

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: December 09, 2024

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No. 14-1371-S13

BEAR Follow-Up Questions: Addendum #1

SUMMARY

Berkeley Economic Advising and Research (BEAR) has submitted a revised reponse to question number 10 relative to whether or not rents will increase in response to the proposed wage increases.



Henry Flatt
Analyst

Attachments:

- A. Additional BEAR Questions and Responses Addendum #1

Additional Council Questions from 11/20/2024

10 Will rents rise as part of the supply response to the wage increases? (CD 2)

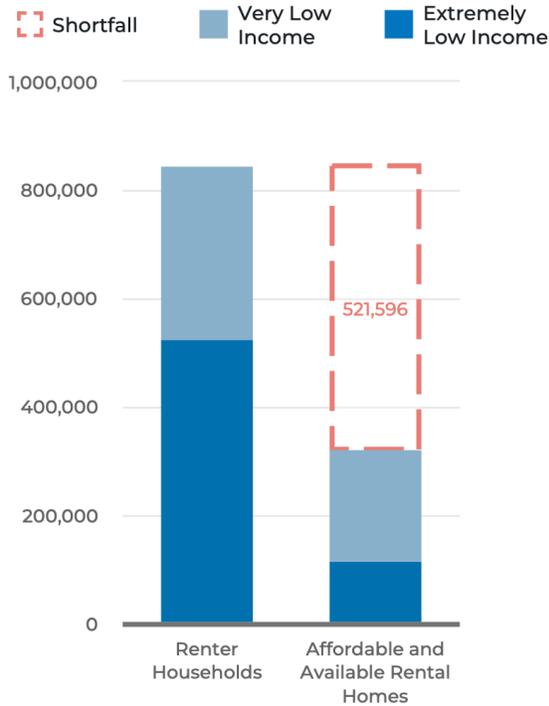
Increasing city incomes for any group will increase demand and prices will respond according to this and changes in supply. For LWO workers, however, direct income changes will be more important than any secondary market price response. Beyond this, the size of the LWO demographic is unlikely to move the regional real estate market averages significantly. Los Angeles's housing stock consists of 1,373,864 total units, 506,115 of which are owner-occupied and 867,749 (two-thirds) of which are renter-occupied. The LWO is expected to affect less than 50,000 workers, about half of which live outside Los Angeles city. Even if all them were renters, the “income effect” of their increased purchasing power would impact less than 2% of the City rental market.

According to a 2023 report by the California Housing Partnership,

- Renters in Los Angeles County needed to earn \$47.15 per hour - 2.9 times the City of Los Angeles' 2023 minimum wage -to afford the average monthly asking rent of \$2,452.
- Over half a million (521,596) low-income renter households in Los Angeles County do not have access to an affordable home (next figure)

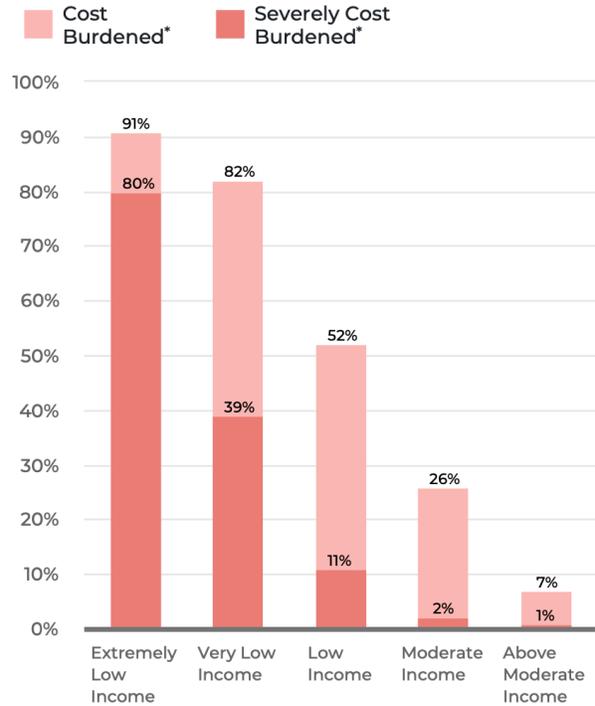
AFFORDABLE RENTAL HOMES

521,596 low-income renter households in Los Angeles County do not have access to an affordable home.

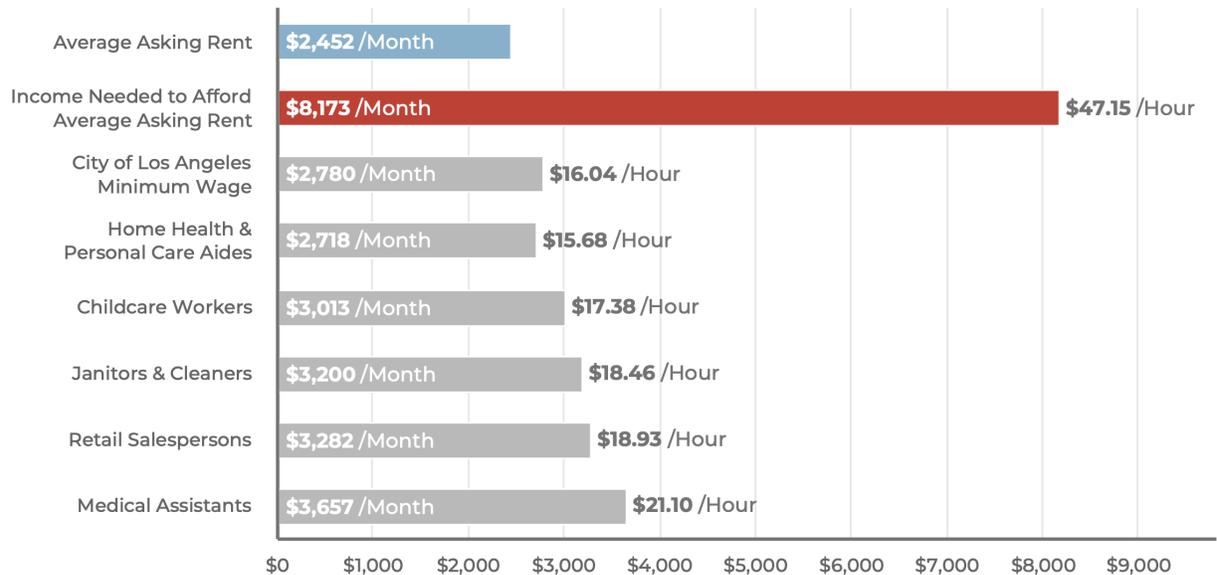


COST BURDENED HOUSEHOLDS

80% of ELI households in Los Angeles County are paying more than half of their income on housing costs compared to 2% of moderate-income households.



- In 2023, Renters needed to earn 2.9 times the minimum wage to afford the average asking rent in Los Angeles County (next figure)



In other words, LWO eligible workers coverage a much more income constrained than price constrained in the rental market, and most of these people are ineligible for the home purchase market. Currently, only 11% of Los Angeles households can afford the median-priced home.

Sources: See e.g.

<https://www.zillow.com/rental-manager/market-trends/los-angeles-ca/>
https://chpc.net/wp-content/uploads/2023/05/Los-Angeles-County_Housing-Report_2023.pdf