

**3/2/2009 Erratum Correction to Kroll and Wyant, February 2, 2009 Draft
Housing Affordability in California--Are We Making Progress? (pages 25-28)**

Table 3 Counties Results for Different Indicators Compared				
Affordability Indicator	(1) Least affordable level	(2) Greatest decrease in affordability**	(3) Most affordable level	(4) Least Decrease/ Greatest improvement in affordability**
Share of homeowners paying 30%+ in housing costs*	San Benito 48% Riverside 46% Santa Cruz 45% Solano 45% Monterey 45%	Lassen 1.55 Glenn 1.55 Stanislaus 1.52 Napa 1.52 San Joaquin 1.52	Plumas 28% Del Norte 30% Humboldt 30% Siskiyou 31% Kings 33%	Calaveras 1.01 Shasta 1.15 Plumas 1.17 Madera 1.21 Tulare 1.21
Share of mortgage-holding homeowners paying 30%+ in housing costs*	San Benito 59% Mendocino 58% Monterey 57% Santa Cruz 56% Riverside 55%	Glenn 1.63 Mendocino 1.62 San Joaquin 1.55 Stanislaus 1.55 Solano 1.52	Del Norte 38% Kings 39% Amador 40% Plumas 40% Lassen 40%	Calaveras 1.06 Amador 1.15 Plumas 1.18 Shasta 1.21 Madera 1.24
Share of renters paying 30%+ in housing costs*	Butte 61% Humboldt 60% Santa Barbara 60% Santa Cruz 59% San Luis Obispo 59%	Glenn 1.41 Solano 1.40 Contra Costa 1.31 San Benito 1.30 Merced 1.29	Colusa 40% Calaveras 42% San Francisco 43% Plumas 44% Santa Clara 46%	Del Norte 1.01 Calaveras 1.02 Colusa 1.02 Yolo 1.06 Plumas 1.08
Percent of 25 th percentile wages required to pay fair market rent#	Orange 85% Santa Cruz 79% Ventura 77% Santa Barbara 75% San Diego 72%	Riverside 1.51 San Bernardino 1.51 Los Angeles 1.38 Sierra 1.37 Colusa 1.34	Siskiyou 37% Trinity 38% Modoc 39% Tulare 40% Yuba 41%	Santa Clara 0.73 Alameda 0.88 Contra Costa 0.88 Marin/ San Francisco/San Mateo 0.89
Percent of median wage required to pay fair market rent#	Ventura 65% Orange 54% Santa Cruz 52% Santa Barbara 49% San Diego 46%	Riverside 1.51 San Bernardino 1.51 Ventura 1.49 Los Angeles 1.37 Sierra 1.39	Siskiyou 25% Trinity 26% Modoc 27% Yuba 27% Sutter 27%	Santa Clara 0.67 Alameda 0.87 Contra Costa 0.87 Marin/ San Francisco/San Mateo 0.87
Residual of 25 th percentile wage remaining after paying fair market rent#	Santa Cruz \$516 Los Angeles \$475 Monterey \$453 Orange \$311 Ventura \$283	Riverside/San Bernardino 0.76 Monterey 0.68 Orange 0.60 Los Angeles 0.57 Ventura 0.51	Siskiyou \$1243 Trinity \$1231 Modoc \$1211 Lassen \$1162 Plumas \$1149	Santa Clara 1.81 Marin/ San Francisco/San Mateo 1.33 Calaveras 1.23
Residual of median wage remaining after paying fair market rent#	Imperial \$1446 Tulare \$1426 Orange \$1380 Ventura \$1307 Monterey \$1302	Riverside 0.89 San Bernardino 0.89 Ventura 0.89 Monterey 0.89 Los Angeles 0.82	Santa Clara \$2719 Alameda \$2246 Contra Costa \$2246 Yolo \$2153 Marin/San Francisco/ San Mateo \$2118	Santa Clara 1.42 Nevada 1.29 Siskiyou 1.26 Trinity 1.26 Modoc 1.24

** The change indicator is the ratio of the more recent year to the earlier year. A value of 1.00 would indicate that the indicator had no change from the earlier to the later period. Indicator time periods of change are 1999 to 2005-07 for Census-based measures, 2001-2008 for the percent of wages required to pay fair market rent, and 2001 to 2007 for the CPI adjusted residual wage measure.
* The American Community Survey does not report data for 2005-2007 for some of the smaller California counties.
A change in reporting unit makes the San Benito County data not comparable between earlier and later years for these measures.

The counties listed as the "best" and "worst" vary widely by indicator. In the entire column listing the "least affordable" counties, sixteen appear, with some appearing only once, while five rank as "least affordable" by at least three different measures. Santa Cruz County ranks among the least affordable counties in six of the seven indicators, showing a high share of income (by whatever measure) spent on rental housing and by homeowners, as well as a low residual remaining for lower wage workers. Monterey is "least affordable" for both homeowner categories and both rental FMR/wage residual categories. Ventura and Orange counties rank among the least affordable for all four of the indicators based on the FMR/wage comparison. Other counties ranking in the least affordable for more than one measure include Riverside, San Benito, Santa Barbara and San Diego. The predominance of large southern California counties is striking in the "least affordable" indicator lists. A few smaller counties also show up, in the residual measure for median income families and in the Census measure of share of renters paying 30 percent or more of their income in housing costs.

Southern California places maintain a high profile among places with the greatest *decrease* in affordability as well. This list includes 18 counties. Los Angeles, Orange, Riverside and San Bernardino appear among the places with greatest decrease in affordability for the four FMR/wage based indicators. Ventura County appears among the places seeing the greatest decrease in affordability for three of the FMR/wage indicators. Several Central Valley and smaller inland counties have had large decreases in the census

affordability measures. San Francisco Bay Area counties make more of an appearance in this column (only Solano showed up in any "least affordable" top-5 list in the previous column, for only one indicator). Contra Costa, Napa and Solano saw increases in shares of homeowners and/or renters paying over 30% of income for rent. Sierra County, one of the small counties excluded from the Census measures, shows up as among the counties with the greatest increase in the proportion of wages paid for rent.

There are twenty-one counties in the most affordable column and nineteen in the column of greatest improvement (or least decrease) in affordability. The larger San Francisco Bay Area counties are well represented in both columns, with a relatively low share of renters spending 30 percent or more on rent, and among the highest median wage residuals remaining. The residuals remaining have improved for Bay Area larger counties for both the median wage and 25th percentile worker. The time period for this change should be kept in mind--rents peaked in the San Francisco Bay Area in 2001, and had dropped by 8 percent region-wide, and by over 16 percent in Santa Clara County by 2007. Central Valley and nonmetropolitan counties (for example Kings, Siskiyou, Trinity) also are much more prevalent in these columns than in the least affordable/affordability decrease columns.

The comparison of measures that are not closely correlated nevertheless gives a broad picture of where problems are most intense and where conditions have worsened or improved. Although the highest prices are found in the San Francisco Bay Area, strong income growth and expansion of the multifamily housing stock has kept rental housing in several counties in the area relatively more affordable than in many other parts of the state, and some improvements have occurred even for poorer households since 2000. Yet

homeowner conditions have still worsened in the San Francisco Bay Area, and counties at the outskirts of the region have had a poorer experience than the more central and southern counties of Alameda, San Francisco, San Mateo, and Santa Clara. The data cover the period when subprime lending helped to drive up home prices in less expensive areas, perhaps contributing to the findings for this region.

For low income households, the smaller, non-coastal counties outside of the commute range of either the San Francisco or Los Angeles greater metropolitan areas offer the most affordable settings, as long as they are not subject to increasing pressures trends that may increase housing costs more rapidly than employment opportunities (for example, second home development). The most pervasive problems seem to be in Southern California, where conditions are also more likely to have worsened in the past 8 years. In contrast to the San Francisco Bay Area, population growth in this area has included lower wage immigrants, contributing to the narrowing of the income advantage with the US.

Even the most affordable or most improved places may still face problems. Based on the Census affordability measures, no counties in California have a smaller share of households paying 30 percent or more of their income on housing than they did in 1999. Furthermore, the high wage, high housing cost cycle is self reinforcing and feeds into job/housing balance issues, touched on in the policy section that follows.