

30th Annual USC-SCAG Demographic Workshop
Panel on Demographic Change and Housing Needs
June 11, 2019, Los Angeles, CA

Growing Housing Needs Amid the Shortage Crisis in California Regions

Research supported by the
*John Randolph Haynes and
Dora Haynes Foundation*

Dowell Myers and JungHo Park

USC Price

Sol Price School of Public Policy

Research Questions

How much added housing is really needed in California?

- Explanations offered by ***existing publications***
- Housing shortage viewed in ***context of the total stock***

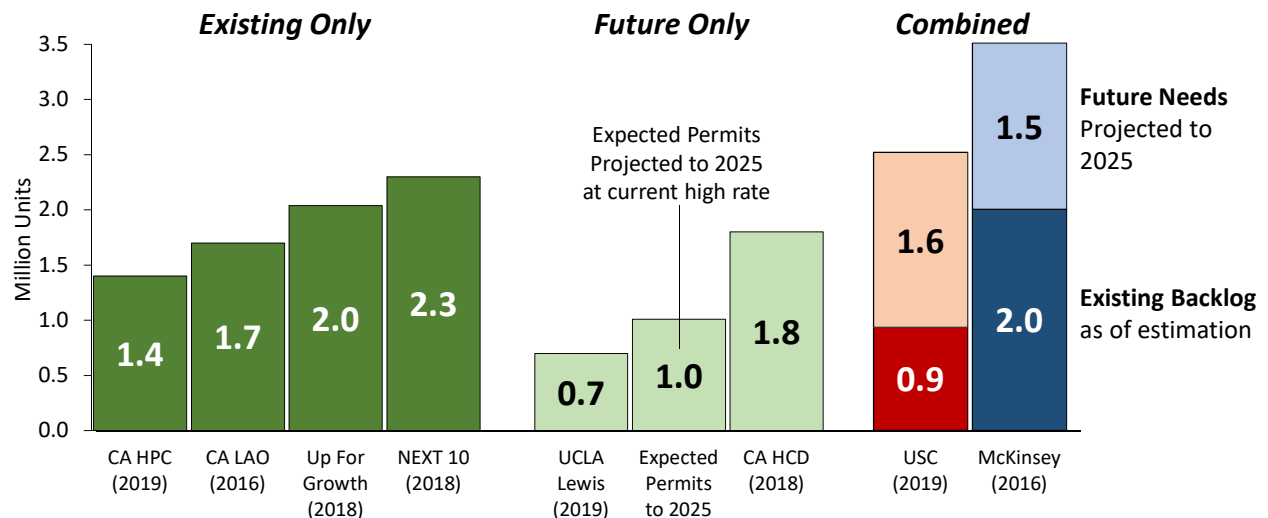
How is ***a broader estimation of housing needs yielded*** by working with the ***whole population?***

- Why is estimating shortage ***from existing households*** inadequate?
- How does the housing–demographic approach help measure the ***full extent of shortage?***

How Much Added Housing is Really Needed in California?

A Wide Range of Housing Needs Estimated for California

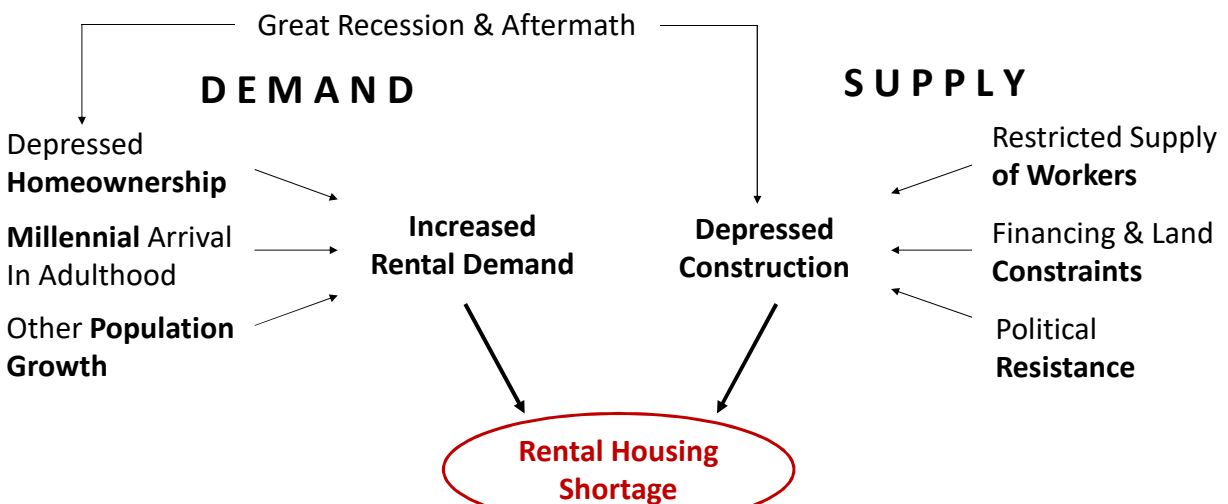
California's Total Existing and Future Housing Needs
Compared Under Alternative Methods, 2005/6 to 2025



Housing Shortage in Context of the Total Stock

When Growing Rental Demand Meets Limited Housing Supply

Conceptual Diagram for Explaining the Rental Housing Shortage



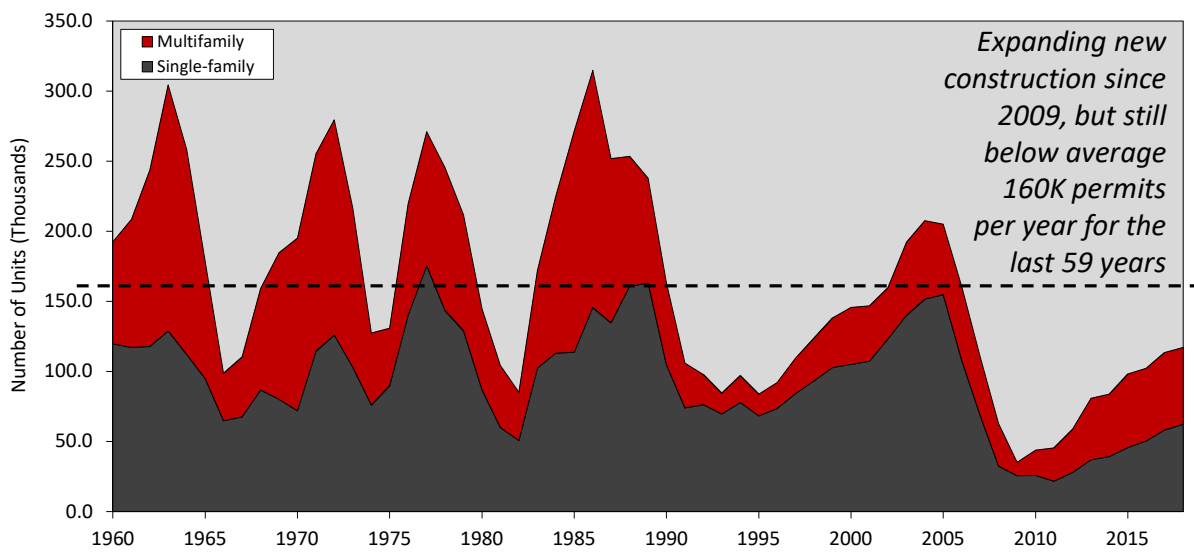
Levels of Housing Access

- **Enough or dislodged?** Are there enough units available for households to occupy; or how many must be dislodged? → **Focus of this research**
- **Affordable?** How many units are low-income* affordable with rent burden <30% of income?

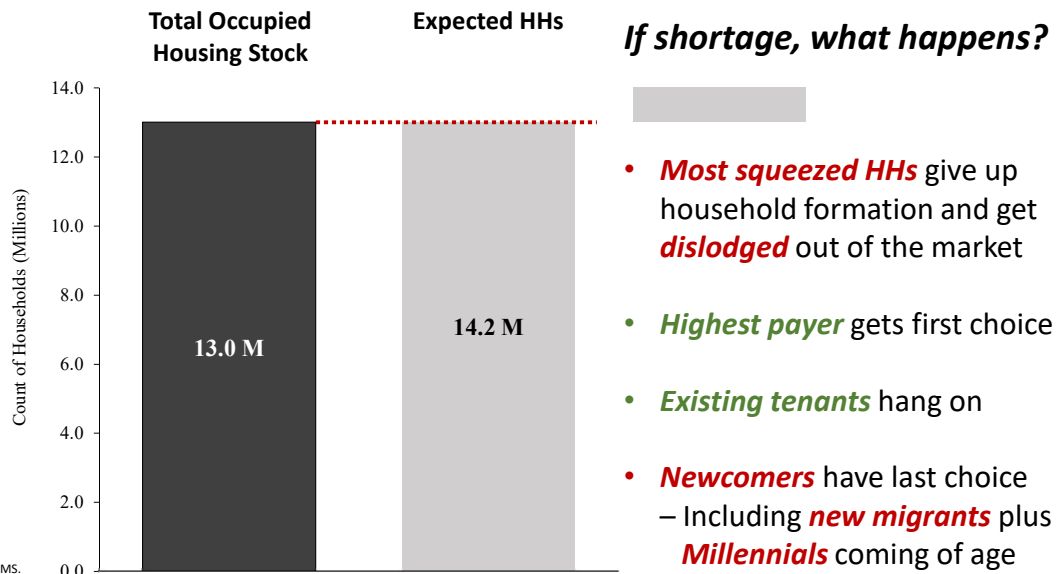
* Low-income treated as under 50% of area median income

Slowdown in New Construction in California

Annual Building Permits by Structure Type, California, 1960 to 2018



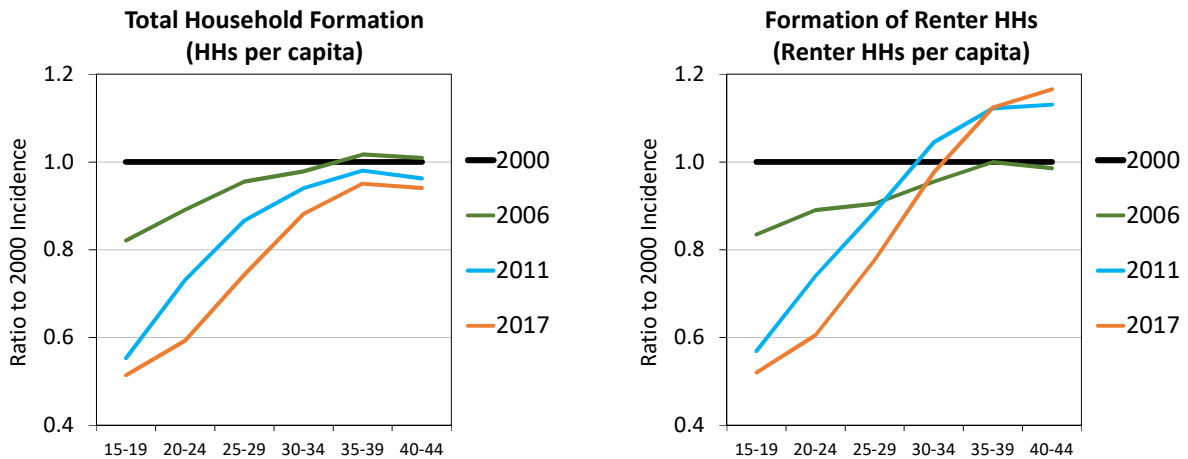
Households **CANNOT Exceed** Available Units, 2017, California



**Who is
Squeezed Out
by Under Supply?**

Declining Household Formation and Renter Rate

Proportional Changes since 2000 in Housing Occupancy by Age,
California, 2000, 2006, 2011, and 2017



Source: Graphs based on Myers (2016), 2000 Decennial Census IPUMS and 2006, 2011, and 2017 ACS 1-year Estimates IPUMS files.

***A Broader Estimation of
Housing Needs Based on
the Whole Population***

McKinsey's Method is simple and easy,
but can be **very wrong**

Pros

1. So simple

- Just total count of pop.
- Current backlog *plus* future needs

Source: McKinsey, 2016,
footnote 2 on page 2.

Cons

- 1. Sharply declining headships** neglected
- 2. Dislodged needs** omitted
3. Based on **houses-to-people ratio** in...

**New York and
New Jersey**

USC Headship/Dislodgement (HD) Method
Based on Housing Behaviors of **California's "Local" Residents**

<p>Housing Needs</p>	<p>=</p>	<p>Current (or Existing) Backlog</p> <ul style="list-style-type: none"> • Headship by Age and Race • Dislodgements due to shortage since 2000 or 2006 	<p>+</p>	<p>Future Needs</p> <ul style="list-style-type: none"> • Headship by Age and Race • Pop. Projection by CA DOF (2019.3 Vintage)
-----------------------------	-----------------	--	-----------------	---

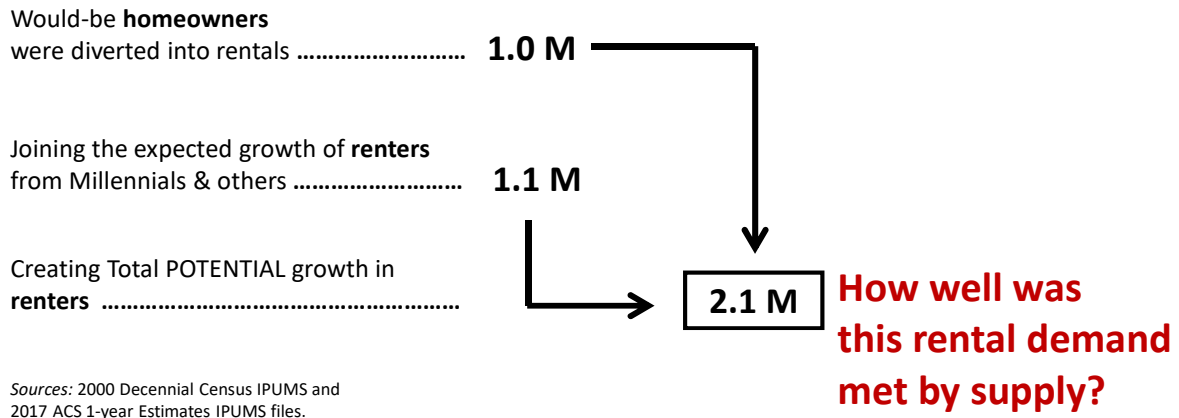
Estimating Existing Backlog

Dislodgments as a Measure of ***Existing Backlog***

1. Households = Occupied Housing Units
2. Households ***CANNOT EXCEED*** the units available for occupancy
--- A shortage of units ***caps*** the number of ***households that can be surveyed***, thereby ***undercounting*** true housing needs
3. Someone is going to be bumped, made to ***disappear from the housing market, i.e. "dislodged," not just spatially displaced***
--- ***How many?*** Hundreds of thousands of potential renters
--- ***Who?*** Youngest/newest Millennials and lowest incomes

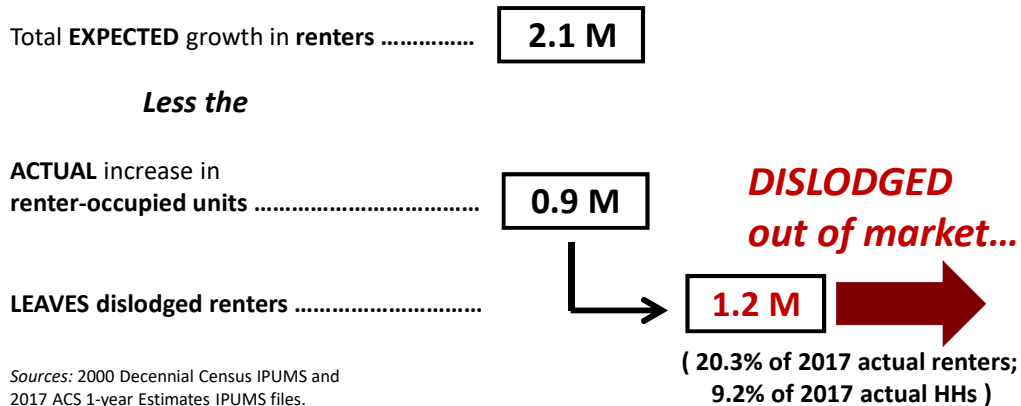
Cascade of Diverted and Growing Households

California, Changes 2000 to 2017, Actual Population,
but Assuming 2000 Patterns of Housing Occupancy



When **Growing** Rental Demand Meets **Limited** Housing Supply

California, Changes 2000 to 2017



Estimating Future Needs

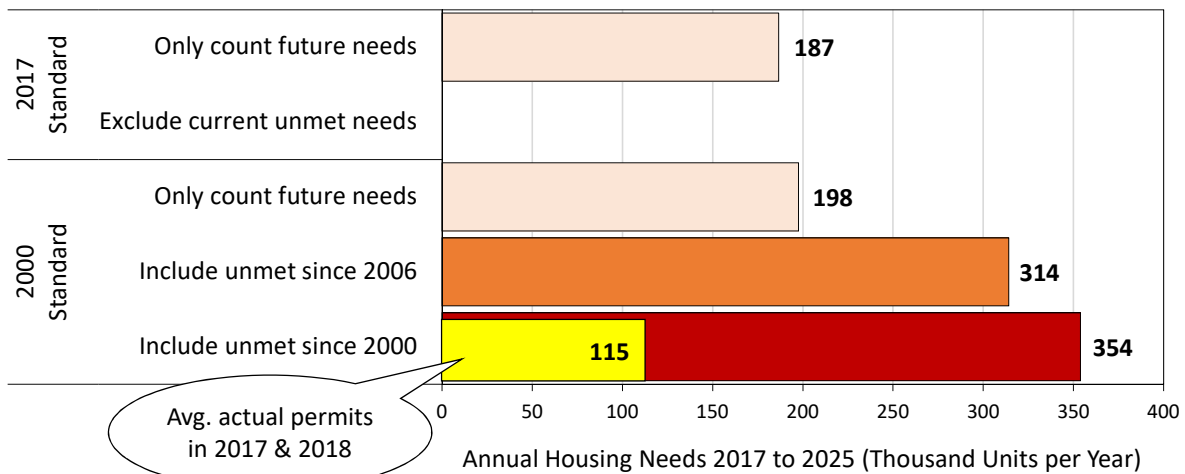
Future Needs* Based on the *Projected Whole Population

- 1. Future needs*** between 2017 and 2025
= 2025 Expected HHs *less* 2017 actual HHs
- 2. 2025 Expected HHs*** based on projected population growth (DOF's Projection in March 2019) and 2000/17 headship rates
- 3. 15.5 million HHs*** are expected in 2025 in California (2000 rates)
--- 2.5 million additions to the 2017 actual
- An additional number of units is required for ***normal vacancies (5%)*** and also for ***annual replacements (0.15% per year)***

Combined Estimate of Housing Needs in California and CA Regions

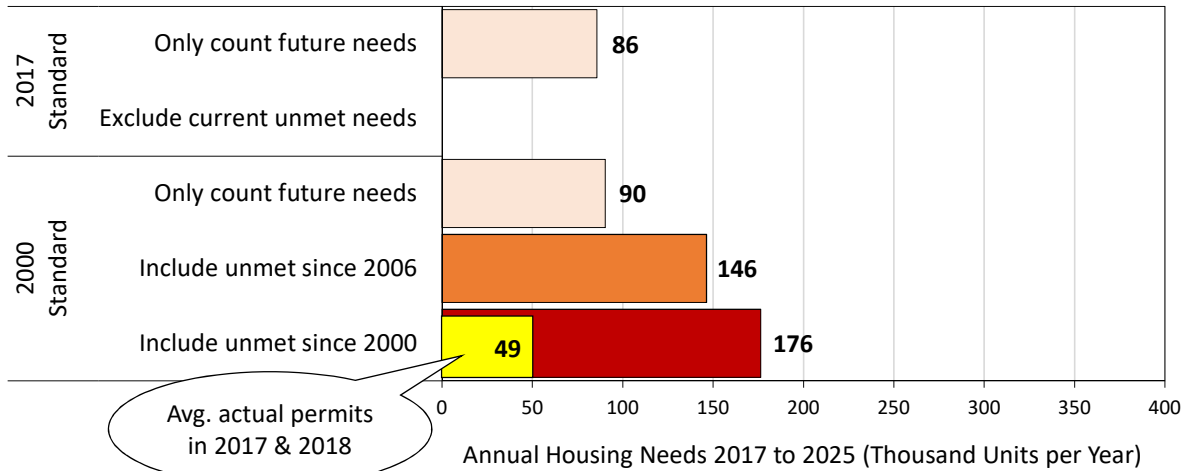
Choices for Counting Annual Housing Needs in California, 2017 to 2025

**Existing Backlog and Future Needs,
Including 5% Vacancies and 0.15% Annual Replacements, Thousands per Year**



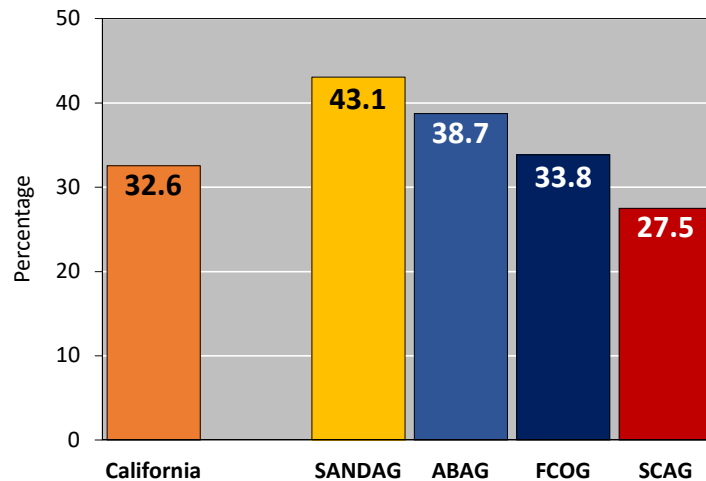
Choices for SCAG Region: 86 to 176 Thousand New Housing per Year

**Existing Backlog and Future Needs,
Including 5% Vacancies and 0.15% Annual Replacements, Thousands per Year**



Recent Progress in Meeting Total Housing Needs, California and CA Regions, 2017 to 2018

**Average Annual Permits in the Last Two Years (2017 and 2018)
Divided by Future and Unmet Annual Housing Needs Based on USC 2000 Standard × 100**



Discussion

- McKinsey's estimate is dramatic but unreliable – the **USC headship & dislodgement estimate** is one million lower but still **2.5 million**, the 2nd highest California estimate of existing and future housing needs
- **1.2 million** California HHs **lost headship** since 2000, our measure of **existing need** – **More than half (54.6%, 655K)** are **concentrated in SCAG region**
- Importantly, **dislodgements are hidden by shortages** because households **disappear** when there is no housing unit for them to occupy
- **Don't be deceived** measuring housing needs just based on the household **survivors** – use the **entire "local" population** as a **broader base of estimation**

Haynes Supported Housing Research Briefs (HRBs), 2018–2019

HRB 1 – Myers, D., Park, JH., & J. Li. (August 2018). **How Much Added Housing is Really Needed in California?** Housing Research Brief 1. Los Angeles, CA: USC Population Dynamics Research Group. <https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/6/210/files/2017/02/HRB-1-How-Much-Added-Housing-is-Really-Needed-in-California-1okfauc.pdf>

HRB 2 – Myers, D., Park, JH., & E. Mendoza. (August 2018). **How Much Added Housing is Really Needed in Los Angeles?** Housing Research Brief 2. Los Angeles, CA: USC Population Dynamics Research Group. <https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/6/210/files/2017/02/HRB-2-How-Much-Added-Housing-is-Really-Needed-in-Los-Angeles-1zumxf6.pdf>

HRB 3 – Myers, D., Park, JH., & E. Mendoza. (September 2018). **How Much Worse is Affordability in LA than Before?** Housing Research Brief 3. Los Angeles, CA: USC Population Dynamics Research Group. <https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/6/210/files/2017/02/HRB-3-How-Much-Worse-Is-Affordability-in-LA-than-Before-x09qkr.pdf>

→ See updated and expanded study in HUD's *Cityscape*: <https://www.huduser.gov/portal/periodicals/cityscpe/vol21num1/article7.html>

HRB 4 – Myers, D. & JH. Park. (January 2019). **Who Lives in New Housing in Los Angeles?** Housing Research Brief 4. Los Angeles, CA: USC Population Dynamics Research Group. <https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/6/210/files/2019/01/HRB-4-Who-Lives-in-New-Housing-in-Los-Angeles-2ev2t3l.pdf>

HRB 5 – Park, JH. & D. Myers. (January 2019). **Where Do Low-Income Angelenos Live?** Housing Research Brief 5. Los Angeles, CA: USC Population Dynamics Research Group. <https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/6/210/files/2017/02/HRB-5-Where-Do-Low-Income-Angelenos-Live-1glbw1d.pdf>

Key References

California Department of Housing and Community Development. (2018). *California's Housing Future: Challenges and Opportunities - Final Statewide Housing Assessment 2025*. Sacramento, CA: CA HCD.

California Housing Partnership Corporation. (2019). *California's Housing Emergency Update*. San Francisco, CA: CA HPC.

California LAO. (2015). *California's High Housing Costs: Causes and Consequences*. Sacramento, CA: California LAO.

McKinsey. (2016). *A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025*. New York, NY: McKinsey.

Myers, D. (2016). Peak Millennials: Three Reinforcing Cycles That Amplify the Rise and Fall of Urban Concentration by Millennials. *Housing Policy Debate*, 26(6), 928–947.

Myers, D., Painter, G., Lee, H., & J. Park. (2016). *Diverted Homeowners, the Rental Crisis and Foregone Household Formation*. Washington, DC: Research Institute for Housing America.

NEXT 10 & Beacon Economics. (2018). *Current State of the California Housing Market: A Comparative Analysis*. San Francisco, CA: NEXT 10.

UCLA Lewis Center for Regional Policy Studies. (2019). *Not Nearly Enough: California Lacks Capacity to Meet Lofty Housing Goals*. Los Angeles, CA: UCLA Lewis Center for Regional Policy Studies.

Up for Growth National Coalition. (2018). *Housing Underproduction in California*. Washington, D.C.: Up for Growth National Coalition.

Thank you

Visit **USC PopDynamics**

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

Dowell Myers and JungHo Park

USCPrice

Sol Price School of Public Policy