Orange County has the third largest shortfall of homes affordable to low-income families in California. Many of those families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income on rent. The following report describes the magnitude of the shortfall, highlights those who are affected by cuts to housing programs, and recommends local policy solutions to help mitigate the impact of Orange County’s affordable housing crisis.

KEY ELEMENTS OF ORANGE COUNTY’S AFFORDABLE HOUSING MARKET FAILURE:

- There is a shortfall of 118,895 homes affordable to Orange County’s very low-income (VLI) and extremely low-income (ELI) households.

- Median rents in Orange County increased by 19 percent between 2000 and 2012, while the median income declined by 10 percent, significantly driving up the percentage of income that households must spend on rent.

- 79% of very low-income households spend more than half their income on rent.

90% of very low-income households in Orange County spend more than 30% of their income on rent.

SOURCE: NLIHC Analysis of 2012 American Community Survey PUMS data

SOURCE: CHPC Analysis of 2007-2011 CHAS data
The housing market has failed to meet the needs of an entire segment of Orange County’s population.

Rent is considered affordable when it consumes no more than 30 percent of household income. Orange County is home to 85,830 extremely low-income (ELI) renter households — those earning 30 percent or less of the metro area’s median income. There are affordable rental homes available to fewer than 20 percent of those households.1 Very low-income (VLI) households, who earn up to half of the area’s median income, fare only slightly better; fewer than 30 percent of VLI households are able to find an affordable and available home in Orange County.

More than half of ELI households are elderly or disabled, while VLI households are more likely to include low-wage workers.2 In Orange County alone, there are 645,121 workers who earn less than half the county’s median income. Table 1 provides examples of working adults in Orange County who are unable to afford the fair-market rent on a two-bedroom apartment.

While increasing the minimum wage would certainly help, the affordable housing shortfall cannot be offset by living-wage initiatives alone.

<table>
<thead>
<tr>
<th>JOB CATEGORY</th>
<th>MEDIAN INCOME IN ORANGE COUNTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal Health Counselors</td>
<td>$40,530</td>
</tr>
<tr>
<td>School Bus Driver</td>
<td>$35,140</td>
</tr>
<tr>
<td>Preschool Teachers</td>
<td>$30,780</td>
</tr>
<tr>
<td>Nursing Assistants</td>
<td>$27,590</td>
</tr>
<tr>
<td>EMTs and Paramedics</td>
<td>$25,370</td>
</tr>
<tr>
<td>Maids &amp; Housekeepers</td>
<td>$20,760</td>
</tr>
</tbody>
</table>

Salary needed to afford Fair Market Rent: $65,760

Table 1: Who is being left out of Orange County’s housing market?

Rents in Orange County are high and have remained so in spite of the Great Recession. In fact, according to analysis by the National Low Income Housing Coalition, Orange County is the fourth most expensive metro housing market in the country.4

After adjusting for inflation, median rents increased 19 percent between 2000 and 2012, while median household income declined by 10 percent in that same time period. Figure 3 illustrates the growing gap between household earnings and rental housing costs.

Coupled with stagnant wages, increasing housing costs have pushed many low-income households’ budgets to the breaking point. According to the California Poverty Measure, the poverty rate in Orange County is 24.3 percent, more than two percentage points higher than the state as a whole.5

Rents increase in response to demand. While the overall population increased by just 2 percent between 2006 and 2012, the percentage of renter households increased by 17 percent,6 exacerbated in part by displacement caused by the foreclosure crisis.
LOCAL, STATE, AND FEDERAL DISINVESTMENT IN AFFORDABLE HOUSING HAS EXACERBATED THE HOUSING MARKET’S FAILURE TO PROVIDE FOR LOW-INCOME FAMILIES

Even as Orange County’s shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing programs dramatically. State housing bonds funded by Propositions 1C and 46 are exhausted, resulting in the loss of $7.8 million in annual investment to provide homes to low- and moderate-income households in Orange County. Moreover, the elimination of

<table>
<thead>
<tr>
<th>FUNDING SOURCES</th>
<th>FY 2007/2008</th>
<th>FY 2012/2013</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Housing Bonds Prop. 46 and Prop. 1C*</td>
<td>$10,296,382</td>
<td>$2,500,000</td>
<td>-76%</td>
</tr>
<tr>
<td>Redevelopment Funds for Affordable Housing</td>
<td>$90,725,567</td>
<td>$0</td>
<td>-100%</td>
</tr>
<tr>
<td>Federal CDBG Funds</td>
<td>$31,647,726</td>
<td>$26,388,226</td>
<td>-17%</td>
</tr>
<tr>
<td>Federal HOME Funds</td>
<td>$10,809,256</td>
<td>$5,718,810</td>
<td>-47%</td>
</tr>
<tr>
<td>Total</td>
<td>$143,478,931</td>
<td>$34,607,036</td>
<td>-76%</td>
</tr>
</tbody>
</table>

*Prop. 46 and Prop. 1C spending for FY 2007/2008 and 2012/2013 provided by HCD.

Redevelopment has led to the forfeiture of nearly $91 million annually in affordable housing investment.

Exacerbating the state cuts is the simultaneous disinvestment in affordable housing by the federal government. Cuts to HOME and Community Development Block Grants (CDBG) have resulted in the loss of another $10.3 million per year in funding since 2008. TABLE 2 highlights the loss of state and federal funding for affordable homes in Orange County since 2008.

76% DECREASE in state and federal funding for affordable homes in Orange County since 2008.
STATEWIDE Policy Recommendations

1. Replace the exhausted state housing bonds (Propositions 46 and 1C) by:
   - Passing legislation to create a permanent source of funding at the state level for the production and preservation of affordable homes.
   - Continue investing at least $100 million per year in general funds in existing state affordable housing programs.

2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
   - Lowering the voter threshold required to pass infrastructure bonds for housing, transportation, and parks from two-thirds to 55 percent, the same as it is for school bonds.
   - Authorizing a new local Tax Increment Financing (TIF) program to fund investment in basic infrastructure including transportation, housing, and parks.
   - Permitting local jurisdictions to require that new housing developments include a percentage of homes affordable to low- and moderate-income households.

3. Continue to invest a minimum of 10 percent of Cap-and-Trade auction revenues in the production and preservation of affordable homes that help California meet its GHG reduction targets.

LOCAL Policy Recommendations

1. Create an Affordable Housing Strategic Plan that commits to an affordable housing production goal and funding sources that would produce homes affordable to low-income households in each city and the county as a whole.

2. Make discretionary approval for new residential development contingent on designating 15% of new homes as affordable to low-income families.

3. Authorize by-right approval for 100% affordable housing developments by implementing “Affordable Home Zones” in local plans.

4. Set aside one-time and recurring residual Tax Increment funds for affordable housing funding.

5. Create an Affordable Housing Land Trust and prioritize use of city-owned surplus and underused land for affordable housing development.

For more information about local policy solutions in Orange County contact:

www.kennedycommission.org

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1 California Housing Partnership analysis of 2007-2011 CHAS data.
5 The California Poverty Measure is an alternative to the conventional measure of poverty developed by the Public Policy Institute of California and Stanford that takes into account the social safety net and cost of living. http://www.ppic.org/content/pubs/report/R_1013SBR.pdf.
6 California Housing Partnership analysis of 2006 1-year American Community Survey (ACS) and 2012 1-year ACS.
7 California Housing Partnership has authored and co-authored several reports on the environmental and social benefits of locating affordable homes near transit. A list of reports can be found at http://www.chpc.net/GREEN/Publications.html.