

31st Annual USC-SCAG Demographic Workshop
Panel on the Changing Demographic Outlook and Housing Trends
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A Housing Crisis that FAILS to Match Housing to Jobs and People

Dowell Myers

USC Price

Sol Price School of Public Policy

**Drawing on research supported by the *Haynes Foundation*,
the *National Multifamily Housing Council*, *Randall W. Lewis*,
and *Southern California Council of Governments***

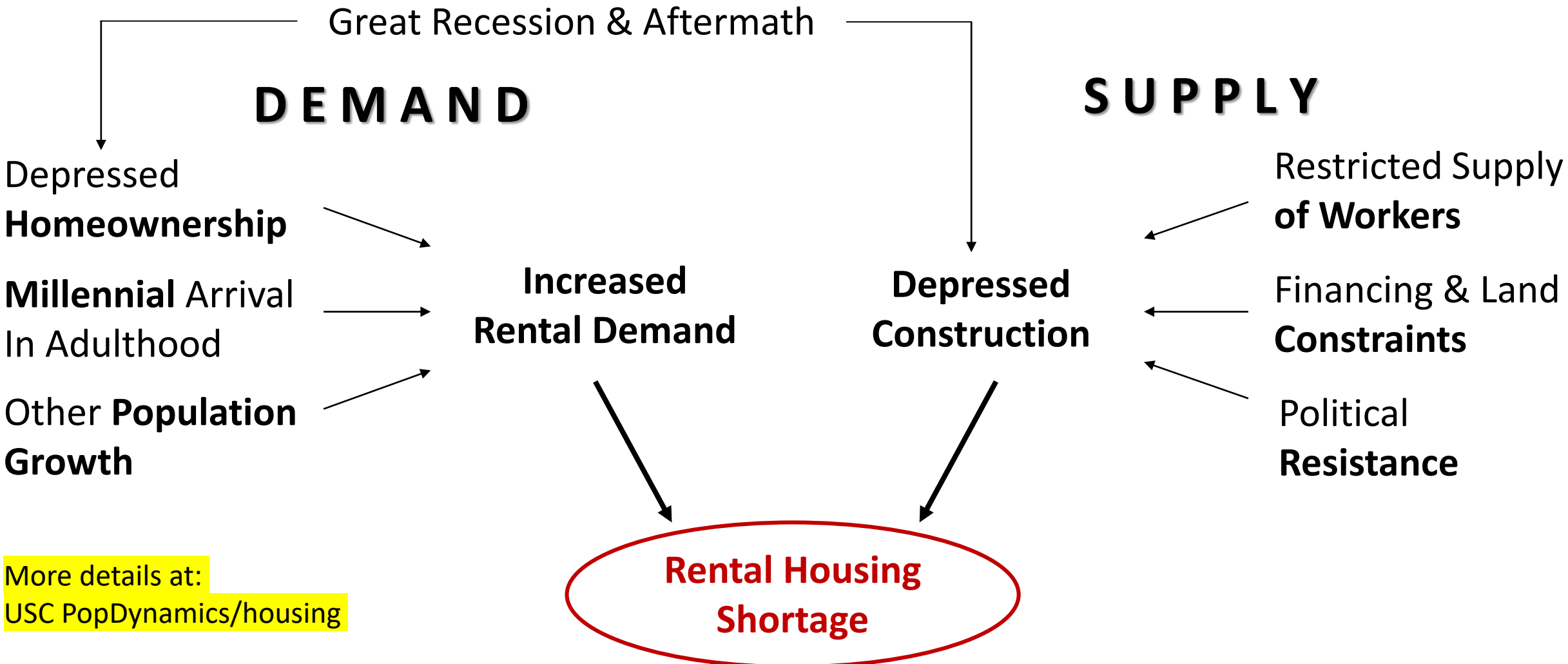
Themes Addressed

1. Where did the *housing crisis* come from? So many interconnections and misperceptions
2. Are we building *too many apartments?* See the facts
3. Learning from *housing demography* – details of how people connect to housing over time
4. How does *housing shortage* exert its effects? Reversed **filtering** process, gentrification, and cannibalized low-income housing

*Where did the
Housing crisis come from?*

When Growing Rental Demand Meets Limited Housing Supply

Conceptual Diagram for Explaining the Rental Housing Shortage



More details at:
USC PopDynamics/housing

***Are we building
too many apartments?***

California Building Trends

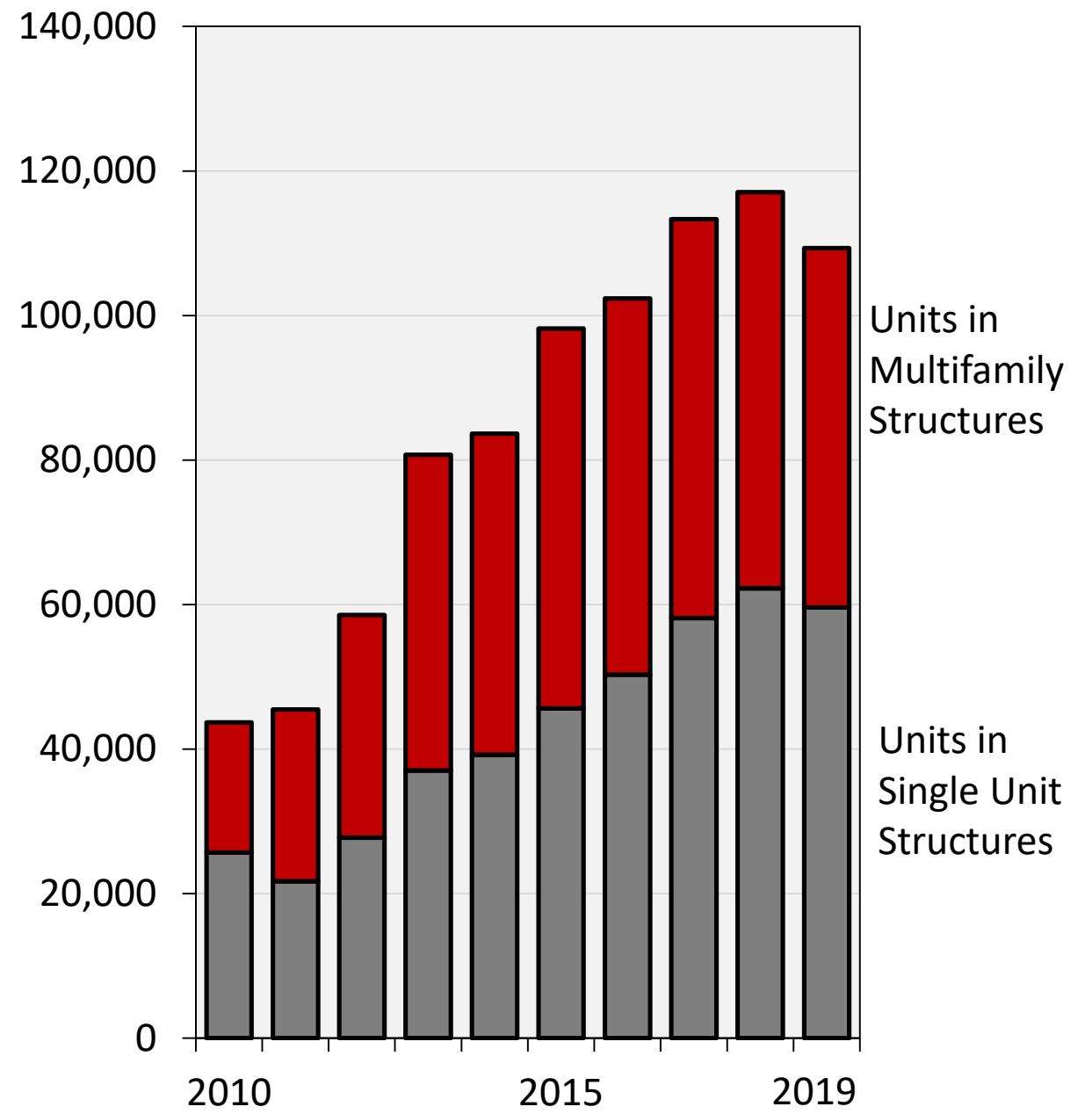
so what's the right perspective — just today? Or the last 10 years.....

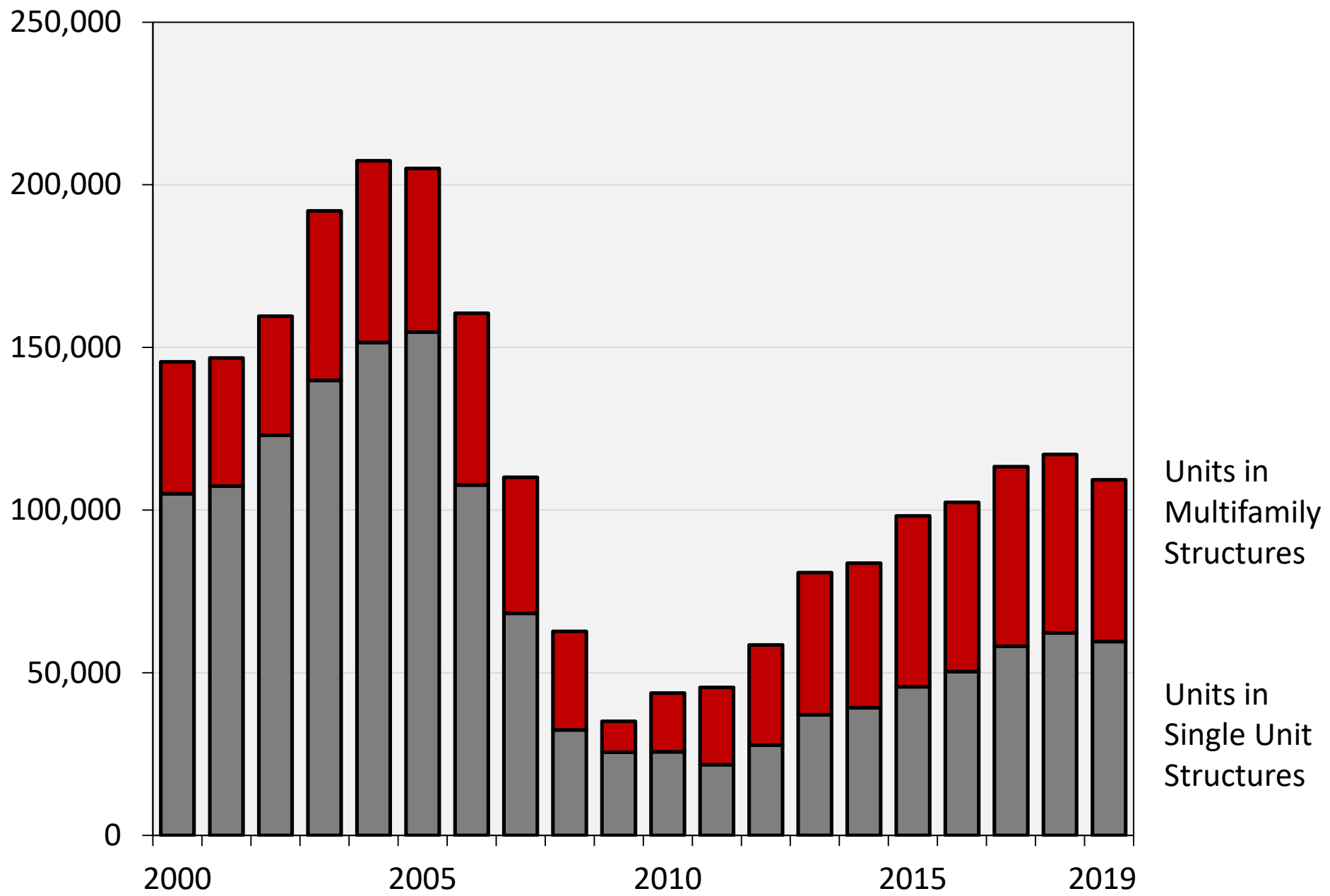
*or back to the good old days in the 1960s,
full of white-picket-fence, single-family development?*

*How many apartments are really normal
to be building?*

California Statewide Permits for New Construction (U.S. Census Bureau)

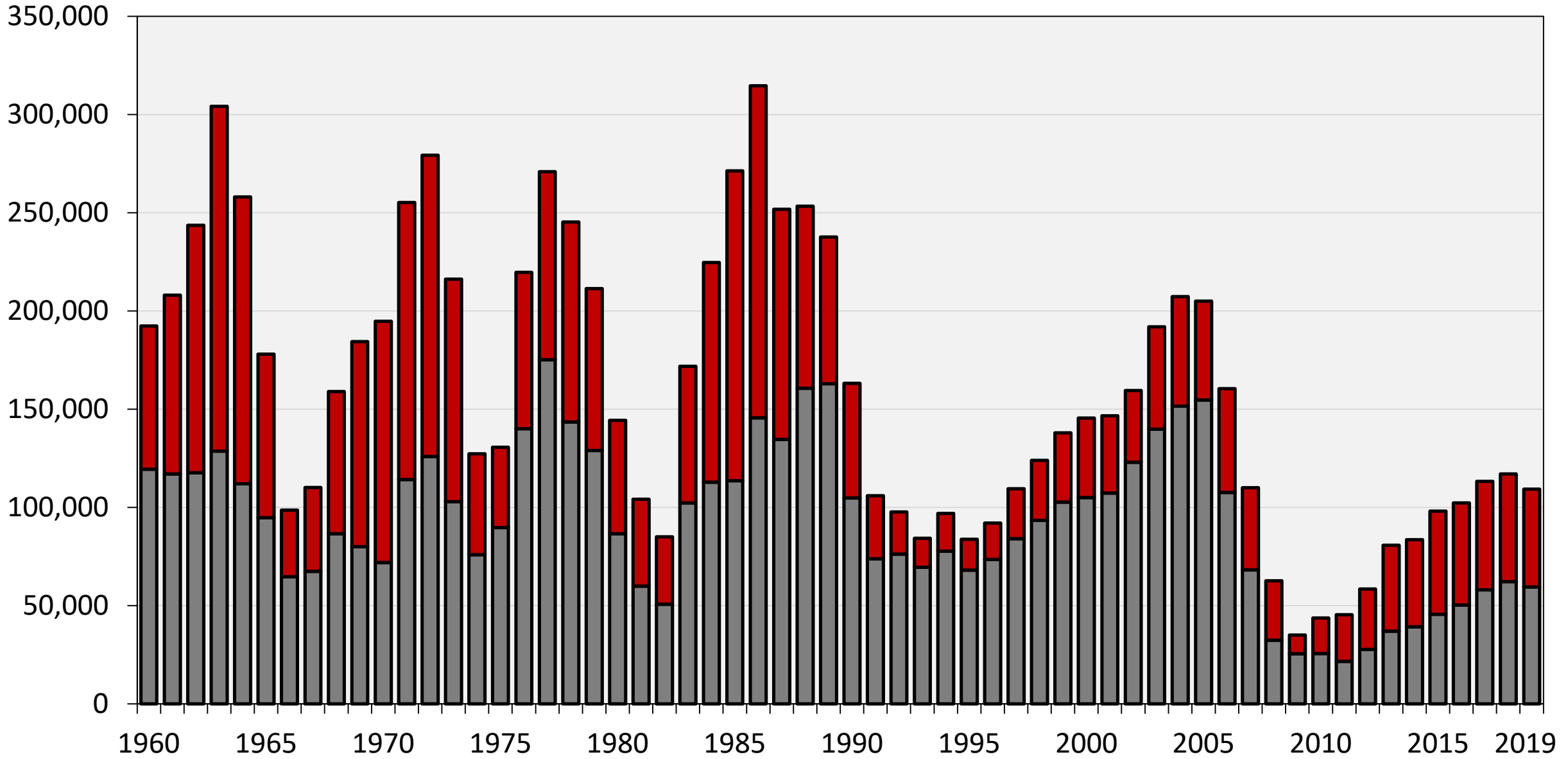
Whoa!
Too much building!
Too many apartments!
Unprecedented!



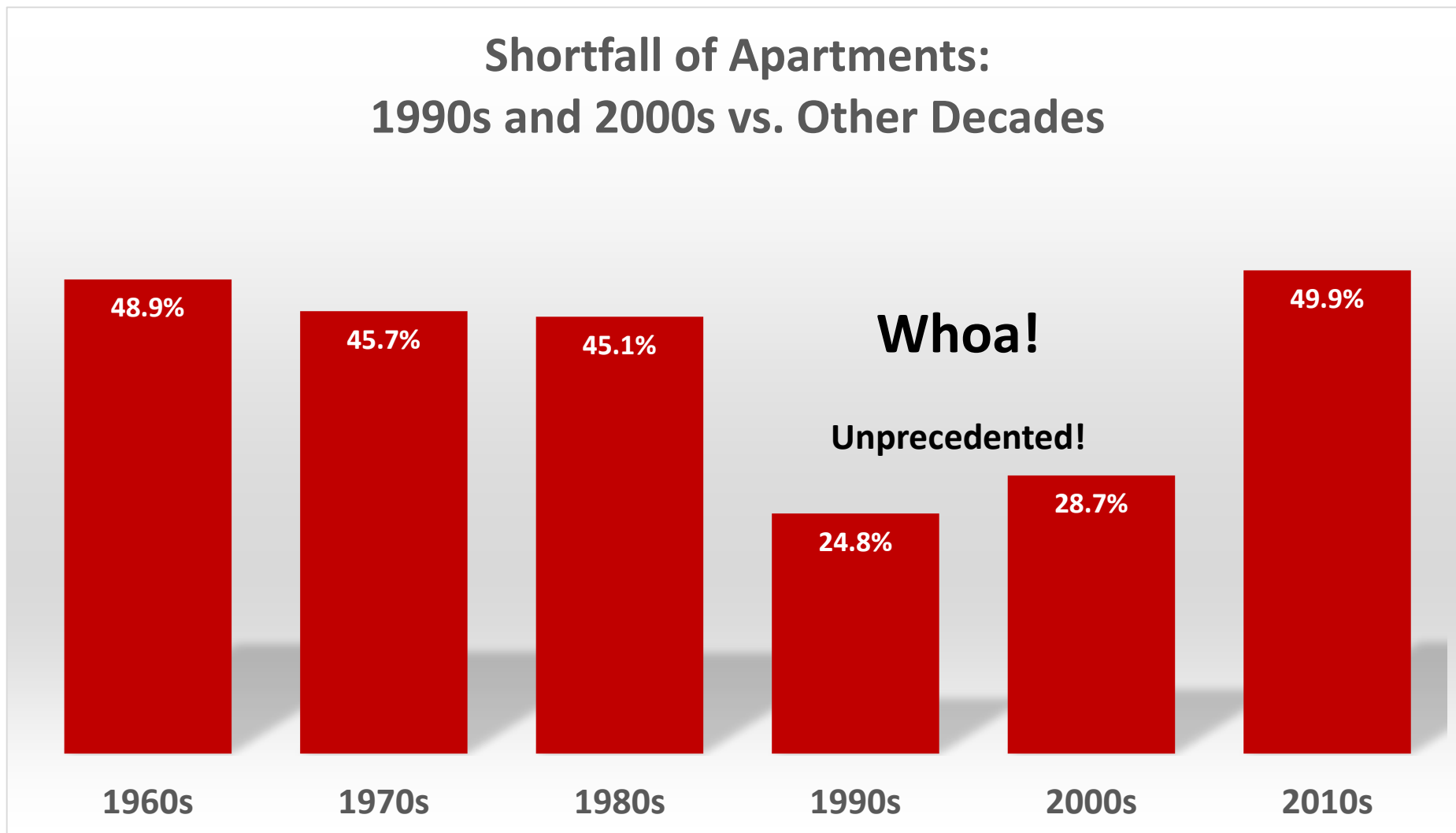


Units in
Multifamily
Structures

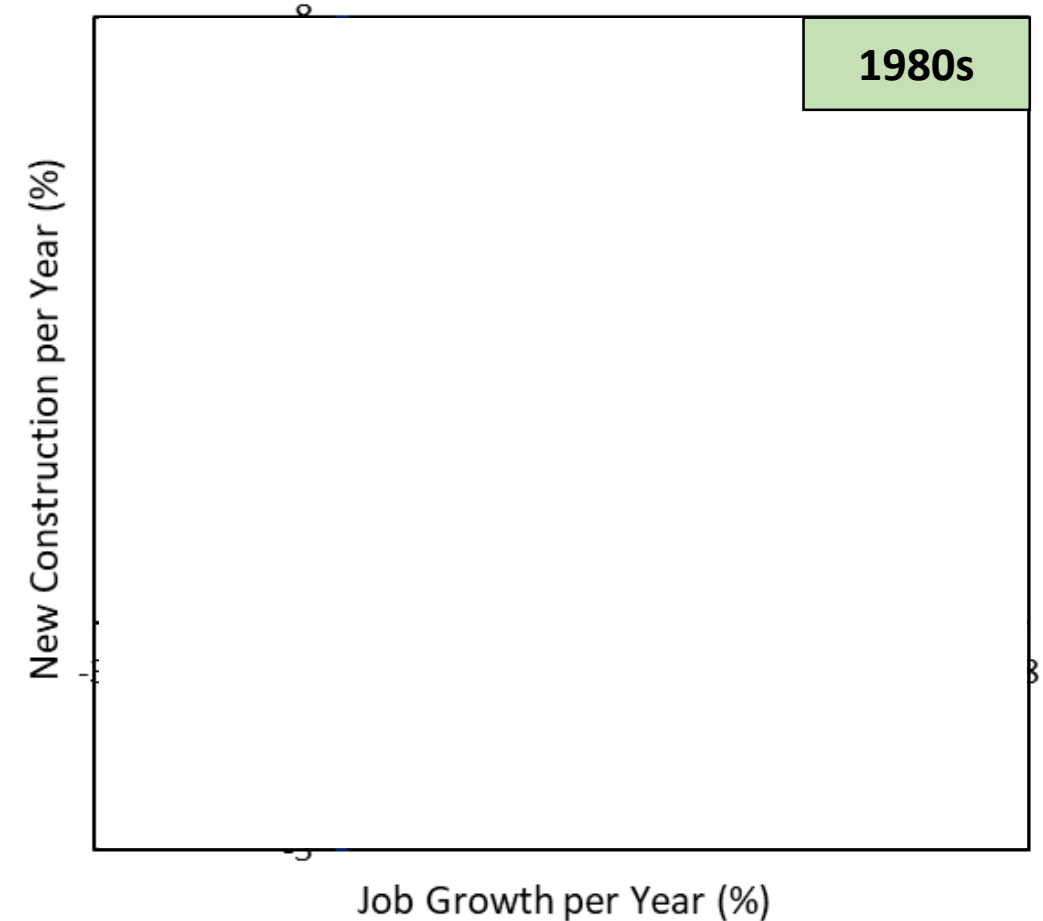
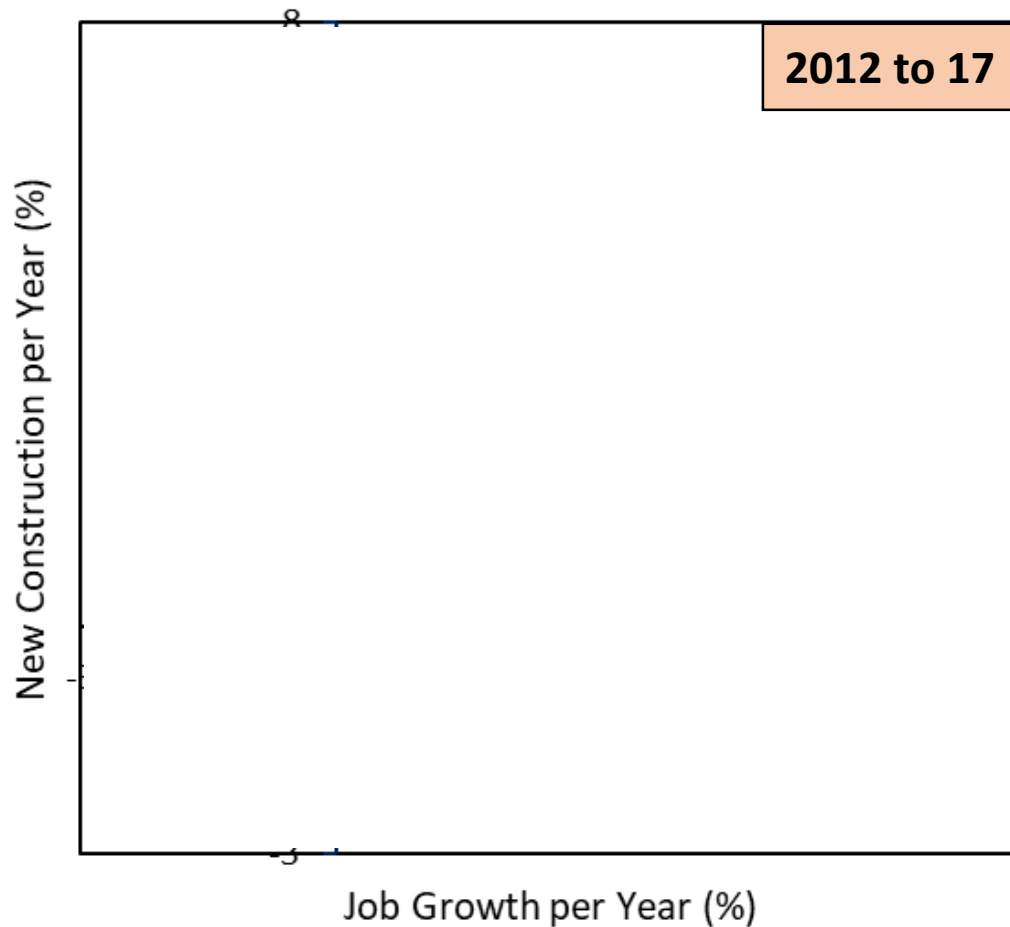
Units in
Single Unit
Structures



Percent Multifamily of Permits for New Construction is
Normally Nearly 50% in California Each Decade



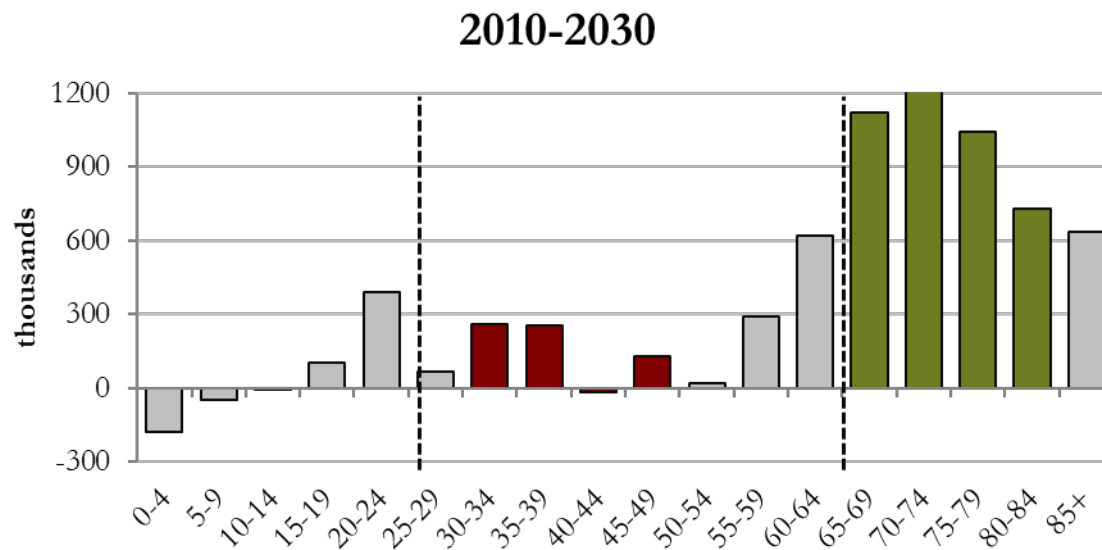
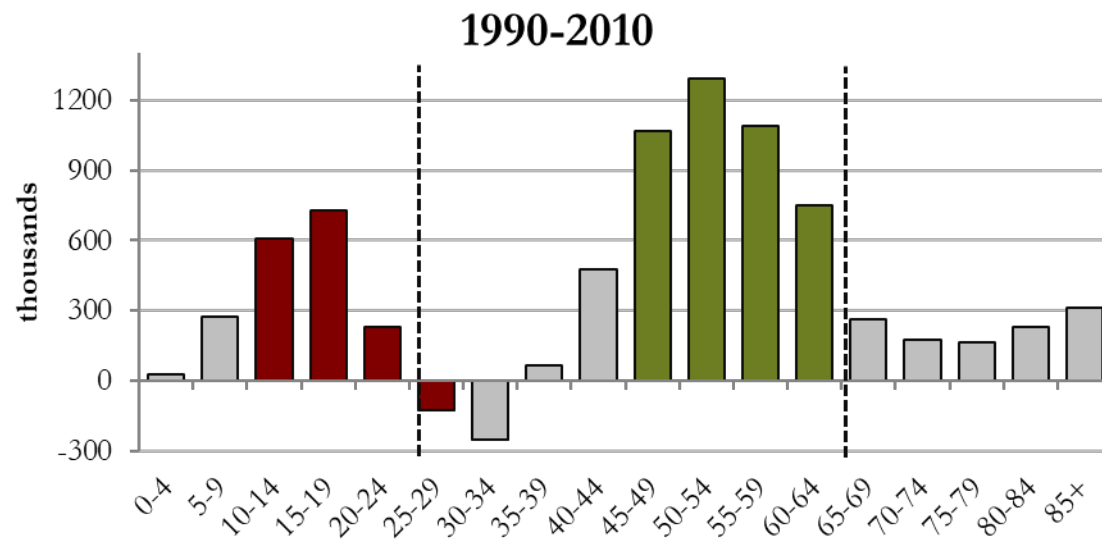
Strong Relations Between **New Construction** and Job Growth *Disrupted in the* Recovery Decade Compared to Earlier



Notes: New construction per year (%) = Summed annual bldg. permits (2-year lagged) / start year households x 100 / length of years; Job growth per year (%) = (end year jobs – start year jobs) / start year jobs x 100 / length of years

Sources: U.S. Census Bureau's Building Permits Survey; Bureau of Economic Analysis (BEA)'s Employment Data; Decennial Census and American Community Survey IPUMS Microdata Files.

Growth by Age in California: Then and Now



Sources: Dowell Myers, Census Bureau decennial census of 1990 and 2010, and CA DOF 2017 vintage projections

***How does housing shortage
exert its effects?***

***(OR How does the shortage
get resolved?)***

Definition of Filtering and its Importance

HUD declares filtering is the traditional means of creating ***Naturally Occurring Affordable Housing (NOAH)*** for lower-income families in the United States (HUD 2016).

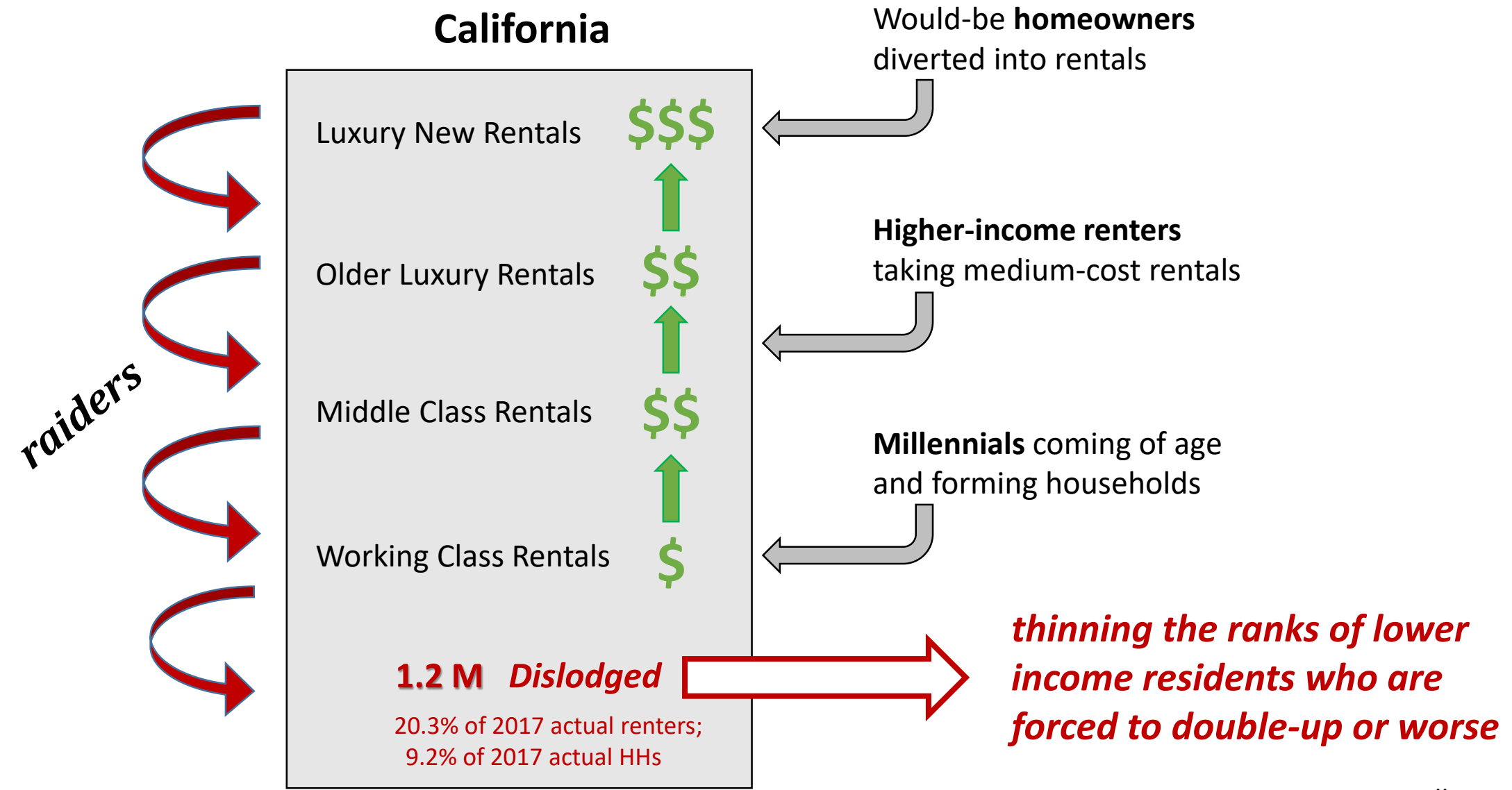
Over time properties obsolesce and are made less competitive, commanding lower rents, and provided housing for lower-income renters. Filtering of apartments is vital to meeting the nation's low-income housing needs, but its ***effectiveness may vary decade to decade.***

Filtering requires a surplus supply if this favorable sorting is going to work. Without enough supply to support job growth and aging retirees, ***housing cannibals are set loose***, leading to ***gentrification*** and a ***reversal of filtering.***

We can test that hypothesis by ***tracking the growth of low-income occupancy*** in each decade, using a sample of the 100 largest metro areas over four decades.

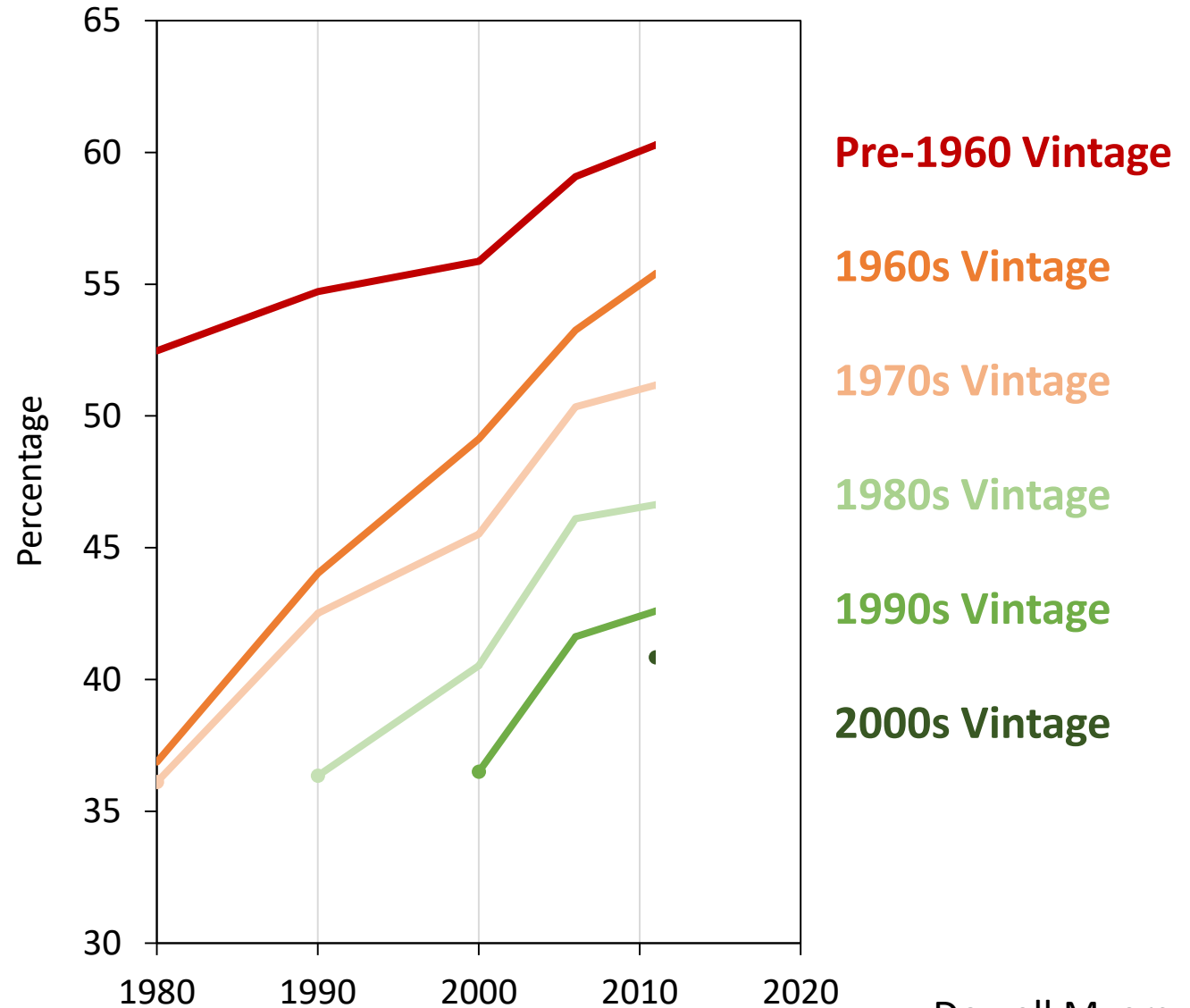
(Details: search NMHC Filtering Study 2020)

Shortage Breeds *Downward Raiding and Cannibalization*



Tracking the *Rising Share Low-Income* in Apartments

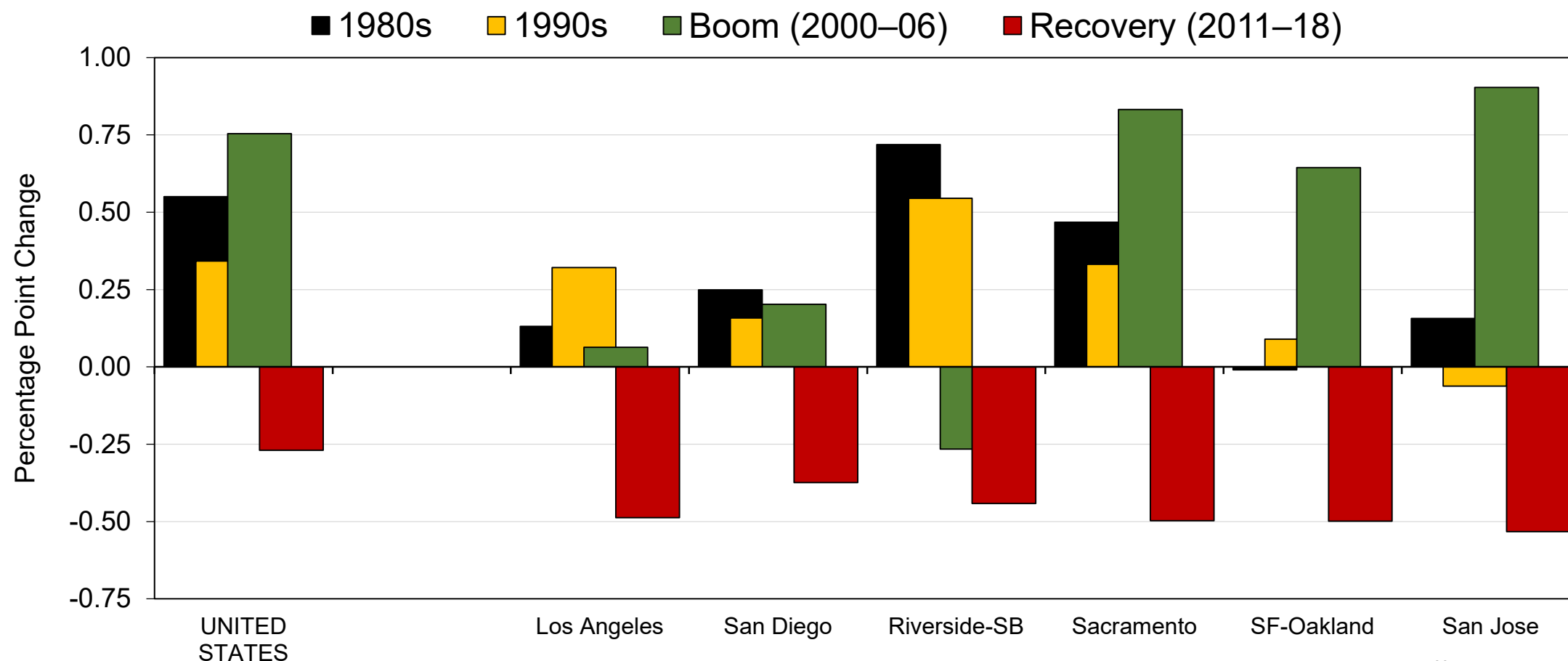
**Percent (%) Low-income Tenants
in Apartments of Each Vintage,
As Time Passes**



Sources: USC PopDynamics Analysis of 100 largest metro areas, based on 1980, 1990, and 2000 Decennial Census and 2006 through 2018 ACS IPUMS Files.

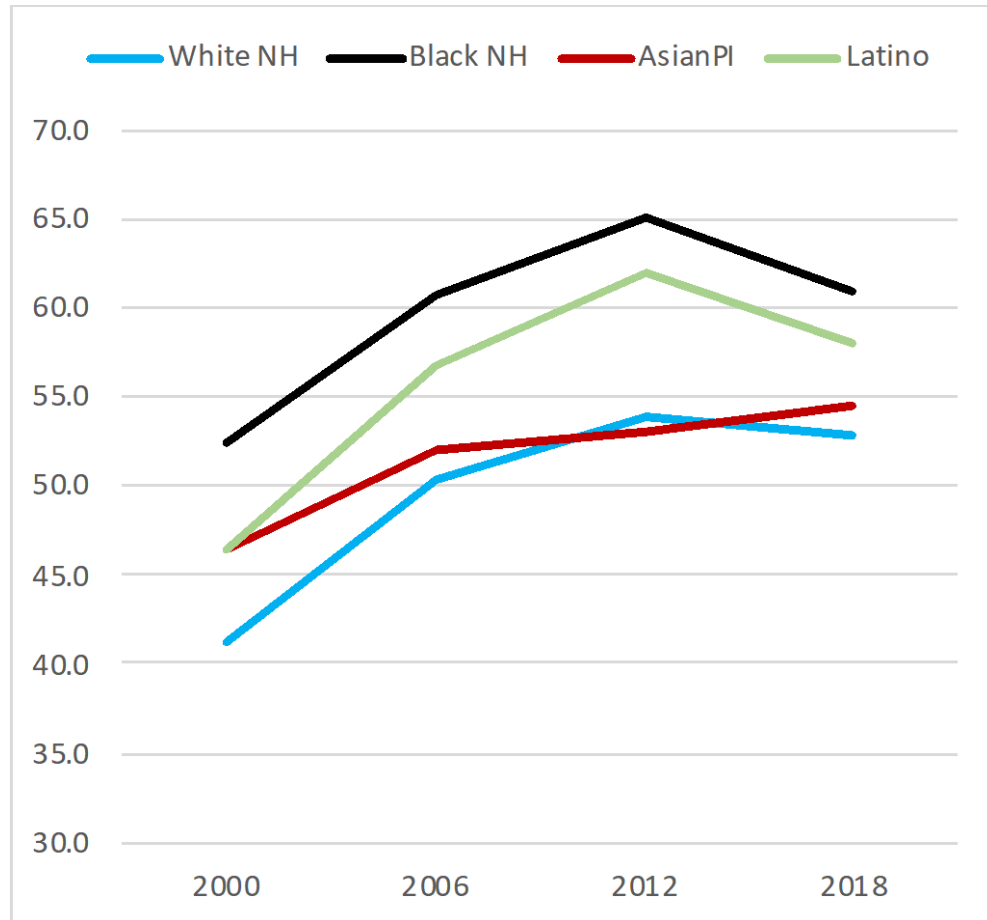
Filtering in Apartments with *Positive Gains* in 1980s, 1990s, and 2000s, but *Widespread Reversal* in Recovery Decade

Annualized Percentage Point Change in Low-income (<50% AMI) Share of Apartment Units, New Units Not Included, U.S. and CA Metros

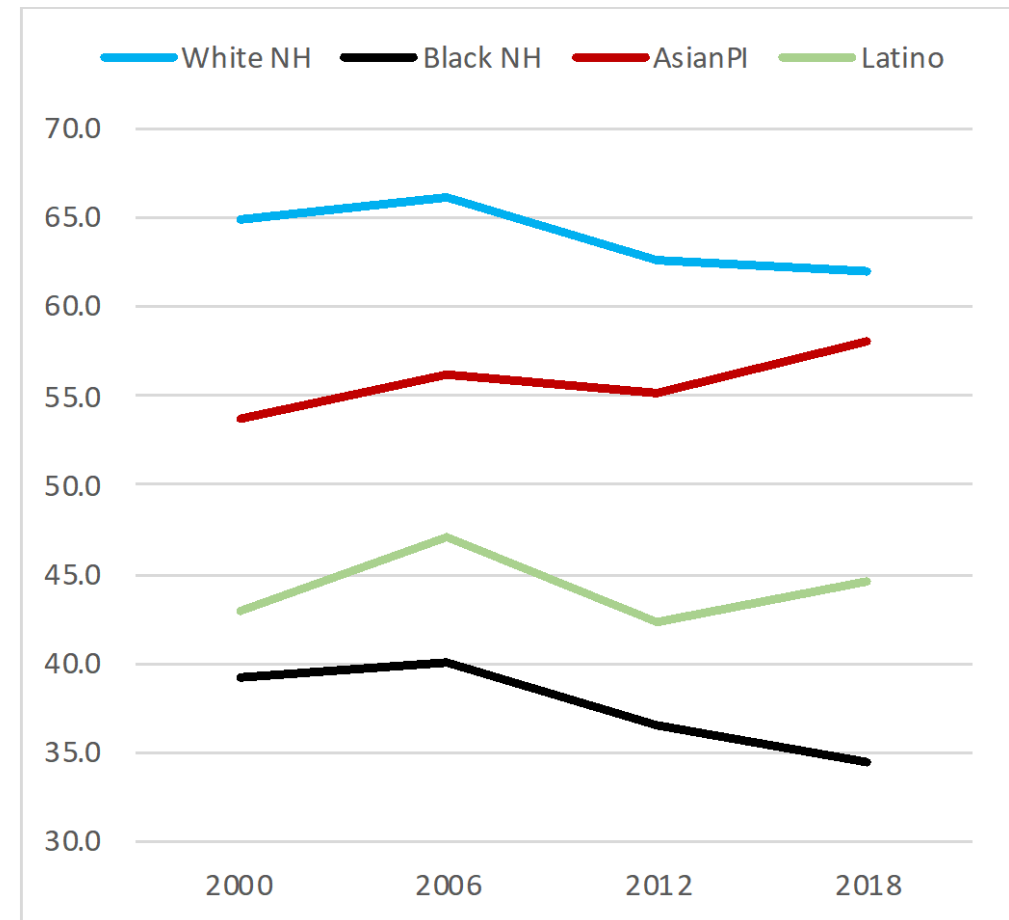


Persistent or Growing *Racial Disparities* in SCAG Region

Percent Excess Rent Burden (30+% of Income)



Percent Homeowners of Households



Sources: JungHo Park analysis; USC PopDynamics Analysis based on 2000 Decennial Census and 2006, 2012, and 2018 ACS IPUMS Files.

Conclusion

- Current peak construction is barely the *low point* of previous construction cycles -- truly unprecedented is *the LOST apartment construction* in the 1990s and 2000s, which haunts today's renters
- LONG TERM: Need to use *filtering* to grow *future* opportunities for low-income households by producing more middle-income housing *today*, curbing excess rent burden for everybody
- SHORT TERM:
 - Need to stop gentrification from raiding low-income housing
 - Need to get the diverted homeowners OUT of rental competition
 - Urgent needs of very low-income require subsidies for construction
 - Priority is to get housing construction *back to normal*

Thank you

Visit **USC** *PopDynamics*

<https://sites.usc.edu/popdynamics/housing/>

Dowell Myers

USCPrice

Sol Price School of Public Policy