

31st Annual USC-SCAG Demographic Workshop
Panel on the Changing Demographic Outlook and Housing Trends
June 11, 2020

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***

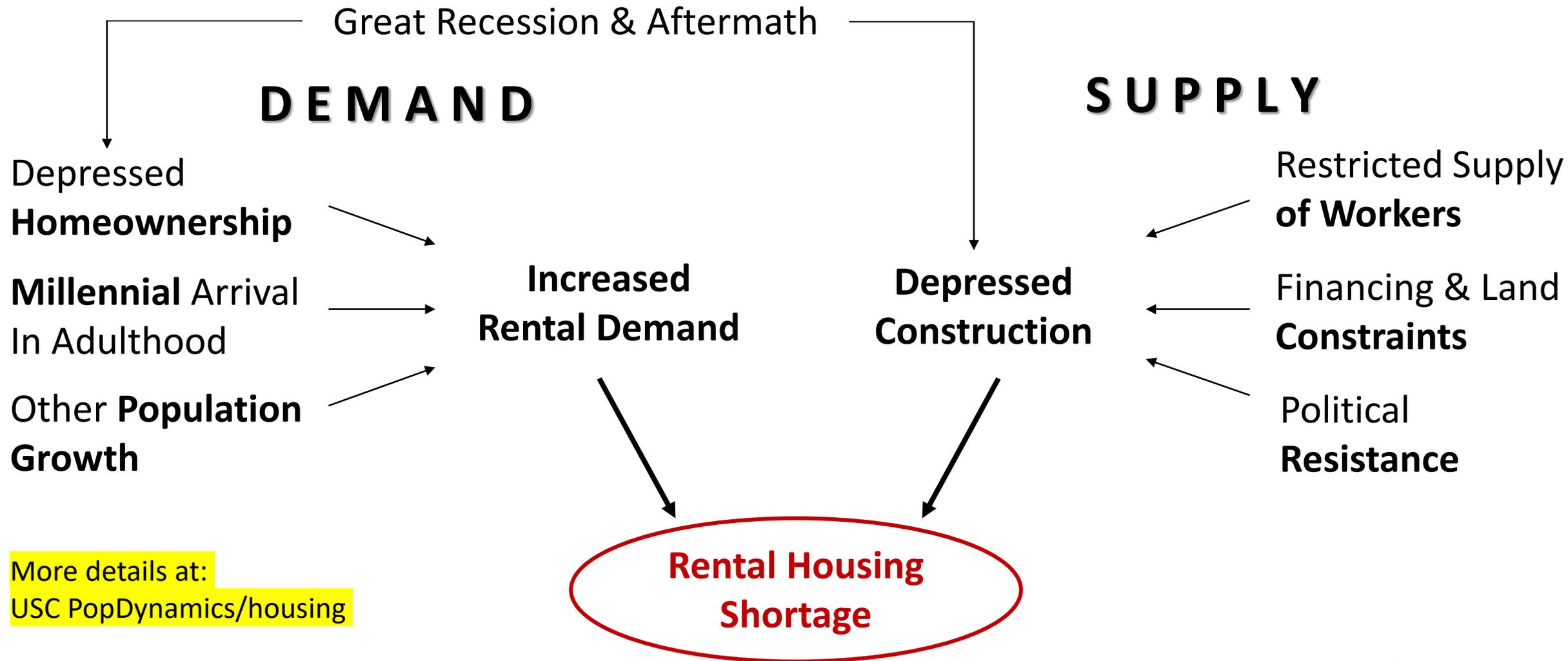
Themes Addressed

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?*

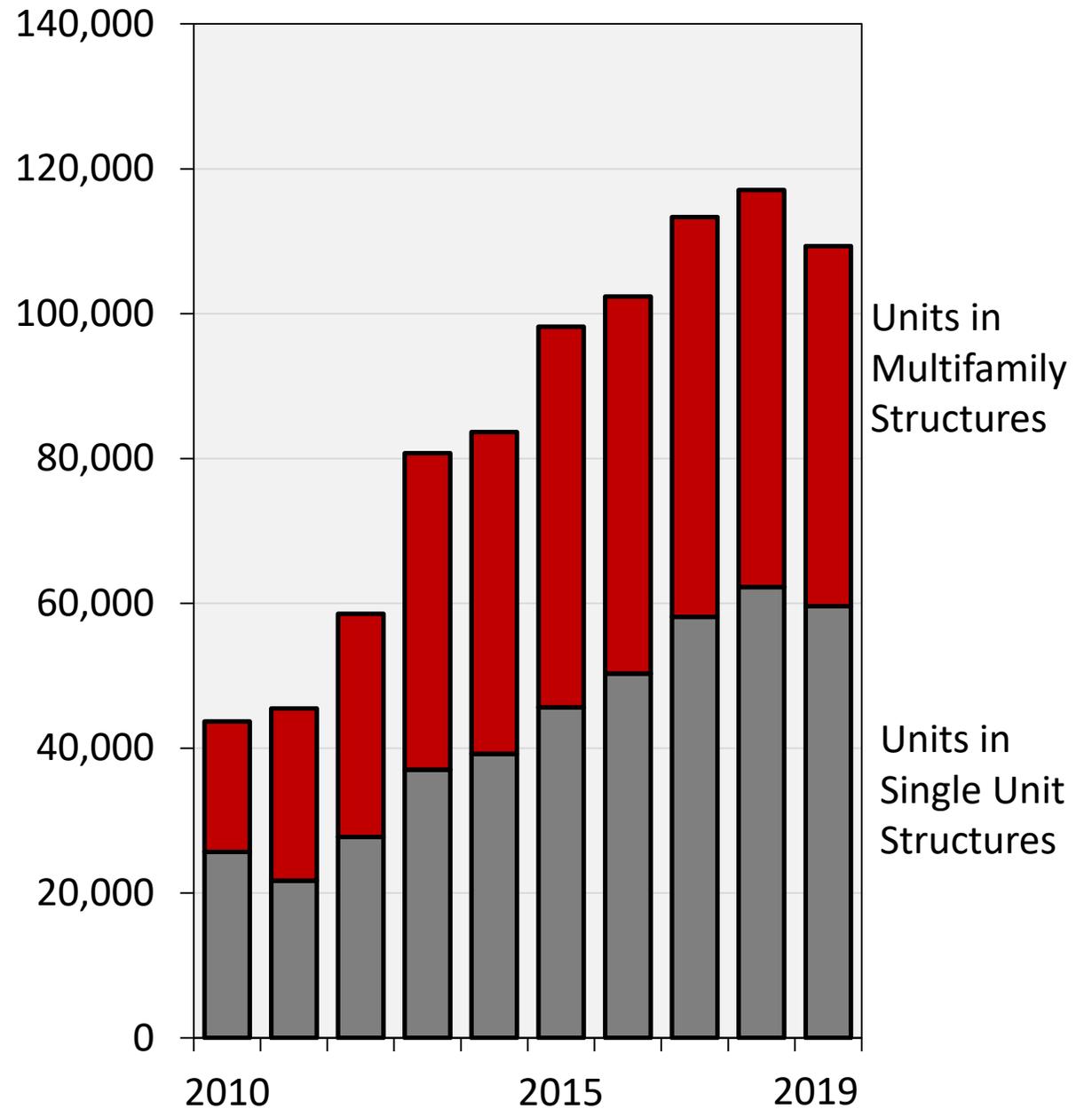
California Statewide

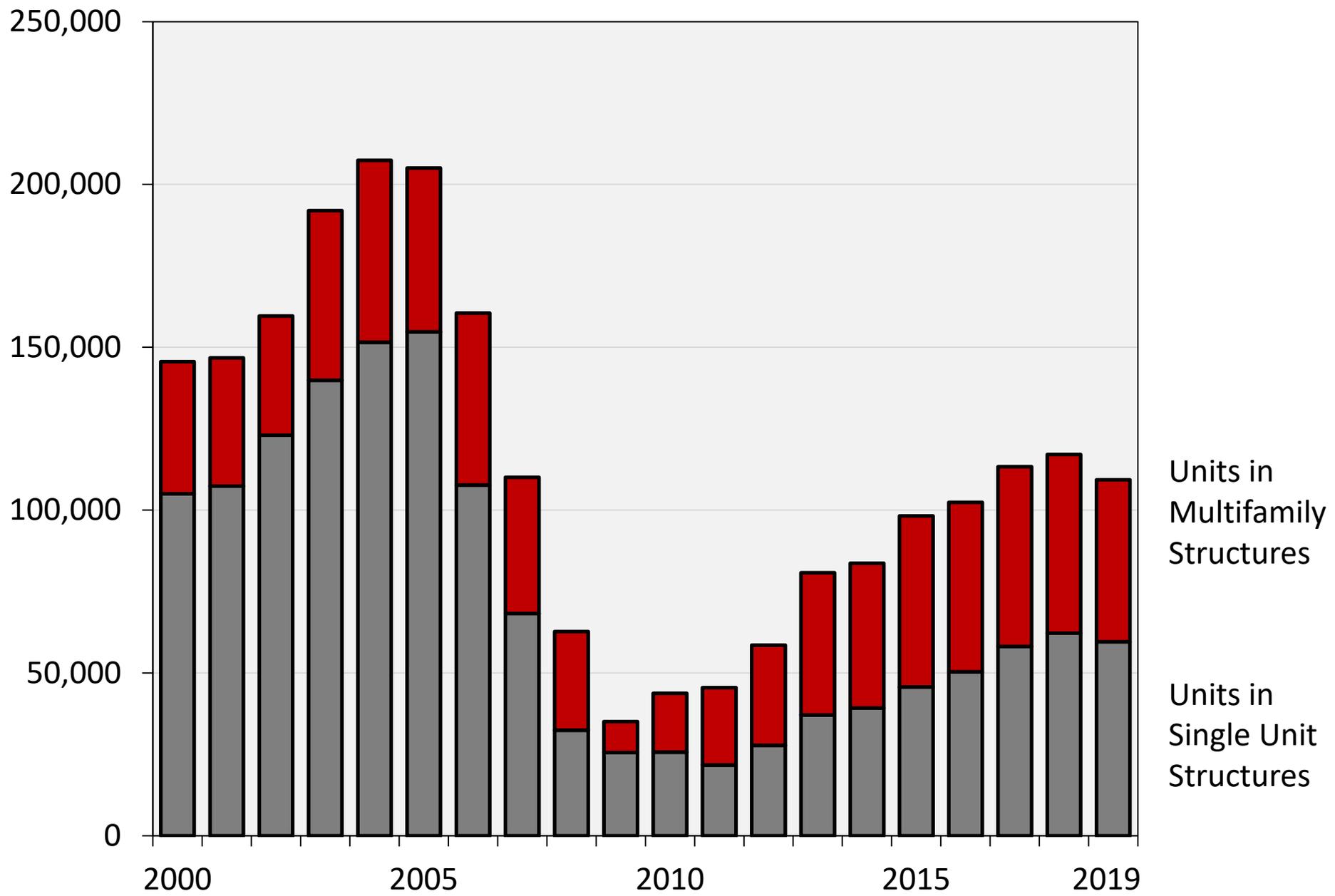
Permits for New Construction (U.S. Census Bureau)

Whoa!

**Too much building!
Too many apartments!**

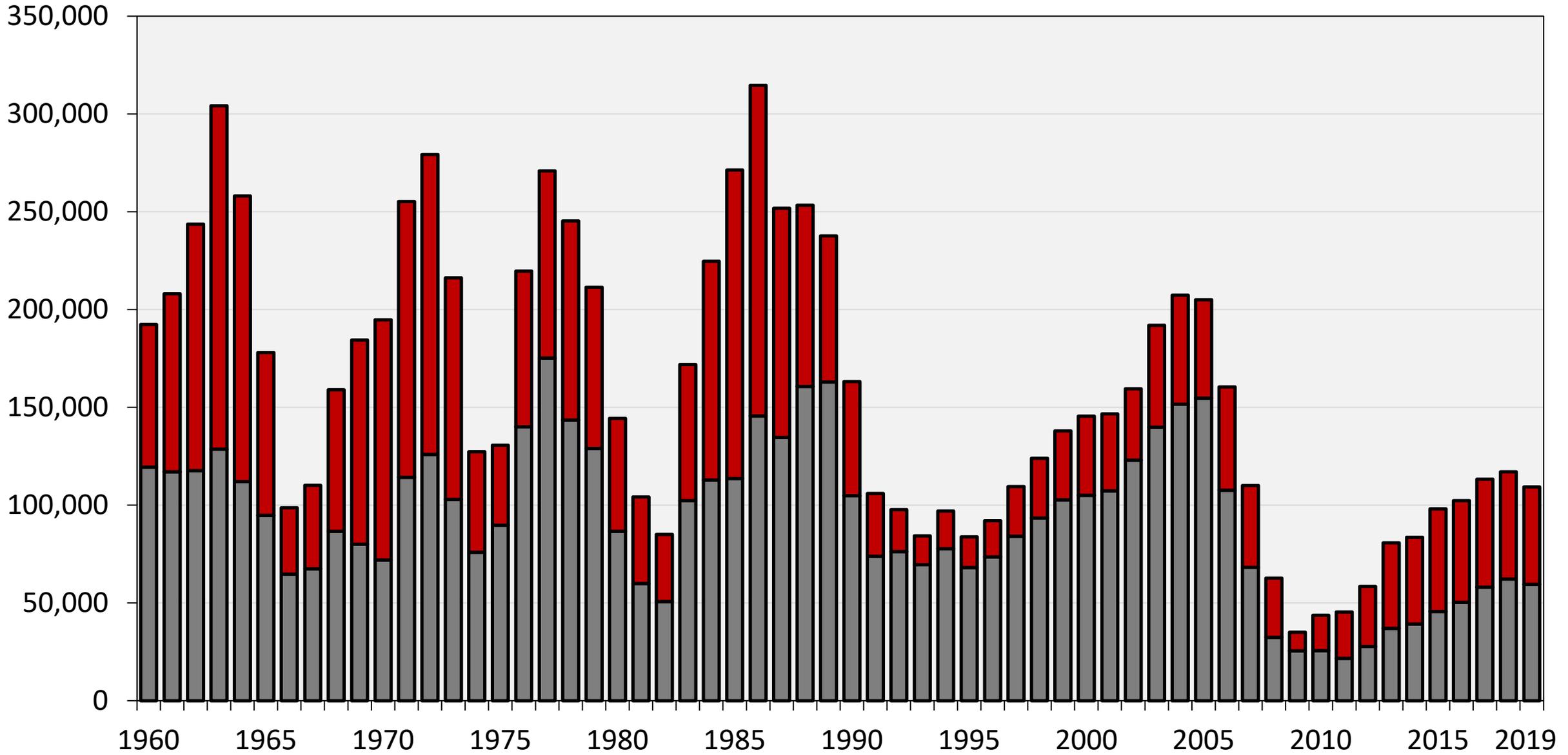
Unprecedented!



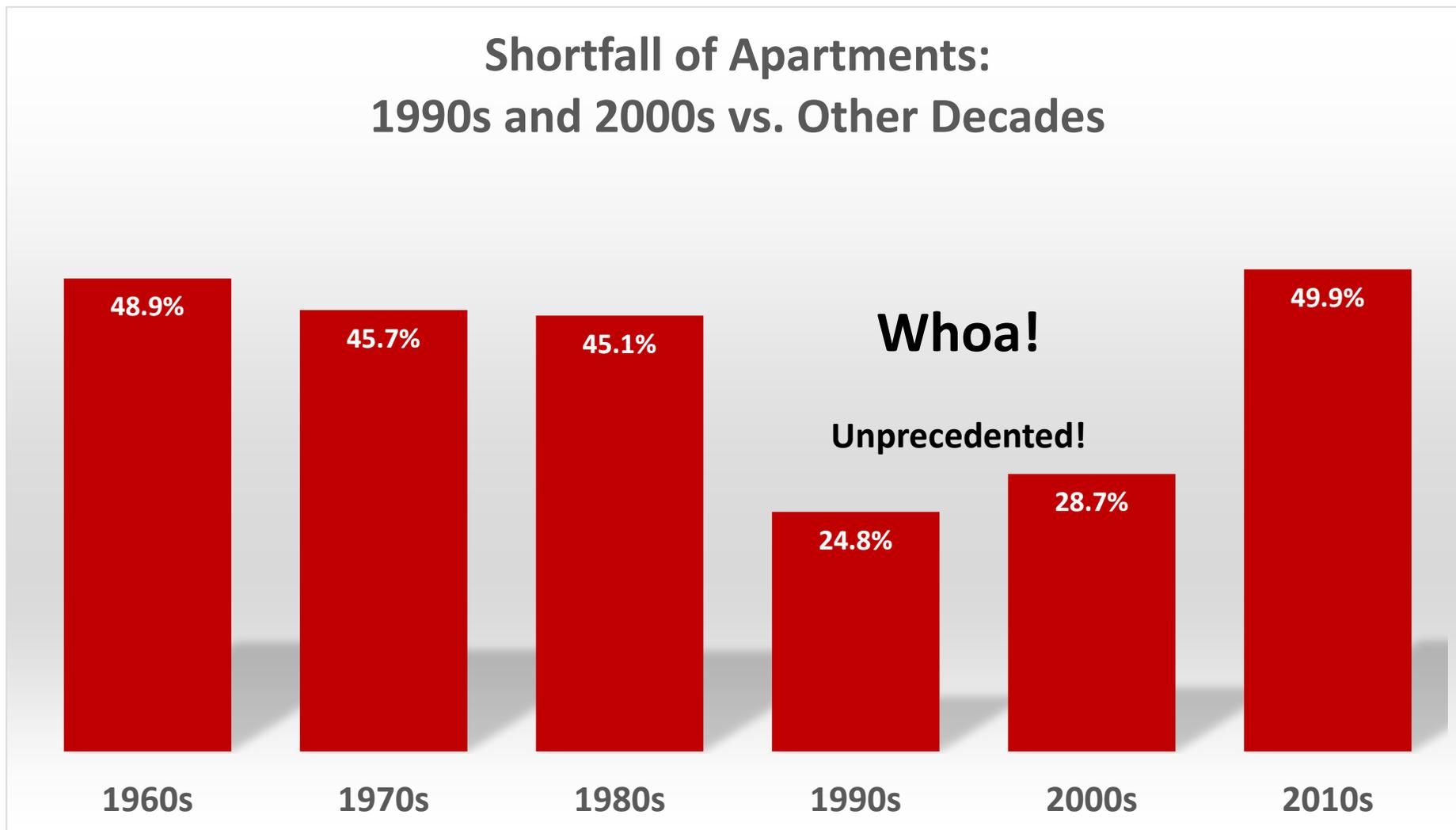


Units in
Multifamily
Structures

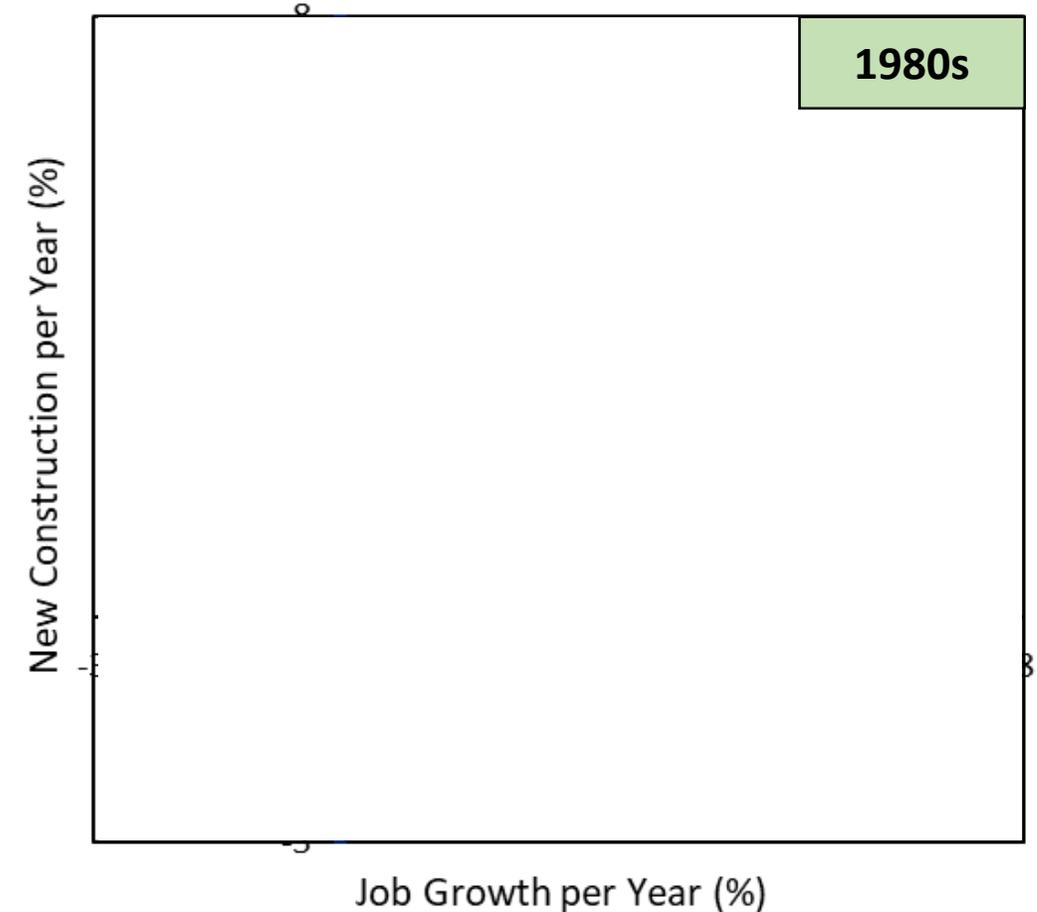
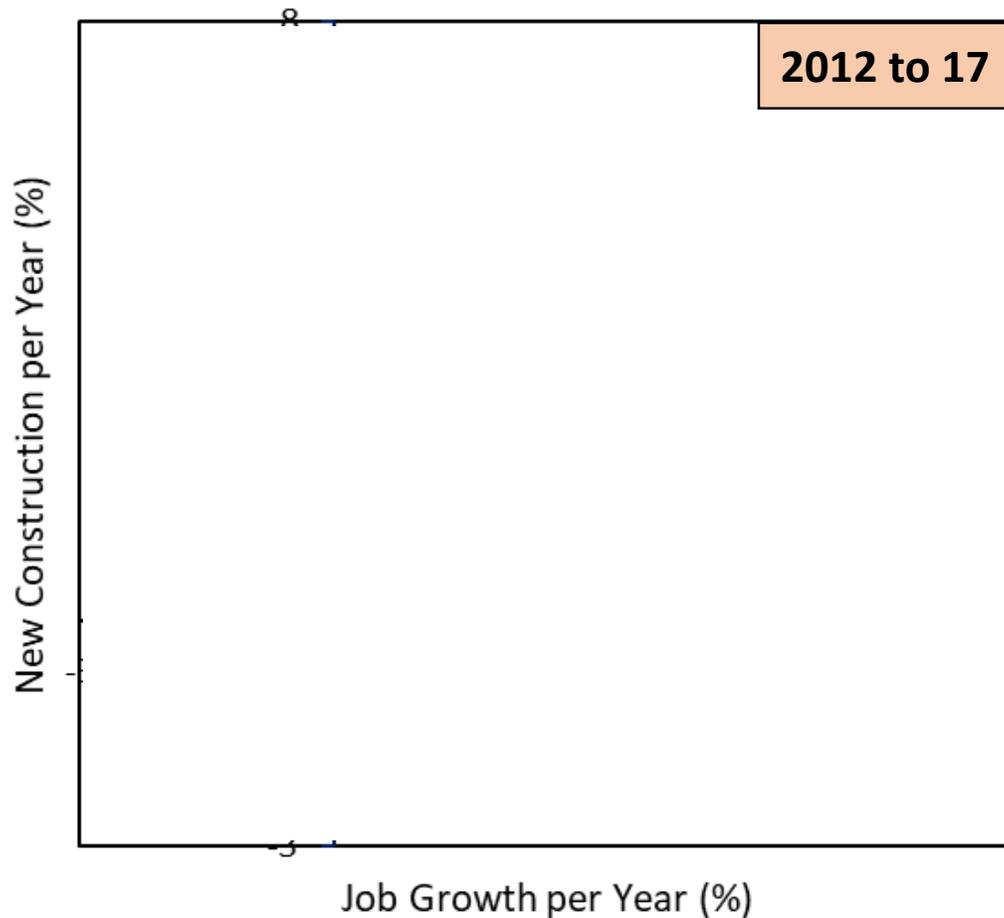
Units in
Single Unit
Structures



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



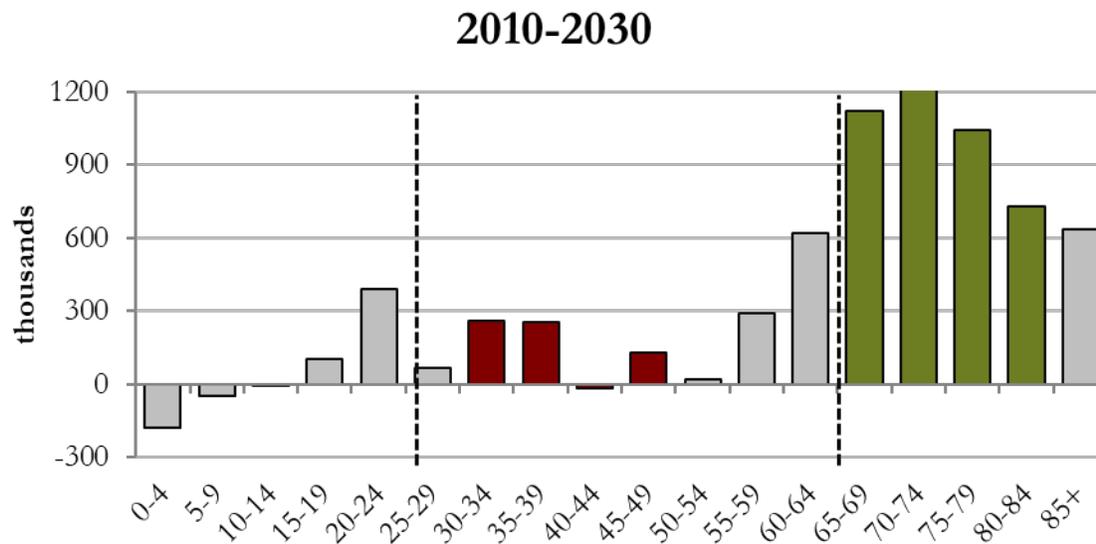
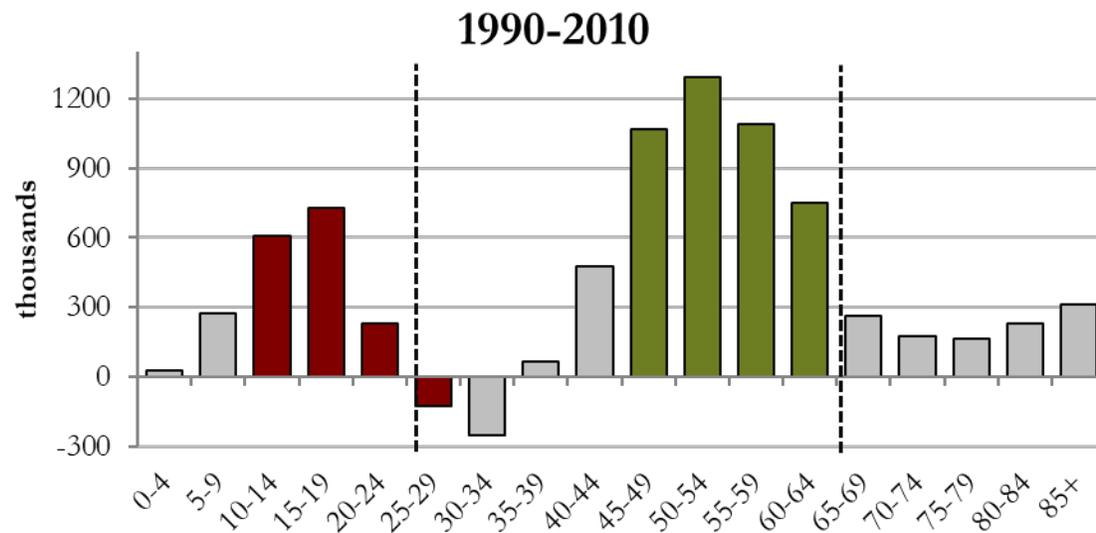
Strong Relations Between **New Construction** and Job Growth *Disrupted in the* Recovery Decade Compared to Earlier



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).

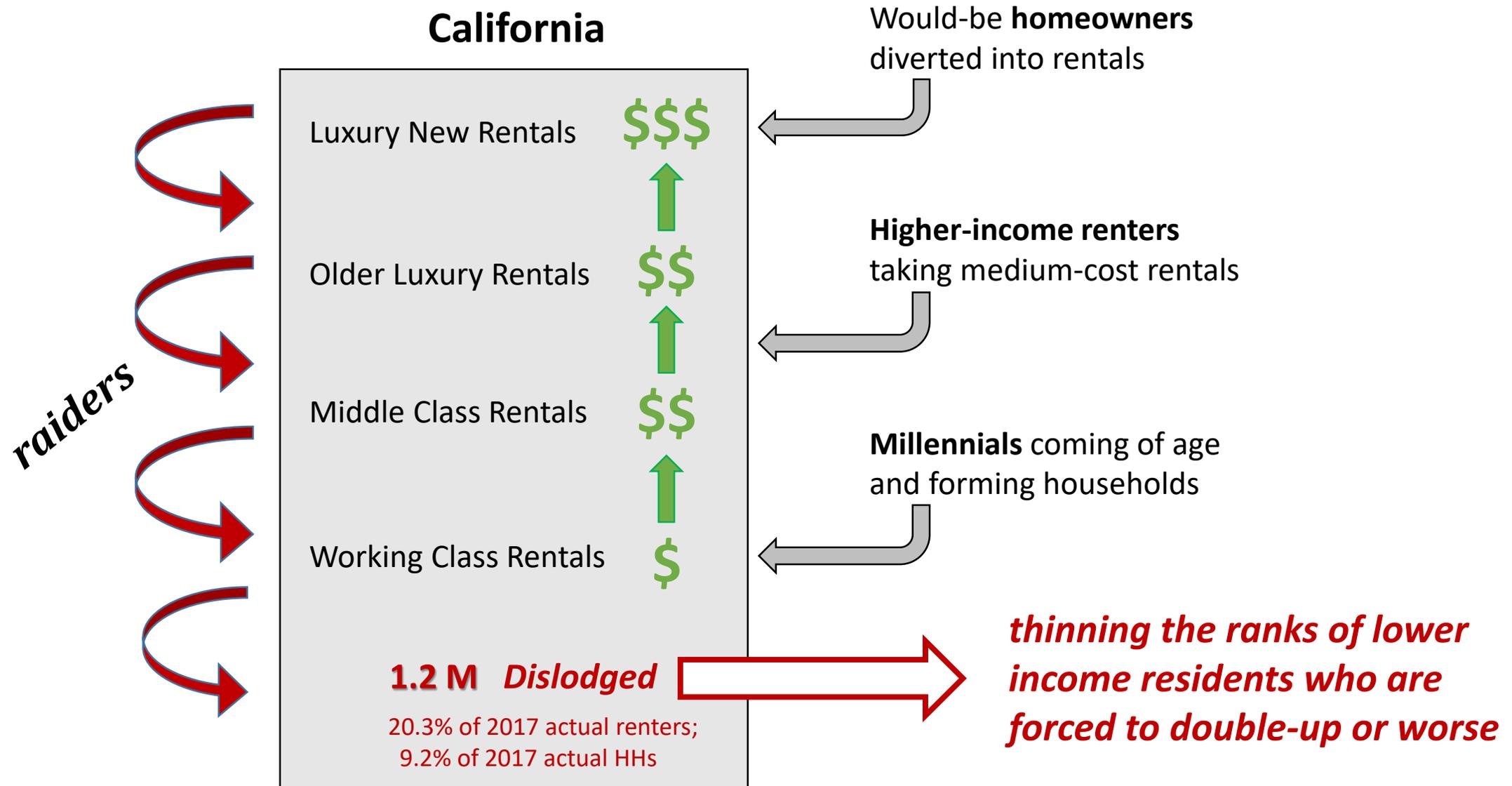
Over time properties obsolesce and are made less competitive, commanding lower rents, and provided housing for lower-income renters. Filtering of apartments is vital to meeting the nation's low-income housing needs, but its ***effectiveness may vary decade to decade.***

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.

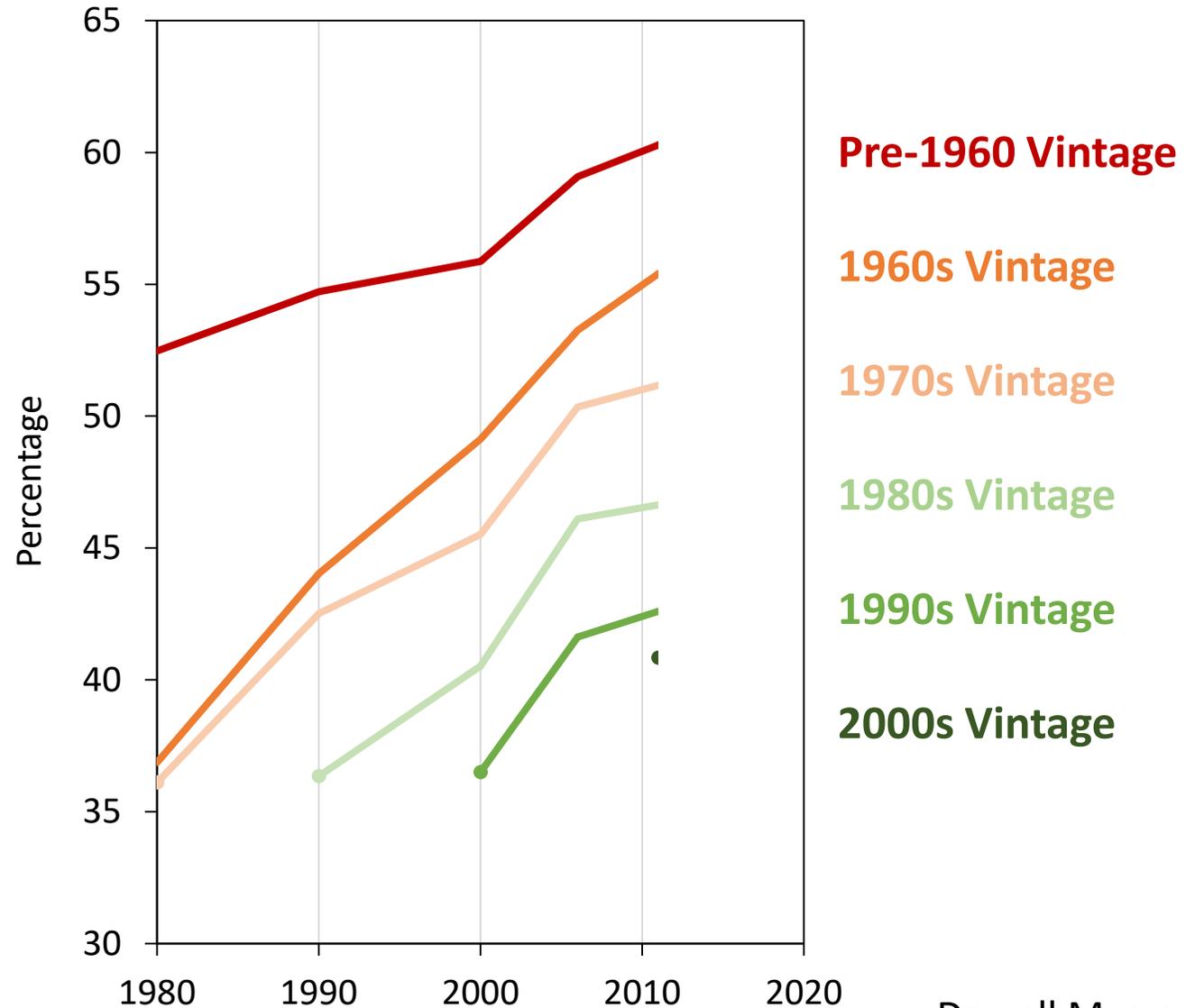
(Details: search NMHC Filtering Study 2020)

Shortage Breeds *Downward Raiding and Cannibalization*



Tracking the *Rising Share Low-Income* in Apartments

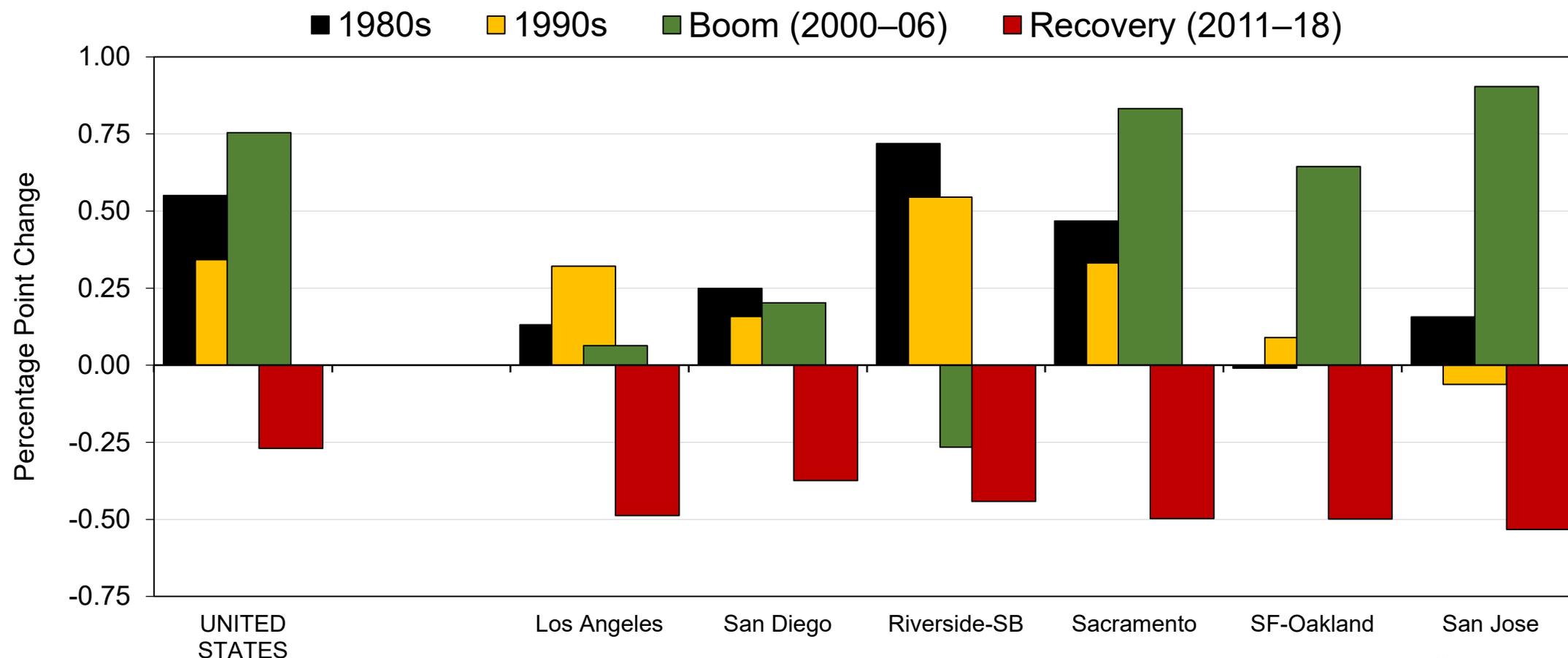
**Percent (%) Low-income Tenants
in Apartments of Each Vintage,
As Time Passes**



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

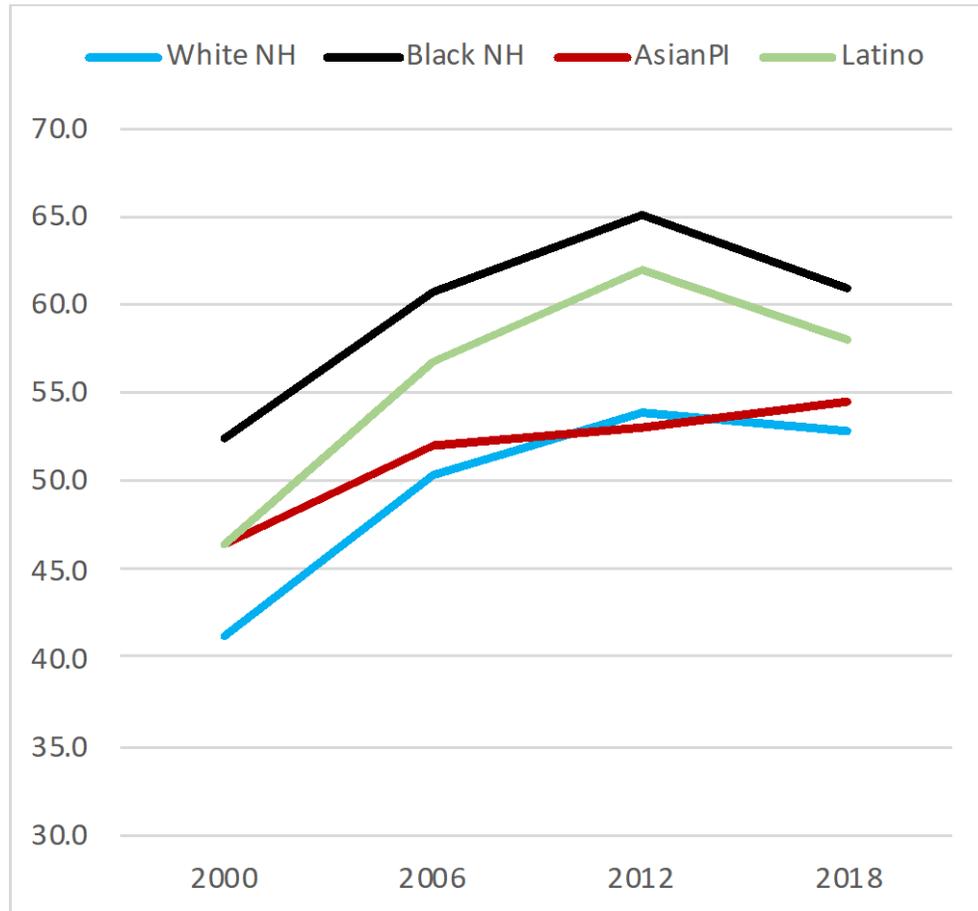
Filtering in Apartments with *Positive Gains* in 1980s, 1990s, and 2000s, but *Widespread Reversal* in Recovery Decade

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

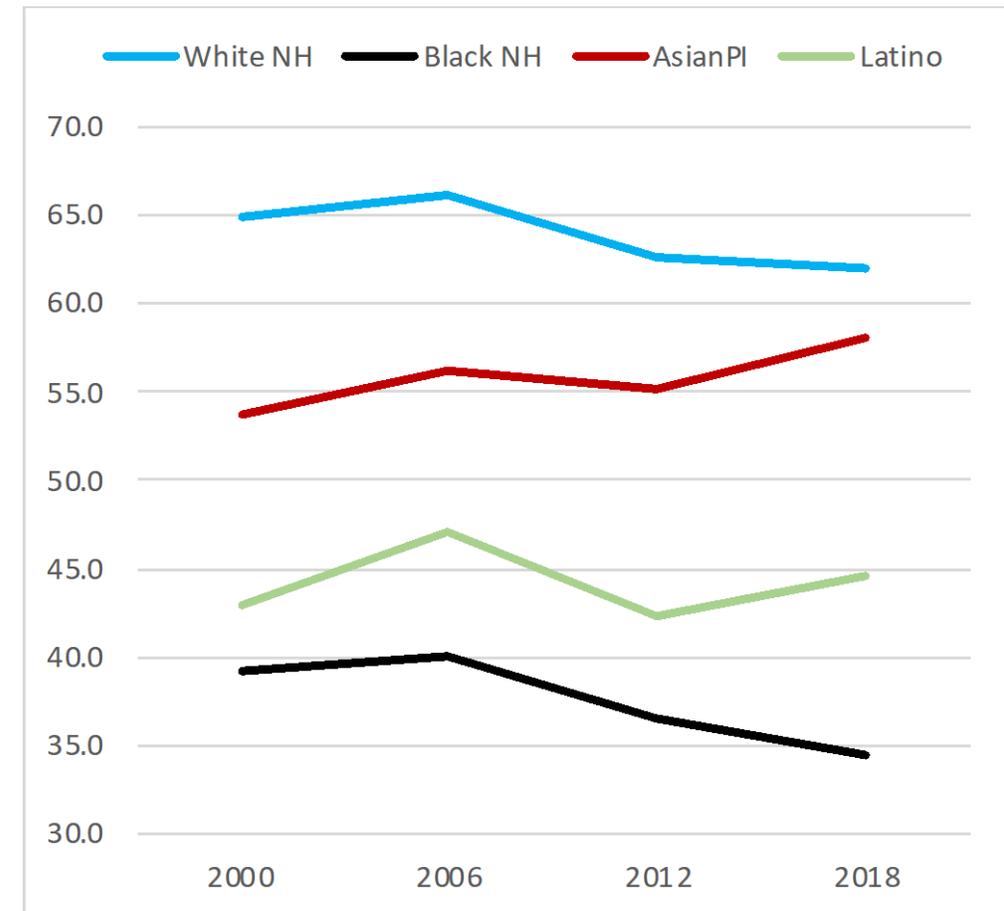


Persistent or Growing *Racial Disparities* in SCAG Region

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