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Equinox Ten Year Trend Analysis: Housing

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Equinox
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Housing

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SCHOOL OF LEADERSHIP
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By
Center for Sustainable Energy

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About The Nonprofit Institute at the University of San Diego

The Nonprofit Institute is housed in the School of Leadership and Education Sciences at the University of San Diego. The Nonprofit Institute provides education, training and research to strengthen organizations that help meet critical community needs.

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About Center for Sustainable Energy

The Center for Sustainable Energy (CSE) is a nonprofit energy program administration and advisory services organization. Their mission is to decarbonize and their vision is a future with sustainable, equitable and resilient transportation, buildings and communities.

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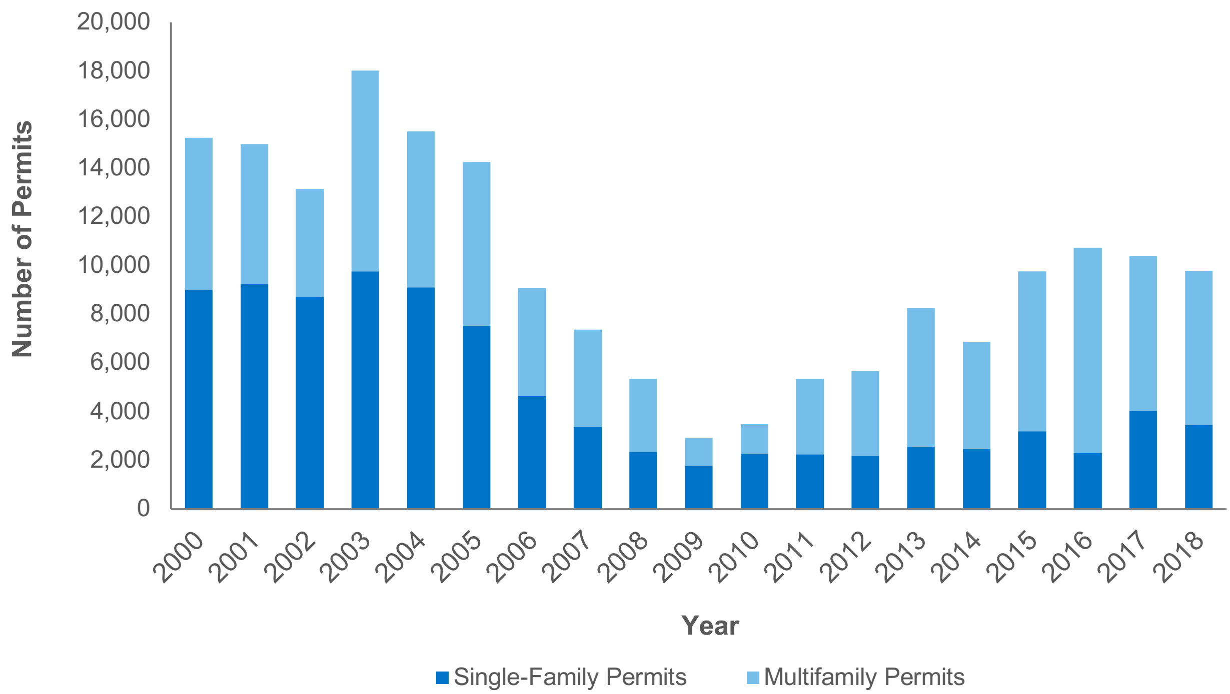
Housing in San Diego County

Housing affordability and availability is a significant socioeconomic challenge that affects city growth and resident quality-of-life issues. The housing affordability index (HAI), developed by the California Association of Realtors, measures the percentage of households that can afford to purchase a median-priced home in regions across California.[1] The HAI for San Diego County fell by 2% from 2017 to 2018 from 26% to 24%, indicating that fewer residents could afford to purchase a median-priced home in the region. This paper reviews literature and data over the last decade to identify trends in housing affordability decline within San Diego County.

Housing affordability and availability in San Diego County have been significant issues affecting residents for decades. San Diego County built an average of 25,000 new homes annually in the 1970s and 1980s but has struggled to meet demands since the mild recession in the early 1990s[2]. Since 2006, the county has added less than 7,000 homes per year, falling below the 12,000 homes required annually to keep up with population growth.[3] Figure 1 illustrates the number of building permits issued in San Diego County between 2000 and 2018.

Figure 1: Number of Building Permits Issued in San Diego County (2000-2018)



Data Source: U.S. Census Bureau, Building Permit Survey, 2000–2018

The mortgage crisis that sparked the Great Recession in 2008 reduced the cost of homes but impacted incomes as well, preventing most residents from purchasing lower-cost homes. As a result, investors were able to purchase and flip the homes for profit while the county population continued to grow (approximately 20,000 more people per year).[4] The lack of available housing

[1] https://www.car.org/marketdata/data/haitraditional
[2] https://www.sandag.org/uploads/publicationid/publicationid_4562_25049.pdf.
[3] https://www.sandag.org/uploads/publicationid/publicationid_4562_25049.pdf
[4] https://www.voiceofsandiego.org/topics/land-use/how-san-diegos-housing-shortage-became-so-dire/

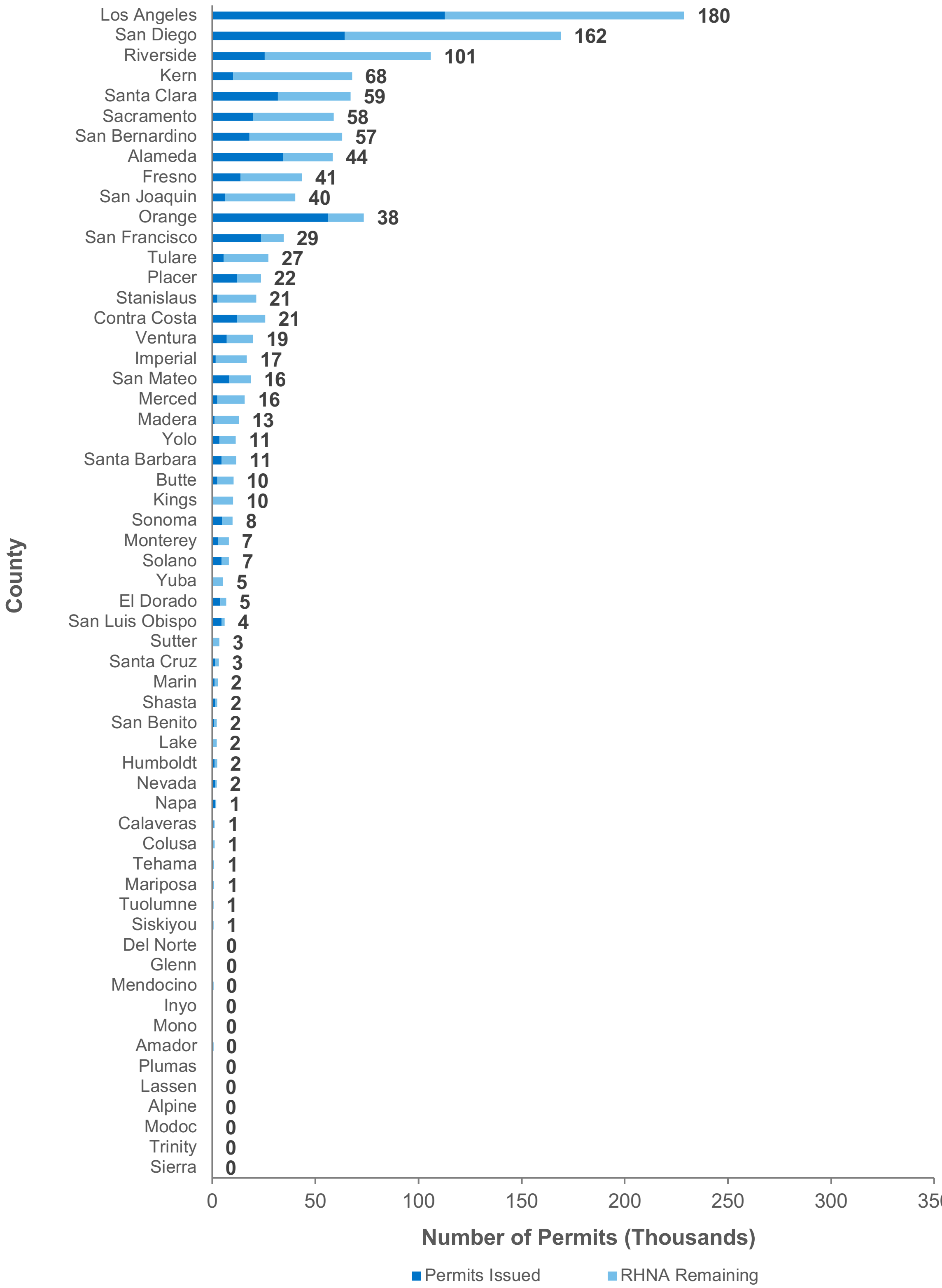
for the growing population resulted in a strained and competitive housing market struggling to meet the demands of residents.

All local governments in California are required to establish housing elements to general plans that meet the housing needs of everyone in the community.[5] One significant component is the Regional Housing Needs Allocation (RHNA), which determines the affordability level and number of new homes a region needs to meet anticipated housing demand over the course of a specific time frame. San Diego County permitted 60,061 housing units between 2010 and 2017, meeting 37% of the housing allocation defined by the San Diego Association of Governments (SANDAG) for the state's 5th Housing Cycle (an eight-year period from January 1, 2013, to December 31, 2020). Data through 2018 for the regional housing needs allocation for California show that the county would need to permit an additional 104,619 housing units to meet projected demand by the end of the cycle.[6] Figure 2 shows the statewide number of housing permits issued and the number of permits remaining by county to meet allocations by Dec. 31, 2020.

[5] https://www.hcd.ca.gov/community-development/housing-element/index.shtml

[6] https://www.sandag.org/uploads/publicationid/publicationid_4647_27206.pdf

Figure 2: Housing Permits Issued and Remaining by County



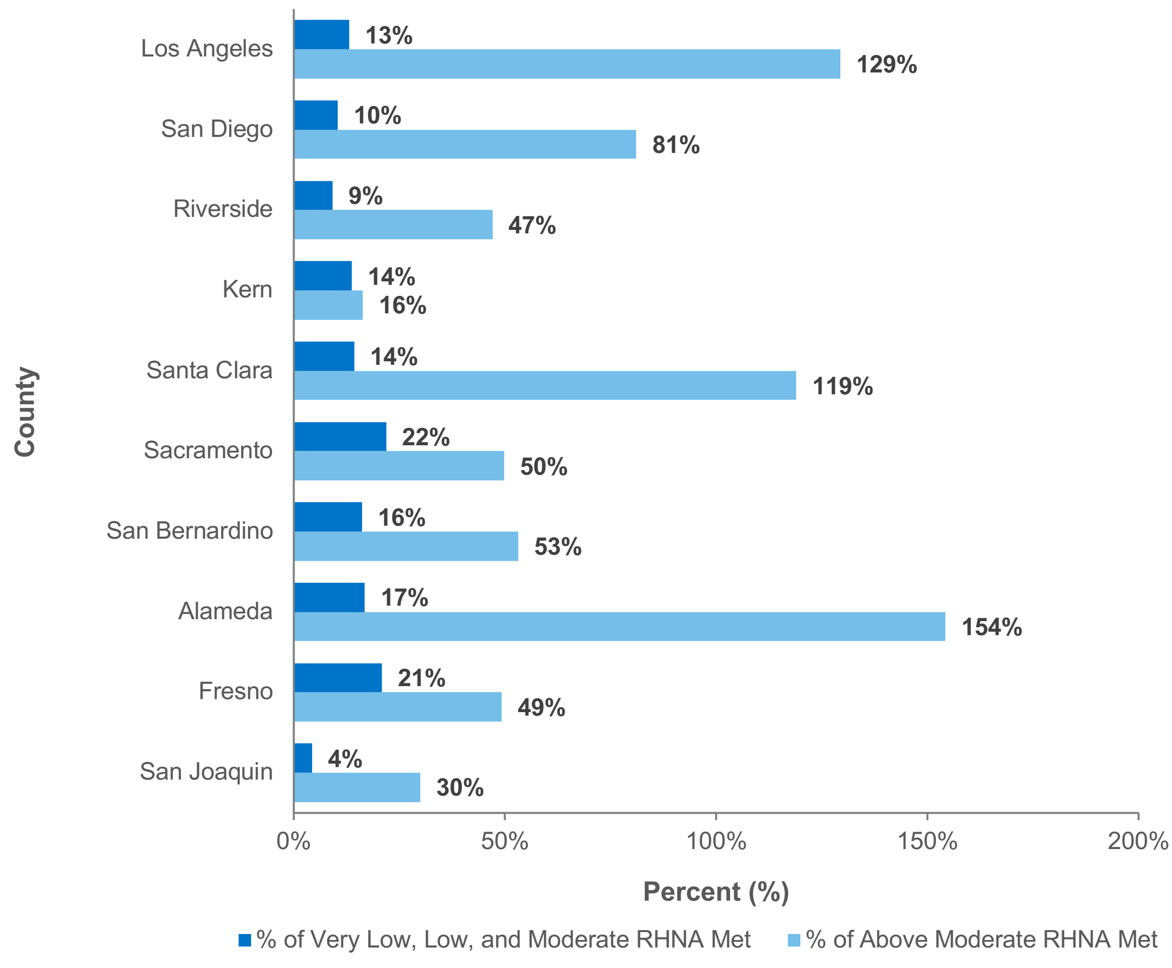
Data Source: California Department of Housing and Community Development, 5th Cycle Annual Progress Report Permit Summary, Data through 2018, updated June 2019

An additional element to the RHNA is that the total allocations are split into very low-, low-, moderate- and above moderate-income categories. The income categories defined by the RHNA are based on area median income thresholds as listed.[7]

- Very Low: 0% - 50%
- Low: 50% - 80%
- Moderate: 80% - 120%
- Above Moderate: Greater than 120%

While most California counties are close or have met the allocation requirements for above-moderate income homes, few counties have completed their allocation for very low-, low- and moderate-income homes. Figure 3 compares the percentage of RHNA needs met for above moderate-income homes with the other home types for the 10 counties with the highest RHNA needs.

Figure 3: Percent of RHNA Met: Above Moderate vs. All Other Housing Types (Top 10 Counties)



Data Source: California Department of Housing and Community Development, 5th Cycle Annual Progress Report Permit Summary, Data through 2018, updated June 2019

[7] https://www.ca-ilg.org/sites/main/files/file-attachments/rhna_plan.pdf

These 10 counties represent 70% of the current housing cycle RHNA needs for California. While most of these counties were able to meet at least 30% of the housing needs for above-moderate housing, they have yet to meet 25% of the housing needs of those with very low, low and moderate incomes. Out of all 58 counties, 45 of them have higher percentages for meeting the RHNA for above-moderate homes than any other home type.

One reason behind this housing gap could be budget cuts to housing. A 2017 analysis conducted by the California Housing Partnership found that the federal and state budget cuts to affordable housing in San Diego County have reduced investments in these projects by $134 million annually since 2008, which represents a 76% reduction in funding.[8] Restrictive zoning codes and practices also could be impacting housing development. Restrictions like limiting building height or setting minimum parking requirements could impede housing construction projects. A study published by the Terner Center for Housing Innovation at UC Berkeley found that less than 25% of land in California municipalities were zoned to allow multifamily housing projects. The share of land zoned for single-family use in San Diego-Chula Vista-Carlsbad metropolitan area was nearly 35% while only 22% was allocated for multifamily use.[9]

One method jurisdictions implemented to increase the number of affordable housing projects is by creating dedicated funds. One type of fund, known as the revolving loan fund, supports affordable housing projects by creating a flexible funding source that can help kickstart development projects and replenish as loans are payed.[10] This strategy has been successful in adding more affordable housing to cities experiencing housing shortages. In 2015, Denver launched the Revolving Affordable Housing Loan Fund, providing $10 million in funding over a 10-year period to help increase available funding for affordable housing projects. Nearly 300 new affordable housing units were constructed during the first year of the fund.[11] Transit-oriented funds help create housing projects connected to transit systems that could best serve groups that rely on alternative modes of transportation. With support from the Metropolitan Transportation Commission, the Bay Area established the $50 million Bay Area Transit-Oriented Affordable Housing Fund in 2011, which encourages affordable housing development near transit. The fund was able to finance four housing projects totaling over $15 million.[12] Less stringent and inclusionary zoning practices could also help increase affordable housing development.

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[8] http://chpc.net/wp-content/uploads/2019/05/San-Diego-HNR-2019.pdf
[9] http://californialanduse.org/download/Land%20Use%20Politics%20Rothwell.pdf
[10] https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/revolving-loan-funds.html
[11] https://www.urban.org/sites/default/files/publication/90326/2017_05_17_denver_lmi_housing_finalizedv4_lowqualityimages.pdf
[12] https://www.greatcommunities.org/wp-content/uploads/pdf/TOAH_report.pdf

City of San Diego housing needs and planning response

The City of San Diego has met 37% of housing allocation needs but represents 54% of the 161,980 housing units needed to meet countywide housing demand by the end of 2020. Table 1 shows the housing needs and progress for San Diego County by jurisdiction.

Table 1: Housing Needs and Progress in San Diego County by Jurisdiction

Jurisdiction	11-Year RHNA	Units Permitted (Through 2018)	# of Allocated Units	% RHNA Met
San Diego County	**161,980**	**64,372**	**100%**	**40%**
San Diego	88,096	32,828	54%	37%
Unincorporated	22,412	5,142	14%	23%
Chula Vista	12,861	8,622	8%	67%
Oceanside	6,210	1,493	4%	24%
El Cajon	5,805	447	4%	8%
Carlsbad	4,999	3,338	3%	67%
San Marcos	4,183	3,685	3%	88%
Escondido	4,175	1,567	3%	38%
Santee	3,660	1,032	2%	28%
Encinitas	2,353	997	1%	42%
National City	1,863	629	1%	34%
La Mesa	1,722	1,137	1%	66%
Vista	1,374	2,173	1%	158%
Poway	1,253	194	1%	15%
Solana Beach	340	61	0%	18%
Lemon Grove	309	349	0%	113%
Imperial Beach	254	316	0%	124%
Del Mar	61	33	0%	54%
Coronado	50	329	0%	658%

Data Source: U.S. Census Bureau, American Community Survey, Table B25003: Tenure, 2010–2018

The following review focuses on why the City of San Diego represents such a high proportion of county housing needs. The quantitative analysis will look at different housing affordability metrics.

The City of San Diego General Plan's Housing Element adopted in 2013 was developed as a policy guide for addressing the housing needs of the city and has the following five major goals.[13]

[13] https://www.sandiego.gov/sites/default/files/legacy//planning/genplan/heu/pdf/housingelementfull.pdf

1. Provide enough housing for all income groups to accommodate regional estimated growth over the 2013–2020 housing cycle and keep development consistent with the Sustainable Communities Strategy
2. Maintain and upgrade San Diego housing stock, with an emphasis on preserving affordable housing
3. Streamline the entitlement and permitting process for new residential development by reducing governmental constraints in housing development, improvement and maintenance
4. Provide affordable housing opportunities consistent with land use patterns
5. Cultivate the city as a sustainable model of development

The plan identified more than 50 policy initiatives and over 20 programs geared toward increasing housing availability.

In 2015, the city assessed housing affordability in *Addressing the Housing Affordability Crisis in San Diego and Beyond Report.*[14] At the time of the report, more than 70 percent of San Diegans were priced out of the homeownership market for an average home with a 30-year mortgage. In the first four years after the RHNA allocation, the City of San Diego issued 14,714 permits, representing only 17% of the units needed to meet demand by 2020. In order to meet the estimated need, San Diego needed to permit 10,479 new units every year between 2014 and 2020.

Recently, the City of San Diego has conducted an annual inventory of housing in the region to see how the city is doing in meeting the current cycle RHNA. The 2018 Housing Inventory Annual Report found that the city had been taking steps to increase housing production, but the market was still not keeping up with demand—especially for very low-, low- and moderate-income housing.[15] Housing development entitlements remained above average in 2017, though housing costs were still high in the city and housing supply still lagged population growth. The San Diego Association of Realtors found that the median home price in the region increased by 8% in 2018 compared to 2017. This trend in sales price was similar for condos/townhomes in the region. In 2016, the city had .38 housing units per person, falling behind cities with higher housing densities like New York (.40 units/person) and San Francisco (.45 units/person). While some progress had been made in new housing construction, development did not keep pace with demand for all except above-moderate income housing. The city met 38% of the 88,096 new construction goal by 2020 in 2017 and reached 85% of the allocation goal for above-moderate income housing, but achieved only 9%, 14% and .2% of the goals for very low-, low- and moderate-income housing, respectively. The 2019 Housing Inventory Annual Report showed that only 458 affordable units were permitted in 2018, a 27% decrease from 2017.[16] While new construction permits fell, the preservation and rehabilitation of at-risk affordable housing increased by 15% in 2018.

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[14] https://www.sdhc.org/uploadedFiles/Media_Center/Significant_Documents_Reports/SDHC%20Housing%20Affordability%20Study%20Report.pdf
[15] https://www.sandiego.gov/sites/default/files/housing-inventory-annual-report.pdf
[16] https://www.sandiego.gov/sites/default/files/report_annualhousinginventory2019_v16.pdf

How has housing ownership in San Diego jurisdictions changed during 2010-18?

The following heat map shows the percent of owned housing units in San Diego jurisdictions.[17]

Figure 4: Percent of Owned Housing Units

Name	2010	2011	2012	2013	Year 2014	2015	2016	2017	2018
Poway city	76%	76%	75%	75%	76%	74%	74%	74%	74%
Santee city	71%	71%	70%	70%	70%	70%	70%	69%	71%
Carlsbad city	68%	66%	64%	64%	63%	63%	64%	65%	64%
Encinitas city	65%	65%	65%	65%	65%	65%	64%	64%	63%
San Marcos city	63%	61%	61%	60%	60%	59%	60%	61%	61%
Solana Beach city	58%	59%	60%	60%	58%	59%	58%	59%	59%
Chula Vista city	60%	60%	60%	59%	58%	58%	58%	58%	58%
Oceanside city	61%	59%	58%	57%	56%	56%	56%	56%	56%
Lemon Grove city	58%	57%	55%	52%	54%	56%	55%	54%	54%
Del Mar city	56%	57%	53%	55%	54%	55%	54%	53%	51%
Coronado city	50%	49%	47%	48%	46%	48%	49%	49%	51%
Escondido city	54%	53%	52%	50%	49%	49%	49%	50%	51%
Vista city	53%	51%	50%	49%	49%	48%	48%	49%	49%
San Diego city	50%	49%	48%	48%	48%	47%	47%	47%	47%
La Mesa city	48%	47%	47%	45%	44%	43%	41%	42%	41%
El Cajon city	43%	42%	41%	39%	39%	38%	38%	38%	39%
National City city	35%	35%	36%	33%	32%	31%	32%	32%	35%
Imperial Beach city	31%	31%	32%	33%	33%	32%	31%	32%	31%

% of Owned Housing Units

31% 76%

Data Source: U.S. Census Bureau, American Community Survey, Table B25003: Tenure, 2010–2018

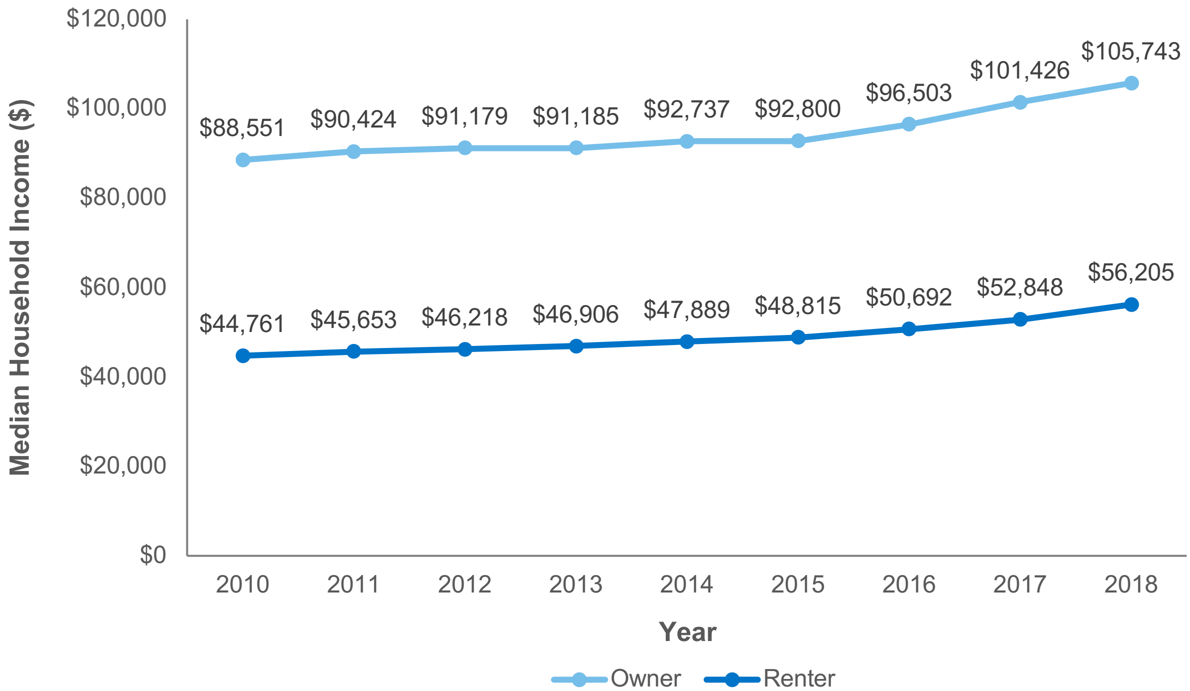
The number of owned units in the City of San Diego declined from 50% in 2010 to 47% in 2015 and has remained at 47% since. The percent of owned housing units has remained consistent since 2010. Poway currently has the largest number of owned housing units, while Imperial Beach has the lowest. All jurisdictions except Solana Beach, National City, Imperial Beach and Coronado experienced a reduction in owned housing units since 2010, with La Mesa experiencing the largest drop at 8%.

[17] American Community Survey Estimates; 2010-2018; Table B25003

How does income compare between homeowners and renters in the City of San Diego?

While median household income for homeowners and renters has increased over time in the city, homeowners have larger income than renters. The following chart compares median household income between homeowners and renters over the last eight years.[18]

Figure 5: Median Household Income: Owners vs. Renters, City of San Diego



Data Source: U.S. Census Bureau, American Community Survey, Table B25119: Median Household Income in the Past 12 Months (in Inflation-Adjusted Dollars) by Tenure, 2010–2018

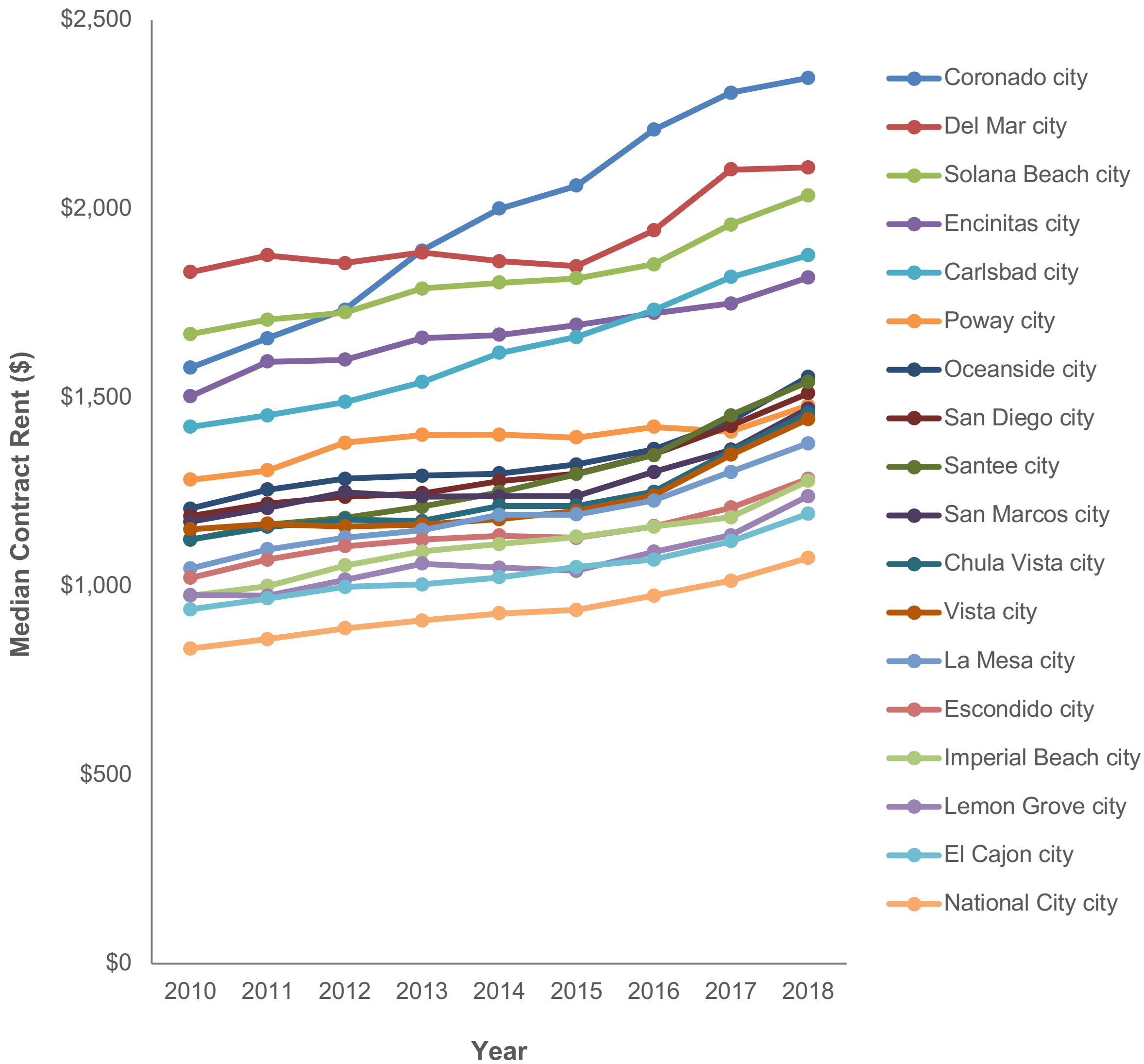
The median household income of homeowners has increased by 19% since 2010 and by 4% since 2017. Income growth for renters in San Diego has grown slightly higher over the last eight years, with renter income increasing by 26% since 2010 and 6% since 2017. The difference between homeowner income and renter income has gradually increased over time, from $43,790 in 2010 to $49,538 in 2018.

[18] American Community Survey Estimates; 2010-2018; Table B25119

Have renter prices increased over time?

Rent prices have increased by an average of $336 across all jurisdictions since 2010. The following chart shows median contract rent for San Diego jurisdictions since 2010.[19]

Figure 6: Median Contract Rent by Jurisdiction



Data Source: U.S. Census Bureau, American Community Survey, Table B25058: Median Contract Rent (Dollars), 2010–2018

Coronado, Del Mar and Solana Beach had the highest median contract rent prices in 2018 at $2,347, $2,110 and $2,036, respectively, while National City had the lowest price at $1,075. The City of San Diego's pricing has increased by $325 since 2010.

[19] American Community Survey Estimates; 2010-2018; Table B25058