

## Participants

### GLENN HAYES

› Executive director of Neighborhood Housing Services of Orange County

### PATRICIA NEAL

› REALTOR® and past president of C.A.R.; president and CEO of the Orange County Housing Trust

### TERRY RYAN

› REALTOR® and 2010 chair of C.A.R.'s Housing Affordability Fund

### PAUL ZIMMERMAN

› Executive director of Southern California Association of NonProfit Housing (SCANPH)

## Moderator

### ANNE FRAMROZE

› Vice president of marketing and communications, C.A.R.

# Affordability Redefined

## Prices are low, but affordability is still elusive

The median price of a home in California is \$297,500. If housing affordability was as simple as price point, California's long-standing affordable housing crisis would be solved. But affordability is a complex issue and resolving California's affordable housing crisis requires coming to terms with the Golden State's aversion to taxes, regional governments' unwillingness to collaborate, bond initiatives' cyclical rollercoaster drives, and misconceptions. We asked four leaders of non-profit groups to discuss the current status of housing affordability.

**FRAMROZE:** *Describe the "affordability" issue with respect to your local area?*

**HAYES:** We're seeing prices that are more affordable but, at the same time, we're seeing financing disappear for first-time home buyers. Fortunately, our programs are still operating thanks to the Housing Trust, CalHome, Prop. 1C funding, the Federal Home Loan Bank for down payment assistance, and thanks to the CALIFORNIA ASSOCIATION OF REALTORS® for their down payment-assistance program. Putting all those together, we can still put a pretty good package together for first-time home buyers. We want to see more funding out there, but if you really search for it, it's there. Most of the major lenders still have an active first-time home buyer program.

**NEAL:** I'm not seeing affordability for the workforce. I'll give you an example: Six cities in South Orange County recently had a total of 12 single-family residences on the market—the median price was \$425,000 to \$450,000. That's

not exactly affordable, even if you take someone who's making \$80,000 a year. They have a difficult time qualifying because the payment is nearly \$2,960 on an FHA loan with a 5 percent interest rate, 3.5 percent down. They still have to come up with something like \$24,000 in down payment and closing costs. That doesn't equate to affordability for the workforce.

**RYAN:** There are areas around the state where prices are at early 1990 levels and we've met the price for affordable housing. The trouble is that tightened credit has made it almost impossible for many people to get into homes. Renters are trying to get into something, and they just can't. Now, [scores in the] 720s are more the norm. That's pushed them out of [being able to purchase]. While we've gained on the inventory side, price side, and interest side, we've lost on the available credit side. Even if [a buyer is] qualified,



now they have appraisal issues [to contend with] as a result of the appraisal management systems.

**ZIMMERMAN:** We're in a transition period. Southern California really is a land of

TERRY RYAN



renters. We all aspire to own homes, but for many people that has been out of reach traditionally, and will continue to be out of reach. Here's an example that really startled me: During the boom years of 2002 to 2006, approximately 90 percent of the housing that was built in the City of Los Angeles was affordable only to households making above \$135,000 a year. We can all see that didn't work. That created a tremendous amount of stock that simply was not affordable to the vast majority of the people who needed it.

In addition, most of the ways that subsidized affordable housing have been financed either collapsed or have been frozen. Municipal local budgets are in dire straits; the state budget and state housing programs are either in disarray or at the end of their budgets. There is a bit of a ray of hope on the federal level in that there appears to be some really aggressive, energetic folks in Washington who are looking at this issue in a new way, but the federal budget is not in the greatest shape. If we're going to move forward, we're going to have to find new ways of doing it: new sources of financing, new approaches to land use, a lot of political will, and the capacity of organizations and developers to do the job.

**FRAMROZE:** *So what are some key broad challenges that are specific to today's market?*

**ZIMMERMAN:** If you take a step back from a specific issue, like financing, you immediately bump into a need for greater political will and greater political participation from REALTORS® and the organizations that we all belong to, in bringing these issues to the front burner of local political agendas. There's tremendous competition for our elected officials' attention. There's a tremendous competition for resources; the only way that we're going to reestablish a lot of these programs is through advocacy and bringing this to policymakers' attention.

The financing of affordable housing—housing subsidized by some public source and/or a private incentive investment—typically includes a local piece, and often a state and federal piece. The state piece is very important. We have financed housing at the state level through general obligation bonds—three or four major bond sales in the last 25 years.

There are two key things about that: It really creates an incredible rollercoaster of a ride whereby a bond campaign is mounted, an extraordinary amount of effort goes into an election campaign, a referendum, getting the bonds on the ballot, passing these bonds. Everyone gears up. Wheels start turning. People are hiring. Capacity increases. Then, three years later you're out of money, shops

shrink, capacity diminishes, institutional memory is lost, institutional skill is lost, and production plummets. There are a lot of people who really feel we need some

## Next Day Roof CERT™

**What sets us apart?  
Service you can count on!**



- ✓ 1, 2 and 3 year Roof Certifications available Starting at \$199
- ✓ FHA/HUD Compliant
- ✓ Certs for ALL Roof types: Flat, Tile, Wood Shake, Shingle & ALL Structures

**Call us! – Customer Service 800-676-8888  
Order online [www.RoofRx.com](http://www.RoofRx.com)**

**RoofRx™**  
*Fast, clean, same-day repairs®* .COM

Corp HQ 6033 W. Century Blvd. Ste 970 Los Angeles, CA 90045 CSLB #811902

GLENN HAYES



sort of dedicated permanent source of financing for housing at the state level.

**NEAL:** I think the creative talent is there, on the state, the regional, and the federal level. That isn't the problem. The problem appears to be we can't get the individual communities to work together, saying this is everybody's problem.

In line with that, the Orange County Housing Trust, in partnership with the Pacific West Association of REALTORS® and the Orange County Association of REALTORS®, is holding forums with members of Congress. Orange County has three members who sit on the Financial Services Committee. Most of the money coming into the state and down to the locals comes from the feds. We have to make the people who are controlling that money aware that [collaboration] isn't happening on the local level. That's one way that you can have some political clout.

Through these forums with REALTORS® and local appointed elected people, we hope that we can get the point across that the money you're getting, you're getting from the feds. Therefore, do something about housing affordability. At least talk to each other.

**HAYES:** I agree that local cooperation

is a problem. The way the county government is set up, particularly in Orange County, it's weak. It doesn't really deal with overall issues. There's no dominant city like in Los Angeles County. There's no mayor who's leading or giving leadership. And particularly, in housing, it just hasn't come together. Even the REALTOR® associations—two strong associations—serve different parts of the county.

It's really been up to the non-profit sector to bring together groups. It has to happen if we're really going to meet the regional needs, and they are regional.

The City of Garden Grove and the City of Santa Ana cannot solve this by themselves, because transportation corridors don't respect city limits. There's a real problem, but there's also some hope out there that we're moving in the right direction.

**RYAN:** From a REALTOR®'s standpoint, it's hard to break it down to a single issue. But if we fill all of the foreclosures, the basic laws of supply and demand [will spur] builders to start building. When the builders start building, people will go back to work and have money to buy the houses that are being built. It's a snowball. As those homes get built, there'll be money freed up from Freddie and Fannie, because they won't be taking care of all of these foreclosure properties. C.A.R.'s Housing Affordability Fund is doing something to help. This year we contributed \$1 million dollars to a Mortgage Protection Program, and it's all set up for the benefit of people who work with REALTORS®. Obviously, that benefits REALTORS®, too, because we want to push people back into our doors.

**NEAL:** C.A.R.'s Housing Afford-

ability Fund also gave the Orange County Association of REALTORS® a \$100,000 grant to be allocated in \$6,000 individual grants for closing costs. It's a pilot program and we are excited about it. The Orange County Association of REALTORS® said no one's even thought about closing costs, which when you start looking at closing costs on a \$425,000 house, they are not as affordable as we would like. I don't believe this program could have gotten off the ground without the Housing Affordability Fund's generous grant.

**FRAMROZE:** *Has the first-time home buyer tax credit had an impact in your area?*

**RYAN:** The \$8,000 tax credit did push some people to the table. I'm not sure how many new people it brought to the table. I'm not sure that some of those people couldn't have figured out a way to accomplish it anyway. People are trying to get into houses no matter what. The tax incentive doesn't hurt, certainly.

**ZIMMERMAN:** The credit is probably a useful part of a stimulus package. It really has to do with the emergency that we're in, in terms of the contraction of

PAUL ZIMMERMAN



the economy. It's not really a long-term solution or a long-term program. It's a very complicated puzzle, and I think it's worth mentioning that real wages have not gone up since the 1970s. You're fighting a losing battle unless people can pay for homes and are able to rent apartments. There's an income side to this, which is a key piece, as well as a credit side, a financing side, an equity side, and a land use piece. It's a very complicated puzzle with a lot of moving parts.

**FRAMROZE:** *Besides bond initiatives, what else needs to occur at the state level?*

**ZIMMERMAN:** Another large category of policy that's on the table is the entire taxing and revenue structure of the state itself. It appears that there are going to be initiatives on the ballot that are going to propose changing the way taxes are collected and address some other governance issues. There's a great deal of debate as to whether reform should come through the ballot or through a Constitutional Convention. Until we take a hard look at the way the state pays its way, we're going to be driven to these fee-based solutions whereby localities are unable to support themselves except for these extraordinarily high linkage fees. The fact that cities have to prioritize commercial development over residential—for the sales tax—hurts affordability. ...

Affordable housing depends a great deal on the low-income housing tax credit to bring in investors in the equity portion of these projects. That program is in trouble. When you hit a recession and nobody has profits to shelter, you lose all of the investors interested in your program. Two years ago, \$9 billion of investor money was flowing through the local housing tax credit program. That has dropped to less than half.

There was a very successful part of the federal stimulus package that backstopped and helped to replace some of that tax credit money. We're trying

**\* Two years ago, \$9 billion of investor money was flowing through the local housing tax credit program. That has dropped to less than half.**

—PAUL ZIMMERMAN  
Executive director of Southern California Association of NonProfit Housing (SCANPH)

to find a federal legislative vehicle for extending that tax credit program into next year. We need to find creative ways of renewing local and state and federal financing for affordable housing projects. We also need to find ways of working with lending institutions to provide the debt that these projects need, as well, because it's much harder to borrow money for these projects at the moment.

**NEAL:** We have on the books a housing law that is very strict: Regional Housing Needs Assessment numbers. These numbers are issued by the Southern California Association of Governments and approved by the California Department of Housing and Community Development. Each community has a certain number of units that it is required to build. About one-third  
*Continued on page 31*

## The Total Roof Warranty

**What sets us apart? Coverage you can count on!**

- ✓ Higher coverage per policy: \$5,000 vs. \$1,000 standard
- ✓ Maintenance Visit Included: Prevents leaks and claims back to you
- ✓ Superior Coverage: Includes Flashings, Broken Tiles & Missing Shingles
- ✓ Coverage for ALL roof types: Flat, Tile, Wood Shake, Shingle
- ✓ Use on all building types: SFR, multi-unit, Commercial & Industrial
- ✓ Continuous Coverage: Renewable and Transferable
- ✓ Extended Coverage: Includes non-living spaces and detached garages

**Call us! – Customer Service 800-676-8888**  
**Order online [www.RoofRx.com](http://www.RoofRx.com)**

**RoofRx**<sup>TM</sup>  
*Fast, clean, same-day repairs*<sup>®</sup> .COM

Corp HQ 6033 W. Century Blvd. Ste 970 Los Angeles, CA 90045 CSLB #811902

## Affordability Redefined

*Continued from page 23*

of communities are out of compliance, some intentionally, because they don't want to build the housing.

The other thing that communities do that increases the cost tremendously is adding charges for permitting. In Orange County, at one point, the added cost from local entitlements to a single-family residence was \$60,000 per residence. That's knocking your affordability, even with subsidies, way off the chart.

One of the things that the electorate has done over the past 15 years is budget carve-outs. You cannot do carve-outs and legitimately do the kind of budgeting that needs to be done. We really haven't raised taxes in the state. Local communities then start assessing housing, because that seems like a good idea.

One area where local communities really do need help is with the redevelopment agencies. Redevelopment is a marvelous mechanism that the state put into place and that has helped affordable housing tremendously. The state now is taking the redevelopment money. That's having a major impact on local communities and it will have even more of an impact because this not only affects affordable housing, it also affects commerce and the base economics. Without the base economics to work from, they're going to have even worse problems than they currently have.

**FRAMROZE:** *What's the biggest misconception about affordable housing?*

**NEAL:** When people hear "affordable housing," they think of low-income housing—a homeless issue. We decided to go with "workforce" housing: the people who keep a community going. Those are the people we're talking about when we talk about workforce. We'd like them to be able to live there.

**RYAN:** When you talk about affordable housing with political figures, you spend the first 20 minutes explaining that affordable housing is not low-income housing. I agree that "workforce housing" is what we need to get across because that's the first misconception.

**ZIMMERMAN:** They think of the public housing of the '40s and '50s. Hundreds of members of my association have built thousands of apartments that are affordable and targeted to low-income families, are well kept, a credit to the community, and not a focus of extra police attention. I would say who's living in an apartment building is much less an issue than how it's managed and who's responsible for it.

**HAYES:** "Affordable housing" carries negative connotations. We need to start talking about healthy communities, vibrant neighborhoods. For instance, the neighborhood I live in has three- and four-bedroom homes, and it's aging—there are few kids, because we don't have a healthy market. Families cannot afford to move up into these homes. I think we should explore changing our thinking and begin talking about healthy communities and a healthy market, so we can keep these neighborhoods vibrant and alive, and keep the schools populated.

*Continued on page 33*



**EXIT Realty Is Growing**

**Prime Franchise Territories Available In California Now!**

**Nationwide Over 1,300 Franchises Sold 30,000 Agents Recruited**

**EXIT Brokers & Agents Retire With Income!**

**For Franchise Information**  
**(760) 952-2345**  
**www.exitrealtysocal.com**

C.A.R. Tips & Tools ... *Make the Most of Your Membership.*

### Have You Checked the Forecast?

What's the 'new normal' for the California housing market this year? Find out by viewing C.A.R.'s 2010 Economic Forecast video featuring C.A.R. Chief Economist Leslie Appleton-Young.  
<http://videos.car.org/>

### Go Green One Transaction at a Time

ePUBS™ for zipForm® 6 is now free to all C.A.R. members! Take the next step toward a paperless transaction by delivering mandated and consumer disclosure material to your clients the eco-friendly way!  
[www.car.org/winforms](http://www.car.org/winforms)



Find it all on [car.org](http://car.org).  
C.A.R. We're All About You.

## CLASSIFIEDS

### NEWSLETTERS



"...The newsletter has more than paid for itself. It is the only thing I've used that works! It's awesome!"

"I get a great response from your newsletter. After sending it out half a dozen times, strangers would call me to let me know how well-written and informative it is."

-Chris Tarantino  
Tarantino Real Estate, Inc.

**SEE FOR YOURSELF!**  
[www.rightsidemarketing.com](http://www.rightsidemarketing.com)  
800-456-4395

### PRODUCTS

**1-800-THE-SIGN**  
4' x 4' SIGN  
Full Color \$89.98  
PVC Post Kit - \$84.88 with flat caps  
**\$68.88** Black on White  
1-800-843-7446  
[www.1800TheSign.com](http://www.1800TheSign.com)  
Next day delivery available

### LIGHT YOUR SIGN AND RIDER TOO!™



- More calls more listings
- Super bright solar light
- No batteries to buy, locks included

[WWW.AGENTS LIGHT.COM](http://WWW.AGENTS LIGHT.COM)  
Ph: 619. 591.8822

### SOFTWARE

Agent Business Builder™ Classified Simplified Pro™

real estate software



**PowerMate**  
SOFTWARE™

1-800-581-1943  
[www.powermatecorp.com](http://www.powermatecorp.com)

## TO ADVERTISE HERE

**CLASSIFIED  
ADVERTISING**

Contact C.A.R.  
(213) 739-8288

### SERVICES

# Simple. Easy. Free.

## ClientDIRECT® Keeps Your Clients in the Know.

With ClientDIRECT® – the choice is yours. Customize your user-friendly e-newsletter with your own photo, listings, local real estate news, and more. You'll strategically reach your entire client list every month, expand your referral network, and generate more leads. Your current and potential clients will thank you.

There's no reason to wait.  
Sign up for **ClientDIRECT** today.

For more information, please visit [www.clientdirect.net](http://www.clientdirect.net).

**C.A.R. We're All About You.**



## Affordability Redefined

*Continued from page 31*

**FRAMROZE:** *As Chair of C.A.R.'s Housing Affordability Fund, can you take a minute to describe C.A.R.H.A.F.'s Mortgage Protection Program?*

**RYAN:** The defining force behind the Housing Affordability Fund from the start has been to help first-time home buyers find entry into homeownership. Our efforts have evolved to better fit the current need.

The Mortgage Protection Program provides a bit of peace of mind for that first year of homeownership, by providing financial assistance in the event of job loss to help pay the mortgage and help evade foreclosure. The application process is available online. A first-time home buyer would fill it out with their REALTOR®, with "their realtor" being the key. We want to keep people working in the REALTOR® industry. The REALTOR® helps the buyer fill out the online application. It's free—

no hidden cost. The cost was absorbed by a combination of \$1 million that C.A.R.'s Housing Affordability Fund put into the program and an additional \$420,000 through a generous grant from the NATIONAL ASSOCIATION OF REALTORS®.

The program was rolled out in a very short period of time, and it's been very successful. We have processed and approved more than 2,000 applications since April. Basically, if you buy a house, and four, five, six months later you lose a job, our program partner [Cynosure Financial] pays up to \$1,500 for the first home buyer's policy. The co-buyer can also sign up, and receive another \$750. Literally, if both people got laid off, they could collect nearly \$2,300 for up to six months while, hopefully, they got their feet back on the ground, thereby keeping their house.

It's on fire. C.A.R. has had to hire a temporary worker, and she's processing the applications as fast as she can, about 150 to 200 a week. ♦