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The Case for Housing

Housing is an essential component of any economy - local, national, or across countries. While elites, tucked away in their enclaves, experience housing as a luxury consumption item, most people experience housing as a necessity for family formation, work, and life. In the United States, housing has historically been much more than a necessity, it has also been integral to upward mobility, as millions of U.S. households were able to use a first home as a key step in lifting themselves up economically.

Housing is more than a vital rung on the economic-mobility ladder. New housing has a truly outsized impact on the economy, both locally and nationally. This is intuitive. A new house is a relatively large economic object, similar to a household in terms of size and economic value. Further, it generates additional economic activity in a much greater way than any other item a household might purchase. A new home, which *might* have carpet and a refrigerator, is a generally empty space. Its inhabitants are motivated to acquire new appliances, furniture, draperies, and many other items just to make the new space functional. This additional spending is substantial. It impacts many industries throughout the economy and is a huge boost to jobs and GDP. Using the Economic Policy Institute's (2019) estimated U.S. jobs multipliers, along with Ventura County job weights by sector, the real estate sector provides the second highest multiplier for business-to-business job creation and the highest within-sector induced-job creation multiplier. The real estate sector's business-to-business job impact is 3.7 times greater than that of the overall economy, while its induced-jobs impact is 2.8 times greater than that of the overall economy.

Given Ventura County's current status of economic and demographic decline, and the focus on *growth* in CERF's 2024 *Ventura County Economic Forecast Event* and publication, housing policy is a vital component of any thoughtful conversation about policies to re-ignite Ventura County's growth.

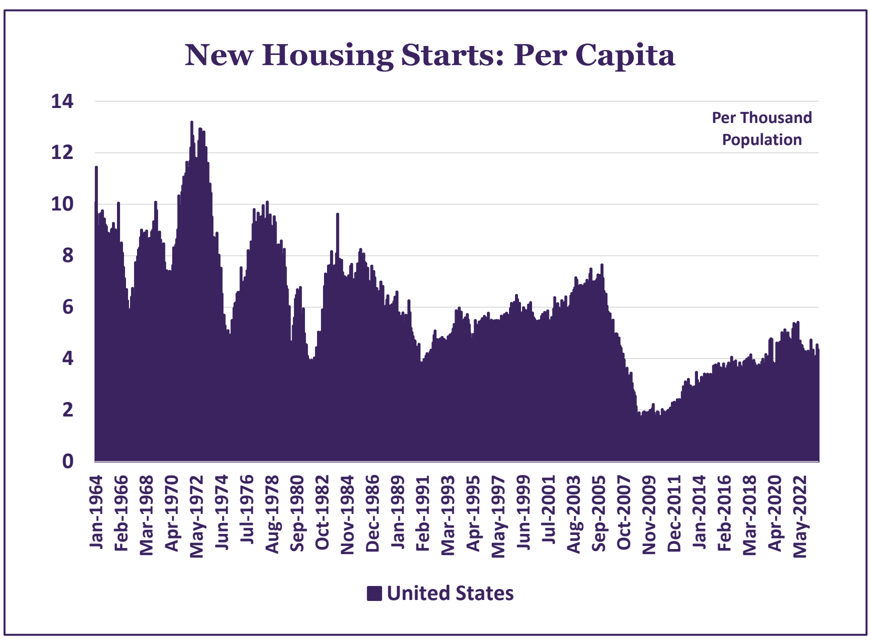
Housing policy is more important than just providing basic human needs, stimulating economic development, and reigniting Ventura County economic growth. It is also deeply interconnected with poverty and income inequality. High housing costs make it difficult for workers and their households to locate near their work. Further, high housing costs make it is difficult for young adults to remain close to their families as they seek to form their own households. When housing costs are as high as they are in Ventura County (more details and data below), they become a source of cost-of-living induced poverty for lower-income individuals who can barely afford their monthly housing payments.

Restrictive housing policies, which over time lead to a long-term undersupply of housing for workers and households, also contribute to income inequality. While wealthy households see coastal communities like Ventura County as a nice place to acquire a home, lower income individuals not only find it difficult to survive here, they are relegated to renting, with no hope of building equity and moving up to a higher socio-economic level, as long as they stay in our County. Ventura County exemplifies the fact that a lack of new home production contributes to greater income inequality.

The United States Home Production Rate

The United States provides the most logical home production benchmark, as it is the largest collection of diverse communities that have sorted themselves along the housing development continuum, from the most pro-housing development areas to the most anti-growth development areas. In Figure 1, we see that per-capita new housing starts have a long-term trend as well as short-run cyclical movements that correspond to the business cycle. As the chart shows, housing starts are sensitive to downturns in economic activity. New home construction activity plummeted in the mid-1970s recession, the early 1980s recession, the dot-com bust of the early 1990s, and the Great Recession. From the mid-1960s to now, for most of the expansions that follow a recession, housing starts never recovered to their pre-recession level. As well, the trough of housing starts in each recession has typically been deeper for each succeeding recession. This 60-year pattern has yielded an entire country for which new housing production is at a very low rate; a rate that forty years ago would have been found only in the most restrictive enclaves, ones which had decided to actively shut home-production down.

Figure 1: U.S. Per Capita Housing Starts

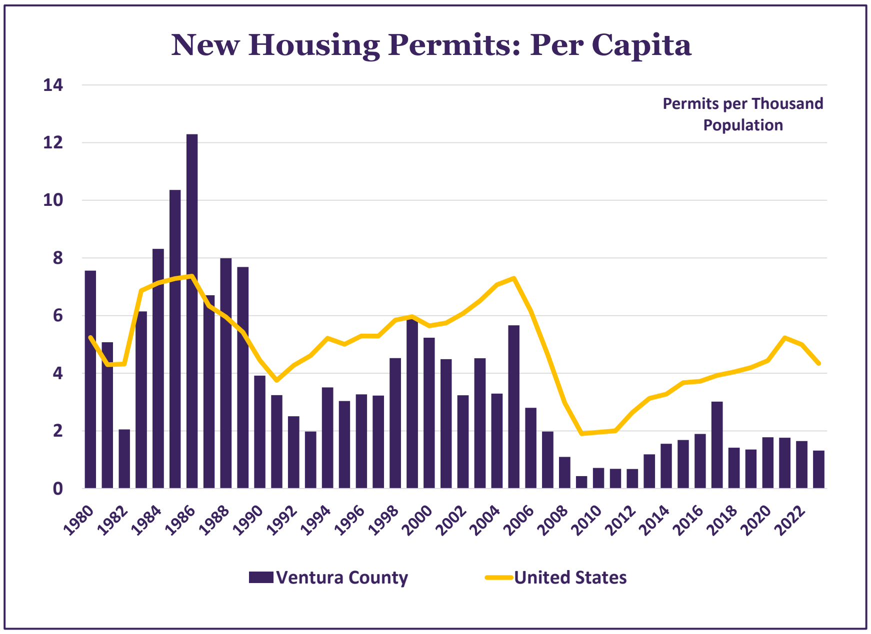


Unsurprisingly, the long-term decline in U.S. housing supply has had impacts. The 2023 full-year U.S. median home price was 15.8 percent higher than the highest price recorded during the housing mania in 2005. The 2023 median price was $393,000, which is a huge number for the entire country and creates a nationwide affordability problem. These are remarkable results and are driven in part by a very low, enclave-style new housing production rate in the U.S.

The Ventura County Home Production Rate

Ventura County's new home production used to be high, even relative to the United States. During the decade of the 1980s, Ventura County's average home production rate was 7.1 new housing permits per thousand population. The U.S. 1980s home production rate was 5.9, implying that Ventura County's rate was nearly twenty percent higher than the nation's. In more recent years, the Ventura County to U.S. comparison has flipped, dramatically (see Figure 2).

Figure 2: Ventura County & U.S. Per-capita New Home Permits



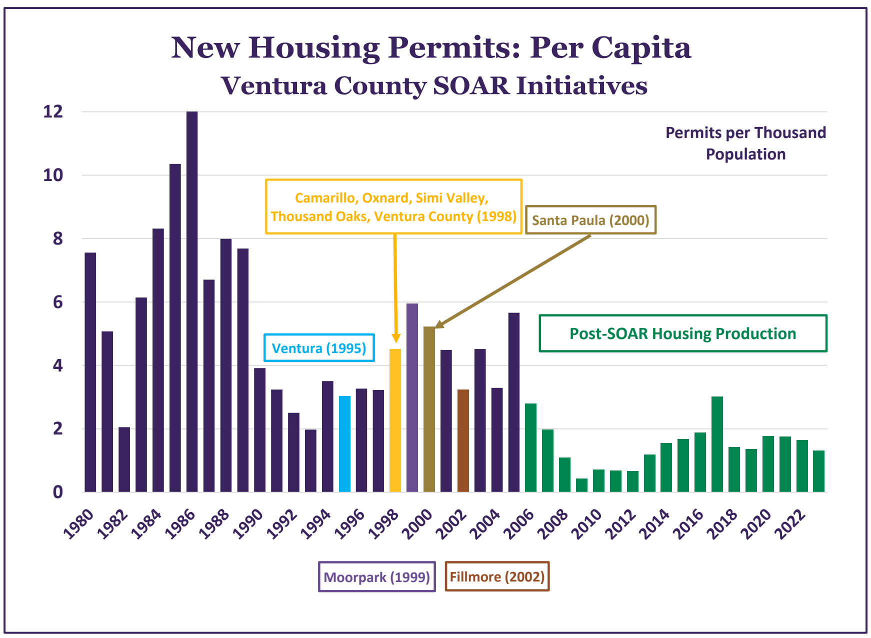
While Figure 2 provides some sense of the change in Ventura County's relative home building rate, a comparison of the 1980s and 2010s crystalizes the stark differences over time. During the 2010s, Ventura County's home production rate was 1.5 new housing permits per thousand population, which compares to the U.S. rate of 3.5. The Ventura County 2010s home production rate represents a 78.4 percent fall from its previous 1980s rate of 5.9 and was 56.5 percent lower than the U.S.'s 2010s rate. In other words, home production has experienced a dramatic reversal of fortune in Ventura County.

Ventura County Home Production and SOAR

Policies, at the broader land-use level and at the in-the-trenches planning department level, impact home production. As CERF has previously described, Ventura County has the most stringent land-use policies of any county in the United States. Save Open Space and Agricultural Resources (SOAR) land-use measures have been described by a number of land use economists as "draconian" restrictions on growth. The first SOAR measure was passed in 1995 in the City of Ventura. In 1998, Ventura County and four cities, Camarillo, Oxnard, Simi Valley, and Thousand Oaks, adopted SOAR measures. The cities of Moorpark, Santa Paula, and Fillmore followed in 1999, 2000, and 2002, respectively. SOAR, which imposes strict growth boundaries around each city, has two unique characteristics which set it apart from growth restrictions imposed elsewhere. First, it does not provide a mechanism for automatically expanding growth boundaries to accommodate future growth. Second, any conversion of undeveloped land outside of growth boundaries must be approved by a majority of the electorate. And voters have a decidedly one-sided record of rejecting urban expansion.

As mentioned earlier in this article, Ventura County's new home production rate fell, in dramatic fashion, in recent decades. To see the overlay of the various SOAR initiatives on the County's home production rate, Figure 3 documents the initiatives on the timeline of Ventura County's new home permit rate.

Figure 3: Ventura County: New Home Production & SOAR



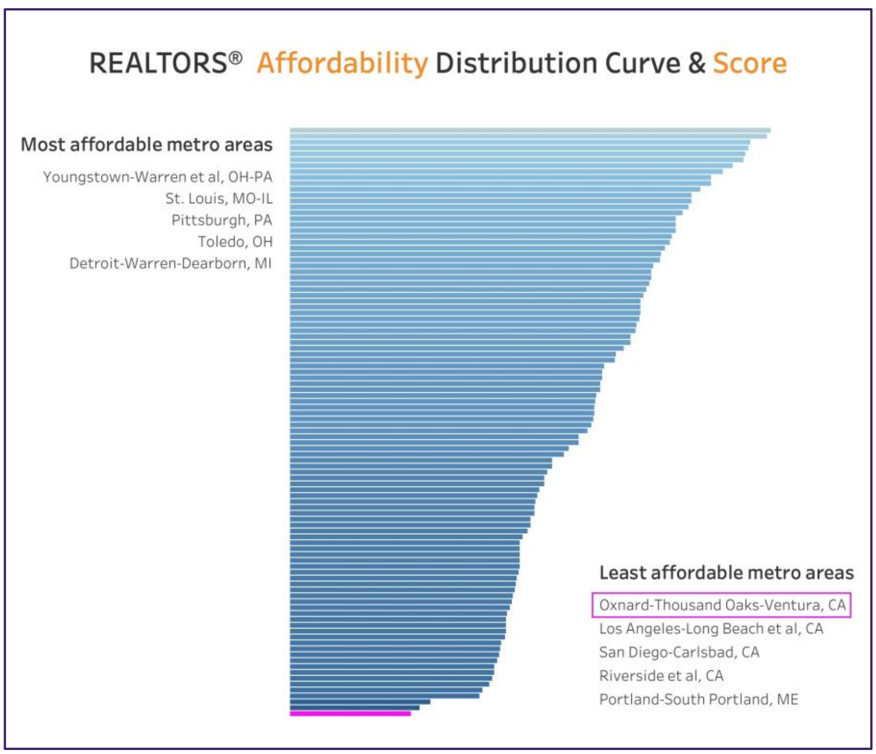
Ventura County's SOAR measures were succeeded by very low home production rates (see the green bars in Figure 3). While low rates during 2008 and 2009 were part of the Great Recession, the slowdown in production rates began before the onset of the Financial Crisis. From 2010 onward, production rates remained at historic lows, even as the state and national economies recovered from the downturn. As described above, a comparison of Ventura County's home production rate during the 1980s, clearly a pre-SOAR time-frame with the 2010s, clearly a post-SOAR era, indicates a dramatic reversal from building activity higher than the U.S. in the 1980s to one substantially lower than the U.S. in the 2010s.

Without significant expansion of existing SOAR growth boundaries across the county or replacement of SOAR with a more thoughtful and balanced set of land use restrictions, the County will be unable to make meaningful progress on housing affordability and the economic equality and upward mobility that greater affordability provides.

The Current State of Ventura County Housing

Ventura County housing availability is indeed in a historically low state. For 2023, the new residential unit building permit rate was 1.3 homes per thousand population, which compares to 4.3 homes per thousand population for the United States and is even dramatically lower than California's dismally low rate of 2.6 homes per thousand. In December of 2023, the County's median price for an existing single-family home was $882,500. I emphasize that this is the median price, thus, this is not the price for a particularly nice home, large home, or recently built home. That type of product would be substantially more expensive; in point of fact, existing housing of that type will often sell for over $1 million dollars in Ventura County. This median price compares to $387,000 for the United States, which itself is a price that is artificially inflated by two factors: a general lack of building (though not as lacking as in Ventura County) and by monetary policy. Our county's median housing cost is a dramatic 2.3 times higher than the nation's.

Figure 4: National Association of Realtors Affordability Score



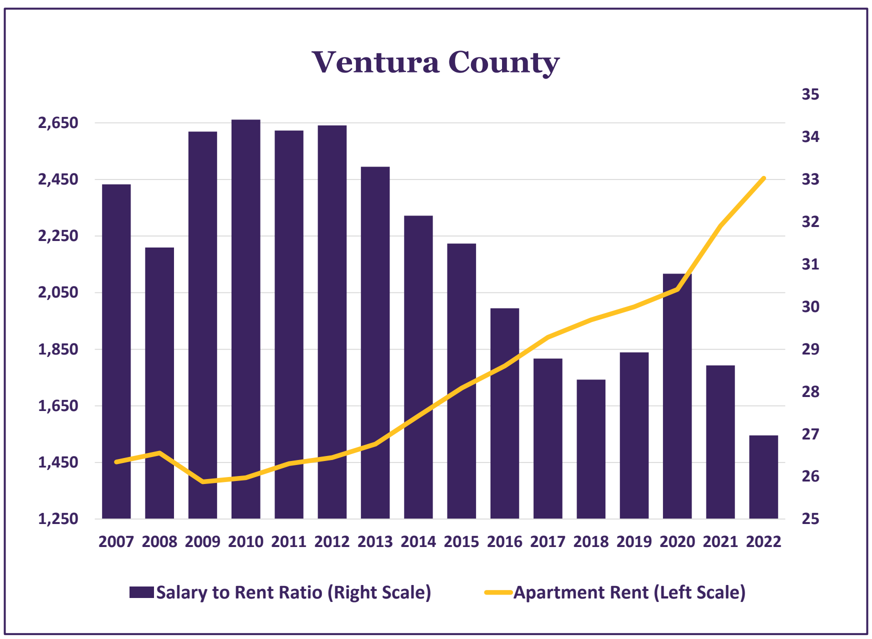
The extraordinary lack of housing affordability in Ventura County is also represented in the National Association of Realtors (NAR) housing affordability score, which provides data across the

100 largest U.S. metropolitan areas. NAR's most recent scores, released earlier this month, indicate that Ventura County (specifically, the Oxnard - Thousand Oaks - Ventura metro area) is the least affordable metro in the United States. Further, its affordability level is substantially lower than the 4th least affordable metro in the nation, as can be seen in Figure 4 above.

In Ventura County (NAR Affordability Score of 0.24 and the least affordable Metro in the country) a household with $150,000 in annual income can afford just 4.9 percent of available residential listings. In the Riverside California Metro (NAR Affordability Score of 0.38 and the fourth least affordable Metro) a household making $150,000 can afford a share that is seven times higher, that is 35 percent of all listings.

Ventura County apartment affordability is also in a relatively low state. Using the *Ventura County Apartment Market* survey database from the Dyer-Sheehan Group, the overall July 2023 average monthly rent was $2,570, a rate that is a weighted average across all apartment types, Studios, One-bedroom, Two-bedroom, and Three-bedroom apartments. The Three-bedroom apartment rate was $3,250, and the Studio rate was $1,985. The overall vacancy rate is a relatively tight rate of 2.9 percent and is down 19 percent from the July 2019 rate of 3.6 percent. For additional survey data, see the first table in this article's Appendix, below.

Figure 5: Ventura County's Rents and Salary-to-Rents Ratio



Based on the recommendation that no more than thirty percent of a person's gross wages or salary should be spent on housing, using the smartasset.com take-home pay calculator, a renter would need an annual salary of $154,450 to reasonably afford the average rental unit (at $2,570) and not over-spend on housing costs. Ventura County's 2023 quarter 1 average salary was $70,200, which is less than half of the average renter's desired pay level. Only jobs in the Utilities, Financial Services, and Management of Companies sectors, 3 out of Ventura County's 23 sectors, had salaries higher than $154,450 in the first quarter of 2023.

To assess the historical rent trend, Figure 5 (on the previous page) shows the rent trend as well as the salary-to-rent ratio since 2007. Rents, the gold line and left scale, rose sharply from 2012 to 2020, but then, remarkably, rose at an even faster rate from 2020 to now. The salary-to-rent ratio, purple bar and right scale, was 33 percent in 2007 but by 2022 had fallen to only 27 percent, a substantial decrease. For much of the past 16 years, Ventura County's apartment costs, and the salaries needed to support those costs, have been diverging.

The Case for Housing Growth

Ventura County's housing market is in a state of crisis. As described above, our County's housing production rate is 56.5 percent lower than that of the U.S., while the U.S. rate itself is dismally low relative to history. Ventura County's new home production rate is very low relative to its history and has dramatically changed since the advent of the SOAR measures.

Ventura County's housing market is an illustration of the impacts of policy. Policies clamped down on housing production during the second half of the 1990s. Ventura County's $882,500 median price for an existing single-family home is substantially more than double the U.S. median price. Ventura County ownership housing affordability is the lowest across all metros in the United States. Ventura County's apartment market suffers from a less than three percent vacancy rate and very high rental costs. The average $2,570 rental cost requires an annual salary of over $154 thousand dollars to afford that expense, yet, as described above on page 7, only 3 out of 23 sectors provide that level of pay. Note that these realities are in the face of economic and demographic decline, a puzzle of sorts given that typically, housing costs rise in expansions and retreat in declines. This is the *Ventura County Housing Puzzle*.

Ventura County's housing situation is depressing our economy. As Amgen cited in 2017, the reason that they announced plans to transfer Thousand-Oaks based workforce out of Ventura County was "affordable cost of living and the potential for growth". The low home production rate diminishes the ordinarily outsized economic multiplier impact that was described above.

I believe the time has come for a thoughtful conversation about changes to policies that pertain to housing and land use in Ventura County. Changes to housing production and the status of housing, ownership as well as rental, will not only help the overall Ventura County economy in many respects, it will also provide for the essential needs of our workers, families, and businesses. A change in the direction I am proposing will especially benefit lower-income households who hope to use housing to build wealth and lift themselves up to a higher socio-economic level.

How can we operationalize a change in direction? Provide an environment of reduced red-tape, clear and consistent guidelines for real estate development, and timely review of proposals and applications. Adopt an aggressive policy of green-lighting in-fill development, especially multi-family housing along transportation corridors. Provide a reasonable expansion of SOAR growth boundaries to accommodate expansions of developable land, especially for new single-family homes. Fill the past decade's accumulated shortage of approximately 30,000 new housing units and then add an additional 4 to 5 thousand units per year for the foreseeable future. These would create the opportunity for broader economic growth

We believe that we owe every worker, especially those among the tens of thousands taking new jobs in lower paying sectors such as Leisure & Hospitality and Education & Healthcare, the opportunity to live in the same County where they work. This is not just an economic imperative but a moral one.

See the Appendix that starts on the next page. Part One contains The Dyer Sheehan Group *Ventura County Apartment Market Survey,* and Part Two contains charts of Housing Market data.

Appendix

Part One: The Dyer Sheehan Group *Ventura County Apartment Market Survey*

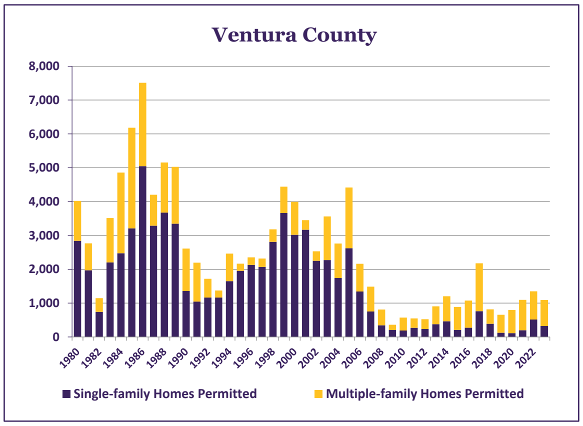
Ventura County

Apartment Market: July 2019, July 2023, and Comparison

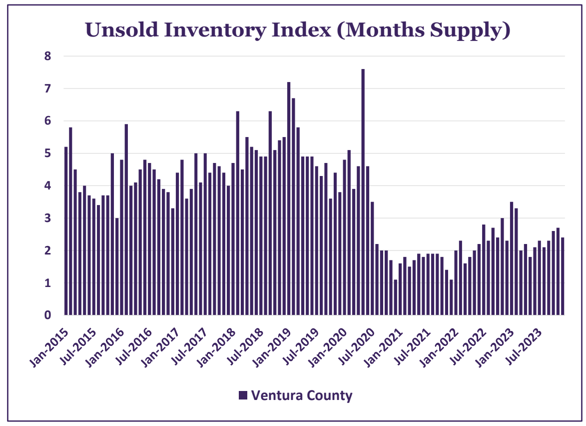
	Vacancy	Average Monthly Rent	Rent per Square Foot
As of July 2023			
	(Percent of Total Units)	*Dollars*	*Dollars per Square Foot*
Studio Apartments		1,985	4.09
One Bedroom Apartments		2,293	3.24
Two Bedroom Apartments		2,738	2.81
Three Bedroom Apartments		3,247	2.68
Overall: All Units	2.9	2,573	3.01
As of July 2019			
	(Percent of Total Units)	*Dollars*	*Dollars per Square Foot*
Studio Apartments		1,500	3.08
One Bedroom Apartments		1,782	2.54
Two Bedroom Apartments		2,131	2.19
Three Bedroom Apartments		2,559	2.10
Overall: All Units	3.6	2,000	2.35
Change: 2019 to 2023			
	(Percentage points)	*(Percent change)*	*(Percent change)*
Studio Apartments		32.3	33.0
One Bedroom Apartments		28.7	27.9
Two Bedroom Apartments		28.5	28.2
Three Bedroom Apartments		26.9	27.6
Overall: All Units	0.7	28.6	28.2

Sources: Dyer Sheehan Group

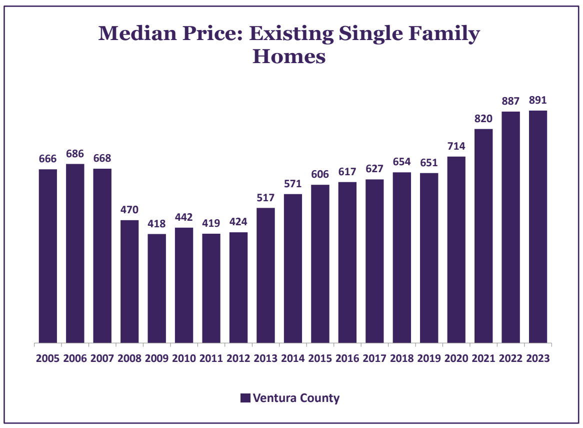
Part Two: Charts



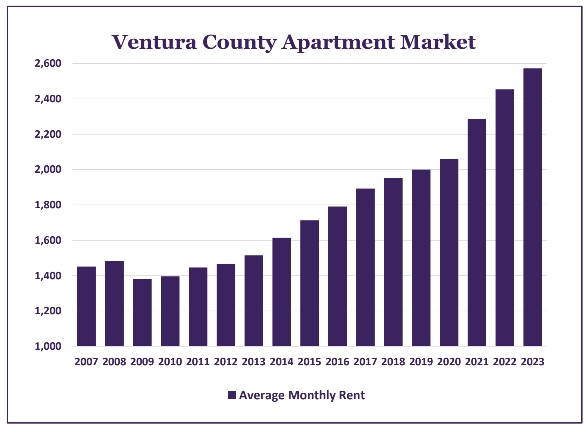
Source: U.S. Census Bureau



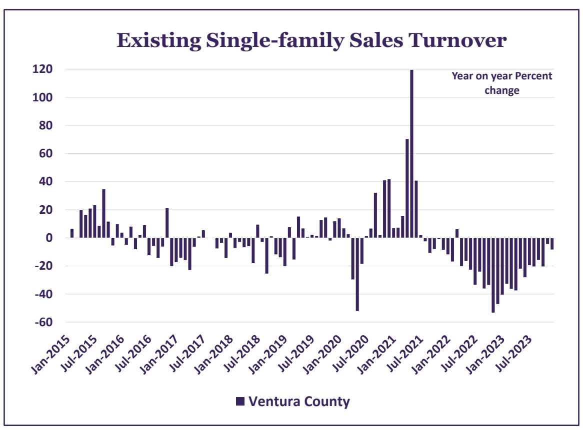
Source: California Association of Realtors



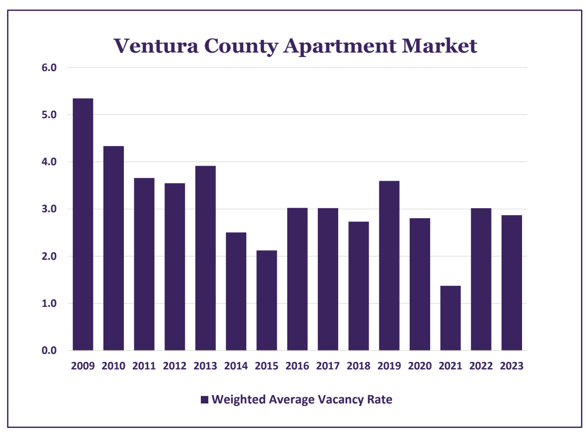
Source: California Association of Realtors



Source: Dyer Sheehan Group



Source: California Association of Realtors



Source: Dyer Sheehan Group