



SOUTH COAST HOUSING & IMPACTS

The Coastal Housing Coalition (Coalition) is a non-profit organization dedicated to educating the public and policymakers about the lack of available housing within financial reach of our local workforce and the impact this has on the South Coast community. The Coalition also advocates for policies and projects that result in the production of more affordable housing for local workers and their families. To fulfill its mission, the Coalition periodically conducts primary and secondary research on the state of housing along the South Coast, affordability and inventory trends, demographics, public opinion, as well as patterns in employment, commuting, and other topics.

RESEARCH OVERVIEW The purpose of the research summarized in this memo (and detailed in a separate full report) was to gather statistically reliable information on the state of the jobs/housing imbalance in the South Coast region, profile its impacts on various aspects of our job market, community and quality of life, as well as identify marketable housing solutions.

The study was conducted in two phases. In Phase 1, 126 South Coast employers were recruited to participate in a secure, password-protected online survey that profiled the extent to which local housing issues have affected their business operations—including their ability to hire and retain talented workers, wage escalation, and their competitiveness within their respective industries. Phase 2 involved surveying 2,912 employees from these same South Coast companies regarding their current housing situation, commute patterns, the types of trade-offs they perceive they are currently making with respect to their job/housing situation, and their interest in several affordable housing solutions that are feasible on the South Coast. All survey data for the study was collected between May 2014 and November 2014.

KEY FINDINGS The jobs/housing imbalance in the South Coast and the associated lack of affordable housing is more than an economic issue. On a regional level it contributes to traffic congestion, wear-and-tear on infrastructure, and environmental impacts. It also negatively affects employees' productivity, lifestyles, community engagement, and overall quality of life. Below are some of the key findings from the study:

Most local employees are priced-out of the South Coast housing market Based on personal interviews with over 2,900 South Coast employees, 70% of South Coast employees can't afford to purchase a suitable home that is less than a 25-minute commute (one-way) to their place of employment. One-third of South Coast employees also indicated that they were effectively priced-out of the South Coast rental market being unable to afford a suitable rental property within a 25-minute commute of their current employer.

The perception of many South Coast employees' that they can't afford suitable housing within a 25-minute commute of their employer is one grounded in first-hand experiences. More than half (56%) of South Coast employees who currently commute at least 25 minutes to work indicated that they had searched for housing closer to their work location. Just 2% indicated that their search was a success.

The South Coast economy will become increasingly dependent on the talents and skills of employees who entered the job market post 2000, yet just 1 in 5 of them can afford to own a home on the South Coast. At the risk of oversimplifying, the South Coast housing narrative is a tale of two workforces: those that entered the South Coast job market *prior* to the housing boom 15 years ago, and those that entered after.

Older employees who were fortunate to enter the South Coast job market at least 15 years ago were able to become established in the South Coast prior to the housing boom. As a result, they are far more likely to own their home (60%), live in the most desirable single-family type of housing (65%), and report that their current housing meets their needs in a variety of aspects including being located in a good school district (63%) and being sufficiently sized (75%).

The tale of employees who began working in the South Coast *after* the start of the housing boom is a much different story. Not only is their rate of home ownership substantially lower (30%) and their tendency to live in multi-family housing higher (54%), they also express less positive views of their current housing situation in terms of location, size and overall satisfaction. Combining home ownership and location, just 20% of employees who began working in the South Coast since the year 2000 own a home within a 25-minute of their place of employment or can afford to do so.

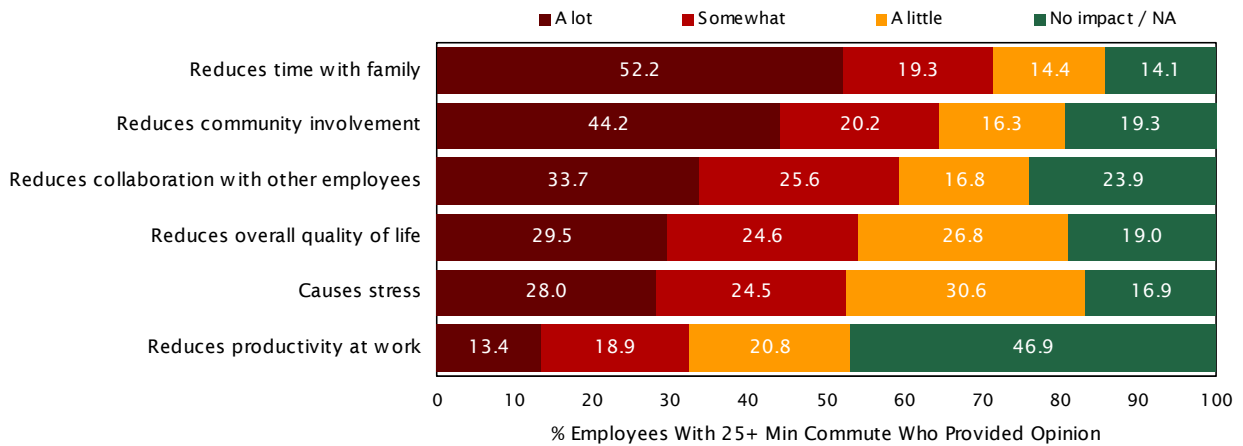
From a demographic perspective, employees who entered the South Coast job market less than 15 years ago and who have been most negatively impacted by the escalation of housing prices during this time are better educated (94% are college graduates) and much younger (70% under 45 years of age) than their counterparts. They make up just over half (58%) of the South Coast's current workforce, although this percentage is steadily increasing as older employees who arrived prior to the housing boom retire.

The lack of affordable housing in the South Coast negatively impacts employees' financial positions, quality of life, and productivity in the work place. Employees who choose to live in the South Coast are forced to pay housing costs they perceive to be unreasonable, few can afford to purchase and thus rates of home ownership are much lower (see above), and they are generally less satisfied with the condition and quality of housing in which they reside.

One the other hand, those who respond to the high cost of housing by moving to outlying areas and commuting to their South Coast place of employment face a different set of challenges. Although they are generally much more positive about their *housing* situation, most confess that their commute significantly reduces the time they would otherwise spend with family (72%), reduces their involvement with their local community (64%), causes them stress (53%), and reduces their overall quality of life (54%). Employees who commute at least 25 minutes one-way to work also reported negative impacts of the commute on their job performance, including reduced productivity and a substantial reduction in the time they have to collaborate and network with other employees (see Figure 1 on the next page).

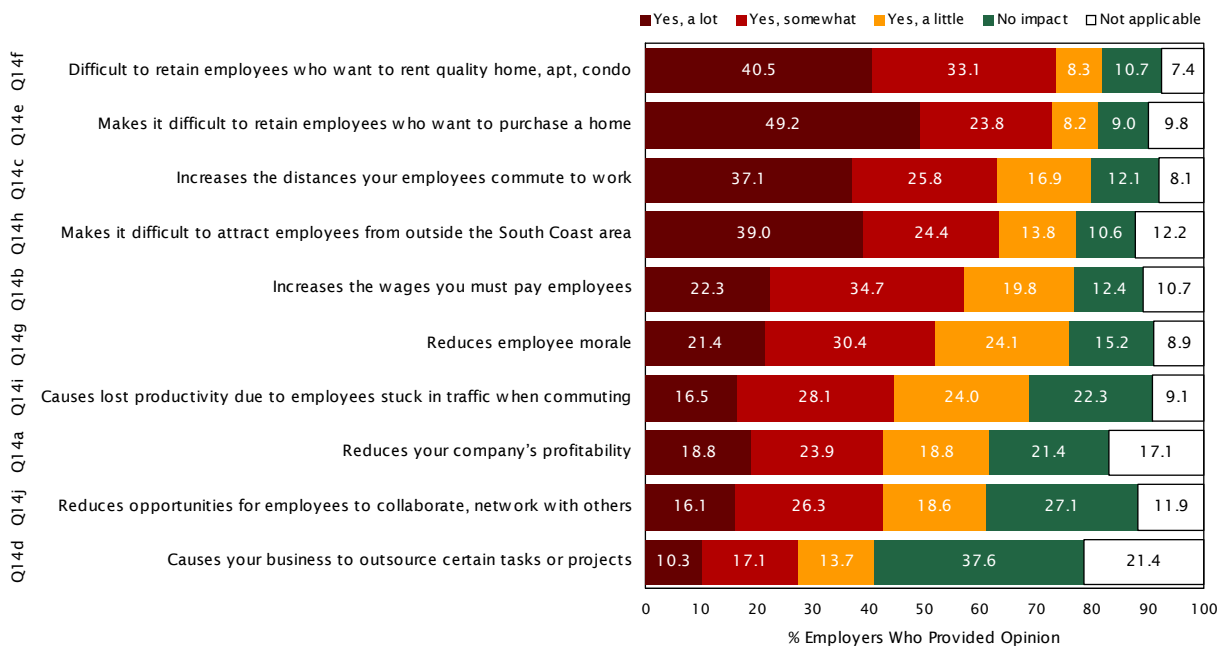
For many employees, the pressures created by the South Coast housing market are unsustainable. Approximately 44% of *all* South Coast employees indicated that they've considered leaving the South Coast entirely to live and work in a region where housing is more affordable.

FIGURE 1 IMPACTS OF THEIR COMMUTE



The South Coast housing market makes it hard for local employers to compete More than three-in-four South Coast businesses (82%) indicated that the local housing market negatively impacts their business. From the employer’s perspective, the most obvious impact of the South Coast housing market is its negative influence on their ability to hire and retain quality employees. More than two-thirds of South Coast employers indicated they have substantial difficulty retaining employees who want to rent or purchase a quality home, and more than half find it difficult to attract employees from outside the South Coast area to work for their organization due to the high cost of housing.

FIGURE 2 IMPACTS OF HOUSING COST AND AVAILABILITY ON THEIR SOUTH COAST BUSINESS



South Coast employers also frequently cited other negative impacts of the housing market on their businesses, including wage escalation (57%), reduced profitability (42%), reduced employee morale (52%), and negative impacts on productivity (45%) and employee collaboration/networking opportunities (42%) caused by employees needing to commute and being stuck in traffic (see Figure 2).

There is ample demand for workforce housing solutions In addition to profiling the housing *problem* in the South Coast and the extent that its impacts are felt by South Coast businesses and employees alike, the study also explored potential *solutions* that would help mitigate the jobs/housing imbalance in the region. This took the form of presenting employees with several workforce housing options that could be built in the South Coast, gauging their interest in renting and/or purchasing each option, as well as determining their ability to afford the solutions.

It is important to emphasize that these were workforce housing solutions (not low-income housing), designed to be affordable to those who make above-average incomes yet are nevertheless priced-out of the existing South Coast housing market. Indeed, the financial bar was set quite high for most of the options tested, requiring up to a \$60,000 down payment and a combined mortgage/property tax payment of \$3,900 monthly.

This study reveals that there is a significant and sizeable market among current South Coast employees for affordable, workforce housing solutions. More than half (52%) of South Coast employees expressed interest in living in at least one of the affordable townhome or condominium housing solutions tested, with 11% being *very* interested in one or more of the housing options. Moreover, 5% were both interested *and* could afford a high \$60,000 down payment and a combined mortgage/property tax payment of \$3,900 monthly.