

# The Housing Crisis in the San Francisco Bay Area

Presented to Oakland City Council

September 30, 2015

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CITY OF OAKLAND

# AGENDA

## Overview & Questions

### Overview of Local Bay Area Counties

- Bay Area Job Growth by County / City of Oakland
- Demand, Rent, Home Prices & Affordability
- Multifamily & Single Family Construction Trends
- Bay Area Affordability Index by County
- Affordability Gap by County
- Under Construction & Proposed
- Regional problem, other cities and suburbs also have to building more housing

### Questions to Review & Discuss

- Where should we place new housing?
- How can we accommodate job and population growth without displacing existing communities? Which populations are at the highest risk of displacement in the East Bay?
- How are we linking the conversation about housing affordability to other policy goals, such as the reduction of greenhouse gas emissions?

# AGENDA

## Framing the issue

### **The magnitude of the crisis**

- Across the region, nearly half of renters and nearly a third of homeowners pay more than 30% of their income on housing.<sup>[1]</sup>
- According to the National Low Income Housing Coalition, an individual needs to earn double the hourly minimum wage in Oakland to afford an average one-bedroom apartment.<sup>[2]</sup>
- While median rents in Alameda County remain below the Bay Area average, they're rising quickly. Five East Bay jurisdictions are among the top ten in the Bay Area for percent increase in median home sales price.

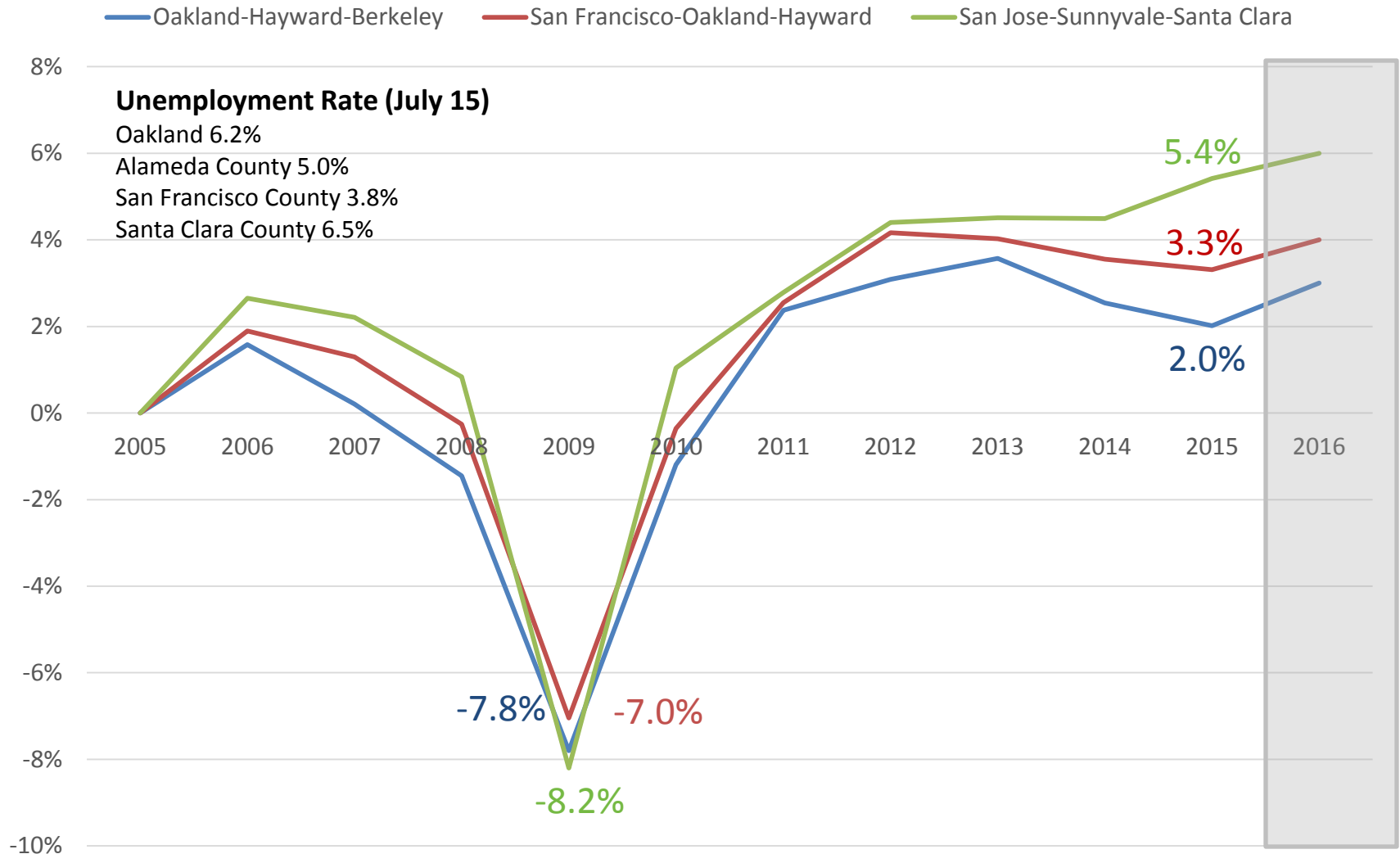
### **What is driving the crisis?**

- Economic vitality and job growth means high demand for housing. Alameda County alone has added more than 100,000 residents since 2010. Alameda County's population growth is outpaced only by Santa Clara County.<sup>[3]</sup>
- In Alameda County, we've permitted only 44% of the housing units needed to accommodate growth between 2007 and 2014, and only 27% of the affordable units necessary to keep pace with the growth of low-and very-low income populations.<sup>[4]</sup>
- Construction costs have increased dramatically

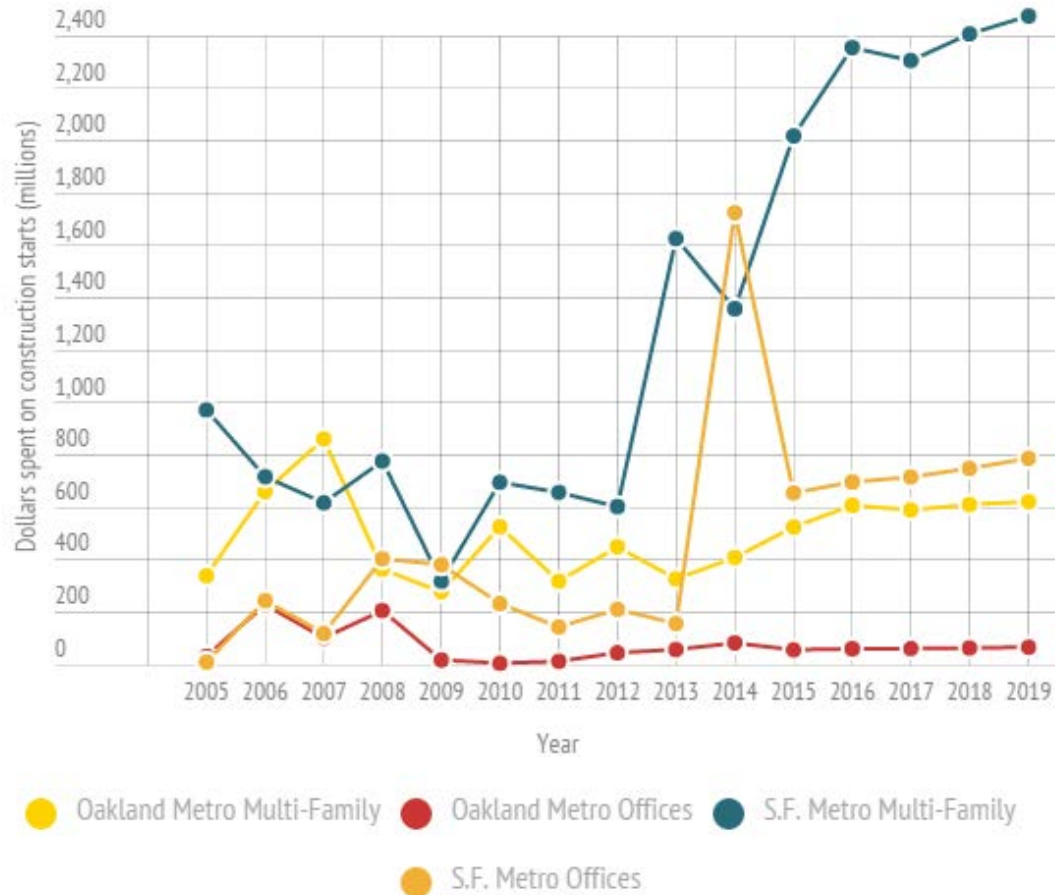
### **Why are we worried?**

- Equity: if housing is out of reach, people earning lower-wages will be displaced from their communities, and access to employment and education opportunities will be more difficult. Centers of job and population growth, such as central Oakland, are also home to pockets of concentrated poverty. If we don't plan for housing growth in these areas, we risk the displacement of our most vulnerable communities.<sup>[5]</sup>
- Environment: the lack of affordable housing options close to jobs means that workers have to commute greater distances, increasing greenhouse gas emissions.
- Economy: employers will not continue to locate jobs here if housing is increasingly unaffordable for their workforces. It's not just the private sector: schools face teacher shortages driven in part because of the cost of housing in the area.
- Many middle income earners can't find housing. Workers commute from Solano and San Joaquin

# JOB GROWTH RATE OF INCREASE BY METRO



# MULTIFAMILY CONSTRUCTION COSTS



- New construction start spending to reach \$5.7 billion by 2019
- Construction spending is same in San Francisco but rents are 1/3 lower and condos are 1/2 in Oakland
- \$4.8 billion in construction spending projected this year would still lag behind the pre-recession boom when the Oakland metro area saw \$5.5 billion in new construction in 2006

# BAY AREA HOUSING DEFICIT

## PROJECT HOUSING NEEDS (2014 - 2022)

*\*Other experts show a larger deficit...*

Area	Total Units Needed Today	Total Units Being Built Today	Surplus/Deficit* over 8 Year Period
TOTAL BAY AREA	187,990	160,304	-27,686
East Bay	64,666	43,512	-21,154
Alameda County	44,036	27,504	-16,532
Contra Costa County	20,630	16,008	-4,622

## RESIDENTIAL PERMITS ISSUED BY NO. OF UNITS (2014)

Area	Single Family	Multifamily	Total
TOTAL BAY AREA	5,577	14,461	20,038
East Bay	3,116	2,323	5,439
Alameda County	1,613	1,825	3,438
Contra Costa County	1,503	498	2,001

# OAKLAND HOUSING DEFICIT

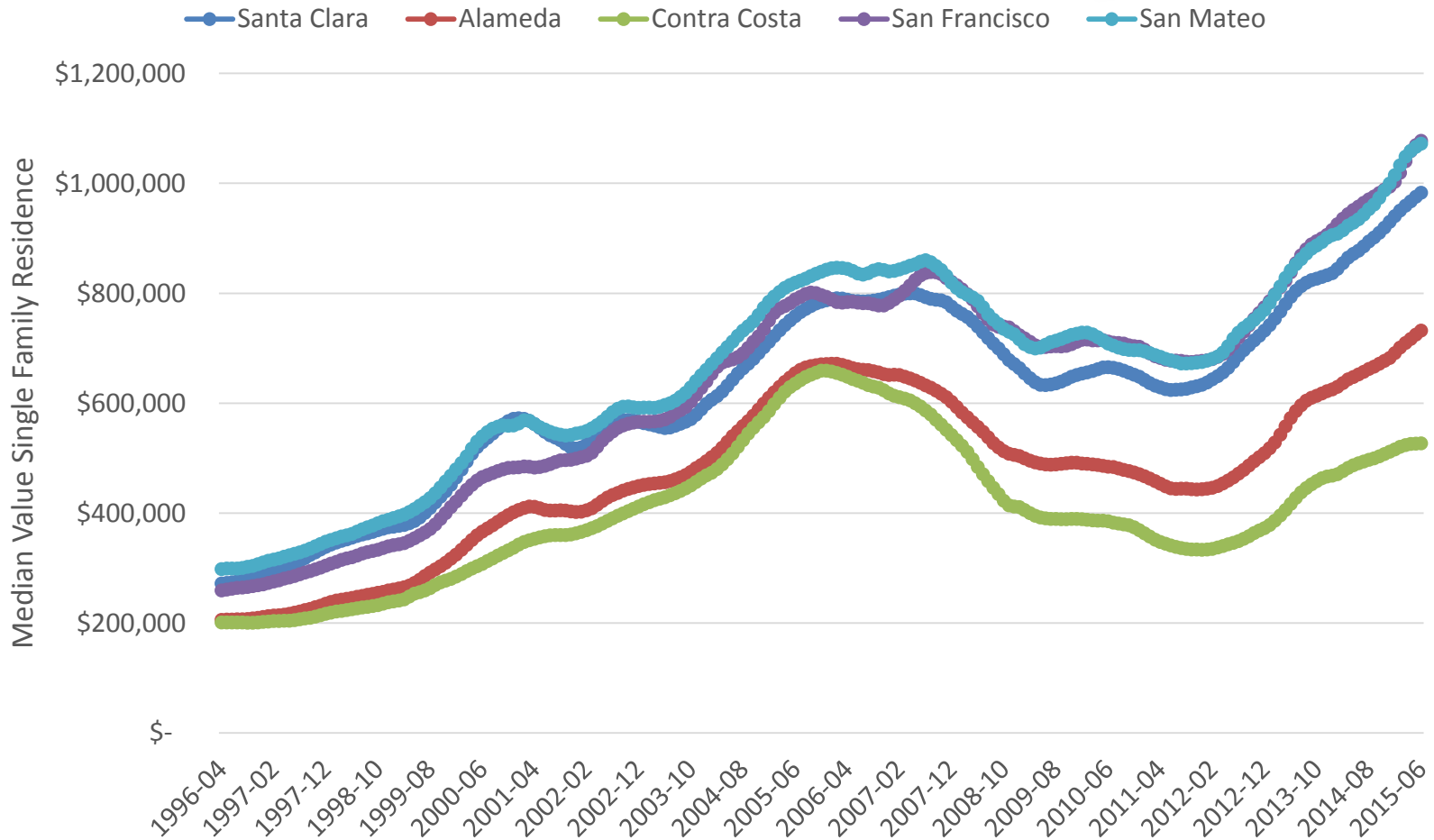
2015 Need for Residential Permits according to Chris Thornberg at Beacon Economics

Permit Type	June 2015 YTD	Permit Growth (%YoY)	Balance of East Bay Growth (% YoY)
<b>Single Family</b>	<b>28</b>	<b>-50.0</b>	<b>-25.2</b>
Multi Family	364	5100.0	-35.3
Total Residential	392	522.2	-30.4



Source: Beacon Economics

# MEDIAN HOME VALUE BY COUNTY



Source: Zillow



# BAY AREA AFFORDABILITY INDEX

## HOME SALES

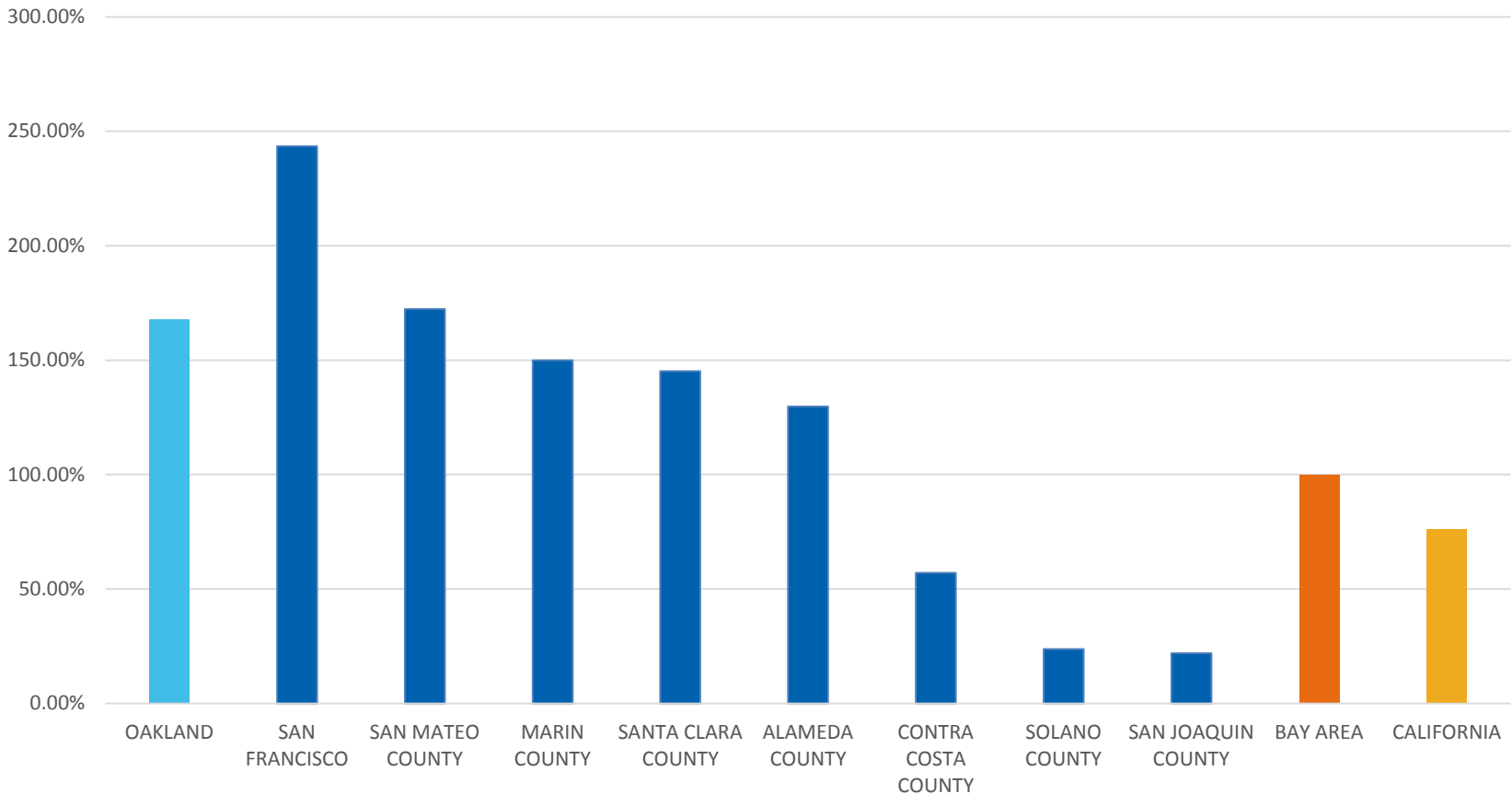
	Median Home Price	Affordable Price - 4x Income	Median Household Income	Affordability Gap	Additional Income Needed	Percentage of Additional Income Needed
<b>OAKLAND</b>	\$553,700	\$206,732	\$51,683	\$346,968	\$86,742	167.83%
<b>SAN FRANCISCO</b>	\$1,075,900	\$313,252	\$78,313	\$762,648	\$190,662	243.46%
<b>SAN MATEO COUNTY</b>	\$979,700	\$359,720	\$89,930	\$619,980	\$154,995	172.35%
<b>MARIN COUNTY</b>	\$925,700	\$370,344	\$92,586	\$555,356	\$138,839	149.96%
<b>SANTA CLARA COUNTY</b>	\$905,200	\$369,184	\$92,296	\$536,016	\$134,004	145.19%
<b>ALAMEDA COUNTY</b>	\$678,300	\$295,292	\$73,823	\$383,008	\$95,752	129.70%
<b>CONTRA COSTA COUNTY</b>	\$497,800	\$317,012	\$79,253	\$180,788	\$45,197	57.03%
<b>SOLANO COUNTY</b>	\$332,500	\$268,708	\$67,177	\$63,792	\$15,948	23.74%
<b>SAN JOAQUIN COUNTY</b>	\$260,300	\$213,520	\$53,380	\$46,780	\$11,695	21.91%
<b>BAY AREA</b>	\$661,000	\$330,680	\$82,670	\$330,320	\$82,580	99.89%
<b>CALIFORNIA</b>	\$442,800	\$251,700	\$62,925	\$191,100	\$47,775	75.92%

\*\*Affordable Price is 4X Median Household Income

Source: Zillow, US Census Bureau

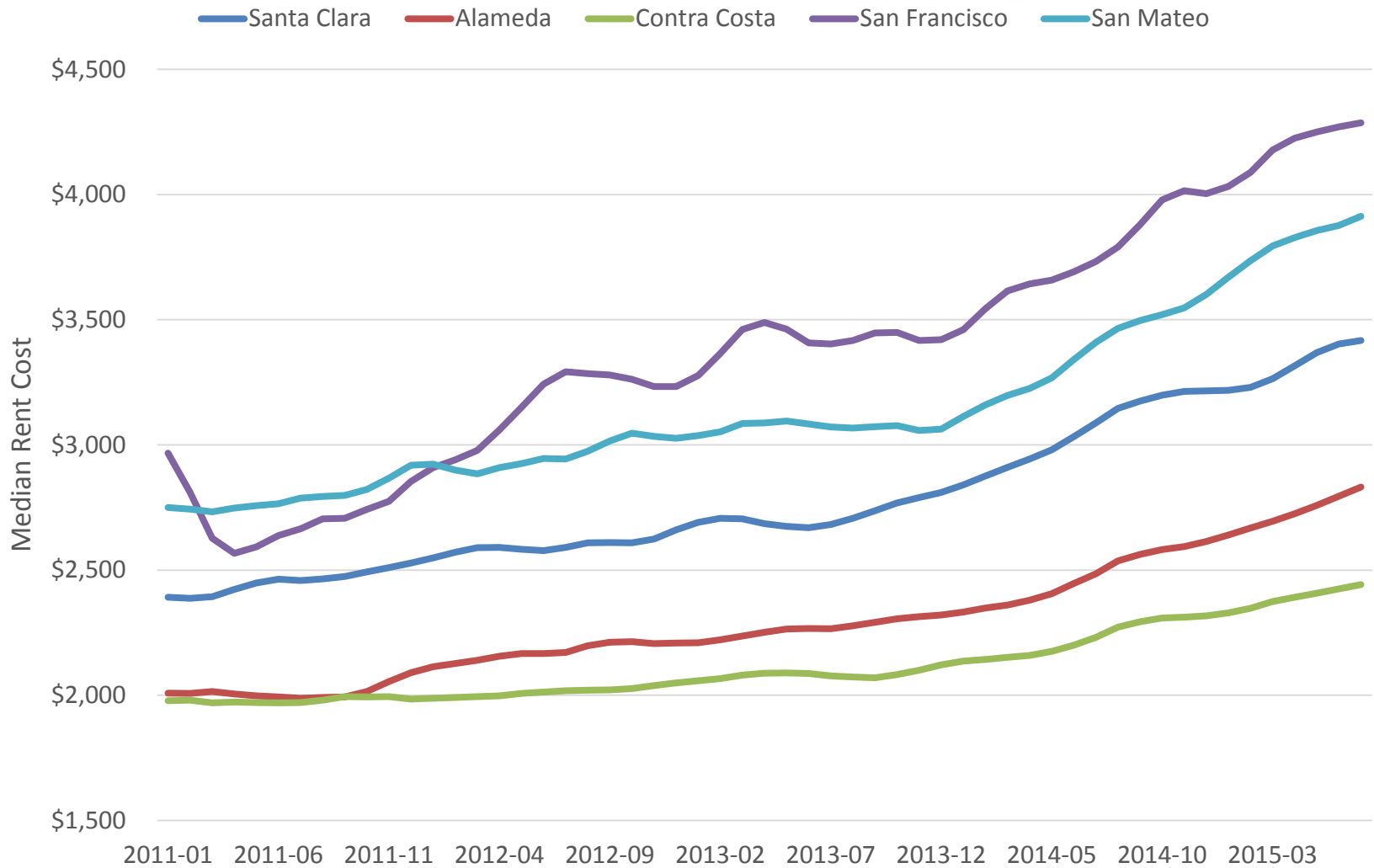
# BAY AREA AFFORDABILITY GAP

## HOW MUCH WOULD INCOMES NEED TO RISE TO PURCHASE A HOME?



Source: Dept of Finance, Zillow

# MEDIAN MONTHLY RENT COST BY COUNTY



# BAY AREA AFFORDABILITY INDEX

## APARTMENT RENTAL RATES

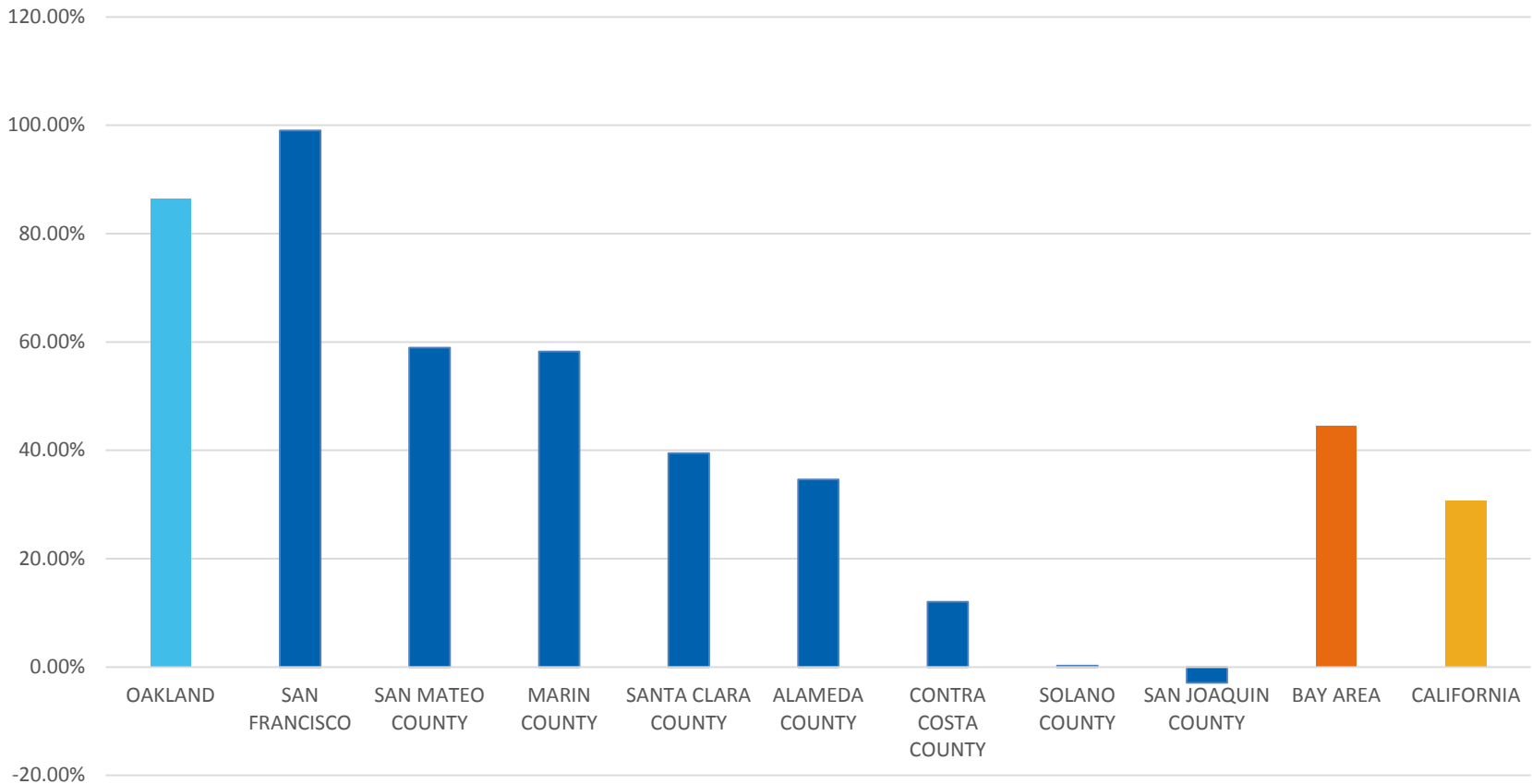
	Median Rent	Affordable Price - 1/3 Monthly Income	Median Household Income	Affordability Gap	Additional Monthly Income Needed	Percentage of Additional Income Needed
<b>OAKLAND</b>	\$2,650	\$1,421	\$4,307	\$1,229	\$3,723.39	86.45%
<b>SAN FRANCISCO</b>	\$4,287	\$2,154	\$6,526	\$2,133	\$6,464.83	99.06%
<b>MARIN COUNTY</b>	\$4,047	\$2,546	\$7,716	\$1,501	\$4,548	58.95%
<b>SAN MATEO COUNTY</b>	\$3,913	\$2,473	\$7,494	\$1,440	\$4,363	58.22%
<b>ALAMEDA COUNTY</b>	\$2,832	\$2,030	\$6,152	\$802	\$2,430	39.50%
<b>SANTA CLARA COUNTY</b>	\$3,417	\$2,538	\$7,691	\$879	\$2,663	34.63%
<b>CONTRA COSTA COUNTY</b>	\$2,442	\$2,179	\$6,604	\$263	\$796	12.05%
<b>SOLANO COUNTY</b>	\$1,852	\$1,847	\$5,598	\$5	\$14	0.25%
<b>SAN JOAQUIN COUNTY</b>	\$1,425	\$1,468	\$4,448	-\$43	-\$130	-2.93%
<b>BAY AREA</b>	\$3,285	\$2,273	\$6,889	\$1,012	\$3,065	44.50%
<b>CALIFORNIA</b>	\$2,263	\$1,730	\$5,244	\$533	\$1,614	30.78%

\*\*Affordable Price is 33% of Monthly Household Income

Source: Zillow, US Census Bureau

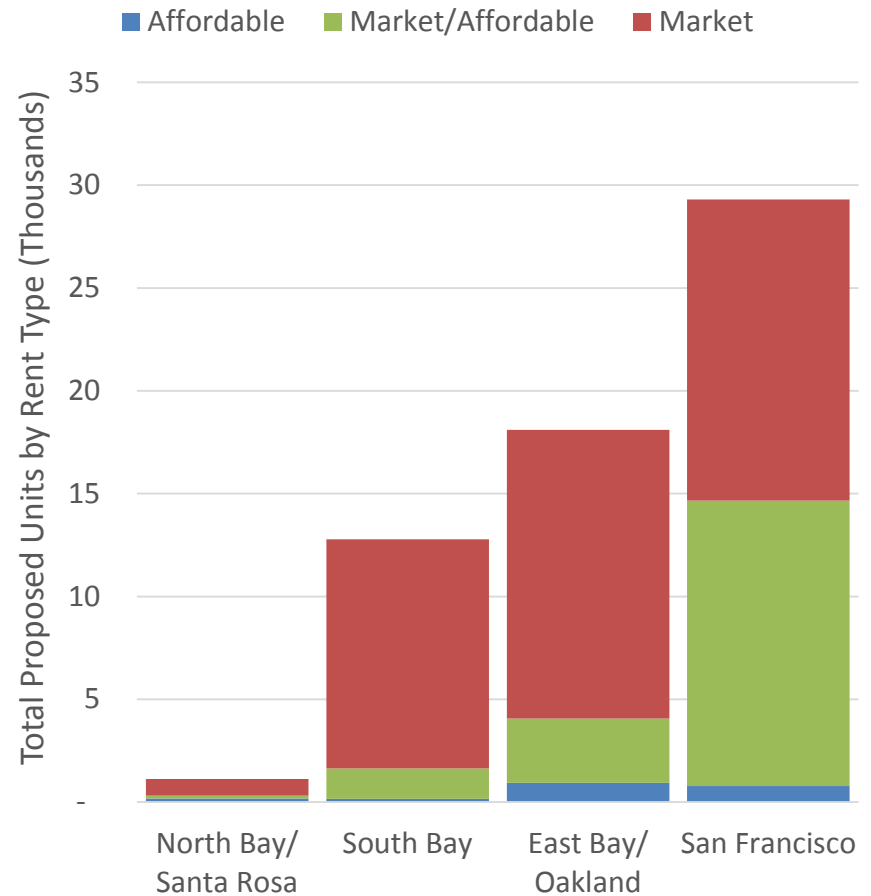
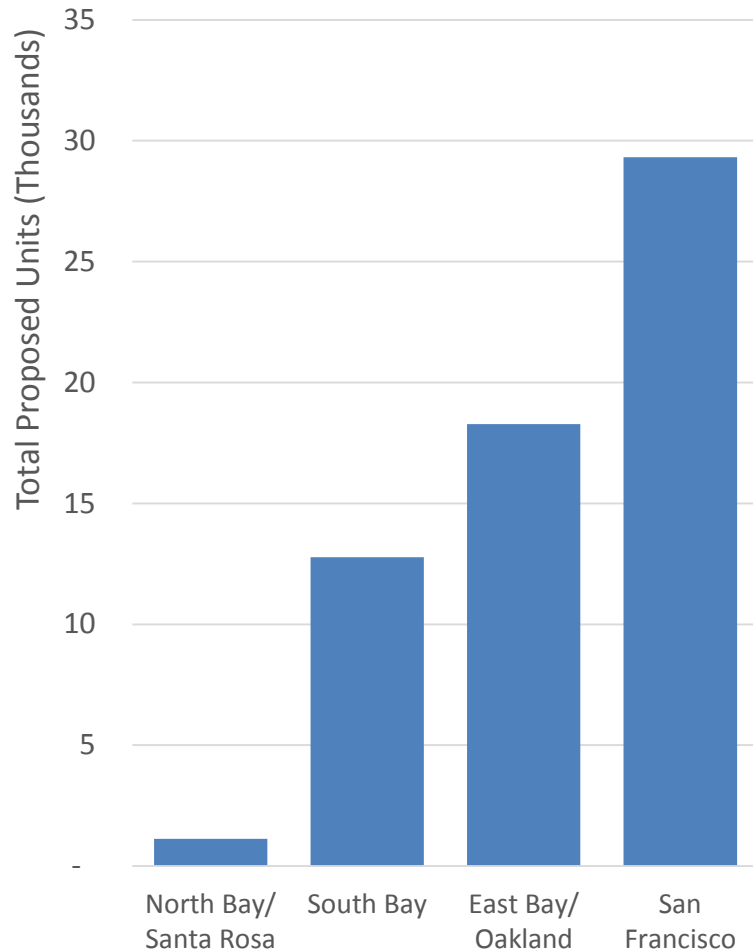
# BAY AREA AFFORDABILITY GAP

## HOW MUCH WOULD INCOMES NEED TO RISE TO LEASE AN APARTMENT?



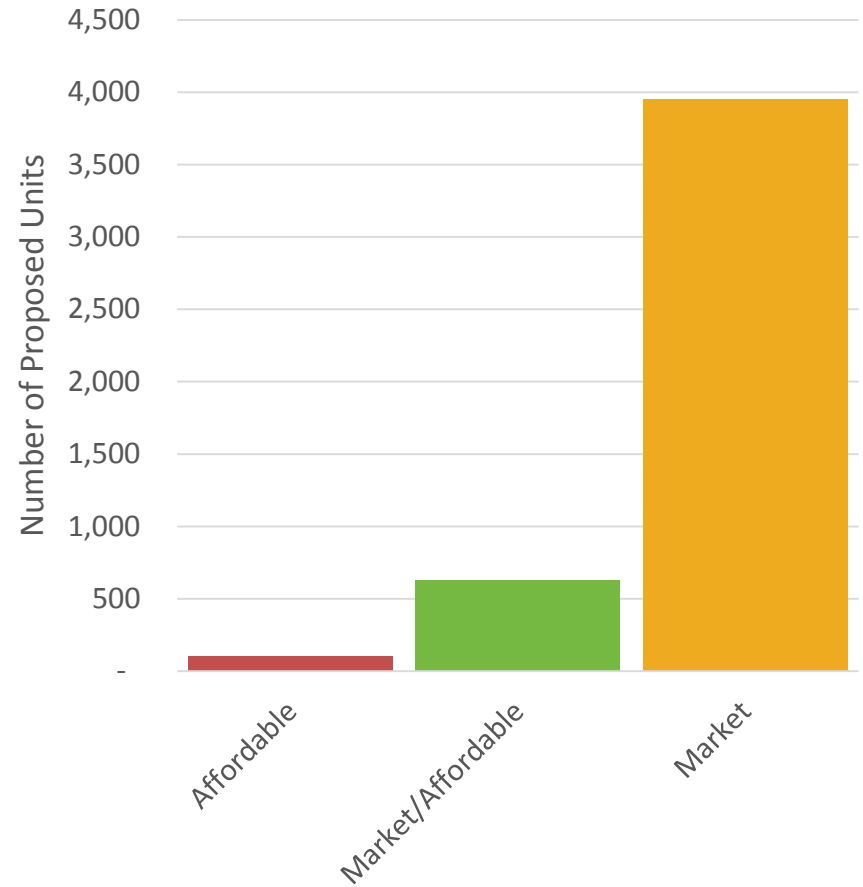
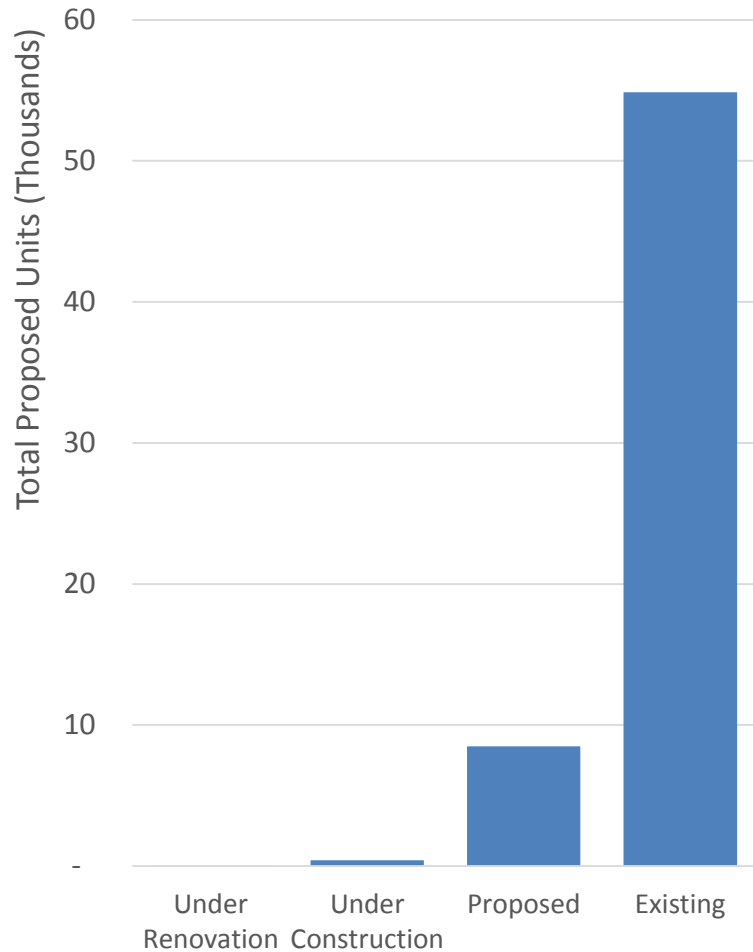
Source: Dept of Finance, Zillow

# PROPOSED MULTIFAMILY Pipeline & Affordability



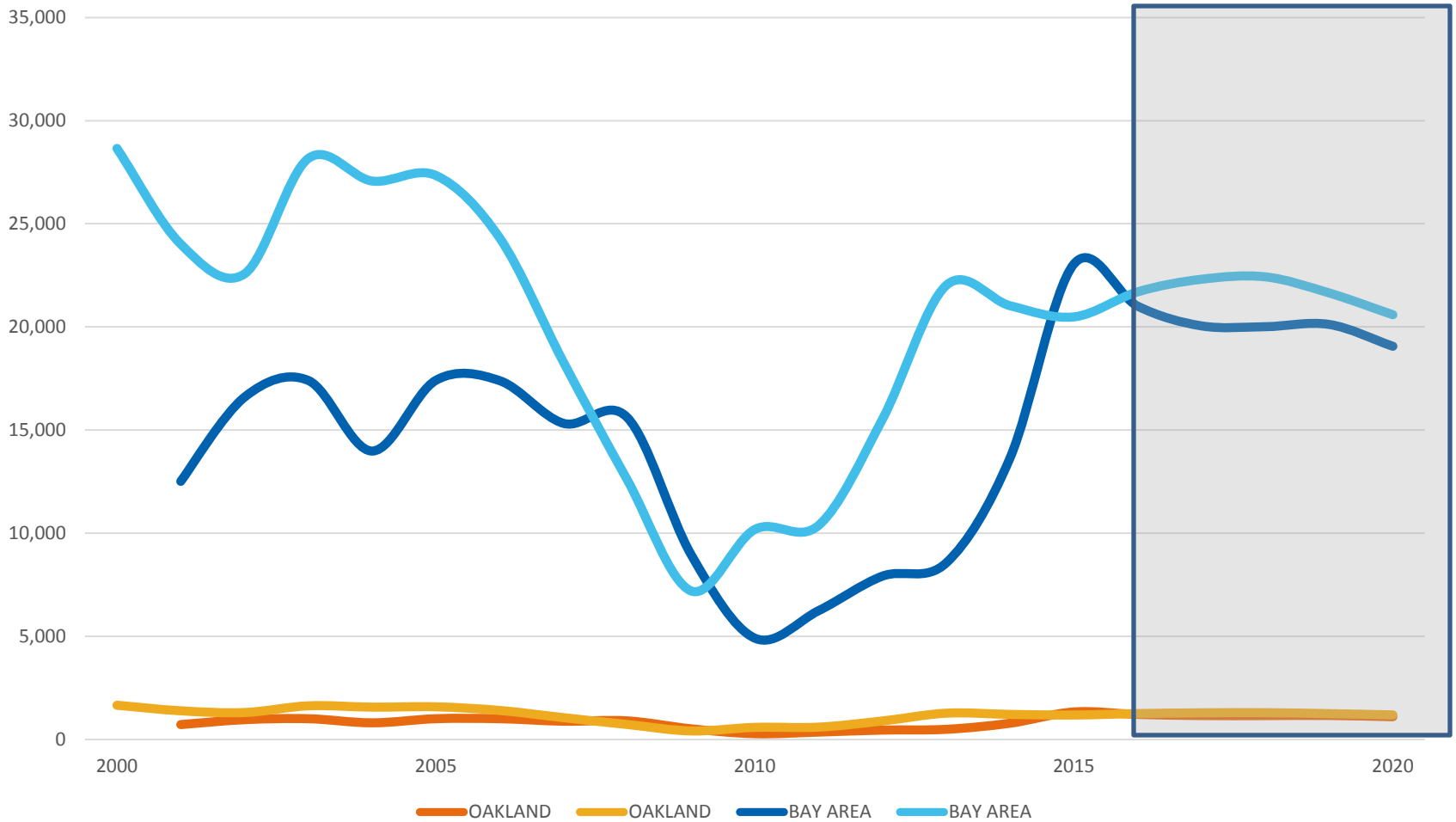
# MULTIFAMILY IN OAKLAND

## Proposed & Under Construction



# HOUSEHOLD GROWTH VS. HOUSING GROWTH

## Growth & Pipeline



Source: Dept of Finance, Zillow



# DEMOGRAPHIC PROFILE

## City of Oakland

	<b>OAKLAND</b>	<b>BAY AREA</b>	<b>CALIFORNIA</b>
Total Population	405,471	6,425,430	38,155,789
Projected Growth	3.7%	4.9%	4.8%
% Black	27.0%	6.0%	6.0%
% White	26.0%	40.0%	40.0%
% Hispanic	25.0%	23.0%	37.0%
% Asian	17.0%	25.0%	13.0%
Median Household Income	\$54,500	\$82,670	\$62,925
Adults with Bachelor's Degree or Greater	36.0%	44.0%	29.0%
Median Employee Salary	\$46,803	\$50,512	\$42,820
Unemployment Rate	5.9%	4.5%	6.1%

Source: Census Bureau

# Solutions

## How can we solve this?

- Produce housing supply at all income levels including middle class. Some strategies include simplifying regulations, using available public land for affordable housing, making financing affordable housing easier
- Build more units. Allow market rate units
- Streamline building process. The unintended consequences of rent control, moratoriums, high fees will gentrify other areas, foster and limit supply
- Give incentives to build affordable housing by forgiving development fees and delay property taxes on affordable housing
- SPUR Report Recommendation (Sept 2015) – Developing parking lots as housing sites
- Work regionally with Bay Area and East Bay cities and suburbs to building all types of housing

# WALNUT CREEK TEAM

## Contact Us

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