



The Web Site of The Sacramento Bee

This story is taken from [Sacbee](#) / [News](#).

## Sacramento County incomes dropped amid housing boom

By Phillip Reese and Dale Kasler - [preese@sacbee.com](mailto:preese@sacbee.com)

*Published 12:00 am PDT Monday, May 5, 2008*

Even as housing prices doubled and the construction industry flourished, most Sacramento County residents saw their incomes effectively drop during the housing boom, according to new state tax figures.

Adjusting for inflation, the median income of Sacramento County families who filed joint tax returns fell about 1 percent from 2002 to 2006, a showing worse than 51 of the state's 58 counties, according to California Franchise Tax Board figures released this week.

In the process, the median income of those families fell below the \$66,800 statewide median – which rose about 3 percent after inflation during the period – for the first time in at least a decade.

"It's crazy, man," said Anthony Richardson, a Sacramento resident who saw his tiny moving and hauling business suffer during the boom as new, big players crowded him out. "I used to go around making money. I was the only one who was doing it."

Several economists said the apparent good times created by the boom masked problems in local sectors not related to housing. And many local residents were fooled into feeling flush by the abundant cash coming in from home equity loans – the same, nonrecurring funds that would later turn into high-interest debt.

"The economic growth year to year was strong but not stellar," said Suzanne O'Keefe, an economist at California State University, Sacramento, and the Sacramento Regional Research Institute. For part of this period, especially 2003 and 2004, she said, state government was doing poorly because of the deficit.

There was even a hiring freeze at one point and, O'Keefe said, government salaries

didn't grow very quickly.

Meanwhile, some of the big, local high-tech companies were downsizing, including Hewlett-Packard in South Placer and Intel in Folsom.

"We were losing some of our higher-paying jobs," O'Keefe said. "Much of the job growth was in lower-paying jobs" like service and retail, where wage growth tended to be slower.

Although counties around Sacramento saw incomes grow, albeit slowly, many other Central Valley counties – including Merced and San Joaquin – joined Sacramento at the bottom of the pile.

The real estate boom may not have helped the Valley as much as other areas because "25 percent of the homes were being sold to speculators and non-resident owners. They weren't reporting income in the region," said Carol Whiteside, president emeritus of the Great Valley Center, a Modesto think tank.

The Valley also struggled to create jobs quickly enough to keep up with the population boom, Whiteside said. And the quality of the jobs being created wasn't high end, for the most part.

Officials at the Franchise Tax Board cautioned that their income figures show adjusted gross income after exemptions, some of which are related to selling homes. Single filers, for example, get to exclude the first \$250,000 in capital gains from a home sale; joint filers get to exclude the first \$500,000.

But several economists said those real estate gains don't really matter anyway because, in most cases, people plowed their big gains into another, bigger house. And for those who didn't sell but borrowed against their ever-increasing equity to buy other things, such gains don't represent steady income. People may have felt wealthier, but their incomes weren't really rising.

During 2006, the last year of the boom, Sacramento households refinanced at a rate about twice the national average.

"You might be feeling richer and you might be consuming more, but that isn't taxable income, that isn't earnings," said Deborah Reed, economist at the Public Policy Institute of California. "Unfortunately for some people, it wasn't real in the sense that it's not there now."

Economists said the Franchise Tax Board numbers match other studies showing that the housing boom and concurrent economic growth mostly helped those who already had a lot of cash.

During this time, "the middle- to low-income groups didn't really see much of an improvement in their pay; most of the gains came in the higher-income brackets," said Howard Roth, the state's chief economist. This was true across the United States, not just in California.

Chris Thornberg, a principal at the Los Angeles consulting firm Beacon Economics, noted that census figures also show that average incomes rose quicker than median incomes. An average – unlike a median – can be greatly affected by families making lots of money.

"What you're seeing is a widening of the income distribution," Thornberg said. "The rich are getting richer."

Citrus Heights resident Ryan Scott is one of the local residents left behind by the boom. Scott saw his family lose its business, and he lost his own job during the early part of the decade. "It's hard," said Scott, 34, as he sat at a downtown light-rail station.

Though Scott has trouble doing most jobs because of a car accident that left him injured as a young adult, he was able to work for his family's Old Sacramento business. "I cooked popcorn," Scott said, smiling. "I made about 100 flavors."

But the rent on the store started going up just as housing prices started taking off, and business wasn't keeping pace. So, after 22 years, the popcorn store closed up shop. Now Scott, his wife and their children get by largely on his disability check.

Richardson, the local hauler, also never made a huge amount of money to begin with, recalling wistfully that before the boom he earned \$300 a day.

Since the boom ended, he said, things have gotten worse. Much of the competition that smothered him during the boom is still around fighting for ever-dwindling business.

"Ain't nobody buying homes," Richardson said. "That's a setback, too."

Go to: [Sacbee](#) / [Back to story](#)

This article is protected by copyright and should not be printed or distributed for anything except personal use.  
The Sacramento Bee, 2100 Q St., P.O. Box 15779, Sacramento, CA 95852  
Phone: (916) 321-1000

[Copyright](#) © [The Sacramento Bee](#)