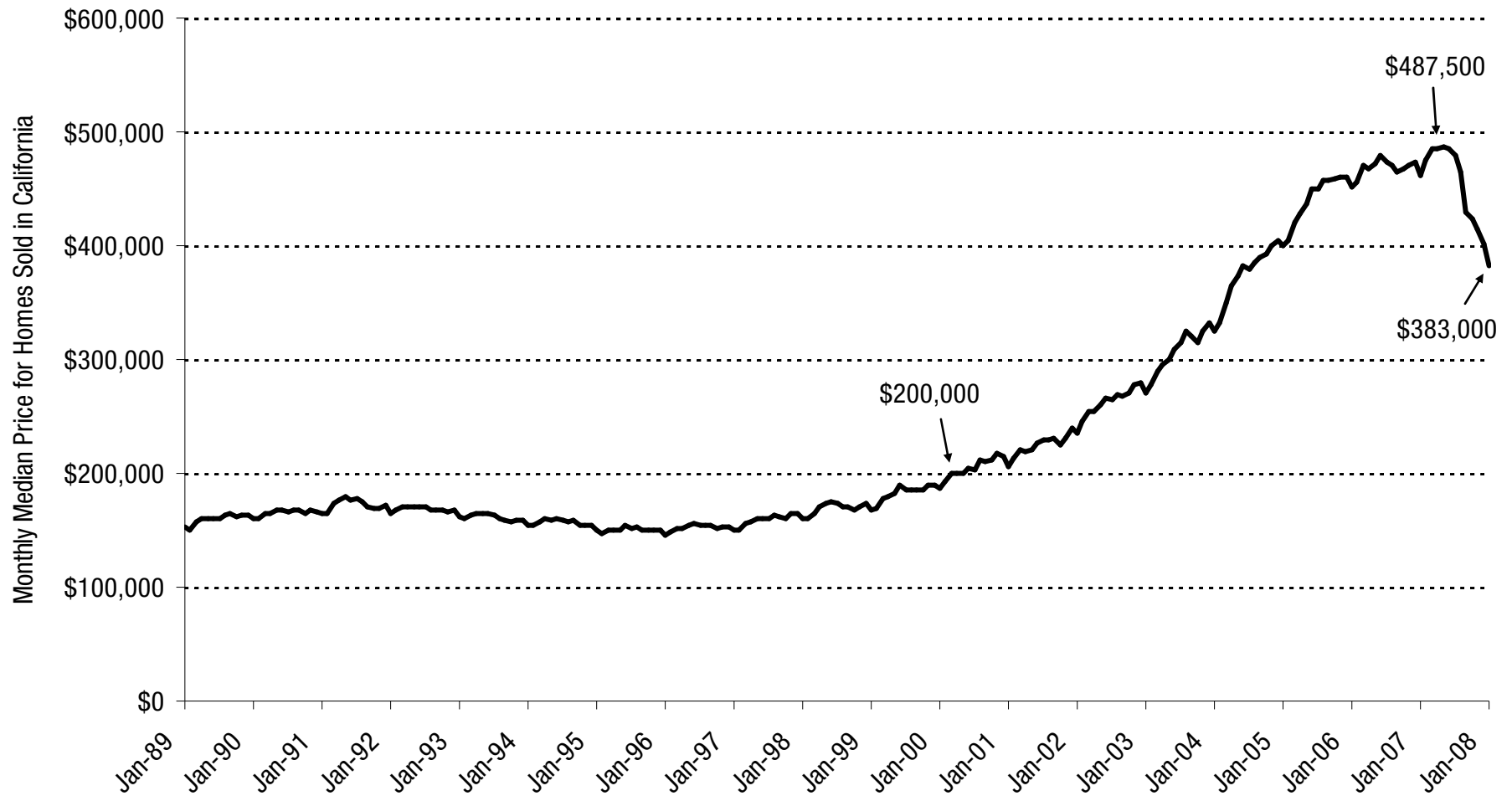
Home Loans with High Interest Rates Increased as a Share of All Home Loans, 2004 to 2006



Note: High-rate loans include many, but not all, subprime loans.

Source: *Wall Street Journal* analysis of federal Home Mortgage Disclosure Act data

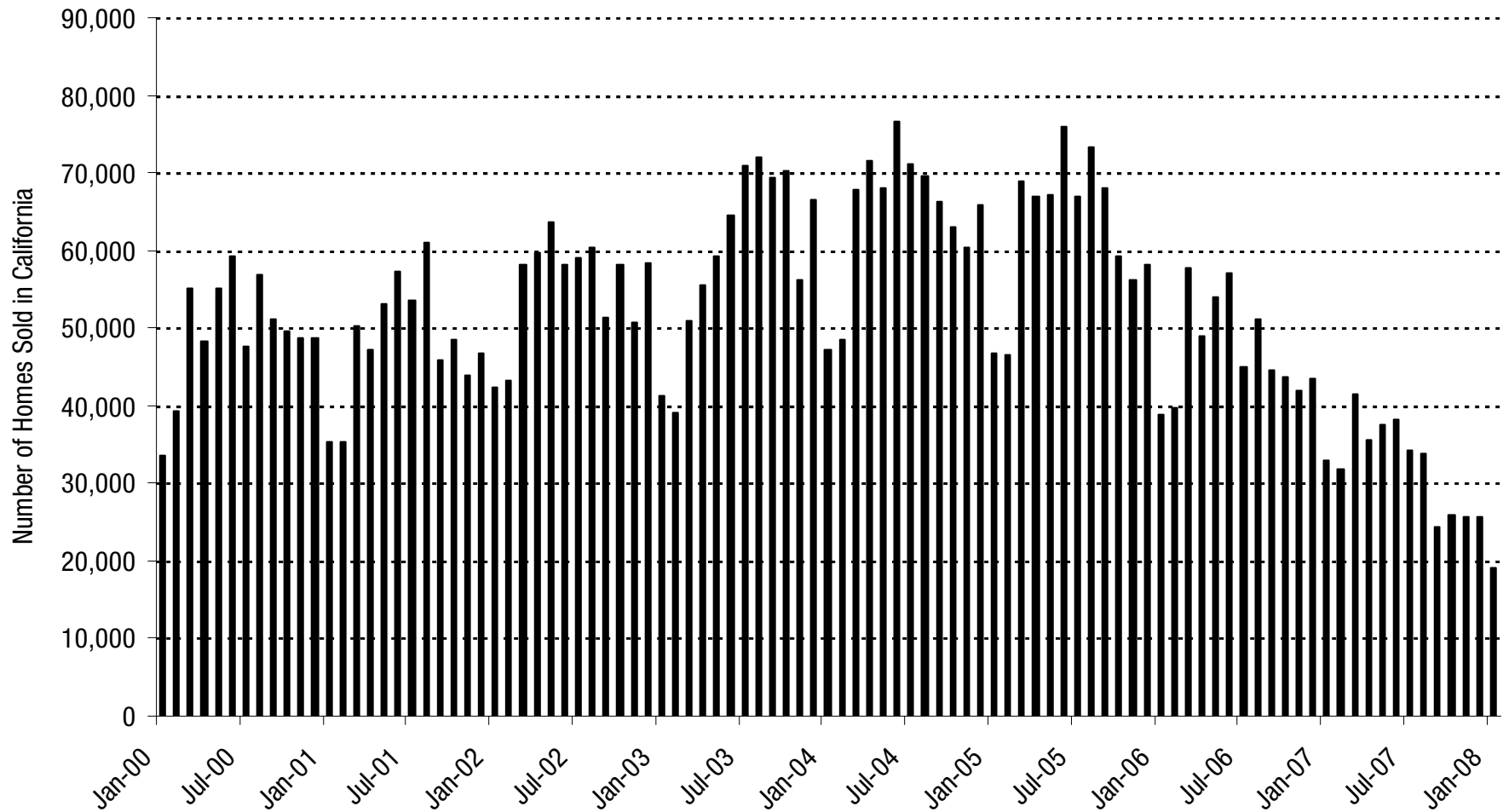
California's Median Home Price Boomed Between 2000 and 2006



Note: Includes new and resale condominiums and single-family detached homes.

Source: DataQuick Information Systems

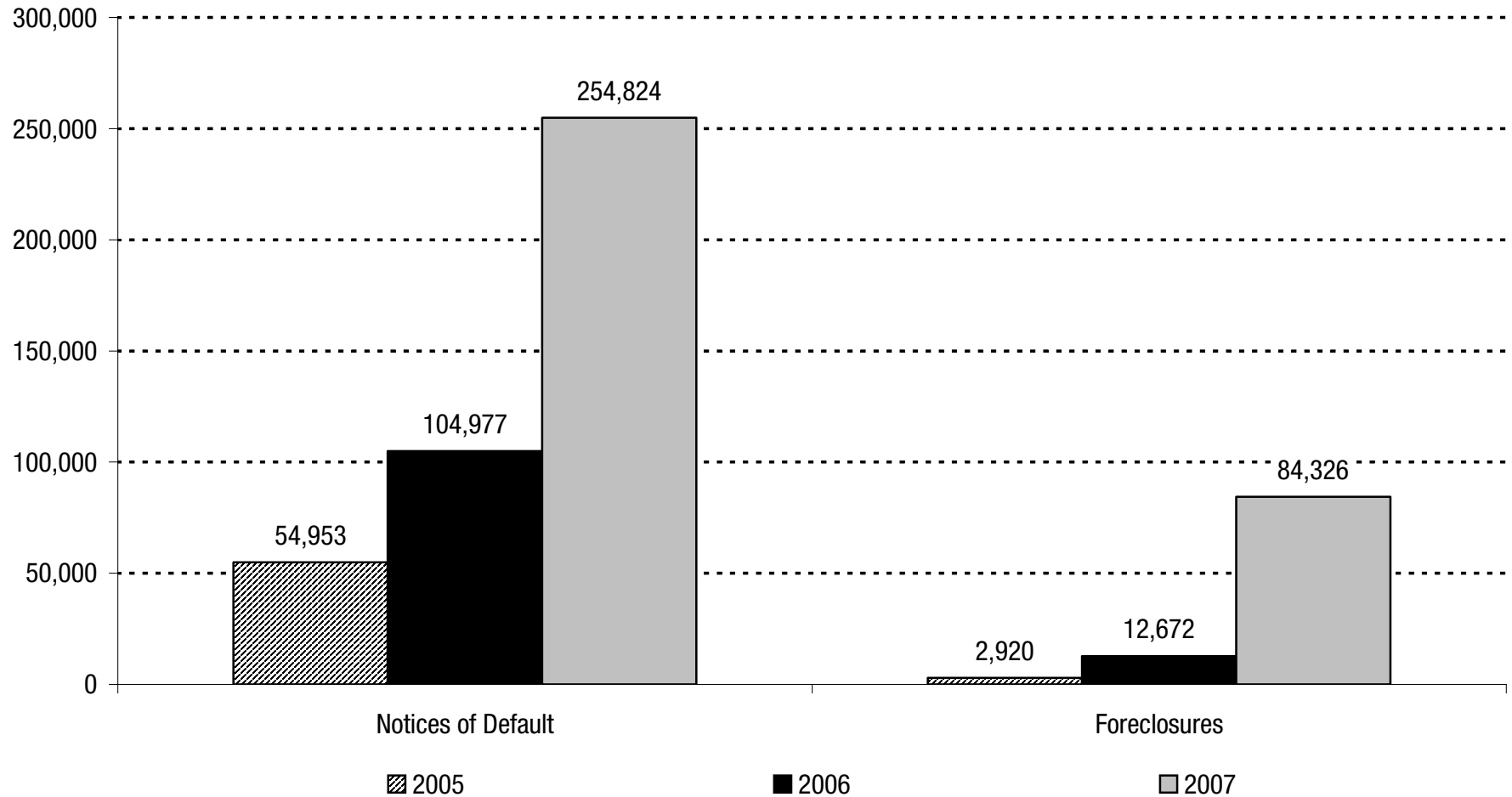
Monthly Home Sales in California Have Dropped Substantially Since Late 2005



Note: Includes new and resale condominiums and single-family detached homes.

Source: DataQuick Information Systems

Mortgage Delinquencies and Foreclosures Have Increased Substantially in California



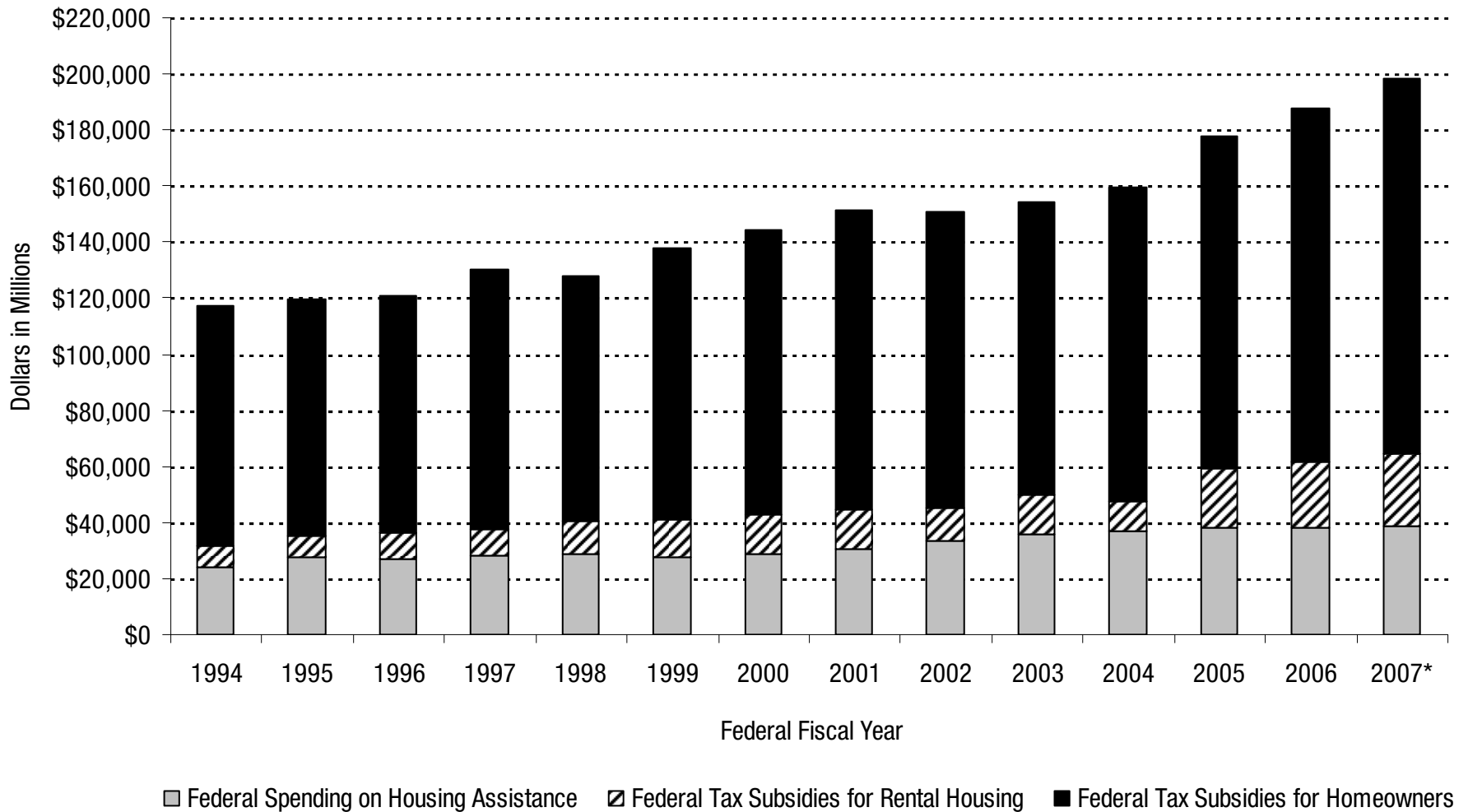
Note: Notices of default are sent to homeowners who are delinquent on their mortgage payments. Foreclosures reflect the number of homes that lenders have taken possession of or have been sold at auction.

Source: DataQuick Information Systems



Federal and State Housing-Related Spending: Where Does the Money Go?

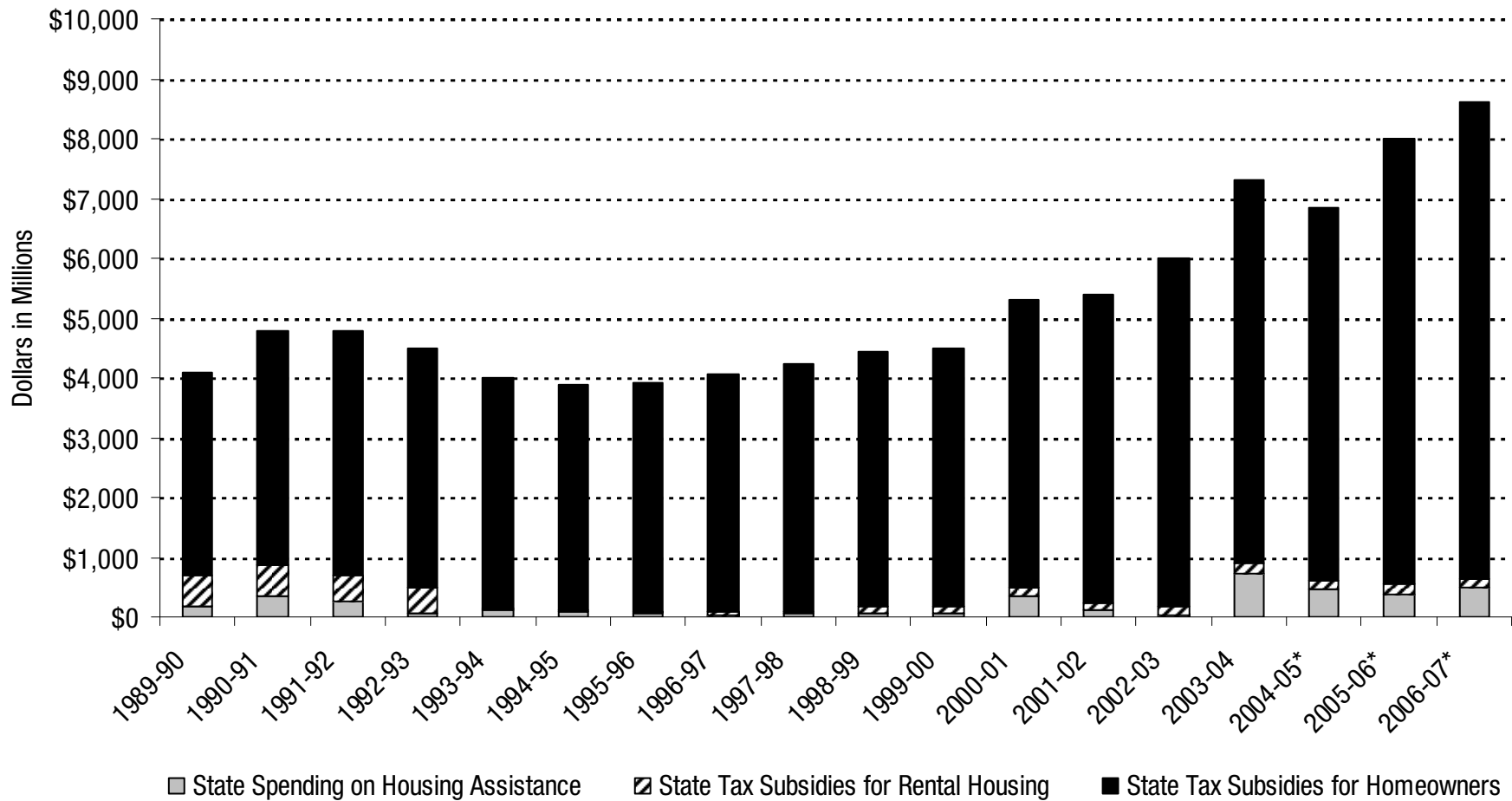
The Majority of Federal Housing-Related Spending Supports Tax Subsidies for Homeowners



* Federal spending on housing assistance is estimated for 2007. Federal tax expenditures are estimated for all years.

Source: US Office of Management and Budget

Most of California's Housing-Related Spending Supports Tax Subsidies for Homeowners



* State spending on housing assistance is estimated for 2006-07; state tax subsidies are estimated for 2004-05, 2005-06, and 2006-07, except for the capital gains exclusion on home sales, which is estimated for all years.

Note: State spending on housing assistance includes state General Fund and bond fund spending.
Source: Department of Finance, Franchise Tax Board, Housing California, and Legislative Analyst's Office

Conclusion

- Greater local, state, and federal efforts are needed to address California's housing challenges.
- *Locked Out 2008: The Housing Boom and Beyond* outlines steps that California's policymakers can take to:
 - Help increase the supply of affordable housing,
 - Help homeowners who face foreclosure and protect future homebuyers, and
 - Reduce and prevent homelessness.
- Visit the CBP's website at www.cbp.org.