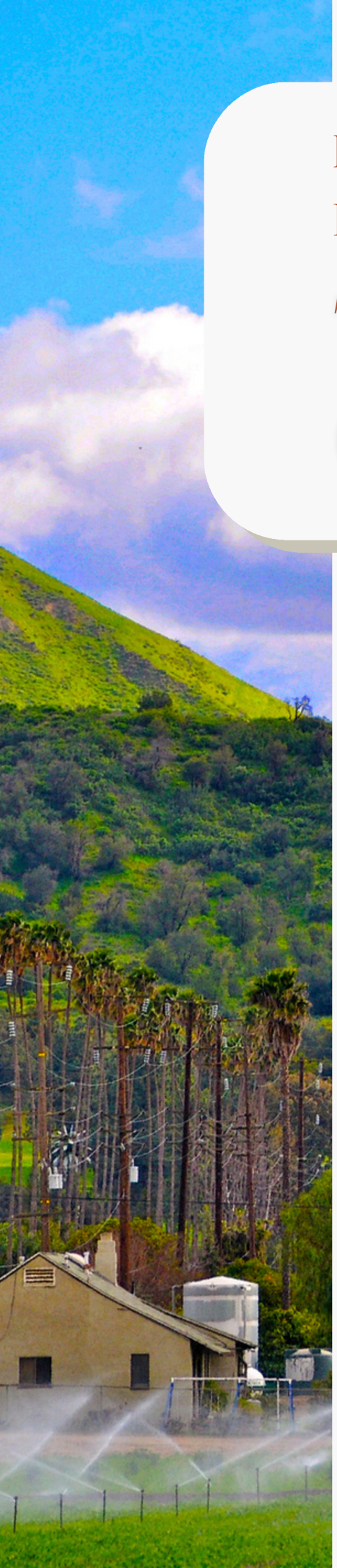
# SANTA PAULA

## ECONOMIC & HOUSING MARKET UPDATE



PREPARED BY

VENTURA COUNTY COASTAL Association of REALTORS® | GOVERNMENT AFFAIRS



ECONOMIC & HOUSING MARKET UPDATE

# Table of Contents


- Who Gets to Call California Home?
- REALTORS® Property Resource Report
- Housing Market Overview
- Time to Get Serious About Supply

EXECUTIVE SUMMARY

# Who Gets to Call California Home?

## CENTER FOR CALIFORNIA REAL ESTATE SPECIAL REPORT

California is witnessing an historic housing shortage. While this is universally recognized, there is less agreement about how to define and measure it, or even what makes the shortage so intense. This study measures the shortage as the gap between the percentage growth of employment each year and the percentage rate of housing construction. Annual gaps were widest before 2016, during the steepest part of the recovery from the Great Recession and they continued through 2019. Shortages are cumulative and prices keep escalating as a result.

An additional factor is the large size of the Millennial generation, which boosted the number of young renters and would-be homebuyers in the key ages when people typically form households and launch housing careers. This has applied acute pressure in the housing market amid the general shortage conditions.

There are many consequences for Californians from the shortage. No one is likely exempt from the effects. The report's authors compared housing outcomes relative to shortages in the 50 largest metropolitan areas in the nation, placing California metros in comparative context.

1. Young adults have been delayed in launching their independent lives. Evidence shows a strong correlation between slower household formation and conditions that produce greater housing shortages. The report finds Black and Latino young adults are impacted even more acutely than whites.

2. Shortages are closely linked to higher rents and prices, and higher cost burdens, that residents face in a metro area.

3. Higher cost burdens drive down rates of household formation, which means more people are doubled up with their parents or roommates, or forced to sleep in their cars, or worse.

4. Higher cost burdens also drive down homeownership. In comparison to all 50 large metros across the U.S., California adults aged 35-44 ("old enough" to be homeowners) have much lower homeownership rates. The greatest difference between California metros and other U.S. metros is found for white households: this group's homeowner rates are very high in many other metros but unusually depressed in Los Angeles and the Bay Area.

5. The generation gap between older and young homeownership rates is also greatest for the white households, but the gap between older and middle-aged homeownership rates is greatest for African Americans. The problem is nationwide, but especially severe in California and in Los Angeles specifically.

6. Low homeownership attainment by age 35 locks in a low future trajectory into homeownership that tops out at a rate that is lower than was true of earlier generations among white, Black, Latino and Asian residents. These faltering trajectories are much lower in California than the whole of the U.S. This augurs poorly for California's future homeownership rate, which hovers at 54.8%, ten points lower than the U.S. average.

7. Under conditions of housing shortage, there is greater competition for limited opportunities. In addition to rising rents and prices, people face an absolute shortage of housing units, forcing many to go without housing. This opportunity deficit falls disproportionately on the most vulnerable, including the newest entrants into the housing market (young adults or migrants from out of town), those with the least economic resources (disproportionately Black and Latino), and renters more generally.

8. The data supports that, just as expected, renters are impacted by repercussions from declining opportunities for homeownership. Frustrated, would-be buyers are forced to remain renting (as shown by declining rates of homeownership and higher-than-national rates of renting), augmenting the demand for rentals that places these generally higher-income renters in competition with middle- and lower-income renters. Because older units now filter upward (see item 10), units built before 1980 go to higher-income residents, leaving very little left for lower-income renters. This greatly aggravates conditions in the rental market and may force the lowest income renters completely out of housing.

9. Shortages of middle-income, or market-rate, rental housing forces those middle-income renters to scavenge for opportunities downscale, also encouraging landlords to upgrade their properties to fill the gap not supplied by new housing. This also places greater pressure on renters who are competing for a limited supply of low-cost rentals.

10. The filtering process for providing affordable rental opportunities has broken down in the last decade, both in California and nationwide. Before 2010, filtering transferred market rate rentals from lower- to middle-income brackets as the units grew older; however, due to shortages created by increased Millennial demand nationwide, filtering has reversed, so units are shifting upward to renters in higher incomes, rather than shifting downward to provide more low-income opportunity.

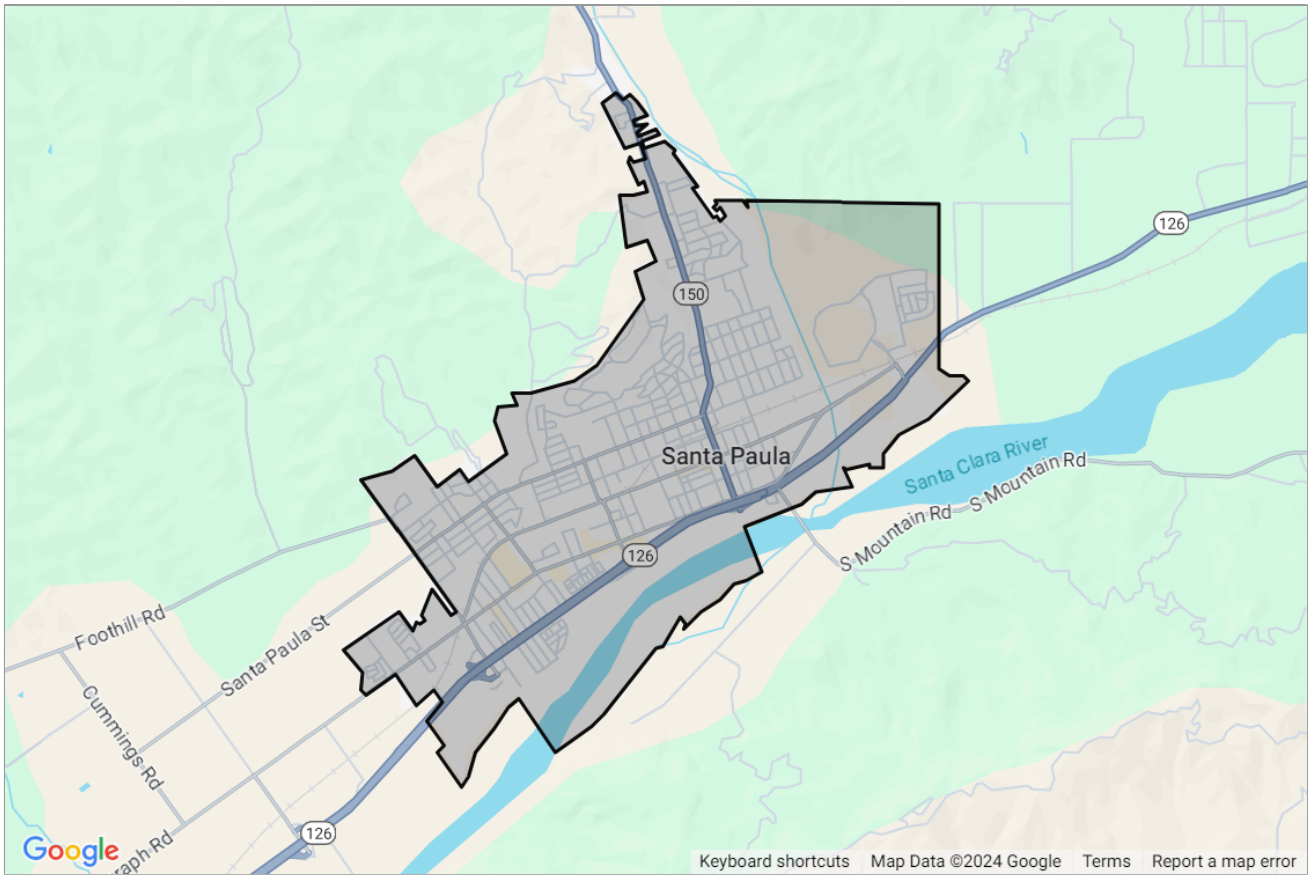
11. Shortages of housing opportunity have sent middle-income households searching into neighborhoods that are well-located, predominantly Black or Latino communities, as indicated by racial changes between the 2010 and 2020 censuses. This includes those gaining white residents in well-located areas near downtown LA or near the westside suburbs of LA, and those gaining Asian residents in far eastern suburbs of LA county or in Orange County to the south.

**Researched and written by**:
Dowell Myers, Ph.D.*
Hyojung Lee, Ph.D.#
Seongmoon Cho*
David Rosas Moctezuma*

*USC Price School of Public Policy
#Virginia Tech

LOCAL ECONOMIC AREA REPORT

# Santa Paula, California





Presented by

**Rob Leatherwood** | **Director of Government Affairs**


This report is powered by Realtors Property Resource®, a wholly owned subsidiary of the National Association of REALTORS®

Ventura County Coastal Association of REALTORS® | Government Affairs




Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

## Criteria Used for Analysis

| Median Household Income | Median Age | Total Population | 1st Dominant Segment |
|---|---|---|---|
| $69,910 | 33.0 | 32,262 | Family Extensions |

## Consumer Segmentation

Life Mode

**What are the people like that live in this area?**

### Next Wave

Urban dwellers; young, hardworking families

Urbanization

**Where do people like this usually live?**

### Urban Periphery

City life for starting families in neighborhoods that fringe major cities

| Top Tapestry Segments | Family Extensions | Pleasantville | Farm to Table | Southwestern Families | City Lights |
|---|---|---|---|---|---|
| % of Households | 3,300 (35.4%) | 2,030 (21.7%) | 1,353 (14.5%) | 774 (8.3%) | 534 (5.7%) |
| % of Ventura County | 15,401 (5.5%) | 39,692 (14.1%) | 8,679 (3.1%) | 2,587 (0.9%) | 22,482 (8.0%) |
| Lifestyle Group | Next Wave | Upscale Avenues | Sprouting Explorers | Sprouting Explorers | Middle Ground |
| Urbanization Group | Urban Periphery | Suburban Periphery | Semirural | Urban Periphery | Urban Periphery |
| Residence Type | Single Family; Multi-Unit Rentals | Single Family | Single Family | Single Family | Multi-Units; Single Family |
| Household Type | Married Couples | Married Couples | Married Couples | Married Couples | Married Couples |
| Average Household Size | 3.7 | 2.85 | 3.69 | 2.96 | 2.57 |
| Median Age | 29.1 | 43.4 | 28.2 | 35.5 | 40.1 |
| Diversity Index | 75.4 | 72.4 | 77.1 | 80.6 | 82.6 |
| Median Household Income | $55,900 | $115,400 | $47,600 | $40,500 | $87,900 |
| Median Net Worth | $25,100 | $522,700 | $26,000 | $35,200 | $152,800 |
| Median Home Value | $415,900 | $518,800 | $226,900 | $142,700 | $559,200 |
| Homeownership | 38.2 % | 84.4 % | 46.5 % | 55.8 % | 55.1 % |
| Employment | Services or Transport/Material Moving | Professional or Mgmnt/Bus/Financial | Farming/Forestry/Fishing or Services | Services or Professional | Professional or Mgmnt/Bus/Financial |
| Education | High School Diploma | Bachelor's Degree | Less than 9th Grade | High School Diploma | Bachelor's Degree |
| Preferred Activities | Follow soccer . Trendy consumers who focus on style. | Enjoy outdoor gardening . Go to the beach, theme parks, museums. | Spending time with family is a top priority . Do home improvement projects. | Shop at pharmacies, dollar stores and discount departments . Television is a primary source of entertainment. | Believe in equal opportunity and attuned to the environment . Spend 7+ hours exercising per week. |
| Financial | Savings and debt are minimal | Invest conservatively | Pay bills in person, prepare own taxes | Budget-conscious consumers | Save for the future, steer away from risky investments |
| Media | Favor Spanish-language channels and websites | Use all types of media equally (newspapers, magazines, radio, Internet, TV). | Use TV more than any other media to stay informed | Listen to Hispanic radio, watch Hispanic programming | Use their cell phones frequently for news and entertainment |
| Vehicle | Take public transportation | Prefer imported SUVs | Own, maintain used vehicle | Own 1-2 vehicles | Own one vehicle, but rely on public transportation |



Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

About this segment

# Family Extensions

| This is the | In this area | In the United States |
|---|---|---|
| #1 | 35.4% | 0.7% |
| dominant segment for this area | of households fall into this segment | of households fall into this segment |

An overview of who makes up this segment across the United States

## Who We Are

Family Extensions is a family-oriented market distinguished by multigenerational households. Their spending reflects their children—baby food and furniture or children's apparel—and convenience—fast-food and family restaurants. Consumer choices also focus on personal style, as well as the latest trends and fashions. Although young and predominantly renters, this market is stable, affected more by immigration from abroad than local moves.

## Our Neighborhood

- Older neighborhoods, which can be found in the urban periphery of large metropolitan areas, primarily on the West Coast. Most of the housing built before 1960; 25% built before 1940. Housing a mix of single-family homes (less than half) and apartments, primarily in buildings with 2–4 units. Primarily renter-occupied homes, with an average rent of $1,067 monthly. Family market, primarily married couples with children, but also a number of multi-generational households; average household size at 4.12.

## Socioeconomic Traits

- More than 40% of the population was born abroad; 25% of the households have members who speak only Spanish. Labor force participation is average. Trendy consumers who focus on style. Brand loyalty and environmentally safe products also guide purchasing choices, although these consumers are open to new products. Use, but do not rely on, technology.

## Market Profile

- Recent purchases reflect personal style, apparel, personal care products like hair coloring and tooth whiteners. Family is reflected in purchases as well, baby products and children's apparel. Banking is done primarily in person; savings and debt are minimal. Media preferences favor Spanish-language channels and websites. Residents are soccer fans.

The demographic segmentation shown here can help you understand the lifestyles and life stages of consumers in a market. Data provider Esri classifies U.S. residential neighborhoods into 67 unique market segments based on socioeconomic and demographic characteristics. Data Source: Esri 2023. Update Frequency: Annually.


Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

About this segment

# Pleasantville

| This is the | In this area | In the United States |
|---|---|---|
| #2 | 21.7% | 2.1% |
| dominant segment for this area | of households fall into this segment | of households fall into this segment |

## An overview of who makes up this segment across the United States

### Who We Are

Prosperous domesticity best describes the settled denizens of Pleasantville. Situated principally in older housing in suburban areas in the Northeast (especially in New York and New Jersey) and secondarily in the West (especially in California), these slightly older couples move less than any other market. Many couples have already transitioned to empty nesters; many are still home to adult children. Families own older, single-family homes and maintain their standard of living with dual incomes. These consumers have higher incomes and home values and much higher net worth. Older homes require upkeep; home improvement and remodeling projects are a priority--preferably done by contractors. Residents spend their spare time participating in a variety of sports or watching movies. They shop online and in a variety of stores, from upscale to discount, and use the Internet largely for financial purposes.

### Our Neighborhood

- Suburban periphery of large metropolitan areas, primarily in Middle Atlantic or Pacific states. Most homes owned (and mortgaged). Households composed of older married-couple families, more without children under 18, but many with children over 18 years. Older, single-family homes: two-thirds built before 1970, close to half from 1950 to 1969. One of the lowest percentages of vacant housing units at 4.5%. Suburban households with 3 or more vehicles and a longer travel time to work.

### Socioeconomic Traits

- Education: 66% college educated, 37% with a bachelor's degree or higher. Higher labor force participation rate at 67%; higher proportion of HHs with 2 or more workers. Many professionals in finance, information/technology, education, or management. Median household income denotes affluence, with income primarily from salaries, but also from investments or Social Security and retirement income. Not cost-conscious, these consumers willing to spend more for quality and brands they like. Prefer fashion that is classic and timeless as opposed to trendy. Use all types of media equally (newspapers, magazines, radio, Internet, TV).

### Market Profile

- Prefer imported SUVs, serviced by a gas station or car dealer. Invest in conservative securities and contribute to charities. Work on home improvement and remodeling projects, but also hire contractors. Have bundled services (TV/Internet/phone). Access the Internet via fiber optics or cable modem, on a newer computer, to pay bills, make purchases, and track investments. Subscribe to premium channels (HBO, Showtime, or Starz) and use video-on-demand to watch TV shows and movies. Enjoy outdoor gardening, going to the beach, visiting theme parks, frequenting museums, and attending rock concerts.

The demographic segmentation shown here can help you understand the lifestyles and life stages of consumers in a market. Data provider Esri classifies U.S. residential neighborhoods into 67 unique market segments based on socioeconomic and demographic characteristics. Data Source: Esri 2023. Update Frequency: Annually.


Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

About this segment

# Farm to Table

| This is the | In this area | In the United States |
|---|---|---|
| #3 | 14.5% | 0.2% |
| dominant segment for this area | of households fall into this segment | of households fall into this segment |

An overview of who makes up this segment across the United States

## Who We Are

Farm to Table is a small, but distinctive market, located almost entirely in the West (primarily in California and Washington). These neighborhoods are home to young families with children and, frequently, multiple generations living in single-family homes. A third of these residents are foreign born; 32% of households are linguistically isolated. This market is all about spending time with family and taking care of family and home. More homes are rented than owned, located in semirural areas where agriculture dominates. Household income is lower than the US, supplemented by self-employment, home-grown products, and some public assistance. Consumers favor Spanish language media and watching sports on television.

## Our Neighborhood

- Young families dominate this market, with a median age less than 28 and an average household size of 3.98. Average family size is also higher, at 4.26, with a number of multigenerational households. Dominant household types: 38% are married-couple families with children and 21% are single-parent families. Most households (about 57%) rent their homes. Homes are primarily single family homes (60%), with a large share of mobile homes (more than twice the US) and multiunit (2–4 units) dwellings. Nearly three-fifths of homes were built before 1980.

## Socioeconomic Traits

- 24% have a high school diploma and almost half of high school graduates have also completed some college or a degree. 30% of households have members who speak only Spanish. Primarily skilled work force, in agriculture. Income comes primarily from wages with assistance from Supplemental Security Income and public assistance income. They are cost-conscious consumers, willing to shop around to obtain the best price. Spending time with family is a top priority. They use TV more than any other media to stay informed.

## Market Profile

- Commonly own a truck or subcompact car, serviced by a household member. Many pay bills in person and prepare their own taxes. Work on home improvement projects, such as painting the house. Key expenditures include groceries and children's products. Favor shopping at Costco, Home Depot, Old Navy, Sears, Walmart, Dollar Tree, and Target. Minimal online usage. Enjoy listening to the radio, going to movie theaters, or watching at home, dancing, and playing pool, video games, and football. Watch programs on Spanish TV networks and Discovery Channel, and read parenting and automotive magazines. Listen to a variety of music, especially Spanish/Latin music.

The demographic segmentation shown here can help you understand the lifestyles and life stages of consumers in a market. Data provider Esri classifies U.S. residential neighborhoods into 67 unique market segments based on socioeconomic and demographic characteristics. Data Source: Esri 2023. Update Frequency: Annually.


Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

About this segment

# Southwestern Families

| This is the | In this area | In the United States |
|---|---|---|
| #4 | 8.3% | 0.8% |
| dominant segment for this area | of households fall into this segment | of households fall into this segment |

An overview of who makes up this segment across the United States

## Who We Are

Residents in these neighborhoods are young families primarily located in the Southwest. Children are the center of households that are composed mainly of married couples with children and single-parent families. Grandparents are caregivers in some of these households. Many are limited English speaking households. Much of the working-age population is employed in blue-collar occupations, specializing in skilled work, as well as building maintenance and service jobs. Spending is focused on the family and at-home entertainment.

## Our Neighborhood

- A family market: Married couples with kids, single parents, and grandparents head these households. Average household size is higher at 3.20. Many residents were born abroad; many households have residents who speak only Spanish. Over 45% of householders rent single-family homes within a mix of urban city centers and the suburbs in metropolitan areas. Neighborhoods are older; most of the homes constructed prior to 1970. Nearly 70% of all households have one or two vehicles available.

## Socioeconomic Traits

- While close to 32% have attended or graduated from college, nearly 40% did not complete high school, which has limited their employment prospects. Labor force participation is at 52%. Most households receive income from wages or salaries; 35% receive contributions from Social Security; 12% from Supplemental Security Income. While budget-conscious consumers, they are also mindful of quality and attentive to environmental concerns in their purchasing decisions. Often, purchase decisions are based on how a product may improve or organize their lives.

## Market Profile

- Television is a primary source of entertainment, and most homes have multiple sets. Residents prefer to pay bills in person, but paying using their mobile devices is growing. Baby and children's products, such as food, clothing, and furniture, are common purchases. Shop at pharmacies such as Walgreens, dollar stores, and discount department stores like JC Penney and Sears. Listen to Hispanic radio and watch Hispanic programming on television. Most households have landlines, used frequently for international calls. About 2 out of 3 have access to the Internet.

The demographic segmentation shown here can help you understand the lifestyles and life stages of consumers in a market. Data provider Esri classifies U.S. residential neighborhoods into 67 unique market segments based on socioeconomic and demographic characteristics. Data Source: Esri 2023. Update Frequency: Annually.


Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

About this segment

# City Lights

| This is the | In this area | In the United States |
|---|---|---|
| #5 | 5.7% | 1.4% |
| dominant segment for this area | of households fall into this segment | of households fall into this segment |

## An overview of who makes up this segment across the United States

### Who We Are

City Lights is a densely populated urban market. The wide-ranging demographic characteristics of residents mirror their passion for social welfare and equal opportunity. Household types range from single person to married couple families, with and without children. A blend of owners and renters, single-family homes and town homes, midrise and high-rise apartments, these neighborhoods are racially and ethnically diverse. Many residents have completed some college or have a degree, and they earn a good income in professional and service occupations. Willing to commute to their jobs, they work hard and budget well to support their urban lifestyles, laying the foundation for stable financial futures.

### Our Neighborhood

- More than half of the homes are single-family residences or townhomes. Tenure is 50-50: about half of households are owned and half are rented. Median home value and average gross rent exceed US values. Households include families, both married couples and single parents, as well as singles. The distribution is similar to the US, with slightly more single-person households. Housing is older in this market: nearly 2 out of 3 homes were built before 1970. Most households own one vehicle, but public transportation is still a necessity for daily commutes.

### Socioeconomic Traits

- City Lights residents earn above average incomes, but lag the nation in net worth. Labor force participation exceeds the US average. Residents work hard in professional and service occupations but also seek to enjoy life. These consumers save for the future, often to achieve their dream of home ownership. They often engage in discussion about financial products and services among their peers. They earn dividend incomes from their portfolios but steer away from risky investments. These consumers are price savvy but will pay for quality brands they trust. Residents stand by their belief in equal opportunity. Attuned to nature and the environment, and when they can, purchase natural products.

### Market Profile

- Price-conscious consumers, they seek out deals on brands they like at warehouse clubs, Marshalls, Target, or Bed, Bath & Beyond. Residents are traditional in many ways. They prefer to bank in person but are increasingly paying their bills online. They rarely carry a credit card balance but occasionally buy on credit. Most residents have high-speed Internet access at home and use their computers for basic browsing and some shopping. Although most still own landlines, they use their cell phones frequently from news to entertainment to redeeming mobile coupons. These are health-conscious consumers, who purchase vitamins, low-sodium foods, and spend 7+ hours exercising per week. Their taste in music is varied, typically rhythmic, contemporary, urban, and even R&B music; listening at home and during their daily commutes

The demographic segmentation shown here can help you understand the lifestyles and life stages of consumers in a market. Data provider Esri classifies U.S. residential neighborhoods into 67 unique market segments based on socioeconomic and demographic characteristics. Data Source: Esri 2023. Update Frequency: Annually.



Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# Santa Paula, California: Population Comparison

## Total Population

This chart shows the total population in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023
2028 (Projected)

## Population Density

This chart shows the number of people per square mile in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023
2028 (Projected)

## Population Change Since 2020

This chart shows the percentage change in area's population from 2020 to 2023, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023
2028 (Projected)

## Total Daytime Population

This chart shows the number of people who are present in an area during normal business hours, including workers, and compares that population to other geographies. Daytime population is in contrast to the "resident" population present during evening and nighttime hours.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




Santa Paula


Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

## Daytime Population Density

This chart shows the number people who are present in an area during normal business hours, including workers, per square mile in an area, compared with other geographies. Daytime population is in contrast to the "resident" population present during evening and nighttime hours.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




Santa Paula

## Average Household Size

This chart shows the average household size in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023

2028 (Projected)

## Population Living in Family Households

This chart shows the percentage of an area's population that lives in a household with one or more individuals related by birth, marriage or adoption, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023

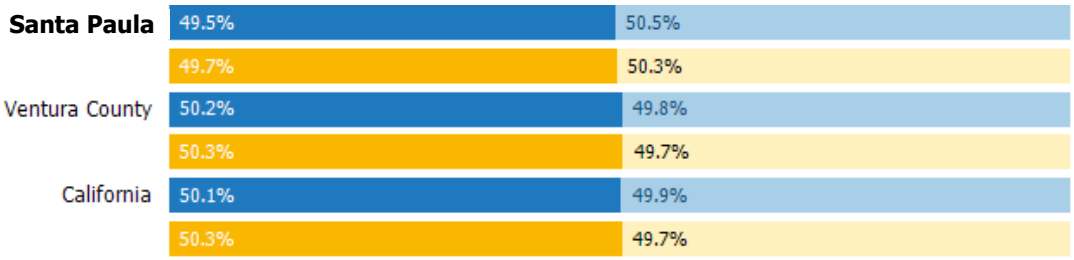
2028 (Projected)

## Female / Male Ratio

This chart shows the ratio of females to males in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




Women 2023

Men 2023

Women 2028 (Projected)

Men 2028 (Projected)



Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# Santa Paula, California: Age Comparison

## Median Age

This chart shows the median age in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023

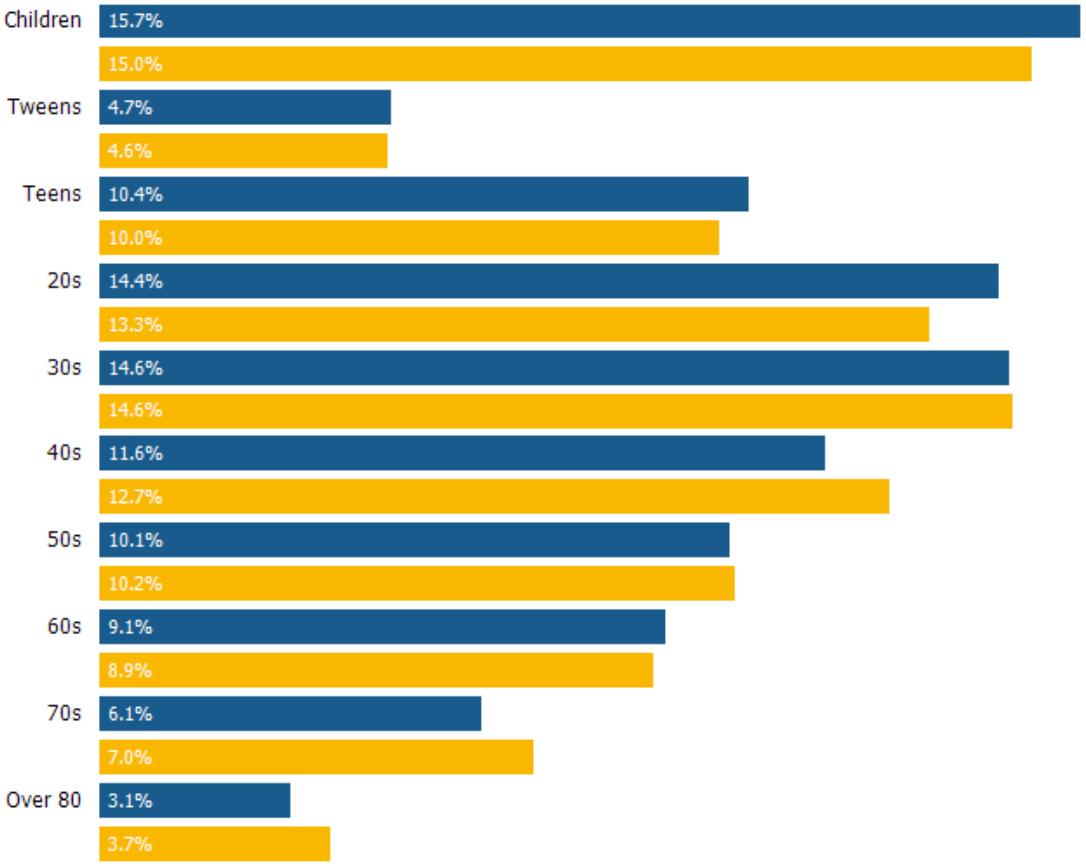
2028 (Projected)

## Population by Age

This chart breaks down the population of an area by age group.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




2023

2028 (Projected)



Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# Santa Paula, California: Marital Status Comparison

## Married / Unmarried Adults Ratio

This chart shows the ratio of married to unmarried adults in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




Married

Unmarried

## Married

This chart shows the number of people in an area who are married, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Never Married

This chart shows the number of people in an area who have never been married, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Widowed

This chart shows the number of people in an area who are widowed, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Divorced

This chart shows the number of people in an area who are divorced, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually






Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# Santa Paula, California: Economic Comparison

## Average Household Income

This chart shows the average household income in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Median Household Income

This chart shows the median household income in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Per Capita Income

This chart shows per capita income in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Average Disposable Income

This chart shows the average disposable income in an area, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually





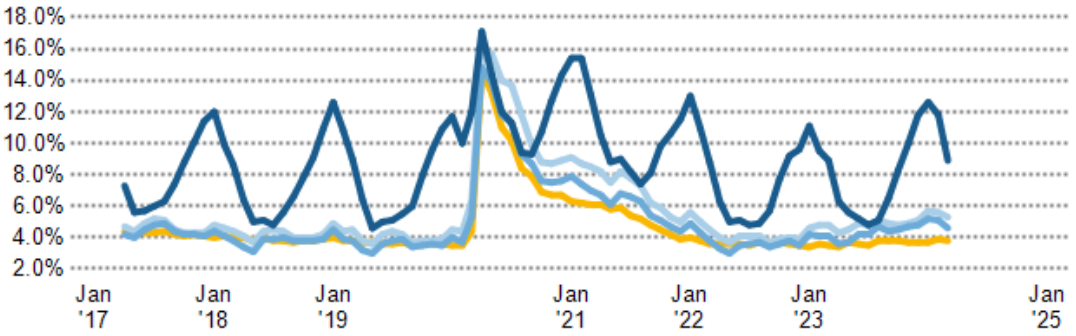

Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

## Unemployment Rate

This chart shows the unemployment trend in an area, compared with other geographies.

Data Source: Bureau of Labor Statistics via PolicyMap

Update Frequency: Monthly

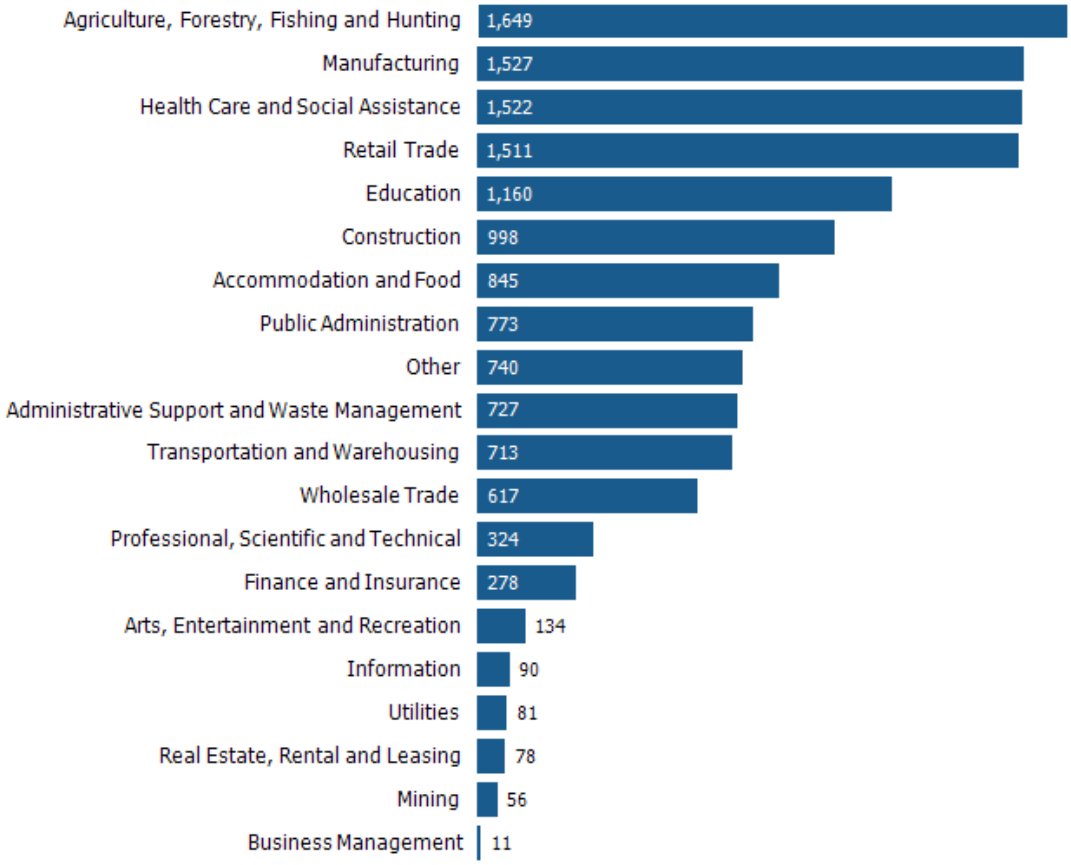



## Employment Count by Industry

This chart shows industries in an area and the number of people employed in each category.

Data Source: Bureau of Labor Statistics via Esri, 2023

Update Frequency: Annually






Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# Santa Paula, California: Education Comparison

## Less than 9th Grade

This chart shows the percentage of people in an area who have less than a ninth grade education, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Some High School

This chart shows the percentage of people in an area whose highest educational achievement is some high school, without graduating or passing a high school GED test, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## High School GED

This chart shows the percentage of people in an area whose highest educational achievement is passing a high school GED test, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## High School Graduate

This chart shows the percentage of people in an area whose highest educational achievement is high school, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually





Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

## Some College

This chart shows the percentage of people in an area whose highest educational achievement is some college, without receiving a degree, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Associate Degree

This chart shows the percentage of people in an area whose highest educational achievement is an associate degree, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Bachelor's Degree

This chart shows the percentage of people in an area whose highest educational achievement is a bachelor's degree, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually




## Grad/Professional Degree

This chart shows the percentage of people in an area whose highest educational achievement is a graduate or professional degree, compared with other geographies.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually






Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

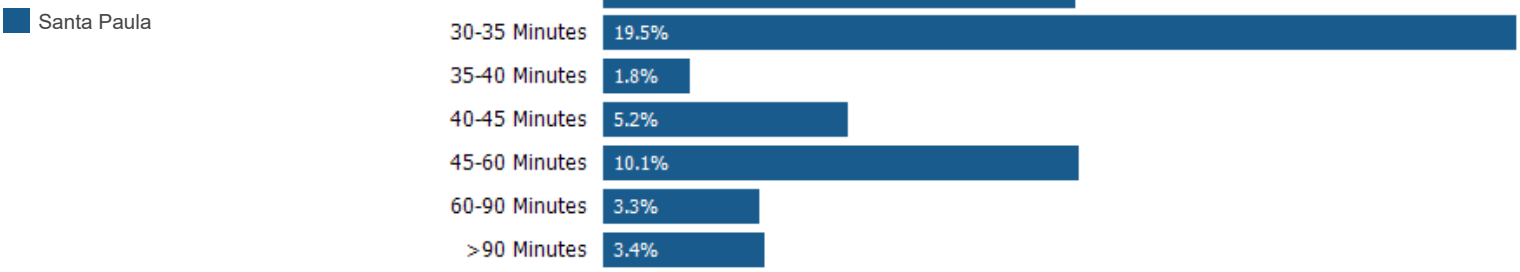
# Santa Paula, California: Commute Comparison

## Average Commute Time

This chart shows average commute times to work, in minutes, by percentage of an area's population.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually

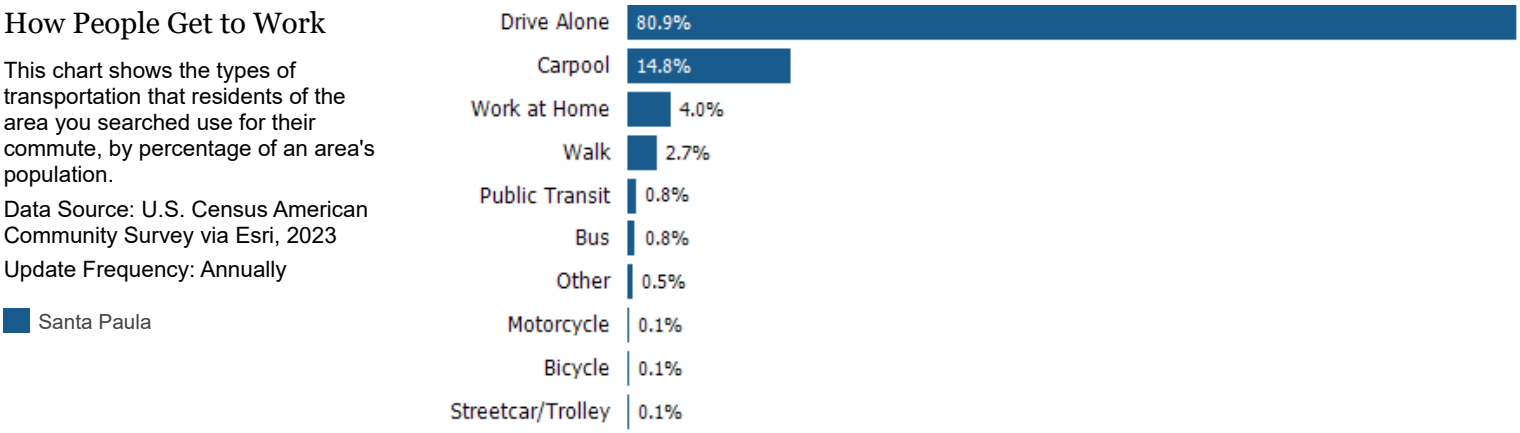



## How People Get to Work

This chart shows the types of transportation that residents of the area you searched use for their commute, by percentage of an area's population.

Data Source: U.S. Census American Community Survey via Esri, 2023

Update Frequency: Annually






Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# Santa Paula, California: Home Value Comparison

## Median Estimated Home Value

This chart displays property estimates for an area and a subject property, where one has been selected. Estimated home values are generated by a valuation model and are not formal appraisals.

Data Source: Valuation calculations based on public records and MLS sources where licensed

Update Frequency: Monthly




## 12 mo. Change in Median Estimated Home Value

This chart shows the 12-month change in the estimated value of all homes in this area, the county and the state. Estimated home values are generated by a valuation model and are not formal appraisals.

Data Source: Valuation calculations based on public records and MLS sources where licensed

Update Frequency: Monthly




RPR

Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

# About RPR (Realtors Property Resource)

- Realtors Property Resource® is a wholly owned subsidiary of the National Association REALTORS®.
- RPR offers comprehensive data – including a nationwide database of 164 million properties – as well as powerful analytics and dynamic reports exclusively for members of the NAR.
- RPR's focus is giving residential and commercial real estate practitioners, brokers, and MLS and Association staff the tools they need to serve their clients.
- This report has been provided to you by a member of the NAR.

# About RPR's Data

RPR generates and compiles real estate and other data from a vast array of sources. The data contained in your report includes some or all of the following:

- **Listing data** from our partner MLSs and CIEs, and related calculations, like estimated value for a property or median sales price for a local market.
- **Public records data** including tax, assessment, and deed information. Foreclosure and distressed data from public records.
- **Market conditions and forecasts** based on listing and public records data.
- **Census and employment data** from the U.S. Census and the U.S. Bureau of Labor Statistics.
- **Demographics and trends data** from Esri. The data in commercial and economic reports includes Tapestry Segmentation, which classifies U.S. residential neighborhoods into unique market segments based on socioeconomic and demographic characteristics.
- **Business data** including consumer expenditures, commercial market potential, retail marketplace, SIC and NAICS business information, and banking potential data from Esri.
- **School data and reviews** from Niche.
- **Specialty data sets** such as walkability scores, traffic counts and flood zones.




# Update Frequency

- Listings and public records data are updated on a continuous basis.
- Charts and statistics calculated from listing and public records data are refreshed monthly.
- Other data sets range from daily to annual updates.

# Learn more

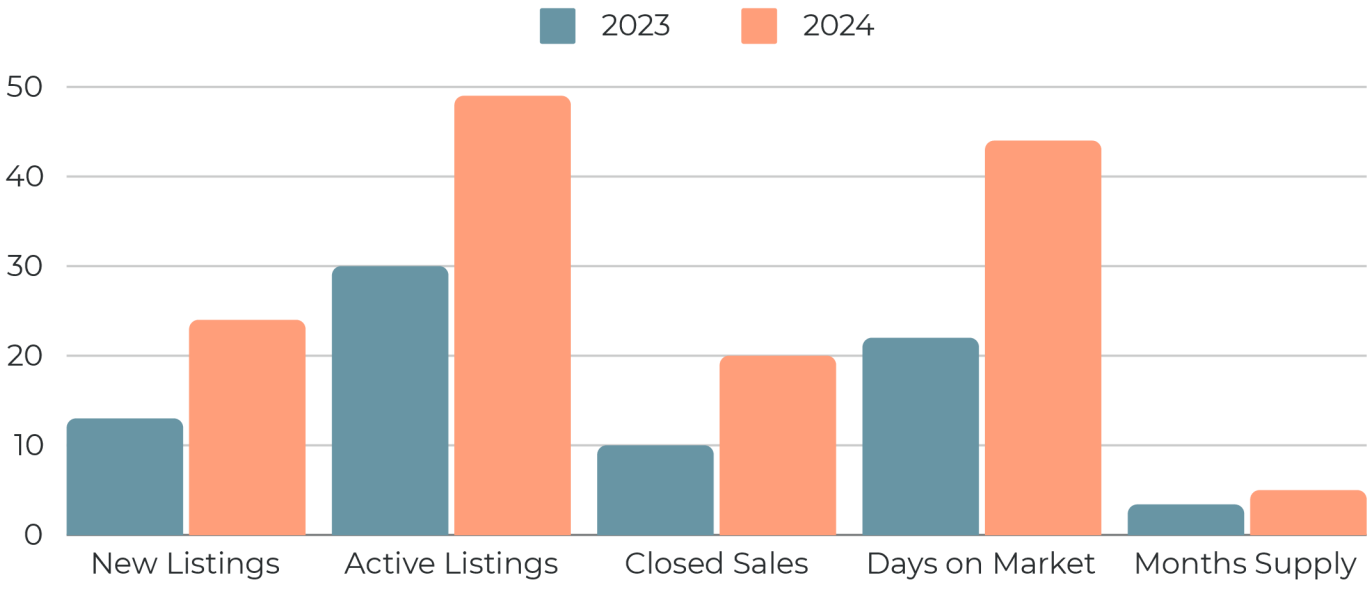
For more information about RPR, please visit RPR's public website: https://blog.narrpr.com


Copyright 2024 Realtors Property Resource® LLC. All Rights Reserved.
Information is not guaranteed. Equal Housing Opportunity.

Ventura County Coastal Association of REALTORS® | MLS

# SANTA PAULA HOUSING MARKET OVERVIEW

***DETACHED HOUSING INVENTORY***
***Oct 2023 - Oct 2024***




| | New Listings | Active Listings | Closed Sales | Days on Market | Months Supply |
|---|---|---|---|---|---|
| **2023** | 13 | 30 | 10 | 22 | 3.4 |
| **2024** | 24 | 49 | 20 | 44 | 5.0 |

## Median Sales Price

| | |
|---|---|
| **2023** | $710,000 |
| **2024** | $720,500 |




**Closing sales price % of Original Sales Price**

# GLOSSARY

**Attached / Detached Home** - An attached family home is typically defined as a family residence that shares an element, such as a wall or ceiling/floor, with another property. Contrast this with a detached home, where the residence is in a building that stands alone

**New Listings** - A count of the properties that have been newly listed on the market in a given month.

**Active Listings** - The number of properties available for sale in active status at the end of a given month. Also known as inventory. For this metric, the "12/6/3 months" calculation is the average of the most recent 12/6/3 months of data.

**Closed Sales** - A count of the actual sales that have closed in a given month. Calculations are based on sold data.

**Sales Price** - Calculations are based on sold data. Prices do not account for seller concessions. Median represents the point at which half of the homes that sold in a given month were priced higher and half were priced lower. Average is the mean sales price for all closed sales in a given month.*

**Months Supply** - The inventory of homes for sale at the end of a given month, divided by the average monthly Pending Sales from the last 12 months. Also known as absorption rate.

**Days on Market** - Median or average number of days between when a property is listed and when an offer is accepted in a given month.




# TIME TO GET SERIOUS ABOUT SUPPLY

Jordan Levine
Senior Vice President & Chief Economist
California Association of REALTORS®

# Time to Get Serious About Supply

By Jordan Levine, Senior Vice President & Chief Economist, California Association of REALTORS®

## I. Introduction

California has a housing crisis. This fact is not new, but it has become more acute with far reaching effects. The need for an adequate housing stock in California has become even more urgent in the wake of the COVID-19 pandemic that struck the U.S. in early 2020. Housing has become more important to families than ever before because it is where we live, work, play, go to school, and so much more due to the crisis.

Fortunately, there has been some progress made in recent years on building consensus for the broad causes of the crisis as well as broad solutions that could be implemented in the future. In general, it is much more likely to hear California's current housing woes blamed on "supply" today than at any point in recent memory.

However, the specifics of how to bring more supply online is more controversial. Some advocate for more state control over local housing decisions (a la recent build by right proposals) that have yet to garner broad support at the local level. Other proponents of new housing suggest that changes to zoning, land use, or density rules are the key to unlocking new supply. Boosting the rate of production of more accessory dwelling units also has its strong backers. Reforming statewide environmental regulations, like California's Environmental Quality Act, are often highlighted as a substantive solution. Others argue that more land needs to be made available or that the growth in the costs of land needs to slow for housing to take off.

Often, the structure of California's tax code is implicated as a roadblock—at both the state and local levels. Builders and academics alike have highlighted the myriad of fees assessed on new development, which can in some cases drastically increase the cost to produce new

housing.[i] In some cases, the cities themselves are blamed for the lack of new construction by implementing policies that make new development less attractive from a business standpoint including burdensome parking requirements, setbacks, floor area ratios, and others. Thus, even as consensus starts to emerge that "supply" is the primary source of California's housing woes, the action items stemming from this broad agreement are far from settled.

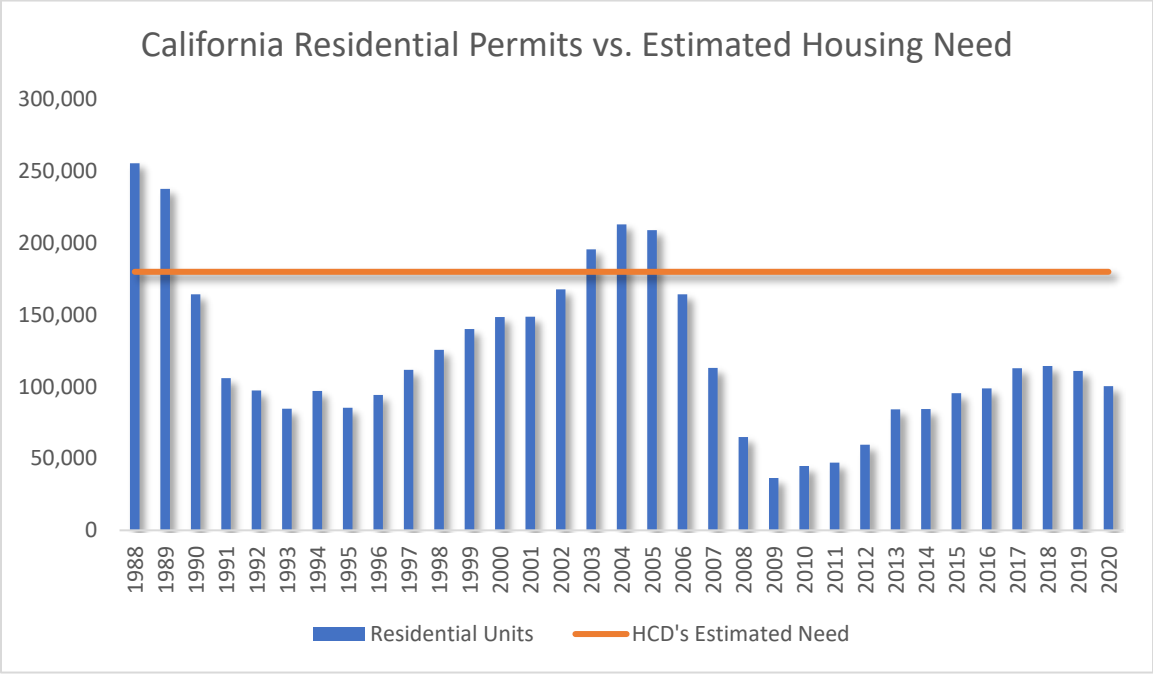
Many of these proposals have merit, but it is also critical to understand that they are not mutually exclusive options. There is no single, simple solution to California's housing crisis. Many factors hold back new development, *and* every area is unique in terms of size, location, economy, history, geography, demographics, housing stock, vacancy rates, and growth characteristics. Thus, the difficulty of finding a "one size fits all" solution begins to become evident.

Rather than relying on a single policy to save the proverbial day; cities, counties, the state, and voters should focus on making moderate changes to a variety of policies that, together, can begin to reverse the damaging impacts the housing shortage has created. Stephen Levy, former Director and Senior Economist for the Center for Continuing Study of the California Economy, said it best when he wrote that, "What will be required, instead, is an 'all of the above' strategy, supported by the broadest possible coalition, with leadership at the highest levels of state and local government."[ii]

This paper will begin by laying out the roots of the housing shortage over the past 3-4 decades, how that housing shortage has impacted the housing market in California, how families bear the brunt of this shortfall, and how those trends force a spillover into the broader economy. We recommend shifting the conversation away from silver bullets and towards many modest, incremental changes that can collectively add up to a comprehensive solution.

## I. The Problem: Evidence of California's Housing Crisis

California has been underbuilding for decades, and though the economy has gone through various business cycles since the 1980s, one pattern has remained consistent: the economy and population base has outstripped growth in our housing stock. Many reasons underlie that fact, but this simple statement captures the essence of California's housing crisis. In fact, these outcomes are a predictable outcome of basic undergraduate economic models: supply shortages lead to disproportionate increases in price that, in turn, suppress demand/consumption of a particular good or service—in this case, housing. Indeed, models further predict that prices will rise to the level of willingness to pay of the more affluent consumers and that others will end up under- and un-housed, which is precisely what we observe in California today.




This has thrust the housing crisis into the spotlight for policymakers across the state, with consensus that the solution is more supply. In the 2018 gubernatorial race, Gavin Newsom called for 3.5 million new homes to be built by 2025[iii] and many key statewide agencies point to housing as an impediment to economic growth and to our quality of life. For example, in their

statewide housing assessment, California's Housing and Community Development Department (hereafter "HCD") estimated that the state needs to produce roughly 180,000 units each year just to accommodate our population and economic growth.[iv] However, 2020 became the 15th consecutive year where California fell far short of that production target. Going beyond that to the previous 33 years for which we have consistent information, California has only met or exceeded the projected target 5 times.[v] It has therefore fallen short of its projected need for 28 of the past 33 years.

The impacts of this shortfall have become more evident the longer that they have persisted. The nonpartisan Legislative Analyst's Office (hereafter "LAO") cites the lack of new housing construction as the key driver of reduced housing affordability in recent decades, and the consequent impacts that are associated with less affordability.[vi]

**Homeownership Rates by Decade**

| Year | U.S. Homeownership Rate (%) | California Homeownership Rate (%) |
|---|---|---|
| 1950 | 55.0 | 54.3 |
| 1960 | 61.9 | 58.4 |
| 1970 | 62.9 | 54.9 |
| 1980 | 64.4 | 55.9 |
| 1990 | 64.2 | 55.6 |
| 2000 | 66.2 | 56.9 |
| 2010 | 66.9 | 56.1 |
| 2020 | 66.6 | 55.9 |

To illustrate the problem, let us consider a few critical data points that go a long way towards explaining the erosion of housing affordability since the mid-1980s. An important historical observation is that, prior to 1970, homeownership in California was roughly on par with homeownership in the rest of the United States. However, by 2020 the gap between U.S. and California homeownership had opened to almost 11 percentage points (66.6% vs. 55.9%).[vii]

Why has affordability and homeownership struggled so disproportionately in California? A lack of new construction explains much of this divergence. In 1986, California was home to roughly 27 million residents. By 2020, the population had swelled to just short of 40 million. However, during that same period, housing production decreased dramatically. In 1988 (the earliest source of good information on housing production in California), the state was permitting more than 255,000 units per year—well above the HCD's *current* target of 180,000 units per year. In 2020, California permitted just 100,000 permits. This bears repeating. In the 3+ decades since the 1980s, California's population expanded by 45% while the annual pace of new residential construction contracted by more than 60%.

The results are similar when viewed from the perspective of economic, rather than demographic changes. For example, California added nearly 4.9 million new jobs to its nonfarm payrolls between 1990 and 2019,[viii] but it permitted just 3.4 million new housing units. That represents a ratio of one new home built for every 1.4 new jobs created. However, those long-range calculations mask the acceleration in underbuilding that has occurred since the Great Recession. From the start of the recovery in 2010 to the end of the expansion in 2019, California has added 3.1 million jobs, and was more than 1.7 million jobs above the previous all-time high set back in 2007. During the same period, California permitted just 853,000 new residential units. That means that the state permitted just 1 home for every 3.7 new jobs the economy created.

It is also worth pointing out that these figures likely overstate California's construction progress. Many of these permits represent infill or redevelopment projects, where an older, smaller, or blighted home gets replaced by a newer, larger, and more expensive home. As such,

the permit figures do not equate to a 1-for-1 increase in the state's housing supply. In other words, the net housing stock has not grown by the full 853,000 units that have been permitted.

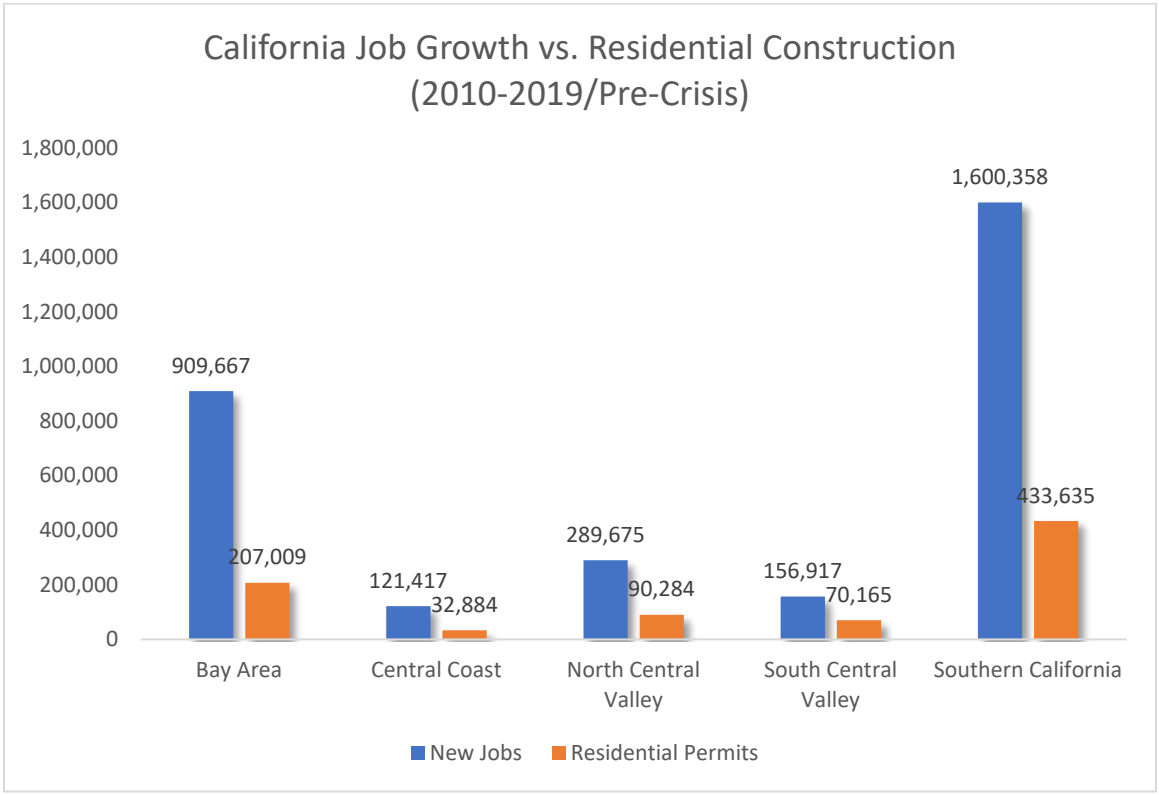
In addition to examining California's past, we can also compare it to other states. Here too, California falls well short on housing production. Except for Rhode Island, which created fewer than 50,000 new jobs during the most recent economic cycle, California ranks dead last in terms of new residential construction per job created. Between 2010 and 2019, California built less housing per new job than Massachusetts, New York, or Washington D.C. States like Texas, Arizona, Idaho, Washington, and Florida, where significant numbers of Californians have moved over the past decade, are building at least twice as much on a per-job basis as California. We built less than half as much as Hawaii, which is a literal island in the middle of the ocean.

**New Jobs Per Residential Unit Permitted, 2010-2019**

| | | | | | |
|---|---|---|---|---|---|
| Rhode Island | 4.3 | Florida | 1.9 | North Carolina | 1.4 |
| **California** | **3.7** | Washington | 1.8 | Arkansas | 1.3 |
| Massachusetts | 3.6 | Minnesota | 1.8 | Oklahoma | 1.3 |
| New York | 3.4 | Tennessee | 1.8 | Kansas | 1.3 |
| Michigan | 3.3 | Kentucky | 1.8 | Maine | 1.2 |
| Ohio | 2.8 | Hawaii | 1.7 | Vermont | 1.2 |
| Illinois | 2.8 | Wisconsin | 1.7 | New Mexico | 1.1 |
| Nevada | 2.3 | Missouri | 1.7 | Nebraska | 1.1 |
| Oregon | 2.2 | Montana | 1.6 | Iowa | 1.1 |
| Indiana | 2.1 | Texas | 1.6 | North Dakota | 1.1 |
| Washington D.C. | 2.1 | Idaho | 1.6 | Mississippi | 1.1 |
| Pennsylvania | 2.1 | Maryland | 1.6 | Delaware | 1.0 |
| Utah | 2.0 | Connecticut | 1.6 | South Dakota | 0.8 |
| New Hampshire | 2.0 | New Jersey | 1.5 | Louisiana | 0.7 |
| Georgia | 2.0 | Virginia | 1.5 | Alaska | 0.3 |
| Arizona | 1.9 | South Carolina | 1.4 | Wyoming | 0.3 |

Some argue that this trend is highly regional in nature: coastal areas enjoy significant job growth but are more reluctant to build new housing, while inland areas pick up the slack. And, although inland areas do tend to build slightly more relative to their economic growth, the results are hardly encouraging. For example, in the cycle that just ended, the San Francisco Bay Area

led the state in economic growth and created more than 900,000 jobs since the 2009 recession ended. Yet it permitted just 207,000 units, or 1 home for every 4.4 jobs it created. Southern California mirrors the statewide average of 1 home for every 3.7 new jobs created with roughly 434,000 new permits issued since 2010 compared with more than 1.6 million new jobs created. The Central Coast matches the statewide trend as well. The Central Valley, which has a reputation for being more friendly towards new residential development performed better, but still only created 1 home for every 2.2 new jobs in the south and 3.2 new jobs in the north. Thus, while some areas are clearly doing better than others in terms of building housing, we still build less in the Central Valley than we do in most other parts of the country. Despite being our most pro-housing region, if the South San Joaquin Valley were a state, it would still be the 10th worst offender for underbuilding in the nation.



In some ways, California's largest strength—its fast-growing economy—has become its largest weakness, as housing supply has failed to keep pace. This has meant lower vacancy rates, less housing turnover, and more Californians living in overcrowded housing units. In the following sections, we turn to the consequences of this under-supply in terms of its impacts on the housing market as well as why the housing crisis is about a lot more than housing.

## II. The Impacts of Underbuilding on the Housing Market

This lack of housing production has a tremendous impact on how the housing market operates in California. Because our population and economy has grown so much more than our housing stock, fewer of our homes are vacant and available to rent or purchase. In 2019, California was tied with Ohio and Rhode Island for the 5th lowest homeowner vacancy rate in the nation with just 1.2% of the owner-occupied housing stock available for sale. On the rental side, California falls to the 3rd lowest rental vacancy rate in the nation at 4.1%. That compares to 1.5%/6.0% owner/renter vacancy rates in the rest of the United States and is well below vacancy rates in other high-cost areas like Hawaii (1.4%/8.8%) and Washington D.C. (1.9%/7.0%), Connecticut (1.5%/6.4%), and New Jersey (1.4%/4.2%) while being on par with New York (1.6%/4.0%).[ix]

However, the vacancy rate actually masks some of the supply shortage. Not only are there fewer available housing units in California than most other parts of the nation, but the units that we do have tend to be more overcrowded. Overcrowding is typically measured as households that have more than one occupant per room, where rooms include kitchens, living rooms, lounges, and bathrooms. The number of sleeping rooms is often well below the total number of rooms in any particular housing unit. With 8.2% of households overcrowded according to 2019 Census data, California is second only to Hawaii in overcrowding. This is well

above the national average of 3.3% in the rest of the United States and significantly higher than even other high-cost areas like New York (4.9%), Washington (3.5%), Washington D.C. (2.7%), and New Jersey (3.2%).[x]

In addition to the human cost implied by such figures, it also means that we are overburdening our existing housing supply, which further reduces mobility—another key aspect of supply. Not only are we not building enough new homes, but our existing housing stock is also turning over much less than has traditionally been true. From 1980 to 1989, roughly 8% of the owner-occupied single-family homes turned over each year. Since 2010, that has averaged just 6.3%—a significant deceleration in proportional terms.[xi] This is also well below the national average for housing turnover. This results in fewer home sales, which unlike the size of California's population or labor market, are roughly the same 400,000-420,000 units per year that they averaged in 1986 when there were 13 million fewer people living in the state.

Unfortunately, the impact of chronic underbuilding is not limited to the smooth operation of the housing market with more vacancy, homes turning over, and more residents living in overcrowded housing. As implied by economic theory, this imbalance between supply and demand has driven more harmful effects through the price mechanism, which Adam Smith described as the "invisible hand." These impacts on people and families are the logical extension of the excess demand for rental and ownership housing that persists in California, and it is to these impacts on our quality of life and the underlying promise of the state that we now turn.

## III. The Impacts of Underbuilding on People and Families

If the consequences of failing to accommodate economic and population growth by building an adequate supply of housing were limited to less mobility and fewer home sales each year, the problem may not have developed into a full blown crisis. However, the negative effects

extend well beyond the proper functioning of the housing market. In particular, rents and prices have been driven up much faster than incomes, which is where the rubber meets the road when it comes to the shortage. Compared with where rents and prices were in the past or where they are in most other parts of the nation, housing is not affordable for the typical family. This creates a significant economic and human cost that is vividly evident when we look at the burdens an unaffordable housing stock places on families.

On the ownership side of the market, home prices in California are more than double the national average. In December 2020, the median sale price of an existing single-family home nationwide was $309,800.[xii] In California, the median price for the same period was $717,930.[xiii] However, this has not always been the case. Back in 1970, the median-priced home in California was $1,460 more expensive or 7.4% than the typical home nationwide. By the end of the 1970s, California prices were roughly 50% above the national average, with additional deterioration in the 1980s and 1990s. By the turn of the century, prices in California were more than double the national average, peaking at a premium of nearly 160% above the U.S. median price in 2007. Prices fell significantly in the wake of the Great Recession of 2009-2010, but the subsequent economic expansion drove both nominal price levels and the 'California premium' back to more than twice the national average again by 2013 where it has remained ever since. Homes are not only much more expensive than they used to be, but prices have also risen faster than they have in the rest of the U.S.

High prices are only part of the story because one needs to account for the incomes used to pay those prices as well as borrowing costs, which is precisely what broader measure of affordability introduce. After controlling for these factors, just 27% of households in California could afford the median priced home by the end of 2020, while roughly 55% of households

nationwide could boast the same.[xiv] Other measures of affordability show similar contrasts. The Census Bureau reported that California has 28.5% of its homeowners spending at least 35% of their gross income on their mortgage and other associated monthly housing costs. Once again, that is more than any other state in the nation except Hawaii, and well above the national average of 19.9% of households that are mortgage burdened.[xv]

Although incomes in California exceed the national average, affordability is still much worse for the typical homebuyer than it is in most other parts of the country. The story only modestly improves for renters. According to the latest data, 43.6% of California's renters are "rent burdened" as well, meaning that they also pay at least 35% of their gross income on housing costs. Relative to other states, California performs only slightly better, rising to 4th worst overall behind Florida, Hawaii, and Louisiana. This means that families living in California, regardless of whether they rent or own, must spend more of their income to keep a roof over their heads than they would have to in other parts of the nation. That leaves them more financially stressed because they have less income to dedicate to their health, education, children, financial independence, saving, investing, taxes, and entertainment, amongst other things. This impacts their own quality of life, our economy, and California's ability to be able to deliver on the American Dream of social mobility and intergenerational advancement more broadly.

Nowhere is this more tragically evident than in the number of Californians in extreme financial distress. The National Alliance to End Homelessness reports that California has seen an uptick in the population of homeless persons even before the onset of the public health crisis.[xvi] More than 150,000 people were homeless in California on any given night in 2019—up 9% from the previous year with a significant rise in those living 'unsheltered.' That equates to more than 38 homeless individuals per 10,000 population in California. This is behind Washington D.C.

and New York, which had 93 and 47 homeless per 10,000 population, but is tied with Oregon for 3rd worst in the nation in terms of the homeless rate. In addition, California has more homeless people living here than in all of New York, Washington D.C., and Oregon combined.

Even those Californians who manage to avoid homelessness face significant financial hurdles due to rising housing costs and can often find themselves living well below the poverty line. More than 8% of families in California were living below the poverty line in 2019, placing California 22nd in terms of highest poverty rate nationwide.[xvii] However, the baseline poverty line cutoff is the same for each of the 50 states and the District of Columbia. In 2019, this ranged from $12,490 in annual income for a single individual to $25,750 for a family of four. Importantly, this figure does not account for cost of living, so California's higher average income means fewer families fall below the fixed poverty line threshold. For this reason, the Census Bureau also produces what is known as a "Supplemental Poverty Measure," which does attempt to control for differences in housing and other costs. According to this measure, California jumps to the worst poverty in the nation.[xviii]

This is the vicious cycle of what economists refer to as 'multiplier effects.' California's economy has grown based on our physical, environmental, cultural, and human capital. Housing construction falls short of housing demand generated by that economic growth. Vacancy rates fall and this drives up the cost of housing, which in turn reduces mobility and turnover of our existing housing stock. Tighter housing supply creates a more competitive housing market as the economy continues to expand and prices rise disproportionately compared to other states. Housing affordability suffers and people spend increasing shares of their income on higher housing costs, so more families become rent and mortgage burdened. The economy suffers further as fewer dollars are available to spend on other goods and services, and people end up

living in overcrowded housing, with more people living in poverty, and more people living on the streets.

Another important consequence of this cycle is that the homeownership rate, remains depressed. The Federal Reserve's Survey of Consumer Finance (hereafter "SCF")[xix] consistently shows us every three years that it is released that homeownership is the one proven vehicle for wealth accumulation and intergenerational social mobility. In the 2019 release, homeowners still held all the wealth in this country. While the typical net worth of a U.S. family was $121,700, this was because the typical homeowner in 2019 had a median net worth of $255,000 while renters had just $6,300 in net worth. In fact, homeownership status was more indicative of wealth than even education – the typical renter has less than half as much net worth as the typical high school dropout, and this has been the case since the SCF began in 1989. In other words, homeownership is the proven route towards improving one's life and the lives of one's children, but California's failure to address its housing shortage means that fewer families are able get started down that path. We outline below how these dynamics impact California's Black and Latinx communities particularly hard.

## IV. The Impact of Underbuilding on Fair Housing

As discussed heretofore, the lack of residential construction reduces affordability which then depresses homeownership and wealth creation. California was still maintaining a double-digit homeownership gap with the rest of the United States by the end of 2020, but there are also significant disparities within California across racial and ethnic lines that show Black and Latinx households bearing the brunt of the housing shortage.

For example, while homeownership rates for the state as a whole are roughly 55% compared with 65% for the country as a whole, white homeownership in California was 60.2%

in 2019—only slightly behind the U.S. average. However, homeownership rates for Black and Latinx households were just 36.8% and 44.1% respectively in the same year. That is a gap of nearly 30% between Black and white homeownership and a 20% gap between Latinx and white homeownership. And unfortunately, this gap has shown few signs of progress in the nearly 15 years of Census American Community Survey data that allows us to track this metric on a consistent basis. Indeed, even though gaps persist nationwide between white and Black/Latinx homeownership, those gaps are exacerbated and enlarged by California's housing shortage which affects these communities disproportionately.

Therefore, although it is discouraging, it is perhaps unsurprising that the typical Black and Latinx family across all levels of income and education, which have not been able to achieve the same levels of homeownership, are only doing slightly better than the typical high school dropout and that the 2019 SCF was actually the first year that the typical Black and Latinx net worth exceeded those with no high school diploma. The housing shortage creates tremendous issues for housing affordability and homeownership in general, it is specifically harmful to Black and Latinx families in California.

## V. The Impacts of Underbuilding on the California Economy

For those that work in or care about housing, the impetus for addressing the supply shortage is clear. However, the housing crisis poses a much broader threat for the California economy at large and that should help to elevate housing as a priority for the state as a whole. When the erosion of affordability is more extreme in California than elsewhere, it creates a stronger incentive for Californians to consider moving to more affordable areas where they can attain a higher standard of living.

For many years, California has been able to succeed economically despite its housing challenges. However, even before the pandemic, the twin structural issues of affordability and supply were becoming harder to shrug off. Take employment growth as a prime example. Although one of the hardest hit states by the Great Recession, California had one of the most robust economic recoveries in the nation when the expansion began. The state was creating jobs across the spectrum of wages and industries, and indeed, across geographies as well. However, as rents and prices also picked up momentum as demand for housing rebounded, and the effects of the housing crisis are becoming more evident in the economy at large.

Specifically, between 2012 and 2016, California was averaging between 2.5% and 3.5% growth in its nonfarm payrolls. However, beginning in 2017, job growth dipped to just 2.1% and dropped further to just 1.5% in 2019. Some blamed the late stage of the economic cycle for this slowdown because job growth is always expected to slow down as an economy reaches full employment. Fewer workers who want jobs are sitting on the sidelines, so a lack of available labor can stifle growth even as demand for products/services increased.[xx]

That logic is sound and indeed is borne out by the recent slowdown in job growth nationwide. However, what full employment cannot explain is why California has consistently failed to outperform the U.S. since 2017. Between 2012 and 2016, California was consistently growing faster than the rest of the U.S. by an average of 100 basis points per month—averaging 3.5% growth when the U.S. was experiencing 2.5% growth, and so on. In fact, prior to September 2018, California had outperformed the rest of the U.S. economically for 78 months consecutively—a period of more than 6 years. Since then, California has averaged the identical growth rate to the nation as a whole and has even dipped below the nation several times. Thus,

while full employment can explain why job growth was slowing down prior to the recession in absolute terms, it does not offer insights into California's inability to outpace other states.

Here, again, the chronic shortfall of housing construction in California is implicated as a prime suspect. As early as 2017, major employers were sounding the alarm bells on the impacts of housing affordability (or lack thereof) on their ability to recruit talent.[xxi] Not only do high housing costs make California less attractive to recruits from out of state, a recent study by USC and published in the Los Angeles Business Journal notes that they also boost commute times as workers are force to live farther and farther from their place of employment. This reduces their quality of life and potentially impacts their performance at work as well, so businesses are subject to negative effects of the housing shortage as well. Many large companies like Apple and Facebook have begun to pledge billions of dollars to address this lack of housing for their workers.

Over the short run, businesses and the economy have been impacted by making recruitment/retention harder or more costly, but they are also becoming starved for skilled workers. In fact, 2020 was the first time since the Census Bureau began tracking state population 120 years ago that California's population declined.[xxii]

This is due, at least in part, to the housing crisis. The California Association of REALTORS® annual consumer survey consistently finds that homeownership is still synonymous with the American Dream, with more than 70% still reporting that homeownership is important to them as recently as 2019. This is because homeownership is the one proven way that American families generate wealth in this nation. In addition to wealth creation, homeownership has positive and significant impacts on important outcomes like protecting

yourself from rising rents in the future, improving your child's likelihood to graduate from high school, attend college, or be healthier even after controlling for other socio-economic factors.

And, although some advocate for alternative forms of wealth creation, by investing in the stock market as an example, it is important to note, as the Harvard Joint Center for Housing Studies put so eloquently, "While studies simulating the financial returns to owning and renting find that renting is often more likely to be beneficial, in practice renters rarely accumulate any wealth."[xxiii] As housing affordability has deteriorated and homeownership stagnates, a larger swath of California's population base has been locked out of these broader benefits.

This offers one explanation for the decline in population last year. The exodus from California has been growing each year as the housing crisis has gotten worse. Net domestic out migration accelerated in 2020 to more than 260,000 and more than 1.3 million have left since 2010. And, although California's critics point to the state's oppressive income tax regime or hostility towards business in general, the demographics of those who choose to leave tell a different story. The vast majority of California's out-migration is amongst individuals making less than $100,000 per year.

Given how progressive California's income tax structure is, these statistics are exactly the opposite of what one would expect to find if it were taxes, rather than housing costs, that were driving people to other states because the lower your income, the less exposed you are to California's high-income taxes. Instead, these are the Californians who are struggling the most with housing costs that are leaving. This view is supported by the fact that a majority of people who leave California go to either Texas, Nevada, or Arizona. These states are not particularly booming from an economic perspective, at least not in relation to California. But these states are home to housing markets that are both much more affordable and maintain higher levels of

homeownership, and thus, can still offer the ability to achieve the American Dream. In addition, the pandemic will likely cause these forces to accelerate further as workers are no longer tied to California employment centers given that at least some portion of the recent surge in telecommuting will be sustained.

Thus, not only has the housing crisis already begun to stymie economic growth, but businesses are suffering and that suggests increasing challenges for economic growth moving forward. That is why housing is about much more than just housing, but the economy at large. If California cannot begin to reverse course on housing supply to improve housing affordability, California will likely struggle to remain in the top 10% of state economies. More importantly, the housing crisis is likely to make the job much more difficult for the economy. An examination of out-migration by occupation shows that California is losing key segments of the population needed to build that economy including teachers, firefighters, police, and middle managers. We are also seeing significant outflows of construction workers and tradespeople—workers that California desperately needs to get any new housing constructed.

California could take heed of the Japanese experience—shrinking populations is a significant challenge to overcome economically. At its most basic level, the size of the economy, or what economists refer to as gross domestic product, is simply the product of worker productivity—how much output each worker can produce individually—and how many workers are producing. When the population shrinks, it takes a lot of improvement in worker productivity to offset it. It is a basic lesson, but one California policymakers would do well to take seriously.

## VI. Many Recommended Policy Solutions

Based upon the implications of the crisis in terms of remote working, the uptick in outmigration, and the headwinds to economic growth California was already experiencing before

the pandemic, it has become more urgent that ever to get serious about California's chronic underbuilding of housing. And while it will take an all-of-the-above approach, there are several areas that, collectively, have the potential to help to bring housing affordability under control so that more families have the ability to achieve the American Dream here in California. Although by no means an exhaustive list, this section aims to bolster the conversation around what is needed and how California can address this crisis using a variety of disparate tools at its disposal.

At the state level, reforming the Regional Housing Needs Assessment (hereafter "RHNA") process is a good place to start. Every planning cycle, the major regions in California look at demographic and economic trends to determine how much housing they will need in coming years. However, there are many ways that this process can be improved to yield more housing production, including making tougher requirements for cities in terms of the number of units being constructed while also providing clearer rules for how the estimated regional need should be allocated. In addition to establishing more realistic targets and providing for a more fair distribution of that production, there is need for a disincentive for falling short. If cities are able to underbuild with impunity, the incentive to get serious about supply is undermined. There are a variety of ways to create disincentives, but one suggestion would be to allow for more local control in areas that meet targets while enabling the state to override local opposition to new development for those cities that consistently fail to meet their targets. There are a variety of ways to create monetary and nonmonetary rewards and punishments—the important thing is to align incentives toward the desired outcome of more production and greater affordability.

California's Environmental Quality Act (hereafter "CEQA") is also badly in need of reform. Although well intentioned, CEQA has increasingly become an instrument aimed at derailing new housing production more so than it is about protecting the environment. Allowing

anonymous challenges to hold projects up in litigation for years and/or drive up the cost of a project through the costly environmental impact review (hereafter "EIR") processes and appeals processes have significantly impacted construction. The scope of this article does not enable us to exhaustively lay out the ways that CEQA has been used as an impediment to addressing California's supply crisis, but Chapman University and Holland & Knight recently published a report that documents how, "…CEQA clearly remains the litigation of choice for housing opponents and that this litigation is a major contributor to California's housing crisis."[xxiv] One important finding worth highlighting is that CEQA is not primarily used as a tool to preserve pristine wildlife and important ecosystems, but instead is aimed in the majority of cases at high-density, multi-family apartments and condos in existing urban neighborhoods.[xxv]

Currently, in-fill development still requires a full EIR. Does that need to be the case? California already waves CEQA requirements for supportive housing projects. Could a similar approach be applied to projects that meet a minimum percentage of inclusionary units? These are levers that our policymakers can pull, which could help to alleviate some of the largest obstacles to housing production, but whether these changes, or others, CEQA reform is another obvious source of potential housing supply. California's environment remains one of its biggest assets and we should protect it, but our environmental policy should actually preserve our environment instead of kicking away the ladder of social mobility.

By-right construction around transit similar to what was proposed in SB-50 a few years ago remains an attractive option as well, by connecting jobs, housing, and transit together, but concentrating exclusively on 10-story apartment complexes is not required. Density is often considered a 4-letter word, but there are many ways to achieve density in a less intrusive way than relying solely on large multi-family projects. To be clear, we need more large, multi-family

projects, but we can also achieve significant headway on our shortfall with more modest approaches mixed in as well. Accessory dwelling units (hereafter "ADUs") are a prime example. While many residents might lament a large project sprouting up in their neighborhood, a small unit in the back of a single-family lot is less off-putting. However, if even a small fraction of the single-family housing stock built an ADU, it would result in a significant number of new housing units. For example, if just 2% of California's roughly 6.7 million owner-occupied single-family homes constructed an ADU, that would equate to more than 130,000 new units—more than California's entire annual production the past few years. If 10% built ADUs, it would translate to almost 700,000 homes. These orders of magnitude are significant.

California could also consider reviving public housing. Although the track record for public housing in the past—at least for California's Black and Latinx communities—has been less than exemplary, there is still a theoretical argument that one could make for public housing done right, the way that it was for what servicemembers returning home from World War II, could be a significant tool in enabling more folks to achieve housing affordability and get on a path toward homeownership and intergenerational mobility.

At the local level, there are a variety of things that can be done to reduce the cost and burden of constructing new homes. Zoning could be eased to allow residential development in more areas. Permit processes could be made more transparent and permit fees could be reduced. Cities could consider alternative sources of revenue that do not translated into higher costs of construction and higher housing prices. For example, assessing developer, impact, and other construction-related fees to a per square foot basis over a per unit basis would remove the incentive to build larger and more expensive homes to spread the fees across. Parking requirements could be loosened. Density bonuses could be extended to projects that meet certain

goals for affordability and inclusion. Public lands could be made available for new homes. Each of these measures would have a positive, incremental effect that could collectively add up to a significant improvement in housing production in California.

In addition to these various policy measures, Californians themselves need to get serious about the housing shortfall, and to connect the dots on the consequences of inaction for their families, their housing options, their quality of life, and their economy. If more Californians demanded housing production, policy makers would approve more housing projects. There is a lot of work that needs to take place at the individual level and in the private sector. Groups like the Californians for Homeownership have begun to hold cities accountable to the law when it comes to approving new housing, but much more needs to be done in this arena as well. Ultimately, none of these solutions or the many others that we have not mentioned here, will solve California's housing crisis on its own. Instead, we need to embrace a variety of policies and attitudes that can add up to a comprehensive solution.

## VII. Conclusions and Recommendations

California has a housing crisis. For decades, our economy has been one of the top performers nationwide while our housing production falls way behind. As a result, the housing market seizes up with fewer vacant homes, existing housing turning over less frequently, and fierce competition for what little housing remains available whether to rent or buy. This leads to a deterioration in housing affordability that has caused California's homeownership rate to dwindle over time and to diverge starkly from the rest of the United States when it comes to delivering on the American Dream. In addition, the unaffordability of housing in California creates deep financial distress where a disproportionate number of families end up living in overcrowded housing, spending too much of their income on rents and mortgages, living below

the poverty line, or outright living on the streets. This is particularly true for California's Black and Latinx families, who have borne the brunt of the housing shortage, but that said, no group escapes the pernicious effects playing out across the state.

The good news is that we have identified the problem and there is broad consensus that we have made the correct diagnosis: California needs to increase its supply of housing to get housing affordability under control. The other good news is that there are a variety of treatments at our disposal to begin rooting out the disease. Some of these can be pursued at the state level and others can be implemented by cities and counties, and yet others will still need to be driven by public opinion. No one policy solution will be a panacea, so we need an all-of-the-above approach because one thing *is* abundantly clear: it is time to get serious about California's housing crisis. Affordability has already deteriorated to the point where it is stifling broader economic growth and forcing many more Californians to leave the state to achieve homeownership elsewhere. With the crisis offering workers more flexibility in where they live while also making our homes more important to us than ever before, it has become more urgent than ever to provide adequate housing. If we fail, it is not just the American Dream that is at stake, our future economy and prosperity as a state are threatened.

## VIII. Endnotes

[i] Reaser, Lynn, "Opening the Door to San Diego's Lower Housing Costs," Fermanian Business & Economic Institute at Point Loma Nazarene University, 2015.

[ii] Levy, Stephen, "California's Housing Crisis Demands an All of the Above Strategy," Published by California Forward, April 20, 2016.

[iii] Chiland, Elijah, "California's next governor wants to build 3.5 million new homes by 2025," Curbed Los Angeles, November 8, 2018.

[iv] Metcalf, Ben, "California's Housing Future: Challenges and Opportunities, Final Statewide Housing Assessment 2025," Published by California Department of Housing and Community Development, February 2018.

[v] The number of residential housing units permitted was sourced from the California Homebuilding Foundation (CHF); Construction Industry Research Board (CIRB); and accessed via Moody's Analytics.

[vi] Taylor, Mac, "California's High Housing Costs: Causes and Consequences," California Legislative Analyst's Office, March 17, 2015.

[vii] U.S. Census Bureau, Decennial Census: 1950-2000; & U.S. Census Bureau, Housing Vacancy Survey, 2005-2020.

[viii] California nonfarm employment was sourced from the California Employment Development Departments Labor Market Information Division, Industry Employment – Official Estimates, 1990-2019.

[ix] Homeowner and rental vacancy rates by state were obtained from the U.S. Census Bureau, 2019 American Community Survey.

[x] Overcrowding, defined as more than 1 person per room, was obtained from the U.S. Census Bureau, 2019 American Community Survey.

[xi] Housing turnover is estimated using the number of existing single-family homes sold each year as reported by the California Association of REALTORS® in their Annual Historical Data Summary and the number of existing single-family owned homes in California from the U.S. Census Bureau's Annual Social and Economic Supplement to the Current Population Survey.

[xii] The median sales price of existing single-family homes in the United States is reported by the National Association of REALTORS® each month.

[xiii] The median sales price of existing single-family homes in California is reported by the California Association of REALTORS® each month.

[xiv] The Housing Affordability Index for the United States and California are calculated and published by the National and California Associations of REALTORS®, respectively, each quarter and are determined by comparing the percentage of households who can afford the median priced home such that if they put down a 20% down payment, financed the home at current market interest rates, and paid 1.38% in property taxes, special assessments, and other local add on taxes, that the payment would consume 30% of the household's gross pay, or less.

[xv] Rent and mortgage burdened households are classified as households spending at least 35% of their income on housing costs and are reported in the U.S. Census Bureau, 2019 American Community Survey.

[xvi] Homeless rate and homeless count estimates by state were obtained from the National Alliance to End Homelessness, "State of Homelessness: 2020 Edition," Published in 2020.

[xvii] The California and U.S. traditional poverty rates were sourced from the U.S. Census Bureau, 2019 American Community Survey.
[xviii] U.S.Census Bureau, "Table 5. Number and Percentage of People in Poverty by State: 3-Year Average Over: 2017, 2018, and 2019," 2019 Supplemental Poverty Measure.

[xix] The Federal Reserve's Survey of Consumer Finances is released every three years and provides a comprehensive look at household balance sheets across a variety of socio-economic and demographic characteristics, including homeownership. The most recent study was publish in 2020 and covers consumers in the 2019 calendar year.

[xx] State and national nonfarm jobs data were obtained from the Bureau of Labor Statistics, Current Employment Statistics (CES).

[xxi] Raphael Bostic, "The Affordable Housing Crisis in Los Angeles: An Employer Perspective," Los Angeles Business Council, April 2017.

[xxii] U.S. Census Bureau, State Population Estimates.

[xxiii] Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, "Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)," Harvard Joint Center for Housing Studies, September 2013.

[xxiv] Hernandez, Jennifer, "California Getting In Its Own Way: In 2018, Housing Was Targeted in 60% of Anti-Development Lawsuits," Edited by Joel Kotkin, Published by the University of Chapman Center for Demographics and Policy, December 2019.

[xxv] Ibid.