THE CURRENT HOUSING MARKET SITUATION: SANTA ROSA, CALIFORNIA

as of June 1, 1973

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
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Foreword

This current housing situation report has been prepared for the assistance and guidance of the Department of Housing and Urban Development in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The report does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis staff of the office on the basis of information available on the "as of" date from both local and national sources. Subsequent market developments may, of course, occasion modifications in the conclusions of this report.

The prospective demand estimates suggested in the report are based upon an evaluation of the factors available on the "as of" date. They should not be construed as forecasts of building activity, but rather as estimates of the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

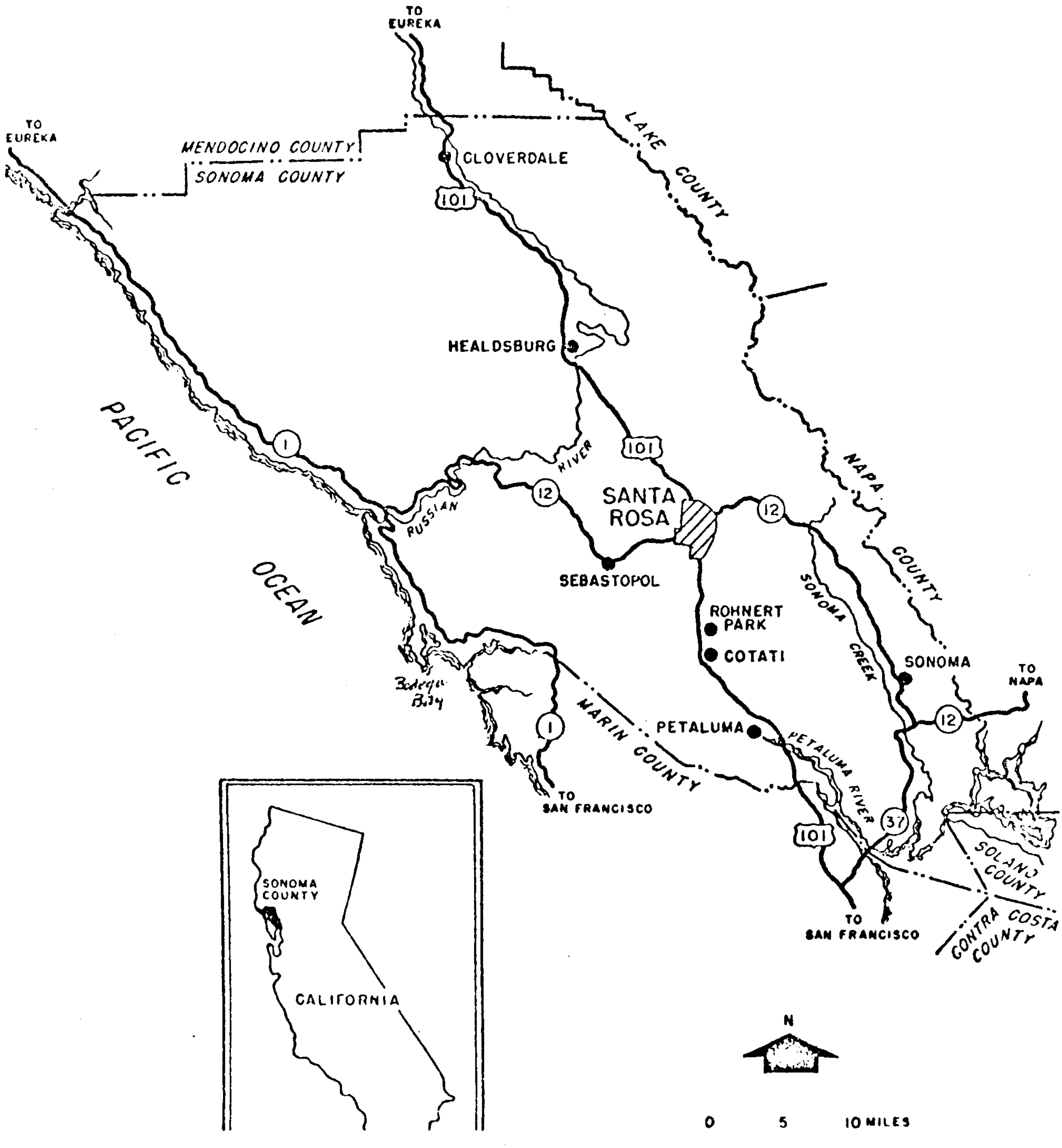
Department of Housing and Urban Development
Economic and Market Analysis Division
San Francisco, Regional Office

THE CURRENT HOUSING MARKET SITUATION - SANTA ROSA, CALIFORNIA AS OF JUNE 1, 1973

The Santa Rosa, California, Housing Market Area (HMA) comprises all of Sonoma County, and this is also the definition of the Santa Rosa Standard Metropolitan Statistical Area (SMSA). The county had a total 1970 population of 204,885 as compared to 147,375 in 1960 which represents an increase of 39.0 percent for the ten-year period. In 1960, the rural farm population constituted about nine percent of the 1960 total; by 1970 this had decreased to 5.2 percent and the California State Department of Finance-Population Research Unit believes that it had gone well under five percent by 1973. Thus, all demographic and housing data used in this analysis refer to the total of farm and nonfarm populations. Sonoma County's 1,579 square miles are bordered to the north and east by three lightly populated counties--Mendocino, Lake and Napa. To the south lies Marin County, a suburb of San Francisco. The Pacific Ocean is on the west (see map).

Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills, and valley land. Along its eastern and western borders, mountains and hills predominate, and between them lies the Sonoma Valley, also called Valley of the Moon. The geography restricts development largely to the broad valley and to the plains serving the Russian and Petaluma Rivers, Sonoma Creek, and their tributaries. Coastal and mountain residential development is limited primarily to tourist, vacation, second-home and farm related activities and thus is not treated in detail in this analysis.

SANTA ROSA, CALIFORNIA, HOUSING MARKET AREA



U. S. Highway 101 connects Sonoma County with Marin and San Francisco Counties, providing rapid freeway travel to the south, as well as to Mendocino County to the north. It also connects the main Sonoma County communities of Petaluma, Cotati, Rohnert Park, Santa Rosa, Healdsburg and Cloverdale, and has been a major factor in their development. State Route 12 connects with the coastal highway (State Route #1) at the mouth of the Russian River, and provides the main cross-county route through Sebastopol, Santa Rosa, and Sonoma.

Santa Rosa is the major city and county seat of Sonoma County. The April 1970 Census found its population to be 50,006--an increase of more than 61 percent from 1960. The California Department of Finance estimates the population as of November 1972 at 59,800--a gain of nearly 20 percent in about two and one-half years.

Petaluma, the second largest city, 16 miles south of Santa Rosa, is in transition from a poultry and dairy center to a suburb of San Francisco. Between April 1970 and November 1972, the population is estimated to have grown by 5,180, or 20.8 percent.

Economy of the Area

History

Bodega Bay, reputed to have been visited by Sir Francis Drake, was the location of early 19th Century colonizing efforts of Imperial Russia which were countered by Spanish exploration and settlements. Sonoma contains the northernmost of the Franciscan missions.

Settlement of Santa Rosa began in 1851. Development was spurred by the completion of the San Francisco and Northern Pacific Railroad in 1870, and later accelerated by the opening of the Golden Gate Bridge in 1937. More recently the advent of the Golden Gate Transit District commuter bus system, with its subsidized fares and new equipment, has greatly stimulated the growth of southern Sonoma County.

Historically, the economy of the area was based on agriculture and lumbering. The initial small manufacturing firms were dependent upon the local forest and agricultural products. However, in recent years, several electronics, and other firms have located in the county, thus diversifying this sector of the economy. Trade and services have historically developed as major employment sources because of the resorts in the coastal and Russian River areas, the hot springs area of the Sonoma Valley, and because of the importance of the area as a merchandising, distribution, and medical center for much of the vast northern coastal area of the state. This trend has been further accelerated by the increasing popularity of the county as a retirement area.

Much of the southern portion of Sonoma County is becoming increasingly a bedroom community for the San Francisco Bay Area. The 1960 Census noted that 5,115 commuters, or 10.6 percent of the county's work force, were employed outside their county of residence. At the time of the 1970 Census the number had more than doubled and represented some 15.5 percent of the work force. A significant increase during the past three years is suspected to have occurred with the advent and great success of the Golden Gate Transit District commuter bus service to San Francisco from the southern Sonoma County areas.

Employment

Total employment in the Santa Rosa SMA during 1972 expanded by 6.3 percent over the 1971 total--the largest percentage increase since 1964 (see Table I in the Appendix). Gains over the year were evident in every month as payrolls grew steadily from a January start of 69,500 to a peak of 76,100 in August. September's employment dipped, as usual, largely because of agricultural losses as the fruit harvests were completed. By November and December payrolls declined further when the unusually severe inclement weather depressed all outdoor activity. As indicated in Table I, payrolls in June 1973 had risen to 76,200 or some three thousand employees more than the same month in 1972.

Agricultural employment declined by an average of 100 in 1972, continuing the downward pattern of recent years. The increasing popularity of wines among American consumers is reflected in the fact that the average price of all grape varieties produced in the county rose from $342.97 per ton in 1971 to $455.12 per ton in 1972. So, despite a lower yield, growers were still able to achieve a higher gross income during 1972. This has caused a growing trend of conversion from orchards to vineyards which is expected to continue as demand continues to outpace the supply of this popular crop.

Construction employment in 1972 was well above 1971 levels until the heavy rains in the fourth quarter accelerated the seasonal decline. Most of the upward movement took place in new housing starts; nonresidential building constituted only about 20 percent of the dollar value of all construction, almost the identical proportion as in 1971. On the commercial construction scene, shopping centers, several banks, the Spring Creek Medical Plaza and expansion of existing medical facilities were among the projects undertaken in 1972. A rapidly expanding economy, low mortgage interest rates, and population growth were all factors in the bright building activity picture. Adverse weather conditions during most of the first quarter of 1973 dampened the growth pattern, keeping employment levels at, or only slightly higher than the same period of 1972.

The manufacturing sector posted a 14.5 percent increase in employment between December 1971 and December 1972, the largest rate of growth for this division on record and the greatest percentage increase of any sector in 1972. During the first half of the current year, manufacturing jobs have continued their upward movement partly as a result of increases in food processing and electrical machinery and equipment production. The gain in the latter industry was the result of the continued gearing up of a new electronics firm in the county.

During 1972, there was a large numerical gain in jobs in lumber and wood products production caused by strong demand, both foreign and domestic, as the housing boom swept beyond national boundaries. High building activity further increased the market for lumber because of the resultant need for home furnishings. In other durable goods industries, electrical machinery payrolls were above 1971 levels in all months, reflecting stronger business spending for equipment and components, and the arrival in the county of a new electronics firm. In nondurable goods, food processing rose slightly during 1972 but remained below the levels of the 1968-1970 period. A larger apple harvest, and increased winery payrolls accounted for the small increase.

The strong economic upturn, together with increased personal income and population growth, advanced trade employment by a healthy margin. The finance, insurance and real estate group recorded a 300-job gain on an average annual basis between December 1971 and December 1972. Growth of financial facilities constituted one-third of the increase as several new banks and savings and loan associations opened throughout the county. The ramaining job gain occurred in the real estate industry, mirroring an influx of both new residents and absentee investors. A sector addition of some 200-300 employees continued into the first half of 1973.

Services employment increased 10.4 percent over the year--the highest rate of growth since 1968. Health facilities experienced a strong gain due to the expansion of a major hospital, and the opening of a medical office complex. The sector's job gains have continued to rise into the current year.

Government sustained the rapid momentum of recent years, fostered by expanding population needs and special federal employment programs. While county and public education staffs experienced the most sizable increments, average annual gains were registered at all levels with the exception of state payrolls. Expansion continued into the first half of 1973 with additions amounting to some 500 jobs.

Unemployment was 700 to 1,200 lower than in 1971 during January through September 1972. Heavy rains in the final quarter, however, depressed most outdoor activity and brought the number of job-seekers above the comparable year-earlier figures. It should be noted that the fourth quarter of 1971 was an exceptionally dry period, allowing lumber production and construction jobs to remain at unseasonally high levels. The number of unemployed ranged from a high of 6,500 in February to a low of 4,500 in September, while the average jobless figure was 600 less in 1972 than in 1971. Correspondingly, the unemployment rate reached its peak in February at 8.5 percent and its low in September at 5.7 percent. The 1972 average unemployment rate of 7.2 percent was considerably below the 1971 figure of 8.3 percent.

Future Employment Prospects

Total civilian employment in Sonoma County is expected to continue to expand during the remainder of the year and through June 1974, although at a slower rate of growth. Rising interest rates, the state of consumer confidence and local government growth restrictions will be some of the factors responsible for the cooling down of the local economy. By December 1973 employment should reach 75,900--a 2,900 increase from the year-earlier figure, or 4.0 percent rate of growth. This contrasts with a job expansion of 5.2 percent during the comparable 1971-1972 period. By June 1974, the number of workers is expected to rise to 79,000, continuing a growth level close to the 1972-1973 pattern.

Construction employment is expected to stay at, or close to, the year-earlier figures during most of 1973. During the final quarter, however, payrolls will be somewhat higher if the county experiences a drier and more typical winter than occurred last year. Although residential construction is expected to taper off slightly because of tighter money conditions, rising lumber prices, the aforementioned local governmental growth restrictions, and less federally-subsidized housing, commercial and public projects are likely to take up the slack. Within the latter category, some of the building which will be underway during the balance of the current year and into 1974 includes: the start and/or expansion of several shopping centers, new wineries, costly public utility improvements, Warm Springs Dam (estimated cost of the current phase of development is $5-10 million), Spring Lake Park, a $1 million student health center at the University in Rohnert Park, and the Federal and State office buildings in Santa Rosa. During the first half of 1974, however, a continuing decline in residential building will bring construction employment below the levels maintained during the comparable period of 1972 and 1973.

Family Incomes

The median annual income of all families in the Housing Market Area, before federal income tax deductions, is estimated at $12,024 as of June 1973, while that of renter households is estimated at $7,447. Over 17 percent of all families and over 35 percent of the renter households have before-tax incomes under $5,000 a year; over 33 percent of all families and nearly 17 percent of renter households have before-tax incomes of $15,000 or more. Detailed distributions of all families and of renter households by annual income are shown in table II in the Appendix.

Demographic Factors

Population

The population of the Santa Rosa Housing Market Area is estimated to be 242,500 persons as of June 1, 1973, an increase of 37,615, or some 12,540 persons a year, since 1970. The City of Santa Rosa has an estimated population of about 60,700 persons, a gain of over 21 percent since 1970. Petaluma, the second largest city in the area, has an estimated population of some 30,650 persons, an increase of over 23 percent since 1970.

Population Trends
Santa Rosa, California, Housing Market Area

City or area	April 1960	April 1970	June 1973	Average annual change 1960-1970	Average annual change 1970-1973
Santa Rosa	31,027	50,006	60,700	1,900	3,375
Petaluma	14,035	24,870	30,650	1,080	1,825
Balance HMA	102,313	130,009	151,150	2,770	6,625
Sonoma County	147,375	204,885	242,500	5,750	11,825

Source: 1960 and 1970 Censuses of Population; 1973 estimated by Housing Market Analyst.

As the above table suggests, southern Sonoma County has had a growth rate over the past few years much higher than that of the decade of the 1960's. Marin County has essentially priced itself out of the moderate- and medium-income market which has shifted home buying interest northward into the southern area of the County, primarily around the cities of Santa Rosa, Rohnert Park-Cotati and especially Petaluma. This shift has been further stimulated by the advent of the Golden Gate Transit Bus Service. Although admitting more buses are needed for the Sonoma County routes, the District does not expect to add a great number of new buses in the immediate future according to current planning.

Future Population

The total population of the entire Housing Market Area (Sonoma County) is expected to grow by an average of 8,000 persons a year over the next two years to reach a June 1, 1975 total of 258,500. No projections have been made for the cities in the county since the frequent annexations materially affect the population trends; for instance, a large annexation of some eleven square miles by Santa Rosa late in the last decade added some 12,600 persons to the population of the city and brought the total just above the 50,000 required to qualify Santa Rosa as the central city of a Standard Metropolitan Statistical Area.

Components of Population Change

During the decade 1960-1970 (on a fiscal year basis), the total population of the Housing Market Area increased by 56,400 while the net natural increase (excess of resident births over resident deaths) amounted to 12,900. The difference represents a net in-migration of 43,500. Comparable figures for the period 1950-1960 shows a total increase of 43,970 divided between a net natural increase of 13,652 and an imputed net in-migration of 30,318.

Components of Population Change
Santa Rosa, California, Housing Market Area
1950-1973

Component	1950-1960	1960-1970*	1970-1973**
Total population change	43,970	56,400	37,600
Net natural increase	13,652	12,900	3,750
Average annual increase	1,365	1,290	1,250
Net in-migration	30,318	43,500	33,850
Average annual in-migration	3,032	4,350	11,280

* Calculated on a fiscal year basis by State Department of Finance.
**Estimated by Housing Market Analyst and rounded.

Sources: Bureau of the Census: Components of Population Change, 1950-1960, Bul. P-23, No. 7
California Department of Finance, Population Research Unit, California Population, 1971, and estimates by the Housing Market Analyst.

The decrease in the annual average net natural increase in recent years results from a decline in births beginning in 1964 with no abatement in the yearly increases in the number of deaths. The latter phenomenon is, of course, related to the fact that Sonoma County has become increasingly popular as a retirement area. The sharp increase in in-migration since 1960 includes many families whose employed members commute to other areas for employment. This commuter pattern has increased significantly with the advent of the aforementioned Golden Gate Transit District Bus System and the in-migration rate has also increased as a result of the growing enrollment of the State University in Rohnert Park.

Age Distribution

The following table, comparing the age distribution of the total population of Sonoma County in April 1960 and 1970, shows that the median age has fallen from 32.5 years in 1960 to 29.8 in 1970. The decline in the median age results partly from young families migrating into the area. A similar study conducted in November 1965 also revealed a median age of 29.8 which suggests that the in-migration pattern since that time has also included many older persons.

Total Population Distribution by Age Groups
Sonoma County, California
April 1960 and 1970

	1960		1970	
Age Group	Number	Percent	Number	Percent
Under 10	29,373	19.9	35,790	17.5
10-19	25,274	17.2	38,913	19.0
20-29	14,798	10.1	28,350	13.8
30-39	18,400	12.5	21,557	10.5
40-49	18,298	12.4	22,945	11.2
50-59	15,778	10.7	21,170	10.3
60-69	13,614	9.2	18,820	9.2
70 and over	11,840	8.0	17,340	8.5
	147,375	100.0	204,885	100.0
65 and over	18,375	12.7	26,345	12.9
Median Age	32.5	----	29.8	----

Sources: 1960 and 1970 Censuses of Population

This is reflected in the fact that the proportion of persons over 65 years of age has risen from 12.7 percent in 1960 to 12.9 percent, with the number of persons in this age group increasing from 18,753 in 1960 to 26,345 in 1970. This gives strong evidence to the claim that this area is attractive for retirement.

Households

The number of households (occupied dwelling units) in the Housing Market Area is estimated at 81,180 as of June 1, 1973, a gain of over

13,300 since 1970. Estimates of 21,900 households for Santa Rosa and 9,500 for Petaluma give these cities gains since 1970 of 3,870 and 1,710 respectively. The 49,800 households in the remainder of the Housing Market Area represent an increase of 7,770 since 1970.

Trend in Number of Households
Santa Rosa, California, Housing Market Area

City or area	Number of Households April 1 1960	April 1 1970	June 1 1973	Average annual change 1960-1970	1970-1973*
Santa Rosa	10,897	18,034	21,900	714	1,220
Petaluma	4,725	7,795	9,500	307	540
Rest of HMA	31,569	42,032	49,780	1,046	2,450
HMA Total	47,191	67,861	81,180	2,067	4,200

*Rounded

Sources: 1960 and 1970 Censuses of Population; 1973 estimated by Housing Market Analyst

Future Estimates

Increases in the number of households in the Housing Market Area over the next two years are expected to average about 3,660 a year to bring the June 1975 total to about 88,500. The increases are expected to be greatest in the Petaluma, Rohnert Park-Cotati and Santa Rosa areas. The distribution of these additional households may change insofar as location is concerned depending upon the success of the "no-growth" concept such as recently enacted by the City of Petaluma. Other communities in the Housing Market Area are studying this concept and their potential adoption of some form of "no-growth" policy appears to hinge upon the outcome of the current litigation against Petaluma's ordinance. However, this is not expected to materially affect the estimated increase in the number of households in Sonoma County, merely their ultimate location.

The reputation of Sonoma County as a desirable retirement community is reflected in the decreasing average size of household. Special censuses conducted by the State Department of Finance, Population Research Unit since 1970 indicate that this trend is expected to continue.

Housing Market Factors

Housing Supply. There were an estimated 91,000 housing units in the overall housing supply of the Santa Rosa Housing Market Area as of June 1, 1973. This represents a net increase of 12,940 units since 1970, averaging about 4,075 annually, compared to an average net annual increase of 1,828 units during the decade of the 1960's. These figures include some 2,813 mobile homes put in place from 1960 to 1970 and 540 mobile homes added since the last census through March 31, 1973. No data is available for mobile homes since the first quarter of 1973 (see table III).

Type of Structure. A gradual, albeit substantial, shift in the make-up of the housing inventory reflects the increasing urbanization of the Housing Market Area. In 1960, slightly over 90 percent of the housing units were single-family structures; by 1970 the proportion had fallen to 81.7 percent. Units in all other structural types, including mobile homes, have increased in relative importance, as indicated in the following table.

Units in Structure
Santa Rosa, California, Housing Market Area
April 1, 1960, and April 1, 1970

Units in Structure	Percentage Distribution 1960	1970
1 unit	90.1	81.7
2 to 4 units	4.8	6.4
5 or more units	3.0	6.8
Mobile homes	2.1	5.1
Total	100.0	100.0

Sources: 1960 and 1970 Censuses of Housing; Bureau of the Census, C-40 Construction Reports

Nearly 30 percent of the present housing supply in Sonoma County is less than eight years old, while only 22.5 percent is thirty-four or more years old (built in 1939 or earlier). A distribution of the housing supply by year built is shown in the following table.

Housing Supply by Year Built
Santa Rosa, California, Housing Market Area
as of June 1, 1973

Year Built	Percentage
1969-1973	18.9
1965-1968	11.0
1960-1964	14.8
1950-1959	20.7
1940-1949	12.1
1939 or earlier	22.5
	100.0

Source: 1970 Census of Housing adjusted by Housing Market Analyst for changes since 1970.

Residential Building Activity

New Construction. The 18,276 new additions to the housing supply of Sonoma County between 1960 and 1970 were provided at an average rate of some 1,828 units per year. The housing boom of the past few years is sharply portrayed by the net additions to the housing supply since 1970 which rose to an annual average of 4,310 units per year. The building trend, as measured by building permits issued, is shown in the following table.

Estimated Number of Housing Units Authorized
by Type of Structure
Santa Rosa, California, Housing Market Area
Annually, 1965-1972

Year	One	Two-Four	Five or More	Total
1965	2,112	401	141	2,654
1966	1,233	127	102	1,462
1967	1,141	151	74	1,366
1968	1,496	155	212	1,863
1969	1,571	371	433	2,375
1970	1,716	427	608	2,751
1971	2,894	826	719	4,439
1972	3,239	778	1,271	5,288
	15,402	3,236	3,560	22,198
	69.4%	14.6%	16.0%	100.0%

Source: Bureau of the Census, C-40 Construction Reports; Security Pacific National Bank

Figures for the first five months of 1973 (not shown in the preceding table) indicate that some 1,608 units were authorized, 977 of which were single-family units. This volume is slightly under that for the same time period in 1972. The trend of housing units authorized is shown by municipality in Table IV.

Units Under Construction. The number of units under construction as of June 1, 1973, is estimated to be about 600, based upon an average construction time of three months for single-family units and a year for multifamily structures.

Demolitions. It is estimated that approximately 1,000 housing units were demolished in the Housing Market Area since 1970, an annual rate of some 315 units. In the next two years demolitions are expected to occur at about the same rate since no major projects involving large scale demolitions are anticipated.

Tenure of Occupancy

Currently, it is estimated that about 64.6 percent of all occupied housing units are owner-occupied, up slightly from the 64.4 percent indicated in the 1970 Census and down from 65.8 percent in 1960. The slight rise in recent years is due in part to the growing popularity of condominiums and planned unit developments which offer homeownership benefits in townhouse or apartment-like units and, to a lesser extent, to the subsidized housing programs. Details of tenure are shown in Table III.

Vacancy

There were 10,199 vacant housing units in the Santa Rosa Housing Market Area in 1970, of which nearly 2,140 were available for sale or rent. The 768 units available for sale represented a homeowner vacancy of 1.7 percent, and the 1,371 units for rent, a rental vacancy of 5.4 percent. The latest postal vacancy survey conducted in July of 1972 revealed a single-family vacancy rate of 1.5 percent--a statistic which has remained relatively low and stable for the past few years.

Data from this year's survey may indicate a slight rise in single-family vacancies, but if so, it is not expected to be significant. As indicated in the Postal Vacancy Recap - Residences in the Appendix, the single-family vacancy rate is relatively even throughout the Housing Market Area. On the other hand, the 1972 survey showed a high vacancy rate for multifamily units in Sonoma County of 8.8 percent, up over two percentage points since 1971. In addition, vacancies in several specific areas were very high, notably Cotati, Healdsburg, Sonoma and Sebastopol. These, of course, signify a severe case of overbuilding--a situation common to many urban areas in California--especially those experiencing a high growth rate. The upcoming survey data is expected to show the multifamily vacancy rate to be still high in some areas although down in the total Housing Market Area from that shown for 1972. The current estimate of vacancies is based on extensive conversations with members of the real estate and mortgage loan institutions whose data is not available for publication. The mobile home vacancy rate has been relatively stable--2.8 percent at the time of the last survey--but is expected to show an increase in the next report. Detailed data from the Postal Vacancy Surveys since 1967 are shown in table V in the Appendix.

Sales Market

The market for new and existing sales housing in the Santa Rosa Housing Market Area was moderately strong as of June 1, 1973. The single-family vacancy rate of 1.5 percent in July 1972 has remained relatively constant in the wake of a phenomenal surge of building activity over the past few years. Most new construction has been concentrated in the central valley of the County, in the area which encompasses the cities of Petaluma, Rohnert Park, Cotati, Santa Rosa, and to a lesser extent, Healdsburg and Sonoma. This reflects the increased in-migration of many families who commute to employment outside the County. In recent months, however, a slowdown in building permit activity has begun to occur which reflects not only the tightening mortgage money market, but also the impact of increased costs. Residences sold in the $25,000-$35,000 bracket during the past ten years have been appreciating at a rate of about $1,000 per year, according to senior bank appraiser for Bank of America. But in just the past year, prices have jumped from nine to eleven percent. This is reflected in the price of homes that sold new in May of last year for $21,175--(lower medium quality, three bedrooms, two baths, built-ins, 1,086 square feet with a 450 square foot detached garage, and a relatively small lot)--were sold 13 months later for $27,300.

Petaluma has experienced even more sensational gains during the past six months--from $4,000 to $5,000 per home. Units that were selling at $15,000 are now $21,000. This reflects, in part, the effect of the "slow growth" policy of this city which limits additions to the housing stock to 500 units per year. Although currently under litigation, the concept embodied in this policy, coupled with inadequate sewer treatment facilities, a growing shortage of water and overcrowded schools, is rapidly catching hold throughout northern California--especially in those communities which are changing into bedroom communities serving the larger central core cities.

Lumber costs are up some $1,200 to $1,500 per home over what they were a year ago, so housing selling in the $28,000 to $32,000 range six to eight months ago are now $34,000 to $40,000 on resale. Many of the floor plans that used to be built for $17.50 to $18 per square foot are now $23 to $24.

The PUD (planned unit development) and condominium concept is just beginning to make itself felt in the Housing Market Area with the best success being obtained in the moderate to higher-priced unit. Those selling for $29,950 six months ago in Sonoma are now going for $31,500, which reflects the rapidly-increasing construction costs. At the same time, lower-priced (and quality) PUD and condominium units in the Santa Rosa Area are moving very slowly, indicating it still is a strong buyer's market.

It is interesting to note that four years ago there was a $2,000 to $3,000 differential between the same house in Petaluma and Novato in Marin County because of basic land values. This is no longer the case because of the rise in land prices. Vacant, unimproved land has increased from $4,500 per acre to about $7,000 in the course of the past three years. Land ready to build on has increased nine to eleven percent during the past year.

Finally, it appears that the resale of existing homes has begun to slow--they are beginning to remain on the market for longer periods of time due to the tightening money situation prevalent in the mortgage market.

New Sales Houses Completed in 1972 in Selected Subdivisions
Santa Rosa, California, Housing Market Area

			Speculative Homes			
			Number			
Price Range	Total Completions	Number Presold	Total	Sold	Unsold	Percent Unsold
Under $17,500	--	--	--	--	--	--
$17,500-19,999	37	24	13	4	9	69
20,000-22,499	149	119	30	30	--	--
22,500-24,999	268	140	128	113	15	12
25,000-27,499	116	52	64	59	5	8
27,500-29,999	72	6	66	49	17	26
30,000-34,999	65	30	35	13	22	63
35,000 and over	91	64	27	25	2	7
	798	435	363	293	70	19

Source: 1972 Unsold Inventory Survey
San Francisco Area Office

Rental Market

There was a significant excess supply of rental units in the Housing Market Area at the time of the last Postal Vacancy Survey in July 1972 and with the continuing volume of construction activity since that time it is possible that the vacancy rate may have gone even higher. This is particularly true in the Rohnert Park-Cotati area and the suburban fringe of Santa Rosa where the rent-up of new units has been abnormally slow in recent months. As a result, local lending activity has decreased for multifamily units with several of the savings and loan associations completely out of the market at the present time.

Rental ranges appear to be as follows:

One bedroom	(650 square feet)	\$140-\$190
Two bedroom	(900 square feet)	\$150-\$240
Three bedroom	(1100 square feet)	\$160-\$325

A large number of two, three and four unit buildings have been constructed on adjacent parcels with separate addresses and these smaller buildings seem to be doing fairly well. The duplexes and fourplexes generally reach full occupancy in three to six months. Larger projects take over six months to rent out and they also show a greater vacancy rate. Because of the large number of the smaller apartment projects, the larger buildings must provide some unusual or highly desired amenity such as a wooded site, proximity to Coddingtown Regional Shopping Center, or the Bennett Valley Golf Course.

With the continuation of the apparent decline in applications for multifamily building permits and strong growth in new households coming into the area, the situation should slowly begin to be resolved--however, the strength of the pipeline indicates the overbuilt situation will probably persist for up to a year from the current date.

Demand for Housing

Quantitative Demand

The demand for new housing over the next two years is estimated at 3,700 units a year, including 2,100 single-family units, 400 mobile homes, and 1,200 multifamily units. The multifamily housing demand includes 300 planned development units which would be sale units of the townhouse type which is becoming increasingly popular in the smaller urban areas in California following their strong acceptance in the suburban areas surrounding the large central cities. These projections are based on the anticipated gain of some 3,660 new households per year and the replacing of approximately 315 units a year which will be demolished. The forecast assumes an absorption of a large number of available vacant units and of units currently under construction (especially multifamily units) if a more balanced market is to be attained. Adjustments have been made to account for prospective shifts in tenure among present households and for shifts from owner to renter status among housing units presently occupied. The projected demand does not include public low-rent housing or rent-supplement accommodations.

The prospective demand for single-family houses continues the strong rate of construction of this type over the past two years, but at a considerably reduced rate--reflecting not so much a ceasing of the in-migration into the county (which is expected to slacken somewhat from the startlingly high levels of recent years) but rather acknowledging the phenomenal increase in housing costs and the current tight money market.

An upward adjustment in the projected demand over the next two years may be made if gains in the number of new households prove to be higher than anticipated and if the "slow growth" policy adopted by the City of Petaluma is declared unconstitutional by the courts. A supplement to this report will be issued in about a year from now which will contain a reappraisal of quantitative demand as of June 1, 1974.

Qualitative Demand

Single-Family Homes. The annual demand of 2,100 single-family homes is distributed in the following table according to the sales price at which new units may be most readily absorbed. This distribution is made on the basis of ability to pay, as determined by present income levels, and the ratio of sales price to income typical in this area.

Annual Demand for Single-Family Houses by Sales Price
Santa Rosa, California, Housing Market Area
June 1, 1973 - June 1, 1975

Price Class	Number
Under $20,000	200
$20,000-22,499	50
22,500-24,999	100
25,000-27,499	175
27,500-29,999	275
30,000-34,999	300
35,000-39,999	300
40,000 and over	500
	2,100

The prospective addition of 400 mobile homes a year represents a part of the demand for low-priced housing. As is often typical of rapidly growing suburban commuter areas, many subdivision builders are dropping their low price models because many home buyers are demanding higher quality plus a wide selection of optional features. Difficulties of financing low-cost homes would, of course, include the problem of acceptability of many low-income families as credit risks.

Multifamily Housing. The monthly rentals at which 900 net additions to the multifamily housing inventory might best be absorbed by the rental market are indicated for various sized units in the following table.

Annual Demand for New Multifamily Housing
By Monthly Gross Rents and Unit Size
Santa Rosa, California, Housing Market Area
June 1, 1973 - June 1, 1975

Monthly Gross Rent*	Efficiency	One Bedroom	Two Bedrooms	Three or More Bedrooms
$150 -$169	40	--	--	--
170 - 189	10	130	--	--
190 - 209	10	145	--	--
210 - 229	--	60	100	--
230 - 249	--	25	125	--
250 - 269	--	20	75	20
270 - 299	--	--	50	15
300 and over	--	--	40	35
	60	380	390	70

*Gross rent is shelter rent plus cost of utilities.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through three programs administered by FHA--monthly rent-supplement payments, principally in rental projects financed with partial payment interest-rate mortgages insured under Section 236; partial payments for interest for home mortgages insured primarily under Section 235; and partial payment for interest for project mortgages insured under Section 236.

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under other assistance programs using federal or state support. Since the potential for each program is estimated separately, there is no attempt to eliminate the overlaps among program estimates. Accordingly, the occupancy potentials discussed for the various programs are not additive. Furthermore, future approvals under each program should take into account any intervening approvals under other programs which serve the same requirements. The potentials1/ discussed in the following paragraphs reflect estimates unadjusted for housing provided or under construction under alternative FHA or other programs.

The annual occupancy potentials for subsidized housing in FHA programs discussed below are based upon adjusted 1970 incomes, on the estimate of inadequately housed, on estimates of the elderly population, on most recent income limits, and on available market experience.2/ Distributions of the potentials by size of units required are presented in the accompanying table.

Rent-Supplement Housing. The annual occupancy potential for rent-supplement units in the Santa Rosa HMA between June 1, 1973 and June 1, 1975 is estimated at 230 units for families and individuals. Generally, families and individuals eligible for rent-supplements also are eligible for public low-rent housing.

Section 235 - Sales Housing. Sales housing could be provided for low- to moderate-income families under Section 235. Utilizing regular income limits, it is estimated that there is an annual occupancy potential for 100 units under the provisions of Section 235. All of the families in the potential for Section 235 housing also are part of the potential estimated below for Section 236 housing; the estimates for these programs are not additive. The extent to which the potential may be satisfied

1/ The occupancy potentials referred to in this analysis are dependent upon the capacity of the market in view of existing vacancy strength or weakness. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents and selling prices over the complete range attainable for housing under the specified programs. These estimates are not affected by the January 1973 "hold" on additional commitments for these programs; they will be applicable if funding is resumed or as a guide to local decisions with regard to the use of special revenue sharing or other alternatives for housing subsidies.

2/ Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing.

through new construction will depend on several factors, including the propensity for homeownership among eligible families and the availability of sites convenient to employment sources, transportation, and shopping facilities.

Section 236 - Rental Housing. Utilizing regular income limits, the annual occupancy potential under Section 236 in the HMA is estimated at 155 units. Because of identical income limits, families eligible under Section 236 also are eligible for Section 235 housing; the two are not additive.

Housing for the Elderly. Although the elderly are also eligible under subsidy programs, there appears to be under construction at this time sufficient subsidized housing to satisfy demand for the next two years. Currently under construction or under consideration by the local office are over 300 units of subsidized and 300 units of unsubsidized elderly housing. This appears to be adequate to satisfy unmet demand and accommodate anticipated demand until June 1975.

Estimated Annual Occupancy Potential for Subsidized Housing
Santa Rosa Housing Market Area
June 1, 1973 - June 1, 1975

A. Subsidized Sales Housing - Section 235

Eligible family size	Number of units
Four persons or less	30
Five persons or more	70
Total	100

B. Privately-Financed Subsidized Rental Housing

Unit size	Rent-supplement families	Section 236 families
Efficiency	--	30
One bedroom	35	40
Two bedrooms	125	25
Three bedrooms	45	30
Four or more bedrooms	25	30
Total	230	155

Table I

Work Force, Unemployment, and Employment by Industry
Santa Rosa, California, Housing Market Area
Annual Averages, 1964-1973
(in thousands)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	12 mo. average ending June 30 1972	June 30 1973*
Total civilian labor force[a]	59.3	61.0	63.3	63.8	65.3	68.8	72.4	74.6	78.3	78.9	82.0
Total unemployment	3.9	4.4	5.1	6.0	4.9	4.5	5.9	6.2	5.6	5.8	5.8
Percent labor force	6.6	7.2	8.8	9.4	6.9	6.5	8.1	8.3	7.2	7.4	7.1
Total civilian employment	55.4	56.6	58.2	57.8	60.8	64.3	66.5	68.4	72.7	73.1	76.2
Wage & salary employment	39.6	41.0	42.2	42.4	45.4	48.7	50.7	53.1	57.7	58.0	60.6
Mineral extraction	0.2	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3
Construction[b]	3.0	3.0	2.4	2.2	2.2	2.4	2.4	2.9	3.5	3.8	3.7
Manufacturing	5.8	5.9	6.4	6.2	6.8	7.3	7.1	7.2	8.4	8.3	9.1
Nondurable goods	2.7	2.6	2.8	2.6	2.9	2.8	2.8	2.6	3.0	2.8	2.9
Food & kindred products	2.0	1.9	2.1	1.8	2.1	2.0	2.0	1.8	1.9	1.7	1.8
Other nondurable goods	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	1.1	1.1	1.1
Durable goods	3.1	3.3	3.6	3.6	3.9	4.5	4.3	4.6	5.4	5.5	6.2
Lumber & wood products	2.0	2.1	1.9	1.8	2.2	2.5	2.1	2.3	2.8	2.9	2.8
Other durable goods	1.1	1.2	1.7	1.8	1.7	2.0	2.2	2.3	2.6	2.6	3.4
Transp., commun., & utilities	2.3	2.4	2.6	2.5	2.5	2.6	2.7	2.9	2.9	3.0	3.2
Trade	9.6	10.1	10.5	10.3	11.0	11.8	12.4	13.0	13.7	13.6	14.2
Wholesale	1.5	1.6	1.6	1.6	1.7	1.9	2.0	2.3	2.4	2.2	2.3
Retail	8.1	8.5	8.9	8.7	9.3	9.9	10.4	10.7	11.3	11.4	11.9
Fin., insurance, & real estate	3.7	3.6	3.3	2.9	2.9	3.0	3.2	3.3	3.6	3.5	3.8
Services	6.2	6.5	6.8	7.1	7.9	8.6	9.1	9.6	10.6	10.8	11.1
Government[c]	8.8	9.2	10.0	10.9	11.8	12.7	13.6	14.0	14.7	14.7	15.2
Other nonagric. employment[d]	9.6	10.0	10.1	10.0	10.2	10.3	10.6	10.7	10.5	10.7	10.6
Agricultural employment[e]	6.2	5.6	5.9	5.4	5.2	5.3	5.2	4.6	4.5	4.4	5.0

a/ Excludes the potential or latent supply of workers not active in the labor market and workers directly involved in work stoppages.
b/ Includes employees of construction contractors and operative builders; does not include force-account and government construction workers.
c/ Includes all civilian employees of federal, state, and local governments regardless of the activities in which the employees are engaged.
d/ Includes employers, self-employed workers, unpaid family workers, and domestic servants.
e/ Includes farmers, employees and unpaid family workers.

Source: Northern California Employment Data and Research, California Department of Human Resources Development

*Preliminary

TABLE II

Percentage Distribution of Families and Renter Households

by Annual Income Before Deduction of Federal Income Tax

Santa Rosa, California

1969 and 1973

	1969		1973	
Annual income	All families	Renter households	All families	Renter households
Under $2,000	6.3	17.5	4.9	14.1
$2,000 - 2,999	5.2	10.4	3.8	7.7
3,000 - 3,999	5.3	7.4	4.1	7.6
4,000 - 4,999	5.2	7.2	4.3	6.1
5,000 - 5,999	5.8	7.5	4.3	5.8
6,000 - 6,999	5.0	6.4	4.5	6.0
7,000 - 9,999	19.4	19.8	13.8	16.0
10,000 -14,999	28.2	17.1	26.7	19.8
15,000 and over	19.6	6.7	33.6	16.9
Total	100.0	100.0	100.0	100.0
Median income	$9,672.00	$5,990.00	$12,024.00	$7,447.00

Source: Estimated by Housing Market Analyst

Table III

Components of the Housing Inventory

Santa Rosa, California, Housing Market Area

1960 - 1973

Tenure and Vacancy	April 1960	April 1970	June 1973	Annual change(a) 1960-1970	Annual change(a) 1970-1973
Total housing supply	59,784	78,060	91,000	1,828	4,075
Occupied housing units	47,191	67,861	81,180	2,067	4,200
Owner-occupied	31,052	43,678	52,450	1,263	2,775
Percent of total occupied	65.8	64.4	64.6	--	--
Renter-occupied	16,139	24,183	28,730	804	1,425
Percent of total occupied	34.2	35.6	35.4	--	--
Vacant housing units	12,593	10,199	9,819	-(239)	(125)
Available units	2,189	2,139	2,400	(5)	80
For Sale	648	768	800	12	10
Homeowner rate	2.0	1.7	1.5	--	--
For rent	1,541	1,371	1,600	(17)	70
Rental rate	8.7	5.4	5.3		
Other vacant units(b)	10,404	8,060	7,420	(234)	(205)

(a) Rounded

(b) Includes units sold or rented awaiting occupancy, dilapidated units, and units withheld from the market for occasional or seasonal use or for other reasons.

Sources: 1960 and 1970 Censuses of Housing; 1973 Estimated by Housing Market Analyst.

Table IV

Number of New Housing Units Authorized by Building Permits

Santa Rosa, California, Housing Market Area
1965-1973

Municipality	1965	1966	1967	1968	1969	1970	1971	1972	Total 1965-1972	First five months 1972	1973
Cloverdale	22	14	7	2	5	13	15	14	92	6	6
Cotati	9	4	-	8	8	30	79	322	460	98	123
Healdsburg	66	27	34	34	26	24	81	35	327	24	26
Petaluma	507	241	255	495	424	643	880	495	3,940	109	48
Rohnert Park	98	31	105	217	105	107	368	738	1,769	150	302
Santa Rosa	778	477	486	607	1,286	1,215	1,686	1,831	8,366	710	487
Sebastopol	54	28	21	14	8	20	70	110	325	33	18
Sonoma	63	35	25	22	29	30	106	66	376	31	64
Sonoma County (unincorp.)	1,057	605	433	464	484	669	1,154	1,677	6,543	535	534
Total	2,654	1,462	1,366	1,863	2,375	2,751	4,439	5,288	22,198	1,696	1,608

Sources: Bureau of the Census, Security Pacific National Bank, Bay Area Chamber of Commerce, and Local Building Officials.

Table V

Postal Vacancy Recap
Santa Rosa SMSA

Postal Areas	1972			1971			1970			1969			1968			1967		
	Total deliveries	% Vacant	Under constr.	Total deliveries	% Vacant	Under constr.	Total deliveries	% Vacant	Under constr.	Total deliveries	% Vacant	Under constr.	Total deliveries	% Vacant	Under constr.	Total deliveries	% Vacant	Under constr.
Residences																		
Total County	60,630	1.5	758	56,404	1.5	599	54,711	1.7	469	52,915	1.9	559	51,394	2.7	267	45,319	3.3	264
Santa Rosa	28,837	1.6	381	26,277	1.6	392	25,581	1.9	161	24,568	2.0	266	25,247	2.7	135	23,837	3.4	145
Cloverdale	1,716	1.0	6	1,631	1.7	5	1,467	1.4	1	1,509	2.3	5	1,519	0.9	3	1,577	1.6	3
Cotati	2,313	4.6	250	2,394	1.0	53	2,454	2.2	58	2,281	2.8	44	1,602	4.8	6	2,068	5.7	11
Healdsburg	3,552	1.5	7	3,533	1.2	31	3,243	0.7	8	3,440	1.4	5	3,237	2.1	22	3,264	1.9	8
Petaluma	11,457	0.8	9	10,762	1.6	46	10,269	1.9	192	9,759	1.7	203	8,885	2.5	55	8,822	2.4	69
Sebastopol	6,453	1.8	40	6,011	1.4	40	6,090	1.3	20	5,860	1.8	21	5,769	4.4	25	5,751	4.4	28
Sonoma	6,302	1.3	65	5,796	1.2	32	5,607	1.3	29	5,498	1.4	15	5,135	1.9	21	--	--	--
Apartments																		
Total County	5,716	8.8	437	5,434	6.7	562	4,927	8.4	293	4,682	5.9	163	4,419	10.7	62	4,235	16.0	26
Santa Rosa	3,792	6.5	313	3,770	7.3	460	3,298	9.4	283	3,341	5.3	114	2,902	11.5	16	3,090	16.0	22
Cloverdale	38	7.9	--	44	9.1	--	116	3.4	--	24	37.5	--	46	32.6	--	49	26.5	--
Cotati	547	25.6	108	397	10.1	63	284	7.4	4	262	1.5	--	100	10.0	42	72	12.5	--
Healdsburg	51	23.5	--	52	17.3	--	111	8.1	--	33	81.8	2	112	17.9	--	109	25.7	--
Petaluma	882	6.1	--	739	4.3	--	919	3.7	4	745	7.1	47	851	6.3	--	802	14.2	2
Sebastopol	181	10.5	11	188	1.1	4	83	32.5	2	85	2.4	--	95	16.8	--	113	18.6	2
Sonoma	225	12.4	5	244	1.2	35	116	6.9	--	192	1.6	--	313	8.3	4	--	--	--
Mobile Homes																		
Total County	4,848	2.8		4,051	2.7		3,937	1.8		3,469	2.5		2,863	3.1		2,190	4.4	
Santa Rosa	2,670	3.1		2,440	2.1		2,203	0.8		2,014	1.0		1,666	1.5		1,452	2.8	
Cloverdale	6	100.0		--	--		96	2.1		19	10.5		52	--		24	--	
Cotati	315	3.2		231	2.2		216	--		216	1.4		218	5.5		219	6.8	
Healdsburg	101	2.0		57	--		103	1.0		88	8.0		71	4.2		75	1.3	
Petaluma	578	0.5		463	3.5		395	8.1		317	6.9		217	1.8		210	--	
Sebastopol	304	3.0		334	1.5		341	0.9		298	1.0		247	4.9		210	19.0	
Sonoma	874	2.9		526	5.7		583	2.4		517	5.4		392	8.2		--	--	

U.S. Federal Housing Administration

Analysis of the...housing market, as of

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