

SAN
DIEGO



homes for all san diegans

THE STATE OF HOUSING AFFORDABILITY IN THE REGION

2006

choice

AFFORDABILITY

that's what most people want in determining where they'll live:

a choice of how far to live from work;

a choice of lifestyle and community amenities;

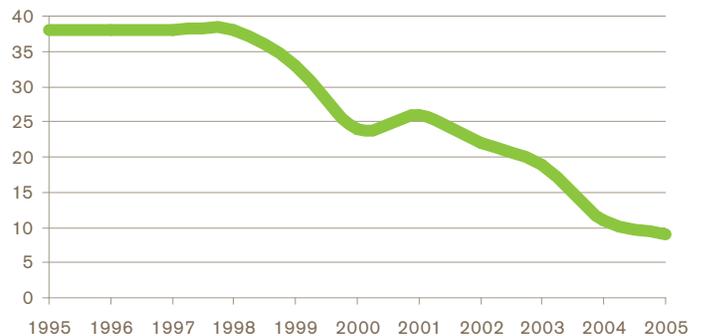
and a choice of school districts for their children.

But, given San Diego's housing crisis, for most low and moderate income residents, the choices are limited at best.

For many residents in San Diego and throughout California, the price of housing has reached a breaking point. Though shelter is a basic need, renting or buying a home becomes more difficult every day.

In discussing housing choice, the analogy is often made between finding a home and buying a car. With cars people have many choices. There are cars of all sizes and prices—new and used—based on a buyer's budget and personal preferences.

» san diego region housing affordability index



Percentage of Households That Can Afford Median Priced Home

Source: California Association of Realtors (CAR)



the jiménez family, fallbrook view

"We moved from housing that was causing our three year-old daughter to be very ill. Now we're in a safer neighborhood, and the Learning Communities program has helped our oldest daughter improve her math scores. We used to feel squeezed, barely making it every month because rent was so high. Now, life is easier at Fallbrook View. Last month we bought a computer that our daughters use every day for their schoolwork."



“What is new in the latest run-up of California housing prices appears to be the financial degree to which Californians are willing to go to buy a house and the willingness of financial institutions to accommodate that desire.”

*Public Policy Institute of California
California’s Newest Homeowners, August 2005*

“Nearly all the apartment units being constructed are in the luxury category...In fact units built since 1998 are averaging \$1,581 per month...”

The Daily Transcript, March 28, 2005

When it comes to renting or buying a home here, nearly all choices are expensive:

- › The median price of new and resale single family homes and condominiums, is \$520,000, and new detached single family homes fall in the \$800,000 range—a 350 percent increase since 1996;
- › The average cost of apartments converted into condominiums is almost \$340,000; and
- › A two-bedroom apartment rental is now priced at \$1,158 per month, almost double the average rent of \$643 in 1990.

This report describes how the lack of housing choices is affecting the region, particularly lower income residents, and the public policies that are being pursued to provide a continuum of housing choice.

the region is one of the least affordable places in the nation

The California Association of Realtors Housing Affordability Index indicates that only nine percent of the region’s households could afford a median priced home in San Diego County as of December 2005. This figure compares to 14 percent in California and 49 percent for the nation.

incomes are not keeping pace

The cost of homes in the region has increased dramatically over the last decade, especially when compared to household income. While the San Diego economy is one of the strongest in California, most new jobs do not have salaries that match the cost of housing in the region.

- › From 2001 through 2003, 61 percent of jobs created in the San Diego region have been in categories with salaries averaging less than \$25,000 per year;
- › Buyers need an annual household income of about \$134,000 to afford a median-priced single family home, assuming a 10 percent down payment and a 30-year fixed-rate mortgage at current interest rates. The county’s median household income is \$64,273;

- › The income needed to afford a modest two-bedroom apartment is \$46,320 a year, or \$22.27 an hour. The average hourly wage for renters in San Diego County is \$13.71, but many workers earn the minimum wage of \$6.75.

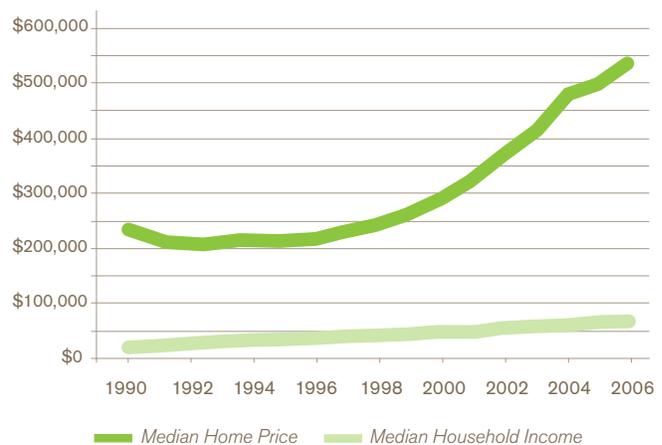
effects of the disparity between housing costs and income

Forty percent of all households in California with mortgages pay more than 30 percent of their household income on housing costs. That rate exceeds all other states in the nation. In 2005, more than 70 percent of home loans made in San Diego County were interest-only or negative amortization loans—homeowners were paying no principal and only a portion of the interest on the loans.

Other results of the gap between housing costs and income levels are:

- › Households “doubling up” and moving frequently;
- › Parents working multiple jobs to support their families;
- › Workers commuting extreme distances to find more affordable homes; and
- › Young adults remaining at home rather than moving out.

» housing costs and household income



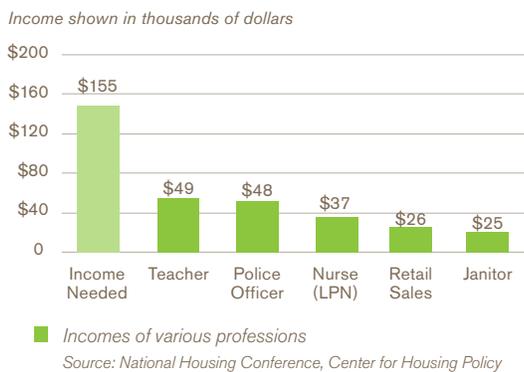
Source: DataQuick, SANDAG



mary kuehnel, horton house

"My daughter convinced me to move to San Diego to be nearer to her. I was convinced I'd hate it. But I was so lucky. I found Horton House! Here I am 21 years later, 90 years old, and happy as a lark. Best of all the rent is \$250 a month."

» comparison of income versus home price



» income ranges for family of four

Extremely Low	\$0-\$20,700
Very Low	\$20,701-\$34,500
Low	\$34,501-\$55,200
Moderate	\$55,201-\$77,900
Above Moderate	\$77,901+
Area Median Income	\$64,900

Source: California Department of Housing and Community Development



The gap also poses significant difficulties in recruiting workers for San Diego's job growth. Between 2004 and 2005, 43,126 more people moved out of the area than moved in, largely because of the region's lack of affordable housing options.

Those with the greatest need for more housing choices are those spending more than 50 percent of their monthly income on housing or those living in substandard conditions.

- › In San Diego County, 53 percent of all renters in the region and 35 percent of all homeowners have housing problems (cost burden greater than 30 percent of income, overcrowding, or lacking complete kitchen or plumbing facilities).
- › Forty-nine percent of all very low income households in San Diego County spend more than 50 percent of their income on housing costs causing them to cut back on or do without basic necessities such as food, health care, and transportation.
- › The San Diego Regional Task Force on the Homeless estimates that the region has more than 9,600 homeless people, 1,400 of them chronically homeless.

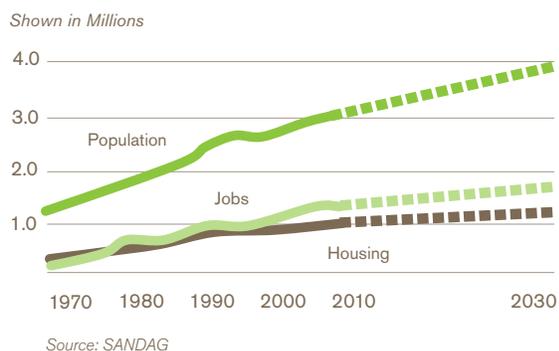
lack of supply and absence of a housing continuum

Effectively serving San Diegans at all income levels requires a continuum of home ownership and rental opportunities. The San Diego region has failed to produce the homes needed to meet its burgeoning and diverse housing needs.

lack of housing supply

Over the next 30 years, SANDAG's 2030 Regional Growth Forecast projects that the region's population will increase by about a million people and a half million

» growth trends in the san diego region





"[Many] people who provide the bulk of vital services — teachers, firefighters, police officers, and retail sales and restaurant workers — cannot afford to live in the communities they serve"

*National Housing Conference, Center for Housing Policy
Paycheck to Paycheck 2005*

"The supply of assisted rental housing for low and very low income renters is extremely limited in the San Diego [region]. Occupancy rates of 100 percent and waiting lists of several years at subsidized projects are typical."

HUD Analysis of the San Diego, California Housing Market as of July 1, 2005

jobs—both growing at about the same rate. Even though housing in the 1970s and 1980s grew at about the same rate as population and employment, in the 1990s home production began to fail to keep pace with demand.

The 2030 Regional Growth Forecast also shows the region exporting almost 90,000 households to Riverside and Imperial Counties, and Baja California, although at least one household member continues to work in San Diego County. This reflects the region's relative lack of planning for residential development.

absence of a housing continuum

The great majority of homes built during the past 15 years have been affordable only to families with incomes in the above moderate income range, and only a small percentage have been built for very low and low income families. Very few or no homes have been built for moderate income households.

The homes for very low and low income households have been built using a variety of local, state, and federal funds and inclusionary (mixed income), density bonus, and accessory unit ordinances. During the last housing element cycle (1999–2004), about 5,800 new homes were constructed for very low and low income households—about 16 percent of the need (36,282 units) as identified in the Regional Housing Needs Assessment.

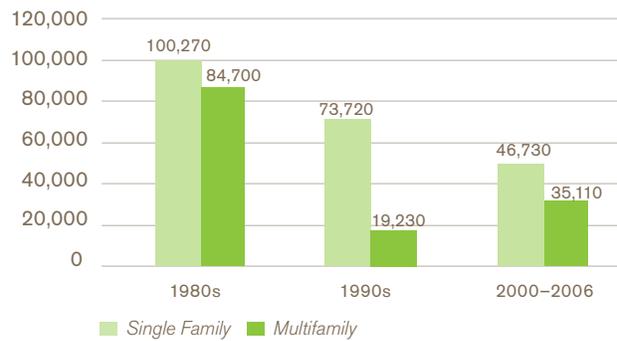
Further affecting the region's housing supply is the dramatic decline in multifamily housing production that occurred in the 1990s.

Currently, only seven percent (about 2,000 acres) of the remaining approximately 28,400 acres of vacant land in the 18 cities is planned for multifamily densities of 12 or more homes per acre.

what's been done to increase housing affordability in san diego?

In 2002, California voters approved Proposition 46 that authorized \$2.1 billion in bonds for affordable housing development. Proposition 46 brought \$100 million in state loans into the San Diego economy. This leveraged \$200 million more for affordable housing and resulted in the development of 2,147 apartments and shelter beds. It also provided mortgage assistance for 1,016 first-time homebuyers.

» total housing units added 1980–2006



Source: California Department of Finance, SANDAG

kelly ryan and sons, torrey highlands

"Although I earn a good salary from my job as a special events coordinator, my paycheck isn't enough to cover all of our living expenses. But my rent is affordable at Torrey Highlands, and my sons and I enjoy living in such a beautiful neighborhood. This is a great place to raise children and I'm relieved that they can go to good schools. That's important for the long-term."



community



elaine erickson and sons, clairemont

"As the sole supporter of two school-age boys, I used to feel overcome with a sense of despair that nothing would ever change. Things had been especially bad when I was married. I escaped that life with my kids, fleeing to an emergency homeless shelter. Eventually, we got onto Section 8 and into our own apartment. I've since earned an Office Information Systems certificate of achievement from San Diego City College which led to a good job at Mesa College. I've continued going to school, working on two associate degrees so I can qualify for a promotion at work, and soon will no longer depend on housing assistance."

In addition to Proposition 46 funding, ten projects in the San Diego region received federal tax credits in 2005, resulting in the construction of 815 large family apartments and 150 senior apartments. Since the inception of the federal and state tax credit programs, an additional 16,736 affordable apartments have received credits. These homes are affordable to those who earn up to 60 percent of median family income.

The inventory of rent-restricted affordable homes in the region totals about 26,000 units, which serve about 52,000 households. Another 75,000 renter households—those who pay more than 50 percent of their income on housing—are in need of assistance.

what can be done to provide greater housing choice and affordability?

The cost of land and construction for housing in the region is so high that subsidies are needed to provide affordable homes for very low and low income families. Also, a wider array of market rate homes—both multifamily and smaller single family units—need to be built for families with moderate incomes.

smart growth approach

SANDAG's Regional Comprehensive Plan (RCP) recommends a smart growth approach to improving housing choice. Vacant land for new construction is disappearing quickly and is nonexistent in some cities, which means that most new housing development will occur through redevelopment and infill, and mixed use development. SANDAG's Smart Growth Concept Map identifies where this type of development should be located—along transit corridors and near transit stations.

proposition 1c—the statewide housing bond

Proposition 1C, if passed by voters in November 2006, proposes to:

- › Continue important affordable housing construction programs launched under Proposition 46;
- › Provide infrastructure, parks, and transit oriented improvements as incentives for smart growth developments; and
- › Provide amenities to help residents support new housing in existing communities.

permanent source of state housing funds

With funds from Proposition 46 nearly depleted and passage of Proposition 1C still uncertain, most observers believe that a source of permanent state funding for affordable housing is needed. While several alternatives have been discussed, policymakers have yet to agree on a permanent source. Such funding streams are important because of the private capital, local matching funds, and other state and federal funds they leverage. Without this type of funding, the diversity of housing opportunities will be limited.

broad-based community support and leadership

Broad-based community support and leadership are needed to tackle the region's housing affordability challenges. To have the housing choices that San Diegans need and deserve, civic and political leaders must:

- › Provide the incentives and environment that will make it attractive for both for-profit and nonprofit housing developers to build a variety of homes for families of all sizes, ages, and incomes;
- › Ensure that adequate land is zoned for residential development at a variety of densities;
- › Persistently and creatively identify sources of funding for affordable housing;
- › Secure funding for infrastructure upgrades in older neighborhoods; and
- › Educate the public that housing choices for all improve the quality of life for everyone in the San Diego region.

for more information, please contact:

San Diego Housing Federation

www.housingsandiego.org | 619-239-6693

San Diego Association of Governments (SANDAG)

www.sandag.org | 619-699-1900

note

The homes and families shown in this report were assisted through federal, state, and/or local programs.



Ian Ly, City Heights

"I went to Community Housing Works to learn about buying a house. They helped me get down payment loans from Home in the Heights (which provides Redevelopment Agency incentives for City Heights renters to buy a home in City Heights) and PITCH (the Price program which trades volunteer hours for loan payments). This is the first time that I've owned a house and the feeling is really incredible. There's such a sense of belonging. I've always wanted to settle in San Diego, and CHW has allowed me to realize my dream."

Christian Castro, Creekside Trails

"Since moving to the Otay Mesa-Nestor neighborhood, my life has changed in many positive ways. I live in a better neighborhood, share a bigger home with my family, and have taken advantage of an amazing job opportunity. I now live in an ideal location where I can go anywhere because I have great access to freeways, stores and my house is more centrally located. The Internet availability at Creekside Trails is very good for the community. It allows us access to more information and is especially good for the children because it helps them succeed at school."

Craig and Britta Hyde, City Heights

The Hydys say they would not have been able to [buy their first home] without the help they received from San Diego Housing Commission's first-time homebuyer programs—despite the fact that Craig holds three jobs (as a teacher, part-time soccer coach, and wedding DJ).

OPPORTUNITY



SAN DIEGO
CHOICE
SUPPLY
AFFORDABILITY
COMMUNITY
OPPORTUNITY

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