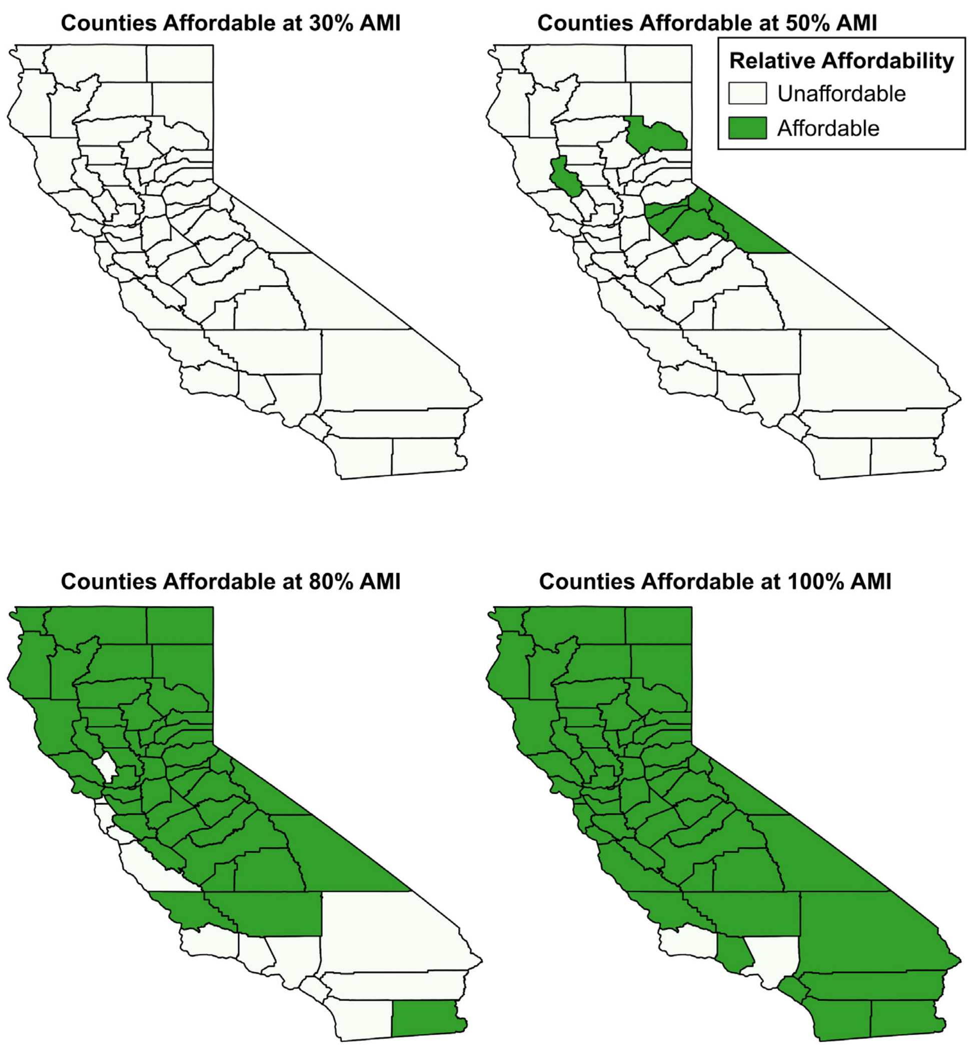
POLICY BRIEF '23

November 2023

Who Can Afford to Rent in California's Many Regions?

RENT AFFORDABILITY HAS IMPROVED MODESTLY FOR CALIFORNIA'S MODERATE- AND LOW-INCOME HOUSEHOLDS BUT HOUSING REMAINS OUT OF REACH FOR THE LOWEST INCOME HOUSEHOLDS

Figure 1. Southern California and the Bay Area Counties Remain Unaffordable to Low-Income Renters



** AMI - Area Median Income*

Sources: Bedroom-adjusted HUD Median Family Income, FY 2023; California Housing Partnership analysis of average rent data from CoStar Group, accessed Sept. 2023. For details, see Appendix B.

KEY FINDINGS[1]

- All income groups except extremely low-income (ELI) renters saw an **increase in affordable counties** from previous years
- **1.21 million** ELI households (30% AMI)* *cannot afford average rents in any county*
- Very low-income households (50% AMI) can only afford average rents in **7 counties**
- Lower-income households (60% AMI) can afford average rents in **18 counties**
- Low-income households (80% AMI) can afford average rents in **46 counties**
- Median-income households (100% AMI) can afford average rents in **56 of 58 counties**
- **72% of zip codes** are affordable to median-income households, while only **42% of zip codes** are affordable to low-income households

California Housing Partnership
California's Experts on Affordable Housing Finance, Advocacy & Policy

INTRODUCTION

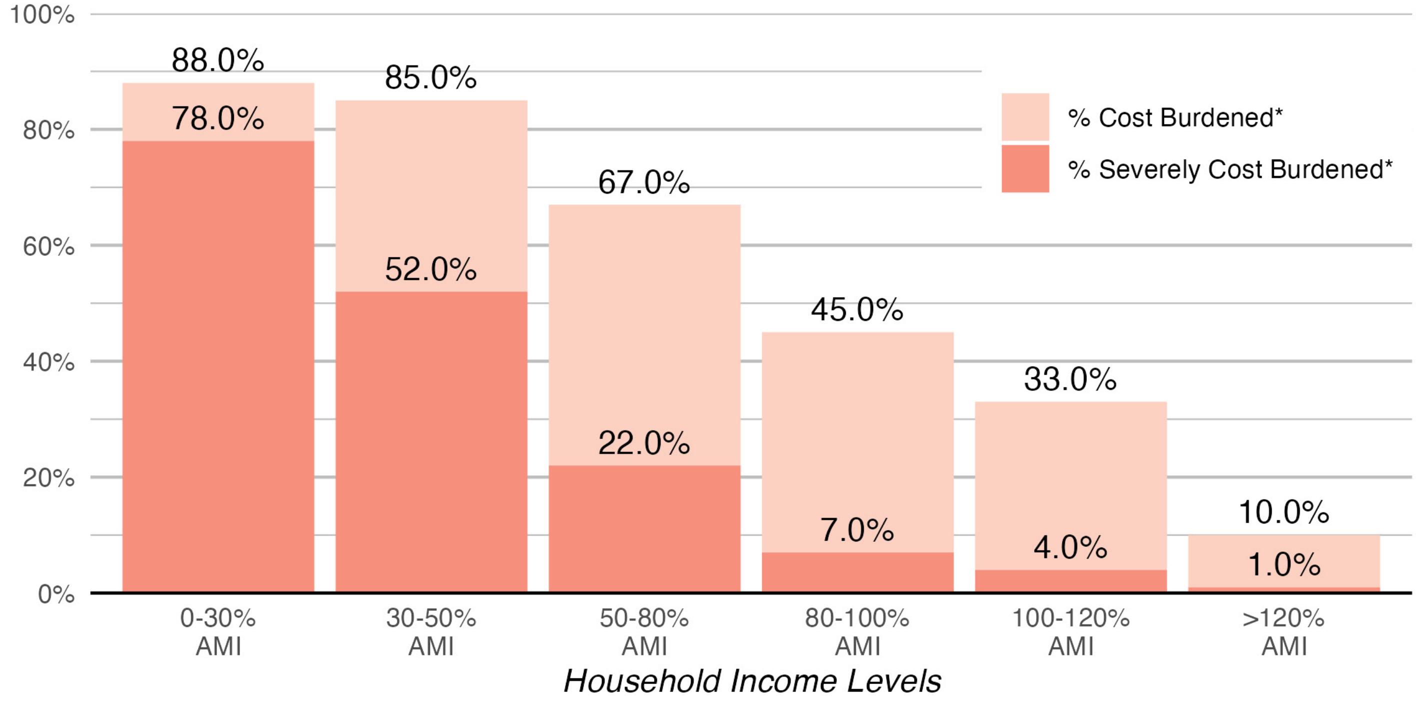
The California Housing Partnership (the Partnership) has regularly documented the severity of the ongoing housing affordability crisis that affects every county in the state.[2] In an effort to determine the extent to which renters of different income groups are struggling with housing affordability the Partnership has updated our analysis—first conducted four years ago—of the income required to afford average asking rents in each county across California.[3] This report assumes that a household is able to find a home in a given county, and does not directly address the related issue of housing shortfalls – which the Partnership tracks in our annual Affordable Housing Needs reports and our Housing Needs Dashboard.[4] This report shows that while moderate- and some low-income households are increasingly able to find affordable rents in the wake of the COVID-19 pandemic, the state's lowest income households still face a significant struggle to the point that even if housing is available, ***extremely-low-income households cannot afford rent in any county****. Some zip codes also remain persistently out of reach for all low-income households, which is problematic given the state's increasing focus on Affirmatively Furthering Fair Housing (AFFH) in higher opportunity neighborhoods.[5]*

ECONOMIC AND RACIAL DISPARITIES IN HOUSING NEED

Affordability is determined by whether the rent paid would cause the household to be cost burdened. A cost-burdened household pays more than 30% of gross monthly income towards housing costs while severely cost-burdened households pay 50% or more.[6]

As shown in Figure 2, renter households with the lowest incomes have the highest rates of both cost burden and severe cost burden in California, a trend that holds in every county in the state and across time.[7] For severely cost-burdened low-income households, spending an outsized share of household income on rent cuts into their ability to puvrchase basic needs such as food, healthcare, child care, and transportation costs, and puts them at risk of becoming homeless.[8]

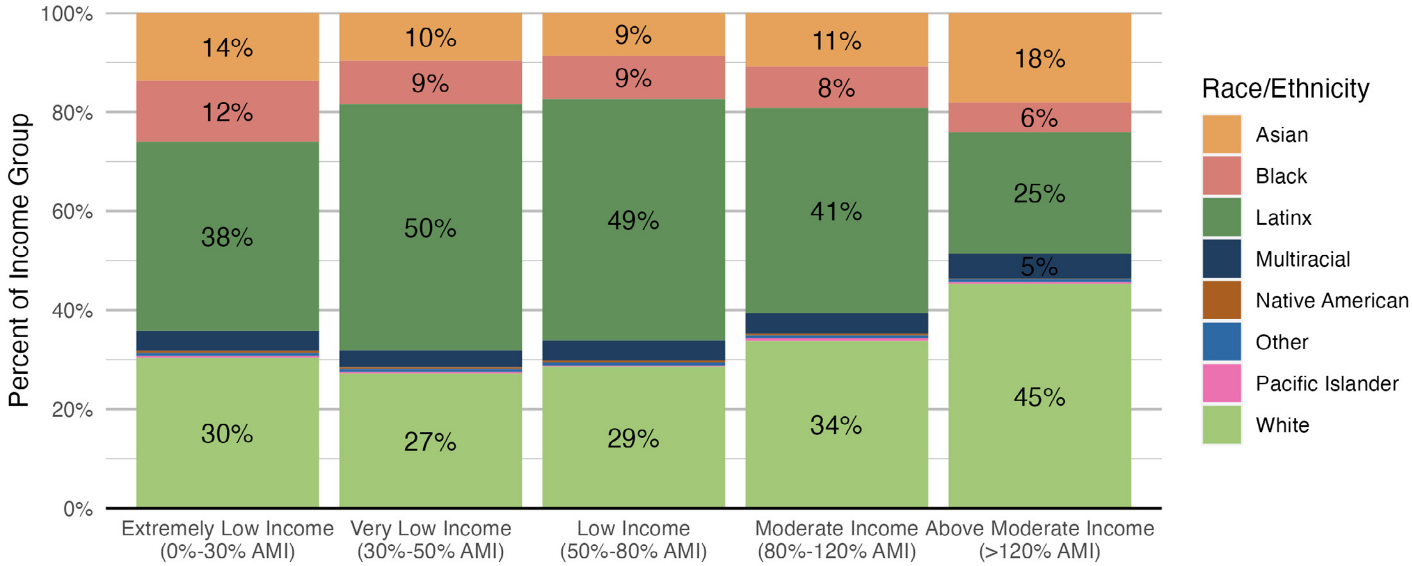
Figure 2. Lowest Income Renter Households Remain Disproportionately Cost Burdened in California



Source: California Housing Partnership analysis of 2022 1-year American Community Survey (ACS) PUMS data with HUD income levels. Methodology was adapted from NLIHC gap methodology.

**Households are cost burdened if they spend 30% or more of household income on housing costs and severely cost burdened if they spend more than 50%.*

Figure 3. Racist Limitations on Opportunity and Equity Lead to Significant Income Gaps by Race



Source: California Housing Partnership analysis of 2022 one-year American Community Survey (ACS) PUMS data with HUD income levels.

Faced with persistently high housing costs and high levels of inflation, lower income households struggle to afford necessities like food, clothes, and healthcare.[9] In California, more than one in three households struggle to meet their basic needs – with households of color disproportionately impacted.[10] Severely cost-burdened households have even less to spend on these basic necessities, a disparity that contributes to more negative health and educational outcomes, particularly for children.[11] The adverse effects of severe cost burden are experienced most strongly by the state's Black, Latinx, and Indigenous renter households, who have disproportionately lower incomes and experience the highest shares of severe cost burden.[12]

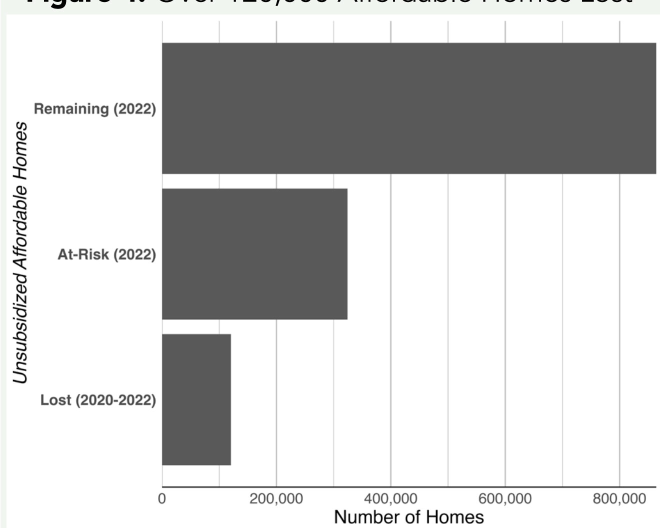
Historically racist policies and ongoing discrimination have resulted in racial income and wealth inequality in California - with Black, Latinx, Native American, and Pacific Islander communities particularly impacted.[13] Figure 3 demonstrates the economic inequality of various racial and ethnic groups across the state. Further, accounting for housing costs and safety net benefits, poverty rates are highest amongst Latinx and Black households.[14] As a result of spending a disproportionate share of income on housing, many households are only one missed paycheck or unexpected medical bill away from being forced to move much further from work and essential services or even being forced to live in their vehicles or on the streets.[15,16]

Black, Latinx, and Indigenous renter households...have disproportionately lower incomes and experience the highest shares of severe cost burden

Unsubsidized Affordable Housing

Unsubsidized affordable housing includes those properties where, due to some combination of the location and condition of the building, rents are affordable to low-income households. California's unsubsidized affordable housing stock is by far its largest source of affordable housing, providing over 300,000 more homes affordable to low-income households than the state's entire subsidized housing stock (about 864,000 multifamily unsubsidized affordable homes compared to about 528,000 subsidized homes). However, between 2020 and 2022, just over 120,000 unsubsidized homes in California became unaffordable to a low-income household. Of the remaining affordable homes in unsubsidized properties, the Partnership estimates that approximately 324,000 homes are at risk of losing affordability in the near term – see Figure 4.[17]

Figure 4. Over 120,000 Affordable Homes Lost

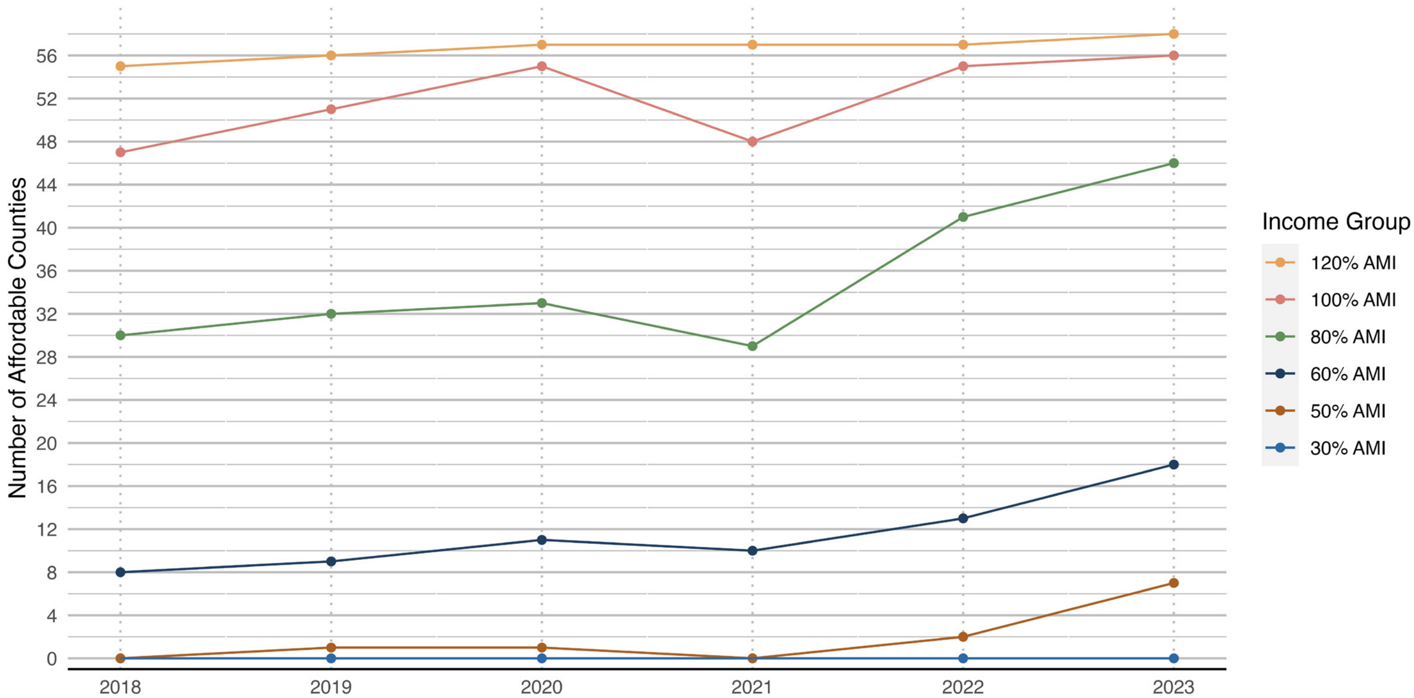


Source: California Housing Partnership, California Naturally-Occurring Affordable Homes At Risk Report 2023, March 2023.

HOUSING AFFORDABILITY TRENDS

In recent years, county-level affordability has increased for the state's median- and low-income households. While the number of counties affordable to households making 80% and 100% AMI experienced a significant decline during the COVID-19 pandemic between 2020 and 2021—see Figure 5—both of these groups recovered quickly in the following years and now surpass where they were over a decade ago in 2012 in terms of affordability. Similarly, the number of counties affordable to 60% and 50% AMI households recovered in the aftermath of the pandemic and has now surpassed previous levels of affordability – likely pointing to the effectiveness of state and federal pandemic-era programs, especially the $4 billion provided by the Emergency Rental Assistance Program, in supporting lower-income households.[18] However, the lowest income households—those making 30% AMI—have not seen any gains in affordability over the last decade and major affordability gap persists between the lowest-income households and middle-income households.

Figure 5. More Counties Now Affordable for Median- and Low-Income Households, While Major Gap Remains for the Lowest Income Households



Sources: Bedroom-adjusted HUD Median Family Income, FY 2012-2023; California Housing Partnership analysis of average rent data from CoStar Group, accessed September 2023.

Extremely Low-Income (30% AMI)	*1.21 Million Renter Households*	*0 Affordable Counties (0%)*
Very Low-Income (50% AMI)	*0.82 Million Renter Households*	*7 Affordable Counties (12%)*
Low-Income (80% AMI)	*1.09 Million Renter Households*	*46 Affordable Counties (79%)*
Median-Income (100% AMI)	*0.60 Million Renter Households*	*56 Affordable Counties (97%)*

Small Area Fair Market Rents

HUD introduced private-sector data for the first time in determining FY 2023 FMRs and SAFMRs and is proposing to maintain this new methodology going forward. An analysis by the Partnership determined that these changes do not appear to significantly alter the trajectory of California's FMR estimates at either the metro or zip code scale.

However, while California's rent estimates have been consistently greater than the rest of the country, there are signs rental cost estimates are plateauing or declining in certain areas of the state – especially in the wake of the COVID-19 pandemic. Historically expensive parts of the Bay Area in particular have seen somewhat declining FMRs and SAFMRs since the onset of the pandemic in 2020.[21]

UNAFFORDABLE ZIP CODES

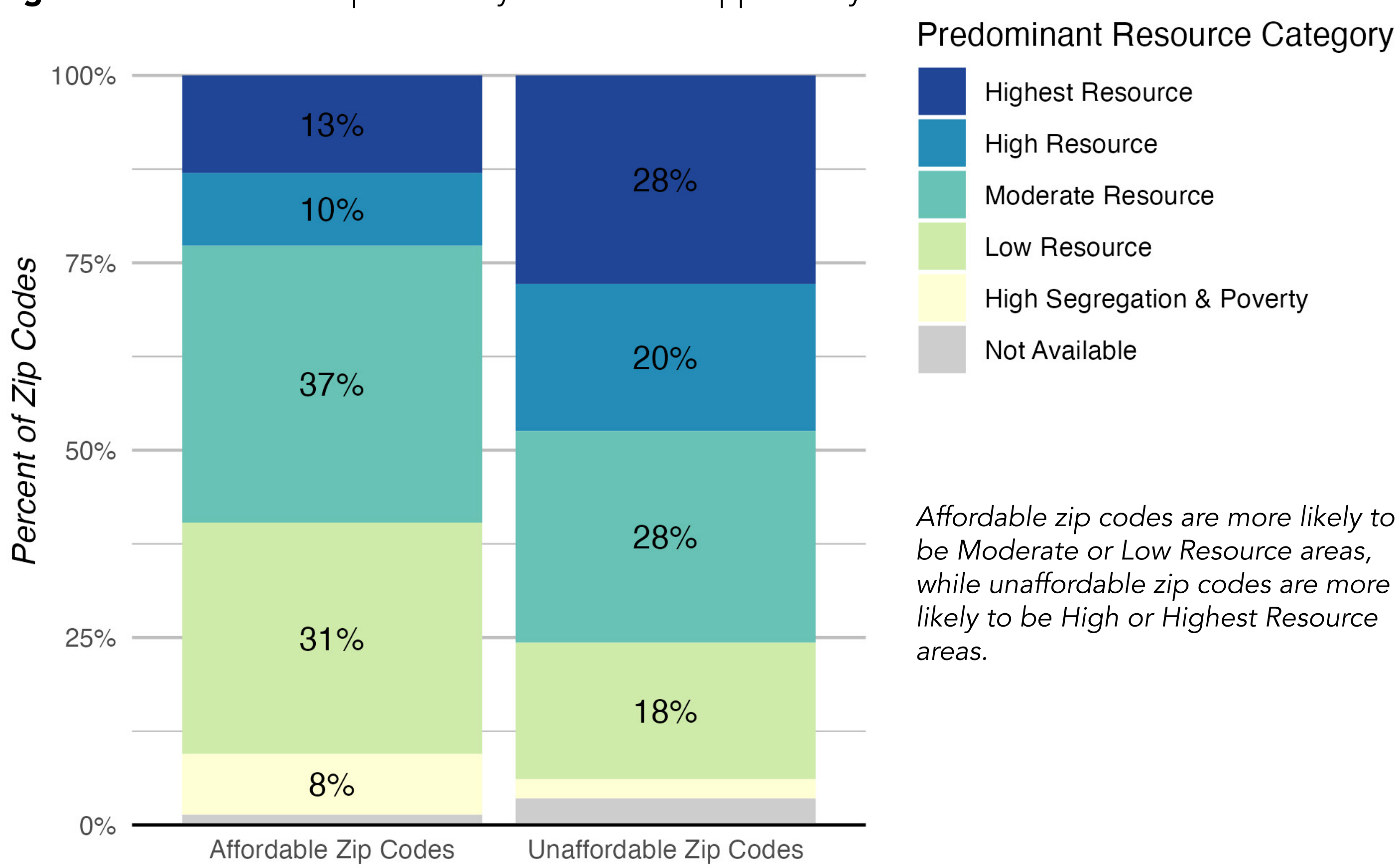
We further explored rental market affordability for median-income households in all 58 counties using zip code level rent data. HUD's Small Area Fair Market Rents (SAFMR) estimates are used to track zip code level rents. Since SAFMRs are calculated at the zip code level, they can generally account for submarket dynamics more accurately than Fair Market Rents (FMRs), which are estimated at the county level.[19]

There are 585 zip codes out of California's 2,125 zip codes (about 28%) that are unaffordable to households earning 100% of AMI, while 1,241 zip codes (about 58%) are unaffordable to households earning 80% of AMI.[20] Unaffordable zip codes for both income levels are concentrated mainly in Southern California, the Central Coast (Santa Barbara in particular), San Diego, and the Bay Area.

28% of California's zip codes are unaffordable for median-income households, while 58% are unaffordable for low-income households

Further, zip codes unaffordable to low-income households (80% AMI) are disproportionately located in higher resource neighborhoods. About 48% of unaffordable zip codes are located predominantly within a High or Highest Resource area as determined by the 2023 TCAC/HCD Opportunity Map compared to 23% of affordable zip codes – see Figure 6.[22] This distribution has important policy implications for preserving affordability and access to opportunities for lower-income renter households.

Figure 6. Unaffordable Zip Codes by TCAC/HCD Opportunity Area



Affordable zip codes are more likely to be Moderate or Low Resource areas, while unaffordable zip codes are more likely to be High or Highest Resource areas.

Source: California Housing Partnership analysis of FY 2023 HUD SAFMRs; HUD-United States Postal Service (USPS) ZIP Code Crosswalk Files, 4th Quarter 2022; HUD Zip Code Tabulation Area (ZCTA), September 2023; TCAC/HCD Opportunity Map, 2023

POLICY IMPLICATIONS

The findings above on relative access to affordable housing among different income groups and the relative impacts of unaffordability on these groups provide guidance on which households state and local governments should be focusing their scarce resources on serving first. To prevent increasing poverty and homelessness, it is crucial that limited state and local assistance should be directed towards those who most need it—California's lowest income households earning no more than 50% of area median income—through the most effective means.

The most efficient and effective way to increase the production of affordable homes for the lowest income households is to increase state investment levels in producing new affordable homes through the state Low-Income Housing Tax Credit, Multifamily Housing Program, and Homekey Program. The state must also ensure that Capitalized Operating Subsidy Reserves (or other forms of federal or state operating support) are available to support extremely low-income households, especially those with special needs, in these developments. These are tried and true programs that in combination enable the state to move tens of thousands of affordable homes already in the development pipeline with certainty.

At the same time that we increase the supply of affordable homes to households with the lowest incomes, California also must maintain and preserve the subsidized and unsubsidized affordable homes we already have. The Portfolio Reinvestment Program provides critical resources to rehabilitate existing subsidized affordable homes with limited resources to afford needed repairs. An additional relatively new but promising strategy is to preserve existing unsubsdizied affordable homes that are already affordable to low-income households—what is sometimes termed "naturally occurring affordable housing" (NOAHs)—through acquisition by non-profit affordable housing entities before rents in these properties increase. While speculative real estate interests may view acquiring unsubsidized affordable housing as a prime investment opportunity due to the promise of rising rents, the California Housing Partnership sees the acquisition and preservation of unsubsidized affordable housing by mission-driven entities as an opportunity to:

- Guarantee permanent affordability where it already exists in the market,
- Fight the displacement that can occur when properties are acquired by for-profit entities who maximize rents, and
- Improve the habitability of a neglected housing stock.

The Legislature also should facilitate the effort to preserve the affordability of unsubsidized affordable properties by granting tenants and affordable housing organizations a first right of purchase on all rental homes offered for sale. This would acknowledge the reality that such buyers cannot complete as quickly in the open market while ensuring that sellers continue to receive market rate sale proceeds.

To address affordability issues for median-income households in those counties or zip codes where they exist, the state and local jurisdictions should rely on market-based land-use incentrives, such as density bonus law and recently authorized streamlining of environmental reviews and entitlements, to achieve affordability without public subsidy.[23]

CONCLUSION

This report underscores that the acute struggles faced by lower-income households in nearly every part of the state to afford both housing and basic necessities and avoid falling into homelessness dwarfs the housing needs of median-income households. While there may be a place for programs to help median-income families to achieve homeownership, particularly for Black and Brown households that have historically been denied equitable access, priority for the bulk of state and local resources should be focused on helping the millions of lowest-income renter households struggling with disproportionate housing cost burden – particularly those who are unhoused and at risk of losing their housing.[24]

ACKNOWLEDGEMENTS

Matt Alvarez-Nissen, Senior Research/Policy Associate (Lead Author)

Anthony Vega, Ph.D., Research Director

Mark Stivers, Director of Legislative & Regulatory Advocacy

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Siera Beal, Grants & Communications Manager (Graphic Design)

DATA NOTES & SOURCES

1. *More information about the methodology used in this analysis is available at the following* link. *For full data findings, see Appendix A.*
2. *California Housing Partnership. Housing Needs Dashboard. Accessed October 3, 2023.* https://chpc.net/housingneeds/.
3. *California Housing Partnership, 2019. "Who Can Afford to Rent in California's Many Regions?" Available at:* https://chpc.net/resources/policy-brief-who-can-afford-to-rent-in-californias-many-regions/. *California Housing Partnership, 2022. "Who Can Afford to Rent in California's Many Regions in 2022?" Available at:* https://chpc.net/who-can-afford-to-rent-in-californias-many-regions/.
4. *For state- and county-level Housing Needs Reports, see:* https://chpc.net/publications/housing-need-reports/. *For the Housing Needs Dashboard, see:* https://chpc.net/housingneeds/.
5. *For more information on the state's AFFH focus, see the Partnership's recent newsletter on the topic. Available here:* https://conta.cc/46LQNBs.
6. *The cost burden and severe cost burden definitions are provided by HCD and HUD. See for example:* https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks/overpayment-payment-and-overcrowding.
7. *California Housing Partnership. Housing Needs Dashboard. Accessed October 3, 2023.* https://chpc.net/housingneeds/.
8. *On the relationship between cost burden and risk of homelessness, see: Carolina Reid, 2021. "On the Edge of Homelessness: The Vulnerability of Extremely Low-Income Households in the Bay Area." Terner Center for Housing Innovation, UC Berkeley. Available at:* https://ternercenter.berkeley.edu/wp-content/uploads/2021/12/ELI-Households-Bay-Area-Report-Final-1.pdf.
9. *Joint Center for Housing Studies of Harvard University, 2023. "The State of the Nation's Housing." Harvard Joint Center for Housing Studies.* https://www.jchs.harvard.edu/state-nations-housing-2023.
10. *United Ways of California, 2023. "The Real Cost Measure in California 2023." Available at:* https://www.unitedwaysca.org/real-cost.

11 *Joint Center for Housing Studies of Harvard University, 2017. "The State of the Nation's Housing." Harvard Joint Center for Housing Studies.* https://www.jchs.harvard.edu/state-nations-housing-2017.

12. *California Housing Partnership. Housing Needs Dashboard. Accessed October 3, 2023.* https://chpc.net/housingneeds/.
13. *Kayla Kitson, 2021. "Promoting Racial Equity Through California's Tax and Revenue Policies." California Budget & Policy Center. Website:* https://calbudgetcenter.org/resources/promoting-racial-equity-through-californias-tax-and-revenue-policies/.
14. *Sarah Bohn, et al., 2023. "Poverty in California." Public Policy Institute of California. Website:* https://www.ppic.org/publication/poverty-in-california/.
15. *California Housing Partnership, 2021. "Rents Increase for Low-Income Californians During COVID-19 Pandemic." Website:* https://chpc.net/resources/policy-brief-2021-covid-rent-increases-ca/.
16. *See, for example: Chris Glynn and Alexander Casey. "Priced Out: Homelessness Rises Faster Where Rent Exceeds a Third of Income." Website:* https://www.zillow.com/research/homelessness-rent-affordability-22247/.
17. *California Housing Partnership, 2023. "California Naturally-Occurring Affordable Homes At Risk Report 2023." Website:* https://chpc.net/resources/california-naturally-occurring-affordable-homes-at-risk/.
18. *On the effectiveness of California's COVID-19 Rent Relief Program, see: Deshonay Dozier, Katharine Nelson, Anna Duan, and Isabel Harner, 2023. "Emergency Rental Assistance Outreach: Evaluating strategies to reach and support vulnerable tenants during the COVID-19 pandemic in California." Housing Initiative at Penn. Website:* https://www.housinginitiative.org/uploads/1/3/2/9/132946414/hiplpnv4-022723.pdf.
19. *SAFMRs are rent estimates for a modest unit, which are calculated using the median rent for the past three years, often with a lag of at least two years, and thus are less precise for evaluating current market conditions – although HUD has started to incorporate private sources into their calculation. For this reason, most of the analysis in this brief utilizes proprietary current asking rent data from CoStar. However, because SAFMRs focus on a granular geography (zip code) and are made publicly available by HUD, they are useful for policy implementation purposes.*
20. *These estimates reflect only those zip codes with available FY 2023 Small Area Fair Market Rent estimates as provided by HUD.*
21. *The California Housing Partnership's analysis of FMRs and SAFMRs is forthcoming.*
22. *Zip codes may span several Census tracts and therefore may be associated with multiple resource categories. For the purpose of this analysis, each zip code is assigned a single resource category based on the predominant resource category within a given zip code.*
23. *See Proposals A10, C3, and C5 in Roadmap Home 2030. Website:* http://roadmaphome2030.org/wp-content/uploads/2023/05/The-Roadmap-Home-Appendix.pdf.
24. *2021 California Housing Partnership analysis of Zillow Home Value Index data. See also, Proposal A10 in Roadmap Home 2030. Website:* http://roadmaphome2030.org/wp-content/uploads/2023/05/The-Roadmap-Home-Appendix.pdf

Appendix A. Detailed Data Findings

Analysis of Changes in Housing Affordability & Area Median Income by County				
County	% AMI Needed to Afford Average 2-Bedroom Rent (2023)	Bedroom-Adjusted AMI	% Change in HUD's Bedroom-Adjusted AMI (2022-2023)	% Change in Average 2-Bedroom Rent (2022-2023)[1,2]
Alameda	78.5%	$133,110	3.6%	0.6%
Alpine	41.6%	$103,140	21.3%	1.8%
Amador	47.1%	$91,080	16.9%	1.8%
Butte	63.1%	$82,440	7.8%	2.4%
Calaveras	49.6%	$86,580	6.9%	1.8%
Colusa	50.4%	$75,420	12.6%	-1.0%
Contra Costa	68.5%	$133,110	3.6%	2.1%
Del Norte	54.9%	$64,800	13.2%	1.1%
El Dorado	68.4%	$102,510	11.4%	2.3%
Fresno	75.3%	$71,460	8.9%	2.8%
Glenn	54.3%	$69,930	20.7%	-1.0%
Humboldt	62.3%	$70,200	-2.1%	0.6%
Imperial	68.0%	$61,110	6.3%	3.1%
Inyo	55.8%	$76,860	3.3%	1.8%
Kern	76.5%	$65,340	6.9%	2.5%
Kings	75.5%	$65,340	6.8%	1.6%
Lake	45.9%	$75,420	21.1%	1.8%
Lassen	51.7%	$68,850	3.8%	1.1%
Los Angeles	113.0%	$88,380	7.8%	1.0%
Madera	59.3%	$73,440	8.1%	2.2%
Marin	71.4%	$157,500	5.4%	1.2%
Mariposa	67.0%	$64,080	6.3%	1.8%
Mendocino	59.8%	$80,730	25.1%	2.1%
Merced	75.3%	$60,660	-7.8%	1.7%
Modoc	62.7%	$56,790	-0.8%	1.1%
Mono	49.8%	$86,220	20.1%	1.8%
Monterey	90.4%	$90,360	11.4%	3.2%
Napa	81.8%	$116,640	8.5%	0.6%
Nevada	50.6%	$101,250	14.3%	0.9%
Orange	96.7%	$115,020	7.3%	3.9%
Placer	77.7%	$102,510	11.4%	2.3%

(see next)

Appendix A. Detailed Data Findings (cont.)

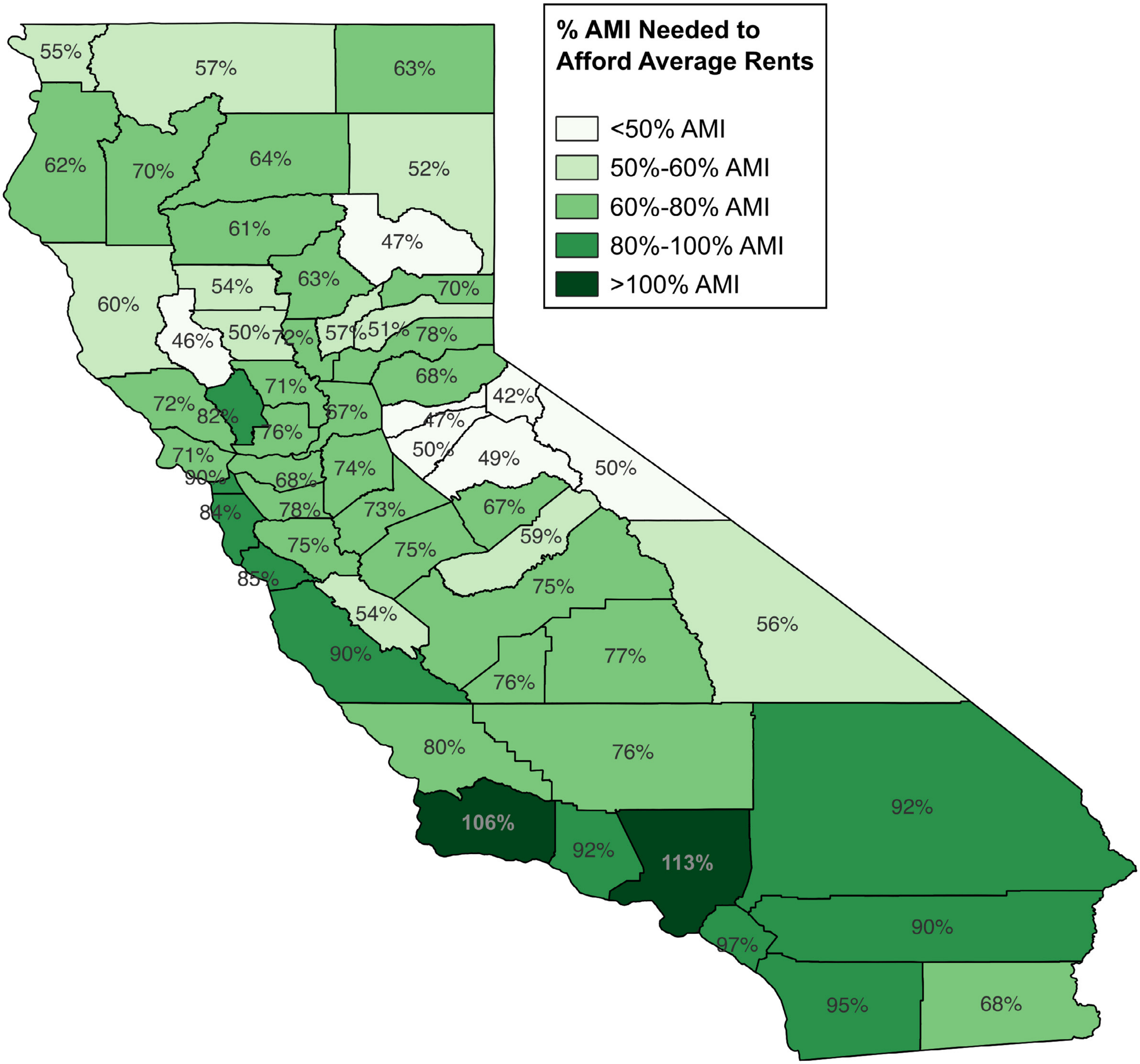
Analysis of Changes in Housing Affordability & Area Median Income by County

County	% AMI Needed to Afford Average 2-Bedroom Rent (2023)	Bedroom-Adjusted AMI	% Change in HUD's Bedroom-Adjusted AMI (2022-2023)	% Change in Average 2-Bedroom Rent (2022-2023)[1,2]
Plumas	78.5%	$133,110	3.6%	0.6%
Riverside	41.6%	$103,140	21.3%	1.8%
Sacramento	66.6%	$102,510	11.4%	0.0%
San Benito	54.0%	$126,180	33.4%	1.2%
San Bernardino	91.9%	$85,050	8.1%	1.0%
San Diego	94.9%	$105,120	9.3%	2.9%
San Francisco	90.4%	$157,500	5.4%	-0.6%
San Joaquin	74.2%	$90,270	18.0%	1.6%
San Luis Obispo	79.9%	$101,790	3.6%	2.3%
San Mateo	83.7%	$157,500	5.4%	1.7%
Santa Barbara	105.7%	$96,570	7.2%	4.0%
Santa Clara	75.3%	$163,170	7.6%	1.7%
Santa Cruz	85.4%	$119,520	11.3%	2.8%
Shasta	64.5%	$78,300	-3.1%	1.4%
Sierra	69.6%	$73,710	-9.0%	0.9%
Siskiyou	56.8%	$62,640	11.0%	1.1%
Solano	75.6%	$101,340	3.6%	1.7%
Sonoma	71.5%	$115,290	13.6%	2.8%
Stanislaus	73.1%	$83,340	16.8%	2.4%
Sutter	72.2%	$68,490	0.3%	2.2%
Tehama	61.5%	$61,830	-13.5%	-1.0%
Trinity	69.9%	$54,360	8.4%	-1.0%
Tulare	76.5%	$60,930	1.2%	-0.3%
Tuolumne	48.8%	$87,930	15.9%	1.8%
Ventura	92.0%	$111,150	7.0%	3.5%
Yolo	71.3%	$102,600	6.9%	1.0%
Yuba	57.5%	$68,490	0.3%	-1.2%

1. CoStar regularly updates its annual rental estimates. The average 2-bedroom rent in both 2022 and 2023 reflects data accessed on September 2023. As such, 2022 rent estimates provided here may not exactly match those provided in the 2022 version of this policy brief and should not be directly compared.
2. Due to low data availability in certain counties, the average two-bedroom rent is derived for the following county groups and applied to each individual county: Group 1 – Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne; Group 2 – Colusa, Glenn, Tehama, Trinity; Group 3 – Del Norte, Lassen, Modoc, Plumas, Siskiyou; Group 4 – Nevada, Sierra.

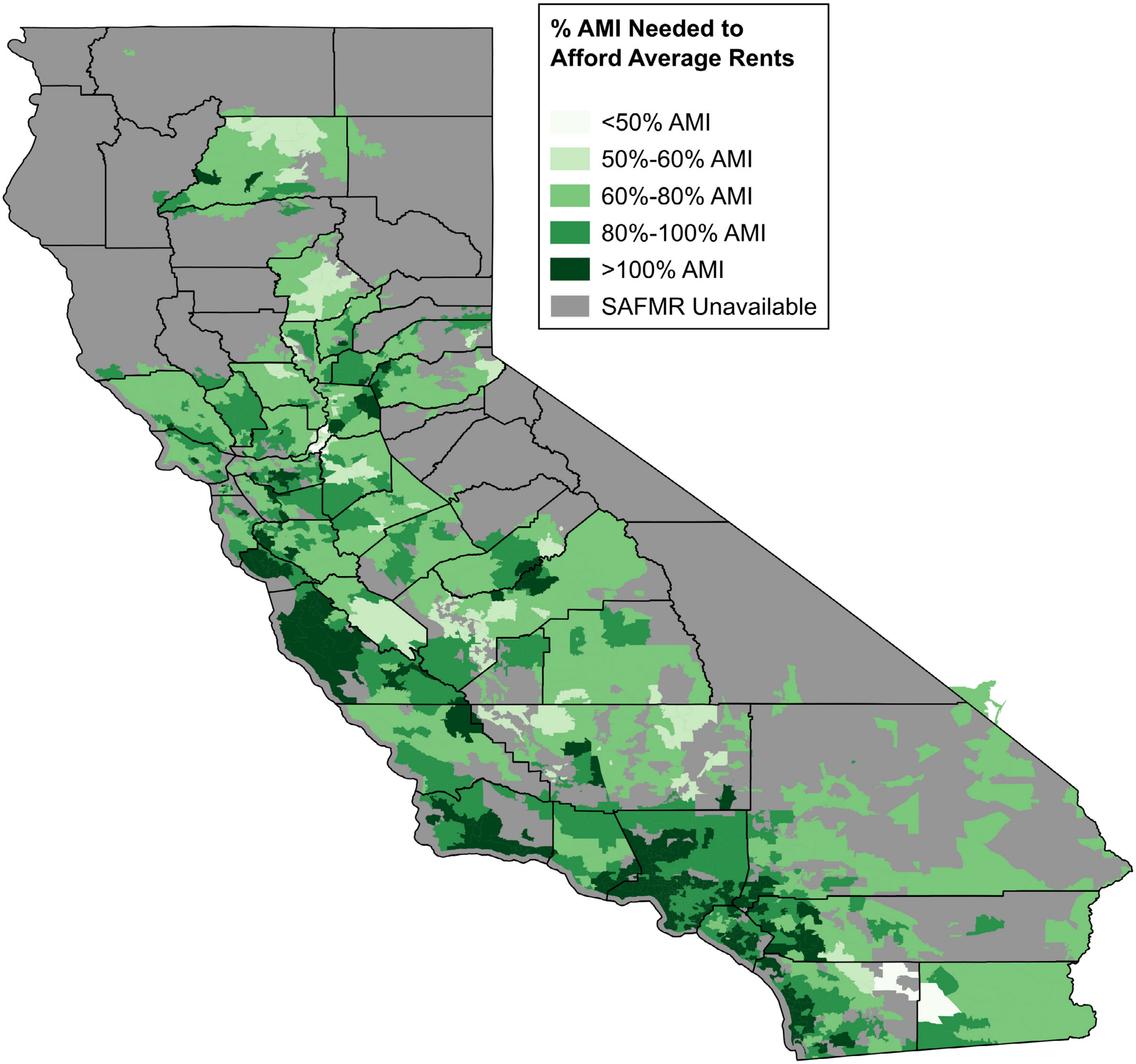
Sources: California Housing Partnership analysis of average rent data from CoStar Group, accessed September 2023; HUD Median Family Income, FY 2023 data available at https://www.huduser.gov/portal/datasets/il.html#2023.

Appendix B. Percent of AMI Needed to Afford Average Rents



Sources: Bedroom-adjusted HUD Median Family Income, FY 2023; California Housing Partnership analysis of average rent data from CoStar Group, accessed September 2023.

Appendix C. Percent of AMI Needed to Afford Average Rents by Zip Code



Source: California Housing Partnership analysis of FY 2023 HUD SAFMRs; HUD Zip Code Tabulation Area (ZCTA), September 2023; Bedroom-adjusted HUD Median Family Income, FY 2023.
** Zip codes are approximated by Zip Code Tabulation Areas (ZCTAs) in this map. Of the 2,449 statewide zip codes, 691 did not have matching ZCTAs and are thus not shown on this map.*