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Skyline at MacArthur Place – City of Santa Ana

OCBC Workforce Housing Scorecard:
A User's Guide

The Orange County Business Council Workforce Housing Scorecard presents a picture of the state of housing to spur debate and action on housing supply and affordability.

The Scorecard examines the state of housing in Orange County as it pertains to affordability, density, population and housing unit supply numbers, as well as the relationship between jobs and housing units. The report tracks these trends at both the county and city level.

The Scorecard collected and analyzed the raw data and their implications to enable you to better understand the state of housing in Orange County. To assess the state of housing in your city, you also need an understanding of housing in surrounding cities, as well as the wider region.

I. Foreword and Acknowledgements

In accordance with its mission to assure Orange County's economic prosperity while maintaining a high quality of life, the Orange County Business Council, with major sponsorship from Bank of America, is releasing the 2007 edition of the OCBC Workforce Housing Scorecard. Commissioned by the Business Council's Workforce Housing Committee and OCBC investors and partners, including the Orange County Association of Realtors, Laguna Board of Realtors, IMPAC, Orange County Clerk-Recorder, Building Industry Association, United Way of Orange County, and Orange County Community Foundation, this report aims to spur a constructive dialogue in pursuit of a robust and integrated business community solution to Orange County's scarce supply of affordable housing for its workforce.

The Workforce Housing Scorecard examines the state of Orange County's housing from a broad, long-term, employer-based perspective. Only such an approach to affordability can uncover the critical solutions needed by the county to ensure lasting prosperity. As such, the report seeks answers to several pressing questions:

- **How and when did housing become so expensive?**
- **What will be the state of housing in Orange County in 2030?**
- **What role are Orange County cities playing in affordability?**
- **What actions or policies can be taken to make housing more affordable?**

To determine how and when housing became so expensive, the Scorecard examines the history of residential building and growth in Orange County, exploring trends related to population, employment, income appreciation, density and the ratio of jobs to housing units. The report also explores the reasons why housing supply has failed to match pace with demand, such as NIMBY-ism[1] and the fiscalization of land use.

The exploration of past trends moves to a discussion of their impacts on Orange County's long-term future. If present supply and demand trends continue, the ratio of jobs to housing in 2030 will be severely unbalanced. As a result, affordability will continue to decline, many more residents will be priced out of the market, and the number of workers commuting into the county from beyond its borders will continue to grow.

[1] NIMBY, or "Not in my backyard," obstruction tactics.

Particularly troubling for the Orange County economy is the trend of people aged 25-44 leaving the county to find affordability elsewhere. Furthermore, these workers are not leaving just to surrounding counties such as Riverside and San Bernardino, but increasingly out of state. These people represent the present and future workforce of Orange County, the foundation necessary for long-term economic sustainability and business competitiveness. As the report will demonstrate, high housing costs are driving these people out of the county in increasing numbers.

The report casts a countywide overview of the balance between jobs and housing, as well as a breakdown by city. Because each city has a critical role as land use decision makers, the Scorecard evaluates each Orange County city on several important criteria, including:

- Total job growth;
- Total housing growth; and
- Job growth as a percentage of county job growth; and
- Changes in density.

Cities are ranked in a composite scoring of their performance on the aforementioned criteria, both historically (1991-2005) and into the future (2005-2030), allowing for comparisons of cities. This exercise establishes an important baseline from which cities –- and their residents, elected officials, and business leaders –- can increase future supply and affordability in line with their workforce demand.

To support cities' housing plans, the Business Council will release a Housing Toolkit in Fall 2008 with examples of successful affordable housing programs and policies; reports and studies related to housing affordability; as well as potential legislation necessary to address some of the existing barriers to increased housing supply.

The Orange County Business Council Workforce Housing Scorecard and OCBC's long term commitment to this issue is but one part of a larger movement for increased supply and affordability that must take hold in Orange County to ensure continued prosperity.

One rewarding aspect of producing this report has been the reassuring discovery that there is already a dedicated and diverse pool of agents from the private, public and nonprofit sector seeking to increase the supply and affordability of housing. To this end, The Orange County Housing Scorecard would not have been produced without the generosity of our main sponsor, Bank of America, as well as the aforementioned partners.

About the Housing Report Card Toolkit

The forthcoming Toolkit will complement this report by demonstrating a collection of best practices in housing policy, as well as descriptions of future strategies for change, such as:

- Financial Literacy & Homebuyer Education Programs
- Flexible Loan Products
- Down-payment Assistance Programs
- Community Land Trusts
- Ground Leases
- Housing Trusts
- Density Bonuses and Parking Variances
- Employer Assisted Rental & Homebuyer Programs

In addition, representatives of all 34 cities contributed their time to validate the information presented in the report. Additionally, the methodology, analysis and style of this report have been greatly enhanced thanks to the critical insights of a distinguished panel of peer reviewers, namely: Dr. Victoria Basolo, Associate Professor in the Department of Planning, Policy, and Design at the University of California, Irvine (UCI); Dr. Marlon Boarnet, Professor and Former Chair of Planning, Policy, and Design at UC Irvine; Ray Silver, Executive Director, Orange County League of Cities; Dr. Scott Bollens, Professor and Former Chair of Planning, Policy and Design at UC Irvine, Dr. Kerry Vandell, Professor and Director of the Center for Real Estate at the Merage School of Business (UC Irvine) and William Fulton, Senior Scholar at the School of Policy, Planning, and Development at the University of Southern California and CEO of Solimar Research Group.

Finally, constructive guidance for the project was provided by The Orange County Business Council's Housing Committee, Chaired by Roger Hobbs and including Lucy Dunn, Todd Priest, and Kris Murray.

The technical work of the report was led by Wallace Walrod, Director of Research and Communication for the Orange County Business Council and his team or research associates, namely: Lee Morrison, Roger Morton, Nicholas Poggioli, Adam Meyers, Alex Warren and Dan Gorczyca. This updated edition was edited and designed by Robb Korinke and Matt Prince.

II. Overview

The subject of this report is workforce housing, one of OCBC's three key initiatives (along with infrastructure and workforce development/education). How do we define the scope of workforce housing? From the OCBC and general business community perspective, it is our county's responsibility to adequately house our working individuals and families.

> *Orange County Business Council's Housing Agenda*
>
> The release of this report is just one of many initiatives planned to advance the workforce housing. Following the June 2007 briefing of this report, the Orange County Business Council will roll-out additional resources and initiatives, including:
>
> - Release of OCBC Housing Toolkit.
> - Feasibility analysis of infill opportunities at the city level.
> - Analysis of housing unit "bleed," or losses, during the approval process.
> - Housing Conference for Elected Officials.
> - State legislation to increase incentives and remove barriers.
> - Second edition of housing scorecard in 2009.

There are several important components of housing policy, including reducing homelessness and poverty, as well as accommodating the needs of our senior citizens and other vulnerable populations. While important in their own right and the subject of many studies and reports, the focus of this report is fundamentally different. The scope of this report is concentrated on the availability of housing as a fundamental component for sustaining, if not increasing, Orange County's economic competitiveness.

The state of housing in Orange County can accurately be described as a byproduct of unprecedented prosperity -- an amazing success story of sustained economic growth and job creation by the Orange County business community. In the last 15 years, Orange County has grown jobs at a rate of nearly 10 times that of Los Angeles County. During the same period, Orange County created over 15 percent of the state's jobs while accounting for less than 9 percent of the state's population.

The basic insight that Orange County has and is evolving from a suburban to an urban place is not new. Mark Baldassare's "Trouble in Paradise: The Suburban Transformation in America" explored the emerging, more urban sociological pressures that Orange County was just beginning to experience. The following passage reflects many of the trends affecting Orange County:

> "Decades of rapid growth and industrialization in suburbia have created a more diverse population, land-use mix, and activities. These have caused a new life-style and, with it, new problems. There are several constants in suburbia which have made the transition from the past to the present most difficult. One is that attitudes and preferences of the suburban residents, on issues such as housing and transportation, have not changed to reflect the current situation."[2]

Baldassare wrote that passage in 1986, when Orange County's population was just over 2 million residents.

Fast forward to 2007.

[2] Mark Baldsassare, 1986, Trouble in Paradise: The Suburban Transformation in America.

This year, Orange County's population has surpassed 3 million –- making it the most densely populated county and metro area in California after San Francisco. Occupying an area of less than 800 square miles, Orange County's economy would rank higher than all but 36 countries. Yet despite having become a densely populated and formidable economic power, people still prefer to view Orange County as suburban bedroom community -– something the county hasn't resembled since the 1970s.

While we may be tempted to pass this notion off as a benign sense of nostalgia, this yearning for yesteryear has bred difficult obstacles to addressing the need for workforce housing. All too frequently, housing plans are stymied by NIMBYism, which manifests into seemingly constant and endless conflicts over land use. While legitimate concerns over development should be respectfully addressed, this report demonstrates that collective obstructionism has taken a significant toll on housing supply and affordability.

Because housing is an issue that is heavily influenced by our Planning Commissions, General Plans, Housing Elements, RHNA allocations and municipal elected leaders, findings have been desegregated to the city level. By shedding light on each city's contribution towards securing housing for our county's workforce, we hope that greater support can be generated for future action at the municipal level.

The county's business community can play a vital role in shaping cities' housing policies by communicating the critical link between housing supply and economic competitiveness. Although recognition of the county's housing needs have grown significantly among business executives, a sustained and deepened commitment among employers will be needed to foster greater awareness and coordinated action by the business community.

Lest there be any reluctance for action on housing, consider that ten years ago the median price of an Orange County home was $185,000[3]. Despite the recent cooling of the housing market, the median price for a single-family home in Orange County –- at the time of this writing -- is $634,000[4]. This increased cost of housing has a broad impact on the county that goes beyond the lives of first-time homebuyers and young families shut out of the market. If left unchecked, the escalating cost of housing will detrimentally affect the county on key social and economic fronts, including:

- A weakened social safety net resulting from young residents leaving their parents behind in search of more affordable housing.
- A weakened business climate resulting from greater difficulty of recruiting and retaining talented young workers.
- Longer commute times and increased congestion resulting from workers purchasing housing at increased distances from the county's job centers.

[3] "Riding nine years of rising property values", The Orange County Register, January 19, 2006.
[4] April 2007.

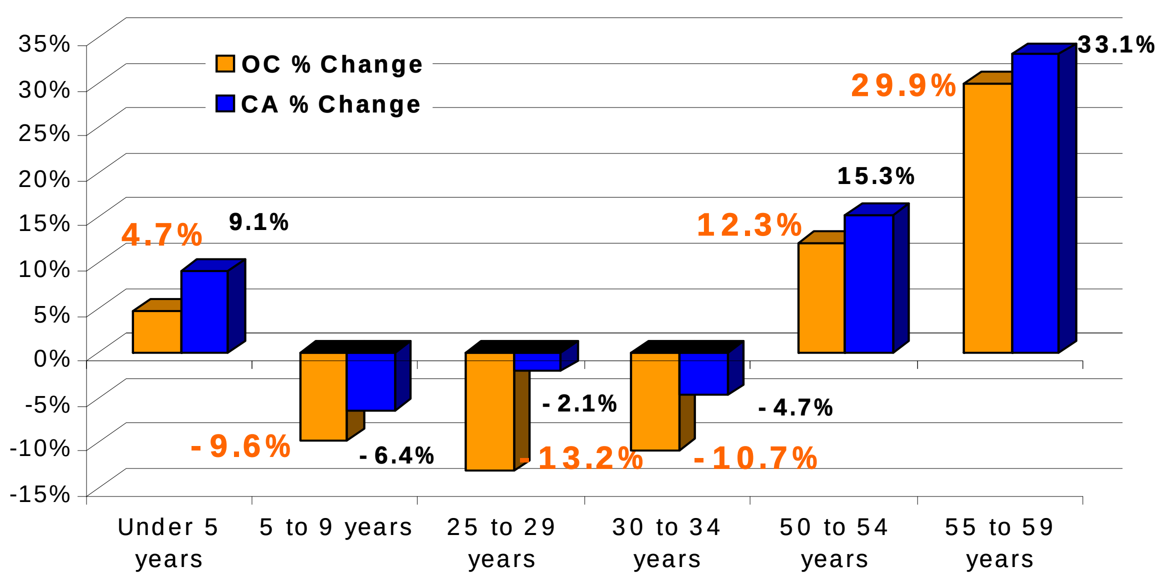
As far-fetched as these scenarios would have seemed ten years ago, the report that follows will demonstrate that our young people are emigrating from the county in increasing numbers. Orange County employers are increasingly concerned about their ability to attract and retain workers, and commute times are indeed worsening. Increased tax investments to reduce traffic congestion such as Measure M, in fact, only serve to mitigate the deterioration in commute times experienced by residents.

Housing and Emigration from Orange County

Much to the dismay of their parents, their employers, and government leaders, increasing numbers of young people are leaving Orange County and its high cost of living. Recent research has documented that the trend is widespread and that housing is a catalyst. In 2006, an Orange County Register article reported on the recent trend of young adults fleeing the county –- a 13 percent drop in residents between the ages of 25 and 34[5]. More recently, a May 2007 Public Policy Institute of California (PPIC) report[6] found that, "fewer than 10 percent of adults moving to other states cited housing as the primary reason they moved out of California in 1997. By 2006, the percentage had jumped to 31."

Recent Census data shows the number of residents between the ages of 25 and 34 dropped by nearly 12.7 percent between 2000 and 2005, or nearly 59,000 people in five years. This rate of loss is nearly four times the state average. As expected, the number of children ages five to nine (associated with younger families) also decreased, with corresponding decreases in elementary school enrollment.

Figure 2.1: 2000-2005 OC and CA Population Loss by Age



[5] "An Exodus of O.C.'s Young Adults," The Orange County Register, August 24, 2006.
[6] "Can California Import Enough College Graduates to Meet Workforce Needs?", Public Policy Institute of California, California Counts Population Trends and Profiles, Volume 8, Number 4 (May 2007).

In fact, due to this phenomenon, three quarters of Orange County school districts are experiencing declining enrollment.

In contrast to the decrease in young adults, the number of older adults ages 55 to 64 increased by 28 percent or almost 63,000 people during this same time period. These trends, which led to the median age rising from 33 years old in 2000 to 35 years old in 2005, are projected to continue.

By the year 2050, the proportion of adults over age 65 is expected to double, making up 21 percent of the county's population. Over the same period, the proportion of residents between 25 and 54 years of age will shrink by 11 percent to 35 percent of the population. These statistics suggest that many of Orange County's children grow up and move away, leaving their aging parents behind.

In the face of these quiet but significant demographic changes, how can we effectively increase supply and make housing more affordable in the future? There are many prevailing circumstances that curtail housing development, driving the cost of housing beyond what most households can afford. While it may seem a daunting challenge to many, the Orange County Business Council firmly believes that unraveling the myriad of these disincentives will necessitate cooperation and accountability by all stakeholders. By increasing exposure to cities' track record on workforce housing, greater interest and advocacy can be drawn towards this often under-reported issue. The scorecard has already engendered a critical dialogue that will be paramount to yielding the common understanding necessary for confronting this difficult challenge.

OCBC is not the first entity to try to encourage more housing and won't be the last. A more well-known and institutional housing advocate is The Regional Housing Needs Assessment (RHNA). Yet for reasons that will be made clear later in this text, the RHNA process alone has proven to be an insufficient vehicle for restoring a more healthy balance of jobs to housing in the county.

The succeeding pages of the Orange County Housing Scorecard will uncover why housing has become so expensive, as well as project what the housing market will look like in 2030. In addition, the report will identify incentives, disincentives and policies that continue to exert a profound impact on our housing market. Finally, to introduce a much needed measure of transparency and accountability into the housing debate, the report includes a breakdown of Orange County cities' contribution to the housing market, insofar as new housing unit production, job growth and density trends.

What the Scorecard Doesn't Answer

The Scorecard is limited to four criteria: number of jobs, housing unit density, the ratio of jobs to housing units, and housing unit burden (the number of housing units each city adds in relation to the number added by all cities combined). Because of this limited scope, the Scorecard is not an exhaustive examination of housing. It begins with the assertion that the cost of housing is detrimental to the Orange County business environment and examines this problem from a supply-demand perspective. While the Scorecard does not present a comprehensive analysis of the state of county housing, it does address the crucial relationship between housing supply, workforce development, affordability, and business competitiveness in Orange County.

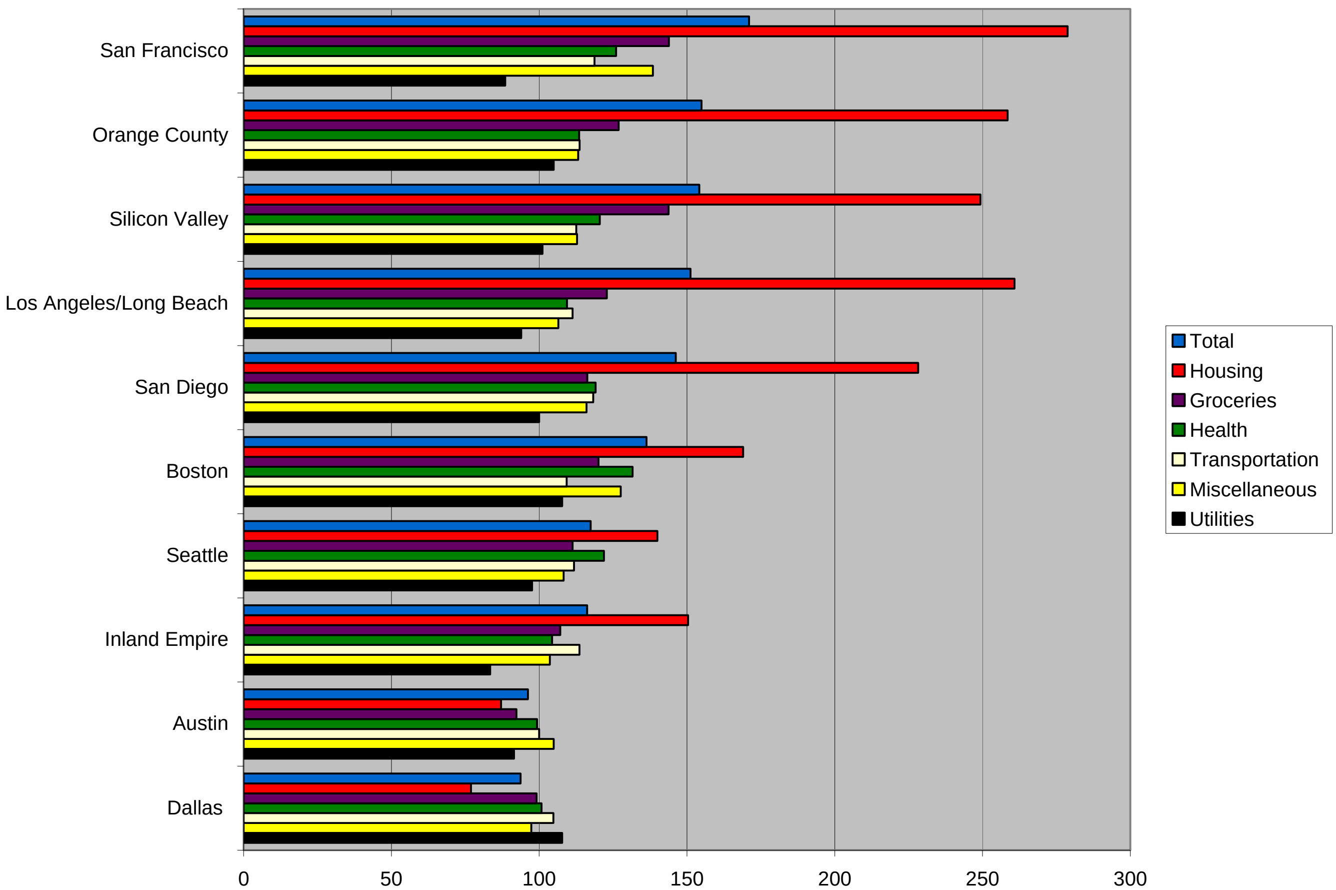
BACKGROUND

Out of 200 metropolitan areas in the United States, Orange County was recently found to be the 2nd most expensive place to live in the country[7]. The breakdown of the index reveals the county's distinctive ranking is driven entirely by its high home prices (See Figure 2.2).

The county's housing conundrum is owed largely to a longstanding and widening divide between booming employment growth and comparatively stagnant housing development. Between 1991 and 2005, Orange County produced approximately 345,700 jobs and 158,000 homes. Better stated, the county only produced one home for every 2.2 jobs created, and in many years only one housing unit for every 3 or 4 jobs created.

The jobs-to-housing ratio is an indicator tracked in the following pages. The implications of this ratio

Figure 2.2: Cost of Living Index (Second Quarter 2007)



should be clear to local employers and workers: workers need affordable homes for their families.

[7] According to the Council for Community and Economic Research.

So what is a fair balance of jobs-to-housing? A ratio of one home per every worker is ideal, but with many households now boasting two-income earners -- we deem 1.5 to be an acceptable ratio, a benchmark cited by many housing experts and planners such as John Landis, former Chair of the City and Regional Planning Department at UC Berkeley.

As it happens, only fifteen years ago Orange County was housing rich, with a healthy balance of about 1.4 jobs for every home. By 2005, the county's balance of jobs-to-housing had deteriorated to 1.61 jobs for every home.

Based on the most recent city planning forecasts, because the region is projected to only add one housing unit for each 3.4 jobs created by 2030, the county's jobs per housing ratio is expected to deteriorate further to 1.79 jobs per house.[8]

If we were to assign letter grades for the county's role in promoting workforce housing, it would reflect this deterioration. In 1991, the county's 1.4 jobs per house would earn an A. The most recent 1.61 ratio is below average and merits a C. Any ratio greater than 1.75 merits a failing grade.

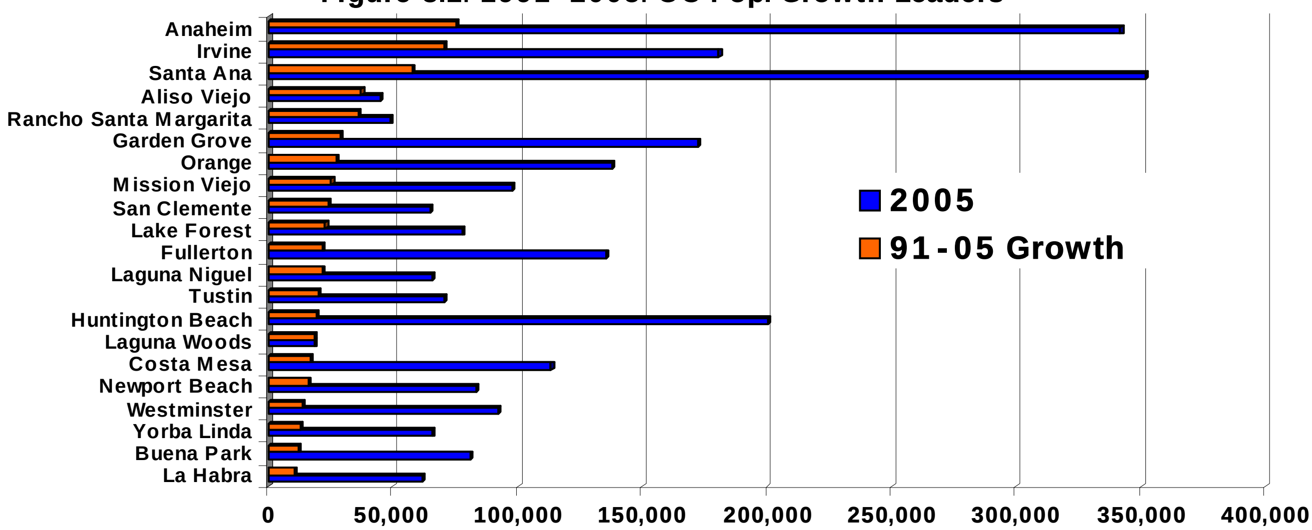
[8] Cal State University Fullerton, Orange County projections (2007).

III. Demand Trends: Population, Employment and Income Appreciation in Orange County (1991-2005)

Population

The first basic component of the demand factors influencing Orange County's housing story is population. From 1990 through 2005, the county's population grew by 28 percent (from 2.3 to 2.9 million). Five cities –- Anaheim, Irvine, Santa Ana, Garden Grove and Orange -- accounted for 40 per-cent of this growth. (See Figure 3.1)

Figure 3.1: 1991-2005: OC Pop. Growth Leaders

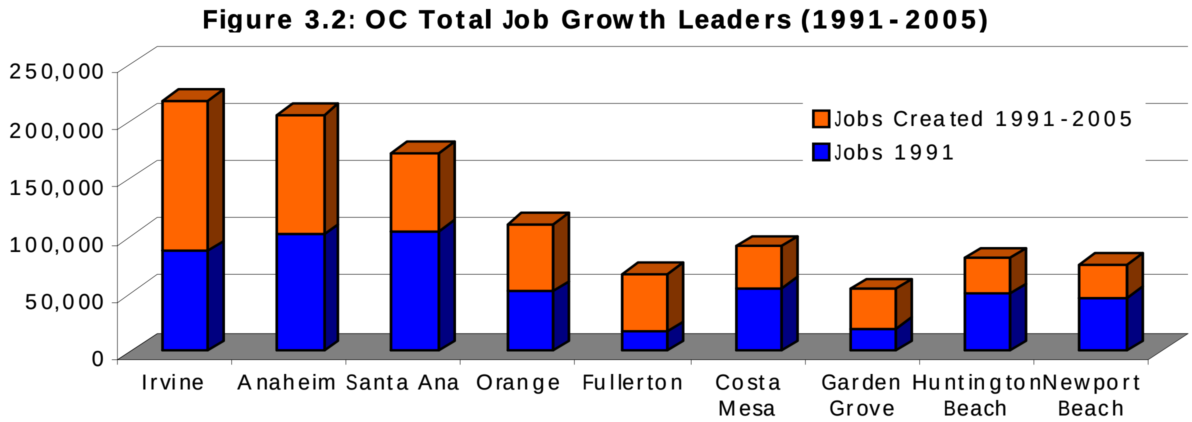


Meanwhile, South Orange County saw the fastest growth. Newly established cities like Aliso Viejo and Rancho Santa Margarita grew by 491 percent and 280 percent. Five other cities grew by over 33 percent. Cities that posted the slowest growth –- all under 8 percent -- were Laguna Beach, Fountain Valley, La Palma, Los Alamitos, Seal Beach and Villa Park.

Where did the growth in population come from? Seventy percent of this growth was "home grown", or the result of natural increase. Despite such a strong growth in population, the increase is fairly tepid compared to the job growth experienced in the same period, as the next section will demonstrate.

Employment Gains

From 1991 to 2005, Orange County added a remarkable 345,700 jobs -– a 30 percent increase from 1991 (See Figure 3.2). This increase occurred in spite of a recessionary environment at the start of the last two decades. The leaders in Orange County's job growth -- Irvine, Anaheim, Santa Ana, Orange and Fullerton –- accounted for over half of the county's total job growth for that period.



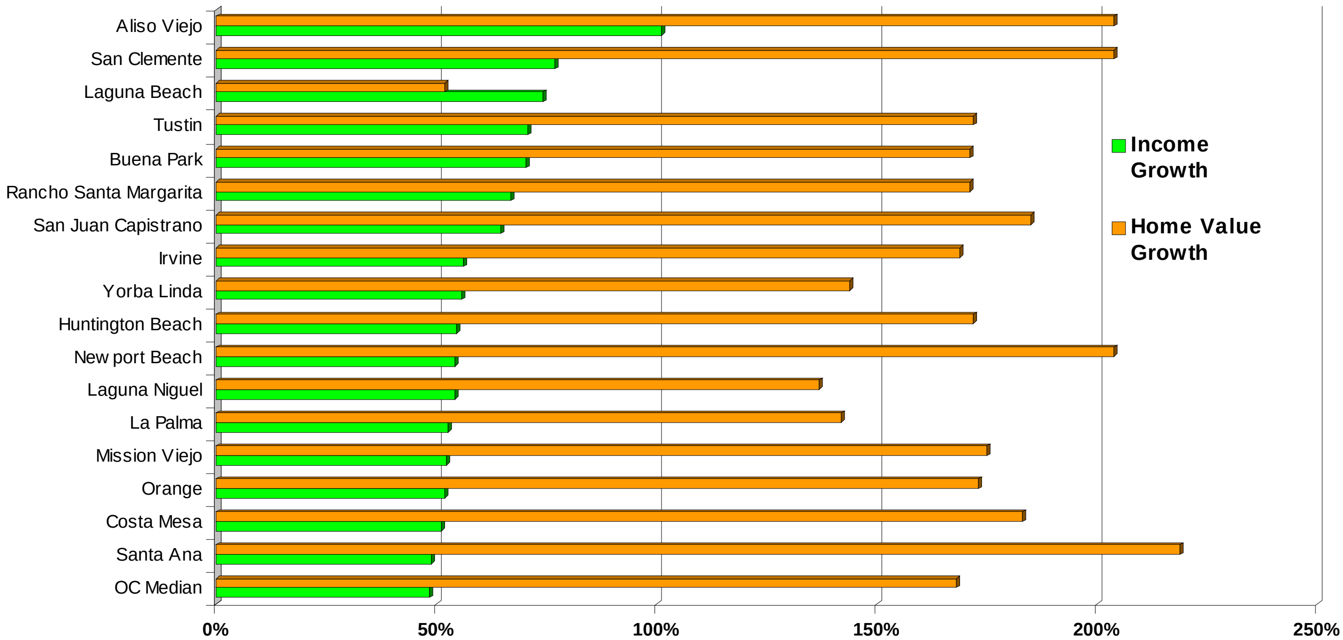
Income Appreciation

The third demand component tracked in this study is income appreciation. Between 1990 and 2005, Orange County's median household income appreciated by 48 percent, from $46,000 to $68,000. While the growth in income is substantial, it paled in comparison to the appreciation realized by Orange County homes during the same stretch (See Figures 3.3 and 3.4). The imbalance between a high level of demand driven by job growth and not enough newly built housing, the sales price of the median priced-home grew almost three times as much, 168 percent from 1990 to 2006. It's worth noting that increased access to housing credit through more flexible standards helped ameliorate this disparity. Recent market upheaval in the sub-prime sector proved there are limits to the loosening of credit.

In summarizing the demand trends affecting housing over the last fifteen years, Orange County experienced:

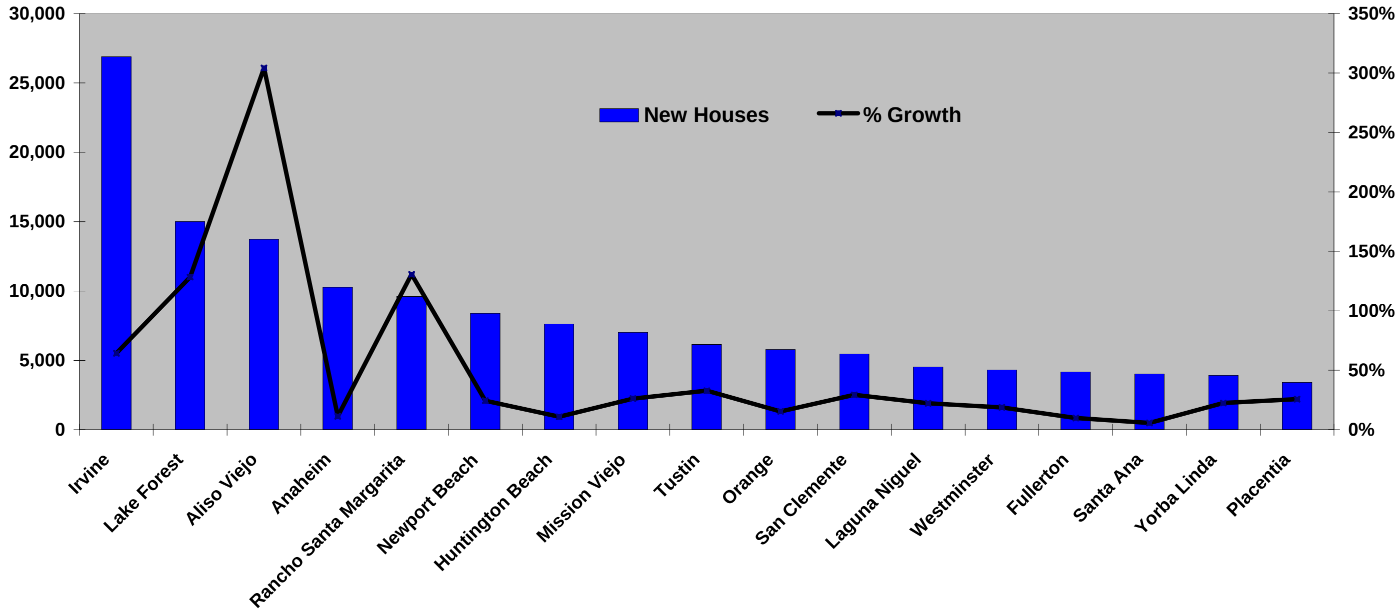
- A 28 percent increase in population or 645,000 new residents. Half of these new residents were added to Anaheim, Irvine, Santa Ana, Garden Grove, Orange, Mission Viejo, Fullerton and Huntington Beach. South Orange County cities saw the fastest percentage growth in population.
- An increase of 345,700 jobs, a growth rate of 30 percent. The majority of these jobs being created in the county's traditional job hubs, but faster relative growth in Southern Orange County.
- Orange County's Median Household Income increased from $46,000 in 1990 to $68,000 in 2006.
- The cost of Orange County's median-priced home sold grew by 168 percent from 1990 to 2006.

Figure 3.3: 1991-2005 Orange County Household Income vs. Home Appreciation



IV. Supply Trends: Housing Growth in Orange County, 1991-2005

Having detailed the demand trends that took hold in Orange County between 1991 and 2005, we now

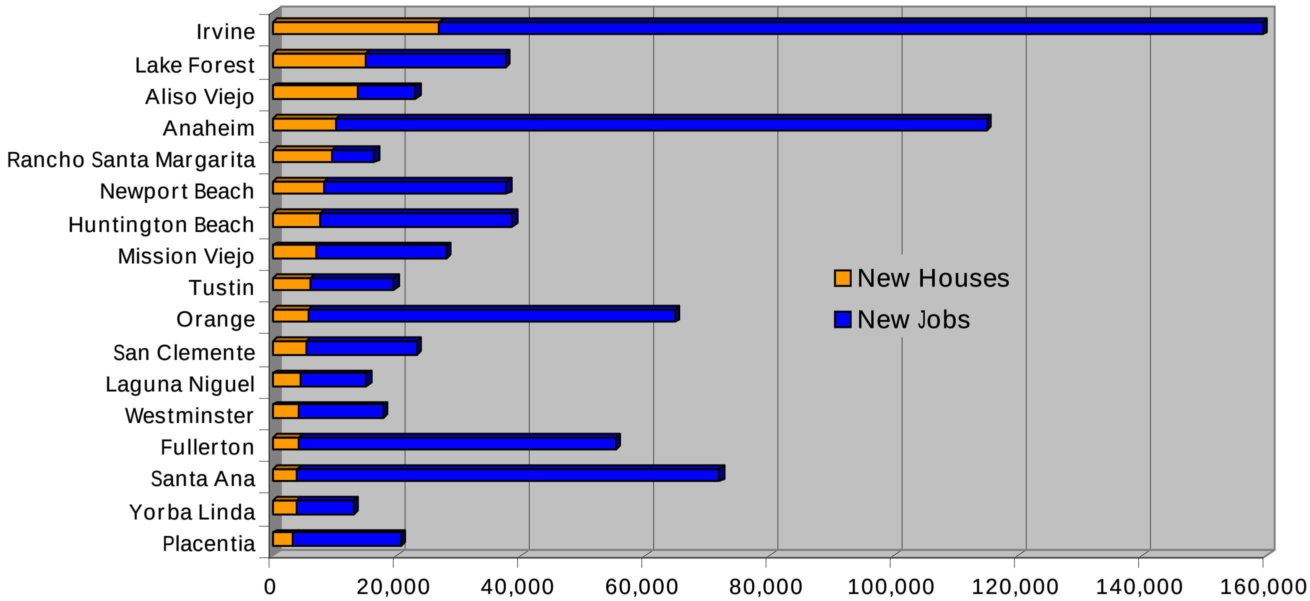


shift attention to the housing supply trends. In 1991, there were approximately 1,150,000 jobs in Orange County and 815,000 housing units –- a near ideal ratio of 1.4 houses for every job.

As discussed in the preceding section, 1990-2005 saw tremendous employment and population growth in the county. Unfortunately, cities could not boost a sufficient supply of housing to keep up with this pace. From 1991 to 2005 Orange County added 158,000 houses -- a 19 percent increase in housing stock. Figure 4.1 (below) shows cities that generated the most housing in the 91-05 period. Six cities accounted for half of the county's total housing growth, namely: Irvine, Lake Forest, Aliso Viejo, Anaheim, Rancho Santa Margarita and Newport Beach.

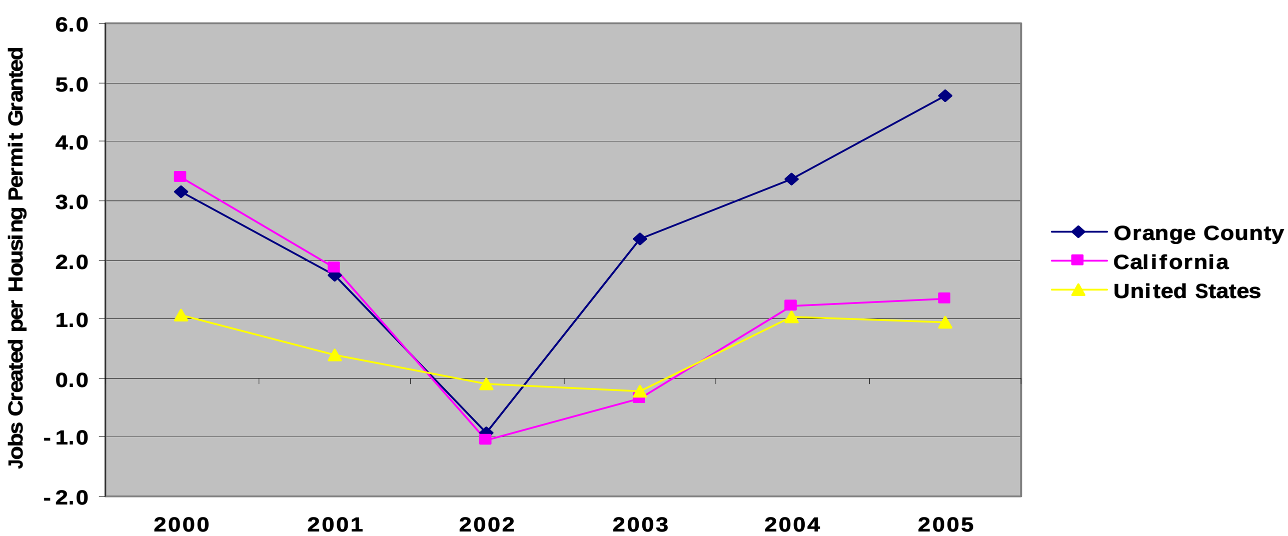
While the leaders in housing growth far exceeded the county median, the same figure shows that most of these cities' new housing came well short of keeping balance with the county's booming job growth. As you will recall, from 1990 through 2005, the county's population grew by 28 percent (from 2.3 to 2.9 million) while generating 345,700 jobs, or a 30 percent increase in employment (See Figure 4.2).

Figure 4.2: 1991-2005: OC Housing Leaders…Trail Job Growth



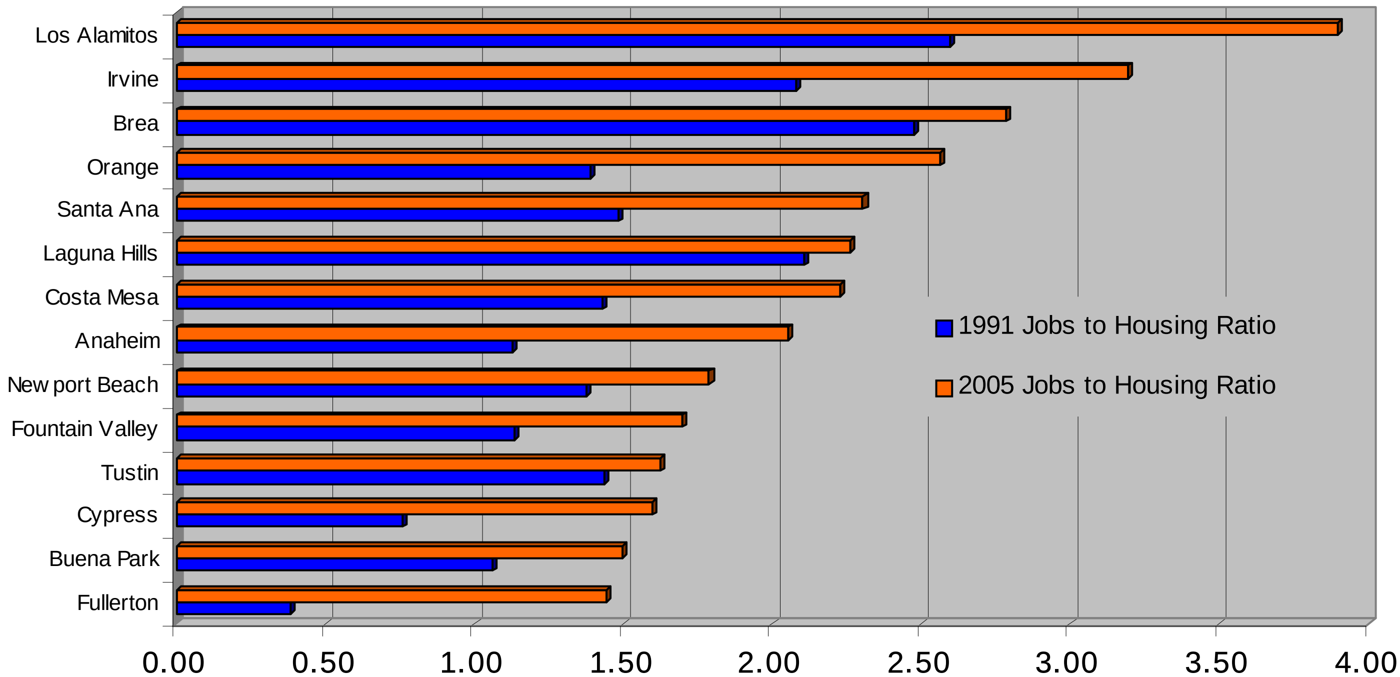
The result of this imbalance was an overall deterioration of the jobs-to-housing ratio, and consequently, a decrease in housing affordability. By 2005, Orange County was moving in the wrong direction, having gone from having 1.4 jobs for every home to having over 1.6 jobs for every home. As Figure 4.3 demonstrates, this imbalance was extremely high in comparison to both state and national trends. Figure 4.4 shows the cities that experienced the greatest jobs-to-housing deterioration.

Figure 4.3: New Jobs Created per Housing Permit Granted 2005-2005



Sources: Hanley Wood Market Intelligence (www.hanleywood.com/hwmi) and United States Bureau of Labor Statistics

Figure 4.4: 1991 Vs. 2005: Jobs to Housing Ratio Deterioration



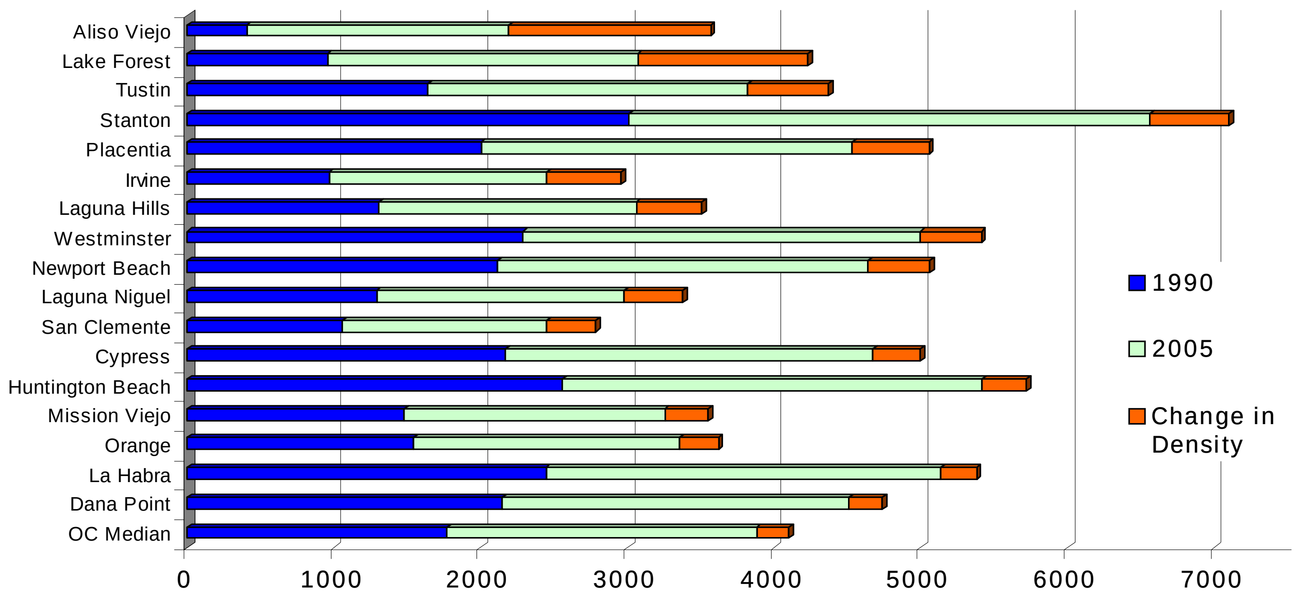
Orange County's Density: No Longer a Suburb

The 2000 Census revealed more proof that Orange County is no longer a suburb, but the most densely populated area in the state behind San Francisco. The prevailing density and scarcity of land has forced many cities to build vertically, such as Anaheim's platinum triangle project and high-rise developments underway in Irvine, Costa Mesa and Santa Ana.

Even before the start of these high-rise developments, many OC cities experienced a substantial increase in density between 1990 and 2005 (See Figure 4.5). Gains in density can be chalked up to cities' efforts to increase multifamily housing and/or rezoning to higher and more efficient uses. An increase in population density without construction of sufficient new housing units almost always results in overcrowding, which is driven by a lack of affordable housing options for lower-income households.

Between 1990 and 2000, overcrowding – the federal HUD standard in which there are 1.01 persons per room in a dwelling unit – grew by an average of 44 percent across the county. Figure 4.6 lists those cities that saw overcrowding grow at a faster rate in the 1990s than the Orange County Median.

Figure 4.5: 1990-2005: OC Cities' Change in Density Leaders



Housing Supply Constraints: Land Scarcity, Infill, and the Myth of Being Built Out

Land scarcity has a substantial impact on the affordability of Orange County homes. According to UC Berkeley Professor John Landis, a 10 percent reduction in the supply of available land can increase home prices by 20 to 30 percent[9].

In Orange County's historic concept of development, that of single family houses and master-planned communities, it's forgivable to perceive the county as being "built out." Build out refers to the point at which a city can no longer change its infrastructure in a particular way. For the Scorecard, housing units are the focus: a city is built out when it can no longer add housing units. While physical space is certainly an important criterion, the administrative, political and technological constraints on land use are more important when assessing degree of build-out.

Regulation of building height and housing density, along with technology, work together in shaping a city. For example, at some point prior to 1900 the city of Manhattan was thought to be built out. That was until the arrival of the skyscraper, which enabled the city to become the most densely populated city in the country.[10] The interplay of technology and forward looking leadership silenced those who had claimed Manhattan built out.

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[9] California Homebuilder Magazine, California Building Industry Association, May/June 2003.

[10] Yet, the density could be even higher if administrative constraints had not held back technology. Because skyscrapers cast shadows blocking out the sun for entire city blocks, Manhattan enacted setback regulations on building envelopes, mandating that buildings become narrower as they got taller in order to mitigate the impact of their shadows.

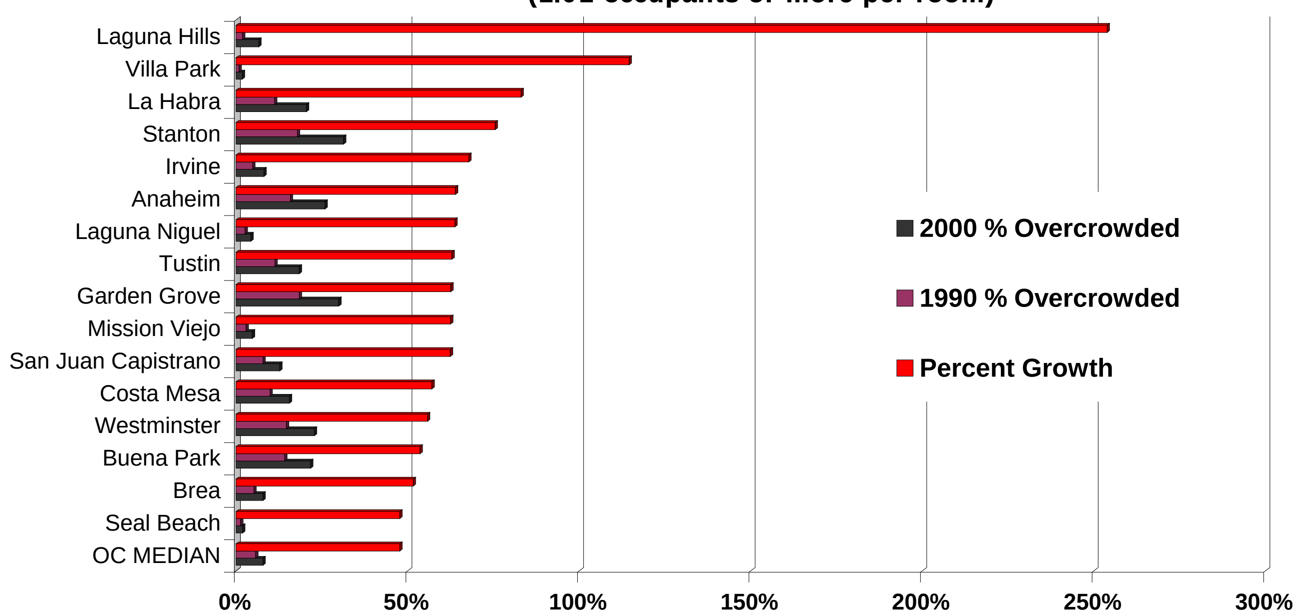
Although Orange County may never resemble Manhattan, Santa Ana was thought to have been built out in 1975, when the last large open parcels were built upon. Since 1975, Santa Ana's population has doubled from 177,400 to 355,000. The underlying lesson of both Manhattan and Santa Ana is that cities can utilize administration of land use along with technology to allow housing unit production to respond to the high demand for housing units.

Infill capacity is a key component of land administration. The definition of Infill is "to fill in any available space within existing development." According to John Landis's database of infill potential, Orange County -– one of the most densely populated areas in the country -– actually has over 34,000 parcels or more than 9,000 acres of developable land.[11] (See Figure 4.7.)

What potential impact can 9,000 acres contribute towards housing? Consider that for the Great Park -– which boasts nearly 4,700 total acres -- about 750 acres are being set aside for housing.[12] It is projected that the 750 acres will yield 5,800 housing units or a density of 5,000 units per square mile. If we were to scale-up this dense mix of housing across Orange County's 9,000 acres of developable land, nearly 70,000 more homes could be created.

Another consideration is the county's developable land does not end after the aforementioned 9,000 acres have been exhausted. As land property values increase, there will be increased incentives for redevelopment for more multi-family planning.

Figure 4.6: 1991-2005 OC Overcrowding
(1.01 occupants or more per room)



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[11] Data courtesy of C. Scott Smith, a researcher at the University of California, Irvine. Smith used the Pilot California Infill Parcel Locator from the Institute of Urban and Regional Development at the University of California, Berkeley to identify potential infill parcels in Orange County.

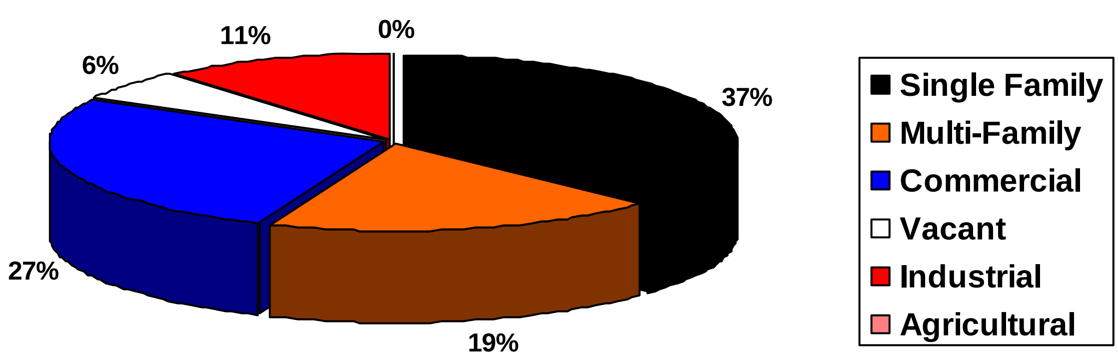
[12] This figure does not include the 60 acres allocated for an unspecified number of affordable housing.

Given the substantial impact that land scarcity has on housing prices and the aforementioned capacity for infill development, Orange County's regulatory environment -– from municipal and zoning entities to the constituencies that influence them –- plays a pivotal role in shaping the future of our housing market.

The housing unit capacity for the county entirely depends upon the type of housing at issue. If we define housing as single-family detached units, then Orange County is indeed nearing build out: there simply is not enough physical space to accommodate continued sprawl of single-story, single-family houses. If instead the discussion accommodates differing types of housing units, we find ourselves very far from being built out. The construction of residential towers in Irvine, Anaheim, and Costa Mesa shows that we can indeed build "up". Such towers are part of a larger set of new developments built inside existing urban areas and known as infill developments. Infill developments can be anything from single-family homes to high-density residential complexes; the key is that they are built within existing urbanized areas, not on the periphery.

In its potential to serve the growing demand for urban lifestyles, infill development could prove a boon for the already prominent Orange County economy. Young professionals and retirees alike are turning from suburbs to urban areas to find the plethora of services and ease of movement only offered by dense, vibrant mixed-use areas. Orange County already possesses most of the infrastructure of an urban metropolis, yet, as revealed by the UCI analysis, the county also has tremendous potential for increasing the density of amenities like housing and services via infill.

Figure 4.7: Current Orange County Acres of Infill Land



Orange County's lack of density could fuel future growth as demand for urban lifestyles drives increased economic activity in dense, connected urban areas. Young professionals will demand jobs with pay commensurate to their skills and that are located in urban centers. With infill, the county can create housing to satisfy the demands that the Orange County economy will be creating in the next twenty-five years.

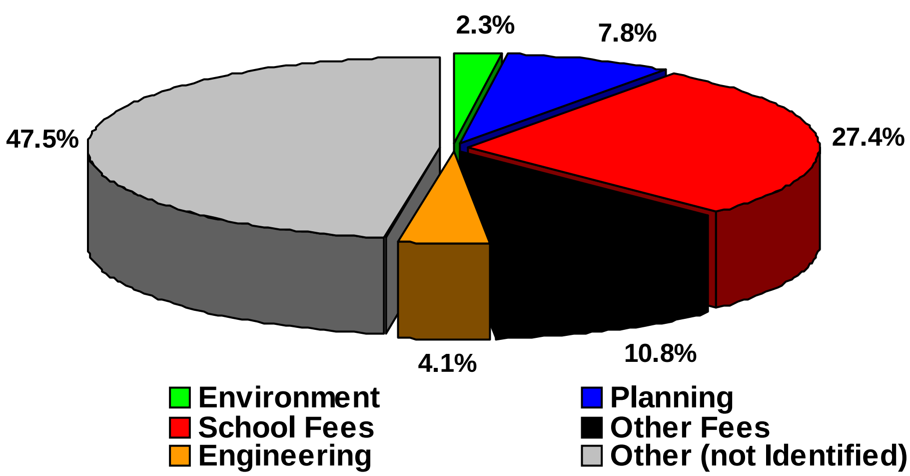
Developer Fees and Environmental Regulation

Recent times have witnessed the growth and utilization of developer fees, or impact fees, in many jurisdictions throughout the state and within Orange County. These fee programs are due in part to fair-share calculations whereby developers of new projects contribute funds to capital improvement programs such as schools, transportation, libraries, or other services.

The fair-share calculations are usually derived based on the size of the project relative to its expected impact to public services. Developer fee programs have extended beyond the usual building permit fees traditionally associated with the costs of development and are typically passed along to the buyer in the form of higher prices, decreasing affordability

According to recent surveys by the Orange County Chapter of the Building Industry Association of Southern California, the median housing permit fee charged by city's in Orange County increased 29percent between 2000 and 2005. During that five year span, only six cities reduced their housing permit fees: Brea, Costa Mesa, Fullerton, La Palma, Los Alamitos and Orange. At the same time, two cities raised their fees by over 250 percent. Figure 4.8 shows, in aggregate form, the various drivers that impact the total permit fee for houses.

Figure 4.8: Housing Permit Fee Breakdown: Orange County Aggregate



NIMBY – Growth Controls

Beyond direct, per-unit housing fees, regulations can also slow down housing construction. "Not in My Backyard" obstruction, or NIMBY tactics, is a popular and powerful force for blocking development. Citizens see higher density developments in proximity to traditionally single family communities as an infringement on the current quality of life. Typical NIMBY concerns include overcrowding at schools, traffic congestion, and the impact of services, such as police and fire. Changes in population or commercial activity encouraged citizens to mobilize and encourage policy makers to curb plans for growth. Policies have been implemented to enact growth boundaries or control housing unit approvals both of which have restricted the supply of housing units.

Whether spearheaded by residents, environmental or industry concerns, the California Environmental Quality Act (CEQA) has proved to be a popular and cost effective method of curbing development. Using CEQA, a claim against a developer can delay housing projects by years, even decades.

State law regulating environmental oversight in the form of the California Environmental Quality Act (CEQA) has expanded over the years to private development review. Environmental Impact Assessment and the production of Environmental Impact Reports have required more pre-development costs of subdivisions and other projects.

These are additional factors of greater cost associated with housing production. Mitigation fees required of final environmental impact further add to the cost of housing production. These costs of production go along with developer fee programs in raising the raw cost of production per housing unit. These regulatory costs have impacted the overall affordability of the housing market because they are passed on to buyers.

Fiscalization of Land Use

In the past, cities could define and shape their balance of housing and jobs both through their control of land use, as well as revenue generation. Today, local governments have lost much of their discretion and control in regards to fiscal policies. Statewide initiatives such as Prop 13 have limited the ability to raise revenue through property tax increases to meet the needs of city budgets. Land-use decision-making authority is the one power still retained and controlled by municipalities. In the absence of financial controls they once had, cities now increase revenues and decrease costs through land use decisions.

Many have argued these cost-sensitive policies have been at the expense of the perceived “balance” of communities. Previously, cities could allocate greater amounts of land for multi-family residential housing units because cities controlled property taxes. Now, such housing units are perceived as undesirable according because of an often mistaken belief that total revenue realized from these units is less than the cost associated with the accompanying public services. Where cities have become wary of approving high cost uses, these policies tend to favor larger-scale commercial uses generating high levels of sales tax. This “fiscalization of land use,” as coined by Dean Misczynski in 1986, means cities favor land uses that generate sales tax rather than property tax. The current imbalance between jobs and housing supply partially reflects the land-use decisions of cities focusing more on the balancing of budgets and less on balancing the community.

Affordable Housing Programs

Orange County and three of its largest municipalities also provide much needed housing assistance for lower-income households. Section 8 assistance is Orange County's primary mechanism for providing housing assistance to those deemed unable to afford[13] the cost of a two bedroom rental home in the county[14]. But as a result of the lack of affordable housing in the county, local housing authorities face a severe backlog in their ability to provide help for those who need housing assistance.

In the span of only one month[15], the Orange County Housing Authority accumulated a waitlist of over 20,000 applicants. City housing authorities also show an increase in demand for affordable housing. In 2004, Anaheim's waitlist included over 17,000 applicants while Santa Ana and Garden Grove had 9,700 and 5,900, respectively. In total, there were over 50,000 applicants on the waitlist for Section 8 housing assistance in 2005. If left open, these waitlists will continue to grow as national funding for section 8 has decreased while housing costs have soared.

Accountability

California state law requires that jurisdictions provide their fair share of regional housing needs[16]. In cooperation with the California Department of Housing and Community Development (HCD), local governments and councils of government are charged with determining their existing and projected housing needs. This process, known as the Regional Housing Needs Assessment, or RHNA, affords cities the responsibility of both establishing and meeting their housing targets. This process of establishing housing targets leaves much to be desired in terms of objectivity and accountability.

During the 1998-2005 cycle, for example, RHNA allocated 52,815 units to the 34 Orange County cities focused on in the Scorecard. Through June 2005, those 34 cities permitted 60,927 units of housing, exceeding their RHNA allotment by 15percent. The most obvious problem is that this target was insufficient to keep up with the growth of jobs created. Even if we suspend this notion that the bar is being set too low, the RHNA process is arguably too forgiving. Consider the following:

- Of the 34 cities that collectively exceeded the RHNA target by 15 percent, only 14 actually met their individual RHNA targets.
- The five most overcrowded cities—those having the highest percentage of households with persons-to-rooms ratios greater than 1.01 in the year 2000—failed their RHNA allocations by an average of 14 percent. One city fell short by more than 8,000 housing units.
- Fourteen cities were allotted 30 percent of the total county need and—largely due to the performance of one city—met 60 percent of the county's target. Meanwhile, 16 cities were allotted 40 percent of the county's target, yet collectively they produced only 21 percent of the county's need.

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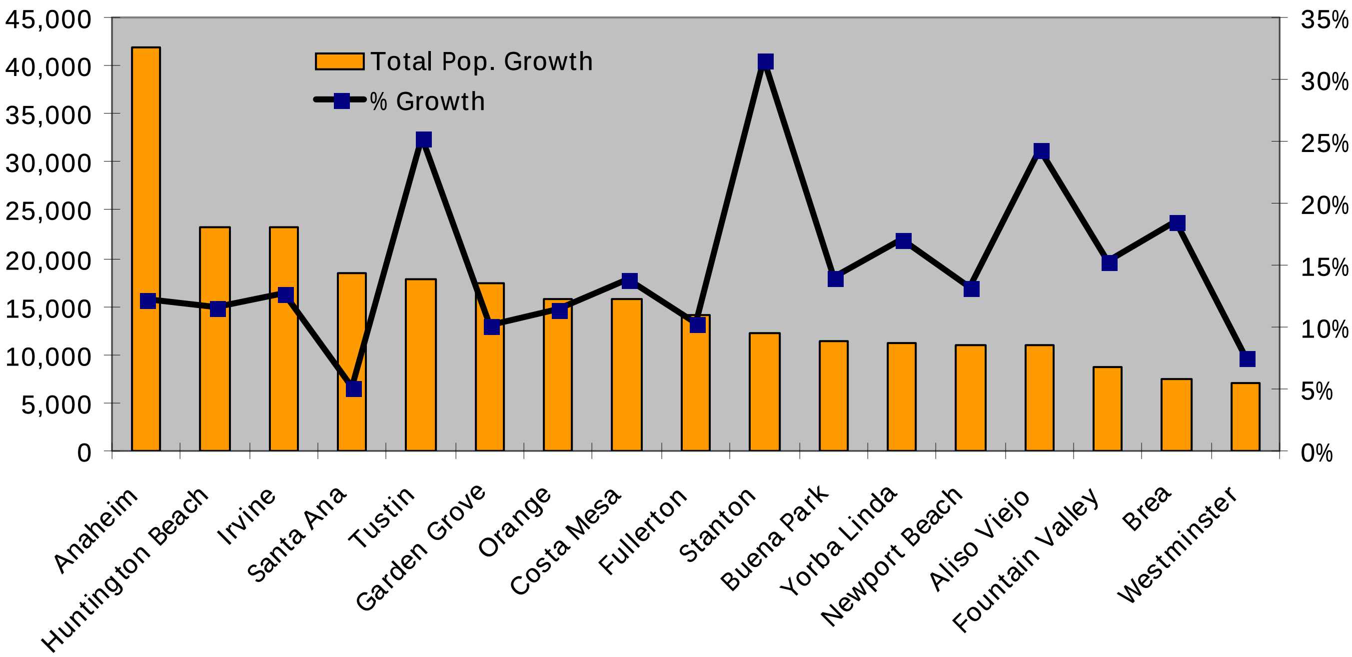
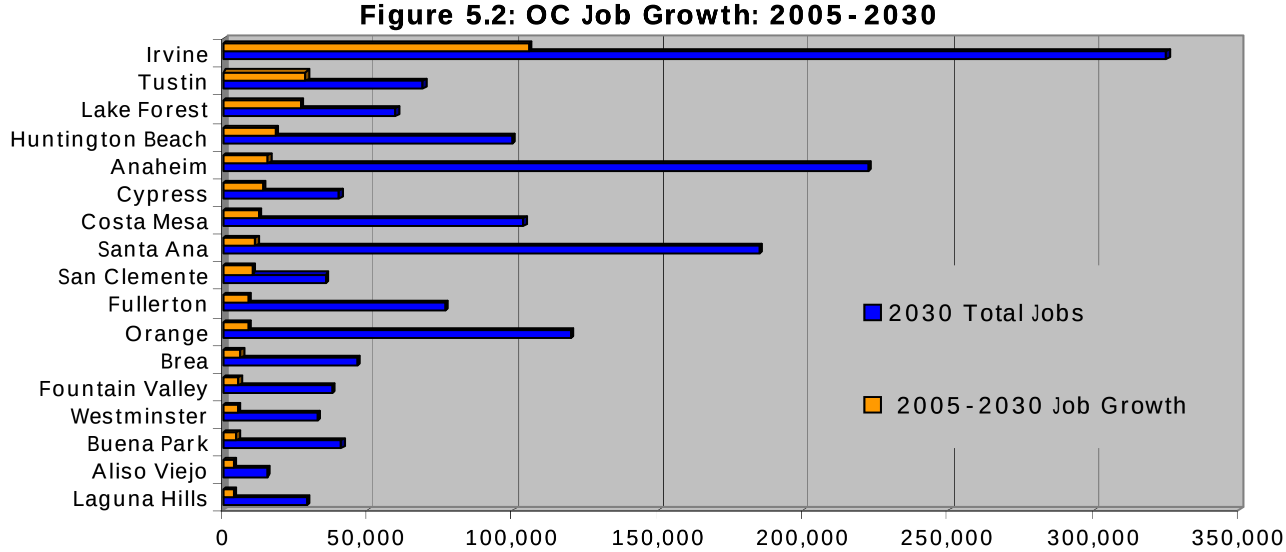
[13] Defined as a person who cannot work a total of 73 hours per week. Priority for section 8 housing is given to the elderly, the disabled and families.
[14] In 2005, fair market rent for a two bedroom housing unit averaged $1,317.
[15] November, 2005. Prior to this, the waitlist had been closed since 2001 and by 2004 was down to approximately 9,800 applicants.
[16] The State of California Department of Housing and Community Development (HCD) is mandated to determine the state-wide housing need.

V. Orange County in 2030

In synthesizing the housing supply and demand trends over the last fifteen years, at the regional level it is unmistakable that housing supply growth has fallen well short of population and job growth, resulting in an appreciation of housing prices that have far exceeded appreciation of income. This section takes aim about how cities housing plans for the future will impact the housing market in 2030.



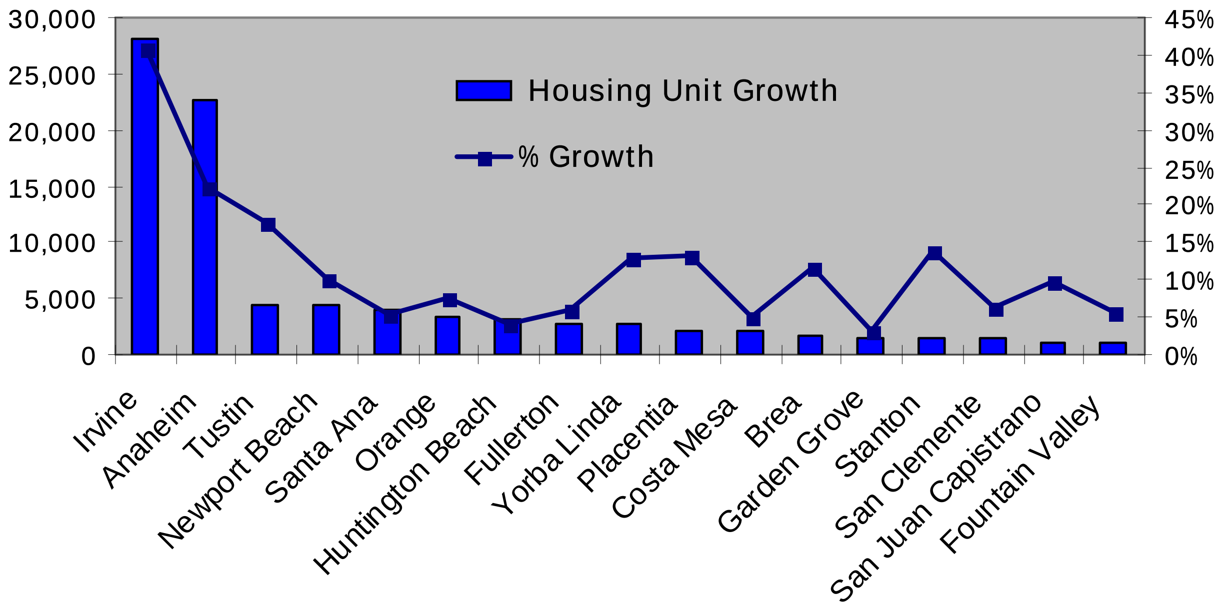


Between 2005 and 2030, Orange County's population is expected to grow by 11 percent to 3,266,000The median city is projected to grow by about 10 percent, or around 7,000 residents. Figure 5.1 includes those cities that are projected to exceed the median population growth rates.

In addition, between 2005 and 2030, Orange County will generate an estimated 320,000 jobs, or a total job growth of 20 percent. During that span, the median Orange County city will create 3,345 jobs. Figure 5.2 illustrates projected job growth in cities.

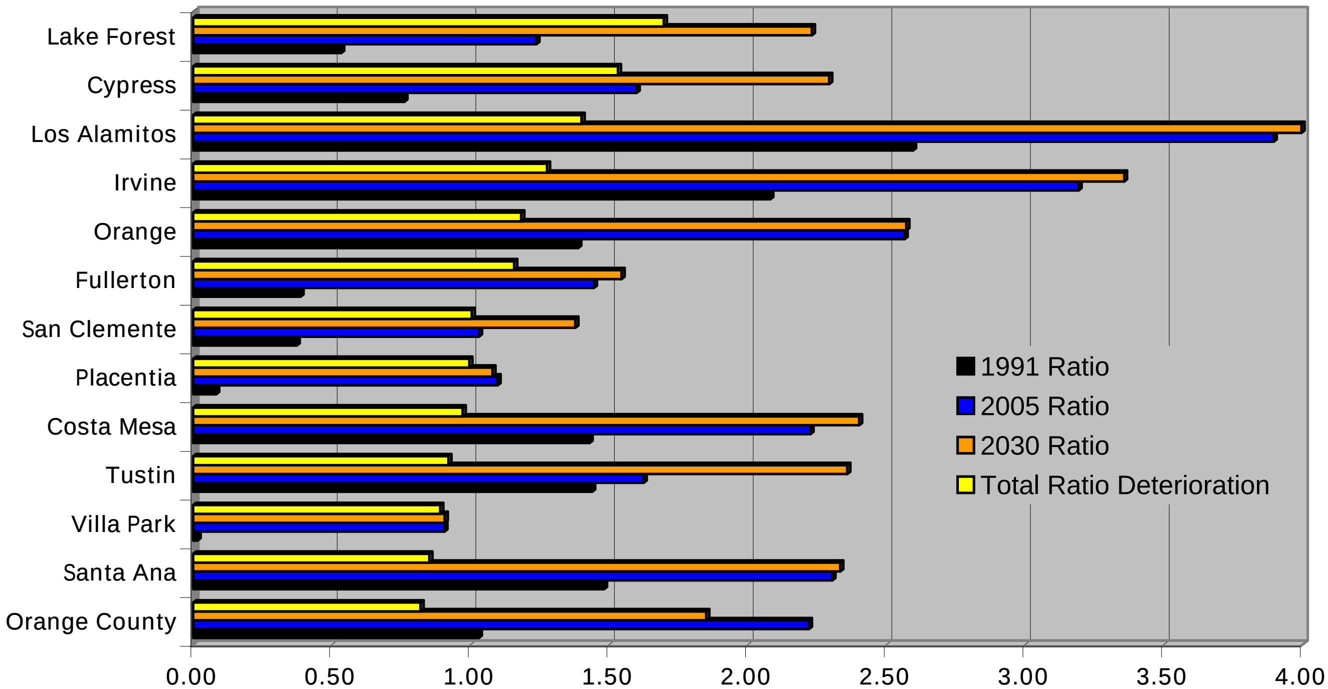
To determine the county's housing forecast, we relied on Cal State University Fullerton's 2007 Orange County Projections. Based on those projections, Orange County is expected to add approximately 94,000 houses between 2005 and 2030 – a growth of just under 10 percent. Figure 5.3 shows only those cities with total housing growth projected to exceed the median rate.

Figure 5.3: 2005-2030: OC Housing Projections by City



In comparing the forecasted job and housing growth, this means that the county will create only one house for every 3.4 jobs. If every new home forecasted accommodated 1.5 workers, as many as 179,000 new workers (56 percent of all new jobs created) would most likely either live in severely overcrowded conditions of commute in from outside Orange County, pushing the number of workers commuting in to Orange County each day to nearly 500,000.

Figure 5.4: 1991-2030 Jobs/Housing Balance Worsens



The preceding pages of this report should make the consequences of this projected imbalance clear. First, the overall ratio of jobs to housing will deteriorate to 1.79 in 2030. (Figure 5.4 shows the breakdown by city). As a result, affordability of homes will decrease further. Second, with so many new workers without homes to purchase, many will be forced to commute from outside the county, resulting in increased commute times, traffic congestion and decreased air quality.

The Fallout of Orange County's Expensive Housing Market

The aforementioned projections portend a further deterioration in housing affordability without significant action. This section takes stock of the likely consequences in both social and economic terms.

The Loss of Young Residents

Perhaps the most alarming trends resulting from the county's high housing costs is its affect on the county's young, working-age population. In identifying the impact of housing on young residents, it's important to take into account two trends:

1. Across the country, the median age will rise with the tide of baby boomers coming into the age of retirement; and

2. The unique and disproportionate loss of Orange County's young, working-age population.

As explained in the introduction, recent Census data shows the number of residents between the ages of 25 and 34 dropped by nearly 12.7 percent between 2000 and 2005, or nearly 59,000 people in five years. This is a trends also playing out in Los Angeles County and San Diego County.

Contrast that with the growth in the 25-34 segment taking place just east of Orange County in the Inland Empire (which constitutes Riverside and San Bernardino counties). The Inland Empire has a total population of about 4.2 million. Between 2000 and 20006, their population of people between the ages of 25 and 34 grew by 149,000 or 32 percent.

Even the expansion of credit in the mortgage sector could not stem this tide. Moreover, since the recent collapse of prominent sub-prime lenders, it's reasonable to assume that credit will be much more restrictive going forward. The loss of young residents can not be underestimated. Cities suffer losses in sales tax revenue and school districts lose critical apportionment funding.

Employers

While we can see that the lack of affordable housing is clearly influencing the decisions of young people, they are not the only ones affected by the cost of housing. After all, many of the 67,000 young people that we identified as leaving Orange County's larger cities between 2000 and 20005 could also be leaving the county's workforce. In May 2007, The Public Policy Institute of California (PPIC) found that California "probably won't be able to attract enough college-educated workers to meet current, skill-driven, economic projections—and thus may have to rein in expectations about what the economy will look like in 20 years." [17]

In this context, many employers might also find the county's housing market to be prohibitively expensive for attracting the young workers they demand. Compounding the issue is that many employers will need to replace the baby boomers on their respective payrolls once they reach the age of retirement.

Will employers be able to replace these retirement-age workers? If not, many employers wishing to remain in Orange County will either need to retain older workers or – if possible – invest in technology to compensate for labor shortages. Other options include reconfiguring operations (through off shoring and/or relocation) or closing operations altogether.

While this may seem like a far-fetched proposition to some, a recent survey of local executives demonstrates that the issue of housing is weighing heavily on the minds of many employers. According to the survey, 25 percent of local executives identified the county's housing as the most negative factor influencing the local business climate. This made housing the most common negative factor influencing the business climate among local executives.

[17] "Can California Import Enough College Graduates to Meet Workforce Needs?" Public Policy Institute of California, *California Counts Population Trends and Profiles*, Volume 8 Number 4 (May 2007).

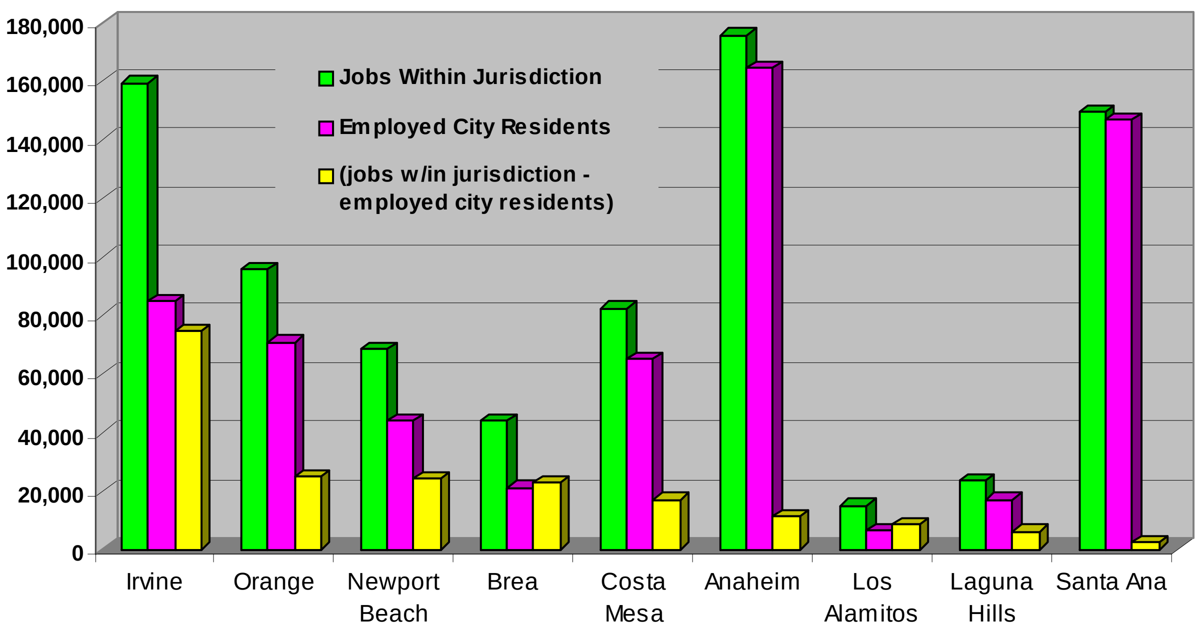
Orange County is not the only area in California affected by high housing costs. The Bay Area, Los Angeles and San Diego Counties also find themselves at a competitive disadvantage. Notwithstanding, the exclusivity of Orange County's housing –- if it persists -– will loom large on employers' hiring and compensation practices, as well as long-term planning. That is, if left unsolved, housing costs will continue to play a larger and more significant role in employers consideration on whether to remain operating in the county, and if so, at what capacity.

Commuters

Following housing, the second most negative factor influencing the business climate is also caused by housing imbalances – traffic, agreed upon by 23 percent of local executives. As many resident commuters can attest, congestion in Orange County is getting worse. Long commutes not only affect personal lives, it impedes the efficient movement of goods, causes declines in worker productivity due to the time lost in transit, and contributes to global warming.

The issue of housing and traffic go hand in hand. Vehicle miles traveled or "VMT" is projected to increase steadily in the future - despite our sustained investments in transportation infrastructure vis a vie Measure M. A significant contribution to our increasing VMT is owed to the fact that aspiring homeowners continue to chase affordable housing located further away from the county's job centers, such as the Inland Empire and Riverside County.

Figure 5.5: OC Employment Magnets (2005)



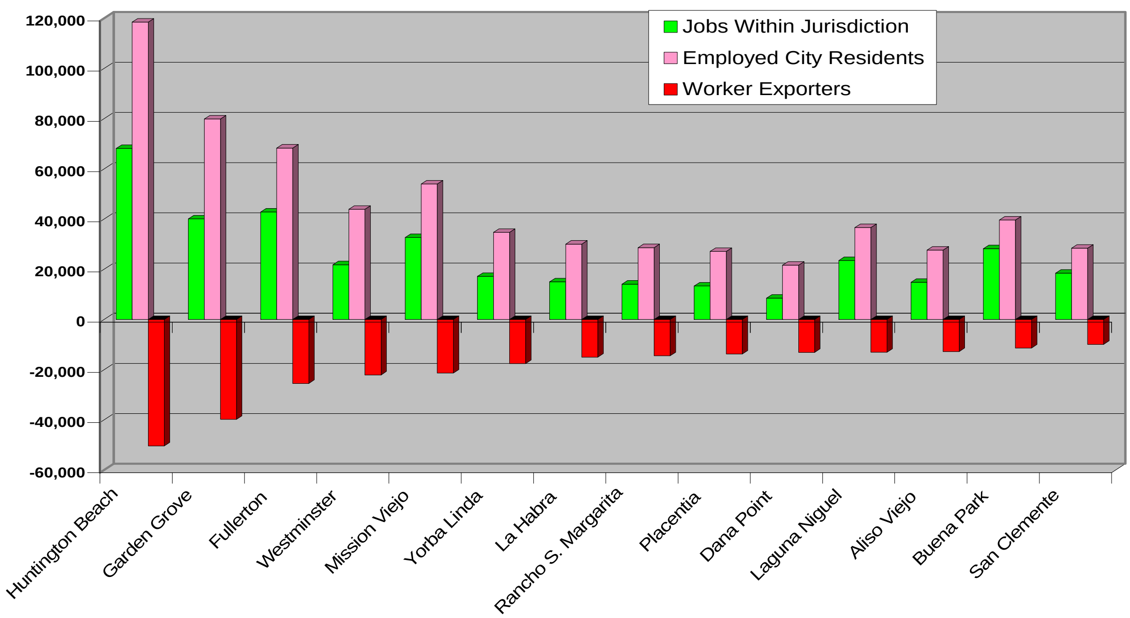
Orange County has 1.3 million jobs and approximately 1.5 employed residents. But because the county lacks an urban "core", the spatial relationship between the jobs and workers is fragmented. Figure 5.5 (previous page) shows the county's largest employment centers. Collectively, these cities attract well over 192,000 (jobs within jurisdiction minus employed city residents).

Where are the workers commuting from? Twenty-five Orange County cities account for a surplus of 331,000 workers minus jobs within jurisdiction. Figure 5.6 shows the fourteen largest "worker exporter" cities in the county[18].

Renters

Since 78 percent of Orange County households cannot afford the median-priced home in the county, the demand for rental properties continues to grow. This effect could be more pronounced given the tightening of credit in the mortgage sector. As such, rental occupancy has increased in 27 out of 34 Orange county cities.[19]

Figure 5.6: OC Worker Exporters



As occupancy rates have increased, so too have the appreciation in rental rates and the relative income needed to afford a home. For the year ending in the third quarter[20], Orange County's largest landlords raised rental prices by an average of 6.1 percent – making the typical rent at a large complex equal to $1,494 (up $88 in a year).

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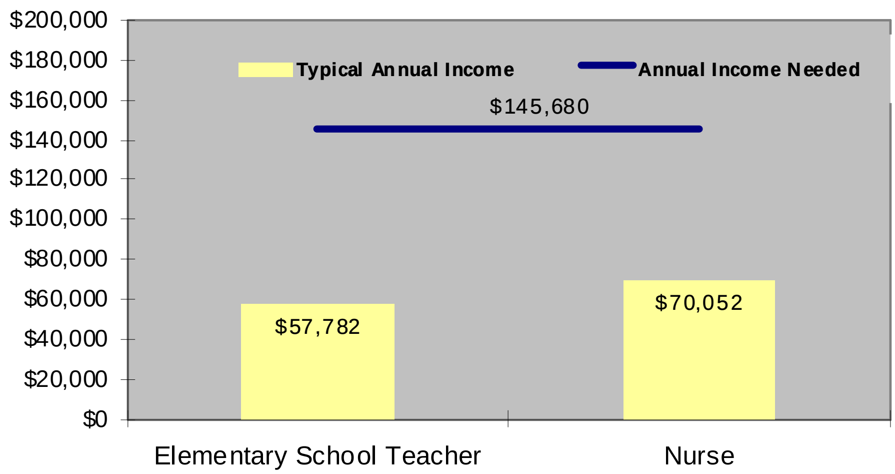
[18] The eleven cities not listed constitute "the long tail" and have between 1,000 to 10,000 more workers than jobs.
[19] The remaining 7 other cities either kept their same rental rate or saw a marginal decrease in rental occupancy (the highest decrease was .9%).
[20] According to RealFacts.

According to the National Low Income Housing Coalition, an Orange County household earning minimum wage can afford to pay no more than $351 per month in rent. A household earning 30 percent of the Orange County median family income ($22,710) can only afford to pay $568 in rent. Among state and national peer metropolitan areas, only San Francisco has higher housing wages (in other words, less affordability in rental housing) than Orange County. The increase cost of renting housing has a spillover effect on the American Dream of homeownership. Increased rents leave renters with fewer savings for a down payment on a home.

Society

According to a poll by the Public Policy Institute of California (PPIC), nearly 75 percent of California residents believe their kids won't be able to find a home in California they can afford. In detailing how the lack of affordable housing impacts young residents, employers, commuters and even homeowners, it becomes clear that the economic impact of home prices are borne not only by first-time homebuyers. The exclusivity of Orange County's home prices will continue to factor into workforce planning, and will have a broad and deep impact on our society.

Figure 5.7: Income Needed to Afford Median Priced Home ($710,920) Compared to Typical Salaries
Orange County, 2006



As we've demonstrated, more and more people will likely move away from the county as housing becomes prohibitively expensive for young residents. Parents and grandparents that remain in the county will have to travel further to see their kin. As such, many residents will be left with a weakened familial safety net that we depend on for emergency support. Friends and professional caregivers will be called upon to fill this void.

Orange County hospitals – by their own admission – are having an increasingly difficult time attracting personnel to work in the county. As seen in Figure 5.7, the annual income needed to afford a house in the county is $145,680[21] more than the combined salaries of a nurse and a school teacher. It's important to think beyond affordability and factor in purchasing power. That is, just because a physician can afford a home in Orange County, doesn't mean he or she will be willing to forgo less expensive housing elsewhere. That is exactly the quandary that local hospitals face in recruiting both nurses and young physicians.

[21] Based on an adjustable interest rate of 6.48 percent

VI. Orange County Business Council Workforce Housing Scorecard

Orange County Business Council Workforce Housing Scorecard, 1991-2005

From 1991 to 2005, newer cities – predominantly in South Orange County -- were the most aggressive in generating new homes. Much of the newly-built homes were constructed on previously undeveloped land. As cities such as Rancho Santa Margarita, Aliso Viejo, Lake Forest, Irvine, San Clemente and Mission Viejo were being constructed, housing expanded at a pace consistent with employment development, and high land values in virgin territories encouraged higher density development.[22]

Orange County Business Council Workforce Housing Scorecard, 1991-2005

Rank	City	Cumulative	Total Job Growth	Housing as a percent of Total OC Housing	Jobs to Housing Ratio	Change in Housing Density
1	Irvine	26	1	1	18	6
2	Aliso Viejo	27	22	2	2	1
3	Tustin	31	16	9	3	3
4	Lake Forest	33	10	7	11	5
5	Newport Beach	36	9	5	13	9
6	Huntington Beach	42	8	6	15	13
7	Mission Viejo	42	11	8	9	14
8	San Clemente	46	12	11	12	11
9	Westminster	46	15	13	10	8
10	Laguna Niguel	48	20	12	4	12
11	Placentia	53	13	17	19	4
12	Orange	55	4	10	25	16
13	Laguna Hills	60	26	20	7	7
14	Anaheim	61	2	4	24	31
15	Rancho Santa Margarita	64	27	3	1	33
16	Stanton	64	31	25	6	2
17	Fullerton	66	5	14	27	20
18	Cypress	68	14	23	21	10
19	San Juan Capistrano	69	25	19	8	17
20	Yorba Linda	69	23	16	5	25
21	Garden Grove	72	7	18	26	21
22	Santa Ana	72	3	15	31	23
23	Brea	74	19	21	16	18
24	La Habra	81	28	24	14	15
25	Costa Mesa	82	6	22	30	24
26	Fountain Valley	88	17	26	23	22
27	Dana Point	89	21	27	22	19
28	Buena Park	101	18	28	28	27
29	La Palma	107	34	30	17	26
30	Laguna Beach	110	24	29	29	28
31	Seal Beach	117	33	32	20	32
32	Los Alamitos	122	29	31	33	29
33	Villa Park	127	32	33	32	30
34	Laguna Woods	132	30	34	34	34

[22] Note that Laguna Woods has 0 Jobs in 1991. The city was incorporated in 1999.

The Orange County Business Council Workforce Housing Scorecard, 2005-2030

The Scorecard rankings for the period between 2005 and 2030 reflect a significant change in the type of future development Orange County will see compared to the residential that took place in the past. As the availability of virgin land in the county diminishes, housing development is increasingly taking place in the already developed, more urbanized areas of Orange County where jobs, commercial activity and recreational opportunities already exist, such as Anaheim, Santa Ana and Irvine. Furthermore, since older and more urbanized jurisdictions have fewer undeveloped parcels for infill development, higher density housing will become more common.

Orange County Business Council Workforce Housing Scorecard, 2005-2030

Rank	City	Cumulative	Total Job Growth	Housing as a percent of Total OC Housing	Jobs to Housing Ratio	Change in Housing Density
1	Anaheim	13	5	2	3	3
2	Irvine	16	1	1	13	1
3	Santa Ana	32	8	5	10	9
4	Tustin	32	2	3	23	4
5	Newport Beach	33	21	4	2	6
6	Orange	36	11	6	8	11
7	Fullerton	42	10	8	11	13
8	Brea	43	12	12	12	7
9	Placentia	44	25	10	4	5
10	Huntington Beach	45	4	7	19	15
11	Costa Mesa	50	7	11	20	12
12	Stanton	51	30	14	5	2
13	Yorba Linda	51	31	9	1	10
14	Cypress	61	6	18	29	8
15	Fountain Valley	61	13	17	17	14
16	Garden Grove	62	23	13	7	19
17	San Juan Capistrano	64	18	16	9	21
18	Aliso Viejo	66	16	19	14	17
19	San Clemente	66	9	15	24	18
20	Buena Park	73	15	20	18	20
21	Laguna Woods	85	29	25	15	16
22	Westminster	86	14	21	27	24
23	Laguna Niguel	89	19	22	22	26
24	La Habra	90	22	24	21	23
25	Laguna Hills	93	17	26	28	22
26	Mission Viejo	95	27	23	16	29
27	Dana Point	101	24	27	25	25
28	Villa Park	101	34	33	6	28
29	Lake Forest	102	3	31	34	34
30	Rancho Santa Margarita	114	26	28	30	30
31	Seal Beach	114	20	29	32	33
32	Los Alamitos	116	33	30	26	27
33	Laguna Beach	122	28	32	31	31
34	La Palma	131	32	34	33	32

Assessing the State of Housing in Your City

Any understanding of the present must begin with an examination of the past. The historical content of your city is the most important element to understanding why things are as they are today. However, situating a city in its historical context is a daunting task. A contradictory scenario of information shortage and information overload leads to frustration at not being able to find sources and despair at there being just too much to know. Because of this, restricting the investigation to those historical elements most beneficial to gaining an understanding of housing proves fruitful.

Perhaps the most important of these elements is population change over time. After all, housing only exists because people do. No people, no housing. More importantly, less people mean less housing and more people, more housing. This highlights the need to examine population *trends* rather than points in time: it is *changes* in population that drive changes in housing. Understanding a city and its region's historical population trends lends insight to the present as well as to forecasting.

Closely related to population trends are employment trends. Likely, the two are highly correlated. The important thing to note is trends *within the region*. Dependent on the relative mobility of commuters, the growth and reduction of job centers will impact housing patterns. However, given Orange County's receptivity to wide-ranging commutes, there may be no patterned response of housing to employment trends within the region. As long as employment merely shifts around the region rather than leaving it, population and housing may not be effected. Within a city, if employees commute in, both declining and growing employment centers may not impact housing in the city. The impact really depends on the commuting culture, especially on the threshold for physical distance—which really equals time—employees will willingly spend on the road before deciding to change residences. Commuting culture is plastic and will change with time given interaction with other trends like population and employment.

Another essential element is median home price. As the Housing Scorecard demonstrates, median home price in Orange County changes the housing landscape by pricing out of the market people who had previously lived in Orange County. Trends in median home price are related to population and employment trends above discussed.

The Orange County Business Council Workforce Housing Scorecard, Cumulative

What are the commonalities between the 1991-2005 and 2005-2030 periods? In general, the larger, more urbanized cities made greater strides to balance housing and job growth, resulting in a higher ranking for those periods. Smaller communities with a higher concentration of single family residential housing posted lower rankings.

Among coastal cities, Huntington Beach and Newport Beach received relatively high rankings during both timeframes while Laguna Beach and Los Alamitos had lower rankings. In the inland areas, Tustin and Orange do well while Villa Park and La Palma did poorly.

There is also some contrast between the two periods, namely the migration of housing growth from South and Coastal cities in 1991-2005 to more urban and inland communities between 2005 and 2030. In the 1991-2005 grades, coastal South County cities did well largely due to the fact that new tracts in San Clemente and Aliso Viejo were under construction in addition to coastal communities north of the 55 Freeway such as Huntington Beach and Westminster. However, from 2005-2030, in both North and South County, the larger inland cities like Anaheim and Santa Ana will see greater housing supply growth and should be highlighted as the cities showing the greatest improvement in balancing the dual pressures of growing jobs and growing housing supply.

Given these shifting trends, it is fitting that the city of Irvine, located in the center of the county, straddling both coastal, inland, northern and southern areas of the county, was the city with the highest cumulative ranking when taking into account both time periods. Irvine's geographical advantage should take nothing away, however, from the city's long-standing commitment to balance job and housing growth.

Orange County Business Council Workforce Housing Scorecard, Cumulative

			1991-2005				2005-2030			
Rank	City	Cumulative	Total Job Growth	Housing as a percent of Total OC Housing	Jobs to Housing Ratio	Change in Housing Density	Total Job Growth	Housing as a percent of Total OC Housing	Jobs to Housing Ratio	Change in Housing Density
1	Irvine	42	1	1	18	6	1	1	13	1
2	Tustin	63	16	9	3	3	2	3	23	4
3	Newport Beach	69	9	5	13	9	21	4	2	6
4	Anaheim	74	2	4	24	31	5	2	3	3
5	Huntington Beach	87	8	6	15	13	4	7	19	15
6	Orange	91	4	10	25	16	11	6	8	11
7	Aliso Viejo	93	22	2	2	1	16	19	14	17
8	Placentia	97	13	17	19	4	25	10	4	5
9	Santa Ana	104	3	15	31	23	8	5	10	9
10	Fullerton	108	5	14	27	20	10	8	11	13
11	San Clemente	112	12	11	12	11	9	15	24	18
12	Stanton	115	31	25	6	2	30	14	5	2
13	Brea	117	19	21	16	18	12	12	12	7
14	Yorba Linda	120	23	16	5	25	31	9	1	10
15	Cypress	129	14	23	21	10	6	18	29	8
16	Costa Mesa	132	6	22	30	24	7	11	20	12
17	Westminster	132	15	13	10	8	14	21	27	24
18	San Juan Capistrano	133	25	19	8	17	18	16	9	21
19	Garden Grove	134	7	18	26	21	23	13	7	19
20	Lake Forest	135	10	7	11	5	3	31	34	34
21	Laguna Niguel	137	20	12	4	12	19	22	22	26
22	Mission Viejo	137	11	8	9	14	27	23	16	29
23	Fountain Valley	149	17	26	23	22	13	17	17	14
24	Laguna Hills	153	26	20	7	7	17	26	28	22
25	La Habra	171	28	24	14	15	22	24	21	23
26	Buena Park	174	18	28	28	27	15	20	18	20
27	Rancho Santa Margarita	178	27	3	1	33	26	28	30	30
28	Dana Point	190	21	27	22	19	24	27	25	25
29	Laguna Woods	217	30	34	34	34	29	25	15	16
30	Villa Park	228	32	33	32	30	34	33	6	28
31	Seal Beach	231	33	32	20	32	20	29	32	33
32	Laguna Beach	232	24	29	29	28	28	32	31	31
33	La Palma	238	34	30	17	26	32	34	33	32
34	Los Alamitos	238	29	31	33	29	33	30	26	27

Laguna Woods incorporated in 1999. 1990 Housing Units are based on the 2000 data from the California Employment Development Department.

City area for calculating Housing Unit Density was derived by University of California, Irvine, using Geographic Information Systems software and Tiger data files from the United States Census Bureau.

VII. Workforce Housing Report Card: Methodology

The Workforce Housing Report Card assesses the contributions made by each Orange County city towards workforce housing, and ultimately, the health of the local economy. The foundation of our report was based on past, present and future housing growth, which we juxtaposed with job and population growth during the same time periods.

The key metric that we used to measure these trends was a job to housing ratio. Aggregated on a countywide scale or broken down at the city level, this ratio tells us how many new jobs were created for every new house. We were inspired to use this metric by research from John Landis, a Professor at UC Berkeley, who argues that a ratio of 1.5 jobs per home constituted an acceptable balance for workforce housing. A higher ratio would indicate that there are more jobs per home, which results in greater scarcity of housing for workers. An important qualifier we added to this ratio was that no city could earn a favorable ranking by losing jobs.

Where did we get the jobs and housing data? We relied on historical data on housing and employment were sourced from the California Employment Development Department, California Department of Finance, the Center for Demographic Research at Cal State University, Fullerton, as well as individual cities. Our projections for 2005-2030 were provided by the Center for Demographic Research –- Cal State Fullerton, Orange County Projections 2006.

After establishing the jobs to housing foundation, we then sought to ground the report in its proper context. While essential, the jobs to housing ratio does not adequately explain other important factors affecting workforce housing, such as density, land use and the regulatory environment. To assess the county's recent and projected trends in density, we incorporated the aforementioned housing figures with city square mileage information taken from the 1990 census and updated for 2005. The updated information was derived by Scott Smith of the University of California, Irvine, who used Geographic Information Systems software and Tiger data files from the United States Census Bureau.

Why track density? Changes in density reflect a city's ability to accommodate more workers through increased multi-family housing developments. This criterion helps us qualify the type of housing built in a period. That is if two cities build 100 homes each, the city that creates the greater proportion of multifamily housing compared to single-family housing should come out ahead in this category.

Next, we tracked the overall contribution of each city towards the county's housing. We did this to account for the greater impact larger cities can have on the county as a whole. A small residential community may boast a superior job-to-housing ratio and increase density, yet still make a negligible contribution to the health of the overall economy. In contrast, the cities of Irvine and Anaheim are projected to create a substantial share of the county's housing between 2005 and 2030.

The same line of reasoning inspired us to create a criterion for total jobs created. As you will recall, our core indicator is job to housing growth. The future prosperity of Orange County will hinge on our ability to promote both, not one at the expense of the other.