

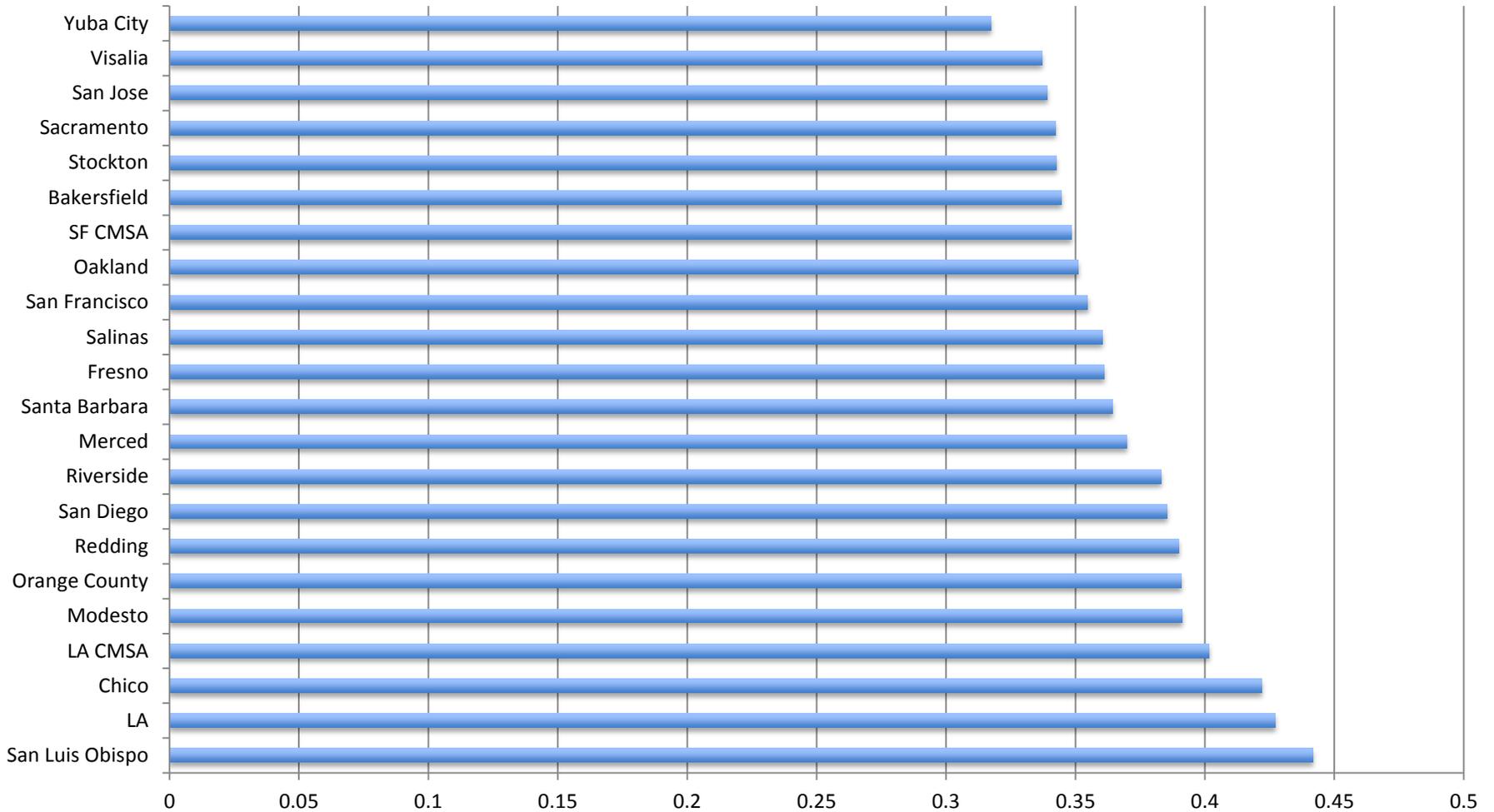
Testimony of Richard K. Green University of Southern California

Joint hearing of the California Assembly
Committees on Housing and Community
Development and Revenue and Taxation.

March 18, 2013

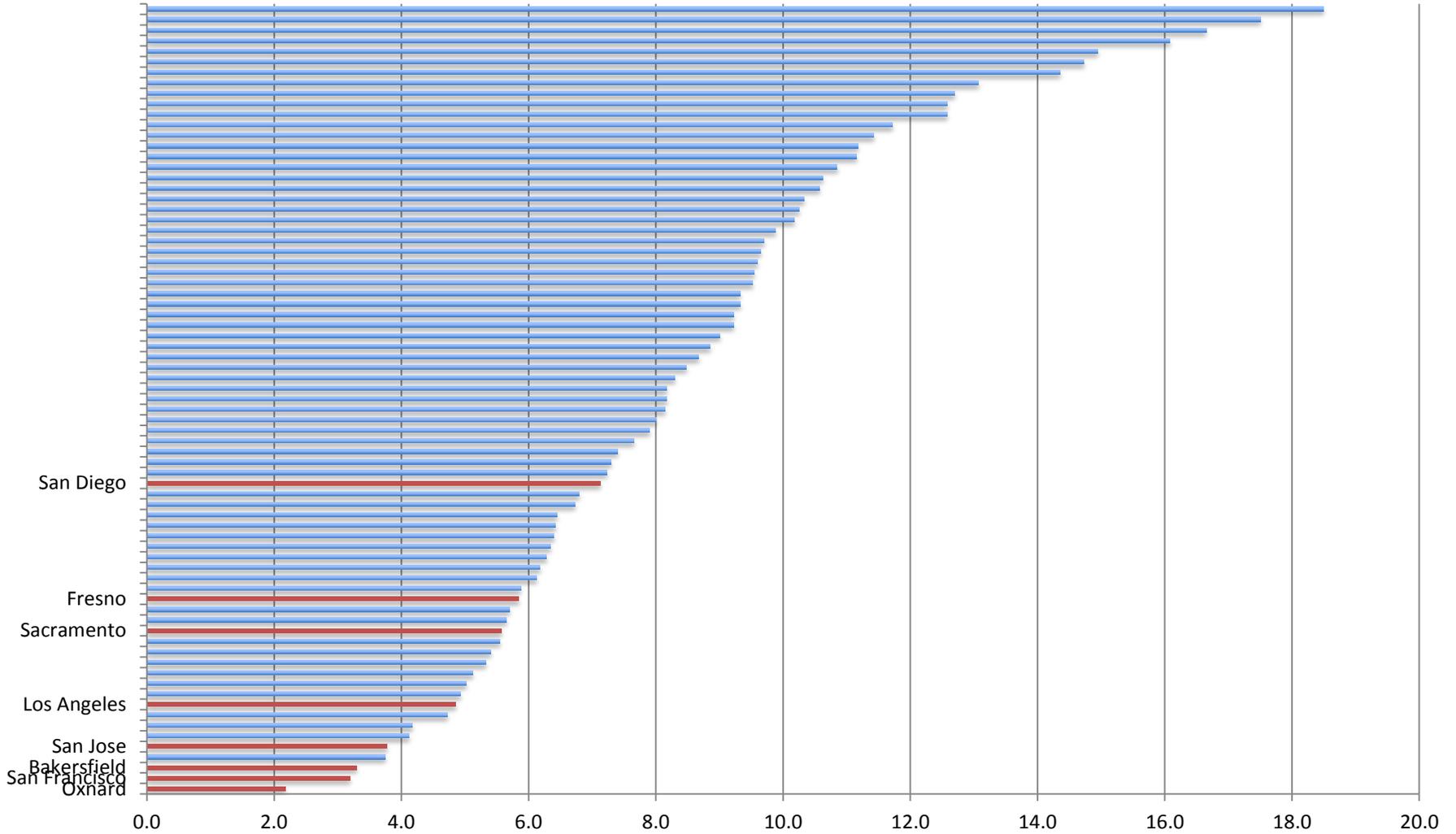
Gross 25th percentile rent as share of 25th percentile renter income

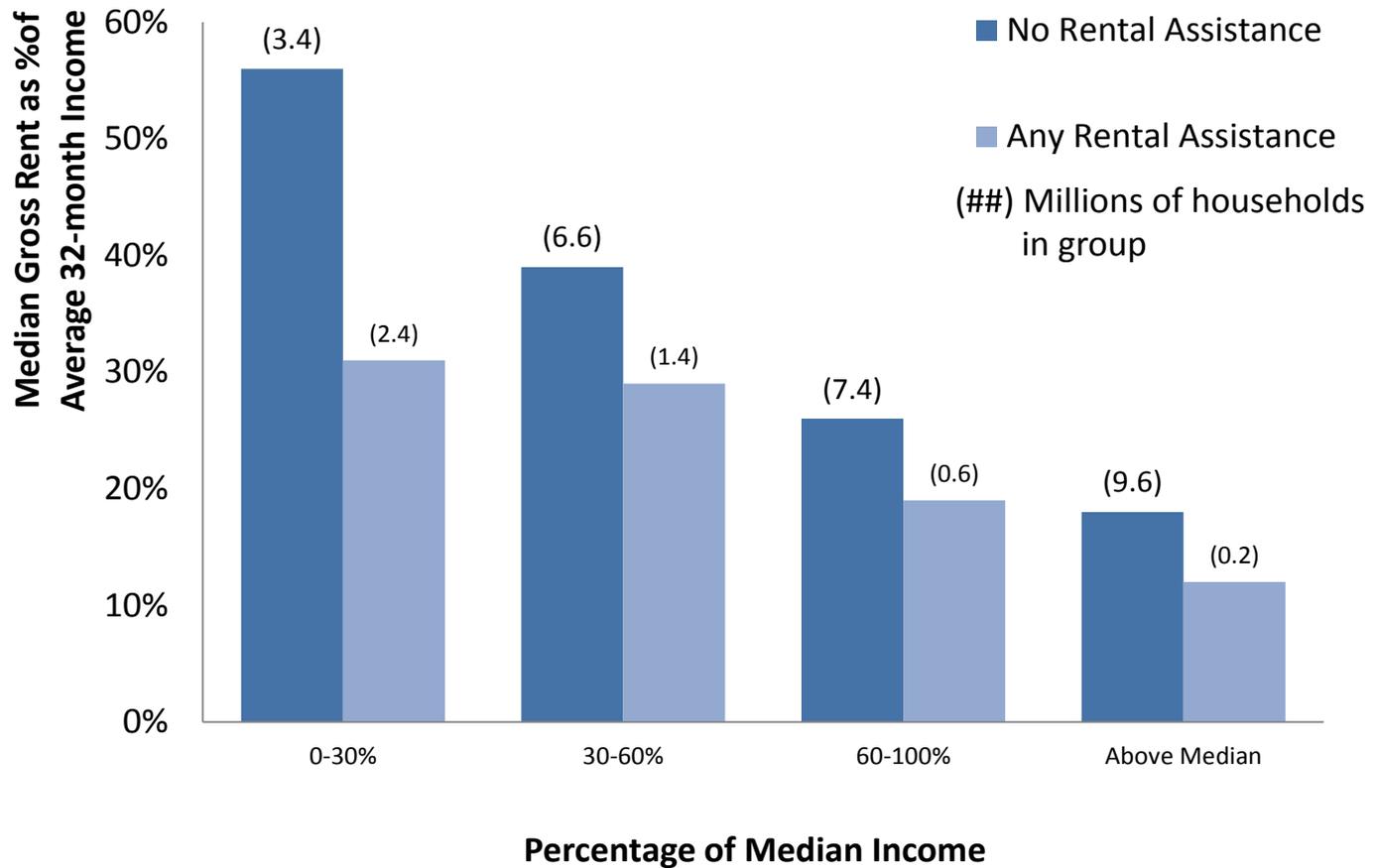
Source: Census 2011 ACS and Author's Calculations



US CPS Average Rental Vacancy Rate for 2012

75 Largest MSAs





Notes: Sample consists of households who renter at least once in 2001-2003. Average monthly income includes WIC, SNAP and Energy Assistance

Source: CEA and HUD Calculations of SIPP, 2001-2004

The principal housing construction program is Low Income Housing Tax Credit Program

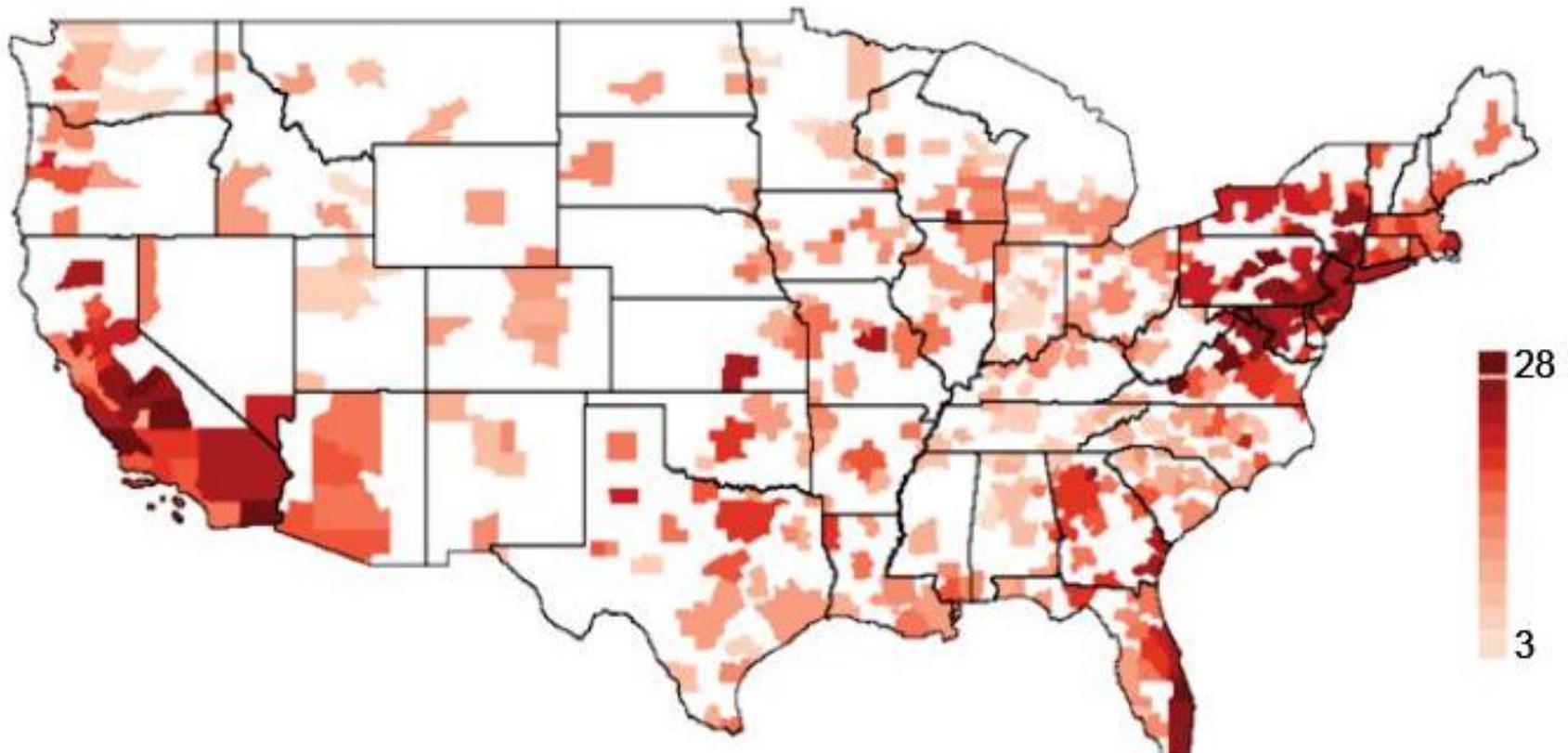
- Not terribly effective
- According to Sinai and Waldfogel (2005), each LIHTC unit built adds about .3 units to the stock
- Baum-Snow and Marion (2009) show that LIHTC units crowd out new construction in gentrifying areas
- According to Burge (2011), only 1/3 to 2/3 of subsidy goes to the tenant
- Communities require such high standards that units are very expensive to build
- So many different sources of finance also mean that units are expensive to build

How do we do better?

- Section 8 in California likely creates another set of problems—it makes housing more expensive for those who do not get the voucher (Susin 2002).
- Not an issue in elastic markets such as Texas.
- Make it easier for all housing—market and subsidized—to come to market.
- A modest proposal—the Granny Flat.

Oliner, Sichel and Millar's Estimate of Length of Time for Development

for Baseline Project, in months



References

- Baum-Snow, Nathaniel, and Justin Marion. "The effects of low income housing tax credit developments on neighborhoods." *Journal of Public Economics* 93, no. 5 (2009): 654-666.
- Burge, Gregory S. "Do Tenants Capture the Benefits from the Low-Income Housing Tax Credit Program?." *Real Estate Economics* 39, no. 1 (2011): 71-96.
- Oliner, Stephen, Daniel Sichel, and Jonathan Millar. "Time-to-Plan Lags for Commercial Construction Projects." (2012).
- Sinai, Todd, and Joel Waldfogel. "Do low-income housing subsidies increase the occupied housing stock?." *Journal of Public Economics* 89, no. 11 (2005): 2137-2164.
- Susin, Scott. "Rent vouchers and the price of low-income housing." *Journal of Public Economics* 83, no. 1 (2002): 109-152.