

V. Housing Market Analysis

A. Housing Supply, Demand and Conditions.

Definition of Affordable Housing

For the purposes of the Consolidated Plan, "affordable housing" refers to housing that costs no more than 30% of a household's yearly gross income. For example, a family of four earning \$44,100 per year might find HUD's 2002 rent payment standard for a two-bedroom unit in Los Angeles of \$1,140 a month relatively affordable because it would only require 31% of household income. However, a minimum wage worker earning \$800 per month would not be able to afford that rent at all.

Although the median income for all households in 1999 was \$36,687, HUD considers a four-person household earning up to \$44,100 per year to be low-income, and sets \$1,103 per month rent as the upper limit of affordable rent for that family.

Between 1990 and 1999, the City's population increased from 3,485,398 to 3,694,820, an increase of 209,422 people. This increase was the equivalent of 74,001 households of 2.83 persons each. Yet the number of housing units only increased by 37,705, compared to 111,012 net units built in the preceding ten-year period.

The slowing of housing construction was due to an interaction of factors that included:

- an economic slowdown in the early years of the decade that dampened housing demand
- a shortage of vacant land suitable for construction
- rising construction costs
- a lengthy and expensive permitting process
- resistance to development from existing residents.

With a population growth of 6% and housing growth of only 2.9% there is a squeeze in the housing market. This is shown in the increase in persons per unit from 2.8 to 2.83, the decrease in vacancy rates from 6.3% to 4.6% and substantial increases in overcrowding and severe overcrowding with 15.9% more households overcrowded than in 1990 and 28.8% more households severely overcrowded than in 1990.

The reasons for this overcrowding are discussed in the Housing Assistance Needs Section.

Table 12 - Population, Housing Units, Vacancy Rate, Occupancy, 1990-2000

POPULATION AND HOUSING UNITS	1990	2000	INCREASE	% CHANGE
Population	3,485,398	3,584,620	199,220	6%
Housing Units	1,299,963	1,337,668	37,705	2.9%
Vacancy	82,558	62,256	(20,302)	-24.5%
Vacancy Rate	6.3%	4.6%		-1.7%
Occupied Units	1,217,405	1,275,412	58,007	4.7%
Household Size	2.8	2.83	.03	1%
Overcrowding	81,765	95,602	13,837	16.9%
Severe Overcrowding	178,757	230,356	51,599	28.8%

Source: 2000 Census

HOUSING PRICES

Purchase prices of homes fell in the early 1990s, and then rose steadily as the decade progressed. Rents, on the other hand, rose steadily through the entire decade.

A good way to assess the affordability of a community's housing is to compare the incomes of working families to average or median prices for purchase or rental of a housing unit. There are several sources of data for current rental costs in the City. Each year the Housing Authority of the City of Los Angeles, HACLA, publishes the "fair market rents" calculated by HUD for each jurisdiction or housing market region.

These rents are usually set at the 40th percentile of the rental market, but market rents are so high in Los Angeles that HACLA has successfully petitioned HUD to set the "payment standard" in Los Angeles at 110% of the 50th percentile. These are the rents that HUD will pay to property owners of units rented by households with Section 8 housing assistance vouchers. Table 13 shows the fair market rents and how much income a non-assisted household would need to pay only 30% of its income for the specified rent. (Section 8 voucher holders pay 30% of their incomes for rent, and HACLA pays the difference between 30% of the tenant's income and the fair market rent.)

In 1999, the median household income in the city was \$36,687. In that year, nearly 442,000 households, 35.1% of all households, earned less than \$25,000. These families could only rent a unit if they paid more than 30%. For example, a four-person household with an income of \$24,999 would have to pay more than half (54%) of its income in rent to obtain a two-bedroom unit priced at HACLA's payment standard of \$1,140 per month.

In November 2002, average asked-for rents in Los Angeles County exceeded \$1,300 monthly, making it the most expensive rental housing market outside of the San Francisco Bay Area.

HUD agreed to raise the payment standard in Los Angeles in order to ensure compliance with its policy of de-concentration; that is, housing low-income families in areas with lower poverty rates rather than concentrating them in areas with higher rates of poverty.

Clearly, public housing clients cannot even begin to pay the rents shown in the table above. Instead, a Section 8 voucher holder pays 30% of his or her adjusted income for rent and HACLA pays the property owner the difference between the agreed upon rent and what the voucher holder pays.

According to HACLA, 95% of their rental vouchers are in use at any one time. However, when a new voucher is issued or a returned voucher is reissued, only 49% of the families who receive these vouchers are successful in renting an apartment. So twice as many vouchers have to be issued in order to maintain full utilization. Property owners are able to reject voucher holders with poor credit histories, because vacancy rates are so low.

The problem becomes critical for Section 8 tenants in properties whose owners have opted out of the Section 8 program. Many of these tenants are unable to find comparable housing in their own neighborhoods and must move far away from their children's schools and friends and from the family's network of community support. Often, the only housing available is in lower income, minority neighborhoods, reversing HUD's policy of de-concentration of minority and low-income households. Furthermore, it is important to remember that there is a severe shortage of rental housing units suitable for large families.

Table 13 shows the result of a study conducted by the Southern California Association of Non Profit Housing (SCANPH) in 2001-2002 of average rents in 10 market areas of the City. The rental properties surveyed included apartments, condominiums, and single-family homes with fewer than 100 units.

Table 13 - Los Angeles Rental Housing Survey in 10 Market Areas

UNIT SIZE	AREA	RENT	MONTHLY INCOME TO AFFORD AT 30%
1 Bedroom	Citywide Average	\$899	\$2,996
1 Bedroom	South LA	\$745	\$2,483
1 Bedroom	Central LA	\$1,206	\$4,019
1 Bedroom	West SFV	\$850	\$2,833
1 Bedroom	East SFV	\$828	\$2,758
1 Bedroom	Downtown LA	\$906	\$3,019
1 Bedroom	Beach	\$1,043	\$3,476
1 Bedroom	Northeast LA	\$1,087	\$3,622
1 Bedroom	West LA	\$1,064	\$3,547
1 Bedroom	Central LA West	\$1,206	\$4,019
1 Bedroom	Harbor/San Pedro	\$766	\$2,553

Source: SCANPH 2001-2002

This data shows that in many areas, families earning less than \$25,000 a year can't afford a one-bedroom apartment without exceeding 30% of their income. For example, in West Los Angeles, the average rent for a one-bedroom apartment would cost a family earning \$25,000 year 51% of their income. The citywide average of \$848.91 would cost that same family 40% of their income. In early 2003, average rent for an apartment in Los Angeles County was over \$1,300 monthly.

According to the Census, in 1999 the median value of a home in the City of Los Angeles was \$221,600. As 2002 ends, the median home price in Los Angeles has reached an estimated \$280,000 against an even higher statewide average of over \$320,000. Even at present low interest rates, after the cost of insurance and property taxes is included, only about 30% of the City's households could afford to buy this home. Since 1999, housing prices have risen steadily, making homeownership even less affordable.

Table 14 - Gross Rent as a Percentage of Household Income - Past 12 Months

Census 2000 Supplementary Survey Summary Data (Estimates)/Specified Renter-Occupied Housing Units

Gross Rent as Percentage of Household Income	Estimate	Percent
Total	768,033	100.00%
Less than 10.0 percent	27,323	3.56%
10.0 to 14.9 percent	62,541	8.14%
15.0 to 19.9 percent	82,628	10.76%
20.0 to 24.9 percent	92,288	12.02%
25.0 to 29.9 percent	86,630	11.28%
30.0 to 34.9 percent	69,559	9.06%
35.0 to 39.9 percent	53,096	6.91%
40.0 to 49.9 percent	70,917	9.23%
50.0 percent or more	194,761	25.36%
Not computed	28,290	3.68%

Note: Data based on twelve monthly samples during 2000. The Census 2000 Supplementary Survey universe is limited to the household population and excludes the population living in institutions, college dormitories, and other group quarters. Data are based on a sample and are subject to sampling variability.

Source: [U.S. Census Bureau](http://www.census.gov)

Table 15 on homeownership costs assumes an interest rate of 6%. The monthly cost includes the mortgage payment, property taxes of 1.25% of the sale price, and insurance. A down payment of 5% of the purchase price is assumed. Monthly payments are 33% of income. The Los Angeles Housing Department Homeownership Programs works with selected banks to offers a "silent second" mortgage in conjunction with a first mortgage that requires only a 1% down payment.

Table 15 - Homeownership Costs, City of Los Angeles

PRICE	DOWN PAYMENT	LOAN AMOUNT	MONTHLY COST	INCOME TO AFFORD
\$140,000	\$7,000	\$133,000	\$ 984	\$35,784
160,000	8,000	152,000	1,125	40,896
180,000	9,000	171,000	1,265	46,008
200,000	10,000	190,000	1,406	51,120
220,000	11,000	209,000	1,546	56,233
240,000	12,000	228,000	1,687	61,345
260,000	13,000	247,000	1,828	66,457
280,000	14,000	266,000	1,968	71,569
300,000	15,000	285,000	2,109	76,681
320,000	\$17,000	\$304,000	\$2,249	\$81,793

Source: LAHD, Home Ownership Program

Discussion of Homeownership Costs

The table above demonstrates why the rate of homeownership in Los Angeles is so low. The median income in 1999 was \$36,687, yet even at historically low mortgage interest rates, a family income of \$56,233 was needed to afford the median priced home of about \$220,000 (\$221,600 in 1999). Approximately \$72,000 is needed to afford the average sales price of a home in the city in 2003 based upon a median sales price of approximately \$280,000. Sales prices vary considerably by area in Los Angeles but with only a few exceptions, newer units are available mainly in higher priced neighborhoods. Nevertheless, there are always resale homes available at lower prices in the City's moderately priced neighborhoods. Land scarcity means that in many areas many of the new units being constructed for sale are condominiums.

The 2000 Census includes a table (H87) with records of the asked-for price of 7,639 vacant units for sale. Prices range from \$10,000 to more than \$1 million, but the median asked-for price in 1999 was \$173,000. The largest number of available units was priced between \$125,000 and \$174,999. There were 2,151 units in that price range.

Substandard Conditions

In 1999, the American Housing Survey found 48,400 rental units in the City that had severe physical problems. Data from the survey in the table below show that large numbers of units had severe health code violations within three months of the survey date. These problems included signs of rats, no working toilet, extended periods without heat during the winter, and major trash accumulations. The table, which compares data from the 1995 survey, shows large increases in the number of units in each category except that of open cracks and holes in interior. This last category, which in 1995 probably reflected the 20,000 units that suffered severe damage in the 1994 Northridge, decreased by 19,000 units.

Table 16 shows that in 1999, 48,400 or 7.1% of the City’s housing stock had severe physical problems, an increase of 120% between 1995 and 1999.

Table 16 - Data on Housing Condition, 1995 and 1999 American Housing Survey

Condition	1995	1999	Change	% Change
Total Renter Occupied Units	697,000	680,300	(16,700)	(2%)
Rental units with severe physical problems	21,900	48,400	+ 26,500	120%
Signs of rats within last 3 months	51,600	75,000	+ 23,400	45%
No working toilet at some time w/in last 3 months	60,000	66,700	+ 6,700	11%
Extended periods w/o heat during winter	38,900	67,300	+ 28,400	73%
Major trash accumulations	45,000	57,800	+ 12,800	28%
Open cracks and holes in interior	68,800	41,800	(27,000)	(60%)

Source: LAHD, 2002

Racial and Ethnic Group Analysis

Racial and ethnic group identification plays an important role in the lives of families and individuals, and is used as a criterion for the distribution of certain types of public funding. This year, for the first time, the U.S. Bureau of the Census introduced the category of Two or More.

Table 17 summarizes the racial makeup of the city of Los Angeles:

Table 17 - City of Los Angeles Population by Race

RACIAL CATEGORY	NUMBER	PERCENT
White	1,728,232	46.8%
African American	411,089	11.1
American Indian and Native Alaskan	26,696	0.7
Asian	366,644	9.9
Native Hawaiian and Pacific Islander	6,445	0.2
Some Other Race	962,429	26.0
2 or More Races	191,299	5.2
Total Population	3,694,834	100%

Source: 2000 Census

The official recorded count of population for the city is 3,694,820; the difference of 14 persons is within statistical acceptability and may be accounted for by racial/ethnic misclassification or duplication of count.

Table 18 provides a further breakdown by race and including ethnicity:

Table 18 - City of Los Angeles Population by Race and Ethnicity

RACIAL OR ETHNIC CATEGORY	NUMBER	PERCENT
White Not Hispanic	1,093,447	26.6%
African American	399,057	10.8
American Indian and Native Alaskan	9,613	0.3
Asian	365,077	9.9
Native Hawaiian and Pacific Islander	5,212	0.1
Some Other Race	8,158	0.2
2 or More Races	94,354	2.6
Hispanic	1,719,916	46.5
Total Population	3,694,834	100%

Source: 2000 Census

Table 19 on median income by race or ethnicity of the householder shows that there are substantial differences in median incomes. These differences affect the ability of households to find and pay for adequate housing. Since their median incomes are substantially lower than the citywide median income, African American and Latino households are likely to be even more cost burdened and overcrowded than the population as a whole.

Data from HUD's latest housing discrimination study (Discrimination in Metropolitan Housing Markets, Phase 1, 89-00 Report, HUD) show that compared to the experience of White home seekers, 21.7% of African Americans renters and 14.7% of African American homebuyers in the Los Angeles area received consistently adverse treatment. Treatment of Hispanics was even worse. Twenty-four percent (24%) of Hispanic renters and 17.4% of Hispanic homebuyers received adverse treatment.

Table 19 - Median Income by Race/ Ethnicity in Los Angeles

RACE/ ETHNICITY	MEDIAN INCOME 2000 CENSUS
Citywide	\$36,687
White	44,841
White, Not Hispanic	51,516
African-American	27,310
American Indian and Alaska Native	32,179
Asian	37,186
Native Hawaiian and Other Pacific Islander	40,150
Some Other Race	27,283
Two or More Races	31,622
Hispanic (Latino)	\$28,759

Source: 2000 Census

To combat housing discrimination, the city Housing Department contracts with providers of fair housing services. These agencies educate property owners and home seekers about the provisions of fair housing and fair lending laws and investigate and refer or resolve complaints of discrimination in rental property or home purchases.

GEOGRAPHIC CONCENTRATIONS OF RACIAL/ ETHNIC MINORITIES

Los Angeles is a large, complex city, in which most inhabitants belong to ethnic minority groups. Latinos are the largest single group, with more than 40% of the population. Caucasians are next with 37%. African-Americans comprise 13% and Asians 9%, while Native Americans and persons in the Other category make up 1%.

According to the 1990 census, Whites are 52.9 percent of the population, African Americans 13.9 percent, Asians and Pacific Islanders, 9.8 percent, and Native Americans, 0.5 percent. The remainder is of mixed heritage or did not report ethnicity.

Latinos, who may be of any race, were, according to the 1990 Census, 39.3 percent of the population and were determined to be the ethnic majority in Los Angeles. Hispanics of Mexican heritage form the largest ethnic group in Los Angeles, numbering more than 925,000. Blacks, at 488,000 were, according to the 1990 Census, the second largest minority in Los Angeles.

The largest groups among those of Asian heritage, according to the 1990 census, are Filipino (88,000), Korean (73,000), Chinese (67,000), and Japanese (45,000). According to the United Way of Greater Los Angeles County, racial and ethnic groups may tend to cluster geographically; however, large areas of Los Angeles County currently have multi-racial populations. About one in four of the county's zip codes have no group that is more than 50%. These areas may be in transition from dominance of one group to dominance of another, or may signal a larger trend toward true multi-ethnic communities.

According to a study by University of Michigan researchers Reynolds Farley and William Frey, the Los Angeles-Long Beach Metropolitan Area has a high level of residential segregation as measured by the area's index of dissimilarity. The index, which ranges from zero for no segregation to 100 for complete segregation, is 73 for African-Americans and 61 for Latinos. That the index of dissimilarity is higher for African-Americans than for Latinos suggests that the African-American population in Los Angeles experiences even more residential segregation than the Latino population.

To examine the degree, to which members of the City's diverse ethnic groups are concentrated in certain geographical areas, ethnic distributions within the City's 35 community plan areas were examined. The following tables show the population of community plan areas where the concentration of each ethnic group is at least 10% higher than the citywide average for that group. The tables also show the geographical location of areas mentioned in these tables.

African-American

The City's African-American population is very highly concentrated into only five community plan areas: Southeast, West Adams, South Central City, Central City North and Central City. In fact 72% of the City's entire African- American population lives in these five areas, in and south of the City's central core.

While African-Americans comprised 13% of the entire City population in 1990, African-Americans made up 20% or more of the population in each of these five community plan areas:

Table 20 - African-American Population Higher than 10% of Citywide Average	
Community Plan Area	% African-American
West Adams	62%
South Central	48%
Southeast	40%
Central City North	23%
Central City	21%

Both the number and proportion of the City's African-American population have declined over the last decade. In 1980, the City had 504,674 African-American residents who made up 17% of the population. By 1990, there were only 454,289 African-American residents, forming 13% of the population.

The concentration of the African- American population also changed over the decade. In 1980, 78% of the African-American population lived in just three community plan areas, Southeast Los Angeles, West Adams and South Central.

Latinos

The composition of California’s Latino population differs from that of the rest of the United States, weighted more heavily by people of Mexican and Central American origin, and with larger fractions of non-citizens and recent entrants. The Latino population is substantially younger than the non-Latino population, with over a third of Latinos under the age of 18, and fewer than 1 in 25 over the age of 65. The households of Latinos are larger than those of non-Latinos, due both to larger nuclear families and the inclusion of extended families and other relatives in the household.

In 1990, the City's Latino population, 40% of all residents, was larger than any other group including Caucasians, who comprised 37% of residents. Latinos in 1990 constituted more than one in four (25.4%) middle-class persons in the Los Angeles region. This is considerably larger than the combined African-American and Asian middle classes in the region.

Latinos, more dispersed, comprise 60% or more of the population in five of the City of Los Angeles community planning areas, and between 50% and 60% of the population in another four community planning areas. Fifty percent of all Latinos live in nine community planning areas. Many areas that were once considered African-American communities now have substantial Latino populations. For example, 58.6% of the population of Southeast Los Angeles and 44.7% of the population of South Central Los Angeles is Latino.

Table 21 - Latino Population Higher than 10% of Citywide Average	
Community Plan Area	% Latino
Boyle Heights	94%
Westlake	79%
Arleta-Pacoima	75%
Northeast	64%
Wilmington	62%
Southeast	59%
Sun Valley	55%
Sylmar	52%
Silverlake	51%

Native Americans

Los Angeles is by far the largest urban Native American community in the nation, represented by over 200 different tribes and Alaskan native groups. However, the 2000 Census counted only 29,412 Native Americans, or 0.79% of the City’s population as Native American. The Native American population in Los Angeles County was estimated at 30,000 in 1998, representing far less than 1% of the total population; it is expected to remain at about the same level. If Native Americans of Latino origin were included, the total would be about 43% higher, based on proportions reported in the 1990 Census.

The American Indian Studies Center at UCLA found that three-fifths of urban American Indians live below the poverty level. In metropolitan Los Angeles alone, 45% of Native Americans are unemployed. Almost 6% of homeless persons on Skid Row are Native American, which, according to the study, is a 936% over-representation of that population. Despite these figures, less than 1% of the people in Section 8 housing is American Indian.

The Los Angeles City/County American Indian Commission has provided approximately 24,454 congregate meals, 4,266 bags of food, and 5,214 shelter days to homeless Native American families and children in the Los Angeles area.

Asians and Pacific Islanders

Between 1980 and 1990, the City's Asian and Pacific Islanders' population increased from 7% to 9% of the total population, an increase of 64%. Five community planning areas have concentrations of the Asian population that exceed 150% of their representation citywide. A total of 40.3% of the City's Asian population is found in these five areas. The Asian/Pacific Islander population of 1,099,000 in 1998 is 12% of the Los Angeles County total, and its fastest growing segment. Asian/Pacific population is projected as 13% of the county total by 2003.

Chinese is the largest Asian group at 248,000, followed by Filipinos at 223,000, Koreans at 143,000, and Japanese at 132,000, according to the 1990 Census.

A total of 40.3% of the City's Asian population is found in those five areas. The Central City North area is the site of old Chinatown. The residential population of this community planning area is now very small, as only 2% of all Asians live in this area.

The census tract within which Chinatown is located is 72 % Chinese - the greatest concentration of Chinese in any census tract in Southern California. By contrast, the Wilshire area, which is the site of Koreatown, represents 18% of the City's Asian population.

Table 22 - Asian/ Pacific Islander Population Higher than 10% of Citywide Average	
Community Plan Area	% Asian/ Pacific Islander
Central City North	33%
Silverlake	27%
Wilshire	21%
Harbor Gateway	19%
Northeast	16%

Whites

The number and proportion of Whites in the City of Los Angeles has declined over the past decade but are still the second largest group in the greater region of Los Angeles County, at 3,174,000, or 34% in 1998. The Caucasian population will continue to decline, with 30% projected by 2003. Caucasians include a variety of European and Middle Eastern groups, including recent immigrants from the former Soviet Union, Armenia, Israel, and Iran.

In 1980, Whites formed 48% of the population. By contrast, in 1990, the number of Caucasians had declined to 1,299,604 and the proportion of Caucasians in the City was 37%. Caucasians are the second largest ethnic/racial group in the City after Latinos. There are 10 community planning areas in which Caucasians make up 60% or more of the population (150% of their representation in the general population). This proportion of Caucasians within the City is projected to decline even further as a result of the 2000 Census.

Forty-five (45%) of the City's White population live in these 10 Community Planning Areas.

Table 23 - Caucasian Population Higher than 10% of Citywide Average	
Community Plan Area	% Caucasians
Brentwood	89%
Bel Air	88%
Sherman Oaks	87%
Encino/Tarzana	86%
Westwood	76%
Westchester	72%
Chatsworth	72%
Canoga Park	71%
Sunland/Tujunga	70%
Northridge	69%