

## **Housing Costs a Major Burden on Low-Income Workers in California**

F. Noel Perry, Next 10

*The California economy is growing rapidly but high housing costs have left many low-wagers workers unable to take advantage of these new jobs and opportunities. These findings, from three new studies commissioned by the nonprofit organization Next 10, illustrate the challenges the Golden State faces in creating a society that works for all Californians. Businessman and Next 10 founder F. Noel Perry recently spoke with Spotlight to discuss the reports and how public policy should respond. The conversation has been lightly edited for length and clarity.*

### **Let's start with the good news. It sounds like California's economy is growing rapidly?**

The job growth rate over the last few years has been really significant. We looked at the growth rate at different income levels. California has the third highest rate of growth nationally in low-wage jobs. And it has the eleventh highest rate of growth for both middle- and high-wage jobs. So there is no doubt the California economy has been doing very well.

### **But despite the economic growth, we're actually seeing low-wage workers leaving California. Can you talk a little about these trends?**

We looked at migration between 2007 and 2014 in California. Notably, 625,000 more Californians left the state than moved here during that period, and the majority of people who left did not have college degrees and earned less than \$30,000 per year. At same time, we attracted new residents with college degrees who make over \$50,000 a year.

### **What specifically is causing low-income workers to leave the state?**

Housing. The California housing market is the most expensive in the nation. The average homeowner spent 25 percent of their income towards housing in 2014. That's more than any other state. Rental costs are 35% above the national average, that's the third highest in the nation. The average price of a home is \$450,000, more than double the national average.

Importantly, we also saw that high taxes were likely not causing people to leave the state. Two-thirds of people who moved out of the state were low-income and pay little in taxes, so the tax rate didn't impact their decision. It is also important to note that we had net migration from Alaska and Florida, two states with no income tax. There are jobs here, as I already noted, so their reason for leaving had more to do with housing affordability than taxes.

### **What's causing these high housing costs?**

A major issue is housing supply. We learned from the report that California ranks 45th in the number of single-family home permits issued per capita. And it has the highest rate of rental units with more than one occupant in a bedroom.

This is a problem that's been going on for many years in the state. We're going to need to build many additional units per year over the coming decades to keep up with the population growth in the state.

**Can you talk about some of the factors restricting the supply of housing?**

One factor is [Nimbyism](#). Communities often block new housing out of a resistance to changes to their neighborhood and the potential effect on land values.

Another factor is the sales tax revenue generated from shopping centers and commercial developments, which is generally more than the revenue from residential property taxes. So there are financial incentives for municipalities to build other types of housing.

Another issue is the California Environmental Quality Act (CEQA), which requires new developments to conduct environmental reviews for environmental impacts. CEQA is very important in guiding environmentally sensitive development in California but it can slow down or eliminate new housing development.

Finally, there is a limited availability of land. Here there is somewhat of a dichotomy between coastal and inland areas, with much greater housing pressures on coastal areas.

**How do you generate attention and momentum around these issues to help low- and middle-income workers who are being priced out of the market?**

In general, there needs to be a larger focus on housing both at the state and local level. This community and regional focus is key since in California housing is a local issue.

The governor, state legislators, business leaders, and others should find ways of working with localities on potential solutions to the lack of housing.

Overall, we need to be clear about how crucial this issue is. The fabric of neighborhoods is changing. It's difficult for children growing up in California to be able to stay here.

And this issue is related to transportation as well. California has been a leader on climate change and reducing vehicle emissions. Adequate housing in urban areas and near employment hubs should be seen as a crucial part of the conversation around transportation and climate change.

Making housing affordable is a critical issue in California. And we need more out of the box thinking on how to address this challenge.

*F. Noel Perry is a businessman and founder of Next 10, a nonpartisan nonprofit organization focused on economic, environmental, and quality of life issues in California. Next 10's interactive tool [Compare50](#) allows users to analyze how states compare to one another across a wide range of economic and social indicators.*

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