

Los Angeles City Forecast Meeting

Office of the City Controller

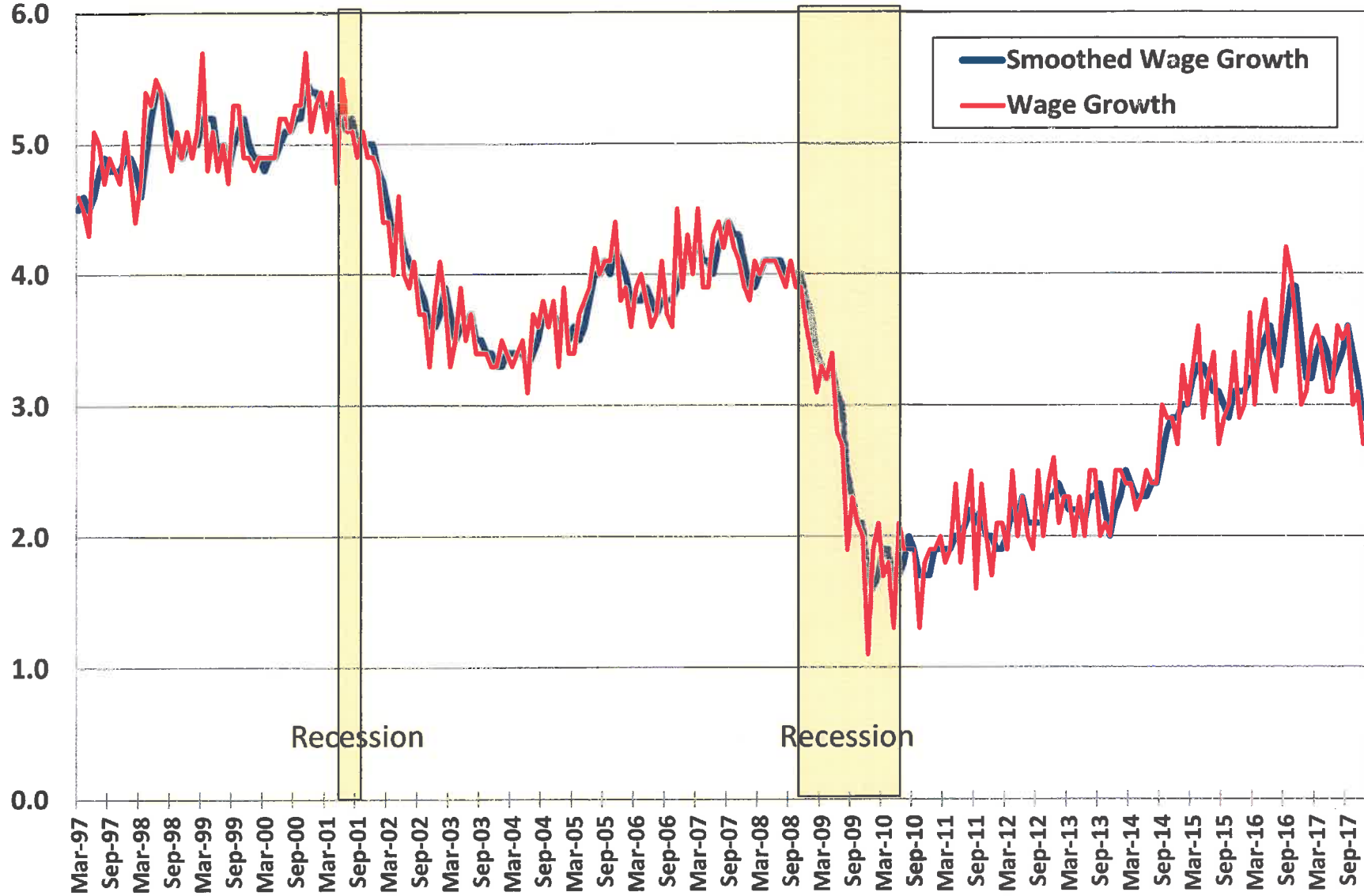
1-30-2018

Gerd Krueger

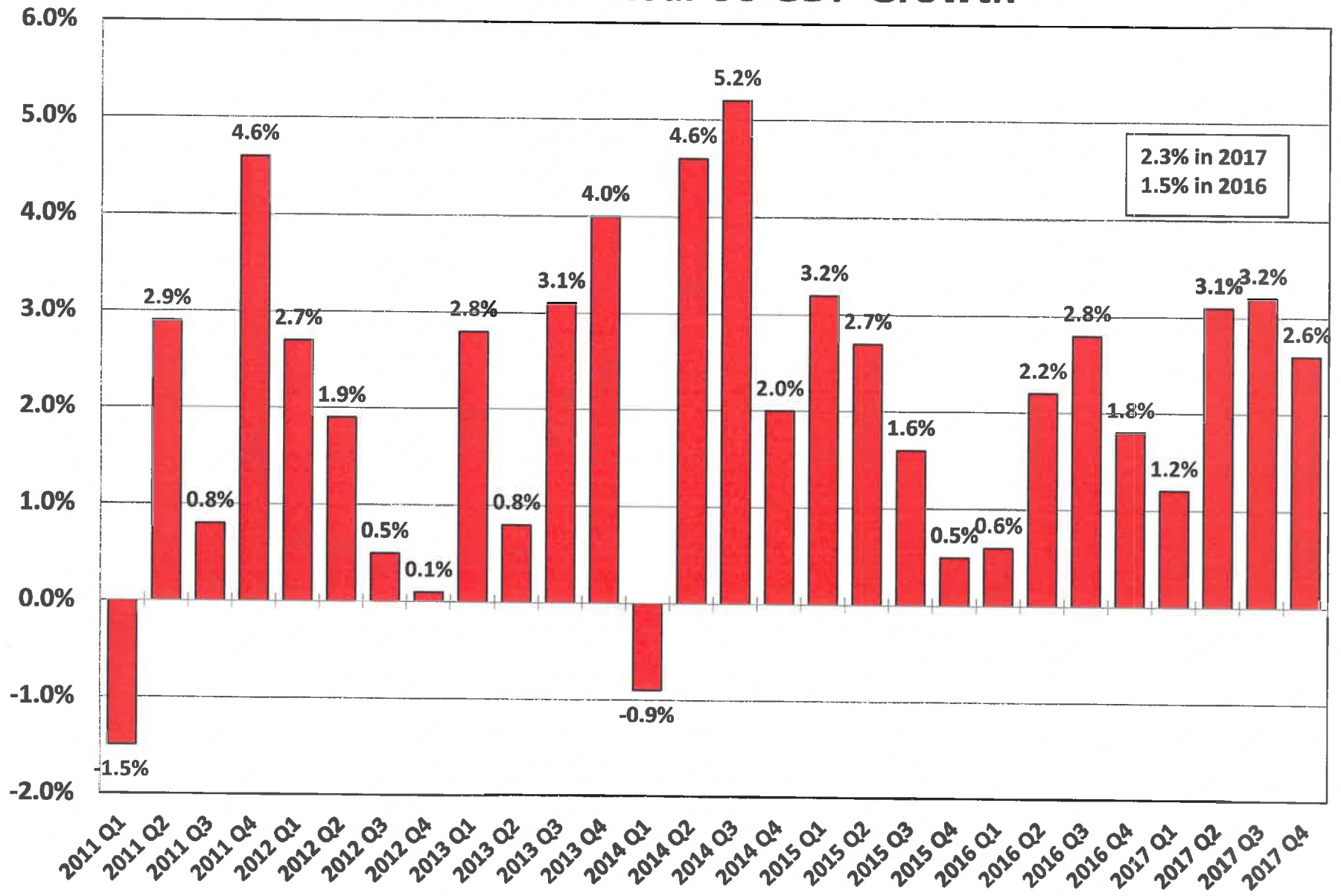
I. Economic Outlook

1. US Economy

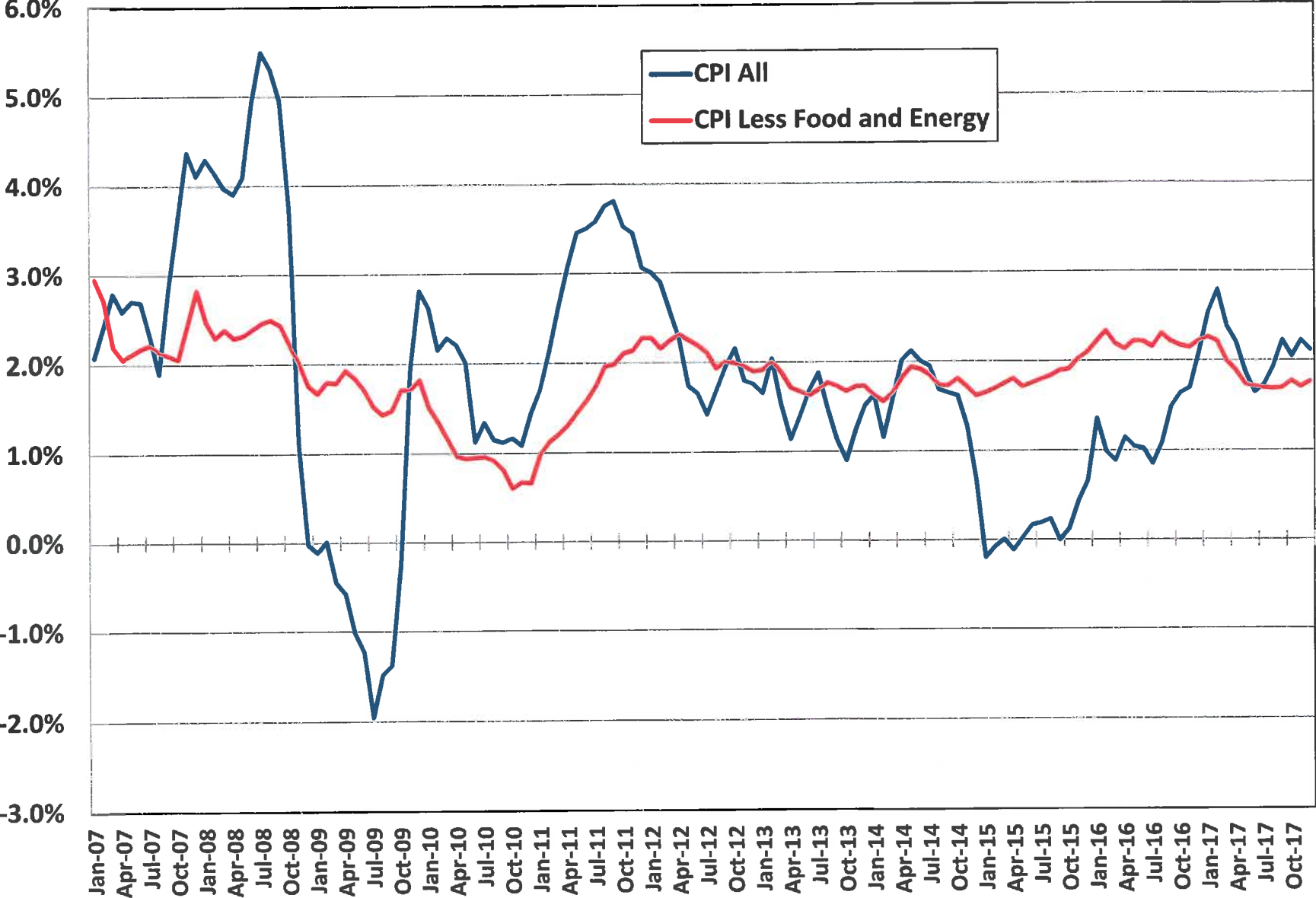
US Wage Growth



A Little Better Real US GDP Growth

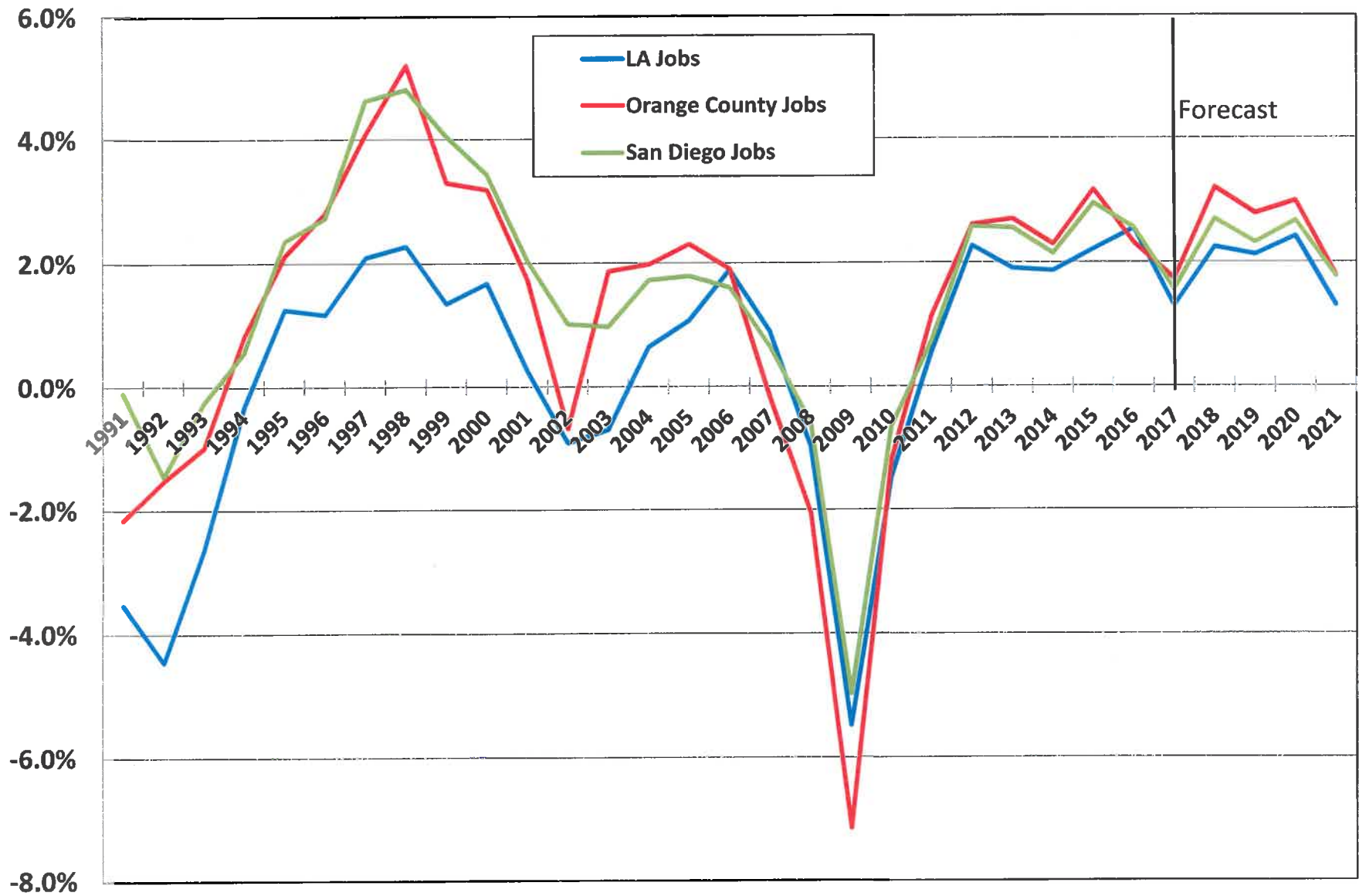


US Annual CPI Inflation



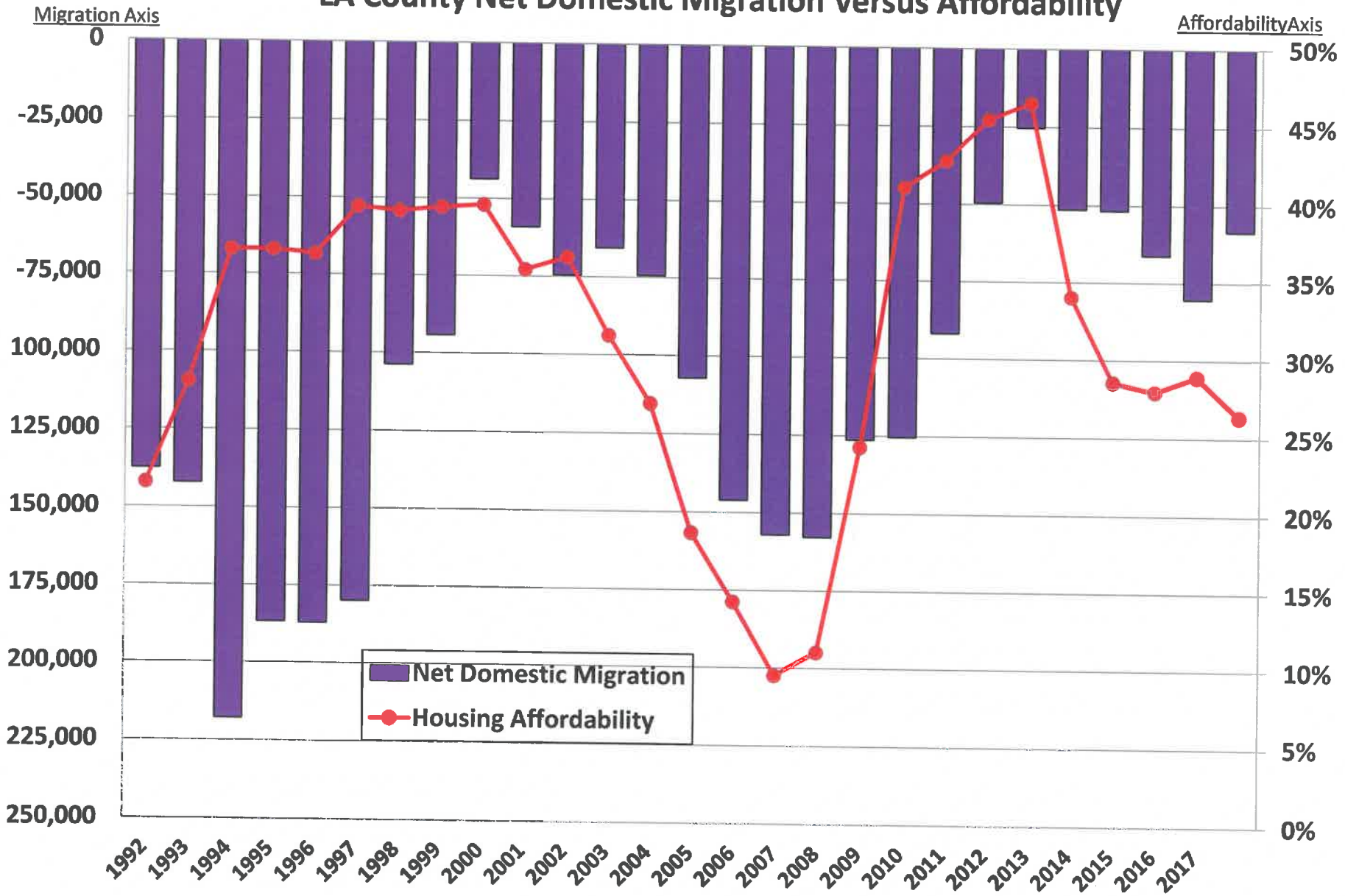
1. Los Angeles Economy

Job Growth in Los Angeles County, Orange County, and San Diego County

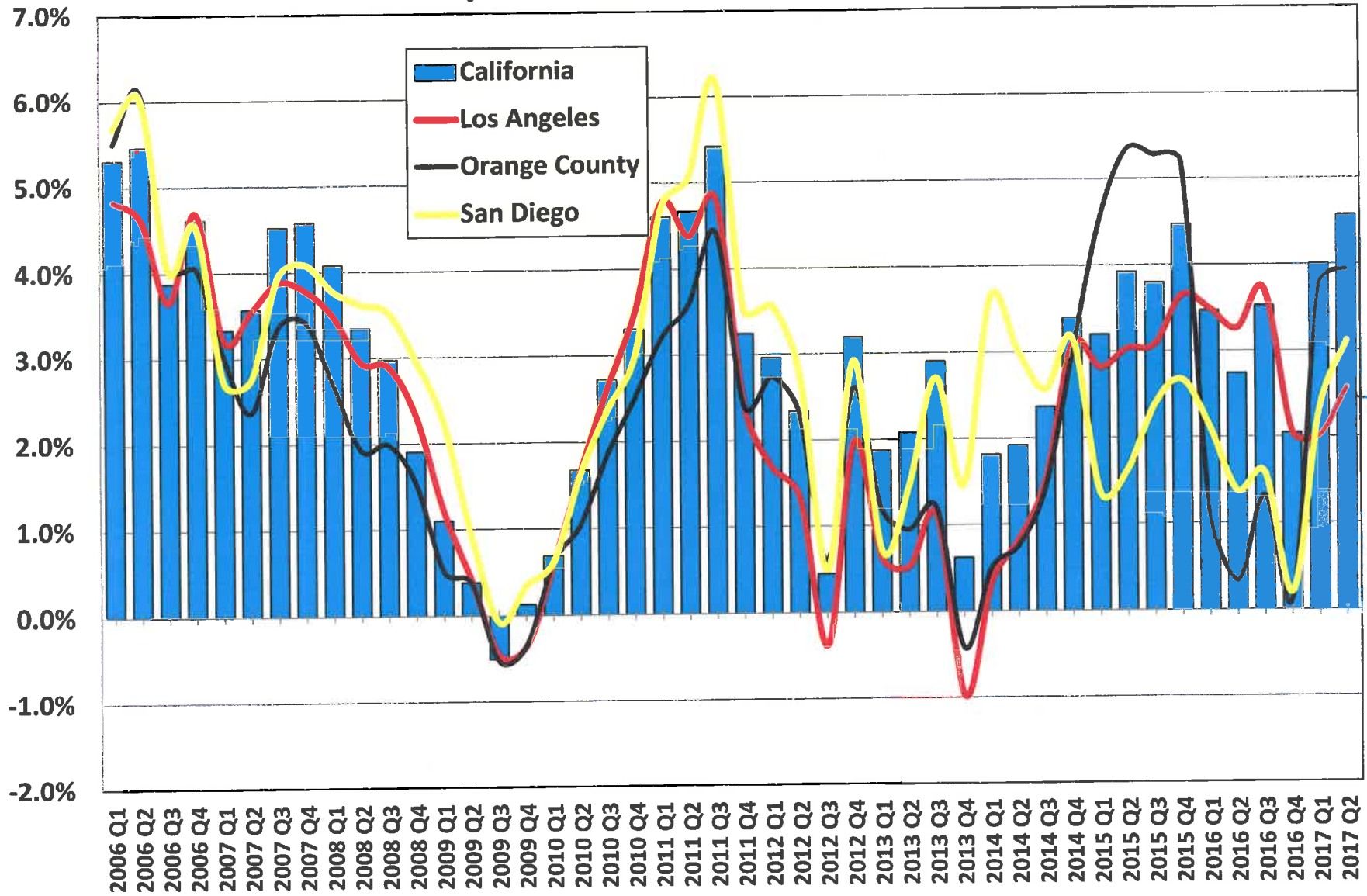


Sources: EDD, HousingEcon.com

LA County Net Domestic Migration Versus Affordability



California Average Annual Wage Growth (4-Quarter Smoothed)



25%

II. Housing Trends

1. State of the Housing Crisis

Metropolitan Areas Homeownership Rates in 2015 (Lowest Rank is Worse)

Ranking	Cities	Total Households	Owner occupied	Renter occupied	HOR
1	Los Angeles County, California	3,293,095	1,486,408	1,806,687	45.1%
2	Los Angeles-Long Beach-Anaheim, CA Area	4,315,637	2,065,358	2,250,279	47.9%
3	Hanford-Corcoran, CA Area	42,692	20,574	22,118	48.2%
4	Salinas, CA Area	126,904	62,257	64,647	49.1%
5	College Station-Bryan, TX Area	90,526	44,840	45,686	49.5%

Sources: ACS, HousingEcon.com

2015 MEDIAN MONTHLY OWNER COSTS AS A % OF HOUSEHOLD INCOME**Lowest Rank is Worse**

Rank	Cities	Housing units with a mortgage
1	Ocean City, NJ Metro Area	29.6
2	Atlantic City-Hammonton, NJ Metro Area	28.7
3	Kahului-Wailuku-Lahaina, HI Metro Area	28.2
4	East Stroudsburg, PA Metro Area	28
5	Los Angeles County, California	27.7

Sources: ACS, HousingEcon.com

Percent Overcrowded Living in more than 1 Room (Lowest Rank is Worse)				
Rank by Total %	Cities	Owners%	Renters%	Total%
1	Salinas, CA Metro Area	6.9%	22.0%	14.6%
2	Laredo, TX Metro Area	10.0%	20.7%	14.1%
3	McAllen-Edinburg-Mission, TX Metro Area	12.1%	15.8%	13.2%
4	Kahului-Wailuku-Lahaina, HI Metro Area	6.6%	20.5%	12.4%
5	Los Angeles County, California	5.5%	16.8%	11.7%

Sources: ACS, HousingEcon.com

Los Angeles Housing Affordability Ranking

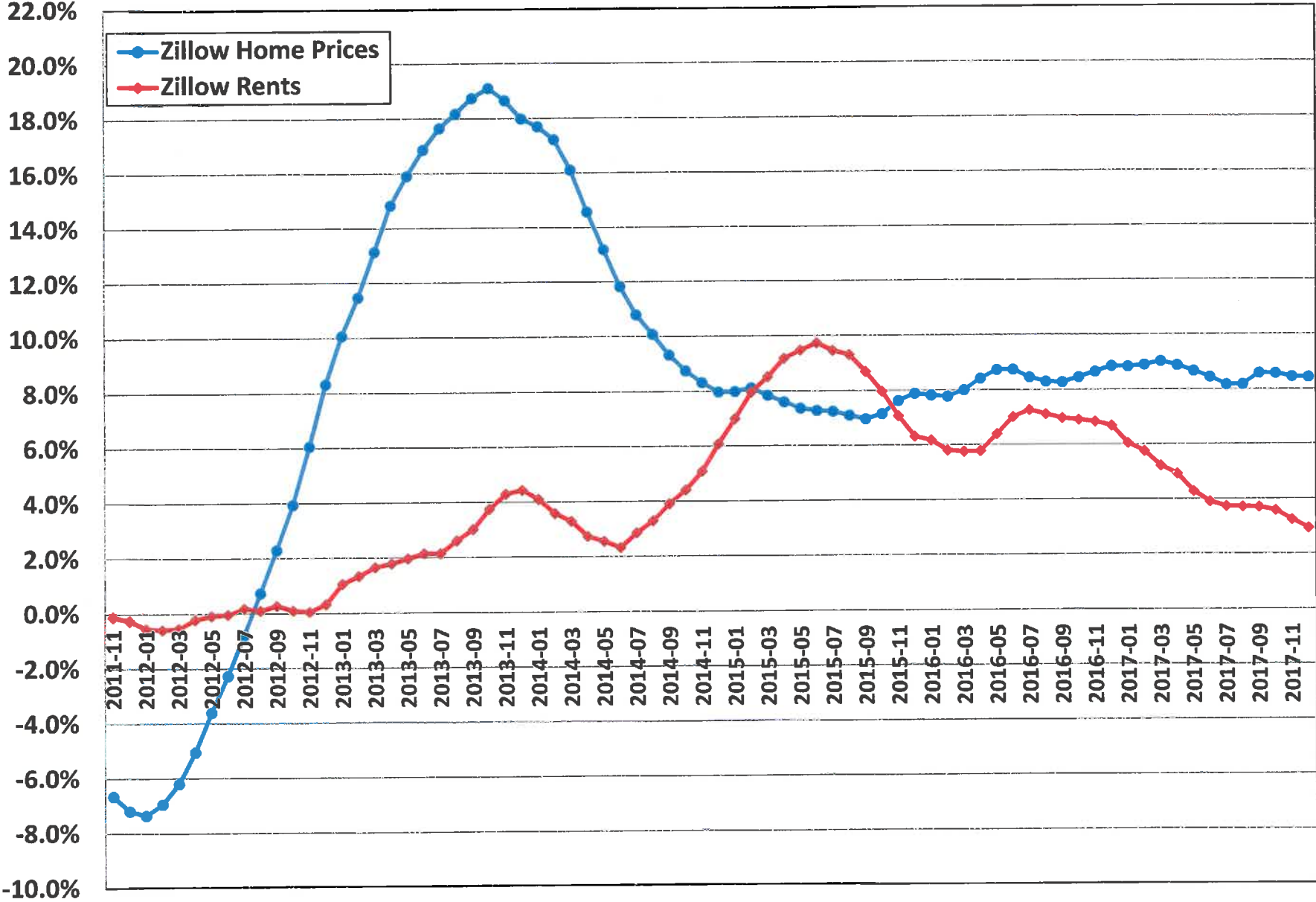
Lowest Rank is Worse

National Association of REALTORS®								
Affordability Index of Existing Single-Family Homes for Metropolitan Area								
	CBSA Code	Metropolitan Area	2013	2014	2015	2016 p	2015	2016 p
1	41940	San Jose-Sunnyvale-Santa Clara, CA	70.1	63.1	63.1	66.1	0.1%	4.7%
2	11244	Anaheim-Santa Ana-Irvine, CA	67.8	63.7	67.0	67.1	5.1%	0.1%
3	41860	San Francisco-Oakland-Hayward, CA	76.6	71.2	71.0	69.5	-0.2%	-2.2%
4	46520	Urban Honolulu, HI	67.6	66.4	65.3	70.1	-1.6%	7.4%
5	31084	Los Angeles-Long Beach-Glendale, CA	79.9	71.6	71.4	73.2	-0.3%	2.5%

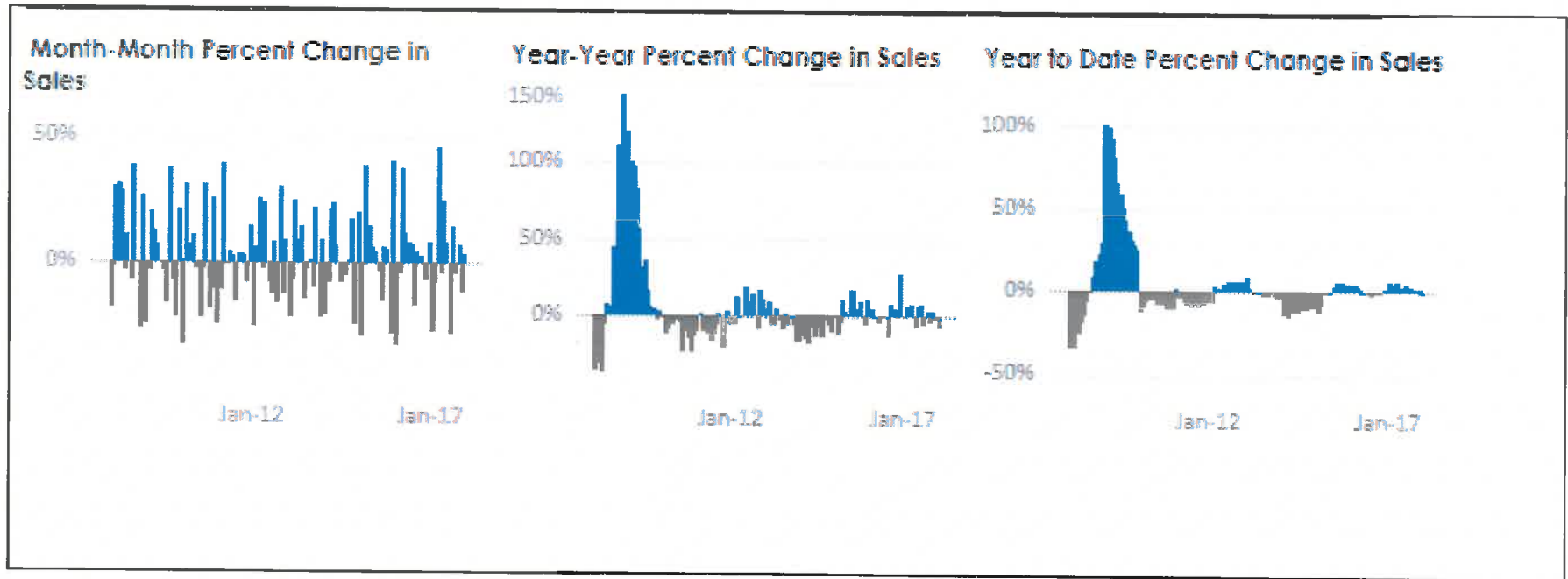
Sources: NAR, HousingEcon.com

2. Recent Housing Trends

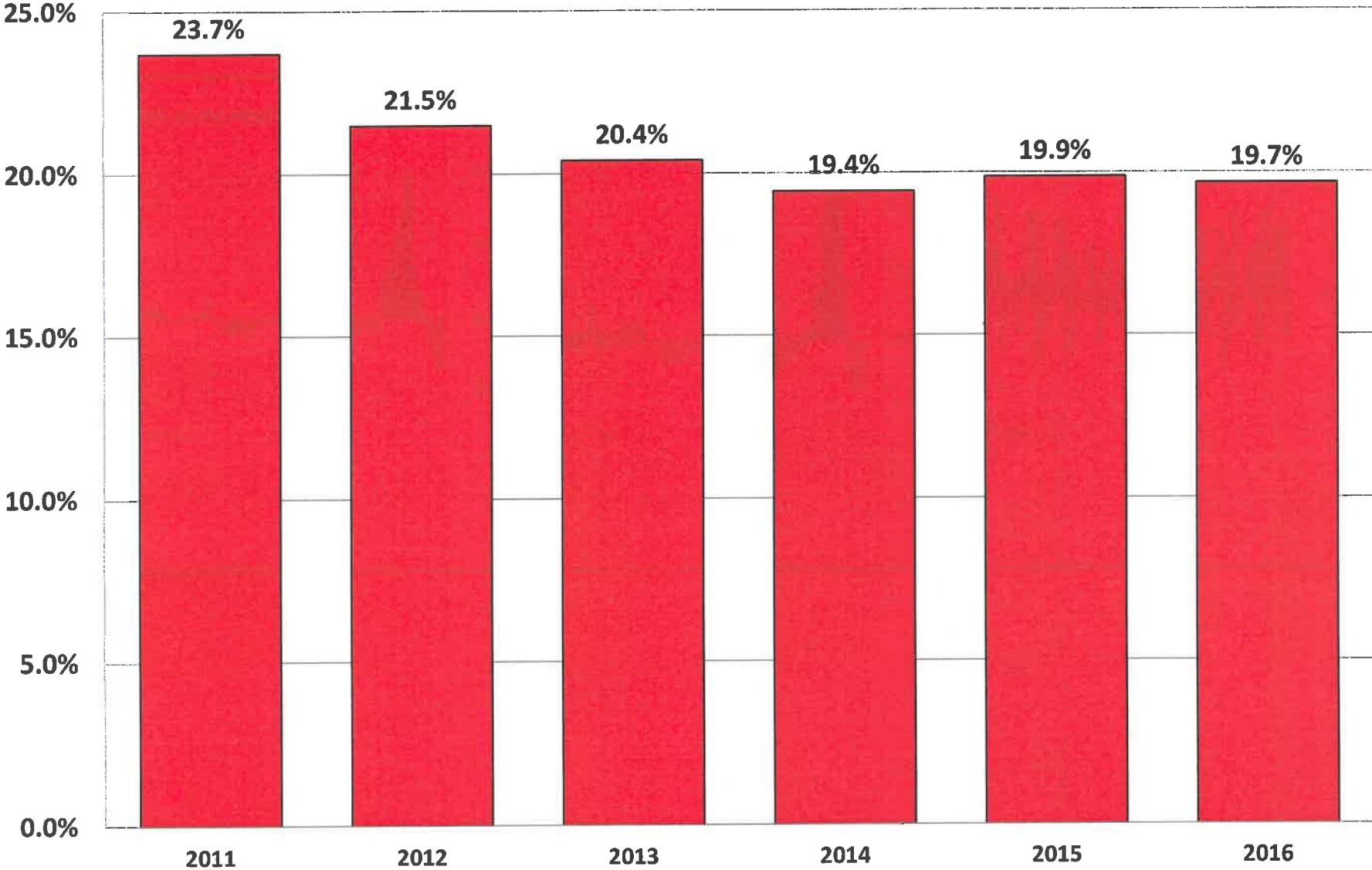
City of Los Angeles Rent and Home Price Increases



Weak LA County Home Sales



City of Los Angeles Rental Affordability Transactional Data from Zillow

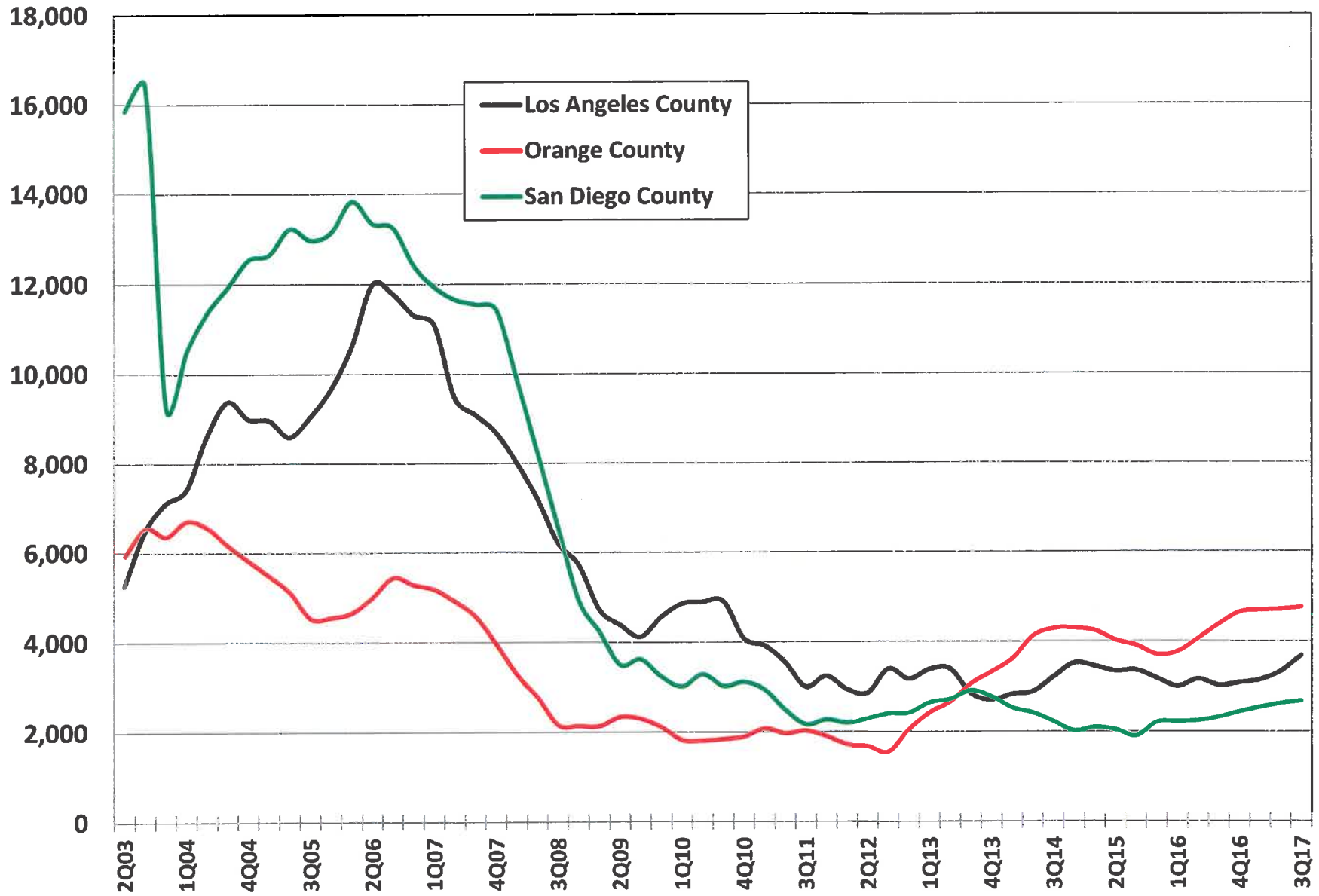


No Resale Inventory

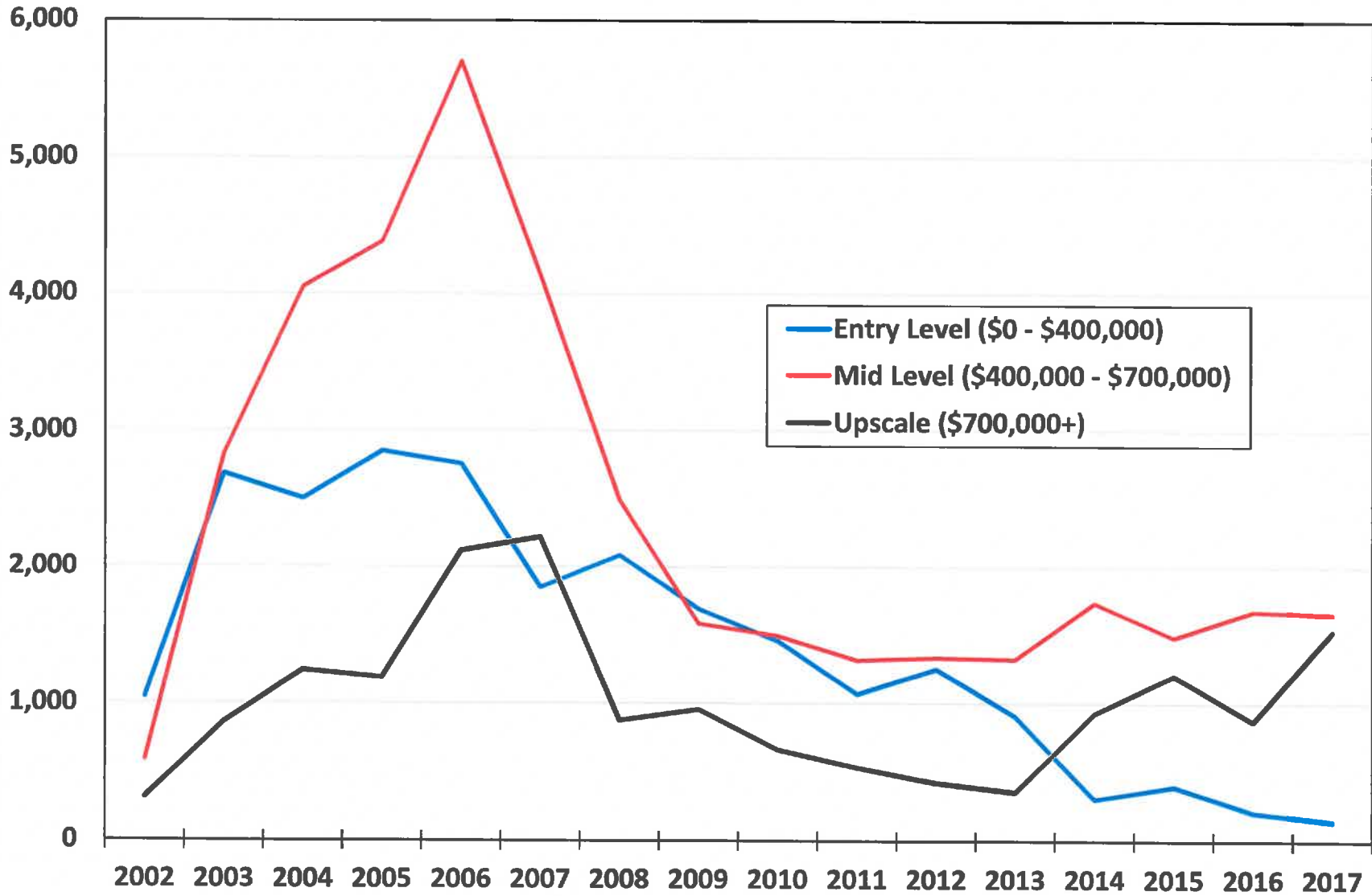
Southern California Unsold Resale Inventory Index (11/2017)							
County	Unsold Inventory Index				Median Time on Market		
	17-Nov	17-Oct	16-Nov		17-Nov	17-Oct	16-Nov
Los Angeles	2.9	2.9	3.3		21.0	21.0	33.0
Orange	2.8	3.1	3.3		24.0	28.0	46.0
Riverside	3.9	3.7	4.3		29.0	29.0	45.0
San Bernardino	3.9	3.5	3.6		34.0	34.0	45.0
San Diego	2.7	2.7	3.0		17.0	19.0	20.0
Ventura	4.4	4.6	4.3		51.0	51.0	57.0

days

New Home Sales in Coastal Southern California



New Home Sales History by Price Ranges In Los Angeles County (Third Quarters)



We Still Face a Severe Housing Shortage

2016 - 2021 Projected Annual New Home Shortages in Target Cities						
	2016 - 2021	2016 - 2021	2016 - 2021	2016 - 2021	2000 - 2016	Potential
	Annual Demand	Annual Demand	Annual Demand	Annual Potential	Annual Net Ownership	Annual Housing
Areas	Single- Family	Condos	Total	New Home Projects*	Housing Production	Shortage(-)/Surplus(+)
North San Diego	1,592	1,735	3,327	69	1,528	-1,798
Orange County	6,373	6,623	12,996	271	1,272	-11,724
South Bay	4,649	4,715	9,364	195	882	-8,482
San Fernando Valley	1,799	1,815	3,614	75	1,143	-2,471
San Gabriel Valley	5,211	4,403	9,614	200	668	-8,946
Central LA	1,077	941	2,018	42	-610	-2,628
Total	19,624	19,291	38,915	811	5,492	-33,422

Challenge is that new supply needs to be coupled with affordability in an environment of rapidly increasing costs.

Tax Migration in Los Angeles County 2015/2016

Ins - Outs 2015/2016	Ins				Outs				Net		
	Number of returns	Number of exemptions	Adjusted gross income (\$1,000s)	Income per Return	Number of returns	Number of exemptions	Adjusted gross income (\$1,000s)	Income per Return	Number of returns	Number of exemptions	Adjusted gross income (AGI)
Tax Migration in Los Angeles County	(1)	(2)	(3)	(3)/(1)	(1)	(2)	(3)	(3)/(1)	(1)	(2)	(3)
Los Angeles County Total Migration-US and Foreign	117,999	191,554	\$7,955,276	\$67,418	140,728	258,658	\$10,022,920	\$71,222	-22,729	-67,104	-\$2,067,644,000
Los Angeles County Total Migration-US	116,186	188,100	\$7,729,988	\$66,531	138,300	254,422	\$9,810,450	\$70,936	-22,114	-66,322	-\$2,080,462,000
Los Angeles County Total Migration-Same State	58,689	99,967	\$3,696,772	\$62,989	78,021	147,579	\$5,523,674	\$70,797	-19,332	-47,612	-\$1,826,902,000
Los Angeles County Total Migration-Different State	57,497	88,133	\$4,033,216	\$70,147	60,279	106,843	\$4,286,775	\$71,116	-2,782	-18,710	-\$253,559,000
Los Angeles County Total Migration-Foreign	1,813	3,454	\$225,288	\$124,263	2,428	4,236	\$212,470	\$87,508	-615	-782	\$12,818,000

III. Policy Issue

Bad Conscience Fees: Will They Increase the Supply of Housing? Show me the Beef!

- The fees in the City of LA have historically been fair. It used to cost +/- \$23,000 per unit for an 1,800 sf townhome unit on an R3 lot in Reseda, not including building permits.
- But with the latest fee increases the Quimby fee went from \$4,460 to \$10,963, and the linkage fee will cost between \$8.00 and \$15.00 psf of added footage.
- So using the same 1800 sf townhome in Reseda, the new fees will amount to \$47,500 per home. Over a 100% increase.
- Proof is scant that more government housing funds actually make a significant dent in affordable housing.
- We need to know the order of magnitude of affordable housing actually created by the City's housing funds.
- A simple, transparent accounting is needed.

The End